

# 2014 annual report



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2014 is likely to be seen as a watershed year for your company, as a renewed drive to become a more customer-centred and efficient business began to pay dividends.

We successfully implemented the first year of our five-year strategy to transform AMP to drive stronger growth, while at the same time we delivered better financial results for the year.

Our key business areas have delivered double digit growth in operating earnings, with good growth in cashflows, above-system growth in mortgages, strong investment performance and tight cost control.

We've also made significant progress on our selective expansion in Asia, launching our first funds through our joint venture, the China Life AMP Asset Management Company, and also acquiring a 19.99% stake in China Life Pension Company, the largest pension company in China.

Our insurance business is recovering from a poor performance in 2013 and, while there is still more work to be done, we are pleased with the progress made.

That has enabled your board to declare a final 2014 dividend of 13.5 cents per share (up 17% on the 2013 final dividend), which will be paid on 10 April 2015. The final dividend will be 80% franked and represents a payout of 74% of underlying profit for the year. The final dividend, together with the increased interim dividend of 12.5 cents per share, and a share price increase of 25% in 2014, helped generate better total returns for our shareholders over the year.

We will purchase dividend reinvestment plan shares on market to avoid diluting the value of current shareholdings.

AMP's capital position also remained strong, with \$2 billion of shareholder regulatory capital resources held above minimum requirements at 31 December 2014.

AMP's 2014 performance was achieved during a year of unsettled global markets, declining interest rates and a high level of political and community scrutiny of parts of our industry. In this environment we have shown ourselves to be a more agile and responsive company; one that is more resilient to market changes.

We are also very aware of the work in front of us to continue to drive the changes necessary in this company, to meet our customers' expectations and deliver stronger total returns to our shareholders.

AMP has a significant part to play in helping manage the impact of what is one of mankind's most remarkable achievements – the increase in longevity that we have seen in our lifetimes. Our role is to help ensure those longer lives are lived in financial security.

It is a responsibility your company must discharge with energy and commitment.

I am optimistic about the resilience and strength of AMP to build on the successes of 2014 to create increasing value for our shareholders and better outcomes for our customers.



Simon McKeon AO Chairman



## Five-year financial summary

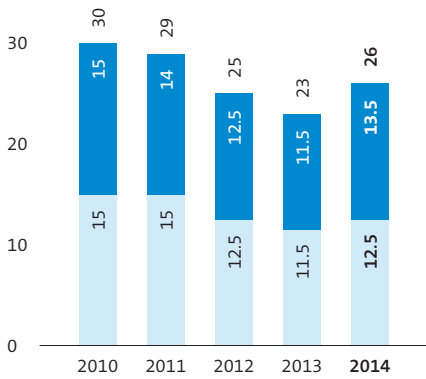
Year ended 31 December	2014 \$m	2013 \$m	Restated 2012 \$m	Restated 2011 \$m	2010 \$m	
<b>Consolidated Income statement</b>						
Net premium, fee and other revenue	5,343	5,136	5,166	4,217	2,824	
Investment gains (losses)	12,244	14,963	12,258	1,548	4,840	
Profit (loss) before income tax from continuing operations	1,814	1,498	1,387	743	881	
Income tax (expense) credit	(843)	(782)	(688)	4	(126)	
Non-controlling interests	(87)	(44)	(10)	12	20	
<b>Profit after tax attributable to shareholders of AMP Limited</b>	<b>884</b>	<b>672</b>	<b>689</b>	<b>759</b>	<b>775</b>	
<b>Consolidated Statement of financial position</b>						
Cash and cash equivalents	3,581	2,938	4,388	4,816	3,325	
Investment assets	123,292	121,781	107,721	98,221	85,120	
Intangibles	4,042	4,136	4,502	4,677	919	
Assets of disposal groups	100	42	187	–	–	
Other assets	3,840	4,327	4,566	4,999	2,241	
<b>Total assets</b>	<b>134,855</b>	<b>133,224</b>	<b>121,364</b>	<b>112,713</b>	<b>91,605</b>	
Borrowings and subordinated debt	16,502	16,243	13,473	13,322	11,136	
Life insurance contract liabilities	24,403	24,934	25,055	24,399	17,762	
Investment contract liabilities	66,980	66,049	58,385	52,940	48,579	
Liabilities of disposal groups	69	8	74	–	–	
Other liabilities	18,516	17,790	16,734	15,066	11,130	
<b>Total liabilities</b>	<b>126,470</b>	<b>125,024</b>	<b>113,721</b>	<b>105,727</b>	<b>88,607</b>	
<b>Net assets</b>	<b>8,385</b>	<b>8,200</b>	<b>7,643</b>	<b>6,986</b>	<b>2,998</b>	
Contributed equity	9,508	9,602	9,333	9,074	5,051	
Reserves	(1,888)	(1,973)	(2,157)	(2,540)	(2,565)	
Retained earnings	566	461	332	364	452	
<b>Total equity attributable to shareholders of AMP Limited</b>	<b>8,186</b>	<b>8,090</b>	<b>7,508</b>	<b>6,898</b>	<b>2,938</b>	
Non-controlling interests	199	110	135	88	60	
<b>Total equity</b>	<b>8,385</b>	<b>8,200</b>	<b>7,643</b>	<b>6,986</b>	<b>2,998</b>	
	2014	2013	Restated 2012	Restated 2011	2010	
<b>Other financial data</b>						
Basic earnings per ordinary share	(\$ps)	\$0.30	\$0.23	\$0.24	\$0.29	\$0.38
Diluted earnings per ordinary share	(\$ps)	\$0.30	\$0.23	\$0.24	\$0.29	\$0.38
Dividends per ordinary share	(\$ps)	\$0.26	\$0.23	\$0.25	\$0.29	\$0.30
Number of ordinary shares	(m)	2,958	2,958	2,930	2,855	2,094
Assets under management	(\$b)	215	197	173	159	115

# 2014 results at a glance

## Dividends

cents per share

■ Final dividend  
■ Interim dividend



## Dividend

Total dividend

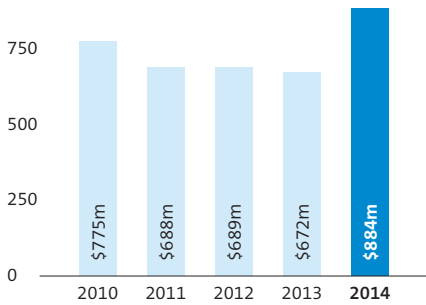
# 26 cents per share

up 3 cents

The final dividend of 13.5 cents per share is payable on 10 April 2015 and will be 80% franked.

## Profit attributable to shareholders

\$ million



## Profit

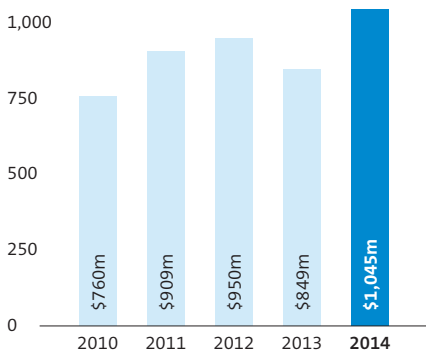
Profit attributable to shareholders

# \$884m

up 32%

## Underlying profit

\$ million



Underlying profit

# \$1,045m

up 23%

Underlying profit is AMP's preferred measure of profitability, as it best reflects the underlying performance of AMP and is the basis from which the board determines dividends.

The main difference between these two numbers comes from movements in investment markets and specific program costs. This includes the cost of AMP's business efficiency program, which accounted for a \$100 million reduction in profit attributable to shareholders relative to underlying profit. A reconciliation of profit attributable to shareholders and underlying profit can be found on pages 9 and 63.

## Directors' report

for the year ended 31 December 2014

Your directors present their report on the consolidated entity consisting of AMP Limited and the entities it controlled at the end of or during the year ended 31 December 2014.

### Directors' details

The directors of AMP Limited during the year ended 31 December 2014 and up to the date of this report are listed below. Directors were in office for this entire period (except where stated otherwise): Simon McKeon (Chairman) (appointed Chairman 8 May 2014), Peter Mason (Chairman) (retired 8 May 2014), Craig Meller (Chief Executive Officer and Managing Director) (appointed 1 January 2014), Patricia Akopiantz, Richard Allert (retired 8 May 2014), Catherine Brenner, Brian Clark, Paul Fegan, Trevor Matthews (appointed 3 March 2014), John Palmer and Peter Shergold. Details of each of the current director's qualifications, experience and special responsibilities are set out below.



Simon McKeon AO

#### Simon McKeon AO

Chairman BCom, LLB. Age 59

Simon was appointed to the AMP Limited Board in March 2013 and assumed the role of Chairman in May 2014. He also became a member of the Nomination and Governance Committee and the People and Remuneration Committee in May 2014.

#### Experience

Simon has a career spanning 30 years, specialising in corporate mergers and acquisitions, fund raising and strategic advice with Macquarie Group, where he ultimately served as Chairman of its Melbourne office. He is currently retained as a consultant to Macquarie. Prior to joining Macquarie, Simon was a solicitor with Dawson Waldron and from 2006–2009 was Chairman of MYOB.

Simon was made an Officer of the Order of Australia in 2012 for distinguished service to business and commerce through leadership and advisory roles, and to the community as a supporter of national and international charitable, educational and sporting organisations. He was Australian of the Year in 2011. Simon is the Chairman of CSIRO and was the Founding President of the Australian Takeovers Panel. He is the inaugural President of the Review Panel for the banking industry's Banking and Finance Oath and was the 2011 Australian Banking Ambassador of the Year. His extensive involvement in the community includes being an Australia Day Ambassador for the Victorian Government and wide ranging philanthropic interests.

#### Government and community involvement

- Chairman of CSIRO
- Director of Red Dust Role Models
- Member of the Big Issue Advisory Board
- Patron of MS Research Australia



Craig Meller

#### Craig Meller

Chief Executive Officer and Managing Director BSc (Hons). Age 52

Craig was appointed Chief Executive Officer (CEO) and Managing Director (MD) in January 2014. He has been a Director of AMP Life Limited since October 2007, a Director of The National Mutual Life Association of Australasia Limited (NMLA) since March 2011 and was appointed a Director of AMP Capital Holdings Limited in January 2014.

#### Experience

Prior to becoming CEO, Craig was MD of AMP Financial Services from 2007–2013. Craig started with the AMP group's United Kingdom (UK) business in 2001 before coming to Australia in 2002 to take up the role of MD, AMP Banking. He moved to the role of Director of Product Manufacturing in 2003.

Craig started his career at Lloyds TSB in the UK where he spent more than 14 years working across the business in a number of management roles. From 1998 he worked at Virgin Direct where he was MD from 1999–2001.

Craig is an executive member of the Australia Japan Business Co-operation Committee.



Patty Akopiantz

**Patricia (Patty) Akopiantz**

Director BA, MBA. Age 51

Patty was appointed to the AMP Limited Board and the People and Remuneration Committee in March 2011, becoming Chairman of that committee in August 2014. She was appointed a member of the Audit Committee in May 2014 and a member of the Risk Committee in November 2014. Patty was appointed a Director of AMP Bank Limited in November 2011. In June 2012, she became a member of the AMP Bank Audit Committee. She was also appointed Chairman of the AMP Bank Risk Committee in November 2014.

**Experience**

Patty has over 25 years senior management and consultancy experience, primarily in the retail and consumer industries both in Australia and overseas. During her executive career, she served as General Manager of Marketing at David Jones and Vice President for a United States (US) apparel manufacturer. As a management consultant with McKinsey she helped lead its Retail and Consumer Goods Practice, advising some of Australia's leading companies on strategy and organisational change.

Over the last 13 years, Patty has served on numerous boards including AXA Asia Pacific Holdings and Coles Group. In 2003, she was awarded a Centenary Medal for services to Australian society in business leadership.



Catherine Brenner

**Catherine Brenner**

Director BEc, LLB, MBA. Age 44

Catherine was appointed to the AMP Limited Board in June 2010 and as Chairman of its Nomination and Governance Committee in May 2013. She was appointed Chairman of the AMP Life Limited Board in May 2011, having been a member of that board and its Audit Committee since May 2009. Catherine has been Chairman of the NMLA Board and a member of its Audit Committee since March 2011. She was also appointed as a member of the AMP Life and NMLA Risk Committees in November 2014.

**Experience**

Catherine is a former senior investment banker and corporate lawyer with experience in corporate advisory and equity capital markets. As an investment banker she provided advice on takeovers, capital raisings, trade sales and privatisations to both government and private organisations and held the position of Managing Director, Investment Banking at ABN AMRO.

**Listed directorships**

- Director of Boral Limited (appointed September 2010)
- Director of Coca-Cola Amatil Limited (appointed April 2008)

**Government and community involvement**

- Trustee of the Sydney Opera House Trust
- Director of SCEGGS Darlinghurst Limited



Brian Clark

**Brian Clark**

Director BSc, MSc, DSc. Age 66

Brian was appointed to the AMP Limited Board in January 2008. He was appointed a member of the Nomination and Governance Committee in July 2008 and a member of the People and Remuneration Committee in May 2009. Brian was also appointed a member of the AMP Capital Holdings Limited Board and its Audit and Risk Committee in February 2008. He became Chairman of the AMP Capital Holdings Limited Board in March 2009.

**Experience**

Brian spent 10 years in a variety of senior executive roles at Vodafone internationally, most recently in the UK as Group Human Resources Director. He was CEO of Vodafone's Australian business as well as CEO of the Asia Pacific region, based in Tokyo. Before joining Vodafone, Brian spent three years as CEO of Telkom SA Ltd, in South Africa. He began his career at the Council for Scientific and Industrial Research (CSIR) in Pretoria, South Africa, rising to the role of President and overseeing its change from a government institution into a commercially focused contract research business.

**Listed directorships**

- Director of Boral Limited (appointed May 2007)



Paul Fegan

**Paul Fegan**

**Director** MBA. Age 53

Paul was appointed to the AMP Limited Board in August 2009. He was appointed to the Audit Committee in November 2009 and became Chairman of that committee in December 2010. Paul was also appointed as a member of the Risk Committee in November 2014. Paul was appointed Chairman of AMP Bank Limited in March 2014.

**Experience**

Paul has over 30 years experience in the financial services industry, holding positions including Chief Financial Officer (CFO) of Genworth Australia and Group MD, Strategy and Corporate Services with Telstra. Paul was the CEO and MD of St.George Bank until its merger with Westpac Banking Corporation. He was also a Director of St.George's funds administration subsidiary, Asgard Wealth Solutions. Prior to joining St.George, Paul was based in the UK as Chief Operating Officer of Yorkshire Bank. He held director positions in both Yorkshire Bank and Clydesdale Bank and a series of senior appointments with National Australia Bank in Australia, the US, Hong Kong, the UK and Ireland. Paul is a Senior Advisor with Gresham Partners.



Trevor Matthews

**Trevor Matthews**

**Director** MA. Age 62

Trevor was appointed to the AMP Limited Board in March 2014 and became a member of its Audit Committee in May 2014. He was also appointed a member of the Risk Committee in November 2014. Trevor joined the AMP Life Limited and NMLA Boards and their respective Audit Committees in June 2014 and was appointed Chairman of those Audit Committees and a member of the AMP Life and NMLA Risk Committees in November 2014.

**Experience**

Trevor has extensive life insurance experience in Australia, Canada, Japan and the UK. He was previously with Aviva, most recently as Executive Director and Chairman, Developed Markets and prior to that CEO of Aviva UK. Trevor has also held the position of CEO with Friends Provident and Standard Life, both based in the UK, as well as Manulife Financial in Japan. He has also held senior roles with National Australia Bank and Legal & General in Australia.

Trevor has served as Commissioner for the UK Commission for Employment and Skills, Chairman of the Financial Services Skills Council in the UK, and has served on the boards of the Life Insurance Association of Japan, the Life Office Management Association in the US, and the Life Investment and Superannuation Association in Australia. Trevor is a director of the Bupa Australia and New Zealand group. He is a Fellow of the Institute of Actuaries in both Australia and the UK.

**Listed directorships**

- Director of Cover-More Group Limited (appointed December 2013)



John Palmer ONZM

**John Palmer ONZM**

**Director** BAgSc, Hon. DCom. Age 67

John was appointed to the AMP Limited Board in July 2007. He retired from the AMP Life Limited board in June 2014 after 10 years service. He joined the AMP Capital Holdings Limited Board and its Audit and Risk Committee in May 2014.

**Experience**

John has extensive experience as a director and chairman of companies in the agricultural and finance sectors. He has a track record of successfully leading change and reconstruction of diverse corporates in marketing, agribusiness and aviation. John has served numerous companies as Chairman or a Director including Air New Zealand and Solid Energy New Zealand and is Chairman of Rabobank New Zealand.

In 1998, John received the Bledisloe Cup for outstanding contribution to the New Zealand fruit industry. In 1999, he was awarded with an Officer of the New Zealand Order of Merit (ONZM) for service to the New Zealand kiwifruit industry.

**Listed directorships**

- Director of Air New Zealand Limited (November 2001–March 2014)





Professor Peter Shergold AC

### Professor Peter Shergold AC

Director BA (Hons), MA, PhD. Age 68

Peter was appointed to the AMP Limited Board in May 2008 and became a member of its Audit Committee in July 2008. He was also appointed Chairman of the Risk Committee in November 2014. Peter was appointed a Director of the AMP Life Limited Board in August 2008 and a Director of the NMLA Board in March 2011.

#### Experience

Peter is Chancellor and Chair of the board of trustees of the University of Western Sydney. He serves on a number of private sector, government and not-for-profit boards, including as Director of Corrs Chambers Westgarth and Chairman of Opal Aged Care. Previously, Peter served as Secretary of the Department of the Prime Minister and Cabinet for five years. Peter had previously been CEO of the Aboriginal and Torres Strait Islander Commission and Comcare, Public Service Commissioner, Secretary of the Department of Employment, Workplace Relations and Small Business, and Secretary of the Department of Education, Science and Training.

He was appointed a Member of the Order of Australia in 1996, awarded a Centenary Medal in 2003 and made a Companion of the Order of Australia in 2007, each being for public service.

#### Listed directorships

- Director of Veda Group Limited (appointed October 2013)

#### Government and community involvement

- Chairman of the National Centre for Vocational Education Research
- Member of the Prime Minister's Indigenous Advisory Council
- Chairman of the NSW Public Service Commission Advisory Board
- Chairman of the Tertiary Education Quality and Standards Agency (TEQSA) Advisory Council
- Member of the Queensland Public Sector Renewal Board

### Attendance at board and committee meetings

The table below shows details of attendance by directors of AMP Limited at meetings of boards and the committees of which they were members during the year ended 31 December 2014. The directors also attended other meetings, including management meetings and meetings of subsidiary boards or committees of which they were not a member during the year.

Board/Committee Held/attended	AMP Limited Board meetings		Audit Committee		Risk Committee <sup>1</sup>		Nomination and Governance Committee		People and Remuneration Committee		Ad hoc committees <sup>2</sup>		Subsidiary board and committee meetings <sup>3</sup>	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B
Simon McKeon	13	13	3	3	–	–	3	3	2	2	2	2	5	3
Craig Meller	13	13	–	–	–	–	–	–	–	–	3	3	17	17
Patricia Akopiantz	13	13	3	3	1	1	–	–	4	4	–	–	12	12
Richard Allert <sup>4</sup>	5	5	3	3	–	–	–	–	–	–	–	–	3	3
Catherine Brenner	13	13	–	–	–	–	4	4	–	–	–	–	17	17
Brian Clark	13	13	–	–	–	–	4	4	4	4	–	–	10	10
Paul Fegan	13	13	6	6	1	1	–	–	–	–	3	3	6	6
Peter Mason <sup>5</sup>	5	5	–	–	–	–	2	2	2	2	1	1	–	–
Trevor Matthews <sup>6</sup>	10	10	3	3	1	1	–	–	–	–	–	–	9	9
John Palmer	13	12	–	–	–	–	–	–	2	2	–	–	12	9
Peter Shergold	13	13	6	6	1	1	–	–	–	–	–	–	12	12

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 In November 2014, a Risk Committee was established in accordance with the Australian Prudential Regulation Authority (APRA) Prudential Standard CPS 510 *Governance*.

2 Ad hoc committees of the board were organised during the year in relation to financial results and AMP group capital initiatives.

3 Subsidiary board and committee meetings include AMP Life/NMLA, AMP Bank and AMP Capital Holdings. Where meetings of AMP Life/NMLA were held concurrently, only one meeting has been recorded in the above table.

4 Rick Allert retired as a Director on 8 May 2014.

5 Peter Mason retired as a Director on 8 May 2014.

6 Trevor Matthews was appointed as a Director on 3 March 2014, a member of the Audit Committee in May 2014 and a member of the Risk Committee in November 2014.

### Company secretaries' details

Details of each company secretary of AMP Limited, including their qualifications and experience, are set out below.

#### Brian Salter

**Group General Counsel** BA, LLB (Hons), LLM (Hons)  
Brian joined AMP in July 2008. Before joining AMP, Brian was a partner with a major Australian law firm for 19 years. He has more than 30 years experience advising many of Australia's leading financial and wealth management companies. Brian is a former member of the Australian Government's Corporations and Markets Advisory Committee, and is a current member of the Law Committee of the Australian Institute of Company Directors, and the Corporations Committee of the Business Law Section of the Law Council of Australia. He is also a Director of AMP Superannuation Limited, N.M. Superannuation Proprietary Limited and SCECGS Redlands Limited.

#### David Cullen

**Group Company Secretary and General Counsel, Governance** BCom, LLB, LLM, PGCert Mgmt  
David joined AMP in September 2004 and has held various legal and governance roles across AMP Capital and the AMP group, with a particular focus on mergers and acquisitions. He was appointed Group Company Secretary in July 2013 and is Company Secretary for AMP Limited. Prior to joining AMP, David spent eight years in private practice focussing on mergers and acquisitions and equity capital markets in Perth and Sydney and two years with the ASX. David is a director of various AMP subsidiaries and a member of the Corporate Lawyers Committee of the Law Society of NSW.

#### Vicki Vordis

**Senior Company Secretary** BEc, LLB (Hons), GradDipACG  
Vicki is a Company Secretary of AMP Bank Limited. She joined AMP in December 2000 and held various legal roles before moving into a secretariat role in 2006. Prior to 2000, Vicki worked as a lawyer in several city law practices. She holds a graduate diploma in Applied Corporate Governance and is an Associate of the Governance Institute of Australia.

### Operating and financial review

#### Principal activities

AMP is Australia and New Zealand's leading independent wealth management company, with an expanding international investment management business and a growing retail banking business in Australia.

The company serves customers in Australia and New Zealand. It also serves clients in Asia, Europe, the Middle East and North America. AMP has over 5,400 employees, around 820,000 shareholders and \$215 billion of assets under management (AUM).

AMP provides customers in Australia and New Zealand with financial advice, superannuation, retirement income and other investment products for individuals. It also provides superannuation services for businesses, administration, banking and investment services for self-managed superannuation (SMSF) funds, income protection, disability and life insurance, and selected banking products. AMP has over 4,400 aligned and employed financial advisers in Australia and New Zealand, as well as extensive relationships with independent financial advisers.

AMP's business consists of Australian wealth management, AMP Capital, Australian wealth protection, AMP Bank, New Zealand financial services and Australian mature.

The *Australian wealth management* business provides customers with superannuation, retirement income, investment, SMSF administration and financial advice services (through aligned and owned advice businesses).

*AMP Capital* is a diversified investment manager, managing investments across major asset classes including equities, fixed interest, infrastructure, property, diversified funds, multi-manager and multi-asset funds. Mitsubishi UFJ Trust and Banking Corporation holds a 15% ownership interest in AMP Capital. AMP Capital holds a 15% stake in the China Life AMP Asset Management Company Limited, a funds management company which offers retail and institutional investors in China access to leading investment solutions.

*Australian wealth protection* comprises individual and group term, disability and income protection insurance products. Products can be bundled with a superannuation product or held independently.

*AMP Bank* is an Australian retail bank offering residential mortgages, deposits, transaction banking, and SMSF products with around 100,000 customers. It also has a small portfolio of practice finance loans. AMP Bank distributes through brokers, AMP advisers, and direct to retail customers via phone and internet banking.

*New Zealand financial services* provides tailored financial products and solutions to New Zealanders through a network of financial advisers. New Zealand financial services has a leading market position in both wealth protection and wealth management, in addition to being the market leader in advice and in providing support to advisers.

The *Australian mature* business is the largest closed life insurance business in Australia. Australian mature AUM supports capital guaranteed products (75%) and market linked products (25%). Australian mature products include whole of life, endowment, investment linked, investment account, retirement savings account, eligible rollover fund, annuity, insurance bonds, personal superannuation and guaranteed savings accounts.

#### Review of operations and results

AMP's profit attributable to shareholders of AMP Limited for the year ended 31 December 2014 was \$884 million (2013: \$672 million).

Basic earnings per share for the year ended 31 December 2014 on a statutory basis were 30.3 cents per share (2013: 23.2 cents per share).

Underlying profit is the basis on which the board determines the dividend payment. It is AMP's key measure of profitability, as it smooths some of the effect of movements in investment markets and aims to reflect the trends in the underlying business performance of the AMP group. AMP's underlying profit for the year ended 31 December 2014 was \$1,045 million (2013: \$849 million). On an underlying basis, earnings were 35.3 cents per share (2013: 28.8 cents per share).

AMP's key performance measures were as follows:

- 2014 underlying profit of \$1,045 million, up 23% on 2013, with strong growth across all contemporary businesses
- 2014 AMP group cost to income ratio of 44.8%, an improvement of 4.6 percentage points on 2013, controllable costs up \$14 million (1.1%) to \$1,315 million
- Australian wealth management 2014 net cashflows were \$2,281 million, up \$115 million from net cashflows of \$2,166 million in 2013. Higher total retail and corporate superannuation net cashflows on AMP platforms of \$3,616 million were partially offset by higher net cash outflows on external platforms of \$1,335 million
- AMP Capital external net cashflows were \$3,723 million, up \$4,762 million from a net cash outflow of \$1,039 million in 2013, driven by stronger inflows generated through offshore partnerships and institutional clients both domestically and internationally

- underlying return on equity increased 2.0 percentage points to 12.7% in 2014 from 2013, largely reflecting the increase in underlying profit.

AMP's total AUM was \$215 billion at 31 December 2014 (\$197 billion at 31 December 2013).

#### *Differences between underlying profit and statutory profit*

The 31 December 2014 underlying profit of \$1,045 million excludes the impact (net of any tax effect) of:

- net profit from one-off and non-recurring items of \$7 million
- AXA integration costs of \$20 million
- business efficiency program costs of \$100 million
- amortisation of AXA acquired intangible assets of \$89 million
- market adjustment gains of \$59 million
- accounting mismatches loss of \$18 million.

A reconciliation between underlying profit and statutory profit is provided in note 3 of the financial report.

Under Australian Accounting Standards, some assets held on behalf of policyholders (and related tax balances) are included 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. Movements in these policyholder assets flow through to shareholder profit. These differences have no impact on the true economic profits and losses of the AMP group.

The impact of accounting mismatches on profit after tax arising from policyholder assets is as follows.

Accounting mismatch profit/(loss)	2014 \$m	2013 \$m
Treasury shares	(46)	3
Investments in controlled entities	25	(5)
Superannuation products invested with AMP Bank	4	(8)
Owner occupied property	(1)	(2)
<b>Total accounting mismatch profit/(loss)</b>	<b>(18)</b>	<b>(12)</b>

The operating results of each of the business segments for 2014 were as follows:

- *Australian wealth management* – Operating earnings increased by \$44 million (13%) to \$374 million in 2014 from \$330 million in 2013. The increase in operating earnings was largely due to strong net cashflows and investment returns generating 11% growth in average AUM while limiting controllable cost growth to 0.4%.
- *AMP Capital* – AMP group's 85% share of AMP Capital's 2014 operating earnings was \$115 million, up 16% from \$99 million in 2013. Despite relatively subdued Australian markets, AMP Capital's operating earnings increased as a result of strong operational leverage with 8% growth in fee income achieved with only 4% growth in controllable costs.
- *Australian wealth protection* – Operating earnings increased \$124 million (194%) to \$188 million in 2014

from \$64 million in 2013 due to improved lapse and claims outcomes, growth in annual premium in-force and lower controllable costs.

- *AMP Bank* – Operating profits increased \$8 million (10%) to \$91 million in 2014 from \$83 million in 2013. Total revenue increased 12% in 2014 on 2013, driven mainly by growth in the loan portfolio and improved net interest margin.
- *New Zealand financial services* – Operating earnings increased by \$13 million (13%) to \$110 million in 2014 from \$97 million in 2013 as a result of favourable currency movements, experience profits and growth in profit margins. The 8% average depreciation of the Australian dollar against the New Zealand dollar in 2014 from 2013 accounted for \$8 million of the \$13 million increase in operating earnings.
- *Australian mature* – Operating earnings fell by \$4 million (2%) to \$174 million in 2014 from \$178 million in 2013. Operating earnings were impacted by the expected portfolio run-off (\$11 million decrease). This was partially offset by lower controllable costs (\$2 million) and experience profits (\$5 million, including \$3 million of mortality profits).

#### **Strategy and prospects<sup>1,2</sup>**

AMP's strategy revolves around the simple promise of helping people own their tomorrow, and the company is pursuing four key strategic priorities to achieve this.

##### **1. Prioritise investment in the \$2.4 trillion<sup>3</sup> Australian wealth management market.**

AMP is leveraging its leading position in a superannuation market projected to double in size by 2024<sup>4</sup>. It is currently positioned:

- number 1 in retail superannuation and pensions with 19.6% market share<sup>5</sup>
- number 1 in individual risk insurance with 17.9% market share<sup>5</sup>
- number 1 in financial advice with 22.2% market share<sup>6</sup>.

##### **2. Transform the core Australian business to be more relevant to customers.**

In Australia, AMP is investing significantly to better understand and anticipate customer needs in order to create highly targeted products and services and increase share-of-wallet and enduring customer loyalty.

The company is more than a year into its enterprise-wide transformation program. Key initiatives undertaken in 2014 included:

#### *Transform face-to-face advice model*

- started pilots of new financial advice approaches

#### *Build omni-channel experience with new, improved ways for customers to interact with AMP*

- launched market-leading smartphone and tablet applications
- increased functionality of amp.com.au website, making it easier to purchase simple superannuation products

- 1 Forward looking statements in the strategies and prospects section of the directors' report are based on management's current views and assumptions and involve known and unknown risks and uncertainties, many of which are beyond AMP's control and could cause actual results, performance or events to differ materially from those expressed. These forward looking statements are not guarantees or representations of future performance, and should not be relied upon.
- 2 AMP does not produce a profit forecast as this is driven by market movements which cannot be predicted. However, AMP does provide forward looking guidance on certain business outcomes.
- 3 ABS Managed Funds Report, Managed Funds Industry, September 2014.
- 4 Dynamics of the Australian Superannuation System, the Next 20 Years: 2013–2033. Deloitte September 2013: AMP modelling.
- 5 Plan for Life, September 2014.
- 6 Money Management, July 2014.

*Build better customer solutions*

- installed new data analytics infrastructure
- began pilot of new customer offers based on human-centred design and behavioural economics principles

*Improve service capability and quality*

- simplified communications that will impact millions of customer touch points per annum
- improved corporate superannuation welcome experience
- introduced new call centre telephony infrastructure
- upgraded mortgage origination platform
- released new claims platform
- introduced new income protection claims processes resulting in more customers returning to health and work.

**3. Reduce costs to maintain market-leading efficiency and reinvest in new customer solutions.**

AMP's business efficiency program tracked in line with management expectation and guidance in 2014. The three-year program (which started in 2013) aims to reduce the company's overall controllable cost growth by reducing operating costs whilst investing in areas of the business that deliver the greatest value to customers and shareholders. It is expected to lead to \$200 million in pre-tax recurring run rate cost savings by the end of 2016 for a one-off investment of \$320 million pre-tax, with recurring cost savings estimated to be 80% controllable and 20% variable.

Key initiatives undertaken in 2014:

- rationalised and improved the efficiency of non-customer facing group functions
- outsourced certain back office process functions
- embedded the foundations of a continuous improvement culture
- installed contemporary IT infrastructure.

**4. Invest selectively in Asia and internationally by taking investment capabilities into new markets.**

During the year, AMP, primarily through AMP Capital, continued to build its international profile. It did this by:

*Building strong distribution partnerships with national champions*

AMP deepened its existing relationship with its Chinese and Japanese partners to generate strong cashflows in 2014. AMP and China Life's joint venture, China Life AMP Asset Management Company, successfully launched five funds during 2014 and now manages \$3.7 billion on behalf of Chinese retail and institutional investors after its first full year of operation.

AMP also acquired a 19.99% stake in China Life's pension provider China Life Pension Company (CLPC) – the largest pension company in China. AMP is the first foreign company in the world to purchase a stake in a Chinese pension company. The acquisition received Chinese regulatory approval and was settled in January 2015.

AMP Capital's business alliance with Mitsubishi UFJ Trust and Banking Corporation offered nine retail and four institutional

funds to the Japanese market in 2014. At 31 December 2014, AMP Capital managed \$7 billion on behalf of all clients in Japan.

*Expanding its global pension fund client base*

AMP Capital is capitalising on increased global interest in its infrastructure and property capabilities. At 31 December 2014, it managed \$13 billion in AUM from international investors, including more than \$4.7 billion on behalf of 119 global pension fund clients (an increase of 56 clients from 2013).

During the year, AMP Capital launched its Global Infrastructure Equity Fund, attracting strong interest from international investors. The Infrastructure Debt Fund II closed with more than US\$1.1 billion in commitments from more than 50 investors in eight countries.

AMP Capital's \$5 billion property development program continues to receive strong support from global pension fund clients. External property net cashflows increased to \$1.8 billion in 2014 from a net cash outflow of \$354 million in 2013.

**Strategies and prospects by business segment<sup>7,8</sup>**

*Australian wealth management*

Australian wealth management's key priorities are to build a more customer-centric business whilst remaining vigilant on cost control by:

- improving the quality of the advice experience
- expanding the methods by which customers can access AMP's products and services
- using new capabilities to design customer centric offers covering advice, product and service
- improving adviser productivity
- developing a strong SMSF capability.

*AMP Capital*

Working as a unified investment house, AMP Capital's key priorities are to generate revenue growth through:

- delivering outstanding investment outcomes to clients
- building a differentiated client experience driving strong client engagement
- partnering effectively across the AMP group to deliver investment solutions for retail, SMSF and corporate super customers
- expanding the global pension fund client base
- building preferential distribution partnerships in select Asian markets, particularly in Japan and China.

*Australian wealth protection*

The Australian life insurance market has been challenged by higher than expected claims and lapse experience over the past few years, which has impacted the profitability of the industry and of AMP's wealth protection business.

Management is committed to addressing these issues, including the need to make insurance more relevant to customers. The key priorities for management are to:

- continue to stabilise and improve claims management through the rollout of a new claims management process and a new platform across the business

7 Forward looking statements in the strategies and prospects by business segment section of the directors' report are based on management's current views and assumptions and involve known and unknown risks and uncertainties, many of which are beyond AMP's control and could cause actual results, performance or events to differ materially from those expressed. These forward looking statements are not guarantees or representations of future performance, and should not be relied upon.

8 AMP does not produce a profit forecast as this is driven by market movements which cannot be predicted. However, AMP does provide forward looking guidance on certain business outcomes.

- continue to offer broader customer support, including rehabilitation, as part of the new claims management approach to reduce claim periods and help customers return to health and work sooner
- continue to stabilise and improve retention, with ongoing campaigns and support to advisers targeting customers with a propensity to lapse
- develop compelling new insurance solutions for consumers, with new offers developed from customer research currently being tested in market.

The gradual reversion of best estimate claims and lapse assumptions to lower longer-term levels, combined with increasing costs from strategic investment, will require ongoing delivery of improved lapse and claims outcomes to avoid re-emergence of negative experience.

#### AMP Bank

The strategy of AMP Bank is to support the achievement of AMP group's strategic objectives. This will be delivered by leveraging synergies with AMP group. In aligning to the AMP group strategic direction, AMP Bank's aspiration and priorities are to:

- deliver compelling customer-centric banking propositions to AMP group target customer segments
- make banking easier for customers by investing in technology and service excellence
- drive growth through AMP Bank's privileged access to AMP distribution networks including aligned advisers and corporate superannuation members
- maintain focus and growth in the mortgage broker channel
- leverage AMP group investments to build out capabilities in direct and digital
- continue to optimise AMP Bank's funding sources and invest in operating capacity.

#### New Zealand financial services

New Zealand financial services' key priorities to grow shareholder value are:

- deepening customer relationships
- delivering innovative propositions to customers, advisers and employers
- evolving advice and distribution capability
- taking a value based approach to pricing and commissions
- maximising cost efficiency.

To offset the future impact on operating earnings of changes to the taxation of life insurance business in New Zealand, which will impact the business from 1 July 2015, New Zealand financial services continues to progressively grow its revenue base, closely manage costs and evolve its distribution channels to reduce the capital impacts of distributing life insurance. The future tax changes apply to all life insurance companies in New Zealand and are not specific to AMP's New Zealand financial services business.

#### Australian mature

Key priorities for the Australian mature business are to:

- maintain high persistency
- prudently manage asset and liability risk
- achieve greater cost efficiency
- maintain capital efficiency.

The Australian mature business remains in slow decline but is expected to remain profitable for many years. It is expected to run off between 4% and 6% per annum. In volatile investment markets, this run-off rate can vary substantially. The run-off of AUM mirrors policy liabilities, although there is potential for profit margins to be impacted differently.

The expected run-off of Australian mature is not anticipated to be materially different from current guidance as a result of the Stronger Super regulatory changes.

#### Key risks

Key risks which may impact AMP's business strategies and prospects for future financial years include:

- *A volatile economic environment*: a volatile economic environment could have a negative impact on the profitability of AMP. When markets are volatile and investment returns are low, customers are more likely to change their investment preferences and products. This could result in customers choosing to put less of their discretionary savings into AMP superannuation and investment products which would reduce AMP's cash inflows and create lower profit margins. AMP continues to monitor market conditions and review its product offerings to ensure they continue to meet changing customer needs. Volatile investment markets and a low interest rate environment can also impact the risks associated with capital guaranteed products, and AMP actively manages capital, liquidity and funding requirements in this context.
- *Elevated insurance claims and lapse rates*: in recent times AMP, in common with much of the industry, has been experiencing elevated insurance claims and lapse rates, which has been reflected in policy liabilities. There are many factors impacting claims and lapse experience including slower economic activity, the impact of the Future of Financial Advice reforms, changes in society's attitudes to claiming benefits, changes in state-based injury compensation schemes as well as changes in AMP's business mix over time. One of AMP's priorities is to improve the profitability of its insurance products, some of which are in loss recognition and can have a large impact on earnings when claims and lapse experience assumptions change. Key projects continue to change the way insurance claims are managed so customers can return to work faster, and to help customers better understand the value and benefits of their policies, with the aim of reducing the number of policies which lapse.
- *Regulatory changes to the finance industry*: the Australian finance industry is in a period of significant regulatory change in relation to superannuation, the provision of financial advice, banking, capital requirements and foreign tax legislation. The interpretation and the practical implementation of regulation, coupled with the failure to manage and implement the required changes, could adversely impact AMP's business model, or result in a failure to achieve business and/or strategic objectives. AMP actively engages with the government, regulators and industry bodies, and has dedicated resources and change programs underway to meet the new requirements.
- *Disruption to business operations*: AMP has embarked on a program to increase the scale and pace of change in its Australian business to better respond to changing customer demands and ongoing pricing pressures. Both customers and shareholders will benefit from this reshaping of the Australian business. The introduction of this program may cause some disruption within the business over the short term. To manage these changes, AMP has dedicated resources and well established change programs and processes in place.

- *Non-compliance with regulatory and legislative requirements:* failure to comply with regulatory and legislative requirements could result in breaches, fines, regulatory action or reputational impacts. AMP has established frameworks and dedicated risk and compliance teams who work closely with the business to ensure compliance with regulatory and legal obligations. The provision of financial advice to customers is one of the current focus areas and AMP is working closely with regulators and external advisers to review processes and controls to ensure all financial advice provided by AMP advisers is compliant with the relevant regulations and in the best interests of the customer.
- *Outsourcing risk:* AMP has a number of material outsourcing arrangements with external service providers. If these are not appropriately managed it could affect AMP's service to customers, financial performance, ability to meet regulatory requirements and reputation. AMP would also need to fund the cost of correcting any issues. AMP has policies and processes in place to ensure appropriate governance and management of external service providers. Dedicated teams ensure contracts and service level agreements are monitored regularly and performance targets are reviewed to ensure required deliverables and standards are met.
- *Cyber risk:* the ongoing evolution of technologies has led to a rapidly changing environment that criminal networks seek to exploit. Cybercriminals can impact AMP and our customers by finding new ways to exploit weaknesses in online processes, hacking into customers' computers, and exploiting potential weaknesses in AMP's control environment. AMP's network and assets are protected through the use of detective, preventative and responsive tools. In assessing and mitigating cybercrime, AMP considers vulnerabilities and the potential for control failures.

The directors expect these risks will continue to have the potential to impact AMP and management will continue to monitor and manage these, and other, risks closely.

#### Capital management

Equity and reserves of the AMP group attributable to shareholders of AMP Limited increased to \$8.2 billion at 31 December 2014 from \$8.1 billion at 31 December 2013.

AMP remains well capitalised, with \$2.0 billion in shareholder regulatory capital resources above minimum regulatory requirements (MRR) at 31 December 2014 (\$2.1 billion at 31 December 2013).

AMP's final 2014 dividend is 13.5 cents per share, franked to 80%. This represents a final 2014 dividend payout ratio of 74% of underlying profit. AMP will continue to offer the dividend reinvestment plan (DRP) to eligible shareholders. AMP intends to neutralise the impact of the DRP by acquiring shares on market to satisfy any entitlements under the DRP.

#### Significant changes to the state of affairs

Details of changes in AMP's strategic priorities are set out earlier in this report.

#### Events occurring after the reporting date

As at the date of this report, the directors are not aware of any matter or circumstance that has arisen since the reporting date that has significantly affected or may significantly affect the entity's operations in future years; the results of those

operations in future years; or the entity's state of affairs in future years which is not already reflected in this report, other than the following:

- On 19 February 2015, AMP announced a final dividend on ordinary shares of 13.5 cents per share. Details of the announced dividend and dividends paid and declared during the year are disclosed in note 18 of the financial report.
- On 30 October 2014, AMP entered into an agreement to acquire 19.99% of CLPC, the largest pension company in China. As at 31 December 2014, AMP was awaiting final regulatory approval to settle the transaction. Therefore, no investment in CLPC is recognised in the financial report as at 31 December 2014. The acquisition was settled on 20 January 2015.

#### 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. Further information on AMP's environment policy and activities is included in the corporate governance statement.

#### Indemnification and insurance of directors and officers

Under AMP's 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 the AMP Limited Board. No such indemnities have been provided during or since the end of the financial year.

During the financial year, the company agreed to insure all of the officers (including all directors) of the AMP group against certain liabilities as permitted by the *Corporations Act 2001* (Cth). The insurance policy prohibits disclosure of the nature of the cover, the amount of the premium, the limit of liability and other terms.

In addition, the company and each of the directors are parties to deeds of indemnity and access, as approved by the board. Those deeds of indemnity and access provide that:

- the directors will have access to the books of the company for their period of office and for 10 (or in certain cases, seven) years after they cease to hold office (subject to certain conditions)
- the company indemnifies the directors to the extent permitted by law
- the indemnity covers liabilities incurred by the directors in their capacity as officers of the company and of other AMP group companies
- 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 10 years after they cease to hold office.

#### Rounding

In accordance with the Australian Securities and Investments Commission Class Order 98/0100, 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, EY, for the full year ended 31 December 2014.

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### Auditor's Independence Declaration to the Directors of AMP Limited

In relation to our audit of the financial report of AMP Limited for the financial year ended 31 December 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Tony Johnson  
Partner  
Sydney, 19 February 2015

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### 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 2014, by the company's auditor, EY.

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 and did not compromise the auditor independence requirements of the Corporations Act for the following reasons:

- all non-audit assignments were approved by the nominated delegate to the CFO 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 \$1,386,000 or 10% of the total audit fees paid to the auditors (refer to note 34 of the financial report for further details).

### 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 2014.

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)

AMP is committed to ensuring remuneration practices are aligned with the creation of value for shareholders. An improvement in AMP's financial performance in 2014 saw an increase in net profit and an increased dividend for shareholders. Employees were rewarded for the improved performance with an increased short-term incentive (STI) pool.

- Salary costs have continued to be closely managed across the organisation. In 2014, executive salaries were reviewed but only adjusted if an executive was promoted or an individual's remuneration had fallen below market competitive levels.
- Remuneration packages for new nominated executives have been set at market competitive levels taking tenure in roles into account.
- The 2014 STI pool has been increased to \$118 million or 11.3% of underlying profit compared with \$83 million or 9.8% of underlying profit for 2013, reflecting improved performance against key performance measures and consequently the increase in net profit.
- Performance rights are paid to executives when AMP delivers significant value to shareholders. Performance rights awarded in 2011 lapsed in 2014 as the performance hurdle was not met.

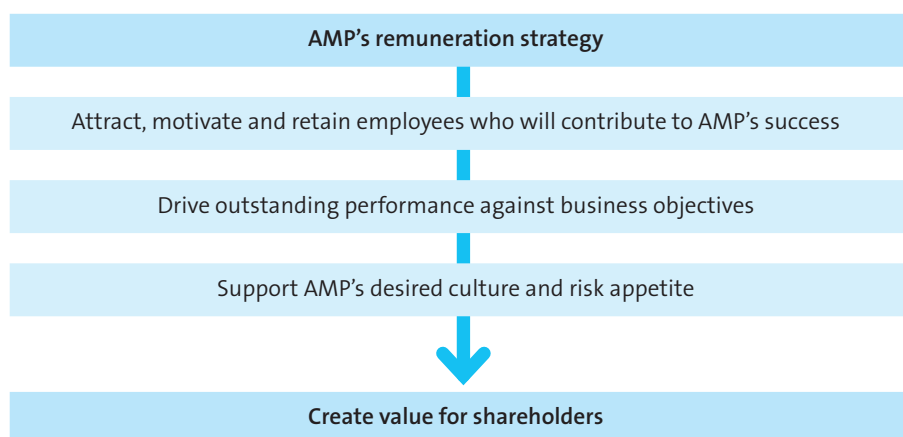
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- 1 2014 remuneration overview
- 2 Remuneration structure for nominated executives in 2014
- 3 The link between company performance and remuneration
- 4 Remuneration for the nominated executives in 2014
- 5 Contractual arrangements for the nominated executives
- 6 Non-executive director remuneration

### 1 2014 remuneration overview

#### 1.1 Remuneration strategy

AMP's remuneration strategy is to align remuneration with the creation of value for shareholders by attracting and retaining employees who will contribute to AMP's success and motivating them to achieve outstanding performance against AMP's business objectives.



AMP has a comprehensive remuneration policy which outlines the responsibilities of the board, People and Remuneration Committee (PRC) and management in maintaining alignment with the remuneration strategy. Of particular note, the policy requires that remuneration arrangements are simple, practical and supported by a governance framework that avoids conflicts of interest, defines clear accountabilities and ensures that proper checks and balances are in place. Where an external perspective is needed, the PRC requests market practice, regulatory and governance input from its external board remuneration advisers, PricewaterhouseCoopers.



## 1.2 Key management personnel

For the purpose of this remuneration report and Australian Accounting Standard AASB 124 *Related Party Disclosures* (refer to note 33 of the financial report), key management personnel (KMP) are defined as including all non-executive directors of the AMP Limited Board (NEDs), the chief executive officer (CEO) and other nominated executives that have authority and responsibility for planning, directing and controlling the activities of AMP. For AMP, the nominated executives are the CEO and direct reports of the CEO who together form the Group Leadership team.

Since the 2013 annual report, there have been a number of changes to the KMP group with the retirement of three NEDs and organisational transformation within AMP following the appointment of Craig Meller as CEO. A full list of KMP disclosed in this report is detailed in the table following.

Current non-executive directors	Role	Term as KMP in 2014
Simon McKeon	Chairman – appointed Chairman 8 May 2014	Full year
Patricia Akopiantz	Director	Full year
Catherine Brenner	Director	Full year
Brian Clark	Director	Full year
Paul Fegan	Director	Full year
Trevor Matthews	Director – appointed 3 March 2014	10 months
John Palmer	Director	Full year
Peter Shergold	Director	Full year
<b>Former non-executive directors</b>		
Peter Mason	Former Chairman – retired 8 May 2014	4 months
Richard Allert	Former Director – retired 8 May 2014	4 months
<b>Chief executive officer</b>		
Craig Meller <sup>1</sup>	Chief Executive Officer and Managing Director	Full year
<b>Current nominated executives</b>		
Lee Barnett	Chief Information Officer	Full year
Pauline Blight-Johnston <sup>2</sup>	Group Executive, Insurance and Superannuation	Full year
Robert Caprioli <sup>2</sup>	Group Executive, Advice and Banking	Full year
Stephen Dunne	Managing Director, AMP Capital	Full year
Gordon Lefevre <sup>3</sup>	Chief Financial Officer – appointed 28 January 2014, commenced in role 1 March 2014	10 months
Matthew Percival <sup>4</sup>	Group Executive, Public Affairs and Chief of Staff	Full year
Paul Sainsbury	Chief Customer Officer	Full year
Brian Salter	General Counsel	Full year
Wendy Thorpe <sup>2</sup>	Group Executive, Operations and Director, Melbourne	Full year
Fiona Wardlaw <sup>5</sup>	Group Executive, People and Culture	Full year
<b>Former nominated executives</b>		
Craig Dunn <sup>6</sup>	Former Chief Executive Officer and Managing Director – ceased role 31 December 2013, ceased employment 31 March 2014	–
Jonathan Deane <sup>7</sup>	Former General Manager, Strategy	–
Colin Storrie	Former Chief Financial Officer – ceased employment 28 February 2014	2 months

- Craig Meller was appointed Chief Executive Officer and Managing Director on 1 January 2014, remuneration data for 2013 relates to his previous role as Managing Director, AMP Financial Services.
- These executives were appointed to the Group Leadership team on 1 January 2014. As they were not nominated executives during 2013, their remuneration data for 2013 has not been included in this report.
- Gordon Lefevre commenced employment with AMP on 28 January 2014 and assumed full Chief Financial Officer responsibilities on 1 March 2014. The 2014 remuneration data disclosed in this report is for the period 1 March to 31 December 2014.
- Matthew Percival's title was changed from General Manager, Public Affairs to Group Executive, Public Affairs and Chief of Staff effective 1 January 2014.
- Fiona Wardlaw's title was changed from General Manager, Human Resources to Group Executive, People and Culture effective 1 January 2014.
- Craig Dunn retired as Chief Executive Officer and Managing Director and from all AMP boards and management committees effective 31 December 2013, although his contract of employment did not cease until 31 March 2014. His role during 2014 was to provide support to Craig Meller and the AMP Limited Board, assist completion of the remuneration cycle and hand over key business relationships. During this period he received his base salary, superannuation and other leave entitlements. His 2014 remuneration has been included in table 1.3 for transparency but, as he was not a nominated executive in 2014, it has not been included in table 4.1 of this report.
- Jonathan Deane moved into a new role, not on the Group Leadership team, effective 1 January 2014. As he was not a nominated executive during 2014, his remuneration data for 2014 has not been included in this report.

### 1.3 Remuneration received by the nominated executives for 2014

The non-statutory table following provides shareholders with a view of the cash and other benefits received by the nominated executives in relation to 2014. It provides the amounts actually received for each remuneration component. Long-term incentive (LTI) values in the table below are zero for most of the nominated executives as the performance hurdles were not met. Where a nominated executive did receive some LTI income during 2014, explanatory notes are provided in the relevant footnotes to the table. There is an accounting value for LTI however, which is shown in section 4.1 in accordance with statutory disclosure requirements.

