2018 annual report

AMP Limited ABN 49 079 354 519

Contents

Unless otherwise specified, all amounts are in Australian dollars.
The directors' report, financial report and independent auditor's report are dated and current as at 14 February 2019.

Message from the Chairman

Dear Shareholders

I accepted the role of Chairman in June 2018 because I believe that AMP plays an important role in the financial wellbeing of its customers. However, the business faced a very difficult set of circumstances last year that undoubtedly affected you, our shareholders, and your trust in AMP.

In joining AMP, the immediate issues to be addressed were renewal of the board, appointment of a new Chief Executive Officer, strengthening of the governance framework and to commence oversight of the transformation of the business.

That change is very much underway and will continue in 2019.

Transforming AMP

In 2018, AMP began a structural transformation that will better position our business for the future and improve performance for our shareholders.

This included a review of our wealth protection and mature businesses, initiated in response to structural changes in the industry that restricted our ability to compete on a sustainable basis and deliver acceptable returns to shareholders.

As a result, the board decided to sell our Australian and New Zealand wealth protection and mature businesses to Resolution Life, a UK-based international insurance group. In doing so, we were acutely aware that this moves AMP away from its historic core. However, we firmly believe that this was the right outcome for our shareholders and not detrimental to our customers. In Resolution Life, we have a partner who has shown a strong commitment to policyholders throughout its history.

The final report from the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (Royal Commission) provided a turning point for the financial services sector in rebuilding trust with customers, shareholders and the community. The recommendations establish a solid industry framework and provide a basis for setting AMP's future direction.

We will work constructively with the government, regulators, advisers, trustees and other bodies to ensure that, as the recommendations move into definitive legislative reform, the outcomes are clear, simple and meet the best interests of customers.

In 2018, AMP also accelerated our advice remediation program to remediate clients of advisers who received inappropriate advice, or who paid fees where there was no evidence of services delivered. We are deeply disappointed we let our customers down. This is a complex program which requires regulatory consultation and may take three years to complete, but we are committed to ensuring affected customers are compensated.

The appointment of AMP's new CEO was a priority in reshaping our business. Our new CEO, Francesco De Ferrari, has a strong track record in redesigning business models to deliver turnaround and growth. The board and I are confident that Francesco has the strategic acumen and expertise to steer our organisation into the future.

The search for the right CEO to drive AMP's recovery was extensive. In appointing an international executive, standard international remuneration arrangements were followed. This is covered in detail in the remuneration report on page 37.

In transforming AMP, the role of the board in setting 'the tone from the top' is fundamental to achieving an effective culture of an organisation. This has been an important consideration in board renewal.

John O'Sullivan joined the board as an independent non-executive director in June 2018, bringing almost 40 years' experience in financial services and the legal profession in Australia.

John Fraser joined the board as an independent non-executive director in September 2018. John has significant experience in leadership roles in economics, public policy, capital markets and asset management in Australia and overseas.

Andrea Slattery joined the board as an independent non-executive director on 15 February 2019. Andrea brings more than 26 years' experience as a non-executive director and senior executive in financial services, retirement and superannuation, government relations, infrastructure, professional services, academia and innovation.

2018 performance and dividend

AMP's 2018 financial performance reflects the challenges we've faced during the period including: the imperative to remediate customers in our advice business, a deterioration in the performance of our wealth protection business and the impact of the Royal Commission proceedings on AMP's reputation.

Overall, we reported an underlying profit of $680 million for the year to 31 December 2018 and profit attributable to shareholders of $28 million.

The board took the difficult decision to declare a reduced 2018 final dividend of 4 cents per share, resulting in a total dividend paid for 2018 of 14 cents per share. This took account of the 2018 financial results, the related impact on AMP's capital position and the uncertainty in the operating environment.

The dividend reflects the board's view that as a customer-centred business, we must maintain a strong capital position. In 2018, we maintained this position at year-end, holding $1.65 billion above minimum regulatory requirements.

Remuneration

The board understands that many of our shareholders are disappointed with AMP's business and financial performance in 2018. We recognise that many of our shareholders voted against the 2017 remuneration report in response to wider issues in the business, as well as concerns about the remuneration framework itself.

Reflecting the circumstances of last year, the board decided to award zero short-term incentives for AMP's group leadership team in 2018 (excluding AMP Capital). It also applied appropriate consequence management including forfeiture of long and short-term incentives for a number of former executives and a reduction in board director fees for 2018.

I encourage shareholders to read the remuneration report and consider the board's intentions, including our response to concerns raised to the 2017 remuneration report, remuneration consequences for risk and reputation matters and the new CEO remuneration arrangements.

These intentions are anchored in the principle that incentives should be aligned with the financial outcome for our shareholders and must be accompanied by consequence management for misconduct. In addressing incentive remuneration, the board recognises there is not one formula or scorecard that can outweigh the exercise of judgement.

2019

2019 will be a year of transition as we position the business for the future. Management will be primarily focused on the separation of our wealth protection and mature businesses to Resolution Life, progressing the remediation program with urgency and strengthening risk management, governance and controls.

Beyond this, management will continue to drive performance in our core operating businesses. This will ensure that we are set up to progress a transformed business encompassing wealth management, as well as important businesses in banking and investment management.

AMP has a strong, proud and important 170-year history in Australia. We have made some important decisions in 2018 and our turnaround is in progress.

I am confident with our renewed board, the stewardship of a new CEO, the commitment of our people and our intention to build from outcomes from the Royal Commission, we can restore confidence in our business and deliver for customers and shareholders.

I look forward to providing a further update at the AGM in May 2019.

David Murray AO
Chairman

Message from the CEO

Dear Shareholders

I am honoured to have joined AMP in December 2018. I appreciate that it has been a challenging time for you, our shareholders. As CEO, my priority is to address the issues and transform our business, so we can better compete and deliver for shareholders into the future.

2018 was a difficult year for AMP, and the wider financial services sector. The Royal Commission was a confronting, but valuable experience and AMP embraced it as an impetus for change. We took a series of decisive actions, reflecting our acknowledgement of the gravity of the issues facing the business.

2018 financial performance

Our core businesses reported resilient performances notably in AMP Capital, our investment management business, and AMP Bank. Our Australian wealth management business faced a number of external challenges, leading to a renewed focus on retaining our clients. In New Zealand, the wealth management business delivered steady earnings through disciplined cost management.

The operating earnings of the Australian and New Zealand wealth protection and mature businesses were reduced by negative experience that led AMP to strengthen our best estimate assumptions for future claims and take substantial capitalised losses in the second half of the year as a result.

2019

2019 will be a transitional year for AMP, where we focus on repositioning our business for the future. Our first priority is the separation of our wealth protection and mature businesses, which will help simplify and create the basis for a more agile AMP.

Our second priority is the delivery of our advice remediation program to compensate impacted clients. We are focused on doing this as quickly as possible.

Lastly, AMP is focused on getting our risk, governance and control settings right. This includes placing ethics and risk at the core of our culture.

Following the sale of the wealth protection and mature businesses, we will have four core operating businesses – wealth management in Australia and New Zealand, AMP Bank and AMP Capital.

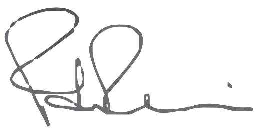
Our wealth management business in Australia has foundational assets and strong market positions. However, the business model is challenged and we need to reshape it for the future. In New Zealand, our wealth management business continues to deliver resilient earnings for the group. Our opportunity is to become an advice-led wealth management business. AMP Capital has a strong growth trajectory, particularly internationally. AMP Bank has performed well and can be further leveraged as part of our wealth management offer.

Underlining all of this, the client must be at the centre of everything we do. Our overarching focus will be on meeting their needs and improving the value of the products and services we provide.

AMP has been part of the social fabric and business community of Australia for 170 years. We have a willingness to change to ensure we meet the expectations of our clients and the community. This commitment is evident across our organisation, from our employees, to management and the board.

It is going to take a concerted team effort to reshape our business and deliver improved financial results over the next few years. I am confident that we have a strong business, with the right fundamentals in the markets we operate in to drive AMP's future success.

I joined AMP knowing that I can be proud of the work we do each day for our clients and in turn, deliver for our shareholders.



Francesco De Ferrari
Chief Executive Officer

Our financial performance

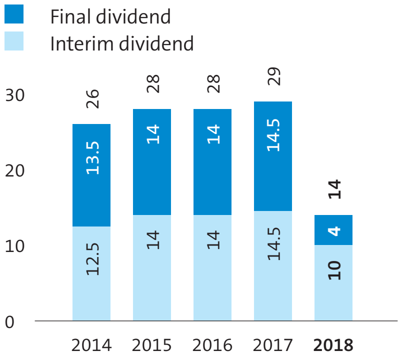
Five-year financial summary

Year ended 31 December	2018 $m	2017 $m	2016 $m	2015 $m	2014 $m
Consolidated income statement					
Net premium, fee and other revenue	**6,390**	6,522	6,204	5,539	5,343
Investment gains	**1,854**	11,888	8,567	8,483	12,244
Profit (loss) before income tax from continuing operations	**(366)**	1,636	358	1,993	1,814
Income tax expense	**417**	(763)	(166)	(280)	(843)
Non-controlling interests	**(23)**	(25)	(536)	(741)	(87)
Profit (loss) after tax attributable to shareholders of AMP Limited	**28**	848	(344)	972	884
Consolidated statement of financial position					
Cash and cash equivalents	**3,932**	3,602	3,476	3,955	3,581
Investment assets	**133,172**	137,558	129,995	128,074	123,292
Intangibles	**3,208**	3,218	3,199	3,983	4,042
Assets of disposal groups	**–**	–	–	–	100
Other assets	**4,966**	3,861	3,390	3,696	3,840
Total assets	**145,278**	148,239	140,060	139,708	134,855
Interest-bearing liabilities	**21,650**	21,009	17,218	17,452	16,502
Life insurance contract liabilities	**23,257**	23,683	24,225	23,871	24,403
Investment contract liabilities	**68,742**	75,235	71,579	69,848	66,980
Liabilities of disposal groups	**–**	–	–	–	69
Other liabilities	**24,838**	21,029	19,497	19,642	18,516
Total liabilities	**138,487**	140,956	132,519	130,813	126,470
Net assets	**6,791**	7,283	7,541	8,895	8,385
Contributed equity	**9,502**	9,376	9,619	9,566	9,508
Reserves	**(1,931)**	(2,010)	(1,972)	(1,866)	(1,888)
Retained earnings	**(886)**	(164)	(185)	819	566
Total equity attributable to shareholders of AMP Limited	**6,685**	7,202	7,462	8,519	8,186
Non-controlling interests	**106**	81	79	376	199
Total equity	**6,791**	7,283	7,541	8,895	8,385

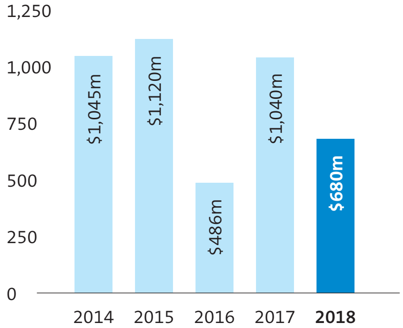
Year ended 31 December		2018	2017	2016	2015	2014
Other financial data						
Basic earnings per ordinary share	($ps)	**$0.01**	$0.29	($0.11)	$0.33	$0.30
Diluted earnings per ordinary share	($ps)	**$0.01**	$0.29	($0.11)	$0.33	$0.30
Dividends per ordinary share	($ps)	**$0.14**	$0.29	$0.28	$0.28	$0.26
Number of ordinary shares	(m)	**2,937**	2,918	2,958	2,958	2,958
Assets under management	($b)	**258**	257	240	226	214

2018 results at a glance

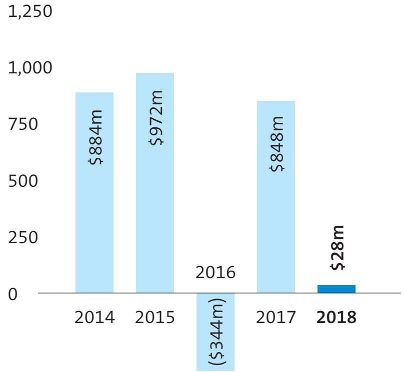
Dividends
cents per share



Underlying profit
$ million



Profit attributable to shareholders
$ million



14 cents per share

Total dividend for 2018
The final dividend of 4 cents per share will be paid on 28 March 2019 and will be 90% franked.

$680m

Underlying profit
Underlying profit is our core measure of performance.

$28m

Profit attributable to shareholders
The main difference between profit attributable to shareholders and underlying profit comes from movements in investment markets and one-off costs.

($3,968m)

Australian wealth management net cash outflows
Down from net cash inflows of $931m in FY17 reflecting a range of factors including AMP's appearance at the Royal Commission and a reduction in member contributions.

$187.2b
down $0.5b

Assets under management in AMP Capital
Through AMP Capital we manage money for our customers and clients in Australia and around the world.

$123.2b
down from $130.4b

Assets under management for Australian wealth management
This is money we manage in our Australian wealth management business for customers.

$913m
down from $949m

Group controllable costs (ex AMP Capital)
Reduced costs across the company driven by cost efficiency initiatives and lower project costs.

$1.65b
down from $2.3b

Capital held above the minimum regulatory requirement
AMP holds capital above the minimum requirement to protect customers, creditors and shareholders against unexpected losses. This is an indication of the strength of our business.

$19.46b
up from $18.87b

Residential mortgage book
Primarily driven by growth in owner-occupied principal and interest-only lending in AMP Bank.

Figures compared to full year 2017 performance.

Our 2018 priorities

AMP faced significant challenges throughout 2018, as a result of issues within our business as well as across the broader market environment.

The problems identified, including fees charged to our customers for services they didn't receive from advisers, fell short of community expectations and the standards we hold for ourselves.

AMP recognises the importance of addressing these matters to ensure we deliver value for our customers and shareholders well into the future.

The company took decisive action in 2018 to address these issues and accelerate the business transformation. Following changes to the AMP Limited Board and leadership, Mike Wilkins was appointed acting Chief Executive Officer on 20 April 2018. Mike and AMP's leadership team identified a set of priorities to stabilise the business, address customer challenges and set up the company's long-term recovery.

The appointment of David Murray as Chairman in June 2018 was an important step in demonstrating AMP's firm commitment to change. David brings deep and extensive knowledge of the financial services industry to the role, and a firm commitment to rebuild AMP. He has made significant headway in the ongoing process of board renewal with the appointment of three new board members. Half of the AMP Limited Board in place at the beginning of the Royal Commission has since changed. The process of board renewal that commenced in 2018 is continuing, and is expected to be completed in 2019.

Important to the future strategy of AMP, the board appointed Francesco De Ferrari as the new CEO, who commenced in December 2018. The board has given Francesco a mandate to transform AMP and set a new strategy for the business.

Management is focused on delivering the long-term strategy, but in 2019 will focus on the separation of the wealth protection and mature businesses to Resolution Life, progressing the remediation program, strengthening risk management, governance and controls, as well as driving performance in the core operating businesses.

2018 priorities

1. Prioritise customers and restore confidence

Our first priority deliberately focused on our customers. AMP accelerated the advice remediation program in 2018. The program underlines our commitment to acknowledge we have let our customers down and damaged the community's confidence in our business. The program is on track to meet its three-year timeframe, with additional resources and increased investment announced.

We're committed to improving value for our customers, including offering price competitive products. Helping to enhance the competitiveness of AMP's MySuper offering, we implemented fee reductions for around 600,000 customers. We continue to work towards simplifying our product set and reducing operational complexity.

2. Transform advice

Financial advice plays an important role in the lives of Australians, helping them to plan and reach their life goals and it remains a cornerstone of AMP. We have been transforming this business and will continue this in 2019.

A core component in transforming advice is the Advice Improvement Program, which was accelerated in 2018 to meet changing regulatory and consumer expectations. This program has been focused on ensuring our advice business is meeting contemporary standards, commercial best practice and giving advised clients confidence that their adviser is providing advice in their best interests. The program covers both employed and aligned advisers.

We are working with ASIC to deliver its regulatory changes and throughout 2018, significant progress was made in rolling out new standards in advice policies, processes and the monitoring of the implemented changes.

AMP is committed to achieving and exceeding high standards of professionalism and ethics in financial advice. In 2018 AMP launched Adviser Pathways, an adviser training and development program for those new to the industry to meet the growing demand for high quality financial advisers.

AMP supports the objectives of the Financial Adviser Standards and Ethics Authority (FASEA) and provided seed funding and made submissions on its new FASEA standards for advisers. In December 2018, AMP announced the appointment of Alex Wade as Group Executive for Advice to design and implement a strategy for transforming our advice network to meet consumer and regulatory expectations.

3. Reprioritise portfolio review

In October 2018, AMP announced the completion of its portfolio review of the 'manage for value' businesses – wealth protection (insurance), mature and New Zealand. This included the decision to sell our Australian and New Zealand insurance and mature businesses to Resolution Life.

Resolution Life specialises in owning and managing large insurance businesses and is focused on existing customers. Its approach to prioritising customers is closely aligned with AMP, which was a key factor in the decision-making process.

The portfolio review was initiated in response to structural changes in the insurance industry and regulation globally. AMP's ability to compete in life insurance on a sustainable basis is challenged by the scale and lower cost of capital of its competitors in the market. The board believes Resolution Life was in a stronger position to manage the business, and as part of the transaction AMP will maintain ongoing interests in Resolution Life's business.

The sale is a significant step in setting up AMP for the future as well as, importantly, delivering strong outcomes for our people, our customers and our shareholders.

4. Strengthen risk management, internal controls and governance

In July 2018, we announced the commitment to invest $50 million (pre-tax) per annum over the next two years to strengthen AMP's risk management, internal controls and governance.

This multi-year program has been established to further enhance risk governance. Major ongoing initiatives as part of this program include:

- improving the design and implementation of the three lines of defence model (business management, risk management and internal audit) to enhance clarity and execution of risk responsibilities and accountabilities
- further developing and embedding the frameworks, policies and procedures for the management of risk and compliance
- improving the systems and data management infrastructure to support risk management and decision making, and
- strengthening processes and internal controls to improve operational risk management and compliance.

5. Maintain business momentum

In 2018, AMP also focused on maintaining momentum in a challenging environment.

AMP Capital maintained its growth momentum and continued to invest in international expansion. Notable transactions included the acquisition of 49% of London Luton Airport and entering a 50/50 partnership with Invenergy Clean Power, on behalf of investors in its global infrastructure equity series.

AMP Bank also continued to drive growth in a competitive market, whilst maintaining its conservative credit policy.

In China, our pensions joint venture, China Life Pension Company (CLPC), continued to grow and is a market leader in trustee services.

AMP is also a market leader in advice and superannuation and our North Platform grew strongly. MyNorth maintained momentum throughout the year, with approximately $38 billion in North AUM, up 8% from December 2017.

Who we are and what we do

AMP was founded in 1849 on a simple yet bold idea; that all individuals should have the power and ability to control their money and achieve their financial goals.

We have a long history in helping our customers manage their finances and achieve their goals. During the course of the past 170 years, our business has evolved and will continue to do so into the future.

AMP is a wealth management company which offers solutions across financial advice, investment management, banking, life insurance, superannuation, self-managed superannuation funds, retirement income and investing.

Australian wealth management

We help our customers to save for, and to live well in retirement, with our retail and workplace superannuation products, self-managed superannuation funds services, as well as retirement income solutions and investments for individuals. Our superannuation business paid out $2.5 billion in retirement payments (including mature payments) in Australia in 2018.

In a period of rapid transformation for the industry, AMP is committed to providing quality financial advice through our national network of advisers, ensuring Australians continue to have access to advice. In 2018, AMP launched Adviser Pathways, a rigorous training and development program for new advisers, further strengthening its ongoing focus on lifting professionalism and adviser standards.

AMP Bank

AMP Bank provides customers with residential and investment property home loans, deposit and transaction accounts and SMSF products. We also provide loans to AMP-aligned financial advice practices. We empower our customers to access AMP Bank products via a variety of channels including digital and online, phone, and through AMP financial advisers and home loan brokers.

In 2018, we helped around 110,000 Australians with their banking needs, including providing over 6,000 new home loans.

AMP Capital

We manage investments in equities, fixed income, diversified, multi-manager and multi-asset funds on behalf of clients around the world. AMP Capital also manages real estate and infrastructure assets including shopping centres, airports, trains and pipelines, with $20.3 billion in infrastructure investments managed on behalf of funds and clients. In Asia, we have strong partnerships with two of the leading financial services groups, MUFG: Trust Bank of Japan and China Life. Our partnership with PCCP, a US-based real estate investment manager, provides a strong opportunity towards meeting our growth ambitions overseas and in new markets.

At the end of 2018, AMP Capital managed $29 billion for international investors, including $17.3 billion for 302 direct international institutional clients.

New Zealand wealth management

In New Zealand we provide customers with financial products and services, directly and through one of the largest networks of financial advisers in the country. In 2018, AMP was the fourth-largest KiwiSaver Scheme provider with 10% of the total KiwiSaver market and approximately 225,000 customers.

Sold businesses (wealth protection and mature)

In October 2018, AMP announced the decision to divest its Australian and New Zealand wealth protection and mature businesses to Resolution Life. This is a major step in reshaping AMP as a simpler, more focused group. The transaction is expected to complete by the end of the third quarter in 2019.

Wealth protection (life insurance)

We support our customers and their families during tough times with life insurance, income protection and disability insurance solutions. AMP provides policies that are held by individuals or are a part of their superannuation fund.

In 2018, we paid $1.2 billion in Australian insurance claims and NZ$161 million in New Zealand insurance claims when people needed us most.

Mature

Through our mature business, we manage closed insurance and superannuation products that are no longer being sold. This business is managed for yield and capital efficiency.

Corporate sustainability

Our approach to sustainability is built around three core focus areas: our customers, our people and our community.

We are committed to rebuilding AMP to ensure a sustainable future – one that has shared value for customers, shareholders, employees, the community and the environment.

We know there is a clear link between an organisation's long-term business success and its approach to sustainability, including operating ethically and the quality of its corporate governance. We recognise we have fallen short in recent times, but we are genuinely committed to improving as we reset AMP as an organisation for the future.

AMP has a proud history of engaging in sustainable practices in the community. We are reducing our environmental footprint, contributing to the community through the AMP Foundation, and undertaking responsible investment in AMP Capital.

Our customers

AMP aspires to be a customer centric organisation. Following the challenges of recent years, highlighted in the Royal Commission, we are committed to improving our service and engagement with customers.

Following a review of advice delivered and fees charged across our advice network, we accelerated our remediation program to ensure all impacted customers are appropriately compensated. In response to industry-wide issues raised by ASIC and community expectations, we have dedicated additional resources to this important program in order to address these mistakes in a comprehensive and timely manner.

AMP is committed to substantially simplifying its superannuation business and offers, with a view to reduce the number of AMP's superannuation products and investment options, providing simpler and more competitive offers for members.

In 2018, we reduced fees for around 600,000 customers of AMP's MySuper products.

In 2018, we focused on listening to our customers. We asked over 450,000 customers and business partners for their feedback and made more than 120 changes in our systems and processes in response.

Our belief in the importance of financial literacy led to the launch of Welcome Journey. This unique engagement process for new customers joining an AMP Superannuation plan focuses on awareness and education.

Technology is making our offerings simpler for our customers. During the 2018 year, we delivered a refined mobile Money Manager tool and introduced a new micro-budgeting element within our My AMP mobile application, to make money management easier. In 2018, more than 341,000 customers used our My AMP digital program to help manage their finances.

AMP Customer Advocate

In 2018, our AMP Customer Advocate worked with many of our customers to resolve complaints. To reach a fair and reasonable outcome, our AMP Customer Advocate takes an independent view, and listens to our customers to understand their concerns, in order to comprehensively review their complaints.

Our people

Inclusion and diversity

AMP encourages a respectful, diverse and safe workplace that supports the physical and psychological wellbeing of our people. Valuing differences and encouraging a flexible and inclusive environment where people feel they can bring their whole self to work is critical if we are to deliver outstanding results for customers, partners and shareholders.

We worked with the Diversity Council of Australia in 2018 to embed seven best-practice inclusion and diversity principles for recruitment. Already in use in some areas, they will be rolled out across AMP in 2019 to improve our ability to attract diverse people and ultimately lift our performance.

In New Zealand, AMP received the Rainbow Tick certification in recognition of our diverse and inclusive workplace for people of different genders, sexualities, ethnicities, physical abilities and cultures.

In 2018, the board recognised that significant change was required to restore confidence in our business. Half of the AMP Limited Board in place at the beginning of the Royal Commission has since changed. The decision of a number of female directors to step down regrettably eliminated the then representation of women on the board. The process of board renewal currently underway has, given the events of 2018, made it more difficult to restore the previous representation of female directors, for the time being.

AMP has gender diversity targets in place for management positions, which require women to hold 47% of senior executive roles and 50% of middle manager roles by the end of 2020. In 2018, AMP maintained a sound representation of women in management positions. As a result of changes to AMP's organisational structure in 2017, the business did not meet its progress target. The representation of women in senior executive roles increased (from 38%) to 39% at 31 December 2018, with women holding 41% of middle manager roles. Overall, women make up 52% of our workforce. We are working to increase the representation of women at these levels by offering flexible work options, refining our recruitment and appointment practices, and focusing on female succession, talent, sponsorship and advocacy.

Our community

Responsible investing

AMP Capital, our investment management arm, is a major investor in companies and assets on behalf of our customers, and is committed to improving the corporate responsibility of the businesses it invests in. A key part of AMP Capital's decision-making process is assessing the environmental, social and governance (ESG) performance of its investments.

We were one of the first signatories globally to the UN-backed Principles for Responsible Investment, and the most recent assessment results on how we are progressing on our commitments is available at ampcapital.com.au/esg.

We have dedicated ESG and sustainability specialists who actively engage the boards and management teams of companies and assets on a range of ESG issues. As stewards of our clients' investments, we encourage sound decision making and risk management, appropriate capital allocation, good board composition, gender diversity, fair remuneration and open and honest disclosure. Through proxy voting, we encourage corporate behaviour that will deliver better long-term results for investors, shareholders and the community.

In September 2018, AMP Capital fulfilled its commitments in accordance with its ethical framework by completing the divestment of tobacco, cluster munitions, landmines, chemical and biological weapons securities from its managed portfolios.

Protecting our environment

AMP assesses the environmental risks and opportunities across our business, including the investments managed by AMP Capital and the impact of our own operations. In 2018, we continued to make progress against our environmental priorities and targets, remaining carbon neutral in our own operations.

We reduced our Scope 1 and 2 (operational) emissions in 2018 by 15% from 2017 levels. AMP also maintained an A– Leadership score in our annual submission through the Carbon Disclosure Project (CDP), which has aligned to the Task Force on Climate-related Financial Disclosures (TCFD). Our CDP disclosure demonstrates how we manage climate risk across key business areas.

Investing in the community

Through the AMP Foundation we help provide a better tomorrow for more people in the community, especially people facing challenges accessing education and employment opportunities. Since 1992, the AMP Foundation has distributed close to $100 million to help charities and individuals make a positive impact on communities in Australia and New Zealand.

The AMP Foundation helps people to help themselves by supporting organisations that give disadvantaged Australians learning and work opportunities. The AMP Foundation also helps people to help others, supporting our employees and financial advisers to share their time, skills and resources with the community.

In 2018, the AMP Foundation distributed close to $5 million in the community, including more than $1 million in grants through AMP's Tomorrow Fund to help 43 amazing Australians make a positive impact. AMP also presented $170,000 in scholarships to 22 New Zealanders through the AMP Scholarships program, which celebrated 20 years in 2018.

You can find further information in our sustainability report at amp.com.au/corporatesustainability.

Our board

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David Murray AO[1]
Chairman BBus, MBA
David was appointed to the AMP Limited Board as Chairman in June 2018. He is also Chairman of the Nomination and Remuneration Committees and was appointed a member of the Risk Committee in January 2019. In addition, on 15 February 2019, David was appointed Chairman of the AMP Bank Limited Board and a member of its Risk Committee.

Experience
David has 40 years' experience in financial services, with expertise in banking and wealth management, as well as the industry's regulatory environment.

David served as Chief Executive Officer of the Commonwealth Bank of Australia from 1992 to 2005 and as the inaugural Chairman of the Australian Future Fund from 2006 to 2012 when his statutory term ended. He was also the inaugural chair of the International Forum of Sovereign Wealth Funds. David also chaired the Financial System Inquiry, which reported to the Australian Government in December 2014 and has previously served as a member of the Finance Sector Advisory Council and the APEC Business Advisory Council.

David holds a Bachelor of Business from the NSW Institute of Technology and a Master of Business Administration, commenced at Macquarie University and completed at the International Management Institute, Geneva. He holds an honorary Doctor of Letters from Macquarie University.

Government and community involvement
– Chairman of the Butterfly Foundation Limited
– Ambassador of the Australian Indigenous Education Foundation

Francesco De Ferrari
Chief Executive Officer
See page 15 for details of Francesco's roles, responsibilities and experience.

John Fraser[2]
Independent Director BEc (Hons)
John was appointed to the AMP Limited Board in September 2018 and was appointed a member of its Audit, Risk and Remuneration Committees in January 2019. On 15 February 2019, John was appointed to the AMP Bank Limited Board and as a member of its Audit and Risk Committees. He was also appointed at the same time to the AMP Capital Holdings Limited Board and as a member of its Audit and Risk Committee.

Experience
John has more than 40 years' experience in leadership roles in economics, public policy, capital markets and asset management in Australia and overseas.

Most recently he was Secretary to the Treasury from 2015 to July 2018. In this capacity, John was a member of the Board of the Reserve Bank of Australia, a member of the Australian Council of Financial Regulators and Chair of the G20 Global Infrastructure Hub.

John came back to Treasury after an extensive career with UBS, including more than a decade as Chairman and CEO of UBS Global Asset Management based in London. During this time, he was also a member of the UBS Group Executive Board and Chairman of UBS Saudi Arabia, as well as Chairman of various subsidiaries and joint ventures for UBS Global Asset Management. John also served as an Australian Stock Exchange Board director and as Chairman of Victorian Funds Management Corporation.

Prior to joining UBS and its predecessor organisations in 1993, John held a number of senior positions with the Australian Treasury over 20 years, including postings at the International Monetary Fund and at the Australian Embassy in the United States.

John graduated from Monash University, Melbourne, with a first-class honours degree in economics. He received a Centenary medal for service to Australian society through business and economics in 2001 and was awarded an honorary Doctorate of Laws from Monash University.

Government and community involvement
– Director of the Advance Board
– Director of the Future Fund

Andrew Harmos[3]
Independent Director BCom, LLB (Hons)
Andrew was appointed to the AMP Limited Board in June 2017. He is a member of its Audit and Risk Committees and was appointed as Chairman of the Risk Committee in April 2018. He was also appointed a member of the Remuneration Committee in January 2019.

Andrew was appointed to the AMP Life Limited and The National Mutual Life Association of Australasia Limited Boards in August 2013. He has served as a member of the Audit Committees of both boards since August 2013 and was appointed Chairman of these Committees in May 2016. He was appointed as a member of the Risk Committees of both boards in November 2014 and Chairman in April 2018. In addition, on 15 February 2019, Andrew was appointed to the AMP Bank Limited Board, as a member of its Audit Committee and as Chairman of its Risk Committee.

Experience
Andrew is one of the founding directors and shareholders of Harmos Horton Lusk Limited, an Auckland-based specialist corporate legal advisory firm. He specialises in corporate

takeovers, corporate structure and governance advice, company, business and asset acquisitions and disposals, securities offerings, and strategic and board corporate advice.

Andrew is also a director of Pascaro Investments Limited (a farm investment company) and Elevation Capital Management Limited, and was previously Chairman of NZX Limited and a trustee of the Arts Foundation of New Zealand.

Listed directorships
– Director of Scentre Group (appointed June 2014)

Trevor Matthews[4]

Independent Director MA
Trevor was appointed to the AMP Limited Board in March 2014, became a member of its Audit Committee in May 2014 and a member of the Risk Committee in November 2014. He was also appointed as a member of the Remuneration Committee in May 2018. Trevor joined the AMP Life Limited and The National Mutual Life Association of Australasia Limited Boards in June 2014 and was appointed Chairman of those boards in May 2016. He is also a member of the Audit and Risk Committees of each of those boards. On 15 February 2019, Trevor was appointed to the AMP Bank Limited Board and as a member of its Audit and Risk Committees.

Experience
Trevor, an actuary with more than 40 years' experience in financial services, has expertise in life insurance, general insurance, wealth management, banking, investment management and risk. He has held life and general insurance chief executive roles in Australia, North America, Asia and Europe. He returned to Australia in 2013 after 15 years overseas and has assembled a portfolio of non-executive directorships. His last overseas position was as an executive director of Aviva plc. a leading global life and general insurer. He was also chairman of its UK and French businesses. Prior to that he was Group CEO of Friends Provident plc.

Listed directorships
– Director of Cover-More Group Limited (ceased April 2017)
– Chairman of 1st Group Ltd (appointed February 2015)

Government and community involvement
– Chairman of the NSW State Insurance Regulatory Authority

John O'Sullivan[5]

Independent Director BA, LLB, LMM
John was appointed to the AMP Limited Board in June 2018. He was appointed a member of the Audit, Risk and Remuneration Committees in January 2019. On 15 February 2019, John was appointed to the AMP Bank Limited Board and as a member of its Audit and Risk Committees.

Experience
John has over 40 years' experience in the legal and financial services sectors in Australia. He started his career at Freehill Hollingdale & Page (Herbert Smith Freehills), later becoming a partner at the firm where he was recognised as one of Australia's leading corporate and M&A lawyers.

From 2003 to 2008, John was General Counsel of the Commonwealth Bank of Australia before spending 10 years at Credit Suisse Australia where he was Executive Chairman, Investment Banking and Capital Markets, Australia until February 2018. John is a member of the Takeovers Panel. He holds a Bachelor of Laws and Bachelor of Arts from the University of Sydney and a Master of Laws from the University of London.

Government and community involvement
– Ambassador of the Australian Indigenous Education Foundation
– Director of the WestConnex entities

Geoff Roberts[6]

Independent Director BCom, MBA
Geoff was appointed to the AMP Limited Board and as Chairman of the Audit Committee in July 2016. He became a member of the Risk Committee in January 2018 and a member of the Remuneration Committee in January 2019. He was appointed a Director of AMP Life Limited and The National Mutual Life Association of Australasia Limited and a member of their Audit and Risk Committees in May 2018. On 15 February 2019, Geoff was appointed to the AMP Bank Limited Board, as a member of its Risk Committee and as Chairman of its Audit Committee.

Experience
Geoff has more than 30 years' experience in financial services across Australia, Asia and Europe, with a particular focus on accounting, financial management and strategic advice. He was appointed CFO of SEEK Limited in June 2015 and prior to that held the positions of Managing Partner of Deloitte Victoria and Director of Deloitte Australia, and Group CFO of AXA Asia Pacific Holdings. Geoff is a Fellow of Chartered Accountants Australia and New Zealand and has also served the not-for-profit sector as Chairman of the Reach Foundation and a Director of Vision Australia.

Andrea Slattery[7]

Independent Director
B Acc, M Comm
Andrea was appointed to the AMP Limited Board on 15 February 2019 and as a member of the Audit, Risk and Remuneration Committees. At the same time she was appointed to the AMP Bank Limited Board and its Audit and Risk Committees.


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Experience
Andrea has substantial experience as a non-executive director and senior executive in financial services, retirement and superannuation, government relations, infrastructure, professional services, academia and innovation, spanning more than 26 years.

Andrea was the Managing Director and CEO of the SMSF Association for 14 years from 2003 to 2017, which she co-founded. Previously, she worked at the University of South Australia; she was a financial adviser and she founded her own consulting and advisory business.

Her previous Government Advisory Committee appointments include the Federal Government's Innovation Investment Partnership, Stronger Super Peak Consultative Group, Superannuation Advisory Group and the Future of Financial Advice and the Shadow Ministry's Infrastructure & Innovation and Superannuation & Industry Partnerships.

Listed directorships
– Director of Argo Global Listed Infrastructure Limited (appointed April 2015)
– Director of Centrepoint Alliance Limited (ceased January 2019)

Government and community Involvement
– Director of Clean Energy Finance Corporation (appointed February 2018)
– Director of South Australian Cricket Association (appointed April 2010)
– Vice Chairman of Woomera Prohibited Area Advisory Board (from 1 July 2019)

Peter Varghese AO[8]

Independent Director BA (Hons)
Peter was appointed to the AMP Limited Board and as a member of its Risk Committee in October 2016. He became a member of the Nomination Committee in May 2017 and a member of the Audit and Remuneration Committees in January 2019. Peter was appointed to the AMP Capital Holdings Limited Board and as a member of its Audit and Risk Committee in October 2016. He was also appointed to the AMP Bank Limited Board in May 2018 and as a member of its Audit and Risk Committees in February 2019.

Experience
Peter has extensive experience in public administration and governmental and international affairs, which spans 38 years and includes senior positions in foreign affairs, trade policy and intelligence. Most recently, Peter was Secretary of the Department of Foreign Affairs and Trade where he was CEO of a complex global operation including 100 overseas posts. His previous appointments include High Commissioner to India, High Commissioner to Malaysia, Director-General of the Office of National Assessments, and Senior Adviser (International) to the Prime Minister of Australia. He was also a member of the Australia-China High Level Dialogue and was the Minister (Political) at the Australian Embassy in Japan.

Peter was made an Officer of the Order of Australia in 2010 for distinguished service to public administration. He was awarded an Honorary Doctorate of Letters from the University of Queensland in recognition of his distinguished service to diplomacy and Australian public service.

Government and community involvement
– Chancellor, University of Queensland

Mike Wilkins AO[9]

Independent Director BCom, MBA
Mike was appointed to the AMP Limited Board in September 2016. On 20 April 2018, he was appointed acting Chief Executive Officer and held that role until 30 November 2018. He also assumed the role of interim Executive Chairman from 30 April 2018 until David Murray's appointment as Chairman on 21 June 2018. From 1 December 2018, he resumed his role as a non-executive director. Mike was also appointed a member of the Audit, Risk, Remuneration and Nomination Committees in January 2019.

Mike was appointed to the AMP Life Limited and The National Mutual Life Association of Australasia Limited Boards in October 2016. Mike is also a member of these boards' Audit and Risk Committees. On 15 February 2019, Mike was appointed to the AMP Bank Limited Board and as a member of its Audit and Risk Committees.

Experience
Mike has more than 30 years' experience in financial services in Australia and Asia, including life insurance and investment management. Mike has more than 20 years' experience as CEO for ASX 100 companies. Most recently, he served as Managing Director and CEO of Insurance Australia Group Limited (IAG). He is the former Managing Director and CEO of Promina Group Limited and Tyndall Australia Limited.

Mike has served as a director of Alinta Limited, Maple-Brown Abbott Limited, The Geneva Association and the Australian Business and Community Network. He was on the Business Council of Australia for eight years and a member of the B20 Human Capital Taskforce in 2014. Mike is a Fellow of Chartered Accountants Australia and New Zealand. Mike was made an Officer of the Order of Australia in 2017 for distinguished service to the insurance industry.

Listed directorships
– Director of QBE Insurance Group Limited (appointed November 2016)
– Director of Medibank Private Limited (appointed May 2017)

Our management team

Francesco De Ferrari[1]

Chief Executive Officer MBA, BS (Econ) (IntBus)
Francesco was appointed Chief Executive Officer of AMP Limited by the AMP Limited Board, joining in December 2018. As CEO, he is responsible for leading the AMP business and is accountable for its performance. In January 2019, Francesco was appointed to the AMP Limited Board, and on 15 February 2019 he was appointed to the AMP Bank Limited and AMP Capital Holdings Limited Boards.

Experience
Francesco has more than 20 years' experience in the wealth management industry including private banking and management consulting. He spent 17 years in executive roles at Credit Suisse in Asia and Europe, leading businesses that grew substantially under his leadership.

During almost seven years as Head of Credit Suisse's Asia Pacific private banking business, he overhauled the operating model, increased assets under management and profitability, and improved culture and controls within the business. As CEO of South East Asia and Frontier Markets, Francesco was responsible for Credit Suisse's business in Investment Banking, Global Markets, Private Banking in ASEAN and frontier markets across the Asia Pacific.

Francesco was conferred the Institute of Banking and Finance (IBF) Distinguished Fellow award in 2016 for excellence in professional stature, integrity and achievement in the financial industry.

Megan Beer[2]

Chief Executive, AMP Life
EMBA, MEc, FIAA, MAICD, ANZIIF (CIP)
Megan joined AMP in February 2014 as Director, Insurance and was appointed Group Executive, Insurance on 1 January 2017. Megan will lead AMP Life through the separation and transfer to Resolution Life, which is expected in 2H 2019. On completion, Megan will join Resolution as CEO AMP Life and Head of Resolution's Australasian region.

Experience
Megan has more than 20 years' experience in the financial services industry in a range of executive, finance, actuarial and consulting roles. Prior to AMP, Megan led NAB's wealth management and insurance offer through the bank channel as General Manager, Bancassurance and Direct. Megan was also General Manager of Group Insurance and Head of Finance for Insurance, both at MLC. She worked for Tower (now TAL) for six years as Chief Actuary, Chief Risk Officer and Head of Risk, Planning and Analysis, and has been a Director with Tillinghast (Consulting Actuaries).

Other appointments
– Managing Director of AMP Life and The National Mutual Life Association of Australasia Limited
– Director and Deputy President of Australian and New Zealand Institute of Insurance and Finance

Sally Bruce[3]

Chief Executive, AMP Bank BCom, MAppFin
Sally joined AMP in August 2015 as Managing Director, AMP Bank and was appointed Group Executive, AMP Bank in January 2017. Sally is responsible for AMP's banking business.

Experience
Sally has more than 25 years' experience in banking and financial services. During her five years at NAB, Sally held a number of senior executive positions including Chief Financial Officer, Business and Personal Banking. Prior to this, she held a number of senior leadership roles in a 20-year career at Macquarie Group.

Other appointments
– Director of Melbourne International Arts Festival

David Cullen[4]

Group General Counsel BCom, LLB, LLM
David joined AMP in September 2004 and was appointed Group General Counsel in May 2018. David has group-wide responsibility for AMP's legal and governance functions.

Experience
David has almost 25 years' experience in the legal profession, with extensive experience in the areas of M&A, corporate law and corporate governance, having worked in law firms in Perth and Sydney and with the ASX.

Prior to his appointment as Group General Counsel, David was the Group Company Secretary and General Counsel, Governance at AMP, which included acting as Company Secretary for AMP Limited. David also worked full-time on AMP's merger with AXA APH.

David holds a Bachelor of Commerce and Bachelor of Laws from the University of WA and a Master of Laws from the University of Sydney. He is a Fellow of the Governance Institute of Australia.

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Jennifer (Jenny) Fagg[5]
Chief Risk Officer
Jenny joined AMP in January 2018. She has group-wide responsibility for AMP's risk management function.

Experience
Jenny joined AMP from CIBC, one of Canada's big five banks, where she was Executive Vice President of Products and Payments. Before moving to Canada, Jenny was Chair of the Real Time Payments Committee in Australia.

Previously Jenny was the Chief Executive Officer and Managing Director of ANZ National Bank Limited, New Zealand's largest bank. She has also held senior leadership roles at Citibank and was a director at KPMG.

Jenny holds a PhD in Management (Risk) and a Bachelor of Economics (Honours in Organisational Psychology). She is a member of AICD and Chief Executive Women in Australia.

Gordon Lefevre[6]
Chief Financial Officer FCA
Gordon joined AMP in January 2014 and assumed the Chief Financial Officer role from 1 March 2014. Gordon leads group finance, treasury, capital management and mergers and acquisitions.

Experience
Gordon has considerable financial services industry experience including 13 years with the National Australia Bank Group. His career at the bank included a range of both customer facing and group support function roles domestically and overseas. Immediately prior to leaving he was the Deputy Group Chief Financial Officer. Before joining AMP he was Chief Financial Officer of the Grocon Construction Group in Australia.

Helen Livesey[7]
Group Executive, Public Affairs and Chief of Staff BSc (Hons)
Helen joined AMP in 1999 and was appointed Group Executive, Public Affairs and Chief of Staff in January 2017. Helen has group-wide responsibility for strategy, brand, reputation and communications management, and managing AMP's relationship with key stakeholders.

Experience
Helen has held a number of senior roles at AMP, including Director Brand and Marketing, Director Corporate Communications and Director Public Affairs UK. Helen has over 20 years' experience in corporate affairs, marketing and brand management across a range of industries in Australia and the UK in both consultancy and in-house roles.

Craig Ryman[8]
Chief Operating Officer BCom
Craig joined AMP in 1997 and was appointed to the expanded role of Chief Operating Officer in March 2019. Craig is responsible for driving efficiency and improving AMP's capability to execute and deliver change.

Experience
Craig is a seasoned executive with more than 25 years of technology, business and transformation experience. Prior to his current role, Craig was AMP's Group Executive for Technology and Operations and before that Chief Information Officer.

During his time at AMP, Craig has led the technology function for a variety of different areas of the business. Craig has deep experience in leading large transformation programs including a technology operating model transformation of AMP Capital and one of the largest platform consolidation programs in Australia.

Before joining AMP, Craig worked as a superannuation consultant for William M Mercer in Australia and he holds a Bachelor of Commerce from the Australian National University.

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Adam Tindall[9]

Chief Executive, AMP Capital
BE (Hons), GDipMan, GcertAppFinInv, FAICD
Adam has been Chief Executive, AMP Capital since October 2015. Adam leads an increasingly pre-eminent global investment manager, entrusted to manage funds and separate accounts on behalf of clients across a range of asset classes including equities, fixed income, real estate, infrastructure and multi-asset capabilities. AMP Capital has client relationships and assets around the world managed by teams based in Australia, China, Hong Kong, India, Ireland, Japan, Luxembourg, New Zealand, the United Arab Emirates, the United Kingdom and the United States.

Experience
Before being appointed CEO, Adam held the role of Director and Chief Investment Officer, Property at AMP Capital. Adam has 30 years of extensive experience in investment management and real estate. He joined AMP Capital Property in 2009 from Macquarie Capital where he was Executive Director, Property and Infrastructure, responsible for creating or enhancing a number of major property investment funds. Prior to this, Adam spent 17 years with Lend Lease, ultimately working in various business leadership roles including CEO, Asia Pacific for Bovis Lend Lease.

Other appointments
– Male Champion of Change

Blair Vernon[10]

Chief Executive, New Zealand wealth management
Blair joined AMP in 2009 and was appointed to Chief Executive, New Zealand wealth management in March 2019. He is responsible for leading AMP's New Zealand advice and wealth operations. He will continue to lead AMP's New Zealand wealth protection and mature operations for an interim period as they transition into the AMP Life business under Megan Beer.

Experience
Blair has held a number of senior roles at AMP in New Zealand. He was previously Managing Director, AMP New Zealand. Prior to this role, Blair was AMP's Director Retail Financial Services (NZ), responsible for sales, customer service, marketing and supporting AMP's extensive Adviser business networks including Spicers and AdviceFirst. Other roles at AMP include AMP's Director of Advice and Sales and General Manager Marketing and Distribution. Blair has over 25 years' experience across the Financial Services sector in New Zealand and Australia.

Alex Wade[11]

Chief Executive, Australian wealth management MBT
Alex joined AMP in January 2019 as Group Executive, Advice. In March 2019, his portfolio expanded to bring together AMP's advice, wealth management, product and customer solutions teams. Alex is responsible for AMP's wealth management model, with a focus on strengthening client outcomes and restoring momentum in the new regulatory environment.

Experience
Alex has substantial experience in the wealth management and banking industries in Australia, Singapore and Hong Kong. Most recently, he served as the Head of Developed and Emerging Asia for Credit Suisse Private Banking. He was with Credit Suisse for 12 years, during which time he held executive roles including Chief of Staff for Asia Pacific and Deputy Market Area Head for Developed Asia.

Fiona Wardlaw[12]

Group Executive, People and Culture BA(Psych) (Hons)
Fiona joined AMP in August 2008 and has responsibility for AMP's people and culture function.

Experience
Fiona joined AMP from ANZ Bank where, as head of Leadership and Talent, she was responsible for recruitment strategy, talent management, succession planning and senior executive development. Prior to joining ANZ, Fiona worked in the Australian banking operations at National Australia Bank, where her roles included heading up the bank's unsecured lending and credit card businesses and leading the Australian human resources function.

Her background also includes executive human resources experience in the resources and telecommunications sectors.

Other appointments
– Director of AMP Foundation Limited
– Director, Chief Executive Women

Corporate governance at AMP

Objectives of this statement

This statement is intended to inform our shareholders of AMP's governance framework, important developments in 2018, and priorities for further development of our governance arrangements in 2019.

Following an initial summary, the statement is structured as follows:

1. Preamble
2. Corporate purpose
3. Separation of board and management
4. Composition, succession and evaluation
5. Reporting and disclosure
6. Risk, audit and internal control
7. Employment and remuneration

You can find further information on our corporate governance policies and practices on our website at amp.com.au/corporategovernance.

This statement is current as at 26 February 2019 and has been approved by the AMP Limited Board.

Summary of 2018 developments and 2019 priorities

ASX Corporate Governance Principles

AMP Limited (AMP) complied with the recommendations set by the ASX Corporate Governance Council in the third edition of its Corporate Governance Principles and Recommendations (the **ASX Principles**) during 2018 except from 30 April to 20 June, when Mike Wilkins AO acted as our interim Executive Chairman and we briefly departed from some of these recommendations as explained in the applicable sections of the statement.

2018 developments

This statement includes commentary on actions taken by the AMP Limited Board during (and since) 2018 to enhance the group's governance, including:

- appointment of our new independent AMP Limited Chairman
- continuing board renewal, including appointment of three highly experienced financial services leaders as non-executive independent directors
- commitment to invest approximately $50 million (pre-tax) per annum for two years to strengthen risk management, internal controls and governance
- appointment of a new Chief Executive Officer (CEO) and oversight of Group Leadership Team changes
- resetting the group governance model to strengthen AMP Limited Board oversight of main subsidiaries and committees, and
- approval of a refreshed code of conduct and initiation of reviews of some other key governance arrangements.

2019 priorities

The board's governance priorities for 2019 include:

- completing the process of board renewal commenced in 2018
- overseeing the refinement of AMP's strategy and business model, including in light of the findings of the Royal Commission
- overseeing the legal separation and completion of the sale of our Australian and New Zealand wealth protection and mature businesses
- completing implementation of the Banking Executive Accountability Regime (BEAR) requirements
- emphasising the separation between the board and management and assisting the CEO in developing and assessing an effective organisational culture, and
- improving the effectiveness of management reporting.

Corporate governance

1. Preamble

The 'tone from the top' established through our system of governance is fundamental to the accountabilities and behaviours needed to maintain sound decision making and to create long term value for customers, shareholders and employees.

We believe that unless directors collectively have sufficient experience as leaders operating at the level of complexity of work of the CEO, they will be less able to form judgements about the CEO, the progress of the company and the quality of leadership throughout the organisation exhibited by its culture.

AMP's systems of governance, together with its policies and procedures, are designed and reviewed to conform not only with the laws and regulations of the countries in which we operate, but also to engender trust and confidence in the company so that our reputation enhances the possibility of growth for our owners. The board intends that the implementation of these policies and procedures is subject to, and in accordance with, applicable legal requirements and the board's fiduciary obligations.

While our policies are designed to achieve these outcomes, we acknowledge that mistakes happen. Our systems of work and internal controls are intended to identify and rectify such mistakes in a way that retains the trust of our clients, the community and regulators. In doing so, we believe in the fair treatment of clients under the terms of their contracts.

2. Corporate purpose

AMP's purpose is to help people have confidence about their financial wellbeing as encapsulated in our motto 'helping people own tomorrow'. We do this by helping our clients manage the risks and reduce the uncertainties of financial outcomes that are inherent in the economies and investment markets within which we live and operate.

The assistance we provide our clients typically addresses such risks as adequacy of retirement income, likelihood that investment strategies may not match their wealth accumulation expectations, potential illiquidity in investment portfolios, unexpected loss of life or income and security of home ownership.

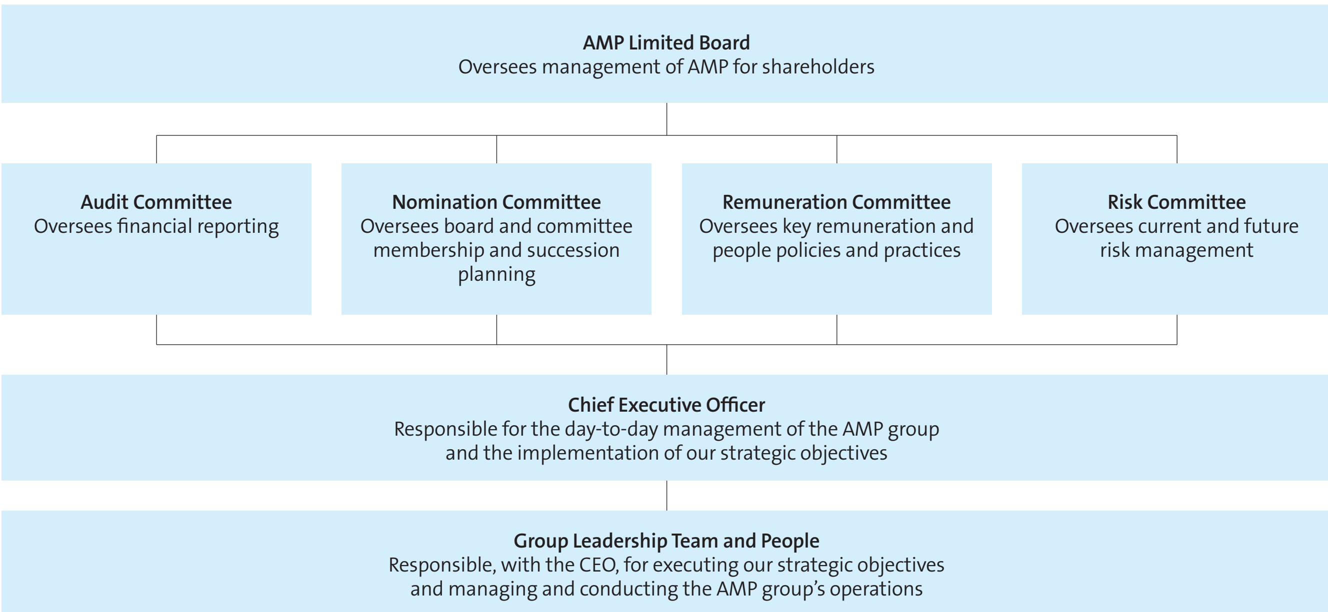
AMP manages these risks through its established business systems and the expertise of its people working within and alongside AMP, with the intent of making an acceptable return for risk for our shareholders.

We believe that financial systems require the confidence and trust of the community and that our shareholder return objective can only be fully realised by earning and retaining the trust of the people with whom we deal.

