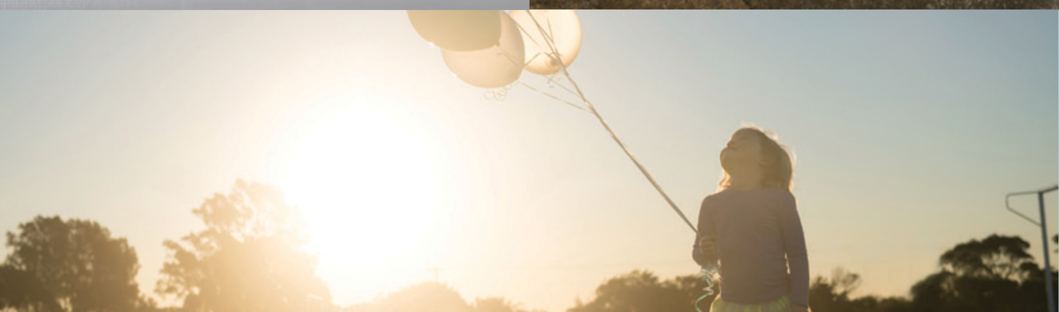
AMP

2016 annual report








AMP Limited ABN 49 079 354 519

Contents

Unless otherwise specified, all amounts are in Australian dollars.
Information in this report is current as at 9 February 2017.

Our year

2016 was a challenging year for AMP. The net loss we reported was largely driven by challenges in our insurance business and the actions that were taken to rebase and stabilise it going forwards.

Total dividend	Loss attributable to shareholders	Underlying profit	On-market share buy-back, up to	Capital surplus
28cps	$344m	$486m	$500m	$2.2b

Without doubt our 2016 financial results were unsatisfactory. A significant factor in this result was the underperformance of our insurance business, driven by extremely challenging operating conditions in the insurance sector. We have taken action to rebase this business to provide greater earnings stability at group level, protect our balance sheet and free up capital. This included a reinsurance deal with Munich Re to release up to $500 million in capital from the insurance business and to help reduce future earnings volatility at a group level. We also significantly strengthened our best estimate assumptions.

Notwithstanding these challenges, we delivered a good performance in AMP Bank, in our New Zealand operations and internationally through AMP Capital. Our Australian superannuation and financial advice businesses delivered largely steady results in low-growth market conditions, and we made good progress to become a more customer centred organisation.

Your board remains confident that AMP is well set up for future success, and along with AMP's management and employees are united in our focus to rebalance short-term performance, with a sharper focus on cashflows, costs and capital, for long-term growth. Our strategy is to capitalise on large and growing markets and on businesses where we have a distinct competitive advantage thanks to our scale, brand, distribution reach and investment expertise.

Our superannuation and financial advice business is in a very strong position. We are the largest superannuation provider in Australia, based on assets under management; and we plan to grow in this market over the next five years by focusing on our customers. We are listening and responding to our customers' needs with technology and access to advice that helps them reach their goals.

While superannuation and financial advice are important to our customer focus, AMP Bank is a part of that story too. The bank provides an important service in helping our customers achieve their goals, and we continue to see growth in our residential home loans and deposits as a result.

The business has continued to grow selectively in Asia and internationally, primarily through AMP Capital. In Asia, our focus is on high-growth potential markets, particularly China. Our connection to China is strong; we have had a presence there for almost 20 years and for the past decade we've had the privilege of working with China Life, the world's largest listed life insurance group and a Fortune 500 company. Through our joint ventures with China Life and also with our Japanese partner, Mitsubishi UFJ Trust and Banking Corporation (MUTB), we have continued to attract investments and build on development opportunities.

Dividend and capital position

Your board is pleased to have delivered a total 2016 dividend of 28 cents per share for shareholders, franked at 90%. This represents a full year 2016 dividend payout ratio of 85% of underlying profit. We have returned $828 million to shareholders in the form of dividends and dividend reinvestment plan (DRP) shares for the year. Our underlying business has remained strong and we have maintained a strong capital position. At 31 December 2016 we held $2.2 billion in capital above minimum regulatory requirements. The strength of AMP's capital position, following the completion of a reinsurance deal in our insurance business, has facilitated an on-market share buy-back of up to $500 million.

Strengthening our board

Four new directors were appointed to our board in 2016. Vanessa Wallace, who has over 30 years' consulting experience to the financial services sector, joined in March 2016 (and was elected at the 2016 annual general meeting (AGM)), while Geoff Roberts, who has wide-reaching financial management experience, joined in July 2016. Insurance expert and experienced investment manager Mike Wilkins joined in September 2016; and Peter Varghese AO, who has extensive government and public administration experience, joined in October 2016. Vanessa, Geoff, Mike and Peter each bring broad skills and capabilities that will prove invaluable to our business as we continue to pursue our strategy.

Your board is confident that AMP is taking the right actions and pursuing the best strategy to build a sustainable, growing business and improve long-term returns to shareholders.

C. Brenner

Catherine Brenner
Chairman

Our financial performance

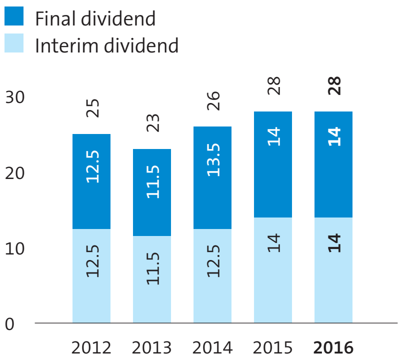
Five-year financial summary

Year ended 31 December	2016 $m	2015 $m	2014 $m	2013 $m	Restated 2012 $m
Consolidated income statement					
Net premium, fee and other revenue	**6,204**	5,539	5,343	5,136	5,166
Investment gains (losses)	**8,567**	8,483	12,244	14,963	12,258
Profit (loss) before income tax from continuing operations	**358**	1,993	1,814	1,498	1,387
Income tax (expense) credit	**(166)**	(280)	(843)	(782)	(688)
Non-controlling interests	**(536)**	(741)	(87)	(44)	(10)
Profit (loss) after tax attributable to shareholders of AMP Limited	**(344)**	972	884	672	689
Consolidated statement of financial position					
Cash and cash equivalents	**3,476**	3,955	3,581	2,938	4,388
Investment assets	**129,995**	128,074	123,292	121,781	107,721
Intangibles	**3,199**	3,983	4,042	4,136	4,502
Assets of disposal groups	**–**	–	100	42	187
Other assets	**3,390**	3,696	3,840	4,327	4,566
Total assets	**140,060**	139,708	134,855	133,224	121,364
Interest-bearing liabilities	**17,218**	17,452	16,502	16,243	13,473
Life insurance contract liabilities	**24,225**	23,871	24,403	24,934	25,055
Investment contract liabilities	**71,579**	69,848	66,980	66,049	58,385
Liabilities of disposal groups	**–**	–	69	8	74
Other liabilities	**19,497**	19,642	18,516	17,790	16,734
Total liabilities	**132,519**	130,813	126,470	125,024	113,721
Net assets	**7,541**	8,895	8,385	8,200	7,643
Contributed equity	**9,619**	9,566	9,508	9,602	9,333
Reserves	**(1,972)**	(1,866)	(1,888)	(1,973)	(2,157)
Retained earnings	**(185)**	819	566	461	332
Total equity attributable to shareholders of AMP Limited	**7,462**	8,519	8,186	8,090	7,508
Non-controlling interests	**79**	376	199	110	135
Total equity	**7,541**	8,895	8,385	8,200	7,643

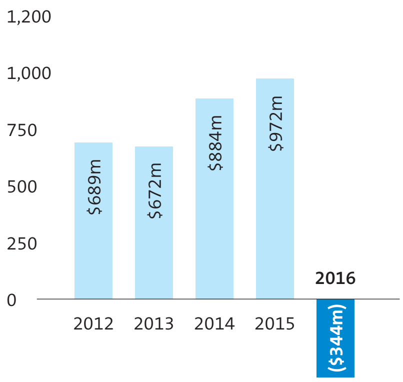
Year ended 31 December		2016	2015	2014	2013	Restated 2012
Other financial data						
Basic earnings per ordinary share	($ps)	**($0.11)**	$0.33	$0.30	$0.23	$0.24
Diluted earnings per ordinary share	($ps)	**($0.11)**	$0.33	$0.30	$0.23	$0.24
Dividends per ordinary share	($ps)	**$0.28**	$0.28	$0.26	$0.23	$0.25
Number of ordinary shares	(m)	**2,958**	2,958	2,958	2,958	2,930
Assets under management	($b)	**240**	226	214	197	173

2016 results at a glance

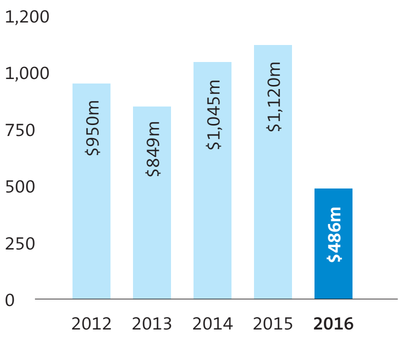
Dividends
cents per share



Profit (loss) attributable to shareholders
$ million



Underlying profit
$ million



28 cents per share
remained steady

Total dividend for 2016

The final dividend of 14 cents per share is to be paid on 31 March 2017 and will be 90% franked.

$828 million returned to shareholders in the form of dividends and dividend reinvestment plan shares for 2016.

$344m
net loss

Loss attributable to shareholders

$486m
down 56.6%

Underlying profit

Underlying profit is AMP's preferred measure of profitability as it best reflects the underlying performance of the group. It is the earnings base on which the board determines the dividend payment.

The main difference between profit (loss) attributable to shareholders and underlying profit comes from movements in investment markets and one-off costs. A reconciliation of profit (loss) attributable to shareholders and underlying profit can be found on pages 21 and 63.

$1,778m
down 53%

Net cashflows on AMP platforms
Net cashflows reflect challenging domestic market conditions.

$967m
down 78%

AMP Capital external net cashflows
Strong flows into infrastructure and real estate asset classes were offset by challenging domestic market conditions.

$240b
up 6%

Assets under management
We now manage more money for our customers around the world.

63.7%
within target of 60%-65%

Cost to income ratio
Cost growth in line with guidance, before impact of restructure costs and lower variable remuneration.

$2.2b
down 13%

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

5.6%
decreased 7.6 percentage points

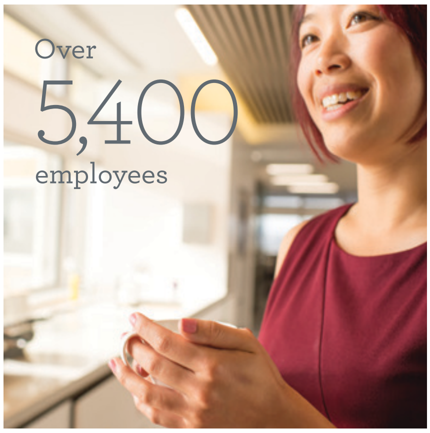
Underlying return on equity
The decrease largely reflects the impact of insurance claims experience and capitalised losses.

Who we are

Our purpose is to help customers own their tomorrow, helping them take control of their money and achieve their financial goals.

We are Australia and New Zealand's leading specialist wealth management company. For 168 years, we have dedicated ourselves to helping our customers achieve their financial goals with quality products and expert advice. The world has changed immeasurably since our founding days; and while we have evolved and grown to keep pace, our purpose has steadfastly remained to help people own a better tomorrow.

Through our offers, solutions and expert financial advice, we are helping our customers explore, plan, track and realise their goals so they can own a better tomorrow. To support our customers, we are building on our current strengths, transforming our business to place our customers at the centre of everything we do, and becoming more agile and efficient. We are capitalising on our strong partnerships with international market leaders, particularly in China and Japan, to continue expanding our overseas growth with retail and institutional investors.



Our strategy

Our purpose is to help people own a better tomorrow.

We are pursuing a clear strategy for long-term growth by tilting our investment to higher growth, less capital intensive businesses within the portfolio group to focus on our core businesses where we have strong positions in growing markets. We are transforming our core Australian businesses to help our customers own tomorrow, reducing costs to continue growing profitably in a margin-compressed world, and expanding internationally through selected partnerships in China and Japan. We are also attracting strong new investment flows into real assets in Australia and globally. These objectives are delivered through our business lines as follows:

	Invest to grow			Manage for value and capital efficiency	
	Superannuation, retirement and financial advice	**Banking**	**Investments**	**Insurance**	**New Zealand**
Short term	Drive cashflows by: – lifting productivity in our adviser network – activating unadvised customers – winning more corporate super mandates – diversifying channels Sustain business efficiencies	Continue to activate our adviser network Improve the customer experience Continue targeted pricing activity Continue to grow through the broker network	Continue tapping global investor appetite for investment expertise, particularly in real estate and infrastructure	Stabilise earnings and release capital through reinsurance Sustain business efficiencies Promote new insurance offer	Drive earnings and value from strong market positions and continued efficiencies
Medium term	Continue to invest in digital to give customers a greater choice of channels, including direct and robo advice Scale up new goals-based advice model Invest to maintain and enhance platform competitiveness Realise self-managed superannuation funds (SMSF) efficiencies from scale and drive organic growth	Invest to drive step change in operational capacity to support growth Maximise capital efficiency	China: grow and extend the partnership with China Life Japan: reframe and drive value from Mitsubishi UFJ Trust and Banking (MUTB) partnership Drive further international growth in Asia, Europe and North America	Manage for value and capital efficiency	Tilt to capital-light businesses
	Focus on customers, costs and capital				

What we do

Australians and New Zealanders know us best for superannuation, investments and advice, but we are growing fast in retail banking in Australia, and internationally with strong partnerships in China and Japan and investments around the globe.

We are proud to be Australia and New Zealand's leading specialist wealth management company.

Superannuation, retirement and advice

We help our customers save for and live well in retirement with our range of award-winning superannuation products, including self-managed superannuation funds (SMSFs). We are Australia's leading superannuation provider and operate in a rapidly growing industry, with the Australian superannuation market expected to double in size by 2026.[1]

AMP financial advisers provide quality financial advice to help people take control of their finances and reach their goals. Our advisers are supported with training, research and ongoing development to ensure that they are equipped with the knowledge, expertise and experience they need to help our customers achieve their goals.

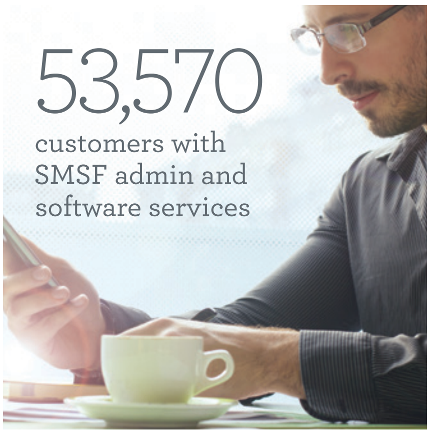
Our SMSF business, SuperConcepts, helps customers in Australia establish SMSFs and provides them with administration, compliance management support, software solutions and technical education. It also provides access to a variety of providers specialising in investment products, insurance, cash hubs, term deposits and lending services. Our SMSF business includes the brands AMP SMSF, Ascend, Cavendish, Desktop Super, Multiport, Justsuper, SuperConcepts, SuperIQ, SuperMate and yourSMSF.

- In 2016, AMP Flexible Super won the CANSTAR Outstanding Value award
- We helped our customers thrive in retirement by paying out $2.4 billion in Australian retirement payments in 2016
- We provided superannuation services to close to 60,000 companies in Australia
- Our advice network is the largest in Australia and New Zealand, with more than 3,500 aligned and employed advisers
- Across administration and software services, SuperConcepts added around 15,500 funds during 2016 and now supports 53,570 funds, representing 9.2% of the SMSF market
- AMP's advice network spans multiple brands including AMP Financial Planning, AMP Advice, Hillross, Charter, Spicers, AdviceFirst, SMSF Advice and Jigsaw.

Banking

AMP Bank is a growing business. The bank helps Australians with residential and investment property home loans, and deposit and transaction accounts, along with self-managed superannuation fund products. The bank also provides loans to AMP-aligned financial adviser practices. Customers choose how they want to access the bank's products, which are available over the phone, online, or through AMP financial advisers or mortgage brokers.

- We help close to 100,000 Australians with their banking needs
- In 2016, we helped over 9,500 customers buy a home
- We welcomed over 20,400 new customers to AMP Bank in 2016.



Investments

We help investors around the world invest in equities, fixed income, infrastructure and real estate, and diversified, multi-manager and multi-asset funds through AMP Capital. AMP Capital also manages real estate and infrastructure assets including shopping centres, airports, trains and pipelines. In Asia, we have strong partnerships with national champions in China and Japan, where the retirement market is rapidly growing.

– AMP Capital is one of the largest direct real estate fund managers in Asia Pacific, with $23 billion in assets under management. On behalf of investors, AMP Capital managed real estate funds and a portfolio of assets including Sydney's Macquarie Centre, Angel Place and 200 George Street; Melbourne's Bourke Place and 700 Bourke Street; and Queensland's Pacific Fair and Coronation Drive Office Park. AMP Capital also managed diversified and sector-specific portfolios of assets in Australia, New Zealand, Singapore and the United States. In 2016, $1.3 billion of new equity was raised, including $334 million in new equity from offshore investors and a further $440 million secondary units traded across the pooled fund platform.

– AMP Capital is one of the largest infrastructure managers in the world, managing $12 billion in assets including Melbourne Airport, Powerco in New Zealand and Angel Trains in the United Kingdom.

– AMP Capital holds a 15% stake in China Life AMP Asset Management Company Limited (CLAMP), which manages over $23 billion for Chinese investors through mutual fund products, including money market, fixed income, balanced and equity funds.

Insurance

We support our customers and their families during tough times with our award-winning insurance products, including life insurance, income protection and disability insurance products. AMP is a leading insurer and provides policies that are held by individuals or included in a superannuation fund. In 2016 over two million policies, protecting over 1.5 million customers, were in-force.

– In 2016, we were named Life Insurance Company of the Year at the Australian and New Zealand Institute of Insurance and Finance Insurance Industry Awards. We also won an award for Excellence and Innovation in Return to Work from the Australasian Life Underwriting and Claims Association and Swiss Re, and we were a runner-up in the Best Claims Outcome and Customer Experience category at the 14th Annual Australian Insurance Awards

– We helped our customers by paying out $1,193 million in insurance claims in 2016

– In 2016 we launched our new AMP MyLife offer, through our AMP Advice practices.

Mature insurance and superannuation

Through our Australian mature business, we expertly manage closed insurance and superannuation products that are no longer sold by AMP. All products in Australian mature are closed to new business with the exception of the Eligible Rollover Fund. The Australian mature business is the largest closed life insurance business in Australia and includes whole of life, endowment, investment linked, investment account, Retirement Savings Account, annuities, insurance bonds, personal superannuation and guaranteed savings accounts.

– Australian mature assets under management comprise capital guaranteed products and market linked products. In 2016 this represented over $1.7 million policies and $21 billion in funds under management

– We helped our customers by paying out $2.0 billion in claims and maturities in 2016.

New Zealand financial services

In New Zealand we have leading positions in superannuation and insurance and provide customers with tailored financial products and services, directly and through one of the largest networks of financial advisers in the country.

– AMP is the fourth-largest KiwiSaver Scheme provider with 12% of the total KiwiSaver market and approximately 238,000 KiwiSaver customers

– In 2016, operating earnings increased by $6 million (5%) to $126 million.

1 Dynamics of the Australian Superannuation System, The Next 20 Years: 2015–2035, Deloitte, November 2015.

Corporate sustainability

We are one of Australia's oldest companies, and since the beginning we have been committed to improving the communities in which we operate. We believe that our success is linked to the prosperity of our shareholders, customers, advisers, employees and our communities.

We believe in managing our business sustainably for today and for the long term; to build shared value and create a better, more prosperous tomorrow for our communities.

Sharing our expertise

We believe in taking the mystery out of managing money, to make the complex simple and help people make informed financial decisions. When people have a better understanding and greater control of their financial wellbeing, they feel more secure and independent. We help by giving people the know-how and tools to take control of their finances.

Through our Q&AMP info centre website, people can use the online tool to explore, prioritise and create a timeline to map their goals. There are 13 common goals to choose from, ranging from retire right, be debt free, and give my kids the best chance, to simplify my finances, pursue a passion or buy a home. After attributing a grade of importance to each goal, the goal explorer provides a goals timeline and questions to think about for achieving each goal.

Our website also features budget planners, debt-reduction calculators and financial news.

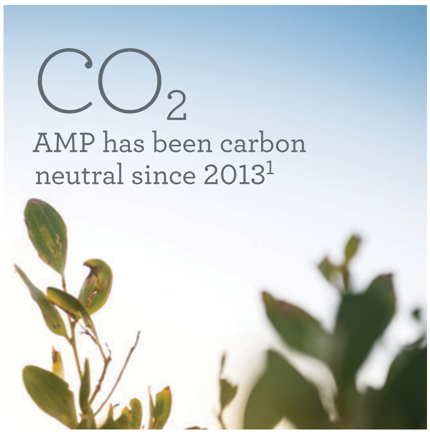
Since 2002, we have partnered with the National Centre for Social and Economic Modelling (NATSEM) to produce a series of reports that open windows on Australian society – the way we live and work – and our financial and personal aspirations. We publish these reports to help the community make informed financial and lifestyle decisions and to contribute to important social and economic policy debate. In 2016, we published a report on the financial implications associated with divorce, called For Richer, For Poorer: Divorce in Australia.

In 2016, we invited shareholders to a free information session at the annual general meeting (AGM) to hear from some of our experts and benefit from their insights and expertise. The session was well received and will be held again at this year's AGM in Sydney on 11 May 2017. All shareholders are invited to participate in person or online. You can find further details of the event in the 2016 shareholder review or 2017 notice of meeting.

Encouraging good corporate responsibility through responsible investing

AMP Capital is a major investor in companies and assets on behalf of our customers, and as such, is well placed to raise the corporate responsibility bar and influence better outcomes for investors. We have long recognised the strong link between an organisation's environmental and social impacts, the quality of its corporate governance, and its long-term business success.

A key part of AMP Capital's investment process is assessing environmental, social and governance (ESG) factors. We are a signatory to the UN Principles of Responsible Investment, and the most recent report card on how we are progressing on our commitments is available at ampcapital.com.au/esg.



Through our dedicated ESG team, we actively engage with the boards and management teams of companies on a range of ESG issues to encourage sound decision making and risk management, appropriate capital allocation, good board composition, gender diversity, fair remuneration and open and honest disclosure. We use our voting power to encourage corporate behaviour that will deliver better results for investors, shareholders and the community as a whole.

Inclusion and diversity

We believe in an inclusive culture where a rich and varied array of thoughts, ideas and experiences drive better performance for our customers and shareholders. By drawing on the strengths and skills of our people and empowering them to be the best they can be, we are better placed to help others own tomorrow.

AMP's four pillars of inclusion remain unchanged.

- **Committed and inclusive leadership** – leaders are supported to create an inclusive culture that helps people play to their strengths.
- **Merit-based policies and practices** – we focus on equality when we recruit, develop, promote and pay our people, as well as when we recognise and reward their performance.
- **Decision-making and voice** – we leverage the diverse thinking across our business to better understand our customers and meet their needs.
- **Measurement, accountability and rewards** – we set challenging diversity targets and believe that meeting these targets will deliver better results for our business.

Gender equality is at the forefront of our inclusion and diversity work, and we have made strong progress in increasing the number of women in AMP's most senior roles as a result. In 2016, we appointed four new women to AMP's management team and were proud to appoint Catherine Brenner as the first female Chairman of the AMP Limited Board.

AMP has challenging gender diversity targets. By the end of 2020, we want women to hold half of our middle-management roles and 47% of senior executive roles. We are also aiming for gender balance on our boards with a 40:40:20 target, whereby boards are made up of 40% women, 40% men and 20% either women or men. AMP conducts an annual pay equity review to identify, analyse and address potential areas of gender inequity. This commitment is expressly outlined in AMP's remuneration policy.

In 2016, AMP was again named an Employer of Choice for Gender Equality by the Australian Government's Workplace Gender Equality Agency.

Looking ahead, AMP will focus on flexible work as a key priority across all employee demographics. Inclusion remains the underlying foundation of our inclusion and diversity strategy.

Protecting our environment

Minimising our impact on the environment is as important for our company as it is for the communities in which we operate. We actively assess the environmental risks and opportunities across our business and the investments managed by AMP Capital. In 2016, we continued to make progress against our environmental priorities and targets, remaining carbon neutral in our own operations (tenanted sites and air travel). From 2013 to 2016, we reduced our greenhouse gas emissions by 25%.

The AMP Foundation

Through the AMP Foundation we help to provide a better tomorrow for everyone, especially people who face challenges accessing education and employment opportunities. Since 1992, the AMP Foundation has distributed close to $86 million to help charities and individuals make a positive impact on communities in Australia and New Zealand.

The AMP Foundation works in two ways. It helps people to help themselves by supporting non-profit organisations that give disadvantaged Australians life-changing learning and work opportunities. It also helps people to help others by supporting AMP employees and financial advisers to share their time, skills and resources with people in need and through AMP's Tomorrow Fund grants.

In 2016, the AMP Foundation distributed $5.2 million to the community, including more than $1 million in grants through AMP's Tomorrow Fund to help 53 amazing Australians achieve their goals.

We also presented scholarships to 28 equally extraordinary New Zealanders.

While these recipients all have very different interests, like AMP, they are all striving to give back.

You can find further information on our environmental performance, corporate governance work and AMP Foundation activities at amp.com.au/corporatesustainability.

Representation of women at AMP

Roles	2020 target	2016 target	31 December 2016	31 December 2015
AMP Limited Board	40%	40%	40%	33%
Senior executives	47%	40%	40%	37%
Middle managers	50%	42%	41%	39%
All employees	n/a	n/a	52%	52%

1 AMP is carbon neutral in its own operations (tenanted sites and air travel).

Our board

We have a diverse and highly skilled board with the right mix of skills and experience to help deliver our strategy.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Catherine Brenner[1]

Independent Chairman BEc, LLB, MBA
Catherine was appointed to the AMP Limited Board in June 2010 and assumed the role of Chairman in June 2016. She became Chairman of the Nomination and Governance Committee in May 2013 and a member of the People and Remuneration Committee in June 2016. Catherine served as a Director of AMP Life Limited from May 2009 and The National Mutual Life Association of Australasia Limited from March 2011, serving both companies until May 2016 and as Chairman for the last five years.

Experience
Catherine has extensive corporate finance and public company experience and is a former senior investment banker and corporate lawyer with a background in corporate advisory and equity capital markets. She has served on public company boards in the resources, property and biotech sectors for over a decade. Catherine has also previously served as a member of the Takeovers Panel and as a board member and trustee of not-for-profit and government organisations, including the Sydney Opera House.

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

Government and community involvement
– Director of SCEGGS Darlinghurst Limited
– Trustee, Art Gallery of NSW

Craig Meller[2]

Chief Executive Officer BSc (Hons)
Craig was appointed Chief Executive Officer (CEO) 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 since March 2011 and a Director of AMP Capital Holdings Limited since January 2014.

Experience
Prior to becoming CEO, Craig was Managing Director (MD) of AMP Financial Services from 2007 to 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 to 2001.

Government and community involvement
– Member, Financial Sector Advisory Council

Patricia (Patty) Akopiantz[3]

Independent Director BA, MBA
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 joined the Nomination and Governance Committee in August 2015 and the Risk Committee in February 2017. Patty was appointed a Director of AMP Bank Limited in November 2011 and Chairman in November 2015. She became a member of the AMP Bank Audit Committee and the AMP Bank Risk Committee in November 2014.

Experience
Patty has extensive experience in retail and consumer-facing industries internationally, having spent over 25 years in senior management and consultancy roles in Australia and overseas. She has served as General Manager of Marketing at David Jones, Vice President for a United States apparel manufacturer and as a management consultant with McKinsey, advising some of Australia's leading companies on strategy and organisational change.

Over the last 15 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.

Listed directorships
– Director of Ramsay Health Care Limited (appointed April 2015)

Government and community involvement
– Director of Belvoir St Theatre

Holly Kramer[4]

Independent Director BA, MBA
Holly was appointed to the AMP Limited Board in October 2015 and was appointed a member of the Audit Committee in November 2015. Holly served as a Director of AMP Life Limited and The National Mutual Life Association of Australasia Limited and as a member of their Audit Committees and Risk Committees from May 2016 until February 2017.

Experience
Holly has considerable retail, marketing and digital experience with more than 20 years spent in general management, marketing and sales for customer-focused organisations. Most recently, Holly was Chief Executive Officer of apparel retailer Best & Less, where she transformed the business and returned it to growth and profitability. Holly has also held senior executive and marketing roles with Pacific Brands, Telstra, eCorp and the Ford Motor Company.


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Listed directorships
- Director of Woolworths Limited (appointed February 2016)
- Director of Nine Entertainment Co. Holdings Limited (May 2015 to February 2017)

Government and community involvement
- Director of Australia Post
- Director of Southern Phone Company Limited
- Director of The GO Foundation

Trevor Matthews[5]

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

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

Listed directorships
- Director of Cover-More Group Limited (appointed December 2013)
- Chairman of 1st Group Limited (appointed February 2015)

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

Geoff Roberts[6]

Independent Director BCom, MBA
Geoff was appointed to the AMP Limited Board and as Chairman of the Audit Committee in July 2016. He was a Director of AMP Life Limited and The National Mutual Life Association of Australasia Limited and a member of the Audit Committee of each from July 2011 until March 2012.

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

Professor Peter Shergold AC[7]

Independent Director BA (Hons), MA, PhD
Peter was appointed to the AMP Limited Board in May 2008, as Chairman of its Risk Committee in November 2014 and as a member of the Nomination and Governance Committee in August 2016. Peter was appointed to the AMP Life Limited Board in August 2008 and The National Mutual Life Association of Australasia Limited Board in March 2011. He was also appointed a Director of AMP Bank Limited in February 2016.

Experience
Peter has extensive public policy and senior government affairs experience and previously served as Secretary of the Department of the Prime Minister and Cabinet. Peter was also CEO, Aboriginal and Torres Strait Islander Commission, Public Service Commissioner, Secretary of the Department, Employment, Workplace Relations and Small Business, Secretary of the Department, Education, Science and Training, and CEO, Comcare, the Federal Government agency responsible for workplace safety, rehabilitation and compensation.

Peter is Chancellor and Chair of the board of trustees of Western Sydney University and serves on a number of private sector, government and not-for-profit boards, including as Chairman of Opal Aged Care.

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 (October 2013 to February 2016)

Government and community involvement
- Chairman of the National Centre for Vocational Education Research
- Chairman of the NSW Public Service Commission Advisory Board
- NSW Coordinator-General for Refugee Resettlement



Peter Varghese AO[8]

Independent Director BA (Hons)
Peter was appointed to the AMP Limited Board and as a member of its Risk Committee in October 2016. Peter was also appointed to the AMP Capital Holdings Limited Board and as a member of its Audit and Risk Committee in October 2016.

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

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

Vanessa Wallace[9]

Independent Director BCom, MBA
Vanessa was appointed to the AMP Limited Board and as a member of the People and Remuneration Committee in March 2016. She was appointed Chairman of the AMP Capital Holdings Limited Board in August 2016, having joined the board and its Audit and Risk Committee in May 2016.

Experience
Vanessa has wide-ranging experience in financial services strategy, having spent over 30 years consulting to the financial services sector across Asia Pacific. Most recently Vanessa was Executive Chairman of Strategy& Japan Inc, which formed from the merger of PwC and Booz & Company. Previously she was Booz & Company's financial services practice leader and held multiple governance roles at the highest level within Booz's global partnership, including as a member of its board. She was actively involved in the firm's strategy and customer, channels and markets activities which focused on areas such as customer experience, offer design and channels to market across a number of industries. Vanessa also has experience in mergers and acquisitions and post-merger integration.

Listed directorships
– Director of Wesfarmers Limited (appointed July 2010)

Government and community involvement
– Member of the Chairman's Council of the Australian Chamber Orchestra Pty Ltd
– Member of the MS Research Australia Leadership Council

Mike Wilkins[10]

Independent Director BCom, MBA
Mike was appointed to the AMP Limited Board and as a member of its Audit and Risk Committees in September 2016. He was also appointed to the AMP Life Limited and The National Mutual Life Association of Australasia Limited Boards in October 2016 and as a member of their Audit and Risk Committees in November 2016, becoming Chairman of those Risk Committees in February 2017.

Experience
Mike has more than 30 years' experience in financial services in Australia and Asia, including life insurance and investment management. Mike has more than 20 years' experience as CEO for ASX100 companies. Most recently, he served as Managing Director and CEO of Insurance Australia Group Limited (IAG). He is the former Managing Director and CEO of Promina Group Limited and Tyndall Australia Limited.

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

Listed directorships
– Director of QBE Insurance Group Limited (appointed November 2016)

Our management team

In 2016, organisational changes were made to create clearer accountability for short-term performance and for delivering long-term growth.


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The new group structure delivers a sharper focus on performance in the core Australian businesses, drives efficiency across the group and provides increased emphasis on the growth drivers in the portfolio.

Paul Sainsbury, formerly Chief Customer Officer, now leads a new Wealth Solutions and Customer division, while Jack Regan assumed management of AMP's advice businesses in his expanded role as Group Executive, Advice and New Zealand. Sally Bruce joined the leadership team as Group Executive, AMP Bank, while Megan Beer was appointed Group Executive, Insurance. Craig Ryman, formerly Chief Information Officer, was appointed Group Executive, Technology and Operations, and Saskia Goedhart, Chief Risk Officer, joined the leadership team. The new structure was effective 1 January 2017.

The changes resulted in three executives leaving at the end of 2016: Pauline Blight-Johnston, Group Executive, Insurance, Super and Risk Management; Rob Caprioli, Group Executive, Advice and Banking; and Wendy Thorpe, Group Executive Operations.

Craig Meller[1]

Chief Executive Officer BSc (Hons)
See page 10 for details of Craig's roles, responsibilities and experience.

Business Group Executives

Megan Beer[2]

Group Executive, Insurance EMBA, MEc, FIAA, MAICD, ANZIIF (CIP)
Megan joined AMP in February 2014 as Director, Insurance and was appointed Group Executive, Insurance on 1 January 2017. Megan is responsible for AMP's insurance business, including mature lines.

Experience
Megan has more than 20 years' experience in the financial services industry in a range of executive, finance, actuarial and consulting roles. Prior to Megan's appointment as Group Executive, Insurance, Megan was Director of Insurance at AMP since 2014. Prior to AMP, Megan led NAB's wealth management and insurance offer through the bank channel as General Manager, Bancassurance and Direct. Megan was also General Manager of Group Insurance and Head of Finance for Insurance, both at MLC. She worked for Tower (now TAL) for six years as Chief Actuary, Chief Risk Officer and Head of Claims, and has been a Director with Tillinghast (Consulting Actuaries).

Other appointments
- Managing Director of AMP Life and the National Mutual Life Association of Australasia Limited
- Director of National Mutual Funds Management Limited
- Director of Australian and New Zealand Institute of Insurance and Finance

Sally Bruce[3]

Group Executive, AMP Bank BCom, MAppFin
Sally joined AMP in August 2015 as Managing Director, AMP Bank and was appointed Group Executive, AMP Bank on 1 January 2017. Sally is responsible for AMP's banking business.

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

Other appointments
- Director of AMP Bank Limited
- Director of Melbourne International Arts Festival

Jack Regan[4]

Group Executive, Advice and New Zealand BEd, GradDipMkt
Jack has been with AMP in Australia and New Zealand for 18 years and was appointed Group Executive, Advice and New Zealand, on 1 January 2017. He is responsible for AMP's Advice and Direct businesses in Australia and AMP's operations in New Zealand. Jack was Managing Director of AMP in New Zealand for 10 years.

Experience
Jack began his working life as a teacher and has since spent more than 30 years in financial services. He worked in distribution, marketing and operational roles at St.George Bank, IOOF and GIO before joining AMP's Hillross.

Other appointments
- Director of AMP Advice Holdings Pty Limited
- Board member of ipac Securities Limited and ipac Group Services Pty Limited


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Paul Sainsbury[5]

Group Executive, Wealth Solutions and Customer
Paul was appointed Chief Customer Officer in April 2013 and was appointed Group Executive, Wealth Solutions and Customer on 1 January 2017. In this role he is responsible for AMP's wealth management business and AMP's strategic focus on customers. Paul's portfolio of responsibility includes designing and orchestrating AMP's customer experience strategy, management of AMP's superannuation, retirement and investment platforms, business development, digital and design, as well as AMP's SMSF business, SuperConcepts, and a dedicated business transformation team.

Experience
Paul has worked in the finance industry for over 30 years and has held a number of leadership positions since joining AMP in 2000. These include Director, Product Manufacturing; Chief Operating Officer, AMP Financial Planning, Advice & Services; Chief Operating Officer, Product Manufacturing; Director Mature Products and Customer Service; and Operations Manager. From 2010 to 2013, Paul was responsible for AMP's merger with the Australian and New Zealand businesses of AXA Asia Pacific Holdings Limited.

Adam Tindall[6]

CEO, AMP Capital BE (Hons), GDipMan, GCertAppFinInv, FAICD
Adam was appointed to the role of Chief Executive Officer, AMP Capital in October 2015. As CEO, Adam leads a market leading specialist investment manager, which manages funds on behalf of retail and institutional clients across a range of asset classes including equities, fixed income, real estate and infrastructure. AMP Capital has offices in Australia, China, Hong Kong, India, Japan, Luxembourg, New Zealand, the United Arab Emirates, the United Kingdom and the United States.

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

Other appointments
- Executive Member of the Australia Japan Business Co-operation Executive Committee
- Male Champion of Change

Function Group Executives

Saskia Goedhart[7]

Chief Risk Officer
Saskia joined AMP in July 2015 as Chief Risk Officer and was appointed to the group leadership team on 1 January 2017. Saskia is responsible for AMP's risk management.

Experience
Saskia joined AMP from EY where she was the partner responsible for risk management in the financial sector in Canada, and for risk management in insurance in the US. Saskia has more than 20 years of experience as a risk management professional and has worked in North America, Europe and Asia.

Prior roles include Chief Risk Officer (CRO) for the North American region at Aviva plc and CRO for Munich Re Life, also in North America. Saskia worked for 10 years at ING as Head of Economic Capital and Asset Liability Management in the US, CRO of the annuity business in the US, Chief Financial Officer, ING Life in Japan, and other senior risk and financial management roles throughout ING in Europe. Saskia also has more than 10 years of experience as a corporate finance and risk management consultant, having worked at EY, PwC and Van Den Boom Groep.

Gordon Lefevre[8]

Chief Financial Officer FCA
Gordon joined AMP in January 2014 and assumed the Chief Financial Officer role from 1 March 2014.

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

Other appointment
- Director of AMP Bank Limited

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Helen Livesey[9]

Group Executive, Public Affairs and Chief of Staff Bsc (Hons)
Helen joined AMP in 1999 and was appointed Group Executive, Public Affairs and Chief of Staff on 1 January 2017. Helen has group-wide responsibility for brand, reputation and communications management, managing AMP's relationship with key stakeholders.