	Fixed remuneration \$'000	Cash short-term incentive (STI) \$'000	Other remuneration \$'000	Total cash \$'000	Actual share income		2014 total remuneration \$'000
					Short-term incentive (STI) deferral vested during 2014 \$'000	Long-term incentive (LTI) and other vested during 2014 \$'000	
<b>Current disclosed executives</b>							
Craig Meller Chief Executive Officer and Managing Director	1,600	1,500	–	3,100	710	–	3,810
Lee Barnett <sup>1</sup> Chief Information Officer	766	522	225	1,513	414	–	1,927
Pauline Blight-Johnston <sup>2</sup> Group Executive, Insurance and Superannuation	700	552	–	1,252	–	211	1,463
Robert Caprioli Group Executive, Advice and Banking	700	477	–	1,177	160	–	1,337
Stephen Dunne Managing Director, AMP Capital	1,065	1,342	–	2,407	767	–	3,174
Gordon Lefevre <sup>3</sup> Chief Financial Officer	713	523	66	1,302	–	–	1,302
Matthew Percival <sup>4</sup> Group Executive, Public Affairs and Chief of Staff	581	399	29	1,009	307	–	1,316
Paul Sainsbury Chief Customer Officer	850	765	–	1,615	379	–	1,994
Brian Salter <sup>5</sup> General Counsel	770	525	12	1,307	400	–	1,707
Wendy Thorpe <sup>6</sup> Group Executive, Operations and Director, Melbourne	560	441	–	1,001	74	305	1,380
Fiona Wardlaw Group Executive, People and Culture	640	471	–	1,111	347	–	1,458
<b>Former disclosed executives</b>							
Colin Storrie <sup>7</sup> Former Chief Financial Officer	153	–	190	343	334	261	938
<b>Total</b>	<b>9,098</b>	<b>7,517</b>	<b>522</b>	<b>17,137</b>	<b>3,892</b>	<b>777</b>	<b>21,806</b>
Craig Dunn <sup>8,9</sup> Former Chief Executive Officer and Managing Director	431	–	686	1,117	1,195	–	2,312

- Lee Barnett was paid her accrued annual and long service leave on her retirement from AMP effective 31 December 2014, recorded above as Other remuneration.
- Pauline Blight-Johnston received a sign-on incentive in the form of share rights when she joined AMP in 2013 to compensate her for foregoing entitlements from her previous employer. The share rights that vested in 2014 are recorded above as Long-term incentive (LTI) and other vested during 2014. Refer to footnote 8 of the table in section 4.1 for further information.
- Gordon Lefevre received additional remuneration to cover his temporary accommodation costs, recorded above as Other remuneration.
- Matthew Percival took a period of long service leave during December 2014, recorded above as Other remuneration.
- Brian Salter received additional remuneration required to fund his life insurance cover. This was split between a superannuation contribution and a cash payment, recorded in the table in section 4.1 as Superannuation benefits and Other short-term benefits respectively.
- Wendy Thorpe's LTI out of cycle grant of restricted shares, granted September 2011, vested on 31 July 2014.
- Colin Storrie had a retention payment paid in March 2014, recorded above as Other remuneration. Refer to footnote 11 of the table in section 4.1 for further information. In the 2011 LTI offer Colin Storrie received a grant of share rights that vested in 2014, recorded above as Long-term incentive (LTI) and other vested during 2014. Colin was not a KMP in 2011 and under the terms of the offer he received a combination of share rights and performance rights. The performance rights lapsed as the performance hurdles were not met.
- Craig Dunn's remuneration for 2014 has been included for information purposes only. As he was not a KMP in 2014, his 2014 remuneration has not been included in table 4.1.
- Craig Dunn was paid his accrued annual and long service leave on retirement, recorded above as Other remuneration.

The board continues to focus on linking pay with performance and as a result the total remuneration received by the nominated executives for 2014 was higher than for the previous year, reflecting improved company performance.

- Fixed remuneration was reviewed: in general, costs were held flat excluding promotions or where an individual’s remuneration was found to have fallen below market competitive levels.
- Salary and reward opportunities for newly appointed nominated executives were set at market competitive levels taking tenure in roles into account.
- STI outcomes were higher: for the nominated executives, STIs were higher in 2014 compared to 2013 recognising improved performance against profit and other key performance measures.
- Performance-based LTIs did not vest: the performance rights issued under the 2011 LTI lapsed in July 2014 as the relative total shareholder return (TSR) hurdle was not met.

## 2 Remuneration structure for nominated executives in 2014

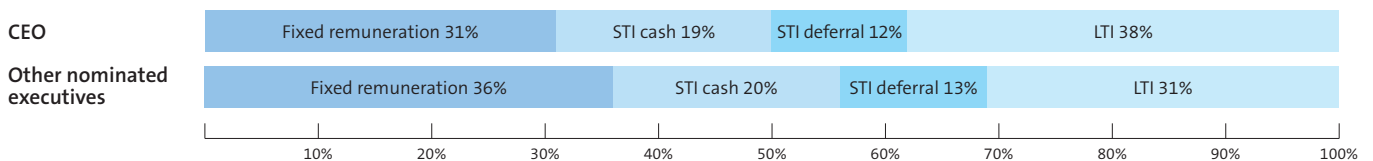
In 2014, AMP’s remuneration structure for the nominated executives included the following key components:

Fixed remuneration	Short-term incentives (STI) or profit share <sup>1</sup>	Long-term incentives (LTI)	Other equity arrangements
Annual base salary and superannuation	STI cash: 60% of the total STI value, dependent on individual, business area and company performance assessed against financial and non-financial measures	Performance rights: rights to AMP Limited shares with: <ul style="list-style-type: none"> <li>– 50% of the award fair value subject to a total shareholder return (TSR) performance hurdle</li> <li>– 50% of the award fair value subject to a return on equity (RoE) performance hurdle</li> </ul>	Minimum shareholding required  STI deferral: 40% of the total STI value deferred into rights to AMP Limited shares subject to a two-year service condition

1 The managing director of AMP Capital participates in the AMP Capital enterprise profit share plan (profit share) as outlined in section 2.3.3.

### 2.1 Remuneration mix for the nominated executives

All of the nominated executives have a significant component of their total remuneration linked to performance. This is illustrated below, using the STI midpoint, being halfway between the minimum outcome of 0% and the maximum outcome, which varies for each executive and is outlined in section 3.2. STI cash, STI deferral and LTI are ‘at risk’ remuneration and will only be paid if specified performance hurdles are met.



The managing director of AMP Capital (AMP Capital MD) is excluded from the above illustration as he participates in the AMP Capital enterprise profit share plan and does not have a target opportunity.

### 2.2 Fixed remuneration

AMP generally positions fixed remuneration at the median (ie the 50th percentile) of the market. When determining the relevant market for each role, AMP considers companies from which it sources talent and to whom it could potentially lose talent. Data is sourced from Australian listed companies of comparable size to AMP, both within the financial services sector and across the general market. AMP looks at roles in the same area of expertise, with similar seniority and responsibility to the relevant individual.

Total remuneration above the market median can be realised through the achievement of stretch performance targets. Fixed remuneration for the nominated executives is expressed as an annual salary package. From this amount, AMP deducts the required superannuation contributions and any additional superannuation contributions or salary-sacrificed benefits the individual elects. Any fringe benefits tax incurred by AMP in providing benefits is on-charged to the individual.

Fixed remuneration for the nominated executives is reviewed by the PRC and approved by the board annually (but not necessarily increased), taking into account:

- market remuneration ranges for the role
- the individual’s capability, performance and criticality to AMP
- the available budget for remuneration increases.

### 2.3 Short-term incentives

AMP’s STI plans provide rewards for annual performance against measures set at the beginning of the performance period.

The nominated executives participate in the following plans:

- CEO: CEO STI plan (refer to section 2.3.1)
- nominated executives (other than the AMP Capital MD): AMP group STI plan (refer to section 2.3.2)
- AMP Capital MD: AMP Capital enterprise profit share plan (refer to section 2.3.3).

### 2.3.1 CEO's short-term incentive plan

The CEO's maximum STI opportunity is 200% of fixed remuneration. To determine the annual STI award, the PRC assesses the performance of the CEO against objectives set and approved by the board at the start of each year. The PRC then recommends an STI payment to the board for approval.

In 2014, the CEO's award was based on the measures and weightings provided in section 2.3.2, which were selected to reward the CEO for performance that would drive sustainable growth in shareholder value.

### 2.3.2 AMP group short-term incentive plan

The nominated executives earn STI awards based on the achievement of AMP's group-wide measures and personal objectives. STI opportunities for the nominated executives are provided in section 3.2.

#### Group-wide measures

The following AMP group-wide measures (STI scorecard) were approved by the board at the beginning of 2014 and then used at the end of the year to determine the size of the STI pool. These measures were chosen because they align with the company's strategy, objectives and goals as approved by the board, and provide an overall view of performance. The non-financial measures for 2014 focus largely on key customer measures that have been identified as critical to the success of AMP's customer strategy.

	Financial measures: weighting 65%	Non-financial measures: weighting 35%
Measures	<ul style="list-style-type: none"> <li>– Underlying profit after tax less cost of capital</li> <li>– Value of net cash flows and risk new business</li> <li>– Cost to income ratio</li> </ul>	<ul style="list-style-type: none"> <li>– Customer relationship index</li> <li>– Customer advocacy<sup>1</sup> – investment performance for clients</li> <li>– Other key strategic priorities including:                             <ul style="list-style-type: none"> <li>– improve insurance solutions</li> <li>– progress with the customer transformation program</li> <li>– deliver efficiency targets</li> <li>– strengthen relationships with offshore partners</li> </ul> </li> </ul>
Link to strategy	– These financial measures are key drivers of shareholder value	– These measures are key indicators of how successfully the company is delivering against its goals and strategy

1 A Net Promoter Score (NPS) was introduced in 2014 to measure customer experience, drive continuous improvement, track progress and support cultural change. However, as the build of the system will be phased over 2014/2015 this score did not contribute to the STI pool in 2014.

The STI pool is calculated based on performance against the STI scorecard and is then adjusted downwards if AMP management operates outside board-approved risk appetite levels. The risk adjustment can be anywhere from 0–100%. The board also has the discretion to consider the quality of AMP's financial results, business leadership and the realisation of strategic opportunities in determining the final STI pool. The CEO distributes the STI pool between business areas based on their contribution to AMP's performance.

#### Individual performance and development plans

Personal development plans (PDPs) for the nominated executives are agreed with the CEO, and approved by the board, at the start of each year. PDPs are designed to focus employees on activities that will drive the achievement of AMP's strategic objectives and typically include some or all of the AMP group measures (refer to Group-wide measures above), additional business unit/individual measures and people measures. Additionally, all employees are also measured on the extent to which they exhibit the AMP behaviours. These are the behaviours AMP has identified as critical to driving business performance and growth. At the end of the financial year, the CEO recommends STI payments for the nominated executives based on their performance against the agreed measures, for board approval.

### 2.3.3 AMP Capital enterprise profit share plan

The AMP Capital MD participates in the AMP Capital enterprise profit share plan (profit share plan). A percentage of AMP Capital's adjusted pre-tax profit, allowing for an appropriate cost of capital, is provided to the profit share plan. The percentage share has not been disclosed because it is commercially sensitive. The size of the profit share pool is agreed upfront by the board. The board has the discretion to adjust the size of the pool, and what portion of the pool is allocated to the AMP Capital MD, to recognise non-profit related performance including AMP behaviours, changes in market conditions and broader financial factors such as AMP's capacity to pay. The board also has the discretion to adjust the profit share pool downwards if AMP Capital management operates outside board-approved risk appetite levels (as per the AMP group STI plan).

Any allocation to the AMP Capital MD is recommended by the CEO for approval by the board with consideration given to performance against annual financial and non-financial objectives and AMP behaviours. The allocation is delivered partly in cash at the end of the financial year (60% of the award), with the remainder deferred into share rights, which vest two years later (40% of the award). The deferred portion is delivered through the AMP group STI deferral plan (refer to STI deferral plan in section 2.3.4).

### 2.3.4 STI deferral plan

The nominated executives participate in the AMP STI deferral plan. The plan requires that 40% of their STI award be delivered in rights to AMP shares (share rights). The share rights have no exercise price and no exercise period, converting to AMP Limited shares (ie vesting) after a two-year deferral period.

Vesting is subject to ongoing employment, compliance with AMP policies and the board's discretion. The condition of ongoing employment may not apply in specific circumstances, including where an employee dies, is totally and permanently disabled, gives notice of retirement, or their employment ends on the grounds of redundancy. The 2014 STI deferral awards will be granted in April 2015, following the release of AMP's 2014 full-year financial results and calculation of 2014 STI outcomes.

The first grant of share rights was made under the STI deferral plan during 2012 based on 2011 STI outcomes. All eligible share rights in this 2011 plan vested on 28 February 2014 and were subsequently converted into AMP Limited shares.

#### Source of shares

The board has the discretion to satisfy vested rights by either acquiring shares on market or by issuing shares. As share rights can be dilutive, it is AMP's historical and planned practice to buy AMP shares on market to satisfy the STI deferral awards so there will be no dilutive effect on the value of AMP shares. In the case of the CEO, vested rights must be satisfied by acquiring shares on market.

#### 2.4 Long-term incentives

AMP grants long-term incentive (LTI) awards to the nominated executives annually to provide ongoing benefits for increasing shareholder value. Each year they are provided with an allocation of rights to AMP shares that are subject to specified performance hurdles (performance rights). The performance rights have no exercise price and no exercise period, and generally convert to AMP Limited shares (ie vest) after a three-year vesting period, provided that the relevant performance conditions are met.

#### Performance hurdles

Vesting of performance rights is subject to two performance hurdles:

Total shareholder return (TSR) hurdle – 50% of the LTI award fair value is subject to AMP's TSR performance relative to the top industrial companies in the S&P/ASX 100 Index over a three-year period. TSR measures the benefit delivered to shareholders over the given period, which includes dividend payments, capital returns and movement in the share price. This performance hurdle was chosen because it requires participants to outperform major ASX listed companies before the awards generate any value.

Return on equity (RoE) hurdle – 50% of the LTI award fair value is subject to AMP's RoE performance for the year ending 31 December 2016. Prior to the 2014 grant being awarded, the board determined the threshold and maximum RoE performance targets (expressed as percentage outcomes) to be achieved for the year ending 31 December 2016. This performance hurdle was chosen as it drives a strong capital discipline, which is a key contributor to creating sustainable shareholder value.

#### Treatment of LTI on cessation of employment and change of control

Typically, unvested LTI awards lapse at the end of the notice period if an employee resigns from AMP or their employment is terminated for misconduct or inadequate performance. In other cases, such as retirement and redundancy, LTI awards may be retained, with vesting continuing to be subject to the same vesting conditions as if they had remained in AMP employment. The board has the discretion to determine an alternative treatment on cessation of employment if deemed appropriate in the light of specific circumstances.

In the event AMP is subject to a takeover or change of control, the board has the discretion to determine the treatment of any unvested performance rights.

#### Source of shares

The board has the discretion to satisfy vested rights by either acquiring shares on market or by issuing shares. As performance rights can be dilutive, it is AMP's historical and planned practice to buy AMP shares on market to satisfy the LTI awards so there will be no dilutive effect on the value of AMP shares. In the case of the CEO, vested rights must be satisfied by acquiring shares on market.

#### 2.4.1 Performance rights granted in 2014

##### Determining the value of the award and the number of securities

Participation in the LTI and the value of awards is recommended by the PRC for approval by the board (and by shareholders in the case of the award to the CEO). When recommending the value of awards, the PRC, on advice from the CEO, considers the recipient's influence on AMP's long-term performance and contribution to AMP over the past 12 months or more. To determine the number of performance rights to be granted, the total value of the LTI award is divided in two and each half is then divided by the allocation value of the applicable performance right. The allocation values for the performance rights with the TSR hurdle and the RoE hurdle are based on valuations prepared by an independent external consultant. The valuations are based on the 10-day average daily closing share price prior to the offer being made, discounted for foregone dividends and the risk of performance conditions not being met.

The RoE hurdle was introduced as a second performance hurdle in 2013 and any performance rights granted since 2013 are now subject to both performance hurdles (refer to section 2.4). The vesting of any performance rights granted prior to 2013, including those subject to performance testing during 2014, is only dependent on AMP's TSR performance relative to a comparator group of Australian listed companies over a three-year performance period. The comparator group is the top 50 industrial companies in the S&P/ASX 100 Index (based on market capitalisation rank) as defined at the start of the relevant performance period. The performance testing period is provided in the following table.

Plan	2014 annual award <sup>1</sup>	2013 annual award <sup>1</sup>	2012 annual award	2011 executive award	2011 CEO award	2010 annual award
Grant date	05/06/2014	06/06/2013	07/06/2012	09/09/2011	09/06/2011	08/09/2010
Performance period	TSR tranche: 06/03/2014– 05/03/2017	TSR tranche: 07/03/2013– 06/03/2016	01/03/2012– 28/02/2015	01/08/2011– 31/07/2014	01/05/2011– 30/04/2014	01/08/2010– 31/07/2013
	RoE tranche: 01/01/2016– 31/12/2016	RoE tranche: 01/01/2015– 31/12/2015				

1 Performance rights granted under the 2013 and 2014 LTI award are subject to two performance hurdles. 50% of the LTI award fair value comprised of performance rights subject to a TSR performance hurdle and 50% comprised of performance rights subject to an RoE performance hurdle.

#### Vesting schedule for the 2014 long-term incentive awards

AMP's performance against both the TSR and RoE performance hurdles will determine the number of performance rights that will vest at the end of the vesting period. Whilst the TSR and RoE performance rights are subject to different performance periods, they both have the same vesting period, which concludes upon the end of the TSR performance period, during May 2017.

The number of TSR performance rights that vest and are converted into AMP shares at the end of the vesting period will be determined in accordance with the following vesting schedule.

TSR performance	Percentage of performance rights in the TSR tranche to vest %
AMP's TSR ranking below the 50th percentile of the market comparator group	0
AMP's TSR ranking at the 50th percentile of the market comparator group	50
AMP's TSR ranking between the 50th and 75th percentile of the market comparator group	50 plus 2 for each additional percentile (rounded to the nearest whole percentile)
AMP's TSR ranking in at least the 75th percentile of the market comparator group	100

At the end of the performance period, an independent external consultant provides the PRC with AMP's TSR ranking against the comparator group.

The number of RoE performance rights that vest and are converted into AMP shares at the end of the vesting period will be determined in accordance with the following vesting schedule.

RoE performance	Percentage of performance rights in the RoE tranche to vest %
RoE below threshold performance target	0
RoE at threshold performance target	50
RoE between threshold and maximum performance targets	Proportionate vesting between 50 and 100
RoE equal to or greater than maximum performance target	100

For the purposes of the RoE hurdle, RoE will be calculated as follows (and then expressed as a percentage):

$$\frac{\text{Underlying profit less dividends paid on any preference shares}}{\text{AMP shareholder equity (book value)}}$$

Where:

**Underlying profit** = Underlying profit for the year ending 31 December 2016, as reported in AMP's 2016 annual report.

**AMP shareholder equity (book value)** will be calculated by adding AMP shareholder equity as at 31 December 2015 and AMP shareholder equity at the end of each month throughout 2016, but excluding any equity attributable to any preference shareholders, and dividing the resulting number by 13. For this purpose AMP shareholder equity is the total equity of shareholders of AMP Limited plus adjustments made to statutory shareholder equity (in each case as shown or defined in AMP's audited statement of financial position and notes as at 31 December 2015 and 31 December 2016 or the management accounts for each other month).

Dividends paid on, and equity relating to, any preference shares will be excluded from the measure, to focus on returns to ordinary shareholders.

At the end of the performance period, AMP's Finance division will provide the PRC with AMP's RoE performance expressed as a percentage.

The PRC will then determine the number of performance rights subject to either a TSR or RoE performance hurdle, if any, which will vest with reference to the above vesting schedules. There is no subsequent performance retesting. Consequently, any awards that do not vest at the end of the vesting period are forfeited.

#### Conversion to shares

If the awards vest, they are automatically converted to shares on behalf of participants. Upon conversion, participants become entitled to shareholder benefits, including dividends and voting rights.

## 2.5 Other equity arrangements – executive minimum shareholding requirement

In order to strengthen the alignment between the interests of the nominated executives and shareholders in the long-term performance of AMP, all nominated executives are expected to establish and maintain the following minimum shareholdings within five years of appointment to a KMP role:

- CEO: 300,000 shares
- direct reports to the CEO: 60,000 shares.

Share rights allocated to nominated executives as a result of STI deferral are included in balances for the purpose of minimum shareholding requirements. The table below summarises the movements in the holdings of shares in AMP Limited held by the nominated executives and their personally related entities over the reporting period.

Name	Date by which minimum holding must be met	Holding at 1 Jan 2014		Granted as remuneration during the period <sup>1</sup>	Exercise of rights <sup>2</sup>	Other changes <sup>3</sup>	Holding at 31 Dec 2014		
		Shares	Rights				Shares	Rights	Total
Craig Meller	Dec 2018	96,207	266,039	76,887	(146,961)	146,961	243,168	195,965	439,133
Lee Barnett <sup>4</sup>	Jul 2011	53,078	155,237	60,411	(85,635)	–	53,078	130,013	183,091
Pauline Blight-Johnston <sup>5</sup>	Dec 2018	–	80,482	24,713	(40,241)	17,241	17,241	64,954	82,195
Robert Caprioli	Dec 2018	–	62,918	27,459	(33,149)	33,149	33,149	57,228	90,377
Stephen Dunne <sup>6</sup>	Jul 2011	209,396	308,134	165,675	(158,867)	–	209,396	314,942	524,338
Gordon Lefevre	Jan 2019	–	–	–	–	–	–	–	–
Matthew Percival	Jul 2011	30,000	108,399	39,359	(63,535)	–	30,000	84,223	114,223
Paul Sainsbury	Dec 2015	–	163,988	67,276	(78,453)	–	–	152,811	152,811
Brian Salter	Jul 2013	23,866	145,346	54,004	(82,872)	85,389	109,255	116,478	225,733
Colin Storrie <sup>7</sup>	Jan 2017	39,416	191,733	–	(69,060)	–	–	–	–
Wendy Thorpe <sup>8</sup>	Dec 2018	90,230	57,282	24,256	(15,354)	(55,556)	34,674	66,184	100,858
Fiona Wardlaw	Aug 2013	66,781	125,911	44,393	(71,823)	71,823	138,604	98,481	237,085

- 1 Grants include STI deferral plan share rights, which were allocated on 29 April 2014 with a fair value of \$4.64 per share right.
- 2 All performance rights are shown as a negative number as no performance rights were exercised during the reporting period.
- 3 Other changes include on market share transactions.
- 4 The closing balance for Lee Barnett is as at 31 December 2014, the date she retired from AMP.
- 5 Pauline Blight-Johnston's holding as at 31 December 2014 is 82,195 which includes 40,241 share rights granted June 2013 as a sign-on bonus under the LTI plan. They have been included for disclosure purposes however they are not included for the minimum shareholding requirements.
- 6 The AMP China Capital Growth Fund invests in China A shares, which are shares in companies listed on China's Shanghai or Shenzhen stock exchanges. In addition to his shareholdings above, Stephen Dunne held 63,941 units in the China Growth Fund as at 31 December 2014, which increased by 1,566 units during the reporting period as a result of participation in the dividend reinvestment plan.
- 7 Colin Storrie's holding as at 1 January 2014 includes 47,620 share rights granted under the 2011 LTI Plan. They have been included for disclosure purposes, however they are not included for the minimum shareholding requirements. The closing balance for Colin Storrie as at 28 February 2014 is 162,089, the date Colin ceased employment.
- 8 Wendy Thorpe held 55,556 shares under the LTI restricted share plan as at 1 January 2014, which vested on 31 July 2014. They have been included for disclosure purposes however they are not included for the minimum shareholding requirements.

The new nominated executives are required to meet the executive minimum shareholding requirement within five years of their appointment to a KMP role.

### 3 The link between company performance and remuneration

#### 3.1 Company performance and short-term incentive expenditure

The following table shows how STI outcomes compared to AMP's financial results over the past five years. STI outcomes and company results are not expected to be perfectly correlated as AMP's STI performance assessment involves a broader consideration of AMP's progress in generating future value for shareholders (eg non-financial performance and financial results relative to the targets set by the board and shareholder expectations).

Financial results	2010	2011	2012	2013	2014
Underlying profit (\$m)	760	909	950	849	1,045
Operating earnings (\$m)	686	792	810	789	990
Underlying return on equity	26%	15.1%	12.8%	10.7%	12.7%
STI pool (\$m)	62	89 <sup>1</sup>	96 <sup>2</sup>	83	118
STI pool as % of operating profit	8%	9.8%	10.1%	9.8%	11.3%
Average STI as % of maximum opportunity for the nominated executives	65%	60%	63%	43%	70%
Total dividend (cents per share)	30	29	25	23	26
Share price at 31 December	\$5.29	\$4.07	\$4.81	\$4.39	\$5.50

1 The STI pool for 2011 was higher than in 2010 because of the increase in AMP's headcount following AMP's merger with the Australian and New Zealand businesses of AXA Asia Pacific Holdings and other structural changes in the balance of at-risk remuneration for a number of employees.

2 The 2012 STI pool is inclusive of the CEO STI plan and the AMP group STI plan.

With regard to the non-financial measures outlined in section 2.3.2, AMP performed strongly overall and particularly against AMP's measures of investment performance and key strategic priorities. Further commentary is provided below:

2014 performance	
<b>Non-financial measures</b>	
Customer relationship index	<ul style="list-style-type: none"> <li>– New measure successfully introduced and proven</li> <li>– Strong performance against measure with deeper levels of customer engagement</li> </ul>
Customer advocacy – investment performance (% of assets under management meets or exceeds clients' goals)	– 86% of assets under management meets or exceeds clients' goals for 2014
<b>Other key priorities</b>	
Improvement of insurance solutions	<ul style="list-style-type: none"> <li>– Developed and began implementing a new claims methodology and process, and commenced rollout of a new claims management platform</li> <li>– Commenced development of a more sustainable insurance offer to better meet the long-term needs of stakeholders</li> </ul>
Progress with customer transformation program	<p>Significant progress in building new customer capabilities, to position for growth:</p> <ul style="list-style-type: none"> <li>– Digital and technological capabilities including market leading digital mobile platform</li> <li>– Segment strategies, product and service solution innovation and customer insight driven communications</li> <li>– New capabilities in human centred design and behavioural economics in place and driving value</li> <li>– New operating model and cultural change program</li> </ul>
Deliver efficiency targets	– Strong cost outcomes in 2014
Strengthen relationships with offshore partners	<ul style="list-style-type: none"> <li>– Expansion of partnership with China Life with the acquisition of a stake in the China Life Pension Company</li> <li>– Commercialised relationship with Mitsubishi UFJ Trust and Banking Corporation with 11 funds now in the market</li> </ul>



### 3.2 Company performance and 2014 STI outcomes for the nominated executives

The following table shows STI opportunities for each nominated executive (as a percentage of fixed remuneration) and the proportions of STI opportunity awarded and forfeited during 2014. On average, the nominated executives were awarded 70% of their maximum opportunity. The 2014 STI outcomes for the nominated executives were higher than 2013 STI outcomes (when the average percentage awarded was 43%), reflecting improved company performance.

Executive	Position	Maximum STI opportunity (% of total fixed pay)	STI award as a % of maximum STI opportunity <sup>1</sup>	% of maximum STI opportunity not awarded
Craig Meller	Chief Executive Officer and Managing Director	200	78	22
Lee Barnett	Chief Information Officer	175	65	35
Pauline Blight-Johnston	Group Executive, Insurance and Superannuation	175	75	25
Robert Caprioli	Group Executive, Advice and Banking	175	65	35
Stephen Dunne	Managing Director, AMP Capital	n/a <sup>2</sup>	n/a <sup>2</sup>	n/a <sup>2</sup>
Gordon Lefevre	Chief Financial Officer	175	70	30
Matthew Percival	Group Executive, Public Affairs and Chief of Staff	175	65	35
Paul Sainsbury	Chief Customer Officer	200	75	25
Brian Salter	General Counsel	175	65	35
Wendy Thorpe	Group Executive, Operations and Director, Melbourne	175	75	25
Fiona Wardlaw	Group Executive, People and Culture	175	70	30
<b>Average</b>			<b>70</b>	<b>30</b>

1 The amounts awarded are inclusive of the deferred component (ie include both the cash and deferred share rights).

2 The AMP Capital MD has STI opportunity delivered under the AMP Capital enterprise profit share plan (refer to section 2.3.3) and this opportunity is uncapped. Accordingly STI opportunity, % awarded and % not awarded, are not applicable.

### 3.3 Company performance and long-term incentive vesting

Performance rights awarded prior to 2013 are subject to a single total shareholder return (TSR) hurdle whereby AMP's TSR must be equal to or greater than the median TSR of the top 50 industrial companies in the S&P/ASX 100 Index (refer to section 2.4).

The table below illustrates how LTI outcomes are linked to shareholder returns. For each LTI grant made during the last four years, the table provides the relevant performance period, and for all completed performance periods:

- AMP's TSR for that period (absolute and relative to the specified comparator group for the relevant LTI award)
- details of whether the award vested.

As shown in the following table, performance rights issued under the 2011 LTI offer lapsed as the TSR hurdle was not met.

Year	Award	Performance period for the LTI grant	AMP's TSR for that period <sup>1</sup> %	AMP's ranking relative to the LTI comparator group	Vesting status at 31 Dec 2014
2010	Annual award	01/08/2010–31/07/2013	6.42	37th	Lapsed
2011	CEO award	01/05/2011–30/04/2014	Award forfeited on CEO retirement <sup>2</sup>		
	Executive award	01/08/2011–31/07/2014	27.31	34th	Lapsed
2012	Annual award	01/03/2012–28/02/2015			Performance period not complete
2013	Annual award	TSR tranche: 07/03/2013–06/03/2016 RoE tranche: 01/01/2015–31/12/2015			Performance period not complete Performance period not complete
2014	Annual award	TSR tranche: 06/03/2014–05/03/2017 RoE tranche: 01/01/2016–31/12/2016			Performance period not complete Performance period not complete

1 TSR was calculated as the growth in share price (using the ASX adjusted price series) plus dividend payments and capital returns over the period.

2 2011 CEO award, granted to Craig Dunn, performance rights were forfeited on retirement.

#### 4 Remuneration for the nominated executives in 2014

##### 4.1 Accounting value of 2014 remuneration

The following table shows the remuneration details for the nominated executives for the year ended 31 December 2014. The share-based payments shown below are not amounts actually received by nominated executives during the year, as they include accounting values for unvested share awards. Actual share-based payment amounts received are shown in section 1.3.

		Short-term employee benefits			Post-employment benefits	Share-based payments <sup>1</sup>	Long-term benefits	Grand total <sup>7</sup> \$'000
		Cash salary \$'000	Short-term incentive <sup>2</sup> \$'000	Other short-term benefits <sup>3</sup> \$'000	Superannuation benefits <sup>4</sup> \$'000	Rights <sup>5</sup> \$'000	Other <sup>6</sup> \$'000	
<b>Current disclosed executives</b>								
Craig Meller	2014	1,562	1,500	13	25	1,601	152	4,853
Chief Executive Officer and Managing Director	2013	1,027	504	13	25	1,282	18	2,869
Lee Barnett	2014	728	522	60	27	866	176	2,379
Chief Information Officer	2013	727	396	11	27	789	13	1,963
Pauline Blight-Johnston <sup>8</sup>	2014	631	552	49	20	443	3	1,698
Group Executive, Insurance and Superannuation	2013	–	–	–	–	–	–	–
Robert Caprioli	2014	677	477	–	23	422	11	1,610
Group Executive, Advice and Banking	2013	–	–	–	–	–	–	–
Stephen Dunne	2014	1,045	1,342	–	20	1,617	144	4,168
Managing Director, AMP Capital	2013	1,046	1,086	–	19	1,355	18	3,524
Gordon Lefevre <sup>9</sup>	2014	691	523	68	19	156	2	1,459
Chief Financial Officer	2013	–	–	–	–	–	–	–
Matthew Percival	2014	516	399	9	27	619	45	1,615
Group Executive, Public Affairs and Chief of Staff	2013	540	258	1	24	573	22	1,418
Paul Sainsbury	2014	761	765	39	50	963	13	2,591
Chief Customer Officer	2013	687	441	64	50	754	68	2,064
Brian Salter	2014	738	525	19	25	841	15	2,163
General Counsel	2013	741	354	11	26	775	18	1,925
Wendy Thorpe	2014	509	441	7	53	473	31	1,514
Group Executive, Operations and Director, Melbourne	2013	–	–	–	–	–	–	–
Fiona Wardlaw <sup>10</sup>	2014	568	471	47	25	705	13	1,829
Group Executive, People and Culture	2013	604	291	11	25	654	14	1,599
<b>Former disclosed executives</b>								
Craig Dunn	2014	–	–	–	–	–	–	–
Former Chief Executive Officer and Managing Director	2013	1,713	819	12	25	2,533	30	5,132
Jonathan Deane	2014	–	–	–	–	–	–	–
Former General Manager, Strategy	2013	506	270	–	19	539	9	1,343
Colin Storrie <sup>11</sup>	2014	147	–	43	4	1,497	4	1,695
Former Chief Financial Officer	2013	912	432	400	25	673	8	2,450
<b>2014 total</b>		<b>8,573</b>	<b>7,517</b>	<b>354</b>	<b>318</b>	<b>10,203</b>	<b>609</b>	<b>27,574</b>
2013 total <sup>12</sup>		8,503	4,851	523	265	9,927	218	24,287

Footnotes 1 to 12 can be found on the following page.

Footnotes for table 4.1

- 1 For accounting purposes, all share-based payments are equity-settled as per the relevant Australian Accounting Standard AASB 2 *Share-based Payment*.
- 2 Short-term incentive values represent 60% of the total STI award, with 40% being deferred into STI deferral plan share rights.
- 3 Other short-term benefits include benefits such as car parking.
- 4 Wendy Thorpe is in a defined benefit plan and the value represents the notional taxable contributions. For all other nominated executives the superannuation benefits include contributions made above statutory requirements.
- 5 Includes performance rights, share rights and STI deferral plan share rights. The minimum future value for these awards is nil and the maximum amount expensed by AMP is the fair value at grant date. The fair value of share rights and performance rights has been calculated as at the grant date by external consultants using a Monte Carlo simulation. The fair value of the TSR performance rights has been discounted for the probability of not meeting the TSR performance hurdles. The value of the award made in any year is amortised over the vesting period.
- 6 Other long-term benefits represent long service leave accrued, taken or paid during the year.
- 7 No termination payments were made to nominated executives during 2013 or 2014.
- 8 Pauline Blight-Johnston received a sign-on incentive in the form of share rights when she joined AMP in 2013, recorded above as Rights, to compensate her for foregoing entitlements from her previous employer. The rights are not subject to performance hurdles and vest in equal instalments on her first and second service anniversary. The value of this award is amortised over the vesting period.
- 9 Gordon Lefevre received additional remuneration to cover his temporary accommodation costs, recorded as Other short-term benefits.
- 10 Fiona Wardlaw purchased additional annual leave during 2014, recorded as Other short-term benefits.
- 11 Colin Storrie was granted a cash retention award paid on 31 March 2014. The amortised value of this payment is recorded above as Other short-term benefits. The award was made to ensure flexibility regarding handover arrangements with AMP's new chief financial officer and to incentivise early completion of a number of strategic projects.
- 12 Totals for Other long-term benefits and grand total for 2013 in this table do not equal the totals disclosed in the 2013 annual report as long service accrued during the year was not disclosed in the 2013 report.

#### 4.2 Performance rights holdings

The table below summarises the movements, by number, in the nominated executives' holdings of performance rights granted by AMP Limited, for the year ended 31 December 2014. For details of the fair valuation methodology, refer to note 28 of the financial report.

Name	Grant date	Performance condition <sup>1</sup>	Fair value per performance right \$	Holding at 1 Jan 2014	Rights granted in 2014	Rights exercised in 2014	Rights lapsed in 2014	Holding at 31 Dec 2014	Vested <sup>2</sup> and exercisable at 31 Dec 2014	
Craig Meller	09/09/11	TSR	1.92	400,376	–	–	400,376	–	–	
	07/06/12	TSR	1.28	540,609	–	–	–	540,609	–	
	06/06/13	TSR	2.00	219,149	–	–	–	219,149	–	
		RoE	4.21	149,168	–	–	–	149,168	–	
	05/06/14	TSR	2.89	–	–	355,871	–	–	355,871	–
		RoE	4.57	–	–	297,619	–	–	297,619	–
<b>Total</b>				<b>1,309,302</b>	<b>653,490</b>	<b>–</b>	<b>400,376</b>	<b>1,562,416</b>	<b>–</b>	
Lee Barnett	09/09/11	TSR	1.92	244,455	–	–	244,455	–	–	
	07/06/12	TSR	1.28	330,076	–	–	–	330,076	–	
	06/06/13	TSR	2.00	133,807	–	–	–	133,807	–	
		RoE	4.21	91,079	–	–	–	91,079	–	
	05/06/14	TSR	2.89	–	–	115,712	–	–	115,712	–
		RoE	4.57	–	–	96,771	–	–	96,771	–
<b>Total</b>				<b>799,417</b>	<b>212,483</b>	<b>–</b>	<b>244,455</b>	<b>767,445</b>	<b>–</b>	
Pauline Blight-Johnston	06/06/13	TSR	2.00	66,872	–	–	–	66,872	–	
		RoE	4.21	45,518	–	–	–	45,518	–	
	05/06/14	TSR	2.89	–	–	105,871	–	–	105,871	–
		RoE	4.57	–	–	88,541	–	–	88,541	–
<b>Total</b>				<b>112,390</b>	<b>194,412</b>	<b>–</b>	<b>–</b>	<b>306,802</b>	<b>–</b>	
Robert Caprioli	09/09/11	TSR	1.92	93,985	–	–	93,985	–	–	
	07/06/12	TSR	1.28	126,903	–	–	–	126,903	–	
	06/06/13	TSR	2.00	51,440	–	–	–	51,440	–	
		RoE	4.21	35,014	–	–	–	35,014	–	
	05/06/14	TSR	2.89	–	–	105,871	–	–	105,871	–
		RoE	4.57	–	–	88,541	–	–	88,541	–
<b>Total</b>				<b>307,342</b>	<b>194,412</b>	<b>–</b>	<b>93,985</b>	<b>407,769</b>	<b>–</b>	
Stephen Dunne	09/09/11	TSR	1.92	400,376	–	–	400,376	–	–	
	07/06/12	TSR	1.28	540,609	–	–	–	540,609	–	
	06/06/13	TSR	2.00	219,149	–	–	–	219,149	–	
		RoE	4.21	149,168	–	–	–	149,168	–	
	05/06/14	TSR	2.89	–	–	189,513	–	–	189,513	–
		RoE	4.57	–	–	158,491	–	–	158,491	–
<b>Total</b>				<b>1,309,302</b>	<b>348,004</b>	<b>–</b>	<b>400,376</b>	<b>1,256,930</b>	<b>–</b>	
Gordon Lefevre	05/06/14	TSR	2.89	–	–	128,558	–	–	128,558	–
		RoE	4.57	–	–	107,514	–	–	107,514	–
<b>Total</b>				<b>–</b>	<b>236,072</b>	<b>–</b>	<b>–</b>	<b>236,072</b>	<b>–</b>	

Footnotes 1 and 2 can be found on the following page.

Name	Grant date	Performance condition <sup>1</sup>	Fair value per performance right \$	Holding at 1 Jan 2014	Rights granted in 2014	Rights exercised in 2014	Rights lapsed in 2014	Holding at 31 Dec 2014	Vested <sup>2</sup> and exercisable at 31 Dec 2014
Matthew Percival	09/09/11	TSR	1.92	180,546	–	–	180,546	–	–
	07/06/12	TSR	1.28	243,781	–	–	–	243,781	–
	06/06/13	TSR	2.00	98,828	–	–	–	98,828	–
		RoE	4.21	67,269	–	–	–	67,269	–
	05/06/14	TSR	2.89	–	–	88,478	–	–	88,478
RoE		4.57	–	–	73,995	–	–	73,995	–
<b>Total</b>				<b>590,424</b>	<b>162,473</b>	<b>–</b>	<b>180,546</b>	<b>572,351</b>	<b>–</b>
Paul Sainsbury	09/09/11	TSR	1.92	207,707	–	–	207,707	–	–
	07/06/12	TSR	1.28	280,456	–	–	–	280,456	–
	06/06/13	TSR	2.00	174,897	–	–	–	174,897	–
		RoE	4.21	119,047	–	–	–	119,047	–
	05/06/14	TSR	2.89	–	–	128,558	–	–	128,558
RoE		4.57	–	–	107,514	–	–	107,514	–
<b>Total</b>				<b>782,107</b>	<b>236,072</b>	<b>–</b>	<b>207,707</b>	<b>810,472</b>	<b>–</b>
Brian Salter	09/09/11	TSR	1.92	246,053	–	–	246,053	–	–
	07/06/12	TSR	1.28	332,233	–	–	–	332,233	–
	06/06/13	TSR	2.00	134,682	–	–	–	134,682	–
		RoE	4.21	91,674	–	–	–	91,674	–
	05/06/14	TSR	2.89	–	–	116,469	–	–	116,469
RoE		4.57	–	–	97,404	–	–	97,404	–
<b>Total</b>				<b>804,642</b>	<b>213,873</b>	<b>–</b>	<b>246,053</b>	<b>772,462</b>	<b>–</b>
Colin Storr <sup>3</sup>	09/09/11	TSR	1.92	75,188	–	–	75,188	–	–
	07/06/12	TSR	1.28	409,898	–	–	–	–	–
	06/06/13	TSR	2.00	166,163	–	–	–	–	–
		RoE	4.21	113,103	–	–	–	–	–
<b>Total</b>				<b>764,352</b>	<b>–</b>	<b>–</b>	<b>75,188</b>	<b>–</b>	
Wendy Thorpe	09/09/11	TSR	1.92	95,865	–	–	95,865	–	–
	07/06/12	TSR	1.28	129,441	–	–	–	129,441	–
	06/06/13	TSR	2.00	52,469	–	–	–	52,469	–
		RoE	4.21	35,714	–	–	–	35,714	–
	05/06/14	TSR	2.89	–	–	84,519	–	–	84,519
RoE		4.57	–	–	70,684	–	–	70,684	–
<b>Total</b>				<b>313,489</b>	<b>155,203</b>	<b>–</b>	<b>95,865</b>	<b>372,827</b>	<b>–</b>
Fiona Wardlaw	09/09/11	TSR	1.92	204,512	–	–	204,512	–	–
	07/06/12	TSR	1.28	276,142	–	–	–	276,142	–
	06/06/13	TSR	2.00	111,945	–	–	–	111,945	–
		RoE	4.21	76,198	–	–	–	76,198	–
	05/06/14	TSR	2.89	–	–	96,807	–	–	96,807
RoE		4.57	–	–	80,960	–	–	80,960	–
<b>Total</b>				<b>668,797</b>	<b>177,767</b>	<b>–</b>	<b>204,512</b>	<b>642,052</b>	<b>–</b>

1 Performance rights granted under the 2013 and 2014 LTI awards are subject to two performance hurdles, a TSR and an RoE hurdle. Prior year awards were subject to a TSR hurdle only.

2 No performance rights vested during 2014.

3 Colin Storr<sup>3</sup> ceased employment with AMP on 28 February 2014. In 2011 Colin Storr<sup>3</sup> was not a KMP and received a grant of performance and share rights under the LTI plan. The performance rights lapsed in September 2014, as the performance hurdles were not met.

#### 4.3 Analysis of movements in the value of performance rights

The following table summarises the movement of performance rights, by value, during 2014. No performance rights were exercised during 2014.

Name	Value of performance rights granted during 2014 \$'000	Value of performance rights exercised during 2014 \$'000	Value of performance rights lapsed during 2014 <sup>1</sup> \$'000	Value of performance rights as at 31 Dec 2014 \$'000
Craig Meller	2,389	–	2,198	8,593
Lee Barnett	777	–	1,342	4,221
Pauline Blight-Johnston	711	–	–	1,687
Robert Caprioli	711	–	516	2,243
Stephen Dunne	1,272	–	2,198	6,913
Gordon Lefevre	863	–	–	1,298
Matthew Percival	594	–	991	3,148
Paul Sainsbury	863	–	1,140	4,458
Brian Salter	782	–	1,351	4,249
Colin Storrie <sup>2</sup>	–	–	413	–
Wendy Thorpe	567	–	526	2,051
Fiona Wardlaw	650	–	1,123	3,531

1 The performance rights lapsed are valued using the closing share price on vesting date of the performance rights, 31 July 2014.

2 Colin Storrie ceased employment with AMP on 28 February 2014. In 2011 Colin Storrie was not a KMP and received a grant of performance and share rights under the LTI plan. The performance rights lapsed September 2014, as the performance hurdles were not met.

#### 4.4 Transactions with key management personnel

##### 4.4.1 Loans to KMP

All loans to key management personnel and their related parties have been provided on an arm's length commercial basis.

##### 4.4.2 Total loans to KMP

	Balance at 1 Jan 2014 \$'000	Written off \$'000	Net advances (repayments) \$'000	Balance at 31 Dec 2014 \$'000	Interest charged \$'000	Interest not charged \$'000	Number in group
KMP and their related parties	4,133	–	5,028	9,161	279	–	4

##### 4.4.3 Loans to KMP exceeding \$100,000

	Balance at 1 Jan 2014 \$'000	Written off \$'000	Net advances (repayments) \$'000	Balance at 31 Dec 2014 \$'000	Interest charged \$'000	Interest not charged \$'000	Highest indebtedness in period \$'000
Craig Meller	1,713	–	(116)	1,597	84	–	1,797
Pauline Blight-Johnston	–	–	3,423	3,423	51	–	3,423
Robert Caprioli	1,515	–	1,129	2,644	101	–	2,644
Paul Sainsbury	905	–	592	1,497	43	–	1,497

##### 4.4.4 Other transactions of KMP

During the year, key management personnel and their related parties have entered into transactions with the parent entity or its subsidiaries (other than loans and shares disclosed within this report). Loans to KMP of the company and group may be made on similar terms and conditions generally available to other employees of the group. Loans to KMP of the company and group may be subject to restrictions under applicable laws and regulations including the *Corporations Act 2001*. These transactions include:

- normal personal banking with AMP Bank including the provision of credit cards
- the purchase of AMP insurance and investment products
- financial investment services.

## 5 Contractual arrangements for the nominated executives

The following table provides a summary of the key contractual terms agreed with the nominated executives for 2014.

Contract term	CEO contract	Other nominated executives
<b>Length of contract</b>	Open-ended	Open-ended, unless otherwise varied in the case of cessation of employment
<b>Notice period</b>	<ul style="list-style-type: none"> <li>– Employment may be terminated at any time by AMP giving 12 months' notice or by Craig Meller giving six months' notice</li> <li>– AMP may terminate Craig Meller's employment immediately in certain events, including serious misconduct and material breach of contract</li> <li>– In each case, AMP may pay the fixed remuneration for the balance of any notice period in order to bring an earlier end to his employment</li> </ul>	<p>As for CEO, except:</p> <ul style="list-style-type: none"> <li>– Some of the other nominated executives may terminate immediately if there is a material adverse change in their role</li> <li>– AMP is required to give some longer-serving nominated executives six months' notice if it wishes to terminate for poor performance</li> </ul>
<b>Employee benefits not forming part of fixed remuneration (refer to section 2.2)</b>	Not applicable	Some long-serving nominated executives are entitled to up to \$7,500 annually in reimbursement for taxation, legal or financial planning advice
<b>Entitlements on termination</b>	<ul style="list-style-type: none"> <li>– Accrued fixed salary and statutory entitlements</li> <li>– Pro-rata STI may be paid for the period since the last 1 January except in case of misconduct or breach of contract. Where provided, the STI is pro-rated for time served and calculated based on performance to the date of termination</li> <li>– Unvested LTI performance rights may be allowed to continue in the relevant LTI plan in the case of death, disablement, redundancy, retirement or notice without cause by AMP. In this case, the awards will continue to be subject to the original performance hurdles and performance periods</li> <li>– Vested performance rights will be retained on cessation of employment except in the case of serious misconduct or breach of contract</li> </ul>	<p>As for CEO, except:</p> <ul style="list-style-type: none"> <li>– Some longer-serving nominated executives are entitled to 50% of their maximum annual STI opportunity for the balance of the notice period on redundancy or termination by AMP without cause</li> <li>– For contracts agreed after 1 January 2010, the above entitlement was removed, as the payment of such amounts would result in termination payments above the threshold requiring shareholder approval</li> </ul>
<b>Post-employment restraint</b>	Craig Meller is contractually restrained from entering employment with a competitor for six months, and has a 12 months' restraint on solicitation of AMP clients and employees	<ul style="list-style-type: none"> <li>– Most of the longer-serving nominated executives are not restricted from entering employment with a competitor. Any restraints on entering employment with a competitor are for six months</li> <li>– Restraints on solicitation of AMP clients and employees are either for six or 12 months</li> </ul>

Since 2010, employment contracts issued to newly appointed employees (including any new nominated executives) provide that an employee's termination entitlements are limited to amounts not requiring shareholder approval under the *Corporations Act 2001* (ie their termination payments are capped at one year's base salary as defined for the purpose of section 200B of the *Corporations Act 2001*).

## 6 Non-executive director remuneration

### 6.1 Philosophy

Fees paid to non-executive directors (NEDs) of the AMP Limited Board are recommended by the Nomination and Governance Committee, and approved by the board, taking into consideration a range of factors, including the:

- level of fees paid to board members of other Australian corporations
- complexity of AMP's operations
- responsibilities and workload requirements of board members.

Where necessary, the Nomination and Governance Committee obtains market data or advice from external remuneration advisers.

In order to maintain independence, the remuneration of the NEDs is not linked to performance.

### 6.2 Structure

During 2014, NED remuneration comprised three components:

- AMP Limited Board fees
- committee and subsidiary board and committee fees
- superannuation and an expense allowance.

These fees and benefits are subject to the maximum NED fee pool of \$3.85 million. The fee pool is to cover all remuneration paid to AMP Limited NEDs for serving as directors and members (as applicable) of the AMP Limited Board and its committees and the boards and committees of AMP subsidiaries, including superannuation and, pursuant to AMP's constitution, fees for any additional services provided.

During 2014, the total remuneration paid to AMP Limited NEDs for serving as directors and members of the AMP Limited Board and its committees was approximately \$2,306,000, while total remuneration of approximately \$845,000 was paid to them for serving on the boards and committees of AMP subsidiaries.

#### 6.2.1 AMP Limited Board fees

The annual base fee for a NED was unchanged in 2014. The base fees provided to each NED are as follows:

	Chairman	Other NEDs
Base fee (excluding superannuation) 2014	\$585,000	\$170,000

The AMP Limited Board chairman receives an overall fee in relation to regular duties. No additional fees are paid for his membership of board committees or subsidiary boards or committees, or for his attendance at meetings of boards or committees of which he is not a member. An extra fee may be paid for additional board duties. Board fees are not paid to the CEO as responsibilities regarding board membership are considered to be part of the CEO's normal employment conditions.