3. Separation of board and management

Our governance framework

The division of responsibilities between the board (and its committees) and management is illustrated in the diagram below.



3. Separation of board and management (continued)

Responsibilities of the AMP Limited Board

The AMP Limited Board is responsible to AMP shareholders for overseeing the overall strategy, performance, governance and risk management of the AMP group.

In addition to periodically reviewing its own structure and effectiveness, the responsibilities of the board include:

- approving and adopting the strategic direction and associated business development of the AMP group and monitoring management's implementation of the strategy
- appointing the chief executive officer (CEO)
- promoting a sound and effective culture
- overseeing and approving the AMP group's governance model
- approving the risk management framework and monitoring its effectiveness
- monitoring the performance of management and the business
- approving the half and full year results and financial reports for AMP and setting AMP's dividend policy and dividends
- approving the remuneration arrangements for the CEO, other members of the Group Leadership Team and certain other specified individuals
- overseeing succession planning for key executive roles, and
- approving material transactions and capital initiatives (above the CEO's delegations).

Further details of the board's responsibilities are outlined in our corporate governance charter, which you can find online at amp.com.au/corporategovernance.

Independence of directors

The board believes that independent directors perform a crucial role in bringing an independent and objective judgement to bear on issues brought before the board, providing constructive challenge and strategic guidance to management, and holding management to account.

All of the AMP Limited directors, except the CEO, are considered by the board to be independent directors, having regard to the criteria specified in the ASX Principles and by the Australian Prudential Regulation Authority (APRA). Directors are considered independent where they are independent of management and free from any business or other relationship or interest that could materially interfere with, or could be perceived to materially interfere with, the exercise of their independent judgement and ability to act in the best interests of AMP and its shareholders. Materiality is assessed on a case-by-case basis having regard to the particular circumstances.

Mike Wilkins AO held the position of acting CEO for seven months before resuming his role as a non-executive director on 1 December 2018. Prior to his appointment as acting CEO, Mike had been an independent non-executive director since September 2016. The board is satisfied that Mike's performance of the chief executive role on this short-term, interim basis did not compromise his demonstrated capacity to bring an independent and objective judgement to bear on issues brought before the board and to constructively challenge management, nor his ability to act in the best interests of AMP and its shareholders. On this basis, the board considers that Mike resumed his status as an independent director from 1 December 2018. APRA has also accepted that Mike can qualify as an independent non-executive director of AMP, AMP Bank Limited and AMP's life companies, notwithstanding his previous role as acting CEO.

Directors regularly review their interests and each independent non-executive director formally confirms their independence annually.

Independence of the chairman

David Murray AO was appointed the independent, non-executive AMP Limited Chairman effective 21 June 2018. Prior to that, Catherine Brenner was the independent AMP Limited Chairman until she stepped down from the board on 30 April 2018. In the short, intervening period between Catherine Brenner's resignation and David Murray's appointment, Mike Wilkins acted as the interim Executive Chairman. AMP did not, therefore, follow recommendation 2.5 of the ASX Principles during this period. In these exceptional circumstances, the AMP Limited Board considered it appropriate for Mike Wilkins to perform the combined role of acting CEO and interim Chairman to lead AMP during the transitional period until a permanent independent chairman was appointed.

The chairman is responsible for providing leadership to the board. The chairman's other responsibilities are documented in AMP's corporate governance charter.

Responsibilities of the CEO and Group Leadership Team

The CEO is responsible for the development and subsequent implementation of the company's strategy and the overall management and performance of the AMP group.

Francesco De Ferrari joined AMP as CEO on 1 December 2018. Francesco brings outstanding leadership experience, strategic acumen and a strong track record of transforming and driving growth in businesses in Asia and Europe. Francesco succeeded Mike Wilkins (who had served as acting CEO since Craig Meller's resignation as CEO in April 2018). Francesco has the mandate to develop and deliver a refined strategy to transform AMP.

The CEO has delegated authority from the AMP Limited Board to manage the day-to-day business of the AMP group, subject to the responsibilities and reserved powers of the board. The CEO is supported by members of the Group Leadership Team (GLT). AMP has a delegations of authority framework from the CEO to the GLT, with a system of authorities for employees at different levels.

Company secretaries

AMP Limited has two board-appointed company secretaries. Their biographical details and qualifications are set out on page 35 of this annual report.

The lead company secretary is directly accountable to the board, through the chairman, on all matters to do with the proper functioning of the board. This includes advising the board and its committees on governance matters, coordinating board business and providing a point of reference for dealings between the board and management.

4. Composition, succession and evaluation

Board composition

At the date of this statement, the AMP Limited Board consists of nine independent non-executive directors and the CEO.

The names, position and tenure of the current AMP Limited directors and the former directors who resigned during 2018 are outlined below. You can find biographical details of the current directors, including details of their qualifications and experience, from page 12 of this annual report and on our website at amp.com.au/aboutamp.

Name	Position[1]	Tenure as a director[2]
Current directors		
David Murray AO	Independent Chairman	8 months
Francesco De Ferrari[3]	Chief Executive Officer and Managing Director	< 1 month
John Fraser	Independent Director	5 months
Andrew Harmos	Independent Director	1 year and 8 months
Trevor Mathews	Independent Director	4 years and 11 months
John O'Sullivan	Independent Director	8 months
Geoff Roberts	Independent Director	2 years and 7 months
Andrea Slattery[4]	Independent Director	< 1 month
Peter Varghese AO	Independent Director	2 years and 4 months
Mike Wilkins AO[5]	Independent Director	2 years and 5 months
Former directors		
Catherine Brenner[6]	Independent Chairman	7 years and 10 months
Craig Meller[7]	Chief Executive Officer and Managing Director	4 years and 3 months
Patricia Akopiantz[8]	Independent Director	7 years and 9 months
Holly Kramer[9]	Independent Director	2 years and 6 months
Vanessa Wallace[9]	Independent Director	2 years and 2 months

1 For current directors, the above reflects the position held at the date of this statement (26 February 2019).
2 The tenure information is provided as at the date of this statement (or on resignation in the case of former directors).
3 Francesco De Ferrari was appointed as CEO on 1 December 2018 and joined the AMP Limited Board (as Managing Director) on 31 January 2019. The tenure shown above relates to his period of service as a director.
4 Andrea Slattery was appointed to the AMP Limited Board effective 15 February 2019.
5 From 20 April to 30 November 2018, Mike Wilkins was the acting CEO. As noted earlier, for a brief, transitional period from 30 April to 20 June 2018, Mike also held the role of interim Executive Chairman.
6 Catherine Brenner stepped aside as the AMP Limited Chairman effective 30 April 2018.
7 Craig Meller resigned as the Chief Executive Officer and Managing Director effective 20 April 2018.
8 Patricia Akopiantz ceased to be a director on 31 December 2018, having previously announced (in May 2018) her intention to retire at the end of the year.
9 Holly Kramer and Vanessa Wallace resigned as directors effective 8 May 2018.

Committee composition

The AMP Limited Board has four standing committees, each of which focuses in detail on different areas of the board's responsibilities.

In November 2018, the board revised the membership of its Audit, Risk and Remuneration Committees, effective 1 January 2019, so that most (and, in some cases, all) of the AMP Limited non-executive directors are now members of those committees. These changes were made to strengthen AMP Limited Board oversight of the relevant committee's area of responsibility and to ensure that all non-executive directors are informed of the matters presented to these committees by management and advisers.

The current composition of the four standing committees is shown below.

Independent non-executive directors	Audit Committee	Risk Committee	Remuneration Committee[1]	Nomination Committee[2]
David Murray AO (Chairman)		Member	Chairman[3]	Chairman
John Fraser	Member	Member	Member	
Andrew Harmos	Member	Chairman	Member	
Trevor Matthews	Member	Member	Member	
John O'Sullivan	Member	Member	Member	
Geoff Roberts	Chairman	Member	Member	
Andrea Slattery	Member	Member	Member	
Mike Wilkins AO	Member	Member	Member and lead director[3]	Member
Peter Varghese AO	Member	Member	Member	Member

1 Previously called the People and Remuneration Committee.
2 Previously called the Nomination and Governance Committee.
3 For details of this role, please refer to page 29 (in the Employment and Remuneration section).

4. Composition, succession and evaluation (continued)

Details of the number of meetings of each standing committee held during 2018, and of each committee member's attendance at those meetings, are included on page 34 of this annual report. During 2018, there were multiple changes to committee memberships as a result of the changes to the board's composition outlined earlier. These changes are reflected in the meeting attendance table.

Each committee operates in accordance with written terms of reference, which can be found on our website at amp.com.au/corporategovernance (in the Board Committees section).

Subsidiary board composition

During 2018, one or more AMP Limited non-executive directors were appointed to the boards of each of our main subsidiaries (being AMP Bank Limited (AMP Bank), AMP Capital Holdings Limited (AMP Capital Holdings) and our two life companies – AMP Life Limited and The National Mutual Life Association of Australasia Limited).

In the second half of 2018, the board initiated a review of the governance model for main subsidiary boards and approved the following changes to enhance AMP Limited Board oversight:

- **AMP Bank** – Alignment of the composition of the boards of AMP Limited and AMP Bank (and their respective Risk and Audit Committees), effective 15 February 2019. As a result, all directors of AMP Limited are now members of the AMP Bank Board and all previous directors of AMP Bank, who were not also AMP Limited directors, have stepped down from the AMP Bank Board. The AMP Limited Chairman, David Murray, has also been appointed as the chairman of AMP Bank. The boards of AMP Limited and AMP Bank (and their respective Risk and Audit Committees) will meet concurrently going forward (where appropriate), with a view to improving decision-making efficiency, reducing duplication and streamlining management reporting.
- **AMP Capital Holdings** – Appointment of two additional AMP Limited directors, John Fraser and Francesco De Ferrari, to the AMP Capital Holdings Board, effective 15 February 2019. These appointments increased the number of AMP representatives on the AMP Capital Holdings Board to four directors (out of a current board size of eight directors). AMP's representatives on this board consist of two AMP Limited non-executive directors, the CEO and the chief executive of AMP Capital.

Due to the agreement to sell our Australian and New Zealand wealth protection and mature businesses to Resolution Life Australia Pty Ltd, there were no changes to the boards (or risk and audit committees) of our life companies resulting from the review of our subsidiary governance model. However, as a consequence of the terms of the sale agreement with Resolution Life, these boards and committees ceased to meet concurrently with the AMP Limited Board (and its Risk and Audit Committees), with effect from late November 2018.

During 2019, the AMP Limited Board intends to continue to review subsidiary board governance across the broader AMP group.

Board succession

In 2018, the AMP Limited Board committed to and undertook significant board renewal.

Five directors resigned during the year partly in acknowledgement of collective board accountability for the issues in our advice business raised in the Royal Commission and the impact of those issues on AMP, and in recognition of the need for the board's membership to be refreshed.

In June 2018, David Murray AO joined the AMP Limited Board as the new independent non-executive Chairman. David brings to the board strong and experienced leadership, deep experience of financial services (particularly banking and wealth management) and the industry's regulatory environment, a strong risk mindset, and a clear appreciation of community expectations for AMP as well as the wider financial services industry.

The AMP Limited Board was further renewed and strengthened in 2018 by the appointment of two new independent non-executive directors:

- John O'Sullivan was appointed to the board in June 2018. He brings extensive experience in leadership and senior executive roles in financial services and legal and regulatory risk management, as well as deep M&A and capital markets experience.
- John Fraser was appointed to the board in September 2018. He has extensive experience in leadership and senior executive roles in financial services, governance and public policy and brings to the board an exceptional blend of public and private sector strategic experience, in Australia and internationally.

Following his appointment as CEO in December 2018, Francesco De Ferrari joined the AMP Limited Board as Managing Director on 31 January 2019.

On 15 February 2019, Andrea Slattery joined the AMP Limited Board as an independent non-executive director. Andrea has considerable experience in financial services as a business leader, non-executive director and an expert in change.

David Murray, John Fraser, John O'Sullivan and Andrea Slattery will all stand for election by shareholders at our 2019 AGM. The AMP Limited Board unanimously recommends (with each candidate abstaining in respect of their own election) that shareholders vote in favour of their election.

In 2019, the board expects to complete the process of board renewal commenced in 2018. In conducting this process, the board has been mindful of the benefit of retaining the corporate memory of longer-serving directors for an appropriate period and the need to support the stability of our company.

Nomination Committee

The Nomination Committee supports and advises the AMP Limited Board on succession planning, composition, performance evaluation and related policies and processes affecting the AMP Limited Board and the boards of certain AMP group companies. The board revised the Nomination Committee's terms of reference in November 2018.

4. Composition, succession and evaluation (continued)

Details of the Committee's current composition are set out in the Committee composition table set out on page 21. It is the board's practice to appoint the AMP Limited Chairman as the chairman of the Nomination Committee. In 2018, this meant that the Committee had an executive chairman, Mike Wilkins, during the brief, transitional period when Mike was interim Executive Chairman of AMP Limited (from 30 April to 20 June 2018). As the committee did not have an independent chairman during this short period, the committee's composition did not follow recommendation 2.1 of the ASX Principles for the full year. David Murray became independent chairman of the Nomination Committee upon his appointment as AMP Limited Chairman in June 2018. The Nomination Committee had at least three members, of whom at least a majority were independent directors, throughout 2018.

In undertaking and reviewing board succession planning, the Nomination Committee's role includes identifying and assessing suitable candidates for appointment to the AMP Limited Board and the boards of certain subsidiaries. External consultants are engaged to assist with the selection process where considered appropriate. In assessing potential candidates, the Nomination Committee has regard to board size, time commitments and the needs of the particular board, as well as the current and desired mix of experience, expertise, skills, attributes, independence and diversity for the relevant board.

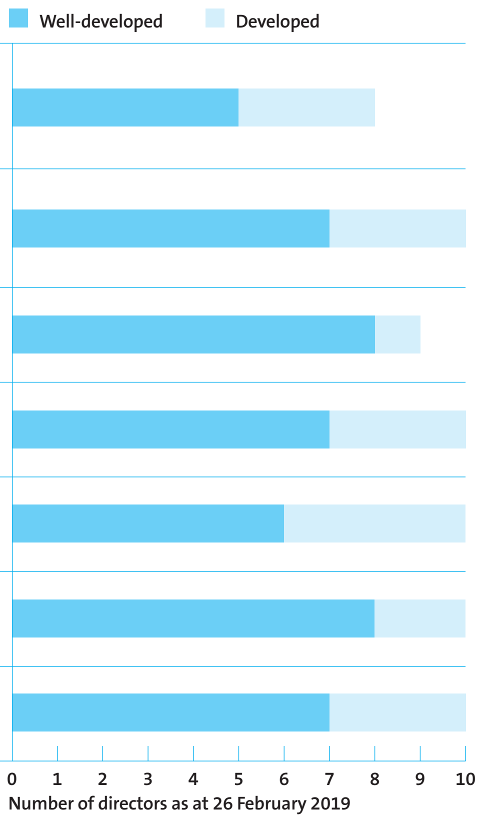
AMP Limited Board skills matrix

The board has adopted a revised board skills matrix to help guide its assessment of the collective mix of skills and experience currently represented on the board and which the board needs going forward to support the refinement of AMP's strategy and transformation of AMP. The board has simplified the skills matrix, while retaining the broad range of skills the board requires. The revised matrix includes an emphasis on experience at the level of complexity of work of the CEO, highlights the importance of strategy development in the context of the multi-faceted nature of technology, competition, industry structures and regulatory change, and has an increased focus on risk management experience.

Directors must have sufficient time available to fulfil their roles, the absence of unmanageable conflicts of interest, and the skills, experience, judgement and integrity to undertake the role of a non-executive director of a public listed company. These personal attributes are a precondition for appointment, rather than forming part of the revised skills matrix.

The table below outlines the areas covered by the revised skills matrix and, for each area, shows the directors' assessment of the extent to which the relevant skill or experience is represented on the AMP Limited Board at the respective levels of 'well-developed' and 'developed'. All areas in the skills matrix are currently well represented on the board as a whole.

Skill/experience	Board representation[1]
Leadership Experience as a chief executive officer (or equivalent), ideally in the industrial or financial sector, operating at least at the level of complexity of work of the CEO of the AMP group, to be able to effectively supervise the CEO.	
Business strategy Experience and judgement to contribute to the development of strategy (preferably including international markets) in response to changes in demography, consumer need, technology, competition and industry structures, and regulation.	
Financial services and systems Experience in, and understanding of, the wealth management, superannuation, banking, investment management or life insurance industry, in Australia or overseas.	
Law, governance and risk management Understanding of legal, governance and compliance issues and regulatory, governance and risk management frameworks.	
Finance and accounting Ability to understand and analyse financial statements and financial performance, and to contribute to the oversight of the integrity of financial reporting.	
People management Experience in, or understanding of, leadership and organisational design to contribute to talent management, succession planning and judgements about culture.	
Government policy and regulation Understanding of the policy and regulatory environment in Australia, and experience in working or interacting with government and regulatory bodies.	



1 This column shows the number of existing directors (out of a total of 10 directors at the date of this statement) who are considered to possess the relevant skill or experience at the respective levels of 'well-developed' and 'developed'. By definition, the CEO is excluded from the calculation of the number of directors possessing the requisite leadership experience. Accordingly, the numbers shown for leadership are out of a total of nine directors.

4. Composition, succession and evaluation (continued)

Appointment and tenure of directors

Prior to the appointment of any new director, comprehensive checks are conducted to determine if the candidate has the capabilities needed and is fit and proper to undertake the responsibilities of the role. These include extensive background checks on character, education, career experience, criminal history and bankruptcy.

Throughout their tenure, directors must continue to demonstrate that they have the character, diligence, honesty, integrity, judgement and skills required for the role. Relevant background checks are repeated at least triennially during their tenure. Each director provides an annual declaration confirming their fitness and propriety to perform their duties.

On appointment, each director enters into a formal letter of appointment outlining the main terms, conditions and expectations of their appointment. Before accepting the position, the candidate must confirm that they have sufficient time to fulfil their obligations to AMP and provide details of their other commitments.

All new non-executive directors must stand for election by shareholders at the first AGM after their appointment and all non-executive directors must then stand for re-election at the third AGM after their first election or any subsequent re-election. As the CEO is the managing director, the CEO is not required to stand for election. This is consistent with the ASX Listing Rules. AMP's notice of meeting for the AGM provides all material information known to AMP that is relevant to the election or re-election of each director standing.

The maximum tenure of a non-executive director will normally be until the ninth AGM occurring after they were first elected by shareholders at an AGM. If a director is to continue to hold office after their ninth AGM, they must be re-elected by shareholders at that and each subsequent AGM.

Director induction, education and access to information

Once appointed, all new directors are provided with an information pack including governance policies and business information and are invited to participate in a comprehensive induction program. This program includes meetings with the chairman, other board members, the CEO, members of the GLT and other senior executives (as appropriate).

Board members receive regular briefings from senior management across the business and have the opportunity to participate in site visits to AMP's operations.

Directors also receive regular updates on industry, market, regulatory, governance and accounting developments through a range of channels, including through briefings at board meetings, board workshops held outside of board meetings, and meetings with regulators, customers and investors.

The board encourages, and provides an annual budget for, directors to participate in appropriate opportunities for the continuing enhancement of their knowledge and capabilities, and of the performance of the board generally.

With the consent of the chairman, directors may seek independent professional advice on AMP-related matters that are connected with the delivery of their responsibilities, at AMP's expense and in accordance with AMP's protocols. Directors must ensure the costs are reasonable and any advice that is received must be made available to the rest of the board unless otherwise agreed by the chairman.

Board evaluation

Ordinarily, the performance of the AMP Limited Board, each of its committees and each director of AMP Limited is reviewed annually, either through an internal review process or using an external consultant. The evaluation process adopted by the board to date has included the completion of board performance surveys by each director, GLT members and the group company secretary and one-on-one discussions with those individuals, based on questions linked to the performance, opportunities and challenges for the board. The board as a whole has then reviewed and discussed the results of this process and identified ways to enhance board effectiveness.

In the context of the significant changes to the board's composition during 2018 and the continuing board renewal process, the conduct of the usual, formal annual board performance review process was deferred in 2018. This will allow:

– a sufficient period for the current directors to function collectively as a board to form the basis of a meaningful performance assessment, and
– Francesco De Ferrari to have performed his role as CEO (from 1 December 2018) and Managing Director (from 31 January 2019) before the full review takes place.

The board believes that this will facilitate a more effective, informed and insightful review process.

The next full, formal review of the performance of the board, its committees and individual directors is expected to be completed in 2019. The process to be followed for the next evaluation is under review, in light of the significant changes to the board's composition.

5. Reporting and disclosure

Market disclosure

AMP is committed to providing shareholders and the market with equal and timely access to material information about AMP in accordance with our continuous disclosure obligations under the ASX listing rules and NZX listing rules. This commitment is reflected in our market disclosure policy. This policy sets out the processes we have in place to support compliance with our continuous disclosure obligations, and the roles and responsibilities of our employees, disclosure officers, our Market Disclosure Committee (MDC) and the AMP Limited Board in relation to continuous disclosure.

The MDC is a management committee, chaired by the group general counsel, that assists the board and the CEO with the discharge of AMP's continuous disclosure responsibilities. The MDC's responsibilities include reviewing the form and content of any proposed announcement in relation to price sensitive matters and confirming that appropriate verification has been undertaken regarding the factual accuracy and completeness of such announcements.

A copy of our market disclosure policy is available online at amp.com.au/corporategovernance.

Keeping our shareholders informed

We publish detailed information about our company, our board and management, and our governance framework and policies on our website. Our website includes a dedicated shareholder centre where shareholders can readily access material announcements released to the ASX, information about our full and half year financial results, our annual reports and shareholder reviews, and other information relevant to their AMP shareholdings. You can find this website at amp.com.au/shares.

Shareholders can elect to receive their annual reports, notices of meeting and dividend statements in print or online. Shareholders who choose to receive their reporting information online can still opt to receive a copy of their dividend statement by post.

We also provide an email alert system through our website which enables shareholders and other interested parties to receive notification when media releases and material ASX announcements are released by AMP. You can subscribe for these email alerts at corporate.amp.com.au/newsroom.

Communicating with our shareholders

AMP encourages direct, two-way communication with our shareholders. Shareholders are able to communicate electronically with our Investor Relations team (by email to shares@amp.com.au) and with our share registry, Computershare (by email to ampservices@computershare.com.au).

Our Investor Relations team coordinates an investor relations program and conducts group and one-on-one briefings with our institutional investors and analysts. Where possible, our group briefings are webcast and an archived copy of the webcast is published on our website. Our dedicated shareholder website (found at amp.com.au/shares) includes a calendar of scheduled, upcoming announcements and presentations and allows users to set up automatic diary reminders of these dates.

Annual shareholder meeting

The AMP Limited Board welcomes the opportunity to meet with AMP's shareholders and encourages them to join us for our annual general meeting (AGM) each year either in person or via our webcast.

We encourage shareholders to provide us with any questions about our business or the business of the AGM ahead of each meeting, so that these can be addressed before or at the meeting. For shareholders who are unable to attend the AGM, we provide an online facility for them to submit written questions during the AGM. Shareholders are also able to lodge their proxy forms online using a computer or mobile device.

Since 2015, we have held an information session for shareholders immediately prior to the AGM. These sessions provide an opportunity for shareholders to hear from our financial experts and benefit from their insights and expertise. A similar session will be held before the 2019 AGM, at 9.30am on Tuesday 2 May 2019 at The Concourse, Chatswood, NSW. All shareholders are invited to join the session in person or online.

2019 annual general meeting

AMP's 2019 AGM will be held at 11.00am on Thursday 2 May 2019 in the Concert Hall at The Concourse, Chatswood, NSW. Shareholders who are unable to attend can appoint a proxy to vote on their behalf, either online or by post or fax, and can observe the meeting and ask questions through our webcast. Full details will be provided in the 2019 notice of meeting.

Our approach to tax

AMP is proud of the contribution we make to the public finances of the countries in which we operate.

We take our tax obligations very seriously and are focused on integrity in both compliance and reporting. The AMP Limited Board does not sanction or support any activities which seek to aggressively structure AMP's tax affairs.

We publish details of the taxes we pay in the AMP tax report on our shareholder centre website at amp.com.au/shares. The report is consistent with the Board of Taxation's voluntary tax transparency code.

The majority of our tax is paid in Australia and determined by the nature of our business. For example, superannuation is subject to different (lower) tax rates and we pay our taxes accordingly.

We work closely with the Australian Taxation Office to ensure that all our tax requirements are met.

6. Risk, audit and internal control

Our enterprise risk management framework

We have an enterprise risk management framework which provides the foundation for how risks are managed across AMP. There are five key elements of the risk management framework as shown below: governance, risk strategy and appetite, people and culture, the management information system and the risk management process (encompassing how AMP identifies, measures, controls and reports risk). The impacts of the material risks are assessed against four outcomes, being capital adequacy, earnings stability, maintaining liquidity and protecting reputation.

Governance

Accountabilities of the Board and Committees,
Management Risk Committees and Three Lines of Defence

Risk Strategy and Appetite

Business Plan, Risk Management Strategy and Risk Appetite Statement

People and Culture

Risk Management Capability, Capacity, Performance
Risk Culture and Risk-Based Remuneration

Management Information System

Risk Systems and Data

Risk Management Process

Identify ▶ Measure ▶ Control ▶ Report

Material Risk Types

Financial		Cross type	Non-financial
Credit	Market	Strategic	Compliance
Insurance	Liquidity	Concentration	Operational

Risk Outcomes

Capital Adequacy	Earnings Stability	Maintain Liquidity	Protect Reputation

Our enterprise risk management policy is available on our website at amp.com.au/corporate governance.

Risk governance

The AMP Limited Board is ultimately responsible for the risk management framework and oversight of its operation by AMP's management. In particular, the board is responsible for setting AMP's risk appetite, the strategic plan and risk management strategy. It also monitors policies and business practices to align pursuit of strategic objectives with AMP's risk appetite and with applicable laws and regulations.

The Risk Committee assists the board in overseeing the implementation and operation of AMP's risk management framework. The responsibilities of the Risk Committee include:

- assisting the board with the monitoring and review of AMP's material risks and risk culture
- reviewing, and making recommendations to the board on, AMP's risk management strategy and risk appetite statement
- monitoring the effectiveness of AMP's risk management framework, and
- reviewing the appointment of the group chief risk officer.

Details of the committee's current composition are set out in the table on page 21. Throughout 2018 (and since the end of the year):

- the Risk Committee was chaired by an independent non-executive director who was not the chairman of the board
- the Risk Committee had at least five members and all of its members were independent directors, and
- the members of the Risk Committee, collectively, had the necessary technical knowledge and a sufficient understanding of the financial services industry to enable the committee to discharge its responsibilities effectively.

Andrew Harmos has been the chairman of the Risk Committee since 20 April 2018, when Mike Wilkins stepped down as its chairman (and a committee member) due to his appointment as acting CEO. Since resuming his role as an independent non-executive director, Mike has been reappointed to the Risk Committee (from 1 January 2019).

AMP also has management committees to assist in overseeing risk management. The Group Risk and Compliance Committee guides the implementation of risk management practices, processes and systems, and oversees all material risk exposures (ie financial, cross type and non-financial risks) and risk decisions facing AMP. The Group Asset and Liability Committee oversees financial risks across AMP in relation to capital and financing, and the risk appetite as it relates to financial risk and shareholder capital.

6. Risk, audit and internal control (continued)

Three lines of defence

We have a 'three lines of defence' approach to risk management accountability:

Line 1 – management is responsible for identifying, measuring, controlling and reporting material risks in the business. Business unit teams are responsible for decision making and the execution of day-to-day business, while managing risk and the resulting impacts on capital adequacy, earnings stability, maintaining liquidity and protecting reputation.

Line 2 – the Enterprise Risk Management team, led by the group chief risk officer, is responsible for designing, implementing and monitoring the practices and processes to identify, assess, monitor and manage material risks, and for providing advice and oversight on material business decisions. The team also provides objective advice and challenge to the first line's decisions and oversees the alignment of the risk profile with the board's expectations.

Line 3 – the Internal Audit team provides independent and objective assurance to the board regarding the operational effectiveness of risk management across the business and the effectiveness of our control processes.

The 'three lines of defence' approach is designed to provide assurance to management and the board that risks are identified, managed and reported effectively.

Review of the risk management framework

The AMP Limited Board, assisted by both the Risk and Audit Committees, reviews the soundness of the risk management framework at least annually. The review in relation to the 2018 reporting period is underway and is expected to be completed in the first half of 2019.

The Audit Committee assists the Board by providing an objective non-executive review of the effectiveness of the risk management framework.

In performing this annual review, the Board and Risk and Audit Committees are supported by, and consider the outcomes of, an annual review of the risk management framework conducted by our Internal Audit function or, every three years, by an operationally independent party. The independent review is an institution-wide assessment of the risk management framework. This comprehensive review assesses the appropriateness, effectiveness and adequacy of the risk management framework.

The review also includes the annual risk management declaration provided by the board to APRA, as required by APRA Prudential Standard CPS 220 Risk Management.

Strengthening risk management, internal controls and governance

A commitment has been made to invest approximately $50 million (pre-tax) per annum over two years to strengthen risk management, internal controls and governance. This multi-year program has been established to enhance risk governance. Major ongoing initiatives as part of this program include:

- improving the design and implementation of the three lines of defence model to enhance clarity and execution of risk responsibilities and accountabilities
- further developing and embedding the frameworks, policies and procedures for the management of risk and compliance
- improving the systems and data management infrastructure to support risk management and consistent risk and return decision making, and
- strengthening processes and internal controls to improve operational risk management and compliance.

The board is confident that successful execution of these initiatives will strengthen the practices on governance, culture and accountability at AMP.

Economic, environmental and social sustainability risks

We are committed to managing our business sustainably for today and for the future, by creating long-term shared value for our customers, our people and our communities. Our approach to sustainability is built around three connected areas of focus for AMP: our customers, our people and our communities. We understand that responsible and ethical behaviour and activity directed towards each of these important areas can positively impact the sustainability of the business.

Economic, environmental and social sustainability risks are identified and managed as part of the group's overall risk management framework. An overview of our key business challenges identified through the risk management framework can be found on pages 32 and 33 of this annual report. Further information on the group's exposure to material financial risks and the way in which it manages those risks is set out in note 3.3 to AMP's consolidated financial statements for 2018 (which can be found on pages 92 to 98 of this annual report).

Details of our material environmental and social sustainability issues, and our approach to managing these, are provided in our annual sustainability report, which can be found at amp.com.au/corporatesustainability. Additional information on our approach to sustainability is also available on our website at that address.

Audit Committee

The Audit Committee assists the AMP Limited Board with the review and oversight of AMP's financial reporting framework.

The main responsibilities of the Audit Committee include:

- reviewing AMP's financial reports and making recommendations to the board on their approval
- reviewing the adequacy and effectiveness of AMP's financial reporting systems and internal controls
- making recommendations to the board in relation to the appointment of the Director of Internal Audit and the external auditor, and
- monitoring the performance, adequacy and independence of the internal and external audit functions.

Details of the Audit Committee's current composition are set out in the table on page 21. Throughout 2018 (and until the date of this statement):

- the Audit Committee was chaired by Geoff Roberts, an independent non-executive director who was not the chairman of the board
- the Audit Committee had at least three members and all of its members were independent directors, and
- the members of the Audit Committee, collectively, had the accounting and financial expertise and a sufficient understanding of the financial services industry to enable the committee to discharge its responsibilities effectively.

CEO and CFO assurance

Before the AMP Limited Board approves AMP's financial statements for each full and half financial year, the CEO and the CFO are required to provide the board with a declaration of their opinion as to whether:

- the financial records for the relevant reporting period have been properly maintained
- the financial statements and notes for the relevant reporting period comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the AMP group, and
- their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

6. Risk, audit and internal control (continued)

Internal Audit

Our Internal Audit team provides the board and management of AMP and its subsidiaries with independent assurance over the management of key organisational risks and the effectiveness of the associated control environment.

During 2018, the board initiated the repositioning and strengthening of the Internal Audit function to deliver a refreshed remit to respond to rapid changes – both within the financial services industry and to AMP's competitive positioning in the industry. The responsibilities Internal Audit has to the AMP Limited Board and Audit Committee are being discharged by the Chief Financial Officer acting as interim Chief Audit Executive (CAE), while a permanent appointment to the role is in progress. The interim CAE is supported by the in-house Internal Audit function, with supplementary resources provided through a co-source partnership with PwC. This model provides a diverse range of expertise to ensure appropriately skilled resources to deliver audit activity.

External auditor

AMP has appointed Ernst & Young (EY) as the company's external auditor, with the lead audit partner rotating every five years (unless special circumstances require this to be extended for additional years). In 2018, at the conclusion of the 2017 audit, Tony Johnson retired as EY's lead audit partner for AMP, having performed that role for the previous five years. EY appointed Andrew Price as its new lead audit partner for AMP.

Our Audit Committee has adopted a charter of audit independence, which sets out a framework to assist in maintaining the independence of EY as a result of its business dealings with AMP.

EY representatives attend each Audit Committee meeting and meet with the committee without management present at each meeting. Internal Audit team members may be invited to attend EY's private discussions with the committee from time to time.

EY's lead audit partner for AMP attends each AGM and shareholders are given the opportunity to ask him questions relevant to the audit, the preparation and content of the auditor's report, the accounting policies adopted by AMP in relation to the preparation of the financial statements, and the independence of the auditor in relation to the conduct of the audit.

7. Employment and remuneration

Code of conduct

In August 2018, we released a refreshed code of conduct to reinforce and deepen our people's understanding of the standards of behaviour expected of everyone who represents AMP. The requirements of the refreshed code were communicated and reinforced through a range of channels.

The code reflects the AMP Limited Board's and GLT's:

- commitment to fostering a culture of acting lawfully, ethically and responsibly, and
- expectation that every individual who represents AMP acts honestly, professionally and with integrity, and always considers our customers' best interests when making decisions.

The code applies globally to anyone employed by, or who works for, any entity within the AMP group, whether as a board member, leader, employee, contractor or consultant.

The code recognises the important role played by our leaders in role modelling the right behaviours and upholding the expected standards of behaviour within their teams.

Our leaders are expected to recognise and reward those who consistently represent AMP with professionalism, honesty and integrity, and to take steps to hold those who don't to account.

The code of conduct is complemented by a range of other corporate policies, including policies on fraud, conflicts of interest, business integrity, workplace health and safety, and workplace respect.

You can find a copy of our code of conduct online at amp.com.au/corporategovernance.

Whistleblowing policy

The AMP Limited Board and the GLT are committed to encouraging, protecting and supporting responsible reporting of illegal, unacceptable or undesirable conduct, including conduct that is (or is suspected to be) dishonest, unethical, fraudulent, corrupt or otherwise inconsistent with our code of conduct, questionable accounting practices and inappropriate workplace behaviour.

We have a whistleblowing policy, supported by an external whistleblowing platform that our people can contact to report suspected unethical, illegal or improper behaviour anonymously and confidentially. Support is also provided for whistleblowers.

During 2018, we introduced mandatory training on our whistleblowing policy to strengthen our people's awareness of the policy and the steps they should take to report any suspected wrongdoing.

You can find a copy of our whistleblowing policy online at amp.com.au/corporategovernance.

Trading policy

Our trading policy outlines rules for directors, senior executives, other nominated employees, and their close associates for trading in AMP securities. These nominated persons are only permitted to trade in AMP securities during designated trading windows and provided that they are not in possession of confidential price-sensitive information (inside information) at that time.

The trading policy also reinforces insider trading law by preventing all employees, contractors and their close associates from trading in AMP securities at any time when they possess inside information.

You can find a copy of our trading policy online at amp.com.au/corporategovernance.

In addition, we have a hedging policy which provides that senior executives and other specified employees who participate in our equity incentive plans may not use any form of hedging arrangement in relation to AMP shares, or rights to shares, while they are held in an equity incentive plan (whether vested or unvested). Non-executive directors do not participate in any equity incentive plans.

Employment terms and remuneration

The CEO, GLT members and other senior executives have clearly defined goals and accountabilities and employment contracts setting out their terms of employment, duties, rights and responsibilities, and entitlements on termination of employment.

Details of our policies and practices for the remuneration of non-executive directors, the CEO and the members of the GLT are disclosed in our 2018 remuneration report (on pages 37 to 62 of this annual report).

Remuneration Committee

The Remuneration Committee assists the AMP Limited Board (and the boards of subsidiaries) in establishing and having oversight of AMP's remuneration policy and practices. The Remuneration Committee's terms of reference were revised in November 2018.

7. Employment and remuneration (continued)

Under the revised terms of reference, the Remuneration Committee's responsibilities include:

- reviewing and making recommendations to the AMP Limited Board on the remuneration of non-executive directors, the CEO, the GLT members and other specified individuals
- recommending to the board the performance goals and objectives relevant to the remuneration of the CEO, and the performance of the CEO in light of these objectives
- reviewing and making recommendations to the board on AMP's remuneration policy, including an assessment of the policy's effectiveness and compliance with prudential standards
- overseeing all incentive plans and reviewing and making recommendations to the board on incentive plans for specified individuals
- reviewing and making recommendations to the board in relation to equity-based plans, and
- overseeing general remuneration practices across AMP.

Details of the Remuneration Committee's current composition are set out in the table on page 21.

During 2018, the Remuneration Committee had at least three members, at least a majority of whom were independent directors, at all times except during a two-week period in May when its membership was reduced to two (the independent committee chairman and interim executive AMP Limited Chairman) due to the third member's resignation as a director. The committee's composition therefore departed from recommendation 8.1(a) of the ASX Principles during this period. No meetings were held, or decisions made, by the committee during this two-week period prior to the third committee member's replacement by another independent director. The committee had an independent chairman throughout 2018.

Since 1 January 2019, the Remuneration Committee has been chaired by David Murray, the independent AMP Limited Chairman. The committee has appointed Mike Wilkins to the role of lead director to deal with, and lead discussion (in the chairman's absence) when matters arise at a board or committee meeting in connection with, the AMP Limited Chairman's fees. Where considered appropriate, the lead director may also be asked to lead board and committee discussions relating to the CEO's remuneration, and to participate in discussions with investors and regulators in relation to the remuneration of the AMP Limited Chairman or CEO.

Performance evaluation

Performance objectives and performance appraisals for executives who are key management personnel (including the CEO and nominated direct reports of the CEO) are reviewed annually by the Remuneration Committee and recommended to the AMP Limited Board for its consideration. As our permanent CEO, Francesco De Ferrari, did not join AMP until December 2018, his first formal performance evaluation will be undertaken for 2019. Further information on the evaluation of executive key management personnel performance for 2018 is set out in the remuneration report (on pages 45 to 47).

Inclusion and diversity

AMP has an inclusion and diversity policy which is available on our website at amp.com.au/corporategovernance. This policy requires the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and our progress in achieving them.

The established target for the AMP Limited Board is for women to hold 40% of board positions, men to hold 40% of positions, and either women or men to hold the remaining 20% of positions.

In 2018, the board recognised that significant change was required to restore confidence in our business. Half of the AMP Limited Board in place at the beginning of the Royal Commission has since changed. The decision of a number of female directors to step down regrettably eliminated the then representation of women on the board. The process of board renewal currently underway has, given the events of 2018, made it more difficult to restore the previous representation of female directors, for the time being.

AMP also has gender diversity targets in place for management positions, which require women to hold 47% of senior executive roles and 50% of middle manager roles by the end of 2020.

In 2018, AMP maintained a sound representation of women in management positions. As a result of changes to AMP's organisational structure in 2017, the business did not meet its progress target. The representation of women in senior executive roles increased (from 38%) to 39% at 31 December 2018, with women holding 41% of middle manager roles. Overall, women make up 52% of our workforce.

In 2018, AMP commenced implementation of inclusion and diversity best practice principles for recruitment, which complement the diversity focus of our broader talent management practices.

We intend to continually review our employment systems to ensure that the signals we send by establishing these policies and targets are not undermined by unfair work practices. Systems which do not adequately address favouritism and cronyism in the workplace can lead to discriminatory outcomes, notwithstanding the intent of the policies.

Representation of women at AMP

Roles	2020 target %	2018 progress target %	31 December 2018 %	31 December 2017 %
AMP Limited Board	40	40	11	40
Senior executives[1]	47	41	39	38
Middle management[2]	50	45	41	41
All employees	n/a	n/a	52	51

1 Senior executives are generally one to four reporting layers below the CEO and represent the top 8% of the organisation. People in these roles typically lead discrete functions and are responsible for making strategic decisions for those functions. They generally have the title Group Executive, Director or Head of.

2 Middle managers are generally between three to six reporting layers below the CEO and represent the next 25% of the organisation. People in these roles typically report to our senior executives and are involved in operational decision making, or have specialised and high value skills. They have a wide range of titles including Senior Manager, Manager and Lead.

Directors' report

for the year ended 31 December 2018

This directors' report provides information on the structure and progress of our business, our 2018 financial performance, our strategies and prospects for the future and the key risks we face. It covers AMP Limited and the entities it controlled during the year ended 31 December 2018.

Operating and financial review

Principal activities

AMP is a wealth management company with an expanding international investment management business and a growing retail banking business.

We have over 6,100 employees, approximately 740,000 shareholders and manage and administer $258 billion in assets.

We provide retail customers with financial advice and superannuation, retirement income, banking, investment products and life insurance. These products and services are delivered directly from AMP and through a network of over 2,500 aligned and employed financial advisers and extensive relationships with independent financial advisers. AMP also provides corporate superannuation products and services for workplace super and self-managed superannuation funds (SMSFs).

Through AMP Capital, we manage investments across major asset classes including equities, fixed income, infrastructure, real estate, diversified, multi-manager and multi-asset funds, for domestic and international customers. AMP Capital also provides commercial, industrial and retail real estate management services.

AMP Capital holds a 15% stake in China Life AMP Asset Management Company Limited, a funds management company which offers retail and institutional investors in China access to leading investment solutions. AMP also owns a 19.99% stake in China Life Pension Company. AMP Capital has a strategic alliance with leading Japanese bank, Mitsubishi UFJ Trust and Banking Corporation (MUFG: Trust Bank) through which MUFG: Trust Bank holds a 15% minority interest in AMP Capital Holdings Limited.

On 25 October 2018, AMP announced an agreement with Resolution Life Australia Pty Ltd (Resolution) to sell its Australian and New Zealand wealth protection and mature businesses.

In this report, our business is divided into five areas: Australian wealth management, AMP Capital, AMP Bank, New Zealand wealth management and Australian and New Zealand wealth protection and mature.

The **Australian wealth management** (WM) business provides retail and corporate customers with superannuation, retirement income and investment products and services. WM includes AMP's aligned and owned advice businesses and SuperConcepts.

AMP Capital is a diversified investment manager, managing investments across major asset classes including equities, fixed interest, infrastructure, real estate, diversified, multi-manager and multi-asset funds.

AMP Bank is an Australian retail bank participating in residential mortgage lending and retail and platform deposits. AMP Bank's mission is to help customers with their goals for life, providing them with targeted retail banking solutions focused on wealth creation. AMP Bank also provides financing to AMP financial planning businesses. AMP Bank's products and services enable AMP to be relevant over a wider set of financial goals, earlier in the customer's life cycle and with higher customer interaction. AMP Bank distributes its solutions by leveraging AMP's advice network, brokers and directly.

The **New Zealand wealth management** business encompasses the wealth management and financial advice and distribution businesses in New Zealand. The company provides customers with a variety of wealth management solutions including KiwiSaver, corporate superannuation, retail investments and a wrap investment management platform. These products and other third party financial services products (such as the AMP branded Vero general insurance products) are distributed through and supported by an extensive distribution network including AdviceFirst (a majority owned subsidiary focused on providing advice to high net worth individuals and small to medium sized businesses), employed financial advisers (to support our corporate superannuation and enterprise offerings) and a network of aligned and independent financial advisers.

Australian and New Zealand wealth protection and mature comprises Australian wealth protection (WP), Australian mature and New Zealand wealth protection and mature. The WP business includes individual and group term, disability and income protection insurance products. Products can be held within a superannuation product or held independently of superannuation. The Australian mature business comprises products which are largely closed to new business and are in run-off. Products within Australian mature include whole of life, endowment, investment linked, investment account, Retirement Savings Account (RSA), Eligible Rollover Fund (ERF), annuities, insurance bonds, personal superannuation and guaranteed savings accounts (GSAs). The New Zealand wealth protection and mature business includes a risk insurance and mature book (traditional participating business).

Resetting the business

On 27 July 2018, AMP outlined a series of actions being taken to reset the business, prioritise customers and strengthen risk management systems and controls.

These actions include:

- **Accelerating advice remediation** – to ensure impacted advice customers are appropriately compensated. 2018 results include a provision of $430 million (post-tax) for potential advice remediation, inclusive of program costs, in relation to ASIC reports 499 and 515, which require an industry-wide 'look back' of advice provided from 1 July 2008 and 1 January 2009, respectively.
- **Delivering improved value for approximately 600,000 super customers** – through fee reductions to AMP's flagship MySuper products.
- **Investing to strengthen risk management systems and controls** – increasing investment to upgrade risk management controls and strengthen compliance systems across the business over the next two years.

Sale of wealth protection and mature businesses

On 25 October 2018, AMP announced the completion of its portfolio review and has entered into a sale and purchase agreement with Resolution for the sale of AMP Life Limited. This effectively includes the Australian and New Zealand wealth protection and mature business units.

Under the terms of the sale and purchase agreement, Resolution assumes the risks and profit impacts from these businesses from 1 July 2018, subject to risk sharing arrangements. AMP, however, remains responsible for the operations, capital and cost management of these businesses until the sale completes. Upon completion, AMP will retain an economic interest in the future earnings of the mature business sold to Resolution as well as hold an interest in Resolution Life Group Holdings LP.

Reported results will continue to include earnings from these businesses until the sale completes.

2018 performance

The profit attributable to shareholders of AMP Limited for the year ended 31 December 2018 was $28 million (2017: profit of $848 million).

Basic earnings per share for the year ended 31 December 2018 on a statutory basis were 1.0 cents per share (2017: 29.3 cents per share), influenced principally by remediation provisions. On an underlying basis, the earnings per share were 23.3 cents per share (2017: 35.5 cents per share).

Key performance measures were as follows:

- 2018 underlying profit of $680 million is down $360 million (–35%) from $1,040 million in 2017. This decrease largely reflects the impact of businesses subject to sale, with the operating earnings of retained businesses marginally weaker than in 2017, driven by lower earnings for Australian wealth management (–7%), offset by growth in AMP Capital (+7%) and AMP Bank (+6%).
- Australian wealth management earnings of $363 million declined 7% from 2017, driven by higher margin compression from MySuper repricing in Q4 2018, lower revenues from weaker investment markets and impairments to the carrying value of client registers in second half 2018.
- Australian wealth management net cash outflows were $3,968 million in 2018, down from net cashflows of $931 million in 2017 reflecting a range of factors including the impact of AMP's appearance at the Royal Commission into 'Misconduct in the Banking, Superannuation and Financial Services Industry' (the Royal Commission) in 2018.
- AMP Capital external net cashflows were $4,219 million, down from $5,477 million in 2017. External net cashflows were driven by strong flows into real asset classes (infrastructure and real estate), in part offset by lower cashflows from Asian based investors.
- 2018 operating loss of Australian and New Zealand wealth protection and mature businesses was $3 million, driven by capitalised losses and negative claims experience in second half 2018.
- Underlying return on equity decreased 4.7 percentage points to 9.6% in 2018 from 2017 reflecting reduced operating earnings in the Australian wealth protection business.

AMP's total assets under management (AUM) and administration were $258 billion at 31 December 2018 (2017: $257 billion).

Operating results by business area

The operating results of each business area for 2018 were as follows:

- **Australian wealth management** – operating earnings fell by $28 million from 2017 to $363 million in 2018. The decrease in operating earnings was largely due to lower investment related revenue arising from margin compression, including MySuper price changes and lower Other revenue impacts, in part offset by lower controllable costs reflecting lower variable remuneration and the full year impact of business efficiency initiatives executed in 2017.
- **AMP Capital** – AMP group's 85% share of AMP Capital's 2018 operating earnings was $167 million, up 7% from $156 million in 2017. AMP Capital's operating earnings benefited from strong fee income growth of 7%, partially offset by a 10% increase in controllable costs.
- **AMP Bank** – operating earnings increased $8 million (6%) to $148 million in 2018 from 2017. 2018 operating earnings were driven by residential mortgage book growth, as well as a reduction in investment platform deposit costs, partly offset by increases in other funding costs, additional loan provisions, as well as increased costs.
- **New Zealand wealth management** – operating earnings decreased by $1 million to $53 million in 2018 primarily due to lower wealth management income predominantly from a decline in AUM margins, partly offset by favourable advice income largely driven by growth in general insurance premiums.
- **Australian and New Zealand wealth protection and mature** – operating earnings decreased by $334 million to a $3 million operating loss in 2018 largely from the combination of an 11% decrease in profit margins, experience losses largely due to higher than expected claims, capitalised losses and other one-off experience items.

Capital management and dividend

Equity and reserves of the AMP group attributable to shareholders of AMP Limited decreased to $6.7 billion at 31 December 2018 from $7.2 billion at 31 December 2017.

AMP remains well capitalised, with $1.7 billion in shareholder regulatory capital resources above minimum regulatory requirements (MRR) at 31 December 2018 ($2.3 billion at 31 December 2017).

AMP's final 2018 dividend is 4.0 cents per share, franked to 90%. This represents a full year 2018 dividend payout ratio of 60% of underlying profit. AMP will continue to offer the dividend reinvestment plan (DRP) to eligible shareholders. For the 2018 final dividend, no discount will apply to the DRP allocation price. AMP intends to issue new shares to participants in the DRP.

Strategy and prospects

AMP remains committed to making the changes that are required to transform the business and reposition it to deliver significantly better performance and value over the long term.

Priorities for 2019 include:

- **Separating Australian and New Zealand wealth protection and mature:** to drive transaction completion by the end of Q3 2019.
- **Delivering advice remediation:** to remediate clients as quickly as possible.
- **Strengthening risk management, internal controls and governance:** to optimise investment in risk and compliance systems, and to improve risk culture.
- **Transforming Australian wealth management:** to reshape the advice network and improve economics, streamlining the operating model and product offering.
- **Driving growth in AMP Bank:** to deliver solutions through broker and advice channels; to grow retail deposit base.
- **Growing New Zealand wealth management:** to focus on separation and growth; to defer IPO consideration until separation completion.
- **Maintaining growth momentum in AMP Capital:** to continue international expansion and leverage strategic partnerships.

Key risks

Risk is inherent to our business and AMP takes measured risks to achieve our strategic objectives. We have a clear strategic plan to drive our business forward and an Enterprise Risk Management framework to identify, measure, control and report risks.

The Enterprise Risk Management (ERM) framework provides the foundation for how risks are managed across AMP. There are five key elements of the ERM framework including governance, strategy and appetite, people and culture, management information systems and the risk management process (encompassing how AMP identifies, measures, controls and reports risk).

AMP's ERM framework includes a risk management strategy which establishes the principles, requirements, roles and responsibilities for the management of risk across AMP. It also includes a risk appetite statement which articulates the nature and level of risk the board is willing to accept in the pursuit of strategic objectives. Alignment between AMP's corporate strategy and the risk appetite of the AMP Limited Board seeks to ensure that risks taken are consistent with the nature and level of risk the board is willing to accept.

Further information can be found in AMP's Enterprise Risk Management Policy, available on our website at: amp.com.au/corporategovernance.

Key business challenges

Given the nature of our business environment, we continue to face challenges that could have an adverse impact on the delivery of our strategy. The most significant business challenges (in alphabetical order) include, but are not limited to:

Business, employee and business partner conduct

The conduct of financial institutions is an area of significant focus. There is a risk that business practices and management, staff or business partner behaviours may not deliver the outcomes desired by AMP or meet the expectations of regulators and customers. An actual or perceived shortcoming in conduct by AMP or its business partners may undermine our reputation and draw increased attention from regulators.

Our code of conduct outlines AMP's expectations in relation to minimum standards of behaviour and decision making, including how we treat our employees, customers, business partners and shareholders.

AMP also works to provide a safe and respectful environment that encourages all staff to be confident and speak out about any potential conduct issues. All employees, contractors and third parties can use the Your Call program to raise concerns including regarding unethical behaviours as a whistleblower. The Group Chief Risk Officer (CRO) is AMP's designated Whistleblower Protection Officer and has direct access to the CEO and board.

Further to this, we are committed to ensuring the right culture is embedded in our everyday practices, with risk explicitly considered as part of the remuneration framework. The Group CRO is also given an additional discretion to recommend adjustments to the bonus pool for significant failures in conduct or risk management.

Competitor and customer environment

The current environment of rapid technological advancement, sustained regulatory pressure, ageing populations, rising customer expectations and intensifying competition in the wealth management and insurance industries presents both threats and opportunities to AMP's business.

Significant changes in the competitor and customer environment may disrupt AMP's business operations. For example, a significant change in customer preferences may impact sales volumes, revenue and customer satisfaction.

AMP has programs in place aimed at anticipating and responding to threats and opportunities that arise from changing customer preferences and competitor strategies and capabilities. We are investing in digital technology and using behavioural insights to understand our customers' motivations and life experiences, and help them realise their financial goals.

Cyber security threats

Cyber risk continues to be a threat in a rapidly changing technological environment and the magnitude and costs of cybercrime vary depending on the nature of the attack. While we are committed to enhancing our cyber security network, we recognise it is inevitable that cyber-attacks will occur.

AMP continues to invest in enhancing our cyber security network and we have several detective, preventative and responsive controls to protect our assets and networks. In assessing and mitigating cybercrime, AMP regularly considers vulnerabilities and potential ways to mitigate failures of people, processes and technology.

Organisational change
AMP's promise to 'help people own tomorrow' requires continuous updating of products, services and customer experiences. Managing continuous change can place significant pressure on our employees and business partners.

AMP has invested heavily in developing new approaches, models and ways of working to drive efficiency and improve our practices. We recognise that failure to appropriately manage the implementation of these changes can cause disruption to AMP's business operations. To manage this, AMP has dedicated resources with appropriate skills and expertise who establish change programs and manage transition.

Regulatory environment
AMP operates in multiple jurisdictions across the globe. Each one of these jurisdictions has its own legislative and regulatory requirements. The financial services industry both globally and in Australia and New Zealand continues to undergo a significant level of regulatory change. The Australian federal government has released the final report of the Royal Commission and while the government has responded, indicating how it will act on the recommendations, the process for these to become legislation will take time. The extent or manner in which any legislation is enacted may impact AMP's future strategy.

AMP has established internal policies, frameworks and procedures to seek to ensure our domestic and international regulatory obligations, and changes in the obligations, are met in each jurisdiction. Regulatory and compliance risks, breaches, consultations and general interactions are reported as part of our internal risk and compliance reporting process, and to the relevant regulators as and when required. A number of investigations, consultations and general interactions may be in progress with our key regulators. We actively participate in these interactions, and cooperate with regulators on such matters.