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

Craig Ryman[10]

Group Executive, Technology and Operations BCom
Craig joined AMP in 1997 and was appointed to the role of Group Executive, Technology and Operations, effective 1 January 2017. Craig is responsible for AMP's group-wide information technology and operations.

Experience
Prior to his current role, Craig was AMP's Chief Information Officer and before that IT Director for AMP's Advice and Banking and Insurance and Superannuation business areas. During his time at AMP, Craig has led the IT function for a variety of different areas of the business and has also completed a range of transformation programs including the integration of the Australia and New Zealand businesses of AXA Asia Pacific Holdings, platform consolidation projects and transformation initiatives in Australia and the UK.

Before joining AMP, Craig worked as a superannuation consultant for William M Mercer in Australia.

Brian Salter[11]

Group General Counsel BA, LLB (Hons), LLM (Hons)
Brian joined AMP in July 2008 as Group General Counsel. Brian has group-wide responsibility for AMP's legal and governance functions.

Experience
Brian has over 35 years' experience in the legal profession, advising many of Australia's leading financial and wealth management companies. Before joining AMP, Brian was a partner with a major Australian law firm for 19 years and a member of its executive team for a number of years.

Brian is a former member of the Australian Government's Corporations and Markets Advisory Committee (CAMAC), which was established to provide independent advice to the Australian Government on issues that arise in corporations and financial markets law and practice. Brian is also a member of the Legal Committee of the Australian Institute of Company Directors and the Corporations Committee of the Business Law Section of the Law Council of Australia and is the Deputy Chair of the General Counsel 100. He is a former Chairman and National Committee member of the Australian Securitisation Forum.

Other appointments
- Executive Director of AMP Superannuation Limited
- Executive Director of N. M. Superannuation Proprietary Limited
- Chairman of SCECGS Redlands Limited

Fiona Wardlaw[12]

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

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

Her background also includes executive human resources experience in the resources and telecommunications sectors, including Cable and Wireless' cable TV start-up Optus Vision and BHP.

Other appointment
- Director of AMP Foundation Limited

Corporate governance at AMP

This section explains how AMP's business is structured and managed to deliver on our strategy and protect the interests of our shareholders, customers, employees, business partners and communities.

Our promise is to help people own tomorrow. This is a responsibility we take seriously, and our governance framework is designed to provide the right structure and review processes to deliver on our promise for many years to come.

Key information

During 2016, AMP continued to strengthen and enhance its corporate governance practices, including in the following key areas:

Succession planning – at AMP, ensuring that the AMP Limited Board as a whole maintains the right combination of skills and experience to drive our business forward is key to our success. In 2016, the board's skills and experience were enhanced with the appointments of Vanessa Wallace, Geoff Roberts, Mike Wilkins and Peter Varghese. These appointments underline the integrity and strength of the board's nomination and succession planning processes. You can find the directors' biographies, including details of their qualifications, tenure and experience, in this report and on our website.

Inclusion and diversity – AMP is committed to fostering an inclusive and diverse workplace. Gender equality is a clear priority, and at 31 December 2016, women held 40% of AMP Limited Board and senior executive positions. Women also held 41% of our middle manager roles, slightly behind target (42%). We remain committed to increasing gender representation at this level and to a range of broader inclusion and diversity goals and initiatives, including an increased focus on flexible work.

Risk culture – AMP values effective risk management as fundamental to its long-term sustainability and reputation. The board and management believe that effective risk management requires a risk-aware culture amongst all employees. In 2016, AMP continued to focus on initiatives to further embed risk awareness into AMP's broader culture to ensure that risk is effectively integrated into decision making.

Corporate sustainability – at AMP, corporate sustainability encompasses a broad range of matters including environmental management, people and workplace, corporate responsibility and community investment. In 2016, AMP continued to reduce its greenhouse gas emissions, by 25% from our 2013 base year, and the AMP Foundation distributed $5.2 million to the community.

Board governance – during 2016, we comprehensively reviewed the board's governance model to provide enhanced clarity over the roles and responsibilities of the board and its committees, for greater governance efficiency and effectiveness.

Engaging with our shareholders

AMP encourages our individual and institutional shareholders to actively engage with our business.

Our shareholders are the owners of our company and we value their input. During 2016, we had the second-largest shareholder base of any company in Australia with over 795,000 shareholders, many of whom are also our customers.

Keeping our shareholders informed

AMP values direct, two-way communication with our shareholders and we ensure that they receive clear, transparent and timely information about our business. We communicate with our shareholders on changes to our business and issues that impact our industry.

We take our continuous disclosure obligations seriously. All material price sensitive information that requires disclosure is made available through the Australian Securities Exchange (ASX) and New Zealand Stock Exchange (NZX). Shareholders can also elect to receive emails directly from AMP on key announcements, and we continue to encourage shareholders to provide their email address so we can deliver timely updates direct to their inbox.

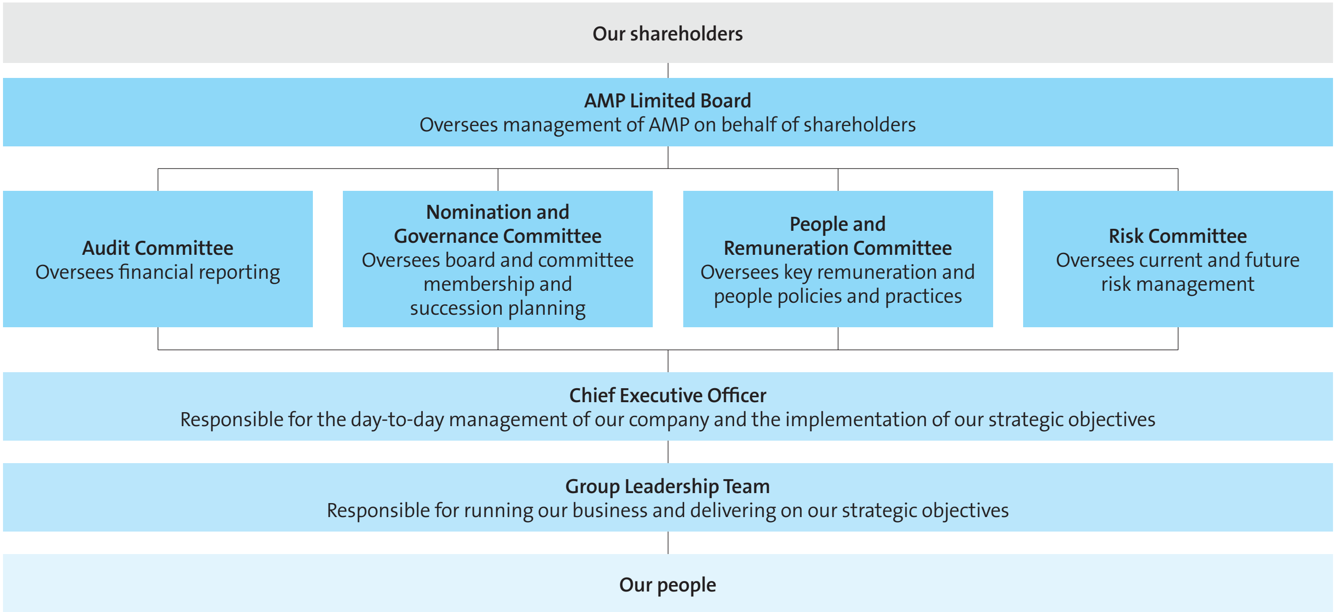
Shareholders can elect to receive their annual reports, notices of meeting and dividend statements in print or online. Should they choose to receive their reporting information online, they can still opt to receive a copy of their dividend statement by post. In addition, shareholders are able to communicate electronically with our share registry, Computershare. Shareholders are also able to lodge their proxy forms online using their computer or mobile device.

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

Annual shareholder meeting

Our board welcomes the opportunity to meet with our shareholders and encourages them to join us for our annual general meeting (AGM) each year either in person or via our webcast. We encourage shareholders to provide us with any questions about our business or the business of the AGM ahead of each meeting, so that these can be addressed before or at the the meeting. For shareholders who are unable to attend the AGM, we enable questions to be asked online during the meeting.

Our governance structure



We are again offering an information session for shareholders to hear from our financial experts and benefit from their insights and expertise. This session will be held before the 2017 AGM, at 9.30am on Thursday 11 May 2017 at Sydney Town Hall, and all shareholders are invited to join the session in person or online.

2017 annual general meeting

AMP's 2017 AGM will be held at 11am on Thursday 11 May 2017 at Sydney Town Hall. Shareholders who are unable to attend can appoint a proxy to vote on their behalf, either online or by post or fax, and can observe and contribute to the meeting through our webcast. You can find full details in the 2017 notice of meeting.

Our board of directors

The AMP Limited Board oversees the management of our company on behalf of shareholders.

The board is responsible for overseeing the management of AMP on behalf of shareholders. In addition to the matters the board is required to approve by law, its key responsibilities include:

- approving the strategic direction of the company and overseeing its implementation
- approving material transactions and capital initiatives
- overseeing and approving the company's governance model
- approving the risk management framework (including risk appetite, risk management strategy, and control and compliance systems) and monitoring its effectiveness (including risk culture)
- approving the appointment of the chief executive officer (CEO) and chief financial officer (CFO) and the remuneration arrangements for certain key executives
- overseeing succession planning for key executive roles
- approving diversity targets and overseeing progress against them
- monitoring the performance of management and the business.

The responsibilities of the board are outlined in our corporate governance charter, which you can find at amp.com.au/corporategovernance.

Board composition

AMP's non-executive directors have diverse backgrounds. Each brings valuable skills and experience to help oversee the delivery of our strategy and manage the opportunities and risks we face.

Under our corporate governance charter, the board must be made up of a majority of independent non-executive directors and will have no more than two executive directors. The chairman of the board will be non-executive and independent. The maximum tenure of a non-executive director will normally be until the AGM occurring in the ninth year after their first election by shareholders at an AGM.

Our board is made up of nine independent non-executive directors and the CEO. Our Chairman, Catherine Brenner, joined the board in 2010 and was elected Chairman in June 2016. She is responsible for providing leadership to the board and the AMP group as a whole.

You can find biographies of the board of directors, including details of their qualifications, tenure and experience, on pages 10 to 12 and on our website.

Board committees

The AMP Limited Board is supported by four committees, which focus in detail on different areas of the board's responsibilities and provide a strong governance framework.

The board has the following four committees to assist in the execution of its responsibilities:

Audit Committee – responsible for overseeing the integrity of the financial statements, reviewing the effectiveness of AMP's risk management framework and monitoring the performance, adequacy and independence of the internal and external audit functions

Nomination and Governance Committee – responsible for reviewing the composition of AMP's boards and succession planning and planning for board, committee and director performance reviews

People and Remuneration Committee – responsible for reviewing and endorsing the remuneration arrangements for certain executives and non-executive directors, monitoring the effectiveness of AMP's strategies for executive succession, talent management and diversity and approving matters relating to AMP's key incentive plans

Risk Committee – responsible for overseeing the implementation and operation of AMP's enterprise risk management framework, monitoring AMP's risk culture and endorsing AMP's risk management strategy, risk appetite statement and the appointment of the chief risk officer.

Each committee has its own annual program and meets at least four times per year. Each program provides a high-level overview of items to be considered by the relevant committee during the year. Throughout 2016, all committee members were independent directors.

You can find the terms of reference for each committee at amp.com.au/corporategovernance.

Managing risks

Every day AMP monitors and manages risks to deliver sustainable growth, protect our business and our stakeholders' interests, and meet our legal and regulatory obligations.

Risk is inherent in our business and industry. As such, we take measured risks to achieve AMP's vision of helping people own tomorrow and deliver sustainable value to our shareholders. Effective risk management supports informed decision making and aids in capitalising on business opportunities to ensure that strategic objectives are achieved. The board and management value effective risk management as fundamental to AMP's long-term sustainability and reputation. In addition, the board and management believe that effective risk management requires a risk-aware culture amongst all employees, which in turn promotes risk-informed decision making.

Governance

The board is ultimately responsible for the Enterprise Risk Management (ERM) framework and oversight of its operation by AMP's management. In particular, the board is responsible for setting AMP's risk appetite, the strategic plan and risk management strategy. It also monitors policies and business practices to ensure that strategic objectives are achieved within AMP's risk appetite and to comply with applicable laws and regulations. The Risk Committee and board review the ERM framework at least annually, including for 2016, to satisfy themselves that it continues to be sound.

The board and Risk Committee have been provided with assurance that all of AMP's material business risks have been effectively managed for the year ended 31 December 2016.

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

Line 1 – management is responsible for identifying, assessing, monitoring and managing material risks in the business. These teams are responsible for decision making and the execution of the day-to-day business, whilst managing risk and the resulting profit and loss to ensure it is in line with the board's risk appetite and strategy.

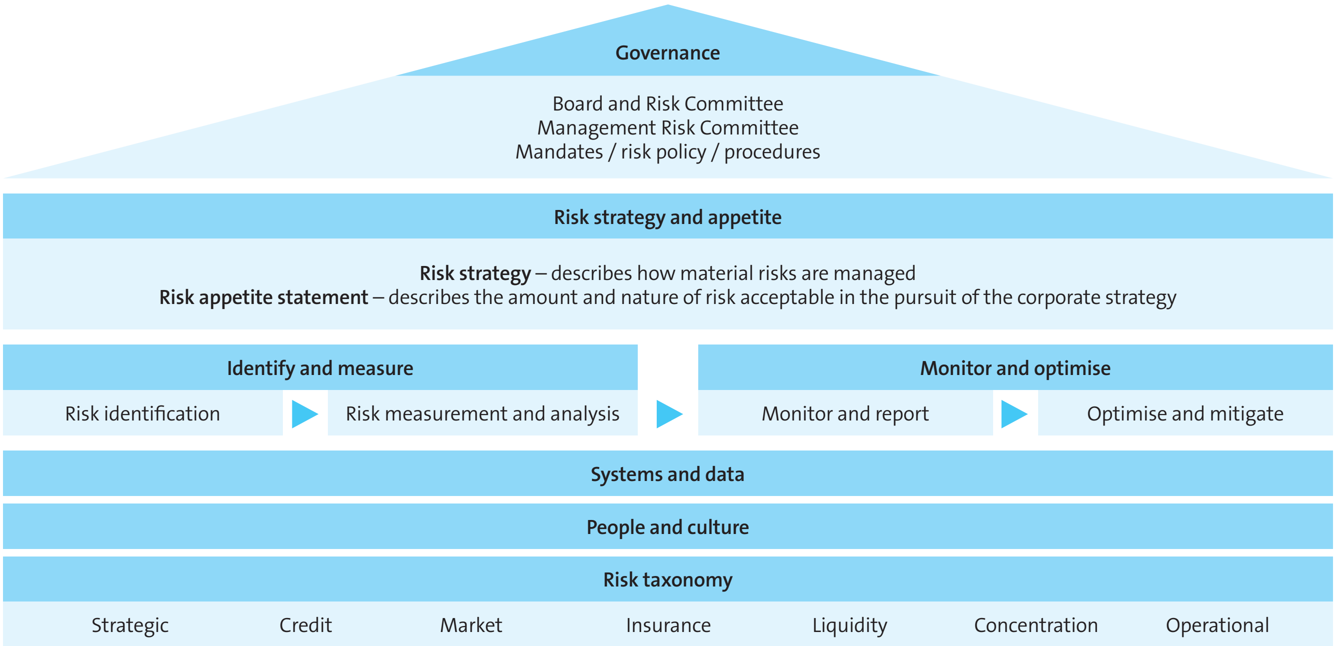
Line 2 – the ERM team is responsible for designing, implementing and monitoring the practices and processes to identify, assess, monitor and manage material risks and provide advice and oversight on material business decisions. The team also provides objective advice and challenge to the first line's decisions and provides assurance to the board that the risk profile is aligned with the board's expectations.

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

Management processes are complemented by the Internal Audit team, which regularly reports to the leadership team and the board on the management of risks within the organisation. This team calls on support and advice from external experts as required.

An outline of AMP's key risks can be found in the directors' report.

Our risk management framework



Our approach to tax

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

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

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

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

We have an annual compliance arrangement in relation to both income tax and GST with the Australian Taxation Office, and we work closely with it to ensure that we meet all our tax requirements.

Comparison of NZX and ASX corporate governance rules

As an NZX overseas listed issuer, AMP Limited is deemed to satisfy and comply with all the 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 to this effect 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. You can find further information about the ASX Recommendations on the ASX website: asx.com.au/regulation/corporate-governance-council.htm.

Acting ethically and responsibly

AMP wants to create a better tomorrow for our customers, employees, business partners, communities and shareholders.

Everything we do, every decision we make, has an impact, not only on the long-term success of our business but also on the lives of our customers. We are committed to acting with professionalism, honesty and integrity so all our stakeholders know they can trust us to do the right thing. You can find information on the structure of our business, our board and management teams and our policies and practices at amp.com.au/aboutamp.

Throughout 2016, we complied with the third edition of the ASX Corporate Governance Principles and Recommendations, and we continually review our governance practices to ensure that we not only meet but exceed the expectations of the regulators and all our stakeholders. Our board-approved corporate governance statement, dated 8 February 2017, is available on our website at amp.com.au/corporategovernance.

Directors' report

This directors' report provides information on the structure and progress of our business, our 2016 financial performance, our strategies and prospects for the future and the key risks we face. It covers AMP Limited and the entities it controlled during the year ended 31 December 2016.

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.

We provide retail customers in Australia and New Zealand with financial advice and superannuation, retirement income and investment products. We also provide superannuation services for businesses, administration, banking and investment services for self-managed superannuation funds (SMSF), income protection, disability and life insurance, and selected banking products. These products and services are delivered directly from AMP and through a network of over 3,500 aligned and employed financial advisers in Australia and New Zealand and extensive relationships with independent financial advisers.

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

We have over 5,400 employees, around 795,000 shareholders and manage and administer $240 billion in assets.

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

In this report, our business is divided into six areas: 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, real estate, diversified funds, multi-manager and multi-asset funds.

Australian wealth protection comprises individual and group term life, trauma, 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, transactional banking, and SMSF products with around 100,000 customers. It also has a small portfolio of practice finance loans supporting AMP's Adviser network. 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 both directly and 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 assets under management (AUM) comprises capital guaranteed products (77%) and market linked products (23%). Australian mature products include whole of life, endowment, investment linked, investment account, retirement savings account, eligible rollover fund, annuities, insurance bonds, personal superannuation and guaranteed savings accounts.

2016 performance

The loss attributable to shareholders of AMP Limited for the year ended 31 December 2016 was $344 million (2015: profit of $972 million).

Basic losses per share for the year ended 31 December 2016 on a statutory basis were 11.7 cents per share (2015: earnings of 33.3 cents per share). On an underlying basis, the earnings per share were 16.4 cents per share (2015: 37.9 cents per share).

Key performance measures were as follows:

– 2016 underlying profit[1] of $486 million fell from $1,120 million in 2015 largely due to Australian wealth protection losses of $415 million. 2016 underlying profit was also impacted by challenging investment market conditions that resulted in lower operating earnings in Australian wealth management (-2%) and expected portfolio run-off which reduced the earnings of Australian mature (-4%).
– 2016 Australian wealth protection operating losses were driven by experience losses of $105 million and capitalised losses and other one-off experience items of $485 million.

1 Underlying profit is our key measure of business profitability, as it normalises investment market volatility that stems from shareholder assets invested in investment markets and aims to reflect the trends in the underlying business performance of the AMP group.

- Partial offsets to these falls in 2016 came from strong operating earnings growth from AMP Bank (+15%), New Zealand financial services (+5%) and AMP Capital (+4%).
- 2016 underlying investment income fell $3 million to $122 million from 2015.
- AMP group total controllable costs increased $64 million (5%) on 2015 to $1,393 million. Underlying cost growth, increased investment in growth initiatives and business restructuring costs were only partly offset by business efficiency program benefits.
- Australian wealth management net cashflows were $336 million in 2016, down from $2,213 million in 2015. Net cashflows were impacted by ongoing market volatility, superannuation legislative uncertainty and advisers adjusting to an enhanced regulatory environment.
- AMP Capital external net cashflows were $967 million in 2016, down from $4,434 million in 2015. Strong flows into infrastructure and real estate asset classes were offset by challenging domestic and Japanese retail market conditions.
- Underlying return on equity decreased 7.6 percentage points to 5.6% in 2016 from 2015, largely reflecting the impact of Australian wealth protection experience and capitalised losses.

AMP's total assets under management (AUM) and administration were $240 billion at 31 December 2016 (2015: $226 billion).

Differences between underlying profit and statutory profit
The 31 December 2016 underlying profit of $486 million excludes the impact (net of any tax effect) of:
- goodwill impairment of $668 million
- net loss from one-off and non-recurring items of $9 million
- business efficiency program costs of $19 million
- amortisation of AXA acquired intangible assets of $77 million
- market adjustment losses of $43 million
- accounting mismatch losses of $14 million.

A reconciliation between underlying profit and statutory profit is provided in Note 1.1 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 those used in the calculation of the liability to policyholders in respect of the same assets. These accounting valuation differences between policyholder assets and liabilities flow through to shareholder profit, but have no impact on the true economic profits and losses of the AMP group.

Operating results by business area

The operating results of each business area for 2016 were as follows:

Australian wealth management – operating earnings fell by $9 million (2%) to $401 million in 2016 from $410 million in 2015, largely due to the challenging investment market conditions which impacted investor sentiment and earnings, primarily in the first half of 2016. Operating earnings benefited from strong cost control, including lower variable remuneration in the second half of 2016.

AMP Capital – AMP group's 85% share of AMP Capital's 2016 operating earnings was $144 million, up 4% from $138 million in 2015. Despite volatile equity markets in 2016, AMP Capital's operating earnings benefited from positive fee income growth of 5%, assisted by strong performance fees in the first half of 2016. Fee income growth was partially offset by an 8% increase in controllable costs.

Australian wealth protection – 2016 operating losses of $415 million (2015: operating earnings of $185 million) were impacted by experience losses of $105 million and capitalised losses and other one off experience items of $485 million. Profit margins fell by $21 million (11%) to $175 million in 2016, largely due to the impact of strengthened assumptions adopted for lump sum products in the second half of 2015 and the implementation of a 50% quota share reinsurance arrangement of $750 million of annual premium income of the AMP Life retail portfolio, with Munich Reinsurance Company of Australasia Limited, effective from 1 November.

AMP Bank – operating earnings increased $16 million (15%) to $120 million in 2016 from $104 million in 2015. Total revenue increased 11% in 2016 on 2015, driven by improved net interest margin and growth in the loan portfolio.

New Zealand financial services – operating earnings increased by $6 million (5%) to $126 million in 2016 from 2015 largely as a result of higher profit margins, partially offset by the reduction in transitional tax relief.

Australian mature – operating earnings fell $7 million to $151 million in 2016 from $158 million in 2015. Operating earnings were impacted by the expected portfolio run-off ($9 million decrease), investment markets ($1 million) and other items ($1 million). These were partially offset by lower controllable costs ($3 million) and experience profits ($1 million).

Capital management and dividend

Equity and reserves of the AMP group attributable to shareholders of AMP Limited decreased to $7.5 billion at 31 December 2016 from $8.5 billion at 31 December 2015.

AMP remains well capitalised, with $2.2 billion in shareholder regulatory capital resources, above minimum regulatory requirements (MRR) at 31 December 2016 ($2.5 billion at 31 December 2015).

AMP's final 2016 dividend is 14.0 cents per share, franked to 90%. This represents a full year 2016 dividend payout ratio of 85% of underlying profit[2]. AMP will continue to offer the dividend reinvestment plan (DRP) to eligible shareholders. For the 2016 final dividend, no discount will apply to the DRP allocation price. AMP intends to neutralise the impact of the DRP by acquiring shares on-market to satisfy any entitlements under the DRP.

The strength of AMP's capital position, following the execution of the reinsurance deal and the life company merger, has facilitated the announcement of an on-market buy-back of up to $500 million to begin in the first quarter of 2017.

Strategy and prospects

Our vision is to be Australia and New Zealand's favourite financial services company.

AMP is well positioned to take advantage of positive long-term demographic and market trends and mitigate potential threats with a growth strategy that leverages its competitive advantages in its chosen markets. The company is pursuing a clear strategy for long-term growth with four key objectives:

2 The underlying payout ratio for 2016 is calculated based on underlying profit excluding capitalised losses and other one-off experience items.

- tilting investment to higher growth, less capital intensive businesses with strong positions in growing markets
- transforming the core Australian business to centre on the customer
- reducing costs to continue growing profitably in a margin compressed world, and
- expanding selectively in Asia and internationally to capture new growth opportunities.

In the second half of 2016, AMP realigned the business with a new management structure to strengthen accountability for driving short-term business performance while delivering longer-term growth. This alignment across business units is supportive of the four key objectives, with a sharpened focus on effective cost and capital management to underpin short-term performance.

1. Tilt investment to higher growth businesses
AMP is focused on delivering growth across the portfolio by focusing investment on higher growth, less capital intensive businesses to build on their market-leading positions.

The growth investment is being deliberately tilted towards Australian wealth management, AMP Bank and AMP Capital, the business lines with the greatest opportunities. Australian wealth protection, New Zealand financial services and Mature are being managed for value and efficiency.

A key priority is to grow in the expanding $2.8 trillion[3] Australian wealth management market, where it holds the number one[4] market share position in superannuation.

AMP is investing in Australian wealth management to maintain and enhance a sustainable and competitive advantage in distribution and increase its channel capacity by activating new digital and direct channels to complement our face-to-face advice capabilities. AMP's leading corporate superannuation business is expected to assist in driving Australian wealth management cashflows in the short and long term.

AMP Bank continues to grow strongly and represents a significant opportunity for AMP, particularly across its aligned advice network where debt and cashflow management strategies can be embedded as a core part of AMP's advice value proposition.

AMP Capital has demonstrated consistent and sustainable earnings growth and is focused on growing domestically while also extending its geographic reach and distribution capabilities across selected markets. Utilising its strengths in the management of real assets, AMP Capital has further opportunity to capture attractive revenues.

2. Transform
AMP is transforming its core Australian businesses to help our customers own tomorrow. While this transformation is being driven from Australian wealth management, it also encompasses AMP Bank, AMP Capital and Australian wealth protection, as AMP packages the right solutions for its customers to help them meet their goals.

Differentiate via integrated goals-based model
AMP has launched an experiential goals-based approach designed to engage existing customers and activate AMP's customer base of more than 3.7 million, particularly unadvised customers.

Deliver goals-based advice model of the future
AMP is aiming to make financial advice more relevant, accessible and affordable for consumers, and at the same time, more efficient and profitable for AMP and its strong network of aligned advisers. The company is rolling out its technology-enabled, goals-based advice platform to both AMP Advice and its broader adviser network. By the end of 2016, 24 practices were operating under the new AMP Advice model and are expected to deliver greater adviser productivity, increased share of customer wallet and improved advice practice profitability.

Increase channel choice
AMP is giving consumers more ways to interact with the company. It is creating an omni-channel experience with new digital and direct channels that complement its existing multi-branded face-to-face advice experience. New data and analytics infrastructure is driving customer engagement and new business across all channels.

Deliver a superior customer experience
Net promoter score (NPS) is now used across the company to objectively measure and drive ongoing improvement of customer experiences. 25% of variable employee remuneration is now based on NPS.

3. Reduce costs
AMP completed its three-year business efficiency program at the end of 2016 (delivering $200 million in pre-tax recurring run rate cost savings). The company is sustaining its business efficiency benefits by embedding more effective processes and project management, process automation and activity-based working. Operating model and organisational design changes will deliver a further round of business efficiency gains in 2017, with the aim of reducing controllable costs.

4. Expand internationally
AMP is expanding internationally, primarily through AMP Capital, in high-growth potential regions where its expertise and capabilities are in demand. It is doing this by building strong partnerships with national champion companies in China and Japan and is capitalising on demand for its infrastructure, real estate and fixed income capabilities across Asia, Europe and North America. AMP's relationships with China Life are going from strength to strength. China Life Asset Management Company Limited is the fastest growing new asset management company in China while China Life Pension Company (CLPC) ranks first in trustee services with 29% market share and third in investment management with 12% market share.

In 2017, CLPC is set to benefit from the implementation of new regulations for Occupational Pensions (OP) in China. OP represents a significant growth opportunity for CLPC, covering around 40 million civil servant employees with 12% salary contribution and annual contributions expected to reach up to RMB200 billion. CLPC is currently competing to win this OP business across each region of China.

AMP's relationship with its Japanese partner MUTB is also being strengthened.

Strategies and prospects by business area[5]

Australian wealth management
Australian wealth management's key priorities are to:

3 ABS Managed Funds Report, Managed Funds Industry, September 2016.
4 Fund Market Overview Retail – Marketer, Strategic Insight (Plan For Life), September 2016.
5 Forward looking statements in 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.

- build customer goals-oriented business whilst remaining vigilant on cost control
- build the goals-based advice model of the future and improve the quality of the advice experience
- increase channel choice
- use new capabilities to design customer centric offers covering advice, product and service
- develop a strong SMSF capability with a focus on building scale and efficiency.

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 Japan and China.

Australian wealth protection

The key priorities for management are to:

- stabilise earnings and release capital via reinsurance
- sustain business efficiencies
- promote the new insurance offer.

AMP Bank

As the banking arm of a wealth manager, AMP Bank's role is to leverage and grow the group's customer base to provide core banking solutions to help meet the goals of customers. In aligning with this strategic imperative, AMP Bank's 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
- maintain focus and growth in both the aligned adviser and mortgage broker channels
- 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 has the following key priorities to grow shareholder value:

- deepen its customer relationships
- re-engineer wealth protection to increase product attractiveness
- maximise wealth management market opportunities created by regulatory change
- evolve advice and distribution capability
- leverage the KiwiSaver opportunity
- build on our general insurance partnership
- continue its focus on cost control.

Australian mature

Key priorities for management 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 at around 6% per annum. However, 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 run-off of Australian mature AUM is anticipated to have an average duration of approximately 12 years, but will be impacted by investment markets and regulatory changes.

Key risks

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

The Enterprise Risk Management (ERM) framework is designed to enable AMP to identify, assess, respond, monitor and review current and emerging risks that can affect our business. We recognise that effective risk management is supported by appropriate behaviour by our employees and we are committed to driving a risk aware culture. AMP's ERM framework includes a risk management strategy which establishes the principles, requirements, roles and responsibilities for the management of risk across AMP and the risk appetite statement which articulates the nature and level of risk the board is willing to accept in the pursuit of strategic objectives.

AMP's corporate strategy reflects the types of risks the board is willing to accept. The strategic risks and their impacts are identified as part of the strategic planning process.

Key risks which may impact AMP's ability to achieve its strategic objectives include:

Strategic risk

- *Changes to the business environment:* Our strategy is set based on existing and expected business environmental factors including business cycle, technology, customer preferences and competitive landscape. Significant changes in these environmental factors may disrupt AMP's business operations. For example, a significant change in customer preferences may impact sales volumes, revenue and customer satisfaction. AMP focuses on implementing programs to better anticipate and respond to threats and opportunities that arise from changing customer preferences and competitor strategies and capabilities.

- *Changes in the regulatory environment:* The financial services industry is going through a period of significant change. These changes, combined with increased attention from the media and public, have placed additional pressures on governments to make changes to existing regulations. We recognise that failure to effectively anticipate and respond to regulatory changes could adversely impact AMP's reputation and ability to achieve its strategic objectives. We manage this risk by having dedicated resources to implement required change programs and actively engage with government, regulators and industry bodies to effectively monitor and anticipate regulatory changes. We also place significant focus on our risk culture to ensure we are keeping our legal, regulatory and social responsibilities front of mind in our daily activities.

- *Sufficient investment in operating environment:* AMP's promise to help people own tomorrow requires changes to products, services and customer experiences. The promise has driven new approaches, models and ways of working within our business which require modification and capability uplift to existing system infrastructure, processes and people skills and capabilities. Inadequate investment into core functions can limit our ability to achieve our strategic objectives to meet customer expectations. To manage this, we continually review, invest in and monitor the adequacy of core functions of systems, processes and people to ensure that these are sufficient to support the strategic objectives.

Market risk

- *Inadequate monitoring and management of exposure to market volatility:* Volatility in market factors such as interest rates, equity markets or foreign exchange rates could have a negative impact on the profitability of AMP. Uncertainty in investment returns can impact on customer sentiment and may result in a reduction in capital invested and increased product switching by investors. Cash inflows to wealth management products such as superannuation and investment products may be impacted if customer appetite for discretionary savings and investment products reduces. We monitor market conditions and continually review our product offerings to ensure they are appropriately balanced to account for market volatility and changing customer needs.

Insurance risk

- *Greater than expected insurance claims and lapse rates:* Conditions in the Australian life insurance market have proven challenging over the past few years. AMP has experienced unfavourable insurance claims and lapse rates which impact on earnings. This is driven by poor terminations, increasing income protection claims, a higher volume of lump sum claims and unfavourable group salary continuance claims. We are managing the volatility in insurance claims and lapse rates by redesigning insurance products and the claims processes, reducing exposure through reinsuring part of the life insurance business and strengthening our best estimate assumptions. We are also looking to manage volatility across the group by focusing on growing our business in areas where the industry has invested heavily in developing methods to measure and manage volatility such as wealth management, asset management and the banking industry.

Operational risk

- *Effective management and implementation of change:* AMP has invested heavily into developing new approaches, models and ways of working within the business to drive efficiency. This has resulted in significant modification or uplift to existing system infrastructure, processes and people role requirements. We recognise that failure to appropriately manage the implementation of these changes can cause disruption to AMP's business operations. To manage this, AMP has dedicated resources with appropriate skills and expertise who work with the business to establish change programs and manage the transition.
- *Cyber risk:* Cyber risk continues to be a focus area across all financial industries. We recognise that cyber risk will continue to increase significantly in a rapidly changing technological environment and that the magnitude and costs of a cyber-crime vary depending on the nature of the attack. We are committed to investing in enhancing our cyber security network and we have a number of detective, preventative and responsive controls to protect our assets and networks. Whilst we are committed to enhancing our cyber security network, we recognise it is inevitable that cyber attacks will occur. In assessing and mitigating cybercrime, we regularly consider vulnerabilities and potential controls for failures across people, processes and technology.
- *Outsourcing risk:* AMP has outsourcing arrangements with external service providers to support business functions. We recognise that poor management of outsourced services will directly impact AMP's ability to service customers and achieve strategic objectives. We are committed to ensuring that outsourced arrangements are appropriately managed and policies and processes are in place to ensure appropriate governance, management and oversight of external service providers. AMP has dedicated resources to monitor contracts, service level agreements and performance targets to ensure service deliverables are met.
- *Conduct risk:* AMP is committed to establishing a culture of help that reflects our values of professionalism, honesty and integrity. We see conduct risk as the risk of inappropriate, unethical or unlawful behaviour on the part of our employees. Our code of conduct outlines the minimum standards for behaviours, decision making and our expectations for how we treat our employees, customers, business partners and shareholders. We are committed to doing the right thing and our code of conduct supports driving a strong risk-aware culture. We recognise that culture drives the right behaviour and conduct within AMP and influences outcomes and the achievement of strategic objectives. AMP's approach to managing conduct risk is to educate and support staff to recognise the risk implications of their decisions, and empower our employees to speak out against instances of bad conduct.

These risks are constantly monitored, assessed and reported to the relevant committees and the board to ensure that any mitigating actions are taken appropriately.

The environment

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

Significant changes to the state of affairs

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 announcements made on 9 February 2017 of:

- A final dividend on ordinary shares of 14.0 cents per share. Details of the announced dividend and dividends paid and declared during the year are disclosed in Note 1.4 of the financial report; and
- An on-market share buy-back of up to $500 million to begin in the first quarter of 2017.

The AMP Limited board of directors

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

The directors of AMP Limited during the year ended 31 December 2016 and up to the date of this report are listed below. Directors were in office for this entire period (except where stated otherwise):

- Catherine Brenner (Chairman)
- Craig Meller (Chief Executive Officer and Managing Director)
- Patricia Akopiantz
- Brian Clark (retired 12 May 2016)
- Holly Kramer
- Trevor Matthews
- Simon McKeon (retired 12 May 2016)
- John Palmer (retired 23 June 2016)
- Geoff Roberts (appointed 1 July 2016)
- Peter Shergold
- Peter Varghese (appointed 1 October 2016)
- Vanessa Wallace (appointed 1 March 2016)
- Mike Wilkins (appointed 12 September 2016).

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

Attendance at board and committee meetings

The table below shows details of attendance by directors of AMP Limited at meetings of boards and the committees of which they were members during the year ended 31 December 2016. 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	AMP Limited Board meetings		Audit Committee		Risk Committee		Nomination and Governance Committee		People and Remuneration Committee		Ad hoc committees/ workshops[1]		Subsidiary and committee meetings[2]	
Held/attended	A	B	A	B	A	B	A	B	A	B	A	B	A	B
Catherine Brenner	15	15	–	–	–	–	4	4	4	4	2	2	11	11
Craig Meller	15	15	–	–	–	–	–	–	–	–	2	2	19	18
Patricia Akopiantz	15	15	–	–	1	1	4	4	6	6	1	1	17	17
Brian Clark (retired 12/05/16)[3]	5	5	–	–	–	–	–	–	1	1	1	1	7	7
Holly Kramer	15	15	4	3	–	–	–	–	–	–	1	0	13	12
Trevor Matthews	15	15	4	4	4	4	–	–	–	–	3	3	24	24
Simon McKeon (retired 12/05/16)[4]	5	5	–	–	–	–	2	2	2	2	3	3	–	–
John Palmer (retired 23/06/16)[5]	8	8	–	–	–	–	–	–	–	–	1	1	4	4
Geoff Roberts (appointed 01/07/16)[6]	7	7	2	2	–	–	–	–	–	–	1	1	–	–
Peter Shergold	15	14	3	3	4	4	1	1	–	–	1	1	21	20
Peter Varghese (appointed 01/10/16)[7]	4	4	–	–	1	1	–	–	–	–	–	–	3	3
Vanessa Wallace (appointed 01/03/16)[8]	13	12	–	–	3	3	–	–	5	5	1	1	6	6
Mike Wilkins (appointed 12/09/16)[9]	5	5	1	1	1	1	–	–	–	–	–	–	4	4

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

1 Ad hoc committees/workshops of the board were organised during the year in relation to financial results, AMP group capital initiatives and APRA CPS220.
2 Subsidiary board and committee meetings include AMP Life/The National Mutual Life Association of Australasia (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.
3 Brian Clark retired as a Director on 12 May 2016.
4 Simon McKeon retired as a Director on 12 May 2016.
5 John Palmer retired as a Director on 23 June 2016.
6 Geoff Roberts was appointed as a Director on 1 July 2016 and Chairman of the Audit Committee in July 2016.
7 Peter Varghese was appointed as a Director on 1 October 2016 and a member of the Risk Committee in October 2016.
8 Vanessa Wallace was appointed as a Director on 1 March 2016 and a member of the Risk and People and Remuneration Committees in March 2016.
9 Mike Wilkins was appointed as a Director on 12 September 2016 and a member of the Audit and Risk Committees in September 2016.