#### 6.2.2 Committee and subsidiary board and committee fees

NEDs are paid additional fees for duties associated with membership of AMP Limited Board committees, membership of AMP subsidiary boards and their committees, and for duties associated with other special purpose committees. The 2014 fees (excluding superannuation) are presented below:

	Board/ committee chairman (prior to Nov 2014) \$	Board/ committee chairman (post Nov 2014) \$	Board/ committee member (prior to Nov 2014) \$	Board/ committee member (post Nov 2014) \$
<b>AMP Limited Board committees</b>				
Audit Committee <sup>1</sup>	45,750	45,000	25,000	22,500
Risk Committee <sup>2</sup>	–	45,000	–	22,500
Nomination and Governance Committee	15,000	15,000	7,500	7,500
People and Remuneration Committee	42,000	42,000	21,000	21,000
<b>AMP Bank Board and committees</b>				
Board	80,000	80,000	50,000	50,000
Audit Committee <sup>3</sup>	25,000	24,500	15,000	13,500
Risk Committee <sup>4</sup>	–	24,500	–	13,500
<b>AMP Capital Holdings Board and committees</b>				
Board	110,000	110,000	70,000	70,000
Audit and Risk Committee	25,000	25,000	15,000	15,000
<b>AMP Life/NMLA Board and committees</b>				
Board	158,000	158,000	98,000	98,000
Audit Committee <sup>5</sup>	28,750	28,000	17,250	15,500
Risk Committee <sup>6</sup>	–	28,000	–	15,500

1 As a result of a market review, the annual fees payable to the chairman and the members of the AMP Limited Audit Committee increased to \$45,750 and \$25,000 (from \$42,000 and \$21,000) respectively effective 1 January 2014. Effective 26 November 2014, some of the responsibilities of the Audit Committee were assumed by the Board Risk Committee and fees were adjusted down accordingly.

2 The AMP Limited Board Risk Committee was established on 26 November 2014.

3 Some of the responsibilities of the AMP Bank Audit Committee were assumed by the AMP Bank Risk Committee effective 12 November 2014, and fees were adjusted down accordingly.

4 The AMP Bank Board Risk Committee was established on 12 November 2014.

5 Some of the responsibilities of the AMP Life/The National Mutual Life Association of Australasia (NMLA) Audit Committee were assumed by the AMP Life/NMLA Board Risk Committee effective 20 November 2014, and fees were adjusted down accordingly.

6 The AMP Life/NMLA Board Risk Committee was established on 20 November 2014.



### 6.2.3 Benefits

Benefits provided to NEDs are as follows:

- superannuation: contributions are paid in addition to fees and allowances. Contributions increased from 9.25% to 9.5% of total fees in July 2014 in accordance with superannuation legislation. Directors may also elect to salary-sacrifice their fees into superannuation.
- expense allowance: \$6,000 is paid to each NED, except the chairman, for incidental expenses related to the business of the company.
- retirement benefits: no retirement benefits are provided to NEDs.

### 6.3 Closure of the AMP non-executive directors' share plan (NED share plan)

Historically, a minimum of 26% of the AMP Limited base NED fee, up to a maximum of 50%, was required to be taken in the form of AMP shares which were held in the NED share plan for 10 years or until the director resigned from the AMP Limited Board, unless otherwise withdrawn with the approval of the Nomination and Governance Committee. No performance hurdles were attached to this plan, as NEDs used part of their fees to acquire these shares.

In 2014, AMP conducted a review of the market and identified that AMP was one of only two ASX top 20 companies operating a share plan for NEDs of this nature (most had been reviewed, amended or closed following Australian tax changes to employee share schemes effective July 2009). The more contemporary approach is a board-approved minimum shareholding policy for NEDs, set as either a fixed number of shares or a percentage of base fee.

As a result, the board resolved to close the NED share plan to new contributions with effect from 18 September 2014 and introduce a minimum shareholding policy for NEDs in its place. Shares already held in the NED share plan remain subject to their existing terms and conditions.

NEDs do not participate in any other equity plans.

### 6.4 AMP Limited non-executive director minimum shareholding policy

In place of the NED share plan, the board has adopted a minimum shareholding policy for AMP Limited NEDs under which NEDs are required to:

- achieve a shareholding in AMP Limited (minimum shareholding) equivalent to
  - in the case of the chairman, 100% of the AMP Limited chairman base fee (before tax and excluding superannuation)
  - in the case of all other NEDs, 100% of the AMP Limited NED base fee (before tax and excluding superannuation)
- until the minimum shareholding has been achieved, apply at least 25% of their AMP Limited chairman or NED base fee each year to the acquisition of AMP Limited shares, to be acquired within the terms of the AMP trading policy
- thereafter maintain the minimum shareholding throughout their tenure.

Based on the closing share price of \$5.50 on 31 December 2014, all NEDs held shares in excess of the minimum shareholding policy as at the end of the financial year.

#### Shareholdings

The following table summarises the movements in AMP Limited shares held by the NEDs and their personally related entities during 2014.

Name	Holding at 1 Jan 2014	Granted as remuneration during the period	Received on exercise of performance rights or options	Purchased through AMP NED share plan	Other changes <sup>1</sup>	Holding at 31 Dec 2014	Value of holding at 31 Dec 2014 \$
<b>NEDs</b>							
Simon McKeon	57,693	–	–	6,228	80,000	143,921	791,566
Patricia Akopiantz <sup>2</sup>	40,872	–	–	6,227	–	47,099	259,045
Catherine Brenner	60,236	–	–	6,227	–	66,463	365,547
Brian Clark <sup>3</sup>	69,586	–	–	6,227	–	75,813	416,972
Paul Fegan	43,013	–	–	6,227	–	49,240	270,820
Trevor Matthews <sup>4</sup>	5,000	–	–	3,763	55,000	63,763	350,697
John Palmer	90,025	–	–	6,227	–	96,252	529,386
Peter Shergold	57,121	–	–	6,227	–	63,348	348,414
<b>Former NEDs</b>							
Peter Mason <sup>5,6</sup>	600,836	–	–	12,703	–	613,539	3,374,465
Richard Allert <sup>7</sup>	93,956	–	–	3,691	–	97,647	537,059

1 Other changes include on market share transactions.

2 The opening and closing holdings for Patricia Akopiantz include 10,500 AMP Limited shares which are controlled by a close family member of Ms Akopiantz.

3 AMP Notes were debentures issued by AMP Group Finance Services Limited, a subsidiary of AMP Limited. During the reporting period, Brian Clark held 980 AMP Notes 1, in addition to his AMP Limited shareholdings above. On 15 May 2014, all AMP Notes 1 were redeemed by the issuer, and Brian Clark's AMP Notes 1 holding consequently reduced to nil.

4 The opening holding for Trevor Matthews is as at 3 March 2014, the date he was appointed to the AMP Limited Board.

5 Peter Mason retired from the AMP Limited Board on 8 May 2014. The closing holding is as at 8 May 2014 and includes 4,364 AMP Limited shares acquired under the non-executive director share plan relating to March and April director's fees.

6 The AMP Capital China Growth Fund invests in China A shares, which are shares in companies listed on China's Shanghai or Shenzhen stock exchanges. Peter Mason indirectly held 64,226 units in the AMP Capital China Growth Fund as at the date of his retirement from the AMP Limited Board, being 8 May 2014.

7 Richard Allert retired from the AMP Limited Board on 8 May 2014. The closing holding is as at 8 May 2014 and includes 1,268 AMP Limited shares acquired under the non-executive director share plan relating to March and April 2014 directors' fees.

### 6.5 Accounting value of 2014 NED remuneration

The table below shows the remuneration details for the AMP Limited NEDs for 2014.

		Short-term benefits				Post-employment benefits		Total \$'000
		AMP Limited Board and committee fees <sup>1</sup> \$'000	Fees for other group boards <sup>1</sup> \$'000	Other short-term benefits \$'000	Additional board duties <sup>2</sup> \$'000	Non-monetary benefits \$'000	Superannuation \$'000	
<b>Current NEDs</b>								
Simon McKeon	2014	447	31	2	—	—	21	501
Chairman	2013	143	55	5	20	—	20	243
Patricia Akopiantz	2014	217	77	6	—	—	28	328
Non-executive director	2013	191	74	6	—	—	25	296
Catherine Brenner	2014	185	177	6	—	—	35	403
Non-executive director	2013	180	175	6	—	—	33	394
Brian Clark	2014	199	125	6	—	—	31	361
Non-executive director	2013	199	125	6	—	—	30	360
Paul Fegan	2014	218	67	6	—	—	27	318
Non-executive director	2013	212	8	6	20	—	22	268
Trevor Matthews	2014	159	67	5	—	—	22	253
Non-executive director	2013	—	—	—	—	—	—	—
John Palmer	2014	197	98	6	—	—	28	329
Non-executive director	2013	212	98	6	—	—	29	345
Peter Shergold	2014	199	107	6	—	—	29	341
Non-executive director	2013	191	115	6	—	—	28	340
<b>Former NEDs</b>								
Peter Mason	2014	208	—	—	—	—	6	214
Former chairman	2013	585	—	—	—	—	17	602
Richard Allert	2014	69	23	2	—	—	9	103
Former non-executive director	2013	191	24	6	—	—	20	241
Nora Scheinkestel	2014	—	—	—	—	—	—	—
Former non-executive director	2013	66	30	2	—	—	9	107
<b>Total for 2014<sup>3</sup></b>		<b>2,098</b>	<b>772</b>	<b>45</b>	<b>—</b>	<b>—</b>	<b>236</b>	<b>3,151</b>
Total for 2013		2,170	704	49	40	—	233	3,196

1 Details of the NEDs' committee memberships and directorships of subsidiary boards are provided in the directors' report.

2 Relates to additional work performed for AMP group capital initiatives in 2013.

3 Totals for 2014 include \$317,000 for Peter Mason and Richard Allert who both retired as members of the AMP Limited Board on 8 May 2014.

Signed in accordance with a resolution of the directors.



Simon McKeon  
Chairman

Sydney, 19 February 2015



Craig Meller  
Chief Executive Officer and Managing Director

## Analysis of shareholder profit

for the year ended 31 December 2014

This table shows an analysis of the source of profit after income tax attributable to shareholders of AMP Limited.

All amounts are after income tax	2014 \$m	2013 \$m
Australian wealth management	374	330
AMP Capital	115	99
Australian wealth protection	188	64
AMP Bank	91	83
New Zealand financial services	110	97
Australian mature	174	178
<b>Business unit operating earnings</b>	<b>1,052</b>	<b>851</b>
Group office costs	(62)	(62)
<b>Total operating earnings</b>	<b>990</b>	<b>789</b>
Underlying investment income	132	135
Interest expense on corporate debt	(77)	(75)
<b>Underlying profit</b>	<b>1,045</b>	<b>849</b>
Other items	7	(2)
AMP AAPH integration costs	(20)	(57)
Business efficiency program costs	(100)	(39)
Amortisation of AMP AAPH acquired intangibles	(89)	(91)
<b>Profit before market adjustments and accounting mismatches</b>	<b>843</b>	<b>660</b>
Market adjustment – investment income	42	2
Market adjustment – annuity fair value	6	27
Market adjustment – risk products	11	(5)
Accounting mismatches	(18)	(12)
<b>Profit attributable to shareholders of AMP Limited</b>	<b>884</b>	<b>672</b>

# Corporate governance statement

## Approach to corporate governance

The AMP Limited Board and management have a set of values that recognise the AMP group's responsibilities to all its stakeholders, including shareholders, customers and clients, business partners and advisers, employees and the community.

The board places great importance on the highest standards of governance and periodically reviews its governance practices to address AMP's obligations as a responsible corporate citizen. During 2014, enhancements to AMP's corporate governance framework and practices included:

- the establishment of separate board risk committees for AMP and its Australian Prudential Regulation Authority (APRA)-regulated key subsidiaries, to strengthen further the oversight of risk and compliance within the AMP group
- an enhanced approach to board succession planning for AMP and its key subsidiaries, with a greater focus on the particular skills, capabilities and diversity required for each board
- initiatives designed to foster increased inclusion and diversity of thought throughout the organisation.

A third edition of the Australian Securities Exchange (ASX) Corporate Governance Principles and Recommendations (ASX Recommendations) was released on 27 March 2014 and will take effect for AMP's financial year beginning 1 January 2015. AMP will report against the third edition of the ASX Recommendations in its 2015 annual report.

In accordance with the second edition of the ASX Recommendations, AMP has posted copies of its governance practices (including copies of relevant charters, policies and terms of reference) in the corporate governance section of its website: [amp.com.au/corporategovernance](http://amp.com.au/corporategovernance). AMP believes its governance practices were consistent with the second edition of the ASX Recommendations during 2014. The information in this statement is current as at 19 February 2015.

## ASX Principle 1: Lay solid foundations for management and oversight

### Role of the AMP Limited Board and management

#### Role of the AMP Limited Board

The board is responsible to AMP's shareholders for the overall governance and performance of AMP.

The role of the board includes:

- providing strategic direction through constructive engagement with management in the development of AMP's strategy and approving AMP's strategic plan
- approving major business initiatives
- guiding and monitoring AMP's businesses
- appointing the chief executive officer (CEO) and the chief financial officer (CFO)
- approving succession planning, remuneration and performance objectives for, and monitoring the performance of, the CEO and other senior executives
- overseeing and approving AMP's governance model
- reviewing and approving AMP's strategic risk management framework
- approving the delegation of powers to the CEO and senior management.

The board's responsibilities are documented in the AMP Limited corporate governance charter, which has been adopted by the board and is available in the corporate governance section of AMP's website.

Details on the role of the chairman are set out in this statement under ASX Principle 2: Structure the board to add value.

#### Role of the CEO and management

The CEO is responsible for the overall management and financial performance of AMP. The CEO manages the organisation in accordance with the strategy, plans, risk appetite, policies, and delegations of authority approved by the board.

An executive leadership team assists the CEO with implementing the policies and strategies set by the board and running the general operations and financial business of AMP.

The board decides what matters are delegated to management and seeks to ensure that adequate controls are in place to oversee the operation of these delegated powers. The areas of authority which have been delegated to management are documented in a delegations of authority framework, which has been adopted by the board.

#### Allocation of individual responsibilities

Each non-executive director has been issued with a formal letter of appointment, setting out key terms and conditions and other corporate expectations. Each member of the executive leadership team has clearly defined goals and accountabilities and an employment contract setting out

their terms of employment, duties, rights and responsibilities, and entitlements on termination of employment.

### Performance evaluation and induction of senior executives

#### Performance evaluation process

AMP's remuneration strategy is to align executive rewards with the creation of shareholder value. Performance of senior executives is assessed using a combination of quantitative and qualitative measures that take into account AMP's performance, the performance of the relevant business unit and division, and the individual's performance over the past year. Further information about the process for evaluating the performance of senior executives is set out in the remuneration report.

Performance objectives and performance appraisals for senior executives were reviewed by the People and Remuneration Committee and recommended to the board for approval during 2014, in accordance with the process set out above. Further details of the People and Remuneration Committee's responsibilities are set out in this statement under ASX Principle 8: Remunerate fairly and responsibly.

#### Induction

AMP has procedures and courses for the induction of managers, to assist them in participating fully and actively in management decision-making at the earliest opportunity.

## ASX Principle 2: Structure the board to add value

### Independent directors

#### Independent decision-making

The AMP Limited corporate governance charter provides that a majority of directors will be independent. Director independence is assessed by considering applicable laws, rules and regulations, including the criteria set out in Box 2.1 of the ASX Recommendations. The board regularly reviews each director's independence and considers that each of the non-executive directors is independent.

From time to time, AMP acquires or provides products or services from or to companies in respect of which AMP Limited directors are connected, whether as a director, employee or in another capacity. Examples of such dealings include:

- AMP purchasing securities and financial instruments issued by companies in which AMP's directors hold board or executive positions, for the purpose of investing shareholders' funds, unitholders' funds and policyholders' funds
- AMP operating corporate superannuation schemes for employees of companies in which AMP's directors hold board or executive positions
- properties managed by AMP Capital or its affiliates being leased to companies in which AMP's directors hold board or executive positions.

Such dealings are conducted at arm's length and on normal commercial terms and the directors concerned are not directly involved in the acquisition or provision of the products or services. The board is of the view that these relationships are not material and do not interfere with the exercise of the directors' independent judgement and their ability to act in the best interests of AMP. 'Materiality' is assessed based on:

- the strategic importance to AMP's business of the products or services purchased or provided by AMP
- the nature of the products or services
- the nature and value of the transaction to AMP.

Directors are required to monitor and disclose any potential conflict of interest that may arise. Directors must:

- disclose to the chairman any actual or potential conflicts of interest that may exist as soon as the situation arises (in the case of the chairman, this disclosure would be made to the chairman of the Nomination and Governance Committee or to the board, as appropriate)
- take necessary and reasonable steps to resolve any conflict of interest
- comply with the *Corporations Act 2001* (Cth) requirements about disclosing interests and restrictions on voting.

Potential related-party transactions (other than those occurring at arm's length) must be discussed with the chairman, reported in writing to the company secretary and, where appropriate, be raised for consideration at the next board meeting. In the meantime, the director concerned should not commit to the transaction.

A list of directors' interests is regularly reviewed by directors as circumstances change. If the board concludes a director has lost their independent status, that conclusion will be disclosed to the market in a timely manner.

The AMP Limited corporate governance charter provides that directors are entitled to seek independent professional advice on AMP-related matters at AMP's expense. Directors must ensure the costs are reasonable and must advise the chairman before the advice is sought. Any advice received must be made available to the rest of the board unless otherwise agreed by the chairman or the board.

The chairman and other non-executive directors hold meetings from time to time without management present.

#### Role of the chairman

The chairman is appointed by and from the independent non-executive directors of the board. The chairman's responsibilities include:

- providing appropriate leadership to the board and AMP
- facilitating board discussions
- maintaining a regular dialogue and mentor relationship with the CEO
- monitoring board performance
- guiding and promoting the effectiveness of the board and individual directors.

There is a clear division of responsibilities between the chairman and the CEO, which is set out in the AMP Limited corporate governance charter.

#### Nomination and Governance Committee

##### Membership, attendance and terms of reference

Throughout 2014, the Nomination and Governance Committee had three independent directors as its members: Catherine Brenner (Chairman), Brian Clark, Peter Mason (until 8 May 2014) and Simon McKeon (from 8 May 2014).

Attendance records for the committee are shown in the directors' report and a copy of the committee's terms of reference is available in the corporate governance section of AMP's website.

##### Responsibilities

The committee supports and advises the board on board and governance matters including policies, performance,

remuneration, composition, fitness and propriety of directors (as required by APRA), and succession planning. This includes identifying, evaluating and recommending candidates to the board.

The committee also oversees and recommends to the AMP Limited Board the appointment of non-executive directors to the boards of key operating subsidiaries.

#### Board selection and competencies

Succession planning is a regular item on the Nomination and Governance Committee's agenda and is considered in the context of the governance needs of AMP. As part of the process of considering new non-executive directors for AMP and its key operating subsidiaries, the committee considers a wide base of potential directors to build on and complement the existing capability and skills of those boards. It identifies, evaluates and recommends board candidates, taking into account the relevant experience, skills, personal attributes and availability of candidates, and the required time commitments of the position.

A skills framework, which reflects the overall mix of skills and diversity that the board aims to achieve in its membership and, where relevant, the membership of the boards of its key operating subsidiaries, is used to assess the suitability of candidates. This includes business experience (in different industries and countries), gender, age, background, professional expertise and qualifications. Other factors taken into account before a recommendation is made by the committee include the current composition of the board, succession planning, independence requirements, AMP's diversity targets, the strategic direction of AMP, and the geographic spread and mix of AMP's businesses.

In the case of the key operating subsidiaries, appointments of non-executive directors are made from both the AMP Limited non-executive directors and external candidates. This ensures appropriate consistency and oversight across the group, while also enhancing the skills and capabilities specific to a particular entity.

From time to time, the committee uses external consultants to assist in its considerations. During 2014, the committee engaged external consultants to conduct searches for new directors for AMP Limited and certain key operating subsidiaries. The committee gave the consultants guidance on the attributes that would complement the skills and experience of each entity's current directors, taking into account the factors described above.

Further details on AMP's gender diversity objectives are set out in this statement under ASX Principle 3: Promote ethical and responsible decision-making. Biographical details setting out the skills, experience and period of office of each of the directors in office at the date of this statement are set out in the directors' report.

#### Composition and commitment of the AMP Limited Board

AMP Limited's constitution, available in the corporate governance section of AMP's website, provides that there will be a minimum of three directors and a maximum of 16 directors. As at the date of this statement, the board is made up of eight independent non-executive directors and one executive director, the CEO.

Prior to appointment or re-election, non-executive directors advise the Nomination and Governance Committee or the board of their other commitments and confirm they will have sufficient time to meet their expected requirements as an AMP Limited director.

Any proposed non-AMP board or executive appointments being considered by directors must be discussed with the chairman. Directors must advise AMP of such appointments to other companies as soon as possible after the appointment is made.

### Pre-appointment checks

AMP undertakes background checks before appointing a person, or putting forward to shareholders a candidate for election, as a director. This includes checks as to the person's character, experience, criminal record and bankruptcy history.

### Re-appointment of directors

No director (other than the CEO) may hold office beyond the third annual general meeting (AGM) after their first election or subsequent re-election by shareholders, without being re-elected by shareholders. The board reviews whether retiring directors should stand for re-election, having regard to their contribution to the board. A director appointed by the board to fill a casual vacancy or as an addition to the existing directors will hold office until the next AGM, when that director is required to stand for election.

A non-executive director can only continue to hold office beyond the ninth AGM after their first election, if they are re-elected by shareholders at that and every subsequent AGM.

### Board performance

#### Board performance assessment

Board, committee and director performance reviews are conducted annually and, in the case of director performance reviews, prior to any director standing for re-election at an AGM. Reviews are conducted either directly or through an independent third party.

During 2014, the chairman facilitated evaluations of the performance of the board, its committees and each director. Questionnaires relating to the role, operation and performance of the board and its committees were completed by each director and various members of the executive leadership team. The chairman then held one-on-one interviews with each director. The chairman of the Nomination and Governance Committee conducted a one-on-one interview with the chairman to review his performance, having sought feedback from the other directors.

The board as a whole subsequently reviewed and discussed the results and insights from both the questionnaires and interviews, with a particular focus on opportunities to enhance the efficiency and effectiveness of board processes.

The boards and the committees of key operating subsidiaries also regularly review their own performance.

### Induction and education

The Nomination and Governance Committee considers board policies relating to the orientation and education of new directors and the continuing education and development of directors. All directors participate in a formal induction process co-ordinated by the secretariat. Board meetings regularly include sessions on developments in governance, regulatory, industry, accounting and capital management matters. The board meets annually with senior representatives of key regulators to enhance their mutual understanding of regulatory issues relevant to AMP. Each non-executive director is allocated an annual budget to spend on education, training and professional development, specific to their professional development needs.

### Access to information

Directors are able to access members of senior management to request information. When conducting board business, directors will question, request information, raise any issue of concern to them, canvass fully all aspects of any issue confronting AMP and vote on any resolution according to their own judgement.

Directors keep confidential all board discussions, deliberations and decisions except where decisions are required to be disclosed publicly.

### Company secretaries

AMP Limited has three appointed company secretaries, whose biographical details and qualifications are set out in the directors' report. The company secretaries are responsible for advising the board and committees on governance matters and facilitating the flow of information between the board and its committees, and between senior executives and directors. All directors have access to the advice and services of the company secretaries, whose appointment and removal are a matter for decision by the board.

### ASX Principle 3: Promote ethical and responsible decision-making

#### Code of conduct

AMP's reputation as a trusted and respected company is our most valuable asset. The AMP Limited Board has adopted a code of conduct, which outlines the standards of behaviour expected of all directors, officers, employees, contractors and consultants of AMP. The code reinforces an already strong ethical culture for the benefit of AMP's shareholders, customers and clients, business partners and advisers, employees and the community.

AMP has a whistleblowing policy and processes to support people who report suspected breaches of the code in good faith. A copy of the code of conduct is provided to all directors and employees on joining AMP and is available in the corporate governance section of AMP's website.

#### Trading policy

The board has adopted a trading policy to protect stakeholder interests.

In accordance with the *Corporations Act 2001*, directors, employees and their close associates are prohibited from trading in, or procuring, arranging or encouraging someone else to trade in, AMP securities while in possession of inside information relating to those AMP securities.

Except in certain circumstances, the trading policy requires directors, certain employees and their close associates not to trade in AMP shares (and other AMP securities over or relating to AMP shares) outside specified trading windows. Breaches of the policy are investigated and treated seriously and may lead to disciplinary action being taken against the director or employee, including dismissal from employment in serious cases.

A copy of the trading policy is available in the corporate governance section of AMP's website.

#### Diversity policy

The board and senior leadership team are committed to providing a diverse and inclusive working environment to drive better business decisions and better experiences for AMP customers and employees. Significant progress continues to be made.

In 2014, AMP identified four areas of focus, designed to build on the existing approach and increase inclusion and diversity of thought throughout the organisation:

- **Committed and inclusive leadership**  
Inclusive leadership is incorporated into AMP's induction and leadership development programs, capability frameworks and talent management assessments. In 2014, AMP also introduced sessions to help senior leaders reflect on practices and team cultures that may exclude diverse employees from full and discretionary engagement.
- **Merit-based policies and practices**  
AMP continues to focus on attracting and appointing women into senior leadership roles. AMP advocates that the shortlist for all executive roles contain a mix of men and women and both men and women interview candidates through the executive recruitment process. In addition, AMP provides development opportunities for female leaders

through programs designed to build the capability and confidence of women who have senior leadership potential.

– **Decision-making and voice**

AMP values diversity of thought across the organisation, encouraging employees from all areas and levels of the business to share ideas. New design processes are also being used to harness diverse customer perspectives and develop better products and services for AMP customers.

– **Measurement, accountability and rewards**

AMP’s diversity and inclusion principles are incorporated into AMP’s core capabilities and recruitment practices as well as leadership and talent assessments. In the 2014 employee engagement survey, AMP sought feedback on the support employees feel they receive. 84% of employees believe they are treated fairly regardless of gender, age, ethnicity, race, disability, religion, sexual orientation or other differences and 83% of employees believe their manager supports flexible work arrangements. AMP has now commenced a review to understand if any bias exists in the application of the remuneration and benefits policy. Any areas of concern will be addressed in 2015.

The AMP Group Leadership team, consisting of the CEO and his direct reports, sets the goals and direction for diversity and inclusion and is responsible for inspiring and holding leaders to account for the execution and outcomes of all initiatives. The People and Remuneration Committee continues to oversee the implementation of AMP’s diversity and inclusion initiatives, reporting to the AMP Limited Board on the progress of these initiatives and on the organisation’s gender diversity targets. A copy of AMP’s diversity and inclusion policy is available in the corporate governance section of AMP’s website.

**Gender diversity objectives and reporting**

Women now comprise 34.4% of senior executive roles (the top 9% of the organisation) and 39% of middle management roles (the next 23.6% of the organisation). Attraction and retention of women has been strong at the executive level during 2014 through dedicated and targeted attraction, development and retention activities. A key focus of 2015 will be to maintain this progress but to also improve retention and attraction of women in middle management roles through similar initiatives. All leaders are focused on delivering targets to increase the representation of women in leadership roles. Overall, women make up 51.1% of AMP’s workforce. Whilst the representation of women on the AMP Limited Board remains at 20%, AMP remains committed to meeting the target of 30% female representation on the board by the end of 2015. During 2015, AMP will review and set new targets for 2016 and beyond.

**ASX Principle 4: Safeguard integrity in financial reporting**

**Audit Committee**

**Membership, attendance and terms of reference**

Throughout 2014, the Audit Committee had the following independent directors as its members: Paul Fegan (Chairman), Peter Shergold, Patty Akopiantz (from 8 May 2014), Trevor Matthews (from 8 May 2014), Rick Allert (until 8 May 2014) and Simon McKeon (until 8 May 2014). Paul Fegan has over

30 years experience in the financial services industry, and all members have appropriate financial expertise and experience as detailed in the directors’ report. The chairman of the committee is not the chairman of the board. Attendance records for the committee are shown in the directors’ report and a copy of the committee’s terms of reference is available in the corporate governance section of AMP’s website.

**Responsibilities**

The primary function of the Audit Committee during 2014 was to assist the board to discharge its corporate governance responsibilities in regard to the:

- integrity and appropriateness of AMP’s financial statements
- oversight of the enterprise risk management framework, including compliance and internal controls
- performance and independence of the internal audit function and the external auditor
- adequacy of AMP’s insurance program, including directors’ and officers’ liability insurance cover.

The AMP Limited chairman and CEO attend committee meetings where appropriate. The chairman of the committee reports on any matters of substance at the next full board meeting and the minutes of committee meetings are available to the board. The committee regularly holds private sessions with internal and external auditors, without management present.

In late November 2014, a Risk Committee was established in accordance with APRA Prudential Standard CPS 510 *Governance*. The risk management oversight responsibilities of the Audit Committee were assumed by the Risk Committee at that time. Further details on the Risk Committee and the committees’ roles in reviewing risk management and internal control systems are set out in this statement under ASX Principle 7: Recognise and manage risk.

**Internal auditors**

The committee is responsible for assessing whether the internal audit function is independent of management and adequately resourced, and for reviewing and approving the appointment or replacement of the head of internal audit in consultation with the CEO. AMP has an internal audit charter which is approved by the committee. As required by the internal audit charter, the head of internal audit maintains an internal quality assurance and improvement program. There is also an external quality assessment of the internal audit function on a periodic basis.

Further details about the role of internal audit are set out in this statement under ASX Principle 7: Recognise and manage risk.

**External auditors**

The independence of the external auditor is of particular importance to shareholders and the board. The board has adopted a charter of audit independence, which provides for:

- the rotation of the lead and independent review audit partners
- the annual confirmation by the auditor that it has satisfied all professional regulations relating to auditor independence
- reporting on the levels of audit and non-audit fees
- the specific exclusion of the audit firm from work which may give rise to a conflict.

**Representation of women in roles against 2015 targets**

Roles	2015 target	31 December 2014	31 December 2013
AMP Limited Board	30%	20%	20%
Senior executives	35%	34%	32%
Middle management	43%	39%	40%
All employees	n/a	51%	50%

AMP requires the external auditor to rotate the lead and independent review audit partners in accordance with the *Corporations Act 2001*, and have suitable succession planning in place to ensure consistency for AMP. The lead audit partner for AMP was replaced in 2013 in accordance with these rotation requirements.

The committee receives a quarterly report, detailing the level of audit and non-audit services fees paid to the external auditor, and each half year it reviews and reports to the board on the independence of the external auditor. Details of fees paid or payable for non-audit services during 2014 are set out in the directors' report.

The committee is responsible for reviewing the performance of the external auditor and for recommending to the board the terms of engagement and fees of external auditors for AMP and its group companies. The committee reviewed and considered the performance of EY during 2014 in a closed session. If it becomes necessary to replace the external auditor for independence or performance reasons then the committee will formalise a procedure for the selection and appointment of the new auditor and make a recommendation to the board.

#### **ASX Principle 5: Make timely and balanced disclosure** **Continuous disclosure policy**

AMP is committed to ensuring that all shareholders and the market are provided with timely and balanced disclosure of all material matters concerning AMP. This commitment to continuous disclosure is set out in AMP's market disclosure policy, which is available in the corporate governance section of AMP's website.

The guiding principle of the policy is that AMP must immediately notify the market via an announcement to the ASX of any information concerning AMP that a reasonable person would expect to have a material effect on the price or value of AMP securities. The policy permits exceptions to immediate notification in accordance with the ASX Listing Rules.

AMP's Market Disclosure Committee ensures that company announcements:

- are made in a timely manner
- are factual
- are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions
- do not omit material information.

AMP provides commentary on its financial results in an annual shareholder review and produces an investor report for each full year and half year. AMP makes presentations of the full and half year results to the investment community immediately after the public release of those results.

#### **ASX Principle 6: Respect the rights of shareholders** **Communications policy**

AMP is committed to transparency and quality in its communication to shareholders. AMP's approach to communicating with shareholders and financial markets is set out in AMP's market disclosure policy, which is available in the corporate governance section of AMP's website. Information is communicated to shareholders through the distribution of the annual report, shareholder review and other communications as required. The annual report, shareholder review, notice of meeting and other significant information is posted on AMP's website as soon as it is disclosed to the ASX and New Zealand Stock Exchange (NZX).

#### **Electronic communication**

The presentation of AMP's full and half year financial results are webcast and the presentation materials are available on [amp.com.au](http://amp.com.au). Shareholders can elect to receive some or all of their communications by email. Shareholders who

have provided an email address receive a twice yearly communication outlining the half year and full year financial results. Beneficial owners of shares and other members of the public are able to register on AMP's website to receive free email alerts when AMP releases information to the ASX.

#### **Annual general meeting**

All shareholders are encouraged to attend and/or participate in AMP's AGM. Shareholder attendance is facilitated by periodically switching the location of the AGM between Sydney and Melbourne, which are the two locations in which the majority of AMP shareholders reside. The meeting is webcast live. Shareholders can attend in person or appoint a proxy as their representative by lodging their proxy by post, fax, or online or by using their smartphone. Directors and senior management attend the AGM, along with a representative from the external auditor who is available to answer questions relevant to the audit. Full details of the 2015 AGM are included in the 2015 notice of meeting and posted on AMP's website.

#### **Briefings**

AMP follows a calendar of regular disclosures to the ASX on its financial and operational results. The calendar is posted on AMP's website and allows users to set up automatic diary reminders of the dates of upcoming announcements and presentations.

AMP conducts group and one-on-one briefings in accordance with its market disclosure policy. Briefings are coordinated and attended by AMP Investor Relations. Where practical, AMP webcasts group briefings. Notes of briefings and a record of those present are retained by Investor Relations.

#### **ASX Principle 7: Recognise and manage risk** **Enterprise risk management policy**

##### **Enterprise risk management framework**

The AMP Limited Board has overall responsibility for establishing a system of risk management, internal controls and compliance across the business and for monitoring and reviewing its effectiveness. It also has responsibility for approving the risk appetite of AMP and the risk management related policies to support that appetite, and for seeking to ensure these are implemented. A summary of the enterprise risk management policy, which sets out the principles, processes, roles and responsibilities for the management of risk at AMP, is available in the corporate governance section of AMP's website.

While the board is responsible for risk management, specific responsibility for the monitoring and evaluation of the effectiveness of risk management and the internal control environment was delegated to the Audit Committee until the Risk Committee was formed in November 2014. The responsible committee evaluates AMP's risk management framework on an annual basis, to ensure that it continues to be appropriate and effective.

The Audit Committee also oversees AMP's accounting policies and reporting practices and the production of financial statements, as well as monitoring the application of appropriate management controls. It considers internal and external audit reports and reviews AMP's procedures and internal controls.

Risk and compliance processes and reporting procedures provide assurance to the board and Audit Committee that the preparation of the financial statements and the control systems underlying them are adequate.

Compliance is a key element of risk management. The board has overall responsibility for the establishment of processes to manage compliance with the laws, regulations, contracts, industry codes, internal standards and policies applicable to AMP's operations and for monitoring and reviewing their effectiveness.



While the board is responsible for AMP's compliance framework, specific responsibility for the monitoring of compliance was delegated to the Audit Committee until the Risk Committee was formed in November 2014. The responsible committee oversees the system of compliance that has been implemented across AMP's businesses. The system covers a broad range of legal requirements, duties and responsibilities. Any compliance issues or incidents are reported quarterly to the responsible committee, or more urgently if required.

Following the establishment of the Risk Committee in November 2014, the risk management responsibilities of the Audit Committee were assumed by the Risk Committee. The Risk Committee has the following independent directors as its members: Peter Shergold (Chairman), Paul Fegan, Patty Akopiantz and Trevor Matthews. The chairman of the committee is not the chairman of the board. The responsibilities of the Risk Committee include overseeing the effectiveness of the enterprise risk management framework, including compliance and internal controls. Attendance records for the committee are shown in the directors' report and a copy of the committee's terms of reference is available in the corporate governance section of AMP's website.

As required by the *Corporations Act 2001*, AMP's Australian financial services' licensed entities have conflict of interest policies in place to manage conflicts of interest.

#### **Material business risks**

Management engages in a regular process to review risks and how they are being managed. AMP manages risks across the following four main risk categories:

- strategic risk
- operational risk (including legal and compliance risk)
- financial risk
- product and insurance risk.

#### **Management of material business risks**

##### **Risk management structures**

The Audit Committee and Risk Committee are supported by the risk management structures which exist throughout the organisation, including the Group Asset and Liability Committee and the Group Risk and Compliance Committee. The committees also rely on the work of the committees of the key operating subsidiaries on risk and compliance matters relating to those subsidiaries. The enterprise risk management framework enables the business to identify and assess risks and controls, respond promptly and appropriately and continue to monitor risks and issues as they evolve. Risk and compliance information is reported quarterly, or more regularly if required.

AMP's risk management structures and procedures are continually being enhanced or updated. In addition, the internal audit function provides independent and objective assurance to the board that risks are being managed effectively across the group. The chief risk officer leads the enterprise risk management function and has authority to provide effective challenge to activities and decisions that may materially impact AMP's risk profile.

Management has reported to the board that AMP's material business risks have been managed effectively for the year ended 31 December 2014. The board has assessed and accepted that report.

The enhancement of the risk management and internal control systems is the subject of ongoing attention and effort. Where internal control deficiencies are identified during the year, additional tests of procedures or tests of resulting account balances included in the financial statements are undertaken to confirm there has been no material impact on the financial statements.

#### **Internal audit**

AMP's internal audit function provides the board and executive management with an independent and objective evaluation of the adequacy and effectiveness of management's control over risk. The internal audit function conducts audits for AMP Limited and its subsidiaries by following a risk-based planning approach.

The head of internal audit has a functional reporting line to the chairman of the Audit Committee. Further information about the internal audit function is set out in this statement under ASX Principle 4: Safeguard integrity in financial reporting.

#### **CEO and CFO assurance**

The board receives regular reports about the financial condition and operational results of AMP and its controlled entities. The board has received and considered the annual certification from the CEO and the CFO in accordance with ASX Recommendation 7.3. The certification states that the declaration provided in accordance with section 295A of the *Corporations Act 2001* is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. The CEO and the CFO provide a certification in similar terms in relation to the half year financial statements.

#### **ASX Principle 8: Remunerate fairly and responsibly**

##### **People and Remuneration Committee**

##### **Membership, attendance and terms of reference**

Throughout 2014, the People and Remuneration Committee had the following independent directors as its members: Patty Akopiantz (Chairman from 19 August 2014), Brian Clark, Simon McKeon (from 8 May 2014), John Palmer (Chairman and member until 19 August 2014) and Peter Mason (until 8 May 2014). Attendance records for the committee are shown in the directors' report and a copy of the committee's terms of reference is available in the corporate governance section of AMP's website.

##### **Responsibilities**

The committee advises the board on the effectiveness, integrity and legal compliance of AMP's remuneration policy, plans and practices. Other key responsibilities include annually reviewing the approach to succession planning and talent management, and overseeing the implementation of AMP's diversity and inclusion initiatives and reporting against targets.

The committee also reviews short-term incentive pools, the total remuneration package, performance objectives and performance appraisal for the CEO, direct reports of the CEO and other people whose individual activities may, in the committee's opinion, affect the financial soundness of AMP and its key operating subsidiaries. During 2014, performance evaluations for key executives were carried out in accordance with the process disclosed in the remuneration report. The committee has access to advice on remuneration policies from management, but no individual is directly involved in deciding their own remuneration. The committee also engages external consultants as and when required to assist it in fulfilling its responsibilities.

##### **Remuneration policy**

Comprehensive information on AMP's remuneration policies and practices is contained in the remuneration report. AMP uses a variety of equity-based remuneration arrangements to align employee interests with shareholders' long-term interests and aid in the retention of selected individuals. AMP's policy on hedging of equity incentives prohibits employees from using any hedging arrangements over the restricted shares, share rights, share bonus rights, options or performance rights held by employees in any of AMP's equity incentive plans. The purpose of the policy is to ensure that the alignment between employee and shareholder interests is not undermined by the use of hedging arrangements.

### Non-executive directors' and executives' remuneration

There is a clear distinction between the remuneration structure for non-executive directors and executives. Further information is available in the remuneration report.

The Nomination and Governance Committee is responsible for reviewing the remuneration policies for non-executive directors on the AMP Limited Board and on boards of key operating subsidiaries. The non-executive directors do not receive options, bonus payments or retirement benefits, other than superannuation.

Details of the termination entitlements of AMP's key management personnel are set out in the remuneration report. AMP also disclosed details of the termination entitlements of Craig Meller to the ASX on announcing his appointment as CEO in August 2013.

### Comparison of NZX and ASX corporate governance rules

As an overseas listed issuer, AMP is deemed to satisfy and comply with all the New Zealand Stock Exchange (NZX) Listing Rules so long as it remains listed on the ASX. The only NZX requirements applicable to AMP are to give the NZX the same information and notices it is required to give to the ASX and to include a statement in its annual report.

The ASX Listing Rules and the ASX Recommendations may differ materially from NZX's corporate governance rules and the principles of the NZX Corporate Governance Best Practice Code.

Further information about the ASX Recommendations may be obtained from the ASX website: [asx.com.au/regulation/corporate-governance-council.htm](http://asx.com.au/regulation/corporate-governance-council.htm).

### Corporate responsibility at AMP

AMP has played a substantial role in shaping modern Australia and New Zealand, by helping millions of customers build financial security, providing protection for families and investing in infrastructure.

AMP is committed to the enduring sustainability of its business and the communities it serves, recognising that the long-term success of both is directly correlated with the organisation's environmental and social impact and the quality of its corporate governance.

AMP continues to contribute to the sustainability of its business and the communities it serves by using its expertise to:

- provide high quality financial advice, products and services, and investments to individuals and organisations
- educate the community on the value of informed financial decisions
- improve its resource efficiency and minimise its environmental impact
- encourage good corporate governance
- invest in the community through the AMP Foundation.

As a significant participant in Australia's financial services industry, AMP also actively engages in conversations with the government and local communities, providing tools, education, advice and research about both contemporary and future financial issues and opportunities.

By sharing its expertise, AMP aims to build people's confidence and help them take control of their financial future.

### Approach to tax

AMP's tax strategy is focused on integrity in compliance, reporting and enhancing shareholder value. The strategy is implemented through AMP's tax risk framework. This framework is approved by the AMP Limited Board and supported by governance processes which ensure it is implemented with continued effectiveness. The framework and supporting governance processes include an escalation requirement for key risks that are outside of the parameters approved by the AMP Limited Board.

AMP Limited has entered into an annual compliance arrangement (ACA) in relation to income tax with the Australian Taxation Office (ATO). The primary purpose of the ACA is to formalise a relationship predicated on mutual trust, respect and transparency, and which facilitates interaction and cooperation between the parties. The ATO has acknowledged AMP's continued willingness to maintain a cooperative and open relationship.

In conducting its activities (both in Australia and offshore):

- AMP does not shift and/or accumulate profits in low or zero tax jurisdictions
- AMP does not use the secrecy rules of jurisdictions to hide assets or income
- AMP pays tax where the underlying economic activity occurs.

The AMP Limited Board does not sanction or support any activities which seek to aggressively structure AMP's tax affairs.

As part of managing a global investment portfolio on behalf of domestic and international clients, including Australian superannuation funds, AMP uses a variety of structures and entities to enter into offshore markets. The selection of a particular location requires balancing various commercial, legal, investor and cost (including tax) factors. In that context, AMP manages investments through entities in jurisdictions which have alignment with the Organisation for Economic Co-operation and Development (OECD) guidelines on tax transparency (ie information exchange with other tax authorities) and in certain instances lower effective tax rates. AMP's public financial reports clearly disclose any differences in overseas tax rates to highlight the impact of the different tax rates applied in relation to shareholder profit from offshore activities.

AMP has included a tax report in the financial reports section of its website: [amp.com.au/shares](http://amp.com.au/shares).

### Minimising AMP's environmental impact

AMP believes sound environmental management makes good business sense and is in the best interest of our customers. AMP actively assesses environmental risks and opportunities across the business and investments managed by AMP Capital.

AMP's Environment Leadership Team is responsible for setting targets and developing strategies to reduce AMP's environmental impacts, with key priorities and progress communicated to AMP's leadership team and the board by the managing director of AMP Capital.

In particular, AMP is actively reducing its use of resources and its carbon footprint, and set new priorities for 2014–2016. The priorities include:

- pursuing resource efficiency strategies with employees, suppliers, contractors, landlords and service providers to reduce environmental impacts, including waste and paper consumption
- achieving a 15% reduction in greenhouse gas emissions from 2014–2016 (from 2013 emission levels)
- driving energy efficiency through lighting upgrades, IT initiatives and activity based working trials
- reducing non-essential air travel and paper consumption
- encouraging employee work practices that reduce environmental impacts
- encouraging suppliers to reduce the environmental impacts of the products and services they provide AMP
- maintaining carbon neutrality
- continuing to obtain external assurance of AMP's carbon footprint.

During 2014, AMP installed automated computer shutdown systems, replaced downlights with low-energy LEDs, added organic and e-waste collection systems to existing co-mingled recycling, and engaged employees on how to use these facilities to reduce their environmental footprint.

AMP's Jessie Street Centre in Parramatta achieved a 5.5 star NABERS energy rating, following on from AMP's 50 Bridge Street office in Sydney which reached that target in 2013.

After becoming a carbon neutral business in 2013, one year ahead of schedule, AMP has extended its carbon neutral commitment. This means reducing emissions through energy efficiency and offsetting the remaining emissions through the purchase of carbon credits from appropriate, verified projects.

To achieve carbon neutrality in 2014, AMP purchased and retired 27,642 carbon offsets from projects that deliver environmental and community benefits. These projects are detailed in the AMP 2014 community report, and meet internationally recognised verification protocols (VCS, Gold Standard) and the Australian Government's National Carbon Offset Standard (NCOS).

In 2014, total greenhouse gas emissions for AMP were 27,642 tonnes, a 15% reduction on 2013.

- Scope 1 and 2 emissions (mainly office and data centre electricity use) decreased by 12% to 18,360 tonnes, due to energy efficiency initiatives such as lighting upgrades and more flexible and efficient use of office space.
- Scope 3 emissions (air travel) decreased by 20% to 9,282 tonnes due to reductions in non-essential business air travel as well as changes in the international emissions factors used to calculate these emissions.

AMP's greenhouse gas reporting criteria can be found in the corporate responsibility section of [amp.com.au](http://amp.com.au). AMP reports annually to the Australian Government under the *National Greenhouse and Energy Reporting Act 2007*. AMP also participates in the international Carbon Disclosure Project, and was included in its 2014 ASX 200 Climate Disclosure Leadership Index. AMP Capital is an investor signatory to the Carbon Disclosure Project, and actively engages with policy makers as a founding member of the Investor Group on Climate Change.

Further information on AMP's environmental policy and activities, and on the Carbon Disclosure Project, are available at [amp.com.au](http://amp.com.au).

#### Encouraging good corporate governance

AMP Capital is one of the longest standing managers of responsible investment funds in Australia. As an investor in companies and assets on behalf of clients, AMP Capital recognises the strong link between an organisation's environmental and social impacts, the quality of its corporate governance, and its long-term business success.

Understanding how a broad range of environment, social and governance (ESG) factors may affect an investment has long been an integral part of AMP Capital's investment process.

This knowledge is combined with traditional valuation techniques to both enhance and protect returns for clients.

AMP Capital was one of Australia's first signatories to the Principles for Responsible Investment and for over a decade has dedicated specific resources to understanding the impact of ESG factors and integrating them into its investment decision-making and active ownership practices, across all asset classes. ESG factors are incorporated into AMP Capital's investment guidelines and policies, research and analysis, proxy voting activities and engagement with company boards and management teams.

AMP Capital actively engages with the boards and management teams of the companies it invests in on behalf of clients and uses its voting power to encourage responsible corporate behaviour and for companies to act in the best interest of shareholders. Areas of focus include sound decision making and risk-management, appropriate capital allocation, good board composition, fair remuneration and open and honest disclosure. Active portfolio management has provided AMP Capital with significant opportunities to engage with companies on a broad range of ESG issues and to influence a range of better outcomes for investors and the Australian community.

Further information on AMP Capital's environmental, social, governance and responsible investment philosophy and activities is available at [ampcapital.com.au/esg](http://ampcapital.com.au/esg).

#### Investing in the community

AMP has a long tradition of supporting the community. The AMP Foundation, which was set up by AMP in 1992, takes a strategic approach to philanthropy by forming long-term community partnerships. So far the foundation has donated almost \$75 million to the community.

In 2014, the AMP Foundation delivered \$5.2 million to the community by funding education and employment programs for disadvantaged young people (particularly Indigenous students), providing individual grants through AMP's Tomorrow Fund, supporting the non-profit sector to operate more effectively and facilitating the fundraising efforts of AMP employees. During the year, AMP employees raised more than \$700,000 for charity and volunteered their time and skills with numerous charities.

In addition, AMP Financial Planning and Hillross advisers gave free financial planning advice to cancer patients and their families through an AMP Foundation-funded program with the Cancer Council New South Wales.

For more information on AMP Foundation's activities, see the AMP community report at [amp.com.au/ampfoundation](http://amp.com.au/ampfoundation).

#### AMP's carbon emissions data for 2014

Emissions <sup>1</sup>	2014 tCO <sub>2</sub> e	Year-on-year % reduction	2013 <sup>2</sup> tCO <sub>2</sub> e	2012 tCO <sub>2</sub> e	2011 <sup>3</sup> tCO <sub>2</sub> e	2010 tCO <sub>2</sub> e	2009 tCO <sub>2</sub> e
Scope 1 + 2 emissions	18,360	12	20,830	22,204	18,828	12,263	13,067
Scope 3 emissions	9,282	20	11,592	15,830	18,015	9,545	8,843
Total emissions	27,642	15	32,422	38,033	36,843	21,808	21,910
Carbon offsets retired	27,642		32,422	27,078	16,069	9,545	8,843
Target	Carbon neutral		Carbon neutral	50% below 2009 (incl. AXA)	50% below 2009 (ex. AXA)	offset all air travel	offset all air travel

1 Emissions are measured in tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e).

2 EY have provided assurance of AMP's 2014 and 2013 emissions data, copies of which can be found in the corporate responsibility section on AMP's website at [amp.com.au](http://amp.com.au).

3 In March 2011, AMP merged with AXA Asia Pacific Holdings Limited's Australian and New Zealand businesses (AXA). 2011 includes changes in AMP's emissions profile due to additional AXA tenancies and air travel associated with the merger and business integration activities.

# Financial report

for the year ended 31 December 2014

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# Income statement

for the year ended 31 December 2014

	Note	Consolidated		Parent	
		2014 \$m	2013 \$m	2014 \$m	2013 \$m
<b>Income and expenses of shareholders, policyholders, external unitholders and non-controlling interests<sup>1</sup></b>					
Life insurance premium and related revenue	4	2,427	2,283	–	–
Fee revenue	4	2,790	2,434	14	12
Other revenue	4	126	419	–	–
Investment gains and (losses)	5	12,244	14,963	799	1,677
Share of profit or (loss) of associates accounted for using the equity method		13	14	–	–
Life insurance claims and related expenses	6	(2,166)	(2,084)	–	–
Operating expenses	6	(3,834)	(3,876)	(14)	(12)
Finance costs	6	(685)	(753)	(18)	–
Movement in external unitholder liabilities		(1,478)	(1,634)	–	–
Change in policyholder liabilities					
– life insurance contracts	20	(1,333)	(381)	–	–
– investment contracts		(6,290)	(9,887)	–	–
Income tax (expense) credit	7	(843)	(782)	51	10
<b>Profit for the year</b>		<b>971</b>	<b>716</b>	<b>832</b>	<b>1,687</b>
<b>Profit attributable to shareholders of AMP Limited</b>		<b>884</b>	<b>672</b>	<b>832</b>	<b>1,687</b>
Profit (loss) attributable to non-controlling interests		87	44	–	–
<b>Profit for the year</b>		<b>971</b>	<b>716</b>	<b>832</b>	<b>1,687</b>

1 Income and expenses include amounts attributable to shareholders' interests, policyholders' interests in the AMP life insurance entities' statutory funds, external unitholders' interests and non-controlling interests. Amounts included in respect of the AMP life insurance entities' statutory funds have a substantial impact on most of the consolidated Income statement lines, especially Investment gains and losses and Income tax (expense) credit. In general, policyholders' interests in the transactions for the period are attributed to them in the lines Change in policyholder liabilities.