The environment

In the normal course of its business operations, AMP is subject to a range of environmental regulations of which there have been no material breaches during the year. You can find further information about AMP's environment policy and activities at amp.com.au/corporatesustainability.

Significant changes to the state of affairs

Apart from elsewhere disclosed in this report, there were no significant changes in the state of affairs during the year.

Events occurring after the reporting date

In December 2017, the Australian Government established a Royal Commission into 'Misconduct in the Banking, Superannuation and Financial Services Industry' to investigate conduct, practices, behaviour or business activities by financial services entities, including AMP, that may amount to misconduct or that may have fallen below community standards and expectations. During the course of 2018, the Royal Commission has conducted a number of public hearings and required the production of documents as part of its inquiry.

The final report of the Royal Commission was publicly released on 4 February 2019 and made:

- 76 policy recommendations which may result in legislative and regulatory change; and
- a number of findings of actual or possible misconduct (including breaches of law) or conduct which does or may fall below community standards and expectations in relation to participants in the financial services industry, including AMP.

AMP is considering the various matters raised in the Commissioner's final report.

Other than this matter, as at the date of this report, the directors are not aware of any matters or circumstances that have arisen since the reporting date that has significantly affected, or may significantly affect the group's operations; the results of those operations; or the group's state of affairs in future periods.

The AMP Limited board of directors

The management of AMP is overseen by a board of directors who are elected by shareholders.

The directors of AMP Limited during the year ended 31 December 2018 and up to the date of this report are listed below. Directors were in office for this entire period except where stated otherwise:

- David Murray AO (Chairman) (appointed 21 June 2018)
- Catherine Brenner (former Chairman) (resigned 30 April 2018)
- Francesco De Ferrari (Chief Executive Officer and Managing Director) (appointed 31 January 2019)
- Craig Meller (former Chief Executive Officer and Managing Director) (resigned 20 April 2018)
- Patricia Akopiantz (resigned 31 December 2018)
- John Fraser (appointed 20 September 2018)
- Andrew Harmos
- Holly Kramer (resigned 8 May 2018)
- Trevor Matthews
- John O'Sullivan (appointed 20 June 2018)
- Geoff Roberts
- Peter Varghese AO
- Vanessa Wallace (resigned 8 May 2018)
- Mike Wilkins AO

As announced on 31 January 2019, Andrea Slattery will become a director of AMP Limited on 15 February 2019 (after the date of this report).

Details of the current directors' qualifications, experience, special responsibilities and directorships of other listed companies are given in the Our board section of our annual report.

Attendance at board and committee meetings

The table below shows details of attendance by directors of AMP Limited at meetings of boards and committees of which they were members during the year ended 31 December 2018. The Chairman and directors also attended other meetings, including board committee meetings, management meetings and meetings of subsidiary boards and committees of which they were not a director or member during the year (those voluntary attendances are not included in the table below).

Board/committee	AMP Limited Board Meetings[1]		Audit Committee		Risk Committee		Nomination Committee[2]		Remuneration Committee[3]		Ad hoc committees/ workshops[4]		Subsidiary board and committee meetings/ workshops[5]	
Held/attended	A	B	A	B	A	B	A	B	A	B	A	B	A	B
David Murray AO (appointed 21 June 2018)[6]	13	13	–	–	–	–	2	2	2	2	10	10	–	–
Catherine Brenner (resigned 30 April 2018)[7]	8	8	–	–	–	–	1	1	3	3	8	8	–	–
Patricia Akopiantz (resigned 31 December 2018)[8]	26	26	–	–	4	4	3	3	6	6	16	15	16	16
John Fraser (appointed 20 September 2018)[9]	7	7	–	–	–	–	–	–	–	–	8	4	–	–
Andrew Harmos	26	25	4	3	4	3	–	–	–	–	14	13	11	9
Holly Kramer (resigned 8 May 2018)[10]	9	8	1	1	–	–	–	–	–	–	4	4	9	9
Trevor Matthews	26	25	4	4	4	4	–	–	3	3	7	7	12	12
Craig Meller (resigned 20 April 2018)[11]	6	6	–	–	–	–	–	–	–	–	5	5	3	3
John O'Sullivan (appointed 20 June 2018)[12]	13	13	–	–	–	–	–	–	–	–	11	10	–	–
Geoff Roberts	26	26	4	4	4	4	–	–	–	–	12	12	8	8
Peter Varghese AO	26	24	–	–	4	4	3	3	–	–	13	9	13	13
Vanessa Wallace (resigned 8 May 2018)[13]	9	9	–	–	–	–	–	–	3	3	1	1	4	4
Mike Wilkins AO[14]	26	25	1	1	1	1	–	–	1	1	15	14	6	4

Column A – indicates the number of meetings held while the director was a member of the board/committee.
Column B – indicates the number of those meetings attended.

1 During the Royal Commission, directors attended frequent telephone briefings from senior management. These briefings were not board meetings and are therefore not included in the table above.
2 Previously called the Nomination and Governance Committee.
3 Previously called the People and Remuneration Committee.
4 Ad hoc committees were convened during the year in relation to matters including major corporate transactions, advice remediation and compliance, and financial results. The AMP Limited Board also held workshops in relation to various matters.
5 Subsidiary board and committee meetings refer to meetings of the boards and committees of the following key subsidiaries: AMP Life Limited (AMP Life), The National Mutual Life Association of Australasia Limited (NMLA), AMP Bank Limited and AMP Capital Holdings Limited. Where board and committee meetings of AMP Limited, AMP Life and NMLA were held concurrently, only one meeting has been recorded in the above table. Similarly, where concurrent meetings of AMP Life and NMLA were held, only one meeting has been recorded.
6 David Murray was appointed as a director and AMP Limited Chairman effective 21 June 2018. David was also appointed Chairman of the Nomination Committee and a member of the Remuneration Committee on that date.
7 Catherine Brenner resigned as AMP Limited Chairman and as a director effective 30 April 2018. Prior to her resignation, Catherine was Chairman of the Nomination Committee and a member of the Remuneration Committee.
8 Patricia Akopiantz resigned as a director effective 31 December 2018. Throughout the year, Patricia was Chairman of the Remuneration Committee and a member of the Risk Committee and Nomination Committee.
9 John Fraser was appointed as a director on 20 September 2018.
10 Holly Kramer resigned as a director effective 8 May 2018. Prior to her resignation, Holly was a member of the Audit Committee. She was also a member of the Remuneration Committee from 30 April 2018 until her resignation – no meetings of that committee were held during this period.
11 Craig Meller resigned as Chief Executive Officer and Managing Director effective 20 April 2018.
12 John O'Sullivan was appointed as a director effective 20 June 2018.
13 Vanessa Wallace resigned as a director on 8 May 2018. Prior to her resignation, she was a member of the Remuneration Committee. She was also a member of the Audit Committee from 20 April 2018, and of the Nomination Committee from 30 April 2018, until her resignation – no meetings of those committees were held while she was a member.
14 Mike Wilkins held the role of acting Chief Executive Officer from 20 April to 30 November 2018 and was interim Executive Chairman from 30 April to 20 June 2018. Prior to his appointment as acting Chief Executive Officer, Mike was Chairman of the Risk Committee and a member of the Audit Committee. Mike was Chairman of the Nomination Committee and a member of the Remuneration Committee from 30 April to 21 June 2018. No meetings of the Nomination Committee were held while he was a member.

Company secretaries' details

Details of each company secretary of AMP Limited as at the date of this report, including their qualifications and experience, are set out below.

David Cullen

Group General Counsel

BCom, LLB, LLM, GradDipAppFin, PGCert Mgmt

David joined AMP in September 2004 and was appointed Group General Counsel in May 2018. David has group-wide responsibility for AMP's legal and governance functions. David has almost 25 years' experience in the legal profession, with extensive experience in the areas of M&A, corporate law and corporate governance, having worked in law firms in Perth and Sydney and with the ASX. Prior to his appointment as Group General Counsel, David was the Group Company Secretary and General Counsel, Governance at AMP, which included acting as Company Secretary for AMP Limited. David also worked full-time on AMP's merger with AXA APH. David holds a Bachelor of Commerce and Bachelor of Laws from the University of WA and a Master of Laws from the University of Sydney. He is a Fellow of the Governance Institute of Australia.

Vicki Vordis

Company Secretary

BEc, LLB (Hons), GradDipAppCorpGov, FGIA

Vicki joined AMP in December 2000 and has held various legal roles in the AMP group before moving into the Group Corporate Governance team. She is the lead Company Secretary for AMP Limited and secretary of a number of other AMP group companies. Prior to 2000, Vicki worked as a lawyer focusing on litigation in several Sydney private legal practices. She is a Fellow of the Governance Institute of Australia.

Indemnification and insurance of directors and officers

Under its constitution, the company indemnifies, to the extent permitted by law, all current and former officers of the company (including the non-executive directors) against any liability (including the costs and expenses of defending actions for an actual or alleged liability) incurred in their capacity as an officer of the company. This indemnity is not extended to current or former employees of the AMP group against liability incurred in their capacity as an employee, unless approved by or on behalf of the AMP Limited Board.

During, and since the end of, the financial year ended 31 December 2018, the company maintained, and paid premiums for, directors' and officers' and company reimbursement insurance for the benefit of all of the officers of the AMP group (including each director, secretary and senior manager of the company) against certain liabilities as permitted by the *Corporations Act 2001*. The insurance policy prohibits disclosure of the nature of the liabilities covered, the amount of the premium payable and the limit of liability.

In addition, the company and each of the current and former directors are parties to deeds of indemnity, insurance and access. Those deeds provide that:

- the directors will have access to board papers and specified records of the company (and of certain other companies) for their period of office and for at least ten (or, in some cases, seven) years after they cease to hold office (subject to certain conditions);
- the company indemnifies the directors to the extent permitted by law, and to the extent and for the amount that the relevant director is not otherwise entitled to be, and is not actually, indemnified by another person;
- the indemnity covers liabilities (including legal costs) incurred by the relevant director in their capacity as a current or former director of the company, or director, officer or specified representative of another AMP group company or, in certain cases, an external company (where the person holds the relevant external position at the AMP group's request); and
- the company will maintain directors' and officers' insurance cover for the directors, to the extent permitted by law, for the period of their office and for at least ten years after they cease to hold office.

During, and since the end of, the financial year ended 31 December 2018, in accordance with the deeds of indemnity, insurance and access provided to the former directors named below, the following legal costs were paid by the AMP group for legal advice obtained by those former directors in connection with matters relating to the conduct of the AMP group, during their term of office, raised during the Royal Commission:

- legal costs totalling $122,066.23 were paid for legal advice obtained by former AMP Limited Chairman, Catherine Brenner; and
- legal costs totalling $194,637.38 were paid for legal advice obtained by former Chief Executive Officer and Managing Director, Craig Meller.

Indemnification of auditors

To the extent permitted by law, the company has agreed to indemnify its auditor, Ernst & Young, as part of the terms of its audit engagement agreement, against claims by third parties arising from the audit, other than where the claim is determined to have resulted from breach or any negligent, wrongful or wilful act or omission by or of Ernst & Young. No payment has been made to indemnify Ernst & Young during or since the financial year ended 31 December 2018.

Rounding

In accordance with the Australian Securities and Investments Commission Corporations Instrument 2016/191, amounts in this directors' report and the accompanying financial report have been rounded off to the nearest million Australian dollars, unless stated otherwise.

Auditor's independence declaration to the directors of AMP Limited

The directors have obtained an independence declaration from the company's auditor, Ernst & Young, for the financial year ended 31 December 2018.

Building a better working world

Ernst & Young
200 George Street
Sydney NSW 2000 Australia

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Auditor's Independence Declaration to the Directors of AMP Limited

As lead auditor for the audit of AMP Limited for the financial year ended 31 December 2018, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of AMP Limited and the entities it controlled during the financial year.

Ernst & Young

Andrew Price
Partner
Sydney, 14 February 2019

Non-audit services

The Audit Committee has reviewed details of the amounts paid or payable for non-audit services provided to the AMP group during the year ended 31 December 2018, by the company's auditor, Ernst & Young.

The directors are satisfied that the provision of those non-audit services by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* and did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit assignments were approved by the CFO, or his nominated delegate, or the Chairman of the Audit Committee;
- No non-audit assignments were carried out which were specifically excluded by the AMP Charter of Audit Independence; and
- The level of fees for non-audit services amounted to 14% (ie $2.4 million) of the total fees paid to the auditors, compared with 12% (ie $1.9 million) for the prior year, as disclosed in note 7.4 to the financial report.

Remuneration disclosures

The remuneration arrangements for AMP directors and senior executives are outlined in the remuneration report which forms part of the directors' report for the year ended 31 December 2018.

Directors' and senior executives' interests in AMP Limited shares, performance rights and options are also set out in the remuneration report on the following pages.

Remuneration report (audited)

for the year ended 31 December 2018

Overview of 2018

2018 was a very difficult year for AMP.

The Financial Services Royal Commission highlighted misconduct across the financial services industry with significant ramifications for AMP, not least of which was the damage to its reputation and loss of value for our shareholders.

Following various revelations at the Royal Commission, the former Chairman and three other non-executive directors left the board and four new directors, including myself as the new Chairman, have been appointed (with the fourth to commence on 15 February 2019). Both the former CEO and the General Counsel left AMP in April 2018.

Our new CEO Francesco De Ferrari was appointed and began in December 2018. Since then he has announced changes to the senior leadership team.

2018 remuneration outcomes

Remuneration outcomes for 2018 are reflective of the difficult circumstances of the year. Apart from the CEO of AMP Capital, there were no allocations of incentives to the AMP executive leadership team for 2018.

The board determined that the unvested allocations of equity that were due to vest be forfeited for Mr Meller (former CEO) and Mr Caprioli (formerly, the Group Executive, Advice and Banking who left the business in December 2016). The total face value of the unvested incentives for Mr Meller and Mr Caprioli is approximately $10.8 million (based on the original award value). This reflects their overall accountability for the 'fee for no service' issues that AMP had previously disclosed to ASIC and which were addressed during the Financial Advice hearing block of the Royal Commission. The board also exercised discretion which resulted in the forfeiture of incentive holdings for some other former executives and employees in connection with the 'fee for no service' issues.

As announced on 30 April 2018, the AMP Limited Board reduced directors' fees by 25% for the remainder of the 2018 calendar year, applicable to those who held office at that time. In addition, further changes to board responsibilities and fees have been implemented for 2019. With the aim of constraining the cost of governance arrangements from 2020, after separation of the Life and Mature businesses to Resolution Life, the Chairman's fees will be reduced in 2020.

Board review of remuneration model

At the May 2018 AGM, AMP received a first strike against its 2017 remuneration report. The board recognises this first strike was in response to wider business issues as well as other concerns about the remuneration framework.

Acknowledging the views of our shareholders, the first strike against the 2017 remuneration report, ongoing regulatory developments and the changes occurring within the AMP business, the board has reviewed AMP's remuneration arrangements.

There is no one 'right' remuneration model that can be applied as suitable for all businesses across all situations, and we recognise there are different views about remuneration practices. We consider and attempt to balance the expectations or requirements of our customers, employees, shareholders, proxy advisers and regulators, which are increasingly less aligned.

Remuneration arrangements are one part of the framework that drives behaviours and expected outcomes for customers, shareholders and employees. Unless remuneration sits alongside well-designed business and employment systems, a realistic strategy and appropriate risk management and internal controls, it will not be effective in delivering the desired outcomes. Most importantly for AMP, the systems of remuneration must be accompanied by consequences for unsatisfactory behaviours and an acknowledgement that our reputation in the wider community is fundamental to our future as a financial services business.

I would like to stress that your board has ensured there have been consequences for people at AMP as a result of the circumstances of 2018. I would also like to stress, however, that any remuneration arrangements must be designed to attract and retain the people needed at all levels of work to conduct AMP's business. Accordingly, the board has been mindful not to unduly penalise the majority of employees who continue to do their jobs.

2019 remuneration approach

The board is very pleased to have welcomed Francesco De Ferrari as CEO in December 2018. Mr De Ferrari will set a new strategy for the business, and AMP's remuneration framework for 2019 onwards will be considered within the context of this strategy. At this stage, arrangements for 2019 are advanced but have not been finalised. However, the Executive Performance Incentive Plan (EPI Plan) introduced for 2018 will not continue. Instead AMP will be adopting an approach more suited to the significant change and transformation AMP will be undergoing. This will include a greater emphasis on long-term incentives linked to transformation objectives.

The board recognised that, given the circumstances of the Royal Commission, at the time it was unlikely we could appoint an executive from within Australia. In the appointment of finance executives internationally, it is common to have to make significant buy-out payments, requiring the board to consider the costs and benefits of doing so. As part of attracting Mr De Ferrari to AMP, we took account of his previous remuneration package. The recovery and buy-out incentives awarded to Mr De Ferrari represent amounts forgone at his previous employer as a result of his joining AMP and reflect a higher equity component and some additional challenging hurdles to meet before amounts will vest. These remuneration arrangements are designed to drive the recovery of AMP and recognise the degree of challenge in the task ahead. The incentives were agreed and advised to the market in August 2018 and both the AMP share price and the ASX 100 have declined in the period from that time to Mr De Ferrari's start date. No adjustments have been made to reflect these market movements.

We have recently introduced the AMP Employee Share Plan, which now gives all employees the opportunity to become owners in AMP and share in the growth and success we are striving to achieve. Because these shares are bought on market there is no dilution to shareholders.

Remuneration Committee's focus for 2019

Some of the priorities for 2019 include:

- Responding to Royal Commission recommendations
- Further reviewing AMP's remuneration framework in response to the Royal Commission, shareholder feedback and a new strategy
- Revisiting the use of any remaining sales incentive plans
- Together with the investment in strengthening risk management, internal controls and governance, reviewing the application of consequences for misconduct.

We appreciate the feedback we have received and the board will continue to engage with our shareholders.

David Murray
Chairman

Remuneration report

This remuneration report details the remuneration arrangements for our key management personnel (KMP) in 2018. This report has been prepared and audited against the disclosure requirements of the Corporations Act 2001.

New CEO remuneration arrangements

Francesco De Ferrari commenced as Chief Executive Officer effective 1 December 2018. His remuneration arrangements are summarised in the sections below.

CEO incentives on appointment

On commencement, Mr De Ferrari received a one-off 'Buy-out' and 'Recovery' incentive package in consideration for incentives forgone from his previous employer that he would have otherwise been entitled to receive. The package is structured with a higher proportion of the overall award delivered in equity compared to the incentives forgone. This is designed to maximise the incentive to drive the recovery of AMP and maintain alignment with the interests of shareholders.

A portion of the incentive package will be delivered in cash in February 2019. The remainder of the value to Mr De Ferrari is variable with a significant portion at risk, to be earned over the next four years through deferred equity awards. The equity awards will vest over time according to the schedules and conditions summarised in the tables below.

For the period 1 December to 31 December 2018, Mr De Ferrari did not participate in any AMP incentive plan.

Buy-out incentive

Remuneration type	Value	Grant date	Vesting schedule	Vesting conditions
Cash	$1.7m	To be paid on or around 21 February 2019	Must be in employment at payment date	Continuous employment
Restricted shares	1,453,488 AMP shares with a face value of approximately $5.0m	21 August 2018	60% on 15 August 2019 20% on 15 August 2020 20% on 15 August 2021	Continuous employment
Share rights	1,453,488 AMP share rights with a face value of approximately $5.0m	21 August 2018	50% on 15 February 2020 30% on 15 February 2021 20% on 15 February 2022	Continuous employment

Recovery incentive

Remuneration type	Value	Grant date	Vesting schedule	Vesting conditions
Options	8,000,000 AMP options with a fair value of approximately $300,000	14 December 2018	Exercise price of $5.50 Vesting 15 February 2023 Expiration 31 March 2024	Continuous employment
Performance rights	1,656,976 AMP share rights with a face value of approximately $5.7m	21 August 2018	Tested by the board on 15 February of each of 2021, 2022 and 2023	Must be in employment on relevant testing date. On first testing date, 25% will vest if share price is $4.50. On second testing date, 50% or 75% (including any that have vested already) will vest if share price is $4.75 or $5.00 (respectively). On third testing date, the balance will vest if share price is $5.25. If share price is between $4.50 and $5.25, between 25% and 100% (including any that have vested already) will vest, as determined on a straight-line basis.

The tables above reflect Mr De Ferrari's total holdings of rights and options over, and contractual entitlements to, AMP Limited shares as at the date of this report. He does not otherwise hold any relevant interests in AMP Limited shares at the date of this report.

New CEO remuneration arrangements (continued)

CEO fixed remuneration

A number of factors were taken into consideration when setting the fixed remuneration for Mr De Ferrari including the former CEO's fixed remuneration, external market practice and common practice in a period of transformation. This resulted in a fixed remuneration of $2,200,000 per annum.

CEO incentive arrangements for 2019

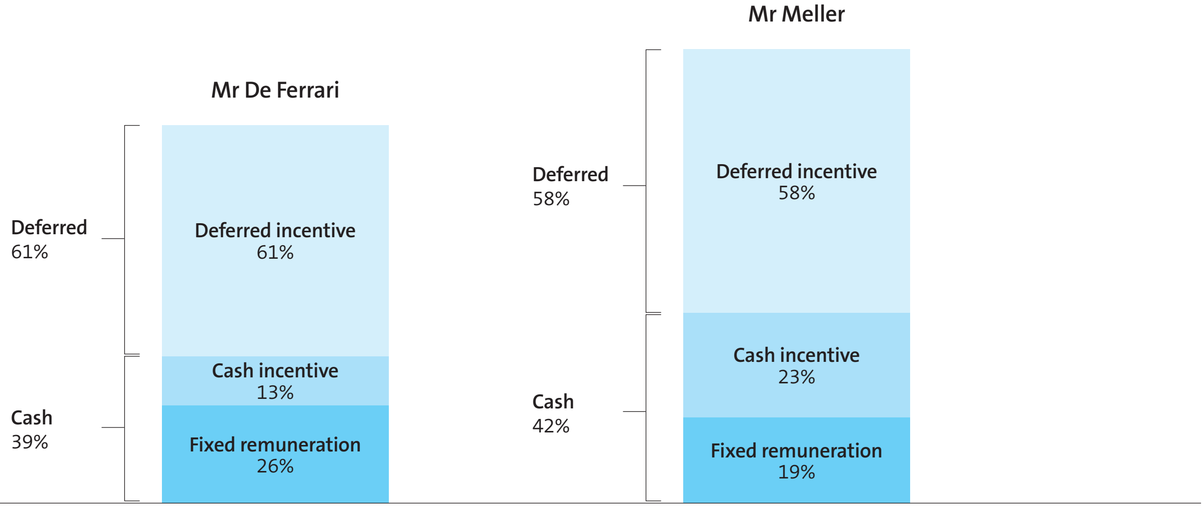
Mr De Ferrari will be eligible to participate in the following incentive arrangements for the performance year 1 January 2019 to 31 December 2019:

Short-term incentive (STI) – maximum STI opportunity of 120% of fixed remuneration with the same terms as other participants in 2019.

Long-term incentive (LTI) – maximum LTI of 159% of fixed remuneration with the same terms as other participants.

The specific terms of the 2019 incentives are being finalised and will be outlined in the 2019 remuneration report.

The table below reflects an overall decrease in quantum of the total remuneration package for Mr De Ferrari compared with that of Mr Meller in 2017.



Incentive outcomes

No 2018 short-term incentive awards have been made to executives with the exception of Adam Tindall (CEO AMP Capital) who participates in the AMP Capital Enterprise Profit Share (EPS) plan. These outcomes reflect the overall accountability of the executive leadership team.

The following table shows the remuneration awarded to executives (excluding Mr De Ferrari who did not participate in an incentive plan for 2018) based on the 2018 performance year.

This table differs from the statutory table in section 7.3.1 which is prepared according to Australian Accounting Standards.

	Fixed remuneration $'000	Cash incentive awarded $'000	Deferred incentive awarded $'000	Total remuneration awarded for 2018 $'000	% of target incentive opportunity awarded	% of target incentive opportunity not awarded
Megan Beer	900	–	–	900	0	100
Sally Bruce	750	–	–	750	0	100
David Cullen	700	–	–	700	0	100
Jenny Fagg	900	–	–	900	0	100
Gordon Lefevre	965	–	–	965	0	100
Helen Livesey	700	–	–	700	0	100
Jack Regan	900	–	–	900	0	100
Craig Ryman	800	–	–	800	0	100
Paul Sainsbury	965	–	–	965	0	100
Adam Tindall[1]	950	785	1,178	2,913	n/a	n/a
Fiona Wardlaw	800	–	–	800	0	100
Total	**9,330**	**785**	**1,178**	**11,293**		

1 The percentage of target incentive opportunity awarded for Adam Tindall is not applicable because his opportunity is uncapped under the AMP Capital Enterprise Profit Share plan.

Remuneration consequences for risk and reputation matters

In 2018 the board exercised discretion to apply remuneration consequences to executives reflecting their overall accountability for the 'fee for no service' issues. The consequences determined by the board were:

- Former CEO: the board will not make any incentive payments to Mr Meller for the 2018 financial year. The board also determined that unvested allocations of equity that were made to Mr Meller under previous incentive awards that were due to vest through to 2021 are forfeited.
- Former Group Executive, Advice and Banking: the board determined that the unvested incentives of Mr Caprioli that were due to vest in 2019 are forfeited.
- Forfeit unvested incentives for other select former executives and employees in connection with the 'fee for no service' issues.
- There were no 2018 short-term incentive allocations to the senior leadership team (excluding the CEO AMP Capital).

Executive exit arrangements

The table below outlines the exit arrangements for executives disclosed as key management personnel (KMP) during 2018. Further detail is provided in the statutory disclosure table in section 7.3.1.

Executive	Exit arrangement
Craig Meller (ceased as KMP 20 April 2018)	– Employment formally ended on 31 December 2018 – Payment in lieu of balance of notice – All unvested LTI and STI Deferral incentives lapsed or were forfeited – Provision of other benefits required by law
Saskia Goedhart (ceased as KMP 9 February 2018)	– Employment formally ended on 24 February 2018 – All unvested STI Deferral incentives retained subject to the same vesting conditions – All unvested LTI awards lapsed or were forfeited upon cessation of employment – Provision of benefits required by law
Brian Salter (ceased as KMP 30 April 2018)	– Employment formally ended on 30 April 2018 – Payment in lieu of 12-months' notice period – All unvested LTI and STI Deferral incentives lapsed or were forfeited upon cessation of employment – Provision of other benefits required by law

Board response to concerns raised in relation to the 2017 remuneration report

Following feedback from shareholders with regards to the 2017 remuneration report, the board has undertaken a review of our executive remuneration strategy and framework for 2019 and beyond to focus executives on AMP's recovery.

The following table provides a summary of responses to comments and concerns raised at our 2018 annual general meeting:

Element	Concern raised	Response
Fixed remuneration	Quantum of CEO pay	Remuneration for the CEO is regularly benchmarked against the market to ensure it is not out of line with peers. The remuneration for the new CEO was set taking into consideration the fixed remuneration for the former CEO, external market practice and common practice in a period of transformation.
Incentives	Short-term focus of incentives	The arrangements for 2019 have not been finalised but are expected to reduce the short-term focus.
		The CEO remuneration package for 2019 is heavily weighted to LTI.
	Incentives not aligned with shareholders – consistent payouts not reflective of share price	The arrangements for 2019 have not been finalised but are expected to create better alignment with shareholder experience.
	Uncapped incentives	The uncapped incentive opportunity is related to the Enterprise Profit Share plan within AMP Capital. This is an appropriate incentive plan for a global investment management business. Adam Tindall is the only member of the AMP executive leadership team who participates in this plan.
	Clawback/malus	The clawback provisions have been strengthened in the Equity Incentive Plan (EIP) to provide extra flexibility for the board to determine that securities lapse or be forfeited.
NED remuneration	Retirement benefits for NEDs	AMP does not pay retirement benefits to non-executive directors (NEDs). Details of all payments made to these NEDs are disclosed in the NED remuneration table.

Remuneration report

Contents

1. Who is covered by this report

KMP are the individuals who have authority and responsibility for planning, directing and controlling the activities of AMP. This includes the chief executive officer (CEO), nominated direct reports of the CEO and AMP's non-executive directors (NEDs). In this report, the term 'executive' means the CEO and the other executives who are KMP. 2018 KMP are detailed below.

		Term as KMP in 2018
Current executives		
Francesco De Ferrari[1]	Chief Executive Officer	One month
Megan Beer	Group Executive, Insurance	Full Year
Sally Bruce	Group Executive, AMP Bank	Full Year
David Cullen[2]	Group General Counsel	Seven months
Jenny Fagg[3]	Chief Risk Officer	Eleven months
Gordon Lefevre	Chief Financial Officer	Full Year
Helen Livesey	Group Executive, Public Affairs and Chief of Staff	Full Year
Jack Regan	Group Executive, Advice and New Zealand	Full Year
Craig Ryman	Group Executive, Technology and Operations	Full Year
Paul Sainsbury	Group Executive, Wealth Solutions and Customer	Full Year
Adam Tindall	Chief Executive Officer, AMP Capital	Full Year
Fiona Wardlaw	Group Executive, People and Culture	Full Year
Former executives		
Craig Meller[4]	Chief Executive Officer and Managing Director	Four months
Saskia Goedhart[5]	Chief Risk Officer	One month
Brian Salter[6]	Group General Counsel	Four months
Current non-executive directors		
David Murray[7]	Chairman	Six months
Patricia Akopiantz[8]	Non-executive Director	Full Year
John Fraser[9]	Non-executive Director	Three months
Andrew Harmos	Non-executive Director	Full Year
Trevor Matthews	Non-executive Director	Full Year
John O'Sullivan[10]	Non-executive Director	Six months
Geoff Roberts	Non-executive Director	Full Year
Peter Varghese	Non-executive Director	Full Year
Mike Wilkins[11]	Non-executive Director	Full Year
Former non-executive directors		
Catherine Brenner[12]	Chairman	Four months
Holly Kramer[13]	Non-executive Director	Four months
Vanessa Wallace[13]	Non-executive Director	Four months

1 Francesco De Ferrari was appointed as Chief Executive Officer on 1 December 2018.
2 David Cullen was appointed as Group General Counsel on 24 May 2018. This is the date he became KMP.
3 Jenny Fagg was appointed as Chief Risk Officer on 9 February 2018.
4 Craig Meller stepped down from the role of Chief Executive Officer and Managing Director effective 20 April 2018.
5 Saskia Goedhart resigned from the role as Chief Risk Officer effective 9 February 2018.
6 Brian Salter ceased employment as Group General Counsel effective 30 April 2018.
7 David Murray was appointed as Chairman of the AMP Limited Board on 21 June 2018.
8 Patricia Akopiantz resigned from the AMP Limited Board on 31 December 2018.
9 John Fraser was appointed to the AMP Limited Board on 20 September 2018.
10 John O'Sullivan was appointed to the AMP Limited Board on 20 June 2018.
11 Mike Wilkins held the role of acting Chief Executive Officer for the period 20 April to 30 November 2018 and was interim Executive Chairman from 30 April to 20 June 2018. Effective 1 December 2018 Mike returned to his role of non-executive director.
12 Catherine Brenner resigned as Chairman of the AMP Limited Board on 30 April 2018.
13 Holly Kramer and Vanessa Wallace resigned from the AMP Limited Board effective 8 May 2018.

2. 2018 remuneration framework

The table below outlines the remuneration framework in place for the executives in 2018.

Executive remuneration objective:
To attract and retain the people required to achieve AMP's corporate objectives through its chosen business model and associated strategy

Remuneration arrangements at AMP should be informed by our guiding principles:

- Differentiate – remuneration outcomes should differentiate for performance taking into account risk management and compliance with our policies
- Behaviour – remuneration should drive behaviour that is legal, authorised, productive and reputable
- Clarity and consistency – employees should have clarity around remuneration and remuneration arrangements should be applied consistently
- Governance – remuneration arrangements should be supported by a proper system of internal controls, dealing with: separation of roles, conflicts of interests, with appropriate checks and balances
- Judgement – the remuneration framework should allow directors to exercise independent judgement and discretion
- Reward – reward people for their work on terms consistent with the markets in which they are employed

Delivered through the following remuneration components:

Fixed	At risk
Fixed remuneration Cash salary, superannuation and any salary sacrificed benefits	**Variable remuneration – Executive Performance Incentive (EPI) Plan** Annual incentive award where a minimum of 60% of the allocation is deferred in restricted equity for five years

Supported by the remuneration governance, risk management and consequence management frameworks:

– The scope of the role is taken into account when setting fixed pay levels – Roles are benchmarked against data provided by the board's remuneration adviser for similar type roles in companies of a similar size, publicly available data for peer organisations and published remuneration surveys eg FIRG	– The Chief Risk Officer reports to the Remuneration Committee on risk outcomes – Risk is a key consideration for individual performance assessments – Risk is a key measure in the pool scorecard – The board may adjust the pool down (to zero) if executives have operated outside risk appetite levels or for extraordinary events which impact shareholder value – Vesting of deferred incentives is subject to a conduct and risk review and the board has discretion to adjust outcomes downwards with malus and clawback provisions in certain circumstances (eg misconduct, participant acting fraudulently, dishonestly or in a manner that brings AMP into disrepute, protect financial soundness of AMP) – Hedging of AMP shares (including unvested rights) is prohibited

As outlined in the 2017 annual report, the Executive Performance Incentive (EPI) Plan was introduced for executives effective 1 January 2018.

The EPI Plan was designed to be delivered in two components:

- EPI cash award (minimum 40% of the award), and
- EPI equity award (minimum 60% of the award) granted as restricted equity subject to a five-year holding lock.

The award of restricted equity is made as rights to AMP shares which remain subject to dealing restrictions for the five-year period.

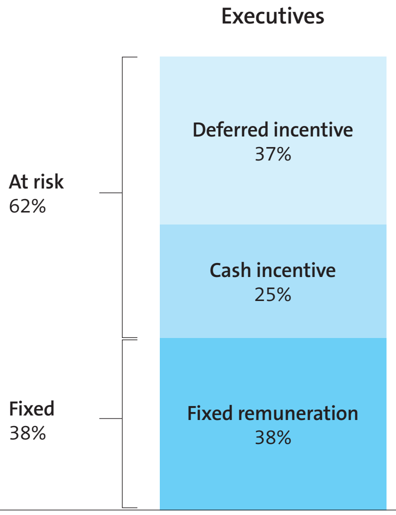
The board determined that there would be no allocations under the EPI Plan for executives. A portion of Adam Tindall's 2018 allocation under the Enterprise Profit Share plan will be deferred for five years and granted in AMP equity in line with the EPI Plan.

2. 2018 remuneration framework (continued)

2.1 Remuneration mix

The following illustration shows the remuneration mix for the executives in 2018 (excluding both the CEO AMP who did not participate in any incentive plans during 2018 and the CEO AMP Capital who participates in the AMP Capital Enterprise Profit Share plan). Outcomes have been modelled based on the average of the executives' target opportunities.

2018 Remuneration mix based on target incentive opportunity



2.2 Changes to executive remuneration for 2019

Since the introduction of the EPI Plan, AMP has experienced a period of significant change, impacted by internal and external factors.

Following the review of the remuneration arrangements for 2019, the board is proposing a different approach to deriving a group incentive pool. This will move away from a formulaic scorecard approach and instead will create an incentive pool for delivering upon a set of agreed priorities and the 2019 financial plan. To the extent targets are exceeded and financial results are above plan, an incremental amount will flow through to the group incentive pool.

The board will continue to exercise discretion when assessing performance to determine the final incentive pool result. The board may choose to exercise this discretion to take into account other factors (such as those factors not fully reflected in the results) to ensure that the outcome is appropriate and aligned to shareholder experience.

The CRO would continue to recommend risk related adjustments to the board. This would form part of the overall adjustment to the pool considered by the board rather than a separate standalone adjustment.

The board has determined that the EPI Plan will not continue in 2019 and will be replaced by new arrangements. Development of the new arrangements is well advanced but not yet finalised. The arrangements will have a much greater emphasis on equity with a challenging LTI plan for driving and delivering the transformation agenda. We intend to consult with shareholders and their representatives in coming months to ensure their feedback is considered.

2.3 Culture and risk management in remuneration

Culture, effective risk practices and consequence management are important considerations at AMP. AMP believes that culture is an enabler of strategic execution over the long term. AMP is committed to a culture that values integrity, help and performance. Employee beliefs about risk taking or risk reducing behaviours that are valued and expected at AMP (ie our risk culture) are important aspects of AMP's overall culture.

During 2018, there have been continued enhancements to the remuneration framework to embed risk into multiple layers of goal setting and performance assessment both for executives and the broader employee population.

Effective risk management is embedded into the remuneration principles and framework (outlined in the diagram in section 2) and is a key consideration in our performance assessment at both a company and individual level. Conduct is also a key consideration in the design of remuneration and evaluation of performance. Before remuneration is awarded or vests, risk and conduct are specifically considered.

Further detail on how risk is considered for each reward element is outlined in section 7.

3. Remuneration governance

There are a number of governance and oversight processes in place for remuneration at AMP, primarily through the AMP Limited Board, subsidiary boards and the Remuneration Committee. The Remuneration Committee supports the boards to fulfil their remuneration obligations by overseeing AMP's remuneration strategy and policy.

AMP's remuneration policy provides a framework for the implementation, assessment and maintenance of remuneration arrangements throughout AMP in line with the remuneration guiding principles adopted by the Remuneration Committee.

The Remuneration Committee is made up of non-executive directors (NEDs). More information on the role of the Remuneration Committee can be found in the terms of reference at corporate.amp.com.au/about-amp/corporate-governance.

The board believes that to make good remuneration decisions it needs both a robust framework and the ability to exercise judgement. Therefore, the board retains discretion to adjust remuneration outcomes in certain cases to ensure that awards are appropriate and aligned to shareholder experience. We recognise that shareholders place a significant degree of trust in the board to exercise this discretion.

Where an external perspective is needed, the Remuneration Committee seeks guidance from independent remuneration advisers. During the year, the Remuneration Committee engaged PricewaterhouseCoopers and received updates on market trends, regulatory changes, shareholder concerns regarding remuneration and advice. No specific remuneration recommendations were made to the Remuneration Committee by independent remuneration advisers in 2018.

The governance framework is illustrated in the chart below.

AMP Limited Board

AMP subsidiary boards

AMP Limited Risk Committee

Assists the board with oversight of the implementation and operation of AMP's risk management framework.

Recommends the risk adjustment factor for the group incentive pool to the Remuneration Committee.

Makes recommendations to the Remuneration Committee on risk related matters and endorses recommendations on the vesting of deferred remuneration.

Remuneration Committee

Advises the AMP Limited Board and the boards of AMP subsidiaries in establishing and having oversight of AMP's remuneration policy and practices. Key responsibilities include:

- reviewing the remuneration arrangements, performance objectives, measures and outcomes for executives and senior management
- reviewing the remuneration arrangements for non-executive directors
- reviewing AMP's remuneration policy including effectiveness and compliance with prudential standards
- reviewing AMP's remuneration disclosures
- overseeing all incentive plans
- reviewing and making recommendations in relation to equity-based plans including malus and clawback.

Independent remuneration advisers (PwC)

The Remuneration Committee engages remuneration advisers when it needs additional information to assist the AMP Limited Board in making remuneration decisions.

Management Remuneration Committee (MRC)

Oversees the remuneration arrangements across AMP and provides objective input and assurance to the Remuneration Committee that remuneration practices, including the remuneration policy and incentive plans, have been examined from strategy, risk, finance, reward, market and governance perspectives.

Reviews and recommends to the Remuneration Committee all new incentive and equity plan designs or material changes to the terms of existing plans.

Management

The CEO makes recommendations to the Remuneration Committee on the performance and remuneration outcomes for his direct reports; the Remuneration Committee then seeks approval from the AMP Limited Board.

Management attend Remuneration Committee meetings when required to provide information and updates on remuneration items.

3.1 Regulatory change

Regulation of remuneration in the financial services industry continues to grow. In recent years there has been additional guidance from APRA and the Financial Stability Board (FSB), Banking Executive Accountability Regime (BEAR), Sedgwick Review, Life Insurance Framework, ASIC review into mortgage broking remuneration, New Zealand Financial Markets Authority as well as further changes anticipated following the Royal Commission final report. The sentiment in the wider community around remuneration in financial services is also changing the view on acceptable market practice.

The board endorses the spirit and sentiment of these regulatory changes and believes they support AMP's desired culture of help, integrity and performance. As a diversified financial services organisation, different regulations around remuneration apply to different parts of the AMP group, however where possible, AMP has applied, and intends to apply, these remuneration changes across the entire group.

3. Remuneration governance (continued)

Consistent with this intention, the AMP remuneration arrangements for all executives and senior management meet the requirements of BEAR ahead of the required deadline.

Throughout 2018, AMP Bank has evaluated its practices in response to the Sedgwick Recommendations. Remuneration arrangements for front-line sales roles in AMP Bank have been reviewed, and a new suite of performance measures were introduced to align with the recommendations. Work will continue during 2019 and beyond to improve our performance measures, enhance governance and leader communication, and monitor the impact of these changes to ensure our culture prioritises conduct and customer outcomes.

4. 2018 remuneration outcomes

4.1 Summary of 2018 company performance

The challenges faced during 2018 are reflected in the financial results of the company and the remuneration outcomes for executives and employees overall. 2018 underlying profit of $680 million is down from $1,040 million in 2017. Underlying return on equity decreased to 9.6% reflecting reduced operating earnings in the Australian wealth protection business.

The table below illustrates AMP's performance over the last five years and the remuneration outcomes.

	2014	2015	2016	2017	2018
Financial results					
Profit (loss) after tax attributable to shareholders ($m)	884	972	(344)	848	**28**
Underlying profit ($m)	1,045	1,120	486	1,040	**680**
Cost to income ratio (%)	44.8	43.8	63.7	46.2	**55.8**
Shareholder outcomes					
Total dividend (cents per share)	26	28	28	29	**14**
Share price at 31 December ($)	5.50	5.83	5.04	5.19	**2.45**
STI/Group incentive pool[1]					
STI/Group incentive pool ($m)[2]	118	105	34	75	**33**
STI/Group incentive pool as % of underlying profit (%)	11.3	9.4	7.1	7.2	**4.8**
Average STI received as % of maximum opportunity for executives (%)	70	54	0	58	**0**
LTI performance					
Relative TSR percentile[3]	26th	41st	31st	27th	**8th**
Return on Equity (%)[4]	12.7	13.2	5.6	14.3	**9.6**
LTI vesting outcome (% of grant vested during the year)	0	0	22	0	**0**

1 For 2018, the pool value is inclusive of the STI and EPI plans. For 2014, 2015, 2016 and 2017, the pool value reflects the amount available under the STI plan.
2 The 2016, 2017 and 2018 STI/Group incentive pool excludes AMP Capital as this part of the business has separate remuneration arrangements that were introduced in 2016.
3 TSR percentile ranking as at 31 July 2014, 28 February 2015, 6 March 2016, 5 March 2017 and 4 March 2018 respectively. See section 4.3 Long-term incentive outcomes and section 7.1 AMP Long-term incentive plan.
4 The RoE outcomes are the unadjusted outcomes. For 2015, the adjusted outcome was 13.5% to take into account the impact of the investment in the China Life Pension Company. This resulted in partial vesting of the RoE tranche as disclosed in the 2016 remuneration report.

The following sections detail how these outcomes were determined for 2018.

4.2 Incentive outcomes

The board engages in a rigorous and deliberate process in setting scorecard measures and personal goals for each executive at the beginning of the year. This section describes the board's philosophy around the scorecard measures and provides specific detail on how the board assessed performance.

4.2.1 Group incentive scorecard

The board believes that both financial and strategic measures are key to delivering our strategy and through this, shareholder value. In 2018, 70% of the group incentive scorecard was weighted to financial measures and 30% to strategic measures. The financial measures are focused on driving profitability and growth. The strategic measures are focused on building and strengthening critical capabilities to deliver on AMP's strategy.

The first strategic measure in the scorecard is Strategy execution (20% of scorecard) and the second is Net Promoter Score (NPS), which is designed to drive customer advocacy (10% of scorecard). Strengthening our risk culture was previously a separate measure in the scorecard in addition to the risk outcomes overlay. In 2018 the risk measure was removed from the scorecard and instead the risk overlay was strengthened in order to remove duplication and provide clarity on the four key risk goals:

1. Strengthen Risk Culture
2. Operate within RAS (Risk Appetite Statement)
3. Issues management in line with AMP's culture and values
4. Embed ERM Framework

The four goals are used consistently in the executive scorecards and in the risk overlay applied to the group incentive scorecard. If the four goals are not met satisfactorily, the risk overlay is used to reduce the group incentive pool. The risk overlay is recommended by the Chief Risk Officer (CRO), reviewed by the AMP Limited Board Risk Committee, and approved by the AMP Limited Board.

4. 2018 remuneration outcomes (continued)

4.2.2 Group incentive outcome

The board assessed AMP's performance against the scorecard and then applied discretion including risk considerations, to determine an incentive pool for 2018 of $32.9 million (compared to an incentive pool of $75 million in 2017). The 2018 group incentive pool again excludes AMP Capital as this part of the business has separate remuneration arrangements.

Metrics	Link to strategy	Performance outcome	Performance commentary
Underlying profit less cost of capital (50%)	Underlying profit less cost of capital assesses management's ability to deliver real economic value to shareholders by considering how effectively capital is deployed to generate profit. The metric encourages management to invest in projects and grow business lines that deliver returns above the cost of capital, and actively manage both the cost and usage of capital.	Above threshold but below target	In 2018, the group delivered underlying profit of $680 million, down from $1,040 million in 2017. – Australian wealth management earnings decline of 7% was driven by elevated margin compression from MySuper repricing, lower revenues from weaker investment markets and impairments to the carrying value of client registers. – AMP Capital and AMP Bank's growth momentum continued with operating earnings up 7% and 6% respectively. – New Zealand wealth management and advice operating earnings decreased in 2018 primarily due to favourable advice income largely driven by growth in general insurance premiums, offset by lower wealth management income predominantly from a decline in AUM margins. – Operating loss of sold businesses was driven by higher capitalised losses and negative claims experience. Controllable costs decreased 4% (excluding AMP Capital) for the year. The cost to income ratio was 55.8%. AMP remains well capitalised at the end of 2018, with a surplus over minimum regulatory requirements of $1.6 billion. Underlying Return on Equity decreased to 9.6%, reflecting reduced operating earnings in the Australian wealth protection business.
Growth measures (20%)	We orient capital and resources to grow our core Australian businesses. We consider metrics specific to various businesses including: – Value of net cashflow – Other income growth – Value of net mortgage growth – Net revenue of AMP Capital	One measure below target Three measures below threshold	Net cashflows were significantly down in wealth management reflecting the impact of AMP's appearance at the Royal Commission in 2018. Other income growth did not meet the threshold. AMP Bank total loans increased but growth was below threshold. AMP Capital fee income increased 7% to $708 million in 2018 from $659 million in 2017, exceeding threshold but did not meet the target.
Strategy execution (20%)	Strategic execution included in the scorecard created focus on key projects and milestones linked to the strategy. Measures related to finalising the portfolio review, potential separation and transition of the insurance business.	At target	Strategic execution milestones were set at the beginning of 2018 and were not adjusted during the year, despite changing priorities. The board made a holistic assessment against all strategic objectives following input from the CEO and determined the overall result was close to target with a score of around 50% of maximum.
Customer advocacy **Net Promoter Score (NPS)** **(10%)**	Improved customer experiences, through goals-based experiences and solutions will drive long-term value and a sustainable competitive advantage.	Below threshold	The 2018 NPS target required an increase of 10% against the 2017 result. NPS declined sharply at the end of the first quarter, coinciding with the second round of Royal Commission hearings. The score partially recovered throughout the remainder of the year, finishing at approximately 55% of the target, which is well below the minimum threshold.

4. 2018 remuneration outcomes (continued)

4.2.3 Executive outcomes

In 2018, executives had individual scorecards that incorporated the relevant measures from the group incentive scorecard based on their contribution to the priorities and business unit specific measures along with their own personal objectives for the year. In 2018, all financial measures were removed from the CRO scorecard to ensure independence.

Based on company and individual performance, the CEO recommends to the board for approval the executive incentive allocations. In 2018, no incentives were awarded to executives (other than Adam Tindall).

4.2.4 AMP Capital Enterprise Profit Share plan

AMP Capital operates under separate remuneration arrangements. AMP Capital's Enterprise Profit Share plan is in line with market practice in the investment management industry and supports AMP Capital's talent management goal of attracting, motivating and retaining investment management talent in all markets in which AMP Capital operates.

Adam Tindall (CEO AMP Capital) participates in the AMP Capital Enterprise Profit Share plan. This plan delivers a total bonus pool calculated as a set proportion of profit (adjusted for cost of capital). The AMP Limited Board approves the allocation of the profit share pool for a performance period for AMP Capital's CEO, based on a recommendation from the AMP Limited CEO.

4.3 Long-term incentive outcomes

AMP did not operate an LTI plan for executives in 2018 due to the introduction of the EPI Plan.

The vesting outcomes that reflect 2017 and 2018 performance are detailed below, along with the approved performance measures and targets for all unvested LTI grants.

Grant date	Performance period start date	Performance period end date	Measure	Threshold target (50% vests)	Maximum target (100% vests)	Board approved performance outcome	Vesting outcome (portion of tranche vested)
Grants that were tested for vesting							
4 Jun 2015	1 Jan 2017	31 Dec 2017	RoE	15.3%	17.2%	14.3%	0%
4 Jun 2015	5 Mar 2015	4 Mar 2018	TSR	50th percentile	75th percentile	8th percentile	0%
2 Jun 2016	1 Jan 2018	31 Dec 2018	RoE	15.9%	18.0%	9.6%	0%
Grants to be tested for vesting in the future							
2 Jun 2016	3 Mar 2016	3 Mar 2019	TSR	50th percentile	75th percentile	TBA	TBA
19 May 2017	1 Jan 2017	31 Dec 2020	TSR	50th percentile	75th percentile	TBA	TBA

Under the LTI plan rules the board may exercise discretion when assessing performance to determine vesting of LTI awards. Adjustments are considered at the sole discretion of the board when RoE outcomes are impacted by material items and strategic matters that were not known or planned for when the performance targets were set or were not controllable by management, and/or are not in the ordinary course of business. The board will not adjust for items that are controllable by management and occur in the ordinary course of business. The calculations for any adjustments made by the board are externally validated.

The board did not make any adjustments to any LTI awards that were tested and eligible for vesting during the 2018 financial year.

2015 LTI award

The performance hurdles were not met and as a result 100% of both the RoE and TSR tranches lapsed.

2016 LTI award

RoE measured for the year ended 31 December 2018 was not sufficient to meet the required performance threshold and 100% of this tranche also lapsed at the performance end date.

The current relative TSR performance indicates that AMP is not likely to meet the performance target of outperforming at least 50% of the peer group. If this is the case when this hurdle is tested in March 2019, 100% of this tranche will also lapse.

Details of the 2016 LTI award are included to provide transparent disclosure on outcomes relating to 2018 performance, despite the final TSR outcome not being confirmed at the time of publication. The final outcome of the 2016 LTI award will be included in the 2019 report.

5. Executive shareholding

5.1 Minimum shareholding

All executives are required to accumulate a minimum number of AMP Limited shares and/or share rights within five years of their appointment. The minimum numbers are:

– CEO: 300,000
– Other executives: 60,000

AMP includes the following equity holdings to determine whether an executive meets this requirement:

– AMP Limited shares: ordinary AMP Limited shares registered in the executive's name or a related party.
– AMP share rights: granted to executives through AMP's employee share plans, for example, through the STI Deferral plan or EPI Plan.

Share rights that are allocated to executives through the STI Deferral plan or the EPI Plan are included to meet their minimum holding requirement only where future vesting is not subject to any further performance condition (other than a continued service condition).

AMP Limited shares and/or share rights cannot be hedged.

All executives currently meet their minimum shareholding requirements through a combination of shares and share rights.

5.2 Executive shares and share rights holding

The following table shows the number of shares and share rights held by executives or their related parties during 2018. A related party is typically a family member of the executive and/or is an entity in which the executive has direct or indirect control. The definition of units includes AMP Limited shares and share rights which are not subject to any future performance conditions.

	Holding at 1 Jan 2018							Holding at 31 Dec 2018		
	Shares	Share rights[1]	Total number of units at 1 Jan 2018	Share rights granted during 2018[2]	Share rights converted to shares[3]	Share rights forfeited or lapsed	Other market transactions[4]	Shares	Share rights	Total number of units at 31 Dec 2018
Francesco De Ferrari[5]	–	–	–	1,453,488	–	–	–	–	1,453,488	1,453,488
Megan Beer	39,566	90,321	129,887	73,389	26,923	–		66,489	136,787	203,276
Sally Bruce	41,667	62,922	104,589	55,593	8,097	–	–	49,764	110,418	160,182
David Cullen	64,367	48,754	113,121	–	–	–	–	64,367	48,754	113,121
Jenny Fagg[6]	–	–	–	–	–	–	–	–	–	–
Gordon Lefevre	69,449	83,886	153,335	91,949	83,886	–	–	153,335	91,949	245,284
Helen Livesey	11,858	48,718	60,576	66,271	–	–	–	11,858	114,989	126,847
Jack Regan	279,224	74,597	353,821	83,415	44,834	–	–	324,058	113,178	437,236
Craig Ryman	32,674	45,485	78,159	69,491	45,485	–	(45,485)	32,674	69,491	102,165
Paul Sainsbury	65,475	78,898	144,373	91,949	78,898	–	(78,898)	65,475	91,949	157,424
Adam Tindall[7]	179,363	340,867	520,230	207,748	153,846	–	(175,802)	157,407	394,769	552,176
Fiona Wardlaw	220,451	53,066	273,517	64,830	53,066	–	(96,813)	176,704	64,830	241,534

	Shares	Share rights[1]	Total number of units at 1 Jan 2018	Share rights granted during 2018[2]	Share rights converted to shares[3]	Share rights forfeited or lapsed	Other market transactions[4]	Shares	Share rights	Total number of units on date ceased as KMP
Former executives										
Craig Meller[8]	688,119	170,040	858,159	181,949	170,040	–	–	858,159	181,949	1,040,108
Saskia Goedhart[9]	24,469	76,549	101,018	–	–	–	–	24,469	76,549	101,018
Brian Salter	107,687	59,510	167,197	65,423	59,510	(65,423)	–	167,197	–	167,197

1 Share rights give the participant the right to acquire one fully paid ordinary share in AMP Limited after a specified service period. Rights are granted at no cost to the participant and carry no dividend or voting rights until they vest. Rights may be settled through an equivalent cash payment at the discretion of the board.
2 The number of share rights granted on 2 April 2018 under the STI Deferral plan was determined using the fair value price of $4.72 per share right.
3 Unless otherwise stated, the share rights converted during 2018 relate to the vesting of the 2015 STI Deferral grants.
4 Other market transactions are a result of executives or their related parties trading AMP Limited shares on the open market.
5 The grant of Francesco De Ferrari's share rights relates to the buy-out incentive award to compensate for incentives forgone from the CEO's previous employer.
6 Jenny Fagg was appointed 9 February 2018. For the remainder of 2018, there has been no subsequent permitted opportunity under the AMP Limited Trading Policy for executives to purchase shares on market.
7 The number of share rights granted on 2 April 2018 to Adam Tindall under the Enterprise Profit Share plan was determined using the fair value price of $4.72 per share right for the first tranche (50% of award) and $4.46 for the second tranche (remaining 50% of the award).
8 Craig Meller's 181,949 share rights under the 2017 STI Deferral award were subsequently lapsed on 9 May 2018.
9 Saskia Goedhart was awarded 20,000 share rights in April 2018 under the 2017 STI Deferral plan. The 2015 STI Deferral award (11,099 share rights) vested in February 2018 after Saskia ceased to be a KMP and the share rights (total of 55,128) relating to the 2015 and 2016 LTI awards were lapsed.