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 as Group General Counsel. Brian has over 35 years' experience in the legal profession, advising many of Australia's leading financial and wealth management companies. Before joining AMP, Brian was a partner with a major Australian law firm for 19 years and a member of its executive team for a number of years.

Brian is a former member of the Australian Government's Corporations and Markets Advisory Committee, which was established to provide independent advice to the Australian Government on issues that arise in corporations and financial markets law and practice. Brian is also a member of the Legal Committee of the Australian Institute of Company Directors and the Corporations Committee of the Business Law Section of the Law Council of Australia and is the Deputy Chair of the General Counsel 100. He is a former Chairman and National Committee member of the Australian Securitisation Forum. He is also an Executive Director of AMP Superannuation Limited and N. M. Superannuation Proprietary Limited and the Chairman of SCECGS Redlands Limited.

David Cullen

Group Company Secretary and General Counsel, Governance
BCom, LLB, LLM, GradDipAppFin, 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, acquisitions and joint ventures. He was appointed Group Company Secretary and General Counsel, Governance in July 2013 and is Company Secretary for AMP Limited. Prior to joining AMP, David spent eight years in private legal practice focusing 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 Fellow of the Governance Institute of Australia.

Vicki Vordis

Company Secretary
BEc, LLB (Hons), FGIA
Vicki joined AMP in December 2000 and held various legal roles before moving into Group Secretariat. She is a Company Secretary of AMP Bank Limited. Prior to 2000, Vicki worked as a lawyer in several Sydney law practices. She holds a graduate diploma in Applied Corporate Governance and is a Fellow of the Governance Institute of Australia.

Indemnification and insurance of directors and officers

Under our 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. 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, and
- the company will maintain directors' and officers' insurance cover for the directors to the extent permitted by law for the period of their office and for 10 years after they cease to hold office.

Rounding

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

Auditor's independence declaration to the directors of AMP Limited

The directors have obtained an independence declaration from the company's auditor, Ernst & Young, for the full year ended 31 December 2016.

EY
Building a better working world

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Auditor's Independence Declaration to the Directors of AMP Limited

As lead auditor for the audit of AMP Limited for the financial year ended 31 December 2016, I declare to the best of my knowledge and belief, there have been:

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

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

Ernst & Young

Tony Johnson
Partner
Sydney, 9 February 2017

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 2016, 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 2001* and did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit assignments were approved by the nominated delegate to the chief financial officer 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 $2,089,000 or 13% of the total fees paid to the auditors (refer to Note 7.5 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 2016.

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

We believe that remuneration should be clearly aligned to the sustainable growth of our company and long-term returns to shareholders.

Dear shareholders,

On behalf of the board I am pleased to present our 2016 remuneration report for which we seek your approval at the annual general meeting on Thursday 11 May 2017.

The board understands that there is increasing shareholder interest in the scale and structure of executive remuneration. That is entirely appropriate. We, too, believe that remuneration should be clearly aligned to the sustainable growth of our company and long-term returns to shareholders. This is important in a good year. It is even more critical in a challenging year.

2016 remuneration outcomes

The year saw strong results from AMP Capital, AMP Bank and New Zealand, and a resilient performance from wealth management despite challenging market conditions. However, these results were overshadowed by a poor performance in wealth protection. Nonetheless, our capital position and underlying business remained strong and as a result shareholders will receive a final dividend of 14 cents per share, bringing the 2016 total dividend to 28 cents per share, the same total dividend payment as was delivered in 2015.

To ensure that remuneration outcomes are aligned with AMP's performance in 2016, the following decisions were approved by your board:

- **No short-term incentive (STI) was paid to our CEO or KMP executives for 2016 under the AMP Group STI plan.** Adam Tindall, AMP Capital's CEO, is an exception as he participates in a separate incentive plan that's aligned with the profit and performance of AMP Capital. AMP Group's performance against financial STI goals was below threshold in 2016 (except for net revenue of AMP Capital). Progress against our strategic transformation program to build a customer centred culture continued at pace in 2016, and the related performance against the strategic goals was above target. Given the financial performance, the CEO and board agreed that none of the STI pool be paid to the CEO or KMP executives.
- **No salary increase will be made for our CEO in 2017.** The only KMP executives who will receive an increase in 2017 are those executives whose roles significantly increased in the restructure that was announced in November 2016. These increases were effective from 1 January 2017. As a result of the restructure, three KMP roles were made redundant and their redundancy payments are disclosed in this report. These amounts were calculated using the AMP policy which applies to all employees.

In addition:

- **No portion of the long-term incentive (LTI) granted in 2014 is expected to vest.** The return on equity (RoE) target was not achieved and the current relative total shareholder return (TSR) performance indicates that AMP will not outperform at least 50% of the peer group when this hurdle is tested in 2017 (not confirmed at the time of publication). Therefore we expect the entire LTI grant made in 2014 to lapse at the vesting date in 2017.

2015 remuneration outcomes

As shareholders will recall, AMP's 2015 performance was strong with a 7% increase in underlying profit. It was in the context of this 2015 performance that the board reviewed the CEO's salary for 2016.

In February 2016, the People and Remuneration Committee (PRC) benchmarked the CEO's remuneration against companies of similar size and other financial institutions. This data showed that the CEO's fixed remuneration was at the 25th percentile of this peer group. As context, when the CEO was appointed to the role, his salary was set at a lower level compared to his peers and predecessor. It was to progressively increase as he gained experience and delivered results. In keeping with this approach, and considering 2015 performance, the board increased his salary by 9% to $1.9 million in February 2016.

In February 2016, the board also reviewed the vesting of the 2013 LTI. The 2013 TSR hurdle was not met and this tranche did not vest. The RoE performance hurdle was partially met and a portion of this tranche did vest. The minimum RoE hurdle for the 2013 LTI grant was 13.4%. When the hurdles were set, the board agreed that it would exercise discretion, in particular for strategic decisions that were not foreseen at the time the performance targets were set. The actual RoE result for 2015 was 13.2% but the board exercised its discretion and adjusted the RoE outcome up to 13.5% to take into account the impact of the investment in the China Life Pension Company (CLPC) (0.3%) on the 2015 RoE result. The board was cognisant that this discretion was the difference between vesting and not vesting and applied due rigour. This decision was made to ensure that the board continues to encourage management to pursue such growth opportunities and not be disadvantaged for making decisions that benefit the long-term value for shareholders. This decision was previously disclosed to shareholders in May 2016.

Improving transparency

The board is aware of the need to improve transparency on the link between remuneration and performance, without undermining any competitive advantage with inappropriate disclosure. In this report we have sought to improve that by:

- providing a summary of key decisions to introduce the remuneration report (this letter)
- moving to disclose RoE targets for vested and unvested LTI grants
- expanding the explanation on strategic STI targets and their link to long-term value creation
- improving the user-friendliness of this document.

We trust that shareholders find this report easier to understand.

Changes in 2017

Finally, your board is engaged in a very active discussion about how remuneration can support accelerated strategic delivery and improve returns for shareholders. For 2017, three key changes have been made to improve alignment.

1. **Extend the LTI vesting period from three to four years.** Starting with the 2017 grant, LTI will vest over four years and the vesting period will commence from 1 January 2017 to align with AMP's financial year. Previously the vesting period commenced in March each year. This change will align the performance period that determines vesting with the performance period of AMP, and will direct management's focus on value creation over a longer term. This will not result in an increase in the LTI value awarded.

2. **Remove the RoE performance hurdle so that 100% of LTI vests subject to relative TSR.** RoE was introduced as a performance hurdle around the time of the AXA transaction to drive an improvement in RoE. With an improved RoE achieved over the last few years through capital efficiency activities across the business, the use of a RoE measure is no longer considered appropriate for LTI purposes. Capital management will continue to be a key focus area for management. Our focus on underlying profit after tax (UPAT) less cost of capital ensures a continued focus on effective capital management and is a key consideration when determining individual performance.

3. **Increase focus on financial goals.** In 2017 we will increase the weighting of financial measures to 70% of the STI scorecard (from 65%). The remaining 30% will focus on embedding our customer centred culture supported by a strong risk management environment throughout the organisation, which we believe is critical to delivering our strategy.

In 2017, we will continue to review how we can better align our remuneration strategy to drive performance and returns for shareholders. Fundamentally, your board believes that remuneration should drive the delivery of AMP's business strategy by achieving the right balance of motivation and challenge for our KMP; encouraging them to both grow the business and deliver sustainable shareholder returns.

Patricia Akopiantz

Patricia Akopiantz
Chairman, People and Remuneration Committee

Remuneration report (audited)

This remuneration report explains how we structure remuneration to incentivise and reward executives for delivering sustained business performance that leads to positive value for shareholders. It also provides details of the remuneration arrangements for our key management personnel (KMP) in 2016.

Contents

1. Who is covered by this report

The following executives and non-executive directors were KMP between 1 January 2016 and 31 December 2016.

KMP are those people who have authority and responsibility for planning, directing and controlling the activities of AMP. This includes the chief executive officer (CEO), nominated direct reports of the CEO and AMP's non-executive directors (NEDs). In this report the term *executive* means the CEO and the other executives who are KMP. 2016 KMP are detailed below.

		Term as KMP in 2016
Current executives		
Craig Meller	Chief Executive Officer and Managing Director	Full Year
Pauline Blight-Johnston	Group Executive, Insurance and Superannuation	Full Year
Robert Caprioli	Group Executive, Advice and Banking	Full Year
Gordon Lefevre	Chief Financial Officer	Full Year
Matthew Percival	Group Executive, Public Affairs and Chief of Staff	Full Year
Craig Ryman	Chief Information Officer	Full Year
Paul Sainsbury	Chief Customer Officer	Full Year
Brian Salter	Group General Counsel	Full Year
Wendy Thorpe	Group Executive, Operations	Full Year
Adam Tindall[1]	Chief Executive Officer, AMP Capital	Full Year
Fiona Wardlaw	Group Executive, People and Culture	Full Year
Former executives		
Stephen Dunne[2]	Former Managing Director, AMP Capital – retired 9 October 2015	
Current non-executive directors		
Catherine Brenner	Chairman – appointed Chairman 24 June 2016	Full Year
Patricia Akopiantz	Non-executive Director	Full Year
Holly Kramer	Non-executive Director	Full Year
Trevor Matthews	Non-executive Director	Full Year
Geoff Roberts	Non-executive Director – appointed 1 July 2016	Six months
Peter Shergold	Non-executive Director	Full Year
Peter Varghese	Non-executive Director – appointed 1 October 2016	Three months
Vanessa Wallace	Non-executive Director – appointed 1 March 2016	Ten months
Mike Wilkins	Non-executive Director – appointed 12 September 2016	Four months
Former non-executive directors		
Simon McKeon	Chairman – retired 12 May 2016	Five months
Brian Clark	Non-executive Director – retired 12 May 2016	Five months
Paul Fegan	Non-executive Director – retired 30 November 2015	–
John Palmer[3]	Non-executive Director – retired 23 June 2016	Six months

1 Adam Tindall was appointed Chief Executive Officer, AMP Capital (CEO, AMP Capital) on 12 October 2015 following the retirement of Stephen Dunne. At this date Adam commenced as a KMP.
2 Stephen Dunne changed role from MD AMP Capital to Consultant on 9 October 2015. At this date Stephen ceased as a KMP. He remained as a consultant with AMP until 29 February 2016.
3 John Palmer held the position of AMP Limited Chairman for the period 12 May to 23 June 2016 following the retirement of Simon McKeon until the appointment of Catherine Brenner. He was paid the AMP Limited Chairman fee for this period.

2. Our executive remuneration structure

Our executive remuneration is structured so that each individual's remuneration is linked to the performance of the company as a whole and their individual performance, as long as company performance meets threshold performance levels.

Your board believes that remuneration should drive the delivery of AMP's business strategy by achieving the right balance of motivation and challenge for our executives; encouraging them to both grow the business and deliver sustainable shareholder returns. In addition, the remuneration arrangements support the attraction and retention of talent within AMP. In 2016 the remuneration structure includes fixed, STI and LTI components. Performance targets are set to support the delivery of AMP's strategy, which in turn is designed to deliver value to customers and shareholders.

2016 executive remuneration structure

	Fixed	At risk	
	Fixed remuneration Base salary, superannuation and any salary sacrificed benefits AMP generally positions fixed remuneration at the median of the market, compared to like roles in Australian listed companies of comparable size both within the financial services sector and across the general market	**Short-term incentive (STI)**[1] Reward for strong individual and company performance during the year through annual goals that are aligned to delivery of our strategy and creation of shareholder value	**Long-term incentive (LTI)** Reward for long-term company performance, measured against AMP's return on equity and total shareholder return targets
Value determined by	Market value and criticality of role, qualifications and experience	Performance of the individual and the company during the year measured 65% against financial and 35% against strategic goals	60% – relative total shareholder return hurdle over three years 40% – return on equity hurdle in three years
Delivered as	Cash and superannuation	60% cash 40% rights to AMP Limited shares – deferred for two years[2]	Rights to AMP Limited shares subject to three year performance targets
Why it is paid	To attract and retain talent	To focus executives' efforts to deliver on AMP's strategic priorities during the year Deferral of 40% of payment encourages executives to focus on sustainable outcomes beyond the performance period	To focus executives' efforts to create long-term value for shareholders To increase shareholding to support alignment with shareholder interests

1 Executives participate in the AMP STI plan with the exception of AMP Capital's CEO who participates in the AMP Capital enterprise profit share plan.
2 For the AMP Capital enterprise profit share plan, 50% vests after two years and remaining portion vests after three years.

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

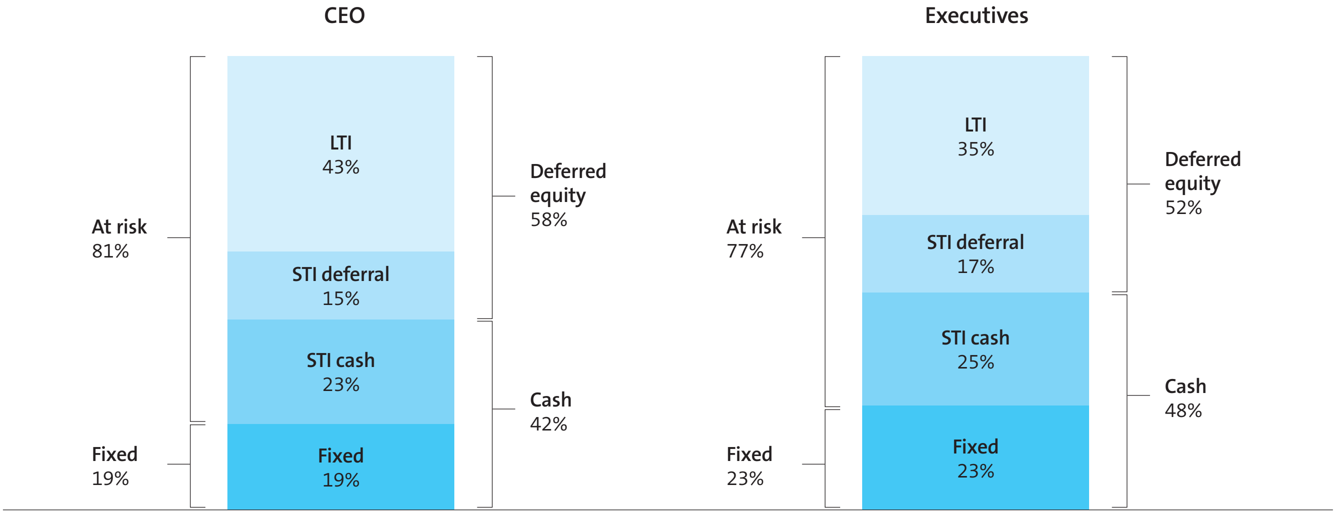
Adam Tindall (CEO, AMP Capital) participates in the AMP Capital enterprise profit share plan, which delivers a pool as a set proportion of profit (adjusted for cost of capital). The AMP Limited Board approves the allocation of the profit share pool for a performance period for AMP Capital's CEO, based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

2.1. Remuneration mix

The following illustration shows the remuneration mix for the executives in 2016 (excluding AMP Capital's CEO as he participates in the AMP Capital enterprise profit share plan). It has been modelled based on the average of the executives' maximum opportunity.

Having a majority of the executives' remuneration package linked to the performance of the company is important for ensuring that the interests of executives are closely tied to the interests of shareholders.

Remuneration that is performance-related and therefore considered to be 'at-risk' comprises 81% of the CEO's total remuneration and 77% of other executives' total remuneration.



2.2. Changes in 2017

For 2017, three key changes have been made to our executive remuneration structure to better align with shareholder experience.

- **Extend the LTI vesting period from three to four years.** Starting with the 2017 grant, LTI will vest over four years and the vesting period will commence from 1 January 2017 to align with AMP's financial year. This change will align the performance period that determines vesting with the performance period of AMP, and will direct management's focus on value creation over a longer term. Previously, the vesting period commenced in March each year. This will not result in an increase in the LTI value awarded.
- **Remove the RoE performance hurdle so that 100% of LTI vests subject to relative TSR.** RoE was introduced as a performance hurdle around the time of the AXA transaction to drive an improvement in RoE. With an improved RoE achieved over the last few years through capital efficiency activities across the business, the use of the RoE measure is no longer considered appropriate for LTI purposes. Capital management will continue to be a key focus area for management and will continue to be a consideration when determining individual performance.
- **Increase focus on financial goals for STI.** In 2017 we will increase the weighting of financial measures to 70% of the STI scorecard (from 65%). The remaining 30% will continue to focus on embedding our customer centred culture supported by a strong risk management environment which we believe is critical to delivering our strategy.

3. 2016 remuneration outcomes

The remuneration each executive receives is based on the performance of AMP and their individual performance during the year.

In 2016, AMP delivered a loss attributable to shareholders of $344 million (compared to a profit of $972 million in 2015) and an underlying profit of $486 million (from $1,120 million in 2015). The 2016 results were largely driven by actions that were taken to stabilise our wealth protection business and reduce the earnings impact on the group. The loss includes some largely one-off, mainly non-cash items. This overshadowed growth in AMP Bank, AMP Capital and the New Zealand operations, as well as low growth in wealth management. We also made progress on our transformation to become a truly customer centred company.

Despite this result, our capital position remains strong and as a result shareholders will receive a final dividend of 14 cents per share, bringing the 2016 total dividend to 28 cents per share, the same total dividend payment as was delivered in 2015.

3.1. Summary of 2016 CEO remuneration outcomes

The CEO will not receive any incentive outcomes based on AMP's performance in 2016. His STI award is zero and none of the performance rights that were granted in his 2014 LTI award will vest subject to AMP's 2016 RoE performance (40% of the grant). We do not anticipate any vesting of the 60% of the 2014 LTI grant that is subject to relative TSR performance, although this will not be tested until March 2017.

In February 2016, the PRC benchmarked the CEO's remuneration against companies of similar size and other financial institutions. This data showed that the CEO's fixed remuneration was at the 25th percentile of this peer group. As context, when the CEO was appointed to the role, his salary was set at a lower level compared to his peers and predecessor. It was to progressively increase as he gained experience and delivered results. In keeping with this approach, and considering 2015 performance, the board increased his salary by 9% to $1.9 million in February 2016. The CEO will not receive a salary increase in 2017.

As a result of the above, the CEO will only receive his fixed remuneration and he will not receive any variable remuneration based on 2016 performance. This represents a 100% drop in variable remuneration and a 56% drop in total remuneration compared to remuneration received based on 2015 performance, as shown below. All executives will have a 100% drop in variable remuneration reflecting AMP's performance in 2016.

	Cash		Rights		
Performance year on which remuneration received is based	Fixed remuneration[1] $'000	Cash short-term incentive awarded $'000	Deferred short-term incentive awarded $'000	Long-term incentive vested[2] $'000	Total $'000
2016	**1,900**	**–**	**–**	**–**	**1,900**
2015	1,750	1,260	840	455	4,305

1 Fixed remuneration as determined by the board in February, effective April each year.
2 For the 2014 LTI award, no vesting will occur for 2016 performance against the RoE hurdle and current performance indicates that no vesting will occur against the TSR performance hurdle. The TSR hurdle will be tested in March 2017. For the 2015 performance year a portion of the RoE tranche vested and the value is determined using the five-day VWAP on the exercise date.

This information differs from the statutory table in section 7.1.2 which is prepared according to Australian Accounting Standards.

The following sections detail how these outcomes were determined for the CEO and other executives for 2016. A summary of remuneration awarded between 1 January and 31 December 2016 for all executives is in section 7.1.1.

3.2. Fixed remuneration

Fixed remuneration increases for executives (including AMP Capital's CEO) were considered as part of the group-wide remuneration review process in February 2016 and were effective April 2016. Fixed remuneration levels were held flat for the majority of the executives, with increases only provided to those executives who were below our desired market position or for new executives. These decisions were made in the context of 2015 performance. Fixed increases were awarded to the CEO (9%), Chief Information Officer (8%) and Chief Financial Officer (4%) so that their fixed remuneration was comparable to their peers in the Australian market. No salary increases will be made in 2017 except for those executives whose roles significantly increased in the restructure that was announced in November 2016.

3.3. Short-term performance and incentive outcomes

Based on AMP's performance in 2016, neither the CEO nor executives (excluding Adam Tindall who operates under a different remuneration structure) will receive an STI payment for 2016. This section describes the board's philosophy around STI measures as well as the detailed outcomes for 2016.

3.3.1. Approach to STI

The STI scorecard is a powerful mechanism for the board to signal to employees what the key priorities for delivery are in any given year. The board believes that both financial and strategic goals, which are measured against stretch targets, are key to delivering our strategy and through this, shareholder value.

In 2016, 65% of the STI scorecard was weighted to financial goals, and 35% to strategic goals. Our financial goals are focused on driving profitability and growth. The strategic goals focus our people on building and strengthening critical capabilities to deliver on AMP's strategy. Of the three strategic measures, two are customer advocacy measures; Net Promoter System (NPS) score and strengthening our customer centred culture. The third strategic measure is strengthening our risk culture. Due to the increased interest in understanding how strategic measures drive company value, further information on these strategic measures is detailed below.

Customer advocacy measures

At AMP, we believe that improved customer experiences will deliver a sustained competitive advantage now and in the future, and will drive superior outcomes for customers and shareholders. It is AMP's goal to become Australia and New Zealand's favourite financial services provider, and our focus on the customer experience is paramount to delivering this strategy.

We monitor our progress against our strategy through various measures. We use NPS to evaluate our progress against our customer goals. NPS is a business capability that is centred around frequently surveying customers with a simple set of questions ('Listen'), working to understand that feedback ('Learn') and then making improvements based on that feedback ('Act'). Based on this feedback, we put tools, training and infrastructure in place to continuously improve the customer experience. Both external research and our analysis show a correlation between high NPS scores and improved economic value.

When the board first introduced a customer goal into the STI scorecard, a range of measures were used to determine how well our people were building a customer centred culture and improved customer experiences. By 2016 our understanding of NPS had evolved to a point where we were able to more confidently introduce the quantitative NPS metric (NPS score) alongside a specific set of ambitious initiatives to strengthen our customer centred culture throughout the organisation (strengthening our customer centred culture). These measures accounted for a quarter of the STI scorecard in 2016.

Strengthening our risk culture

AMP believes that culture is an enabler of strategic execution which can be deliberately and directionally developed, primarily through leaders. AMP has determined the behaviours that will support our strategy and we are committed to a culture that values integrity, help and performance. Employee beliefs about the risk-taking or risk-reducing behaviours that are valued and expected at AMP (ie our risk culture) are important aspects of AMP's overall culture.

Our inclusion of strategic goals in the STI scorecard has been a key means through which we have seen a change in the way our people serve our customers. Our employee engagement survey results show a steady increase over recent years in our employees' perception of AMP's customer-centricity and that we speak up, challenge and act when things aren't right.

3.3.2. STI outcomes

The board assessed AMP's performance against the scorecard below and used this to determine the funding of the STI pool for 2016. AMP's financial performance was below threshold except for net revenue of AMP Capital. Performance against the strategic customer and risk goals was determined by the board to be above target. Overall performance on financial and strategic measures generated a 25% of maximum opportunity STI pool for 2016. This compares to an STI pool of 51% of maximum opportunity in 2015. The STI pool in 2016 excludes AMP Capital as this part of the business has separate remuneration arrangements.

	Description (scorecard weighting)	Link to strategy	Outcome	Performance commentary
Financial measures (65%)	**Underlying profit less capital charge (45%)**	Profitability of AMP delivers shareholders' annual dividends and generates funds for investing in our future.	Below threshold	The 2016 results were largely driven by actions that were taken to stabilise our wealth protection business and reduce the earnings impact on the group. The loss includes some largely one-off, mainly non-cash items. This overshadowed growth in AMP Bank, AMP Capital and the New Zealand operations, as well as low growth in wealth management.
	Cost to income ratio (5%)	We focus on reducing costs by spending dollars smartly, where it matters most to our customers, and redirecting savings to enable us to invest in better customer solutions.	Below threshold	The cost to income ratio was impacted by the challenges in the Australian wealth protection business. There has been a significant focus on driving business efficiencies during the year. A three-year business efficiency program is now complete, with $200 million in pre-tax recurring run rate cost benefits. Maintaining a sharper focus on managing our costs is a strategic priority for us to drive short-term performance. Retaining a rigorous focus on cost control ensures we remain competitive and enables us to continue to invest in long-term growth.
	Value creation (15%) – Value of net cashflow (5%)	We orient capital and resources to grow our core Australian businesses.	Below threshold	We experienced lower than expected external cashflows in 2016. Investment market volatility and uncertainty for retail customers following changes to superannuation legislation negatively impacted our performance and hence the outcome was below threshold levels for the STI scorecard.
	– Value of risk new business (5%)		Below threshold	New business volume across AMP businesses was below threshold performance levels in 2016. The best estimate assumptions had a negative impact on the profitability of business written in 2016.
	– Net revenue of AMP Capital (5%)		Threshold	External net cashflows were impacted by challenging market conditions in Australia and Japan, partly offset by good institutional flows into real estate and infrastructure asset classes.
Strategic measures (35%)	**Customer advocacy (25%)** – Net Promoter System (NPS) score (10%)	Improved customer experiences will drive a sustainable competitive advantage.	Above target	The combined NPS result across our business was above target and we saw improvement across all categories surveyed. These are digital interactions, contact centre interactions and end-to-end customer experiences.
	– Strengthening our customer centred culture (15%)		Above target	Overall we achieved strong momentum against our plan towards embedding a customer centred culture. NPS is now part of operating routines in key areas of the business, driving customer centred behaviour change and improved customer solutions.
	Strengthening our risk culture (10%)	Conduct of our people is paramount to our success. Strong risk management behaviours support us to do the right thing by our customers in every interaction. This in turn will create customer loyalty and advocacy to generate improved financial results and value for shareholders.	On target	Embedding the enhanced risk management framework is largely on track against our ambitious plan with the majority of activity tracking at target. This has resulted in improvements in our approach to risk management and risk behaviours to support customer outcomes across AMP.

Reflective of AMP's performance in 2016, no executive received an award under the Group STI plan for 2016. The STI awards were based on the overall company financial results and individual executive performance was not taken into consideration as threshold financial performance was not met. Reflecting performance against the strategic customer and risk goals, a reduced STI pool ($34.3 million) was generated. This pool is significantly less than the STI pools that were available in previous years and it was used to reward outstanding employees below the executives to recognise their contributions to our 2016 strategic goals and to support retention.

	Maximum STI opportunity (% of total fixed pay)	% of maximum STI opportunity awarded	% of maximum STI opportunity not awarded	Maximum STI opportunity value forgone $
Current executives				
Craig Meller	200	0	100	3,800,000
Pauline Blight-Johnston	175	0	100	1,400,000
Rob Caprioli	175	0	100	1,356,250
Gordon Lefevre	200	0	100	1,930,000
Matthew Percival	175	0	100	1,050,000
Craig Ryman	175	0	100	1,137,500
Paul Sainsbury	200	0	100	1,740,000
Brian Salter	175	0	100	1,373,750
Wendy Thorpe[1]	204	0	100	1,162,800
Adam Tindall[2]	–	–	–	–
Fiona Wardlaw	175	0	100	1,225,000
Average		**0**	**100**	**1,617,530**

1 Wendy Thorpe's fixed remuneration excludes the value of her participation in a defined benefit superannuation arrangement which delivers a higher superannuation benefit over time. In 2016 AMP reviewed Wendy's remuneration and determined that the resulting lower fixed remuneration position resulted in understated STI and LTI opportunities given these are percentages of fixed remuneration. The board therefore approved increased STI and LTI opportunities for Wendy for 2016 and made adjustments to her 2014 and 2015 STI and LTI awards to correct past discrepancies.

2 Adam Tindall received $2,119,000 under the AMP Capital enterprise profit share plan. His opportunity is uncapped.

3.4. Long-term incentive outcomes

AMP operates a LTI plan to motivate executives to create long-term value for shareholders and to increase shareholding amongst executives to support the alignment of interests. The board selected TSR and RoE as two measures that are linked to delivering shareholder value. TSR directly aligns with benefits that are delivered to shareholders and RoE was chosen as it drives strong capital discipline and it was introduced at a time when RoE was not at the desired level. The LTI grants may vest after the three-year vesting period, subject to performance against RoE targets and our relative TSR performance. Full details of the LTI plan are described in section 5.2.

The vesting outcomes that reflect 2015 and 2016 performance are detailed below, along with the approved performance measures and targets for all unvested LTI grants.

Grant date	Performance period start date	Performance period end date	Measure	Threshold target (50% vests)	Maximum target (100% vests)	Board approved performance outcome	Vesting outcome (portion of tranche vested)
Grants that were tested for vesting since 1 January 2016							
6 Jun 2013	1 Jan 2015	31 Dec 2015	RoE	13.4%	14.5%	13.5%	55%
6 Jun 2013	7 Mar 2013	6 Mar 2016	TSR	50th percentile	75th percentile	31st percentile	0%
5 Jun 2014	1 Jan 2016	31 Dec 2016	RoE	13.7%	15.0%	5.8%	0%
Grants to be tested for vesting in the future							
5 Jun 2014	6 Mar 2014	5 Mar 2017	TSR	50th percentile	75th percentile	tba	tba
4 Jun 2015	1 Jan 2017	31 Dec 2017	RoE	15.3%	17.2%	tba	tba
4 Jun 2015	5 Mar 2015	4 Mar 2018	TSR	50th percentile	75th percentile	tba	tba
2 Jun 2016	1 Jan 2018	31 Dec 2018	RoE	15.9%	18.0%	tba	tba
2 Jun 2016	3 Mar 2016	3 Mar 2019	TSR	50th percentile	75th percentile	tba	tba

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

2013 LTI award
The RoE hurdle was partially met. The minimum RoE hurdle for the 2013 award was 13.4%. The actual RoE result for 2015 was 13.2%. The board exercised its discretion and adjusted the RoE outcome up to 13.5% to take into account the impact of the investment in the China Life Pension Company (CLPC) of 0.3% on the actual 2015 RoE result. The board was cognisant that this discretion was the difference between vesting and not vesting and applied due rigour. Paramount to the decision was to ensure that the board continues to encourage management to pursue growth opportunities like the investment in CLPC and not be disadvantaged for making decisions that benefit the long-term value for shareholders. Consideration was also given to the broader senior executive population who are eligible for LTI and to ensure the outcome was fair to all. This result was previously disclosed to shareholders in May 2016.

The TSR hurdle was not met and 100% of this tranche lapsed.

2014 LTI award
The 2016 RoE outcome was not sufficient to meet the required performance threshold and 100% of this tranche will lapse at the vesting date. When the board deliberated on RoE performance to determine LTI vesting, consideration was given to exercising discretion and adjusting for the impact of investment in CLPC, the reinsurance arrangement, wealth protection capitalised losses and the write-down in goodwill on the RoE result. The board decided to alter the RoE outcome to account for the impact of our investment in CLPC and the reinsurance arrangement only. No further adjustments were made to the RoE result for 2016. When assessing RoE performance for LTI vesting in future years, the board will ensure that the vesting outcome is not inappropriately impacted by these items.

The current relative TSR performance indicates that AMP is not likely to outperform at least 50% of the peer group. If this is the case when this hurdle is tested in March 2017, 100% of this tranche will lapse.

Details on the 2014 LTI award are included to provide transparent disclosure on outcomes relating to 2016 performance, despite the final TSR outcome not being confirmed at time of publication. The final outcome of the 2014 LTI award will be included in the 2017 report.

3.5. AMP's five-year performance

The table below illustrates AMP's performance over the last five years and the impact this has had on STI awards and LTI vesting outcomes, which shows that incentive awards vary with AMP's performance.

Financial results	2012	2013	2014	2015	2016
Profit (loss) attributable to shareholders ($m)	689	672	884	972	**(344)**
Underlying profit ($m)	950	849	1,045	1,120	**486**
Cost to income ratio (%)	47.3	49.4	44.8	43.8	**63.7**
Shareholder outcomes					
Total dividend (cents per share)	25	23	26	28	**28**
Share price at 31 December ($)	4.81	4.39	5.50	5.83	**5.04**
STI pool					
STI pool ($m)[1]	96	83	118	105	**34**
STI pool as % of underlying profit (%)	10.1	9.8	11.3	9.4	**7.1**
Average STI received as % of maximum opportunity for executives (%)	63	43	70	54	**0**
LTI performance					
Relative TSR percentile[2]	20th	21st	26th	50th	**31st**
Return on equity (unadjusted %)	12.8	10.7	12.7	13.2	**5.6**
LTI vesting outcome (% of grant vested during the year)[3]	0	0	0	0	**22**

1 The 2016 STI pool excludes AMP Capital as this part of the business has separate remuneration arrangements which were introduced in 2016.
2 TSR percentile ranking as at 31 July 2012, 2013 and 2014, 28 February 2015 and 6 March 2016 respectively.
3 LTI vesting reflects performance from the previous year. 22% of the 2013 LTI grant vested due to 2015 RoE performance being above threshold.

3.6. Termination payments

As a result of the restructure that was announced in November 2016, three KMP roles were made redundant, effective 31 December 2016. Although the redundancy payments for Pauline Blight-Johnston, Rob Caprioli and Wendy Thorpe are not payable until they cease employment with AMP in 2017, the payments have been disclosed in the tables in section 7.1 as they relate to the termination of their KMP roles.

Matthew Percival also left his role as KMP effective 31 December 2016. His retirement from AMP has not resulted in any termination benefit and therefore there is no termination payment to be disclosed.

4. Executive shareholding

Executives are required to hold a significant number of AMP shares to ensure that their long-term interests are closely aligned with the interests of shareholders.

4.1. Minimum shareholding

As part of AMP's commitment to ensuring the long-term interests of executives are closely aligned with the long-term interests of shareholders, all executives are required to hold a minimum number of AMP Limited shares and/or STI share rights within five years of their appointment. The minimum numbers are:

– CEO: 300,000
– other executives: 60,000.

Using the 31 December closing share price of $5.04 the minimum requirement as a percentage of fixed remuneration for the CEO is 80% and an average of 41% for other executives.

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

– AMP Limited shares: ordinary AMP Limited shares registered in the executive's name or a related party
– AMP share rights: granted to executives through AMP's employee share plans e.g. through the STI deferral program.

Share rights that are allocated to executives through the STI deferral plan are included to meet their minimum holding requirement on the basis that future vesting is not subject to any performance condition. AMP Limited shares and/or share rights cannot be hedged.

All executives currently meet their minimum shareholding requirements.

4.2. Executive shares and share rights holding

The following table shows the number of shares, and share rights held by executives or their related parties during 2016. A related party is typically a family member of the executive and/or is an entity in which the executive has direct or indirect control. The definition of units includes AMP Limited shares and share rights which are not subject to any future performance conditions.

	Holding at 1 Jan 2016						Holding at 31 Dec 2016			
	Shares	Share rights	Total number of units at 1 Jan 2016	Share rights granted during 2016[1]	Share rights converted to shares[2]	Other market transactions[3]	Shares	Share rights	Total number of units at 31 Dec 2016	Total value of units held at 31 Dec 2016 as percentage of fixed remuneration (%)[4]
Craig Meller	362,246	243,831	**606,077**	170,040	76,887	82,042	521,175	336,984	**858,159**	228%
Pauline Blight-Johnston	37,282	86,148	**123,430**	57,813	24,713	12,678	74,673	119,248	**193,921**	122%
Rob Caprioli	62,918	80,547	**143,465**	56,007	27,459	19,257	109,634	109,095	**218,729**	142%
Gordon Lefevre	–	69,449	**69,449**	83,886	–	–	–	153,335	**153,335**	80%
Matthew Percival	30,000	83,766	**113,766**	43,360	39,359	(2,362)	66,997	87,767	**154,764**	130%
Craig Ryman[5]	–	28,053	**28,053**	45,485	12,987	4,621	17,608	60,551	**78,159**	61%
Paul Sainsbury	–	152,417	**152,417**	78,898	67,276	(1,801)	65,475	164,039	**229,514**	133%
Brian Salter	132,255	112,434	**244,689**	59,510	54,004	(30,052)	156,207	117,940	**274,147**	176%
Wendy Thorpe[6]	41,928	73,337	**115,265**	56,951	24,256	(4,614)	61,570	106,032	**167,602**	148%
Adam Tindall	32,379	146,984	**179,363**	153,846	77,803	–	110,182	223,027	**333,209**	210%
Fiona Wardlaw	81,730	96,813	**178,543**	53,066	44,393	41,908	168,031	105,486	**273,517**	197%

1 The number of share rights granted on 28 April under the STI deferral plan was determined using the fair value price of $4.94 per share right.
2 Unless otherwise stated, the share rights converted to shares during 2016 relate to the vesting of the 2013 STI deferral grants.
3 Other market transactions are a result of the executives or their related parties trading AMP Limited shares on the open market.
4 Value as at 31 December using closing share price of $5.04.
5 Craig Ryman's 12,987 share rights that converted to shares during 2016 were granted in June 2013 as part of the 2013 LTI award. Craig's holding of share rights as at 31 December 2016 is made up of 15,066 share rights granted in June 2014 under the LTI plan and 45,485 share rights granted in 2016 under the STI deferral plan.
6 The share rights awarded to Wendy Thorpe on 15 April 2016 were granted under the 2014 STI deferral plan. These were awarded as a result of the review of Wendy's remuneration arrangement which resulted in a top-up of the 2014 STI award. See footnote 1 in the table in section 3.3.2 for further information.

5. How executive arrangements operate at AMP

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

5.1. Short-term incentives

AMP's STI plans are designed to reward executives for achieving financial and strategic performance at both a business and individual level. All executives participate in the STI plan, with the exception of AMP Capital's CEO. AMP Capital's CEO participates in the AMP Capital enterprise profit share plan, which is a more appropriate incentive plan for the executives of AMP's investment management business.