	Note	Consolidated	
		2014 cents	2013 cents
<b>Earnings per share for profit attributable to ordinary shareholders of AMP Limited</b>			
Basic	26	30.3	23.2
Diluted		30.0	22.9

# Statement of comprehensive income

for the year ended 31 December 2014

	Consolidated		Parent	
	2014 \$m	2013 \$m	2014 \$m	2013 \$m
<b>Profit for the year</b>	<b>971</b>	<b>716</b>	<b>832</b>	<b>1,687</b>
<b>Other comprehensive income</b>				
<b>Items that may be reclassified subsequently to profit or loss</b>				
Available-for-sale financial assets				
– gains and (losses) in fair value of available-for-sale financial assets	2	7	–	–
	2	7	–	–
Cash flow hedges <sup>1</sup>				
– gains and (losses) in fair value of cash flow hedges	3	(8)	–	–
– income tax (expense) credit	(1)	2	–	–
– transferred to profit for the year	29	33	–	–
– transferred to profit for the year – income tax (expense) credit	(8)	(10)	–	–
	23	17	–	–
Exchange difference on translation of foreign operations				
– exchange gains (losses)	39	124	–	–
– transferred to profit for the year	6	–	–	–
	45	124	–	–
Revaluation of hedge of net investments				
– gains and (losses) in fair value of hedge of net investments	–	(3)	–	–
– income tax (expense) credit	–	1	–	–
	–	(2)	–	–
<b>Items that will not be reclassified subsequently to profit or loss</b>				
Defined benefit plans <sup>2</sup>				
– actuarial gains and (losses)	(119)	218	–	–
– income tax (expense) credit	36	(65)	–	–
	(83)	153	–	–
Owner-occupied property revaluation				
– gains (losses) in valuation of owner-occupied property	8	10	–	–
– income tax (expense) credit	(1)	–	–	–
	7	10	–	–
<b>Other comprehensive income for the year</b>	<b>(6)</b>	<b>309</b>	<b>–</b>	<b>–</b>
<b>Total comprehensive income for the year</b>	<b>965</b>	<b>1,025</b>	<b>832</b>	<b>1,687</b>
<b>Total comprehensive income attributable to shareholders of AMP Limited</b>	<b>878</b>	<b>981</b>	<b>832</b>	<b>1,687</b>
Total comprehensive income (loss) attributable to non-controlling interests	87	44	–	–
<b>Total comprehensive income for the year</b>	<b>965</b>	<b>1,025</b>	<b>832</b>	<b>1,687</b>

1 Cash flow hedge movements includes interest rate swaps used to manage AMP Bank's interest rate risk on its mortgage portfolio and hedging of a highly probable future payment for an investment by AMP denominated in foreign currency.

2 Actuarial gains and (losses) are determined in accordance with AASB 119 *Employee Benefits*. This is not the same as the calculation methods used to determine the funding requirements for the plans.

# Statement of financial position

as at 31 December 2014

	Note	Consolidated		Parent	
		2014 \$m	2013 \$m	2014 \$m	2013 \$m
<b>Assets</b>					
Cash and cash equivalents	25	3,581	2,938	1	6
Receivables	8	2,518	2,418	321	50
Current tax assets		35	175	–	–
Inventories and other assets	9	189	216	–	–
Investments in financial assets	10	122,836	114,779	1,960	2,085
Investment properties	11	340	6,889	–	–
Investments in associates accounted for using the equity method	30	116	113	–	–
Property, plant and equipment	12	401	456	–	–
Deferred tax assets	7	697	1,062	55	62
Intangibles	13	4,042	4,136	–	–
Investments in controlled entities		–	–	11,010	10,807
Assets of disposal groups	29	100	42	–	–
<b>Total assets of shareholders of AMP Limited, policyholders, external unitholders and non-controlling interests</b>		<b>134,855</b>	<b>133,224</b>	<b>13,347</b>	<b>13,010</b>
<b>Liabilities</b>					
Payables	14	1,951	1,910	92	47
Current tax liabilities		247	53	190	26
Provisions	15	442	451	5	3
Other financial liabilities	10	2,015	2,469	–	–
Borrowings	16	15,352	14,822	–	–
Subordinated debt	17	1,150	1,421	326	325
Deferred tax liabilities	7	2,336	2,110	–	–
External unitholder liabilities		11,335	10,724	–	–
Life insurance contract liabilities	20	24,403	24,934	–	–
Investment contract liabilities	21	66,980	66,049	–	–
Defined benefit plan liabilities	27	190	73	–	–
Liabilities of disposal groups	29	69	8	–	–
<b>Total liabilities of shareholders of AMP Limited, policyholders, external unitholders and non-controlling interests</b>		<b>126,470</b>	<b>125,024</b>	<b>613</b>	<b>401</b>
<b>Net assets of shareholders of AMP Limited and non-controlling interests</b>		<b>8,385</b>	<b>8,200</b>	<b>12,734</b>	<b>12,609</b>
<b>Equity<sup>1</sup></b>					
Contributed equity	19	9,508	9,602	9,747	9,747
Reserves		(1,888)	(1,973)	21	18
Retained earnings		566	461	2,966	2,844
<b>Total equity of shareholders of AMP Limited</b>		<b>8,186</b>	<b>8,090</b>	<b>12,734</b>	<b>12,609</b>
Non-controlling interests		199	110	–	–
<b>Total equity of shareholders of AMP Limited and non-controlling interests</b>		<b>8,385</b>	<b>8,200</b>	<b>12,734</b>	<b>12,609</b>

1 Further information on Equity is provided in the Statement of changes in equity on the following page and note 19.

# Statement of changes in equity

for the year ended 31 December 2014

## Equity attributable to shareholders of AMP Limited

Consolidated	Contributed equity \$m	Equity contribution reserve <sup>1</sup> \$m	Share-based payment reserve <sup>2</sup> \$m	Capital profits reserve <sup>3</sup> \$m	Demerger loss reserve <sup>4</sup> \$m	Available-for-sale financial assets reserve <sup>5</sup> \$m	Cash flow hedge reserve <sup>6</sup> \$m	Foreign currency translation reserve <sup>7</sup> \$m	Hedge of net investment reserve <sup>8</sup> \$m	Owner-occupied property revaluation reserve <sup>9</sup> \$m	Retained earnings \$m	Total shareholder equity \$m	Non-controlling interest \$m	Total equity \$m
<b>2014</b>														
Balance at the beginning of the year	9,602	1,019	89	329	(3,585)	6	(17)	92	(1)	95	461	8,090	110	8,200
Profit (loss)	–	–	–	–	–	–	–	–	–	–	884	884	87	971
Other comprehensive income	–	–	–	–	–	2	23	45	–	7	(83)	(6)	–	(6)
Total comprehensive income	–	–	–	–	–	2	23	45	–	7	801	878	87	965
Share-based payment expense	–	–	33	–	–	–	–	–	–	–	–	33	2	35
Share purchases	–	–	(25)	–	–	–	–	–	–	–	–	(25)	(2)	(27)
Net sale/(purchase) of 'treasury shares'	(94)	–	–	–	–	–	–	–	–	–	4	(90)	–	(90)
Dividends paid <sup>10</sup>	–	–	–	–	–	–	–	–	–	–	(710)	(710)	(18)	(728)
Dividends paid on 'treasury shares' <sup>10</sup>	–	–	–	–	–	–	–	–	–	–	10	10	–	10
New capital from shares issued <sup>11</sup>	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Sales and acquisitions of non-controlling interest	–	–	–	–	–	–	–	–	–	–	–	–	20	20
<b>Balance at the end of the year</b>	<b>9,508</b>	<b>1,019</b>	<b>97</b>	<b>329</b>	<b>(3,585)</b>	<b>8</b>	<b>6</b>	<b>137</b>	<b>(1)</b>	<b>102</b>	<b>566</b>	<b>8,186</b>	<b>199</b>	<b>8,385</b>
<b>2013</b>														
Balance at the beginning of the year	9,333	1,019	61	329	(3,585)	(1)	(34)	(32)	1	85	332	7,508	135	7,643
Profit (loss)	–	–	–	–	–	–	–	–	–	–	672	672	44	716
Other comprehensive income	–	–	–	–	–	7	17	124	(2)	10	153	309	–	309
Total comprehensive income	–	–	–	–	–	7	17	124	(2)	10	825	981	44	1,025
Share-based payment expense	–	–	28	–	–	–	–	–	–	–	–	28	2	30
Share purchases	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Net sale/(purchase) of 'treasury shares'	132	–	–	–	–	–	–	–	–	–	–	132	–	132
Dividends paid <sup>10</sup>	–	–	–	–	–	–	–	–	–	–	(705)	(705)	(85)	(790)
Dividends paid on 'treasury shares' <sup>10</sup>	–	–	–	–	–	–	–	–	–	–	9	9	–	9
New capital from shares issued <sup>11</sup>	137	–	–	–	–	–	–	–	–	–	–	137	–	137
Sales and acquisitions of non-controlling interest	–	–	–	–	–	–	–	–	–	–	–	–	14	14
<b>Balance at the end of the year</b>	<b>9,602</b>	<b>1,019</b>	<b>89</b>	<b>329</b>	<b>(3,585)</b>	<b>6</b>	<b>(17)</b>	<b>92</b>	<b>(1)</b>	<b>95</b>	<b>461</b>	<b>8,090</b>	<b>110</b>	<b>8,200</b>

Footnotes 1 to 11 can be found on the following page.



AMP Limited parent	Contributed equity \$m	Share-based payment reserve <sup>2</sup> \$m	Retained earnings \$m	Total shareholder equity \$m
<b>2014</b>				
Balance at the beginning of the year	9,747	18	2,844	12,609
Profit	–	–	832	832
Other comprehensive income	–	–	–	–
Total comprehensive income	–	–	832	832
Share-based payment expense	–	6	–	6
Share purchases	–	(3)	–	(3)
Dividends paid <sup>10</sup>	–	–	(710)	(710)
New capital from shares issued under dividend reinvestment plan <sup>11</sup>	–	–	–	–
<b>Balance at the end of the year</b>	<b>9,747</b>	<b>21</b>	<b>2,966</b>	<b>12,734</b>
<b>2013</b>				
Balance at the beginning of the year	9,610	15	1,862	11,487
Profit	–	–	1,687	1,687
Other comprehensive income	–	–	–	–
Total comprehensive income	–	–	1,687	1,687
Share-based payment expense	–	3	–	3
Share purchases	–	–	–	–
Dividends paid <sup>10</sup>	–	–	(705)	(705)
New capital from shares issued under dividend reinvestment plan <sup>11</sup>	137	–	–	137
<b>Balance at the end of the year</b>	<b>9,747</b>	<b>18</b>	<b>2,844</b>	<b>12,609</b>

- 1 There has been no movement in the Equity contribution reserve established in 2003 to recognise the additional loss on the demerger of AMP's UK operations in December 2003. This loss was the difference between the pro-forma loss on demerger (based upon directors' valuation of the UK operations and the estimated net assets to be demerged) and the market-based fair value of the UK operations (based upon the share price of the restructured UK operations on listing and the actual net assets of the UK operations on demerger).
- 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 and transferred to share-based payments recipients upon vesting.
- 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 There has been no movement in the Demerger loss reserve established in 2003 to recognise the transfer from shareholders' retained earnings of the total loss on the demerger of AMP's UK operations in December 2003.
- 5 Unrealised gains or losses on available-for-sale financial assets are recognised in Other comprehensive income as described in note 1(g) and accumulated in a separate reserve within equity. Upon impairment or disposal, the accumulated change in fair value within the Available-for-sale financial assets reserve is recognised within profit or loss in the Income statement.
- 6 The Cash flow hedge reserve represents the cumulative impact of changes in the fair value of derivatives designated as cash flow hedges which are effective for hedge accounting. Hedge gains and losses are transferred to the Income statement when they are deemed ineffective or upon realisation of the cash flow.
- 7 Exchange differences arising on translation of foreign controlled entities within the AMP group are recognised in Foreign currency translation reserve. Exchange gains and losses are transferred to the Income statement upon realisation of the investment in the foreign controlled entity.
- 8 The Hedge of net investment reserve reflects gains and losses on effective hedges of net investments in foreign operations. Hedge gains and losses are transferred to the Income statement when they are deemed ineffective or upon realisation of the investment in the foreign controlled entity.
- 9 The Owner-occupied property revaluation reserve represents cumulative valuation gains and losses on owner-occupied property required to be recognised in equity.
- 10 Dividends paid includes the dividends paid on 'treasury shares'. Dividends paid on 'treasury shares' are required to be excluded from the consolidated financial statements by adjusting retained earnings.
- 11 New capital from shares issued under dividend reinvestment plan nil (2013: \$137m).

# Statement of cash flows

for the year ended 31 December 2014

	Note	Consolidated		Parent	
		2014 \$m	2013 \$m	2014 \$m	2013 \$m
<b>Cash flows from operating activities<sup>1</sup></b>	25				
Cash receipts in the course of operations		20,326	17,702	14	12
Interest and other items of a similar nature received		2,470	2,357	16	2
Dividends and distributions received <sup>2</sup>		3,228	2,561	578	1,675
Cash payments in the course of operations		(24,373)	(20,859)	(9)	(9)
Finance costs		(682)	(714)	(18)	–
Income tax refunded (paid)		117	(189)	(1)	33
<b>Cash flows from (used in) operating activities</b>		<b>1,086</b>	<b>858</b>	<b>580</b>	<b>1,713</b>
<b>Cash flows from investing activities<sup>1</sup></b>					
Net proceeds from sale of (payments to acquire):					
– investment property		440	(38)	–	–
– investments in financial assets <sup>3,6</sup>		2,439	(5,241)	–	–
– operating and intangible assets		(186)	7	–	–
(Payments to acquire) proceeds from disposal of subsidiaries <sup>4</sup>		(135)	(24)	–	–
Net movement in loans (to) from controlled entities		–	–	125	(1,465)
<b>Cash flows from (used in) investing activities</b>		<b>2,558</b>	<b>(5,296)</b>	<b>125</b>	<b>(1,465)</b>
<b>Cash flows from financing activities</b>					
Net movement in deposits from customers		950	755	–	–
Proceeds from (repayment of) borrowings – non-banking operations <sup>1</sup>		255	(223)	–	–
Net movement in borrowings – banking operations		196	1,929	–	–
Proceeds from issue of subordinated debt		–	325	–	325
Repayment of subordinated debt		(280)	(30)	–	–
Dividends paid <sup>5</sup>		(700)	(559)	(710)	(568)
<b>Cash flows from (used in) financing activities</b>		<b>421</b>	<b>2,197</b>	<b>(710)</b>	<b>(243)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>4,065</b>	<b>(2,241)</b>	<b>(5)</b>	<b>5</b>
Cash and cash equivalents at the beginning of the year		7,157	9,352	6	1
Effect of exchange rate changes on cash and cash equivalents		10	46	–	–
<b>Cash and cash equivalents at the end of the year<sup>1,6</sup></b>		<b>11,232</b>	<b>7,157</b>	<b>1</b>	<b>6</b>

- Cash flows and cash and cash equivalents include amounts attributable to shareholders' interests, policyholders' interests in AMP life insurance entities' statutory funds and controlled entities of those statutory funds, external unitholders' interests and non-controlling interests. Amounts included in respect of AMP life insurance entities' statutory funds and controlled entities of those statutory funds have a substantial impact on cash flows from operating activities and investing activities and proceeds from and repayments of borrowing – non-banking operations, and cash and cash equivalents balances.
- 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.
- Net proceeds from sale of (payment to acquire) investments in financial assets includes loans and advances made (net of payments) and purchases of financial assets (net of maturities) during the period by AMP Bank.
- Payments to acquire and proceeds from disposals of subsidiaries (net of cash acquired and cash in deconsolidated subsidiaries) did not have a material impact on the composition of the AMP group.
- The dividends paid amount is presented net of dividends on 'treasury shares' (FY13 also net of dividend reinvestment plan). See Statement of changes in equity for further information.
- The increase in Cash and cash equivalents at the end of the period and net cash proceeds from sale of investments in financial assets includes the effect of AMP gaining control of a managed cash fund during 2014.

# Notes to the financial statements

for the year ended 31 December 2014

## 1. Basis of preparation and summary of significant accounting policies

The consolidated economic entity (the AMP group) comprises AMP Limited (the parent entity), a company limited by shares, and incorporated and domiciled in Australia, and all entities that it controlled during the period and at the reporting date.

### (a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB), and the *Corporations Act 2001* (Cth). The AMP group is a for-profit entity for the purposes of preparing financial statements. The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The financial statements for the year ended 31 December 2014 were authorised for issue on 19 February 2015 in accordance with a resolution of the directors.

The financial report is presented in Australian dollars and all values are rounded to the nearest million dollars (\$m), unless otherwise stated.

The significant accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to the current year and comparative period, unless otherwise stated. Where necessary, comparative information has been reclassified to be consistent with current period disclosure.

The AMP group is predominantly a wealth management business conducting operations through statutory funds of registered life insurance companies (AMP life insurance entities' statutory funds) and other entities. Where permitted under accounting standards, the assets and liabilities associated with life insurance contracts and investment contracts are generally measured on a fair value basis and other assets and liabilities are generally measured on an historical cost basis.

Assets and liabilities have been presented on the face of the Statement of financial position in decreasing order of liquidity and do not distinguish between current and non-current items. The majority of the assets of the AMP group are investment assets held to back investment contract and life insurance contract liabilities. Although the amount of those assets which may be realised and those liabilities which may be settled within 12 months of the reporting date are not always known, estimates of amounts expected to be recovered or settled (a) no more than 12 months after the reporting date, and (b) more than 12 months after the reporting date, have been provided in footnotes to the relevant notes.

### Changes in accounting policy

A number of new accounting standards and amendments have been adopted effective 1 January 2014, but have not had any material effect on the financial position or performance of the AMP group:

- AASB 2012-3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities*. These amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'. Where financial assets and financial liabilities meet the criteria to offset, the net amount is presented in the Statement of financial position. This standard is applied retrospectively.
- AASB 2011-4 *Amendments to Australian Accounting Standard to Remove Individual Key Management Personnel Disclosure Requirements*. This standard amends AASB 124 *Related Party Disclosures* to remove the individual key management personnel (KMP) disclosures required by Australian specific paragraphs. These disclosures now form part of the

- remuneration report requirements under the *Corporations Act 2001*. This standard is applied retrospectively.
- AASB 2013-3 *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets*. This standard makes amendments to AASB 136 *Impairment of Assets* to address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. This standard is applied retrospectively.
- AASB 2013-4 *Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting*. These amendments to AASB 139 *Financial Instruments: Recognition and Measurement* permit the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws and regulations. This standard is applied retrospectively.
- AASB 2013-7 *Amendments to AASB 1038 arising from AASB 10 in relation to Consolidation and Interests of Policyholders*. These amendments remove the specific consolidation requirements from AASB 1038 *Life Insurance Contracts*, and thereby AASB 10 *Consolidated Financial Statements* becomes the sole source for consolidation requirements applicable to life insurer entities. This standard is applied retrospectively.
- AASB 2013-9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments*. Parts A and B of this standard are applicable to the AMP group for the year ended 31 December 2014. Part A of this standard updates references to the *Framework for the Preparation and Presentation of Financial Statements*, while Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 *Materiality*, and makes minor editorial amendments to various standards. This standard is applied retrospectively.

### Australian Accounting Standards issued but not yet effective

A number of new accounting standards and amendments have been issued but are not yet effective. The AMP group has not elected to early adopt any of these new standards or amendments 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 9 *Financial Instruments*. This standard makes significant changes to the way financial assets are classified for the purpose of determining their measurement basis and also to the amounts relating to fair value changes which are to be taken directly to equity. This standard also makes significant changes to hedge accounting requirements and disclosures and introduces a new expected loss model when recognising expected credit losses on financial assets. This standard is mandatory for adoption by the AMP group for the year ending 31 December 2018. The financial impact to the AMP group of adopting AASB 9 *Financial Instruments* has not yet been quantified.

### (b) Principles of consolidation

The financial statements consolidate the financial information of controlled entities. An entity is controlled when AMP Limited 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.

The financial information for controlled entities is prepared for the same reporting date as the parent entity, using consistent accounting policies. Where dissimilar accounting policies may exist, adjustments are made to ensure conformity with the group's accounting policies.

## 1. Basis of preparation and summary of significant accounting policies continued

Consolidation principles require the total amounts of each underlying asset, liability, income and expense of the controlled entities to be recognised in the consolidated financial statements. 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 Statement of financial position. In the Income statement, the profit or loss of the AMP group is allocated between profit or loss attributable to non-controlling interests and profit or loss attributable to shareholders of the parent entity.

Controlled entities acquired are accounted for using the acquisition method of accounting. Information from the financial statements of controlled entities is included from the date the parent entity obtains control until such time as control ceases. Where the AMP group ceases to control an entity, the consolidated financial statements include the results for the part of the reporting period during which the parent entity had control.

Most acquisitions and disposals of controlled entities are in relation to managed investment schemes with underlying net assets typically comprising investment assets and 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 non-controlling interests.

All inter-company balances and transactions are eliminated in full, including unrealised profits arising from intra-group transactions.

### Consolidation impact of investments of the AMP life insurance entities

AMP life insurance entities conduct wealth management business through separate life statutory funds. Income, expenses, assets and liabilities attributable to policyholders within the life statutory funds are consolidated into the AMP group financial statements, along with those attributable to the shareholders of the parent entity.

The majority of the AMP life insurance entities' statutory funds' investments are held through controlling interests in a number of managed investment schemes and companies. These investment assets are held on behalf of policyholders and the AMP life insurance entities' statutory funds recognise a liability to the policyholders valued as described in note 1(s) for Life insurance contract liabilities, and note 1(t) for Investment contract liabilities. In certain cases, the amount of the net assets of the controlled entities recognised in the consolidated financial statements may not match the valuation of the relevant liabilities to policyholders, which results in certain policyholder asset movements impacting the profit attributable to shareholders of AMP Limited.

Certain controlled entities of the AMP life insurance entities' statutory funds are operating companies which carry out business operations unrelated to the core wealth management operations of the AMP group.

### Securitisation vehicles

The banking operation of the AMP group sells mortgage loans to securitisation vehicles (also referred to as *special purpose entities*) through its loan securitisation program. These securitisation vehicles are controlled by the AMP group and are therefore consolidated.

### (c) Accounting for wealth management and life insurance business

The accounting treatment of certain transactions in this financial report varies, depending on the nature of the

contract underlying the transactions. The two major contract classifications relevant to the wealth management and insurance business of the AMP group 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 majority of the business of the AMP life insurance entities relates to wealth management products such as savings, investment-linked and retirement income policies. The nature of this business is that the AMP life insurance entities receive deposits from policyholders and those funds are invested on behalf of the policyholders. With the exception of fixed retirement income policies, the resulting liability to policyholders is linked to the performance and value of the assets that back those liabilities. For fixed retirement income policies, the resulting liability is linked to the fair value of the fixed retirement income payments and associated management services.

Under Australian Accounting Standards, such contracts are defined as *life investment contracts* and described as *investment contracts* throughout this financial report.

### Life insurance contracts

AMP life insurance entities also issue 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 the AMP life insurance entities.

Under Australian Accounting Standards, such contracts are defined as *life insurance contracts*.

### Assets measurement basis

Investment contract liabilities are measured at fair value as described in note 1(t) and life insurance contract liabilities are measured as described in note 1(s). Assets backing such liabilities are measured at fair value, to the extent permitted under Australian Accounting Standards. Realised and unrealised gains and losses arising from changes in the fair value are recognised in the Income statement, to the extent permitted under Australian Accounting Standards. The accounting policies for individual asset classes are described later in note 1.

All assets that back investment contract liabilities and life insurance contract liabilities are included within the AMP life insurance entities' statutory funds and, as such, are separately identifiable.

### (d) 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 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 Borrowings in the Statement of financial position.

### (e) Receivables

Receivables that back investment contract liabilities and life insurance contract liabilities are designated as financial assets measured at fair value through profit or loss. Reinsurance and other recoveries are discounted to present value. Receivables that do not back investment contract and life insurance contract liabilities are measured at nominal amounts due, less any

## 1. Basis of preparation and summary of significant accounting policies continued

allowance for doubtful debts. An allowance for doubtful debts is recognised when collection of the full amount is no longer probable. Bad debts are written off as incurred. Given the short-term nature of most receivables, the recoverable amount approximates fair value.

### (f) Inventories

Assets held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services are classified as *inventories*.

Inventories are measured at the lower of cost and net realisable value. *Net realisable value* is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

### (g) Investments in financial assets

Investments in financial assets measured at fair value through profit or loss

Investments in financial assets designated 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 the Income statement in the period in which they arise.

Subsequent to initial recognition, the fair value of investments measured at fair value through profit or loss is determined as follows:

- 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 cashflow analysis and option pricing models.
- 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.
- 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.
- There is no reduction for realisation costs in determining fair value.
- The fair value of derivative financial assets is determined in accordance with the policy set out in note 1(q).

### Investments in available-for-sale financial assets

Available-for-sale investments 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. Unrealised gains or losses arising from subsequent measurement at fair value are recognised as Other comprehensive income in the Available-for-sale financial assets reserve in the period in which they arise. Testing for impairment is conducted in accordance with note 1(l). Upon impairment or disposal, the accumulated change in fair value within the Available-for-sale financial assets reserve is recognised within profit or loss in the Income statement.

Subsequent to initial recognition, the fair value of available-for-sale investments is determined on the same basis as for financial assets measured at fair value through profit or loss.

### Investments in financial assets measured at amortised cost

Investments in financial assets measured at amortised cost are mainly assets of AMP Bank. Loans, advances and other receivables which arise when AMP Bank provides money directly to a customer, including loans and advances to advisers, with no intention of trading the financial assets, are measured at amortised cost. All other debt securities held by AMP Bank are classified as *held to maturity investments*. Held to maturity investments are non-derivative assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity.

Investments in 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.

### Investments in controlled entities

Investments by the parent entity in controlled entities are measured at cost (which, in the case of the investment in AMP Group Holdings Limited, was determined as net asset value on demutualisation) less any accumulated impairment losses.

### (h) Investments in associates accounted for using the equity method

*Associated entities* are defined as those entities over which the AMP group has significant influence but no capacity to control. Investments in associates, other than those backing investment contract liabilities and life insurance contract liabilities, are initially measured at cost plus any excess of the fair value of AMP's share of identifiable assets and liabilities above cost at acquisition date. This is subsequently adjusted for the AMP group's share of post-acquisition profit or loss and movements in reserves net of any impairment. 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.

Investments in associates 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.

### (i) Investment property

Investment property is held to earn revenue from rentals and/or for the purposes of capital appreciation. Investment property includes all directly held freehold and leasehold properties but excludes owner-occupied properties. See note 1(j). There are no property interests held under operating leases accounted for as investment property.

Investment property is initially recognised at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value.

Changes in value of investment property are taken directly to the Income statement and may comprise changes in the fair value from revaluation of investment property, and fair value adjustments in relation to:

- the straight-lining of fixed rental income
- tenant incentives including rent-free periods and landlord and tenant owned fit-out contributions
- capitalised leasing fees.

The process adopted to determine fair values for investment properties is set out in note 11.

## 1. Basis of preparation and summary of significant accounting policies continued

### (j) Property, plant and equipment

#### Owner-occupied property

Under Australian Accounting Standards, where the whole or a significant portion of a property owned by the AMP group is held for use by the AMP group in the production or supply of goods or services, or for administrative purposes, that property is classified for accounting purposes as *owner-occupied property* within Property, plant and equipment in the Statement of financial position.

Owner-occupied property held by the AMP group for administrative purposes is initially recognised at cost, including transaction costs, and is subsequently measured at the revalued amount, being its fair value at the date of the revaluation, less any subsequent accumulated depreciation and accumulated impairment losses. Fair value is determined on the same basis as investment property in note 11.

When a revaluation increases the carrying value of a property, the increase is recognised directly in Other comprehensive income through the owner-occupied property revaluation reserve. However, an increase is recognised in the Income statement to the extent that the amount reverses a revaluation decrease of the same asset previously recognised in the Income statement. When the carrying value of an asset is decreased as a result of a revaluation, the decrease is recognised in the Income statement. However, any decrease is recognised in the Owner-occupied property revaluation reserve to the extent that it reverses a balance existing in the reserve in respect of that asset.

Gains or losses on disposals are measured as the difference between proceeds and the carrying amount and are recognised in the Income statement. The balance of the owner-occupied property revaluation reserve, in respect of a property disposed of, is transferred to retained earnings.

Each part of an owner-occupied property, except land, that is significant in relation to the total property is depreciated on a systematic basis over the useful life of the asset, being a period not exceeding 40 years.

To the extent owner-occupied property is held by the life insurance entities' statutory funds, the amounts recognised for the asset in the consolidated financial statements may not match the valuation of the relevant liability to the policyholder, which results in certain policyholder asset movements impacting the profit attributable to shareholders of AMP Limited.

#### Plant and equipment

Plant and equipment is initially measured at cost, including transaction costs. It is subsequently measured at cost less any subsequent accumulated depreciation and accumulated impairment losses. The written down amount approximates fair value.

Each item of plant and equipment is depreciated on a systematic basis over the useful life of the asset of 3–10 years.

#### Leasehold improvements

Leasehold improvements are recognised as an asset only when it is probable that future economic benefits associated with the asset will flow to the AMP group and the cost of the item can be reliably measured.

### (k) Intangible assets

#### Goodwill

When the aggregate of the fair value of the consideration transferred in a business combination, the recognised amount of any non-controlling interest and the fair value of any previously held equity interest in the acquiree exceeds the fair value of the identifiable assets acquired and liabilities assumed, the excess is recognised as *goodwill*. Subsequently, goodwill is measured at

cost less any accumulated impairment losses. Goodwill is not subject to amortisation.

#### Capitalised costs

Costs are capitalised and carried forward only where the costs relate to the creation of an asset with expected future economic benefits which are capable of reliable measurement. Otherwise, all costs are recognised as expenses in the period in which they are incurred. 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). The useful lives of such assets generally do not exceed five years; however a useful life of up to 10 years has been applied to some capitalised costs relating to IT systems development projects where the AMP group expects benefits to flow over a longer period.

#### Value of in-force business

An intangible asset is recognised in a business combination for the fair value of future business arising from the existing contractual arrangements of the acquired business with its customers. The value of in-force business is measured initially at fair value and is subsequently amortised on a straight-line basis over its useful life. Value of in-force business has a useful life of 10 years for wealth management and distribution business and 20 years for wealth protection and mature business.

#### Distribution networks

An intangible asset is recognised in a business combination for the fair value of the existing contractual distribution arrangements of the acquired entity. Distribution networks intangibles are also recognised where the AMP group acquires customer lists, financial planner client servicing rights or other distribution-related rights other than through a business combination. Distribution networks are measured initially at fair value and subsequently amortised on a straight-line basis over their useful lives of 3–15 years.

Financial planner client servicing rights held for sale in the ordinary course of business are classified as inventories and accounted for as described in note 1(f).

#### Other intangible assets

Other intangible assets comprise:

- Amounts recognised in a business combination for the value of the software assets of the acquired entity where it is expected that future economic benefits will be derived. Software is recognised initially at fair value and is subsequently amortised on a straight-line basis over its useful life. Software has a useful life of two to four years. Software maintenance costs are expensed as incurred.
- Acquired management rights relating to AMP's asset management business. For closed-ended funds where AMP cannot be removed as manager, these management rights have an indefinite useful life and are not amortised.

#### Reassessment of useful life

The useful life of each intangible asset is reviewed at the end of the period and, where necessary, adjusted to reflect current assessments.

### (l) Impairment of assets

Assets measured at fair value, where changes in fair value are reflected in the Income statement, are not subject to impairment testing. As a result, financial assets measured at fair value through profit or loss, and investment properties, are not subject to impairment testing.

Other assets subject to impairment testing include: available-for-sale investments; investments in financial assets measured at amortised cost; property, plant and equipment; intangible assets including goodwill; investments in associates accounted

## 1. Basis of preparation and summary of significant accounting policies continued

for using the equity method; inventories; and (in the case of the parent entity) investments in controlled entities.

For available-for-sale investments, where there is objective evidence that an investment is impaired, an impairment is recognised in the Income statement, and measured as the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss previously recognised in profit or loss. Impairment losses for equity instruments are not reversed. Impairment losses for debt instruments are reversed only to the extent of a subsequent increase in fair value which can be objectively related to an event occurring after the impairment.

For loans, advances, held to maturity investments and other receivables, impairment is recognised in the Income statement when there is objective evidence that a loss has been incurred. It is measured as the difference between the carrying amount and the present value of estimated future cashflows, discounted at the original effective interest rate.

For other assets, impairment is recognised in the Income statement, measured as the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use.

Intangible assets that have indefinite useful lives, such as goodwill, are not subject to amortisation but 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 of goodwill, assets are grouped at the lowest levels for which there are separately identifiable cashflows (cash-generating units). Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates.

### (m) Taxes

#### Tax consolidation

AMP Limited and its wholly-owned controlled entities which are Australian-domiciled companies comprise a tax-consolidated group of which AMP Limited is the head entity.

The implementation date for the AMP Limited tax-consolidated group was 30 June 2003.

Under tax consolidation, the head entity assumes the following balances from entities within the tax-consolidated group:

- current tax balances arising from external transactions recognised by entities in the tax-consolidated group, occurring after the implementation date
- deferred tax assets arising from unused tax losses and unused tax credits recognised by entities in the tax-consolidated group.

A tax funding agreement has been entered into by the head entity and the controlled entities in the tax-consolidated group. Entities in the tax-consolidated group continue to be responsible, by the operation of the tax funding agreement, for funding tax payments required to be made by the head entity arising from underlying transactions of the controlled entities. Controlled entities make (receive) contributions to (from) the head entity for the balances assumed by the head entity, as described above. The contributions are calculated in accordance with the tax funding agreement. The contributions are payable as set out in the agreement and reflect the timing of the respective head entities' obligations to make payments to the Australian Taxation Office.

Assets and liabilities which arise as a result of balances transferred from entities within the tax-consolidated group

to the head entity are recognised as related-party balances receivable and payable in the Statement of financial position of AMP Limited. The recoverability of balances arising from the tax funding arrangements is based on the ability of the tax-consolidated group to utilise the amounts recognised by the head entity.

#### Income tax expense

Income tax expense/credit 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 Statement of financial position carrying amounts
- unused tax losses
- 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/credit 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 Income statement of the AMP group, which arises in respect of the AMP life insurance entities, 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 the AMP life insurance entities 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 at the tax rates which are expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction.

The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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.

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the

## 1. Basis of preparation and summary of significant accounting policies continued

temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax, including amounts in respect of investment contracts and life insurance contracts, is not discounted to present value.

### Goods and services tax

The AMP group operates across a number of tax jurisdictions and offers products and services that may be subject to various forms of goods and services tax (GST) imposed by local tax authorities.

All income, expenses and assets are recognised net of any GST paid, except where they relate to products and services which are input taxed for GST purposes, or where the GST incurred is not recoverable from the relevant tax authorities. In such circumstances, the GST paid is recognised as part of the cost of acquisition of the assets or as part of the relevant expense.

Receivables and payables are measured with the amount of GST included. The net amount of GST recoverable from or payable to the tax authorities is included as either a receivable or payable in the Statement of financial position.

Cashflows are reported on a gross basis reflecting any GST paid or collected. The GST component of cashflows arising from investing or financing activities which are recoverable from, or payable to, local tax authorities are classified as *Operating cashflows*.

### (n) Payables

Payables are measured at the nominal amount payable. Given the short-term nature of most payables, the nominal amount payable approximates fair value.

### (o) 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.

Where the AMP group expects some or all of a provision to be reimbursed, eg under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Income statement net of any reimbursement.

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.

### Employee entitlements

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. All 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.

### Restructuring

A restructuring provision is only recognised when it is probable that future costs will be incurred in respect of a fundamental reorganisation or change in focus of the business of the AMP group. A provision is recognised when the AMP group is demonstrably committed to the expenditure and a reliable estimate of the costs involved can be made. The provision is measured as the best estimate of the incremental, direct expenditures to be incurred as a result of the restructure and does not include costs associated with the ongoing activities of the AMP group.

### (p) Borrowings and subordinated debt

All borrowings and subordinated debt are financial liabilities and are initially recognised at fair value. In the case of borrowings and subordinated debt which are subsequently measured at amortised cost, initial fair value is calculated net of directly attributable transaction costs. For borrowings and subordinated debt which are subsequently measured at fair value through profit or loss, directly attributable transaction costs are expensed.

Borrowings and subordinated debt, other than those held by controlled entities of the AMP life insurance entities' statutory funds, are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income statement over the period of the contract, using the effective interest rate method. 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 to borrowings and subordinated debt, the carrying amounts of borrowings and subordinated debt are adjusted for changes in fair value for the period that the fair value hedge relationship remains effective. See note 1(q).

Borrowings of certain controlled managed investment schemes of the AMP life insurance entities' statutory funds are measured at amortised cost for the purpose of determining the unit price of those schemes. These borrowings are measured at amortised cost in this financial report with any difference between the proceeds (net of transaction costs) and the redemption amount recognised in the Income statement over the period of the contract using the effective interest rate method.

All other borrowings of the controlled entities of the statutory funds are subsequently measured at fair value with movements recognised in the Income statement.

### (q) Derivative financial assets, derivative financial liabilities and hedging

The AMP group is exposed to changes in interest rates and foreign exchange rates as well as movements in the fair value of investment guarantees it has issued in respect of its products. To mitigate the risks arising from these exposures, the AMP group uses derivative financial instruments such as cross-currency and interest-rate swaps, forward rate agreements, futures, options and foreign currency contracts. Derivative financial instruments are also used to gain exposure to various markets for asset and liability management purposes.

Derivatives are initially recognised at fair value exclusive of any transactions costs on the date on which a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. All derivatives are recognised as assets when their fair value is positive and as liabilities when their fair value is negative.

The method of recognising the movement in fair value depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The AMP group designates a *hedge* as either:



## 1. Basis of preparation and summary of significant accounting policies continued

- a hedge of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge)
- a hedge of highly probable forecast transactions (cash flow hedge), or
- a hedge of a net investment in a foreign operation (net investment hedge).

The AMP group documents the relationship between hedging instruments and hedged items at inception of the transaction, as well as the AMP group's risk management and strategy for undertaking various hedge transactions. The AMP group also documents its assessment of whether the derivatives used in hedging transactions have been, and will continue to be, highly effective in offsetting changes in fair values or cash flows of hedged items. This assessment is carried out both at hedge inception and on an ongoing basis.

### Accounting for hedges

#### (i) Fair value hedges:

- to the extent that a hedge is effective, changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the Income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk
- the gain or loss relating to any ineffective portion of a hedge is recognised immediately in the Income statement
- if a hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item, for which the effective interest method is used, is amortised to the Income statement over the period until the forecast transaction occurs.

#### (ii) Cash flow hedges:

- the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised (including related tax impacts) through Other comprehensive income in the Cash flow hedge reserve in equity. The balance of the Cash flow hedge reserve in relation to each particular hedge is transferred to the Income statement in the period when the hedged item affects profit or loss
- the gain or loss relating to any ineffective portion of a hedge is recognised immediately in the Income statement
- 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 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 Income statement.

#### (iii) Net investment hedges:

- hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a similar way to cash flow hedges. Gains and losses on the hedging instrument relating to the effective portion of the hedge are recognised (including related tax impacts) through Other comprehensive income in the Hedge of net investment reserve, while any gains or losses relating to the ineffective portion of the hedge are recognised in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in equity is transferred to the Income statement.

### Derivatives that do not qualify for hedge accounting

Certain derivative financial instruments do not qualify for hedge accounting. Changes in the fair value of any derivative financial instrument that does not qualify for hedge accounting are recognised in the Income statement in the period in which they arise.

### Fair value estimation

The fair value of financial instruments traded in active markets (such as publicly traded derivatives) is based on quoted market prices at the reporting date. The quoted market price for financial assets is the current bid price; the quoted market price for financial liabilities is the current offer price.

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 cashflow methods and comparison to quoted market prices or dealer quotes for similar instruments.

### (r) Recognition and de-recognition 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. Financial assets are de-recognised when the contractual rights to the cashflows 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 de-recognised when the obligation specified in the contract is discharged, cancelled or expires.

### (s) Life insurance contract liabilities

The financial reporting methodology used to determine the fair value of life insurance contract liabilities is referred to as *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 Income statement.

Life insurance contract liabilities are usually determined using a projection method, whereby estimates of policy cashflows (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 cashflows. 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 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.

## 1. Basis of preparation and summary of significant accounting policies 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, for The National Mutual Life Association of Australasia Limited (NMLA), the Memorandum of Demutualisation.

Once profit is allocated to participating policyholders it can only be distributed to these policyholders. Any distribution of this profit to shareholders is only allowed for overseas business with specific approval of the regulators.

Profit allocated to participating policyholders is recognised in the Income statement as an increase in policy liabilities. Both the element of this 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) are included within life insurance contract liabilities.

Bonus distributions to participating policyholders are merely a change in the nature of the liability from unvested to vested and, as such, do not alter the amount of profit attributable to shareholders.

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 preservation superannuation account business is allocated 92.5% to policyholders and 7.5% to shareholders
  - the profits arising from NMLA's 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
  - the underwriting profit arising in respect of NMLA's participating business super risk business is allocated 90% to policyholders and 10% to shareholders
  - for AMP Life, additional tax on taxable income to shareholders in respect of Australian superannuation business is allocated to shareholders only.
- (iii) All profits arising from non-participating business, including net investment returns on shareholder capital and retained earnings in life entities' statutory funds (excluding retained earnings dealt with in (i) above), are allocated to shareholders.

### Allocation of expenses within the life insurance entities' 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 product line as appropriate.

Where expenses are not directly attributable, they are appropriately apportioned, according to detailed expense analysis, with due regard for the objective in incurring that expense and the outcome achieved. 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 margin described above.

Investment management expenses of the life statutory funds are classified as operating expenses. See note 1(aa).

### (t) Investment contract liabilities

An investment contract consists of a financial instrument and an investment management services element, both of which are measured at fair value. With the exception of fixed retirement-income policies, the resulting liability to policyholders is closely linked to the performance and value of the assets (after tax) that back those liabilities. The fair value of such liabilities is therefore the same as the fair value of those assets (after tax charged to the policyholders) except where accounting standards prevent those assets from being measured at fair value.

For fixed retirement-income policies, the financial instrument element of the liability is the fair value of the fixed retirement-income payments, being 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.

### (u) Contributed equity

#### Issued capital

Issued capital in respect of ordinary shares is recognised as the fair value of consideration received by the parent 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 Australian Securities and Investments Commission (ASIC) has granted relief from restrictions in the *Corporations Act 2001* to allow AMP's life insurance entities to hold and trade shares in AMP Limited as part of the policyholder funds' investment activities. These shares (defined by Australian Accounting Standards as *treasury shares*) are held on behalf of policyholders and, as a result, the AMP life insurance entities' statutory funds also recognise a corresponding liability to policyholders.

Under Australian Accounting Standards, the AMP group cannot recognise 'treasury shares' in the consolidated Statement of financial position. These assets, plus any corresponding Income statement fair value movement on the assets and dividend income, are eliminated when the AMP life insurance entities' statutory funds are consolidated into the AMP group. The cost of the investment in the shares is deducted to arrive at the amount of contributed equity.

However, the corresponding investment contract and life insurance contract liabilities, and related Income statement change in the liabilities, remain on consolidation. At the AMP group consolidated level, this mismatch results in policyholder asset movements impacting the profit attributable to shareholders of AMP Limited.

The AMP Foundation also holds AMP Limited shares. These assets, plus any corresponding Income statement fair value amount on the assets and any dividend income, are also eliminated on consolidation of the AMP Foundation into AMP group. As the net assets and profit of the AMP Foundation Trust are fully attributable to non-controlling interests, this

## 1. Basis of preparation and summary of significant accounting policies continued

has no impact on the net assets or profit attributable to the shareholders of AMP Limited.

### (v) Foreign currency transactions

#### Functional and presentation currency

The consolidated financial report is presented in Australian dollars (the presentation currency). Items included in the financial statements for each of the AMP group entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The functional currency of the parent entity is Australian dollars.

#### Transactions and balances

Income and expense items denominated in a currency other than the functional currency are translated at the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date, with exchange gains and losses recognised in the Income statement.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

#### Translation of controlled entities

Where the functional currency of a controlled entity is not the presentation currency, the transactions and balances of that entity are translated as follows:

- income and expenses are translated at average exchange rates, unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates. In this case, income and expenses are translated at the dates of the transactions
- assets and liabilities are translated at the closing rate at the reporting date
- all resulting exchange differences are recognised in Other comprehensive income in the foreign currency translation reserve.

When a foreign operation is sold, the cumulative amount in the foreign currency translation reserve relating to that operation is recognised in the Income statement as part of the gain or loss on sale. If a portion of the operation is sold, the proportionate share of the cumulative amount is recognised.

### (w) Insurance premium and related revenue

#### Life insurance contracts

Life insurance contract premiums are separated into their revenue and deposit components. Premium amounts earned by bearing insurance risks are recognised as revenue. Other premium amounts received, which are in the nature of deposits, are recognised as an increase in life insurance contract liabilities.

Premiums with no due date or fixed amount are recognised on a cash-received basis. Premiums with a regular due date are recognised on an accruals basis. Unpaid premiums are only recognised during the days of grace or where secured by the surrender value of the life insurance contract and are reported as outstanding premiums and classified as receivables in the Statement of financial position.

#### Investment contracts

There is no premium revenue in respect of investment contracts. Amounts received from policyholders in respect of investment contracts comprise:

- origination fees, advice fees and ongoing investment management fees. See note 1(x)
- amounts credited directly to investment contract liabilities. See note 1(t).

### (x) Fee and other revenue

Fees are charged to customers in connection with investment contracts and other financial services contracts. Revenue is recognised as services are provided. In some cases, services are

provided at the inception of the contract, while other services are performed over the life of the contract.

An investment contract consists of a financial instrument and an investment-management services element. The payment by the policyholder includes the amount to fund the financial instrument and a fee for the origination of the contract. In many cases, that origination fee is based on amounts paid to financial planners for providing initial advice. The financial instrument is classified as an investment contract and is measured at fair value. See note 1(t).

The revenue that can be attributed to the origination service is recognised at inception. Any amounts paid to financial planners are also recognised as an expense at that time. See note 1(aa).

Fees for ongoing investment management services and other services provided are charged on a regular basis, usually daily, and are recognised as the service is provided.

Fees charged for performing a significant act in relation to funds managed by the AMP group are recognised as revenue when that act has been completed.

### (y) Investment gains or losses

Dividend and interest income is recognised in the Income statement on an accruals basis when the AMP group obtains control of the right to receive the revenue.

Net realised and unrealised gains and losses include realised gains and losses (being the change in value between the previously reported value and the amount received on de-recognition of the asset or liability), and unrealised gains and losses (being changes in the fair value of financial assets and investment property recognised in the period).

Rents raised are on terms in accordance with individual leases. Certain tenant allowances that are classified as lease incentives, such as rent-free periods, fit-outs and upfront payments, are capitalised and amortised over the term of the lease. The aggregate cost of incentives is recognised as a reduction to revenue from rent over the lease term.

### (z) Insurance claims and related expenses

#### Life insurance contracts

Life insurance contract claims are separated into their expense and withdrawal components. The component that relates to the bearing of risks is treated as an expense. Other claim amounts, which are in the nature of withdrawals, are recognised as a decrease in life insurance contract liabilities.

Claims are recognised when a liability to a policyholder under a life insurance contract has been established or upon notification of the insured event, depending on the type of claim.

#### Investment contracts

There is no claims expense in respect of investment contracts. Amounts paid to policyholders in respect of investment contracts are withdrawals and are recognised as a decrease in investment contract liabilities. See note 1(t).

### (aa) Operating expenses

All operating expenses, other than those allocated to life insurance contracts (see note 1(s)), are expensed as incurred.

Expenses of controlled entities of the AMP life insurance entities' statutory funds represent the business costs of those entities and are consolidated into the results of the AMP group.

The majority of investment contracts issued result in payments to external service and advice providers. Where the amount paid equates to a fee charged to policyholders for the provision of advice, the amount is expensed either at inception or over the period of the contract consistent with the basis for recognising the fee revenue on the respective contracts. See note 1(t).

## 1. Basis of preparation and summary of significant accounting policies continued

### Operating lease payments

Operating lease payments are recognised as an expense in the 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.

### (bb) Finance costs

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
- (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. The accounting policy for derivatives is set out in note 1(q).

Borrowing costs are recognised as expenses when incurred.

### (cc) Share-based payments

The AMP group issues performance rights, restricted shares and other equity instruments to employees as a form of equity-settled share-based compensation. Equity-settled share-based compensation to employees is considered to be an expense in respect of the services received and is recognised in the Income statement over the vesting period of the instrument with a corresponding amount in the share-based payment reserve within equity.

The expense is based on the fair value of each grant, measured at the date of the grant. For performance rights and similar instruments, the fair value is determined by an external valuer. 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. The fair value determined at grant date is not altered over the vesting period. Non-market vesting conditions are included in assumptions about the number of instruments that are expected to vest. At each reporting date, the AMP group reviews its estimates of the number of instruments that are expected to vest. Any changes to the original estimates are recognised in the Income statement and the share-based payment 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.

Expenses for awards that do not ultimately vest are reversed in the period in which the instrument lapses, except for awards where vesting is conditional upon a market condition, in which case no reversal is recognised.

When instruments vest, shares are purchased on market and transferred to the employee. The cost of the purchase is recognised in the share-based payment reserve.

### (dd) Superannuation funds

The AMP group operates superannuation funds that provide benefits for employees and their dependants on resignation, retirement, disability or death of the employee. The funds have

both defined contribution and defined benefit sections. Refer to note 27 for further information on the funds.

The contributions paid and payable by AMP group to defined contributions funds are recognised in the 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.

For the defined benefit sections of superannuation funds operated by the AMP group, the AMP group recognises the net deficit or surplus position of each fund in the Statement of financial position, as defined by AASB 119 *Employee Benefits*. This does not represent an assessment of the funds' funding positions. 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 at the end of the reporting period on high quality corporate bonds or, in countries where there is no deep market in such bonds, using market yields at the end of the period on government bonds.

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 Income statement. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions over the period 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.

### (ee) Earnings per share

Basic earnings per share is calculated by dividing the consolidated profit attributable to shareholders of AMP Limited, by the weighted average number of ordinary shares outstanding during the period. The weighted average number of 'treasury shares' held during the period is deducted in calculating the weighted average number of ordinary shares outstanding.

Diluted earnings per share is calculated by dividing the profit used in the determination of basic earnings per share by the weighted average number of shares outstanding during the period adjusted for potential ordinary shares considered to be dilutive. Potential ordinary shares are contracts such as options and performance rights that may entitle the holder to ordinary shares. These potential ordinary shares are considered dilutive when their conversion into ordinary shares would be likely to cause a reduction in earnings per share. The weighted average number of 'treasury shares' held during the period is deducted in calculating the weighted average number of ordinary shares outstanding for diluted earnings per share.

### (ff) Disposal groups held for sale

A *disposal group* is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. Disposal groups are classified as *held-for-sale* if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. The criteria for held-for-sale classification is regarded as met only when the sale is highly probable, the disposal group is available for immediate sale in its present condition, management is committed to a plan to sell the group and a sale is expected to be completed within a year.

Disposal groups classified as held-for-sale are measured at the lower of their carrying amount and fair value less costs of disposal. Assets and liabilities of disposal groups are shown separately from other assets and liabilities in the Statement of financial position.

## 2. Significant accounting judgements, estimates and assumptions

The making of judgements, estimates and assumptions is a necessary part of the financial reporting process and these judgements, estimates and assumptions can have a significant effect on the reported amounts in the financial statements. Estimates and assumptions are determined based on information available to management at the time of preparing the financial report and actual results may differ from these estimates and assumptions. Had different estimates and assumptions been adopted, this may have had a significant impact on the financial statements. Significant accounting judgements, estimates and assumptions are re-evaluated at each reporting period in the light of historical experience and changes to reasonable expectations of future events. Significant accounting judgements, estimates and assumptions include but are not limited to:

### (a) Consolidation

Entities are included within the consolidated financial statements of the AMP group where AMP Limited has control over the entities. Control arises from exposure, or rights, to variable returns from involvement with an entity, where AMP Limited has the ability to affect those returns through its power over the entity. Judgement is applied by management in assessing whether control exists.