6. Non-executive director remuneration

For NEDs other than the AMP Limited Chairman, their remuneration consists of three components:

- AMP Limited Board base fee
- AMP Limited committee fees
- AMP subsidiary board and committee fees.

As detailed below, the AMP Limited Chairman receives a base fee which covers all of the chairman's responsibilities.

All board and committee fees are set and paid inclusive of superannuation, with NEDs able to elect the total amount of superannuation they are paid each year, subject to statutory minimum amounts.

With effect from 1 May 2018, the AMP Limited Board reduced the fees for all AMP Limited NEDs who held office at that time by 25% for the remainder of the 2018 calendar year. This reduction was made in recognition of collective governance accountability for the issues raised in the Royal Commission and their impact on AMP's reputation. It applied to all components of the remuneration of the NEDs who held office when the reduction took effect.

NEDs receive fixed remuneration for completing their duties and do not receive any remuneration linked to their or AMP's performance. This supports the independence and impartiality of their roles in making decisions about the future direction of the group. No retirement benefits are paid to NEDs.

During 2018, the AMP Limited Board initiated a review of the group's governance model and approved certain changes to strengthen AMP Limited Board oversight of AMP's main subsidiaries. These changes, details of which are provided in section 6.3, mean streamlined governance and strengthened oversight by the board whilst also reducing the overall cost of governance arrangements at AMP.

To align the interests of NEDs with the long-term interests of shareholders, all NEDs are required to hold AMP shares and are encouraged to increase their holding further over the course of their tenure (for details see section 6.4).

6.1 Non-executive director fees

The Remuneration Committee is responsible for reviewing NED fees for AMP Limited and its main subsidiaries.

In reviewing these fees the committee has regard to a range of factors, including:

- the complexity of AMP's operations and those of its main subsidiaries
- fees paid to board members of other Australian corporations of a similar size and complexity
- the responsibilities and workload requirements of each board and committee.

The Remuneration Committee commissions market data analysis and matching services from external remuneration advisers where it considers necessary.

Non-executive director fees are recommended by the Remuneration Committee to the AMP Limited Board for approval.

The aggregate annual remuneration received by AMP Limited NEDs must not exceed the maximum aggregate fee pool approved by shareholders from time to time. The maximum aggregate fee pool is currently $4,620,000, which was approved by shareholders at the 2015 annual general meeting (AGM). The aggregate annual remuneration paid to AMP Limited NEDs for all services performed as directors and members of boards and committees of AMP and its subsidiaries must not exceed this amount.

During 2018, the total remuneration paid to AMP Limited NEDs was $3,003,604 being 65% of the shareholder-approved fee pool.

6.1.1 Base fees

All NEDs receive a base fee as a director on the AMP Limited Board.

The fee payable to the AMP Limited Chairman is $850,000 per annum (inclusive of superannuation contributions). This fee covers all responsibilities, including his appointment as the chairman of the Nomination and Remuneration Committees and as a member of the Risk Committee. While not a member of the Audit Committee, he attends the meetings of this committee and is excluded as necessary. From 15 February 2019, the chairman will be appointed as chairman of the AMP Bank Limited Board and no additional fees will be payable to the chairman for his responsibilities associated with AMP Bank Limited.

AMP employees, including the CEO, do not receive fees for any directorships of AMP group companies.

6.1.2 Committee and subsidiary board and committee fees

AMP Limited NEDs generally also serve on the boards and committees of one or more of AMP's main subsidiaries. NEDs, excluding the AMP Limited Chairman, generally receive additional fees for their time and effort in serving as members of AMP Limited Board committees, as directors of AMP's main subsidiaries and members of committees of the boards of those subsidiaries, and as members of other special purpose committees formed from time to time.

With effect from 1 January 2018, the fees paid for chairmanship and membership of the AMP Limited Audit, Risk and Remuneration Committees were reviewed and aligned. In particular:

- The fee for members of the AMP Limited Remuneration Committee was brought into line with the fees for members of the AMP Limited Audit and Risk Committees (being $25,400 per annum). This represented a 7.2% increase in the fee paid to members of the AMP Limited Remuneration Committee.
- A common fee of $55,000 per annum was adopted for the chairmen of the three committees. This represented an 8.3% increase in the fee for the chairmen of the AMP Limited Audit and Risk Committees and a 16% increase in the fee for the chairman of the AMP Limited Remuneration Committee.

The fee increases outlined above were considered appropriate having regard to:

- Increased workloads and additional time commitments of the chairmen of these committees and the members of the Remuneration Committee
- The fees paid to non-executive directors of other major ASX-listed financial services companies.

These were the first increases in AMP Limited Board committee fees since 2015.

Further changes have been made for 2019 as outlined in section 6.3.

6. Non-executive director remuneration (continued)

6.2 2018 non-executive director remuneration

The following table shows the annual NED fees for the board and permanent committees of AMP Limited and its main subsidiaries for 2018.

	Chairman base fee[1] effective 1 January 2018 $	Chairman base fee[1] effective 21 June 2018 $	Member base fee[1] effective 1 January 2018 $
AMP Limited			
Board	659,800	850,000	198,300
Audit Committee	55,000	55,000	25,400
Risk Committee	55,000	55,000	25,400
Nomination Committee[2]	–	–	13,100
Remuneration Committee[3]	55,000	55,000	25,400
AMP Bank			
Board	90,300	90,300	56,300
Audit Committee	27,700	27,700	15,300
Risk Committee	27,700	27,700	15,300
AMP Capital Holdings			
Board	124,000	124,000	78,900
Audit and Risk Committee	28,200	28,200	16,900
AMP Life Limited and NMLA			
Board	90,300	90,300	56,300
Audit Committee	10,000	10,000	5,000
Risk Committee	10,000	10,000	5,000

1 The total fees shown above are inclusive of superannuation contributions.
2 During 2018, no fee was payable to any chairman of the committee as each chairman was also the chairman of the AMP Limited Board at the time and therefore did not receive any additional fee for this appointment. As noted earlier, effective 1 January 2019, no fee will be payable for any director's membership or chairmanship of the Nomination Committee.
3 No fee is currently payable to a member of the committee who is also chairman of the AMP Limited Board. During 2018, each chairman of the AMP Limited Board was currently a member of the committee and therefore received no additional fee for this appointment. Effective 1 January 2019, the AMP Limited Chairman was appointed chairman of the Remuneration Committee and will receive no additional fee in this capacity.

The fees shown above are the total fees payable before the 25% fee reduction that applied to certain NEDs from 1 May to 31 December 2018. Refer to section 6 above.

For 2019, the board has approved a number of changes to the NED fees shown above. Details of these changes are provided in section 6.3 below.

Additional fees are paid (on a per diem basis) for membership of certain special purpose committees formed from time to time.

6. Non-executive director remuneration (continued)

The following table shows the remuneration earned by AMP Limited NEDs for 2018. Please note that the 2018 total includes remuneration for Mike Wilkins earned in his capacity as acting CEO. The total fees earned for NED duties for 2018 was lower than for 2017.

		Short-term benefits					Post-employment benefits	
		AMP Limited Board and committee fees $'000	Fees for other group boards $'000	Additional board duties[1] $'000	Other short-term benefits[2] $'000	Non-monetary benefits[3] $'000	Super-annuation[4] $'000	Total $'000
Current NEDs								
David Murray[5]	**2018**	**438**	**–**	**–**	**–**	**–**	**11**	**449**
Chairman	2017	–	–	–	–	–	–	–
Patricia Akopiantz[6]	**2018**	**223**	**101**	**25**	**–**	**3**	**20**	**372**
Non-executive Director	2017	261	121	11	–	–	20	413
John Fraser[7]	**2018**	**50**	**–**	**–**	**–**	**–**	**6**	**56**
Non-executive Director	2017	–	–	–	–	–	–	–
Andrew Harmos	**2018**	**203**	**62**	**16**	**–**	**–**	**20**	**301**
Non-executive Director	2017	134	42	14	–	2	12	204
Trevor Matthews	**2018**	**199**	**105**	**–**	**–**	**–**	**20**	**324**
Non-executive Director	2017	229	119	–	–	–	20	368
John O'Sullivan[8]	**2018**	**101**	**–**	**–**	**–**	**–**	**11**	**112**
Non-executive Director	2017	–	–	–	–	–	–	–
Geoff Roberts	**2018**	**212**	**32**	**11**	**–**	**–**	**20**	**275**
Non-executive Director	2017	229	–	14	–	–	20	263
Peter Varghese	**2018**	**177**	**107**	**8**	**–**	**–**	**20**	**312**
Non-executive Director	2017	204	96	–	–	1	28	329
Mike Wilkins[9]	**2018**	**156**	**38**	**27**	**1,276**	**–**	**19**	**1,516**
Non-executive Director	2017	245	104	24	–	–	20	393
Former NEDs								
Catherine Brenner[10]	**2018**	**213**	**–**	**–**	**–**	**4**	**7**	**224**
Former Chairman	2017	640	–	–	–	–	20	660
Holly Kramer[11]	**2018**	**70**	**37**	**19**	**–**	**2**	**8**	**136**
Former Non-executive Director	2017	204	81	11	–	–	20	316
Vanessa Wallace[11]	**2018**	**71**	**57**	**–**	**–**	**2**	**9**	**139**
Former Non-executive Director	2017	205	141	–	–	–	20	366
Total for 2018[12]		**2,113**	**539**	**106**	**1,276**	**11**	**171**	**4,216**
Total for 2017		2,351	704	74	–	3	180	3,312

1 Additional work for special committees and projects.
2 Fixed remuneration paid to Mike Wilkins in his capacity as acting Chief Executive Officer for the period 20 April to 30 November 2018.
3 Non-monetary benefits and the related fringe benefit tax (FBT) on each item.
4 Superannuation contributions have been disclosed separately in this table but are included in the base NED fees disclosed elsewhere in this report.
5 David Murray was appointed to the AMP Limited Board on 21 June 2018 and his remuneration reflects time in role.
6 Patricia Akopiantz resigned from the AMP Limited Board on 31 December 2018 and her remuneration reflects the full year in role.
7 John Fraser was appointed to the AMP Limited Board on 20 September 2018 and his remuneration reflects time in role.
8 John O'Sullivan was appointed to the AMP Limited Board on 20 June 2018 and his remuneration reflects time in role.
9 Mike Wilkins was appointed Executive Chairman of the AMP Limited Board for the period 30 April to 20 June 2018. Chairman fees for this period are included within the AMP Limited Board and committee fees above.
10 Catherine Brenner ceased to be a director of AMP Limited effective 30 April 2018 and her remuneration reflects time in role.
11 Holly Kramer and Vanessa Wallace ceased to be directors of AMP Limited effective 8 May 2018 and their remuneration reflects time in role.
12 Total fees paid to NEDs of $2.933 million in relation to board and committee memberships. This excludes fixed remuneration and superannuation paid to Mike Wilkins in his capacity as acting CEO and is lower than the 2017 total.

6. Non-executive director remuneration (continued)

6.3 Changes to non-executive director remuneration for 2019 and 2020

A new feature of AMP's conglomerate-based governance model is the appointment of all AMP Limited NEDs to the board of each of AMP's main ongoing subsidiaries, with the exception of AMP Capital Holdings Limited (AMPCHL) where two AMP Limited NEDs are appointed. The AMP Limited Board considers this enhances its oversight of the group and achieves both governance and cost efficiencies in the operation of the boards, as the AMP Limited NEDs replace external directors at a lower cost to the AMP group. The main ongoing subsidiary boards are AMP Bank Limited (AMP Bank) and AMPCHL. AMP Bank is APRA regulated. The boards of AMP Bank and AMPCHL have significant regulatory and oversight responsibilities for the businesses of those subsidiaries.

6.3.1 AMP Limited Chairman fee

The AMP Limited Board has given in principle approval to reduce the fee payable to the AMP Limited Chairman with effect from 1 January 2020. The board made this decision in anticipation of:

- The reduced size and complexity of the group following the expected completion, in the second half of 2019, of the sale of AMP's Australian and New Zealand wealth protection and mature businesses to Resolution Life,
- The expected completion this year of the board renewal process commenced in 2018, and
- The refinement of our strategy in 2019.

The reduced fee (inclusive of superannuation) is expected to be in the order of $660,000 (currently $850,000) per annum. The specific amount of the reduced fee will be determined by the board in the second half of 2019.

6.3.2 Other NED fees

(a) Nomination Committee fees

With effect from 1 January 2019, the board withdrew the fees previously payable to AMP Limited NEDs for membership of the Nomination Committee ($13,100 per annum).

(b) AMP Capital Holdings Limited NED fees

The AMP Limited Board has also resolved to reduce the fees payable to AMP Limited NEDs for serving on the board of AMP Capital Holdings Limited (from $78,900 to $56,300 per annum) and for membership of its Audit and Risk Committees (from $16,900 to $10,000 per annum). These changes will have the effect of reducing by $29,500 per annum the total fees that would otherwise have been payable to an AMP Limited NED who is also a member of the AMP Capital Holdings Board and Audit and Risk Committees.

The reduced fees are aligned with the fees currently payable to AMP Limited NEDs for membership of the boards of our life companies (AMP Life and NMLA) and their Audit and Risk Committees. The reductions will apply from 15 February 2019.

(c) AMP Bank Limited NED fees

Effective 15 February 2019:

- All directors of AMP Limited will be appointed to the AMP Bank Board and all previous directors of AMP Bank, who are not also AMP Limited directors, will step down from the AMP Bank Board
- The AMP Limited Chairman, David Murray, will become the chairman of AMP Bank
- All AMP Limited NEDs will be appointed to the AMP Bank Risk Committee, and
- All AMP Limited NEDs (other than the AMP Limited Chairman) will be appointed to the AMP Bank Audit Committee.

The boards of AMP Limited and AMP Bank (and their respective Audit and Risk Committees) will meet concurrently going forward (where appropriate), with a view to improving decision-making efficiency, reducing duplication and streamlining management reporting.

As a consequence of the AMP Limited Chairman assuming the role of AMP Bank Chairman, the separate fee ($90,300 per annum) previously paid for that role will no longer be payable. In conjunction with these changes, the board has also decided to withdraw the separate fees (shown in section 6.2 above) previously payable to AMP Limited NEDs for their services as chairman or a member of the AMP Bank Board and its Audit and Risk Committees (respectively).

Instead, in recognition of the increased workload and additional supervisory and regulatory responsibilities for AMP Limited NEDs associated with membership of the AMP Bank Board and its Audit and Risk Committees, the AMP Limited NED base fee will be increased from $198,300 to $240,000 (inclusive of superannuation) per annum, effective 15 February 2019.

Despite this increase, the total fees will reduce. These changes will have the net effect of reducing by $45,200 per annum the total fees that would otherwise have been payable to an AMP Limited NED who is also a member of the AMP Bank Board and each of its Audit and Risk Committees. For an AMP Limited NED who acted as chairman of one of these committees, this net effect would be a $57,600 reduction in fees per annum.

6.4 Non-executive director minimum shareholding

Pursuant to a minimum shareholding policy adopted by the board, AMP Limited NEDs are required to hold a minimum value of AMP Limited shares to ensure their interests are closely aligned with the long-term interests of AMP shareholders. As at the date of this report, these minimum values are:

- AMP Limited Chairman: $850,000 – the equivalent of the AMP Limited Chairman base fee
- Other AMP Limited NEDs: $198,300 – the equivalent of the AMP Limited NED base fee.

NEDs are ordinarily expected to achieve these levels within four years of appointment and are encouraged to increase their ownership over their tenure.

At the beginning of 2018, all of the NEDs then in office held sufficient AMP shares to satisfy the minimum shareholding policy having regard to their tenure on the board and the value of their holdings at that time. However, this value fell during the year due to the decline in the AMP share price since April 2018. In some instances, this resulted in the value of directors' holdings falling below the level ordinarily expected under this policy. Since this decline in value occurred (and until the date of this report), there has been no permitted opportunity under the AMP Limited Trading Policy for NEDs to purchase additional AMP shares on market. In these exceptional circumstances, affected directors have been allowed additional time to increase their holdings. They are expected to do so when appropriate and permitted in accordance with the AMP Limited Trading Policy.

6. Non-executive director remuneration (continued)

6.5 Non-executive director shareholdings and other interests

The following table shows the number of ordinary shares in AMP Limited held directly, indirectly or beneficially by AMP Limited NEDs or their related parties as at 31 December 2018 and movements in those holdings during the year. For this purpose, a NED's related parties are their close family members (as defined in the applicable accounting standard) and any entities over which the NED (or a close family member) has control, joint control or significant influence (whether direct or indirect).

	Holding at 1 Jan 2018	Changes during the year	Holding at 31 Dec 2018[1,2]	Value of holding at 31 Dec 2018[2,3] $
Current NEDs				
David Murray[4,6]	–	2,000	2,000	4,900
Patricia Akopiantz[5,6]	65,009	(4,000)	61,009	149,472
John Fraser[7]	–	2,500	2,500	6,125
Andrew Harmos[8]	2,000	5,064	7,064	17,307
Trevor Matthews	63,763	–	63,763	156,219
John O'Sullivan[6,9]	–	2,000	2,000	4,900
Geoff Roberts	42,540	–	42,540	104,223
Peter Varghese[10]	28,100	2,000	30,100	73,745
Mike Wilkins	31,500	–	31,500	77,175
Former NEDs				
Catherine Brenner	139,463	–	139,463	563,431
Holly Kramer	56,112	–	56,112	230,620
Vanessa Wallace	70,000	–	70,000	287,700

1 As at the date of this report, each of the current NEDs held a 'relevant interest' (as defined in the Corporations Act 2001) in the number of AMP shares disclosed above for that NED, except Peter Varghese.
– Peter Varghese held a relevant interest in 27,500 shares as at the date of this report, with the balance of the holdings disclosed above held directly and beneficially by a close family member.

2 Value as at 31 December using the closing price of AMP shares on the ASX of $2.45 (or, in the case of former directors, the closing price on the date they ceased to be an AMP Limited director).

3 The closing balances for Catherine Brenner, Holly Kramer and Vanessa Wallace reflect the position on the date that each ceased to be a director of AMP Limited, being 30 April 2018 for Catherine Brenner and 8 May 2018 for each of Holly Kramer and Vanessa Wallace.

4 David Murray was appointed to the AMP Limited Board as Chairman effective 21 June 2018.

5 Patricia Akopiantz resigned from the AMP Limited Board effective 31 December 2018.

6 During the year, Patricia Akopiantz sold 2,000 shares to each of David Murray and John O'Sullivan, (respectively), by way of an off-market transfer. The purpose of the transfers was to facilitate the acquisition by those directors of their director's share qualification in accordance with clause 53.4 of the AMP Limited Constitution.

7 John Fraser was appointed to the AMP Limited Board effective 20 September 2018.

8 Movements in Andrew Harmos' relevant interests in AMP shares during the year resulted from his acquisition of a relevant interest in:
– 59 shares under our dividend reinvestment plan; and
– 5,005 shares by reason of the grant of probate in the estate of a close relative. Andrew's relevant interest in those shares arose by reason of him being a joint executor of the estate, and notwithstanding that he is not a beneficiary of the estate.

9 John O'Sullivan was appointed to the AMP Limited Board effective 20 June 2018.

10 A close family member of Peter Varghese purchased 2,000 AMP shares on market during the year. Peter Varghese does not hold a relevant interest in those shares.

7. Further detail on executive arrangements and statutory disclosures

Our executive arrangements are structured to ensure that each individual's remuneration is linked to both their performance and the performance of the company as a whole.

7.1 Executive 2018 remuneration arrangements

Fixed remuneration includes cash salary, superannuation and any salary sacrificed benefits.

AMP generally positions fixed remuneration at the median of the market, compared to like roles in Australian listed companies of comparable size, both within the financial services sector and across the general market.

Executive fixed remuneration is reviewed (but not necessarily increased) annually by the Remuneration Committee and approved by the board, taking into account:
– external market remuneration ranges for the role
– the individual's experience and their criticality to the role, and
– the available budget for remuneration increases.

AMP's incentive plans are designed to reward executives for achieving financial and strategic performance at both a business and individual level.

During 2018, executives (with the exception of Mr De Ferrari and Mr Meller) participated in the EPI Plan. AMP Capital's CEO participated in the EPI Plan (with a reduced target of 56% to compensate for previous LTI participation) and the AMP Capital Enterprise Profit Share plan, which is an appropriate incentive plan for the executives of AMP's investment management business. No EPI allocations were made to these executives for 2018.

7. Further detail on executive arrangements and statutory disclosures (continued)

For 2019 Mr De Ferrari and the executives will participate in a combination of STI and LTI plans.

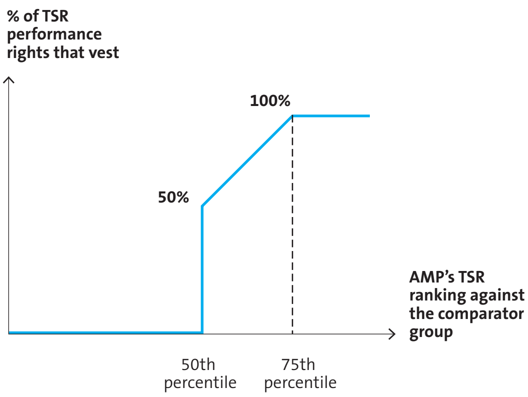
	2018 AMP Executive Performance Incentive (EPI) Plan
Who	All executives, excluding the CEO AMP and CEO AMP Capital.
Format of reward	60% of the EPI allocation is delivered in rights to AMP Limited shares, deferred for five years. The executive does not receive dividends and voting rights until the rights vest and have been converted to shares. However, dividends that have accrued will be paid as additional shares after vesting.
How individual performance is measured	Individual performance is measured against the performance of each executive's business area and their performance against their personal objectives. Executive performance scorecards and objectives are agreed with the board at the start of each year.
How the incentive pool is calculated	The board determines the size of the incentive pool, based on performance against the incentive scorecard (see section 4.2.1), taking into account AMP's financial results, business leadership and progress of AMP's strategic objectives. The Chief Risk Officer reports to the Remuneration Committee annually on risk outcomes across AMP. The board considers this report and as a result may adjust the incentive pool up or down if they believe the management team has operated outside board-approved risk appetite levels, or if there have been other extraordinary events which have a broader impact on shareholder value.
How the awards are allocated	The CEO distributes the incentive pool between business areas based on their contribution to AMP's performance. The CEO recommends to the board for their approval incentive payments for his direct reports based on their performance and the performance of the company against the incentive scorecard.
Incentive deferral	60% of the EPI award is paid in the form of rights to AMP Limited shares that have no exercise price and no exercise period. The rights will be delivered as: – Share rights that will convert to AMP Limited shares (vest) after five years, subject to the available trading window. Vesting is subject to ongoing employment and compliance with AMP policies and is at the board's discretion. Upon vesting the executive receives one fully paid ordinary AMP Limited share for each right held. It is AMP's practice to buy the shares on market.
If the executive leaves AMP	If an executive resigns from their employment during the first year of the five-year vesting period, any unvested rights will lapse. If they resign after the first year any unvested rights may be retained and vesting will continue subject to the same vesting conditions as would apply if they had remained in AMP employment. If an executive is terminated from AMP for misconduct during the first year of the five-year vesting period, any unvested rights will lapse. If they are terminated for misconduct during the rest of the vesting period, any unvested rights will be forfeited. If an executive leaves AMP due to retirement or redundancy any unvested rights may be retained and vesting will continue subject to the same vesting conditions as would apply if they had remained in AMP employment.
If there is a change in control of AMP	If AMP is subject to a takeover or change of control, the board will determine the treatment of any unvested rights.
Board discretion	Vesting is at the board's discretion with malus and clawback provisions. The provisions allow the board to reduce or clawback awards in certain circumstances, such as: – The participant's employment is terminated for misconduct – The participant acting fraudulently, dishonestly or in a manner which brings the AMP group into disrepute or being in material breach of their obligations to the group – To protect the financial soundness or position of AMP – To respond to a material change in the circumstances of, or a significant unexpected or unintended consequence affecting AMP that was not foreseen by the Remuneration Committee (including any misstatement of financial results), and/or – To ensure no unfair benefit to the participant.

7. Further detail on executive arrangements and statutory disclosures (continued)

	2018 arrangements for CEO AMP Capital
Format of reward	The total variable pay award is made up of an AMP Capital Enterprise Profit Share (EPS) award and a reduced EPI eligibility (to compensate for previous LTI participation). A minimum of 60% of any total variable pay award is deferred into a combination of rights to AMP Limited shares deferred for five years, and cash notionally invested into a general portfolio of AMP Capital-managed funds for four years. For the rights to AMP Limited shares, no dividends are received and there are no voting rights until they vest and have been converted to shares. However, dividends that have accrued will be allocated as additional shares in AMP Limited post vesting.
How individual performance is measured	Individual performance is measured against the performance of AMP Capital and performance against personal objectives. Performance scorecards and objectives are agreed with the board at the start of each year.
How the incentive pools are calculated	**EPS pool** A set percentage of AMP Capital pre-tax profit is made available for the Enterprise Profit Share plan. The percentage is determined by the board at the start of the performance year. It is not disclosed because it is commercially sensitive. The board may adjust the pool up or down at its discretion to recognise non-profit-related performance, including changes in market conditions and broader financial factors or if AMP Capital management operates outside board-approved risk appetite levels. **EPI pool** As above for the other executives.
How the awards are allocated	**EPS portion** Based on a recommendation from the CEO, the board approves any allocation to the CEO AMP Capital based on performance against the AMP Capital scorecard. Following this allocation, AMP Capital's CEO allocates the remaining enterprise profit share pool to participants on a discretionary basis subject to final approval by the CEO AMP Limited. **EPI portion** As above for the other executives.
Incentive deferral	A minimum of 60% of the total variable pay award is deferred into a combination of rights to AMP Limited shares that have no exercise price and carry no dividend or voting rights, and a deferred cash component that is notionally invested into a general portfolio of AMP Capital Funds. The deferred portion of the EPS allocation is deferred equally between the AMP share rights and notional investment. Any EPI allocation is fully deferred into AMP share rights. **Rights to AMP Limited shares (under EPI Plan terms)** Any entitlement to AMP Limited shares will be delivered as: – Share rights that will convert to AMP Limited shares (vest) after five years, subject to AMP's trading policy. Vesting is subject to ongoing employment and compliance with AMP policies and is at the board's discretion. Upon vesting the executive receives one fully paid ordinary AMP Limited share in exchange for each right held. It is AMP's practice to buy the shares on market. **Notional investment** The deferred cash portion is notionally invested into a general portfolio of AMP Capital-managed funds. This investment is described as 'notional' because the CEO AMP Capital does not directly hold securities in relation to this investment. However, the value of the retained amount will vary as if these amounts were directly invested in AMP Capital-managed funds, giving the CEO AMP Capital an effective economic exposure to the performance of the securities over the four-year period. Vesting is subject to ongoing employment and compliance with AMP policies and is at the board's discretion. Upon vesting the executive receives the cash amount adjusted for any notional return generated by the portfolio of AMP Capital Funds.
Treatment if he leaves AMP	As above for the other executives.
If there is a change in control of AMP	As above for the other executives.
Board discretion	As above for the other executives.

7. Further detail on executive arrangements and statutory disclosures (continued)

Prior to the introduction of the EPI Plan in 2018, executives participated in an LTI plan. The details of the 2017 LTI plan are outlined below.

	2017 AMP long-term incentive plan
Who	All executives, including CEO AMP Capital.
Format of reward	Rights to AMP Limited shares: the performance rights vest four years after they have been awarded if the vesting conditions have been met. The performance rights have no exercise price and no exercise period. Upon vesting the executive receives one fully paid ordinary AMP Limited share in exchange for each right held. The executive does not receive dividends and voting rights until the rights vest and have been converted to shares.
How the awards are allocated	Annually, the Remuneration Committee recommends to the board a total grant value, which is a percentage of the executive's fixed remuneration. This allocation of performance rights is provided to each executive annually based on the executive's contractual entitlements. Shareholders are asked to approve the CEO's allocation each year at the annual general meeting (AGM). Once the total grant value is determined and approved, this total value is converted into a number of performance rights. The total grant value is calculated as follows: $\frac{\text{Total grant value}}{\text{Face value of an AMP share}} = \text{Total number of rights to be allocated}$ The face value of an AMP share is the volume-weighted average price of AMP shares on the Australian Securities Exchange (ASX) during the 10-day trading period preceding the valuation date of the award (1 January 2017 for the 2017 awards). 100% of the rights are subject to a relative total shareholder return (TSR) hurdle.
The performance hurdle	TSR measures the value delivered to shareholders over four years including dividend payments, capital returns and movement in the share price. This hurdle was chosen because it requires AMP to outperform major ASX-listed companies before the plan generates any value. To meet this hurdle, AMP needs to generate a TSR greater than that achieved by 50% of a comparator group of companies over four years. The more companies AMP outperforms on this measure, the greater the percentage of rights that vest. The comparator group is made up of the top 50 industrial companies in the S&P/ASX 100 Index (based on market capitalisation).
How performance is measured	At the end of the vesting period the rights are tested against the performance hurdle set at the start of the performance period. If the rights pass the performance hurdle, they will be converted into AMP ordinary shares according to the following diagram. If the rights do not pass the performance test they will lapse and will not be retested. 

7. Further detail on executive arrangements and statutory disclosures (continued)

	2017 AMP long-term incentive plan
How the rights are converted to shares	At the end of the four-year period, any rights that have vested are converted into AMP Limited ordinary shares on behalf of participants. Participants then become entitled to shareholder benefits, including dividends and voting rights.
Source of the shares	It is AMP's practice to buy the shares on market.
If the executive leaves AMP	If any rights have not yet vested and an executive resigns from AMP or their employment is terminated for misconduct, their rights will lapse. If an executive leaves AMP due to retirement or redundancy, any unvested rights may be retained and vesting will continue subject to the same vesting conditions as if the person had remained in AMP employment.
If there is a change in control of AMP	If AMP is subject to a takeover or change of control, the board will determine the treatment of any unvested rights.
Board discretion	Vesting is at the board's discretion with malus and clawback provisions. The provisions allow the board to reduce or clawback awards in certain circumstances, such as: – The participant's employment is terminated for misconduct – The participant acting fraudulently, dishonestly or in a manner which brings the AMP group into disrepute or being in material breach of their obligations to the group – To protect the financial soundness or position of AMP – To respond to a material change in the circumstances of, or a significant unexpected or unintended consequence affecting AMP that was not foreseen by the Remuneration Committee (including any misstatement of financial results), and/or – To ensure no unfair benefit to the participant.

7.2 Executive employment contracts

Contract term	CEO	Executives
Length of contract	Open-ended	Open-ended
Notice period	6 months by AMP 6 months by Francesco De Ferrari	6 or 12 months by AMP 6 or 12 months by the executive
Entitlements on termination	– Accrued fixed pay, superannuation and other statutory requirements – Executives eligible for incentives may be awarded on a pro-rata basis for the current period in the case of death, disablement, redundancy, retirement or notice without cause, subject to the original performance periods and hurdles – Unvested deferred incentive awards may continue in the case of death, disablement, redundancy, retirement or notice without cause, subject to the original performance periods and hurdles – Vested deferred incentive awards will be retained except in the case of serious misconduct or breach of contract, and – In the case of redundancy, the AMP Redundancy, Redeployment and Retrenchment Policy in place at the time will be applied. This is the same policy that applies to all employees at AMP.	
Restrictions on termination benefits	AMP will not make payments on termination that require shareholder approval or otherwise breach the Corporations Act. Where this is not detailed in the contract, the same approach would be taken to ensure compliance with the Corporations Act.	
Post-employment restraint	6-month or 12-month restraint on entering employment with a competitor and solicitation of AMP clients and employees.	

7. Further detail on executive arrangements and statutory disclosures (continued)

7.3 Other executive remuneration disclosures

The following disclosures provide additional information and/or are required under the Corporations Act. This includes the 2018 executive remuneration that is prepared according to Australian Accounting Standards.

7.3.1 Statutory disclosure

The table below shows the remuneration that was received by executives in 2018 as well as any incentive rewards that have been awarded but not yet received. This includes fixed remuneration and the value of current and previous incentive payments which have not yet vested.

		Short-term employee benefits			Post-employment benefits		Share-based payments[5]		Long-term benefits		Termination payments	
		Cash salary[1] $'000	Cash short-term incentive[2] $'000	Other short-term benefits[3] $'000	Super-annuation benefits $'000	Other post-employ-ment benefits[4] $'000	Rights and options $'000	Restricted shares $'000	Deferred incentive[6] $'000	Other[7] $'000	Cash payments $'000	Total $'000
Current disclosed executives												
Francesco De Ferrari Chief Executive Officer	**2018** 2017	**156** –	**–** –	**341** –	**5** –	**–** –	**375** –	**399** –	**–** –	**–** –	**–** –	**1,276** –
Megan Beer Group Executive, Insurance	**2018** 2017	**861** 858	**–** 520	**45** 34	**25** 25	**–** –	**618** 303	**–** –	**–** –	**9** 9	**–** –	**1,558** 1,749
Sally Bruce Group Executive, AMP Bank	**2018** 2017	**725** 729	**–** 394	**232** (2)	**25** 27	**–** –	**526** 274	**–** –	**–** –	**5** 4	**–** –	**1,513** 1,426
David Cullen Group General Counsel	**2018** 2017	**426** –	**–** –	**29** –	**15** –	**–** –	**45** –	**–** –	**–** –	**88** –	**–** –	**603** –
Jenny Fagg Chief Risk Officer	**2018** 2017	**797** –	**–** –	**159** –	**57** –	**–** –	**330** –	**–** –	**–** –	**2** –	**–** –	**1,345** –
Gordon Lefevre Chief Financial Officer	**2018** 2017	**939** 939	**–** 651	**121** 61	**22** 21	**–** –	**790** 775	**–** –	**–** –	**10** 4	**–** –	**1,882** 2,451
Helen Livesey Group Executive, Public Affairs and Chief of Staff	**2018** 2017	**666** 603	**–** 469	**55** –	**22** 46	**–** –	**507** 185	**–** –	**–** –	**8** 5	**–** –	**1,258** 1,308
Jack Regan Group Executive, Advice and New Zealand	**2018** 2017	**875** 856	**–** 591	**207** 223	**25** 45	**–** –	**707** 222	**–** –	**–** –	**(32)** 102	**–** –	**1,782** 2,039
Craig Ryman Group Executive, Technology and Operations	**2018** 2017	**755** 712	**–** 492	**54** 15	**25** 27	**–** –	**575** 456	**–** –	**–** –	**52** 12	**–** –	**1,461** 1,714
Paul Sainsbury Group Executive, Wealth Solutions and Customer	**2018** 2017	**897** 873	**–** 651	**35** 67	**25** 30	**–** –	**778** 740	**–** –	**–** –	**(26)** 18	**–** –	**1,709** 2,379
Adam Tindall Chief Executive Officer, AMP Capital	**2018** 2017	**853** 756	**785** 1,430	**41** 44	**25** 27	**–** –	**1,272** 898	**–** –	**262** –	**71** 35	**–** –	**3,309** 3,190
Fiona Wardlaw Group Executive, People and Culture	**2018** 2017	**757** 659	**–** 459	**43** 40	**25** 25	**–** –	**538** 549	**–** –	**–** –	**29** 43	**–** –	**1,392** 1,775

7. Further detail on executive arrangements and statutory disclosures (continued)

		Short-term employee benefits			Post-employment benefits		Share-based payments[5]			Long-term benefits	Termination payments	
		Cash salary[1] $'000	Cash short-term incentive[2] $'000	Other short-term benefits[3] $'000	Super-annuation benefits $'000	Other post-employment benefits[4] $'000	Rights and options $'000	Restricted shares $'000	Deferred incentive[6] $'000	Other[7] $'000	Cash payments $'000	Total $'000
Former disclosed executives												
Craig Meller Former Chief Executive Officer and Managing Director	**2018**	**573**	**–**	**101**	**33**	**–**	**(2,417)**	**–**	**–**	**(126)**	**1,882**	**46**
	2017	1,862	1,288	24	25	–	2,028	–	–	44	–	5,271
Saskia Goedhart Former Chief Risk Officer	**2018**	**91**	**–**	**5**	**5**	**148**	**(339)**	**–**	**–**	**(5)**	**–**	**(95)**
	2017	679	142	32	21	–	269	–	–	3	–	1,146
Brian Salter Former Group General Counsel	**2018**	**261**	**–**	**53**	**10**	**–**	**(692)**	**–**	**–**	**(5)**	**797**	**424**
	2017	740	463	56	31	–	618	–	–	49	–	1,957
2018 total		**9,632**	**785**	**1,521**	**344**	**148**	**3,613**	**399**	**262**	**80**	**2,680**	**19,464**
2017 total		10,266	7,550	594	350	–	7,317	–	–	328	–	26,405

1 Includes base salary and short-term compensated absences.
2 No 2018 short-term incentive allocations were made to executives (excluding the CEO AMP Capital).
3 Other short-term benefits include non-monetary benefits and any related FBT, for example, relocation costs, short term allowances, taxation arrangements and the net change in annual leave accrued. Amounts for 2017 have been restated to include the net change in annual leave accrued.
4 Other post-employment benefits relates to previously granted deferred equity awards that remain unvested following cessation of employment. The amount reflects the expense for all future years brought forward and disclosed in total for the 2018 year.
5 Amounts reflect the accounting expense on a fair value basis for unvested equity awards. The minimum future value for these awards is nil and the maximum amount expensed is the fair value at grant date. All awards made in any year are amortised over the vesting period and adjusted to reflect the number of instruments expected to vest over the period. To determine the fair values, AMP engages external consultants to calculate these as at the grant date.
The fair value of any share rights and restricted share awards is calculated using a discounted cash flow technique, where the share price is discounted for dividends forgone. For any performance rights, the fair values are calculated using a Monte Carlo simulation for the TSR component and a discounted cash flow methodology for the RoE component. These are discounted for dividends forgone and the risk of performance conditions not being met. To determine the fair value of rights awards with share price targets, assumptions underlying the Black-Scholes methodology are used to produce a Monte Carlo simulation model, allowing for the share price target hurdles to be incorporated. For options awards, the fair value is determined using the Black-Scholes methodology and AMP's actual historic data.
For Craig Meller, Saskia Goedhart and Brian Salter, negative amounts indicate previously recognised expenses reversed during the year on cessation of employment.
6 Amount reflects the accounting expense for cash incentive notionally invested as part of deferred incentive arrangements in AMP Capital.
7 Other long-term benefits represents net change in long service leave accrued. 2017 amounts have been restated to reflect the same basis.

7. Further detail on executive arrangements and statutory disclosures (continued)

7.3.2 Executive performance rights holdings

The following table shows the performance rights which were granted, exercised or lapsed during 2018.

Name	Grant date	Performance condition	Fair value per performance right $	Holding at 1 Jan 2018	Rights granted in 2018[1]	Rights exercised in 2018	Rights forfeited or lapsed in 2018	Holding at 31 Dec 2018	Vested and exercisable at 31 Dec 2018
Francesco De Ferrari	21/08/18	Share Price Targets	0.82	–	1,656,976	–	–	1,656,976	–
Total				**–**	**1,656,976**	**–**	**–**	**1,656,976**	**–**
Megan Beer	04/06/15	TSR	2.82	13,845	–	–	(13,845)	–	–
		RoE	5.39	9,231	–	–	(9,231)	–	–
	02/06/16	TSR	2.37	20,513	–	–	–	20,513	–
		RoE	4.81	13,675	–	–	–	13,675	–
	19/05/17	TSR	2.24	180,000	–	–	–	180,000	–
Total				**237,264**	**–**	**–**	**(23,076)**	**214,188**	**–**
Sally Bruce	04/06/15	TSR	2.82	11,423	–	–	(11,423)	–	–
		RoE	5.39	7,615	–	–	(7,615)	–	–
	02/06/16	TSR	2.37	10,256	–	–	–	10,256	–
		RoE	4.81	6,837	–	–	–	6,837	–
	19/05/17	TSR	2.24	180,000	–	–	–	180,000	–
Total				**216,131**	**–**	**–**	**(19,038)**	**197,093**	**–**
David Cullen[2]	04/06/15	TSR	2.82	7,384	–	–	(7,384)	–	–
		RoE	5.39	4,923	–	–	(4,923)	–	–
	02/06/16	TSR	2.37	7,179	–	–	–	7,179	–
		RoE	4.81	4,786	–	–	–	4,786	–
Total				**24,272**	**–**	**–**	**(12,307)**	**11,965**	**–**
Gordon Lefevre	04/06/15	TSR	2.82	128,077	–	–	(128,077)	–	–
		RoE	5.39	85,384	–	–	(85,384)	–	–
	02/06/16	TSR	2.37	148,461	–	–	–	148,461	–
		RoE	4.81	98,974	–	–	–	98,974	–
	19/05/17	TSR	2.24	289,500	–	–	–	289,500	–
Total				**750,396**	**–**	**–**	**(213,461)**	**536,935**	**–**
Helen Livesey	04/06/15	TSR	2.82	13,845	–	–	(13,845)	–	–
		RoE	5.39	9,231	–	–	(9,231)	–	–
	02/06/16	TSR	2.37	15,385	–	–	–	15,385	–
		RoE	4.81	10,256	–	–	–	10,256	–
	19/05/17	TSR	2.24	172,500	–	–	–	172,500	–
Total				**221,217**	**–**	**–**	**(23,076)**	**198,141**	**–**
Jack Regan	04/06/15	TSR	2.82	78,230	–	–	(78,230)	–	–
		RoE	5.39	52,154	–	–	(52,154)	–	–
	02/06/16	TSR	2.37	86,923	–	–	–	86,923	–
		RoE	4.81	57,948	–	–	–	57,948	–
	19/05/17	TSR	2.24	210,000	–	–	–	210,000	–
Total				**485,255**	**–**	**–**	**(130,384)**	**354,871**	**–**
Craig Ryman	04/06/15	TSR	2.82	83,077	–	–	(83,077)	–	–
		RoE	5.39	55,384	–	–	(55,384)	–	–
	02/06/16	TSR	2.37	100,000	–	–	–	100,000	–
		RoE	4.81	66,666	–	–	–	66,666	–
	19/05/17	TSR	2.24	225,000	–	–	–	225,000	–
Total				**530,127**	**–**	**–**	**(138,461)**	**391,666**	**–**

7. Further detail on executive arrangements and statutory disclosures (continued)

Name	Grant date	Performance condition	Fair value per performance right $	Holding at 1 Jan 2018	Rights granted in 2018[1]	Rights exercised in 2018	Rights forfeited or lapsed in 2018	Holding at 31 Dec 2018	Vested and exercisable at 31 Dec 2018
Paul Sainsbury	04/06/15	TSR	2.82	120,461	–	–	(120,461)	–	–
		RoE	5.39	80,308	–	–	(80,308)	–	–
	02/06/16	TSR	2.37	133,846	–	–	–	133,846	–
		RoE	4.81	89,230	–	–	–	89,230	–
	19/05/17	TSR	2.24	289,500	–	–	–	289,500	–
Total				**713,345**	**–**	**–**	**(200,769)**	**512,576**	**–**
Adam Tindall	02/06/16	TSR	2.37	123,076	–	–	–	123,076	–
		RoE	4.81	82,051	–	–	–	82,051	–
	19/05/17	TSR	2.24	240,000	–	–	–	240,000	–
Total				**445,127**	**–**	**–**	**–**	**445,127**	**–**
Fiona Wardlaw	04/06/15	TSR	2.82	96,923	–	–	(96,923)	–	–
		RoE	5.39	64,615	–	–	(64,615)	–	–
	02/06/16	TSR	2.37	107,692	–	–	–	107,692	–
		RoE	4.81	71,794	–	–	–	71,794	–
	19/05/17	TSR	2.24	210,000	–	–	–	210,000	–
Total				**551,024**	**–**	**–**	**(161,538)**	**389,486**	**–**
Former Executives									
Craig Meller	04/06/15	TSR	2.82	363,461	–	–	(363,461)	–	–
		RoE	5.39	242,308	–	–	(242,308)	–	–
	02/06/16	TSR	2.37	438,462	–	–	(438,462)	–	–
		RoE	4.81	292,307	–	–	(292,307)	–	–
	19/05/17	TSR	2.24	855,000	–	–	(855,000)	–	–
Total				**2,191,538**	**–**	**–**	**(2,191,538)**	**–**	**–**
Saskia Goedhart	04/06/15	TSR	2.82	20,769	–	–	(20,769)	–	–
		RoE	5.39	13,846	–	–	(13,846)	–	–
	02/06/16	TSR	2.37	12,307	–	–	(12,307)	–	–
		RoE	4.81	8,205	–	–	(8,205)	–	–
	19/05/17	TSR	2.24	180,000	–	–	(180,000)	–	–
Total				**235,127**	**–**	**–**	**(235,127)**	**–**	**–**
Brian Salter	04/06/15	TSR	2.82	108,692	–	–	(108,692)	–	–
		RoE	5.39	72,461	–	–	(72,461)	–	–
	02/06/16	TSR	2.37	120,769	–	–	(120,769)	–	–
		RoE	4.81	80,512	–	–	(80,512)	–	–
	19/05/17	TSR	2.24	235,500	–	–	(235,500)	–	–
Total				**617,934**	**–**	**–**	**(617,934)**	**–**	**–**

1 Performance rights give the participant the right to acquire one fully paid ordinary share in AMP Limited upon meeting specific performance hurdles. Rights are granted at no cost to participants and carry no dividend or voting rights until they vest. Performance rights may be settled through an equivalent cash payment at the discretion of the board.
2 The performance rights granted to David Cullen under the 2015 and 2016 LTI awards were made prior to his appointment as KMP.

7. Further detail on executive arrangements and statutory disclosures (continued)

7.3.3 Executive options holdings

The following table shows the options that were granted, exercised or lapsed during 2018.

Name	Grant date	Exercise price $	Holding at 1 Jan 2018	Options granted in 2018[1]	Options exercised in 2018	Options forfeited or lapsed in 2018	Holding at 31 Dec 2018	Vested and exercisable at 31 Dec 2018
Francesco De Ferrari	14/12/18	5.50	–	8,000,000	–	–	8,000,000	–
Total			**–**	**8,000,000**	**–**	**–**	**8,000,000**	**–**

1 Options give the participant the right to acquire one fully paid ordinary share in AMP Limited at a predetermined price. Options are granted at no cost to participants and carry no dividend or voting rights, however, are subject to an exercise price at the time the options are converted to shares. Options may be settled through an equivalent cash payment at the discretion of the board.

7.3.4 Loans and other transactions

AMP provides home loans to Australians to help them buy, build or renovate properties. The table below includes loans offered to executives in the ordinary course of business. These loans are equivalent to those offered to other employees and shareholders.

	Balance at 1 Jan 2018 $'000	Written off $'000	Net advances (repayments) $'000	Balance at 31 Dec 2018 $'000	Interest charged $'000	Interest not charged $'000	Highest indebtedness during year $'000	Number in group
Total loans to KMP								
KMP and their related parties	12,453	–	51	12,504	361	–	16,283	9
Loans to KMP exceeding $100,000								
Craig Meller	1,894	–	(45)	1,849	69	–	2,007	
Sally Bruce	262	–	783	1,046	9	–	1,049	
Gordon Lefevre	1,357	–	(11)	1,345	46	–	1,363	
Helen Livesey	2,032	–	(92)	1,940	52	–	2,032	
Craig Ryman	1,958	–	(55)	1,904	67	–	2,219	
Adam Tindall	2,560	–	(348)	2,212	25	–	2,561	
Fiona Wardlaw	2,400	–	(200)	2,200	87	–	2,414	

Other transactions

During 2018, the executives and their related parties may have access to other AMP products. Again, these products are provided to executives within normal employee terms and conditions. The products may include:

– Personal banking with AMP Bank
– The purchase of AMP insurance and investment products, and
– Financial investment services.

Signed in accordance with a resolution of the directors.

David Murray
Chairman

Sydney, 14 February 2019

Francesco De Ferrari
Chief Executive Officer and Managing Director

Analysis of shareholder profit

for the year ended 31 December 2018

All amounts are after income tax	2018 $m	2017 $m
Profit and loss		
Australian wealth management[1]	**363**	391
AMP Capital[2]	**167**	156
AMP Bank	**148**	140
New Zealand wealth management[1]	**53**	54
Retained businesses' operating earnings	**731**	741
Australian wealth protection	**(176)**	110
New Zealand wealth protection and mature	**39**	71
Australian mature	**134**	150
Sold businesses' operating earnings[3]	**(3)**	331
Business unit operating earnings	**728**	1,072
Group Office costs	**(76)**	(74)
Total operating earnings	**652**	998
Underlying investment income[2]	**96**	95
Interest expense on corporate debt	**(68)**	(53)
Underlying profit	**680**	1,040
Advice remediation and related costs	**(469)**	–
Royal Commission	**(32)**	–
Portfolio review and related costs	**(48)**	(24)
Risk management, governance and controls	**(8)**	–
Other items	**(74)**	(21)
Amortisation of acquired intangible assets[2]	**(79)**	(80)
Profit (loss) before market adjustments and accounting mismatches	**(30)**	915
Market adjustment – investment income[2]	**(28)**	(39)
Market adjustment – annuity fair value	**12**	4
Market adjustment – risk products	**24**	(18)
Accounting mismatches	**50**	(14)
Profit (loss) attributable to shareholders of AMP Limited	**28**	848

1 The operating earnings of Australian wealth management and New Zealand wealth management businesses include internal distribution fees and product revenues that are for the benefit of Resolution Life from 1 July 2018.

2 AMP Capital is 15% owned by Mitsubishi UFJ Trust and Banking Corporation (MUFG: Trust Bank). The AMP Capital business unit results and any other impacted line items are shown net of minority interests.

3 AMP has entered into a sale and purchase agreement with Resolution Life for AMP Life. This includes the Australian and New Zealand wealth protection and mature business units. Operating earnings for these sold businesses, adjusted for risk sharing arrangements and a retained economic interest in the mature business, accrue to Resolution Life from 1 July 2018. AMP will continue to report these earnings until the sale completes.

Financial report

for the year ended 31 December 2018

Contents

Consolidated income statement

for the year ended 31 December 2018

	Note	2018 $m	2017 $m
Income and expenses of shareholders, policyholders, external unitholders and non-controlling interests[1]			
Life insurance contract related revenue	4.2(a)	**2,653**	2,997
Life insurance claims recovered from reinsurers	4.2(b)	**487**	234
Fee revenue	1.1(b)	**3,083**	3,115
Other revenue		**167**	176
Interest income, dividends and distributions and net gains or losses on financial assets and liabilities at fair value through profit or loss		**955**	11,069
Interest income earned using the effective interest method		**899**	819
Share of profit or loss of associates accounted for using the equity method	6.3	**42**	29
Life insurance contract claims expense	4.2(b)	**(2,254)**	(2,046)
Life insurance contract premium ceded to reinsurers	4.2(a)	**(989)**	(635)
Fees and commission expenses		**(1,701)**	(1,697)
Staff and related expenses		**(1,136)**	(1,078)
Other operating expenses		**(1,887)**	(1,054)
Finance costs		**(611)**	(585)
Movement in external unitholder liabilities		**(208)**	(1,481)
Change in policyholder liabilities			
– life insurance contracts	4.2(e)	**79**	(1,069)
– investment contracts		**55**	(7,158)
Income tax credit (expense)	1.3	**417**	(763)
Profit for the year		**51**	873
Profit attributable to shareholders of AMP Limited		**28**	848
Profit attributable to non-controlling interests		**23**	25
Profit for the year		**51**	873

	Note	2018 cents	2017 cents
Earnings per share			
Basic	1.2	**1.0**	29.3
Diluted	1.2	**1.0**	29.1

1 Income and expenses include amounts attributable to shareholders' interests, policyholders' interests in AMP Life's statutory funds and controlled entities of those statutory funds, external unitholders' interests and non-controlling interests.

Consolidated statement of comprehensive income

for the year ended 31 December 2018

	Note	2018 $m	2017 $m
Profit for the year		**51**	873
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Fair value reserve[1]			
– net gain (loss) on fair value asset reserve		**22**	(1)
– tax effect on fair value asset reserve gain or loss		**(7)**	–
		15	(1)
Cash flow hedges			
– net (loss) gain on cash flow hedges		**(37)**	4
– tax effect on cash flow hedge gain or loss		**11**	(1)
– amount transferred to profit for the year		**11**	10
– tax effect on amount transferred to profit for the year		**(3)**	(3)
		(18)	10
Translation of foreign operations and revaluation of hedge of net investments		**78**	(54)
		78	(54)
Items that will not be reclassified subsequently to profit or loss			
Fair value reserve – equity instruments held by AMP Foundation		**(4)**	–
		(4)	–
Defined benefit plans			
– actuarial (losses) gains	5.2	**(43)**	7
– tax effect on actuarial gains or losses		**12**	(2)
		(31)	5
Other comprehensive income (loss) for the year		**40**	(40)
Total comprehensive income for the year		**91**	833
Total comprehensive income attributable to shareholders of AMP Limited		**68**	808
Total comprehensive income attributable to non-controlling interests		**23**	25
Total comprehensive income for the year		**91**	833

1 Following the adoption of AASB 9, debt securities held by AMP Bank, previously classified as held-to-maturity and measured at amortised cost, have been classified as financial instruments measured at fair value through other comprehensive income.