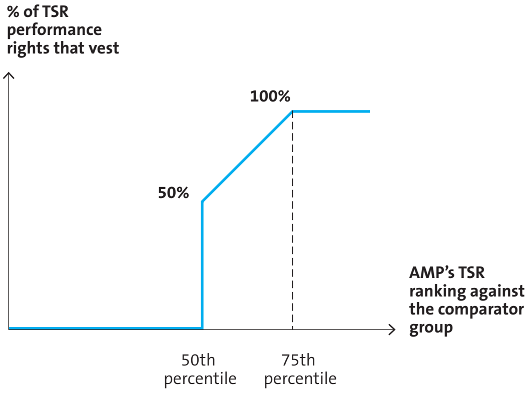
	AMP short-term incentive plan	AMP Capital enterprise profit share plan
Who	All executives, excluding the CEO, AMP Capital	CEO, AMP Capital
Format of reward	60% cash, 40% rights to AMP Limited shares: deferred	
How individual performance is measured	Individual performance is measured against the performance of each executive's business area and their performance against their personal objectives. Executive performance scorecards and objectives are agreed with the board at the start of each year.	
How the STI pool is calculated	The board determines the size of the STI pool, based on performance against the STI scorecard (see section 3.3.2), taking into account AMP's financial results, business leadership and progress of AMP's strategic objectives. The Chief Risk Officer reports to the PRC annually on risk outcomes across AMP. The board considers this report and as a result may adjust the STI pool up or down if they believe the management team has operated outside board-approved risk appetite levels, or if there have been other extraordinary events which have a broader impact on shareholder value.	A set percentage of AMP Capital pre-tax profit is made available for the enterprise profit share plan. The percentage is determined by the board at the start of the performance year. It is not disclosed because it is commercially sensitive. The board may adjust the pool up or down at its discretion to recognise non-profit-related performance, including changes in market conditions and broader financial factors or if AMP Capital management operates outside board-approved risk appetite levels.
How the awards are allocated	The CEO distributes the STI pool between business areas based on their contribution to AMP's performance. The CEO recommends to the board for its approval STI payments for his direct reports based on their performance and the performance of the company against the STI scorecard. Separately the board assesses the CEO's performance taking into consideration the group scorecard and objectives and determines an appropriate STI payment.	Based on a recommendation from the CEO, the board approves any allocation to the AMP Capital CEO based on performance against the AMP Capital scorecard. Following this allocation, AMP Capital's CEO allocates the remaining enterprise profit share pool to participants on a discretionary basis subject to final approval by the CEO, AMP Limited.
STI deferral	To ensure a focus on risk management and long-term sustainable performance, 40% of any STI payment or profit share reward is paid in the form of rights to AMP Limited shares (share rights). The share rights have no exercise price and no exercise period and convert to AMP Limited shares (vest), subject to the available trading window: – For the AMP STI Plan: 100% vests after two years – For the AMP Capital enterprise profit share plan: 50% vests after two years and the remaining portion vests after three years. Vesting is subject to ongoing employment and compliance with AMP policies, and is at the board's discretion. It is the board's preference to buy the shares on market so the value of existing AMP shares is not affected.	

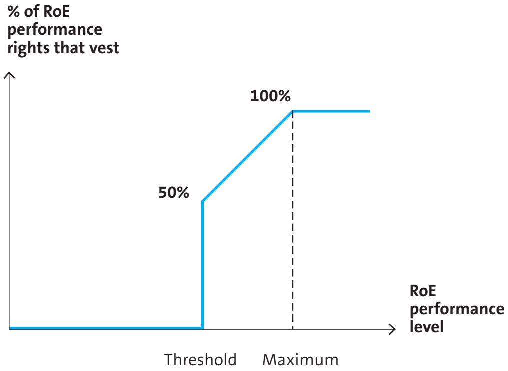
5.2. Long-term incentives

AMP's LTI plan is designed to link the remuneration of executives with the creation of long-term value for shareholders. It also provides an avenue to increase shareholding amongst executives to support the alignment of executive interests with those of shareholders.

	2016 AMP long-term incentive plan	
Who	All executives, including AMP Capital's CEO.	
Format of reward	Rights to AMP Limited shares: the performance rights vest three years after they have been awarded if the vesting conditions have been met. The performance rights have no exercise price and no exercise period. Upon vesting the executive receives one fully paid ordinary AMP Limited share in exchange for each right held. The executive does not receive dividends and voting rights until the rights vest and have been converted to shares.	
How the awards are allocated	Annually, the PRC recommends to the board a total grant value, which is a percentage of the executive's fixed remuneration. This allocation of performance rights is provided to each executive annually based on the executive's contractual entitlements. Shareholders are asked to approve the CEO's allocation each year at the annual general meeting (AGM). Once the total grant value is determined and approved, this total value is converted into a number of performance rights. The total grant value is calculated as follows: $\frac{\text{Total grant value}}{\text{Face value of an AMP share}}$ = Total number of rights to be allocated The face value of an AMP share is the volume weighted average price of AMP shares on the Australian Securities Exchange (ASX) during the 10-day trading period up to and including the valuation date of the award (6 May 2016 for the 2016 awards). The total number of rights is then allocated to each performance hurdle based on the weightings below. Definitions are provided in the following performance hurdles section: – 60% of the rights are subject to a relative total shareholder return (TSR) hurdle – 40% of the rights are subject to a return on equity (RoE) hurdle.	
The performance hurdles	**Total shareholder return hurdle** TSR measures the benefit delivered to shareholders over three years including dividend payments, capital returns, and movement in the share price. This hurdle was chosen because it requires AMP to outperform major ASX-listed companies before the plan generates any value. To meet this hurdle, AMP needs to generate a TSR greater than that achieved by 50% of a comparator group of companies over three years. The more companies AMP outperforms on this measure the greater the percentage of rights that vest. The comparator group is made up of the top 50 industrial companies in the S&P/ASX 100 Index (based on market capitalisation).	**Return on equity hurdle** RoE measures the profit generated by the money invested by shareholders at the end of the third year. RoE was introduced as a performance hurdle around the time of the AXA transaction to drive an improvement in RoE. To meet this hurdle AMP must outperform a RoE measure pre-determined by the board. RoE for the 2016 LTI was calculated as follows and then expressed as a percentage: $\frac{\text{Underlying profit less dividends paid on any preference shares}}{\text{AMP shareholder equity}}$ Where: **Underlying profit** = underlying profit for the financial year ending 31 December 2018. **AMP shareholder equity** is calculated by adding AMP shareholder equity as at 31 December 2017 and AMP shareholder equity at the end of each month throughout 2018, but excluding any equity attributable to any preference shareholders, and dividing the result by 13 months.

<table>
<tr><th></th><th>2016 AMP long-term incentive plan</th></tr>
<tr><td>How performance is measured</td><td>At the end of the performance period the TSR and RoE allocations are tested against performance hurdles that are set at the grant date (start of the vesting period). If either of the allocations pass the performance hurdle the rights allocated to that hurdle will be converted into AMP ordinary shares according to the following diagram. Performance rights which do not pass the performance test will lapse and will not be retested.

TSR


RoE


See section 3.4 for RoE targets.</td></tr>
<tr><td>How the rights are converted to shares</td><td>At the end of the three-year period, any rights that have vested are converted into AMP Limited ordinary shares on behalf of participants. Participants then become entitled to shareholder benefits, including dividends and voting rights.</td></tr>
<tr><td>Source of the shares</td><td>It is the board's preference to buy the shares on market so the value of existing AMP shares is not affected.</td></tr>
</table>

5.3. Treatment on exit for deferred STI and LTI awards

If the rights have not yet vested and an executive resigns from AMP, their rights will lapse.

If an executive leaves AMP due to retirement or redundancy, any unvested rights may be retained and vesting will continue subject to the same vesting conditions as if the person had remained in AMP employment.

In the event AMP is subject to a takeover or change of control, the board will determine the treatment of any unvested rights. It is not the board's intention that awards will automatically vest upon change of control.

5.4. Executive employment contracts

Termination payments are capped at one year's base salary and do not require shareholder approval.

<table>
<tr><th>Contract term</th><th>CEO</th><th>Executives</th></tr>
<tr><td>Length of contract</td><td>Open-ended</td><td>Open-ended</td></tr>
<tr><td>Notice period</td><td>12 months by AMP
6 months by Craig Meller</td><td>12 months by AMP
6 months by the executive</td></tr>
<tr><td>Entitlements on termination</td><td colspan="2">– Accrued fixed pay, superannuation and other statutory requirements
– Pro-rata STI may be paid for the current period except in cases of misconduct or breach of contract. The STI is calculated based on performance to the date of termination
– Unvested LTI rights may continue in the case of death, disablement, redundancy, retirement or notice without cause, subject to the original performance periods and hurdles
– Vested LTI rights will be retained except in the case of serious misconduct or breach of contract
– In the case of redundancy, the AMP Redundancy, Redeployment and Retrenchment Policy in place at the time will be applied. This is the same policy that applies to all employees at AMP.</td></tr>
<tr><td>Post-employment restraint</td><td colspan="2">Six-month restraint on entering employment with a competitor and solicitation of AMP clients and employees and for some executives (specifically the CEO) 12-month restraint.</td></tr>
</table>

5.5. Remuneration governance

Role of the People and Remuneration Committee

The People and Remuneration Committee (PRC) supports the board to fulfil its remuneration obligations by overseeing AMP's remuneration strategy and policy. The PRC is made up of non-executive directors (NEDs) and recommends to the board the nature and amount of remuneration for executives and NEDs.

Where an external perspective is needed, the PRC seeks guidance from independent remuneration advisers. During the year the PRC engaged PricewaterhouseCoopers and received updates on market trends, regulatory changes, shareholder concerns regarding remuneration and advice on remuneration given AMP's strategy and goals. The PRC also received benchmarking data for CEO remuneration. No specific remuneration recommendations were made to the PRC by independent remuneration advisers in 2016.

Remuneration at AMP is designed to clearly align the interests of employees with the creation of value for shareholders.

Under AMP's guiding principles, remuneration arrangements should:

- align and contribute to AMP's key strategic objectives, business outcomes and desired performance culture
- be simple and practical and support the attraction and retention of talent within AMP
- support AMP's risk management framework and protect the long-term financial soundness of AMP
- align with the interests of shareholders, customers and employees
- support the engagement of employees to achieve outstanding performance and bring value to AMP and its shareholders
- be supported by a governance framework that manages conflicts of interest, defines clear accountabilities and ensures that proper checks and balances are in place.

Exercising discretion

The board retains discretion to adjust remuneration outcomes up or down to ensure that awards are not provided where it would be inappropriate or would provide unintended outcomes. The exercise of appropriate discretion may be used where a formulaic outcome does not align with the overall shareholder experience. The board balances judgement on remuneration outcomes with consideration to all stakeholders.

Considering risk and remuneration

AMP aims to integrate effective risk management into the remuneration framework throughout the organisation. Risk management is a key feature of our reward elements such as:

- a risk culture measure makes up 10% of the 2016 STI scorecard. The inclusion of risk culture signals to all AMP employees that integrity, helping customers over time and achieving shareholder outcomes are all priorities and require vigilance, management and tracking
- the Chief Risk Officer reports to the PRC annually on risk outcomes across AMP
- the board may adjust the STI pool down if it believes the management team has operated outside board-approved risk appetite levels, or if there have been other extraordinary events which have a broader impact on shareholder value
- in the case of deferred STI and LTI awards, vesting is at the board's discretion with malus and clawback provisions. The provisions allow the board to reduce or clawback awards in certain circumstances, such as:
  - the participant's employment is terminated for misconduct
  - the participant acting fraudulently, dishonestly or in a manner which brings the AMP group into disrepute or being in material breach of their obligations to the group
  - to protect the financial soundness or position of AMP
  - to respond to a material change in the circumstances of, or a significant unexpected or unintended consequence affecting AMP that was not foreseen by the PRC (including any misstatement of financial results)
  - to ensure no unfair benefit to the participant.

6. Non-executive director remuneration

AMP's NED remuneration is designed to attract and retain high-calibre board members who are appropriately paid for their time and effort.

AMP's remuneration is structured to ensure that AMP is able to attract and retain NEDs with the skills, experience and qualifications necessary to oversee a group as complex and highly regulated as AMP and to remunerate them appropriately for their time, effort and expertise.

NED remuneration consists of four components:
- AMP Limited Board base fee
- AMP Limited committee fees
- AMP subsidiary board and committee fees
- superannuation.

NEDs receive fixed remuneration for completing their duties and do not receive any remuneration linked to their or AMP's performance. This supports the independence and impartiality of their roles in making decisions about the future direction of the company.

As detailed in section 6.1.2 below, a key feature of AMP's conglomerate-based governance model is the appointment of two or more AMP Limited NEDs to the board of each of AMP's key subsidiaries. The board considers this enhances its operation and the operation of the boards of those subsidiaries. The subsidiary boards are AMP Life Limited, The National Mutual Life Association of Australasia Limited, AMP Bank Limited and AMP Capital Holdings Limited (AMPCHL). The first three boards are APRA regulated. The AMPCHL board also has as a non-executive director a representative of The Mitsubishi Trust and Banking Corporation. The boards of those subsidiaries operate as fully functioning independent boards – with significant regulatory and oversight responsibilities for the businesses of those subsidiaries – and, accordingly, the AMP Limited NEDs appointed to those boards and their committees receive the same fees as other NEDs appointed to them.

To align the interests of NEDs with the long-term interests of shareholders, all NEDs are required to hold a minimum number of AMP shares, as outlined in section 6.3.

NED fee levels for AMP Limited and its key subsidiaries did not increase in 2016. However, as part of a program to simplify NED fee structures and increase transparency, some changes have been approved:
- from 1 April 2016, the $6,000 annual expense allowance paid to AMP Limited NEDs (other than the chairman) was consolidated into the AMP Limited NED base fee
- from 1 January 2017, the superannuation entitlements of AMP Limited and key subsidiary NEDs will be consolidated into their board and committee fees.

These changes will not result in any change to the total remuneration received by the NEDs.

6.1. Non-executive director fees

The PRC is responsible for reviewing NED fees for AMP Limited and its key subsidiaries.

In reviewing these fees the committee has regard to a range of factors, including:
- fees paid to board members of other Australian corporations of a similar size and complexity
- the complexity of AMP's operations and those of its key subsidiaries
- the needs, responsibilities and workload requirements of each board and committee.

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

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

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

During 2016, the total remuneration paid to AMP Limited NEDs was $3,206,217 being 69% of the shareholder-approved fee pool.

NEDs do not receive performance rights or share rights as part of their remuneration. No retirement benefits are paid to NEDs.

6.1.1. Base fees
All NEDs receive a base fee for their participation on the AMP Limited Board. For the AMP Limited Chairman, this fee covers all responsibilities, including any appointment as the chairman or a member of a board committee, attendance as an observer at board and committee meetings of key subsidiaries, and liaison with the chairmen and NEDs of those key subsidiaries. While the chairman is not a member of all the committees or currently a director of any AMP subsidiaries, she regularly attends meetings of those AMP Limited committees of which she is not a member and meetings of the board and committees of AMP's key subsidiaries.

Although the CEO is a director of AMP Limited and certain key subsidiaries, he is not paid board fees in addition to his executive remuneration, as his board responsibilities are part of his normal employment conditions.

6.1.2. Committee and subsidiary board and committee fees
NEDs, excluding the AMP Limited Chairman, receive additional fees for their time and effort in serving as members of AMP Limited Board committees, directors of AMP's key subsidiaries and members of committees of the boards of those subsidiaries, and members of other special purpose committees formed from time to time. As a large, diversified financial services group, with significant, highly regulated operating subsidiaries, AMP believes it is important for:

– the AMP Limited NEDs to have knowledge, understanding and oversight of the strategic and operational issues and risks that are specific to its key subsidiaries, and
– any other directors of those subsidiaries to have the benefit of the group-level insights from AMP Limited NEDs.

For this reason, AMP Limited NEDs generally also serve on the boards and committees of one or more of AMP's key subsidiaries.

6.2. 2016 non-executive director remuneration

The following table shows the NED fees for AMP Limited and its key subsidiaries for 2016.

	Chairman base fee $	Member base fee $
AMP Limited		
Board	602,600	181,100[1]
Audit Committee	46,400	23,200
Risk Committee	46,400	23,200
Nomination and Governance Committee[2]	24,000	12,000
People and Remuneration Committee[3]	43,300	21,700
AMP Bank		
Board	82,500	51,500
Audit Committee	25,300	14,000
Risk Committee	25,300	14,000
AMP Capital Holdings		
Board	113,300	72,100
Audit and Risk Committee	25,800	15,500
AMP Life Limited and NMLA[4]		
Board	162,800	101,000
Audit Committee	28,900	16,000
Risk Committee	28,900	16,000

1 Fee effective 1 April 2016, incorporating the previous annual expense allowance of $6,000. Refer to section 6 above.
2 No fee is currently payable when the chairman of the committee is the Chairman of the AMP Limited Board.
3 No fee is currently payable to a member of the committee who is also Chairman of the AMP Limited Board.
4 A single fee is paid for service on both boards or both committees of each board.

The following table shows the remuneration earned by AMP Limited NEDs for 2016.

		Short-term benefits					Post-employment benefits	
		AMP Limited Board and committee fees $'000	Fees for other group boards $'000	Other short-term benefits[2] $'000	Additional board duties[3] $'000	Non-monetary benefits[4] $'000	Super-annuation $'000	Total $'000
Current NEDs								
Catherine Brenner	**2016**	**410**	**71**	**2**	**–**	**–**	**46**	**529**
Chairman[1]	2015	196	193	6	–	–	38	433
Patricia Akopiantz	**2016**	**239**	**111**	**2**	**–**	**–**	**33**	**385**
Non-executive Director	2015	266	92	6	–	–	35	399
Holly Kramer	**2016**	**203**	**85**	**2**	**–**	**–**	**27**	**317**
Non-executive Director	2015	40	–	1	–	–	4	45
Trevor Matthews	**2016**	**238**	**177**	**2**	**–**	**–**	**40**	**457**
Non-executive Director	2015	222	145	6	25	–	38	436
Geoff Roberts	**2016**	**114**	**–**	**–**	**–**	**–**	**11**	**125**
Non-executive Director	2015	–	–	–	–	–	–	–
Peter Shergold	**2016**	**246**	**144**	**2**	**–**	**1**	**37**	**430**
Non-executive Director	2015	243	100	6	–	1	33	383
Peter Varghese	**2016**	**51**	**18**	**–**	**–**	**1**	**7**	**77**
Non-executive Director	2015	–	–	–	–	–	–	–
Vanessa Wallace	**2016**	**188**	**71**	**1**	**–**	**–**	**25**	**285**
Non-executive Director	2015	–	–	–	–	–	–	–
Mike Wilkins	**2016**	**69**	**23**	**–**	**–**	**–**	**9**	**101**
Non-executive Director	2015	–	–	–	–	–	–	–
Former NEDs								
Simon McKeon	**2016**	**220**	**–**	**–**	**–**	**4**	**8**	**232**
Former Chairman	2015	598	–	–	–	5	19	622
Brian Clark	**2016**	**68**	**54**	**2**	**–**	**6**	**12**	**142**
Former Non-executive Director	2015	201	128	6	–	–	32	367
Paul Fegan	**2016**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Former Non-executive Director	2015	221	74	5	25	–	31	356
John Palmer	**2016**	**135**	**32**	**2**	**–**	**6**	**16**	**191**
Former Non-executive Director	2015	174	87	6	–	–	25	292
Total for 2016		**2,181**	**786**	**15**	**–**	**18**	**271**	**3,271**
Total for 2015		2,161	819	42	50	6	255	3,333

1 Catherine Brenner was appointed Chairman 24 June 2016.
2 Annual expense allowance that was consolidated into the AMP Limited NED base fee from 1 April 2016.
3 Additional work performed for the AMP Limited 2015 Notes Offer.
4 Non-monetary benefits and the related FBT on each item.

6.3. Non-executive director minimum shareholding

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

- AMP Limited Chairman: $602,600 – the equivalent of the AMP Limited Chairman base fee
- other AMP Limited NEDs: $181,100 – the equivalent of the AMP Limited NED base fee.

NEDs are expected to achieve these levels within four years of appointment and then maintain them as a minimum shareholding throughout their tenure.

Based on the closing share price of $5.04 on 31 December 2016, all NEDs comply with the minimum shareholding policy having regard to their tenure on the board.

6.4. Non-executive director shareholding

The following table shows the holdings of AMP Limited shares by AMP Limited NEDs and their related parties as at 31 December 2016 and movements in their holdings during the year.

	Holding at 1 Jan 2016	Other market transactions[1]	Holding at 31 Dec 2016[2]	Value of holding at 31 Dec 2016[3] $
Current NEDs				
Catherine Brenner	84,463	55,000	139,463	702,894
Patricia Akopiantz	56,239	8,770	65,009	327,645
Holly Kramer	4,400	41,831	46,231	233,004
Trevor Matthews	63,763	–	63,763	321,366
Geoff Roberts	–	42,540	42,540	214,402
Peter Shergold	63,348	–	63,348	319,274
Peter Varghese	–	7,500	7,500	37,800
Vanessa Wallace	20,000	50,000	70,000	352,800
Mike Wilkins	–	31,500	31,500	158,760
Former NEDs				
Simon McKeon	175,000	–	175,000	882,000
Brian Clark	75,813	–	75,813	382,098
John Palmer	96,252	–	96,252	485,110

1 Other market transactions are a result of the NEDs or their related parties trading AMP Limited shares on the open market.
2 The closing balance for Simon McKeon and Brian Clark is at 12 May 2016 and for John Palmer is at 23 June 2016, the dates they retired from the AMP Limited Board.
3 Value as at 31 December using closing share price of $5.04.

7. Other executive remuneration disclosures

The following disclosures provide additional information or are required under the Corporations Act, including 2016 executive remuneration that is prepared according to Australian Accounting Standards.

7.1. Executive remuneration

7.1.1. Awarded remuneration for 2016

The following table shows the remuneration awarded to executives based on the 2016 performance year, or in the case of LTI, the face value of the LTI awarded for 2016. The total STI awarded includes the 60% cash component and the 40% deferred into share rights. The table in section 7.1.2 has been prepared according to Australian Accounting Standards and so differs from the table provided below.

	Fixed remuneration $'000	2016 total STI awarded $'000	2016 LTI face value grant $'000	Termination payments[1] $'000	Total remuneration earned from 2016 $'000
Craig Meller	1,900	–	4,275	–	6,175
Pauline Blight-Johnston	800	–	1,200	291	2,291
Rob Caprioli	775	–	1,162	436	2,373
Gordon Lefevre	965	–	1,447	–	2,412
Matthew Percival	600	–	900	–	1,500
Craig Ryman	650	–	975	–	1,625
Paul Sainsbury	870	–	1,305	–	2,175
Brian Salter	785	–	1,177	–	1,962
Wendy Thorpe[2]	570	–	1,292	1,000	2,862
Adam Tindall	800	2,119	1,200	–	4,119
Fiona Wardlaw	700	–	1,050	–	1,750
Total	**9,415**	**2,119**	**15,983**	**1,727**	**29,244**

1 Termination payments are the severance payments that will be made to Pauline Blight-Johnston, Rob Caprioli and Wendy Thorpe at the end of their notice periods in 2017. They have been disclosed as they relate to the termination of their KMP roles.

2 Wendy Thorpe's fixed remuneration excludes the value of her participation in a defined benefit superannuation arrangement which delivers a higher superannuation benefit over time. A review of Wendy's remuneration arrangement during 2016 resulted in a top-up of her 2014 and 2015 LTI awards, included in the 2016 LTI grant amount above. See footnote 1 in the table in section 3.3.2 for further information.

7.1.2. Statutory disclosure

The table below shows the remuneration that was received by executives in 2016 as well as STI and LTI rewards that have been awarded but not yet received. This includes fixed remuneration as well as the cash portion of the 2016 STI reward and the value of current and previous STI and LTI payments which have not yet vested.

		Short-term employee benefits			Post-employment benefits	Share-based payments	Long-term benefits	Termination payments[5]		
		Cash salary $'000	Cash short-term incentive $'000	Other short-term benefits[1] $'000	Superannuation benefits[2] $'000	Rights[3] $'000	Other[4] $'000	Cash payments $'000	Share-based payment $'000	Grand total $'000
Current executives										
Craig Meller Chief Executive Officer and Managing Director	**2016** 2015	**1,828** 1,678	**–** 1,260	**34** 16	**25** 25	**2,838** 2,164	**71** 136	**–** –	**–** –	**4,796** 5,279
Pauline Blight-Johnston Group Executive, Insurance and Superannuation	**2016** 2015	**769** 751	**–** 428	**26** 33	**21** 21	**892** 674	**4** 5	**291** –	**–** –	**2,003** 1,912
Rob Caprioli Group Executive, Advice and Banking	**2016** 2015	**752** 734	**–** 415	**11** –	**23** 23	**848** 631	**13** 15	**436** –	**–** –	**2,083** 1,818
Gordon Lefevre[6] Chief Financial Officer	**2016** 2015	**931** 885	**–** 622	**67** 366	**21** 21	**1,035** 555	**2** 4	**–** –	**–** –	**2,056** 2,453
Matthew Percival Group Executive, Public Affairs and Chief of Staff	**2016** 2015	**525** 489	**–** 321	**7** 12	**40** 43	**710** 678	**39** 64	**–** –	**–** –	**1,321** 1,607
Craig Ryman Chief Information Officer	**2016** 2015	**599** 565	**–** 337	**11** 10	**29** 25	**405** 192	**11** 22	**–** –	**–** –	**1,055** 1,151
Paul Sainsbury Chief Customer Officer	**2016** 2015	**745** 736	**–** 585	**73** 59	**34** 36	**1,139** 1,096	**44** 89	**–** –	**–** –	**2,035** 2,601
Brian Salter[7] General Counsel	**2016** 2015	**741** 748	**–** 441	**46** 19	**31** 34	**940** 907	**30** 26	**–** –	**–** –	**1,788** 2,175
Wendy Thorpe[8] Group Executive, Operations and Director, Melbourne	**2016** 2015	**648** 515	**–** 305	**8** 8	**56** 56	**871** 545	**12** 53	**1,000** –	**–** –	**2,595** 1,482
Adam Tindall[9] Managing Director, AMP Capital	**2016** 2015	**740** 171	**1,271** 285	**41** 6	**22** 7	**643** 98	**21** 16	**–** –	**–** –	**2,738** 583
Fiona Wardlaw Group Executive, People and Culture	**2016** 2015	**615** 624	**–** 393	**60** 50	**25** 25	**820** 769	**27** 26	**–** –	**–** –	**1,547** 1,887
Former disclosed executives										
Stephen Dunne Former Managing Director, AMP Capital	**2016** 2015	**–** 1,044	**–** 1,458	**–** 256	**–** 21	**–** 1,787	**–** 108	**–** –	**–** –	**–** 4,674
2016 total		**8,893**	**1,271**	**384**	**327**	**11,141**	**274**	**1,728**	**–**	**24,018**
2015 total		8,940	6,850	835	337	10,096	564	–	–	27,622

1 Other short-term benefits include non-monetary benefits, for example, purchased annual leave, car benefits and any related FBT on each item.
2 Wendy Thorpe is in a defined benefit plan and the value represents the notional taxable contributions.
3 Includes performance rights and 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 has been calculated as at the grant date by external consultants, using a Monte Carlo simulation for the TSR performance rights and a discounted cash flow methodology for the RoE performance rights. The fair values have been discounted for forgone dividends and for the TSR performance rights, the risk of performance conditions not being met. The value of the award made in any year is amortised over the vesting period.
4 Other long-term benefits represent long service leave accrued, taken or paid during the year.
5 Termination payments are the severance payments that will be made to Pauline Blight-Johnston, Rob Caprioli and Wendy Thorpe at the end of their notice periods in 2017. They have been disclosed as they relate to the termination of their KMP roles.
6 Gordon Lefevre received additional remuneration as commuting and relocation support.
7 Brian Salter received a cash payment to fund his life insurance cover.
8 Wendy Thorpe received an additional cash payment of $130,845 and additional STI deferral grants valued at $87,230 and LTI grants valued at $294,496. These were due to a review of her remuneration arrangement which resulted in a top-up of her 2014 and 2015 awards. See footnote 1 in the table in section 3.3.2 for further information.
9 Adam Tindall received additional remuneration relating to the refund of his unused purchased annual leave.

7.2. Executive performance rights holdings

The following table shows the LTI performance rights which were granted, lapsed or exercised during 2016. There were no changes during the vesting period for each LTI grant.

Name	Grant date	Performance condition	Fair value per performance right $	Holding at 1 Jan 2016	Rights granted in 2016	Rights exercised in 2016	Rights lapsed in 2016	Holding at 31 Dec 2016	Vested and exercisable at 31 Dec 2016
Craig Meller	06/06/13	TSR	2.00	219,149	–	–	219,149	–	–
		RoE	4.21	149,168	–	82,042	67,126	–	–
	05/06/14	TSR	2.89	355,871	–	–	–	355,871	–
		RoE	4.57	297,619	–	–	–	297,619	–
	04/06/15	TSR	2.82	363,461	–	–	–	363,461	–
		RoE	5.39	242,308	–	–	–	242,308	–
	02/06/16	TSR	2.37	–	438,462	–	–	438,462	–
		RoE	4.81	–	292,307	–	–	292,307	–
Total				**1,627,576**	**730,769**	**82,042**	**286,275**	**1,990,028**	**–**
Pauline Blight-Johnston	06/06/13	TSR	2.00	66,872	–	–	66,872	–	–
		RoE	4.21	45,518	–	25,034	20,484	–	–
	05/06/14	TSR	2.89	105,871	–	–	–	105,871	–
		RoE	4.57	88,541	–	–	–	88,541	–
	04/06/15	TSR	2.82	110,769	–	–	–	110,769	–
		RoE	5.39	73,846	–	–	–	73,846	–
	02/06/16	TSR	2.37	–	123,076	–	–	123,076	–
		RoE	4.81	–	82,051	–	–	82,051	–
Total				**491,417**	**205,127**	**25,034**	**87,356**	**584,154**	**–**
Rob Caprioli	06/06/13	TSR	2.00	51,440	–	–	51,440	–	–
		RoE	4.21	35,014	–	19,257	15,757	–	–
	05/06/14	TSR	2.89	105,871	–	–	–	105,871	–
		RoE	4.57	88,541	–	–	–	88,541	–
	04/06/15	TSR	2.82	107,308	–	–	–	107,308	–
		RoE	5.39	71,538	–	–	–	71,538	–
	02/06/16	TSR	2.37	–	119,230	–	–	119,230	–
		RoE	4.81	–	79,487	–	–	79,487	–
Total				**459,712**	**198,717**	**19,257**	**67,197**	**571,975**	**–**
Gordon Lefevre	05/06/14	TSR	2.89	128,558	–	–	–	128,558	–
		RoE	4.57	107,514	–	–	–	107,514	–
	04/06/15	TSR	2.82	128,077	–	–	–	128,077	–
		RoE	5.39	85,384	–	–	–	85,384	–
	02/06/16	TSR	2.37	–	148,461	–	–	148,461	–
		RoE	4.81	–	98,974	–	–	98,974	–
Total				**449,533**	**247,435**	**–**	**–**	**696,968**	**–**
Matthew Percival	06/06/13	TSR	2.00	98,828	–	–	98,828	–	–
		RoE	4.21	67,269	–	36,997	30,272	–	–
	05/06/14	TSR	2.89	88,478	–	–	–	88,478	–
		RoE	4.57	73,995	–	–	–	73,995	–
	04/06/15	TSR	2.82	83,077	–	–	–	83,077	–
		RoE	5.39	55,384	–	–	–	55,384	–
	02/06/16	TSR	2.37	–	92,307	–	–	92,307	–
		RoE	4.81	–	61,538	–	–	61,538	–
Total				**467,031**	**153,845**	**36,997**	**129,100**	**454,779**	**–**

Name	Grant date	Performance condition	Fair value per performance right $	Holding at 1 Jan 2016	Rights granted in 2016	Rights exercised in 2016	Rights lapsed in 2016	Holding at 31 Dec 2016	Vested and exercisable at 31 Dec 2016
Craig Ryman	06/06/13	TSR	2.00	12,345	–	–	12,345	–	–
		RoE	4.21	8,403	–	4,621	3,782	–	–
	05/06/14	TSR	2.89	12,010	–	–	–	12,010	–
		RoE	4.57	10,044	–	–	–	10,044	–
	04/06/15	TSR	2.82	83,077	–	–	–	83,077	–
		RoE	5.39	55,384	–	–	–	55,384	–
	02/06/16	TSR	2.37	–	100,000	–	–	100,000	–
		RoE	4.81	–	66,666	–	–	66,666	–
Total				**181,263**	**166,666**	**4,621**	**16,127**	**327,181**	**–**
Paul Sainsbury	06/06/13	TSR	2.00	174,897	–	–	174,897	–	–
		RoE	4.21	119,047	–	65,475	53,572	–	–
	05/06/14	TSR	2.89	128,558	–	–	–	128,558	–
		RoE	4.57	107,514	–	–	–	107,514	–
	04/06/15	TSR	2.82	120,461	–	–	–	120,461	–
		RoE	5.39	80,308	–	–	–	80,308	–
	02/06/16	TSR	2.37	–	133,846	–	–	133,846	–
		RoE	4.81	–	89,230	–	–	89,230	–
Total				**730,785**	**223,076**	**65,475**	**228,469**	**659,917**	**–**
Brian Salter	06/06/13	TSR	2.00	134,682	–	–	134,682	–	–
		RoE	4.21	91,674	–	50,420	41,254	–	–
	05/06/14	TSR	2.89	116,469	–	–	–	116,469	–
		RoE	4.57	97,404	–	–	–	97,404	–
	04/06/15	TSR	2.82	108,692	–	–	–	108,692	–
		RoE	5.39	72,461	–	–	–	72,461	–
	02/06/16	TSR	2.37	–	120,769	–	–	120,769	–
		RoE	4.81	–	80,512	–	–	80,512	–
Total				**621,382**	**201,281**	**50,420**	**175,936**	**596,307**	**–**
Wendy Thorpe[1]	06/06/13	TSR	2.00	52,469	–	–	52,469	–	–
		RoE	4.21	35,714	–	19,642	16,072	–	–
	05/06/14	TSR	2.89	84,519	–	–	–	84,519	–
		RoE	4.57	70,684	–	–	–	70,684	–
	04/06/15	TSR	2.82	78,923	–	–	–	78,923	–
		RoE	5.39	52,615	–	–	–	52,615	–
	02/06/16	TSR	2.37	–	102,307	–	–	102,307	–
		RoE	4.81	–	68,205	–	–	68,205	–
	15/04/16	TSR	3.68	–	27,201	–	–	27,201	–
		RoE	5.49	–	17,062	–	–	17,062	–
	15/04/16	TSR	1.80	–	13,073	–	–	13,073	–
		RoE	5.24	–	8,715	–	–	8,715	–
Total				**374,924**	**236,563**	**19,642**	**68,541**	**523,304**	**–**
Adam Tindall	02/06/16	TSR	2.37	–	123,076	–	–	123,076	–
		RoE	4.81	–	82,051	–	–	82,051	–
Total				**–**	**205,127**	**–**	**–**	**205,127**	**–**
Fiona Wardlaw	06/06/13	TSR	2.00	111,945	–	–	111,945	–	–
		RoE	4.21	76,198	–	41,908	34,290	–	–
	05/06/14	TSR	2.89	96,807	–	–	–	96,807	–
		RoE	4.57	80,960	–	–	–	80,960	–
	04/06/15	TSR	2.82	96,923	–	–	–	96,923	–
		RoE	5.39	64,615	–	–	–	64,615	–
	02/06/16	TSR	2.37	–	107,692	–	–	107,692	–
		RoE	4.81	–	71,794	–	–	71,794	–
Total				**527,448**	**179,486**	**41,908**	**146,235**	**518,791**	**–**

1 The performance rights awarded to Wendy Thorpe on 15 April 2016 were granted under the 2014 and 2015 LTI award respectively. These were awarded as a result of the review of Wendy's remuneration arrangement which resulted in a top-up of her 2014 and 2015 LTI awards.

7.3. Loans and other transactions

AMP provides home loans to Australians to help them buy, build or renovate properties. This includes executives who are offered loans in the ordinary course of business that are equivalent to those that prevail in arm's length transactions on terms and conditions that are the same as those given to other employees, including the term of the loan, security required and the interest rate.

	Balance at 1 Jan 2016 $'000	Written off $'000	Net advances (repayments) $'000	Balance at 31 Dec 2016 $'000	Interest charged $'000	Interest not charged $'000	Highest indebtedness during year $'000	Number in group
Total loans to KMP								
KMP and their related parties	13,592	–	3,756	17,348	495	–	18,979	10
Loans to KMP exceeding $100,000								
Craig Meller	2,044	–	(11)	2,033	82	–	2,185	
Pauline Blight-Johnston	4,109	–	(31)	4,077	134	–	4,109	
Robert Caprioli	1,958	–	(188)	1,771	70	–	1,981	
Gordon Lefevre	–	–	1,397	1,397	42	–	1,440	
Craig Ryman	2,017	–	(8)	2,009	77	–	2,045	
Paul Sainsbury	636	–	(623)	13	1	–	636	
Adam Tindall	2,746	–	(500)	2,246	64	–	2,751	
Fiona Wardlaw	–	–	2,384	2,384	15	–	2,400	
Peter Shergold	–	–	1,350	1,350	7	–	1,350	

Other transactions

During 2016, the executives and their related parties may have access to other AMP products. They are provided to executives within normal employee terms and conditions. The products include:

– personal banking with AMP Bank
– the purchase of AMP insurance and investment products
– financial investment services.

Signed in accordance with a resolution of the directors.

Catherine Brenner
Chairman

Sydney, 9 February 2017

Craig Meller
Chief Executive Officer and Managing Director

Analysis of shareholder profit

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	2016 $m	2015 $m
Australian wealth management	**401**	410
AMP Capital	**144**	138
Australian wealth protection	**(415)**	185
AMP Bank	**120**	104
New Zealand financial services	**126**	120
Australian mature	**151**	158
Business unit operating earnings	**527**	1,115
Group Office costs	**(104)**	(61)
Total operating earnings	**423**	1,054
Underlying investment income	**122**	125
Interest expense on corporate debt	**(59)**	(59)
Underlying profit	**486**	1,120
Other items	**(9)**	(3)
Business efficiency program costs	**(19)**	(66)
Amortisation of AMP AAPH acquired intangibles	**(77)**	(80)
Goodwill impairment	**(668)**	–
Profit before market adjustments and accounting mismatches	**(287)**	971
Market adjustment – investment income	**(46)**	9
Market adjustment – annuity fair value	**(8)**	34
Market adjustment – risk products	**11**	2
Accounting mismatches	**(14)**	(44)
Profit attributable to shareholders of AMP Limited	**(344)**	972

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Consolidated income statement

for the year ended 31 December 2016

	Note	2016 $m	2015 $m
Income and expenses of shareholders, policyholders, external unitholders and non-controlling interests[1]			
Life insurance contract related revenue	4.2	**2,883**	2,337
Life insurance claims recovered from reinsurers	4.2	**150**	128
Fee revenue		**3,031**	2,941
Other revenue		**140**	133
Interest income, dividends and distributions and net gains on financial assets and liabilities at fair value through profit or loss		**7,817**	7,725
Interest income on assets not at fair value through profit or loss		**750**	758
Share of profit or loss of associates accounted for using the equity method	6.3	**28**	27
Life insurance contract claims expense	4.2	**(2,038)**	(1,988)
Life insurance contract premium ceded to reinsurers	4.2	**(243)**	(176)
Fees and commission expenses		**(1,671)**	(1,563)
Staff and related expenses		**(1,047)**	(1,018)
Goodwill impairment	2.2	**(668)**	–
Other operating expenses		**(1,165)**	(1,110)
Finance costs		**(551)**	(732)
Movement in external unitholder liabilities		**(979)**	(855)
Change in policyholder liabilities			
– life insurance contracts	4.2	**(1,471)**	(240)
– investment contracts		**(4,608)**	(4,374)
Income tax expense	1.3	**(166)**	(280)
Profit for the year		**192**	1,713
Profit (loss) attributable to shareholders of AMP Limited		**(344)**	972
Profit attributable to non-controlling interests		**536**	741
Profit for the year		**192**	1,713

	Note	2016 cents	2015 cents
Earnings (loss) per share			
Basic	1.2	**(11.7)**	33.3
Diluted	1.2	**(11.7)**	33.1

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 Interest income, dividends and distributions and net gains on financial assets and liabilities at fair value through profit or loss, Interest income on assets not at fair value through profit or loss, and Income tax expense. In general, policyholders' interests in the transactions for the period are included in the lines Change in policyholder liabilities.