Judgement is applied in determining the relevant activities of each entity and determining whether AMP Limited has power over these activities. This involves assessment of the purpose and design of the entity and identification of 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. Consideration is also given to 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.

### (b) Fair value of investments in financial assets

The AMP group measures investments in financial assets, other than those held by AMP Bank and loans and advances to advisers, 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 23.

### (c) Fair values of investment properties and owner-occupied property

The AMP group measures investment properties at fair value through profit or loss. Owner-occupied property is measured at fair value at last valuation date less subsequent depreciation. The valuation of investment properties and owner-occupied property requires judgement to be applied in selecting appropriate valuation techniques and setting valuation assumptions. The AMP group engages independent registered valuers to value each of its investment properties on a rolling annual basis. Further detail on the determination of fair values of investment properties is set out in note 11.

### (d) Acquired intangible assets

Subject to some exceptions, accounting standards require the assets and liabilities of businesses acquired through a business combination to be measured at their acquisition date fair values. Management applies judgement in selecting valuation techniques and setting valuation assumptions to determine the acquisition date fair values and to estimate the useful lives of these assets. Note 25(d) provides details of intangibles acquired through business combinations during the period.

Accounting standards require management to assess, at each reporting period, whether there are any indicators of impairment in relation to the carrying value of intangible assets. Where an impairment indicator is identified, and at least annually for assets with indefinite useful lives, the recoverable amount of the asset must be determined and compared to the carrying amount.

Judgement is applied by management in assessing whether there are any impairment indicators and, where required, in determining the recoverable amount. For further details on impairment of intangibles, refer to note 13.

## 2. Significant accounting judgements, estimates and assumptions continued

### (e) Goodwill

Goodwill is required to be allocated to cash-generating units and tested at least annually for impairment. Management applies judgement in determining cash-generating units and allocating the goodwill arising from business combinations to these cash-generating units. Impairment is assessed annually by determining the recoverable amount of each cash-generating unit which has a goodwill balance. Management applies judgement in selecting valuation techniques and setting valuation assumptions to determine the recoverable amount. Note 13 sets out further information on the impairment testing of goodwill.

### (f) Tax

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. Note 7 sets out information on carried forward tax losses for which a deferred tax asset has not been recognised.

### (g) Provisions

A provision is recognised for items where: the AMP group has a present obligation arising from a past event; it is probable that an outflow of economic resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. The provision is measured as the best estimate of the expenditure required to settle the present obligation. Management applies judgement in assessing whether a particular item satisfies the above criteria and in determining the best estimate. Note 15 sets out further information on provisions.

### (h) 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 and profit carriers for each type of business and setting valuation assumptions. The determination is subjective and relatively small changes in assumptions may have a significant impact on the reported profit. The board of each of the life entities is responsible for these judgements and assumptions, after taking advice from the appointed actuary. Further detail on the determination of insurance contract liabilities is set out in note 20.

### (i) 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. Further details on investment contract liabilities are set out in note 21.

### (j) Defined benefit plan liabilities

The defined benefit plan liabilities of the AMP group are measured as the difference, for each fund, between the fair value of the fund's assets and the actuarially determined present value of the obligation to fund members. AASB 119 *Employee Benefits* requires defined benefit plan liabilities to be measured using discount rates determined with reference to market yields at the end of the reporting period or high quality corporate bonds or, in countries where there is no deep market in such bonds, using market yields on government bonds. Judgement is applied in assessing whether there is a deep market in high quality corporate bonds and in the selection of government bonds used to determine the yield.

The determination of the fair value of the fund's assets is also subject to the other judgements, estimates and assumptions discussed at (b) above. The calculation of the obligation to fund members requires judgement to be applied in the setting of actuarial assumptions. Further detail on the determination of defined benefit plan liabilities is set out in note 27.

### 3. Segment information

#### (a) Segments – background

Operating segments have been identified based on separate financial information that is regularly reviewed by the chief operating decision maker (CODM). The term CODM refers to the function performed by the chief executive officer and his immediate team, as a 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. Segment information in this note is reported separately for each operating segment. The AMP group evaluates the performance of segments on a post-tax operating earnings basis.

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 only incidental to the activities of the AMP group.

Asset segment information has not been disclosed because the balances are not provided to the CODM for the purposes of evaluating segment performance and deciding the allocation of resources to segments.

#### (b) Description of segments

AMP comprises the following business units:

- *Australian wealth management (WM)* – Financial planning services (through aligned and owned advice businesses), platform administration (including SMSF), unit-linked superannuation, retirement income and managed investment products business. Superannuation products include personal and employer sponsored plans.
- *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, property, infrastructure

and multi-manager and multi-asset funds. AMP Capital also provides commercial, industrial and retail property management services.

AMP Capital and Mitsubishi UFJ Trust and Banking Corporation (MUTB) have a strategic business and capital alliance, with MUTB holding a 15% ownership interest in AMP Capital.

In November 2013, AMP Capital established a funds management company in China with China Life, China's largest insurance group, institutional investor and corporate pension manager. AMP Capital is a founding shareholder, holding a 15% stake, with the balance held by China Life Asset Management Company.

- *Australian wealth protection (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.
- *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 increasingly distributes through AMP's aligned distribution network as well as third party brokers, and direct to retail customers via phone and internet banking.
- *New Zealand financial services (NZFS)* – A risk insurance business and mature book (traditional participating business), with a growing wealth management business driven by KiwiSaver.
- *Australian mature (Mature)* – A business comprising products which are mainly in run-off. Products within Australian mature include whole of life, endowment, investment linked, investment account, Retirement Savings Account, Eligible Rollover Fund, annuities, insurance bonds, personal superannuation and guaranteed savings accounts.

3. Segment information continued

	WM \$m	Bank \$m	WP <sup>2</sup> \$m	Mature <sup>2</sup> \$m	NZFS <sup>2</sup> \$m	AMP Capital <sup>3</sup> \$m	Total operating segments \$m
<b>(c) Segment profit</b>							
<b>2014</b>							
Segment profit after income tax <sup>1</sup>	374	91	188	174	110	115	1,052
<b>Other segment information<sup>4</sup></b>							
External customer revenue	1,525	246	188	174	110	254	2,497
Intersegment revenue <sup>5</sup>	120	—	—	—	—	258	378
Income tax expense	158	39	81	75	43	50	446
Depreciation and amortisation	53	—	11	4	7	11	86

2013

Segment profit after income tax <sup>1</sup>	330	83	64	178	97	99	851
<b>Other segment information<sup>4</sup></b>							
External customer revenue	1,441	219	64	178	97	236	2,235
Intersegment revenue <sup>5</sup>	116	—	—	—	—	237	353
Income tax expense	141	35	27	76	38	43	360
Depreciation and amortisation	57	—	5	1	7	11	81

- 1 Segment profit after income tax differs from Profit attributable to shareholders of AMP Limited due to the exclusion of the following items:
  - i group office costs
  - ii investment return on shareholder assets invested in income producing investment assets
  - iii interest expense on corporate debt
  - iv AMP AAPH integration costs, business efficiency program costs and other items (refer to note 3(d) for further details). These items do not reflect the underlying operating performance of the operating segments, and
  - v accounting mismatches, market adjustments (annuity fair value and risk products) and amortisation of AMP AAPH acquired intangible assets.
- 2 Statutory reporting revenue for WP, Mature and AMPFS NZ includes premium and investment gains and losses. However, for segment reporting, external customer revenue is operating earnings which represents gross revenue less claims, expenses, movement in insurance contract liabilities and tax relating to those segments.
- 3 AMP Capital segment revenue is reported net of external investment manager fees paid in respect of certain assets under management. AMP Capital segment profit is reported net of 15% attributable to MUTB. Other AMP Capital segment information is reported before deductions of minority interests.
- 4 Other segment information excludes revenue, expenses and tax relating to assets backing policyholder liabilities.
- 5 Intersegment revenue represents operating revenue between segments priced on an arm's length basis.



### 3. Segment information continued

	2014 \$m	2013 \$m
<b>(d) Reconciliation of segment profit after tax</b>		
Australian wealth management	374	330
AMP Capital	115	99
Australian wealth protection	188	64
AMP Bank	91	83
New Zealand financial services	110	97
Australian mature	174	178
<b>Business unit operating earnings</b>	<b>1,052</b>	<b>851</b>
Group office costs	(62)	(62)
<b>Total operating earnings</b>	<b>990</b>	<b>789</b>
Underlying investment income <sup>1</sup>	132	135
Interest expense on corporate debt	(77)	(75)
<b>Underlying profit</b>	<b>1,045</b>	<b>849</b>
Other items <sup>2</sup>	7	(2)
AMP AAPH integration costs	(20)	(57)
Business efficiency program costs	(100)	(39)
Amortisation of AMP AAPH acquired intangible assets	(89)	(91)
<b>Profit before market adjustments and accounting mismatches</b>	<b>843</b>	<b>660</b>
Market adjustment – investment income <sup>1</sup>	42	2
Market adjustment – annuity fair value <sup>3</sup>	6	27
Market adjustment – risk products <sup>4</sup>	11	(5)
Accounting mismatches <sup>5</sup>	(18)	(12)
<b>Profit attributable to shareholders of AMP Limited</b>	<b>884</b>	<b>672</b>
Profit attributable to non-controlling interests	87	44
<b>Profit for the year</b>	<b>971</b>	<b>716</b>
<b>(e) Reconciliation of segment revenue</b>		
Total segment revenue	2,875	2,588
Add revenue excluded from segment revenue		
– Investment gains and (losses) – shareholders and policyholders (excluding AMP Bank interest revenue)	11,414	14,154
– Revenue of investment entities controlled by the life entities' statutory funds which carry out business operations unrelated to the core wealth management operations of the AMP group	67	311
– Other revenue	59	108
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	1,955	1,944
– Interest expense related to AMP Bank	594	600
– External investment manager and adviser fees paid in respect of certain assets under management	1,014	761
Remove intersegment revenue	(378)	(353)
<b>Total revenue<sup>6</sup></b>	<b>17,600</b>	<b>20,113</b>

- Underlying investment income consists of investment income on shareholder assets invested in income producing investment assets (as opposed to income producing operating assets) normalised in order to bring greater clarity to the results 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.
- Other items include one-off and non-recurring revenues and costs.
- Market adjustment – annuity fair value relates to the net impact of investment markets on AMP's annuity portfolio.
- 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.
- 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.
- Revenue as per the Income statement of \$17,600m (2013: \$20,113m) comprises Premiums and related revenue \$2,427m (2013: \$2,283m), Fee revenue \$2,790m (2013: \$2,434m), Other revenue \$126m (2013: \$419m), Investment gains and (losses) gains of \$12,244m (2013: gains of \$14,963m) and Share of profit or (loss) of associates accounted for using the equity method \$13m (2013: \$14m).

#### 4. Income

	Consolidated		Parent	
	2014 \$m	2013 \$m	2014 \$m	2013 \$m
<b>(a) Life insurance premium and related revenue</b>				
Life insurance contract premium revenue	2,290	2,175	–	–
Reinsurance recoveries	137	108	–	–
<b>Total life insurance premium and related revenue</b>	<b>2,427</b>	<b>2,283</b>	<b>–</b>	<b>–</b>
<b>(b) Fee revenue</b>				
Investment management and origination fees	2,065	1,830	–	–
Financial advisory fees	725	604	–	–
Service fees – subsidiaries	–	–	14	12
<b>Total fee revenue</b>	<b>2,790</b>	<b>2,434</b>	<b>14</b>	<b>12</b>
<b>(c) Other revenue</b>				
Investment entities controlled by the AMP life insurance entities' statutory funds <sup>1</sup>	67	311	–	–
Other entities	59	108	–	–
<b>Total other revenue</b>	<b>126</b>	<b>419</b>	<b>–</b>	<b>–</b>

1 Other revenue of investment entities controlled by the AMP life insurance entities' statutory funds which carry out business operations unrelated to the core wealth management operations of the AMP group. The reduction is mainly due to AMP ceasing to control a number of controlled operating entities, principally the controlled entities of Aged Care Investment Trust 1 & 2, during 2013.

#### 5. Investment gains and (losses)

	Consolidated		Parent	
	2014 \$m	2013 \$m	2014 \$m	2013 \$m
<b>Investment gains and (losses)</b>				
Interest <sup>1</sup>				
– subsidiaries	–	–	17	1
– other entities	2,468	2,301	1	1
Dividends and distributions				
– subsidiaries	–	–	578	1,675
– associated entities not equity accounted	1,494	923	–	–
– other entities	5,472	3,811	–	–
Rental income	505	582	–	–
Net realised and unrealised gains and (losses) <sup>2</sup>	2,167	7,306	203	–
Other investment income	138	40	–	–
<b>Total investment gains and (losses)<sup>3</sup></b>	<b>12,244</b>	<b>14,963</b>	<b>799</b>	<b>1,677</b>

1 Interest includes interest income from financial assets designated at fair value through profit or loss upon initial recognition, with the exception of \$783m (2013: \$767m) interest income from held to maturity investments and loans and advances in banking operations, which are measured at amortised cost.

2 Net realised and unrealised gains and losses for the consolidated group predominantly consist of gains and losses on financial assets and financial liabilities designated at fair value through profit or loss upon initial recognition. The net unrealised gain for the parent entity is the reversal of an impairment of an investment in a controlled entity recognised in an earlier period.

3 Investment gains and losses include amounts attributable to shareholders' interests, policyholders' interests in the AMP life insurance entities' statutory funds, external unitholders' interests and non-controlling interests.

## 6. Expenses

	Consolidated		Parent	
	2014 \$m	2013 \$m	2014 \$m	2013 \$m
<b>(a) Life insurance claims and related expenses</b>				
Life insurance contract claims and related expenses	(2,025)	(1,979)	–	–
Outwards reinsurance expense	(141)	(105)	–	–
<b>Total life insurance claims and related expenses</b>	<b>(2,166)</b>	<b>(2,084)</b>	<b>–</b>	<b>–</b>
<b>(b) Operating expenses<sup>1</sup></b>				
Commission and advisory fee-for-service expense	(1,211)	(1,105)	–	–
Investment management expenses	(297)	(281)	–	–
<b>Fee and commission expenses</b>	<b>(1,508)</b>	<b>(1,386)</b>	<b>–</b>	<b>–</b>
Wages and salaries	(888)	(966)	(5)	(4)
Contributions to defined contribution plans	(85)	(94)	(1)	–
Defined benefit fund expense	(8)	(27)	–	–
Share-based payments expense	(35)	(30)	(6)	(3)
Other staff costs	(69)	(83)	(1)	(1)
<b>Staff and related expenses</b>	<b>(1,085)</b>	<b>(1,200)</b>	<b>(13)</b>	<b>(8)</b>
Occupancy and other property related expenses	(105)	(105)	–	–
Direct property expenses <sup>2</sup>	(139)	(169)	–	–
Information technology and communication	(256)	(307)	–	–
Professional and consulting fees	(94)	(143)	–	–
Advertising and marketing	(39)	(42)	–	–
Travel and entertainment	(34)	(44)	–	–
Impairment of intangibles <sup>3</sup>	(13)	(25)	–	–
Amortisation of intangibles	(258)	(203)	–	–
Depreciation of property, plant and equipment	(17)	(44)	–	–
Other expenses				
– investment entities controlled by the AMP				
life insurance entities' statutory funds	(2)	(76)	–	–
– other entities	(284)	(132)	(1)	(4)
<b>Other operating expenses</b>	<b>(1,241)</b>	<b>(1,290)</b>	<b>(1)</b>	<b>(4)</b>
<b>Total operating expenses</b>	<b>(3,834)</b>	<b>(3,876)</b>	<b>(14)</b>	<b>(12)</b>
<b>(c) Finance costs</b>				
Interest expense on borrowings and subordinated debt	(674)	(679)	(18)	–
Other finance costs	(11)	(74)	–	–
<b>Total finance costs</b>	<b>(685)</b>	<b>(753)</b>	<b>(18)</b>	<b>–</b>

- Operating expenses includes certain trading expenses of investment entities controlled by the AMP life insurance entities' statutory funds which carry out business operations unrelated to the core wealth management operations of the AMP group. The reduction includes the impact of AMP ceasing to control a number of controlled operating entities, principally the controlled entities of Aged Care Investment Trust 1 & 2, during 2013.
- Direct property expenses relate to investment properties which generate rental income.
- Impairment of intangibles includes \$13m (2013: \$25m) in relation to controlled entities of AMP life insurance entities' statutory funds. The 2014 balance relates to goodwill of controlled entities of AMP life insurance entities' statutory funds which has been transferred to disposal groups.

## 7. Income tax

	Consolidated		Parent	
	2014 \$m	2013 \$m	2014 \$m	2013 \$m
<b>(a) Analysis of income tax (expense) credit</b>				
Current tax (expense) credit	(381)	(23)	(6)	6
Increase (decrease) in deferred tax assets	(148)	(95)	57	2
(Increase) decrease in deferred tax liabilities	(320)	(686)	–	–
Over (under) provided in previous years including amounts attributable to policyholders	6	22	–	2
<b>Income tax (expense) credit</b>	<b>(843)</b>	<b>(782)</b>	<b>51</b>	<b>10</b>

### (b) Relationship between income tax expense and accounting profit

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 actual income tax expense recognised in the Income statement for the year. 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 during the year is 28%.

	Consolidated		Parent	
	2014 \$m	2013 \$m	2014 \$m	2013 \$m
Profit before income tax	1,814	1,498	781	1,677
Policyholder tax (expense) credit recognised as part of the change in policyholder liabilities in determining profit before tax	(540)	(564)	–	–
<b>Profit before income tax excluding tax charged to policyholders</b>	<b>1,274</b>	<b>934</b>	<b>781</b>	<b>1,677</b>
Tax at the Australian tax rate of 30% (2013: 30%)	(382)	(280)	(234)	(503)
Tax effect of differences between amounts of income and expenses recognised for accounting and the amounts assessable/deductible in calculating taxable income:				
– shareholder impact of life insurance tax treatment	(30)	16	–	–
– tax concessions including research and development and offshore banking unit	12	18	–	–
– non-deductible expenses	(7)	(7)	(1)	(1)
– non-taxable income	11	7	61	–
– dividend income from controlled entities	–	–	173	502
– other items	13	(3)	(5)	7
Over (under) provided in previous years after excluding amounts attributable to policyholders	17	15	–	2
Utilisation of previously unrecognised tax losses	56	3	57	3
Differences in overseas tax rates	7	13	–	–
Income tax (expense) credit attributable to shareholders	(303)	(218)	51	10
Income tax (expense) credit attributable to policyholders	(540)	(564)	–	–
<b>Income tax (expense) credit per Income statement</b>	<b>(843)</b>	<b>(782)</b>	<b>51</b>	<b>10</b>

## 7. Income tax continued

	Consolidated		Parent	
	2014 \$m	2013 \$m	2014 \$m	2013 \$m
<b>(c) Analysis of deferred tax assets</b>				
Expenses deductible and income recognisable in future years	253	247	1	1
Unrealised movements on borrowings and derivatives	19	60	–	–
Unrealised investment losses	25	61	–	–
Losses available for offset against future taxable income	310	642	50	57
Other	90	52	4	4
<b>Total deferred tax assets</b>	<b>697</b>	<b>1,062</b>	<b>55</b>	<b>62</b>
<b>(d) Analysis of deferred tax liabilities</b>				
Unrealised investment gains	1,759	1,525	–	–
Unrealised movements on borrowings and derivatives	20	16	–	–
Other	557	569	–	–
<b>Total deferred tax liabilities</b>	<b>2,336</b>	<b>2,110</b>	<b>–</b>	<b>–</b>
<b>(e) Amounts recognised directly in equity</b>				
Deferred income tax (expense) credit related to items taken directly to equity during the current year	34	(87)	–	–
<b>(f) Unused tax losses and deductible temporary differences not recognised</b>				
Revenue losses	109	118	108	110
Capital losses	343	407	321	378

## 8. Receivables

	Consolidated		Parent	
	2014 \$m	2013 \$m	2014 \$m	2013 \$m
Investment income receivable	358	269	1	1
Investment sales and margin accounts receivable	872	1,012	–	–
Life insurance contract premiums receivable	369	366	–	–
Reinsurance and other recoveries receivable	29	26	–	–
Reinsurers' share of life insurance contract liabilities	529	465	–	–
Trade debtors	234	208	–	–
Other receivables				
– investment entities controlled by the AMP				
life insurance entities' statutory funds	11	6	–	–
– other entities	116	66	4	2
– subsidiaries tax related amounts	–	–	316	47
<b>Total receivables<sup>1</sup></b>	<b>2,518</b>	<b>2,418</b>	<b>321</b>	<b>50</b>

1 \$425m (2013: \$387m) of Total consolidated receivables is expected to be recovered more than 12 months from the reporting date and nil (2013: nil) of Total receivables of the parent is expected to be recovered more than 12 months from the reporting date.

## 9. Inventories and other assets

	Consolidated		Parent	
	2014 \$m	2013 \$m	2014 \$m	2013 \$m
Inventories <sup>1</sup>	136	142	–	–
Prepayments	51	71	–	–
Other assets <sup>2</sup>	2	3	–	–
<b>Total inventories and other assets<sup>3</sup></b>	<b>189</b>	<b>216</b>	<b>–</b>	<b>–</b>

- 1 Inventories include inventories and development properties of investment entities controlled by the life entities' statutory funds which carry out business operations unrelated to the core wealth management operations of the AMP group. Inventories also include financial planning client servicing rights held for sale in the ordinary course of business. The AMP group has arrangements in place with certain financial planning advisers whereby the AMP group is required, subject to the adviser meeting certain conditions, to pay a benefit to those advisers on surrender of the client servicing rights. The benefit paid under these arrangements is calculated based on value metrics attributable to the client register at the valuation date. AMP has the right to change the multiples used to determine the benefit paid (subject to a notice period). In some cases, the arrangements can be changed without notice should legislation, economic or product changes render them inappropriate. In the normal course of business, the AMP group seeks to on-sell the client servicing rights to other financial planning advisers and accordingly any client servicing rights acquired under these arrangements are classified as inventory.
- 2 Other assets are assets of investment entities controlled by the life entities' statutory funds which carry out business operations unrelated to the core wealth management operations of the AMP group.
- 3 \$81m (2013: \$99m) of inventories and other assets is expected to be recovered more than 12 months from the reporting date.

## 10. Investments in financial assets and other financial liabilities

	Consolidated		Parent	
	2014 \$m	2013 \$m	2014 \$m	2013 \$m
<b>Investments in financial assets</b>				
<b>Financial assets measured at fair value through profit or loss<sup>1</sup></b>				
Equity securities and listed managed investment schemes	46,830	47,670	–	–
Debt securities <sup>2</sup>	38,440	32,680	–	–
Investments in unlisted managed investment schemes	18,556	16,356	–	–
Derivative financial assets	1,982	1,648	–	–
Other financial assets	40	146	–	–
<b>Total financial assets measured at fair value through profit or loss</b>	<b>105,848</b>	<b>98,500</b>	<b>–</b>	<b>–</b>
<b>Available-for-sale financial assets</b>				
Equity securities and managed investment schemes	63	61	–	–
<b>Total available-for-sale financial assets</b>	<b>63</b>	<b>61</b>	<b>–</b>	<b>–</b>
<b>Financial assets measured at amortised cost</b>				
Loans and advances – to subsidiaries	–	–	1,960	2,085
Loans and advances	14,590	13,418	–	–
Debt securities – held to maturity	2,335	2,800	–	–
<b>Total financial assets measured at amortised cost</b>	<b>16,925</b>	<b>16,218</b>	<b>1,960</b>	<b>2,085</b>
<b>Total investments in financial assets</b>	<b>122,836</b>	<b>114,779</b>	<b>1,960</b>	<b>2,085</b>
<b>Other financial liabilities</b>				
Derivative financial liabilities	1,150	1,041	–	–
Collateral deposits held <sup>3</sup>	865	1,428	–	–
<b>Total other financial liabilities</b>	<b>2,015</b>	<b>2,469</b>	<b>–</b>	<b>–</b>

- 1 Investments measured at fair value through profit or loss are mainly assets of the life entities' statutory funds and controlled entities of the life entities' statutory funds.
- 2 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 the controlled entities of the life entities' statutory funds.
- 3 Collateral deposits held are mostly in respect of the obligation to repay collateral held in respect of debt security repurchase arrangements entered into by the life entities' statutory funds and the controlled entities of the life entities' statutory funds.

## 11. Investment property

	Consolidated		Parent	
	2014 \$m	2013 \$m	2014 \$m	2013 \$m
<b>Investment property</b>				
Directly held	340	6,889	–	–
<b>Total investment property</b>	<b>340</b>	<b>6,889</b>	<b>–</b>	<b>–</b>
<b>Movements in investment property</b>				
Balance at the beginning of the year	6,889	6,508	–	–
Additions – through direct acquisitions	–	54	–	–
Additions – subsequent expenditure recognised in carrying amount	51	151	–	–
Acquisitions (disposal) through business combinations <sup>2</sup>	(2,742)	71	–	–
Disposals <sup>2</sup>	(3,922)	(16)	–	–
Net gains (losses) from fair value adjustments	74	111	–	–
Foreign currency exchange differences	–	10	–	–
Transfer from (to) inventories	(10)	–	–	–
<b>Balance at the end of the year<sup>1</sup></b>	<b>340</b>	<b>6,889</b>	<b>–</b>	<b>–</b>

- Investment property of nil (2013: \$3,901m) held by controlled entities of the AMP life insurance entities' statutory funds has been provided as security against borrowings of these controlled entities of the AMP life insurance entities' statutory funds.
- In October 2014, substantially all of the investment property in the AMP group was sold into the AMP Capital Diversified Property Fund (ADPF). The AMP group also sold units in other property funds to ADPF and, as a result, ceased to control a number of funds with direct property assets. The AMP group continues to invest in property assets indirectly through ADPF and other property funds.

### Valuation of investment property

Investment property is measured at fair value at each reporting date. *Fair value* represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the reporting date.

Fair values of the AMP group's properties are determined by independent registered valuers who have appropriate registered professional qualifications and recent experience in the location and category of the property being valued.

The fair value appraisals are obtained on a rolling annual basis. The valuation schedule may be altered when a property is either undergoing or being appraised for redevelopment, refurbishment or sale, or is experiencing other changes in assets or tenant profiles which may significantly impact value; or when there have been significant changes in the property market and broader economy such as updates to comparable property sales which may have an impact on the individual asset values. The carrying value of each investment property is assessed at the reporting date to ensure there has been no material change to the fair value since the valuation date.

The valuers use 'comparable sales analysis' and the 'capitalised income approach' which considers factors such as annual net market income, comparable capitalisation rates and other property-specific adjustments as well as discounted cashflow analysis using a market determined risk adjusted discount rate. The fair value of investment property does not include future capital expenditure that will improve or enhance the property.

	Consolidated		Parent	
	2014 %	2013 %	2014 %	2013 %
<b>Primary assumptions used in valuing investment property</b>				
Capitalisation rates <sup>1</sup>	6.63–8.00	5.75–10.00	–	–
Market determined, risk adjusted discount rate <sup>2</sup>	8.00–9.25	8.50–11.00	–	–

- The fair value of investment properties would increase/decrease if the capitalisation rate was lower/higher.
- The fair value of investment properties would increase/decrease if the risk adjusted discount rate was lower/higher.

## 12. Property, plant and equipment

	Owner-occupied property measured at fair value <sup>1</sup> \$m	Owner-occupied property measured at cost \$m	Leasehold improvements \$m	Plant and equipment <sup>2</sup> \$m	Total \$m
<b>2014 – Consolidated</b>					
<b>Property, plant and equipment</b>					
Gross carrying amount	342	–	107	154	603
Less: accumulated depreciation and impairment losses	–	–	(90)	(112)	(202)
<b>Property, plant and equipment at written down value</b>	<b>342</b>	<b>–</b>	<b>17</b>	<b>42</b>	<b>401</b>
<b>Movements in property, plant and equipment</b>					
Balance at the beginning of the year	331	–	15	110	456
Additions (reductions) through acquisitions (disposal) of controlled entities <sup>2</sup>	–	–	–	–	–
Additions					
– through direct acquisitions	–	–	2	16	18
– subsequent expenditure recognised in carrying amount	6	–	–	–	6
Increases(decreases) from revaluations recognised directly in equity	8	–	–	–	8
Disposals	–	–	–	(1)	(1)
Depreciation expense	(3)	–	(4)	(10)	(17)
Transferred to disposal group	–	–	–	(69)	(69)
Other movements	–	–	4	(4)	–
<b>Balance at the end of the year</b>	<b>342</b>	<b>–</b>	<b>17</b>	<b>42</b>	<b>401</b>
<b>2013 – Consolidated</b>					
<b>Property, plant and equipment</b>					
Gross carrying amount	331	–	103	294	728
Less: accumulated depreciation and impairment losses	–	–	(88)	(184)	(272)
<b>Property, plant and equipment at written down value</b>	<b>331</b>	<b>–</b>	<b>15</b>	<b>110</b>	<b>456</b>
<b>Movements in property, plant and equipment</b>					
Balance at the beginning of the year	321	529	15	175	1,040
Additions (reductions) through acquisitions (disposal) of controlled entities <sup>2</sup>	–	(521)	–	(39)	(560)
Additions					
– through direct acquisitions	–	–	7	13	20
– subsequent expenditure recognised in carrying amount	3	15	–	–	18
Increases(decreases) from revaluations recognised directly in equity	10	–	–	–	10
Disposals	–	(18)	–	(3)	(21)
Depreciation expense	(3)	(5)	(7)	(29)	(44)
Transferred to disposal group	–	–	–	(8)	(8)
Other movements	–	–	–	1	1
<b>Balance at the end of the year</b>	<b>331</b>	<b>–</b>	<b>15</b>	<b>110</b>	<b>456</b>

1 For Owner-occupied property measured at fair value; had the asset been measured at historic cost the amortised carrying value would have been \$201m (2013: \$198m).

2 Plant and equipment include operating assets of investment entities controlled by the AMP life insurance entities' statutory funds which carry out business operations unrelated to the core wealth management operations of the AMP group.



### 13. Intangibles

	Goodwill <sup>1</sup> \$m	Capitalised costs \$m	Value of in-force business \$m	Distribution networks \$m	Other intangibles \$m	Total \$m
<b>2014 – Consolidated Intangibles</b>						
Gross carrying amount	2,825	1,008	1,191	217	95	5,336
Less: accumulated amortisation and/or impairment losses	(108)	(630)	(385)	(81)	(90)	(1,294)
<b>Intangibles at written down value</b>	<b>2,717</b>	<b>378</b>	<b>806</b>	<b>136</b>	<b>5</b>	<b>4,042</b>
<b>Movements in intangibles</b>						
Balance at the beginning of the year	2,711	355	909	140	21	4,136
Additions (reductions) through acquisitions (disposal) of controlled entities	19	–	–	5	–	24
Additions through separate acquisition	–	–	–	34	–	34
Additions through internal development	–	127	–	–	–	127
Disposals	–	–	–	–	–	–
Transferred to disposal groups	(13)	–	–	–	–	(13)
Amortisation expense <sup>2</sup>	–	(104)	(103)	(35)	(16)	(258)
Impairment losses <sup>3</sup>	–	–	–	–	–	–
Other movements	–	–	–	(8)	–	(8)
<b>Balance at the end of the year</b>	<b>2,717</b>	<b>378</b>	<b>806</b>	<b>136</b>	<b>5</b>	<b>4,042</b>
<b>2013 – Consolidated Intangibles</b>						
Gross carrying amount	2,841	881	1,191	186	95	5,194
Less: accumulated amortisation and/or impairment losses	(130)	(526)	(282)	(46)	(74)	(1,058)
<b>Intangibles at written down value</b>	<b>2,711</b>	<b>355</b>	<b>909</b>	<b>140</b>	<b>21</b>	<b>4,136</b>
<b>Movements in intangibles</b>						
Balance at the beginning of the year	2,876	229	1,011	143	243	4,502
Additions (reductions) through acquisitions (disposal) of controlled entities and other businesses	(116)	–	–	3	(190)	(303)
Additions through separate acquisition	–	–	–	–	–	–
Additions through internal development	–	190	–	–	–	190
Disposals	(16)	–	–	–	(6)	(22)
Transferred to disposal groups	(15)	–	–	–	(5)	(20)
Amortisation expense <sup>2</sup>	–	(64)	(102)	(16)	(21)	(203)
Impairment losses <sup>3</sup>	(18)	–	–	–	–	(18)
Other movements	–	–	–	10	–	10
<b>Balance at the end of the year</b>	<b>2,711</b>	<b>355</b>	<b>909</b>	<b>140</b>	<b>21</b>	<b>4,136</b>

1 Total goodwill comprises amounts attributable to shareholders of \$2,702m (2013: \$2,683m) and amounts attributable to policyholders of \$15m (2013: \$28m).

2 Amortisation expense for the year is included in Operating expenses in the Income statement.

3 Impairment of goodwill relates to goodwill of controlled entities of the life entities' statutory funds, which carry out business operations unrelated to the core wealth management operations of the AMP group.

### 13. Intangibles continued

#### Impairment testing of goodwill

Goodwill includes balances attributable to shareholders and balances attributable to policyholders in investment entities controlled by the AMP life insurance entities' statutory funds.

#### Goodwill attributable to shareholders

\$2,702m (2013: \$2,683m) of the goodwill is attributable to shareholders and 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 and other business combinations where the AMP group was the acquirer.

Each of the businesses acquired included activities conducted in the same business units already operated by AMP. Those business units are Australian wealth management (WM), Australian wealth protection (WP), Australian mature, AMP Financial Services New Zealand and AMP Capital and those business units are identified as the cash-generating units for the purpose of assessing goodwill impairment.

For the purposes of impairment testing, the amount is allocated to the cash-generating units as follows:

- Australian wealth management – goodwill attributable: \$1,425m (2013: \$1,406m)
- Australian wealth protection – goodwill attributable: \$668m (2013: \$668m)
- Australian mature – goodwill attributable: \$350m (2013: \$350m)
- AMP Financial Services New Zealand – goodwill attributable \$172m (2013: \$172m)
- AMP Capital – goodwill attributable \$87m (2013: \$87m).

There were no other intangible assets with indefinite useful lives allocated to these cash-generating units (31 December 2013: nil).

The recoverable amount for each cash-generating unit has been determined using a basis of the fair value less costs of disposal. For each cash-generating unit other than AMP Capital, the recoverable amount has been determined considering a combination of the estimated embedded value plus the value of one year's new business times a multiplier. These are generally regarded as features of a life insurance business that, when taken together, would be an estimate of fair value. 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.

In determining the fair value of future new business, multiples of 10 to 15 were applied to the actuarially determined value of one year's new business. The key assumptions applied in estimating the embedded value and value of one year's new business are: mortality, morbidity, discontinuance rates, maintenance unit costs, future rates of supportable bonus for participating business, franking credits, risk discount rates, investment returns and inflation rates. Premium and claim amounts are estimated over the expected life of the in-force policies which varies depending on the nature of the product. Future maintenance and investment expenses are based on unit costs derived from budgeted amounts for the following year and increased in future years for expected rates of inflation. Assumptions applied in this valuation are consistent with the best estimate assumptions used in calculating the policy liabilities of AMP's life insurance entities except the value of in-force and new business calculation includes a risk discount rate. Note 1(s) and note 20 provide extensive details with respect to the assumptions, management's approach to determining the values assigned to each key assumption and their consistency with past experience and external sources of information. All relevant business is projected for the embedded value and the description of the assumptions in note 20 applies even where that business is not valued by projection methods for profit reporting. The value of in-force and new business calculation uses a risk discount rate based on an annualised 10-year government bond yield plus a discount margin of 4% (2013: 4%): Australia 6.8% (2013: 8.3%), New Zealand 7.7% (2013: 8.8%).

The recoverable amount for the AMP Capital cash-generating unit is determined based on a multiple of 19 times (2013: 17.4 times) current period earnings, which approximates the fair value of this business, less an allowance for disposal costs.

The conclusion from the goodwill impairment testing is that there has been no impairment to the amount of the goodwill recognised.

At the reporting date, there is no reasonably possible change in key assumptions that could cause the carrying amount to exceed the recoverable amount.

#### Goodwill attributable to policyholders

The policyholder goodwill arises on acquisitions of operating subsidiaries controlled by the AMP life insurance entities' statutory funds, which carry out business operations unrelated to the core wealth management operations of the AMP group. The goodwill represents the future value of cashflows expected to be derived from those operating subsidiaries.

Policyholder cash-generating units were allocated \$15m goodwill at 31 December 2014 (31 December 2013: \$28m). Policyholder cash-generating units had no other intangibles with indefinite useful lives (31 December 2013: nil).

Impairment testing of these goodwill balances is based on each asset's value in use, calculated as the present value of forecast future cashflows from those assets using discount rates of between 9.3% and 19.6% (2013: 13.0% and 19.6%).

At the reporting date, there is no reasonably possible change in key assumptions that could cause the carrying amount to exceed the recoverable amount.

Shareholders have no direct exposure to movements in goodwill attributable to policyholders. However, due to the impact of the accounting for investments in controlled entities of the AMP life insurance entities' statutory funds (see note 1(b)), policyholder asset movements (including goodwill) can impact the net profit after tax attributable to shareholders. Any impact is temporary in nature, reversing no later than the point at which AMP group ceases to control the investments.

## 14. Payables

	Consolidated		Parent	
	2014 \$m	2013 \$m	2014 \$m	2013 \$m
Investment purchases and margin accounts payable	795	602	–	–
Life insurance and investment contracts in process of settlement	367	354	–	–
Accrued expenses	86	154	–	–
Interest payable	4	33	–	–
Trade creditors	56	93	–	–
Other payables				
– subsidiaries	–	–	–	–
– subsidiaries tax related amounts	–	–	91	45
– investment entities controlled by AMP				
– life insurance entities' statutory funds	159	158	–	–
– other entities	484	516	1	2
<b>Total payables<sup>1,2</sup></b>	<b>1,951</b>	<b>1,910</b>	<b>92</b>	<b>47</b>

- Total payables include payables of investment entities controlled by the AMP life insurance entities' statutory funds which carry out business operations unrelated to the core wealth management operations of the AMP group.
- \$2m (2013: \$7m) of Total payables of the AMP group is expected to be settled more than 12 months from the reporting date and nil (2013: nil) of Total payables of the parent is expected to be settled more than 12 months from the reporting date.

## 15. Provisions

	Consolidated		Parent	
	2014 \$m	2013 \$m	2014 \$m	2013 \$m
<b>(a) Provisions</b>				
Employee entitlements <sup>1</sup>	295	271	5	3
Restructuring <sup>2</sup>	17	16	–	–
Other <sup>3</sup>	130	164	–	–
<b>Total provisions</b>	<b>442</b>	<b>451</b>	<b>5</b>	<b>3</b>

	Employee entitlements <sup>1</sup> \$m	Restructuring <sup>2</sup> \$m	Other <sup>3</sup> \$m	Total \$m
<b>(b) Movements in provisions – consolidated</b>				
Balance at the beginning of the year	271	16	164	451
Additions (reductions) through acquisitions (disposal) of controlled entities	(2)	–	(12)	(14)
Additional provisions made during the year	205	41	83	329
Unused amounts reversed during the year	(20)	(7)	(24)	(51)
Provisions used during the year	(160)	(33)	(82)	(275)
Foreign exchange movements	1	–	1	2
<b>Balance at the end of the year</b>	<b>295</b>	<b>17</b>	<b>130</b>	<b>442</b>

<b>(c) Movements in provisions – parent</b>				
Balance at the beginning of the year	3	–	–	3
Additions (reductions) through acquisitions (disposal) of controlled entities	–	–	–	–
Additional provisions made during the year	4	–	–	4
Unused amounts reversed during the year	–	–	–	–
Provisions used during the year	(2)	–	–	(2)
Foreign exchange movements	–	–	–	–
<b>Balance at the end of the year</b>	<b>5</b>	<b>–</b>	<b>–</b>	<b>5</b>

- Provisions for employee entitlements are in respect of amounts accumulated as a result of employees rendering services up to the reporting date. These entitlements include salaries, wages, bonuses, annual leave and long service leave, but exclude share-based payments. \$13m (2013: \$18m) of the consolidated balance is expected to be settled more than 12 months from the reporting date. Nil (2013: nil) of the parent balance is expected to be settled more than 12 months from the reporting date.
- 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. Nil (2013: nil) is expected to be settled more than 12 months from the reporting date.
- Other provisions are in respect of probable outgoings on data quality and integrity projects, settlements, and various other operational provisions. \$15m (2013: \$14m) is expected to be settled more than 12 months from the reporting date.

## 16. Borrowings

	Consolidated		Parent	
	2014 \$m	2013 \$m	2014 \$m	2013 \$m
Deposits <sup>1</sup>	6,392	5,442	–	–
Borrowings and interest bearing liabilities				
– AMP Bank and securitisation vehicles	7,224	7,028	–	–
– Corporate borrowings	463	711	–	–
– Investment entities controlled by AMP life insurance entities' statutory funds	1,273	1,641	–	–
<b>Total borrowings<sup>2</sup></b>	<b>15,352</b>	<b>14,822</b>	<b>–</b>	<b>–</b>

1 Deposits mainly comprise at call retail cash on deposit and retail term deposits at variable interest rates within the AMP Bank.

2 Total borrowings comprise amounts to fund:

- i Corporate borrowings of AMP group \$463m (2013: \$711m). Of this balance \$255m (2013: \$710m) is expected to be settled more than 12 months from the reporting date
- ii AMP Bank and securitisation trusts borrowings \$13,514m (2013: \$12,359m). Of this balance \$2,931m (2013: \$4,554m) is expected to be settled more than 12 months from the reporting date, and
- iii AMP Life statutory funds borrowings and borrowings within controlled entities of AMP Life are \$1,375m (2013: \$1,752m). Of this balance \$1,238m (2013: \$1,163m) is expected to be settled more than 12 months from the reporting date.

## 17. Subordinated debt

	Consolidated		Parent	
	2014 \$m	2013 \$m	2014 \$m	2013 \$m
AMP Bank				
– Floating Rate Subordinated Unsecured Notes (first call date 2017, maturity 2022) <sup>1</sup>	150	150	–	–
Corporate subordinated debt <sup>2</sup>				
– 6.875% GBP Subordinated Guaranteed Bonds (maturity 2022)	79	72	–	–
– Floating Rate Subordinated Unsecured Notes (first call date 2016, maturity 2021) <sup>3</sup>	602	602	–	–
– AMP Notes 2 (first call date 2018, maturity 2023) <sup>4</sup>	319	317	326	325
– A\$ AMP Notes (first call date 2014, maturity 2019) <sup>5</sup>	–	173	–	–
– NZ\$ AMP Notes (first call date 2014, maturity 2019) <sup>5</sup>	–	107	–	–
<b>Total subordinated debt</b>	<b>1,150</b>	<b>1,421</b>	<b>326</b>	<b>325</b>

1 Floating rate subordinated unsecured notes are to fund AMP Bank's capital requirements. Of this balance all (2013: all) is expected to be settled more than 12 months from the reporting date.

2 Subordinated debt amounts are to fund corporate activities of AMP group. All of this balance (2013: all with the exception of A\$ AMP Notes and NZ\$ AMP Notes) is expected to be settled more than 12 months from the reporting date.

3 In the event that AMP does not call the subordinated debt at the first call date the note holders have the right to exchange the notes for AMP shares at a small discount to volume weighted average price at that time.

4 AMP Limited Floating Rate unsecured notes were issued on 18 December 2013 and are listed on the ASX. In certain circumstances, AMP may be required to convert some or all of AMP Notes 2 into AMP ordinary shares.

5 During 2014, AMP repaid (at first call date) \$173m A\$ AMP Notes and \$107m NZ\$ AMP Notes.

## 18. Dividends

	Consolidated		Parent	
	2014 \$m	2013 \$m	2014 \$m	2013 \$m
<b>Final dividends paid</b>				
2013 final dividend paid in 2014: 11.5 cents per ordinary share franked to 70% (2012 final dividend paid in 2013: 12.5 cents per ordinary share franked to 65%)	340	366	340	366
<b>Interim dividends paid</b>				
2014: 12.5 cents per ordinary share franked to 70% (2013: 11.5 cents per ordinary share franked to 70%)	370	339	370	339
<b>Total dividends paid<sup>1,2</sup></b>	<b>710</b>	<b>705</b>	<b>710</b>	<b>705</b>
<b>Final dividends proposed but not recognised</b>				
2014: 13.5 cents per ordinary share franked to 80%	399	340	399	340
<b>Dividend franking account<sup>3,4</sup></b>				
Franking credits available to shareholders of AMP Limited (at 30%)	291	196	291	196

- Total dividends paid includes dividends paid on 'treasury shares' \$10m (2013: \$9m). See Statement of changes in equity for further information regarding the impact of 'treasury shares' on dividends paid and retained earnings.
- All dividends are franked at a tax rate of 30%.
- The franking credits available to shareholders are based on the balance of the dividend franking account at the reporting date adjusted for:
  - franking credits that will arise from the payment of the current tax liability
  - franking debits that will arise from the payment of dividends recognised as a liability at the year end
  - franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated group at the year end, and
  - franking credits that the entity may be prevented from distributing in subsequent years.
- The company's ability to utilise the franking account credits depends on meeting Corporations Act requirements to declare dividends. The impact of the proposed dividend will be to reduce the balance of the franking credit account by \$137m.

## 19. Contributed equity

	Consolidated		Parent	
	2014 \$m	2013 \$m	2014 \$m	2013 \$m
<b>Movements in issued capital</b>				
Balance at the beginning of the year	9,747	9,610	9,747	9,610
Nil (2013: 27,314,418) shares issued under dividend reinvestment plan <sup>1</sup>	–	137	–	137
<b>Balance at the end of the year</b>	<b>9,747</b>	<b>9,747</b>	<b>9,747</b>	<b>9,747</b>
<b>Total issued capital</b>				
2,957,737,964 (2013: 2,957,737,964) ordinary shares fully paid	9,747	9,747	9,747	9,747
<b>Movements in 'treasury shares'</b>				
Balance at the beginning of the year	(145)	(277)	–	–
(Increase) decrease due to purchases less sales during the year	(94)	132	–	–
<b>Balance at the end of the period</b>	<b>(239)</b>	<b>(145)</b>	<b>–</b>	<b>–</b>
<b>Total treasury shares<sup>2</sup></b>				
46,961,490 (2013: 29,177,280) treasury shares	(239)	(145)	–	–
<b>Total contributed equity</b>				
2,910,776,474 (2013: 2,928,560,684) ordinary shares fully paid	9,508	9,602	9,747	9,747

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.

- Under the terms of the dividend reinvestment plan (DRP), shareholders may elect to have all or part of their dividend entitlements satisfied by the issue of new shares rather than being paid cash. Shares were issued under the DRP for the 2013 final dividend (paid in April 2014) at \$4.96 per share, 2014 interim dividend (paid in October 2014) at \$5.57 per share. AMP settled the DRP for the 2013 final dividend and 2014 interim dividend by acquiring shares on market and, accordingly, no new shares were issued.
- Of the AMP Limited ordinary shares on issue 44,835,103 (2013: 27,050,893) are held by AMP's life insurance entities on behalf of policyholders. ASIC has granted relief from restrictions in the *Corporations Act 2001* to allow AMP's life insurance entities 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.

## 20. Life insurance contracts

The AMP group's life insurance related activities are conducted through two registered life insurance companies, AMP Life Limited (AMP Life) and The National Mutual Life Association of Australasia Limited (NMLA).

	Consolidated		Parent	
	2014 \$m	2013 \$m	2014 \$m	2013 \$m
<b>(a) Analysis of life insurance contract premium and related revenue</b>				
Total life insurance contract premiums received and receivable	2,797	3,327	–	–
Less: component recognised as a change in life insurance contract liabilities	(507)	(1,152)	–	–
Life insurance contract premium revenue <sup>1</sup>	2,290	2,175	–	–
Reinsurance recoveries	137	108	–	–
<b>Total life insurance contract premium and related revenue</b>	<b>2,427</b>	<b>2,283</b>	<b>–</b>	<b>–</b>
<b>(b) Analysis of life insurance contract claims and related expenses</b>				
Total life insurance contract claims paid and payable	(4,620)	(3,974)	–	–
Less: component recognised as a change in life insurance contract liabilities	2,595	1,995	–	–
Life insurance contract claims expense	(2,025)	(1,979)	–	–
Outwards reinsurance expense	(141)	(105)	–	–
<b>Total life insurance contract claims and related expenses</b>	<b>(2,166)</b>	<b>(2,084)</b>	<b>–</b>	<b>–</b>
<b>(c) Analysis of life insurance contract operating expenses</b>				
Life insurance contract acquisition expenses				
– commission	(74)	(91)	–	–
– other expenses	(159)	(148)	–	–
Life insurance contract maintenance expenses				
– commission	(195)	(193)	–	–
– other expenses	(391)	(413)	–	–
Investment management expenses	(55)	(56)	–	–
<b>(d) Life insurance contract liabilities</b>				
<b>Life insurance contract liabilities determined using projection method</b>				
Best estimate liability				
– value of future life insurance contract benefits	19,773	18,179	–	–
– value of future expenses	5,163	4,465	–	–
– value of future premiums	(19,874)	(17,454)	–	–
Value of future profits				
– life insurance contract holder bonuses	2,875	2,824	–	–
– shareholders' profit margins	3,445	2,991	–	–
<b>Total life insurance contract liabilities determined using the projection method<sup>2</sup></b>	<b>11,382</b>	<b>11,005</b>	<b>–</b>	<b>–</b>
<b>Life insurance contract liabilities determined using accumulation method</b>				
Best estimate liability				
– value of future life insurance contract benefits	10,107	11,194	–	–
– value of future acquisition expenses	(94)	(5)	–	–
<b>Total life insurance contract liabilities determined using the accumulation method</b>	<b>10,013</b>	<b>11,189</b>	<b>–</b>	<b>–</b>
Value of declared bonus	326	226	–	–
Unvested policyholder benefits liabilities <sup>2</sup>	2,153	2,049	–	–
<b>Total life insurance contract liabilities net of reinsurance</b>	<b>23,874</b>	<b>24,469</b>	<b>–</b>	<b>–</b>
Add: reinsurers' share of life insurance contract liabilities	529	465	–	–
<b>Total life insurance contract liabilities gross of reinsurance</b>	<b>24,403</b>	<b>24,934</b>	<b>–</b>	<b>–</b>

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.

## 20. Life insurance contracts continued

	Consolidated		Parent	
	2014 \$m	2013 \$m	2014 \$m	2013 \$m
<b>(e) Reconciliation of changes in life insurance contract liabilities</b>				
Total life insurance contract liabilities at the beginning of the year	24,934	25,055	–	–
Change in life insurance contract liabilities recognised in the Income statement	1,333	381	–	–
Premiums recognised as an increase in life insurance contract liabilities	507	1,152	–	–
Claims recognised as a decrease in life insurance contract liabilities	(2,595)	(1,995)	–	–
Change in reinsurers' share of life insurance contract liabilities	64	(65)	–	–
Foreign exchange adjustment	160	406	–	–
<b>Total life insurance contract liabilities at the end of the year</b>	<b>24,403</b>	<b>24,934</b>	<b>–</b>	<b>–</b>

### (f) Assumptions and methodology applied in the valuation of life insurance contract liabilities

Life insurance contract liabilities, and hence the net profit from life insurance contracts, are calculated by applying the principles of margin on services (MoS). Refer to note 1(s) for a description of MoS and the methods for calculating life insurance contract liabilities.