Consolidated statement of financial position

as at 31 December 2018

	Note	2018 $m	2017 $m
Assets			
Cash and cash equivalents	7.1	**3,932**	3,602
Receivables	2.3	**2,608**	2,151
Current tax assets		**213**	7
Planner registers held for sale and prepayments		**101**	138
Investments in financial assets	2.1	**132,103**	136,675
Investment properties		**145**	134
Investments in associates accounted for using the equity method	6.3	**924**	749
Property, plant and equipment		**95**	75
Deferred tax assets	1.3	**876**	686
Reinsurance asset – ceded life insurance contracts	4.2	**1,073**	804
Intangibles	2.2	**3,208**	3,218
Total assets of shareholders of AMP Limited, policyholders, external unitholders and non-controlling interests		**145,278**	148,239
Liabilities			
Payables	2.4	**2,032**	1,752
Current tax liabilities		**73**	71
Employee benefits		**316**	325
Other financial liabilities	2.1	**1,389**	591
Provisions	7.3	**807**	153
Interest-bearing liabilities	3.2	**21,650**	21,009
Deferred tax liabilities	1.3	**1,633**	2,190
External unitholder liabilities		**17,059**	14,468
Life insurance contract liabilities	4.2	**23,257**	23,683
Investment contract liabilities	4.5	**68,742**	75,235
Reinsurance liability – ceded life insurance contracts	4.2	**1,452**	1,450
Defined benefit plan liabilities	5.2	**77**	29
Total liabilities of shareholders of AMP Limited, policyholders, external unitholders and non-controlling interests		**138,487**	140,956
Net assets of shareholders of AMP Limited and non-controlling interests		**6,791**	7,283
Equity			
Contributed equity	3.1	**9,502**	9,376
Reserves		**(1,931)**	(2,010)
Retained earnings		**(886)**	(164)
Total equity of shareholders of AMP Limited		**6,685**	7,202
Non-controlling interests		**106**	81
Total equity of shareholders of AMP Limited and non-controlling interests		**6,791**	7,283

Consolidated statement of changes in equity

for the year ended 31 December 2018

	Equity attributable to shareholders of AMP Limited											
	Contributed equity $m	Demerger reserve[1] $m	Share-based payment reserve[2] $m	Capital profits reserve[3] $m	Fair value reserve $m	Cash flow hedge reserve $m	Foreign currency translation and hedge of net investments reserves $m	Total reserves $m	Retained earnings $m	Total shareholder equity $m	Non-controlling interest $m	Total equity $m
2018												
Balance at the beginning of the year	9,376	(2,566)	100	329	7	26	94	(2,010)	(164)	7,202	81	7,283
Impact of adoption of new accounting standards	–	–	–	–	3	–	–	3	(1)	2	–	2
Balance at the beginning of the year – restated	9,376	(2,566)	100	329	10	26	94	(2,007)	(165)	7,204	81	7,285
Profit	–	–	–	–	–	–	–	–	28	28	23	51
Other comprehensive income	–	–	–	–	11	(18)	78	71	(31)	40	–	40
Total comprehensive income	–	–	–	–	11	(18)	78	71	(3)	68	23	91
Share-based payment expense	–	–	26	–	–	–	–	26	–	26	1	27
Share purchases	–	–	(21)	–	–	–	–	(21)	–	(21)	(3)	(24)
Net sale (purchase) of treasury shares	63	–	–	–	–	–	–	–	(6)	57	–	57
Dividends paid[4]	–	–	–	–	–	–	–	–	(715)	(715)	–	(715)
Dividends paid on treasury shares[4]	–	–	–	–	–	–	–	–	7	7	–	7
New capital from shares issued under dividend reinvestment plan	63	–	–	–	–	–	–	–	–	63	–	63
Sales and acquisitions of non-controlling interests	–	–	–	–	–	–	–	–	(4)	(4)	4	–
Balance at the end of the year	9,502	(2,566)	105	329	21	8	172	(1,931)	(886)	6,685	106	6,791
2017												
Balance at the beginning of the year	9,619	(2,566)	93	329	8	16	148	(1,972)	(185)	7,462	79	7,541
Profit	–	–	–	–	–	–	–	–	848	848	25	873
Other comprehensive income	–	–	–	–	(1)	10	(54)	(45)	5	(40)	–	(40)
Total comprehensive income	–	–	–	–	(1)	10	(54)	(45)	853	808	25	833
Share-based payment expense	–	–	27	–	–	–	–	27	–	27	1	28
Share purchases	(200)	–	(20)	–	–	–	–	(20)	–	(220)	(1)	(221)
Net sale (purchase) of treasury shares	(43)	–	–	–	–	–	–	–	(3)	(46)	–	(46)
Dividends paid[4]	–	–	–	–	–	–	–	–	(837)	(837)	(22)	(859)
Dividends paid on treasury shares[4]	–	–	–	–	–	–	–	–	8	8	–	8
Sales and acquisitions of non-controlling interests	–	–	–	–	–	–	–	–	–	–	(1)	(1)
Balance at the end of the year	9,376	(2,566)	100	329	7	26	94	(2,010)	(164)	7,202	81	7,283

1 Reserve to recognise the additional loss and subsequent transfer from shareholders' retained earnings on the demerger of AMP's UK operations in December 2003. The loss was the difference between the pro-forma loss on demerger and the market-based fair value of the UK operations.
2 The Share-based payment reserve represents the cumulative expense recognised in relation to equity-settled share-based payments less the cost of shares purchased on market in respect of entitlements.
3 The Capital profits reserve represents gains attributable to shareholders of AMP on the sale of minority interests in controlled entities to entities outside the AMP group.
4 Dividends paid include dividends paid on treasury shares. Dividends paid on treasury shares are required to be excluded from the consolidated financial statements by adjusting retained earnings.

Consolidated statement of cash flows

for the year ended 31 December 2018

	Note	2018 $m	2017 $m
Cash flows from operating activities[1]			
Cash receipts in the course of operations		**14,871**	18,067
Interest received		**2,140**	2,041
Dividends and distributions received[2]		**2,236**	2,137
Cash payments in the course of operations		**(22,100)**	(22,605)
Finance costs		**(613)**	(519)
Income tax paid		**(515)**	(519)
Cash flows from (used in) operating activities	7.1	**(3,981)**	(1,398)
Cash flows from investing activities[1]			
Net proceeds from sale of (payments to acquire):			
– investments in financial assets[3]		**4,355**	(2,614)
– operating and intangible assets		**(37)**	(46)
(Payments to acquire) proceeds from disposal of operating controlled entities and investments in associates accounted for using the equity method		**(113)**	(293)
Cash flows from (used in) investing activities		**4,205**	(2,953)
Cash flows from financing activities			
Net movement in deposits from customers		**1,357**	1,003
Proceeds from borrowings – non-banking operations[1]		**289**	391
Repayment of borrowings – non-banking operations[1]		**(216)**	–
Net movement in borrowings – banking operations		**(724)**	2,305
On-market share buy-back		**–**	(200)
Proceeds from issue of subordinated debt		**250**	250
Repayment of subordinated debt		**(325)**	(150)
Dividends paid[4]		**(708)**	(828)
Cash flows from (used in) financing activities		**(77)**	2,771
Net increase (decrease) in cash and cash equivalents		**147**	(1,580)
Cash and cash equivalents at the beginning of the year		**7,222**	8,810
Effect of exchange rate changes on cash and cash equivalents		**13**	(8)
Cash and cash equivalents at the end of the year[1]	7.1	**7,382**	7,222

1 Cash flows and cash and cash equivalents include amounts attributable to shareholders' interests, policyholders' interests in AMP Life's statutory funds and controlled entities of those statutory funds, external unitholders' interests and non-controlling interests. Cash equivalents for the purpose of the Consolidated statement of cash flows includes short-term bills and notes.
2 Dividends and distributions received are amounts of cash received mainly from investments held by AMP life insurance entities' statutory funds and controlled entities of the statutory funds. Dividends and distributions reinvested have been treated as non-cash items.
3 Net proceeds from sale of (payments to acquire) investments in financial assets also includes loans and advances made (net of payments) and purchases of financial assets (net of maturities) during the period by AMP Bank.
4 The Dividends paid amount is presented net of dividends on treasury shares.

About this report

This section outlines the structure of the AMP group, information useful to understanding the AMP group's financial report and the basis on which the financial report has been prepared.

(a) Understanding the AMP financial report

The AMP group is comprised of AMP Limited (the parent), a holding company incorporated and domiciled in Australia, and the entities it controls (subsidiaries). The consolidated financial statements of AMP Limited include the financial information of its controlled entities.

AMP business operations are carried out by a number of these controlled entities including AMP Life Limited (AMP Life) – a registered life insurance entity and its related controlled entities, AMP Bank Limited (AMP Bank) and AMP Capital investment management companies.

The business of AMP Life is conducted through statutory funds and relates to the provision of wealth management and life insurance products to investors, referred to as policyholders. The investment assets of the statutory funds represent the majority of the assets of the AMP group, a large proportion of which is held on behalf of policyholders. The corresponding liabilities to policyholders are classified as either life investment or life insurance contract liabilities. Under Australian Accounting Standards, some assets held on behalf of policyholders (and the related tax balances) are included in the financial statements at different values to those used in the calculation of the liability to policyholders in respect of the same assets. The impact of these differences flows through to shareholder profit and they are referred to as accounting mismatches in the segment disclosures in note 1.1(c).

AMP Capital operates a large number of registered managed investment schemes and other pooled investment vehicles. AMP Life makes significant policyholder investments into these vehicles. In many cases, this results in the vehicle being controlled and therefore consolidated in its entirety into the AMP group financial statements, including the portion that represents the shareholdings of external parties, known as non-controlling interests.

As a consequence, these consolidated financial statements include not only the assets and liabilities, income and expenses and cash flows attributable to AMP Limited's shareholders but also the assets and liabilities, income and expenses and cash flows of the statutory funds attributable to policyholders and non-controlling interests.

Agreement to sell wealth protection and mature businesses

On 25 October 2018, AMP announced an agreement with Resolution Life Australia Pty Ltd (Resolution) to sell its Australian and New Zealand wealth protection (WP) and mature businesses. The sale is subject to regulatory approvals and is expected to complete in the second half of 2019.

Consideration for the sale payable on transaction completion comprises cash, AT1 preference shares in AMP Life Limited and non-cash consideration comprising an economic interest in the future earnings of the mature business sold to Resolution and an interest in Resolution Life Group Holdings LP.

The interests received as non-cash consideration will be fair valued by AMP on completion and, together with cash proceeds, will be treated as the accounting purchase price. Under the terms of the agreement, Resolution assumes profit and loss from the WP and mature businesses from 1 July 2018, subject to specific risk sharing arrangements. These profit impacts are transferred to Resolution as an adjustment to the purchase price upon completion. Adjustments to the purchase price will affect the profit or loss recognised by AMP at completion.

The businesses subject to sale were controlled by the AMP group throughout the reporting period and as a result the income and expenses, assets and liabilities and cash flows of these businesses are consolidated within the financial report, including the profits which will form part of the completion purchase price adjustment.

The sale is subject to a number of conditions, including the separation of AMP's retained wealth management business from the WP and mature business being sold to Resolution. As the WP and mature businesses subject to the sale do not meet the AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* criteria, the results of those businesses have not been presented separately in the financial report.

The financial report:

- is a general purpose financial report;
- has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards including Australian Accounting Interpretations adopted by the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board;
- is presented in Australian dollars with all values rounded to the nearest million dollars ($m), unless otherwise stated;
- has been prepared on a going concern basis generally using an historical cost basis; however where permitted under accounting standards a different basis may be used, including the fair value basis for:
  - assets and liabilities associated with life insurance contracts; and
  - assets and liabilities associated with investment contracts;
- presents assets and liabilities on the face of the Consolidated statement of financial position in decreasing order of liquidity and therefore does not distinguish between current and non-current items; and
- presents reclassified comparative information where required for consistency with the current year's presentation within the annual report.

AMP Limited is a for-profit entity and is limited by shares.

The financial statements for the year ended 31 December 2018 were authorised for issue on 14 February 2019 in accordance with a resolution of the directors.

(b) Basis of consolidation

Entities are fully consolidated from the date of acquisition, being the date on which the AMP group obtains control, and continue to be consolidated until the date that control ceases. Control exists where the AMP group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Income, expenses, assets, liabilities and cash flows of controlled entities are consolidated into the AMP group financial statements, along with those attributable to the shareholders of the parent entity. All inter-company transactions are eliminated in full, including unrealised profits arising from intra-group transactions.

When a controlled managed investment scheme is consolidated, the share of the unitholder liability attributable to the AMP group is eliminated but amounts due to external unitholders remain as liabilities in the Consolidated statement of financial position. The share of the net assets of controlled entities attributable to non-controlling interests is disclosed as a separate line item on the Consolidated statement of financial position.

Materiality

Information has only been included in the financial report to the extent that it has been considered material and relevant to the understanding of the financial statements. A disclosure is considered material and relevant if, for example:

- the amount in question is significant because of its size or nature;
- it is important for understanding the results of the AMP group;
- it helps explain the impact of significant changes in the AMP group; and/or
- it relates to an aspect of the AMP group's operations that is important to its future performance.

(c) Significant accounting policies

The significant accounting policies adopted in the preparation of the financial report are contained in the notes to the financial statements to which they relate. All accounting policies have been consistently applied to the current year and comparative period, unless otherwise stated. Where an accounting policy relates to more than one note or where no note is provided, the accounting policies are set out below.

Interest, dividends and distributions income

Interest income is recognised when the AMP group obtains control of the right to receive the interest. Revenue from dividends and distribution is recognised when the AMP group's right to receive payment is established.

Foreign currency transactions

Transactions, assets and liabilities denominated in foreign currencies are translated into Australian dollars (the functional currency) using the following applicable exchange rates:

Foreign currency amount	Applicable exchange rate
Transactions	Date of transaction
Monetary assets and liabilities	Reporting date
Non-monetary assets and liabilities carried at fair value	Date fair value is determined

Foreign exchange gains and losses resulting from translation of foreign exchange transactions are recognised in the Consolidated income statement, except for qualifying cash flow hedges, which are deferred to equity.

On consolidation the assets, liabilities, income and expenses of foreign operations are translated into Australian dollars using the following applicable exchange rates:

Foreign currency amount	Applicable exchange rate
Income and expenses	Average exchange rate
Assets and liabilities	Reporting date
Equity	Historical date
Reserves	Reporting date

Foreign exchange differences resulting from translation of foreign operations are initially recognised in the foreign currency translation reserve and subsequently transferred to the Consolidated income statement on disposal of the foreign operation.

(d) Critical judgements and estimates

Preparation of the financial statements requires management to make judgements, estimates and assumptions about future events. Information on critical judgements and estimates considered when applying the accounting policies can be found above and in the following notes:

Accounting judgements and estimates	Note		Page
Tax	1.3	Taxes	77
Fair value of financial assets	2.1	Investments in financial instruments	80
Impairment	2.1	Expected credit losses (ECLs)	80
Goodwill and acquired intangible assets	2.2	Intangibles	83
Life insurance and investment contract liabilities	4.1	Accounting for life insurance and investment contracts	102
Consolidation	6.1	Controlled entities	129
Provisions and contingent liabilities	7.3	Provisions and contingent liabilities	133

Section 1: Results for the year

This section provides insights into how the AMP group has performed in the current year and provides additional information about those individual line items in the financial statements that the directors consider most relevant in the context of the operations of the AMP group.

Statutory measures of performance disclosed in this report are:

- **Statutory earnings per share (EPS) – basic and diluted**
- **Annual dividend**
- **Profit after tax attributable to the shareholders of AMP**

Underlying profit is AMP's key measure of business performance. This performance measure is disclosed by the AMP operating segment within Segment performance.

1.1 Segment performance
1.2 Earnings per share
1.3 Taxes
1.4 Dividends

1.1 Segment performance

The AMP group identifies its operating segments based on separate financial information that is regularly reviewed by the Chief Executive Officer and his immediate team in assessing performance and determining the allocation of resources. The operating segments are identified according to the nature of profit generated and services provided, and their performance is evaluated based on a post-tax operating earnings basis.

Following the completion of the group's portfolio review, which resulted in the announced sale of the WP and mature businesses to Resolution as well as the announced intention to divest the New Zealand wealth management business, the manner in which management monitors the group's operations and makes decisions about those operations has significantly changed. Consequently, the composition of the group's operating segments has changed.

Reportable segment	Segment description
Australian wealth management (WM)	Financial advice services (through aligned and owned advice businesses), platform and software administration (including SMSF), unit linked superannuation, retirement income and managed investment products business in Australia. Superannuation products include personal and employer sponsored plans with insurance.
AMP Capital	A diversified investment manager with a growing international presence providing investment services for domestic and international customers. AMP Capital manages investments across major asset classes including equities, fixed interest, real estate, infrastructure and multi-manager and multi-asset funds. AMP Capital also provides commercial, industrial and retail real estate management services. On 1 March 2012, AMP Capital and Mitsubishi UFJ Trust and Banking Corporation (MUFG: Trust Bank) formed a strategic business and capital alliance. As part of that alliance, MUFG: Trust Bank acquired a 15% ownership interest in AMP Capital. The initial five-year agreement between AMP Capital and MUFG: Trust Bank was renewed in the first quarter of 2017. In November 2013, AMP Capital established a funds management company in China with China Life called China Life AMP Asset Management Company Limited (CLAMP). AMP Capital is a founding shareholder, holding a 15% stake, with the balance held by China Life Asset Management Company, a subsidiary of China Life.

1.1 Segment performance (continued)

Reportable segment	Segment description
AMP Bank	Australian retail bank offering residential mortgages, deposits, transaction banking and SMSF products. It also has a portfolio of practice finance loans. AMP Bank distributes through AMP's aligned distribution network as well as third party brokers, and direct to retail customers via phone and online.
New Zealand wealth management (NZWM)	Encompasses the wealth management and financial advice and distribution business in New Zealand. Customers are provided with a variety of wealth management solutions including KiwiSaver, corporate superannuation, retail investments and a wrap investment management platform.
Australian and New Zealand wealth protection (WP) and mature	Australian WP includes individual and group term, disability and income protection insurance products. Products can be bundled with a superannuation product or held independently of superannuation. Australian mature is a business comprising products which are largely closed to new business and are in run-off. Products within Australian mature include whole of life, endowment, investment linked, investment account, Retirement Savings Account (RSA), Eligible Rollover Fund (ERF), annuities, insurance bonds, personal superannuation and guaranteed savings accounts (GSAs). New Zealand WP and mature includes risk insurance and mature book (traditional participating business).

Segment information is not reported for activities of the AMP group office companies as it is not the function of these departments to earn revenue and any revenues earned are incidental to the activities of the AMP group.

(a) Segment profit

	WM $m	AMP Capital[1] $m	AMP Bank $m	NZ WM $m	AUS and NZ WP and mature $m	Total $m
2018						
Segment profit after income tax	**363**	**167**	**148**	**53**	**(3)**	**728**
External customer revenue	**1,195**	**450**	**401**	**130**	**(3)**	**2,173**
Intersegment revenue[3]	**114**	**258**	**–**	**–**	**–**	**372**
Segment revenue[2]	**1,309**	**708**	**401**	**130**	**(3)**	**2,545**
Other segment information						
Income tax expense	**153**	**59**	**63**	**21**	**–**	**296**
Depreciation and amortisation	**60**	**14**	**–**	**–**	**19**	**93**
2017						
Segment profit after income tax	391	156	140	54	331	1,072
External customer revenue	1,256	409	365	126	331	2,487
Intersegment revenue[3]	115	250	–	–	–	365
Segment revenue[2]	1,371	659	365	126	331	2,852
Other segment information						
Income tax expense	165	58	60	21	139	443
Depreciation and amortisation	77	7	–	–	35	119

1 AMP Capital segment revenue is reported net of external investment manager fees. Segment profit after income tax is reported net of 15% minority interest attributable to MUFG: Trust Bank.
2 Segment revenue and other segment information excludes revenue, expenses and tax relating to assets backing policyholder liabilities. Disaggregated revenue information is presented in note 1.1(b).
3 Intersegment revenue represents operating revenue between segments priced on a market related basis and is eliminated on consolidation.

1.1 Segment performance (continued)

(b) The following table allocates the disaggregated segment revenue from contracts with customers to the group's operating segments (see note 1.1(a)):

	WM $m	AMP Capital $m	AMP Bank $m	NZ WM $m	AUS and NZ WP and mature[1] $m	Total $m
2018						
Investment related	**1,213**	**–**	**–**	**130**	**–**	**1,343**
Management fees	**–**	**639**	**–**	**–**	**–**	**639**
Performance and transaction fees	**–**	**69**	**–**	**–**	**–**	**69**
Net interest income	**–**	**–**	**388**	**–**	**–**	**388**
Other revenue	**96**	**–**	**13**	**–**	**(3)**	**106**
Total segment revenue per segment note	**1,309**	**708**	**401**	**130**	**(3)**	**2,545**
Presentation adjustments[2]						**659**
Total statutory revenue from contracts with customers						**3,204**
2017						
Investment related	1,263	–	–	126	–	1,389
Management fees	–	584	–	–	–	584
Performance and transaction fees	–	75	–	–	–	75
Net interest income	–	–	355	–	–	355
Other revenue	108	–	10	–	331	449
Total segment revenue per segment note	1,371	659	365	126	331	2,852
Presentation adjustments[2]						376
Total statutory revenue from contracts with customers						3,228

	2018 $m	2017 $m
Statutory revenue from contracts with customers		
Fee revenue		
– Investment management and related fees	**2,221**	2,284
– Financial advisory fees[3]	**862**	831
	3,083	3,115
Other revenue	**121**	113
Total statutory revenue from contracts with customers	**3,204**	3,228

1 Disaggregated revenue information does not exist for Aus and NZ WP and mature as this business is managed on an operating earnings basis.
2 Presentation adjustments primarily reflect the difference between total segment revenue and statutory revenue from contracts with customers, as required by AASB 15. These adjustments include revenue from sources other than contracts with customers and expense items which are presented net in the segment results, but presented gross in the Consolidated income statement.
3 A substantial majority of the financial advisory fees received are paid to advisers. For statutory reporting, financial advisory fees are presented gross of the related cost which is presented in Fees and commission expenses in the Consolidated income statement.

1.1 Segment performance (continued)

(c) Reconciliations

Segment profit after income tax differs from Profit attributable to shareholders of AMP Limited due to the exclusion of the following items:

	2018 $m	2017 $m
Segment profit after income tax	**728**	1,072
Group office costs	**(76)**	(74)
Total operating earnings	**652**	998
Underlying investment income[1]	**96**	95
Interest expense on corporate debt	**(68)**	(53)
Underlying profit	**680**	1,040
Advice remediation and related costs	**(469)**	–
Royal Commission	**(32)**	–
Portfolio review and related costs	**(48)**	(24)
Risk management, governance and controls	**(8)**	–
Other items[2]	**(74)**	(21)
Amortisation of acquired intangible assets[3]	**(79)**	(80)
Profit (loss) before market adjustments and accounting mismatches	**(30)**	915
Market adjustment – investment income[1]	**(28)**	(39)
Market adjustment – annuity fair value[4]	**12**	4
Market adjustment – risk products[5]	**24**	(18)
Accounting mismatches[6]	**50**	(14)
Profit attributable to shareholders of AMP Limited	**28**	848
Profit attributable to non-controlling interests	**23**	25
Profit for the year	**51**	873

1 Underlying investment income consists of investment income on shareholder assets invested in income producing investment assets normalised by eliminating the impact of short-term market volatility on underlying performance. Underlying returns are set based on long-term expected returns for each asset class, except for a short-term return, equivalent to a one-year government bond, set annually for the implicit deferred acquisition costs (DAC) component of shareholder assets. Market adjustment – investment income is the excess (shortfall) between the underlying investment income and the actual return on shareholder assets invested in income producing investment assets.

2 Other items largely comprise the net of one-off and non-recurring revenues and costs, including the cost of implementing significant regulatory changes.

3 Amortisation of acquired intangibles includes amortisation of intangibles acquired through business combinations and notional intangibles included within the carrying value of equity accounted associates and acquired client registers.

4 Market adjustment – annuity fair value relates to the net impact of investment markets on AMP's annuity portfolio.

5 Market adjustment – risk products relates to the net impact of changes in market economic assumptions (bond yields and CPI) on the valuation of risk insurance liabilities.

6 Under Australian Accounting Standards, some assets held on behalf of the policyholders (and related tax balances) are recognised in the financial statements at different values to the values used in the calculation of the liability to policyholders in respect of the same assets. Therefore, movements in these policyholder assets result in accounting mismatches which impact profit attributable to shareholders. These differences have no impact on the operating earnings of the AMP group.

Total segment revenue differs from Total revenue as follows:

	2018 $m	2017 $m
Total segment revenue	**2,545**	2,852
Add revenue excluded from segment revenue		
– Investment gains and losses – shareholders and policyholders (excluding AMP Bank interest revenue)	**913**	11,019
– Other revenue	**167**	176
Add back expenses netted against segment revenue		
– Claims, expenses, movement in insurance contract liabilities and tax relating to Australian wealth protection, Australian mature and New Zealand financial services	**3,013**	2,774
– Interest expense related to AMP Bank	**553**	515
– External investment manager and adviser fees paid in respect of certain assets under management	**1,467**	1,468
Remove intersegment revenue	**(372)**	(365)
Total revenue	**8,286**	18,439

1.1 Segment performance (continued)

(d) Segment assets

Asset segment information has not been disclosed because the balances are not provided to the Chief Executive Officer or his immediate team for the purpose of evaluating segment performance, or in allocating resources to segments.

Accounting policy – recognition and measurement

Revenue from contracts with customers

For AMP, revenue from contracts with customers arises primarily from the provision of investment management and financial advisory services. Revenue is recognised when control of services is transferred to the customer at an amount that reflects the consideration which AMP is entitled to in exchange for the services provided. As the customer simultaneously receives and consumes the benefits as the service is provided, control is transferred over time. Accordingly, revenue is recognised over time.

Fee rebates provided to customers are recognised as a reduction in fee revenue.

Investment management and related fees

Fees are charged to customers in connection with the provision of investment management and other related services. These performance obligations are satisfied on an ongoing basis, usually daily, and revenue is recognised as the service is provided.

Financial advisory fees

Financial advisory fees consist of commissions and fee-for-service revenue and are earned for providing customers with financial advice and performing related advisory services. These performance obligations are satisfied over time. Accordingly, revenue is recognised over time.

A substantial majority of the financial advisory fees received are paid to advisers. Financial advisory fees are presented gross of the related cost which is presented in Fees and commission expenses in the Consolidated income statement.

1.2 Earnings per share

Basic earnings per share

Basic earnings per share is calculated based on profit attributable to shareholders of AMP Limited (AMP) and the weighted average number of ordinary shares outstanding.

	2018	2017
Profit attributable to shareholders of AMP ($m)	**28**	848
Weighted average number of ordinary shares (millions)[1]	**2,897**	2,896
Basic earnings per share (cents per share)	**1.0**	29.3

Diluted earnings per share

Diluted earnings per share is based on profit attributable to shareholders of AMP Limited (AMP) and the weighted average number of ordinary shares outstanding after adjustments for the effects of all dilutive potential ordinary shares, such as options and performance rights.

	2018	2017
Profit attributable to shareholders of AMP ($m)	**28**	848
Weighted average number of ordinary shares (millions) – diluted:		
– Weighted average number of ordinary shares[1]	**2,897**	2,896
– Add: potential ordinary shares considered dilutive[2]	**18**	22
Weighted average number of ordinary shares used in the calculation of dilutive earnings per share	**2,915**	2,918
Diluted earnings per share (cents per share)	**1.0**	29.1

1 The weighted average number of ordinary shares outstanding is calculated after deducting the weighted average number of treasury shares held during the period.
2 Performance rights have been determined to be dilutive; however, if these instruments vest and are exercised, it is AMP's policy to buy AMP shares on market so there will be no dilutive effect on the value of AMP shares.

1.3 Taxes

Our taxes

This sub-section outlines the impact of income taxes on the results and financial position of AMP. In particular:

- **the impact of tax on the reported result;**
- **amounts owed to/receivable from the tax authorities;**
- **deferred tax balances that arise due to differences in the tax and accounting treatment of balances recorded in the financial report; and**
- **discussion of the impacts of life insurance policyholder tax.**

These financial statements include the disclosures relating to tax required under accounting standards. Further information on AMP's tax matters can be found in the AMP Tax Report at amp.com.au/shares.

(a) Income tax expense

The income tax expense amount reflects the impact of both income tax attributable to shareholders as well as income tax attributable to policyholders. In respect of income tax expense attributable to shareholders, the tax rate which applies is 30% in Australia and 28% in New Zealand.

Income tax attributable to policyholders is based on investment income allocated to policyholders less expenses deductible against that investment income. The impact of the tax is charged against policyholder liabilities. A number of different tax rate regimes apply to policyholders. In Australia, certain classes of policyholder life insurance income and superannuation earnings are taxed at 15%, and certain classes of income on some annuity business are tax-exempt. The rate applicable to New Zealand life insurance business is 28%.

The following table provides a reconciliation of differences between prima facie tax calculated as 30% of the profit before income tax for the year and the income tax expense recognised in the Consolidated income statement for the year.

	2018 $m	2017 $m
Profit (loss) before income tax	**(366)**	1,636
Policyholder tax credit (expense) recognised as part of the change in policyholder liabilities in determining profit before tax	**399**	(472)
Profit before income tax excluding tax charged to policyholders	**33**	1,164
Tax at the Australian tax rate of 30% (2017: 30%)	**(10)**	(349)
Shareholder impact of life insurance tax treatment	**(2)**	(33)
Tax concessions including research and development and offshore banking unit	**7**	8
Non-deductible expenses	**(23)**	(27)
Non-taxable income	**6**	16
Other items	**15**	24
Over provided in previous years	**8**	3
Utilisation of previously unrecognised tax losses	**8**	53
Differences in overseas tax rates	**9**	14
Income tax credit (expense) attributable to shareholders and non-controlling interest	**18**	(291)
Income tax credit (expense) attributable to policyholders	**399**	(472)
Income tax credit (expense) per Income statement	**417**	(763)

(b) Analysis of income tax expense

	2018 $m	2017 $m
Current tax expense	**(336)**	(536)
Increase in deferred tax assets	**190**	23
Decrease (increase) in deferred tax liabilities	**557**	(244)
Over (under) provided in previous years including amounts attributable to policyholders	**6**	(6)
Income tax expense	**417**	(763)

1.3 Taxes (continued)

	2018 $m	2017 $m
(c) Analysis of deferred tax balances		
Expenses deductible and income recognisable in future years	**702**	470
Unrealised movements on borrowings and derivatives	**30**	32
Unrealised investment losses	**41**	40
Losses available for offset against future taxable income	**45**	87
Other	**58**	57
Total deferred tax assets	**876**	686
Analysis of deferred tax liabilities		
Unrealised investment gains	**1,174**	1,736
Other	**459**	454
Total deferred tax liabilities	**1,633**	2,190
(d) Amounts recognised directly in equity		
Deferred income tax expense related to items taken directly to equity during the current year	**13**	(6)
(e) Unused tax losses and deductible temporary differences not recognised		
Revenue losses	**111**	108
Capital losses	**706**	117

Accounting policy – recognition and measurement

Income tax expense

Income tax expense is the tax payable on taxable income for the current period based on the income tax rate for each jurisdiction and adjusted for changes in deferred tax assets and liabilities. These changes are attributable to:

- temporary differences between the tax bases of assets and liabilities and their Consolidated statement of financial position carrying amounts;
- unused tax losses; and
- the impact of changes in the amounts of deferred tax assets and liabilities arising from changes in tax rates or in the manner in which these balances are expected to be realised.

Adjustments to income tax expense are also made for any differences between the amounts paid, or expected to be paid, in relation to prior periods and the amounts provided for these periods at the start of the current period.

Any tax impact on income and expense items that are recognised directly in equity is also recognised directly in equity.

Income tax for investment contracts business and life insurance contracts business

The income tax expense recognised in the Consolidated income statement of the AMP group, which arises in respect of AMP Life, reflects tax imposed on shareholders as well as policyholders. Investment contracts liabilities and life insurance contracts liabilities are established in Australia net, and in New Zealand gross, of the policyholders' share of any current tax payable and deferred tax balances of the AMP group. Arrangements made with some superannuation funds result in AMP Life making payments to the Australian Taxation Office in relation to contributions tax arising in those funds. The amounts paid are recognised as a decrease in investment contract liabilities and not included in income tax expense.

Deferred tax

Deferred tax assets and liabilities are recognised for temporary differences and are measured at the tax rates which are expected to apply when the assets are recovered or liabilities are settled, based on tax rates that have been enacted or substantively enacted for each jurisdiction at the reporting date. Deferred tax assets and liabilities, including amounts in respect of investment contracts and life insurance contracts, are not discounted to present value.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Tax consolidation

AMP Limited and its wholly-owned Australian controlled entities are part of a tax-consolidated group, with AMP Limited being the head entity. A tax funding agreement has been entered into by the head entity and the controlled entities in the tax-consolidated group and requires entities to fully compensate the company for current tax liabilities and to be fully compensated by the company for any current or deferred tax assets in respect of tax losses arising from external transactions occurring after 30 June 2003, the implementation date of the tax-consolidated group.

1.3 Taxes (continued)

Critical accounting estimates and judgements:

The AMP group is subject to taxes in Australia and other jurisdictions where it has operations. The application of tax law to the specific circumstances and transactions of the AMP group requires the exercise of judgement by management. The tax treatments adopted by management in preparing the financial statements may be impacted by changes in legislation and interpretations or be subject to challenge by tax authorities.

Judgement is also applied by management in determining the extent to which the recovery of carried forward tax losses is probable for the purpose of meeting the criteria for recognition as deferred tax assets.

1.4 Dividends

Dividends paid and proposed during the year are shown in the table below:

	2018 Final	2018 Interim	2017 Final	2017 Interim
Dividend per share (cents)	**4.0**	**10.0**	14.5	14.5
Franking percentage	**90%**	**50%**	90%	90%
Cost (in $m)	**117**	**292**	423	423
Payment date	**28 March 2019**	**28 September 2018**	28 March 2018	29 September 2017

	2018 $m	2017 $m
Dividends paid		
Previous year final dividend on ordinary shares	**423**	414
Interim dividend on ordinary shares	**292**	423
Total dividends paid[1]	**715**	837

1 Total dividends paid includes dividends paid on Treasury shares $7m (2017: $8m).

Dividend franking credits

Franking credits available to shareholders are $148m (2017: $275m), based on a tax rate of 30%. This amount is calculated from the balance of the franking account as at the end of the reporting period, adjusted for franking credits that will arise from the settlement, after the end of the reporting date, of liabilities for income tax and receivables for dividends.

The company's ability to utilise the franking account credits depends on meeting Corporations Act 2001 requirements to declare dividends. The impact of the proposed dividend will be to reduce the balance of the franking credit account by $45m.

Franked dividends are franked at a tax rate of 30%.

Section 2: Investments, intangibles and working capital

This section highlights the AMP group's assets and working capital used to support the AMP group's activities.

2.1 Investments in financial instruments

(a) Investments in financial instruments

	2018 $m	2017 $m
Financial assets measured at fair value through profit or loss[1]		
Equity securities and listed managed investment schemes	**55,894**	58,538
Debt securities[2]	**32,577**	32,457
Investments in unlisted managed investment schemes	**19,838**	22,398
Derivative financial assets	**1,059**	1,092
Other financial assets	**–**	5
Total financial assets measured at fair value through profit or loss	**109,368**	114,490
Financial assets measured at fair value through other comprehensive income		
Debt securities[3]	**2,355**	–
Equity securities	**60**	68
Total financial assets measured at fair value through other comprehensive income	**2,415**	68
Financial assets measured at amortised cost[4]		
Loans and advances	**20,098**	19,554
Debt securities	**222**	2,563
Total financial assets measured at amortised cost	**20,320**	22,117
Total financial assets	**132,103**	136,675
Other financial liabilities		
Derivative financial liabilities	**1,225**	489
Collateral deposits held[2]	**164**	102
Total other financial liabilities	**1,389**	591

1 Financial assets measured at fair value through profit or loss are mainly assets of the AMP life insurance entities' statutory funds and their controlled entities.
2 Included within debt securities are assets held to back the liability for collateral deposits.
3 Debt securities measured at fair value through other comprehensive income are assets of AMP Bank and were previously measured at amortised cost. Refer to note 7.5 for details of the classification change resulting from the adoption of AASB 9 *Financial Instruments*.
4 Financial assets measured at amortised cost are presented net of expected credit losses (ECLs) of $38m.

2.1 Investments in financial instruments (continued)

(b) The following table provides the changes to expected credit losses (ECLs) provisions relating to loans and advances during the year:

	Stage 1 collective $m	Stage 2 collective $m	Stage 3 $m	Total $m
ECL provisions at 1 January 2018[1]	3	12	14	29
New loans originated during the year	–	1	–	1
Loans derecognised or repaid during the year	–	(1)	(3)	(4)
Transfer to Stage 1	–	1	1	2
Transfer to Stage 2	–	–	3	3
Transfer to Stage 3	–	(2)	–	(2)
Increase in provisions during the year	7	–	4	11
Loans written off during the year	–	–	(2)	(2)
ECL Provisions	**10**	**11**	**17**	**38**

1 Includes $12m opening adjustment due to implementation of AASB 9.

Accounting policy – recognition and measurement

Recognition and derecognition of financial assets and liabilities

Financial assets and financial liabilities are recognised at the date the AMP group becomes a party to the contractual provisions of the instrument. At initial recognition, financial assets are classified as subsequently measured at fair value through profit or loss, fair value through other comprehensive income (OCI), and amortised cost. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the group's business model for managing them.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire, or are transferred. A transfer occurs when substantially all the risks and rewards of ownership of the financial asset are passed to an unrelated third party. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Financial assets measured at fair value through profit or loss

Financial assets measured on initial recognition as financial assets measured at fair value through profit or loss are initially recognised at fair value, determined as the purchase cost of the asset, exclusive of any transaction costs. Transaction costs are expensed as incurred in profit or loss. Any realised and unrealised gains or losses arising from subsequent measurement at fair value are recognised in profit or loss in the period in which they arise.

Financial assets measured at fair value through OCI – debt securities

Debt securities are measured at fair value through OCI when both of the following conditions are met:

– the instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets; and
– the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Fair value through OCI instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses and impairment losses or reversals are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. The accumulated gains or losses recognised in OCI are recycled to profit and loss upon derecognition of the assets.

The group classifies debt securities held by AMP Bank under this category.

Financial assets measured at fair value through OCI – equity securities

Upon initial recognition, the group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under AASB 132 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The group elected to classify irrevocably equity investments held by AMP Foundation Limited, a controlled entity of the AMP group, under this category.

2.1 Investments in financial instruments (continued)

Financial assets measured at amortised cost – loans and advances and debt securities

Loans and advances and debt securities are measured at amortised cost when both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortised cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. These assets are subsequently recognised at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Loans and advances are financial assets with fixed or determinable payments that are not quoted in an active market. They arise when AMP Bank provides money directly to a customer, including loans and advances to advisers, and with no intention of trading the financial asset. Loans and advances are initially recognised at fair value including direct and incremental transaction costs relating to loan origination. They are subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Impairment of financial assets

An allowance for expected credit losses (ECLs) is recognised for financial assets not held at fair value through profit or loss. ECLs are probability weighted estimates of credit losses and are measured as the present value of all cash shortfalls discounted at the effective interest rate of the financial instrument. The key elements in the measurement of ECLs are as follows:

- PD – The probability of default is an estimate of the likelihood of default over a given time horizon.
- EAD – The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date.
- LGD – Loss given default is an estimate of the loss arising in the case where default occurs at a given time. It is based on the difference between cash flows due to the group in accordance with the contract and the cash flows that the group expects to receive, including from the realisation of any collateral.

The group estimates these elements using appropriate credit risk models taking into consideration the internal and external credit ratings of the assets, nature and value of collaterals, forward-looking macro-economic scenarios, etc.

Other than ECL on trade receivables and debt securities, where a simplified approach is taken, the group applies a three-stage approach to measure the ECLs as follows:

Stage 1 (12-month ECL)

The group collectively assesses and recognises a provision at an amount equal to 12-month ECL when financial assets are current and/or have had a good performance history. It includes financial assets where the credit risk has improved, and the financial assets have been reclassified from Stage 2 or even Stage 3 based on improved performance observed over a predefined period of time. A financial asset is considered to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Stage 2 (Lifetime ECL – not credit impaired)

The group collectively assesses and recognises a provision at an amount equal to lifetime ECL on financial assets where there has been a significant increase in credit risk since initial recognition but the financial assets are not credit impaired.

The quantitative criteria used to determine a significant increase in credit risk is a series of relative and absolute thresholds. Financial assets that were 30 days past due at least once over the last six months are deemed to have significant increase in credit risk since initial recognition. For loans and advances, other risk factors like hardship, loan to value ratio (LVR) and loan to income ratio (LTI) are also considered in order to determine a significant increase in credit risk.

Stage 3 (Lifetime ECL – credit impaired)

The group measures loss allowances at an amount equal to lifetime ECL on financial assets that are determined to be credit impaired based on objective evidence of impairment. Financial assets are classified as impaired when payment is 90 days past due or when there is no longer reasonable assurance that principal or interest will be collected in their entirety on a timely basis.

Critical accounting estimates and judgements:

Financial assets measured at fair value

Where available, quoted market prices for the same or similar instruments are used to determine fair value. Where there is no market price available for an instrument, a valuation technique is used. Management applies judgement in selecting valuation techniques and setting valuation assumptions and inputs. Further detail on the determination of fair value of financial instruments is set out in note 2.5.

Impairment

The impairment provisions (individual and collective) are outputs of ECL models with a number of underlying assumptions regarding the choice of variable inputs and their independencies. Elements of the ECL models that are considered accounting estimates and judgements include:

- *AMP group's internal grading which assigns PDs to the individual grades*
- *AMP group's criteria for assessing if there has been a significant increase in credit risk*
- *Development of ECL models, including the various formulas and choice of inputs; and*
- *Determination of associations between macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.*

2.2 Intangibles

	Goodwill[1] $m	Capitalised costs $m	Value of in-force business $m	Distribution networks $m	Other intangibles $m	Total $m
2018						
Balance at the beginning of the year	**2,123**	**434**	**498**	**147**	**16**	**3,218**
Additions through acquisitions of controlled entities	**7**	**–**	**–**	**11**	**–**	**18**
Additions through separate acquisitions	**–**	**–**	**–**	**36**	**–**	**36**
Additions through internal development	**–**	**189**	**–**	**–**	**–**	**189**
Reductions through disposal	**–**	**–**	**–**	**(11)**	**–**	**(11)**
Transferred to inventories	**–**	**–**	**–**	**(3)**	**–**	**(3)**
Amortisation expense	**–**	**(118)**	**(78)**	**(23)**	**(1)**	**(220)**
Impairment loss	**–**	**–**	**–**	**(19)**	**–**	**(19)**
Balance at the end of the year	**2,130**	**505**	**420**	**138**	**15**	**3,208**
Cost	***2,906***	***1,646***	***1,191***	***393***	***110***	***6,246***
Accumulated amortisation and impairment	***(776)***	***(1,141)***	***(771)***	***(255)***	***(95)***	***(3,038)***
2017						
Balance at the beginning of the year	2,117	382	600	99	1	3,199
Additions through acquisitions of controlled entities	6	–	–	24	–	30
Additions through separate acquisitions	–	–	–	26	15	41
Additions through internal development	–	191	–	–	–	191
Reductions through disposal	–	–	–	(13)	–	(13)
Transferred from inventories	–	–	–	46	–	46
Amortisation expense	–	(138)	(102)	(31)	–	(271)
Impairment loss	–	(1)	–	(4)	–	(5)
Balance at the end of the year	2,123	434	498	147	16	3,218
Cost	*2,899*	*1,457*	*1,191*	*360*	*110*	*6,017*
Accumulated amortisation and impairment	*(776)*	*(1,023)*	*(693)*	*(213)*	*(94)*	*(2,799)*

1 Total goodwill comprises amounts attributable to shareholders of $2,115m (2017: $2,108m) and amounts attributable to policyholders of $15m (2017: $15m).

Accounting policy – recognition and measurement

Goodwill

Goodwill acquired in a business combination is recognised at cost and subsequently measured at cost less any accumulated impairment losses. The cost represents the excess of the cost of a business combination over the fair value of the identifiable assets acquired and liabilities assumed. Goodwill includes balances attributable to shareholders and balances attributable to policyholders in investment entities controlled by the AMP Life statutory funds.

Capitalised costs

Costs are capitalised when the costs relate to the creation of an asset with expected future economic benefits which are capable of reliable measurement. Capitalised costs are amortised on a straight-line basis over the estimated useful life of the asset, commencing at the time the asset is first put into use or held ready for use, whichever is the earlier.

Value of in-force business

The value of in-force business represents the fair value of future business arising from existing contractual arrangements of a business acquired as part of a business combination. The value of in-force business is initially measured at fair value and is subsequently measured at fair value less amortisation and any accumulated impairment losses.

Distribution networks

Distribution networks such as customer lists, financial planner client servicing rights or other distribution-related rights, either acquired separately or through a business combination, are initially measured at fair value and subsequently measured at cost less amortisation and any accumulated impairment losses.

2.2 Intangibles (continued)

Amortisation
Intangible assets with finite useful lives are amortised on a straight-line basis over the useful life of the intangible asset. The estimated useful lives are generally:

Item	Useful life
Capitalised costs	Up to 10 years
Value of in-force business – wealth management and distribution businesses	10 years
Value of in-force business – wealth protection and mature business	20 years
Distribution networks	2 to 15 years

The useful life of each intangible asset is reviewed at the end of the period and, where necessary, adjusted to reflect current assessments.

Amortisation on the grandfathered commission component of distribution networks was adjusted to reflect a useful life which will expire by 31 December 2020.

Impairment testing
Goodwill and intangible assets that have indefinite useful lives are tested at least annually for impairment. Other intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs). An impairment loss is recognised when the goodwill carrying amount exceeds the CGU's recoverable amount.

Goodwill attributable to shareholders
The goodwill attributable to shareholders of $2,115m (2017: $2,108m) primarily arose from the acquisition of AMP AAPH Limited group in 2011, a previous Life Act Part 9 transfer of life insurance business into the statutory funds of AMP Life as well as other business combinations where the AMP group was the acquirer.

Consistent with the changes to the group's operating segments, as disclosed in note 1.1, the composition of the group's CGUs has changed. The revised CGUs as at 31 December 2018 and the goodwill attributable to shareholders allocated to each CGU are disclosed in the table below. The comparative period has been re-presented to be consistent with current year presentation.

	2018 $m	2017 $m
Australian wealth management (WM)	**1,499**	1,494
Australian and New Zealand wealth protection (WP) and mature	**459**	459
New Zealand wealth management	**70**	68
AMP Capital	**87**	87
	2,115	2,108

The recoverable amount for WM has been determined by the fair value less costs of disposal based on the estimated embedded value plus the value of one year's new business times a multiplier of five to 15. The estimated embedded value is a calculation that represents the economic value of the shareholder capital in the business and the future profits expected to emerge from the business currently in-force expressed in today's dollars.

The estimated embedded value and value of one year's new business has been calculated based on the following key assumptions and estimates:
- cash flows estimated over the expected life of the in-force products;
- discontinuance rates, franking credits, risk discount rates, investment returns and inflation rates;
- future maintenance and investment expenses based on unit costs derived from budgeted amounts for the following year and increased in future years for expected rates of inflation; and
- risk discount rate based on an annualised 10-year government bond yield plus a discount margin of 5% (2017: 5%) for calculating the value of in-force and new business.

The Australian Wealth Management (WM) estimated embedded value was impacted during the period by the unwinding of internal distribution arrangements, adjustments for tax and product revenue transfers in anticipation of the sale of the Australian and New Zealand wealth protection and mature businesses. The reduction in the WM estimated embedded value did not result in an impairment to goodwill and no reasonably possible change to a key assumption used in the embedded value model would result in an impairment at 31 December 2018. Nevertheless, given the uncertainties that exist in the current industry environment, including the prospect of legislative change, there are reasonably possible future scenarios which could give rise to an impairment of the goodwill allocated to the WM CGU.

2.2 Intangibles (continued)

The recoverable amount of Australian and New Zealand WP and mature has been determined by reference to the expected sale proceeds from Resolution, less an allowance for costs of disposal.

The recoverable amount of New Zealand wealth management and AMP Capital CGUs has been determined based on multiple ranging from 13–15 times adjusted current period earnings, which approximates the fair value of these businesses less an allowance for costs of disposal.

Goodwill attributable to policyholders
Policyholder cash-generating units were allocated $15m goodwill at 31 December 2018 (31 December 2017: $15m).

Impairment loss
The conclusion from the goodwill impairment testing is that there has been no impairment to the amount of the goodwill recognised for all CGUs for the year.

Critical accounting estimates and judgements:
Management applies judgement in selecting valuation techniques and setting valuation assumptions to determine the:
- *acquisition date fair value and estimated useful life of acquired intangible assets;*
- *allocation of goodwill to CGUs and determining the recoverable amount of goodwill; and*
- *assessment of whether there are any impairment indicators for acquired intangibles and, where required, in determining the recoverable amount.*

2.3 Receivables

	2018 $m	2017 $m
Investment related receivables	**1,664**	1,376
Life insurance contract premiums receivable	**330**	333
Reinsurance receivables	**186**	81
Trade debtors and other receivables	**428**	361
Total receivables[1]	**2,608**	2,151
Current	**2,603**	2,129
Non-current	**5**	22

1 Receivables are presented net of ECL of $6m.

Accounting policy – recognition and measurement
Receivables
Investment related receivables and Life insurance contract premium receivables backing investment contract liabilities and life insurance contract liabilities are financial assets measured at fair value through profit or loss. Reinsurance receivables and Trade debtors and other receivables are measured at amortised cost, less any allowance for ECLs.

The group applies a simplified approach in calculating ECLs for receivables. Therefore, the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.4 Payables

	2018 $m	2017 $m
Investment related payables	**762**	746
Life insurance and investment contracts in process of settlement	**302**	311
Accrued expenses, trade creditors and other payables	**965**	695
Reinsurance payables	**3**	–
Total payables	**2,032**	1,752
Current	***1,908***	*1,635*
Non-current	***124***	*117*

Accounting policy – recognition and measurement
Payables
Payables are measured at the nominal amount payable. Given the short-term nature of most payables, the nominal amount payable approximates fair value.

2.5 Fair value information

The following table shows the carrying amount and estimated fair values of financial instruments and investment properties, including their levels in the fair value hierarchy. It does not include fair value information for financial instruments not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amount $m	Level 1 $m	Level 2 $m	Level 3 $m	Total fair value $m
2018					
Financial assets measured at fair value					
Equity securities and listed managed investment schemes	55,954	52,821	769	2,364	55,954
Debt securities	34,932	1,978	32,837	117	34,932
Investments in unlisted managed investment schemes	19,838	–	17,940	1,898	19,838
Derivative financial assets	1,059	393	666	–	1,059
Investment properties	145	–	–	145	145
Total financial assets measured at fair value	**111,928**	**55,192**	**52,212**	**4,524**	**111,928**
Financial assets not measured at fair value					
Loans and advances	20,098	–	–	20,101	20,101
Debt securities	222	–	225	–	225
Total financial assets not measured at fair value	**20,320**	**–**	**225**	**20,101**	**20,326**
Financial liabilities measured at fair value					
Derivative financial liabilities	1,225	225	1,000	–	1,225
Collateral deposits held	164	–	164	–	164
Investment contract liabilities	68,742	–	1,810	66,932	68,742
Total financial liabilities measured at fair value	**70,131**	**225**	**2,974**	**66,932**	**70,131**
Financial liabilities not measured at fair value					
AMP Bank					
– Deposits	11,012	–	11,012	–	11,012
– Other	8,103	–	8,062	–	8,062
AMP Corporate entities – bonds and notes	2,154	–	2,177	–	2,177
Borrowings within investment entities controlled by AMP Life statutory funds	381	–	381	–	381
Total financial liabilities not measured at fair value	**21,650**	**–**	**21,632**	**–**	**21,632**
2017					
Financial assets measured at fair value					
Equity securities and listed managed investment schemes	58,606	55,942	728	1,936	58,606
Debt securities	32,457	1	32,344	112	32,457
Investments in unlisted managed investment schemes	22,398	–	20,964	1,434	22,398
Derivative financial assets	1,092	210	882	–	1,092
Investment properties	134	–	–	134	134
Other financial assets	5	–	5	–	5
Total financial assets measured at fair value	114,692	56,153	54,923	3,616	114,692
Financial assets not measured at fair value					
Loans and advances	19,554	–	19,549	–	19,549
Debt securities – held to maturity	2,563	–	2,567	–	2,567
Total financial assets not measured at fair value	22,117	–	22,116	–	22,116
Financial liabilities measured at fair value					
Derivative financial liabilities	489	148	341	–	489
Collateral deposits held	102	–	102	–	102
Investment contract liabilities	75,235	–	2,028	73,207	75,235
Total financial liabilities measured at fair value	75,826	148	2,471	73,207	75,826
Financial liabilities not measured at fair value					
AMP Bank:					
– Deposits	9,655	–	9,653	–	9,653
– Other	8,819	–	8,867	–	8,867
Corporate entity borrowings	1,938	–	1,992	–	1,992
Borrowings within investment entities controlled by AMP Life statutory funds	597	–	597	–	597
Total financial liabilities not measured at fair value	21,009	–	21,109	–	21,109

2.5 Fair value information (continued)

AMP's methodology and assumptions used to estimate the fair value of financial instruments are described below:

Listed equity securities and listed managed investment schemes	The fair value of listed equity securities traded in an active market and listed managed investment schemes reflects the quoted bid price at the reporting date. In the case of equity securities and listed managed investment schemes where there is no active market, fair value is established using valuation techniques including the use of recent arm's length transactions, references to other instruments that are substantially the same, discounted cash flow analysis and option pricing models.
Debt securities	The fair value of listed debt securities reflects the bid price at the reporting date. Listed debt securities that are not frequently traded are valued by discounting estimated recoverable amounts. The fair value of unlisted debt securities is estimated using interest rate yields obtainable on comparable listed investments. The fair value of loans is determined by discounting the estimated recoverable amount using prevailing interest rates.
Loans	The estimated fair value of loans represents the discounted amount of estimated future cash flows expected to be received, based on the maturity profile of the loans. As the loans are unlisted, the discount rates applied are based on the yield curve appropriate to the remaining term of the loans. The loans may be measured at an amount in excess of fair value due to fluctuations on fixed rate loans. As the fluctuations in fair value do not represent a permanent diminution and the carrying amounts of the loans are recorded at recoverable amounts after assessing impairment, it is not appropriate to restate their carrying amounts.
Unlisted managed investment schemes	The fair value of investments in unlisted managed investment schemes is determined on the basis of published redemption prices of those managed investment schemes at the reporting date.
Derivative financial assets and liabilities	The fair value of financial instruments traded in active markets (such as publicly traded derivatives) is based on quoted market prices (current bid price or current offer price) at the reporting date. The fair value of financial instruments not traded in an active market (eg over-the-counter derivatives) is determined using valuation techniques. Valuation techniques include net present value techniques, option pricing models, discounted cash flow methods and comparison to quoted market prices or dealer quotes for similar instruments. The models use a number of inputs, including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate curves and forward rate curves of the underlying instruments. Some derivatives contracts are significantly cash collateralised, thereby minimising both counterparty risk and the group's own non-performance risk.
Corporate borrowings	Borrowings comprise commercial paper, drawn liquidity facilities, various floating-rate and medium-term notes and subordinated debt. The estimated fair value of borrowings is determined with reference to quoted market prices. For borrowings where quoted market prices are not available, a discounted cash flow model is used, based on a current yield curve appropriate for the remaining term to maturity. For short-term borrowings, the par value is considered a reasonable approximation of the fair value.
AMP Bank deposits and other borrowings	The estimated fair value of deposits and other borrowings represents the discounted amount of estimated future cash flows expected to be paid based on the residual maturity of these liabilities. The discount rate applied is based on a current yield curve appropriate for similar types of deposits and borrowings at the reporting date.
Investment properties	The fair value of investment properties is determined by independent valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the properties being valued. The valuers apply 'comparable sales analysis' and the 'capitalised income approach' by reference to annual net market income, comparable capitalisation rates and other property-specific adjustments as well as 'discounted cash flow analysis', where the expected net cash flows are discounted to their present value using a market determined risk-adjusted discount rate.
Investment contract liabilities	See note 4.1.