Consolidated statement of comprehensive income

for the year ended 31 December 2016

	Note	2016 $m	2015 $m
Profit for the year		**192**	1,713
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges			
– losses in fair value of cash flow hedges		**(13)**	(10)
– income tax credit		**4**	3
– losses recognised in previous years transferred to profit for the year		**19**	18
– transferred to profit for the year – income tax expense		**(6)**	(5)
		4	6
Exchange gains on translation of foreign operations and revaluation of hedge of net investments		**12**	7
		12	7
Items that will not be reclassified subsequently to profit or loss			
Defined benefit plans			
– actuarial gains	5.2	**48**	94
– income tax expense		**(14)**	(29)
		34	65
Owner-occupied property revaluation			
– gains in valuation of owner-occupied property		**–**	22
– income tax expense		**–**	(2)
		–	20
Other comprehensive income for the year		**50**	98
Total comprehensive income for the year		**242**	1,811
Total comprehensive income (loss) attributable to shareholders of AMP Limited		**(294)**	1,063
Total comprehensive income attributable to non-controlling interests		**536**	748
Total comprehensive income for the year		**242**	1,811

Consolidated statement of financial position

as at 31 December 2016

	Note	2016 $m	2015 $m
Assets			
Cash and cash equivalents	7.1	**3,476**	3,955
Receivables	2.3	**1,975**	2,067
Current tax assets		**24**	11
Planner registers held for sale and prepayments		**123**	147
Investments in financial assets	2.1	**129,419**	127,221
Investment properties		**127**	386
Investments in associates accounted for using the equity method	6.3	**449**	467
Property, plant and equipment		**66**	423
Deferred tax assets	1.3	**656**	557
Reinsurance asset – ceded life insurance contracts	4.2	**546**	491
Intangibles	2.2	**3,199**	3,983
Total assets of shareholders of AMP Limited, policyholders, external unitholders and non-controlling interests		**140,060**	139,708
Liabilities			
Payables	2.4	**1,952**	2,031
Current tax liabilities		**55**	271
Provisions	7.3	**205**	197
Employee benefits		**271**	290
Other financial liabilities	2.1	**1,242**	1,108
Interest-bearing liabilities	3.2	**17,218**	17,452
Deferred tax liabilities	1.3	**1,946**	2,076
External unitholder liabilities		**13,252**	13,571
Life insurance contract liabilities	4.2	**24,225**	23,871
Investment contract liabilities	4.5	**71,579**	69,848
Reinsurance liability – ceded life insurance contracts	4.2	**530**	–
Defined benefit plan liabilities	5.2	**44**	98
Total liabilities of shareholders of AMP Limited, policyholders, external unitholders and non-controlling interests		**132,519**	130,813
Net assets of shareholders of AMP Limited and non-controlling interests		**7,541**	8,895
Equity			
Contributed equity	3.1	**9,619**	9,566
Reserves		**(1,972)**	(1,866)
Retained earnings		**(185)**	819
Total equity of shareholders of AMP Limited		**7,462**	8,519
Non-controlling interests		**79**	376
Total equity of shareholders of AMP Limited and non-controlling interests		**7,541**	8,895

Consolidated statement of changes in equity

for the year ended 31 December 2016

	Equity attributable to shareholders of AMP Limited												
	Contributed equity $m	Demerger reserve[1] $m	Share-based payment reserve[2] $m	Capital profits reserve[3] $m	Available-for-sale financial assets reserve $m	Cash flow hedge reserve $m	Foreign currency translation and hedge of net investment reserves $m	Owner-occupied property revaluation reserve $m	Total reserves $m	Retained earnings $m	Total shareholder equity $m	Non-controlling interest $m	Total equity $m
2016													
Balance at the beginning of the year	**9,566**	**(2,566)**	**93**	**329**	**8**	**12**	**136**	**122**	**(1,866)**	**819**	**8,519**	**376**	**8,895**
Profit (loss)	–	–	–	–	–	–	–	–	–	(344)	(344)	536	192
Other comprehensive income	–	–	–	–	–	4	12	–	16	34	50	–	50
Total comprehensive income	–	–	–	–	–	4	12	–	16	(310)	(294)	536	242
Share-based payment expense	–	–	23	–	–	–	–	–	23	–	23	2	25
Share purchases	–	–	(23)	–	–	–	–	–	(23)	–	(23)	(2)	(25)
Net sale of treasury shares	53	–	–	–	–	–	–	–	–	4	57	–	57
Dividends paid[4]	–	–	–	–	–	–	–	–	–	(828)	(828)	(514)	(1,342)
Dividends paid on treasury shares[4]	–	–	–	–	–	–	–	–	–	8	8	–	8
Sale of owner-occupied property	–	–	–	–	–	–	–	(122)	(122)	122	–	–	–
Sales and acquisitions of non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(319)	(319)
Balance at the end of the year	**9,619**	**(2,566)**	**93**	**329**	**8**	**16**	**148**	**–**	**(1,972)**	**(185)**	**7,462**	**79**	**7,541**
2015													
Balance at the beginning of the year	9,508	(2,566)	97	329	8	6	136	102	(1,888)	566	8,186	199	8,385
Profit (loss)	–	–	–	–	–	–	–	–	–	972	972	741	1,713
Other comprehensive income	–	–	–	–	–	6	–	20	26	65	91	7	98
Total comprehensive income	–	–	–	–	–	6	–	20	26	1,037	1,063	748	1,811
Share-based payment expense	–	–	32	–	–	–	–	–	32	–	32	2	34
Share purchases	–	–	(36)	–	–	–	–	–	(36)	–	(36)	(2)	(38)
Net sale of treasury shares	58	–	–	–	–	–	–	–	–	16	74	–	74
Dividends paid[4]	–	–	–	–	–	–	–	–	–	(813)	(813)	(582)	(1,395)
Dividends paid on treasury shares[4]	–	–	–	–	–	–	–	–	–	13	13	–	13
Sales and acquisitions of non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	11	11
Balance at the end of the year	9,566	(2,566)	93	329	8	12	136	122	(1,866)	819	8,519	376	8,895

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

Consolidated statement of cash flows

for the year ended 31 December 2016

	Note	2016 $m	2015 $m
Cash flows from operating activities[1]			
Cash receipts in the course of operations		**19,072**	19,773
Interest and other items of a similar nature received		**2,123**	2,287
Dividends and distributions received[2]		**2,319**	2,130
Cash payments in the course of operations		**(22,166)**	(21,663)
Finance costs		**(534)**	(806)
Income tax paid		**(639)**	(379)
Cash flows from (used in) operating activities	7.1	**175**	1,342
Cash flows from investing activities[1]			
Net proceeds from sale of (payments to acquire):			
– investment property		**279**	26
– investments in financial assets[3]		**1,174**	(5,622)
– operating and intangible assets		**(11)**	(198)
(Payments to acquire) proceeds from disposal of operating controlled entities and investments in associates accounted for using the equity method		**10**	(348)
Cash flows from (used in) investing activities		**1,452**	(6,142)
Cash flows from financing activities			
Net movement in deposits from customers		**1,972**	567
Proceeds from borrowings – non-banking operations[1]		**361**	1,212
Repayment of borrowings – non-banking operations[1]		**(653)**	(250)
Net movement in borrowings – banking operations		**(282)**	(562)
Dividends paid[4]		**(821)**	(800)
Cash flows from (used in) financing activities		**577**	167
Net increase (decrease) in cash and cash equivalents		**2,204**	(4,633)
Cash and cash equivalents at the beginning of the year		**6,601**	11,232
Effect of exchange rate changes on cash and cash equivalents		**5**	2
Cash and cash equivalents at the end of the year[1]	7.1	**8,810**	6,601

1 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 borrowings – non-banking operations.
2 Dividends and distributions received are amounts of cash received mainly from investments held by AMP life insurance entities' statutory funds and controlled entities of the statutory funds. Dividends and distributions reinvested have been treated as non-cash items.
3 Net proceeds from sale of (payments to acquire) investments in financial assets also includes loans and advances made (net of payments) and purchases of financial assets (net of maturities) during the period by AMP Bank.
4 The Dividends paid amount is presented net of dividends on treasury shares.

About this report

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

(a) What's new in this report?

We have reviewed the content and structure of the financial report and identified opportunities to reduce its complexity and to make it more relevant to our shareholders and other stakeholders.

As part of this review we have made a number of changes to the financial report including:

– Removing immaterial disclosures that may detract from the usefulness of the financial report by distracting from important information;
– Disaggregating balances (including prior year comparatives) to show amounts separately on the Income statement and Statement of financial position;
– Disclosing parent entity information in a separate note; and
– Grouping the notes to the financial statements into seven sections:
  1. Results for the year
  2. Investments, intangibles and working capital
  3. Capital structure and financial risk management
  4. Life insurance and investment contracts
  5. Employee disclosures
  6. Group entities
  7. Other disclosures.

These changes do not involve any changes to the measurement and recognition of amounts in the financial statements.

The purpose of these changes is to provide our shareholders and other stakeholders with a clearer understanding of how the AMP group strategy, as outlined in the Directors' report, is reflected in the financial performance and position of the AMP group.

Materiality

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

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

(b) Understanding the AMP financial report

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

AMP business operations are carried out by a number of these controlled entities including, during 2016 and 2015, two registered life insurance entities – AMP Life Limited (AMP Life) and The National Mutual Life Association of Australasia Limited (NMLA), AMP Bank and AMP Capital investment management companies.

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

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

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

(b) Understanding the AMP financial report (continued)

The financial report:

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

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

The financial statements for the year ended 31 December 2016 were authorised for issue on 9 February 2017 in accordance with a resolution of the directors.

(c) Basis of consolidation

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

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

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

(d) Significant accounting policies

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

Fee revenue

Fees are charged to customers in connection with investment contracts and other financial services contracts. Fee revenue is recognised as services are provided either at inception of the contract or as they are performed over the life of the contract. For example, 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.

Interest, dividends and distributions income

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

Foreign currency transactions

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

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

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

(d) Significant accounting policies (continued)

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

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

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

(e) Critical judgements and estimates

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

Accounting judgements and estimates	Note		Page
Consolidation	About this report (c)	Basis of consolidation	59
Tax	1.3	Taxes	66
Fair value of financial assets	2.1	Financial assets and other financial liabilities	69
Goodwill and acquired intangible assets	2.2	Intangibles	72
Life insurance and investment contract liabilities	4.1	Accounting for life insurance contracts and investment contracts	88
Consolidation	6.1	Controlled entities	110
Provisions	7.3	Provisions	115

Section 1: Results for the year

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

Statutory measures of performance disclosed in this report are:
- **Statutory earnings per share (EPS) – basic and diluted**
- **Annual dividend**
- **Profit after tax attributable to the shareholders of AMP**

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

1.1 Segment performance
1.2 Earnings (loss) per share
1.3 Taxes
1.4 Dividends

1.1 Segment performance

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

Reportable segment	Segment description
Australian wealth management (WM)	Financial advice 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, real estate, infrastructure and multi-manager and multi-asset funds. AMP Capital also provides commercial, industrial and retail real estate 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 called China Life AMP Asset Management Company Limited (CLAMP). AMP Capital is a founding shareholder, holding a 15% stake, with the balance held by China Life Asset Management Company, a subsidiary of China Life.
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 distributes through AMP's aligned distribution network as well as third party brokers, and direct to retail customers via phone and online.
New Zealand financial services (NZFS)	Risk insurance, wealth management and mature book (traditional participating business), with growth in wealth management driven by KiwiSaver.
Australian mature (Mature)	A business comprising products which are largely closed to new business and are in run-off. Products within Australian mature include whole of life, endowment, investment-linked, investment account, Retirement Savings Account, Eligible Rollover Fund, annuities, insurance bonds, personal superannuation and guaranteed savings accounts.

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.

1.1 Segment performance (continued)

(a) Segment profit

	WM $m	AMP Capital[1] $m	WP[2] $m	AMP Bank $m	NZFS[2] $m	Mature[2] $m	Total operating segments $m
2016							
Segment profit (loss) after income tax	**401**	**144**	**(415)**	**120**	**126**	**151**	**527**
External customer revenue	**1,499**	**387**	**(415)**	**311**	**126**	**151**	**2,059**
Intersegment revenue[4]	**109**	**226**	**–**	**–**	**–**	**–**	**335**
Segment revenue[3]	**1,608**	**613**	**(415)**	**311**	**126**	**151**	**2,394**
Other segment information[3]							
Income tax expense	**168**	**59**	**(178)**	**52**	**49**	**65**	**215**
Depreciation and amortisation	**78**	**11**	**26**	**–**	**6**	**9**	**130**
2015							
Segment profit after income tax	410	138	185	104	120	158	1,115
External customer revenue	1,396	322	185	281	120	158	2,462
Intersegment revenue[4]	120	254	–	–	–	–	374
Segment revenue[3]	1,516	576	185	281	120	158	2,836
Other segment information[3]							
Income tax expense	173	61	79	44	47	68	472
Depreciation and amortisation	68	11	20	–	7	6	112

1 AMP Capital segment revenue is reported net of external investment manager fees paid in respect of certain assets under management. Segment profit is reported net of 15% attributable to MUTB. Other AMP Capital segment information is reported before deductions of minority interests.
2 For segment reporting, revenue for WP, NZFS and Mature is presented as the amount of operating earnings of those segments, which is also the segment profit after tax. The differences between those amounts and total revenue for statutory reporting are included in the reconciliation of segment revenue in note 1.1(b).
3 Segment revenue and other segment information excludes revenue, expenses and tax relating to assets backing policyholder liabilities.
4 Intersegment revenue represents operating revenue between segments priced on an arm's-length basis and is eliminated on consolidation.

1.1 Segment performance (continued)

(b) Reconciliations

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

	2016 $m	2015 $m
Segment profit after income tax	**527**	1,115
Group office costs	**(104)**	(61)
Total operating earnings	**423**	1,054
Underlying investment income[1]	**122**	125
Interest expense on corporate debt	**(59)**	(59)
Underlying profit	**486**	1,120
Other items	**(9)**	(3)
Business efficiency program costs	**(19)**	(66)
Amortisation of AMP AAPH acquired intangible assets	**(77)**	(80)
Goodwill impairment	**(668)**	–
Profit (loss) before market adjustments and accounting mismatches	**(287)**	971
Market adjustment – investment income[1]	**(46)**	9
Market adjustment – annuity fair value	**(8)**	34
Market adjustment – risk products	**11**	2
Accounting mismatches	**(14)**	(44)
Profit (loss) attributable to shareholders of AMP Limited	**(344)**	972
Profit attributable to non-controlling interests	**536**	741
Profit for the year	**192**	1,713

1 Underlying investment income consists of investment income on shareholder assets invested in income producing investment 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.

Total segment revenue differs from Total revenue as follows:

	2016 $m	2015 $m
Total segment revenue	**2,394**	2,836
Add revenue excluded from segment revenue		
– Investment gains and losses – shareholders and policyholders (excluding AMP Bank interest revenue)	**7,775**	7,733
– 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	**19**	35
– Other revenue	**121**	52
Add back expenses netted against segment revenue		
– Claims, expenses, movement in insurance contract liabilities and tax relating to Australian wealth protection, Australian mature and New Zealand financial services	**3,171**	2,002
– Interest expense related to AMP Bank	**490**	525
– External investment manager and adviser fees paid in respect of certain assets under management	**1,164**	1,240
Remove intersegment revenue	**(335)**	(374)
Total revenue	**14,799**	14,049

(c) Segment assets

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

1.2 Earnings (loss) per share

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

	2016	2015
Profit (loss) attributable to shareholders of AMP ($m)	**(344)**	972
Weighted average number of ordinary shares (millions)[1]	**2,929**	2,918
Basic earnings (loss) per share (cents per share)	**(11.7)**	33.3

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

	2016	2015
Profit (loss) attributable to shareholders of AMP ($m)	**(344)**	972
Weighted average number of ordinary shares (millions) – diluted:		
– Weighted average number of ordinary shares[1]	**2,929**	2,918
– Add: potential ordinary shares considered dilutive[2]	**19**	20
Weighted average number of ordinary shares used in the calculation of dilutive earnings (loss) per share	**2,948**	2,938
Diluted earnings (loss) per share (cents per share)	**(11.7)**	33.1

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

1.3 Taxes

This sub-section outlines the impact of income taxes on the results and financial position of AMP. In particular:
- **the impact of tax on the reported result;**
- **amounts owed to/receivable from the tax authorities;**
- **deferred tax balances that arise due to differences in the tax and accounting treatment of balances recorded in the financial report; and**
- **discussion of the impacts of life insurance policyholder tax.**

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

(a) Income tax expense

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

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

1.3 Taxes (continued)

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

	2016 $m	2015 $m
Profit before income tax	**358**	1,993
Policyholder tax (expense) credit recognised as part of the change in policyholder liabilities in determining profit before tax	**(121)**	48
Profit before income tax excluding tax charged to policyholders	**237**	2,041
Tax at the Australian tax rate of 30% (2015: 30%)	**(71)**	(612)
Shareholder impact of life insurance tax treatment	**(16)**	(11)
Tax concessions including research and development and offshore banking unit	**5**	11
Non-deductible expenses	**(19)**	(10)
Non-taxable income	**5**	14
Other items	**5**	(12)
Non-controlling interests[1]	**154**	217
Goodwill impairment	**(200)**	–
Over provided in previous years after excluding amounts attributable to policyholders	**14**	25
Utilisation of previously unrecognised tax losses	**69**	43
Differences in overseas tax rates	**9**	7
Income tax expense attributable to shareholders and non-controlling interest	**(45)**	(328)
Income tax (expense) credit attributable to policyholders	**(121)**	48
Income tax expense per Income statement	**(166)**	(280)

1 $513m (2015: $723m) profit attributable to non-controlling interests in investment entities controlled by the AMP life insurance entities' statutory funds is not subject to tax.

(b) Analysis of income tax expense

	2016 $m	2015 $m
Current tax expense	**(486)**	(523)
Increase (decrease) in deferred tax assets	**163**	(78)
Decrease in deferred tax liabilities	**142**	280
Over provided in previous years including amounts attributable to policyholders	**15**	41
Income tax expense	**(166)**	(280)

(c) Analysis of deferred tax balances

	2016 $m	2015 $m
Analysis of deferred tax assets		
Expenses deductible and income recognisable in future years	**491**	234
Unrealised movements on borrowings and derivatives	**40**	24
Unrealised investment losses	**27**	29
Losses available for offset against future taxable income	**49**	175
Other	**49**	95
Total deferred tax assets	**656**	557
Analysis of deferred tax liabilities		
Unrealised investment gains	**1,498**	1,596
Unrealised movements on borrowings and derivatives	**1**	17
Other	**447**	463
Total deferred tax liabilities	**1,946**	2,076

1.3 Taxes (continued)

	2016 $m	2015 $m
(d) Amounts recognised directly in equity		
Deferred income tax expense related to items taken directly to equity during the current year	**(16)**	(28)
(e) Unused tax losses and deductible temporary differences not recognised		
Revenue losses	**110**	109
Capital losses	**170**	239

Accounting policy – recognition and measurement

Income tax expense

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

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

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

Tax consolidation

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

Critical accounting estimates and judgements:

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

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

1.4 Dividends

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

	2016 Final	2016 Interim	2015 Final	2015 Interim
Dividend per share (cents)	**14.0**	**14.0**	14.0	14.0
Franking percentage	**90%**	**90%**	90%	85%
Cost (in $m)	**414**	**414**	414	414
Payment date	**31 March 2017**	**7 October 2016**	8 April 2016	9 October 2015

	2016 $m	2015 $m
Dividends paid		
Previous year final dividend on ordinary shares	**414**	399
Interim dividend on ordinary shares	**414**	414
Total dividends paid[1]	**828**	813

1 Total dividends paid includes dividends paid on treasury shares $8m (2015: $13m).

Dividend franking credits

Franking credits available to shareholders are $342m (2015: $396m), based on a tax rate of 30%. This amount is calculated from the balance of the franking account as at the end of the reporting period, adjusted for franking credits that will arise from the settlement, after the end of the reporting date, of liabilities for income tax and receivables for dividends.

The company's ability to utilise the franking account credits depends on meeting Corporations Act 2001 requirements to declare dividends. The impact of the proposed dividend will be to reduce the balance of the franking credit account by $160m.

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

Section 2: Investments, intangibles and working capital

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

2.1 Investments in financial instruments
2.2 Intangibles
2.3 Receivables
2.4 Payables
2.5 Fair value information

2.1 Investments in financial instruments

	2016 $m	2015 $m
Financial assets measured at fair value through profit or loss[1]		
Equity securities and listed managed investment schemes	**53,520**	53,173
Debt securities[2]	**34,512**	35,743
Investments in unlisted managed investment schemes	**21,359**	19,421
Derivative financial assets	**1,195**	1,790
Other financial assets	**5**	8
Total financial assets measured at fair value through profit or loss	**110,591**	110,135
Available-for-sale financial assets		
Equity securities and managed investment schemes	**67**	66
Total available-for-sale financial assets	**67**	66
Financial assets measured at amortised cost[3]		
Loans and advances	**17,204**	15,281
Debt securities – held to maturity	**1,557**	1,739
Total financial assets measured at amortised cost	**18,761**	17,020
Total financial assets	**129,419**	127,221
Other financial liabilities		
Derivative financial liabilities	**1,150**	883
Collateral deposits held[2]	**92**	225
Total other financial liabilities	**1,242**	1,108

1 Financial assets measured at fair value through profit or loss are mainly assets of the AMP life insurance entities' statutory funds and their controlled entities.
2 Included within debt securities are assets held to back the liability for collateral deposits for debt security repurchase arrangements entered into by the AMP life insurance entities' statutory funds and their controlled entities. Collateral deposits held are mostly in respect of the obligation to repay collateral for the debt security repurchase arrangements.
3 Financial assets measured at amortised cost are mainly assets of AMP Bank.

2.1 Investments in financial instruments (continued)

Accounting policy – recognition and measurement

Financial assets measured at fair value through profit or loss

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.

Available-for-sale financial assets

Financial assets which are neither designated as fair value through profit or loss nor measured at amortised cost are classified as available-for-sale. Measurement is in accordance with financial assets measured at fair value through profit or loss but any unrealised gains or losses arising from subsequent measurement at fair value are taken to other comprehensive income and only transferred to profit and loss when they are realised.

Details on how the fair values for financial assets are determined following initial recognition are disclosed in note 2.5.

Financial assets measured at amortised cost

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.

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.

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

Impairment of financial assets

Assets measured at fair value, where changes in fair value are reflected in the Income statement, are not subject to impairment testing.

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

Critical accounting estimates and judgements:

Financial assets measured at fair value

Where available, quoted market prices for the same or similar instruments are used to determine fair value. Where there is no market price available for an instrument, a valuation technique is used. Management applies judgement in selecting valuation techniques and setting valuation assumptions and inputs.

2.2 Intangibles

	Goodwill[1] $m	Capitalised costs $m	Value of in-force business $m	Distribution networks $m	Other intangibles $m	Total $m
2016						
Balance at the beginning of the year	**2,782**	**374**	**703**	**123**	**1**	**3,983**
Additions through acquisitions of controlled entities	**3**	**4**	**–**	**4**	**–**	**11**
Additions through internal development	**–**	**133**	**–**	**–**	**–**	**133**
Transferred from inventories	**–**	**–**	**–**	**9**	**–**	**9**
Amortisation expense	**–**	**(129)**	**(103)**	**(37)**	**–**	**(269)**
Impairment loss	**(668)**	**–**	**–**	**–**	**–**	**(668)**
Balance at the end of the year	**2,117**	**382**	**600**	**99**	**1**	**3,199**
Cost	***2,893***	***1,266***	***1,191***	***264***	***95***	***5,709***
Accumulated amortisation and impairment	***(776)***	***(884)***	***(591)***	***(165)***	***(94)***	***(2,510)***
2015						
Balance at the beginning of the year	2,717	378	806	136	5	4,042
Additions through acquisitions of controlled entities	59	7	–	16	–	82
Additions through separate acquisitions	–	–	–	2	–	2
Additions through internal development	–	114	–	–	–	114
Transferred from inventories	–	–	–	17	–	17
Amortisation expense	–	(117)	(103)	(37)	(4)	(261)
Impairment loss	–	(8)	–	(10)	–	(18)
Other movements	6	–	–	(1)	–	5
Balance at the end of the year	2,782	374	703	123	1	3,983
Cost	*2,890*	*1,129*	*1,191*	*251*	*95*	*5,556*
Accumulated amortisation and impairment	*(108)*	*(755)*	*(488)*	*(128)*	*(94)*	*(1,573)*

1 Total goodwill comprises amounts attributable to shareholders of $2,102m (2015: $2,767m) and amounts attributable to policyholders of $15m (2015: $15m).

Accounting policy – recognition and measurement

Goodwill

Goodwill acquired in a business combination is recognised at cost and subsequently measured at cost less any accumulated impairment losses. The cost represents the excess of the cost of a business combination over the fair value of the identifiable assets acquired and liabilities assumed. Goodwill includes balances attributable to shareholders and balances attributable to policyholders in investment entities controlled by the AMP life insurance entities' statutory funds.

Capitalised costs

Costs are capitalised when the costs relate to the creation of an asset with expected future economic benefits which are capable of reliable measurement. Capitalised costs are amortised on a straight-line basis over the estimated useful life of the asset, commencing at the time the asset is first put into use or held ready for use, whichever is the earlier.

Value of in-force business

The value of in-force business represents the fair value of future business arising from existing contractual arrangements of a business acquired as part of a business combination. The value of in-force business is initially measured at fair value and is subsequently measured at fair value less amortisation and any accumulated impairment losses.

Distribution networks

Distribution networks such as customer lists, financial planner client servicing rights or other distribution-related rights, either acquired separately or through a business combination, are initially measured at fair value and subsequently measured at cost less amortisation and any accumulated impairment losses.

2.2 Intangibles (continued)

Amortisation

Intangible assets with finite useful lives are amortised on a straight-line basis over the useful life of the intangible asset. The estimated useful lives are generally:

Item	Useful life
Capitalised costs	Up to 10 years
Value in-force business – wealth management and distribution businesses	10 years
Value in-force business – wealth protection and mature businesses	20 years
Distribution networks	3 to 15 years

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

Impairment testing

Goodwill and intangible assets that have indefinite useful lives are tested at least annually for impairment. Other intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs). An impairment loss is recognised when the goodwill carrying amount exceeds the CGU's recoverable amount.

Goodwill attributable to shareholders

The goodwill attributable to shareholders of $2,102m (2015: $2,767m) primarily arose from the acquisition of AMP AAPH Limited group in 2011, a previous Life Act Part 9 transfer of life insurance business into the statutory funds of AMP Life as well as other business combinations where the AMP group was the acquirer.

Based on their activities, each of the acquired businesses has been allocated to a CGU for the purpose of assessing goodwill as follows:

	2016 $m	2015 $m
Australian wealth management	**1,488**	1,485
Australian wealth protection	**–**	668
Australian mature	**350**	350
AMP Financial Services New Zealand	**177**	177
AMP Capital	**87**	87
	2,102	2,767

The recoverable amount for each CGU (excluding AMP Capital) has been determined by the fair value less costs of disposal based on the estimated embedded value plus the value of one year's new business times a multiplier of 10 to 15.

The estimated embedded value is a calculation that represents the economic value of the shareholder capital in the business and the future profits expected to emerge from the business currently in-force expressed in today's dollars.

The estimated embedded value and value of one year's new business has been calculated based on the following key assumptions and estimates:

- 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, estimated over the expected life of the in-force policies which varies depending on the nature of the product;
- future maintenance and investment expenses based on unit costs derived from budgeted amounts for the following year and increased in future years for expected rates of inflation;
- risk discount rate based on an annualised 10 year government bond yield plus a discount margin of 5% to 7% for Australia and 5% for New Zealand (2015: 4%): Australia 7.8% to 9.8% (2015: 6.9%), New Zealand 8.4% (2015: 7.6%), for calculating the value of in-force and new business.

Assumptions applied in this valuation are consistent with the best estimate assumptions used in calculating the policy liabilities of AMP's life insurance entities (excluding the risk discount rate).

Note 4.3 provides further details of 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.

The recoverable amount for the AMP Capital CGU has been determined by using the fair value less costs of disposal based on a multiple of 19 times current period earnings (2015: 19 times), which approximates the fair value of this business, less an allowance for disposal costs.

With the exception of the Australian Wealth Protection CGU, there are no reasonably possible alternative assumptions which would result in an impairment of any goodwill amounts.

2.2 Intangibles (continued)

Goodwill attributable to policyholders
Policyholder cash-generating units were allocated $15m goodwill at 31 December 2016 (31 December 2015: $15m).

Impairment loss
The conclusion from the goodwill impairment testing is that there has been no impairment to the amount of the goodwill recognised for all CGUs, except for the Australian Wealth Protection CGU, which is fully impaired resulting in an expense of $668m in the period. The impairment was caused by the strengthening of the best estimate assumptions for AMP Life and NMLA (including retail and group income protection, claims and lapses).

Critical accounting estimates and judgements:
Management applies judgement in selecting valuation techniques and setting valuation assumptions to determine the:
- *acquisition date fair value and estimated useful life of acquired intangible assets;*
- *allocation of goodwill to CGUs and determining the recoverable amount of goodwill;*
- *assessment of whether there are any impairment indicators for acquired intangibles and, where required, in determining the recoverable amount.*

2.3 Receivables

	2016 $m	2015 $m
Investment related receivables	**1,163**	1,290
Life insurance contract premiums receivable	**345**	363
Reinsurance receivables	**70**	37
Trade debtors and other receivables	**397**	377
Total receivables	**1,975**	2,067
Current	***1,857***	*2,061*
Non-current	***118***	*6*

Accounting policy – recognition and measurement
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 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.

2.4 Payables

	2016 $m	2015 $m
Investment related payables	**801**	694
Life insurance and investment contracts in process of settlement	**350**	394
Accrued expenses, trade creditors and other payables	**729**	941
Reinsurance payables	**72**	2
Total payables	**1,952**	2,031
Current	***1,840***	*1,940*
Non-current	***112***	*91*

Accounting policy – recognition and measurement
Payables
Payables are measured at the nominal amount payable. Given the short-term nature of most payables, the nominal amount payable approximates fair value.

2.5 Fair value information

The following table shows the carrying amount and estimated fair values of financial instruments and investment properties, including their levels in the fair value hierarchy. It does not include fair value information for financial instruments not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amount $m	Level 1 $m	Level 2 $m	Level 3 $m	Total fair value $m
2016					
Financial assets measured at fair value					
Equity securities and listed managed investment schemes	**53,587**	**51,066**	**22**	**2,499**	**53,587**
Debt securities	**34,512**	**68**	**34,425**	**19**	**34,512**
Investments in unlisted managed investment schemes	**21,359**	**–**	**20,417**	**942**	**21,359**
Derivative financial assets	**1,195**	**219**	**976**	**–**	**1,195**
Investment properties	**127**	**–**	**–**	**127**	**127**
Other financial assets	**5**	**–**	**–**	**5**	**5**
Total financial assets measured at fair value	**110,785**	**51,353**	**55,840**	**3,592**	**110,785**
Financial assets not measured at fair value					
Loans and advances	**17,204**	**–**	**17,104**	**–**	**17,104**
Debt securities – held to maturity	**1,557**	**–**	**1,560**	**–**	**1,560**
Total financial assets not measured at fair value	**18,761**	**–**	**18,664**	**–**	**18,664**
Financial liabilities measured at fair value					
Derivative financial liabilities	**1,150**	**97**	**1,053**	**–**	**1,150**
Collateral deposits held	**92**	**–**	**92**	**–**	**92**
Investment contract liabilities	**71,579**	**–**	**2,252**	**69,327**	**71,579**
Total financial liabilities measured at fair value	**72,821**	**97**	**3,397**	**69,327**	**72,821**
Financial liabilities not measured at fair value					
AMP Bank					
– Deposits	**8,652**	**–**	**8,639**	**–**	**8,639**
– Other	**6,661**	**–**	**6,676**	**–**	**6,676**
AMP Corporate entities	**1,552**	**618**	**977**	**–**	**1,595**
AMP's life insurance entities and investment entities controlled by AMP life insurance entities' statutory funds	**353**	**–**	**353**	**–**	**353**
Total financial liabilities not measured at fair value	**17,218**	**618**	**16,645**	**–**	**17,263**
2015					
Financial assets measured at fair value					
Equity securities and listed managed investment schemes	53,239	49,811	18	3,410	53,239
Debt securities	35,743	–	34,209	1,534	35,743
Investments in unlisted managed investment schemes	19,421	–	18,291	1,130	19,421
Derivative financial assets	1,790	161	1,629	–	1,790
Investment properties	386	–	–	386	386
Other financial assets	8	–	–	8	8
Total financial assets measured at fair value	110,587	49,972	54,147	6,468	110,587
Financial assets not measured at fair value					
Loans and advances	15,281	–	15,281	–	15,281
Debt securities – held to maturity	1,739	–	1,745	–	1,745
Total financial assets not measured at fair value	17,020	–	17,026	–	17,026
Financial liabilities measured at fair value					
Derivative financial liabilities	883	117	766	–	883
Collateral deposits held	225	136	89	–	225
Investment contract liabilities	69,848	–	2,364	67,484	69,848
Total financial liabilities measured at fair value	70,956	253	3,219	67,484	70,956
Financial liabilities not measured at fair value					
AMP Bank					
– Deposits	6,678	–	6,798	–	6,798
– Other	6,924	–	6,824	–	6,824
AMP Corporate entities	1,813	609	1,226	–	1,835
AMP's life insurance entities and investment entities controlled by AMP life insurance entities' statutory funds	2,037	–	2,037	–	2,037
Total financial liabilities not measured at fair value	17,452	609	16,885	–	17,494

2.5 Fair value information (continued)

AMP's methodology and assumptions used to estimate the fair value of financial instruments are described below:

Listed equity securities and listed managed investment schemes	The fair value of listed equity securities traded in an active market and listed managed investment schemes reflects the quoted bid price at the reporting date. In the case of equity securities and listed managed investment schemes where there is no active market, fair value is established using valuation techniques including the use of recent arm's length transactions, references to other instruments that are substantially the same, discounted cash flow analysis and option pricing models.
Debt securities	The fair value of listed debt securities reflects the bid price at the reporting date. Listed debt securities that are not frequently traded are valued by discounting estimated recoverable amounts. The fair value of unlisted debt securities is estimated using interest rate yields obtainable on comparable listed investments. The fair value of loans is determined by discounting the estimated recoverable amount using prevailing interest rates.
Loans	The estimated fair value of loans represents the discounted amount of estimated future cash flows expected to be received, based on the maturity profile of the loans. As the loans are unlisted, the discount rates applied are based on the yield curves 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.
Unlisted managed investment schemes	The fair value of investments in unlisted managed investment schemes is determined on the basis of published redemption prices of those managed investment schemes at the reporting date.
Derivative financial assets and liabilities	The fair value of financial instruments traded in active markets (such as publicly traded derivatives) is based on quoted market prices (current bid price or current offer price) at the reporting date. The fair value of financial instruments not traded in an active market (eg over-the-counter derivatives) is determined using valuation techniques. Valuation techniques include net present value techniques, option pricing models, discounted cash flow methods and comparison to quoted market prices or dealer quotes for similar instruments.
Subordinated debt	The fair value of subordinated debt is determined with reference to quoted market prices at the reporting date.

The financial assets and liabilities measured at fair value are categorised using the fair value hierarchy which reflects the significance of inputs into the determination of fair value as follows:

- Level 1: the fair value is valued by reference to quoted prices and active markets for identical assets
- Level 2: the fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
- Level 3: the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

There have been no significant transfers between Level 1 and Level 2 during the 2016 and 2015 financial years. Transfers to/from Level 3 are shown in the Reconciliation of Level 3 values table later in this note.

2.5 Fair value information (continued)

Level 3 fair values

The following table shows the valuation techniques used in measuring Level 3 fair values, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs
Equity securities and listed managed investment schemes	Discounted cash flow approach utilising cost of equity as the discount rate.	Discount rate. Terminal value growth rate. Cash flow forecasts.
Debt securities	Discounted cash flow approach.	Discount rate. Cash flow forecasts.
Investments in unlisted managed investment schemes	Published redemption prices.	Judgement made in determining unit prices.
Investment contract liabilities	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.

Sensitivity analysis

Reasonably possible alternative assumptions could have been used in determining the fair values of financial instruments categorised as Level 3. The following table shows the sensitivity to changes in key assumptions, calculated by changing one or more of the significant unobservable inputs for individual assets. This included assumptions such as credit risk and discount rates for determining the valuation range on an individual estimate.

	2016		2015	
	(+) $m	(–) $m	(+) $m	(–) $m
Financial assets				
Equity securities and listed managed investment schemes	**146**	**(153)**	206	(206)
Financial liabilities				
Investment contract liabilities	**6**	**(5)**	8	(7)

Financial assets 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.

