AMP

2017 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 8 February 2018.

Our year

2017

We are pleased to have delivered a total 2017 dividend of 29 cents per share for shareholders, with $837 million having been returned to shareholders in the form of dividends and dividend reinvestment plan (DRP) shares for the year.

Total dividend	Profit attributable to shareholders	Underlying profit	Capital surplus
29cps	$848m	$1,040m	$2.3b

Who we are

At AMP, we have been helping people own tomorrow and achieve their financial goals for almost 170 years. This strong sense of social purpose drives the AMP culture and all that we do. Three core elements underpin our culture – integrity, help and performance. Integrity ensures we use our expertise to do the right thing; help is at the core of how we support our customers, and we're driving our performance edge to deliver the best results we can for shareholders and customers.

2017 performance

In 2017, your company delivered improved results for shareholders and customers. Underlying profit was $1,040 million, up 114% from $486 million for the full year in 2016. Profit attributable to shareholders was $848 million, up from the $344 million loss in 2016.

AMP Capital, our investment management business, and AMP Bank continued their growth momentum, increasing operating earnings by 8% and 17% respectively. In the Bank, the residential home loan book continued to grow, and we're on track to double the value of the Bank by full year 2021.

The Australian wealth management business (superannuation, retirement and financial advice) delivered a resilient performance in a competitive market, and our wealth protection business (insurance) stabilised following the completion of comprehensive reinsurance programs and the strengthening of the best estimate assumptions in 2016.

Strategy

In 2017, we made strong progress in executing our strategy to grow the business. We have been investing in our growth businesses – Australian wealth management, AMP Bank and AMP Capital – and leveraging our core strengths to expand internationally. We formed new partnerships with PCCP, a US-based real estate investment manager, and United Capital, one of the fastest growing and most innovative advice businesses in the US. Our ongoing joint ventures with China Life and MUFG: Trust Bank continued to develop.

At our full year 2017 results, we announced that we were well progressed with a portfolio review of the manage for value businesses (Australian wealth protection, New Zealand and Mature), with all alternatives being considered. We expect to be in a position to provide a further update at or before the annual general meeting (AGM), which takes place in May 2018.

Dividend and capital position

Your board is pleased to have delivered a total 2017 dividend of 29 cents per share for shareholders, franked at 90%. This represents a full year 2017 dividend payout ratio of 81% of underlying profit. We returned $837 million to shareholders in the form of dividends and dividend reinvestment plan shares for the year, and over the last five years, gross dividends have increased by 34%. In 2017, our underlying business remained strong and we maintained a strong capital position of $2.3 billion above minimum regulatory requirements.

Catherine Brenner
Chairman

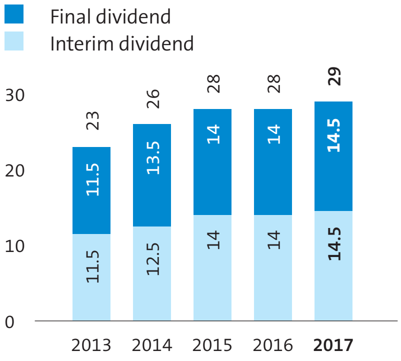
Our financial performance

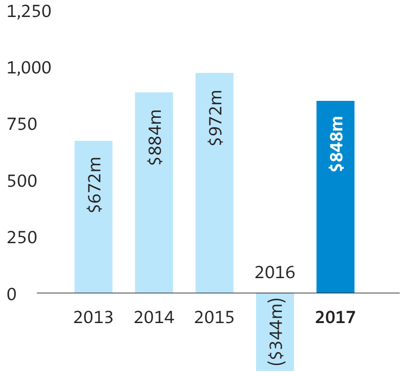
Five-year financial summary

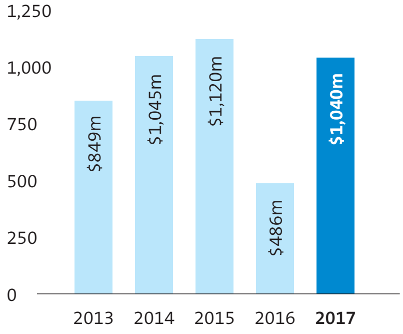
Year ended 31 December	2017 $m	2016 $m	2015 $m	2014 $m	2013 $m
Consolidated income statement					
Net premium, fee and other revenue	**6,444**	6,204	5,539	5,343	5,136
Investment gains	**11,888**	8,567	8,483	12,244	14,963
Profit before income tax from continuing operations	**1,636**	358	1,993	1,814	1,498
Income tax expense	**(763)**	(166)	(280)	(843)	(782)
Non-controlling interests	**(25)**	(536)	(741)	(87)	(44)
Profit (loss) after tax attributable to shareholders of AMP Limited	**848**	(344)	972	884	672
Consolidated statement of financial position					
Cash and cash equivalents	**3,602**	3,476	3,955	3,581	2,938
Investment assets	**137,558**	129,995	128,074	123,292	121,781
Intangibles	**3,218**	3,199	3,983	4,042	4,136
Assets of disposal groups	**–**	–	–	100	42
Other assets	**3,707**	3,390	3,696	3,840	4,327
Total assets	**148,085**	140,060	139,708	134,855	133,224
Interest-bearing liabilities	**21,009**	17,218	17,452	16,502	16,243
Life insurance contract liabilities	**23,683**	24,225	23,871	24,403	24,934
Investment contract liabilities	**75,235**	71,579	69,848	66,980	66,049
Liabilities of disposal groups	**–**	–	–	69	8
Other liabilities	**20,875**	19,497	19,642	18,516	17,790
Total liabilities	**140,802**	132,519	130,813	126,470	125,024
Net assets	**7,283**	7,541	8,895	8,385	8,200
Contributed equity	**9,376**	9,619	9,566	9,508	9,602
Reserves	**(2,010)**	(1,972)	(1,866)	(1,888)	(1,973)
Retained earnings	**(164)**	(185)	819	566	461
Total equity attributable to shareholders of AMP Limited	**7,202**	7,462	8,519	8,186	8,090
Non-controlling interests	**81**	79	376	199	110
Total equity	**7,283**	7,541	8,895	8,385	8,200