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 – AMP Life NZ only)	Projection	Expected premiums
Retail risk (income protection – all others)	Projection	Expected claims
Group risk (lump sum)	Accumulation	n/a
Group risk (income benefits)	Accumulation	n/a
Participating allocated annuities (AMP Life only)	Modified accumulation	n/a
Life annuities	Projection	Annuity payments

Key assumptions used in the calculation of life insurance contract liabilities are as follows:

#### (i) 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:

Business type	Basis <sup>1</sup>	31 December 2014		31 December 2013	
		Australia %	New Zealand %	Australia %	New Zealand %
Retail risk (other than income benefit open claims)	Zero coupon government bond yield curve	2.1–3.8	3.6–4.1	2.5–5.5	3.2–5.4
Retail risk and group risk (income benefit open claims)	Zero coupon government bond yield curve (including liquidity premium)	2.4–4.0	3.8–4.3	2.7–5.7	3.5–5.7
Life annuities <sup>2</sup>	Non-CPI	2.5–4.1	3.9–4.4	2.8–5.8	3.6–5.7
	CPI	0.4–1.5	2.1–2.9	1.2–2.6	2.2–3.8

1 The discount rates vary by duration in the range shown above.

2 Australian non-CPI annuities and all CPI annuities are AMP Life only.

## 20. Life insurance contracts continued

### (ii) Participating business discount rates

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 below.

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.

	10 year government bonds %	Risk premiums				Cash %
		Local equities %	International equities %	Property and Infrastructure <sup>1</sup> %	Fixed interest %	
<b>31 December 2014</b>						
Australia	2.8	4.5	3.5	2.5	AMP Life: 0.6 NMLA: 0.7	(0.5)
New Zealand	3.7	4.5	3.5	2.5	AMP Life: 0.6 NMLA: 0.0	(0.5)

	10 year government bonds %	Risk premiums				Cash %
		Local equities %	International equities %	Property %	Fixed interest %	
<b>31 December 2013</b>						
Australia	4.3	4.5	3.5	2.5	AMP Life: 0.6 NMLA: 0.9	(0.5)
New Zealand	4.8	4.5	3.5	2.5	AMP Life: 0.6 NMLA: 0.0	(0.5)

1 The change in asset classes between 2014 and 2013 reflects a new approach to managing asset allocations for participating business. In 2013, Infrastructure was included in Equities.

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 <sup>1</sup>		Equities %	Property and Infrastructure <sup>2</sup> %	Fixed interest %	Cash %
<b>31 December 2014</b>					
Australia	AMP Life	25	13	40	22
	NMLA	37	18	32	13
New Zealand	AMP Life	34	17	42	7
	NMLA	38	19	34	9
<b>31 December 2013</b>					
Australia	AMP Life	29	10	40	21
	NMLA	37	13	35	15
New Zealand	AMP Life	40	17	37	6
	NMLA	48	2	40	10

1 The asset mix in the table above includes both conventional and investment account business for AMP Life, but only conventional business for NMLA. As described in note 1(s), 100% of investment profits on NMLA's investment account business are allocated to policyholders.

2 The change in asset classes between 2014 and 2013 reflects a new approach to managing asset allocations for participating business. In 2013, Infrastructure was included in Equities.

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.



## 20. Life insurance contracts continued

### (iii) Future participating benefits

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.

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
- 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 and NMLA (31 December 2013 in parentheses).

		Bonus on sum insured %	Bonus on existing bonuses %
<b>Reversionary bonus</b>			
Australia	AMP Life	<b>0.7–0.9</b> (1.0–1.4)	<b>0.9–1.2</b> (1.4–2.1)
	NMLA <sup>1</sup>	<b>0.5–0.8</b> (0.5–0.9)	<b>0.8–1.1</b> (0.9–1.2)
New Zealand	AMP Life	<b>0.6–0.9</b> (0.9–1.3)	<b>0.6–0.9</b> (0.9–1.3)
	NMLA <sup>1</sup>	<b>0.7</b> (0.8)	<b>1.0</b> (1.1)

1 The 2013 ranges have been updated to be consistent with the approach used to calculate the 2014 ranges.

### Terminal bonus

The terminal bonus scales are complex and vary by duration, product line, class of business and country for AMP Life and NMLA.

		%	
<b>Crediting rates (investment account)</b>			
Australia	AMP Life	<b>0.0–7.0</b> (2.4–6.7)	
	NMLA	<b>2.9–8.6</b> (2.7–8.8)	
New Zealand	AMP Life	<b>3.4–6.6</b> (3.9–5.2)	
	NMLA	<b>5.1–7.3</b> (3.0–6.8)	

### (iv) 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 (v) 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.

### (v) Inflation and indexation

Benefits and premiums under 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 and NMLA's own experience with the annual future CPI rates derived from the difference between long-term government bonds and indexed government bonds.

The assumptions for expense inflation have regard to these rates, recent expense performance, AMP Life and NMLA's current plans and the terms of the relevant service company agreement, as appropriate.

The assumed annual inflation and indexation rates at the valuation date are:

		Australia %	New Zealand %
<b>31 December 2014</b>	AMP Life and NMLA	<b>2.3 CPI, 3.0 expenses</b>	<b>2.5 CPI, 3.0 expenses</b>
31 December 2013	AMP Life and NMLA	2.6 CPI, 3.0 expenses	2.5 CPI, 3.0 expenses

### (vi) Bases of taxation

The bases of taxation (including deductibility of expenses) are assumed to continue in accordance with legislation current at the valuation date.

## 20. Life insurance contracts continued

### (vii) Voluntary discontinuance

Assumptions for the incidence of withdrawals, paid ups and premium dormancy are primarily based on investigations of AMP Life and NMLA'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 duration, premium structure, smoker status, age attained or short-term market and business effects. Given the variety of influences affecting discontinuance for different product groups, the range of voluntary discontinuance rates across AMP Life and NMLA is extremely diverse.

The assumptions for future rates of discontinuance for the major classes of life insurance contracts are shown in the following table. The table includes the short-term voluntary discontinuance assumptions for Australian risk business.

Business type	Life company	31 December 2014		31 December 2013	
		Australia %	New Zealand %	Australia %	New Zealand %
Conventional	AMP Life	2.1–3.0	1.1–1.9	2.1–3.0	1.1–1.9
	NMLA	3.5–4.0	4.1–4.7	3.5–4.0	4.1–4.7
Retail risk (lump sum)	AMP Life	12.1–17.1	12.0–14.0	12.1–17.7	12.0–13.0
	NMLA	13.3–15.8	11.6	13.3–16.4	12.1
Retail risk (income benefit)	AMP Life <sup>1</sup>	9.1–19.6	11.4	9.1–21.5	11.4–15.7
	NMLA	12.0–14.0	9.5	12.0–14.6	9.2–13.4
Flexible Lifetime Super (FLS) risk business	AMP Life	10.2–19.4	n/a	10.2–20.0	n/a
Investment account	AMP Life	n/a	n/a	n/a	n/a
	NMLA <sup>1</sup>	n/a	n/a	n/a	n/a

1 The 2013 ranges have been updated to be consistent with the approach used to calculate the 2014 ranges.

### (viii) 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.

### (ix) Mortality and morbidity

Standard mortality tables, based on national or industry-wide data, are used. These are then adjusted by factors that take account of AMP Life and NMLA's own experience.

Rates of mortality assumed at 31 December 2014 for AMP Life and NMLA are as follows:

- Conventional in Australia and New Zealand are unchanged from those assumed at 31 December 2013. The rates are based on IA95-97 for AMP Life and IA90-92 for NMLA with an allowance for future mortality improvements for AMP Life Conventional business.
- NMLA New Zealand annuitant mortality rates have been changed to be the same as that for AMP Life New Zealand.
- Retail risk mortality rates for AMP Life Australia and NMLA Australia are unchanged from those assumed at 31 December 2013. The rates are based on the Industry standard IA04-08 Death Without Riders table modified based on aggregated experience with overall product specific adjustment factors.
- Retail risk mortality rates for AMP Life New Zealand and NMLA New Zealand are based on Industry standard IA04-08 Death Without Riders table modified based on aggregated experience with overall product specific adjustment factors.

For TPD and Trauma business, the Australian AMP Life and Australian NMLA retail risk products assumptions are based on the latest industry table IA04-08 modified based on aggregated experience with overall product specific adjustment factors. There has been some increase in the specific factors at 31 December 2014.

For TPD and Trauma business, the New Zealand AMP Life and New Zealand NMLA retail risk products assumptions have been changed to use the latest industry table IA04-08 modified based on aggregated experience with overall product specific adjustment factors.

For income protection business the assumptions are based on the IAD89-93 standard table modified for AMP Life and NMLA in both Australia and New Zealand with overall product specific adjustment factors. The adjustment factors include age, gender, occupation, waiting period, duration on claim, benefit band and benefit period. There have been some changes to the Australian product specific factors at 31 December 2014. There have been no changes made to the New Zealand assumptions.

## 20. Life insurance contracts continued

The assumptions are summarised in the following table:

Conventional	Conventional – % of IA95-97 (AMP Life)		Conventional – % of IA90-92 (NMLA)	
	Male	Female	Male	Female
Australia	67.5	67.5	60	68
New Zealand	73	73	81	95
Risk products	Retail lump sum – % of table (AMP Life)		Retail lump sum – % of table (NMLA)	
	Male	Female	Male	Female
Australia <sup>1</sup>	86–118	86–118	88–104	88–104
New Zealand	100	82	120	98

1 Base IA04-08 Death Without Riders table modified based on aggregated experience but with overall product specific adjustment factors.

Annuities	AMP Life		NMLA	
	Male – % of IML00*	Female – % of IFL00*	Male – % of IML00*	Female – % of IFL00*
Australia and New Zealand <sup>1</sup>	95	80	95	80

1 Annuities tables modified for future mortality improvements.

Typical morbidity assumptions, in aggregate, are as follows:

Income protection	Incidence rates – % of IAD 89-93 (AMP Life)	Incidence rates – % of IAD 89-93 (NMLA)	Termination rates (ultimate) – % of IAD 89-93 (AMP Life)	Termination rates (ultimate) – % of IAD 89-93 (NMLA)
	Australia	49–138	60–125	44–75
New Zealand	45–67	41–80	57–67	33–46
Retail lump sum	Male % of IA04-08 (AMP Life)	Male % of IA04-08 (NMLA)	Female % of IA04-08 (AMP Life)	Female % of IA04-08 (NMLA)
	Australia TPD <sup>1</sup>	140–155	125–138	177–196
Australia Trauma <sup>2</sup>	105–110	96–116	105–121	96–111
New Zealand TPD <sup>1</sup>	150	194	190	194
New Zealand Trauma <sup>2</sup>	91	101	91	101

1 Base IA04-08 TPD table modified based on aggregated experience with overall product specific adjustment factors.

2 Base IA04-08 Trauma table modified based on aggregated experience 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.
IA90-92	A mortality table developed by the Institute of Actuaries of Australia based on Australian insured lives experience from 1990–1992.
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 experience.
IA04-08 DTH	This was published by the Institute of Actuaries of Australia under the name <i>A graduation of the 2004–2008 Lump Sum Investigation Data</i> . We refer to this table as IA04-08. The table contains separate graduations for Smokers, Non-Smokers, Males and Females and Death With and Without Riders.
IA04-08 TPD	This is the TPD graduation published in the same paper as above.
IAD04-08 Trauma	This is the Trauma graduation published in the same paper as above.
IAD 89-93	A disability table developed by the Institute of Actuaries of Australia based on the Australian disability income experience for the period 1989–1993. This table has been extensively modified based on aggregate experience.

## 20. Life insurance contracts continued

### (x) 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 changes in assumptions from 31 December 2013 to 31 December 2014 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 for the two life companies.

Assumption change	AMP Life			NMLA		
	Change in future profit margins \$m	Change in life insurance contract liabilities \$m	Change in shareholders' profit and equity \$m	Change in future profit margins \$m	Change in life insurance contract liabilities \$m	Change in shareholders' profit and equity \$m
Non-market related changes to discount rates	(14)	–	–	1	–	–
Mortality and morbidity	(87)	–	–	(15)	–	–
Discontinuance rates	1	–	–	(1)	–	–
Maintenance expenses	30	–	–	–	–	–
Other assumptions <sup>1</sup>	(29)	–	–	174	–	–

<sup>1</sup> Other assumption changes include the impact of modelling, product and premium changes.

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 results in negative future profit margins, this negative balance 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.

### (g) 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.

This table shows information about the sensitivity of life insurance contract liabilities for AMP Life and NMLA, current period shareholder profit after income tax, and equity, to a number of possible changes in assumptions relating to insurance risk.

Variable	Change in variable	Change in life insurance contract liabilities		Change in shareholder profit after income tax and equity	
		Gross of reinsurance \$m	Net of reinsurance \$m	Gross of reinsurance \$m	Net of reinsurance \$m
<b>AMP Life</b>					
Mortality	10% increase in mortality rates	(1)	(1)	1	1
Annuitant mortality	50% increase in the rate of mortality improvement	1	1	(1)	(1)
Morbidity – lump sum disablement	20% increase in lump sum disablement rates	–	–	–	–
Morbidity – disability income	10% increase in incidence rates	21	16	(15)	(11)
Morbidity – disability income	10% decrease in recovery rates	33	26	(23)	(18)
Discontinuance rates	10% increase in discontinuance rates	–	–	–	–
Maintenance expenses	10% increase in maintenance expenses	1	1	(1)	(1)
<b>NMLA</b>					
Mortality <sup>1</sup>	10% increase in mortality rates	2	2	(1)	(1)
Annuitant mortality	50% increase in the rate of mortality improvement	–	–	–	–
Morbidity – lump sum disablement	20% increase in lump sum disablement rates	–	–	–	–
Morbidity – disability income	10% increase in incidence rates	116	95	(81)	(67)
Morbidity – disability income	10% decrease in recovery rates	149	121	(105)	(85)
Discontinuance rates	10% increase in discontinuance rates	21	21	(14)	(14)
Maintenance expenses	10% increase in maintenance expenses	5	5	(4)	(4)

<sup>1</sup> This includes the impact on death benefits that are payable on some disability income products.

## 20. Life insurance contracts continued

### (h) Life insurance risk

The life insurance activities of AMP Life and NMLA involve a number of non-financial risks concerned with the pricing, acceptance and management of the mortality, morbidity and longevity risks accepted from policyholders, often in conjunction with the provision of wealth management products.

The design of products carrying insurance risk is managed to ensure that policy wording and promotional materials are clear, unambiguous and do not leave AMP Life and NMLA open to claims from causes that were not anticipated. Product prices are set through a process of financial analysis, including review of previous AMP Life and NMLA and industry experience and specific product design features. 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 underwritten on their merits and are generally not issued without having been examined and underwritten individually. 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 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 and NMLA reinsure (cede) to specialist 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.

The specialist reinsurance companies are regulated by APRA or industry regulators in other jurisdictions and have strong credit ratings from AA- to AA+.

## 20. Life insurance contracts continued

### Terms and conditions of life insurance contracts

The nature of the terms of the life insurance contracts written by AMP Life and NMLA is such that certain external variables can be identified on which related cashflows for claim payments depend. The following table provides an overview of the key variables upon which the timing and uncertainty of future cashflows of the various life insurance contracts issued by AMP Life and NMLA depend.

Type of contract	Detail of contract workings	Nature of compensation for claims	Key variables affecting future cashflows
<i>Non-participating life insurance contracts with fixed and guaranteed terms (term life and disability)</i>	These policies provide guaranteed benefits, which are paid on death or ill-health, that are fixed and not at the discretion of the Life Company. Premium rates for yearly renewable business are not guaranteed and may be changed at the Life Company's discretion for the portfolio as a whole.	Benefits, defined by the insurance contract, are not directly affected by the performance of any underlying assets or the performance of any associated investment contracts as a whole.	Mortality, morbidity, lapses, expenses and market earning rates on assets backing the liabilities.
<i>Life annuity contracts</i>	In exchange for an initial single premium, these policies provide a guaranteed regular income for the life of the insured.	The amount of the guaranteed regular income is set at inception of the policy including any indexation.	Longevity, expenses, inflation and market earning rates on assets backing the liabilities.
<i>Conventional life insurance contracts with discretionary participating benefits (endowment and whole of life)</i>	These policies combine life insurance and savings. 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. Reversionary bonuses are added annually, which once added (vested) are guaranteed. A further terminal 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.	Market earning rates on assets backing the liabilities, lapses, expenses, and mortality.
<i>Investment account contracts with discretionary participating features</i>	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 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 market earning rates on the assets backing the liabilities.

### (i) 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.

Total AMP Life and NMLA	Up to 1 year \$m	1–5 years \$m	Over 5 years \$m	Total \$m
2014 <sup>1</sup>	1,233	2,986	9,616	13,835
2013	1,208	2,479	8,225	11,912

1 For NMLA, the 2014 future cash flows include participating investment account business, which was previously considered as investment contracts for the purposes of this table.

## 21. Other life insurance and investment contract disclosures

	Consolidated	
	2014 \$m	2013 \$m
<b>(a) Analysis of life insurance and investment contract profit</b>		
Components of profit related to life insurance and investment contract liabilities:		
– planned margins of revenues over expenses released	546	535
– profits (losses) arising from difference between actual and assumed experience	171	(49)
– profits (losses) arising from changes in assumptions	(121)	1
– capitalised (losses) reversals	3	(46)
<b>Profit related to life insurance and investment contract liabilities</b>	<b>599</b>	<b>441</b>
Attributable to:		
– life insurance contracts	381	249
– investment contracts	218	192
<b>Investment earnings on assets in excess of life insurance and investment contract liabilities</b>	<b>133</b>	<b>109</b>

### (b) Restrictions on assets in statutory funds

AMP Life and NMLA conduct 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.

The *Life Act* requires the life insurance business of AMP Life and NMLA to be conducted within life statutory funds.

AMP Life has three statutory funds as set out below:

No. 1 fund	Australia	Capital guaranteed business (whole of life, endowment, investment account, retail and group risk and immediate annuities)
	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

NMLA has six statutory funds as set out below:

No. 1 fund	Australia	Capital guaranteed ordinary business (whole of life, endowment, investment account and retail and group risk)
	New Zealand	All business (whole of life, endowment, investment account, retail and group risk, retail and group investment-linked and immediate annuities)
No. 2 fund	Australia	Investment-linked superannuation business (retail and group investment-linked and deferred annuities)
No. 3 fund	Taiwan	All business (individual whole of life, endowment and term and group life)
No. 4 fund	Australia	Capital guaranteed superannuation business (whole of life, endowment, investment account and retail (lump sum only) and group risk)
No. 5 fund	Australia	Investment-linked ordinary business
No. 6 fund	Australia	North longevity guarantee

## 21. Other life insurance and investment contract disclosures continued

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. See further details about solvency and capital adequacy in note 21(d).

Australian Accounting Standards require the income, expenses, assets and liabilities in the financial statements of AMP Life and NMLA to include amounts attributable to policyholders in investment linked and non-investment linked business of the life statutory funds. The following table shows a summary of the balances in the life statutory funds disaggregated between non-investment linked and investment linked business:

	2014 AMP Life and NMLA			2013 AMP Life and NMLA		
	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
<b>Net assets of life entities' statutory funds attributable to policyholders and shareholders</b>	<b>30,955</b>	<b>63,968</b>	<b>94,923</b>	<b>31,510</b>	<b>62,786</b>	<b>94,296</b>
<b>Attributable to policyholders</b>						
Life insurance contract liabilities	24,403	–	24,403	24,934	–	24,934
Investment contract liabilities <sup>1</sup>	3,149	63,728	66,877	3,463	62,547	66,010
	<b>27,552</b>	<b>63,728</b>	<b>91,280</b>	<b>28,397</b>	<b>62,547</b>	<b>90,944</b>
<b>Attributable to shareholders</b>	<b>3,403</b>	<b>240</b>	<b>3,643</b>	<b>3,113</b>	<b>239</b>	<b>3,352</b>

1 Investment contract liabilities in the table above exclude the investment contract liability for the North capital guarantee which is held outside the life companies.

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.

### Impact of the life statutory fund amounts on the AMP group consolidated financial statements

To the extent that investments by the life statutory funds are held through wholly or partly owned controlled entities of the life statutory funds, the balances of those controlled entities are consolidated by AMP Life and NMLA and therefore become part of the consolidated balances of this AMP group financial report. The consolidated balances include 100% of the underlying investments in financial assets, investment property, and other net operating assets of the controlled entities of AMP life entities' statutory funds. Most of the controlled entities are managed investment schemes and the share of the consolidated profit and net assets of those managed investment schemes attributable to unitholders other than the AMP Life statutory funds is recognised in the consolidated Income statement as Movement in external unitholders' liabilities and in the consolidated Statement of financial position as External unitholders' liabilities.



## 21. Other life insurance and investment contract disclosures continued

The following table shows a summary of the consolidated balances of AMP life entities' statutory funds and the entities controlled by AMP life entities' statutory funds.

	Life entities' statutory funds consolidated	
	2014 \$m	2013 \$m
<b>Income statement</b>		
Insurance premium and related revenue	2,427	2,283
Fee revenue	1,184	1,200
Other revenue	28	215
Investment gains and (losses)	11,485	14,312
Insurance claims and related expenses	(2,166)	(2,084)
Operating expenses including finance costs	(2,210)	(2,670)
Movement in external unitholders' liabilities	(1,473)	(1,615)
Change in life insurance contract liabilities	(1,333)	(381)
Change in investment contract liabilities	(6,229)	(9,937)
Income tax (expense)/credit	(889)	(751)
<b>Profit</b>	<b>824</b>	<b>572</b>
<b>Assets</b>		
Cash and cash equivalents	7,852	5,061
Investments in financial assets measured at fair value through profit or loss	99,942	98,106
Investment property	682	7,220
Other assets	5,545	3,180
<b>Total assets of policyholders, shareholders and non-controlling interests</b>	<b>114,021</b>	<b>113,567</b>
<b>Liabilities</b>		
Life insurance contract liabilities	24,403	24,934
Investment contract liabilities	66,877	66,010
Other liabilities	7,927	8,124
External unitholders' liabilities	11,012	11,098
<b>Total liabilities of policyholders, shareholders and non-controlling interests</b>	<b>110,219</b>	<b>110,166</b>
<b>Net assets</b>	<b>3,802</b>	<b>3,401</b>
		Consolidated
	2014	2013
	\$m	\$m
<b>(c) Capital guarantees</b>		
Life insurance contracts with a discretionary participating feature		
– amount of the liabilities that relate to guarantees	16,632	19,402
Investment linked contracts		
– amount of the liabilities subject to investment performance guarantees	991	1,061
Other life insurance contracts with a guaranteed termination value		
– current termination value	129	137

## 21. Other life insurance and investment contract disclosures continued

### (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 PCA, the AMP life insurance entities maintain a target surplus providing an additional capital buffer against adverse events. The AMP life insurance entities use 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 excess of the AMP life insurance entities capital base over the PCA as at 31 December 2014 was \$1,188m (2013: \$865m) and \$441m (2013: \$315m) for AMP Life and NMLA respectively.

The appointed actuaries of AMP Life and NMLA have confirmed that the capital base of each life statutory fund and shareholders' fund have exceeded PCA at all times during 2014 and 2013.

	2014		2013	
	AMP Life \$m	NMLA \$m	AMP Life \$m	NMLA \$m
Common Equity Tier 1 Capital	3,241	1,491	2,859	1,443
Adjustments to Common Equity Tier 1 Capital	(1,333)	(712)	(1,296)	(762)
Additional Tier 1 Capital	—	—	—	—
Adjustments to Additional Tier 1 Capital	—	—	—	—
Tier 2 Capital	215	85	215	85
Adjustments to Tier 2 Capital	—	—	—	—
<b>Total capital base</b>	<b>2,123</b>	<b>864</b>	<b>1,778</b>	<b>766</b>
<b>Total prescribed capital amount (PCA)</b>	<b>935</b>	<b>423</b>	<b>913</b>	<b>451</b>
<b>Capital adequacy multiple</b>	<b>227%</b>	<b>204%</b>	<b>194%</b>	<b>170%</b>

### (e) Actuarial information

Mr Rocco Mangano, as the appointed actuary of AMP Life and Mr Anton Kapel, as the appointed actuary of NMLA, are satisfied as to the accuracy of the data used in the valuations in the financial report and in the tables in this note and note 20.

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*.

### (f) Amounts which may be recovered or settled within 12 months after the reporting date

Based on assumptions as to likely withdrawal patterns of the various product groups, it is estimated that approximately \$13,402m (2013: \$12,632m) of policy liabilities may be settled within 12 months of the reporting date.

## 22. Risk management and financial instruments disclosures

### (a) Financial risk management

Financial risk management (FRM) at AMP is an integral part of the AMP group's enterprise risk management framework. Up until 12 November 2014, the Board Audit Committee (BAC), supported by the Group Asset and Liability Committee (ALCO), was responsible for ensuring financial risks were appropriately managed. From 26 November 2014 the existing risk management responsibilities of the BAC were transferred to the new Board Risk Committee (BRC).

#### Risks and mitigation

Financial risks arising in the AMP group include market risk (investment risk, interest rate risk, foreign exchange risk, currency risk, property risk, and equity price risk); liquidity and refinancing risk; and credit risk. These risks are managed according to the Enterprise Risk Management Policy and individual policies for each risk category. This financial risk management includes the use of derivative financial instruments such as cross-currency and interest rate swaps, forward rate agreements, futures, options and foreign currency contracts to hedge risk exposures arising from changes in interest rates and foreign exchange rates.

Financial risk management includes decisions made about the allocation of investment assets across asset classes and/or markets and the management of risks within these asset classes. Financial risk for investments in the AMP group is managed by reference to the probability of loss relative to expected income over a one-year time horizon at a 90% confidence level (profit at risk). In respect of investments held in the shareholder fund and in the life statutory funds, the loss tolerance over the discretionary investments is set at a low level because AMP has equity market exposure in its businesses (for example through fees on assets under management).

Market risk is the risk that the fair value of assets and liabilities, or future cashflows of a financial instrument will fluctuate due to movements in the financial markets. These movements include foreign exchange rates, interest rates, credit spreads, equity prices or property prices. Market risk in the AMP group arises from the management of insurance contracts and investment of shareholder capital including investments in equities, property, interest bearing investments and borrowings.

### (b) Market risk sensitivity analysis

The paragraphs below include sensitivity analysis tables showing how the profit after tax and equity would have been impacted by changes in market risk variables including interest rate risk and currency risk as defined in AASB 7 *Financial Instruments: Disclosures*. They show the direct impact on the profit after tax or equity of a reasonably possible change in factors which affect the carrying value of financial assets and financial liabilities held at the end of the reporting period.

The sensitivity is required to show the impact of a reasonably possible change in market rate, it is not intended to illustrate a remote, worst case, stress test scenario nor does it represent a forecast. In addition, it 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.

The only market risk relating to the parent entity is in relation to the AMP Notes 2 subordinated debt instruments issued in December 2013, which have been on-lent to other AMP subsidiaries on the same terms and conditions.

#### Interest rate risk

Interest rate risk is the risk of an impact on the AMP group's profit after tax and equity from movements in market interest rates, including changes in the absolute levels of interest rates, the shape of the yield curve, the margin between different yield curves and the volatility of interest rates.

Interest rate risk arises from interest bearing financial assets and financial liabilities in various activities of the AMP group. Management of those risks is decentralised according to the activity. Details are as follows:

- *The AMP group's long-term borrowings and the AMP group's and the parent entity's subordinated debt* – interest rate risk arises in relation to long-term borrowings and subordinated debt raised through a combination of Australian dollar, New Zealand dollar and pound sterling denominated fixed-rate and floating-rate facilities. Most of the AMP group's debt is Australian dollar denominated and the AMP group's foreign denominated debt is converted to floating-rate Australian dollars through cross-currency swaps. Interest rate risk is managed by entering floating-to-fixed interest rate swaps, which have the effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the AMP group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.
- *AMP Life and NMLA* – as discussed in note 1(b), AMP Life and NMLA conduct their wealth management and life insurance business through separate life statutory funds. Investment assets of the life statutory funds including interest-bearing financial assets are held to back investment contract liabilities, life insurance contract liabilities, retained profits and capital.

The interest rate risk of AMP Life and NMLA which impacts shareholders arises in respect of financial assets and liabilities held in the shareholder fund and in the life statutory funds. A risk arises to the extent that there is an economic mismatch between the timing of payments to life policyholders and the duration of the assets held in the life statutory funds to back the policyholder liabilities. Where a liability in respect of investment contracts is directly linked to the value of the assets (where applicable, net of related liabilities) held to back that liability (investment-linked business), there is no residual interest rate exposure which would impact shareholders.

Management of various risks associated with investments undertaken by life statutory funds and the life shareholder fund, such as interest rate risk, is subject to the relevant regulatory requirements governed by the *Life Act*. AMP Life and NMLA are required to satisfy capital adequacy requirements, including holding statutory reserves to cater for interest rate risk to the extent that assets are not matched against liabilities.

AMP Life and NMLA manage interest rate and other market risks pursuant to an asset and liability management policy that has regard to policyholder expectations and risks to the AMP Life and NMLA Board's target surplus philosophy for capital as advised by the appointed actuaries.

## 22. Risk management and financial instruments disclosures continued

- *AMP Bank* – interest rate risk arises in AMP Bank from mismatches in the repricing terms of assets and liabilities (for example, a three-year fixed rate loan funded with a 90 day term deposit – 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 interest rate exposure in AMP Bank by maintaining a net interest rate risk position within the limits delegated and approved by the AMP Bank Board.

### Interest rate risk sensitivity analysis

This analysis demonstrates the impact of a 100 basis point change in Australian and International interest rates, with all other variables held constant, on profit after tax and equity. It is assumed that all underlying exposures and related hedges are included in the sensitivity analysis, that the 100 basis point change occurs as at the reporting date and that there are concurrent movements in interest rates and parallel shifts in the yield curves. The impact on equity includes 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.

Change in variables	2014		2013	
	Impact on profit after tax	Impact on equity	Impact on profit after tax	Impact on equity
	Increase (decrease) \$m	Increase (decrease) \$m	Increase (decrease) \$m	Increase (decrease) \$m
+100 basis points	(22)	2	(45)	(23)
-100 basis points	2	(23)	61	39

### (i) Currency risk

*Currency risk* is the risk of an impact on the AMP group's profit after tax and equity from movements in foreign exchange rates. Changes in value would occur in respect of translating the AMP group's capital invested in overseas operations into Australian dollars at the reporting date (translation risk) or from foreign exchange rate movements on specific cashflow transactions (transaction risk).

Other than where the impact would be immaterial, borrowings are typically converted to Australian dollars through cross-currency swaps, individual investment assets in shareholder capital (excluding the international equities portfolio attributable to shareholders within the AMP Life Statutory Fund No.1 fund) and seed and sponsor capital investments are hedged, and expected foreign currency receipts and payments are hedged once the value and timing of the expected cashflow is known. Subject to Group ALCO approval, Group Treasury may allow for natural hedging of foreign exchange risk through unhedged foreign currency borrowings, or enter into discretionary foreign exchange transactions to hedge enterprise-wide exposures.

The AMP group does not hedge the capital invested in overseas operations (other than foreign seed and sponsor capital investments), thereby accepting the foreign currency translation risk on invested capital with movements through foreign currency translation reserve.

### Currency risk sensitivity analysis

This analysis demonstrates the impact of a 10% movement of exchange rates against the Australian dollar, with all other variables held constant, on the profit after tax and equity due to changes in fair value of currency sensitive monetary assets and liabilities at the reporting date. It is assumed that the 10% change occurs as at the reporting date.

Change in variables	2014		2013	
	Impact on profit after tax	Impact on equity	Impact on profit after tax	Impact on equity
	Increase (decrease) \$m	Increase (decrease) \$m	Increase (decrease) \$m	Increase (decrease) \$m
10% depreciation of AUD	2	32	10	10
10% appreciation of AUD	(4)	(28)	(4)	(4)

## 22. Risk management and financial instruments disclosures continued

### Equity price risk

*Equity price risk* is the risk of an impact on the AMP group's profit after tax and equity from movements in equity prices. The AMP group measures equity securities at fair value through profit or loss. Group Treasury may, with Group ALCO approval, use equity exposures or equity futures or options to hedge other enterprise-wide equity exposures.

### Equity price risk sensitivity analysis

The analysis demonstrates the impact of a 10% movement in Australian and International equities held at the reporting date. This sensitivity analysis has been performed to assess the direct risk of holding equity instruments. Any potential indirect impact on fees from the AMP group's investment linked business is not included.

	2014		2013	
	Impact on profit after tax Increase (decrease) \$m	Impact on equity Increase (decrease) \$m	Impact on profit after tax Increase (decrease) \$m	Impact on equity Increase (decrease) \$m
10% increase in Australian equities	7	7	18	18
10% increase in International equities	11	11	17	17
10% decrease in Australian equities	(9)	(9)	(14)	(14)
10% decrease in International equities	(13)	(13)	(12)	(12)

### (c) Liquidity and refinancing risk

*Liquidity risk* is the risk that the AMP group is not able to meet its debt obligations or other cash outflows as they fall due because of an inability to liquidate assets or obtain adequate funding when required. *Refinancing risk* is the risk that the AMP group is not able to refinance the full quantum of its ongoing debt requirements on appropriate terms and pricing. This includes the AMP group corporate debt portfolio, AMP Bank and AMP Capital through various investment funds, entities or mandates that it manages or controls or in which AMP Capital, AMP Life or NMLA has significant ownership interest or influence.

To ensure that the AMP group has sufficient funds available, in the form of cash, liquid assets, borrowing capacity and undrawn committed funding facilities to meet its liquidity requirements, Group Treasury maintains a defined surplus of cash targeting \$500m with a limit of \$200m to mitigate refinancing risk, satisfy regulatory requirements and protect against liquidity shocks in accordance with the liquidity risk management policy approved by the AMP Limited Board.

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.

## 22. Risk management and financial instruments disclosures continued

The following table summarises the maturity profiles of the AMP group's undiscounted financial liabilities and off-balance sheet items at the reporting date. The maturity profiles are based on contractual undiscounted repayment obligations. Repayments that are subject to notice are treated as if notice were to be given immediately.

### Maturity profiles of undiscounted financial liabilities and off-balance sheet items

	Up to 1 year or no term \$m	1–5 years \$m	Over 5 years \$m	Other <sup>2</sup> \$m	Total \$m
<b>2014</b>					
<b>Non-derivative financial liabilities<sup>1</sup></b>					
Payables	1,949	2	–	–	1,951
Borrowings	12,506	4,565	1,464	–	18,535
Subordinated debt	64	1,499	97	–	1,660
Investment contract liabilities	1,088	944	1,514	63,728	67,274
External unitholders' liabilities	–	–	–	11,335	11,335
<b>Derivative financial instruments</b>					
Cross currency swaps					
– outflows	4	16	10	–	30
– inflows	(2)	(7)	(5)	–	(14)
Interest rate swaps	374	630	132	–	1,136
<b>Off-balance sheet items</b>					
Credit-related commitments – AMP Bank <sup>4</sup>	1,940	–	–	–	1,940
Credit-related commitments – Securitisation vehicles <sup>4</sup>	865	–	–	–	865
<b>Total undiscounted financial liabilities and off-balance sheet items<sup>3</sup></b>	<b>18,788</b>	<b>7,649</b>	<b>3,212</b>	<b>75,063</b>	<b>104,712</b>
<b>2013</b>					
<b>Non-derivative financial liabilities<sup>1</sup></b>					
Payables	1,893	17	–	–	1,910
Borrowings	9,371	5,550	1,101	–	16,022
Subordinated debt	340	910	519	–	1,769
Investment contract liabilities	1,190	960	1,717	62,829	66,696
External unitholders' liabilities	–	–	–	10,724	10,724
<b>Derivative financial instruments</b>					
Cross currency swaps					
– outflows	18	231	5	–	254
– inflows	(14)	(207)	(14)	–	(235)
Interest rate swaps	26	6	(11)	–	21
<b>Off-balance sheet items</b>					
Credit-related commitments – AMP Bank <sup>4</sup>	1,898	–	–	–	1,898
Credit-related commitments – Securitisation vehicles <sup>4</sup>	906	–	–	–	906
<b>Total undiscounted financial liabilities and off-balance sheet items<sup>3</sup></b>	<b>15,628</b>	<b>7,467</b>	<b>3,317</b>	<b>73,553</b>	<b>99,965</b>

1 The table provides maturity analysis of AMP group financial liabilities including financial liabilities of controlled entities of the life entities' statutory funds and non-linked investment contracts including term annuities.

2 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 those policyholders claimed their funds, there may be some delays 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 life entities' statutory funds and would only be paid when the corresponding assets are realised.

3 Estimated net cash outflow profile of life insurance contract liabilities, disclosed in note 20, are excluded from the above table.

4 Loan commitments relate to commitments to provide credit to customers of AMP Bank.

## 22. Risk management and financial instruments disclosures continued

### (d) Credit risk

Credit risk includes both settlement credit exposures and traded credit exposures. *Credit default risk* is the risk of an adverse impact on results and asset values relative to expectations due to a counterparty failing to meet their contractual commitments in full and on time (obligator's non-payment of a debt). *Traded credit risk* is the risk of an adverse impact on results and asset values relative to expectations due to changes in the value of a traded financial instrument as a result of changes in credit risk on that instrument.

The AMP concentration risk policy sets out the assessment and determination of what constitutes credit risk. The policy has set exposure limits for each counterparty and credit rating. Compliance with this policy is monitored and exposures and breaches are reported to senior management and the Risk Committee through monthly and quarterly financial risk management (FRM) reports.

Credit risk management is decentralised in business units within the AMP group. However, credit risk directly and indirectly (in the participating business) impacting shareholder capital is measured and managed by Group Treasury on a group basis, by aggregating risk from credit exposures taken in business units, as detailed below:

- *AMP Life and NMLA* – Credit risk on the invested fixed income portfolios in the AMP Life and NMLA statutory funds is managed by the AMP Capital Risk and Compliance Committee (AMP Capital R&C) and reported to the fund managers, within specified credit criteria in the mandate approved by the AMP Life and NMLA Boards. The shareholder portion of credit risk in AMP Life and NMLA is reported to Group ALCO by Group Treasury.
- *AMP Capital* – Credit risk, including portfolio construction, in the fixed income portfolios managed by AMP Capital is the 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. This credit risk in the cash and fixed income portfolios relating directly to shareholders' funds is included in the aggregation by Group Treasury and reported to Group ALCO and the AMP Limited Risk Committee.
- *AMP Bank* – Credit risk arising in AMP Bank as part of lending activities and management of liquidity is managed as prescribed by AMP Bank's Risk Management Systems Description and reported to AMP Bank ALCO monthly. Wholesale credit exposures in AMP Bank's liquidity portfolio are included in the aggregation by Group Treasury and reported to Group ALCO.

### (i) Management of credit risk concentration

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. Concentration of credit risk is managed through both aggregate credit rating limits and individual counterparty limits, which are determined predominantly on the basis of the counterparty's credit rating.

At the reporting date, there is no specific concentration of credit risk with a single counterparty arising from the use of financial instruments, other than the normal clearing-house exposures associated with dealings through recognised exchanges.

The counterparties to non-exchange traded contracts, at the time of entering those contracts, are limited to companies with investment grade credit (*BBB-* or greater). The credit risks associated with these counterparties are assessed under the same management policies as applied to direct investments in the AMP group's portfolio.

Credit risk associated with derivatives are mitigated through the use of Credit Support Annex (CSA) which facilitate the bi-lateral posting of collateral with derivative counterparties.

Compliance is monitored and exposures and breaches are reported to senior management and the AMP Audit Committee through the monthly and quarterly FRM report.

### (ii) Exposure to credit risk

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 risk policy. The following table provides information regarding the credit risk exposures for items monitored by Group Treasury according to the credit rating of the counterparties.

	2014 \$m	2013 \$m
AAA	5,283	5,266
AA- to AA+	9,252	9,836
A- to A+	3,902	3,847
BBB- to BBB+	2,041	2,464
BB+ and below	519	375
<b>Total financial assets with credit risk exposure monitored by AMP Treasury</b>	<b>20,997</b>	<b>21,788</b>

## 22. Risk management and financial instruments disclosures continued

### (iii) Credit risk of the loan portfolio in AMP Bank

AMP Bank is predominantly a lender for residential properties – both owner occupied and for investment. In every case, AMP Bank completes a credit assessment, which includes cost of living allowance and requires valuation of the proposed security property. About 30% of AMP Bank's residential loan portfolio is securitised and all loans in securitisation vehicles are mortgage insured, thereby further mitigating the risk. AMP Bank's Credit Committee and Board oversee trends in lending exposures and compliance with concentration limits as a further basis of limiting lending risk. AMP Bank secures its loan with first registered mortgages over relevant properties and as a result manages credit risk on its loan with conservative lending policies and particular focus on the loan to value ratio (LVR). The LVR is calculated by dividing the total loan amount outstanding by the lower of AMP 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 potential credit exposure to the loan mortgage insurers has been assessed to be minimal due to the stable historical relationship with the Bank and minimal level of historic claims rejections and reductions. The average LVR of AMP Bank's loan portfolio for existing and new business is set out in the following table:

LVR	Existing business 2014 %	New business 2014 %	Existing business 2013 %	New business 2013 %
0–50	16	8	17	9
51–60	10	6	10	7
61–70	15	10	15	12
71–80	41	54	41	52
81–90	13	10	14	15
91–95	4	11	2	4
> 95	1	1	1	1

### (iv) Past due but not impaired financial assets

The following table provides an ageing analysis of financial assets that are past due as at reporting date but not impaired. No disclosures are required for the parent entity as the parent entity does not have any financial assets that are past due but not impaired at reporting date.

	Past due but not impaired				Total \$m
	Less than 31 days \$m	31–60 days \$m	61–90 days \$m	More than 91 days \$m	
<b>2014</b>					
Receivables					
– trade debtors	5	2	1	3	11
– other receivables	11	–	2	–	13
Debt securities					
– loans and advances	320	48	20	57	445
<b>Total<sup>1</sup></b>	<b>336</b>	<b>50</b>	<b>23</b>	<b>60</b>	<b>469</b>
<b>2013</b>					
Receivables					
– trade debtors	8	1	3	1	13
– other receivables	17	–	–	–	17
Debt securities					
– loans and advances	331	55	17	44	447
<b>Total<sup>1</sup></b>	<b>356</b>	<b>56</b>	<b>20</b>	<b>45</b>	<b>477</b>

1 For investment-linked business in AMP Life and NMLA, the liability to policyholders is linked to the performance and value of the assets that back those liabilities. The shareholder has no direct exposure to any credit risk in those assets. Therefore, the tables in this section do not show the past due financial assets backing investment-linked business in AMP Life.



## 22. Risk management and financial instruments disclosures continued

### (v) Adjustment for own credit risk in the determination of the fair value of life investment contract policy liabilities

The fair value of non-investment linked investment contract liabilities includes the following allowance for the credit risk that an external party would ascribe to an amount due from AMP Life and NMLA.

	2014 \$m	2013 \$m
Cumulative adjustment	9	11
Change during the period	(2)	(9)

The adjustment has been determined as the difference between the fair value recognised and an amount calculated on the same basis using a risk-free interest rate in place of the fair value discount rate.

### (vi) Impaired financial assets and impairment assessment

AMP Bank maintains individual provisions and collective loan impairment provisions against impaired loans.

### (vii) Collateral

AMP Life enters into debt security repurchase agreements and part of these agreements include the receipt of collateral which is required to be returned to the counterparty on settlement.

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.

### (e) Derivative financial instruments

Derivative financial instruments are measured at fair value in the Statement of financial position as assets and liabilities. Asset and liability values on individual transactions are only netted if the transactions are with the same counterparty and the cash flows will be settled on a net basis. Changes in values of derivative financial instruments are recognised in the Income statement unless they qualify as effective cash flow hedges or net investment hedges for accounting purposes, as set out in note 1(q).

#### (i) Derivative transactions undertaken by AMP life insurance entities as part of life insurance operations

The AMP group uses derivative financial instruments including financial futures, forward foreign exchange contracts, exchange traded and other options and forward rate agreements to hedge the impact of market movements on the value of assets in the investment portfolios, and to effect a change in the asset mix of investment portfolios.

In respect of the risks associated with the use of derivative financial instruments, price risk is controlled by exposure limits, which are subject to monitoring and review. Foreign exchange hedges are monitored on a regular basis to ensure they are effective in the reduction of price risk.

## 22. Risk management and financial instruments disclosures continued

### (ii) Derivative transactions undertaken in relation to the North product capital guarantee

The AMP group supports the North product (North) which enables clients to invest their superannuation, pension and ordinary savings in a range of managed funds, with part or all of the total value of the investments guaranteed. The North guarantees are either term-based capital guarantees or provide a guaranteed level of income throughout the life of a client's retirement. At 31 December 2014 Funds under management invested subject to the North guarantees were \$1,919m (2013: \$1,748m). The fair value recorded for the North guarantee liability was \$96m (2013: \$35m).

Hedging techniques are used to protect the AMP group against changes in the expected guarantee claim payments from market movements. The AMP group also has the ability to review the periodic charge for new and existing clients. To the extent that the fair value of the guarantee is based on assumptions that may not be borne out in practice and that the hedge instruments used are not a perfect match for the expected guarantee payments, there is a residual risk that deviations from these assumptions may result in a profit or loss to shareholders.

Hedging of the North guarantee is performed based on the economic value of the guarantee. The economic value is consistent with the accounting fair value except that the calculation of accounting fair value applies a minimum liability, on a contract by contract basis, of the amount that would be payable on demand at reporting date, whereas the economic value does not include this minimum. The difference in the movement of accounting fair value and the movement in the economic value of the guarantee also results in a profit or loss to the shareholder.

### (iii) Other derivative transactions undertaken by non-life insurance controlled entities

AMP Treasury, AMP Capital and AMP Bank use derivative financial instruments to hedge financial risk from movements in interest rates and foreign exchange rates. Swaps, forwards, futures and options in the interest rate and foreign exchange markets may be used. A description of each of these derivatives is given below:

- *Swaps* – a swap transaction obliges the two parties to the contract to exchange a series of cashflows at specified payment or settlement dates. Swap transactions undertaken by the AMP group include interest rate swaps, which involve the contractual exchange of fixed and floating interest rate payments in a single currency based on a notional amount and a reference rate (for example BBSW), and cross-currency swaps which involve the exchange of interest payments based on two different currency principal balances and reference interest rates, and generally also entail exchange of principal amounts at the start and/or end of the contract.
- *Forward and futures contracts* – these are agreements between two parties establishing a contractual interest rate on a notional principal over a specified period, commencing at a future date. *Forward contracts* are tailor-made agreements that are transacted between counter parties in the over-the-counter market (OTC), whereas *futures* are standardised contracts transacted on regulated exchanges.
- *Options* – an option contract gives the option buyer the right, but not the obligation, to buy or sell a specified amount of a given commodity or financial instrument at a specified price during a certain period or on a specific date. The seller of the option contract is obliged to perform if the holder exercises the right contained therein. Options may be traded OTC or on a regulated exchange.

### (iv) Risk relating to derivative financial instruments

The market risk of derivatives is managed and controlled as an integral part of the financial risk of the AMP group. The credit risk of derivatives is also managed in the context of the AMP group's overall credit risk policies and includes the use of CSAs which facilitate the bi-lateral posting of collateral.

### (f) Accounting for hedges

The accounting treatment of hedge transactions varies according to the nature of the instrument hedged and whether the hedge qualifies for hedge accounting.

Derivative transactions may qualify as fair value hedges, cash flow hedges or hedges of net investments in foreign operations. The AMP group's accounting policies for derivatives designated and accounted for as hedging instruments are explained in note 1(q), where terms used in the following section are also explained.

The AMP group also enters into derivative transactions that provide economic hedges but do not meet the requirements for hedge accounting treatment.

### (i) 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.

During 2014, the AMP group recognised a net gain of \$23m (2013: \$5m loss) on hedging instruments designated as fair value hedges. The net loss on hedged items attributable to the hedged risks amounted to \$23m (2013: \$5m gain).

## 22. Risk management and financial instruments disclosures continued

### (ii) Derivative instruments accounted for as cash flow hedges

The AMP group is exposed to variability in future cashflows on non-trading assets and liabilities which can bear interest at fixed and variable rates. The AMP group uses interest rate swaps and cash flow hedges to manage these risks.

The following schedule shows, as at reporting date, the periods when the hedged cashflows are expected to occur and when they are expected to affect profit and loss.

	0–1 year \$m	1–2 years \$m	2–3 years \$m	3–4 years \$m	4–5 years \$m
<b>2014</b>					
Cash inflows	171	72	26	11	7
Cash outflows	(182)	(83)	(29)	(12)	(7)
<b>Net cash inflow/(outflow)</b>	<b>(11)</b>	<b>(11)</b>	<b>(3)</b>	<b>(1)</b>	<b>–</b>
<b>2013</b>					
Cash inflows	154	87	42	9	6
Cash outflows	(178)	(87)	(38)	(11)	(8)
<b>Net cash inflow/(outflow)</b>	<b>(24)</b>	<b>–</b>	<b>4</b>	<b>(2)</b>	<b>(2)</b>

Nil (2013: nil) was recognised in the Income statement due to hedge ineffectiveness from cash flow hedges.

In addition to the above, during the year AMP Life entered into an agreement to acquire 19.99% of China Life Pension Company. AMP Life entered into a hedging relationship, at the time the transaction became highly probable, which qualified as a cash flow hedge. The transaction settled for RMB 1,539m subsequent to reporting date for a net outflow of \$238m.

### (iii) Hedges of net investments in foreign operations

The AMP group hedges its exposure to changes in exchange rates on the value of its foreign currency denominated seed pool investments. Gains or losses on effective seed pool hedges are transferred to equity to offset any gains or losses on translation of the net investment in foreign operations.

The AMP group recognised a profit of nil (2013: nil) due to the ineffective portion of hedges relating to investments in seed pool foreign operations.

### (g) Master netting or similar agreements

#### (i) Derivative financial assets and liabilities

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 meet the criteria for offsetting in the Statement of financial position as the AMP group does not have any currently legally enforceable right to offset recognised amounts, as the right to offset is enforceable only on the occurrence of future events such as a default.

If these netting arrangements were applied to the derivative portfolio, the derivative assets of \$1,982m would be reduced by \$125m to the net amount of \$1,857m and derivative liabilities of \$1,150m would be reduced by \$125m to the net amount of \$1,025m (2013: derivative assets of \$1,648m would be reduced by \$171m to the net amount of \$1,477m and derivative liabilities of \$1,041m would be reduced by \$171m to the net amount of \$870m).

#### (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. Collateral deposits held includes the obligation to repay collateral held in respect of debt security repurchase arrangements entered into. As at 2014, if repurchase arrangements were netted, debt securities of \$38,440m would be reduced by \$792m to the net amount of \$37,648m and collateral deposits held of \$865m would be reduced by \$792m to the net amount of \$73m (2013: debt securities of \$32,628m would be reduced by \$1,351m to the net amount of \$31,277m and collateral deposits held of \$1,428m would be reduced by \$1,351m to the net amount of \$77m).

#### (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. 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 2014 there was \$73m of collateral deposits due to other financial institutions (2013: \$175m).

### 23. Fair value information

#### (a) Fair values

The following table summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Statement of financial position at fair value. Bid prices are used to estimate the fair value of assets, whereas offer prices are applied for liabilities.

	Carrying amount 2014 \$m	Aggregate fair value 2014 \$m	Carrying amount 2013 \$m	Aggregate fair value 2013 \$m
<b>Financial assets</b>				
Loans and advances	14,590	14,623	13,418	13,436
Debt securities – held to maturity	2,335	2,347	2,800	2,805
<b>Total financial assets</b>	<b>16,925</b>	<b>16,970</b>	<b>16,218</b>	<b>16,241</b>
<b>Financial liabilities</b>				
Deposits	6,392	6,392	5,442	5,442
Borrowings and interest bearing liabilities				
– AMP Bank and securitisation vehicles	7,224	7,208	7,028	7,450
– Corporate and other shareholder activities	463	465	711	714
– Investment entities controlled by AMP life insurance entities' statutory funds	1,273	1,273	1,641	1,641
– Subordinated debt <sup>1</sup>	1,150	1,173	1,421	1,473
<b>Total financial liabilities</b>	<b>16,502</b>	<b>16,511</b>	<b>16,243</b>	<b>16,720</b>

1 The parent has financial liabilities – subordinated debt with a carrying amount of \$326m (2013: \$325m) and a fair value of \$341m (2013: \$329m).