2.5 Fair value information (continued)

Reconciliation of Level 3 values

The following table shows movements in the fair values of financial instruments categorised as Level 3 in the fair value hierarchy:

	Balance at the beginning of the period $m	FX gains or losses[1] $m	Total gains/ losses[1] $m	Purchases/ deposits $m	Sales/ withdrawals $m	Net transfers in/(out)[2] $m	Balance at the end of the period $m	Total gains and losses on assets and liabilities held at reporting date $m
2016								
Assets classified as Level 3								
Equity securities and listed managed investment schemes	**3,410**	**–**	**191**	**271**	**(1,580)**	**207**	**2,499**	**190**
Debt securities	**1,534**	**–**	**(3)**	**2**	**(1,329)**	**(185)**	**19**	**(2)**
Investments in unlisted managed investment schemes	**1,130**	**3**	**10**	**96**	**(25)**	**(272)**	**942**	**8**
Investment properties	**386**	**–**	**105**	**6**	**(370)**	**–**	**127**	**105**
Other financial assets	**8**	**–**	**(1)**	**–**	**(2)**	**–**	**5**	**(1)**
Liabilities classified as Level 3								
Investment contract liabilities	**67,484**	**7**	**3,413**	**10,785**	**(12,362)**	**–**	**69,327**	**3,333**
2015								
Assets classified as Level 3								
Equity securities and listed managed investment schemes	2,354	48	378	942	(435)	123	3,410	379
Debt securities	599	55	210	764	(93)	(1)	1,534	209
Investments in unlisted managed investment schemes	850	–	44	383	(21)	(127)	1,130	52
Investment properties	340	–	71	1	(26)	–	386	71
Other financial assets	9	–	–	–	(1)	–	8	–
Liabilities classified as Level 3								
Investment contract liabilities	64,448	(5)	3,100	11,743	(11,802)	–	67,484	2,755

1 Gains and losses are classified in investment gains and losses or change in policyholder liabilities in the Income statement.

2 The AMP group recognises transfers as at the end of the reporting period during which the transfer has occurred. Transfers are recognised when there are changes in the observability of the pricing of the relevant securities or where the AMP group ceases to consolidate a controlled entity.

Section 3: Capital structure and financial risk management

This section provides information relating to:

- **AMP group's capital management and equity and debt structure; and**
- **exposure to financial risks – how the risks affect financial position and performance and how the risks are managed, including the use of derivative financial instruments.**

The capital structure of the AMP group consists of equity and debt. AMP determines the appropriate capital structure in order to finance the current and future activities of the AMP group and satisfy the requirements of the regulator. The directors review the group's capital structure and dividend policy regularly and do so in the context of the group's ability to satisfy minimum and target capital requirements, and to protect and meet the needs of the policyholders.

3.1 Contributed equity

	2016 $m	2015 $m
Issued capital[1]		
2,957,737,964 (2015: 2,957,737,964) ordinary shares fully paid	**9,747**	9,747
Treasury shares[2]		
23,539,463 (2015: 33,390,553) treasury shares	**(128)**	(181)
Total contributed equity		
2,934,198,501 (2015: 2,924,347,411) ordinary shares fully paid	**9,619**	9,566
Issued capital		
Balance at the beginning of the year	**9,747**	9,747
Balance at the end of the year	**9,747**	9,747
Treasury shares		
Balance at the beginning of the year	**(181)**	(239)
Decrease due to purchases less sales during the year	**53**	58
Balance at the end of the year	**(128)**	(181)

Holders of ordinary shares have the right to receive dividends as declared and, in the event of the winding up of the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Fully paid ordinary shares carry the right to one vote per share. Ordinary shares have no par value.

1 Under the terms of the dividend reinvestment plan (DRP), shareholders may elect to have all or part of their dividend entitlements satisfied in shares rather than being paid cash. The DRP applied for the 2015 final dividend (paid in April 2016) at 14.0 cents per share and 2016 interim dividend (paid in October 2016) at 14.0 cents per share. AMP settled the DRP for the 2015 final dividend and 2016 interim dividend by acquiring shares on market and, accordingly, no new shares were issued.

2 Of the AMP Limited ordinary shares on issue 21,413,076 (2015: 31,264,166) 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. The remaining balance is held by AMP Foundation Limited as trustee for the AMP Foundation.

3 Mitsubishi UFJ Trust and Banking Corporation (MUTB) has an option to require AMP Limited to purchase MUTB's interest in AMP Capital Holdings Limited (AMPCH) in certain circumstances. As consideration for the acquisition of AMPCH shares, AMP would be required to issue ordinary shares in AMP Limited to MUTB (or its nominee).

3.1 Contributed equity (continued)

Accounting policy – recognition and measurement

Issued capital

Issued capital in respect of ordinary shares is recognised as the fair value of consideration received by the AMP Limited entity. Incremental costs directly attributable to the issue of certain new shares are recognised in equity as a deduction, net of tax, from the proceeds.

Treasury shares

The AMP group is not permitted to recognise treasury shares in the Consolidated statement of financial position. These assets, plus any corresponding Income statement fair value movement on the assets and dividend income, are eliminated on consolidation. 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, the mismatch results in policyholder asset movements impacting the profit attributable to shareholders of AMP Limited.

The AMP Foundation also holds AMP Limited shares. These assets, plus any corresponding Income statement fair value amount on the assets and any dividend income, are also eliminated on consolidation. As the net assets and profit of the AMP Foundation Trust are fully attributable to non-controlling interests, this has no impact on the net assets or profit attributable to the shareholders of AMP Limited.

3.2 Interest-bearing liabilities

(a) Interest-bearing liabilities

	2016			2015		
	Current $m	Non-current $m	Total $m	Current $m	Non-current $m	Total $m
Interest-bearing liabilities						
AMP Bank						
– Deposits[1]	**8,614**	**38**	**8,652**	6,499	179	6,678
– Other[2]	**3,145**	**3,516**	**6,661**	3,123	3,801	6,924
AMP Corporate entities						
– 6.875% GBP Subordinated Guaranteed Bonds (maturity 2022)	**–**	**71**	**71**	–	82	82
– Floating Rate Subordinated Unsecured Notes (first call date 2016, maturity 2021)	**–**	**–**	**–**	601	–	601
– AMP Subordinated Notes 2 (first call 2018, maturity 2023)[3]	**–**	**322**	**322**	–	321	321
– AMP Wholesale Capital Notes[4]	**–**	**276**	**276**	–	276	276
– AMP Capital Notes[4]	**–**	**263**	**263**	–	262	262
– Other	**120**	**500**	**620**	–	271	271
AMP's life insurance entities and investment entities controlled by AMP life insurance entities' statutory funds	**98**	**255**	**353**	565	1,472	2,037
Total interest-bearing liabilities	**11,977**	**5,241**	**17,218**	10,788	6,664	17,452

1 Deposits comprise at call retail cash on deposit and retail term deposits at variable interest rates within the AMP Bank.
2 Includes $150m (2015: $150m) Floating Rate Subordinated Unsecured Notes to fund AMP Bank's capital requirements (first call date 2017, maturity 2022).
3 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 Subordinated Notes 2 into AMP ordinary shares.
4 AMP Wholesale Capital Notes and AMP Capital Notes were issued on 27 March and 30 November 2015, respectively. They are perpetual notes with no maturity date. In certain circumstances, AMP may be required to convert some or all of the Notes into AMP Subordinated ordinary shares.

3.2 Interest-bearing liabilities (continued)

(b) Financing arrangements

Loan facilities and note programs

In addition to the facilities arranged through bond and note issues, financing facilities are provided through bank loans under normal commercial terms and conditions.

	2016 $m	2015 $m
Available	**13,529**	15,256
Used	**(2,579)**	(4,316)
Unused facilities at the end of the year	**10,950**	10,940

Overdraft facility

The AMP group has access to a bank overdraft facility to help manage short-term cash flow needs. At year-end the available facility was $838m (2015: $779m).

Accounting policy – recognition and measurement

Interest-bearing liabilities, other than those held by controlled entities of the AMP life insurance entities' statutory funds, are initially recognised at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest rate method.

Borrowings of certain controlled managed investment schemes of the AMP life insurance entities' statutory funds are measured at amortised cost for the purpose of determining the unit price of those schemes. All other borrowings of the controlled entities of the AMP life entities' statutory funds are subsequently measured at fair value with movements recognised in the Income statement.

It is AMP's policy to hedge currency and interest rate risk arising on issued bonds and subordinated debt. When hedge accounting is applied, the carrying amounts of borrowings and subordinated debt are adjusted for changes in fair value for the period that the hedge relationship remains effective. Any changes in fair value for the period are recognised in the Income statement.

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 3.4.

Borrowing costs are recognised as expenses when incurred.

3.3 Financial risk management

The AMP Limited Board has overall responsibility for the risk management framework including the approval of AMP's strategic plan, risk management strategy and risk appetite. Specifically, financial risk arises from the holding of financial instruments and financial risk management (FRM) is an integral part of the AMP group's enterprise risk management framework.

This note discloses financial risk in accordance with the categories in AASB 7 *Financial Instruments: Disclosures:*

- market risk;
- liquidity and refinancing risk;
- credit risk.

These risks are managed in accordance with the board approved risk appetite statement and the individual policies for each risk category and business approved by the chief financial officer (CFO) under delegation from the AMP Group Asset and Liability Committee (Group ALCO).

3.3 Financial risk management (continued)

(a) Market risk

Market risk is the risk that the fair value of assets and liabilities, or future cash flows of a financial instrument will fluctuate due to movements in the financial markets including interest rates, foreign exchange rates, equity prices, property prices, credit spreads, commodity prices, market volatilities and other financial market variables.

The following table provides information on significant market risk exposures for the AMP group, which could lead to an impact on the AMP group's profit after tax and equity, and the management of those exposures.

Market risk	Exposures	Management of exposures and use of derivatives
Interest rate risk The risk of an impact on the AMP group's profit after tax and equity arising from fluctuations of the fair value or future cash flows of financial instruments due to changes in market interest rates. Interest rate movements could result from changes in the absolute levels of interest rates, the shape of the yield curve, the margin between yield curves and the volatility of interest rates.	AMP group's long-term borrowings and subordinated debt.	Interest rate risk is managed by entering into floating-to-fixed interest rate swaps, which have the effect of converting borrowings from floating rate to fixed rate.
	Interest bearing investment assets of the shareholder and statutory funds of AMP Life and NMLA.	AMP Life and NMLA manage interest rate and other market risks pursuant to an asset and liability management policy and are also subject to the relevant regulatory requirements governed by the Life Act.
	AMP Bank interest rate risk from mismatches in the repricing terms of assets and liabilities (term risk) and variable rate short-term repricing bases (basis risk).	AMP Bank uses natural offsets, interest rate swaps and basis swaps to hedge the mismatches within exposure limits. Group Treasury manages the exposure in AMP Bank by maintaining a net interest rate risk position within the limits delegated and approved by the AMP Bank Board.
Currency risk The risk of an impact on the AMP group's profit after tax and equity arising from fluctuations of the fair value of a financial asset, liability or commitment due to changes in foreign exchange rates.	Foreign currency denominated assets and liabilities. Capital invested in overseas operations. Foreign exchange rate movements on specific cash flow transactions.	The AMP group uses swaps to hedge the interest rate risk and foreign currency risk on foreign currency denominated borrowings but does not hedge the capital invested in overseas operations. The AMP group hedges material foreign currency risk originated by receipts and payments once the value and timing of the expected cash flow is known excluding the international equities portfolio attributable to shareholders within the AMP Life Statutory No. 1 Fund. Group Treasury executes foreign currency forwards on behalf of AMP Capital to hedge expected management fees income and operation costs outflows originated outside of Australia.
Equity price risk The risk of an impact on the AMP group's profit after tax and equity arising from fluctuations of the fair value or future cash flows of a financial instrument due to changes in equity prices.	Exposure for shareholders includes listed and unlisted shares and participation in equity unit trusts.	Group Treasury may, with Group ALCO approval, use equity exposures or equity futures or options to hedge other enterprise-wide equity exposures.

3.3 Financial risk management (continued)

Sensitivity analysis

The table below includes sensitivity analysis showing how the profit after tax and equity would have been impacted by changes in market risk variables. The analysis:

– shows the direct impact of a reasonably possible change in market rate and is not intended to illustrate a remote, worst case stress test scenario;
– assumes that all underlying exposures and related hedges are included and the change in variable occurs at the reporting date;
– 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.

Sensitivity analysis	Change in variables	2016 Impact on profit after tax increase (decrease) $m	2016 Impact on equity[1] increase (decrease) $m	2015 Impact on profit after tax increase (decrease) $m	2015 Impact on equity[1] increase (decrease) $m
Interest rate risk Impact of a 100 basis point (bp) change in Australian and international interest rates	–100bp +100bp	**82** **(65)**	**83** **(66)**	47 (49)	32 (34)
Currency risk Impact of a 10% movement of exchange rates against the Australian dollar on currency sensitive monetary assets and liabilities	10% depreciation of AUD 10% appreciation of AUD	**5** **(6)**	**37** **(32)**	6 (7)	38 (33)
Equity price risk Impact of a 10% movement in Australian and international equities. Any potential impact on fees from the AMP group's investment linked business is not included	10% increase in: Australian equities International equities	 **12** **4**	 **12** **4**	 10 10	 10 10
	10% decrease in: Australian equities International equities	 **(11)** **(6)**	 **(11)** **(6)**	 (11) (11)	 (11) (11)

1 Included in the impact on equity are both the impact on profit after tax as well as the impact of amounts that would be taken directly to equity in respect of the portion of changes in the fair value of derivatives that qualify as cash flow hedges for hedge accounting.

(b) Liquidity and refinancing risk

Risk	Exposures	Management of exposures
Liquidity risk The risk that the AMP group is not able to meet its obligations as they fall due because of an inability to liquidate assets or obtain adequate funding when required.	AMP group corporate debt portfolio, AMP Bank and AMP Capital through various investment funds, entities or mandates that AMP manages or controls within the AMP group.	Group Treasury maintains a defined surplus of cash to mitigate refinancing risk, satisfy regulatory requirements and protect against liquidity shocks in accordance with the liquidity risk management policy approved by the Group ALCO. 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.
Refinancing risk The risk that the AMP group is not able to refinance the full quantum of its ongoing debt requirements on appropriate terms and pricing.		

3.3 Financial risk management (continued)

Maturity analysis

Below is a summary of the maturity profiles of the AMP group's undiscounted financial liabilities and off-balance sheet items at the reporting date, based on contractual undiscounted repayment obligations. Repayments that are subject to notice are treated as if notice were to be given immediately.

	Up to 1 year or no term $m	1-5 years $m	Over 5 years $m	Other[2] $m	Total $m
2016					
Non-derivative financial liabilities					
Payables	**1,840**	**112**	**–**	**–**	**1,952**
Borrowings	**12,124**	**4,413**	**21**	**–**	**16,558**
Subordinated debt	**210**	**1,006**	**63**	**–**	**1,279**
Investment contract liabilities[1]	**880**	**802**	**1,434**	**68,858**	**71,974**
External unitholders' liabilities	**–**	**–**	**–**	**13,252**	**13,252**
Derivative financial instruments					
Interest rate swaps	**16**	**12**	**–**	**–**	**28**
Off-balance sheet items					
Credit-related commitments – AMP Bank[3]	**3,653**	**–**	**–**	**–**	**3,653**
Total undiscounted financial liabilities and off-balance sheet items[2]	**18,723**	**6,345**	**1,518**	**82,110**	**108,696**
2015					
Non-derivative financial liabilities					
Payables	1,940	91	–	–	2,031
Borrowings	10,454	4,470	1,689	–	16,613
Subordinated debt	675	953	370	–	1,998
Investment contract liabilities[1]	927	905	1,473	66,952	70,257
External unitholders' liabilities	–	–	–	13,571	13,571
Derivative financial instruments					
Interest rate swaps	27	89	–	–	116
Off-balance sheet items					
Credit-related commitments – AMP Bank[3]	2,897	–	–	–	2,897
Total undiscounted financial liabilities and off-balance sheet items[2]	16,920	6,508	3,532	80,523	107,483

1 Investment contract liabilities are liabilities to policyholders for investment-linked business linked to the performance and value of assets that back those liabilities. If all these policyholders claimed their funds, there may be some delay in settling the liability as assets are liquidated, but the shareholder has no direct exposure to any liquidity risk. External unitholders' liabilities all relate to controlled entities of the life entities' statutory funds and would only be paid when corresponding assets are realised.

2 Estimated net cash outflow profile of life insurance contract liabilities, disclosed in note 4.4(d), is excluded from the above table.

3 Loan commitments are off-balance sheet as they relate to unexercised commitments to lend to customers of AMP Bank.

3.3 Financial risk management (continued)

(c) Credit risk

Credit risk management is decentralised in business units within the AMP group, with the exception of credit risk directly and indirectly impacting shareholder capital, which is measured and managed on an aggregate basis by Group Treasury at the AMP group level and reported to Group ALCO.

Risk	Exposures	Management of exposures and use of derivatives
Credit risk Credit default risk is the risk of financial or reputational loss due to a counterparty failing to meet their contractual commitments in full and on time. Concentration of credit risk arises when a number of financial instruments or contracts are entered into with the same counterparty or where a number of counterparties are engaged in similar business activities that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.	Wholesale credit risk on the invested fixed income portfolios in the AMP Life and NMLA statutory funds.	Managed by the AMP Capital Risk and Compliance Committee and reported to the fund managers, within specified credit criteria in the mandate approved by the AMP Life and NMLA boards.
	Wholesale credit risk, including portfolio construction, in the fixed income portfolios managed by AMP Capital.	Responsibility of the individual investment teams. There is also a dedicated credit research team and a specific credit investment committee. The investment risk and performance team provides reports to the AMP Capital Investment Committee.
	Credit risk arising in AMP Bank as part of lending activities and management of liquidity.	Managed as prescribed by AMP Bank's Risk Management Systems Description and reported to AMP Bank ALCO monthly. Specific detail relating to credit risk management of the AMP Bank loan portfolio is outlined below.

The AMP Concentration and Credit Default Risk Policy sets out the assessment and determination of what constitutes credit concentration risk. The policy sets exposure limits based on each counterparty's credit rating (unless special considerations are defined). Additional limits are set for the distribution of the total portfolio by credit rating bands. Compliance with this policy is monitored and exposures and breaches are reported to portfolio managers, senior management and the AMP Limited Board Risk Committee through periodic financial risk management reports.

Group Treasury also might enter into credit default swaps to hedge the concentration risk exposure against a specific issuer, or aggregated at the parent entity, when material exposures are over the authorised limit.

The exposures on interest bearing securities and cash equivalents which impact the AMP group's capital position are managed by Group Treasury within limits set by the AMP Concentration and Credit Default Risk Policy.

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.

AMP Bank's Credit Committee and Board oversee trends in lending exposures and compliance with concentration limits. 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 low due to the stable historical relationship with the bank and minimal level of historic claims rejections and reductions.

The average LVR at origination of AMP Bank's loan portfolio for existing and new business is set out in the following table:

LVR	Existing business 2016 %	New business 2016 %	Existing business 2015 %	New business 2015 %
0–50	**17**	**9**	16	8
51–60	**11**	**9**	10	7
61–70	**17**	**16**	15	12
71–80	**38**	**50**	40	50
81–90	**13**	**8**	14	11
91–95	**4**	**8**	5	12
> 95	**–**	**–**	–	–

3.3 Financial risk management (continued)

Past due but not impaired financial assets

Ageing of past due but not impaired financial assets is used by the AMP group to measure and manage emerging credit risks. The following table provides an ageing analysis of debt securities that are past due as at reporting date but not impaired.

		Past due but not impaired				
	Not past due nor impaired $m	Less than 31 days $m	31-60 days $m	61-90 days $m	More than 91 days $m	Total $m
2016						
Debt securities – loans and advances	**16,668**	**373**	**66**	**25**	**72**	**17,204**
2015						
Debt securities – loans and advances	14,818	341	46	18	58	15,281

AMP Bank maintains individual provisions and collective loan impairment provisions against impaired loans.

Collateral and master netting or similar agreements

The AMP group obtains collateral and utilises netting agreements to mitigate credit risk exposures from certain counterparties.

(i) Derivative financial assets and liabilities

The credit risk of derivatives is managed in the context of the AMP group's overall credit risk policies and includes the use of Credit Support Annexes to derivative agreements which facilitate the bi-lateral posting of collateral.

Certain derivative assets and liabilities are subject to legally enforceable master netting arrangements, such as an International Swaps and Derivatives Association (ISDA) master netting agreement. In certain circumstances, for example, when a credit event such as a default occurs, all outstanding transactions under an ISDA agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

An ISDA agreement does not automatically meet the criteria for offsetting in the Statement of financial position. This is because the AMP group, in most cases, does not have any current legally enforceable right to offset recognised amounts.

If these netting arrangements were applied to the derivative portfolio, the derivative assets of $1,195m would be reduced by $86m to the net amount of $1,109m and derivative liabilities of $1,150m would be reduced by $86m to the net amount of $1,064m (2015: derivative assets of $1,790m would be reduced by $285m to the net amount of $1,505m and derivative liabilities of $883m would be reduced by $285m to the net amount of $598m).

(ii) Repurchase agreements

Included within debt securities are assets held to back the liability for collateral deposits held in respect of debt security repurchase arrangements entered into by the life entities' statutory funds and controlled entities of the life entities' statutory funds. As at 31 December 2016, if repurchase arrangements were netted, debt securities of $34,512m would be reduced by $25m to the net amount of $34,487m and collateral deposits held of $92m would be reduced by $25m to the net amount of $67m (2015: debt securities of $35,743m would be reduced by $162m to the net amount of $35,581m and collateral deposits held of $225m would be reduced by $162m to the net amount of $63m).

(iii) Other collateral

The AMP group has collateral arrangements in place with some counterparties in addition to collateral deposits held with respect to repurchase agreements. The amount and type of collateral required by AMP Bank on housing loans depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral.

AMP Bank holds collateral against its loans and advances primarily in the form of mortgage interests over property, other registered securities over assets and guarantees.

Management monitors the market value of collateral and will request additional collateral in accordance with the underlying agreement. In the event of customer default, AMP Bank can enforce any security held as collateral against the outstanding claim. Any loan security is usually held as mortgagee in possession while AMP Bank seeks to realise its value through the sale of property. Therefore, AMP Bank does not hold any real estate or other assets acquired through the repossession of collateral.

Collateral generally consists of 11am loans and deposits and is exchanged between the counterparties to reduce the exposure from the net fair value of derivative assets and liabilities between the counterparties. As at 31 December 2016 there was $2m of collateral deposits due to other financial institutions (2015: $63m).

3.4 Other derivative information

Derivatives which are hedge accounted

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 the year the AMP group recognised a net loss of $1m (2015: $4m gain) on derivative instruments designated as fair value hedges. The net gain on the hedged interest-bearing liabilities amounted to $1m (2015: $4m loss).

Derivative instruments accounted for as cash flow hedges

The AMP group is exposed to variability in future cash flows on interest-bearing liabilities which can be at fixed and variable interest rates. The AMP group uses interest rate swaps designated as a cash flow hedge to manage these risks.

The following schedule shows, as at reporting date, the periods when the hedged cash flows are expected to occur and when they are expected to affect profit and loss. During the year nil (2015: nil) was recognised in the Income statement due to hedge ineffectiveness from cash flow hedges.

	0-1 year $m	1-2 years $m	2-3 years $m	3-4 years $m	4-5 years $m
2016					
Cash inflows	**98**	**40**	**15**	**6**	**3**
Cash outflows	**(104)**	**(38)**	**(14)**	**(8)**	**(4)**
Net cash inflow (outflow)	**(6)**	**2**	**1**	**(2)**	**(1)**
2015					
Cash inflows	155	58	27	13	4
Cash outflows	(179)	(43)	(16)	(5)	(1)
Net cash inflow (outflow)	(24)	15	11	8	3

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 (2015: nil) due to the ineffective portion of hedges relating to investments in seed pool foreign operations.

Accounting policy – recognition and measurement

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value exclusive of any transaction costs on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. All derivatives are recognised as assets when their fair value is positive and as liabilities when their fair value is negative. Any gains or losses arising from the change in fair value of derivatives, except those that qualify as effective cash flow hedges, are immediately recognised in the Income statement.

Hedge accounting

When the AMP group designates certain derivatives to be part of a hedging relationship, and they meet the criteria for hedge accounting, the hedges are classified as:

Fair value hedges

Changes in the fair value of 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. If a hedge no longer meets the criteria for hedge accounting, the cumulative gains and losses recognised on the hedged item will be amortised over the remaining life of the hedged item.

Cash flow hedges

The effective portion of changes in the fair value of cash flow hedges is recognised (including related tax impacts) through Other comprehensive income in the Cash flow hedge reserve in equity. The ineffective portion is recognised immediately in the Income statement. 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. 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.

3.5 Capital management

AMP holds capital to protect customers, creditors and shareholders against unexpected losses. There are a number of ways AMP assesses the adequacy of its capital position. Primarily, AMP aims to:

- maintain a sufficient surplus above minimum regulatory capital requirements (MRR) to reduce the risk of breaching MRR;
- hold sufficient liquidity to ensure that AMP has sufficient access to liquid funds, even under stress situations;
- maintain the AMP group's credit rating.

Calculation of capital resources

The AMP group's capital resources include ordinary equity and interest-bearing liabilities. The AMP group excludes the interest-bearing liabilities of its banking subsidiary, AMP Bank Limited, and controlled investment subsidiaries and trusts, from the AMP group capital resources.

In determining the capital resources the AMP group needs to make adjustments to the statutory shareholder equity. Under Australian Accounting Standards, some assets held on behalf of the policyholders (and related tax balances) are recognised in the financial report at different values to the values used in the calculation of the liability to policyholders in respect of the same assets. Therefore, movements in these policyholder assets result in accounting mismatches which impact the statutory equity attributable to shareholders of AMP Limited. Mismatches arise on the following items:

- treasury shares (AMP Limited shares held by the statutory funds on behalf of policyholders);
- AMP Life Limited statutory funds' investments in controlled entities;
- AMP Life Limited statutory funds' superannuation products invested in AMP Bank Limited assets.

Adjustments are also made relating to cash flow hedge reserves and to exclude the net assets of the AMP Foundation.

The table below shows the AMP group's capital resources at reporting date:

	2016 $m	2015 $m
AMP statutory equity attributable to shareholders of AMP Limited	**7,462**	8,519
Accounting mismatch, cash flow hedge resources and other adjustments	**27**	104
AMP shareholder equity	**7,489**	8,623
Subordinated debt[1]	**951**	1,551
Senior debt[1]	**611**	250
Total AMP capital resources	**9,051**	10,424

1 Amounts shown for subordinated debt and senior debt are the amounts to be repaid on maturity.

Capital requirements

A number of the operating entities within the AMP group of companies are regulated and are required to meet minimum regulatory capital requirements (MRR). The main minimum regulatory capital requirements for AMP's businesses are:

Operating entity	Minimum regulatory capital requirement
AMP Life Limited (AMP Life) 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 (AMP Bank)	Capital requirements as specified under the APRA ADI Prudential Standards
AMP Superannuation Limited and National Mutual Superannuation Pty Limited	Operational Risk Financial Requirements as specified under the APRA Superannuation Prudential Standards
AMP Capital Investors Limited and other ASIC regulated businesses	Capital requirements under AFSL requirements and for risks relating to North

AMP's businesses and the AMP group maintain capital targets reflecting their material risks (including financial risk, product and insurance risk and operational risk) and AMP's risk appetite. The target surplus is a management guide to the level of excess capital that the AMP group seeks to carry to reduce the risk of breaching MRR.

AMP Limited, AMP Life, NMLA and AMP Bank have board approved 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 Group Office investments, defined benefit funds and other operational risks.

All of the AMP group regulated entities have at all times during the current and prior financial year complied with the externally imposed capital requirements to which they are subject.

Section 4: Life insurance and investment contracts

This section explains how AMP's liabilities in respect of life insurance contracts and investment contracts are measured, including the methodologies and key assumptions that are applied. It also details the key components of the profits that are recognised in respect of life insurance contracts and the sensitivity of those profits to variations in assumptions.

4.1 Accounting for life insurance contracts and investment contracts

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

The two major contract classifications are investment contracts and life insurance contracts.

For the purposes of this financial report, holders of investment contracts or life insurance contracts are collectively and individually referred to as *policyholders*.

Investment contracts

The investment contracts of the AMP life insurance entities relate 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. Fees and other charges are passed to the shareholder and reported as revenue.

The liability to policyholders, other than for fixed retirement income policies, is linked to the performance and value of the assets that back those liabilities. The fair value of such liabilities is therefore the same as the fair value of those assets. For fixed retirement income policies, the liability is linked to the fair value of the fixed retirement income payments and associated management services.

The fair value of the fixed retirement income payments is calculated as their net present value using a fair value discount rate. The fair value of the associated management services element is the net present value, using a fair value discount rate, of all expenses associated with the provision of services and any profit margins thereon.

Life insurance contracts

The AMP life insurance entities 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. Such contracts are defined as *life insurance contracts* and accounted for using *Margin on Services* (MoS).

Under MoS, the excess of premium received over claims and expenses (the margin) is recognised over the life of the contract in a manner that reflects the pattern of risk accepted from the policyholder (the service). The planned release of this margin is included in the movement in life insurance contract liabilities recognised in the Income statement.

Life insurance contract liabilities are usually determined using a projection method, whereby estimates of policy cash flows (premiums, benefits, expenses and profit margins to be released in future periods) are projected using best-estimate assumptions about the future. The liability is calculated as the net present value of these projected cash flows. When the benefits under a life insurance contract are linked to the assets backing it, the discount rate applied is based on the expected future investment earnings rate of those assets. Where the benefits are not linked to the performance of the backing assets, a risk-free discount rate is used. The risk-free discount rate is based on the zero coupon government bond rate and a liquidity margin, which depend on the nature, structure and terms of the contract liabilities.

An accumulation method may be used if it produces results that are not materially different from those produced by a projection method. A modified accumulation method is used for some discretionary participating business, where the life insurance liability is the accumulation of amounts invested by policyholders, less fees specified in the policy, plus investment earnings and vested benefits, adjusted to allow for the fact that crediting rates are determined by reference to investment income over a period of greater than one year. The accumulation method may be adjusted to the extent that acquisition expenses are to be recovered from future margins between fees and expenses.

Allocation of operating profit and unvested policyholder benefits

The operating profit arising from discretionary participating contracts is allocated between shareholders and participating policyholders by applying the MoS principles in accordance with the *Life Insurance Act 1995* (Cth) (Life Act) and the Participating Business Management Framework applying to NMLA.

Once profit is allocated to participating policyholders it can only be distributed to these policyholders.

Profit allocated to participating policyholders is recognised in the Income statement as an increase in policy liabilities. The policy liabilities include profit that has not yet been allocated to specific policyholders (ie unvested) and that which has been allocated to specific policyholders by way of bonus distributions (ie vested).

Bonus distributions to participating policyholders do not alter the amount of profit attributable to shareholders. There are merely changes to the nature of the liability from unvested to vested.

4.1 Accounting for life insurance contracts and investment contracts (continued)

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 super risk business is allocated 90% to policyholders and 10% 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 to the activities to which that expense relates. The apportionment basis has been made in accordance with Actuarial Standards and on an equitable basis to the different classes of business in accordance with the Life Act.

The costs apportioned to life insurance contracts are included in the determination of the margin described in note 4.1.

Investment management expenses of the life statutory funds are classified as operating expenses.

Reinsurance

Life insurance contract premium ceded to reinsurers is recognised as an expense and Life insurance contract claims recovered from reinsurers is recognised as income.

Upfront commission received on quota share reinsurance contracts is recognised as commission revenue and a corresponding reinsurance liability is recognised representing the obligation to pay future premiums to the reinsurer. The establishment of the reinsurance liability is reflected in Change in policyholder liabilities. The liability will be released in line with the release of the profit margin on the underlying insurance contracts.

The present value of AMP's net contractual rights and obligations under reinsurance contracts is presented as a reinsurance asset or a reinsurance liability.

Changes in the reinsurance asset and the reinsurance liability during the period are recognised as Changes in policyholder liabilities.

On-going commission from reinsurers is recognised as revenue at the time the commission is received or receivable.

Critical accounting estimates and judgements:

Life insurance contract liabilities

The measurement of insurance contract liabilities is determined using the MoS methodology. The determination of the liability amounts involves judgement in selecting the valuation methods, profit carriers and valuation assumptions for each type of business. The determination is subjective and relatively small changes in assumptions may have a significant impact on the reported profit. The board of each of the life entities is responsible for these judgements and assumptions, after taking advice from the Appointed Actuary.

Investment contract liabilities

Investment contract liabilities are measured at fair value. For the majority of contracts, the fair value is determined based on published unit prices and the fair value of backing assets, and does not generally require the exercise of judgement. For fixed income products and the North capital guarantee, fair value is determined using valuation models. Judgement is applied in selecting the valuation model and setting the valuation assumptions.

4.2 Life insurance contracts – premiums, claims, expenses and liabilities

	2016 $m	2015 $m
(a) Analysis of life insurance contract related revenue – net of reinsurance		
Life insurance contract premium revenue[1]	**2,333**	2,337
Commission received from reinsurers	**550**	–
Life insurance contract related revenue	**2,883**	2,337
Life insurance contract premium ceded to reinsurers	**(243)**	(176)
Life insurance contract related revenue – net of reinsurance	**2,640**	2,161
(b) Analysis of life insurance contract claims expenses – net of reinsurance		
Life insurance contract claims expense	**(2,038)**	(1,988)
Life insurance claims recovered from reinsurers	**150**	128
Life insurance contract claims expenses – net of reinsurance	**(1,888)**	(1,860)
(c) Analysis of life insurance contract operating expenses		
Life insurance contract acquisition expenses		
– commission	**(52)**	(58)
– other expenses	**(141)**	(150)
Life insurance contract maintenance expenses		
– commission	**(191)**	(192)
– other expenses	**(389)**	(386)
Investment management expenses	**(51)**	(53)

1 Life insurance contract premium revenue consists entirely of direct insurance premiums; there is no inward reinsurance component.

	2016 $m	2015 $m
(d) Life insurance contract liabilities		
Life insurance contract liabilities determined using projection method		
Best estimate liability		
– value of future life insurance contract benefits	**18,120**	19,333
– value of future expenses	**4,789**	4,964
– value of future premiums	**(16,209)**	(19,447)
Value of future profits		
– life insurance contract holder bonuses	**3,188**	3,129
– shareholders' profit margins	**2,606**	3,338
Total life insurance contract liabilities determined using the projection method[1]	**12,494**	11,317
Life insurance contract liabilities determined using accumulation method		
Best estimate liability		
– value of future life insurance contract benefits	**9,181**	9,549
– value of future acquisition expenses	**(65)**	(87)
Total life insurance contract liabilities determined using the accumulation method	**9,116**	9,462
Value of declared bonus	**351**	384
Unvested policyholder benefits liabilities[1]	**2,248**	2,217
Total life insurance contract liabilities net of reinsurance	**24,209**	23,380
Reinsurance asset – ceded life insurance contracts	**546**	491
Reinsurance liability – ceded life insurance contracts[2]	**(530)**	–
Total life insurance contract liabilities gross of reinsurance	**24,225**	23,871

1 For participating businesses in the statutory funds, part of the assets in excess of the life insurance contract and other liabilities calculated under MoS is 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.

2 Reinsurance liability – ceded life insurance contracts reflects the present value of the net obligation to transfer cash flows under the new 50% quota share reinsurance arrangement effective from 1 November 2016 in return for the upfront commission received.

4.2 Life insurance contracts – premiums, claims, expenses and liabilities (continued)

	2016 $m	2015 $m
(e) Reconciliation of changes in life insurance contract liabilities		
Total life insurance contract liabilities at the beginning of the year	**23,871**	24,403
Change in life insurance contract liabilities recognised in the Income statement	**1,471**	240
Premiums recognised as an increase in life insurance contract liabilities	**415**	467
Claims recognised as a decrease in life insurance contract liabilities	**(1,140)**	(1,153)
Change in reinsurance asset – ceded life insurance contracts	**55**	(38)
Change in reinsurance liability – ceded life insurance contracts	**(530)**	–
Foreign exchange adjustment	**83**	(48)
Total life insurance contract liabilities at the end of the year	**24,225**	23,871

4.3 Life insurance contracts – assumptions and valuation methodology

Life insurance contract liabilities, and hence the net profits from life insurance contracts, are calculated by applying the principles of margin on services (MoS) described in note 4.1. The key assumptions and methods used in the calculation of life insurance contract liabilities are outlined below.

The methods and profit carriers used to calculate life insurance contract liabilities for particular policy types are as follows:

Business type	Method	Profit carriers (for business valued using projection method)
Conventional	Projection	Bonuses
Investment account	Modified accumulation	n/a
Retail risk (lump sum)	Projection	Expected premiums
Retail risk (income protection)	Projection	Expected premiums
Group risk (lump sum)	Accumulation	n/a
Group risk (income benefits)	Accumulation	n/a
Participating allocated annuities (AMP Life only)	Modified accumulation	n/a
Life annuities	Projection	Annuity payments

(a) Risk-free discount rates

Except where benefits are contractually linked to the performance of the assets held, a risk-free discount rate based on current observable, objective rates that relate to the nature, structure and term of the future obligations is used. The rates are determined as shown in the following table:

			31 December 2016		31 December 2015	
Business type		Basis[1]	Australia %	New Zealand %	Australia %	New Zealand %
Retail risk (other than income benefit open claims)[1]		Zero coupon government bond yield curve	**1.7–4.1**	**1.9–4.8**	2.0–3.7	2.7–4.5
Retail risk and group risk (income benefit open claims)[1]		Zero coupon government bond yield curve (including liquidity premium)	**2.1–4.4**	**2.2–5.1**	2.5–4.2	3.1–5.0
Life annuities[2]	Non-CPI	Zero coupon government bond yield curve (including liquidity premium)	**2.2–4.5**	**2.3–5.2**	2.6–4.3	3.3–5.1
	CPI	Commonwealth indexed bond yield curve (including liquidity premium)	**0.7–1.6**	**0.9–3.4**	0.8–1.8	2.0–3.5

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.

4.3 Life insurance contracts – assumptions and valuation methodology (continued)

(b) Future maintenance and investment expenses

Unit maintenance costs are based on budgeted expenses in the year following the reporting date (including GST, as appropriate, and excluding one-off expenses). For future years, these are increased for inflation as described in (c) below. These expenses include fees charged to the life statutory funds by service companies in the AMP group. Unit costs vary by product line and class of business based on an apportionment that is supported by expense analyses.

Future investment expenses are based on the fees currently charged by the asset managers.

(c) Inflation and indexation

Benefits and premiums of many regular premium policies are automatically indexed by the published consumer price index (CPI). Assumed future take-up of these indexation options is based on AMP Life's and NMLA's own experience. The annual future CPI rates are derived from the difference between long-term government bonds and indexed government bonds.

The expense inflation assumptions have been set based on the inflation rates, recent expense performance, AMP Life's and NMLA's current plans and the terms of the relevant service company agreements, as appropriate.

The assumed CPI and expense inflation rates at the valuation date are:

		Australia %	New Zealand %
31 December 2016	AMP Life and NMLA	**2.0 CPI, 3.0 expenses**	**1.5 CPI, 2.0 expenses**
31 December 2015	AMP Life and NMLA	2.2 CPI, 3.0 expenses	2.5 CPI, 3.0 expenses

(d) Bases of taxation

The bases of taxation (including deductibility of expenses) are assumed to continue in accordance with legislation current at the valuation date.

(e) Voluntary discontinuance

Assumptions for the incidence of withdrawals, paid ups and premium dormancy are primarily based on investigations of AMP Life's 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 have been reviewed and strengthened for some business lines from those assumed at 31 December 2015, as shown in the following table.