Year ended 31 December		2017	2016	2015	2014	2013
Other financial data						
Basic earnings per ordinary share	($ps)	**$0.29**	($0.11)	$0.33	$0.30	$0.23
Diluted earnings per ordinary share	($ps)	**$0.29**	($0.11)	$0.33	$0.30	$0.23
Dividends per ordinary share	($ps)	**$0.29**	$0.28	$0.28	$0.26	$0.23
Number of ordinary shares	(m)	**2,918**	2,958	2,958	2,958	2,958
Assets under management	($b)	**257**	240	226	214	197

2017 results at a glance







29 cents per share

up 3.6%

Total dividend for 2017

The final dividend of 14.5 cents per share is to be paid on 28 March 2018 and will be 90% franked.

$837m returned to shareholders in the form of dividends and dividend reinvestment plan shares for 2017.

$848m

up $1.2b

Profit attributable to shareholders

The main difference between profit attributable to shareholders and underlying profit comes from movements in investment markets and one-off costs. A reconciliation of profit attributable to shareholders and underlying profit can be found on page 64.

$1,040m

up 114%

Underlying profit

Underlying profit is the earnings base on which the board determines the dividend payment.

$931m

up 177%

Australian wealth management net cashflows

Customers are investing more money in our superannuation and retirement products.

$5,477m

up from $967m in 2016

AMP Capital external net cashflows

AMP Capital has seen an increase in inflows from both domestic and international clients.

$257b

up 7%

Assets under management

We now manage more money for our customers in Australia and around the world.

$949m

down 3%

Group controllable costs (ex AMP Capital)

We reduced costs across the company, while continuing to invest in our growth businesses.

$2.3b

Capital held above the minimum regulatory requirement

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

14.3%

increased from 5.6%

Underlying return on equity

Our increase in underlying profit means we improved the return on the capital invested on behalf of shareholders.

Figures compared to full year 2016 performance.

Who we are and what we do

Our purpose is to help people own tomorrow, helping them take control of their money and achieve their financial goals. We have a long history of helping customers to protect and grow their savings and investments, and for almost 170 years we've dedicated ourselves to helping people achieve their financial goals with quality solutions, services and expert advice.

Australian wealth management

We help our customers to save for, and to live well in retirement with our award-winning retail and corporate superannuation products, self-managed superannuation funds (SMSFs) services, as well as retirement income solutions and investments for individuals.

Our network of financial advisers provide quality financial advice, and our goals-based process enables customers to identify, plan, track and realise their goals. Through AMP Advice practices, customers have access to Goals 360, a unique goals-based advice experience, which combines interactive technology with personalised advice to help customers achieve their goals.

In 2017, we helped our customers retire right by paying out $2.5 billion in Australian retirement payments including Mature payments, and NZ$98.6 million in New Zealand retirement payments. We also helped more customers achieve their goals with 67 new practices joining AMP's financial advice network in Australia.

Australian wealth protection (life insurance)

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

In 2017, we paid $1.1 billion in Australian insurance claims and NZ$54.6 million New Zealand insurance claims when people needed us most.

AMP Bank

We help our customers manage their money and cashflow and support them in financing property either for residential or investment purposes. In addition, we provide financing to AMP advice businesses. Aligned with AMP's customer focus, our mission is to help customers with their goals for life. Our products and services provide greater coverage of customer goals enabling AMP to be relevant over a wider set of financial goals, earlier in the customers' lifecycle and with a more interactive and engaged product set. As a wealth management bank, we are conservative in our risk settings. We distribute our solutions by leveraging AMP's network of financial advisers, third party distribution (eg mortgage brokers) and directly through phone and digital.

In 2017, we helped over 100,000 Australians with their banking needs, including providing close to 10,000 new home loans.