The financial assets and liabilities measured at fair value are categorised using the fair value hierarchy which reflects the significance of inputs into the determination of fair value as follows:

- Level 1: the fair value is valued by reference to quoted prices and active markets for identical assets;
- Level 2: the fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3: the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

2.5 Fair value information (continued)

There have been no significant transfers of financial assets or liabilities measured at fair value between Level 1 and Level 2 during the 2018 and 2017 financial years. Loans and advances, previously categorised as Level 2, has been transferred to Level 3 as the valuation methodology has updated to include unobservable inputs. Transfers to/from Level 3 for financial assets measured at fair value on a recurring basis are shown in the Reconciliation of Level 3 values table later in this note.

Level 3 fair values

For financial assets measured at fair value on a recurring basis and categorised within Level 3 of the fair value hierarchy, the valuation processes applied in valuing such assets is governed by the AMP Capital asset valuation policy. This policy outlines the asset valuation methodologies and processes applied to measure non-exchange traded assets which have no regular market price, including investment property, infrastructure, private equity, alternative assets and illiquid debt securities. All significant Level 3 assets are referred to the appropriate valuation committee who meet at least every six months, or more frequently if required.

The following table shows the valuation techniques used in measuring Level 3 fair values of financial assets measured at fair value on a recurring basis, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs
Equity securities and listed managed investment schemes	Discounted cash flow approach utilising cost of equity as the discount rate.	Discount rate. Terminal value growth rate. Cash flow forecasts.
Debt securities	Discounted cash flow approach.	Discount rate. Cash flow forecasts.
Investments in unlisted managed investment schemes	Published redemption prices.	Judgement made in determining unit prices.
Investment contract liabilities	Published unit prices and the fair value of backing assets.	Fair value of financial instruments. Cash flow forecasts. Credit risk.
Investment properties	Comparable sales analysis. Capitalised income approach. Discounted cash flow approach utilising market determined risk adjusted discount rate.	Capitalisation rate. Discount rate. Cash flow forecasts.

Sensitivity

Reasonably possible alternative assumptions could have been used in determining the fair values of financial instruments measured at fair value on a recurring basis and categorised as Level 3 in the fair value hierarchy. These include assumptions such as credit risk and discount rates for determining the valuation range on an individual investment. However, the impact to AMP of any reasonable possible alternative assumptions is not significant as any movement in the value of these financial assets is substantially offset by a corresponding increase or decrease in the value of investment contract liabilities.

AMP Limited is not exposed to any impact from a potential change in the fair value of Debt securities, Investments in unlisted managed investments schemes and Investment properties which are categorised as Level 3 as these assets solely back investment linked policy liabilities. There is an insignificant exposure to changes in the fair value of Equity securities and listed managed investment schemes categorised as Level 3. AMP's sensitivity to changes in the fair value of these Level 3 assets is disclosed in the following table:

	2018		2017	
	(+) $m	(–) $m	(+) $m	(–) $m
Financial assets				
Equity securities and listed managed investment schemes[1,2]	**92**	**(91)**	111	(103)
Financial liabilities				
Investment contract liabilities[2]	**94**	**(92)**	114	(105)
Net sensitivity	**(2)**	**1**	(3)	2

1 The discount rates used to value the assets range from 7.3% to 16.3%. Sensitivities have been determined by up to +/– 100 basis point change in the discount rates.

2 Investments in equity securities and listed managed investment schemes are predominantly policyholder assets. Accordingly, any movements in the value of the assets are largely offset by a corresponding movement in investment contract liabilities.

2.5 Fair value information (continued)

Reconciliation of Level 3 values

The following table shows movements in the fair values of financial instruments measured at fair value on a recurring basis and categorised as Level 3 in the fair value hierarchy:

	Balance at the beginning of the period $m	FX gains or losses[1] $m	Total gains/ losses[1] $m	Purchases/ deposits $m	Sales/ withdrawals $m	Net transfers in/(out)[2] $m	Balance at the end of the period $m	Total gains and losses on assets and liabilities held at reporting date $m
2018								
Assets classified as Level 3								
Equity securities and listed managed investment schemes	**1,936**	**–**	**179**	**388**	**(150)**	**11**	**2,364**	**123**
Debt securities	**112**	**–**	**1**	**21**	**(15)**	**(2)**	**117**	**2**
Investments in unlisted managed investment schemes	**1,434**	**–**	**55**	**623**	**(268)**	**54**	**1,898**	**99**
Investment properties	**134**	**–**	**11**	**–**	**–**	**–**	**145**	**11**
Other financial assets	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Liabilities classified as Level 3								
Investment contract liabilities	**73,207**	**13**	**(1,172)**	**7,720**	**(12,836)**	**–**	**66,932**	**(1,172)**
2017								
Assets classified as Level 3								
Equity securities and listed managed investment schemes	2,499	–	268	439	(1,088)	(182)	1,936	271
Debt securities	19	–	(20)	174	(50)	(11)	112	(20)
Investments in unlisted managed investment schemes	942	–	(159)	1,392	(955)	214	1,434	(163)
Investment properties	127	–	–	7	–	–	134	–
Other financial assets	5	–	(1)	(1)	–	(3)	–	(1)
Liabilities classified as Level 3								
Investment contract liabilities	69,327	(17)	6,010	10,150	(12,263)	–	73,207	6,006

1 Gains and losses are classified in investment gains and losses or change in policyholder liabilities in the Consolidated income statement.
2 The AMP group recognises transfers as at the end of the reporting period during which the transfer has occurred. Transfers are recognised when there are changes in the observability of the pricing of the relevant securities or where the AMP group ceases to consolidate a controlled entity.

Section 3: Capital structure and financial risk management

This section provides information relating to:

- **AMP group's capital management and equity and debt structure; and**
- **exposure to financial risks – how the risks affect financial position and performance and how the risks are managed, including the use of derivative financial instruments.**

The capital structure of the AMP group consists of equity and debt. AMP determines the appropriate capital structure in order to finance the current and future activities of the AMP group and satisfy the requirements of the regulator. The directors review the group's capital structure and dividend policy regularly and do so in the context of the group's ability to satisfy minimum and target capital requirements, and to protect and meet the needs of the policyholders.

3.1 Contributed equity

	2018 $m	2017 $m
Issued capital[1,3]		
2,937,428,336 (2017: 2,918,469,137) ordinary shares fully paid	**9,610**	9,547
Treasury shares[2]		
21,102,496 (2017: 32,887,493) treasury shares	**(108)**	(171)
Total contributed equity		
2,916,325,840 (2017: 2,885,581,644) ordinary shares fully paid	**9,502**	9,376
Issued capital		
Balance at the beginning of the year	**9,547**	9,747
18,959,199 (2017: Nil) shares issued under dividend reinvestment plan[1]	**63**	–
Nil (2017: 39,268,827) on-market share buy-back	**–**	(200)
Balance at the end of the year	**9,610**	9,547
Treasury shares		
Balance at the beginning of the year	**(171)**	(128)
Decrease (increase) due to purchases less sales during the year	**63**	(43)
Balance at the end of the year	**(108)**	(171)

Holders of ordinary shares have the right to receive dividends as declared and, in the event of the winding up of the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Fully paid ordinary shares carry the right to one vote per share. Ordinary shares have no par value.

1 Under the terms of the dividend reinvestment plan (DRP), shareholders may elect to have all or part of their dividend entitlements satisfied in shares rather than being paid cash. The DRP applied for the 2017 final dividend (paid in March 2018) at 14.5 cents per share and 2018 interim dividend (paid in September 2018) at 10.0 cents per share. AMP settled the DRP for the 2017 final dividend by acquiring shares on market and, accordingly, no new shares were issued. AMP settled the DRP for the 2018 interim dividend by issuing shares at $3.35 per share.

2 Of the AMP Limited ordinary shares on issue 18,976,109 (2017: 30,761,106) are held by AMP Life on behalf of policyholders. ASIC has granted relief from restrictions in the *Corporations Act 2001* to allow AMP Life to hold and trade shares in AMP Limited as part of the policyholder funds' investment activities. The cost of the investment in these treasury shares is reflected as a deduction from total contributed equity. The remaining balance is held by AMP Foundation Limited as trustee for the AMP Foundation.

3 Mitsubishi UFJ Trust and Banking Corporation (MUFG: Trust Bank) has an option to require AMP Limited to purchase MUFG: Trust Bank's interest in AMP Capital Holdings Limited (AMPCH) in certain circumstances. As consideration for the acquisition of AMPCH shares, AMP would be required to issue ordinary shares in AMP Limited to MUFG: Trust Bank (or its nominee).

3.1 Contributed equity (continued)

Accounting policy – recognition and measurement

Issued capital

Issued capital in respect of ordinary shares is recognised as the fair value of consideration received by the AMP Limited entity. Incremental costs directly attributable to the issue of certain new shares are recognised in equity as a deduction, net of tax, from the proceeds.

Treasury shares

The AMP group is not permitted to recognise Treasury shares in the Consolidated statement of financial position. These shares, plus any corresponding Consolidated income statement fair value movement on the shares and dividend income, are eliminated on consolidation. However, the corresponding investment contract and life insurance contract liabilities, and related Consolidated income statement change in the liabilities, remain on consolidation. At the AMP group consolidated level, the mismatch results in policyholder asset movements impacting the profit attributable to shareholders of AMP Limited.

The AMP Foundation also holds AMP Limited shares. These shares, plus any corresponding Consolidated income statement fair value movement on the shares and any dividend income, are also eliminated on consolidation. As the net assets and profit of the AMP Foundation Trust are fully attributable to non-controlling interests, this has no impact on the net assets or profit attributable to the shareholders of AMP Limited.

3.2 Interest-bearing liabilities

(a) Interest-bearing liabilities

	2018			2017		
	Current $m	Non-current $m	Total $m	Current $m	Non-current $m	Total $m
Interest-bearing liabilities						
AMP Bank						
– Deposits[1]	**10,942**	**70**	**11,012**	9,627	28	9,655
– Other	**2,255**	**5,848**	**8,103**	3,382	5,437	8,819
Corporate entity borrowings[2]						
– 6.875% GBP Subordinated Guaranteed Bonds (maturity 2022)	**–**	**68**	**68**	–	69	69
– AMP Notes 2 (first call 2018, maturity 2023)[3]	**–**	**–**	**–**	–	324	324
– AMP Notes 3 (first call 2023, maturity 2028)[4]	**–**	**251**	**251**	–	–	–
– AMP Wholesale Capital Notes[5]	**–**	**277**	**277**	–	276	276
– AMP Capital Notes – 2015[5]	**–**	**264**	**264**	–	264	264
– AMP Subordinated Notes – 2017[6]	**–**	**250**	**250**	–	250	250
– Syndicated loan facility[7]	**488**	**–**	**488**	–	497	497
– Commercial paper	**259**	**–**	**259**	229	–	229
– Medium Term Notes[8]	**–**	**233**	**233**	–	–	–
– Other	**–**	**64**	**64**	28	1	29
Borrowings within investment entities controlled by AMP Life statutory funds	**79**	**302**	**381**	89	508	597
Total interest-bearing liabilities	**14,023**	**7,627**	**21,650**	13,355	7,654	21,009

1 Deposits comprise at call customer cash on deposit and customer term deposits at variable interest rates within the AMP Bank.

2 The current/non-current classification of corporate entity borrowings is based on the maturity of the underlying debt instrument. The carrying value of corporate entity borrowings includes interest payable of $9m (2017: $8m) which is expected to be settled within the next 12 months.

3 AMP Notes 2 were issued on 18 December 2013 and are listed on the ASX. AMP elected to redeem all of its AMP Notes 2 on the first optional redemption date on 18 December 2018.

4 Floating Rate Subordinated Unsecured Notes were issued on 15 November 2018 and mature 15 November 2028. AMP has the right, but not the obligation, to redeem all or some of the Notes on 15 November 2023 or, subject to certain conditions, at a later date. In certain circumstances, AMP may be required to convert some or all of the Notes into AMP ordinary shares.

5 AMP Wholesale Capital Notes and AMP Capital Notes were issued on 27 March and 30 November 2015, respectively. They are perpetual notes with no maturity date. In certain circumstances, AMP may be required to convert some or all of the Notes into AMP ordinary shares.

6 Floating Rate Subordinated Unsecured Notes were issued on 1 September 2017 and mature 1 December 2027. AMP has the right, but not the obligation, to redeem all or some of the Notes on 1 December 2022 or, subject to certain conditions, at a later date. In certain circumstances, AMP may be required to convert some or all of the Notes into AMP ordinary shares.

7 The facility was renegotiated effective 14 December 2017 and includes tranches of $300m, $300m and $300m, maturing 22 March 2020, 22 March 2022 and 22 March 2023 respectively. As at 31 December 2018, $500m was drawn. Subsequent to the year end, the outstanding balance was repaid out of existing cash resources and the facility was cancelled. Accordingly, the liability has been classified as current in the table above.

8 CHF110m and CHF50m Senior Unsecured Fixed Rate Bonds were issued on 19 June 2018 and 19 September 2018 respectively and mature 19 December 2022.

3.2 Interest-bearing liabilities (continued)

(b) Financing arrangements

Loan facilities and note programs

In addition to the facilities arranged through bond and note issues, financing facilities are provided through bank loans under normal commercial terms and conditions.

	2018 $m	2017 $m
Available	**17,928**	16,495
Used	**(4,627)**	(3,520)
Unused facilities at the end of the year[1]	**13,301**	12,975

1 Unused facilities at the end of the year includes the syndicated loan facility, which is comprised of three tranches of $300m ($900m total facility). As at 31 December 2018, $500m was drawn and $400m remained available. Subsequent to the year end, the outstanding balance was repaid out of existing cash resources and the facility was cancelled.

(c) Changes in liabilities arising from financing activities

	2018 $m	2017 $m
1 January	**21,009**	17,218
Cashflows	**631**	3,799
Other	**10**	(8)
31 December	**21,650**	21,009

Accounting policy – recognition and measurement

Interest-bearing liabilities, other than those held by controlled entities of the AMP Life statutory funds, are initially recognised at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest rate method.

Borrowings of certain controlled managed investment schemes of the AMP Life statutory funds are measured at amortised cost for the purpose of determining the unit price of those schemes. All other borrowings of the controlled entities of the AMP Life statutory funds are subsequently measured at fair value with movements recognised in the Consolidated income statement.

It is AMP's policy to hedge currency and interest rate risk arising on issued bonds and subordinated debt. When fair value hedge accounting is applied, the carrying amounts of borrowings and subordinated debt are adjusted for changes in fair value related to the hedged risk for the period that the hedge relationship remains effective. Any changes in fair value for the period are recognised in the Consolidated income statement. In cash flow hedge relationships the borrowings are not revalued.

Finance costs include:

(i) borrowing costs:
  – interest on bank overdrafts, borrowings and subordinated debt;
  – amortisation of discounts or premiums related to borrowings;

(ii) exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs; and

(iii) changes in the fair value of derivative hedges together with any change in the fair value of the hedged assets or liabilities that are designated and qualify as fair value hedges, foreign exchange gains and losses and other financing related amounts. Changes in fair value of derivatives in effective cash flow hedges are recognised in the cash flow hedge reserve. The accounting policy for derivatives is set out in note 3.4.

Borrowing costs are recognised as expenses when incurred.

3.3 Financial risk management

The AMP Limited Board has overall responsibility for the risk management framework including the approval of AMP's strategic plan, risk management strategy and risk appetite. Specifically, financial risk arises from the holding of financial instruments and financial risk management (FRM) is an integral part of the AMP group's enterprise risk management framework.

This note discloses financial risk in accordance with the categories in AASB 7 *Financial Instruments: Disclosures*:

– market risk;
– liquidity and refinancing risk; and
– credit risk.

These risks are managed in accordance with the board approved risk appetite statement and the individual policies for each risk category and business approved by the Chief Financial Officer (CFO) under delegation from the AMP Group Asset and Liability Committee (Group ALCO).

3.3 Financial risk management (continued)

(a) Market risk

Market risk is the risk that the fair value of assets and liabilities, or future cash flows of a financial instrument will fluctuate due to movements in the financial markets including interest rates, foreign exchange rates, equity prices, property prices, credit spreads, commodity prices, market volatilities and other financial market variables.

The following table provides information on significant market risk exposures for the AMP group, which could lead to an impact on the AMP group's profit after tax and equity, and the management of those exposures.

Market risk	Exposures	Management of exposures and use of derivatives
Interest rate risk The risk of an impact on the AMP group's profit after tax and equity arising from fluctuations of the fair value or future cash flows of financial instruments due to changes in market interest rates. Interest rate movements could result from changes in the absolute levels of interest rates, the shape of the yield curve, the margin between yield curves and the volatility of interest rates.	AMP group's long-term borrowings and subordinated debt.	Interest rate risk is managed by entering into interest rate swaps, which have the effect of converting borrowings from floating rate to fixed rate.
	Interest-bearing investment assets of the shareholder and statutory funds of AMP Life.	AMP Life manages interest rate and other market risks pursuant to an asset and liability management policy and is also subject to the relevant regulatory requirements governed by the Life Act.
	AMP Bank interest rate risk from mismatches in the repricing terms of assets and liabilities (term risk) and variable rate short-term repricing bases (basis risk).	AMP Bank uses natural offsets, interest rate swaps and basis swaps to hedge the mismatches within exposure limits. Group Treasury manages the exposure in AMP Bank by maintaining a net interest rate risk position within the limits delegated and approved by the AMP Bank Board.
Currency risk The risk of an impact on the AMP group's profit after tax and equity arising from fluctuations of the fair value of a financial asset, liability or commitment due to changes in foreign exchange rates.	Foreign currency denominated assets and liabilities. Capital invested in overseas operations. Foreign exchange rate movements on specific cash flow transactions.	The AMP group uses swaps to hedge the interest rate risk and foreign currency risk on foreign currency denominated borrowings but does not hedge the capital invested in overseas operations. The AMP group hedges material foreign currency risk originated by receipts and payments once the value and timing of the expected cash flow is known excluding the international equities portfolio attributable to shareholders within the AMP Life Limited Statutory Fund No. 1. Group Treasury executes foreign currency forwards on behalf of AMP Capital to hedge expected management fees income and operation costs outflows originated outside of Australia.
Equity price risk The risk of an impact on the AMP group's profit after tax and equity arising from fluctuations of the fair value or future cash flows of a financial instrument due to changes in equity prices.	Exposure for shareholders includes listed and unlisted shares and participation in equity unit trusts.	Group Treasury may, with Group ALCO approval, use equity exposures or equity futures or options to hedge other enterprise-wide equity exposures.

3.3 Financial risk management (continued)

Sensitivity analysis

The table below includes sensitivity analysis showing how the profit after tax and equity would have been impacted by changes in market risk variables. The analysis:

- shows the direct impact of a reasonably possible change in market rate and is not intended to illustrate a remote, worst case stress test scenario;
- assumes that all underlying exposures and related hedges are included and the change in variable occurs at the reporting date; and
- does not include the impact of any mitigating management actions over the period to the subsequent reporting date.

The categories of risks faced and methods used for deriving sensitivity information did not change from previous periods.

		2018		2017	
Sensitivity analysis	Change in variables	Impact on profit after tax increase (decrease) $m	Impact on equity[1] increase (decrease) $m	Impact on profit after tax increase (decrease) $m	Impact on equity[1] increase (decrease) $m
Interest rate risk Impact of a 100 basis point (bp) change in Australian and international interest rates.	–100bp	**(8)**	**2**	(3)	(33)
	+100bp	**(4)**	**(18)**	(15)	9
Currency risk Impact of a 10% movement of exchange rates against the Australian dollar on currency sensitive monetary assets and liabilities.	10% depreciation of AUD	**3**	**119**	4	130
	10% appreciation of AUD	**(4)**	**(99)**	(5)	(107)
Equity price risk Impact of a 10% movement in Australian and international equities. Any potential impact on fees from the AMP group's investment linked business is not included.	10% increase in:				
	Australian equities	**8**	**8**	10	10
	International equities	**6**	**6**	7	7
	10% decrease in:				
	Australian equities	**(10)**	**(10)**	(10)	(10)
	International equities	**(8)**	**(8)**	(9)	(9)

1 Included in the impact on equity is both the impact on profit after tax as well as the impact of amounts that would be taken directly to equity in respect of the portion of changes in the fair value of derivatives that qualify as cash flow hedges for hedge accounting.

(b) Liquidity and refinancing risk

Risk	Exposures	Management of exposures
Liquidity risk The risk that the AMP group is not able to meet its obligations as they fall due because of an inability to liquidate assets or obtain adequate funding when required.	AMP group corporate debt portfolio, AMP Bank and AMP Capital through various investment funds, entities or mandates that AMP manages or controls within the AMP group.	Group Treasury maintains a defined surplus of cash to mitigate refinancing risk, satisfy regulatory requirements and protect against liquidity shocks in accordance with the liquidity risk management policy approved by the Group ALCO.
Refinancing risk The risk that the AMP group is not able to refinance the full quantum of its ongoing debt requirements on appropriate terms and pricing.		Financiers of loans lending to controlled entities of the life statutory funds do not have legal recourse beyond the operating subsidiary borrower and there is no direct effect on any other AMP group debt.

3.3 Financial risk management (continued)

Maturity analysis

Below is a summary of the maturity profiles of the AMP group's undiscounted financial liabilities and off-balance sheet items at the reporting date, based on contractual undiscounted repayment obligations. Repayments that are subject to notice are treated as if notice were to be given immediately.

	Up to 1 year or no term $m	1 to 5 years $m	Over 5 years $m	Not specified $m	Total $m
2018					
Non-derivative financial liabilities					
Payables	**1,908**	**119**	**–**	**5**	**2,032**
Borrowings	**13,915**	**6,018**	**980**	**–**	**20,913**
Subordinated debt	**67**	**346**	**1,425**	**–**	**1,838**
Investment contract liabilities[1]	**372**	**1,021**	**1,092**	**66,466**	**68,951**
External unitholders' liabilities	**–**	**–**	**–**	**17,059**	**17,059**
Derivative financial instruments					
Interest rate and cross currency swaps	**8**	**45**	**13**	**–**	**66**
Foreign currency forward contract	**10**	**–**	**–**	**–**	**10**
Off-balance sheet items					
Credit-related commitments – AMP Bank[2]	**3,396**	**–**	**–**	**–**	**3,396**
Total undiscounted financial liabilities and off-balance sheet items	**19,676**	**7,549**	**3,510**	**83,530**	**114,265**
2017					
Non-derivative financial liabilities					
Payables	1,635	4	15	98	1,752
Borrowings	14,380	5,011	1,141	–	20,532
Subordinated debt	65	255	1,162	–	1,482
Investment contract liabilities[1]	743	703	1,289	72,691	75,426
External unitholders' liabilities	–	–	–	14,468	14,468
Derivative financial instruments					
Interest rate and cross currency swaps	7	26	22	–	55
Off-balance sheet items					
Credit-related commitments – AMP Bank[2]	3,606	–	–	–	3,606
Total undiscounted financial liabilities and off-balance sheet items[3]	20,436	5,999	3,629	87,257	117,321

1 Investment contract liabilities are liabilities to policyholders for investment linked business linked to the performance and value of assets that back those liabilities. If all these policyholders claimed their funds, there may be some delay in settling the liability as assets are liquidated; but the shareholder has no direct exposure to any liquidity risk. External unitholders' liabilities all relate to controlled entities of the AMP Life statutory funds and would only be paid when corresponding assets are realised.

2 Loan commitments are off-balance sheet as they relate to unexercised commitments to lend to customers of AMP Bank.

3 Estimated net cash outflow profile of life insurance contract liabilities, disclosed in note 4.4(d), is excluded from the above table.

3.3 Financial risk management (continued)

(c) Credit risk

Credit risk management is decentralised in business units within the AMP group, with the exception of credit risk directly and indirectly impacting shareholder capital, which is measured and managed on an aggregate basis by Group Treasury at the AMP group level and reported to Group ALCO.

Risk	Exposures	Management of exposures and use of derivatives
Credit risk Credit default risk is the risk of financial or reputational loss due to a counterparty failing to meet their contractual commitments in full and on time. Concentration of credit risk arises when a number of financial instruments or contracts are entered into with the same counterparty or where a number of counterparties are engaged in similar business activities that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.	Wholesale credit risk on the invested fixed income portfolios in AMP Life's statutory funds.	Managed by the AMP Capital Risk and Compliance Committee and reported to the fund managers, within specified credit criteria in the mandate approved by the AMP Life Board.
	Wholesale credit risk, including portfolio construction, in the fixed income portfolios managed by AMP Capital.	Responsibility of the individual investment teams. There is also a dedicated credit research team and a specific credit investment committee. The investment risk and performance team provides reports to the AMP Capital Investment Committee.
	Credit risk arising in AMP Bank as part of lending activities and management of liquidity.	Managed as prescribed by AMP Bank's Risk Appetite Statement and reported to AMP Bank ALCO monthly. Specific detail relating to credit risk management of the AMP Bank loan portfolio is outlined below.

The AMP Concentration and Credit Default Risk Policy sets out the assessment and determination of what constitutes credit concentration risk. The policy sets exposure limits based on each counterparty's credit rating (unless special considerations are defined). Additional limits are set for the distribution of the total portfolio by credit rating bands. Compliance with this policy is monitored and exposures and breaches are reported to portfolio managers, senior management and the AMP Board Risk Committee through periodic financial risk management reports.

Group Treasury also might enter into credit default swaps to hedge the concentration risk exposure against a specific issuer, or aggregated at the parent entity, when material exposures are over the authorised limit.

The exposures on interest-bearing securities and cash equivalents which impact the AMP group's capital position are managed by Group Treasury within limits set by the AMP Concentration and Credit Default Risk Policy.

Impairment assessment

Definition of default

AMP Bank considers a financial assets defaulted and hence Stage 3 impaired when payment is 90 days past due or when there is no longer reasonable assurance that principal or interest will be collected in their entirety on a timely basis.

AMP Bank's internal risk grading and PD estimation process

AMP Bank's credit risk management department runs expected credit loss models for the residential mortgage book as well as the practice finance loans.

– The Bank's residential mortgage book is a portfolio with a low default history so point-in-time (PIT) benchmark PDs are utilised across the portfolio by Loan to Value Ratio (LVR) band and time since origination.

Internal risk grades for residential Mortgage book are as follows:

Internal credit rating grade	Internal credit rating grade description
Performing	Not in arrears in the past six months
Past due but not impaired	Accounts in arrears but have not been past 90 days in the last six months
Impaired	90 days past due over the last six months

– For practice finance loans a Probability of Default risk grade model is applied that includes weighted risk factors such as Interest Coverage Ratio, Revenue growth, Licence Compliance Rating, Experience in business and Arrears levels. Practices with outstanding annual reviews are also downgraded. Credit judgement may be applied to arrive at the final risk grade.

3.3 Financial risk management (continued)

Internal risk grades for practice finance book are as follows:

Internal risk grade	Internal risk grade description	Broadly corresponds with Standard & Poors ratings of
A to H	Sub-investment Grade	BB+ to CCC
I	Impaired	D

The Bank's interbank and financial institutions exposures as well as exposures to interest-bearing securities are based on external credit rating of the counterparties as follows:

Internal risk grade description	Broadly corresponds with Standard & Poors ratings of
Senior Investment Grade	AAA to A–
Investment Grade	BBB+ to BBB–
Sub-investment Grade	BB+ up to but not including defaulted or impaired

Exposure at default (EAD)
EAD is modelled by applying assumptions in relation to the amortisation of the loans based on scheduled principal and interest repayments.

Loss given default (LGD)
For the residential mortgage portfolio the key driver for the LGD calculation is the value of the underlying property given in a foreclosure scenario the proceeds from the sale of a property are secured by the Bank to repay the loan in the event of default. The value of the underlying residential property is captured via the LVR which factors both changes in balance and estimated value of the collateral using market data and indices. Both floor and haircuts are applied to provide for model risk.

For practice finance loans, the LGD is calculated via assumptions to the reduction in valuations of practices (being a multiple of their recurring cash flows) in the event of default, such as client run-off or deterioration in valuation due to compliance issues.

Grouping of financial assets for expected credit losses (ECL) calculation
Asset classes where the bank calculates ECL on an individual basis include all Stage 3 assets, and interbank and debt securities at FVOCI.

For all other asset classes ECL is calculated on a collective basis taking into account risk factors for each loan and arriving at the ECL estimate and then aggregating the number for the relevant portfolio.

Forward-looking information
The Bank's ECL model incorporates a number of forward-looking Macroeconomic scenarios (MEF) that are reviewed on a quarterly basis and approved by the Credit Risk Committee (CRC). The MEF factors include unemployment, property prices, ASX Index and Cash Rate.

At least three different scenarios with fixed weightings are used in the model. The weightings are reviewed on annual basis.

The ECL is calculated as the probability weighted average of the provision calculated for each economic scenario.

Write-offs
Financial assets are written off either partially or in their entirety only when there is no reasonable expectation of recovery. Recovery actions can cease if they are determined as being no longer cost effective or in some situations where the customers have filed for bankruptcy.

Credit risk of the loan portfolio in AMP Bank (the Bank)
The Bank is predominantly a lender for residential properties – both owner occupied and for investment. In every case the Bank completes a credit assessment, which includes cost of living allowance and requires valuation of the proposed security property. Approximately 20% of the Bank's residential loan portfolio is externally securitised and all loans in securitisation trusts are loans that have LMI thereby further mitigating the risk. The Bank's CRC and BRC oversee trends in lending exposures and compliance with the Risk Appetite Statement. The Bank secures its housing loans with mortgages over relevant properties and as a result manages credit risk on its loans with conservative lending policies and particular focus on the LVR. The LVR is calculated by dividing the total loan amount outstanding by the lower of the Bank's approved valuation amount or the purchase price. Loans with LVR greater than 80% are fully mortgage insured. Mortgage insurance is provided by Genworth Mortgage Insurance Australia Ltd and QBE Lenders Mortgage Insurance Ltd who are both regulated by APRA. The Bank has strong relationships with both insurers and experienced minimal levels of historic claim rejections and reductions.

3.3 Financial risk management (continued)

The average LVR at origination of AMP Bank's loan portfolio for existing and new business is set out in the following table:

	Existing business 2018 %	New business 2018 %	Existing business 2017 %	New business 2017 %
LVR				
0–50	**18**	**15**	18	12
51–60	**12**	**10**	12	12
61–70	**18**	**16**	18	17
71–80	**37**	**44**	36	47
81–90	**11**	**8**	12	6
91–95	**4**	**7**	4	6
> 95	**–**	**–**	–	–

Renegotiated loans
Where possible, AMP Bank seeks to restructure loans for borrowers seeking hardship relief rather than take possession of collateral. This may involve capitalising interest repayments for a period and increasing the repayment arrangement for the remaining term of the loan. Once the terms have been renegotiated, the loan is no longer considered past due. AMP Bank assisted customers by renegotiating $165m (2017: $88m) worth of loans during the year, that otherwise would be past due or impaired.

Collateral and master netting or similar agreements
The AMP group obtains collateral and utilises netting agreements to mitigate credit risk exposures from certain counterparties.

(i) Derivative financial assets and liabilities
The credit risk of derivatives is managed in the context of the AMP group's overall credit risk policies and includes the use of Credit Support Annexes to derivative agreements which facilitate the bi-lateral posting of collateral as well as the clearing of derivative positions on the London Clearing House.

Certain derivative assets and liabilities are subject to legally enforceable master netting arrangements, such as an International Swaps and Derivatives Association (ISDA) master netting agreement. In certain circumstances, for example when a credit event such as a default occurs, all outstanding transactions under an ISDA agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

An ISDA agreement does not automatically meet the criteria for offsetting in the Consolidated statement of financial position. This is because the AMP group, in most cases, does not have any current legally enforceable right to offset recognised amounts.

If these netting arrangements were applied to the derivative portfolio, the derivative assets of $1,059m would be reduced by $180m to the net amount of $879m and derivative liabilities of $1,225m would be reduced by $180m to the net amount of $1,045m (2017: derivative assets of $1,092m would be reduced by $154m to the net amount of $938m and derivative liabilities of $489m would be reduced by $154m to the net amount of $335m).

(ii) Repurchase agreements
Included within debt securities are assets held to back the liability for collateral deposits held in respect of debt security repurchase arrangements entered into by the life entities' statutory funds and controlled entities of the life entities' statutory funds. As at 31 December 2018, if repurchase arrangements were netted, debt securities of $32,577m would be reduced by $9m to the net amount of $32,568m and collateral deposits held of $164m would be reduced by $9m to the net amount of $155m (2017: debt securities of $32,457m would be reduced by $8m to the net amount of $32,449m and collateral deposits held of $8m would be reduced by $8m to the net amount of $nil).

(iii) Other collateral
The AMP group has collateral arrangements in place with some counterparties in addition to collateral deposits held with respect to repurchase agreements. The amount and type of collateral required by AMP Bank on housing loans depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral.

AMP Bank holds collateral against its loans and advances primarily in the form of mortgage interests over property, other registered securities over assets and guarantees.

Management monitors the market value of collateral and will request additional collateral in accordance with the underlying agreement. In the event of customer default, AMP Bank can enforce any security held as collateral against the outstanding claim. Any loan security is usually held as mortgagee in possession while AMP Bank seeks to realise its value through the sale of property. Therefore, AMP Bank does not hold any real estate or other assets acquired through the repossession of collateral.

Collateral generally consists of 11am loans and deposits and is exchanged between the counterparties to reduce the exposure from the net fair value of derivative assets and liabilities between the counterparties. As at 31 December 2018 there was $165m (2017: $94m) of collateral deposits (due to other counterparties) and $78m (2017: $41m) of collateral loans (due from other counterparties) relating to derivative assets and liabilities.

3.4 Derivatives and hedge accounting

The group is exposed to certain risks relating to its ongoing business operations. To mitigate the risks the group uses derivative financial instruments such as cross-currency swaps and interest rate swaps. When the group designates certain derivatives to be part of a hedging relationship, and they meet the criteria for hedge accounting, the hedges are classified as:

– Cash flow hedges;
– Fair value hedges; or
– Net investment hedges.

Derivative financial instruments are held for risk and asset management purposes only and not for the purpose of speculation. Not all derivatives held are designated as hedging instruments. The group's risk management strategy and how it is applied to manage risk is explained further in note 3.3.

The following table sets out the notional amount of derivative instruments designated in a hedge relationship by relationship type as well as the related carrying amounts.

		Notional amount $m	Fair value Assets $m	Fair value Liabilities $m
2018				
Hedge type	**Hedging instrument**			
Cash flow	Interest rate swaps	**8,467**	**5**	**19**
Fair value	Cross-currency swaps	**147**	**–**	**22**
Fair value	Interest rate swaps	**127**	**9**	**–**
Fair value and cash flow	Cross-currency swaps	**305**	**3**	**–**
Net investment	Foreign currency forward contract	**343**	**–**	**7**
Total		**9,389**	**17**	**48**
2017				
Hedge type	**Hedging instrument**			
Cash flow	Interest rate swaps	8,862	18	11
Fair value	Cross-currency swaps	145	–	25
Fair value	Interest rate swaps	123	11	–
Fair value and cash flow	Cross-currency swaps	–	–	–
Net investment	Foreign currency forward contract	376	4	1
Total		9,506	33	37

Derivative instruments accounted for as cash flow hedges
The group is exposed to variability in future interest cash flows on non-trading assets and liabilities which bear interest at fixed and variable rates. The group uses interest rate swaps to manage interest rate risks and many of the swaps are cash flow hedges for accounting purposes.

Methods used to test hedge effectiveness and establish the hedge ratio include regression analysis, and for some portfolio hedge relationships, a comparison to ensure the expected interest cash flows from the portfolio exceed those of the hedging instruments. The main potential source of hedge ineffectiveness from cash flow hedges is mismatches in the terms of hedged items and hedging instruments, for example the frequency and timing of when interest rates are reset.

During the year the AMP group recognised $nil (2017: $nil) due to ineffectiveness on derivative instruments designated as cash flow hedges.

Derivative instruments accounted for as fair value hedges
Fair value hedges are used to protect against changes in the fair value of financial assets and financial liabilities due to movements in exchange rates and interest rates.

Hedge effectiveness is assessed by comparing the overall changes in the fair value of the hedging instrument against the changes in the fair value of the hedged items attributable to the hedged risks. The main potential source of ineffectiveness on fair value hedges is currency basis spread, which is included in the valuation of the hedging instrument, but excluded from the value of the hedged item.

During the year the AMP group recognised net gains of $7m (2017: $1m) due to ineffectiveness on derivative instruments designated as fair value hedges.

3.4 Derivatives and hedge accounting (continued)

Hedges of net investments in foreign operations

The group hedges its exposure to changes in exchange rates on the value of its foreign currency denominated seed pool investments. Hedge effectiveness is assessed based on the overall changes in the fair value of the forward contract, primarily using the cumulative dollar offset method.

The AMP group recognised a profit of $nil (2017: $nil) due to the ineffective portion of hedges relating to investments in seed pool foreign operations.

The following table sets out the maturity profile of derivative instruments in a hedge relationship.

	0 to 3 months $m	3 to 12 months $m	1 to 5 years $m	Over 5 years $m	Total $m
2018					
Interest rate swaps	**2,812**	**3,106**	**1,720**	**956**	**8,594**
Cross-currency swaps	**–**	**–**	**452**	**–**	**452**
Foreign currency forward contract	**327**	**16**	**–**	**–**	**343**
2017					
Interest rate swaps	1,967	3,889	2,649	480	8,985
Cross-currency swaps	–	–	145	–	145
Foreign currency forward contract	358	18	–	–	376

Accounting policy – recognition and measurement

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value exclusive of any transaction costs on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. All derivatives are recognised as assets when their fair value is positive and as liabilities when their fair value is negative. Any gains or losses arising from the change in fair value of derivatives, except those that qualify as effective cash flow hedges, are immediately recognised in the Consolidated income statement.

Hedge accounting

Cash flow hedges

The effective portion of changes in the fair value of cash flow hedges is recognised (including related tax impacts) through Other comprehensive income in the Cash flow hedge reserve in equity. The ineffective portion is recognised immediately in the Consolidated income statement. The balance of the Cash flow hedge reserve in relation to each particular hedge is transferred to the Consolidated income statement in the period when the hedged item affects profit or loss. Hedge accounting is discontinued when a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting. The cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Consolidated income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Consolidated income statement.

Fair value hedges

Changes in the fair value of fair value hedges are recognised in the Consolidated income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. If a hedge no longer meets the criteria for hedge accounting, the cumulative gains and losses recognised on the hedged item will be amortised over the remaining life of the hedged item.

Net investment hedges

The effective portion of changes in the fair value of net investment hedges is recognised (including related tax impacts) through Other comprehensive income in the Hedge of net investment reserve in equity. Any ineffective portion is recognised immediately in the Consolidated income statement. The cumulative gain or loss existing in equity remains in equity until the foreign investment is disposed.

3.5 Capital management

AMP holds capital to protect customers, creditors and shareholders against unexpected losses. There are a number of ways AMP assesses the adequacy of its capital position. Primarily, AMP aims to:

– maintain a sufficient surplus above minimum regulatory capital requirements (MRR) to reduce the risk of breaching MRR;
– hold sufficient liquidity to ensure that AMP has sufficient access to liquid funds, even under stress situations; and
– maintain the AMP group's credit rating.

These factors are balanced when forming AMP's risk appetite as approved by the AMP Limited Board.

Calculation of capital resources

The AMP group's capital resources include ordinary equity and interest-bearing liabilities. The AMP group excludes the interest-bearing liabilities of its banking subsidiary, AMP Bank Limited, and controlled investment subsidiaries and trusts from the AMP group capital resources.

In determining the capital resources the AMP group needs to make adjustments to the statutory shareholder equity. Under Australian Accounting Standards, some assets held on behalf of the policyholders (and related tax balances) are recognised in the financial report at different values to the values used in the calculation of the liability to policyholders in respect of the same assets. Therefore, movements in these policyholder assets result in accounting mismatches which impact the statutory equity attributable to shareholders of AMP Limited. Mismatches arise on the following items:

– treasury shares (AMP Limited shares held by the statutory funds on behalf of policyholders);
– AMP Life Limited statutory funds' investments in controlled entities; and
– AMP Life Limited statutory funds' superannuation products invested in AMP Bank Limited assets.

Adjustments are also made relating to cash flow hedge reserves and to exclude the net assets of the AMP Foundation.

The table below shows the AMP group's capital resources at reporting date:

	2018 $m	2017 $m
AMP statutory equity attributable to shareholders of AMP Limited	**6,685**	7,202
Accounting mismatches, cash flow hedge resources and other adjustments	**(2)**	74
AMP shareholder equity	**6,683**	7,276
Subordinated debt[1]	**876**	951
Senior debt[1]	**973**	730
Total AMP capital resources	**8,532**	8,957

1 Amounts shown for subordinated debt and senior debt are the amounts to be repaid on maturity.

Capital requirements

A number of the operating entities within the AMP group of companies are regulated and are required to meet minimum regulatory capital requirements (MRR). The main minimum regulatory capital requirements for AMP's businesses are:

Operating entity	Minimum regulatory capital requirement
AMP Life Limited (AMP Life)	Capital adequacy requirements as specified under the APRA Life Insurance Prudential Standards
AMP Bank Limited (AMP Bank)	Capital requirements as specified under the APRA ADI Prudential Standards
AMP Superannuation Limited and National Mutual Superannuation Pty Limited	Operational Risk Financial Requirements as specified under the APRA Superannuation Prudential Standards
AMP Capital Investors Limited and other ASIC regulated businesses	Capital requirements under AFSL requirements and for risks relating to North guarantees

AMP's businesses and the AMP group maintain capital targets reflecting their material risks (including financial risk, product and insurance risk and operational risk) and AMP's risk appetite. The target surplus is a management guide to the level of excess capital that the AMP group seeks to carry to reduce the risk of breaching MRR.

AMP Limited, AMP Life and AMP Bank have board-approved minimum capital levels above APRA requirements, with additional capital targets held above these amounts. Within the life insurance business, the capital targets above board minimums have been set to a less than 10% probability of capital resources falling below the board minimum over a 12-month period. Capital targets are also set for AMP Capital to cover risk associated with seed and sponsor capital investments and operational risk. Other components of AMP group's capital targets include amounts relating to Group Office investments, defined benefit funds and other operational risks.

All of the AMP group regulated entities have at all times during the current and prior financial year complied with the externally imposed capital requirements to which they are subject.

Section 4: Life insurance and investment contracts

This section explains how AMP's liabilities in respect of life insurance and investment contracts are measured, including the methodologies and key assumptions that are applied. It also details the key components of the profits that are recognised in respect of life insurance contracts and the sensitivity of those profits to variations in assumptions.

4.1 Accounting for life insurance and investment contracts

Prior to 1 January 2017 the AMP group's life insurance related activities were conducted through two registered life insurance companies, AMP Life Limited (AMP Life) and the National Mutual Life Association of Australasia Limited (NMLA), collectively, 'the AMP life insurance entities'. On 1 January 2017, the Australian and New Zealand life insurance business of NMLA was transferred to AMP Life, both wholly-owned controlled entities of the AMP group, pursuant to a scheme under part 9 of the Life Insurance Act 1995. This represents the substantial majority of operations of NMLA up to 31 December 2016. Because NMLA and AMP Life are both wholly-owned subsidiaries within the AMP group, there was no impact on profit and loss from the transfer transaction.

The two major contract classifications are investment contracts and life insurance contracts.

For the purposes of this financial report, holders of investment contracts or life insurance contracts are collectively and individually referred to as *policyholders*.

Investment contracts

The investment contracts of AMP Life relate to wealth management products such as savings, investment-linked and retirement income policies. The nature of this business is that AMP Life receives deposits from policyholders and those funds are invested on behalf of the policyholders. Fees and other charges are passed to the shareholder and reported as revenue.

The liability to policyholders, other than for fixed retirement income policies, is linked to the performance and value of the assets that back those liabilities. The fair value of such liabilities is therefore the same as the fair value of those assets. For fixed retirement income policies, the liability is linked to the fair value of the fixed retirement income payments and associated management services element.

The fair value of the fixed retirement income payments is calculated as their net present value using a fair value discount rate. The fair value of the associated management services element is the net present value, using a fair value discount rate, of all expenses associated with the provision of services and any profit margins thereon.

Life insurance contracts

AMP Life issues contracts that transfer significant insurance risk from the policyholder, covering death, disability or longevity of the insured. In addition, there are some policies known as discretionary participating contracts that are similar to investment contracts, but the timing of the vesting of the profit attributable to the policyholders is at the discretion of AMP Life. Such contracts are defined as life insurance contracts and accounted for using Margin on Services (MoS).

Under MoS, the excess of premium received over claims and expenses (the margin) is recognised over the life of the contract in a manner that reflects the pattern of risk accepted from the policyholder (the service). The planned release of this margin is included in the movement in life insurance contract liabilities recognised in the Consolidated income statement.

Life insurance contract liabilities are usually determined using a projection method, whereby estimates of policy cash flows (premiums, benefits, expenses and profit margins to be released in future periods) are projected using best-estimate assumptions about the future. The liability is calculated as the net present value of these projected cash flows. When the benefits under a life insurance contract are linked to the assets backing it, the discount rate applied is based on the expected future investment earnings rate of those assets. Where the benefits are not linked to the performance of the backing assets, a risk-free discount rate is used. The risk-free discount rate is based on the zero coupon government bond rate and a liquidity margin, which depend on the nature, structure and terms of the contract liabilities.

An accumulation method may be used if it produces results that are not materially different from those produced by a projection method. A modified accumulation method is used for some discretionary participating business, where the life insurance liability is the accumulation of amounts invested by policyholders, less fees specified in the policy, plus investment earnings and vested benefits, adjusted to allow for the fact that crediting rates are determined by reference to investment income over a period of greater than one year. The accumulation method may be adjusted to the extent that acquisition expenses are to be recovered from future margins between fees and expenses.

4.1 Accounting for life insurance and investment contracts (continued)

Allocation of operating profit and unvested policyholder benefits

The operating profit arising from discretionary participating contracts is allocated between shareholders and participating policyholders by applying the MoS principles in accordance with the *Life Insurance Act 1995* (Cth) (Life Act) and the Participating Business Management Framework.

Once profit is allocated to participating policyholders it can only be distributed to these policyholders.

Profit allocated to participating policyholders is recognised in the Consolidated income statement as an increase in policy liabilities. The policy liabilities include profit that has not yet been allocated to specific policyholders (ie unvested) and that which has been allocated to specific policyholders by way of bonus distributions (ie vested).

Bonus distributions to participating policyholders do not alter the amount of profit attributable to shareholders. They change the nature of the liability from unvested to vested.

The principles of allocation of the profit arising from discretionary participating business are as follows:

(i) investment income (net of tax and investment expenses) on retained earnings in respect of discretionary participating business is allocated between policyholders and shareholders in proportion to the balances of policyholders' and shareholders' retained earnings. This proportion is, mostly, 80% to policyholders and 20% to shareholders;

(ii) other MoS profits arising from discretionary participating business are allocated 80% to policyholders and 20% to shareholders, with the following exceptions:
   - the profit arising from New Zealand corporate superannuation business is apportioned such that shareholders are allocated 15% of the profit allocated to policyholders;
   - the profit arising in respect of Australian preservation superannuation account business is allocated 92.5% to policyholders and 7.5% to shareholders;
   - the profits arising from discretionary participating investment account business where 100% of investment profit is allocated to policyholders and 100% of any other profit or loss is allocated to shareholders, with the over-riding provision being that at least 80% of any profit and not more than 80% of any loss be allocated to policyholders' retained profits of the relevant statutory fund; and
   - the underwriting profit arising in respect of participating Business Super risk business is allocated 90% to policyholders and 10% to shareholders.

Allocation of expenses within the life insurance entity's statutory funds

All operating expenses relating to the life insurance contract and investment contract activities are apportioned between acquisition, maintenance and investment management expenses. Expenses which are directly attributable to an individual life insurance contract or investment contract or product are allocated directly to a particular expense category, fund, class of business and/or product line as appropriate.

Where expenses are not directly attributable, they are appropriately apportioned, according to detailed expense analysis, with due regard to the activities to which that expense relates. The apportionment basis has been made in accordance with Actuarial Standards and on an equitable basis to the different classes of business in accordance with the Life Act.

The costs apportioned to life insurance contracts are included in the determination of the margin described in note 4.1.

Investment management expenses of the life statutory funds are classified as operating expenses.

Reinsurance

Life insurance contract premium ceded to reinsurers is recognised as an expense and Life insurance contract claims recovered from reinsurers is recognised as income.

Upfront commission received on quota share reinsurance contracts is recognised as commission revenue and a corresponding reinsurance liability is recognised representing the obligation to pay future premiums to the reinsurer. The establishment of the reinsurance liability is reflected in Change in policyholder liabilities. The liability will be released in line with the release of the profit margin on the underlying insurance contracts.

Changes in the reinsurance asset and the reinsurance liability during the period are recognised as Changes in policyholder liabilities. On-going commission from reinsurers is recognised as revenue at the time the commission is received or receivable.

Critical accounting judgements and estimates

Life insurance contract liabilities

The measurement of insurance contract liabilities is determined using the MoS methodology. The determination of the liability amounts involves judgement in selecting the valuation methods, profit carriers and valuation assumptions for each type of business. The determination is subjective and relatively small changes in assumptions may have a significant impact on the reported profit. The Board of AMP Life is responsible for these judgements and assumptions, after taking advice from the Appointed Actuary.

Investment contract liabilities

Investment contract liabilities are measured at fair value. For the majority of contracts, the fair value is determined based on published unit prices and the fair value of backing assets, and does not generally require the exercise of judgement. For fixed income products and the North capital guarantee, fair value is determined using valuation models. Judgement is applied in selecting the valuation model and setting the valuation assumptions.

4.2 Life insurance contracts – premiums, claims, expenses and liabilities

	2018 $m	2017 $m
(a) Analysis of life insurance contract related revenue – net of reinsurance		
Total life insurance contract premiums received and receivable	**2,549**	2,696
Less: component recognised as a change in life insurance contract liabilities	**(367)**	(402)
Life insurance contract premium revenue[1]	**2,182**	2,294
Commission received from reinsurers	**471**	703
Life insurance contract related revenue	**2,653**	2,997
Life insurance contract premium ceded to reinsurers	**(989)**	(635)
Life insurance contract related revenue – net of reinsurance	**1,664**	2,362
(b) Analysis of life insurance contract claims expenses – net of reinsurance		
Total life insurance contract claims paid and payable	**(3,412)**	(3,192)
Less: component recognised as a change in life insurance contract liabilities	**1,158**	1,146
Life insurance contract claims expense	**(2,254)**	(2,046)
Life insurance claims recovered from reinsurers	**487**	234
Life insurance contract claims expenses – net of reinsurance	**(1,767)**	(1,812)
(c) Analysis of life insurance contract operating expenses		
Life insurance contract acquisition expenses		
– commission	**(27)**	(41)
– other expenses	**(115)**	(130)
Life insurance contract maintenance expenses		
– commission	**(172)**	(178)
– other expenses	**(408)**	(404)
Investment management expenses	**(53)**	(55)
(d) Life insurance contract liabilities		
Life insurance contract liabilities determined using projection method		
Best estimate liability		
– value of future life insurance contract benefits	**14,469**	15,007
– value of future expenses	**4,377**	4,616
– value of future premiums	**(10,435)**	(12,078)
Value of future profits		
– life insurance contract holder bonuses	**3,136**	3,354
– shareholders' profit margins	**1,565**	2,183
Total life insurance contract liabilities determined using the projection method[2]	**13,112**	13,082
Life insurance contract liabilities determined using accumulation method		
Best estimate liability		
– value of future life insurance contract benefits	**7,951**	8,703
– value of future acquisition expenses	**(50)**	(58)
Total life insurance contract liabilities determined using the accumulation method	**7,901**	8,645
Value of declared bonus	**304**	290
Unvested policyholder benefits liabilities[2]	**2,319**	2,312
Total life insurance contract liabilities net of reinsurance	**23,636**	24,329
Reinsurance asset – ceded life insurance contracts	**1,073**	804
Reinsurance liability – ceded life insurance contracts[3]	**(1,452)**	(1,450)
Total life insurance contract liabilities gross of reinsurance	**23,257**	23,683

1 Life insurance contract premium revenue consists entirely of direct insurance premiums; there is no inward reinsurance component.
2 For participating business in the statutory funds, part of the assets in excess of the life insurance contract and other liabilities calculated under MoS are attributed to policyholders. Under the Life Act, this is referred to as 'policyholder retained profits'. For the purpose of reporting under accounting standards, this amount is referred to as unvested policyholder benefits liabilities and is included within life insurance contract liabilities even though it is yet to be vested as specific policyholder entitlements.
3 Reinsurance liability – ceded life insurance contracts reflects the present value of the net obligation to transfer cash flows under the 60% quota share reinsurance arrangement with Gen Re, Munich Re and Swiss Re, in return for upfront commission received. It also reflects the reinsurance position of the surplus reinsurance arrangement with Gen Re and Swiss Re.

4.2 Life insurance contracts – premiums, claims, expenses and liabilities (continued)

	2018 $m	2017 $m
(e) Reconciliation of changes in life insurance contract liabilities		
Total life insurance contract liabilities at the beginning of the year	**23,683**	24,225
Change in life insurance contract liabilities recognised in the Consolidated income statement	**(79)**	1,069
Premiums recognised as an increase in life insurance contract liabilities	**367**	402
Claims recognised as a decrease in life insurance contract liabilities	**(1,158)**	(1,146)
Change in reinsurance asset – ceded life insurance contracts	**269**	258
Change in reinsurance liability – ceded life insurance contracts	**(2)**	(920)
Foreign exchange adjustment	**177**	(205)
Total life insurance contract liabilities at the end of the year	**23,257**	23,683

4.3 Life insurance contracts – assumptions and valuation methodology

Life insurance contract liabilities, and hence the net profit from life insurance contracts, are calculated by applying the principles of MoS described in note 4.1. The key assumptions and methods used in the calculation of life insurance contract liabilities are outlined below.