		31 December 2016		31 December 2015	
Business type	Life company	Australia %	New Zealand %	Australia %	New Zealand %
Conventional	AMP Life	**1.7–4.1**	**1.1–1.6**	1.7–4.1	1.1–1.7
	NMLA	**2.0–9.4**	**1.9–2.5**	2.1–9.4	1.9–2.5
Retail risk (lump sum)	AMP Life	**14.2–18.3**	**12.0**	12.1–16.4	12.0–13.0
	NMLA	**12.7–13.5**	**11.6**	13.3–15.1	11.6
Retail risk (income benefit)	AMP Life	**11.2–19.1**	**11.4**	9.1–19.1	11.4
	NMLA	**8.0–13.5**	**9.5**	12.0–13.3	9.5
Flexible Lifetime Super (FLS) risk business	AMP Life	**13.3–16.5**	**n/a**	10.2–18.9	n/a
Investment account	AMP Life	**n/a**	**n/a**	n/a	n/a
	NMLA	**n/a**	**n/a**	n/a	n/a

(f) Surrender values

The surrender bases assumed for calculating surrender values are those current at the reporting date. There have been no changes to the bases during the year (or the prior year) that would materially affect the valuation results.

4.3 Life insurance contracts – assumptions and valuation methodology (continued)

(g) Mortality and morbidity

Standard mortality tables, based on national or industry-wide data, are used.

Rates of mortality assumed at 31 December 2016 for AMP Life and NMLA are as follows:

- Retail risk mortality rates for AMP Life Australia and NMLA Australia have been reviewed and strengthened for some business lines from those assumed at 31 December 2015, as indicated in the tables below. Retail risk mortality rates for AMP Life and NMLA New Zealand are unchanged from those assumed at 31 December 2015. The rates are based on the Industry standard IA04-08 Death Without Riders;
- Conventional business mortality rates are unchanged from those assumed at 31 December 2015;
- Annuitant mortality rates are unchanged from those assumed at 31 December 2015.

For Australian income protection business, the assumptions have been updated and based on the recently released ADI07-11 standard table modified for AMP Life and NMLA with overall product specific adjustment factors. For New Zealand income protection business, the assumptions are unchanged from those assumed at 31 December 2015. These assumptions are based on the IAD89-93 standard table.

For Australian TPD and Trauma business, the AMP Life and NMLA retail risk products assumptions have been strengthened for some business lines from those assumed at 31 December 2015. For New Zealand TPD and Trauma business, the retail risk products assumptions are unchanged from those assumed at 31 December 2015. These assumptions are based on the latest industry table IA04-08.

The assumptions are summarised in the following table.

Conventional	Conventional – % of IA95-97 (AMP Life) Male	Conventional – % of IA95-97 (AMP Life) Female	Conventional – % of IA95-97 (NMLA) Male	Conventional – % of IA95-97 (NMLA) Female
31 December 2016				
Australia	**67.5**	**67.5**	**67.5**	**67.5**
New Zealand	**73.0**	**73.0**	**73.0**	**73.0**
31 December 2015				
Australia	67.5	67.5	67.5	67.5
New Zealand	73.0	73.0	73.0	73.0

Risk products	Retail Lump Sum – % of table (AMP Life) Male	Retail Lump Sum – % of table (AMP Life) Female	Retail Lump Sum – % of table (NMLA) Male	Retail Lump Sum – % of table (NMLA) Female
31 December 2016				
Australia[1]	**94–148**	**94–148**	**100–106**	**100–106**
New Zealand	**100**	**82**	**120**	**98**
31 December 2015				
Australia[1]	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 Male – % of IML00*	AMP Life Female – % of IFL00*	NMLA Male – % of IML00*	NMLA Female – % of IFL00*
31 December 2016				
Australia and New Zealand[1]	**95.0**	**80.0**	**95.0**	**80.0**
31 December 2015				
Australia and New Zealand[1]	95.0	80.0	95.0	80.0

1 Annuities tables modified for future mortality improvements.

4.3 Life insurance contracts – assumptions and valuation methodology (continued)

Typical morbidity assumptions, in aggregate, are as follows:

Income protection	Incidence rates 2016 – % of ADI 07-11 2015 – % of IAD 89-93 (AMP Life)	Incidence rates 2016 – % of ADI 07-11 2015 – % of IAD 89-93 (NMLA)	Termination rates (ultimate) 2016 – % of ADI 07-11 2015 – % of IAD 89-93 (AMP Life)	Termination rates (ultimate) 2016 – % of ADI 07-11 2015 – % of IAD 89-93 (NMLA)
31 December 2016				
Australia	**45–143**	**70–146**	**86–99**	**70–95**
31 December 2015				
Australia	49–138	60–125	44–75	41–72

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)
31 December 2016				
New Zealand	**45–67**	**53–80**	**57–78**	**41–57**
31 December 2015				
New Zealand	45–67	53–80	57–78	41–57

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)
31 December 2016				
Australia TPD[1]	**150–173**	**132–143**	**170–196**	**150–162**
Australia Trauma[2]	**102–168**	**120–134**	**102–168**	**120–134**
New Zealand TPD[1]	**150**	**194**	**190**	**194**
New Zealand Trauma[2]	**114**	**101**	**114**	**101**
31 December 2015				
Australia TPD[1]	140–155	125–138	177–196	158–175
Australia Trauma[2]	105–110	96–116	105–121	96–111
New Zealand TPD[1]	150	194	190	194
New Zealand Trauma[2]	114	101	114	101

1 Base IA04-08 TPD table modified based on our aggregated experience but with overall product-specific adjustment factors.
2 Base IA04-08 Trauma table modified based on our aggregated experience but with overall product-specific adjustment factors.

The actuarial tables used were as follows:

IA95-97	A mortality table developed by the Institute of Actuaries of Australia based on Australian insured lives experience from 1995–1997. The table has been modified to allow for future mortality improvement.
IML00*/IFL00*	IML00 and IFL00 are mortality tables developed by the Institute and Faculty of Actuaries based on United Kingdom annuitant lives experience from 1999–2002. The tables refer to male and female lives respectively and incorporate factors that allow for mortality improvements since the date of the investigation. IML00* and IFL00* are these published tables amended for some specific AMP Life and NMLA experience.
IA04-08 DTH	This was published by the Institute of Actuaries of Australia under the name *A graduation of the 2004-2008 Lump Sum Investigation Data*. The table has been modified based on aggregated experience with overall product specific adjustment factors.
IA04-08 TPD	This is the TPD graduation published in the same paper as above.
IA04-08 Trauma	This is the Trauma graduation published in the same paper as above.
IAD 89-93	A disability table developed by the Institute of Actuaries of Australia based on Australian disability income experience for the period 1989–1993. The table has been adjusted to take account of AMP Life's and NMLA's own experience.
ADI 07-11	A disability table developed by KPMG at the request of the Financial Services Council (FSC) based on Australian disability income experience for the period 2007–2011. This table has been modified for AMP Life and NMLA with overall product-specific adjustment factors.

4.3 Life insurance contracts – assumptions and valuation methodology (continued)

(h) Other participating business assumptions

Where benefits are contractually linked to the performance of the assets held, as is the case for participating businesses, a discount rate based on the expected market return on backing assets is used. The assumed earning rates for backing assets for participating businesses are largely driven by long-term (eg 10 year) government bond yields. The 10 year government bond yields used at the relevant valuation dates are as shown in the following table.

Assumed earning rates for each asset sector are determined by adding to the bond yield various risk premiums which reflect the relative differences in expected future earning rates for different asset sectors. For products backed by mixed portfolio assets, the assumption varies with the proportion of each asset sector backing the product. The risk premiums applicable at the valuation date are shown in the table below.

		Risk premiums				
	10 year government bonds %	Local equities %	International equities %	Property and Infrastructure %	Fixed interest %	Cash %
31 December 2016						
Australia	**2.8**	**4.5**	**3.5**	**2.5**	AMP Life: **0.6** NMLA: **0.7**	**(0.5)**
New Zealand	**3.4**	**4.5**	**3.5**	**2.5**	AMP Life: **0.6** NMLA: **0.1**	**(0.5)**
31 December 2015						
Australia	2.9	4.5	3.5	2.5	AMP Life: 0.7 NMLA: 0.8	(0.5)
New Zealand	3.6	4.5	3.5	2.5	AMP Life: 0.7 NMLA: 0.0	(0.5)

The risk premiums for local equities include allowance for imputation credits. The risk premiums for fixed interest reflect credit ratings of the portfolio held.

The averages of the asset mixes assumed for the purpose of setting future investment assumptions for participating businesses at the valuation date are as shown in the table below for each life company. These asset mixes are not necessarily the same as the actual asset mix at the valuation date as they reflect long-term assumptions.

Average asset mix[1]		Equities %	Property and Infrastructure %	Fixed interest %	Cash %
31 December 2016					
Australia	AMP Life	**26**	**13**	**39**	**22**
	NMLA	**36**	**18**	**32**	**14**
New Zealand	AMP Life	**34**	**17**	**41**	**8**
	NMLA	**38**	**19**	**34**	**9**
31 December 2015					
Australia	AMP Life	26	13	39	22
	NMLA	36	18	32	14
New Zealand	AMP Life	34	17	42	7
	NMLA	38	19	34	9

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 4.1, 100% of investment profits on NMLA's investment account business are allocated to policyholders.

Where an assumption used is net of tax, the tax on investment income is allowed for at rates appropriate to the class of business and asset sector, including any allowance for imputation credits on equity income. For this purpose, the total return for each asset sector is split between income and capital gains. The actual split has varied at each valuation date as the total return has varied.

For participating business, the total value of future bonuses (and the associated shareholders' profit margins) included in life insurance contract liabilities is the amount supported by the value of the supporting assets, after allowing for the assumed future experience. The pattern of bonuses and shareholders' profit margins assumed to emerge in each future year depends on the assumed relationship between reversionary bonuses (or interest credits) and terminal bonuses. This relationship is set to reflect the philosophy underlying actual bonus declarations.

4.3 Life insurance contracts – assumptions and valuation methodology (continued)

Actual bonus declarations are determined to reflect, over time, the investment returns of the particular fund and other factors in the emerging experience and management of the business. These factors include:

- allowance for an appropriate degree of benefit smoothing;
- reasonable expectations of policyholders;
- equity between generations of policyholders applied across different classes and types of business;
- 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 2015 in parentheses).

Reversionary bonus		Bonus on sum insured %	Bonus on existing bonuses %
Australia	AMP Life	**0.8–1.0** (0.9–1.0)	**1.0–1.5** (1.0–1.6)
	NMLA	**0.4–1.0** (0.5–1.0)	**0.8–1.5** (0.9–1.4)
New Zealand	AMP Life	**0.7–1.0** (0.8–1.2)	**0.7–1.0** (0.8–1.2)
	NMLA	**0.8** (0.8)	**1.1** (1.1)

Terminal bonus

The terminal bonus scales are complex and vary by duration, product line, class of business and country for AMP Life and NMLA.

Crediting rates (investment account)		%
Australia	AMP Life	**1.3–3.7** (0.3–5.5)
	NMLA	**2.2–5.2** (3.1–7.9)
New Zealand	AMP Life	**2.0–3.3** (3.1–7.1)
	NMLA	**5.4–6.4** (5.9–7.4)

(i) Impact of changes in assumptions

Under MoS, for life insurance contracts valuations using the projection method, changes in assumptions are recognised by adjusting the value of future profit margins in life insurance contract liabilities. Future profit margins are released over future periods.

Changes in assumptions do not include market-related changes in discount rates such as changes in benchmark market yields caused by changes in investment markets and economic conditions. These are reflected in both life insurance contract liabilities and asset values at the reporting date.

The impact on future profit margins of actual changes in assumptions from 31 December 2015 to 31 December 2016 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.

	AMP Life			NMLA		
Assumption change	Change in future profit margins $m	Change in life insurance contract liabilities[2] $m	Change in shareholders' profit and equity[3] $m	Change in future profit margins $m	Change in life insurance contract liabilities[2] $m	Change in shareholders' profit and equity[3] $m
Non-market-related changes to discount rates	(8)	–	–	11	2	(1)
Mortality and morbidity	(247)	212	(149)	(66)	240	(168)
Discontinuance rates	(85)	23	(16)	(121)	19	(13)
Maintenance expenses	138	88	(62)	(55)	157	(110)
Other assumptions[1]	(209)	(48)	33	44	(84)	59

1 Other assumption changes include the impact of modelling, reinsurance, product and premium changes.
2 Change in life insurance contract liabilities is net of reinsurance, gross of tax.
3 Change in shareholders' profit and equity is net of reinsurance, net of tax.

In most cases, the overall amount of life insurance contract liabilities and the current period profit are not affected by changes in assumptions. However, where in the case of a particular related product group, the changes in assumptions at the end of a period eliminate any future profit margins for the related product group, and result in negative future profit margins, this negative balance for all forecasted future periods is recognised as a loss in the current period. If the changes in assumptions in a period are favourable for a product group currently in loss recognition, then the previously recognised losses are reversed in the period.

4.4 Life insurance contracts – risk

(a) Life insurance risk

AMP Life and NMLA life insurance entities issue contracts that transfer significant insurance risk from the policyholder, covering death, disability or longevity of the insured, often in conjunction with the provision of wealth management products.

The products carrying insurance risk are designed to ensure that policy wording and promotional materials are clear, unambiguous and do not leave AMP Life and NMLA open to claims from causes that were not anticipated. The variability inherent in insurance risk, including concentration risk, is managed by having a large geographically diverse portfolio of individual risks, underwriting and the use of reinsurance.

Underwriting is managed through a dedicated underwriting department, with formal underwriting limits and appropriate training and development of underwriting staff. Individual policies carrying insurance risk are generally underwritten individually on their merits. Individual policies which are transferred from a group scheme are generally issued without underwriting. Group risk insurance policies meeting certain criteria are underwritten on the merits of the employee group as a whole.

Claims are managed through a dedicated claims management team, with formal claims acceptance limits and appropriate training and development of staff with an objective to ensure payment of all genuine claims. Claims experience is assessed regularly and appropriate actuarial reserves are established to reflect up-to-date experience and any anticipated future events. This includes reserves for claims incurred but not yet reported.

AMP Life and NMLA reinsure (cede) to reinsurance companies a proportion of their portfolio or certain types of insurance risk, including catastrophe. This serves primarily to:

- reduce the net liability on large individual risks;
- obtain greater diversification of insurance risks;
- provide protection against large losses;
- reduce overall exposure to risk;
- reduce the amount of capital required to support the business.

The reinsurance companies are regulated by the Australian Prudential Regulation Authority (APRA), or industry regulators in other jurisdictions and have strong credit ratings from A+ to AA+.

4.4 Life insurance contracts – risk (continued)

(b) Key terms and conditions of life insurance contracts

The nature of the terms of the life insurance contracts written by AMP Life and NMLA is such that certain external variables can be identified on which related cash flows for claim payments depend. The following table provides an overview of the key variables upon which the timing and uncertainty of future cash flows of the various life insurance contracts issued by AMP Life and NMLA depend.

Type of contract	Detail of contract workings	Nature of compensation for claims	Key variables affecting future cash flows
Non-participating life insurance contracts with fixed and guaranteed terms (term life and disability)	These policies provide guaranteed benefits, which are paid on death or ill-health, that are fixed and not at the discretion of the Life Companies. Premium rates for yearly renewable business are not guaranteed and may be changed at the discretion of the Life Companies for the portfolio as a whole.	Benefits are defined by the insurance contract and are not directly affected by the investment performance of any underlying assets.	Mortality, morbidity, lapses, expenses and investment market earning rates on assets backing the liabilities.
Life annuity contracts	These policies provide a guaranteed regular income for the life of the insured in exchange for an initial single premium.	The amount of the guaranteed regular income is set at inception of the policy allowing for any indexation.	Longevity, expenses, inflation and investment market earning rates on assets backing the liabilities.
Conventional life insurance contracts with discretionary participating benefits (endowment and whole of life)	The policyholder pays a regular premium and receives the specified sum insured plus any accruing bonuses on death or maturity. The sum insured is specified at inception and guaranteed. Bonuses are added annually, which once added are guaranteed. A further bonus may be added on surrender, death or maturity.	Benefits arising from the discretionary bonuses are based on the performance of a specified pool of contracts and the assets supporting these contracts.	Investment market earning rates on assets backing the liabilities, lapses, expenses and mortality.
Investment account contracts with discretionary participating features	The gross value of premiums received is invested in the investment account with fees and premiums for any associated insurance cover being deducted from the account balance when due. Interest is credited regularly.	Payment of the account balance is generally guaranteed, although it may be subject to certain penalties on early surrender or limited adjustment in adverse investment markets. Operating profit arising from these contracts is allocated between the policyholders and shareholders with not less than 80% allocated to policyholders. Distribution of policyholder profit is through an interest rate mechanism.	Fees, lapses, expenses and investment market earning rates on the assets backing the liabilities.

4.4 Life insurance contracts – risk (continued)

(c) Insurance risk sensitivity analysis – life insurance contracts

For life insurance contracts that are accounted for under MoS, amounts of liabilities, income or expense recognised in the period are unlikely to be sensitive to changes in variables even if those changes may have an impact on future profit margins, unless the product is in or close to loss recognition.

This table shows information about the sensitivity of life insurance contract liabilities and current period shareholder profit after income tax and equity, to a number of possible changes in assumptions relating to insurance risk.

		Change in life insurance contract liabilities		Change in shareholder profit after income tax and equity	
Variable	Change in variable	Gross of reinsurance $m	Net of reinsurance $m	Gross of reinsurance $m	Net of reinsurance $m
AMP Life					
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	80	43	(56)	(30)
Morbidity – disability income	10% decrease in recovery rates	123	73	(86)	(51)
Discontinuance rates	10% increase in discontinuance rates	19	14	(14)	(10)
Maintenance expenses	10% increase in maintenance expenses	6	6	(4)	(4)
NMLA					
Mortality[1]	10% increase in mortality rates	11	8	(8)	(6)
Annuitant mortality	50% increase in the rate of mortality improvement	–	–	–	–
Morbidity – lump sum disablement	20% increase in lump sum disablement rates	77	63	(54)	(44)
Morbidity – disability income	10% increase in incidence rates	118	97	(83)	(68)
Morbidity – disability income	10% decrease in recovery rates	224	178	(157)	(125)
Discontinuance rates	10% increase in discontinuance rates	23	20	(16)	(14)
Maintenance expenses	10% increase in maintenance expenses	5	5	(3)	(3)

1 This includes the impact on death benefits that are payable on some disability income products.

(d) Liquidity risk and future net cash outflows

The following table shows the estimated timing of future net cash outflows resulting from insurance contract liabilities. This includes estimated future surrenders, death/disability claims and maturity benefits, offset by expected future premiums or contributions and reinsurance recoveries. All values are discounted to the reporting date using the assumed future investment earning rate for each product.

	Up to 1 year $m	1-5 years $m	Over 5 years $m	Total $m
2016	**1,479**	**3,270**	**8,958**	**13,707**
2015	1,116	2,769	8,342	12,227

4.5 Other disclosure – life insurance contracts and investment contracts

	2016 $m	2015 $m
(a) Analysis of life insurance and investment contract profit		
Components of profit (loss) related to life insurance and investment contract liabilities:		
– planned margins of revenues over expenses released	**580**	559
– profits (losses) arising from difference between actual and assumed experience	**(137)**	71
– profits (losses) arising from changes in assumptions	**(49)**	29
– capitalised (losses) reversals	**(426)**	–
Profit (loss) related to life insurance and investment contract liabilities	**(32)**	659
Attributable to:		
– life insurance contracts	**(250)**	437
– investment contracts	**218**	222
Profit (loss) related to life insurance and investment contract liabilities	**(32)**	659
Investment earnings on assets in excess of life insurance and investment contract liabilities	**157**	115

(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.

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 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

Investments held in the life statutory funds can only be used in accordance with the relevant regulatory restrictions imposed under the Life Act and associated rules and regulations. The main restrictions are that the assets in a life statutory fund can only be used to meet the liabilities and expenses of that life statutory fund, to acquire investments to further the business of the life statutory fund or as distributions provided solvency, capital adequacy and other regulatory requirements are met.

Further details about capital management are provided in note 3.5.

4.5 Other disclosure – life insurance contracts and investment contracts (continued)

	2016 AMP Life and NMLA			2015 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
Net assets of life entities' statutory funds attributable to policyholders and shareholders	**29,747**	**68,956**	**98,703**	30,254	67,096	97,350
Attributable to policyholders[2]						
Life insurance contract liabilities	**24,225**	**–**	**24,225**	23,871	–	23,871
Investment contract liabilities[1]	**2,739**	**68,760**	**71,499**	2,912	66,849	69,761
	26,964	**68,760**	**95,724**	26,783	66,849	93,632
Attributable to shareholders	**2,783**	**196**	**2,979**	3,471	247	3,718

1 Investment contract liabilities in this table do not include $80m (2015: $87m) being the investment contract liability for the North capital guarantee which is held outside the life insurance entities.
2 Based on assumptions as to likely withdrawal patterns of the various product groups, it is estimated that approximately $14,268m (2015: $13,740m) of policy liabilities may be settled within 12 months of the reporting date.

The net assets of life statutory funds attributable to shareholders represent the interests of shareholders including funds required to meet regulatory requirements as well as further amounts of shareholder funds in excess of regulatory requirements.

The following table shows a summary of the consolidated balances of AMP life insurance entities' statutory funds and the entities controlled by AMP life insurance entities' statutory funds.

	Life entities' statutory funds consolidated	
	2016 $m	2015 $m
Income statement		
Insurance related revenue – net of reinsurance	**3,032**	2,465
Fee revenue	**1,485**	1,592
Other revenue	**5**	38
Investment gains and losses	**8,214**	8,016
Insurance contract claims expenses – net of reinsurance	**(2,280)**	(2,164)
Operating expenses including finance costs	**(2,339)**	(2,596)
Movement in external unitholder liabilities	**(1,263)**	(1,006)
Change in life insurance contract liabilities	**(1,471)**	(240)
Change in investment contract liabilities	**(4,614)**	(4,384)
Income tax expense	**(154)**	(249)
Profit for the year	**615**	1,472
Assets		
Cash and cash equivalents	**7,086**	7,755
Investments in financial assets measured at fair value through profit or loss	**100,681**	107,061
Investment property	**127**	746
Other assets	**11,550**	4,546
Total assets of policyholders, shareholders and non-controlling interests	**119,444**	120,108
Liabilities		
Life insurance contract liabilities	**24,225**	23,871
Investment contract liabilities	**71,499**	69,761
Other liabilities	**6,682**	8,551
External unitholder liabilities	**14,056**	13,893
Total liabilities of policyholders, shareholders and non-controlling interests	**116,462**	116,076
Net assets	**2,982**	4,032

4.5 Other disclosure – life insurance contracts and investment contracts (continued)

(c) Capital guarantees

	2016 $m	2015 $m
Life insurance contracts with a discretionary participating feature – amount of the liabilities that relate to guarantees	**15,440**	15,991
Investment-linked contracts – amount of the liabilities subject to investment performance guarantees	**925**	973
Other life insurance contracts with a guaranteed termination value – current termination value	**169**	178

(d) Capital requirements

Registered life insurance entities are required to hold prudential reserves, over and above their life insurance contract and investment contract liabilities, as a buffer against adverse experience and poor investment returns. These reserving requirements are specified by the APRA prudential capital standards. The standards are intended to take account of the full range of risks to which a regulated institution is exposed and introduces the prescribed capital amount (PCA) requirement. The PCA is the minimum level of capital that the regulator deems must be held to meet policyholder obligations.

In addition to the regulatory capital requirements, 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 Appointed Actuary of AMP Life and NMLA has confirmed that the capital base of each life statutory fund and shareholders' fund have exceeded PCA at all times during 2016 and 2015.

	2016		2015	
	AMP Life $m	NMLA $m	AMP Life $m	NMLA $m
Common Equity Tier 1 Capital	**2,810**	**1,344**	3,091	1,450
Adjustments to Common Equity Tier 1 Capital	**(854)**	**(530)**	(1,424)	(713)
Additional Tier 1 Capital	**205**	**100**	205	100
Adjustments to Additional Tier 1 Capital	**–**	**–**	–	–
Tier 2 Capital	**215**	**85**	215	85
Adjustments to Tier 2 Capital	**–**	**–**	–	–
Total capital base	**2,376**	**999**	2,087	922
Total Prescribed Capital Amount (PCA)	**825**	**498**	860	424
Capital adequacy amount	**1,551**	**501**	1,227	498
Capital adequacy multiple	**288%**	**201%**	243%	217%

(e) Actuarial information

Mr Anton Kapel, the Appointed Actuary of AMP Life and NMLA, is satisfied as to the accuracy of the data used in the valuations in the financial report and in the tables in note 4.2 and note 4.5.

The liabilities to policyholders (being the sum of the life insurance contract and investment contract liabilities, including any asset or liability arising in respect of the management services element of an investment contract), capital base and prescribed capital amounts have been determined at the reporting date in accordance with the Life Act.

Section 5: Employee disclosures

This section provides details on the various programs the AMP group uses to reward and recognise employees, including key management personnel.

5.1 Key management personnel
5.2 Defined benefit plans
5.3 Share-based payments

5.1 Key management personnel

(a) Compensation of key management personnel

	2016 $'000	2015 $'000
Short-term benefits	**13,548**	19,703
Post-employment benefits	**598**	592
Share-based payments	**11,141**	10,096
Other long-term benefits	**274**	564
Termination benefits	**1,728**	–
Total	**27,289**	30,955

(b) Loans to key management personnel

Loans to key management personnel and their related parties are provided by AMP Bank and are on similar terms and conditions generally available to other employees within the group. No guarantees are given or received in relation to these loans. Loans have currently been made to 10 key management personnel and their related parties. Details of these loans are:

	2016 $'000
Balance as at the beginning of the year	**13,592**
Net advances	**3,756**
Balance as at the end of the year	**17,348**
Interest charged	**495**

(c) Key management personnel access to AMP's products

During the year, key management personnel and their personally related entities may also have had access to the following AMP products. They are provided to key management personnel within normal employee terms and conditions. The products include, personal banking with AMP Bank Limited, the purchase of AMP insurance and investment products and financial investment services.

Information about such transactions does not have the potential to adversely affect its 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.

Accounting policy – recognition and measurement

Short-term benefits – Liabilities arising in respect of salaries and wages and any other employee entitlements expected to be settled within 12 months of the reporting date are measured at their nominal amounts.

Post-employment benefits – Defined contribution funds – The contributions paid and payable by AMP group to defined contributions funds are recognised in the 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.

Other long-term benefits – Other employee entitlements are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, discount rates are determined with reference to market yields at the end of the reporting period on high quality corporate bonds or, in countries where there is no deep market in such bonds, by using market yields at the end of the period on government bonds.

5.2 Defined benefit plans

AMP contributed to defined benefit plans which provide benefits to employees, and their dependants, on resignation, retirement, disability or death of the employee. The benefits are based on years of service and an average salary calculation. All defined benefit plans are now closed to new members.

The characteristics and risks associated with each of the defined benefit plans are described below:

Plan details	Australia	New Zealand
Plan names	AMP Australia and AMP AAPH Australia defined benefit plans	AMP New Zealand and AMP AAPH New Zealand defined benefit plans
Entitlements of active members	A lump sum or pension on retirement. Pensions provided are lifetime indexed pensions with a reversionary spouse pension.	Accumulation benefits and a lump sum payment on retirement.
Governance of the plans	The trustees of the AMP Superannuation Savings Trust, of which the Australian plans are sub-funds – this includes administration of the plan, management and investment of the plan assets, and compliance with superannuation laws and other applicable regulations.	The plan's trustees – this includes administration of the plan, management and investment of the plan assets, and looking after the interests of all beneficiaries.
Valuations required	Every year	Every three years
Key risks	The risk of actual outcomes being different to the actuarial assumptions used to estimate the defined benefit obligation, investment risk and legislative risk.	
Date of last valuation	31 March 2016	31 December 2014
Additional contributions required	Additional contributions of $7m per annum until 31 March 2019.	Additional contributions of $6m per annum until 31 December 2017.

(a) Defined benefit liability

	2016 $m	2015 $m
Present value of wholly funded defined benefit obligations	**(804)**	(860)
Less: Fair value of plan assets	**760**	762
Defined benefit liability recognised in the Statement of financial position	**(44)**	(98)
Movement in defined benefit liability		
Deficit at the beginning of the year	**(98)**	(190)
Plus: Total expenses recognised in income	**(3)**	(8)
Plus: Employer contributions	**9**	6
Plus: Actuarial gains recognised in Other comprehensive income[1]	**48**	94
Defined benefit liability recognised at the end of the year	**(44)**	(98)

1 The cumulative net actuarial gains and losses recognised in the Statement of comprehensive income is a $152m gain (2015: $104m gain).

5.2 Defined benefit plans (continued)

(b) Reconciliation of the movement in the defined benefit liability

	Defined benefit obligation		Fair value of plan assets	
	2016 $m	2015 $m	2016 $m	2015 $m
Balance at the beginning of the year	**(860)**	(962)	**762**	772
Current service cost	**(4)**	(6)	**–**	–
Interest (cost) income	**(23)**	(22)	**24**	18
Net actuarial gains and losses	**37**	82	**11**	12
Employer contributions	**–**	–	**9**	6
Foreign currency exchange rate changes	**(3)**	3	**3**	(1)
Benefits paid	**49**	45	**(49)**	(45)
Balance at the end of the year	**(804)**	(860)	**760**	762

(c) Analysis of defined benefit surplus (deficit) by plan

	Fair value of plan assets		Present value of plan obligation		Net recognised surplus (deficit)		Actuarial gains	
	2016 $m	2015 $m	2016 $m	2015 $m	2016 $m	2015 $m	2016 $m	2015 $m
AMP Australian	**265**	274	**(302)**	(324)	**(37)**	(50)	**14**	33
AMP AAPH Australian	**384**	380	**(359)**	(389)	**25**	(9)	**29**	54
AMP New Zealand	**22**	23	**(26)**	(27)	**(4)**	(4)	**–**	–
AMP AAPH New Zealand	**89**	85	**(117)**	(120)	**(28)**	(35)	**5**	7
Total	**760**	762	**(804)**	(860)	**(44)**	(98)	**48**	94

(d) Principal actuarial assumptions

The following table sets out the principal actuarial assumptions used as at the reporting date in measuring the defined benefit obligations of the Australian and New Zealand defined benefit funds:

	AMP				AMP AAPH			
	Australia		New Zealand		Australia		New Zealand	
	2016 %	2015 %	2016 %	2015 %	2016 %	2015 %	2016 %	2015 %
Weighted average discount rate	**4.5**	4.5	**3.3**	3.5	**4.6**	4.6	**4.1**	4.1
Expected rate of salary increases	**n/a**	3.5	**4.0**	4.0	**3.5**	3.5	**4.0**	4.0

5.2 Defined benefit plans (continued)

(e) Allocation of assets

The asset allocations of the defined benefit funds are shown in the following table:

	AMP				AMP AAPH			
	Australia		New Zealand		Australia		New Zealand	
	2016 %	2015 %	2016 %	2015 %	2016 %	2015 %	2016 %	2015 %
Equity	**46**	39	**34**	35	**29**	28	**38**	34
Fixed interest	**32**	36	**36**	35	**45**	41	**36**	36
Property	**9**	9	**7**	10	**5**	4	**6**	6
Cash	**6**	6	**14**	14	**7**	16	**14**	14
Other	**7**	10	**10**	6	**14**	11	**6**	10

(f) Sensitivity analysis

The defined benefit obligation has been recalculated for each scenario by changing only the specified assumption as outlined below, whilst retaining all other assumptions as per the base case. The table below shows the increase (decrease) for each assumption change. Where an assumption is not material to the fund it has been marked as n/a.

	AMP				AMP AAPH			
	Australia		New Zealand		Australia		New Zealand	
	(+) $m	(–) $m	(+) $m	(–) $m	(+) $m	(–) $m	(+) $m	(–) $m
Assumption								
Discount rate (0.5%)	(17)	18	n/a	1	(26)	29	n/a	7
Expected salary increase rate (0.5%)	n/a	n/a	n/a	n/a	1	n/a	n/a	n/a
Expected deferred benefit crediting rate (0.5%)	n/a	n/a	n/a	n/a	–	n/a	n/a	n/a
Pensioner indexation assumption (0.5%)	19	(17)	n/a	n/a	23	(21)	6	n/a
Pensioner mortality assumption (0.5%)	n/a	(10)	n/a	n/a	n/a	(4)	n/a	n/a
Life expectancy (additional 1 year)	n/a	n/a	1	n/a	n/a	n/a	3	n/a

(g) Expected contributions and maturity profile of the defined benefit obligation

	AMP		AMP AAPH	
	Australia	New Zealand	Australia	New Zealand
Expected employer contributions ($m)	1	–	4	4
Weighted average duration of the defined benefit obligation (years)	11	8	13	13

Accounting policy – recognition and measurement

Defined benefit plans

The AMP group recognises the net deficit or surplus position of each fund in the Statement of financial position. The deficit or surplus is measured as the difference between the fair value of the funds' assets and the discounted defined benefit obligations of the funds, using discount rates determined with reference to market yields on high quality corporate bonds at the end of the reporting period.

After taking into account any contributions paid into the defined benefit funds during the period, movements in the net surplus or deficit of each fund, except actuarial gains and losses, are recognised in the 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.

5.3 Share-based payments

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 for 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:

	2016 $'000	2015 $'000
Performance rights	**12,377**	11,433
Share rights	**24,109**	22,596
Restricted shares	**–**	16
Employee share acquisition plan – matching shares	**–**	1
Total share-based payments expense	**36,486**	34,046

(a) Performance rights

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 the interests of those executives, who are most directly able to influence company performance, are appropriately aligned with the interests of shareholders.

Plan	LTI award plan
Overview	Performance rights give the participant the right to acquire one fully paid ordinary share in AMP Limited upon meeting specific performance hurdles. They are granted at no cost to the participant and carry no dividend or voting rights until they vest. Performance rights may be settled through a cash payment in lieu of shares, at the discretion of the board.
Vesting conditions	The performance hurdles for rights granted in 2014 and 2013 are: – 50% subject to AMP's total shareholder return (TSR) performance relative to the top industrial companies in the S&P/ASX 100 Index over a three-year performance period; – 50% subject to a return on equity (RoE) measure. The performance hurdles for rights granted in 2016 and 2015 are: – 60% subject to AMP's TSR performance relative to the top industrial companies in the S&P/ASX 100 Index over a three-year performance period; – 40% subject to a RoE measure.
Vesting period	Three years.
Vested awards	Vested performance rights are automatically converted to shares on behalf of participants.
Unvested awards	Unvested awards are forfeited if the participant voluntarily ceases employment or is dismissed for misconduct or poor performance.

Valuation of performance rights

The allocation values for performance rights are based on valuations prepared by an independent external consultant. The valuations are based on the 10-day volume weighted average share price over the 10-day trading period after the release of AMP results and ending prior to the start of the performance period. Assumptions regarding the dividend yield and volatility have been estimated based on AMP's actual historic dividend yield and volatility over an appropriate period.

In determining the share-based payments expense, the number of instruments expected to vest has been adjusted to reflect the number of employees expected to remain with AMP until the end of the performance period.

5.3 Share-based payments (continued)

The following table shows the factors considered in determining the allocation value of the performance rights granted during the period:

Grant date	Share price	Contractual life (years)	Dividend yield	Volatility[1]	Risk-free rate[1]	TSR performance hurdle discount	RoE performance hurdle discount[2]	TSR performance rights fair value	RoE performance rights fair value
02/06/2016	$5.54	3.0	4.7%	24%	1.6%	57%	0%	$2.37	$4.81
15/04/2016	$5.79	2.1	4.7%	23%	2.0%	69%	0%	$1.80	$5.24
15/04/2016	$5.79	1.1	4.7%	25%	2.0%	36%	0%	$3.68	$5.49
18/09/2015	$5.79	2.7	4.6%	23%	1.9%	58%	0%	$2.43	$5.11
04/06/2015	$6.20	3.0	4.7%	23%	2.1%	55%	0%	$2.82	$5.39
13/04/2015	$6.69	2.1	4.8%	23%	1.8%	34%	0%	$4.44	$6.05
05/06/2014	$5.28	3.0	4.8%	25%	2.9%	45%	0%	$2.89	$4.57
06/06/2013	$4.97	3.0	5.6%	23%	2.5%	60%	0%	$2.00	$4.21

1 Applies to performance rights subject to a relative TSR performance hurdle only. These factors do not apply to performance rights subject to a RoE performance hurdle.

2 In accordance with the accounting standard AASB 2 *Share-based Payment*, allowance cannot be made for the impact of a non-market-based performance hurdle in determining fair value.

The following table shows the movement in performance rights outstanding during the period:

Grant date	Exercise period[1]	Exercise price	Balance at 1 Jan 2016	Exercised during the year	Granted during the year	Lapsed during the year	Balance at 31 Dec 2016
06/06/2013	n/a	nil	4,646,382	1,034,932	–	3,611,450	–
05/06/2014	n/a	nil	3,902,891	–	–	10,291	3,892,600
13/04/2015	n/a	nil	8,004	–	–	–	8,004
04/06/2015	n/a	nil	3,449,078	–	–	7,269	3,441,809
18/09/2015	n/a	nil	61,038	–	–	–	61,038
15/04/2016	n/a	nil	–	–	44,263	–	44,263
15/04/2016	n/a	nil	–	–	21,788	–	21,788
02/06/2016	n/a	nil	–	–	3,749,418	17,251	3,732,167
Total			**12,067,393**	**1,034,932**	**3,815,469**	**3,646,261**	**11,201,669**

1 Performance rights have no exercise period; they are exercised in the first trading window following the approval of the vesting by the board.

From the end of the financial year and up to the date of this report, 12,820 performance rights have been issued, no performance rights have been exercised, and no performance rights have lapsed. Of the performance rights outstanding at the end of the period, none have vested or become exercisable.

5.3 Share-based payments (continued)

(b) Share rights

The LTI participants below the CEO and his direct reports may be awarded share rights as part of their overall LTI award.

Nominated executives, and selected other senior leaders who have the ability to impact AMP's financial soundness, participate in the short-term incentive (STI) deferral plan; this plan requires that 40% of the participants' STI be awarded as share rights. Additionally each 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.

Plan	LTI award plan	STI deferral plan	STI match plan
Overview	Share rights give the participant the right to acquire one fully paid ordinary share in AMP Limited after a specified service period. They are granted at no cost to the participant and carry no dividend or voting rights until they vest.		
Vesting conditions/ period	Continued service for three years, but may vary where the share rights are awarded to retain an employee for a critical period.	Continued service for two years and subject to ongoing employment, compliance with AMP policies and the board's discretion.	Continued service for two years and subject to ongoing employment, compliance with AMP policies and the board's discretion.
Vested awards	Vested share rights are automatically converted to shares on behalf of participants.		
Unvested awards	Unvested awards are forfeited if the participant voluntarily ceases employment or is dismissed for misconduct or poor performance.		

Plan valuation

The fair value of share rights has been calculated as at the grant date, by external consultants using a 'discounted cash flow' methodology. Fair value has been discounted for the present value of dividends expected to be paid during the vesting period to which the participant is not entitled. For the purposes of the valuation it is assumed share rights are exercised as soon they have vested. Assumptions regarding the dividend yield have been estimated based on AMP's actual historic dividend yield over an appropriate period.