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

#### (i) Debt securities

The estimated fair value of loans and interest bearing securities represents the discounted amount of estimated future cashflows expected to be received, based on the maturity profile of the loans and interest bearing securities. 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 amount.

#### (ii) Borrowings

Borrowings comprise domestic commercial paper, drawn liquidity facilities and various floating-rate and medium-term notes. The fair values of borrowings are predominantly hedged by derivative instruments – mainly cross-currency and interest rate swaps. 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 cashflow model is used, based on a current yield curve appropriate for the remaining term to maturity.

#### (iii) Subordinated debt

The fair value of subordinated debt is determined with reference to quoted market prices at the reporting date.

#### (b) Fair value measures

The AMP group's assets and liabilities measured at fair value are categorised under a three-level hierarchy, reflecting the availability of observable market inputs when estimating the fair value. If different levels of inputs are used to measure a financial instrument's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. The three levels are:

Level 1: Valued by reference to quoted prices in active markets for identical assets or liabilities. These quoted prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2: Valued 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), including: quoted prices in active markets for similar assets or liabilities, quoted prices in markets in which there are few transactions for identical or similar assets or liabilities, and other inputs that are not quoted prices but are observable for the asset or liability, for example interest rate yield curves observable at commonly quoted intervals, currency rates, option volatilities, credit risks, and default rates.

Level 3: Valued in whole or in part using valuation techniques or models that are based on unobservable inputs that are neither supported by prices from observable current market transactions in the same instrument nor based on available market data. Unobservable inputs are determined based on the best information available, which might include the AMP group's own data, reflecting the AMP group's own estimates about the assumptions that market participants would use in pricing the asset or liability.

Valuation techniques are used to the extent that observable inputs are not available, and include estimates about the timing of cashflows, discount rates, earnings multiples and other inputs.

### 23. Fair value information continued

The following table shows an analysis of AMP group's assets and liabilities measured at fair value by each level of the fair value hierarchy.

	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total fair value \$m
<b>2014</b>				
<b>Assets</b>				
<b>Measured at fair value on a recurring basis</b>				
Equity securities and listed managed investment schemes <sup>1</sup>	44,496	43	2,354	46,893
Debt securities	–	37,841	599	38,440
Investments in unlisted managed investment schemes	–	17,589	967	18,556
Derivative financial assets	131	1,851	–	1,982
Investment properties <sup>2</sup>	–	–	340	340
Other financial assets	–	31	9	40
<b>Total financial assets measured at fair value on a recurring basis</b>	<b>44,627</b>	<b>57,355</b>	<b>4,269</b>	<b>106,251</b>
<b>Other assets measured at fair value on a non-recurring basis</b>				
Assets of disposal groups <sup>3</sup>	–	–	100	100
<b>Total other assets measured at fair value on a non-recurring basis</b>	<b>–</b>	<b>–</b>	<b>100</b>	<b>100</b>
<b>Total assets measured at fair value</b>	<b>44,627</b>	<b>57,355</b>	<b>4,369</b>	<b>106,351</b>
<b>Liabilities</b>				
<b>Measured at fair value on a recurring basis</b>				
Derivative financial liabilities	96	1,054	–	1,150
Collateral deposits held	792	73	–	865
Investment contract liabilities	–	2,532	64,448	66,980
<b>Total financial liabilities measured at fair value on a recurring basis</b>	<b>888</b>	<b>3,659</b>	<b>64,448</b>	<b>68,995</b>
<b>Other liabilities measured at fair value on a non-recurring basis</b>				
Liabilities of disposal groups <sup>3</sup>	–	–	69	69
<b>Total other liabilities measured at fair value on a non-recurring basis</b>	<b>–</b>	<b>–</b>	<b>69</b>	<b>69</b>
<b>Total liabilities measured at fair value</b>	<b>888</b>	<b>3,659</b>	<b>64,517</b>	<b>69,064</b>
<b>2013</b>				
<b>Assets</b>				
<b>Measured at fair value on a recurring basis</b>				
Equity securities and listed managed investment schemes <sup>1</sup>	45,251	–	2,480	47,731
Debt securities	–	32,124	556	32,680
Investments in unlisted managed investment schemes	–	15,744	612	16,356
Derivative financial assets	386	1,262	–	1,648
Investment properties <sup>2</sup>	–	–	6,889	6,889
Other financial assets	–	146	–	146
<b>Total financial assets measured at fair value on a recurring basis</b>	<b>45,637</b>	<b>49,276</b>	<b>10,537</b>	<b>105,450</b>
<b>Other assets measured at fair value on a non-recurring basis</b>				
Assets of disposal groups <sup>3</sup>	–	–	42	42
<b>Total other assets measured at fair value on a non-recurring basis</b>	<b>–</b>	<b>–</b>	<b>42</b>	<b>42</b>
<b>Total assets measured at fair value</b>	<b>45,637</b>	<b>49,276</b>	<b>10,579</b>	<b>105,492</b>
<b>Liabilities</b>				
<b>Measured at fair value on a recurring basis</b>				
Derivative financial liabilities	156	885	–	1,041
Collateral deposits held	1,428	–	–	1,428
Investment contract liabilities	–	2,901	63,148	66,049
<b>Total financial liabilities measured at fair value on a recurring basis</b>	<b>1,584</b>	<b>3,786</b>	<b>63,148</b>	<b>68,518</b>
<b>Other liabilities measured at fair value on a non-recurring basis</b>				
Liabilities of disposal groups <sup>3</sup>	–	–	8	8
<b>Total other liabilities measured at fair value on a non-recurring basis</b>	<b>–</b>	<b>–</b>	<b>8</b>	<b>8</b>
<b>Total liabilities measured at fair value</b>	<b>1,584</b>	<b>3,786</b>	<b>63,156</b>	<b>68,526</b>

1 Equity securities and listed managed investment schemes include financial assets available for sale measured at fair value.

2 Refer to note 11 for valuation techniques and key unobservable inputs.

3 Refer to note 30 for disposal groups.

### 23. Fair value information continued

The following table shows movements in the fair value of financial instruments categorised as level 3:

	Balance at the beginning of the year \$m	FX gains or losses <sup>2</sup> \$m	Total gains/ losses <sup>2,3</sup> \$m	Purchases/ deposits \$m	Sales/ withdrawals \$m	Net transfers in/(out) <sup>1</sup> \$m	Balance at the end of the year \$m	Total gains and losses on assets and liabilities held at reporting date \$m
<b>2014</b>								
<b>Assets classified as level 3<sup>4</sup></b>								
Equity securities and listed managed investment schemes	2,480	29	223	29	(19)	(388)	2,354	223
Debt securities	556	13	65	9	(32)	(12)	599	65
Investments in unlisted managed investment schemes	612	–	128	321	(251)	157	967	128
Other financial assets	–	–	–	–	–	9	9	–
<b>Liabilities classified as level 3</b>								
Investment contract liabilities	63,148	12	4,956	11,608	(15,276)	–	64,448	4,572
<b>2013</b>								
<b>Assets classified as level 3<sup>4</sup></b>								
Equity securities and listed managed investment schemes	2,138	133	104	66	(117)	156	2,480	104
Debt securities	478	67	13	59	(31)	(30)	556	13
Investments in unlisted managed investment schemes	592	–	34	55	(73)	4	612	34
<b>Liabilities classified as level 3</b>								
Investment contract liabilities	54,819	41	8,935	9,388	(10,040)	5	63,148	8,394

1 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 cease to consolidate a controlled entity.

2 Gains and losses are classified in investment gains and losses or change in policyholder liabilities in the Income statement.

3 Total gains/losses includes net unrealised gains and losses relating to financial assets of \$420m (2013: \$116m).

4 Movements relating to Investment properties are disclosed in note 11.

### 23. Fair value information continued

The following table shows the sensitivity of the fair value of level 3 instruments to changes in key assumptions:

	Effect of reasonably possible alternative assumptions <sup>3</sup>			Valuation technique	Key unobservable inputs
	Carrying amount <sup>1,2</sup> \$m	(+) \$m	(-) \$m		
<b>2014</b>					
<b>Assets</b>					
Equity securities and listed managed investment schemes	2,354	164	(163)	Discounted cash flow approach utilising cost of equity as the discount rate.	Discount rate. Terminal value growth rate. Cash flow forecasts.
Debt securities	599	–	–	Discounted cash flow approach.	Discount rate. Cash flow forecasts.
Investments in unlisted managed investment schemes	967	–	–	Published redemption prices.	Valuation of the unlisted managed investment schemes. Suspension of redemptions of the managed investment schemes.
Assets of disposal groups	100	–	–	Discounted cash flow approach utilising cost of equity as the discount rate or where available, an indicative sale price received from a potential buyer.	Discount rate. Cash flow forecasts.
<b>Liabilities</b>					
Investment contract liabilities	64,448	9	(9)	Valuation model based on published unit prices and the fair value of backing assets. Fixed retirement-income policies – discounted cash flow.	Fair value of financial instruments. Cash flow forecasts. Credit risk.
Liabilities of disposal groups	69	–	–	Discounted cash flow approach and utilising a cost of equity as the discount rate or where available, an indicative sale price received from a potential buyer.	Discount rate. Cash flow forecasts.
<b>2013</b>					
<b>Assets</b>					
Equity securities and listed managed investment schemes	2,480	200	(200)		
Debt securities	556	–	–		
Investments in unlisted managed investment schemes	612	–	–		
Assets of disposal groups	42	–	–		
<b>Liabilities</b>					
Investment contract liabilities	63,148	12	(11)		
Liabilities of disposal groups	8	–	–		

- 1 The fair value of the asset or liability would increase/decrease if the discount rate decreases/increases. The fair value of the asset or liability would increase/decrease if the other inputs increase/decrease.
- 2 Each individual asset and industry profile will determine the appropriate valuation inputs to be utilised in each specific valuation and can vary from asset to asset.
- 3 Reasonably possible alternative assumptions have been calculated by changing one or more of significant unobservable inputs for individual assets to reasonably possible alternative assumptions. On financial assets this included adjusting the discount rate by 25bps–100bps. On investment contract liabilities this included adjustments to credit risk by 50bps.

#### Financial asset valuation process

For financial assets 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.

## 24. Capital management

The AMP group holds capital to protect customers, creditors and shareholders against unexpected losses to a level that is consistent with AMP's risk appetite, approved by the board.

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. Included within interest-bearing liabilities are subordinated debt and other instruments that would qualify as regulatory capital under Australian Prudential Regulation Authority (APRA) standards, or have received transitional arrangements approved by APRA.

The AMP group makes 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 AMP statutory equity attributable to shareholders of AMP Limited. Mismatch items include:

- treasury shares (AMP Limited shares held by the statutory funds on behalf of policyholders)
- AMP Life Limited statutory funds' investments in controlled entities
- AMP Life Limited statutory funds' superannuation products invested in AMP Bank Limited assets.

Adjustments are also made relating to cash flow hedge reserves and an adjustment for AMP Foundation to exclude the net assets of the AMP Foundation from capital resources.

The table below shows the AMP group's current capital resources at reporting date:

	2014 \$m	2013 \$m
AMP statutory equity attributable to shareholders of AMP Limited	8,186	8,090
Accounting mismatch, cash flow hedge resources and other adjustments	160	64
AMP shareholder equity	8,346	8,154
Subordinated debt <sup>1</sup>	1,008	1,274
Senior debt <sup>1</sup>	450	700
<b>Total AMP capital resources</b>	<b>9,804</b>	<b>10,128</b>

1 Amounts shown for subordinated debt and senior debt are the amounts to be repaid on maturity. Amounts recognised in the Statement of financial position in respect of these debts are measured at amortised cost using the effective interest rate method.

The AMP group assesses the adequacy of its capital requirements against regulatory capital requirements. The AMP group's capital management plan forms part of the AMP group's broader strategic planning process.

In addition to managing the level of capital resources, the AMP group also attempts to optimise the mix of capital resources to minimise the cost of capital and maximise shareholder value.



## 24. Capital management continued

A number of the operating entities within the AMP group of companies are regulated. The AMP group of companies includes an authorised deposit-taking institution, life insurance companies and approved superannuation trustees all regulated by APRA. A number of companies also hold Australian Financial Services Licences.

The minimum regulatory capital requirement (MRR) is the amount of capital required by each of AMP's regulated businesses to meet their capital requirements as set by the appropriate regulator. The main requirements are as follows:

- AMP Life Limited and The National Mutual Life Association of Australasia Limited (NMLA) – capital adequacy requirements as specified under the APRA Life Insurance Prudential Standards
- AMP Bank Limited – capital requirements as specified under APRA ADI Prudential Standards
- AMP Superannuation Limited and National Mutual Super – Operational Risk Financial Requirements as specified under the APRA Superannuation Prudential Standards
- AMP Capital Investors Limited and other ASIC regulated businesses – capital requirements under Australian Financial Services Licence requirements and for risks relating to North.

In August 2014, APRA released its planned final capital adequacy standards for conglomerate groups. APRA has deferred its implementation of these standards for all conglomerate groups (including AMP Limited) to allow for any potential changes that may result from the Financial System Inquiry (FSI) recommendations and the government's response to them. APRA has committed to providing a minimum 12 months transition time before any new standards come into force.

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.

AMP holds a level of capital above its MRR. At the reporting date, the shareholder regulatory capital resources above MRR were \$1,987m (2013: \$2,080m). The shareholder regulatory capital resources above MRR will vary throughout the year due to investment market movements, dividend payments and the retention of profits.

Policyholder retained profits continue to be resources supporting the participating business. The total policyholder retained profits of AMP Life and NMLA were \$2,153m at 31 December 2014 (2013: \$2,049m).

AMP's businesses and the AMP group maintain capital targets (target surplus), reflecting their material risks (including financial risk, insurance and product risk and operational risk) and AMP's risk appetite. The target surplus is a management guide to the level of excess capital that AMP seeks to carry to reduce the risk of breaching MRR.

AMP Limited, AMP Life, NMLA and AMP Bank have board minimum capital levels above APRA requirements, with additional capital targets held above these amounts. Within the life insurance businesses, 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 AMP group office investments, defined benefit funds and other operational risks.

Following the finalisation of the conglomerate capital adequacy standards by APRA, AMP will review the appropriateness of its capital targets for the AMP group.

In addition, the participating business of the life insurance companies is managed to target a very high level of confidence that the business is self-supporting and that there are sufficient assets to support policyholder liabilities.

The transition arrangements provided by APRA relating to the subordinated debt held at a group level issued prior to 1 January 2013 continue to be 100% recognised as eligible capital until the earlier of each relevant instrument's first call date or March 2016. The \$25m of AMP Notes 2 that were used for the refinancing of AMP Notes and that were not loaned to AMP Life or NMLA will cease to be eligible for transition during 2015 (\$10m in 2014 and \$15m in 2015).

25. Notes to Statement of cash flows

	Consolidated		Parent	
	2014 \$m	2013 \$m	2014 \$m	2013 \$m
<b>(a) Reconciliation of the net profit after income tax to cash flows from operating activities</b>				
Net profit after income tax	971	716	832	1,687
Depreciation of operating assets	17	44	–	–
Amortisation and impairment of intangibles	271	228	–	–
Investment gains and losses and movements in external unitholders liabilities	(871)	(6,363)	(203)	–
Dividend and distribution income reinvested	(3,655)	(2,031)	–	–
Share-based payments	8	30	3	3
Decrease (increase) in receivables, intangibles and other assets	(135)	688	(2)	56
(Decrease) increase in net policy liabilities	3,610	7,543	–	–
(Decrease) increase in income tax balances	961	593	(52)	–
(Decrease) increase in other payables and provisions	(91)	(590)	2	(33)
<b>Cash flows from (used in) operating activities</b>	<b>1,086</b>	<b>858</b>	<b>580</b>	<b>1,713</b>
<b>(b) Reconciliation of cash</b>				
Comprises:				
Cash and cash equivalents for the purpose of the Statement of financial position	3,581	2,938	1	6
Bank overdrafts (included in Borrowings)	(1)	(3)	–	–
Short-term bills and notes (included in Debt securities)	7,652	4,222	–	–
<b>Cash and cash equivalents for the purpose of the Statement of cash flows</b>	<b>11,232</b>	<b>7,157</b>	<b>1</b>	<b>6</b>
<b>(c) Financing arrangements</b>				
<b>(i) Overdraft facilities</b>				
Bank overdraft facility available	828	716	–	–
<b>(ii) Loan facilities and note programs</b>				
In addition to facilities arranged through bond and note issues (refer notes 16 and 17), financing facilities are provided through bank loans under normal commercial terms and conditions.				
Available	13,827	19,360	–	–
Used	(2,780)	(9,736)	–	–
<b>Unused</b>	<b>11,047</b>	<b>9,624</b>	<b>–</b>	<b>–</b>
<b>(d) Acquisitions and disposal of controlled entities</b>				
<b>Operating entities</b>				
During the year ended 31 December 2014, AMP acquired the following entities:				
– Forsythes Financial Services Pty Limited				
– Prosperitus Holdings Pty Ltd				
– Total Super Solutions Pty Ltd.				
During the year ended 31 December 2013, AMP acquired the following entities:				
– on 1 November 2013, AMP acquired 100% of Supercorp Administration Pty Ltd and its controlled entities.				
There were no other significant acquisitions or disposals of operating entities in 2013 or 2014.				

## 25. Notes to Statement of cash flows continued

The impact of acquisitions of operating entities is as follows:

	Impact in 2014 \$m	Impact in 2013 \$m
<b>Operating entities</b>		
<b>Assets</b>		
Cash and cash equivalents	(24)	(4)
Receivables	–	–
Investments in financial assets measured at fair value through profit or loss	–	–
Investments in financial assets measured at amortised cost	–	–
Investments in associates accounted for using the equity method	–	–
Investment property	–	–
Intangible assets	24	4
<b>Total assets</b>	<b>–</b>	<b>–</b>
<b>Liabilities</b>		
Payables and provisions	–	–
Borrowings	–	–
Deferred tax liabilities	–	–
External unitholders liabilities	–	–
Minority interest	–	–
<b>Total liabilities</b>	<b>–</b>	<b>–</b>

### Controlled entities of AMP life insurance entities' statutory funds

In the course of normal operating investment activities, the AMP life insurance entities' 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 entities' statutory funds are operating companies which carry out business operations unrelated to the core wealth management operations of the AMP group.

### Acquisitions of controlled entities of AMP life insurance entities' statutory funds

- No significant acquisitions occurred during 2014.
- From 1 July 2013, AMP Life consolidated Student Housing Accommodation Growth Trust 1 and 2 and their controlled entities.

	Impact in 2014 \$m	Impact in 2013 \$m
<b>Acquisitions</b>		
<b>Assets</b>		
Cash and cash equivalents	–	8
Receivables	–	–
Investments in financial assets measured at fair value through profit or loss	–	(42)
Investments in financial assets measured at amortised cost	–	–
Investments in associates accounted for using the equity method	–	–
Investment property	–	71
Intangible assets	–	15
<b>Total assets</b>	<b>–</b>	<b>52</b>
<b>Liabilities</b>		
Payables and provisions	–	5
Borrowings	–	7
Deferred tax liabilities	–	12
External unitholders liabilities	–	23
Minority interest	–	5
<b>Total liabilities</b>	<b>–</b>	<b>52</b>

## 25. Notes to Statement of cash flows continued

Disposals of controlled entities of AMP life insurance entities' statutory funds

- In October 2014, substantially all controlled property funds were sold into the AMP Capital Diversified Property Fund (ADPF). At the same time AMP increased its ownership interest in ADPF.
- In August 2013, AMP reduced its ownership interest in the controlled entities of Aged Care Investment Trust 1 & 2. At the same time AMP increased its ownership interest in Aged Care Investment Trust 1 & 2.

The impacts of these transactions were as follows:

	Impact in 2014 \$m	Impact in 2013 \$m
Disposals		
<b>Assets</b>		
Cash	(114)	(28)
Receivables	(18)	(48)
Investment property	(4,365)	–
Investments in financial assets measured at fair value through profit or loss	1,589	149
Deferred tax assets	–	(26)
Property, plant and equipment	–	(560)
Intangibles	–	(322)
Other assets	(118)	–
<b>Total assets</b>	<b>(3,026)</b>	<b>(835)</b>
<b>Liabilities</b>		
Payables and provisions	(48)	(430)
Borrowings	(948)	(301)
Deferred tax liabilities	–	(31)
Other financial liabilities	(6)	–
External unitholder liabilities	(2,024)	(73)
<b>Total liabilities</b>	<b>(3,026)</b>	<b>(835)</b>

## 26. Earnings per share

### (a) Classification of equity securities

Ordinary shares have been included in the calculation of basic earnings per share.

In accordance with AASB 133 *Earnings per Share*, options over unissued ordinary shares and performance rights have been classified as *potential ordinary shares* and have been considered in the calculation of diluted earnings per share. Performance rights have been determined to be dilutive in 2014 and 2013. Although performance rights have been determined to be dilutive in accordance with AASB 133 *Earnings per Share*, 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.

Of the AMP Limited ordinary shares on issue 46,961,490 (2013: 29,177,280) are held by controlled entities of AMP Limited. AMP's life insurance entities hold 44,835,103 (2013: 27,050,893) shares on behalf of policyholders. The Australian Securities and Investments Commission has granted relief from restrictions in the *Corporations Act 2001* to allow AMP's life insurance entities 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.

	Consolidated	
	2014 million shares	2013 million shares
<b>(b) Weighted average number of ordinary shares used</b>		
Weighted average number of ordinary shares used in calculation of basic earnings per share	2,920	2,900
Add: potential ordinary shares considered dilutive	25	29
Weighted average number of ordinary shares used in calculation of diluted earnings per share	2,945	2,929
	\$m	\$m
<b>(c) Level of earnings used</b>		
Basic	884	672
Diluted	884	672
	cents	cents
<b>(d) Earnings per share</b>		
Basic	30.3	23.2
Diluted	30.0	22.9

## 27. Superannuation funds

AMP contributes to funded employer-sponsored superannuation funds that exist to provide benefits for employees and their dependants on resignation, retirement, disability or death of the employee. The funds consist of both defined contribution sections and defined benefit sections.

The defined contribution sections receive fixed contributions from the AMP group companies and the group's legal obligation is limited to these contributions. The defined benefit sections provide members with a choice of lump sum benefits or pension benefits based on years of membership and final salary. New employees are only offered defined contribution style benefits. The disclosures in this note relate only to the defined benefit sections of the plans.

The following tables summarise the components of the net amount recognised in the Income statement, Statement of comprehensive income, the movements in the defined benefit obligation and plan assets and the net amounts recognised in the consolidated Statement of financial position for the defined benefit funds, determined in accordance with AASB 119 *Employee Benefits*. However, for the purposes of recommending contributions to the defined benefit funds, fund actuaries consider a range of other factors which do not reflect the financial position presented in the financial statements.

### (a) Summary information of defined benefit funds

#### Australian defined benefit plans

Active members of AMP's Australian defined benefit plans are entitled to a lump sum or pension on retirement. Pensions provided are lifetime indexed pensions with a reversionary spouse pension. The plans are now closed to new members.

The Superannuation Industry Supervision (SIS) legislation governs the superannuation industry and provides the framework within which superannuation plans operate. The SIS legislation generally requires an actuarial valuation to be performed every year for defined benefit plans.

The plans are sub-funds within the AMP Superannuation Savings Trust (the Trust). The Trust's trustees are responsible for the governance of the plans. The trustees have a legal obligation to act solely in the best interests of plan beneficiaries. The trustees' responsibilities include administration of the plan, management and investment of the plan assets, and compliance with superannuation laws and other applicable regulations.

The plans are exposed to a number of risks. Other than the risks of actual outcomes being different to the actuarial assumptions used to estimate the defined benefit obligation as set out in note 27(g), the most significant risks include investment risk and legislative risk. These risks apply to all superannuation plans and are not specific to AMP.

During 2014, approximately 30% (AMP Australia) and 42% (AMP AAPH Australia) of the assets backing current pension liabilities were invested in a fixed-income investment option with a benchmark duration based on the estimated duration of the pension liability.

As at the most recent actuarial update, 31 December 2014, the fund actuary recommended contributions to be made at the normal superannuation rates applicable to the various members and did not identify any deficit for funding purposes, and therefore no additional contributions are required.

#### New Zealand defined benefit plans

Active members of AMP's New Zealand defined benefit plans are entitled to accumulation benefits and a lump sum payment on retirement. The plans are now closed to new members.

The *Superannuation Scheme Act (1989)* (NZ) governs the superannuation industry and provides the framework within which the superannuation schemes operate. The Act requires an actuarial valuation to be performed every three years.

The plans' trustees are responsible for the governance of the plan. This includes administration of the plan, management and investment of the plan assets, and looking after the interests of all beneficiaries.

The plans are exposed to a number of risks. Other than the risks of actual outcomes being different to the actuarial assumptions used to estimate the defined benefit obligation as set out in note 27(g), the most significant risks include investment risk and legislative risk. These risks apply to all superannuation plans and are not specific to AMP.

There are no specific asset liability matching strategies for the New Zealand defined benefit plans.

AMP has adopted the funds' actuaries' recommendations for AMP to make additional contributions of \$1m per annum (AMP New Zealand defined benefit plan) and \$4m per annum (AMP AAPH New Zealand defined benefit plan) until the financial positions of the plans are sufficiently improved.

27. Superannuation funds continued

	Consolidated	
	2014 \$m	2013 \$m
<b>(b) Defined benefit plan income (expense)</b>		
Current service cost	(5)	(8)
Interest cost	(21)	(24)
Interest income	19	18
Foreign currency gains and losses	(1)	(13)
<b>Total defined benefit plan income (expense)</b>	<b>(8)</b>	<b>(27)</b>
<b>(c) Movements in defined benefit obligation</b>		
Balance at the beginning of the year	(801)	(964)
Current service cost	(5)	(8)
Interest cost	(21)	(24)
Contributions by plan participants	(1)	(1)
Actuarial gains and losses <sup>1</sup>		
– change in demographic assumptions	–	(17)
– change in financial assumptions	(177)	137
– experience gain (loss)	(1)	37
Foreign currency exchange rate changes	(5)	(28)
Benefits paid	49	66
Other expenses	–	1
<b>Balance at the end of the year</b>	<b>(962)</b>	<b>(801)</b>
<b>(d) Movement in fair value of plan assets</b>		
Balance at the beginning of the year	728	678
Interest income	19	18
Actuarial gains and losses – actual return on plan assets less interest income	59	61
Foreign currency exchange rate changes	4	15
Employer contributions	10	22
Contributions by plan participants	1	1
Benefits paid	(49)	(66)
Other expenses	–	(1)
<b>Balance at the end of the year</b>	<b>772</b>	<b>728</b>
<b>(e) Defined benefit (liability) asset</b>		
Present value of wholly funded defined benefit obligations	(962)	(801)
Less: Fair value of plan assets	772	728
<b>Defined benefit (liability) asset recognised on the Statement of financial position<sup>2</sup></b>	<b>(190)</b>	<b>(73)</b>
<b>Movement in defined benefit (liability) asset</b>		
(Deficit) surplus at the beginning of the year	(73)	(286)
Plus: Total income (expenses) recognised in income	(8)	(27)
Plus: Employer contributions	10	22
Plus: Actuarial gains (losses) recognised in Other comprehensive income <sup>3</sup>	(119)	218
<b>Defined benefit (liability) asset recognised at the end of the year</b>	<b>(190)</b>	<b>(73)</b>

1 As explained in note 1(dd), actuarial gains and losses are recognised directly in Other comprehensive income.

2 The defined benefit liability is measured in accordance with the requirements of AASB 119 *Employee Benefits* and does not represent a current obligation to provide additional funding to the plans. Refer to note 27(a) for details of the funding of the AMP defined benefit funds.

3 The cumulative amount of the net actuarial gains and losses recognised in the Statement of comprehensive income is a \$10m gain (2013: \$129m gain).

## 27. Superannuation funds continued

	Consolidated	
	2014 \$m	2013 \$m
<b>(f) Analysis of defined benefit (deficit) surplus by plan</b>		
<b>AMP Australian defined benefit (liability) asset</b>		
Present value of wholly funded defined benefit obligations	(360)	(311)
Less: Fair value of plan assets	279	264
<b>Net defined benefit (liability) asset recognised in the Statement of financial position</b>	<b>(81)</b>	<b>(47)</b>
Actuarial gains and (losses)	(33)	44
<b>AMP AAPH Australian defined benefit (liability) asset</b>		
Present value of wholly funded defined benefit obligations	(441)	(355)
Less: Fair value of plan assets	381	362
<b>Net defined benefit (liability) asset recognised in the Statement of financial position</b>	<b>(60)</b>	<b>7</b>
Actuarial gains and (losses)	(67)	101
<b>AMP New Zealand defined benefit (liability) asset</b>		
Present value of wholly funded defined benefit obligations	(28)	(26)
Less: Fair value of plan assets	25	23
<b>Net defined benefit (liability) asset recognised in the Statement of financial position</b>	<b>(3)</b>	<b>(3)</b>
Actuarial gains and (losses)	(1)	10
<b>AMP AAPH New Zealand defined benefit (liability) asset</b>		
Present value of wholly funded defined benefit obligations	(133)	(109)
Less: Fair value of plan assets	87	79
<b>Net defined benefit (liability) asset recognised in the Statement of financial position</b>	<b>(46)</b>	<b>(30)</b>
Actuarial gains and (losses)	(18)	63

### (g) 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	
	2014 %	2013 %	2014 %	2013 %	2014 %	2013 %	2014 %	2013 %
Weighted average discount rate	3.5	5.1	3.9	4.8	3.8	5.4	3.4	5.4
Expected rate of pension increases	2.3	2.5	1.7	1.9	2.3	2.5	2.5	2.5
Expected rate of salary increases	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Cash crediting rate	n/a	n/a	n/a	n/a	2.5	3.5	n/a	n/a

### (h) Allocation of assets

The asset allocations of the defined benefit funds are shown in the following table:

	AMP				AMP AAPH			
	Australia <sup>1</sup>		New Zealand <sup>1</sup>		Australia <sup>1</sup>		New Zealand <sup>1</sup>	
	2014 %	2013 %	2014 %	2013 %	2014 %	2013 %	2014 %	2013 %
Equity	51	45	37	47	33	34	38	40
Property	9	5	10	10	5	1	8	7
Fixed interest	30	18	35	25	42	33	34	33
Cash	4	9	14	14	5	7	20	20
Other	6	23	4	4	15	25	—	—

1 The investment assets of the plans may at times include either direct or indirect investments in AMP Limited shares. These investments are part of normal investment mandates within the plans and are not significant in relation to total plan assets. The plans do not hold any other assets which are occupied or used by the AMP group.

## 27. Superannuation funds continued

### (i) 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 shows the increase (decrease) for each assumption change.

	AMP		AMP AAPH	
	Australia \$m	New Zealand \$m	Australia \$m	New Zealand \$m
Higher discount rate (0.5%)	22	3	34	8
Lower discount rate (0.5%)	(25)	(3)	(38)	(8)
Higher expected salary increase rate (0.5%)	n/a	n/a	(3)	(1)
Lower expected salary increase rate (0.5%)	n/a	n/a	3	2
Higher expected deferred benefit crediting rate (0.5%)	n/a	n/a	(4)	n/a
Lower expected deferred benefit crediting rate (0.5%)	n/a	n/a	4	n/a
Increase to pensioner indexation assumption (0.5%)	(25)	(2)	(30)	n/a
Decrease to pensioner indexation assumption (0.5%)	22	2	27	n/a
Increase to pensioner mortality assumption (10.0%)	11	n/a	(10)	n/a
Decrease to pensioner mortality assumption (10.0%)	(11)	n/a	10	n/a
One year additional life expectancy	n/a	(2)	n/a	n/a

Not all assumptions are material for each fund. Immaterial assumptions have been marked as n/a.

	AMP		AMP AAPH	
	Australia \$m	New Zealand \$m	Australia \$m	New Zealand \$m
<b>(j) Expected contributions</b>				
Expected employer contributions	—	1	3	4

	AMP		AMP AAPH	
	Australia \$m	New Zealand \$m	Australia \$m	New Zealand \$m
<b>(k) Maturity profile of defined benefit obligation</b>				
Expected benefit payments for the financial year ending on				
31 December 2015	22	2	20	4
31 December 2016	21	2	20	5
31 December 2017	22	2	21	5
31 December 2018	22	2	21	5
31 December 2019	22	2	22	5
Following five years	120	10	116	26

	AMP		AMP AAPH	
	Australia	New Zealand	Australia	New Zealand
<b>Weighted average duration of the defined benefit obligation</b>	12 years	9 years	14 years	15 years



## 28. Share-based payments

### (a) Summary of AMP's share-based payment plans

AMP has a number of employee share-based payment plans. Share-based payments place employees participating in those plans (participants) in the position of the shareholder, and in doing so, reward employees for the generation of value to 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:

	Consolidated	
	2014 \$'000	2013 \$'000
<b>Plans currently offered</b>		
Performance rights	13,308	11,121
Share rights	21,946	18,115
Restricted shares	158	1,224
Employee share acquisition plan – matching shares	1	1
<b>Total share-based payments expense</b>	<b>35,413</b>	<b>30,461</b>

### (b) Performance rights

#### Plan description

The CEO and his direct reports, as well as selected senior executives, are required to take their long-term incentive (LTI) awards in the form of performance rights. This is to ensure that those executives who are most directly able to influence company performance, are appropriately aligned with the interests of shareholders. The LTI awards of other participants are comprised of either a mix of performance rights and share rights, or share rights only.

A *performance right* is a right to acquire one fully paid ordinary share in AMP Limited after a three-year performance period at no cost to the participant (ie effectively a share option with a zero exercise price), provided a specific performance hurdle is met. Prior to conversion into shares (vesting), performance rights holders do not receive dividends or have other shareholder benefits (including any voting rights). From September 2011, performance rights may be settled through a cash payment in lieu of shares, at the discretion of the board.

#### The performance hurdle

Historically, LTI awards in the form of performance rights were subject to a single relative total shareholder return (TSR) performance hurdle. After an extensive review of market practices, conducted in 2012, the board determined that AMP should introduce a return on equity (RoE) performance measure, in addition to a TSR measure.

The vesting of performance rights granted since the 2013 LTI award is now based on two performance hurdles as follows:

- 50% of the LTI award fair value, granted as performance rights, will be subject to AMP's TSR performance relative to the top industrial companies in the S&P/ASX 100 Index (TSR tranche), and
- 50% of the LTI award fair value, granted as performance rights, will be subject to an RoE measure (RoE tranche).

The number of performance rights that vest is determined as follows:

**TSR tranche:** Vesting of these performance rights is dependent on AMP's TSR performance relative to a comparator group of Australian listed companies over a three-year performance period. TSR measures the benefit delivered to shareholders over the given period, which includes dividend payments, capital returns and movement in the share price. The performance hurdle was chosen because it requires participants to outperform major ASX listed companies before the awards generate any value.

**RoE tranche:** Vesting of the performance rights granted in 2014 is based on AMP's RoE performance for the year ending 31 December 2016.

Prior to the 2014 grant being awarded, the board determined the threshold and maximum RoE performance targets (expressed as percentage outcomes) to be achieved for the year ending 31 December 2016. An RoE hurdle was chosen as it drives a strong capital discipline which is a key contributor to creating sustainable shareholder value.

#### Conversion to shares

If the awards vest, they are automatically converted to shares on behalf of participants. Upon conversion, participants become entitled to shareholder benefits, including dividends and voting rights. The board has the discretion to satisfy vested rights by either acquiring shares on market or through the issuance of shares. AMP's practice has been, and intention is to continue, to source the shares to satisfy LTI awards on market, so that the issue of LTIs does not dilute the value of AMP Limited shares. In the case of the CEO, the vesting of shares may only be provided by AMP procuring the transfer of shares purchased on market.

#### Treatment of performance rights on ceasing employment and change of control

Typically, unvested LTI awards lapse at the end of the employee's notice period if the participant resigns from AMP or their employment is terminated for misconduct or inadequate performance. In other cases, such as retirement and redundancy, LTI awards may be retained by the participant, with vesting continuing to be subject to the same vesting conditions as if they had remained in AMP employment. In the event that AMP is subject to a takeover or change of control, unvested performance rights, granted prior to September 2011, typically vest.

Commencing from the performance rights granted in September 2011, the board has the discretion to determine an alternative treatment on cessation of employment and change of control (ie to determine that the LTI awards would lapse, are retained or vest when they would not have otherwise), if deemed appropriate in the light of specific circumstances.

## 28. Share-based payments continued

### Plan valuation

The allocation values for the performance rights with the TSR hurdle and the RoE hurdle are based on valuations prepared by an independent external consultant. The valuations are based on the 10-day average daily closing share price prior to the offer being made, discounted for foregone dividends and, in the case of performance rights with market conditions, the risk of performance conditions not being met.

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 purposes of the valuation it is assumed performance rights are exercised as soon they have vested. 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 allocation value of the performance rights granted during 2014 and the comparative period (2013):

Grant date	Share price	Contractual life	Dividend yield	Volatility <sup>1</sup>	Risk-free rate <sup>1</sup>	TSR performance hurdle discount <sup>2</sup>	RoE performance hurdle discount <sup>3</sup>	TSR performance rights fair value	RoE performance rights fair value
05/06/2014	\$5.28	3.0 years	4.8%	25%	2.9%	45%	0%	\$2.89	\$4.57
09/09/2013	\$4.62	2.5 years	4.9%	24%	2.8%	71%	0%	\$1.33	\$4.09
06/06/2013	\$4.97	3.0 years	5.6%	23%	2.5%	60%	0%	\$2.00	\$4.21
07/06/2012	\$3.85	2.7 years	6.3%	26%	2.3%	67%	n/a	\$1.28	n/a
09/09/2011	\$4.15	2.9 years	5.9%	34%	3.7%	54%	n/a	\$1.92	n/a
09/06/2011	\$4.88	2.8 years	5.5%	36%	4.8%	51%	n/a	\$2.39	n/a
09/06/2011	\$4.88	2.1 years	5.5%	36%	4.8%	55%	n/a	\$2.19	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 an RoE performance hurdle.

2 TSR performance hurdle discount for 09/09/2013 was incorrectly reported in the 2013 annual report and has been correctly reflected.

3 In accordance with the accounting standard AASB 2, allowance cannot be made for the impact of a non-market based performance hurdle in determining fair value.

The following table shows the movement in performance rights outstanding during the period:

Grant date	Exercise period	Exercise price	Balance at 1 Jan 2014	Exercised during the year	Granted during the year	Lapsed during the year	Balance at 31 Dec 2014 <sup>1</sup>
09/06/2011	01/05/2014–30/04/2016	Nil	729,167	–	–	729,167	–
09/09/2011	n/a <sup>2</sup>	Nil	5,614,041	–	–	5,614,041	–
07/06/2012	n/a <sup>2</sup>	Nil	7,106,226	–	–	97,079	7,009,147
06/06/2013	n/a <sup>2</sup>	Nil	4,793,936	–	–	129,227	4,664,709
09/09/2013	n/a <sup>2</sup>	Nil	29,047	–	–	–	29,047
05/06/2014	n/a <sup>2</sup>	Nil	–	–	3,953,450	11,108	3,942,342
<b>Total</b>			<b>18,272,417</b>	<b>–</b>	<b>3,953,450</b>	<b>6,580,622</b>	<b>15,645,245</b>

1 The weighted average remaining contractual life of performance rights outstanding at the end of the period is 1.1 years.

2 With the exception of the grant on 9 June 2011, the performance rights granted from 2011 have no exercise period as they are automatically exercised upon vesting.

## 28. Share-based payments continued

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.

### (c) Share rights

#### Plan description

As described above, LTI participants below the CEO and his direct reports may be awarded share rights as part of their overall LTI award.

A *share right* is a right to acquire one fully paid ordinary share in AMP Limited after a specified service period at no cost to the participant, provided a specific service condition is met. The service period is typically three years, but may vary where the share rights are awarded to retain an employee for a critical period. Prior to conversion into shares (vesting), share rights holders do not receive dividends or have other shareholder benefits (including any voting rights).

As this program is designed as a means of recognising and retaining employees, no performance hurdles apply, other than continued service for the duration of the three-year period.

#### Treatment of share rights on ceasing employment and change of control

Typically, unvested share rights lapse if the participant resigns from AMP or is terminated for misconduct or inadequate performance. In other cases, such as retirement and redundancy, the participant typically retains their share rights at the board's discretion. In the event that AMP is subject to a takeover change of control, treatment of unvested share rights is subject to the board's discretion.

#### Plan valuation

The fair value of share rights has been calculated as at the grant date, by external consultants using a 'discounted cashflow' 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.

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 purposes of the valuation it is assumed share rights are exercised as soon they have vested. Assumptions regarding the dividend yield have been estimated based on AMP's actual historic dividend yield over an appropriate period.

#### STI deferral plan

The nominated executives, and selected other senior leaders who have the ability to impact AMP's financial soundness, participate in the AMP STI deferral plan. The plan requires that 40% of a participant's STI award be delivered in rights to AMP shares (share rights). The share rights convert to AMP Limited shares (ie vest) after a two-year deferral period. Vesting is subject to ongoing employment, compliance with AMP policies and the board's discretion.

#### STI match plan

For each given year, high potential employees at a senior leader level are eligible for nomination to participate in the STI match plan, which provides an award of share rights to the value of 50% of the individual's STI. The STI match award is provided in addition to the STI cash opportunity. Employees at this level are not eligible to participate in AMP's long-term incentive plan. As the STI match is based on the STI plan, the number of share rights awarded to the participant depends on the individual's contribution to company performance during the financial year.

STI match share rights convert to AMP Limited shares (ie vest) after a two-year deferral period. Vesting is subject to ongoing employment, compliance with AMP policies and the board's discretion.

#### Conversion to shares

If the awards vest, they are automatically converted to shares on behalf of participants. Upon conversion, participants become entitled to shareholder benefits, including dividends and voting rights. The board has the discretion to satisfy vested rights by either acquiring shares on market or through the issuance of shares. AMP's practice has been, and intention is to continue, to source the shares to satisfy LTI, STI deferral and STI match awards on market, so that the issuance of shares does not dilute the value of AMP Limited shares.

## 28. Share-based payments continued

The following table shows the factors which were considered in determining the independent fair value of the share rights granted during 2014 and the comparative period (2013):

Grant date	Share price	Contractual life	Dividend yield	Dividend discount	Fair value
05/06/2014	\$5.28	3.0 years	4.8%	13%	\$4.57
29/04/2014	\$5.07	1.8 years	4.8%	8%	\$4.64
14/03/2014	\$4.92	1.0 years	4.8%	4%	\$4.70
14/03/2014	\$4.92	2.0 years	4.8%	9%	\$4.48
09/09/2013	\$4.62	2.5 years	4.9%	11%	\$4.09
09/09/2013	\$4.62	0.9 years	4.9%	4%	\$4.42
09/09/2013	\$4.62	1.9 years	4.9%	9%	\$4.20
09/09/2013	\$4.62	2.9 years	4.9%	13%	\$4.00
27/06/2013	\$4.39	1.7 years	5.6%	9%	\$4.00
06/06/2013	\$4.97	0.8 years	5.6%	5%	\$4.74
06/06/2013	\$4.97	1.8 years	5.6%	10%	\$4.48
06/06/2013	\$4.97	0.9 years	5.6%	5%	\$4.72
06/06/2013	\$4.97	1.9 years	5.6%	10%	\$4.46
06/06/2013	\$4.97	3.0 years	5.6%	15%	\$4.21
30/04/2013	\$5.40	1.8 years	5.6%	10%	\$4.87

The following table shows the movement in share rights outstanding during the period:

Grant date	Exercise period	Exercise price	Balance at 1 Jan 2014	Exercised during the year	Granted during the year	Lapsed during the year	Balance at 31 Dec 2014 <sup>1</sup>
09/09/2011	n/a <sup>2</sup>	Nil	2,678,331	2,541,504	–	136,827	–
27/04/2012	n/a <sup>2</sup>	Nil	1,895,864	1,895,864	–	–	–
27/04/2012	n/a <sup>2</sup>	Nil	953,087	913,924	–	39,163	–
22/05/2012	n/a <sup>2</sup>	Nil	247,513	247,513	–	–	–
07/06/2012	n/a <sup>2</sup>	Nil	2,179,062	–	–	89,694	2,089,368
30/04/2013	n/a <sup>2</sup>	Nil	2,615,515	–	–	39,412	2,576,103
30/04/2013	n/a <sup>2</sup>	Nil	15,723	15,723	–	–	–
30/04/2013	n/a <sup>2</sup>	Nil	797,781	–	–	55,707	742,074
06/06/2013	n/a <sup>2</sup>	Nil	1,533,305	–	–	83,479	1,449,826
06/06/2013	n/a <sup>2</sup>	Nil	80,482	40,241	–	–	40,241
06/06/2013	n/a <sup>2</sup>	Nil	31,512	15,756	–	–	15,756
27/06/2013	n/a <sup>2</sup>	Nil	9,392	–	–	–	9,392
09/09/2013	n/a <sup>2</sup>	Nil	107,178	35,726	–	–	71,452
09/09/2013	n/a <sup>2</sup>	Nil	18,181	–	–	–	18,181
14/03/2014	n/a <sup>2</sup>	Nil	–	–	75,000	–	75,000
29/04/2014	n/a <sup>2</sup>	Nil	–	–	703,092	28,486	674,606
29/04/2014	n/a <sup>2</sup>	Nil	–	–	2,550,182	51,257	2,498,925
29/04/2014	n/a <sup>2</sup>	Nil	–	–	1,502,676	20,981	1,481,695
<b>Total</b>			<b>13,162,926</b>	<b>5,706,251</b>	<b>4,830,950</b>	<b>545,006</b>	<b>11,742,619</b>

1 The weighted average remaining contractual life of share rights (and share bonus rights without performance conditions) outstanding at the end of the period is 0.8 years.

2 The share rights granted from 2011 have no exercise period as they are automatically exercised upon vesting.

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 no share rights have lapsed. Of the share rights outstanding at the end of the period, none have vested or become exercisable.

## 28. Share-based payments continued

### (d) Restricted shares

#### Plan description

Historically, AMP awarded restricted shares to retain critical employees. Additionally, prior to 2011, Australian LTI participants were eligible to take some of their award in restricted shares (rather than share rights).

A *restricted share* is an ordinary AMP share that has a holding lock in place until the specified vesting period ends. The vesting period is typically three years, but may vary where the restricted shares are awarded to retain an employee for a critical period. During this time, the holder is eligible for dividends, but is unable to sell, transfer or hedge their award.

As this program is designed as a means of recognising and retaining employees, no performance hurdles apply, other than continued service for the duration of the three-year holding lock. If the individual resigns from AMP (or employment is terminated for misconduct or inadequate performance) during the holding period, the shares are forfeited.

In cases such as retirement and redundancy, the individual retains their restricted shares; however the holding lock remains in place until the end of the three-year vesting period. Restricted shares are bought on market and granted at no cost to employees.

#### Plan valuation

The fair value of restricted shares has been 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.

No restricted shares were granted during 2013 or 2014.

### (e) Employee share acquisition plan

#### Plan description

From time to time, AMP has provided employees and executives with the opportunity to become shareholders in AMP through the employee share acquisition plan (ESAP), typically by way of salary sacrificing their fixed remuneration or short-term incentive to acquire shares. Depending on the terms of the particular award, participants may be entitled to receive matching shares for shares acquired under the ESAP (eg the most recent awards provided one free share for every 10 shares acquired via salary sacrifice). Additionally, AMP can provide employees with free shares under the ESAP. Where the awards are acquired at no cost to the participant, service-based conditions must be met for the participant to receive their full entitlement. There are no performance hurdles applying to the plan as it is primarily designed to encourage employee share ownership.

The plan was suspended mid-way through 2009 in Australia due to the changes to the taxation treatment of employee share plan awards. Consequently, no shares have been acquired by Australian employees under the ESAP plan since mid-2009. The plan continues to operate in New Zealand.

If applicable, matching shares are bought on market through an independent third party.

Participants who cease to be employed within the AMP group within the three-year holding period may lose their entitlement to some or all of their matching shares or free shares, depending on the reason for leaving the company. To receive the maximum entitlement, participants must be employed by AMP for the whole three-year period.

#### Plan valuation

All awards made during 2014, and the comparative year (2013), were offers to salary sacrifice to acquire shares, with matching shares awarded on a one-for-ten basis after a three-year vesting period. Each matching share has been valued by external consultants as the face value of an AMP ordinary share at the date the salary sacrifice shares were acquired, less the present value of the expected dividends (to which the participant is not entitled until the end of the vesting period). The number of matching shares expected to be granted is estimated based on the average number of shares held in the ESAP by each employee at the beginning of each year. In determining the share-based payments expense for the period, the number of matching shares expected to be granted has been adjusted to reflect the number of employees expected to remain with AMP until the end of the three-year vesting period.

The following table shows the number of matching shares expected to be granted based on the shares purchased by employees under the ESAP during the current period and the comparative period, and the fair value.