The methods and profit carriers used to calculate life insurance contract liabilities for particular policy types are as follows:

Business type	Method	Profit carriers (for business valued using projection method)
Conventional	Projection	Bonuses
Investment account	Modified accumulation	n/a
Retail risk (lump sum)	Projection	Expected premiums
Retail risk (income protection)	Projection	Expected premiums
Group risk (lump sum)	Accumulation	n/a
Group risk (income benefits)	Accumulation	n/a
Participating allocated annuities	Modified accumulation	n/a
Life annuities	Projection	Annuity payments

(a) Risk-free discount rates

Except where benefits are contractually linked to the performance of the assets held, a risk-free discount rate based on current observable, objective rates that relate to the nature, structure and term of the future obligations is used. The rates are determined as shown in the following table:

			31 December 2018		31 December 2017	
Business type		Basis[1]	Australia %	New Zealand %	Australia %	New Zealand %
Retail risk (other than income benefit open claims)[1]		Zero coupon government bond yield curve	**1.8–3.0**	**1.7–3.0**	1.8–3.6	1.8–3.6
Retail risk and group risk (income benefit open claims)[1]		Zero coupon government bond yield curve (including liquidity premium)	**2.1–3.2**	**2.0–3.3**	2.0–3.7	2.0–3.8
Life annuities	Non-CPI	Zero coupon government bond yield curve (including liquidity premium)	**2.2–3.3**	**2.0–3.4**	2.1–3.8	2.0–3.9
	CPI	Commonwealth indexed bond yield curve (including liquidity premium)	**0.8–1.3**	**1.1–2.3**	0.5–1.2	0.7–2.4

1 The discount rates vary by duration in the range shown above.

4.3 Life insurance contracts – assumptions and valuation methodology (continued)

(b) Future maintenance and investment expenses

Unit maintenance costs are based on budgeted expenses in the year following the reporting date (including GST, as appropriate, and excluding one-off expenses). For future years, these are increased for inflation as described in (c) below. These expenses include fees charged to the life statutory funds by service companies in the AMP group. Unit costs vary by product line and class of business based on an apportionment that is supported by expense analyses.

Future investment expenses are based on the fees currently charged by the asset managers.

(c) Inflation and indexation

Benefits and premiums of many regular premium policies are automatically indexed by the published consumer price index (CPI). Assumed future take-up of these indexation options is based on AMP Life's own experience. The annual future CPI rates are largely derived from the difference between long-term government bonds and indexed government bonds.

The expense inflation assumptions have been set based on the inflation rates, recent expense performance, AMP Life's current plans and the terms of the relevant service company agreement, as appropriate. In addition, higher expense inflation has been assumed for Australia and New Zealand wealth protection portfolios compared to that assumed at 31 December 2017. The higher expense inflation assumption adopted due to the announcement of the transition to in-force specialist life insurer reflects an expectation that costs are not fully variable and will decrease more slowly than the run-off of policies.

The assumed CPI and expense inflation rates at the valuation date are:

	Australia %		New Zealand %	
	CPI	Expense Inflation	CPI	Expense Inflation
31 December 2018	**1.6**	**3.0–8.0**	**1.7**	**2.0–6.0**
31 December 2017	1.9	3.0	1.7	2.0

(d) Bases of taxation

The bases of taxation (including deductibility of expenses) are assumed to continue in accordance with legislation current at the valuation date.

(e) Voluntary discontinuance

Assumptions for the incidence of withdrawals, paid-ups and premium dormancy are primarily based on investigations of AMP Life's own historical experience. These rates are based upon the assessed global rate for each of the individual products (or product groups) and then, where appropriate, further adjusted for factors like duration, premium structure, smoker status, age attained or short-term market and business effects etc. Given the variety of influences affecting discontinuance for different product groups, the range of voluntary discontinuance rates across AMP Life is extremely diverse.

The assumptions for future rates of discontinuance of the major classes of life insurance contracts have been reviewed. Discontinuance assumptions were changed from those assumed at 31 December 2017 for Australian and New Zealand retail risk and conventional portfolios, as shown in the following table.

Note that the wealth protection discontinuance rate ranges are calculated based on current business mix and various assumption rating factors. Discontinuance rate ranges for conventional products (Australia and New Zealand) are calculated based on average expected lapse rates for the next five years.

	31 December 2018		31 December 2017	
Business type	Australia %	New Zealand %	Australia %	New Zealand %
Conventional	**2.3–9.3**	**1.5–2.7**	2.4–8.4	1.5–2.8
Retail risk (lump sum)	**13.1–18.0**	**4.9–15.2**	12.8–16.9	11.6–12.0
Retail risk (income benefit)	**7.5–20.1**	**5.0–14.7**	8.1–18.8	9.5–11.4
Flexible Lifetime Super (FLS) risk business	**14.4–16.6**	**n/a**	14.0–16.4	n/a
Investment account	**n/a**	**n/a**	n/a	n/a

4.3 Life insurance contracts – assumptions and valuation methodology (continued)

(f) Surrender values

The surrender bases assumed for calculating surrender values are those current at the reporting date. There have been no changes to the bases during the year (or the prior year) that would materially affect the valuation results.

(g) Mortality and morbidity

Standard mortality and morbidity tables, based on national or industry-wide data, are used.

The following assumptions have changed from those assumed at 31 December 2017:

– Australian retail income protection incidence and termination rates;
– Australian and New Zealand retail trauma and TPD;
– New Zealand mortality; and
– Australian conventional.

Some refinements were made to the current methodology for retail income protection and TPD to include additional product factors. The 2017 rates were revised to reflect this change.

The assumptions are summarised in the following table.

Conventional	Conventional – % of IA95-97 Male	Female
31 December 2018		
Australia	**60.8**	**60.8**
New Zealand	**73.0**	**73.0**
31 December 2017		
Australia	67.5	67.5
New Zealand	73.0	73.0

Risk products	Retail Lump Sum – % of table Male	Female
31 December 2018		
Australia[1]	**94–148**	**94–148**
New Zealand	**104–120**	**86–98**
31 December 2017		
Australia[1]	94–148	94–148
New Zealand	100–120	82–98

1 Base IA04-08 Death Without Riders table modified based on aggregated experience but with overall product specific adjustment factors.

Annuities	Male % of IML00*	Female % of IFL00*
31 December 2018		
Australia and New Zealand[1]	**95.0**	**80.0**
31 December 2017		
Australia and New Zealand[1]	95.0	80.0

1 Annuities tables modified for future mortality improvements.

4.3 Life insurance contracts – assumptions and valuation methodology (continued)

Typical morbidity assumptions, in aggregate, are as follows:

Income protection	Incidence rates % of ADI 07-11	Termination rates (ultimate) % of ADI 07-11
31 December 2018		
Australia	**45–179**	**53–80**
31 December 2017		
Australia	45–179	65–93
31 December 2018		
New Zealand	**83–149**	**82–105**
31 December 2017		
New Zealand	83–149	82–105

Retail lump sum	Male % of IA04-08	Female % of IA04-08
31 December 2018		
Australia TPD[1]	**132–241**	**150–305**
Australia Trauma[2]	**102–193**	**102–193**
New Zealand TPD[1]	**120**	**120**
New Zealand Trauma[2]	**110–114**	**110–114**
31 December 2017		
Australia TPD[1]	132–185	150–235
Australia Trauma[2]	102–168	102–168
New Zealand TPD[1]	150–194	190–194
New Zealand Trauma[2]	101–114	101–114

1 Base IA04-08 TPD table modified based on our aggregated experience but with overall product specific adjustment factors.
2 Base IA04-08 Trauma table modified based on our aggregated experience but with overall product specific adjustment factors.

The actuarial tables used were as follows:

IA95-97	A mortality table developed by the Institute of Actuaries of Australia based on Australian insured lives experience from 1995–1997. The table has been modified to allow for future mortality improvement.
IML00*/IFL00*	IML00 and IFL00 are mortality tables developed by the Institute and Faculty of Actuaries based on United Kingdom annuitant lives experience from 1999–2002. The tables refer to male and female lives respectively and incorporate factors that allow for mortality improvements since the date of the investigation. IML00* and IFL00* are these published tables amended for some specific AMP Life experience.
IA04-08 DTH	This was published by the Institute of Actuaries of Australia under the name *A graduation of the 2004–2008 Lump Sum Investigation Data*. The table has been modified based on aggregated experience with overall product specific adjustment factors.
IA04-08 TPD	This is the TPD graduation published in the same paper as above.
IA04-08 Trauma	This is the Trauma graduation published in the same paper as above.
ADI 07-11	A disability table developed by KPMG at the request of the Financial Services Council (FSC) based on Australian disability income experience for the period 2007–2011. This table has been modified for AMP Life with overall product specific adjustment factors.

4.3 Life insurance contracts – assumptions and valuation methodology (continued)

(h) Other participating business assumptions

Where benefits are contractually linked to the performance of the assets held, as is the case for participating business, a discount rate based on the expected market return on backing assets is used. The assumed earning rates for backing assets for participating business are largely driven by long-term (eg 10-year) government bond yields. The 10-year government bond yields used at the relevant valuation dates are as shown in the following table.

Assumed earning rates for each asset sector are determined by adding to the bond yield various risk premiums which reflect the relative differences in expected future earning rates for different asset sectors. For products backed by mixed portfolio assets, the assumption varies with the proportion of each asset sector backing the product. The risk premiums applicable at the valuation date are shown in the table below.

		Risk premiums				
	10 year government bonds %	Local equities %	International equities %	Property and infrastructure %	Fixed interest %	Cash %
31 December 2018						
Australia	**2.3**	**4.5**	**3.5**	**2.5**	**0.6**	**(0.5)**
New Zealand	**2.4**	**4.5**	**3.5**	**2.5**	**0.5**	**(0.5)**
31 December 2017						
Australia	2.6	4.5	3.5	2.5	0.5	(0.5)
New Zealand	2.8	4.5	3.5	2.5	0.4	(0.5)

The risk premiums for local equities include allowance for imputation credits. The risk premiums for fixed interest reflect credit ratings of the portfolio held.

The averages of the asset mixes assumed for the purpose of setting future investment assumptions for participating business at the valuation date are as shown in the table below for each life company. These asset mixes are not necessarily the same as the actual asset mix at the valuation date as they reflect long-term assumptions.

Average asset mix[1]	Equities %	Property and infrastructure %	Fixed interest %	Cash %
31 December 2018				
Australia	**28**	**14**	**39**	**19**
New Zealand	**35**	**17**	**38**	**10**
31 December 2017				
Australia	26	13	39	22
New Zealand	34	17	41	8

1 The asset mix includes both conventional and investment account business. As described in note 4.1, 100% of investment profits on discretionary participating investment account business is allocated to policyholders.

Where an assumption used is net of tax, the tax on investment income is allowed for at rates appropriate to the class of business and asset sector, including any allowance for imputation credits on equity income. For this purpose, the total return for each asset sector is split between income and capital gains. The actual split has varied at each valuation date as the total return has varied.

For participating business, the total value of future bonuses (and the associated shareholders' profit margins) included in life insurance contract liabilities is the amount supported by the value of the supporting assets, after allowing for the assumed future experience. The pattern of bonuses and shareholders' profit margins assumed to emerge in each future year depends on the assumed relationship between reversionary bonuses (or interest credits) and terminal bonuses. This relationship is set to reflect the philosophy underlying actual bonus declarations.

4.3 Life insurance contracts – assumptions and valuation methodology (continued)

Actual bonus declarations are determined to reflect, over time, the investment returns of the particular fund and other factors in the emerging experience and management of the business. These factors include:
- allowance for an appropriate degree of benefit smoothing;
- reasonable expectations of policyholders;
- equity between generations of policyholders applied across different classes and types of business; and
- ongoing capital adequacy.

Given the many factors involved, the range of bonus structures and rates for participating business is extremely diverse.

Typical supportable bonus rates on major product lines are as follows for AMP Life (31 December 2017 in parentheses).

Reversionary bonus	Bonus on sum insured %	Bonus on existing bonuses %
Australia	**0.4–1.0** (0.4–1.0)	**0.8–1.5** (0.8–1.5)
New Zealand	**0.7–1.0** (0.7–1.0)	**0.7–1.1** (0.7–1.1)

Terminal bonus

The terminal bonus scales are complex and vary by duration, product line, class of business and country for AMP Life.

Crediting rates (investment account)	%
Australia	**0.6–3.3** (0.8–4.5)
New Zealand	**1.7–2.3** (2.7–5.8)

(i) Impact of changes in assumptions

Under MoS, for life insurance contracts valuations using the projection method, changes in assumptions are recognised by adjusting the value of future profit margins in life insurance contract liabilities. Future profit margins are released over future periods.

Changes in assumptions do not include market related changes in discount rates such as changes in benchmark market yields caused by changes in investment markets and economic conditions. These are reflected in both life insurance contract liabilities and asset values at the reporting date.

The impact on future profit margins of actual changes in assumptions from 31 December 2017 to 31 December 2018 in respect of life insurance contracts (excluding new business contracts which are measured using assumptions at reporting date) is as shown in the table below.

Assumption change	Change in future profit margins $m	Change in life insurance contract liabilities[2] $m	Change in shareholders' profit and equity[3] $m
Non-market related changes to discount rates	3	–	–
Mortality and morbidity	(122)	169	(118)
Discontinuance rates	(170)	22	(15)
Maintenance expenses	(75)	26	(18)
Other assumptions[1]	(116)	(3)	2

1 Other assumption changes include the impact of modelling, reinsurance, product and premium changes.
2 Change in life insurance contract liabilities is net of reinsurance, gross of tax.
3 Change in shareholders' profit and equity is net of reinsurance, net of tax.

In most cases, the overall amount of life insurance contract liabilities and the current period profit are not affected by changes in assumptions. However, where in the case of a particular related product group the changes in assumptions at the end of a period eliminate any future profit margins for the related product group, and result in negative future profit margins, this negative balance for all forecasted future periods is recognised as a loss in the current period. If the changes in assumptions in a period are favourable for a product group currently in loss recognition, then the previously recognised losses are reversed in the period.

4.4 Life insurance contracts – risk

(a) Life insurance risk

AMP Life issues contracts that transfer significant insurance risk from the policyholder, covering death, disability or longevity of the insured, often in conjunction with the provision of wealth management products.

The products carrying insurance risk are designed to ensure that policy wording and promotional materials are clear, unambiguous and do not leave AMP Life open to claims from causes that were not anticipated. The variability inherent in insurance risk, including concentration risk, is managed by having a large geographically diverse portfolio of individual risks, underwriting and the use of reinsurance.

Underwriting is managed through a dedicated underwriting department, with formal underwriting limits and appropriate training and development of underwriting staff. Individual policies carrying insurance risk are generally underwritten individually on their merits. Individual policies which are transferred from a group scheme are generally issued without underwriting. Group risk insurance policies meeting certain criteria are underwritten on the merits of the employee group as a whole.

Claims are managed through a dedicated claims management team, with formal claims acceptance limits and appropriate training and development of staff with an objective to ensure payment of all genuine claims. Claims experience is assessed regularly and appropriate actuarial reserves are established to reflect up-to-date experience and any anticipated future events. This includes reserves for claims incurred but not yet reported.

AMP Life reinsure (cede) to reinsurance companies a proportion of their portfolio or certain types of insurance risk, including catastrophe. This serves primarily to:
- reduce the net liability on large individual risks;
- obtain greater diversification of insurance risks;
- provide protection against large losses;
- reduce overall exposure to risk; and
- reduce the amount of capital required to support the business.

The reinsurance companies are regulated by the Australian Prudential Regulation Authority (APRA), or industry regulators in other jurisdictions, and have strong credit ratings from A+ to AA+.

4.4 Life insurance contracts – risk (continued)

(b) Key terms and conditions of life insurance contracts

The nature of the terms of the life insurance contracts written by AMP Life is such that certain external variables can be identified on which related cash flows for claim payments depend. The following table provides an overview of the key variables upon which the timing and uncertainty of future cash flows of the various life insurance contracts issued by AMP Life depend.

Type of contract	Detail of contract workings	Nature of compensation for claims	Key variables affecting future cash flows
Non-participating life insurance contracts with fixed and guaranteed terms (term life and disability)	These policies provide guaranteed benefits, which are paid on death or ill-health, that are fixed and not at the discretion of AMP Life. Premium rates for yearly renewable business are not guaranteed and may be changed at the discretion of AMP Life for the portfolio as a whole.	Benefits are defined by the insurance contract and are not directly affected by the investment performance of any underlying assets.	Mortality, morbidity, lapses, expenses and investment market earning rates on assets backing the liabilities.
Life annuity contracts	These policies provide a guaranteed regular income for the life of the insured in exchange for an initial single premium.	The amount of the guaranteed regular income is set at inception of the policy allowing for any indexation.	Longevity, expenses, inflation and investment market earning rates on assets backing the liabilities.
Conventional life insurance contracts with discretionary participating benefits (endowment and whole of life)	The policyholder pays a regular premium and receives the specified sum insured plus any accruing bonuses on death or maturity. The sum insured is specified at inception and guaranteed. Bonuses are added annually, which once added are guaranteed. A further bonus may be added on surrender, death or maturity.	Benefits arising from the discretionary bonuses are based on the performance of a specified pool of contracts and the assets supporting these contracts.	Investment market earning rates on assets backing the liabilities, lapses, expenses and mortality.
Investment account contracts with discretionary participating features	The gross value of premiums received is invested in the investment account with fees and premiums for any associated insurance cover being deducted from the account balance when due. Interest is credited regularly.	Payment of the account balance is generally guaranteed, although it may be subject to certain penalties on early surrender or limited adjustment in adverse investment markets. Operating profit arising from these contracts is allocated between the policyholders and shareholders with not less than 80% allocated to policyholders. Distribution of policyholder profit is through an interest rate mechanism.	Fees, lapses, expenses and investment market earning rates on the assets backing the liabilities.

4.4 Life insurance contracts – risk (continued)

(c) Insurance risk sensitivity analysis – life insurance contracts

For life insurance contracts that are accounted for under MoS, amounts of liabilities, income or expense recognised in the period are unlikely to be sensitive to changes in variables even if those changes may have an impact on future profit margins, unless the product is in or close to loss recognition.

This table shows information about the sensitivity of life insurance contract liabilities and current period shareholder profit after income tax and equity, to a number of possible changes in assumptions relating to insurance risk.

		Change in life insurance contract liabilities		Change in shareholder profit after income tax and equity	
Variable	Change in variable	Gross of reinsurance $m	Net of reinsurance $m	Gross of reinsurance $m	Net of reinsurance $m
Mortality	10% increase in mortality rates	130	51	(92)	(36)
Annuitant mortality	50% increase in the rate of mortality improvement	5	5	(4)	(4)
Morbidity – lump sum disablement	20% increase in lump sum disablement rates	234	93	(164)	(66)
Morbidity – disability income	10% increase in incidence rates	215	88	(151)	(62)
Morbidity – disability income	10% decrease in termination rates	373	169	(261)	(118)
Discontinuance rates	10% increase in discontinuance rates	186	67	(132)	(48)
Maintenance expenses	10% increase in maintenance expenses	40	40	(28)	(28)

(d) Liquidity risk and future net cash outflows

The following table shows the estimated timing of future net cash outflows resulting from insurance contract liabilities. This includes estimated future surrenders, death/disability claims and maturity benefits, offset by expected future premiums or contributions and reinsurance recoveries. All values are discounted to the reporting date using the assumed future investment earning rate for each product.

	Up to 1 year $m	1 to 5 years $m	Over 5 years $m	Total $m
2018	**1,264**	**3,039**	**8,243**	**12,546**
2017	1,463	3,456	8,796	13,715

4.5 Other disclosure – life insurance and investment contracts

	2018 $m	2017 $m
(a) Analysis of life insurance and investment contract profit		
Components of profit (loss) related to life insurance and investment contract liabilities:		
– planned margins of revenues over expenses released	**437**	478
– losses arising from difference between actual and assumed experience	**(86)**	(13)
– losses arising from changes in assumptions	**(29)**	(70)
– capitalised (losses) reversals	**(174)**	12
Profit related to life insurance and investment contract liabilities	**148**	407
Attributable to:		
– life insurance contracts	**(31)**	217
– investment contracts	**179**	190
Profit related to life insurance and investment contract liabilities	**148**	407
Investment earnings on assets in excess of life insurance and investment contract liabilities	**38**	107

(b) Restrictions on assets in statutory funds

AMP Life conducts investment-linked and non-investment linked business. For investment-linked business, deposits are received from policyholders, the funds are invested on behalf of the policyholders and the resulting liability to policyholders is linked to the performance and value of the assets that back those liabilities.

AMP Life has three statutory funds as set out below:

No. 1 fund	Australia	All business (whole of life, endowment, investment account, retail and group risk and immediate annuities) and North longevity guarantee
	New Zealand	All business (whole of life, endowment, investment account, retail and group risk, investment-linked and immediate annuities)
No. 2 fund	Australia	Investment-linked superannuation business (retail and group investment-linked and deferred annuities)
No. 3 fund	Australia	Investment-linked ordinary business

Investments held in the life statutory funds can only be used in accordance with the relevant regulatory restrictions imposed under the Life Act and associated rules and regulations. The main restrictions are that the assets in a life statutory fund can only be used to meet the liabilities and expenses of that life statutory fund, to acquire investments to further the business of the life statutory fund or as distributions provided solvency, capital adequacy and other regulatory requirements are met.

Further details about capital management are provided in note 3.5.

4.5 Other disclosure – life insurance and investment contracts (continued)

	2018			2017		
	Non-investment linked $m	Investment-linked $m	Total life entities' statutory funds $m	Non-investment linked $m	Investment-linked $m	Total life entities' statutory funds $m
Net assets of life entities' statutory funds attributable to policyholders and shareholders	**27,324**	**66,659**	**93,983**	28,133	72,884	101,017
Attributable to policyholders[2]						
Life insurance contract liabilities	**23,257**	**–**	**23,257**	23,683	–	23,683
Investment contract liabilities[1]	**2,173**	**66,454**	**68,627**	2,464	72,690	75,154
	25,430	**66,454**	**91,884**	26,147	72,690	98,837
Attributable to shareholders	**1,894**	**205**	**2,099**	1,986	194	2,180

1 Investment contract liabilities in this table do not include $115m (2017: $81m) being the investment contract liability for the North capital guarantee which is held outside the life insurance entities.
2 Based on assumptions as to likely withdrawal patterns of the various product groups, it is estimated that approximately $13,679m (2017: $14,266m) of policy liabilities may be settled within 12 months of the reporting date.

The net assets of life statutory funds attributable to shareholders represent the interests of shareholders including funds required to meet regulatory requirements as well as further amounts of shareholder funds in excess of regulatory requirements.

The following table shows a summary of the consolidated balances of AMP Life insurance entities' statutory funds and the entities controlled by AMP Life insurance entities' statutory funds.

	Life entities' statutory funds consolidated	
Income statement	2018 $m	2017 $m
Life insurance contract related revenue – net of reinsurance	**1,664**	2,362
Fee revenue	**1,030**	1,087
Other revenue	**4**	8
Investment gains and losses	**1,067**	11,277
Life insurance contract claims expenses – net of reinsurance	**(1,767)**	(1,812)
Operating expenses including finance costs	**(1,941)**	(1,904)
Movement in external unitholders' liabilities	**(360)**	(1,615)
Change in policy holder liabilities		
– Life insurance contract liabilities	**79**	(1,069)
– Investment contract liabilities	**89**	(7,159)
Income tax expense	**323**	(666)
Profit for the year	**188**	509
Assets		
Cash and cash equivalents	**7,218**	6,206
Investments in financial assets measured at fair value through profit or loss	**102,929**	110,540
Investment property	**145**	134
Other assets	**8,027**	5,682
Total assets of policyholders, shareholders and non-controlling interests	**118,319**	122,562
Liabilities		
Life insurance contract liabilities	**23,257**	23,683
Investment contract liabilities	**68,627**	75,154
Other liabilities	**6,306**	6,624
External unitholders' liabilities	**17,837**	14,911
Total liabilities of policyholders, shareholders and non-controlling interests	**116,027**	120,372
Net assets	**2,292**	2,190

4.5 Other disclosure – life insurance and investment contracts (continued)

(c) Capital guarantees

	2018 $m	2017 $m
Life insurance contracts with a discretionary participating feature – amount of the liabilities that relate to guarantees	**14,152**	14,759
Investment-linked contracts – amount of the liabilities subject to investment performance guarantees	**847**	878
Other life insurance contracts with a guaranteed termination value – current termination value	**127**	152

(d) Capital requirements

Registered life insurance entities are required to hold prudential reserves, over and above their life insurance contract and investment contract liabilities, as a buffer against adverse experience and poor investment returns. These reserving requirements are specified by the APRA prudential capital standards. The standards are intended to take account of the full range of risks to which a regulated institution is exposed and introduces the prescribed capital amount (PCA) requirement. The PCA is the minimum level of capital that the regulator deems must be held to meet policyholder obligations.

In addition to the regulatory capital requirements, AMP Life maintains a target surplus providing an additional capital buffer against adverse events. AMP Life uses internal capital models to determine target surplus, with the models reflecting the risks of the business, principally the risk of adverse asset movements relative to the liabilities and of worse than expected claims costs.

The Appointed Actuary of AMP Life has confirmed that the capital base of each life statutory fund and shareholders' fund have exceeded PCA at all times during 2018 and 2017. The combined capital position of AMP Life and NMLA is as follows:

	2018 $m	2017 $m
Common Equity Tier 1 Capital	**2,430**	3,529
Adjustments to Common Equity Tier 1 Capital	**(374)**	(803)
Additional Tier 1 Capital	**305**	305
Adjustments to Additional Tier 1 Capital	**–**	–
Tier 2 Capital	**250**	300
Adjustments to Tier 2 Capital	**–**	–
Total capital base	**2,611**	3,331
Total Prescribed Capital Amount (PCA)	**1,190**	1,228
Capital adequacy amount	**1,421**	2,103
Capital adequacy multiple[1]	**219%**	271%

1 The capital adequacy multiples were 219% and 226% for AMP Life and NMLA respectively (2017: 272% and 218%).

(e) Actuarial information

Mr Greg Bird, the Appointed Actuary of AMP Life, is satisfied as to the accuracy of the data used in the valuations in the financial report and in the tables in note 4.2 to note 4.5.

The liabilities to policyholders (being the sum of the life insurance contract and investment contract liabilities, including any asset or liability arising in respect of the management services element of an investment contract), capital base and prescribed capital amounts have been determined at the reporting date in accordance with the Life Act.

Section 5: Employee disclosures

This section provides details on the various programs the AMP group uses to reward and recognise employees, including key management personnel.

5.1 Key management personnel
5.2 Defined benefit plans
5.3 Share-based payments

5.1 Key management personnel

(a) Compensation of key management personnel

	2018 $'000	2017 $'000
Short-term benefits	**15,983**	21,542
Post-employment benefits	**663**	530
Share-based payments	**4,012**	7,317
Other long-term benefits	**342**	328
Termination benefits	**2,680**	–
Total	**23,680**	29,717

(b) Loans to key management personnel

Loans to key management personnel and their related parties are provided by AMP Bank and are on similar terms and conditions generally available to other employees within the group. No guarantees are given or received in relation to these loans. Loans have currently been made to nine key management personnel and their related parties. Details of these loans are:

	2018 $'000	2017 $'000
Balance as at the beginning of the year	**12,453**	11,974
Net advances	**51**	1,845
Balance as at the end of the year	**12,504**	13,819
Interest charged	**361**	429

(c) Key management personnel access to AMP's products

During the year, key management personnel and their personally related entities may also have had access to the following AMP products. They are provided to key management personnel within normal employee terms and conditions. The products include personal banking with AMP Bank Limited, the purchase of AMP insurance and investment products and financial investment services.

Information about such transactions does not have the potential to adversely affect decisions about the allocation of scarce resources made by users of this financial report, or the discharge of accountability by the specified executives or specified directors.

(d) Transactions with related parties

Some of the non-executive directors hold directorships or positions in other companies or organisations. From time to time, AMP may provide or receive services from these companies or organisations on arm's length terms. None of the non-executive directors were, or are, involved in any procurement or board decision making regarding the companies or organisations with which they have an association.

Accounting policy – recognition and measurement

Short-term benefits – Liabilities arising in respect of salaries and wages and any other employee entitlements expected to be settled within 12 months of the reporting date are measured at their nominal amounts.

Post-employment benefits – Defined contribution funds – The contributions paid and payable by AMP group to defined contributions funds are recognised in the Consolidated income statement as an operating expense when they fall due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Share-based payments – refer to note 5.3.

Other long-term benefits – Other employee entitlements are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, discount rates are determined with reference to market yields at the end of the reporting period on high quality corporate bonds or, in countries where there is no deep market in such bonds, by using market yields at the end of the period on government bonds.

5.2 Defined benefit plans

AMP contributed to defined benefit plans which provide benefits to employees, and their dependants, on resignation, retirement, disability or death of the employee. The benefits are based on years of service and an average salary calculation. All defined benefit plans are now closed to new members.

The characteristics and risks associated with each of the defined benefit plans are described below:

Plan details	Australia	New Zealand
Plan names	AMP Australia and AMP AAPH Australia defined benefit plans	AMP New Zealand and AMP AAPH New Zealand defined benefit plans
Entitlements of active members	A lump sum or pension on retirement. Pensions provided are lifetime indexed pensions with a reversionary spouse pension.	Accumulation benefits and a lump sum payment on retirement.
Governance of the plans	The trustees of the AMP Superannuation Savings Trust, of which the Australian plans are sub-funds – this includes administration of the plan, management and investment of the plan assets, and compliance with superannuation laws and other applicable regulations.	The plan's trustees – this includes administration of the plan, management and investment of the plan assets, and looking after the interests of all beneficiaries.
Valuations required	Every year	Every three years
Key risks	The risk of actual outcomes being different to the actuarial assumptions used to estimate the defined benefit obligation, investment risk and legislative risk.	
Date of valuation	31 March 2018	31 December 2017
Additional recommended contributions	Approximately 13.2% of members' salaries plus plan expenses.	No additional contributions are required until 30 June 2021, at which point the requirement will be reassessed.

(a) Defined benefit liability

	2018 $m	2017 $m
Present value of wholly-funded defined benefit obligations	**(833)**	(821)
Less: Fair value of plan assets	**756**	792
Defined benefit liability recognised in the Consolidated statement of financial position	**(77)**	(29)
Movement in defined benefit liability		
Deficit at the beginning of the year	**(29)**	(44)
Plus: Total expenses recognised in income	**(7)**	(2)
Plus: Employer contributions	**2**	10
Plus: Actuarial (losses) gains recognised in Other comprehensive income[1]	**(43)**	7
Defined benefit liability recognised at the end of the year	**(77)**	(29)

1 The cumulative net actuarial gains and losses recognised in the Statement of comprehensive income is a $116m gain (2017: $159m gain).

5.2 Defined benefit plans (continued)

(b) Reconciliation of the movement in the defined benefit liability

	Defined benefit obligation 2018 $m	Defined benefit obligation 2017 $m	Fair value of plan assets 2018 $m	Fair value of plan assets 2017 $m
Balance at the beginning of the year	**(821)**	(804)	**792**	760
Current service cost	**(3)**	(3)	**–**	–
Interest (cost) income	**(18)**	(18)	**17**	18
Net actuarial gains and losses	**(38)**	(55)	**(5)**	62
Employer contributions	**–**	–	**2**	10
Contributions by plan participants	**–**	(1)	**–**	1
Foreign currency exchange rate changes	**(5)**	8	**2**	(7)
Benefits paid	**52**	52	**(52)**	(52)
Balance at the end of the year	**(833)**	(821)	**756**	792

(c) Analysis of defined benefit surplus (deficit) by plan

	Fair value of plan assets 2018 $m	Fair value of plan assets 2017 $m	Present value of plan obligation 2018 $m	Present value of plan obligation 2017 $m	Net recognised surplus (deficit) 2018 $m	Net recognised surplus (deficit) 2017 $m	Actuarial gains (losses) 2018 $m	Actuarial gains (losses) 2017 $m
AMP Australia	**263**	279	**(307)**	(307)	**(44)**	(28)	**(15)**	8
AMP AAPH Australia	**388**	403	**(378)**	(373)	**10**	30	**(20)**	2
AMP New Zealand	**19**	20	**(25)**	(24)	**(6)**	(4)	**(2)**	–
AMP AAPH New Zealand	**86**	90	**(123)**	(117)	**(37)**	(27)	**(6)**	(3)
Total	**756**	792	**(833)**	(821)	**(77)**	(29)	**(43)**	7

(d) Principal actuarial assumptions

The following table sets out the principal actuarial assumptions used as at the reporting date in measuring the defined benefit obligations of the Australian and New Zealand defined benefit funds:

	AMP				AMP AAPH			
	Australia		New Zealand		Australia		New Zealand	
	2018 %	2017 %	2018 %	2017 %	2018 %	2017 %	2018 %	2017 %
Weighted average discount rate	**4.1**	4.5	**2.3**	2.8	**4.2**	4.6	**2.7**	3.3
Expected rate of salary increases	**n/a**	n/a	**n/a**	n/a	**3.5**	3.5	**3.0**	4.0

(e) Allocation of assets

The asset allocations of the defined benefit funds are shown in the following table:

	AMP				AMP AAPH			
	Australia		New Zealand		Australia		New Zealand	
	2018 %	2017 %	2018 %	2017 %	2018 %	2017 %	2018 %	2017 %
Equity	**50**	51	**38**	38	**30**	31	**40**	40
Fixed interest	**34**	31	**38**	38	**51**	42	**39**	39
Property	**8**	10	**4**	4	**5**	5	**4**	4
Cash	**5**	4	**14**	14	**13**	14	**14**	14
Other	**3**	4	**6**	6	**1**	8	**3**	3

5.2 Defined benefit plans (continued)

(f) Sensitivity analysis

The defined benefit obligation has been recalculated for each scenario by changing only the specified assumption as outlined below, whilst retaining all other assumptions as per the base case. The table below shows the increase (decrease) for each assumption change. Where an assumption is not material to the fund it has been marked as n/a.

	AMP				AMP AAPH			
	Australia		New Zealand		Australia		New Zealand	
	(+) $m	(–) $m	(+) $m	(–) $m	(+) $m	(–) $m	(+) $m	(–) $m
2018								
Assumption								
Discount rate (+/– 0.5%)	**(17)**	**19**	**n/a**	**2**	**(27)**	**30**	**n/a**	**24**
Expected salary increase rate (0.5%)	**n/a**	**n/a**	**n/a**	**n/a**	**1**	**n/a**	**n/a**	**n/a**
Expected deferred benefit crediting rate (0.5%)	**n/a**	**n/a**	**n/a**	**n/a**	**3**	**n/a**	**n/a**	**n/a**
Pensioner indexation assumption (0.5%)	**19**	**(18)**	**n/a**	**n/a**	**25**	**(23)**	**13**	**n/a**
Pensioner mortality assumption (0.5%)	**n/a**	**10**	**n/a**	**n/a**	**n/a**	**9**	**n/a**	**n/a**
Life expectancy (additional 1 year)	**n/a**	**n/a**	**1**	**n/a**	**n/a**	**n/a**	**4**	**n/a**
2017								
Assumption								
Discount rate (+/– 0.5%)	(17)	19	n/a	2	(27)	30	n/a	17
Expected salary increase rate (0.5%)	n/a	n/a	n/a	n/a	1	n/a	n/a	n/a
Expected deferred benefit crediting rate (0.5%)	n/a	n/a	n/a	n/a	3	n/a	n/a	n/a
Pensioner indexation assumption (0.5%)	19	(18)	n/a	n/a	25	(23)	14	n/a
Pensioner mortality assumption (0.5%)	n/a	10	n/a	n/a	n/a	9	n/a	n/a
Life expectancy (additional 1 year)	n/a	n/a	2	n/a	n/a	n/a	4	n/a

(g) Expected contributions and maturity profile of the defined benefit obligation

	AMP		AMP AAPH	
	Australia	New Zealand	Australia	New Zealand
Expected employer contributions ($m)	–	–	1	–
Weighted average duration of the defined benefit obligation (years)	11	8	13	13

Accounting policy – recognition and measurement

Defined benefit plans

The AMP group recognises the net deficit or surplus position of each fund in the Consolidated statement of financial position. The deficit or surplus is measured as the difference between the fair value of the funds' assets and the discounted defined benefit obligations of the funds, using discount rates determined with reference to market yields on high quality corporate bonds at the end of the reporting period.

After taking into account any contributions paid into the defined benefit funds during the period, movements in the net surplus or deficit of each fund, except actuarial gains and losses, are recognised in the Consolidated income statement. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions over the period and the returns on plan assets are recognised (net of tax) directly in retained earnings through Other comprehensive income.

Contributions paid into defined benefit funds are recognised as reductions in the deficit.

5.3 Share-based payments

AMP has multiple employee share-based payment plans. Share-based payment plans help create alignment between employees participating in those plans (participants) and shareholders. Information on plans which AMP currently offers is provided below.

The following table shows the expense recorded for AMP share-based payment plans during the year:

	2018 $'000	2017 $'000
Performance rights[1]	**(2,946)**	6,297
Share rights	**23,972**	21,878
Restricted shares	**6,255**	–
Options	**5**	–
Total share-based payments expense	**27,286**	28,175

1 Non-market performance rights which were forfeited or where the performance conditions were not met were reversed during the year.

(a) Performance rights

The AMP Group Leadership Team, as well as selected senior executives, are required to take their long-term incentive (LTI) awards in the form of performance rights. This was to ensure that the interests of those executives, who are most directly able to influence company performance, are appropriately aligned with the interests of shareholders.

Plan	LTI award plan
Overview	Performance rights give the participant the right to acquire one fully paid ordinary share in AMP Limited upon meeting specific performance hurdles. They are granted at no cost to the participant and carry no dividend or voting rights until they vest. This award may be settled through an equivalent cash payment, at the discretion of the board.
Vesting conditions	The performance hurdles for rights granted in 2015 and 2016 are: – 60% subject to AMP's total shareholder return (TSR) performance relative to that of the entities in the Comparator Group^ (being the top 50 industrial companies in the S&P/ASX 100 Index, based on market capitalisation rank on the start of the applicable performance period) over three years. – 40% subject to a Return on Equity (RoE) measure. The performance hurdles for rights granted in 2017 are: – 100% subject to AMP's TSR performance relative to entities in the Comparator Group^ (being the top 50 industrial companies in the S&P/ASX 100 Index, based on market capitalisation rank on the start of the applicable performance period) over four years. No performance rights awards were granted under an LTI plan in 2018. ^ In determining the Comparator Group, all entities other than those in the global industry classification standard (GICS) energy sector and GICS metals and mining industry are classified as industrial companies.
Vesting period	– Three years for rights granted in 2015 and 2016. – Four years for rights granted in 2017.
Vested awards	Vested performance rights are automatically converted to shares on behalf of participants.
Unvested awards	Unvested awards are forfeited if the participant voluntarily ceases employment or is dismissed for misconduct.

5.3 Share-based payments (continued)

(a) Performance rights (continued)

CEO Recovery Incentive Rights Award

As part of the Chief Executive Offer's (CEO) incentive package on appointment, the CEO was granted an award of rights with a performance condition. This award is to ensure that the CEO is aligned with the long-term interests of shareholders.

Plan	CEO Recovery Incentive Rights Award
Overview	The Recovery Incentive performance rights give the CEO the right to acquire one fully paid ordinary share in AMP Limited (per right) upon meeting specific performance hurdles, being the achievement of multiple share price targets. They were granted at no cost to the CEO and carry no dividend or voting rights until they vest. This award may be settled through an equivalent cash payment, at the discretion of the board.
Vesting conditions	The share price targets that will be tested on the specified dates: – First Testing Date – 25% of rights granted will vest if share price is \$4.50 at the testing date. – Second Testing Date – 50% or 75% (including any that have vested already) will vest if share price is \$4.75 or \$5.00 (respectively). – Third Testing Date – the balance will vest depending on the share price being higher than \$4.50 and will vest on a straight-line basis with 100% vesting if the share price is \$5.25.
Vesting period/ Testing dates	The board will test the share price targets on or around the following testing dates: – 15 February 2021 (First Testing Date); – 15 February 2022 (Second Testing Date); and – 15 February 2023 (Third Testing Date). If the share price targets are met, the rights will vest and become exercisable.
Vested awards	Vested rights are automatically converted to shares on behalf of the CEO.
Unvested awards	Unvested awards are forfeited if the CEO voluntarily ceases employment or is dismissed for misconduct.

Valuation of performance rights

The values for performance rights are based on valuations prepared by an independent external consultant. The valuations are based on the 10-day volume weighted average share price over the 10-day trading period prior to the start of the award's valuation period. Assumptions regarding the dividend yield and volatility have been estimated based on AMP's actual historic dividend yield and volatility over an appropriate period.

In determining the share-based payments expense, the number of instruments expected to vest has been adjusted to reflect the number of employees expected to remain with AMP until the end of the performance period and this is revisited each reporting date.

For the CEO Recovery Incentive Rights Award, the valuations are also prepared by an independent external consultant. The valuations are based on AMP's closing share price at the valuation date. Assumptions regarding the dividend yield and volatility have been estimated based on AMP's actual historic dividend yield and volatility over an appropriate period.

5.3 Share-based payments (continued)

(a) Performance rights (continued)

The following table shows the factors considered in determining the value of the performance rights granted during the period:

Grant date	Share price	Contractual life (years)	Dividend yield	Volatility[1]	Risk-free rate[1]	TSR performance hurdle discount	RoE performance hurdle discount[2]	TSR performance rights fair value	RoE performance rights fair value
04/06/2015	$6.20	3.0	4.7%	23%	2.1%	55%	0%	$2.82	$5.39
18/09/2015	$5.79	2.7	4.6%	23%	1.9%	58%	0%	$2.43	$5.11
15/04/2016	$5.79	1.1	4.7%	25%	2.0%	36%	0%	$3.68	$5.49
15/04/2016	$5.79	2.1	4.7%	23%	2.0%	69%	0%	$1.80	$5.24
02/06/2016	$5.54	3.0	4.7%	24%	1.6%	57%	0%	$2.37	$4.81
13/01/2017	$5.15	2.4	5.0%	23%	1.9%	71%	0%	$1.47	$4.57
19/05/2017	$5.08	4.0	5.2%	23%	1.8%	56%	n/a	$2.24	n/a

1 Applies to performance rights subject to a relative TSR performance hurdle only. These factors do not apply to performance rights subject to a RoE performance hurdle.

2 In accordance with the accounting standard AASB 2 *Share-based Payment*, allowance cannot be made for the impact of a non-market based performance hurdle in determining fair value.

The following table shows the factors considered in determining the value of the CEO Recovery Incentive Rights Award with a share price target granted during the period:

Grant date	Share price	Contractual life (years)	Dividend yield	Volatility	Risk-free rate	Share rights fair value
21/08/2018	$3.45	4.5	5.3%	22%	2.2%	$0.82

The following table shows the movement in number of performance rights outstanding during the period:

Grant date	Exercise price	Balance at 1 Jan 2018	Exercised during the year	Granted during the year	Lapsed during the year	Balance at 31 Dec 2018
04/06/2015	Nil	3,416,046	–	–	3,416,046	–
18/09/2015	Nil	61,038	–	–	61,038	–
15/04/2016	Nil	21,788	–	–	21,788	–
02/06/2016	Nil	3,688,422	–	–	1,247,360	2,441,062
13/01/2017	Nil	12,820	–	–	–	12,820
19/05/2017	Nil	3,267,000	–	–	1,270,500	1,996,500
21/08/2018	Nil	–	–	1,656,976	–	1,656,976
Total		**10,467,114**	**–**	**1,656,976**	**6,016,732**	**6,107,358**

From the end of the financial year and up to the date of this report, no performance rights have been issued, no performance rights have been exercised, and no performance rights have lapsed. Of the performance rights outstanding at the end of the period, none have vested or become exercisable.

5.3 Share-based payments (continued)

(b) Share rights

- LTI participants below the AMP Group Leadership Team may be awarded share rights as part of their overall LTI award.
- Nominated executives and selected other senior leaders who have the ability to impact AMP's financial soundness participate in the Short-term Incentive Deferral Plan and Enterprise Profit Share Plan. These plans require that 40% of the participants' annual short-term incentive/profit share outcome be awarded as share rights.
- Selected AMP Capital employees participate in the Deferred Bonus Equity Plan whereby a portion of their annual short-term incentive outcome (above a specified threshold) is deferred into share rights.
- Prior to 2017, high potential employees at a senior leader level were eligible for nomination to participate in the Short-Term Incentive Match Plan, which provided an award of share rights to the value of 50% of the individual's short-term incentive outcome (the plan ceased in 2017).

Plan	Long-term Incentive Plan	Short-term Incentive Deferral Plan, Enterprise Profit Share Plan and Deferred Bonus Equity Plan	Short-term Incentive Match Plan
Overview	Share rights give the participant the right to acquire one fully paid ordinary share in AMP Limited after a specified service period. They are granted at no cost to the participant and carry no dividend or voting rights until they vest. This award may be settled through an equivalent cash payment at the discretion of the board.		
Vesting conditions/ period	AMP Group employees – continued service for three years (2015 and 2016 grants) and four years for the 2017 grant. No LTI grant was made in 2018. AMP Capital employees – the 2017 and 2018 LTI grants made to eligible employees have a three-year service period. Some awards may also vary where the share rights are awarded as a sign-on equity award or to retain an employee for a critical period.	Continued service for two years and subject to ongoing employment, compliance with AMP policies and the board's discretion. For AMP Capital employees participating in the Enterprise Profit Share Plan or the Deferred Bonus Equity Plan, the grant is split into two tranches with continued service for two and three years respectively. These are also subject to ongoing employment, compliance with AMP policies and the board's discretion.	Continued service for two years and subject to ongoing employment, compliance with AMP policies and the board's discretion.
Vested awards	Vested share rights are automatically converted to shares on behalf of participants.		
Unvested awards	Unvested awards are forfeited if the participant voluntarily ceases employment or is dismissed for misconduct.		

CEO Buy-out Incentive Rights Award

As part of the CEO's incentive package on appointment, the CEO was granted an award of share rights with a service (employment) condition to compensate for incentives forgone from the CEO's previous employer.

Plan	CEO Buy-out Incentive Rights Award
Overview	The Buy-out Incentive share rights give the CEO the right to acquire one fully paid ordinary share in AMP Limited (per right) after a specified service period. They were granted at no cost to the CEO and carry no dividend or voting rights until they vest. This award may be settled through an equivalent cash payment at the discretion of the board.
Vesting conditions/ period	The rights will vest in accordance with the vesting schedule set out below: – 50% on 15 February 2020 – 30% on 15 February 2021 – 20% on 15 February 2022 Vesting is subject to continued service and in compliance with AMP policies and the board's discretion.
Vested awards	Vested share rights are automatically converted to shares on behalf of the CEO.
Unvested awards	Unvested awards are forfeited if the CEO voluntarily ceases employment or is dismissed for misconduct.

5.3 Share-based payments (continued)

Valuation of share rights

The fair value of share rights has been calculated as at the grant date, by external consultants using a 'discounted cash flow' methodology. Fair value has been discounted for the present value of dividends expected to be paid during the vesting period to which the participant is not entitled. For the purposes of the valuation it is assumed share rights are exercised as soon as they have vested. Assumptions regarding the dividend yield have been estimated based on AMP's actual historic dividend yield over an appropriate period.

In determining the share-based payments expense, the number of instruments expected to vest has been adjusted to reflect the number of employees expected to remain with AMP until the end of the performance period.

For the CEO Buy-out Incentive Rights Award, the valuations are also prepared by an independent external consultant. The valuations are based on AMP's closing share price at the valuation date. Assumptions regarding the dividend yield and volatility have been estimated based on AMP's actual historic dividend yield and volatility over an appropriate period.

The following table shows the factors which were considered in determining the independent fair value of the share rights granted during the period:

Grant date	Share price	Contractual life (years)	Dividend yield	Dividend discount	Fair value
04/06/2015	$6.20	3.0	4.7%	13%	$5.39
18/09/2015	$5.79	2.7	4.6%	12%	$5.11
18/09/2015	$5.79	1.8	4.6%	7%	$5.41
18/09/2015	$5.79	2.0	4.6%	6%	$5.42
22/02/2016	$5.54	1.5	4.6%	7%	$5.17
22/02/2016	$5.54	2.6	4.6%	11%	$4.91
22/02/2016	$5.54	1.6	4.6%	7%	$5.15
29/02/2016	$5.32	1.1	4.7%	5%	$5.06
15/04/2016	$5.79	0.9	4.7%	4%	$5.56
28/04/2016	$5.84	1.8	4.7%	8%	$5.36
02/06/2016	$5.54	3.0	4.7%	13%	$4.81
13/01/2017	$5.15	2.4	5.0%	11%	$4.57
13/01/2017	$5.15	1.6	5.0%	8%	$4.75
13/01/2017	$5.15	0.6	5.0%	3%	$5.00
27/04/2017	$5.12	2.8	5.2%	14%	$4.42
27/04/2017	$5.12	1.8	5.2%	9%	$4.65
19/05/2017	$5.08	3.0	5.2%	13%	$4.43
19/05/2017	$5.08	4.0	5.2%	17%	$4.21
03/07/2017	$5.19	2.0	5.2%	10%	$4.68
02/04/2018	$4.99	3.0	5.7%	14%	$4.27
02/04/2018	$4.99	1.9	5.7%	10%	$4.49
02/04/2018	$4.99	2.9	5.7%	15%	$4.25
16/07/2018	$3.60	0.4	6.0%	2%	$3.52
16/07/2018	$3.60	1.1	6.0%	6%	$3.38
13/08/2018	$3.39	0.5	5.3%	3%	$3.30
13/08/2018	$3.39	1.0	5.3%	5%	$3.21
13/08/2018	$3.39	2.0	5.3%	10%	$3.05
13/08/2018	$3.39	3.0	5.3%	15%	$2.89
21/08/2018	$3.45	1.5	5.3%	8%	$3.19
21/08/2018	$3.45	2.5	5.3%	12%	$3.02
21/08/2018	$3.45	3.5	5.3%	17%	$2.87
03/12/2018	$2.49	1.2	5.3%	6%	$2.34
03/12/2018	$2.49	2.2	5.3%	11%	$2.22

5.3 Share-based payments (continued)

The following table shows the movement in share rights outstanding during the period:

Grant date	Exercise price	Balance at 1 Jan 2018	Exercised during the year	Granted during the year	Lapsed during the year	Balance at 31 Dec 2018
04/06/2015	Nil	1,501,849	1,309,234	–	85,161	107,454
18/09/2015	Nil	61,037	7,384	–	34,615	19,038
28/04/2016	Nil	3,575,250	3,490,823	–	84,427	–
02/06/2016	Nil	1,700,835	–	–	122,071	1,578,764
13/01/2017	Nil	12,821	–	–	–	12,821
13/01/2017	Nil	8,818	–	–	–	8,818
27/04/2017	Nil	211,137	–	–	21,504	189,633
27/04/2017	Nil	331,951	–	–	20,160	311,791
27/04/2017	Nil	956,760	–	–	36,559	920,201
27/04/2017	Nil	1,006,547	–	–	38,461	968,086
27/04/2017	Nil	75,779	–	–	–	75,779
27/04/2017	Nil	79,725	–	–	–	79,725
19/05/2017	Nil	566,000	–	–	5,000	561,000
19/05/2017	Nil	1,341,447	–	–	198,134	1,143,313
03/07/2017	Nil	9,671	–	–	–	9,671
02/04/2018	Nil	–	–	655,425	2,879	652,546
02/04/2018	Nil	–	–	2,107,948	285,507	1,822,441
02/04/2018	Nil	–	–	1,116,415	40,358	1,076,057
16/07/2018	Nil	–	–	40,650	–	40,650
16/07/2018	Nil	–	–	40,650	–	40,650
13/08/2018	Nil	–	–	39,895	–	39,895
13/08/2018	Nil	–	–	53,191	–	53,191
13/08/2018	Nil	–	–	53,191	–	53,191
13/08/2018	Nil	–	–	53,191	–	53,191
21/08/2018	Nil	–	–	726,744	–	726,744
21/08/2018	Nil	–	–	436,046	–	436,046
21/08/2018	Nil	–	–	290,698	–	290,698
03/12/2018	Nil	–	–	142,856	–	142,856
03/12/2018	Nil	–	–	142,857	–	142,857
Total		**11,439,627**	**4,807,441**	**5,899,757**	**974,836**	**11,557,107**

From the end of the financial year and up to the date of this report, no share rights have been issued, no share rights have been exercised, and 110,195 share rights have lapsed due to resignation. Of the share rights outstanding at the end of the period, none have vested or become exercisable.

(c) Options

CEO Recovery Incentive Options Award

As part of the CEO's incentive package on appointment, the CEO was granted an award of options. This award is to ensure that the CEO is aligned with the long-term interests of shareholders.

Plan	CEO Recovery Incentive Option Award
Overview	The Recovery Incentive options give the CEO the right to acquire one fully paid ordinary share in AMP Limited (per option) at a predetermined price. Options do not carry any dividend or voting rights and are granted at no cost, however are subject to an exercise price at the time the options are converted to shares.
Vesting conditions	The options award has an exercise price of $5.50 per option. The CEO will be allocated one share or a cash equivalent for each vested option that is exercised and for which the exercise price has been paid by the CEO, subject to continued employment.
Vesting period	The options award will vest and become exercisable on or around 15 February 2023. Vested options will automatically lapse on 31 March 2024 if they have not been exercised before that date.
Vested awards	Vested options may only be exercised by the CEO in accordance with AMP's trading policy and subject to all applicable laws.
Unvested awards	Unvested awards are forfeited if the CEO voluntarily ceases employment or is dismissed for misconduct.

5.3 Share-based payments (continued)

Valuation of options

The fair value of the options has been calculated by an independent external consultant using AMP's closing share price at the valuation date being 14 December 2018.

(i) The following table shows the number and weighted exercise prices (WAEP) of, and movements in, options issued during the period:

Grant date	Exercise price	Balance at 1 Jan 2018	Exercised during the year	Granted during the year	Lapsed during the year	Balance at 31 Dec 2018
14/12/2018	$5.50	–	–	8,000,000	–	8,000,000
Total		**–**	**–**	**8,000,000**	**–**	**8,000,000**
Weighted average exercise price		**–**	**–**	**$5.50**	**–**	**$5.50**

(ii) The weighted average remaining contractual life for the options outstanding as at 31 December 2018 was 5.3 years (2017: nil).
(iii) The weighted average fair value of options granted during the year was $0.03 (2017: nil).
(iv) The following table shows the factors considered in determining the fair value of the options on the date of grant:

	2018	2017
Weighted average fair values at the measurement date	**$0.03**	–
Dividend yield (%)	**5.3%**	–
Expected volatility (%)	**26%**	–
Risk-free interest rate (%)	**2.1%**	–
Expected life of share options (years)	**5.3**	–
Weighted average share price ($)	**$2.33**	–
Model used	**Black-Scholes**	–

The volatility assumption is based on the actual volatility of AMP's daily closing share price over the three-year period to the valuation date.