In determining the share-based payments expense, the number of instruments expected to vest has been adjusted to reflect the number of employees expected to remain with AMP until the end of the performance period.

The following table shows the factors which were considered in determining the independent fair value of the share rights granted during 2016 and the comparative period (2015):

Grant date	Share price	Contractual life (years)	Dividend yield	Dividend discount	Fair value
02/06/2016	$5.54	3.0	4.7%	13%	$4.81
28/04/2016	$5.84	1.8	4.7%	8%	$5.36
15/04/2016	$5.79	0.9	4.7%	4%	$5.56
29/02/2016	$5.32	1.1	4.7%	5%	$5.06
22/02/2016	$5.54	1.5	4.6%	7%	$5.17
22/02/2016	$5.54	0.5	4.6%	2%	$5.41
22/02/2016	$5.54	2.6	4.6%	11%	$4.91
22/02/2016	$5.54	1.6	4.6%	7%	$5.15
22/02/2016	$5.54	0.6	4.6%	3%	$5.39
18/09/2015	$5.79	2.7	4.6%	12%	$5.11
18/09/2015	$5.79	1.8	4.6%	7%	$5.41
18/09/2015	$5.79	2.0	4.6%	6%	$5.42
04/06/2015	$6.20	3.0	4.7%	13%	$5.39
29/05/2015	$6.66	0.8	4.8%	4%	$6.41
29/05/2015	$6.66	1.8	4.8%	8%	$6.11
30/04/2015	$6.44	1.8	4.8%	8%	$5.90
13/04/2015	$6.69	2.1	4.8%	10%	$6.05
05/06/2014	$5.28	3.0	4.8%	13%	$4.57
29/04/2014	$5.07	1.8	4.8%	8%	$4.64
14/03/2014	$4.92	1.0	4.8%	4%	$4.70
14/03/2014	$4.92	2.0	4.8%	9%	$4.48

5.3 Share-based payments (continued)

The following table shows the movement in share rights outstanding during the period:

Grant date	Exercise period[1]	Exercise price	Balance at 1 Jan 2016	Exercised during the year	Granted during the year	Lapsed during the year	Balance at 31 Dec 2016
06/06/2013	n/a	nil	1,430,780	1,374,504	–	56,276	–
09/09/2013	n/a	nil	35,726	35,726	–	–	–
14/03/2014	n/a	nil	37,500	37,500	–	–	–
29/04/2014	n/a	nil	654,982	644,077	–	10,905	–
29/04/2014	n/a	nil	2,492,491	2,492,491	–	–	–
05/06/2014	n/a	nil	1,441,351	–	–	62,831	1,378,520
13/04/2015	n/a	nil	5,468	–	–	–	5,468
30/04/2015	n/a	nil	852,176	–	–	–	852,176
30/04/2015	n/a	nil	1,357,234	–	–	–	1,357,234
30/04/2015	n/a	nil	714,837	–	–	67,518	647,319
30/04/2015	n/a	nil	166,944	–	–	–	166,944
29/05/2015	n/a	nil	11,848	11,848	–	–	–
29/05/2015	n/a	nil	12,437	–	–	–	12,437
04/06/2015	n/a	nil	1,587,055	–	–	54,180	1,532,875
18/09/2015	n/a	nil	61,037	–	–	–	61,037
18/09/2015	n/a	nil	24,469	8,156	–	–	16,313
18/09/2015	n/a	nil	83,333	41,666	–	–	41,667
22/02/2016	n/a	nil	–	16,100	16,100	–	–
22/02/2016	n/a	nil	–	–	10,733	–	10,733
22/02/2016	n/a	nil	–	–	10,733	–	10,733
22/02/2016	n/a	nil	–	27,522	27,522	–	–
22/02/2016	n/a	nil	–	–	27,522	–	27,522
29/02/2016	n/a	nil	–	–	52,739	–	52,739
15/04/2016	n/a	nil	–	–	8,932	–	8,932
28/04/2016	n/a	nil	–	–	3,625,934	45,341	3,580,593
02/06/2016	n/a	nil	–	–	1,792,604	26,655	1,765,949
Total			**10,969,668**	**4,689,590**	**5,572,819**	**323,706**	**11,529,191**

1 The share rights granted have no exercise period; they are exercised in the first trading window following the approval of the vesting by the board.

From the end of the financial year and up to the date of this report, 30,457 share rights have been issued, no share rights have been exercised, and no share rights have lapsed due to resignation. Of the share rights outstanding at the end of the period, none have vested or become exercisable.

(c) Restricted shares

No restricted shares were granted during 2016 or 2015.

(d) Employee share acquisition plan

The employee share acquisition plan was suspended mid-way through 2009 in Australia but continues to operate in New Zealand.

Accounting policy – recognition and measurement

Equity-settled share-based payments

The cost of equity-settled share-based payments is measured using their fair value at the date at which they are granted. The fair value calculation takes into consideration a number of factors, including the likelihood of achieving market-based vesting conditions such as total shareholder return (market conditions).

The cost of equity-settled share-based payments is recognised, together with a corresponding increase in the share-based payment reserve in equity, over the vesting period of the instrument. At each reporting date, the AMP group reviews its estimates of the number of instruments that are expected to vest and any changes to the cost are recognised in the Income statement and the 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.

Where an equity-settled award does not ultimately vest, expenses are not reversed, except for awards where vesting is conditional upon a non-market condition, in which case all expenses are reversed in the period in which the instrument lapses.

Section 6: Group entities

This section explains significant aspects of the AMP group structure, including significant investments in controlled operating entities and entities controlled by the AMP life insurance entities' statutory funds, and investments in associates. It also provides information on business acquisitions and disposals made during the year.

6.1 Controlled entities

(a) Significant investments in controlled operating entities are as follows:

Operating entities Name of entity	Country of registration	Share type	% holdings 2016	2015
AMP AAPH Limited	Australia	Ord	**100**	100
AMP Advice Holdings Pty Ltd	Australia	Ord	**100**	100
AMP Bank Limited	Australia	Ord	**100**	100
AMP Capital Funds Management Limited	Australia	Ord	**85**	85
AMP Capital Holdings Limited	Australia	Ord	**85**	85
AMP Capital Investors (New Zealand) Limited	New Zealand	Ord	**85**	85
AMP Capital Investors Limited	Australia	Ord	**85**	85
AMP Capital Office and Industrial Pty Limited	Australia	Ord	**85**	85
AMP Capital Shopping Centres Pty Limited	Australia	Ord	**85**	85
AMP Financial Planning Pty Limited	Australia	Ord	**100**	100
AMP Group Finance Services Limited	Australia	Ord	**100**	100
AMP Group Holdings Limited	Australia	Ord A	**100**	100
AMP Life Limited	Australia	Ord	**100**	100
AMP Services (NZ) Limited	New Zealand	Ord	**100**	100
AMP Services Limited	Australia	Ord A	**100**	100
AMP Superannuation Limited	Australia	Ord	**100**	100
AMP Wealth Management New Zealand Limited	New Zealand	Ord	**100**	100
Hillross Financial Services Limited	Australia	Ord	**100**	100
ipac Group Services Pty Ltd	Australia	Ord	**100**	100
National Mutual Funds Management Ltd	Australia	Ord	**100**	100
National Mutual Life Nominees Pty Limited	Australia	Ord	**100**	100
NMMT Limited	Australia	Ord	**100**	100
The National Mutual Life Association of Australasia Limited	Australia	Ord	**100**	100

(b) Investments in investment entities controlled by the AMP life insurance entities' statutory funds

The life insurance statutory funds hold investments in various investment vehicles/funds backing policyholder liabilities as well as shareholder attributable assets in the life insurance statutory funds. The policyholder attributable investments are not part of the core wealth management business of AMP and do not have a material impact on the financial performance or net financial position of the company. The investments are measured at fair value through profit and loss reflecting the fair value movements in these investments in the financial statements.

Critical accounting estimates and judgements:

Judgement is applied in determining the relevant activities of each entity, whether AMP Limited has power over these activities and whether control exists. This involves assessing the purpose and design of the entity and identifying the activities which significantly affect that entity's returns and how decisions are made about those activities. In assessing how decisions are made, management considers voting and veto rights, contractual arrangements with the entity or other parties, and any rights or ability to appoint, remove or direct key management personnel or entities that have the ability to direct the relevant activities of the entity. Management also considers the practical ability of other parties to exercise their rights.

Judgement is also applied in identifying the variable returns of each entity and assessing AMP Limited's exposure to these returns. Variable returns include distributions, exposure to gains or losses and fees that may vary with the performance of an entity.

6.2 Acquisitions and disposals of controlled entities

(a) Acquisitions and disposals of controlled operating entities

During the year ended 31 December 2016, AMP acquired (disposed of) its control in the following entities:

– Money Brilliant Pty Ltd (acquired)
– Hillross Alliances Pty Ltd (disposed)

During the year ended 31 December 2015, AMP acquired all the issued share capital of the following entities:

– Justsuper Pty Ltd
– Supercorp Pty Ltd
– SuperIQ Pty Ltd
– Wealth Vision Financial Services Pty Ltd

The net impact of these acquisitions and disposals is as follows:

	Impact in 2016 $m	Impact in 2015 $m
Assets		
Cash and cash equivalents	**4**	(34)
Investments in associates accounted for using the equity method	**(1)**	(16)
Intangible assets	**3**	82
Other assets	**(9)**	(8)
Total assets	**(3)**	24
Liabilities		
Payables and provisions	**–**	(11)
Deferred tax liabilities	**2**	(8)
Other liabilities	**(1)**	(5)
Total liabilities	**1**	(24)

(b) Acquisition and disposals of 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.

6.3 Investments in associates

(a) Investments in associates accounted for using the equity method

Associate	Principal activity	Place of business	Ownership interest 2016 %	Ownership interest 2015 %	Carrying amount[1] 2016 $m	Carrying amount[1] 2015 $m
China Life Pension Company	Pension company	China	**19.99**	19.99	**283**	282
AIMS AMP Capital Industrial REIT	Industrial property trust	Singapore	**5**	5	**49**	49
Infrashore Group	Community health service provider	Australia	**–**	29	**–**	45
China Life AMP Asset Management Company Ltd	Investment management	China	**15**	15	**21**	20
Global Infrastructure Fund	Fund	Cayman Islands	**5**	5	**38**	19
AMP Capital Infrastructure Debt Fund III USD LP	Fund	Cayman Islands	**8**	–	**11**	–
Other (individually immaterial associates)					**47**	52
Total investments in associates accounted for using the equity method					**449**	467

1 The carrying amount is after recognising $28m (2015: $27m) share of current period profit or loss of associates accounted for using the equity method.

(b) Investments in significant associates held by the life entities' statutory funds measured at fair value through profit or loss

The life insurance statutory funds hold investments in various investment vehicles/funds on behalf of policyholders. These investments are not part of the core wealth management business of AMP and do not have a material impact on the financial performance or net financial position of the AMP group.

Accounting Policy – recognition and measurement

Investments in associates

Investments in associates accounted for using the equity method

Investments in entities, other than those backing investment contract liabilities and life insurance contract liabilities, over which the AMP group has the ability to exercise significant influence, but not control, are accounted for using the equity method of accounting. The investment is measured at cost plus post-acquisition changes in the AMP group's share of the associates' net assets, less any impairment in value. The AMP group's share of profit or loss of associates is included in the Consolidated income statement. Any dividend or distribution received from associates is accounted for as a reduction in carrying value of the associate.

Any impairment is recognised in the Income statement when there is objective evidence a loss has been incurred. It is measured as the amount by which the carrying amount of the investment in entities exceeds its recoverable amount.

Investments in associates measured at fair value through profit or loss

Investments in entities held to back investment contract liabilities and life insurance contract liabilities are exempt from the requirement to apply equity accounting and have been designated on initial recognition as financial assets measured at fair value through profit or loss.

6.4 Parent entity information

	2016 $m	2015 $m
(a) Statement of comprehensive income – AMP Limited entity		
Dividends and interest from controlled entities	**634**	892
Interest revenue – other entities	**1**	1
Service fee revenue	**11**	11
Operating expenses	**(8)**	(11)
Finance costs	**(44)**	(28)
Income tax credit[1]	**52**	48
Profit for the year	**646**	913
Total comprehensive income for the year	**646**	913
(b) Statement of financial position – AMP Limited entity		
Current assets		
Cash and cash equivalents	**32**	21
Receivables and prepayments[2]	**107**	293
Loans and advances to subsidiaries	**2,078**	2,247
Non-current assets		
Investments in controlled entities	**11,355**	11,355
Deferred tax assets[3]	**53**	54
Total assets	**13,625**	13,970
Current liabilities		
Payables[2]	**77**	44
Current tax liabilities	**29**	222
Provisions	**3**	5
Non-current liabilities		
Subordinated debt[4]	**864**	864
Total liabilities	**973**	1,135
Net assets	**12,652**	12,835
Equity		
Contributed equity	**9,747**	9,747
Share-based payment reserve	**21**	22
Retained earnings[5]	**2,884**	3,066
Total equity	**12,652**	12,835

1 Dividend income from controlled entities $611m (2015: $876m) is not assessable for tax purposes. Income tax credit includes $65m (2015: $43m) utilisation of previously unrecognised tax losses.
2 Receivables and payables include tax-related amounts receivable from subsidiaries $99m (2015: $287m) and payable to subsidiaries $42m (2015: $42m).
3 Deferred tax assets include amounts recognised for losses available for offset against future taxable income $49m (2015: $50m).
4 AMP Limited entity is the issuer of: AMP Subordinated Notes $326m (2015: $326m); AMP Wholesale Capital Notes $276m (2015: $276m) and AMP Capital Notes $262m (2015: $262m). Further information on these is provided in note 3.2.
5 Changes in retained earnings comprise $646m (2015: $913m) profit for the year less dividends paid of $828m (2015: $813m).

(c) Contingent liabilities of AMP Limited entity

AMP Limited entity has entered into deeds to provide capital maintenance and liquidity support to AMP Bank Limited. At the reporting date, the likelihood of any outflow in settlement of these obligations is considered to be remote.

Section 7: Other disclosures

This section includes disclosures other than those covered in the previous sections, required for the AMP group to comply with the accounting standards and pronouncements.

7.1 Notes to Consolidated statement of cash flows
7.2 Leases
7.3 Provisions
7.4 Contingent liabilities
7.5 Auditors' remuneration
7.6 New accounting standards
7.7 Events occurring after reporting date

7.1 Notes to Consolidated statement of cash flows

	2016 $m	2015 $m
(a) Reconciliation of cash flow from operating activities		
Net profit after income tax	**192**	1,713
Depreciation of operating assets	**18**	23
Amortisation and impairment of intangibles	**937**	279
Investment gains and losses and movements in external unitholder liabilities	**506**	788
Dividend and distribution income reinvested	**(3,515)**	(4,041)
Share-based payments	**–**	(4)
Decrease (increase) in receivables, intangibles and other assets	**83**	36
(Decrease) increase in net policy liabilities	**2,615**	2,336
(Decrease) increase in income tax balances	**(473)**	(100)
(Decrease) increase in other payables and provisions	**(188)**	312
Cash flows from (used in) operating activities	**175**	1,342
(b) Reconciliation of cash		
Comprises:		
Cash and cash equivalents	**3,476**	3,955
Short-term bills and notes (included in Debt securities)	**5,334**	2,646
Cash and cash equivalents for the purpose of the Consolidated statement of cash flows	**8,810**	6,601

Accounting policy – recognition and measurement

Cash and cash equivalents

Cash and cash equivalents comprise cash-on-hand that is available on demand and deposits that are held at call with financial institutions. Cash and cash equivalents are measured at fair value, being the principal amount. For the purpose of the Statement of cash flows, Cash and cash equivalents also includes other highly liquid investments not subject to significant risk of change in value, with short periods to maturity, net of outstanding bank overdrafts. Bank overdrafts are shown within Interest-bearing liabilities in the Statement of financial position.

7.2 Leases

	2016 $m	2015 $m
Due within one year	**89**	87
Due within one year to five years	**222**	279
Due later than five years	**16**	13
Total operating lease commitments	**327**	379

Non-cancellable operating leases are in relation to the AMP group's offices in various locations. AMP generally pays rent on a period basis at rates agreed at the inception of the lease.

At 31 December 2016, the total of future minimum sublease payments expected to be received under non-cancellable subleases was $37m (2015: $37m).

7.2 Leases (continued)

Accounting policy – recognition and measurement

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.

7.3 Provisions

	2016 $m	2015 $m
(a) Provisions		
Restructuring[1]	**67**	8
Other[2]	**138**	189
Total provisions	**205**	197

	Restructuring[1] $m	Other[2] $m	Total $m
(b) Movements in provisions			
Balance at the beginning of the year	8	189	197
Additional provisions made during the year	69	94	163
Provisions used during the year	(10)	(145)	(155)
Balance at the end of the year	**67**	**138**	**205**

1 Restructuring provisions are recognised in respect of programs that materially change the scope of the business or the manner in which the business is conducted.

2 Other provisions are in respect of probable outgoings on client remediation projects and various other operational provisions. $17m (2015: $17m) is expected to be settled more than 12 months from the reporting date.

Accounting policy – recognition and measurement

Provisions

Provisions are recognised when:

– the AMP group has a present obligation (legal or constructive) as a result of a past event;
– it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
– a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. For provisions other than employee entitlements, the discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

Critical accounting estimates and judgements:

The group recognises a provision where a legal or constructive obligation exists at the balance sheet date and a reliable estimate can be made of the likely outcome. Although provisions are reviewed on a regular basis and adjusted for management's best current estimates, the judgemental nature of these items means that future amounts settled may be different from those provided.

7.4 Contingent liabilities

From time to time the AMP group may incur obligations arising from litigation or various types of contracts entered into in the normal course of business, including guarantees issued by the parent for performance obligations to controlled entities in the AMP group. Where it is determined that the disclosure of information in relation to a contingent liability can be expected to seriously prejudice the position of the AMP group (or its insurers) in a dispute, accounting standards allow the AMP group not to disclose such information 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.

7.5 Auditors' remuneration

	2016 $'000	2015 $'000
Audit services for AMP Limited and any other entity in the consolidated group		
– Audit or review of the financial statements	**12,130**	10,762
– Other audit services[1]	**1,527**	1,422
Total audit service fees	**13,657**	12,184
Non-audit services		
In relation to other taxation, compliance and project advice, and other non-audit services	**2,089**	3,421
Total non-audit services[2]	**2,089**	3,421
Total auditors' remuneration	**15,746**	15,605

1 Includes fees paid to EY affiliates overseas.
2 When the AMP group gains control of an entity whose incumbent auditor is not EY, immaterial audit fees are paid to the non-EY audit firm for the audit of the controlled entity. The non-EY audit firm is also independently contracted to provide services unrelated to its audit work.

7.6 New accounting standards

(a) New and amended accounting standards adopted by the AMP group

A number of new accounting standards and amendments have been adopted effective 1 January 2016. These have not had a material effect on the financial position or performance of the AMP group.

(b) New accounting standards issued but not yet effective

A number of new accounting standards and amendments have been issued but are not yet effective, none of which have been early adopted by the AMP group in this financial report. These new standards and amendments, when applied in future periods, are not expected to have a material impact on the financial position or performance of the AMP group, other than as set out below.

AASB 15 *Revenue from Contracts with Customers*

AASB 15 *Revenue from Contracts with Customers* (AASB 15) is effective for periods beginning on 1 January 2018. AASB 15 defines principles for recognising revenue and introduces new disclosure requirements. From an AMP group perspective, AASB 15 will primarily apply to fee revenue as life insurance contract related revenue will continue to fall outside the scope of AASB 15 and will be accounted for under other applicable standards.

Under AASB 15, revenue will be recognised at an amount that reflects the consideration which an entity expects to be entitled to in exchange for transferring goods or services to a customer. The AMP group is currently undertaking an assessment of the potential impact of this standard, and is not considering early adopting AASB 15.

AASB 9 *Financial Instruments*

AASB 9 *Financial Instruments* (AASB 9) is effective for periods beginning on 1 January 2018. AASB 9 makes changes to the classification and measurement of financial instruments, introduces a new expected loss model when recognising expected credit losses on financial assets, and also introduces new general hedge accounting requirements.

The AMP group is currently undertaking an assessment of the potential impact of this standard. The potential impact to the AMP group is unlikely to be material and the AMP group is not considering early adopting AASB 9.

AASB 16 *Leases*

AASB 16 *Leases* (AASB 16) is effective for periods beginning on 1 January 2019. AASB 16 requires lessees to recognise most leases on balance sheets as lease liabilities, with the corresponding right-of-use assets. Lessees must apply a single model for all recognised leases, but will have the option not to recognise 'short-term' leases and leases of 'low-value' assets.

The AMP group is currently undertaking an assessment of the potential impact of this standard. The potential impact to the AMP group is unlikely to be material and the AMP group is not considering early adopting AASB 16.

7.7 Events occurring after reporting date

On 9 February 2017, the Board announced an on-market share buy-back of up to $500m to begin in the first quarter of 2017.

Other than this matter, as at the date of this report, the directors are not aware of any matters or circumstances that have arisen since the end of the financial year that have significantly affected, or may significantly affect:

– the AMP group's operations in future years;
– the results of those operations in future years; or
– the AMP group's state of affairs in future financial years.

Directors' declaration

for the year ended 31 December 2016

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 2016 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 2016 include an explicit and unreserved statement of compliance with the International Financial Reporting Standards;

(d) the declarations required by section 295A of the *Corporations Act 2001* have been given to the directors.

Catherine Brenner
Chairman

Sydney, 9 February 2017

Craig Meller
Chief Executive Officer and Managing Director

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Independent Auditor's Report

To the Shareholders of AMP Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of AMP Limited (the Company), including its subsidiaries (the Group), which comprises the statements of financial position as at 31 December 2016, the income statements, 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 Group.

In our opinion the accompanying financial report of AMP Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company and Group's financial position as at 31 December 2016 and of their financial performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia; and we have fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Key audit matter	How our audit addressed the matter
Valuation of life insurance policy liabilities 31 December 2016 Financial report reference: Section 4: Life insurance and investment contracts	
Life insurance policy liabilities total $24,255 million and represent 18% of total liabilities. The valuation of the provisions for the settlement of future claims involves complex and subjective judgements about future events, both internal and external to the business. Small changes in assumptions can have a material impact on the valuation of these liabilities. Key assumptions involved in the valuation of the policy liabilities include: – Discount rates – Inflation and indexation – Forecast lapse rates, particularly for the wealth protection book of business – Future maintenance and investment expenses – Taxation – Surrender values – Mortality and morbidity	In obtaining sufficient audit evidence: – We assessed the design and operating effectiveness of controls over the new business, maintenance and claims processes. – We assessed the process and tested the key reconciliations on the validity, accuracy and completeness of the data used for the policy liability valuation. – As part of our work we used the work of AMP's Appointed Actuary who is a management expert under auditing standards. This included assessing the competence and objectivity of the Appointed Actuary as well as performing tests on the accuracy of the actuarial reports. – We evaluated the key IT systems and the design and operating effectiveness of IT system controls. – Our actuarial specialists assessed the reasonableness of the valuation methodology, key assumptions, including the impact of the reinsurance transaction entered into during the course of the year, and the interpretation of accounting and prudential standards that affect the policy liability valuation. – Where manual adjustments were made to the valuation model outputs outside the standard processes, our actuarial specialists performed testing necessary, on a sample basis, to validate the nature and accuracy of the adjustments. – Our specialists independently developed expectations regarding the valuation results based on their understanding of the business, external industry trends and experience and AMP's historic business activity. These expectations were compared to the policy liability valuation results and significant differences were subject to further testing. – We assessed the adequacy and completeness of policy liability disclosures included in the financial report against the requirements of Australian Accounting Standard – AASB 1038 *Life Insurance Contract Liabilities*.
Valuation of investment contract liabilities 31 December 2016 Financial report reference: Section 4: Life insurance and investment contracts	
Investment contract liabilities total $71,579 million and represent 54% of total liabilities. They consist 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 policy holders is closely linked to the performance and value of the assets (after tax) that support those liabilities. For the majority of contracts, the fair value is determined based on external third party published unit prices and the fair value of backing assets, and does not generally require the exercise of judgement. The valuation of investment contract liabilities is considered a key audit matter given the materiality of this account to the overall financial statements.	In obtaining sufficient audit evidence: – We assessed the design and operating effectiveness of controls over the new business, maintenance and claims processes. – We evaluated the key IT systems and the design and operating effectiveness of IT system controls. – We identified and tested key controls over daily investment, including where appropriate application driven controls. – We examined the unit pricing process, which included assessing the design of the process, and the role played by BNP as custodian of the pricing. – We evaluated the process and tested the key controls performed by AMP that support the valuation of investment contract liabilities. We received and reviewed an unqualified assurance report from an audit firm covering the controls at the custodian. – For the investment linked policies, we recalculated the total investment contract liability via system extractions of units held per product, and the prices as at 31 December 2016. We performed testing over this extraction process and the system holding this data. We reconciled the investment contract liability to the fair value of underlying assets.

Independent Auditor's Report (continued)

Key audit matter	How our audit addressed the matter
Valuation of complex and illiquid financial investments 31 December 2016 Financial report reference: Section 2.5 Fair value information	
The Group has total investments in financial assets of $129,419 million, representing 92% of total assets. As explained in section 2.5, the portfolio of investments is categorised in accordance with the fair value hierarchy, as required by accounting standards. The complex and illiquid investments are typically classified as Level 3 investments, where there is a lack of observable market transactions and available market data. For AMP these total $3,592 million, or 3% of total assets. The Group is required to make judgements to arrive at their best estimates of fair value of these assets. There is complexity in this process, as well as risk associated with the valuation and modelling methodologies and the assumptions adopted. The risk is not uniform for all investment types and is greatest for the following where the investments are hard to value: – Infrastructure assets – Unlisted indirect property holdings – Unlisted equities – Unlisted unit trusts	For those complex and illiquid financial investments we assessed both the methodology and assumptions used by the Group in the calculation of the year end value as well as tested the operating effectiveness of governance controls that the Group has in place to monitor these investments. Further, in obtaining sufficient audit evidence: – We involved our valuation and business modelling specialists to assess the valuation and modelling methodologies and the key assumptions used for the year end valuations. – We involved our property specialists to assess the independence and competency of the external valuation specialists as well as to assess the models, methodologies and assumptions, including discount rate, year on year changes in valuation movements, and operating cash flow changes employed in the year end valuations. – For assets recorded within controlled unit trusts where there are no specific local reporting requirements, we assessed the valuations of investments as provided by external investment managers, including an assessment of the reliability of the information provided by the investment manager, such as key assumptions, multiples and discounts applied. – For offshore assets, we involved audit teams in those locations to perform procedures. This approach ensured that local market conditions were considered as part of the valuation procedures.
Goodwill and intangible assets 31 December 2016 Financial report reference: Section 2.2 Intangibles	
Goodwill has been recognised as a result of AMP Limited's historical acquisitions, representing the excess of the purchase consideration over the fair value of assets acquired. On acquisition this goodwill has been allocated to the applicable Cash Generating Units (CGUs). At 31 December 2016, AMP has recorded goodwill of $2,117 million as described in section 2.2. An impairment assessment is performed at each reporting period, comparing the carrying value of the CGU with its recoverable amount. The recoverable amount of each CGU is determined by calculating the CGU's fair value. This is calculated as the embedded value plus the value of new business. The calculation of embedded value is dependent on the assumptions that drive the valuation of life insurance policy liabilities. Intangible assets for in-force contracts and distribution networks were acquired during historical acquisitions. These intangible assets are amortised and are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.	Our audit of the impairment assessment of each CGU and intangible asset required valuation and actuarial expertise to assist in the testing of the recoverable amount models and assumptions. Accordingly, we involved our EY actuarial specialists who: – Assessed whether the methodology used by the Group for impairment assessment purposes was in line with the requirements of Australian Accounting Standards – AASB 136 *Impairment of Assets*, including an assessment of the adequacy of the embedded value model for goodwill impairment assessment purposes. – Assessed the underlying assumptions for consistency with those used in the valuation of the life insurance policy liabilities. – Assessed the methodology and assumptions used in the calculation of the discount rate, including comparison of the rate to market benchmarks. – Performed sensitivity analysis on key assumptions, including components of the discount rate. – Assessed the value of one year's new business and the multiple applied to calculate the value of the new business. – Assessed the Group's determination of the CGUs to which goodwill is allocated and the adequacy of the disclosures in the financial statements for compliance with applicable accounting standards. – Assessed the mathematical accuracy of the impairment assessment performed by the Group. – For amortising intangible assets, we assessed the methodology used by the Group for impairment assessment purposes to evaluate whether events or changes in circumstances indicated that the carrying amount may not be recoverable.

Independent Auditor's Report (continued)

Key audit matter	How our audit addressed the matter
Information technology (IT) environment 31 December 2016 Financial report reference: None	
The operations of AMP Limited are heavily dependent on information technology systems and their associated IT controls. A fundamental component of these processes is ensuring appropriate user access management protocols exist, and are being adhered to.	We involved our IT specialists to assess the design and operating effectiveness of critical operational and financial reporting systems. Where deficiencies were identified, we performed additional procedures to determine whether we could rely on the data and reporting produced from affected systems. These procedures included: – Identifying whether there had been unauthorised or inappropriate changes made to critical IT systems and databases. – Assessing the design and operating effectiveness of compensating controls. Where required, we performed substantive procedures to validate the integrity and reliability of associated data and reporting.

Information Other than the Financial Statements and Auditor's Report

The Directors of the Company are responsible for the other information. The other information comprises the information in the Company's Annual Report for the year ended 31 December 2016, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

Other information consists of the information included in the Company's 2016 Annual Report other than the financial statements and our auditor's report thereon. We obtained the directors' report (including the remuneration report) prior to the date of our auditor's report. We expect to obtain the Chairman's report, financial summary information, information about AMP including its business and strategy, information about the board and management team, the corporate governance statement, the analysis of shareholder profit and security holder information after the date of our auditor's report. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

Independent Auditor's Report (continued)

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

– Conclude on the appropriateness of the Directors' use of the going concern basis of accounting in the preparation of the financial report. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the disclosures in the financial report about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial report. However, future events or conditions may cause an entity to cease to continue as a going concern.

– Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

– Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We are also required to provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the Directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the Directors' Report for the year ended 31 December 2016.

In our opinion, the Remuneration Report of AMP Limited for the year ended 31 December 2016, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Ernst & Young

Tony Johnson
Engagement Partner
Sydney
9 February 2017

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Securityholder information

Distribution of AMP capital notes holdings

Range	Number of holders	Notes held	% of issued capital
1–1,000	4,256	1,148,790	42.95
1,001–5,000	248	534,885	20.00
5,001–10,000	17	124,262	4.65
10,001–100,000	22	571,822	21.37
100,001 and over	2	295,241	11.03
Total	**4,545**	**2,675,000**	**100.00**

Twenty largest AMP capital notes holdings

Rank	Name	Notes held	% of issued capital
1	HSBC Custody Nominees (Australia) Limited	189,241	7.07
2	Citicorp Nominees Pty Limited	106,000	3.96
3	Navigator Australia Ltd <MLC Investment Sett A/C>	70,773	2.65
4	J P Morgan Nominees Australia Limited	62,116	2.32
5	Netwealth Investments Limited <Wrap Services A/C>	46,388	1.73
6	BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd DRP	43,318	1.62
7	IOOF Investment Management Limited <IPS Super A/C>	36,316	1.36
8	National Nominees Limited <N A/C>	31,696	1.18
9	BNP Paribas Noms Pty Ltd <DRP>	26,167	0.98
10	HSBC Custody Nominees (Australia) Limited – A/C 2	26,114	0.98
11	Filbury P/L <Piekarski Grand Invest A/C>	25,800	0.96
12	Nulis Nominees (Australia) Limited <Navigator Mast Plan Sett A/C>	25,327	0.95
13	Sandhurst Trustees Ltd <DMP Asset Management A/C>	25,033	0.94
14	Netwealth Investments Limited <Super Services A/C>	20,598	0.77
15	Winchelada Pty Limited	18,000	0.67
16	IOOF Investment Management Limited <IPS IDPS A/C>	15,010	0.56
17	Ms Sihai Hou	15,000	0.56
18	Mutual Trust Pty Ltd	14,785	0.55
19	T G B Holdings Pty Ltd	14,100	0.53
20	Larkins Business Management Pty Ltd	12,338	0.46
Total		**824,120**	**30.81**

Distribution of AMP wholesale capital notes holdings

Range	Number of holders	Notes held	% of issued capital
1–1,000	8	2,070	7.53
1,001–5,000	4	12,127	44.10
5,001–10,000	2	13,303	48.37
Total	**14**	**27,500**	**100.00**

AMP notes voting rights

AMP wholesale capital notes and AMP capital notes confer no right to attend or vote at any general meeting of the shareholders of AMP Limited. If a holder's notes convert into AMP shares in accordance with the terms of the notes, those shares will have the voting rights described on page 124.

Distribution of AMP Limited shareholdings

Range	Number of holders	Ordinary shares held	% of issued capital
1–1,000	538,176	236,034,900	7.98
1,001–5,000	216,420	442,991,286	14.98
5,001–10,000	22,372	158,280,399	5.35
10,001–100,000	11,415	236,661,099	8.00
100,001 and over	309	1,883,770,280	63.69
Total	**788,692**	**2,957,737,964**	**100.00**

The total number of shareholders holding less than a marketable parcel of 96 shares is 11,541.

Twenty largest AMP Limited shareholdings

Rank	Name	Ordinary shares held	% of issued capital
1	HSBC Custody Nominees (Australia) Limited	849,579,820	28.72
2	J P Morgan Nominees Australia Limited	334,682,388	11.32
3	Citicorp Nominees Pty Limited	205,588,256	6.95
4	National Nominees Limited	140,583,697	4.75
5	BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	47,108,182	1.59
6	Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	36,920,991	1.25
7	BNP Paribas Noms Pty Ltd <DRP>	32,742,606	1.11
8	Australian Foundation Investment Company Limited	20,100,422	0.68
9	RBC Investor Services Australia Nominees Pty Limited <PI Pooled A/C>	16,991,550	0.57
10	HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	14,983,418	0.51
11	Argo Investments Limited	12,381,674	0.42
12	RBC Investor Services Australia Nominees Pty Limited <BKCust A/C>	8,283,534	0.28
13	RBC Investor Services Australia Nominees Pty Ltd <Havestor ETF>	6,533,092	0.22
14	Bond Street Custodian Limited <Macq High Conv Fund A/C>	5,793,561	0.20
15	Navigator Australia Ltd <MLC Investment Sett A/C>	5,419,641	0.18
16	RBC Investor Services Australia Nominees Pty Limited <MBA A/C>	5,172,939	0.17
17	Navigator Australia Ltd <SMA Antares Inv DV Build A/C>	4,777,996	0.16
18	AMP Life Limited	4,600,737	0.16
19	Australian United Investment Company Limited	4,500,000	0.15
20	HSBC Custody Nominees (Australia) Limited	4,323,900	0.15
Total		**1,761,068,404**	**59.54**

Substantial shareholders
The company has received no substantial shareholding notices.

AMP Limited shares voting rights
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
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 2016
5,451,486 AMP Limited ordinary shares were purchased on market to satisfy entitlements under AMP's employee incentive schemes at an average price per share of $5.51.

Stock exchange listings
AMP Limited's ordinary shares are quoted on the Australian Securities Exchange and on the New Zealand Stock Exchange.
AMP subordinated notes 2 and AMP capital notes are quoted on the Australian Securities Exchange.

Restricted securities
There are no restricted securities on issue.

Buy-back
There is currently an on-market buy-back.

Glossary

Contingent liabilities
A situation existing at reporting date, where past events have led to a possible obligation, the outcome of which depends on uncertain future events, or an obligation where the outcome is not sufficiently probable or reliably measurable to warrant recognising the liability at this reporting date.

Controllable costs
Costs that AMP incurs in running its business. Controllable costs include operational and project costs and exclude variable costs, provision for bad and doubtful debts and interest on corporate debt.

Earnings per share (EPS)
Each earnings per share (EPS) calculation represents the profit amount divided by the weighted average number of shares on issue during the year.

Embedded value
A calculation of the economic value of the shareholder capital in the businesses other than AMP Bank, and the future shareholder profits expected to emerge from the business currently in-force (expressed in today's dollars).

Executives
Within this report, the term *executives* refers to the chief executive officer and nominated direct reports of the CEO who are key management personnel (KMP).

Franking rate
The amount of tax AMP has already paid on a dividend payment. This can be used as a tax credit by Australian resident shareholders. The franking rate is determined by AMP's taxable income. AMP's policy is to always frank dividends at the highest possible rate.

Investment performance
A measure of how well we manage funds on behalf of our customers. The percentage of assets managed by AMP which met or exceeded their respective client goals.

Key management personnel (KMP)
The chief executive officer (CEO), direct reports of the CEO and the non-executive directors, who have authority and responsibility for planning, directing and controlling the activities of AMP.

Long-term incentive (LTI)
An executive reward for helping AMP achieve specific long-term performance targets. It is awarded in the form of share rights and/or performance rights to motivate executives to create outstanding long-term value for shareholders. A right is an entitlement to receive one AMP limited share per right subject to meeting the vesting conditions.

Non-executive directors (NEDs)
Board directors who are not employees of AMP (they are independent).

Operating earnings
Total operating earnings are the shareholder profits that relate to the performance of AMP. Operating earnings exclude investment earnings on shareholder capital and one-off items.

Performance right
A form of executive remuneration designed to reward long-term performance. Selected executives are granted performance rights. Each performance right is a right to acquire one AMP share after a three-year performance period, if a specific performance hurdle is met.

Return on equity (RoE)
Return on equity (RoE) is a measure used in the AMP long-term incentive plan. It is a percentage that shows how effective AMP has been in growing the value of the money invested by our shareholders. The percentage is determined by dividing AMP's underlying profit by AMP shareholder equity.

Share right
A share right is an entitlement to acquire one AMP share at the end of a vesting period eg two years, as long as the service conditions are met.

Short-term incentive (STI)
An executive reward for helping AMP achieve specific short-term performance targets and objectives. It is paid in the form of cash and share rights to motivate executives to achieve outstanding performance during the year.

STI pool
The money used for the payment of STI rewards. The pool size varies each year depending on AMP's financial and non-financial performance against the STI scorecard.

Total shareholder return (TSR)
A measure of the value returned to shareholders over a period of time. It takes into account the changes in market value of AMP shares, plus the value of any dividends paid and capital returns on the shares.

Underlying investment income
Underlying investment income is based on long-term expected rates of return. Actual investment income can be higher or lower than the long-term rate from year to year.

Underlying profit
AMP's key measure of business profitability, as it smooths investment market volatility that stems from shareholder assets that are invested in investment markets and aims to reflect the trends in the underlying business performance of the AMP group. The components of underlying profit are listed on page 51.

Vesting
Remuneration term defining the point at which the required performance hurdles and/or service requirements have been met, and a financial benefit may be realised by the recipient.

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