Grant date	Estimated number of matching shares to be granted	Weighted average fair value
2014 – various	369	\$4.41
2013 – various	421	\$4.14

## 29. Group controlled entity holdings

Details of significant investments in controlled operating entities are as follows:

Name of entity	Country of registration	Share type	Footnote	% holdings	
				2014	2013
<b>Operating entities</b>					
140 St Georges Terrace Pty Limited	Australia	Ord		85	85
AAPH Executive Plan (Australia) Pty Ltd	Australia	Ord		100	100
AAPH Hong Kong Finance Limited	Hong Kong SAR	Ord		100	100
AAPH New Zealand Finance Pty Ltd	Australia	Ord		100	100
Accountants Resourcing (Australia) Pty Ltd	Australia	Ord	2	–	100
ACN 100 509 993 Pty Ltd	Australia	Ord	2	–	100
ACN 155 075 040 Pty Limited	Australia	Ord, Class A Pref.		100	100
ACPP Industrial Pty Ltd	Australia	Ord		85	85
ACPP Office Pty Ltd	Australia	Ord		85	85
ACPP Retail Pty Ltd	Australia	Ord		85	85
Advice First Limited	New Zealand	Ord		62	65
Adviser Resourcing Pty Ltd	Australia	Ord	2	–	100
AMP (UK) Finance Services Plc	UK	Ord		100	100
AMP AAPH Finance Limited	Australia	Ord		100	100
AMP AAPH Limited	Australia	Ord		100	100
AMP Administration (NZ) Limited	New Zealand	Ord	1	100	–
AMP ASAL Pty Ltd	Australia	Ord		100	100
AMP Bank Limited	Australia	Ord		100	100
AMP Capital AA REIT Investments (Australia) Pty Limited	Australia	Ord		85	85
AMP Capital AB Holdings Pty Limited	Australia	Ord		85	85
AMP Capital Advisors India Private Limited	India	Ord		85	85
AMP Capital Asia Limited	Hong Kong SAR	Ord		85	85
AMP Capital Bayfair Pty Limited	Australia	Ord		85	85
AMP Capital Core Infrastructure Pty Limited	Australia	Ord		85	85
AMP Capital Finance Limited	Australia	Ord		85	85
AMP Capital Funds Management Limited	Australia	Ord		85	85
AMP Capital Holdings Limited	Australia	Ord		85	85
AMP Capital Investment Management (UK) Limited	UK	Ord A & B		85	85
AMP Capital Investment Management Pty Limited	Australia	Ord A & B		85	85
AMP Capital Investors (GIF GP) S.à r.l.	Luxembourg	Ord		85	–
AMP Capital Investors (Hong Kong) Limited	Hong Kong SAR	Ord		85	85
AMP Capital Investors (IDF II GP) S.à r.l.	Luxembourg	Ord		85	85
AMP Capital Investors (Jersey No. 2) Limited	Jersey	Ord		85	85
AMP Capital Investors (Luxembourg No. 3) S.à r.l.	Luxembourg	Ord		85	85
AMP Capital Investors (Luxembourg No. 4) S.à r.l.	Luxembourg	Ord		85	85
AMP Capital Investors (Luxembourg No. 5) S.à r.l.	Luxembourg	Ord		85	85
AMP Capital Investors (Luxembourg No. 6) S.à r.l.	Luxembourg	Ord		85	85
AMP Capital Investors (Luxembourg) S.à r.l.	Luxembourg	Ord		85	85
AMP Capital Investors (New Zealand) Limited	New Zealand	Ord		85	85
AMP Capital Investors (Property Funds Management Jersey) Limited	Jersey	Ord	2	–	85
AMP Capital Investors (Singapore)					
Private Property Trust Limited	Singapore	Ord		85	85
AMP Capital Investors (Singapore) Pte Ltd	Singapore	Ord		85	85
AMP Capital Investors (UK) Limited	UK	Ord		85	85
AMP Capital Investors (US) Limited	USA	Ord		85	85
AMP Capital Investors Advisory (Beijing) Limited	People's Republic of China	Ord		85	85
AMP Capital Investors International Holdings Limited	Australia	Ord		85	85
AMP Capital Investors Japan KK	Japan	Ord	2	–	85
AMP Capital Investors KK	Japan	Ord		85	85
AMP Capital Investors Limited	Australia	Ord		85	85
AMP Capital Investors Real Estate Pty Limited	Australia	Ord		85	85
AMP Capital Office & Industrial (Singapore) Pte Limited	Singapore	Ord		85	85
AMP Capital Office and Industrial Pty Limited	Australia	Ord		85	85
AMP Capital Palms Pty Limited	Australia	Ord		85	85
AMP Capital Property Nominees Ltd	Australia	Ord		85	85
AMP Capital SA Schools No. 1 Pty Limited	Australia	Ord		85	85
AMP Capital SA Schools No. 2 Pty Limited	Australia	Ord		85	85
AMP Capital Shopping Centres Pty Limited	Australia	Ord		85	85
AMP Crossroads Pty Limited	Australia	Ord		85	85
AMP Custodian Services (NZ) Limited	New Zealand	Ord		85	85
AMP Davidson Road Pty Limited	Australia	Ord		85	85
AMP Direct Pty Ltd	Australia	Ord		100	100
AMP Finance Limited	Australia	Ord		100	100

## 29. Group controlled entity holdings continued

Name of entity	Country of registration	Share type	Footnote	% holdings	
				2014	2013
AMP Finance Services Limited	Australia	Ord		100	100
AMP Financial Investment Group Holdings Limited	Australia	Ord		100	100
AMP Financial Planning Pty Limited	Australia	Ord		100	100
AMP Financial Services Holdings Limited	Australia	Ord A		100	100
AMP Foundation Income Beneficiary Pty Ltd	Australia	Ord		100	100
AMP Foundation Limited	Australia	Ord		100	100
AMP GBS Limited	Australia	Fixed		100	100
AMP GDPF Pty Limited	Australia	Ord		85	85
AMP Group Finance Services Limited	Australia	Ord		100	100
AMP Group Holdings Limited	Australia	Ord A		100	100
AMP Group Services Limited	Australia	Ord A		100	100
AMP Holdings Limited	Australia	Ord A, Ord B, Red Pref B Class		100	100
AMP Insurance Investment Holdings Pty Limited	Australia	Ord		100	100
AMP Investment Management (NZ) Limited	New Zealand	Ord		85	85
AMP Investment Services No. 2 Pty Limited	Australia	Ord		85	85
AMP Investment Services Pty Limited	Australia	Ord		85	85
AMP Lending Services Limited	Australia	Ord		100	100
AMP Life Limited	Australia	Ord		100	100
AMP Macquarie Holding Pty Limited	Australia	Ord		85	85
AMP Macquarie Pty Limited	Australia	Ord		85	85
AMP New Ventures Holdings Pty Ltd	Australia	Ord	1	100	–
AMP New Zealand Holdings Limited	New Zealand	Ord		100	100
AMP Pacific Fair Pty Limited	Australia	Ord		85	85
AMP Personal Investment Services Pty Limited	Australia	Ord		100	100
AMP Planner Register Company Pty Limited	Australia	Ord		100	100
AMP Private Capital New Zealand Limited	New Zealand	Ord		85	85
AMP Private Capital No. 2 Pty Limited	Australia	Ord A		85	85
AMP Private Capital Pty Limited	Australia	Ord		85	85
AMP Private Investments Pty Limited	Australia	Ord		85	85
AMP Real Estate Advisory Holdings Pty Limited	Australia	Ord		100	100
AMP Remuneration Reward Plans Nominees Pty. Limited	Australia	Ord		100	100
AMP Riverside Plaza Pty Limited	Australia	Ord		85	85
AMP Royal Randwick Pty Limited	Australia	Ord		85	85
AMP Services (NZ) Limited	New Zealand	Ord		100	100
AMP Services Holdings Limited	Australia	Ord A		100	100
AMP Services Limited	Australia	Ord A		100	100
AMP SMSF Holding Co Limited	Australia	Ord		100	100
AMP SMSF Investments No. 2 Pty Ltd	Australia	Ord		100	100
AMP SMSF Pty Ltd	Australia	Ord		100	100
AMP Superannuation Limited	Australia	Ord		100	100
AMP Warringah Mall Pty Ltd	Australia	Ord		85	85
AMP Wealth Management New Zealand Limited	New Zealand	Ord		100	100
Arrive Wealth Management Pty Limited	Australia	Ord		100	100
Associated Planners Financial Services Pty Ltd	Australia	Ord		96	96
Associated Planners Strategic Finance Pty Ltd	Australia	Ord		96	96
Auburn Mega Mall Pty Limited	Australia	Ord		85	85
Australian Mutual Provident Society Pty Limited	Australia	Ord		100	100
Australian Securities Administration Limited	Australia	Ord		100	100
AWOF New Zealand Office Pty Limited	Australia	Ord		85	85
BMRI Financial Services Pty Ltd	Australia	Ord		100	100
Carter Bax Pty Ltd	Australia	Ord		100	100
Cavendish Administration Pty Ltd	Australia	Ord		100	100
Cavendish Pty Ltd	Australia	Ord, A Class, B Class, C Class, F Class		100	100
Cavendish Superannuation Holdings Pty Ltd	Australia	Ord		100	100
Cavendish Superannuation Pty Ltd	Australia	A Class, B Class, C Class, D Class, E Class, F Class		100	100
CBD Financial Planning Pty Limited	Australia	Ord		100	100
Charter Financial Planning Limited	Australia	Ord		100	100
Clientcare Financial Planning Pty Ltd	Australia	Ord		100	100
Exford Pty Ltd	Australia	Ord, Class A , Class B, Class C		100	100
Financial Composure Pty Ltd	Australia	Ord		96	96
Financially Yours Holdings Pty Ltd	Australia	Ord, Class Z		100	100

29. Group controlled entity holdings continued

Name of entity	Country of registration	Share type	Footnote	% holdings	
				2014	2013
Financially Yours Pty Ltd	Australia	Ord		100	100
First Quest Capital Pty Ltd	Australia	Ord		96	96
Forsythes Financial Services Pty Limited	Australia	Ord	1	100	–
Foundation Wealth Advisers Pty Ltd	Australia	Ord		57	57
Garrisons (Rosny) Pty Ltd	Australia	Ord		100	100
Genesys Group Holdings Pty Ltd	Australia	Ord		100	100
Genesys Group Pty Ltd	Australia	Ord		96	96
Genesys Hobart Pty Limited	Australia	Ord	1	96	–
Genesys Holdings Limited	Australia	Ord		96	96
Genesys Kew Pty Ltd	Australia	Ord		96	96
Genesys Wealth Advisers (WA) Pty Ltd	Australia	Ord		100	100
Genesys Wealth Advisers Ltd	Australia	Ord		96	96
GWM Spicers Limited	New Zealand	Ord		100	100
Hillross Alliances Pty Limited	Australia	Ord		100	100
Hillross Financial Services Limited	Australia	Ord		100	100
Hillross Innisfail Pty Limited	Australia	Ord		100	100
Hillross Wealth Management Centre Melbourne Pty Limited	Australia	Ord		100	100
Hindmarsh Square Financial Services Pty Ltd	Australia	Ord		100	100
Hindmarsh Square Wealth Advisers Pty Ltd	Australia	Ord		86	73
INSSA Pty Limited	Australia	Ord		100	100
ipac Asset Management Limited	Australia	Ord		100	100
ipac Financial Care Pty Ltd	Australia	Ord, Bonus		100	100
ipac Group Services Pty Limited	Australia	Ord		100	100
ipac Portfolio Management Limited	Australia	Converting Class A		85	85
ipac Securities Limited	Australia	Ord		100	100
ipac Taxation Services Pty Ltd	Australia	Ord		100	75
Jigsaw Support Services Limited	Australia	Ord		100	100
John Coombes & Company Pty Ltd	Australia	Ord		55	55
Joreki Pty Limited	Australia	Ord	1	100	–
King Financial Services Pty Ltd	Australia	Ord		100	100
LifeFX Pty Ltd	Australia	Ord		100	100
Lindwall Group Pty Ltd	Australia	Ord	2	–	100
Marrickville Metro Shopping Centre Pty Limited	Australia	Ord		85	85
Monitor Money Corporation Pty Ltd	Australia	Ord		100	100
Multiport Malaysia SDN BHD	Malaysia	Ord		100	100
Multiport Pty Ltd	Australia	Ord, Class A		100	100
Multiport Resources Pty Ltd	Australia	Ord		100	100
National Mutual Funds Management (Global) Limited	Australia	Ord		100	100
National Mutual Funds Management Limited	Australia	Ord		100	100
National Mutual Life Nominees Limited	Australia	Ord		100	100
NMMT Limited	Australia	Ord		100	100
Northstar Lending Pty Ltd	Australia	Ord		100	100
Omega (Australia) Pty Limited	Australia	Ord		85	85
Pajoda Investments Pty Ltd	Australia	Ord		55	55
Parkside Investor plus Solutions Pty Ltd	Australia	Ord	2	–	100
PPS Lifestyle Solutions Pty Ltd	Australia	Ord		100	100
Premier One Mortgage Advice Pty Limited	Australia	Ord		100	100
Priority One Agency Services Pty Ltd	Australia	Ord		100	100
Priority One Financial Services Limited	Australia	Ord		100	100
Private Wealth Managers Pty Ltd	Australia	Ord		100	100
Progress 2005-1 Trust	Australia		2	–	100
Progress 2005-2 Trust	Australia		2	–	100
Progress 2006-1 Trust	Australia			100	100
Progress 2007-1G Trust	Australia			100	100
Progress 2008-1R Trust	Australia			100	100
Progress 2009-1 Trust	Australia			100	100
Progress 2010-1 Trust	Australia			100	100
Progress 2011-1 Trust	Australia			100	100
Progress 2012-1 Trust	Australia			100	100
Progress 2012-2 Trust	Australia			100	100
Progress 2013-1 Trust	Australia			100	100
Progress 2014-1 Trust	Australia		1	100	–
Progress 2014-2 Trust	Australia		1	100	–
Progress Warehouse Trust No1	Australia			100	100
Progress Warehouse Trust No3	Australia			100	100
Prosperitus Holdings Pty Ltd	Australia	Ord	1	100	–
Prosperitus Pty Ltd	Australia	Ord	1	100	–



## 29. Group controlled entity holdings continued

Name of entity	Country of registration	Share type	Footnote	% holdings	
				2014	2013
Quadrant Securities Pty Ltd	Australia	Ord		96	96
SMSF Advice Pty Ltd	Australia	Ord		100	100
Solar Risk Pty Limited	Australia	Ord		100	100
Spicers Portfolio Management Ltd	New Zealand	Ord		100	100
SPP No. 3A Investments Pty Limited	Australia	Ord		85	85
Strategic Planning Partners Pty Limited	Australia	Ord, Ord C, Ord D, Ord E		100	100
Strategic Wealth Solutions Pty Limited	Australia	Ord	2	–	100
Sugarland Shopping Centre Pty Limited	Australia	Ord		85	85
Sunshine West Income Pty Limited	Australia	Ord		85	85
Suwaraw Pty Limited	Australia	Ord		100	100
Synergy Capital Management Limited	Australia	Ord		96	96
TFS Financial Planning Pty Limited	Australia	Ord		100	100
The National Mutual Life Association of Australasia Limited	Australia	Ord		100	100
TM Securities Pty Limited	Australia	Ord		100	100
Total Super Solutions Pty. Ltd.	Australia	Ord	1	100	–
Trenthills Financial Planning Pty Limited	Australia	Ord	1	100	–
Trenthills Financial Services Pty Limited	Australia	Ord	1	100	–
Tynan Mackenzie Holdings Pty Limited	Australia	Ord, Class A		99	73
Tynan Mackenzie Pty Limited	Australia	Ord		99	98
Wilsanik Pty Ltd	Australia	Ord		100	100
YourSMSF Administration Pty Limited (formerly Supercorp Administration Pty Ltd)	Australia	Ord		100	100

1 Controlling interest acquired in 2014.

2 Controlling interest lost in 2014.

Details of significant investments in investment entities controlled by the AMP life insurance entities' statutory funds are as follows:

Name of entity	Country of registration	Share type (where applicable)	Footnote	% holdings	
				2014	2013
<b>Investment entities controlled by the AMP life insurance entities' statutory funds</b>					
140 St Georges Terrace Trust	Australia			100	100
255 George Street Investment A Pty Ltd	Australia	Ord		100	100
255 George Street Investment B Pty Ltd	Australia	Ord		100	100
35 Ocean Keys Pty Limited	Australia	Ord		100	100
AAPH Australia Staff Superannuation Pty Ltd	Australia	Ord		100	100
Abbey Capital Real Estate Pty Limited	Australia	Ord		100	100
ACIT Finance Pty Limited	Australia	Ord	2	–	50
ACPP Holding Trust	Australia			100	100
Active Quant Share Fund	Australia			91	75
AFS Alternative Fund 1	Australia			100	100
AFS Australian Equity Enhanced Index Fund 1	Australia			100	100
AFS Australian Equity Growth Fund 1	Australia			100	100
AFS Australian Equity Value Plus Fund 1	Australia			100	100
AFS Australian Property Securities Fund 1	Australia			100	100
AFS Australian Share Fund 8	Australia			100	100
AFS Extended Alpha Fund (formerly AMP Capital Sustainable Extended Alpha Fund)	Australia			100	100
AFS Global Property Securities Fund 1	Australia			100	100
AFS International Fixed Interest Enhanced Index Fund	Australia			65	100
AFS International Share Fund 1	Australia			62	100
Aged Care Investment Services No. 1 Pty Limited	Australia	Ord		100	100
Aged Care Investment Services No. 2 Pty Limited	Australia	Ord		100	100
Aged Care Investment Trust No.1	Australia			81	100
Aged Care Investment Trust No.2	Australia			81	100
Aggressive Enhanced Index Fund	Australia			100	100
AHGI Martineau Fund	Australia			100	100
AHGI Martineau Galleries Fund	Australia			100	100
AIMS AMP Capital Industrial REIT Management Australia Pty Limited	Australia	Ord	3	43	85
Allmarg Corporation Limited	New Zealand	Ord, Pref		100	100
AMP Australian Property Index Fund	Australia		1,3	41	–
AMP Capital 1950s Fund	Australia			100	100

29. Group controlled entity holdings continued

Name of entity	Country of registration	Share type (where applicable)	Footnote	% holdings	
				2014	2013
AMP Capital 1960s Fund	Australia			100	100
AMP Capital 1970s Fund	Australia			100	100
AMP Capital 1980s Fund	Australia			100	100
AMP Capital 1990s Fund	Australia			100	100
AMP Capital Absolute Return – Passive Fund	Australia			96	100
AMP Capital Alternative Defensive Fund	Australia			94	100
AMP Capital Alternative Defensive Fund – Delayed Redemption	Australia			98	84
AMP Capital Asia ex-Japan Fund	Australia			100	100
AMP Capital Asia Local Currency Bond Fund	Australia			100	100
AMP Capital Asian Equity Growth Fund	Australia			91	75
AMP Capital Australian Equity Concentrated Fund	Australia			76	100
AMP Capital Australian Equity Income Fund	Australia			85	100
AMP Capital Australian Equity Long Short Fund	Australia		2	–	100
AMP Capital Australian Equity Opportunities Fund	Australia			66	68
AMP Capital Australian Index Fund	Australia			54	54
AMP Capital Australian Small Companies Fund	Australia			58	55
AMP Capital Business Space REIT	Singapore		2	–	85
AMP Capital China Growth Fund	Australia		3	38	37
AMP Capital Corporate Bond Fund	Australia			62	70
AMP Capital Credit Strategies Fund	Australia			90	87
AMP Capital Direct Property Fund	Australia			100	100
AMP Capital Diversified Balanced Fund	Australia			100	100
AMP Capital Extended Multi-Asset Fund	Australia			66	69
AMP Capital Global Equities Sector Rotation Fund	Australia			59	100
AMP Capital Global Infrastructure Securities Fund (Hedged)	Australia			83	75
AMP Capital Global Infrastructure Securities Fund (Unhedged)	Australia			88	74
AMP Capital Global Resource Fund	Australia		2	–	100
AMP Capital Greater China Equity Growth Fund	Australia		1	100	–
AMP Capital Infrastructure Trust 1	Australia			100	100
AMP Capital International Equity Index Fund Hedged	Australia			96	100
AMP Capital Investments No. 14 Limited	New Zealand	Ord A & B, Pref		100	100
AMP Capital Investments No. 2 Limited	New Zealand	Ord A & B, Pref		100	100
AMP Capital Investments No. 8 Limited	New Zealand	Ord A & B, Pref		100	100
AMP Capital Investors (Angel Trains EU No.1) S.à r.l.	Luxembourg	Ord	3	27	42
AMP Capital Investors (Angel Trains EU No.2) S.à r.l.	Luxembourg	Ord	3	6	42
AMP Capital Investors (Angel Trains UK No.1) S.à r.l.	Luxembourg	Ord	3	37	42
AMP Capital Investors (Angel Trains UK No.2) S.à r.l.	Luxembourg	Ord	3	25	42
AMP Capital Investors (CLH No. 1) S.à r.l.	Luxembourg	Ord	3	7	42
AMP Capital Investors (CLH No. 2) B.V.	Luxembourg	Ord	3	22	42
AMP Capital Investors (European Infrastructure No 3)	Luxembourg			50	42
AMP Capital Investors (European Infrastructure No 4)	Luxembourg			50	42
AMP Capital Investors (Infrastructure No.1) S.à r.l.	Luxembourg	Ord	3	25	42
AMP Capital Investors (Infrastructure No.2) S.à r.l.	Luxembourg	Ord	3	25	42
AMP Capital Investors (Infrastructure No.3) S.à r.l.	Luxembourg	Ord	3	25	42
AMP Capital Investors (Infrastructure No.4) S.à r.l.	Luxembourg	Ord	3	25	42
AMP Capital Investors (Kemble Water) S.à r.l.	Luxembourg	Ord	3	33	42
AMP Capital Investors Airport S.à r.l.	Luxembourg	Ord	3	27	42
AMP Capital Investors UK Cable Limited	Luxembourg	Ord	3	27	42
AMP Capital Macro Strategies Fund	Australia			100	84
AMP Capital New Zealand Shares Index Fund	New Zealand		1,3	33	–
AMP Capital Shell Fund 3	Australia			100	100
AMP Capital Specialist Diversified Fixed Income Fund	Australia		1	91	–
AMP Capital Stable Fund	Australia			100	100
AMP Capital Strategic Infrastructure Trust of Europe No.1	Luxembourg			50	42
AMP Capital Strategic Infrastructure Trust of Europe No.2	Luxembourg			50	42
AMP Capital Sustainable Share Fund	Australia			75	69
AMP Capital Wholesale Office Fund	Australia		2	–	35
AMP CMBS No. 1 Pty Limited	Australia	Ord		100	100
AMP CMBS No. 2 Pty Limited	Australia	Ord		100	100
AMP Global Property Investments Pty Ltd	Australia	Ord		100	100
AMP Life (NZ) Investments Holdings Limited	New Zealand	Ord		100	100
AMP Life (NZ) Investments Limited	New Zealand	Ord		100	100
AMP Life Cash Management Trust	Australia			100	100
AMP Private Capital Trust No.9	Australia			100	100
AMP Property Investments (Qld) Pty. Ltd.	Australia	Ord		100	100

## 29. Group controlled entity holdings continued

Name of entity	Country of registration	Share type (where applicable)	Footnote	% holdings	
				2014	2013
AMP Shareholder Cash Fund	Australia			82	100
AMP Shareholder Fixed Interest Fund	Australia			73	100
AMP UK Shopping Centre Fund	Australia			100	100
AMP/ERGO Mortgage and Savings Limited	New Zealand	Ord		100	100
AMPCI FD Infrastructure Trust	Australia			99	97
Arrow Systems Pty Limited	Australia	Ord	1,3	33	–
Australian Credit Fund	Australia			100	100
Australian Government Fixed Interest Fund	Australia			100	100
Australian Pacific Airports Fund	Australia			77	77
Australian Pacific Airports Fund No.3	Australia		3	33	33
AWOF New Zealand Office Trust	New Zealand		2	–	35
Balanced Enhanced Index Fund	Australia			100	100
BCG Finance Pty Limited	Australia	Ord		100	100
Booragoon Trust	Australia			100	100
Bourke Place Unit Trust	Australia		2	–	23
Carillon Avenue Pty Ltd	Australia	Ord	3	32	34
Cautious Enhanced Index Fund	Australia			100	100
Cavendish Administration Unit Trust	Australia		2	–	100
China Strategic Growth Fund	Australia			100	100
Collins Place No. 2 Pty Ltd	Australia	Ord		100	100
Collins Place Pty Limited	Australia	Ord		100	100
Commercial Loan Pool No. 1	Australia			100	100
Conservative Enhanced Index Fund	Australia			99	99
Core Plus Fund	Australia			100	100
Crossroads Trust	Australia			100	100
Davidson Road Trust	Australia			100	100
Didus Pty Limited	Australia	Ord		100	100
Diversified Investment Strategy No.1	Australia		1	55	–
EFM Australian Share Fund 1	Australia			96	96
EFM Australian Share Fund 2	Australia			99	99
EFM Australian Share Fund 3	Australia			98	98
EFM Australian Share Fund 4	Australia			94	94
EFM Australian Share Fund 6	Australia			98	99
EFM Australian Share Fund 7	Australia			97	98
EFM Fixed Interest Fund 2	Australia			97	97
EFM Fixed Interest Fund 3	Australia			94	95
EFM Fixed Interest Fund 4	Australia		2	–	94
EFM Infrastructure Fund 1	Australia			94	94
EFM International Share Fund 3	Australia			97	97
EFM International Share Fund 5	Australia			96	96
EFM International Share Fund 7	Australia			91	91
EFM International Share Fund 8	Australia		1	100	–
EFM Listed Property Fund 1	Australia			96	96
Enhanced Index International Share Fund	Australia			95	90
Enhanced Index Share Fund	Australia		2	–	89
Executive Share Plan Trust	Australia		2	–	100
FD Australian Share Fund 1	Australia			96	97
FD Australian Share Fund 3	Australia			95	94
FD International Share Fund 1	Australia			96	96
FD International Share Fund 3	Australia			98	98
FD International Share Fund 4	Australia			95	96
Floating Rate Income Fund	Australia			97	96
Focus Property Services Pty Limited	Australia	Ord		92	92
Future Directions Australian Bond Fund	Australia			91	96
Future Directions Australian Equity Fund	Australia		1	98	–
Future Directions Asia ex Japan Fund	Australia			96	98
Future Directions Australian Share Fund	Australia			84	93
Future Directions Australian Small Companies Fund	Australia			91	93
Future Directions Balanced Fund	Australia			100	98
Future Directions Conservative Fund	Australia			96	95
Future Directions Core International Share Fund 2	Australia			88	59
Future Directions Credit Opportunities Fund	Australia			96	96
Future Directions Diversified Alternatives Fund	Australia			96	98
Future Directions Enhanced Index Australian Share Fund	Australia			100	97
Future Directions Enhanced Index Global Property Securities Fund	Australia			100	97
Future Directions Enhanced Index International Bond Fund	Australia			92	95

29. Group controlled entity holdings continued

Name of entity	Country of registration	Share type (where applicable)	Footnote	% holdings	
				2014	2013
Future Directions Geared Australian Share Fund	Australia			93	93
Future Directions Global Credit Fund (formerly FD International Bond Fund 3)	Australia			95	95
Future Directions Global Government Bond Fund	Australia			92	92
Future Directions Growth Fund	Australia			97	97
Future Directions Hedged Core International Share Fund	Australia			69	61
Future Directions High Growth Fund	Australia			96	95
Future Directions Inflation Linked Bond Fund	Australia			100	97
Future Directions Infrastructure Fund	Australia			100	97
Future Directions International Bond Fund	Australia			95	95
Future Directions International Share Fund	Australia			84	60
Future Directions International Small Companies Fund	Australia		1	100	–
Future Directions Moderately Conservative Fund	Australia			96	95
Future Directions Opportunistic Fund	Australia			99	98
Future Directions Private Equity Fund 1A	Australia			100	97
Future Directions Private Equity Fund 1B	Australia			100	100
Future Directions Private Equity Fund 2A	Australia			99	99
Future Directions Private Equity Fund 2B	Australia			100	100
Future Directions Private Equity Fund 3A	Australia			99	97
Future Directions Private Equity Fund 3B	Australia			100	100
Future Directions Private Equity Fund 4A	Australia		1	99	–
Future Directions Property (Feeder) Fund	Australia			96	96
Future Directions Real Property Fund	Australia		1	100	–
Future Directions Total Return Fund	Australia			94	96
Genesys Participation Trust	Australia		2	–	100
Glendenning Pty Limited	Australia	Ord		100	100
Global Credit Fund	Australia			100	100
Global Credit Strategies Fund	Australia		2	–	87
Global Government Fixed Interest Fund	Australia			100	100
Global Growth Opportunities Fund	Australia			96	96
Global Listed Infrastructure Fund	Australia			100	100
Global Matafion S.L.	Luxembourg	Ord	3	22	42
Greater Gabbard OFTO Ltd	Luxembourg	Ord	2	–	42
Greater Gabbard OFTO Holdings Limited	Luxembourg	Ord	2	–	42
Greater Gabbard OFTO Interm Ltd	Luxembourg	Ord	2	–	42
Henderson Global Commodities Fund	Australia		1	56	–
Hindmarsh Square Financial Services Trust	Australia		2	–	100
Honeysuckle 231 Pty Limited	Australia	Ord		60	60
IEF Reliance Rail Pty Limited	Australia	Ord	1,3	33	–
Infrastructure Equity Fund	Australia		2	–	31
International Bond Fund	Australia			92	93
Investment Services Unit Trust	Australia		2	–	100
ipac Diversified Investment Strategy No.4	Australia		2	–	52
ipac Specialist Investment Strategies-Global Emerging Markets Strategy No.2	Australia		1	100	–
ipac Specialist Investment Strategies-Passive Global Property	Australia		1	100	–
Jeminex Limited	Australia	Ord and Pref		51	51
Kent Street Investment Trust	Australia			100	100
Kent Street Pty Limited	Australia	Ord		100	100
Kent Street Unit Trust	Australia		2	–	100
Kiwi Kat Limited	New Zealand	Ord		70	70
Knox City Shopping Centre Investments (No. 2) Pty Limited	Australia	Ord		100	100
Listed Property Trusts Fund	Australia		1	52	–
Loftus Street Trust	Australia		2	–	35
Macquarie Balanced Growth Fund	Australia			86	84
Macquarie Life Australian Enhanced Equities Fund	Australia		1	96	–
Managed Treasury Fund	Australia			88	88
Moderately Aggressive Enhanced Index Fund	Australia			100	100
Moderately Conservative Enhanced Index Fund	Australia			100	100
Monash House Trust	Australia			100	100
Mortgage Backed Bonds Limited	New Zealand	Ord	2	–	100
Mowla Pty. Ltd.	Australia	Ord		100	100
Multi-Manager Portfolio – Australian Equities Sector	Australia			100	100
Multi-Manager Portfolio – Balanced	Australia			100	100
Multi-Manager Portfolio – Growth	Australia			100	100
Multi-Manager Portfolio – High Growth	Australia			100	100
Multi-Manager Portfolio – International Equities Sector	Australia			100	100

## 29. Group controlled entity holdings continued

Name of entity	Country of registration	Share type (where applicable)	Footnote	% holdings	
				2014	2013
Multi-Manager Portfolio – International Shares-Hedged	Australia			100	100
Multi-Manager Portfolio – Property Sector	Australia			100	100
Multi-Manager Portfolio – Secure	Australia			100	100
Multi-Manager Portfolio – Secure Growth	Australia			100	100
National Fire Holdings Pty Limited	Australia	Ord	2	–	51
NM New Zealand Nominees Limited	New Zealand	Ord		100	100
N.M. Superannuation Pty Limited	Australia	Ord		100	100
NM Computer Services Pty Ltd	Australia	Ord		100	100
NM Rural Enterprises Pty Ltd	Australia	Ord		100	100
One Group Retail Holdings Pty Limited	Australia	Ord	2	–	52
Principal Healthcare Finance No. 2 Pty Limited	Australia	Ord	2	–	50
Principal Healthcare Holdings Pty Limited	Australia	Ord		100	100
Principal Healthcare Holdings Trust	Australia			100	100
Private Equity Fund IIIA	Australia			94	94
Private Equity Fund IIIB	Australia			94	94
Quay Mining (No. 2) Limited	Bermuda	Ord, Red Pref		100	100
Quay Mining Pty Limited	Australia	Ord		100	100
Responsible Investment Leaders Conservative Fund	Australia			95	91
Responsible Investment Leaders Growth Fund	Australia			97	97
Responsible Investment Leaders High Growth Fund	Australia			100	100
Riverside Plaza Trust	Australia			100	100
Select Property Portfolio No. 1	Australia			86	86
Short Term Credit Fund	Australia			100	100
Silverton Securities Proprietary Ltd	Australia	Ord		100	100
SPP No. 1 (Alexandra Canal) Pty Limited	Australia	Ord		86	86
SPP No. 1 (Coves) Pty Limited	Australia	Ord		86	86
SPP No. 1 (H) Pty Limited	Australia	Ord		86	86
SPP No. 1 (Hawthorn) Pty Limited	Australia	Ord		86	86
SPP No. 1 (Mona Vale) Pty Limited	Australia	Ord		86	86
SPP No. 1 (Mornington) Pty Limited	Australia	Ord		86	86
SPP No. 1 (Mt. Waverley Financing) Pty Limited	Australia	Ord		86	86
SPP No. 1 (Mt. Waverley) Pty Limited	Australia	Ord		86	86
SPP No. 1 (Newcastle) Pty Limited	Australia	Ord		86	86
SPP No. 1 (North Melbourne) Pty Limited	Australia	Ord		86	86
SPP No. 1 (Pakenham) Pty Limited	Australia	Ord		86	86
SPP No. 1 (Point Cook) Pty Limited	Australia	Ord		86	86
SPP No. 1 (Port Melbourne) Pty Limited	Australia	Ord		86	86
SPP No. 1 (Q Stores) Pty Limited	Australia	Ord		86	86
SPP No. 1 (Rosebery) Pty Limited	Australia	Ord		86	86
SPP No. 1 Holdings Pty Limited	Australia	Ord		86	86
Strategic Infrastructure Trust of Europe UK SPV Limited	Luxembourg	Ord	2	–	42
Student Housing Accommodation Growth Trust	Australia		3	19	34
Student Housing Accommodation Growth Trust No.2	Australia		3	19	34
Sunshine West Development Pty Limited	Australia	Ord		75	75
Sydney Cove Trust	Australia			100	100
The Glendenning Trust	Australia			100	100
The Pinnacle Fund	Australia			100	100
TOA Pty Ltd	Australia	Ord		100	100
United Equipment Holdings Pty Limited	Australia	A Pref		56	56
Warringah Mall Trust	Australia		2	–	50
Waterfront Place (No. 2) Pty. Ltd.	Australia	Ord		100	100
Waterfront Place (No. 3) Pty. Ltd.	Australia	Ord		100	100
Wholesale Australian Bond Fund	Australia			82	90
Wholesale Cash Management Trust	Australia		1	51	–
Wholesale Global Diversified Yield Fund	Australia			100	100
Wholesale Global Equity – Growth Fund (Hedged)	Australia		2	–	100
Wholesale Global Equity – Index Fund (Hedged)	Australia			100	100
Wholesale Global Equity – Index Fund (Unhedged)	Australia			100	100
Wholesale Unit Trust NZ Shares Fund	New Zealand		1	100	–
Wholesale Unit Trusts NZ Shares Fund	New Zealand			100	100

1 Controlling interest acquired in 2014.

2 Controlling interest lost in 2014.

3 Not more than 50% holding, but consolidated because AMP is exposed or has rights to variable returns from its investment with the entity and has the ability to affect these returns through its power over the entity.

### 29. Group controlled entity holdings continued

In the course of its normal operating investment activities, the AMP life insurance entities' statutory funds acquire equity interests in entities which, in some cases, results in AMP holding a controlling interest in some of these investees. Certain controlled entities of the AMP life entities' statutory funds are operating companies which carry out business operations unrelated to the core wealth management operation of the AMP group.

The AMP group has classified operating companies, which are controlled entities of the AMP life entities' statutory funds, as disposal groups held for sale where they are subject to active sale processes at 31 December 2014 and a sale is expected to be completed within a year. These operating companies are being disposed in accordance with the investment strategy of the fund which holds the investment in these entities. Subsequent to being classified as disposal groups an impairment of \$13m to the assets of disposal groups was recognised due to a decrease in their fair value. All disposal groups are held within the Australian wealth management operating segment.

The major classes of assets and liabilities of the disposal groups are as follows:

	2014 \$m	2013 \$m
<b>Assets</b>		
Cash	1	–
Receivables	16	11
Inventory and other assets	24	9
Property, plant and equipment	58	5
Intangibles	1	17
<b>Total assets of the disposal groups</b>	<b>100</b>	<b>42</b>
<b>Liabilities</b>		
Payables	20	8
Deferred tax liability	2	–
Provisions	3	–
Borrowings	44	–
<b>Total liabilities of the disposal groups</b>	<b>69</b>	<b>8</b>
<b>Net assets of the disposal groups</b>	<b>31</b>	<b>34</b>

Refer to note 23 for details regarding fair value measurement.

### 30. Associates

#### (a) Investments in associates accounted for using the equity method

	Principal activities	Ownership interest		Carrying amount		Principal place of business
		2014 %	2013 %	2014 \$m	2013 \$m	
AIMS AMP Capital Industrial REIT <sup>1,2</sup>	Industrial property trust	5	5	43	33	Singapore
China Life AMP Asset Management Company Ltd <sup>3</sup>	Investment management	15	15	17	16	People's Republic of China
Other (each less than \$10m)				56	64	
<b>Total investments in associates accounted for using the equity method</b>				<b>116</b>	<b>113</b>	

- 1 The combination of the 5% investment in AIMS AMP Capital Industrial REIT and the joint control of the manager companies result in significant influence by AMP.
- 2 The value of AMP's investment in AIMS AMP Capital Industrial REIT based on published quoted prices as at the reporting date is \$39m (2013: \$31m).
- 3 The combination of the 15% invested in China Life AMP Asset Management Company Ltd and rights held under a shareholders agreement result in significant influence by AMP.

#### Aggregated financial information extracted from the financial statements of AIMS AMP Capital Industrial REIT:

	2014 \$m	2013 \$m
Current assets	15	14
Non-current assets	1,326	968
Current liabilities	26	19
Non-current liabilities	438	254
Revenues	52	58
Expenses – including tax	15	23
Profit/(loss)	38	35
<b>Share of contingent liabilities incurred in relation to associates accounted for using the equity method</b>	<b>Nil</b>	<b>Nil</b>

#### Aggregated financial information extracted from the financial statements of China Life AMP Asset Management Company Ltd

	2014 \$m	2013 \$m
Current assets	104	108
Non-current assets	22	–
Current liabilities	12	1
Non-current liabilities	–	–
Revenues	19	1
Expenses – including tax	21	1
Profit/(loss)	(3)	–
<b>Share of contingent liabilities incurred in relation to associates accounted for using the equity method</b>	<b>Nil</b>	<b>Nil</b>

30. Associates continued

(b) Investments in significant associates held by the life entities' statutory funds measured at fair value through profit or loss<sup>1,2,3</sup>

	Principal activity <sup>3</sup>	Ownership interest		Carrying amount	
		2014 %	2013 %	2014 \$m	2013 \$m
AFS Property Enhanced Index Fund <sup>5</sup>	Investment trusts	–	43	–	634
AMP Australian Equity Index Fund <sup>4</sup>	Investment trusts	50	–	121	–
AMP Capital Diversified Property Fund <sup>4</sup>	Investment trusts	25	–	1,011	–
AMP Capital Balanced Growth Fund <sup>4</sup>	Investment trusts	20	–	53	–
AMP Capital Global Property Securities Fund	Investment trusts	40	38	614	513
AMP Capital Multi-Asset Fund	Investment trusts	37	49	111	94
AMP Capital NZ Shares Fund <sup>4</sup>	Investment trusts	40	–	183	–
AMP Capital NZ Shares Index Fund <sup>5</sup>	Investment trusts	–	35	–	87
AMP Capital Pacific Fair and Macquarie Shopping Centre Fund	Investment trusts	26	26	291	297
AMP Capital Property Portfolio <sup>5</sup>	Investment trusts	–	40	–	291
AMP Capital Shopping Centre Fund	Investment trusts	25	31	562	644
AMP Capital Strategic NZ Shares Fund	Investment trusts	45	38	65	124
AMP Equity Trust	Investment trusts	46	42	202	206
Asian Giants Infrastructure	Infrastructure investment	37	37	16	18
Darling Park Property Trust <sup>5</sup>	Investment trusts	–	50	–	239
Diversified Investment Strategy No 2	Investment trusts	23	38	120	126
Diversified Investment Strategy No 3 <sup>4</sup>	Investment trusts	28	–	62	–
Enhanced Index Share Fund <sup>4</sup>	Investment trusts	50	–	199	–
Esplanade Property Trust <sup>5</sup>	Investment trusts	–	50	–	159
Future Directions Emerging Markets Share Fund	Investment trusts	49	36	56	304
Gove Aluminium Finance Limited	Investment company	30	30	96	84
Hyperion Australian Growth Companies Fund	Investment trusts	24	23	111	57
K2 Australian Absolute Return Fund	Investment trusts	28	22	109	94
Listed Property Trust Fund <sup>5</sup>	Investment trusts	–	30	–	57
Man AHL Alpha <sup>4</sup>	Investment trusts	26	–	53	–
Marrickville Metro Trust <sup>5</sup>	Investment trusts	–	50	–	82
Pimco Diversified Fixed Interest Fund	Investment trusts	33	25	145	73
Responsible Investments Leader Balanced Fund	Investment trusts	26	32	238	272
Responsible Investments Leaders Australian Share Fund <sup>5</sup>	Investment trusts	–	46	–	133
Specialist Investment Strategies – Australian Strategies – Australian Cash Strategy No 1 <sup>5</sup>	Investment trusts	–	24	–	194
Specialist Investment Strategies – Australian Strategies – Australian Share Strategy No 1 <sup>5</sup>	Investment trusts	–	25	–	844
Specialist Investment Strategies – International Strategies – Alternative Income Strategy No 1 <sup>5</sup>	Investment trusts	–	24	–	311
Specialist Investment Strategies – International Strategies – International Share Strategy No 2 <sup>5</sup>	Investment trusts	–	24	–	233
Specialist Investment Strategies – International Strategies – International Smaller Companies No.1 <sup>5</sup>	Investment trusts	–	27	–	148
Sugarland Shopping Centre Trust <sup>5</sup>	Investment trusts	–	50	–	55
Templeton Global Trust Fund	Investment trusts	26	29	85	65
Value Plus Australia Share Fund	Investment trusts	29	29	57	57
Wholesale Cash Management Trust <sup>5</sup>	Investment trusts	–	28	–	193

1 Investments in associated entities that back investment contract and life insurance contract liabilities are treated as financial assets and are measured at fair value. Refer to note 1(g).

2 The reporting date for all significant associated entities is 31 December.

3 In the course of normal operating investment activities, the life statutory fund holds investments in various operating businesses. Investments in associated entities reflect investments where the life statutory fund holds between a 20% and 50% equity interest.

4 Trust became an associated entity during 2014.

5 Trust ceased being an associated entity during 2014.



### 31. Operating lease commitments

	Consolidated		Parent	
	2014 \$m	2013 \$m	2014 \$m	2013 \$m
<b>Operating lease commitments (non-cancellable)</b>				
Due within one year	85	85	–	–
Due within one year to five years	275	296	–	–
Due later than five years	40	97	–	–
<b>Total operating lease commitments</b>	<b>400</b>	<b>478</b>	<b>–</b>	<b>–</b>

Lease commitments are in relation to the AMP group's offices in various locations. Under these arrangements AMP generally pays rent on a periodic basis at rates agreed at the inception of the lease.

At 31 December 2014, the total of future minimum sublease payments expected to be received under non-cancellable subleases was \$39m (2013: \$50m).

### 32. Contingent liabilities

The AMP group and the parent entity from time to time 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.

The parent 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.

Where it is determined that the disclosure of information in relation to a contingent liability can be expected to prejudice seriously the position of the AMP group (or its insurers) in a dispute, accounting standards allow the AMP group not to disclose such information and it is the AMP group's policy that such information is not to be disclosed in this note.

At the reporting date there were no other material contingent liabilities where the probability of any outflow in settlement was greater than remote.

### 33. Related-party disclosures – key management personnel

In accordance with AASB 124 *Related Party Disclosures*, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the entity including whether executive or otherwise. For the AMP group, key management personnel include all the non-executive directors of the AMP Limited Board, the CEO and direct reports of the CEO who together form the Group Leadership team.

Further detailed disclosures regarding remuneration of key management personnel are provided in the remuneration report which forms part of the directors' report.

#### (a) Compensation of key management personnel

	Short-term benefits \$'000	Post employment benefits \$'000	Share-based payments \$'000	Other long-term benefits <sup>3</sup> \$'000	Termination benefits \$'000	Total \$'000
<b>Non-executive directors<sup>1</sup></b>						
2014	2,915	236	–	–	–	3,151
2013 <sup>2</sup>	2,963	233	–	–	–	3,196
<b>Key management personnel excluding non-executive directors</b>						
2014	16,444	318	10,203	609	–	27,574
2013 <sup>2</sup>	13,877	265	9,927	218	–	24,287
<b>All key management personnel</b>						
2014	19,359	554	10,203	609	–	30,725
2013 <sup>2</sup>	16,840	498	9,927	218	–	27,483

1 Non-executive directors are not entitled to short-term incentive payments. Short-term benefits only include fees and allowances.

2 This represents the amount paid to those individuals considered key management personnel and disclosed as such in the 2013 financial report.

3 Presentation has been enhanced to include long service leave accruals.

#### (b) Transactions with key management personnel

During the year, key management personnel and their personally related entities have entered into transactions with the parent entity or its subsidiaries. All such transactions have occurred within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those that it is reasonable to expect AMP would have adopted if dealing at arm's length with an unrelated individual.

These transactions include:

- normal personal banking with AMP Bank Limited including the provision of credit cards
- the purchase of AMP insurance and investment products
- financial investment services.

Information about such transactions does not have the potential to affect adversely 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.

The following tables provide details of loans made to key management personnel and their related parties by AMP or any of its subsidiaries.

	Balance at 1 Jan 2014 \$'000	Written off \$'000	Net advances (repayments) \$'000	Balance at 31 Dec 2014 \$'000	Interest charged \$'000	Interest not charged \$'000	Number in group
<b>Key management personnel and their related parties<sup>1</sup></b>	4,133	–	5,028	9,161	279	–	4

1 All 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.

### 34. Auditors' remuneration

	Consolidated		Parent	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Amounts received or due and receivable by auditors of AMP Limited for:</b>				
<b>Audit services</b>				
Audit or review of financial statements	10,559	11,712	140	140
Other audit services <sup>1</sup>	2,008	2,150	–	–
<b>Total audit service fees</b>	<b>12,567</b>	<b>13,862</b>	<b>140</b>	<b>140</b>
<b>Total non-audit services<sup>2</sup></b>	<b>1,386</b>	<b>3,872</b>	<b>–</b>	<b>–</b>
<b>Total amounts received or due and receivable by auditors of AMP Limited<sup>3,4</sup></b>	<b>13,953</b>	<b>17,734</b>	<b>140</b>	<b>140</b>

- 1 Other audit services includes fees for reviews of the half year investor reports, compliance audits and other audit procedures performed for vehicles controlled by AMP life insurance entities' statutory funds and those managed by AMP Capital.
- 2 Non-audit services include tax and compliance advice, AMP Bank securitisation opinions, general business and project advice, services in relation to a target operating model and other procedures performed for investment vehicles owned or controlled by AMP Capital and AMP Life insurance entities' statutory funds.
- 3 Includes fees paid to EY affiliates overseas.
- 4 Periodically, the AMP group gains control of entities whose incumbent auditor is an audit firm other than EY. In addition to the audit fees paid to EY for auditing the AMP group, immaterial audit fees are also paid to these non-EY audit firms in relation to the audit of those periodically controlled entities. The non-EY audit firms are also independently contracted to provide other services to other controlled entities of the AMP group, unrelated to their audit work.

### 35. Events occurring after reporting date

As at the date of this report, the directors are not aware of any matter or circumstance that has arisen since the reporting date that has significantly affected or may significantly affect the entity's operations in future years; the results of those operations in future years; or the entity's state of affairs in future years which is not already reflected in this report, other than the following:

- On 19 February 2015, AMP announced a final dividend on ordinary shares of 13.5 cents per share. Details of the announced dividend and dividends paid and declared during the year are disclosed in note 18 of the financial report.
- On 30 October 2014, AMP entered into an agreement to acquire 19.99% of China Life Pension Company (CLPC), the largest pension company in China, for a hedged cost of \$238m. As at 31 December 2014, AMP was awaiting final regulatory approval to settle the transaction. Therefore, no investment in CLPC is recognised in the financial report as at 31 December 2014. The acquisition was settled on 20 January 2015.

## Directors' declaration

for the year ended 31 December 2014

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 2014 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 2014 include an explicit and unreserved statement of compliance with the International Financial Reporting Standards, as set out in note 1(a) to the financial statements
- (d) the declarations required by section 295A of the *Corporations Act 2001* have been given to the directors.



**Simon McKeon**  
Chairman

Sydney, 19 February 2015



**Craig Meller**  
Chief Executive Officer and Managing Director

## Independent auditor's report to the members of AMP Limited

### Report on the financial report

We have audited the accompanying financial report of AMP Limited, which comprises the statements of financial position as at 31 December 2014, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### Directors' responsibility 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 controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

### Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

### Opinion

In our opinion:


- a. the financial report of AMP Limited is in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2014 and of their performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

### Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2014. 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.

### Opinion

In our opinion, the Remuneration Report of AMP Limited for the year ended 31 December 2014 complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



Tony Johnson

Partner  
Sydney, 19 February 2015

# Shareholder information

## Distribution of shareholdings as at 20 February 2015

Range	Number of holders	Ordinary shares held	% of issued capital
1–1,000	572,043	251,312,481	8.50
1,001–5,000	216,273	439,772,791	14.87
5,001–10,000	22,017	155,734,459	5.27
10,001–100,000	11,480	235,004,170	7.95
100,001 and over	327	1,875,914,063	63.41
<b>Total</b>	<b>822,140</b>	<b>2,957,737,964</b>	<b>100.00</b>

As at 20 February 2015, the total number of shareholders holding less than a marketable parcel of 76 shares is 8,306.

## Twenty largest shareholdings as at 20 February 2015

Rank	Name	Ordinary shares held	% of issued capital
1	HSBC Custody Nominees (Australia) Limited	677,828,676	22.92
2	J P Morgan Nominees Australia Limited	375,154,049	12.68
3	National Nominees Limited	311,588,792	10.53
4	Citicorp Nominees Pty Limited	135,306,442	4.57
5	BNP Paribas Noms Pty Ltd <DRP>	58,460,623	1.98
6	Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	40,766,265	1.38
7	HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	24,127,557	0.82
8	AMP Life Limited	23,743,686	0.80
9	Australian Foundation Investment Company Limited	20,100,422	0.68
10	National Nominees Limited <N A/C>	19,503,963	0.66
11	Argo Investments Limited	12,381,674	0.42
12	National Nominees Limited <DB A/C>	9,998,498	0.34
13	BNP Paribas Noms Pty Ltd <Agency Lending DRP A/C>	9,952,200	0.34
14	Pan Australian Nominees Pty Limited	7,681,836	0.26
15	Navigator Australia Ltd <MLC Investment Sett A/C>	6,545,621	0.22
16	RBC Investor Services Australia Nominees Pty Limited <BKCUST A/C>	6,094,385	0.21
17	UBS Wealth Management Australia Nominees Pty Ltd	5,580,584	0.19
18	RBC Investor Services Australia Nominees Pty Limited <MBA A/C>	4,226,910	0.14
19	HSBC Custody Nominees (Australia) Limited	4,050,767	0.14
20	Nulis Nominees (Australia) Limited	4,041,841	0.14
<b>Total</b>		<b>1,757,134,791</b>	<b>59.41</b>

### Substantial shareholders

The company has received no substantial shareholding notices.

### Total number of holders of ordinary shares and their voting rights

As at 20 February 2015, the share capital of AMP Limited consisted of 2,957,737,964 ordinary shares held by 822,140 shareholders. The voting rights attached to the 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 at a poll.

### Total number of options over unissued shares and option holders

As at 20 February 2015, AMP Limited had no options on issue over unissued ordinary shares in AMP Limited.

### On market acquisitions for employee incentive schemes during the financial year ended 31 December 2014

5,560,621 AMP Limited ordinary shares were purchased on market to satisfy entitlements under AMP's employee incentive schemes at an average price per share of \$5.36.

### Stock exchange listings

AMP Limited is listed on the Australian Securities Exchange and on the New Zealand Stock Exchange.

### Restricted securities

There are no restricted securities on issue.

### Buyback

There is no current on market buyback.

**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.

**Demerger**

AMP's demerger on 23 December 2003 created separate businesses; AMP in Australasia and Henderson Group in the United Kingdom.

**Earnings per share**

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).

**Franked dividends**

Dividends paid which have franking credits attached. The franking credits represent the income tax paid by the company paying the dividend, which can be used as a tax credit by Australian resident shareholders receiving the dividend.

**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.

**Long-term incentive**

A long-term incentive (LTI) is an award primarily provided in the form of performance rights or share rights, to align an executive's interest with the interests of shareholders. LTIs at AMP are subject to performance hurdles and/or a service requirement.

**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, as long as a specific performance hurdle is met.

**Share right**

A form of remuneration designed to recognise senior leaders who contribute significantly to AMP's overall business success. A share right is a right to acquire one AMP share after a three-year vesting period, as long as a service condition is met.

**Short-term incentive (STI)**

A cash payment based on performance during the year against pre-defined business objectives aligned to company strategy.

**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 stemming from shareholder assets 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 page 33.

**Underlying return on equity**

A measure of the return a company makes on shareholder equity. Return on equity (RoE) for the year is calculated as underlying profit divided by the average of the monthly average shareholder equity during the year.

**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.

## Need help?

Contact the AMP share registry

**email** [ampservices@computershare.com.au](mailto:ampservices@computershare.com.au)

**web** [amp.com.au/shares](http://amp.com.au/shares)

### **Australia**

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F 1300 301 721

### **New Zealand**

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