(d) Restricted shares

CEO Buy-out Incentive Shares Award

As part of the CEO's incentive package on appointment, the CEO was awarded restricted shares with a service (employment) condition to compensate for incentives forgone from the CEO's previous employer.

Plan	CEO Buy-out Incentive Shares Award
Overview	The Buy-out Incentive restricted shares are fully paid ordinary shares in AMP Limited that are held in the AMP Employee Share Trust on behalf of the CEO until the specified service period has been met. They were granted at no cost to the CEO and carry the same dividend or voting rights as other fully paid ordinary shares. Any dividends paid on shares are received in the ordinary course on the dividend payment date(s).
Vesting conditions/ period	The restricted shares will vest in accordance with the vesting schedule set out below: – 60% on 15 August 2019 – 20% on 15 August 2020 – 20% on 15 August 2021 Vesting is subject to continued service and in compliance with AMP policies and the board's discretion.
Vested awards	On the relevant vesting dates, the restriction on the shares is released.
Unvested awards	Unvested awards are forfeited if the CEO voluntarily ceases employment or is dismissed for misconduct.

5.3 Share-based payments (continued)

AMP Employee Share Plan – $1,000 Share Plan

AMP has given permanent employees the opportunity to become shareholders in AMP through the launch of the AMP Employee Share Plan (AESP). All permanent employees as at 12 December 2018 will be offered a $1,000 award of shares subject to employment on the allocation date in March 2019. These shares will be subject to a restriction on sale and transfer for up to three years from the date they are allocated. Any shares so acquired will be released to the participant at the end of the three-year period or when they leave employment with AMP (whichever is earlier).

Valuation of restricted shares and AMP Employee Share Plan

The CEO's award of restricted shares is based on valuations prepared by an independent external consultant. The valuations are based on the 10-day volume weighted average share price over the 10-day trading period prior to the start of the award's valuation period. Assumptions regarding the dividend yield and volatility have been estimated based on AMP's actual historic dividend yield and volatility over an appropriate period.

For the AESP, the fair value of the shares will be determined as the market price of AMP ordinary shares on the grant date. As employees holding restricted shares are entitled to dividend payments, no adjustment has been made to the fair value in respect of future dividend payments.

In determining the share-based payments expense for the period, the number of instruments expected to vest has been adjusted to reflect the number of employees expected to remain with AMP until the end of the vesting period.

(e) Employee share acquisition plan

The employee share acquisition plan was suspended mid-way through 2009 in Australia but continues to operate in New Zealand.

Accounting policy – recognition and measurement

Equity-settled share-based payments

The cost of equity-settled share-based payments is measured using their fair value at the date on which they are granted. The fair value calculation takes into consideration a number of factors, including the likelihood of achieving market-based vesting conditions such as total shareholder return (market conditions).

The cost of equity-settled share-based payments is recognised in the Income statement, together with a corresponding increase in the share-based payment reserve (SBP reserve) in equity, over the vesting period of the instrument. At each reporting date, the AMP group reviews its estimates of the number of instruments that are expected to vest and any changes to the cost are recognised in the Income statement and the SBP reserve, over the remaining vesting period.

Where the terms of an equity-settled share-based payment are modified and the expense increases as a result of the modification, the increase is recognised over the remaining vesting period. When a modification reduces the expense, there is no adjustment and the pre-modification cost continues to be recognised.

Where an equity-settled award does not ultimately vest, expenses are not reversed; except for awards where vesting is conditional upon a non-market condition, in which case all expenses are reversed in the period in which the instrument lapses.

Section 6: Group entities

This section explains significant aspects of the AMP group structure, including significant investments in controlled operating entities and entities controlled by AMP Life's statutory funds, and investments in associates. It also provides information on business acquisitions and disposals made during the year.

6.1 Controlled entities

(a) Significant investments in controlled operating entities are as follows:

Operating entities Name of entity	Country of registration	Share type	% holdings 2018	 2017
AMP AAPH Limited	Australia	Ord	**100**	100
AMP Advice Holdings Pty Ltd	Australia	Ord	**100**	100
AMP Bank Limited	Australia	Ord	**100**	100
AMP Capital Funds Management Limited	Australia	Ord	**85**	85
AMP Capital Holdings Limited	Australia	Ord	**85**	85
AMP Capital Investors (New Zealand) Limited	New Zealand	Ord	**85**	85
AMP Capital Investors Limited	Australia	Ord	**85**	85
AMP Capital Office and Industrial Pty Limited	Australia	Ord	**85**	85
AMP Capital Shopping Centres Pty Limited	Australia	Ord	**85**	85
AMP Financial Planning Pty Limited	Australia	Ord	**100**	100
AMP Group Finance Services Limited	Australia	Ord	**100**	100
AMP Group Holdings Limited	Australia	Ord A	**100**	100
AMP Life Limited	Australia	Ord	**100**	100
AMP Services (NZ) Limited	New Zealand	Ord	**100**	100
AMP Services Limited	Australia	Ord A	**100**	100
AMP Superannuation Limited	Australia	Ord	**100**	100
AMP Wealth Management New Zealand Limited	New Zealand	Ord	**100**	100
Hillross Financial Services Limited	Australia	Ord	**100**	100
ipac Group Services Pty Ltd	Australia	Ord	**100**	100
National Mutual Funds Management Ltd	Australia	Ord	**100**	100
National Mutual Life Nominees Pty Limited	Australia	Ord	**100**	100
NMMT Limited	Australia	Ord	**100**	100
The National Mutual Life Association of Australasia Limited	Australia	Ord	**100**	100

Investments in investment entities controlled by the AMP Life statutory funds
The life insurance statutory funds hold investments in various investment vehicles/funds backing policyholder liabilities as well as shareholder attributable assets in the life insurance statutory funds. The policyholder attributable investments are not part of the core wealth management business of AMP and do not have a material impact on the financial performance or net financial position of the company. The investments are measured at fair value through profit and loss reflecting the fair value movements in these investments in the financial statements.

Critical accounting estimates and judgements:
Judgement is applied in determining the relevant activities of each entity, whether AMP Limited has power over these activities and whether control exists. This involves assessing the purpose and design of the entity and identifying the activities which significantly affect that entity's returns and how decisions are made about those activities. In assessing how decisions are made, management considers voting and veto rights, contractual arrangements with the entity or other parties, and any rights or ability to appoint, remove or direct key management personnel or entities that have the ability to direct the relevant activities of the entity. Management also considers the practical ability of other parties to exercise their rights.

Judgement is also applied in identifying the variable returns of each entity and assessing AMP Limited's exposure to these returns. Variable returns include distributions, exposure to gains or losses and fees that may vary with the performance of an entity.

6.2 Acquisitions and disposals of controlled entities

(a) Acquisitions and disposals of controlled operating entities

There were no individually or collectively significant acquisitions or disposals of controlled operating entities during the year.

(b) Acquisition and disposals of controlled entities of AMP Life statutory funds

In the course of normal operating investment activities, the AMP Life statutory funds acquire equity interests in entities which, in some cases, result in AMP holding a controlling interest in the investee entity.

Most acquisitions and disposals of controlled entities are in relation to managed investment schemes with underlying net assets typically comprising investment assets including cash. The consideration for acquisitions or disposals reflects the fair value of the investment assets at the date of the transactions after taking into account minority interests.

Certain controlled entities of the life entity's statutory funds are operating companies which carry out business operations unrelated to the core wealth management operations of the AMP group.

6.3 Investments in associates

(a) Investments in associates accounted for using the equity method

Associate	Principal activity	Place of business	Ownership interest 2018 %	Ownership interest 2017 %	Carrying amount[1] 2018 $m	Carrying amount[1] 2017 $m
China Life Pension Company[3]	Pension company	China	**19.99**	19.99	**305**	281
AIMS AMP Capital Industrial REIT[2]	Industrial property trust	Singapore	**10**	5	**101**	47
China Life AMP Asset Management Company Ltd	Investment management	China	**15**	15	**49**	23
Global Infrastructure Fund Sponsor[2]	Fund	Cayman Island	**5**	8	**98**	151
Global Infrastructure Fund II[2]	Fund	Cayman Island	**5**	–	**81**	–
PCCP LLC[3]	Investment management	United States	**24.9**	24.9	**145**	127
Other (individually immaterial associates)			**n/a**	n/a	**145**	120
Total investments in associates accounted for using the equity method					**924**	749

1 The carrying amount is after recognising $42m (2017: $29m) share of current period profit or loss of associates accounted for using the equity method.
2 Entities within the AMP group have been appointed investment manager, therefore the group is considered to have significant influence.
3 The AMP group has significant influence through representation on the entity's Board.

(b) Investments in significant associates held by the life entities' statutory funds measured at fair value through profit or loss

The life insurance statutory funds hold investments in various investment vehicles/funds on behalf of policyholders. These investments are not part of the core wealth management business of AMP and do not have a material impact on the financial performance or net financial position of the AMP group.

Accounting Policy – recognition and measurement

Investments in associates accounted for using the equity method

Investments in entities, other than those backing investment contract liabilities and life insurance contract liabilities, over which the AMP group has the ability to exercise significant influence, but not control, are accounted for using the equity method of accounting. The investment is measured at cost plus post-acquisition changes in the AMP group's share of the associates' net assets, less any impairment in value. The AMP group's share of profit or loss of associates is included in the Consolidated income statement. Any dividend or distribution received from associates is accounted for as a reduction in carrying value of the associate.

Any impairment is recognised in the Consolidated income statement when there is objective evidence a loss has been incurred. It is measured as the amount by which the carrying amount of the investment in entities exceeds its recoverable amount.

Investments in associates measured at fair value through profit or loss

Investments in entities held to back investment contract liabilities and life insurance contract liabilities are exempt from the requirement to apply equity accounting and have been designated on initial recognition as financial assets measured at fair value through profit or loss.

6.4 Parent entity information

	2018 $m	2017 $m
(a) Statement of comprehensive income – AMP Limited entity		
Dividends and interest from controlled entities	**545**	890
Interest revenue – other entities	**–**	–
Service fee revenue	**4**	8
Other income	**1**	–
Operating expenses	**(3)**	(8)
Impairment	**(2,489)**	–
Finance costs	**(55)**	(45)
Income tax credit[1]	**17**	49
Profit (loss) for the year	**(1,980)**	894
Total comprehensive (loss) income for the year	**(1,980)**	894
(b) Statement of financial position – AMP Limited entity		
Current assets		
Cash and cash equivalents	**8**	3
Receivables and prepayments[2]	**57**	99
Current tax assets	**130**	–
Loans and advances to subsidiaries	**1,007**	1,191
Non-current assets		
Investments in controlled entities	**9,911**	12,400
Deferred tax assets[3]	**47**	91
Total assets	**11,160**	13,784
Current liabilities		
Payables[2]	**239**	106
Current tax liabilities	**–**	47
Provisions	**1**	5
Non-current liabilities		
Subordinated debt[4]	**1,043**	1,116
Total liabilities	**1,283**	1,274
Net assets	**9,877**	12,510
Equity – AMP Limited entity		
Contributed equity	**9,610**	9,547
Share-based payment reserve	**21**	22
Retained earnings[5]	**246**	2,941
Total equity	**9,877**	12,510

1 Dividend income from controlled entities $514m (2017: $866m) is not assessable for tax purposes. Income tax credit includes $8m (2017: $53m) utilisation of previously unrecognised tax losses.
2 Receivables and payables include tax-related amounts receivable from subsidiaries $53m (2017: $52m) and payable to subsidiaries $207m (2017: $75m).
3 Deferred tax assets include amounts recognised for losses available for offset against future taxable income $45m (2017: $87m).
4 The AMP Limited entity is the issuer of: AMP Wholesale Capital Notes; AMP Capital Notes – 2015, AMP Subordinated Notes – 2017 and AMP Notes 3. Further information on these is provided in note 3.2.
5 Changes in retained earnings comprise $1,980m loss (2017: $894m profit) for the year less dividends paid of $715m (2017: $837m).

(c) Contingent liabilities of the AMP Limited entity

The AMP Limited entity has entered into deeds to provide capital maintenance and liquidity support to AMP Bank Limited. At the reporting date, the likelihood of any outflow in settlement of these obligations is considered to be remote.

Section 7: Other disclosures

This section includes disclosures other than those covered in the previous sections, required for the AMP group to comply with the accounting standards and pronouncements.

7.1 Notes to Consolidated statement of cash flows
7.2 Commitments
7.3 Provisions and contingent liabilities
7.4 Auditors' remuneration
7.5 New accounting standards
7.6 Events occurring after reporting date

7.1 Notes to Consolidated statement of cash flows

	2018 $m	2017 $m
(a) Reconciliation of cash flow from operating activities		
Net profit after income tax	**51**	873
Depreciation of operating assets	**22**	17
Amortisation and impairment of intangibles	**239**	276
Investment gains and losses and movements in external unitholders' liabilities	**8,258**	(1,495)
Dividend and distribution income reinvested	**(5,502)**	(4,686)
Share-based payments	**5**	7
(Increase) in receivables, intangibles and other assets	**(569)**	(152)
(Decrease) increase in net policy liabilities	**(6,769)**	3,769
(Decrease) increase in income tax balances	**(937)**	244
Increase (decrease) in other payables and provisions	**1,221**	(251)
Cash flows used in operating activities	**(3,981)**	(1,398)
(b) Reconciliation of cash		
Comprises:		
Cash and cash equivalents	**3,932**	3,602
Short-term bills and notes (included in Debt securities)	**3,450**	3,620
Cash and cash equivalents for the purpose of the Statement of cash flows	**7,382**	7,222

Accounting policy – recognition and measurement

Cash and cash equivalents

Cash and cash equivalents comprise cash-on-hand that is available on demand and deposits that are held at call with financial institutions. Cash and cash equivalents are measured at fair value, being the principal amount. For the purpose of the Consolidated statement of cash flows, Cash and cash equivalents also includes other highly liquid investments not subject to significant risk of change in value, with short periods to maturity, net of outstanding bank overdrafts. Bank overdrafts are shown within Interest-bearing liabilities in the Consolidated statement of financial position.

7.2 Commitments

	2018 $m	2017 $m
(a) Operating lease commitments		
Due within one year	**76**	81
Due within one year to five years[1]	**319**	279
Due later than five years[1]	**846**	951
Total operating lease commitments	**1,241**	1,311

1 Operating lease commitments includes commitments to enter leases which have not yet commenced.

Non-cancellable operating leases are in relation to the AMP group's offices in various locations. AMP generally pays rent on a periodic basis at rates agreed at the inception of the lease.

At 31 December 2018, the total of future minimum sublease payments expected to be received under non-cancellable subleases was $5m (2017: $15m).

(b) Buy-back arrangements

AMP has contractual arrangements with financial advice businesses in the AMP advice network to purchase their client registers at agreed values subject to certain conditions being met. These buy-back arrangements include arrangements known as Buyer of Last Resort (BOLR). Advice businesses must register their intention to invoke buy-back arrangements, which have six to 18 month lead times and are subject to audit prior to finalising the purchase price. The pipeline of buy-back arrangements where an intention to invoke has been registered is $163m (2017: $86m), $141m of which relates to arrangements expected to settle in the next 12 months. The commitment value has been disclosed as the unaudited value as advised by the advice businesses. AMP's experience is that the ultimate purchase price after audit is typically less than the initially advised value and not all of the buy-backs progress to completion. Over the 12 months ended 31 December 2018, $33m was paid for executed buy-back arrangements.

Accounting policy – recognition and measurement

Operating lease payments

Operating lease payments are recognised as an expense in the Consolidated income statement on a straight-line basis over the lease term or other systematic basis representative of the patterns of the benefits obtained. Operating incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

7.3 Provisions and contingent liabilities

	2018 $m	2017 $m
(a) Provisions		
Restructuring[1]	**19**	22
Customer remediation	**656**	51
Other[2]	**132**	80
Total provisions	**807**	153

	Restructuring[1] $m	Customer remediation $m	Other[2] $m	Total $m
(b) Movements in provisions				
Balance at the beginning of the year	22	51	80	153
Additional provisions made during the year	19	615	124	758
Provisions used during the year	(22)	(10)	(72)	(104)
Balance at the end of the year	**19**	**656**	**132**	**807**

1 Restructuring provisions are recognised in respect of programs that materially change the scope of the business or the manner in which the business is conducted.

2 Other provisions are in respect of various other operational provisions. $28m (2017: $25m) is expected to be settled more than 12 months from the reporting date.

7.3 Provisions and contingent liabilities (continued)

Accounting policy – recognition and measurement

Provisions

Provisions are recognised when:

- the AMP group has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. For provisions other than employee entitlements, the discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

A contingent liability is disclosed where a legal or constructive obligation is possible, but not probable; or where the obligation is probable, but the financial impact of the event is unable to be reliably estimated.

Critical accounting estimates and judgements:

The group recognises a provision where a legal or constructive obligation exists at the balance sheet date and a reliable estimate can be made of the likely outcome. Although provisions are reviewed on a regular basis and adjusted for management's best current estimates, the judgemental nature of these items means that future amounts settled may be different from those provided.

From time to time, the AMP group may incur obligations arising from litigation or various types of contracts entered into in the normal course of business, including guarantees issued by the parent for performance obligations to controlled entities in the AMP group. Legal proceedings threatened against AMP may also, if filed, result in AMP incurring obligations. A contingent liability exists in relation to actual and likely potential legal proceedings.

Where it is determined that the disclosure of information in relation to a contingent liability can be expected to seriously prejudice the position of the AMP group (or its insurers) in a dispute, accounting standards allow the AMP group not to disclose such information. It is the AMP group's policy that such information is not disclosed in this note.

Industry and regulatory compliance investigations

AMP is subject to review from time to time by regulators, both in Australia and offshore. In Australia, AMP's principal regulators are APRA, ASIC and AUSTRAC, although other government agencies may have jurisdiction depending on the circumstances. The reviews and investigations conducted by regulators may be industry-wide or specific to AMP and the outcomes of those reviews and investigations can vary and may lead, for example, to the imposition of penalties, variations or restrictions to licences, the compensation of customers, enforceable undertakings or recommendations and directions for AMP to enhance its control framework, governance and systems.

AMP is undertaking additional reviews concurrently with these regulatory investigations to determine, amongst other things, where customers may have been disadvantaged. In some instances, compensation has been paid and where the results of our reviews have reached the point that customer compensation is likely and can be reliably estimated then a provision has been raised.

The Royal Commission

In December 2017, the Australian Government established a Royal Commission into 'Misconduct in the Banking, Superannuation and Financial Services Industry' (the Royal Commission) to investigate conduct, practices, behaviour or business activities by financial services entities, including AMP, that may amount to misconduct or that may have fallen below community standards and expectations.

During the course of 2018, the Royal Commission conducted a number of public hearings and required the production of documents as part of its inquiry. AMP responded by preparing submissions, attending hearings and providing documents as requested.

The final report of the Royal Commission was publicly released on 4 February 2019 and made:

- 76 policy recommendations which may result in legislative and regulatory change; and
- a number of findings of actual or possible misconduct (including breaches of law) or conduct which does or may fall below community standards and expectations, in relation to participants in the financial services industry, including AMP.

AMP is considering the various matters raised in the Commissioner's final report. The findings of the Royal Commission may result in litigation, fines, penalties, revocation, suspension or variation of conditions of relevant regulatory licences or other regulatory action. The policy recommendations include recommendations relating to financial advice, superannuation, banking, insurance and regulators. For certain policy recommendations, an existing provision is held or impairments on the carrying value of assets are reflected in this financial report; however the aggregate potential impact of these recommendations to AMP cannot be accurately assessed at the date of this financial report and a contingent liability exists.

Customer remediation

AMP is progressing with its customer review and remediation programs which are seeking to identify and compensate customers who have suffered loss or detriment as a result of either:

- inappropriate advice from their adviser; or
- where customers have been charged an advice service fee without the provision of service.

During the year, provisions have been raised for both of these items, inclusive of program costs. The actual compensation to customers and related program costs could vary significantly from the amounts provided. In particular, the application of the program and remediation principles (following the final agreement with ASIC) and the pattern and timing of individual customer compensation could have a significant impact on the final compensation and the costs of the programs.

Provisions for advice remediation do not include amounts for potential recoveries from advisers and insurers.

7.3 Provisions and contingent liabilities (continued)

Inappropriate advice

AMP continues to progress with the identification and compensation of customers who have suffered loss or detriment as a result of receiving inappropriate advice from their adviser. The scope of the review includes the period from 1 January 2009 to 30 June 2015 specified by ASIC in Report 515 Financial advice: Review of how large institutions oversee their advisers and extended to 30 June 2017, as well as including any instances of inappropriate advice identified through ongoing supervision and monitoring activities.

In some instances compensation has been paid and a provision exists for further compensation payable as the review progresses and client reviews are completed. AMP has adjusted its provision estimate for future compensation based on the actual experience of remediating clients and the future costs of operating the program and this has resulted in an increase in the provision as at 31 December 2018. The provision includes a component for advisers for which a remediation review has not yet commenced and the determination of compensation for any given client is not known with certainty until immediately prior to payment.

Advice service fee (fees for no service)

AMP has established a program to focus on the identification and compensation of customers of advisers who have been charged an ongoing service fee without the provision of service. This involves a large-scale review of fee arrangements from 1 July 2008 as specified by ASIC in Report 499 Financial advice: Fees for no service. Sampling of customer files has been conducted across AMP licensees and has identified instances in the review period where customers have paid fees and there is insufficient evidence to support that the associated service had been performed.

AMP is developing a process for customer review and remediation within a reasonable timeframe, which on current estimates is three years finishing mid 2021. AMP has been engaging with ASIC on this process and whilst progress has been made, discussions on principles to be applied when remediating customers are yet to be concluded at the date of this report.

A provision for advice service fee customer compensation and the future costs of executing the program has been raised during the year ended 31 December 2018. This provision is judgemental and has been estimated using multiple assumptions derived from the sampling conducted to date. Assumptions used include evidence failure rates, average fees to be refunded and compensation for lost earnings.

Other matters

In addition to the above items, other reviews in relation to fees charged to customers are being undertaken, including corporate plan service fees, fees charged to orphan customers and deceased estates; and where required, customers will be remediated. The reviews have not progressed sufficiently to be able to reliably estimate any impact as at 31 December 2018 and a contingent liability exists for the financial impact of customer remediation.

Buy-back arrangements

AMP has contractual arrangements with financial advice businesses in the AMP advice network to purchase their client registers at agreed multiples to recurring revenues subject to certain conditions being met. These buy-back arrangements include arrangements known as Buyer of Last Resort (BOLR). Advice businesses must register their intention to invoke buy-back arrangements, which have six to 18 month lead times, and are subject to audit prior to finalising the purchase price. Client registers are either acquired outright by AMP or AMP facilitates a sale to an existing business within the AMP advice network.

AMP is currently assessing options in relation to how grandfathered commissions are valued for the purpose of buy-back arrangements, recognising that the findings of the Royal Commission make specific reference to grandfathered commissions. Consultation with AMP's advice network has commenced and dependent upon the implementation approach, which has not yet been settled, a contingent liability exists in relation to these arrangements.

Litigation

Shareholder class actions

During May and June 2018, AMP Limited was served with five competing shareholder class actions, one filed in the Supreme Court of NSW and the others filed in the Federal Court of Australia. The actions follow the financial advice hearing block in the Royal Commission in April 2018 and allege breaches by AMP Limited of its continuous disclosure obligations. Each action is on behalf of shareholders who acquired an interest in AMP Limited shares over a specified time period, the longest of which is between 10 May 2012 and 17 April 2018. The claims are yet to be quantified and participation has not been determined. AMP Limited has filed its defence in the action initially brought in the Supreme Court of NSW. The various other competing proceedings have subsequently been transferred to the Supreme Court of NSW. AMP is awaiting the Court's decision on which of the five class actions is to continue. Currently it is not possible to determine the ultimate impact of these claims, if any, upon AMP. AMP Limited intends to vigorously defend these actions.

ASIC civil penalty proceedings

AMP Financial Planning Pty Limited (AMPFP), a wholly-owned subsidiary of AMP Limited, is the subject of proceedings brought by ASIC on 27 June 2018. The proceedings allege contraventions of the *Corporations Act 2001* (Cth) by AMPFP relating to the alleged conduct of certain of its authorised financial advisers in providing advice to customers in relation to the replacement of life insurance policies by cancellation and new application rather than by transfer. ASIC's claim is in respect of six advisers and 40 instances of advice. ASIC is seeking declarations that AMPFP contravened various sections of the Corporations Act and orders that AMPFP pay pecuniary penalties of an unspecified amount. AMPFP filed its defence in September 2018. AMPFP has made certain admissions in respect of the conduct of a single adviser terminated by AMPFP and banned by ASIC several years ago. However, AMPFP is vigorously defending ASIC's allegation that this conduct constitutes a broader, systemic issue.

7.4 Auditors' remuneration

	2018 $'000	2017 $'000
AMP Limited and other corporate entities in the consolidated group		
Audit services		
Audit or review of financial statements	**6,107**	5,536
Other audit services[1]	**1,286**	1,395
Total audit service fees	**7,393**	6,931
Non-audit services		
Taxation services	**766**	743
Other services[2]	**1,082**	856
Total non-audit services fees	**1,848**	1,599
Total auditors' remuneration for AMP Limited and other corporate entities	**9,241**	8,530
Managed Investment Schemes and Superannuation Funds		
Audit services		
Audit or review of financial statements	**6,474**	6,977
Other audit services[1]	**371**	303
Total audit service fees	**6,845**	7,280
Non-audit services		
Taxation services	**274**	305
Other services[3]	**280**	–
Total non-audit services fees	**554**	305
Total auditors' remuneration for managed investment schemes and superannuation funds	**7,399**	7,585
Total auditors' remuneration	**16,640**	16,115

1 Other audit services include regulatory compliance and reviews of controls and procedures.
2 Other non-audit services for AMP Limited and other corporate entities relate to compliance related review.
3 Other non-audit services for managed investment schemes and superannuation funds are primarily related to transaction related advice.

7.5 New accounting standards

(a) New and amended accounting standards adopted by the AMP group

A number of new accounting standards and amendments have been adopted effective 1 January 2018. These have not had a material effect on the financial position or performance of the AMP group.

AASB 15 Revenue from Contracts with Customers

AASB 15 *Revenue from Contracts with Customers* (AASB 15) became effective for periods beginning on 1 January 2018. AASB 15 defines principles for recognising revenue and introduces new disclosure requirements. Under AASB 15, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled to in exchange for transferring goods or services to a customer. Revenue from contracts with customers, as defined by AASB 15, is disclosed as Fee revenue and Other revenue on the Consolidated income statement.

AMP has applied the 'cumulative effect' method in adopting AASB 15 which requires an adjustment to the retained earnings at 1 January 2018 for contracts that remained open as at that date. The cumulative effect at 1 January 2018 was less than $1m as the primary impact on the AMP group was the change in presentation of some revenue from gross to net or vice versa which did not have any profit impact. AASB 15 also changes the timing of the recognition of performance fees for certain closed end funds, the impact of which will emerge in future years.

Revenue from contracts with customers is disclosed in note 1.1(b).

7.5 New accounting standards (continued)

AASB 9 Financial Instruments

AASB 9 *Financial Instruments* (AASB 9) became effective for periods beginning on 1 January 2018. AASB 9 makes changes to the classification and measurement of financial instruments, introduces a new expected loss model when recognising expected credit losses (ECL) on financial assets, and also introduces new general hedge accounting requirements.

AMP has applied AASB 9 retrospectively without restating the comparative information for 2017 as permitted by the transitional provisions of the standard. The difference between the previous carrying amount of financial instruments and the carrying amount of those instruments at 1 January 2018 measured in accordance with AASB 9 has been recorded as an adjustment to retained earnings at 1 January 2018. As permitted by AASB 9 the group has chosen to continue to apply the hedge accounting requirements of AASB 139 *Financial Instruments: Recognition and Measurement*.

The key changes in the group's accounting policies resulting from the adoption of AASB 9 are summarised below:

Classification and measurement

Under AASB 9, the group determines the classification of financial assets based on the business model it uses to manage the financial assets and the contractual characteristics of the financial assets. We note the following classification changes as a result of the adoption of AASB 9:

– Financial instruments which were previously classified as loans and receivables are now classified as amortised cost.
– Equity instruments which were previously classified as available-for-sale are now classified as fair value through other comprehensive income (FVOCI). Consistent with the treatment of available-for-sale equity instruments, movements in the value of equity instruments classified as FVOCI are recognised in the fair value reserve within the Consolidated statement of changes in equity. However, unlike the treatment for available-for-sale instruments, gains and losses on equity securities measured at FVOCI are not subsequently reclassified to profit or loss.
– Debt securities held by AMP Bank were previously classified as held-to-maturity and measured at amortised cost. AMP has reclassified these financial instruments as FVOCI as the debt instruments meet the contractual cash flow characteristics and will be held both to collect cash flows and to manage liquidity needs. This has resulted in a $4m increase in value at 1 January 2018. This increase in value has been recorded as an adjustment to the Fair value reserve at 1 January 2018.

The accounting for the group's financial liabilities remains the same as it was under AASB 139.

The adoption of AASB 9 has changed the group's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. The ECL model, further described in note 2.1, applies to all the group's financial assets measured at amortised cost, debt securities measured at FVOCI, loan commitments and financial guarantee contracts not measured at fair value through the Income statement.

The group's syndicated loan facility was renegotiated effective 14 December 2017. On adoption of AASB 9, a gain on modification of $15m was recognised as an adjustment to retained earnings, as a result of the change in terms. This gain was also recognised as an offset to the carrying value of the facility and will amortise over its life. The amortisation of the gain is recognised as an increase to Finance costs on the Income statement.

The following table identifies the impacts of the adoption of AASB 9 on the reserves and retained earnings balances at 1 January 2018:

	Retained earnings $m	Fair value reserve $m	Total equity $m
Balance at 31 December 2017	(164)	7	7,283
Expected credit losses – loans and advances	(12)	–	(12)
Expected credit losses – trade receivables	(5)	–	(5)
Gain on modification of syndicated loan	15	–	15
Reclassification of debt securities from amortised cost to FVOCI	–	4	4
Tax impact	1	(1)	–
Balance at 1 January 2018	**(165)**	**10**	**7,285**

7.5 New accounting standards (continued)

(b) New accounting standards issued but not yet effective

A number of new accounting standards and amendments have been issued but are not yet effective, none of which have been early adopted by the AMP group in this financial report. These new standards and amendments, when applied in future periods, are not expected to have a material impact on the financial position or performance of the AMP group, other than as set out below.

AASB 16 Leases
AASB 16 *Leases* (AASB 16) is effective for periods beginning on 1 January 2019. AASB 16 requires lessees to recognise most leases on balance sheet as lease liabilities, with corresponding right-of-use (ROU) assets. Lessees have the option to not recognise short-term leases and leases of low-value assets.

AMP group has materially completed the impact assessment of AASB 16 adoption as at 1 January 2019. The estimated impact for the group as a lessee is in the order of $200m to $220m which will be recognised as an increase in lease liabilities with a corresponding ROU asset. The actual impact of adoption could be different as new accounting policies are subject to change until the group presents its first financial statements that include the date of initial application.

As a result of adoption of AASB 16, the nature of expenses relating to leases will change. Operating lease expenses were previously recognised on a straight-line basis. However, under AASB 16 the group will recognise depreciation expense for ROU assets and interest expense for lease liabilities.

AMP expects to adopt AASB 16 using the modified retrospective approach. Under this approach the cumulative effect of adoption will be recognised as an adjustment to opening retained earnings at 1 January 2019, with no restatement of comparative information.

AASB 17 Insurance Contracts
AASB 17 *Insurance Contracts* (AASB 17) is effective for periods beginning on 1 January 2021. The new standard will introduce significant change to the accounting for life insurance contracts and the reporting and disclosures in relation to those contracts. The new standard, of itself, does not change the underlying economics or cash flows of the life insurance business. However, it is anticipated that there will be an impact on profit emergence profiles from life insurance contracts. Subject to any changes to regulation or legislation which may be made in response to the new standard, there may also be an impact on the determination of capital requirements and income tax.

The detailed requirements of the standard are complex, and in some cases the final impact of these requirements will not be determined until interpretations and regulatory responses to the new standard are developed. The AMP group is continuing to develop its implementation plan for the adoption of AASB 17.

AASB Interpretation 23 'Uncertainty over Income Tax Treatments' effective for periods beginning on 1 January 2019
The Interpretation clarifies the application of the recognition and measurement criteria in AASB 112 *Income Taxes* when there is uncertainty over income tax treatments. The Interpretation specifically addresses whether an entity considers uncertain tax treatments separately, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and how an entity considers changes in facts and circumstances.

7.6 Events occurring after reporting date

In December 2017, the Australian Government established a Royal Commission into 'Misconduct in the Banking, Superannuation and Financial Services Industry' (the Royal Commission) to investigate conduct, practices, behaviour or business activities by financial services entities, including AMP, that may amount to misconduct or that may have fallen below community standards and expectations. During the course of 2018, the Royal Commission has conducted a number of public hearings and required the production of documents as part of its inquiry.

The final report of the Royal Commission was publicly released on 4 February 2019 and made:
– 76 policy recommendations which may result in legislative and regulatory change; and
– a number of findings of actual or possible misconduct (including breaches of law) or conduct which does or may fall below community standards and expectations in relation to participants in the financial services industry, including AMP.

AMP is considering the various matters raised in the Commissioner's final report.

As at the date of this report, the directors are not aware of any other matters or circumstances that have arisen since the end of the financial year that have significantly affected, or may significantly affect:
– the AMP group's operation in future years;
– the results of those operations in future years; or
– the AMP group's state of affairs in future financial years.

Directors' declaration

for the year ended 31 December 2018

In accordance with a resolution of the directors of AMP Limited, for the purposes of section 295(4) of the *Corporations Act 2001*, the directors declare that:

(a) in the opinion of the directors there are reasonable grounds to believe that AMP Limited will be able to pay its debts as and when they become due and payable;

(b) in the opinion of the directors the financial statements and the notes of AMP Limited and the consolidated entity for the financial year ended 31 December 2018 are in accordance with the *Corporations Act 2001*, including section 296 (compliance with accounting standards) and section 297 (true and fair view);

(c) the notes to the financial statements of AMP Limited and the consolidated entity for the financial year ended 31 December 2018 include an explicit and unreserved statement of compliance with the International Financial Reporting Standards; and

(d) the declarations required by section 295A of the *Corporations Act 2001* have been given to the directors.

David Murray
Chairman

Francesco De Ferrari
Chief Executive Officer and Managing Director

Sydney, 14 February 2019

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Independent Auditor's Report

to the Shareholders of AMP Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of AMP Limited (the Company) and its subsidiaries (collectively the Group or AMP), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance for the year ended on that date; and
b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Report on the Audit of the Financial Report (continued)

Sale of the AMP Life Wealth Protection & Mature Portfolios
31 December 2018 Financial report reference: 'Understanding AMP financial report' section (b)

Why significant	How our audit addressed the matter
– On 25 October 2018, the Group announced the completion of its portfolio review, resulting in the sale of the wealth protection and mature portfolios to Resolution Life and the intended listing of the remaining New Zealand business on the New Zealand stock exchange. – The complexity of the transaction and timing in relation to the year end involved the following key areas of judgement: – Assessment of control as at balance date; and – The classification of the related assets and liabilities as ther continuing or discontinued operations.	Our audit procedures included the following: – We considered the Group's assessment of control as at 31 December 2018 for the businesses affected based on the transaction terms. – We assessed the Group's conclusion to not recognise the assets and liabilities as discontinued operations based on the steps needed to ready the business for sale and the criteria contained in Australian Accounting Standards. – We assessed the adequacy of related financial report disclosures.

Customer remediation provisions
31 December 2018 Financial report reference: Section 7.3: Provisions and contingent liabilities

Why significant	How our audit addressed the matter
– AMP has recorded provisions in relation to customer remediation programs amounting to $656 million at 31 December 2018 as disclosed in Section 7.3. – Significant judgement was involved in assessing customer remediation matters and in determining a reliable measurement of the provision. Key areas of judgement included: – Whether sufficient information existed to allow a provision to be reliably measured – The setting of model assumptions including remediation rates, average compensation amounts, resources required and time to complete the program; and – Timing of probable remediation payments	Our audit procedures included the following: – We evaluated evidence of potential obligations through an assessment of customer complaints, regulatory and breach notifications, claims and litigation. – We gained an understanding of the status of the various customer remediation programs including the results of management investigations, engagement with regulators and key decisions made by the Group regarding the program approach through discussions with management and directors, and review of Board minutes and papers. – We assessed key modelling assumptions used to calculate provisioned amounts. – For those matters where the Group determined that a sufficiently reliable estimate of the obligation could not be made, we assessed this conclusion and the adequacy of related disclosures against the requirements of Australian Accounting Standards. – We assessed the adequacy of related contingent liability disclosures against the requirements of Australian Accounting Standards.

Report on the Audit of the Financial Report (continued)

Impairment of advice related assets
31 December 2018 Financial report reference: Section 7.3: Provisions and contingent liabilities

Why significant	How our audit addressed the matter
– As disclosed in Section 7.3 the Group has Buyer of Last Resort arrangements (BOLR) in place which can require them to buy planner registers. When acquired, these assets are recorded as inventory and intangible assets depending on their intended use. As explained in Section 7.3 there are uncertainties as to the consequences of the final Royal Commission report and future legislative changes that could have an impact on the underlying assumptions supporting the valuation of the planner registers related assets. – The Group has practice finance loans as at 31 December 2018 for which provisions are required to be booked in accordance with Australian Accounting Standards where loans are impaired or are expected to be impaired in the future. Key areas of judgement include: – Impairment model assumptions in respect of inventory, intangible assets and practice finance loans – Whether the BOLR terms represent an onerous contract and requires a provision to be recorded – Whether new information from the Royal Commission report represents a material subsequent event.	Our audit procedures included the following: – We assessed management's analysis of the impact of the possible removal of grandfathered commissions and the reassessment of other key assumptions in impairment models, to assess the reasonableness of carrying values and impairment outcomes. – We assessed and tested key impairment modelling assumptions used to calculate impairment amounts. – We assessed the disclosures of the assumptions, uncertainties and associated judgments in relation to the provision and potential contingencies. – We considered management's assessment of market and internal factors in determining the loan impairment recognised against the practice finance loan book. – We reviewed and assessed the appropriateness of contingent liability and subsequent event disclosures against requirements of Australian Accounting Standards.

Valuation of life insurance policy liabilities
31 December 2018 Financial report reference: Section 4.1: Accounting for life insurance and investment contracts

Why significant	How our audit addressed the matter
– Life insurance policy liabilities total $23,257 million and represent 17% of total liabilities. – The valuation of the provisions for the settlement of future claims involves complex and subjective judgements about future events, both internal and external to the business. Small changes in assumptions can have a material impact on the valuation of these liabilities. Key areas of judgement included: – Discount rates – Inflation and indexation – Forecast lapse rates, particularly for the wealth protection book of business – Forecast rates of mortality and morbidity for the wealth protection and mature books of business – Future maintenance and investment expenses	To assess the assumptions used to determine the value of policyholder liability, we have performed the following in procedures in conjunction with our actuarial specialists. – We conducted an examination of the policyholder liability, regulatory capital balances and related disclosures included within the financial reports against the Life Prudential Standards and Australian Accounting Standards. – We assessed the Group's controls over the recording of new business, policy administration and claims processes. – We assessed the policy liability valuation process including the key reconciliations supporting the data used in the valuation process. – We evaluated the associated IT systems and the design and operating effectiveness of IT system controls relating to the policy valuations. – We assessed the qualifications, competence and objectivity of the AMP life entities' Appointed Actuary. – Our actuarial specialists assessed the reasonableness of the valuation methodology, key assumptions, including the impact of the recent reinsurance transactions, and the interpretation of prudential standards that affect the policy liability valuation. – Where adjustments were made to the valuation model outputs outside the standard processes, our actuarial specialists performed testing necessary, on a sample basis, to validate the nature and accuracy of the adjustments. – We assessed the adequacy of policy liability disclosures included in the financial report against the requirements of Australian Accounting Standards.

Report on the Audit of the Financial Report (continued)

Goodwill and Intangible Assets 31 December 2018 Financial report reference: Section 2.2: Intangibles	
Why significant	**How our audit addressed the matter**
– Goodwill has been recognised as a result of AMP's historical acquisitions, representing the excess of the purchase consideration over the fair value of assets acquired. At acquisition date this goodwill was allocated to the applicable Cash Generating Units (CGUs). At 31 December 2018, AMP has recorded goodwill of $2,130 million as described in section '2.2 Intangibles'. – An impairment assessment was performed, comparing the carrying value of the CGU with its recoverable amount. The recoverable amount of each CGU is determined by calculating the CGU's fair value. As explained in section 'Goodwill attributable to shareholders', as required by Australian Accounting Standards, the Group amended its CGUs and updated the impairment assessment methodology in line with how the business is now managed. – Intangible assets for in-force contracts and distribution networks were acquired during historical acquisitions. These intangible assets are amortised and are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Key areas of judgement included the: – Identification of CGUs and allocation of goodwill to CGUs – Price/Earnings multiples used to calculate recoverable amounts – Assumptions used to estimate the appraisal value of the wealth management CGU, including risk discount rates, rates of future inflation and forecasts of expected future lapse and forecast new business growth rates.	Our audit procedures included the following: – Assessed whether the reallocation of Goodwill to the amended CGUs was in line with the requirements of Australian Accounting Standards. – Assessed whether the methodology used by the Group for impairment assessment purposes was in line with the requirements of Australian Accounting Standards. – Assessed the key assumptions in the impairment models such as risk discount rates, rates of future inflation and forecasts of expected future lapse and forecast new business growth rates. – Performed sensitivity analysis on the impact of changes in those assumptions. – Where required, we involved our actuarial specialists to test arithmetic accuracy of the impairment model and key assumptions such as risk discount rates, rates of future inflation and forecasts of expected future lapse and forecast new business growth rates. – For amortising intangible assets, we assessed the methodology used by the Group for impairment assessment purposes to evaluate whether events or changes in circumstances indicated that the carrying amount may not be recoverable.

Report on the Audit of the Financial Report (continued)

Information technology (IT) environment
31 December 2018 Financial report reference: None

Why significant	How our audit addressed the matter

– The operations of Group are heavily dependent on information technology systems and their associated IT controls.
– A fundamental component of IT controls is ensuring appropriate user access management, program change management and IT operational protocols exist and are being adhered to.
	Our audit procedures included the following:
	– We assessed the controls in place over access to the Group's IT systems and data, as well as system changes relevant to financial reporting. We tailored our audit approach based on the financial significance of the system and whether there were automated processes supported by that system.
	– We assessed controls over the approval and creation of user access and maintenance of appropriate access rights to relevant applications.
	– We assessed controls in place to address the risk of unauthorised or erroneous changes being made to systems and program data.
	– Where deficiencies were identified, we performed additional procedures to test the information produced from affected systems.
	– These procedures included:
	  – Identifying whether there had been unauthorised or inappropriate changes made to critical IT systems and databases.
	  – Assessing the design and operating effectiveness of compensating controls.
	– Where required, we performed procedures to validate the integrity and reliability of the specific information.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2018 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report (including the remuneration report) that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
– Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
– Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
– Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2018.

In our opinion, the Remuneration Report of AMP Limited for the year ended 31 December 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Andrew Price
Partner
Sydney
14 February 2019

Securityholder information

Distribution of AMP capital notes holdings as at 14 February 2019

Range	Number of holders	Notes held	% of issued notes
1–1,000	3,881	1,019,029	38.09
1,001–5,000	246	539,177	20.16
5,001–10,000	16	106,721	3.99
10,001–100,000	21	644,588	24.10
100,001 and over	2	365,485	13.66
Total	**4,166**	**2,675,000**	**100.00**

Twenty largest AMP capital notes holdings as at 14 February 2019

Rank	Name	Notes held	% of issued notes
1	HSBC Custody Nominees (Australia) Limited	228,265	8.53
2	Citicorp Nominees Pty Limited	137,220	5.13
3	BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd DRP	77,454	2.90
4	Mutual Trust Pty Ltd	67,189	2.51
5	Navigator Australia Ltd <MLC Investment Sett A/C>	66,412	2.48
6	IOOF Investment Management Limited <IPS Super A/C>	52,045	1.95
7	J P Morgan Nominees Australia Pty Limited	44,390	1.66
8	National Nominees Limited	43,407	1.62
9	HSBC Custody Nominees (Australia) Limited – A/C 2	33,737	1.26
10	Trustees of Church Property for the Diocese of Newcastle <Savings & Development A/C>	31,960	1.19
11	Filbury P/L <Piekarski Grand Invest A/C>	25,800	0.96
12	Netwealth Investments Limited <Wrap Services A/C>	25,032	0.94
13	IOOF Investment Management Limited <IPS IDPS A/C>	24,238	0.91
14	Nulis Nominees (Australia) Limited <Navigator Mast Plan Sett A/C>	24,235	0.91
15	BNP Paribas Noms Pty Ltd <DRP>	19,277	0.72
16	Netwealth Investments Limited <Super Services A/C>	17,380	0.65
17	Navigator Australia Ltd <JB Were List Fix Int SMA A/C>	16,905	0.63
18	Citicorp Nominees Pty Limited <DPSL>	15,601	0.58
19	T G B Holdings Pty Ltd	14,100	0.53
20	Larkins Business Management Pty Ltd	13,034	0.49
Total		**977,681**	**36.55**

Distribution of AMP wholesale capital notes holdings as at 14 February 2019

Range	Number of holders	Notes held	% of issued notes
1–1,000	5	1,980	7.20
1,001–5,000	4	12,259	44.58
5,001–10,000[1]	2	13,261	48.22
Total	**11**	**27,500**	**100.00**

1 National Nominees Limited holds 25.1% of AMP wholesale capital notes with 6,903 notes. HSBC Custody Nominees Australia Limited holds 23.12% of AMP wholesale capital notes with 6,358 notes.

AMP notes voting rights

AMP wholesale capital notes and AMP capital notes confer no right to attend or vote at any general meeting of the shareholders of AMP Limited. If a holder's notes convert into AMP Limited ordinary shares in accordance with the terms of the notes, those shares will have the voting rights described on page 148.

Substantial holders as at 14 February 2019

The names of substantial holders in AMP Limited, and the number of ordinary shares which each substantial holder and the substantial holder's associates have a relevant interest in, as disclosed in substantial holding notices received by AMP Limited before 14 February 2019, are set out below. For details of the related bodies corporate of the substantial holders who also hold relevant interests in AMP Limited ordinary shares, refer to the substantial holding notices lodged with ASX, under the company code AMP.

Shareholder	Number of ordinary shares	Voting power %
BlackRock Inc.[1]	152,504,213	5.19%
Lazard Asset Management Pacific Co[2]	150,155,217	5.11%
Harris Associates Investment Trust[3]	145,461,557	5.04%
The Vanguard Group, Inc.[4]	144,315,656	5.001%

1 Substantial holding notice lodged with ASX on 25 January 2019.
2 Substantial holding notice lodged with ASX on 19 December 2018.
3 Substantial holding notice lodged with ASX on 11 April 2018.
4 Substantial holding notice lodged with ASX on 24 April 2018.

Distribution of AMP Limited shareholdings as at 14 February 2019

Range	Number of holders	Ordinary shares held	% of issued shares
1–1,000	498,591	218,823,692	7.45
1,001–5,000	205,717	421,351,505	14.34
5,001–10,000	21,737	154,755,147	5.27
10,001–100,000	12,409	271,633,480	9.25
100,001 and over	363	1,870,864,512	63.69
Total	**738,817**	**2,937,428,336**	**100.00**

As at 14 February 2019, the total number of shareholders holding less than a marketable parcel of 223 shares is 112,741.

Twenty largest AMP Limited shareholdings as at 14 February 2019

Rank	Name	Ordinary shares held	% of issued capital
1	HSBC Custody Nominees (Australia) Limited	839,632,504	28.58
2	Citicorp Nominees Pty Limited	324,901,424	11.06
3	J P Morgan Nominees Australia Pty Limited	321,302,875	10.94
4	National Nominees Limited	86,248,352	2.94
5	BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	51,163,743	1.74
6	HSBC Custody Nominees (Australia) Limited – GSCO ECA	30,194,318	1.03
7	BNP Paribas Noms Pty Ltd <DRP>	21,751,641	0.74
8	Citicorp Nominees Pty Limited <Colonial First State INV A/C>	16,409,455	0.56
9	HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	15,694,096	0.53
10	Australian Foundation Investment Company Limited	12,910,422	0.44
11	Argo Investments Limited	10,381,674	0.35
12	AMP Life Limited	8,535,224	0.29
13	Netwealth Investments Limited <Wrap Services A/C>	6,805,654	0.23
14	BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd Drp	6,485,855	0.22
15	Aigle Royal Superannuation Pty Ltd <A Poli Super Fund A/C>	5,500,000	0.19
16	Navigator Australia Ltd <SMA Antares INV DV Build A/C>	4,737,247	0.16
17	HSBC Custody Nominees (Australia) Limited – A/C 2	3,515,691	0.12
18	Gwynvill Trading Pty Limited	3,054,000	0.10
19	Navigator Australia Ltd <MLC Investment Sett A/C>	2,862,956	0.10
20	Nulis Nominees (Australia) Limited <Navigator Mast Plan Sett A/C>	2,571,207	0.09
Total		**1,774,658,338**	**60.42**

AMP Limited shares voting rights

The voting rights attached to AMP Limited ordinary shares are that each registered holder of shares present in person (or by proxy, attorney or representative) at a meeting of shareholders has one vote on a vote taken by a show of hands, and one vote for each fully paid share held on a vote taken by a poll.

Options and rights granted under the Equity Incentive Plan

As at 14 February 2019, AMP Limited had the following unquoted options and rights on issue under its Equity Incentive Plan:

– 8,000,000 options granted to the CEO.
– 11,446,912 share rights, of which the number of holders was 339.
– 6,107,358 performance rights, of which the number of holders was 72.

Options, share rights and performance rights do not give the holder an entitlement to be issued AMP Limited shares. AMP Limited generally has the discretion to satisfy vested options and rights by way of the issue, on market purchase or transfer of shares (or by an equivalent cash payment). Options, share rights and performance rights do not confer any voting rights on the holder unless and until they vest and are converted into shares. For further details of options and rights on issue, refer to pages 121 to 128 (note 5.3 Share-based payments) and the remuneration report.

Share rights as at 14 February 2019

Size of holding	Number of holders	Share rights
1–1,000	6	3,896
1,001–5,000	132	399,737
5,001–10,000	40	326,003
10,001–100,000	135	4,527,252
100,001 and over	26	6,190,024
Total	**339**	**11,446,912**

Performance rights as at 14 February 2019

Size of holding	Number of holders	Performance rights
1–1,000	–	–
1,001–5,000	–	–
5,001–10,000	23	186,638
10,001–100,000	36	494,177
100,001 and over	13	5,426,543
Total	**72**	**6,107,358**

On market acquisitions for employee incentive schemes during the financial year ended 31 December 2018

4,264,610 AMP Limited ordinary shares were purchased on market to satisfy entitlements under AMP's employee incentive schemes at an average price per share of $4.89.

Stock exchange listings

AMP Limited's ordinary shares are quoted on the Australian Securities Exchange and on the New Zealand Stock Exchange.
AMP capital notes are quoted on the Australian Securities Exchange.

Restricted securities

There are no restricted securities on issue.

Buy-back

There is no current on market buyback.

Glossary

Contingent liabilities
A situation existing at reporting date, where past events have led to a possible obligation, the outcome of which depends on uncertain future events, or an obligation where the outcome is not sufficiently probable or reliably measurable to warrant recognising the liability at this reporting date.

Controllable costs
Costs that AMP incurs in running its business. Controllable costs include operational and project costs and exclude variable costs, provision for bad and doubtful debts and interest on corporate debt.

Earnings per share (EPS)
Each earnings per share (EPS) calculation represents the profit amount divided by the weighted average number of shares on issue during the year.

Embedded value
A calculation of the economic value of the shareholder capital in the businesses other than AMP Bank, and the future shareholder profits expected to emerge from the business currently in force (expressed in today's dollars).

Executives
Within this report, the term *executives* refers to the chief executive officer and nominated direct reports of the CEO who are key management personnel (KMP).

Franking rate
The amount of tax AMP has already paid on a dividend payment. This can be used as a tax credit by Australian resident shareholders. The franking rate is determined by AMP's taxable income. AMP's policy is to always frank dividends at the highest possible rate.

Investment performance
A measure of how well we manage funds on behalf of our customers. The percentage of assets managed by AMP which met or exceeded their respective client goals.

Key management personnel (KMP)
The chief executive officer (CEO), direct reports of the CEO and the non-executive directors, who have authority and responsibility for planning, directing and controlling the activities of AMP.

Long-term incentive (LTI)
An executive reward for helping AMP achieve specific long-term performance targets. It is awarded in the form of share rights and/or performance rights to motivate executives to create outstanding long-term value for shareholders. A right is an entitlement to receive one AMP Limited share per right subject to meeting the vesting conditions.

Non-executive directors (NEDs)
Board directors who are not employees of AMP (they are independent).

Operating earnings
Total operating earnings are the shareholder profits that relate to the performance of AMP. Operating earnings exclude investment earnings on shareholder capital and one-off items.

Performance right
A form of executive remuneration designed to reward long-term performance. Selected executives are granted performance rights. Each performance right is a right to acquire one AMP share after a three-year performance period, if a specific performance hurdle is met.

Return on equity (RoE)
Return on equity (RoE) is a measure used in the AMP long-term incentive plan. It is a percentage that shows how effective AMP has been in growing the value of the money invested by our shareholders. The percentage is determined by dividing AMP's underlying profit by AMP shareholder equity.

Share right
A share right is an entitlement to acquire one AMP share at the end of a vesting period, eg two years, as long as the service conditions are met.

Short-term incentive (STI)
An executive reward for helping AMP achieve specific short-term performance targets and objectives. It is paid in the form of cash and share rights to motivate executives to achieve outstanding performance during the year.

STI pool
The money used for the payment of STI rewards. The pool size varies each year depending on AMP's financial and non-financial performance against the STI scorecard.

Total shareholder return (TSR)
A measure of the value returned to shareholders over a period of time. It takes into account the changes in market value of AMP shares, plus the value of any dividends paid and capital returns on the shares.

Underlying investment income
Underlying investment income is based on long-term expected rates of return. Actual investment income can be higher or lower than the long-term rate from year to year.

Underlying profit
AMP's key measure of business profitability, as it smooths investment market volatility that stems from shareholder assets that are invested in investment markets and aims to reflect the trends in the underlying business performance of the AMP group. The components of underlying profit are listed on pages 73 to 75.

Vesting
Remuneration term defining the point at which the required performance hurdles and/or service requirements have been met, and a financial benefit may be realised by the recipient.

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