AMP Capital

We manage investments in equities, fixed income, diversified, multi-manager and multi-asset funds on behalf of clients around the world. AMP Capital also manages real estate and infrastructure assets including shopping centres, airports, trains and pipelines, with $14.8 billion in infrastructure investments managed on behalf of our clients. In Asia, we have strong partnerships with two of the leading financial services groups, MUFG: Trust Bank of Japan and China Life. We also have a newly formed partnership with PCCP, a US-based real estate investment manager, demonstrating the progress we are making toward meeting our growth ambitions overseas and in new markets.

At the close of 2017, AMP Capital managed $22 billion for international investors, including $12 billion for 291 international institutional clients.

New Zealand financial services

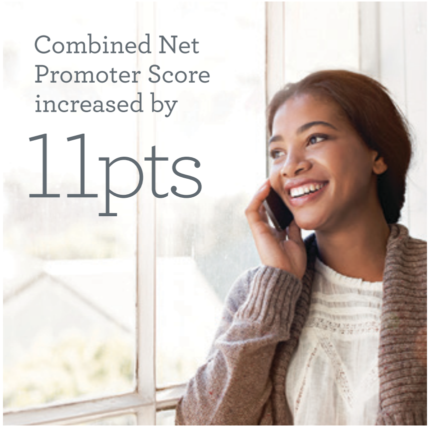
In New Zealand we provide customers with financial products and services, directly and through one of the largest networks of financial advisers in the country. In 2017, AMP was the fourth-largest KiwiSaver Scheme provider with 11% of the total KiwiSaver market and approximately 231,000 customers.

Mature

Through our Mature business, we manage closed insurance and superannuation products that are no longer being sold. This business is managed for yield and capital efficiency. It remains in slow decline but is expected to remain profitable for many years.

2017 highlights

In 2017, we made good progress on our strategic objectives, investing in our growth businesses, expanding internationally, becoming more efficient and managing costs, as well as strengthening our focus on delivering for our customers.



Tilting investment to our high growth businesses

In 2017, we completed a comprehensive reinsurance program in our wealth protection (life insurance) business that released approximately $548 million in capital to AMP. This reduced the risk and capital intensity of the insurance business, and also provided capital to invest in AMP Bank, AMP Capital and in our wealth management business, funding the purchase of advice practice registers.

Completing the customer-centred transformation of our business

In our Australian wealth management business, we continued to develop and deliver our new end-to-end, goals-based advice system, Goals 360. We also focused on driving additional revenue growth from our advice and SMSF (SuperConcepts) businesses. That included looking for opportunities to take partial equity stakes in advice practices and purchasing and retaining clients' registers to provide new revenue streams.

We continued to develop services for our SMSF customers. SuperConcepts launched a new online product marketplace called Connected Services, which enables SMSF members to access a range of products and services from third party providers to help manage their fund in a convenient and paperless way.

We sustained investment in AMP Bank, which grew throughout the year despite increasing regulation on lending. AMP also maintained its conservative credit policy. The bank's total home loan book grew by $2.3 billion to $19.4 billion, representing an increase of 14% from 2016.

Expanding internationally

In 2017, we further strengthened our strategic partnerships with national champions, China Life in China, and MUFG: Trust Bank in Japan. Our Chinese joint ventures continued to grow, increasing both cashflows and market share, and we achieved good traction in the Japanese institutional marketplace.

We formed a partnership with US advice business United Capital. United Capital is one of the fastest growing financial life management businesses in the US, with a goals-based advice approach and philosophy similar to AMP. We also acquired a minority stake in US real estate investment manager PCCP, a real estate debt and equity manager which invests mainly in mid-market real estate developments in the US.

Managing costs and driving efficiency

Throughout 2017 we continued to deliver cost efficiencies, meeting our target to reduce controllable costs by 3% for the full year (ex AMP Capital).

In our Australian wealth management business, we were vigilant on controllable costs, containing them to an increase of only 1%. In AMP Capital, controllable costs increased by 5%, reflecting continued investment in real asset capabilities, growth initiatives and international expansion. AMP Capital's cost to income ratio still fell within the target range.

1 Fund Market Overview Retail – Marketer, Strategic Insight (Plan For Life), September 2017. Planner numbers, Money Management Top 100 Dealer Groups, 2017.

Our strategy

Our strategy is focused on delivering for both our customers and shareholders. We want to help all of our customers reach their goals, and we have embedded a deep customer focus within our business. We are also focused on accelerating the growth of our business, investing in areas where we have a distinct competitive advantage.

In 2018, our strategic objectives to deliver growth remain focused on:

- tilting our investment to the high growth businesses in our portfolio
- completing the customer-centred transformation of our core Australian businesses
- expanding internationally
- managing costs and driving efficiency across the group.

We manage our portfolios in three ways:

- managing for value and capital efficiency: in those businesses with slower growth or where we don't have a distinctive advantage (Australian wealth protection, New Zealand, Mature)
- investing to grow: where we do have a distinctive competitive advantage and where the market fundamentals are attractive (Australian wealth management, AMP Bank, AMP Capital)
- leveraging our strengths into selective new geographies and markets.

Helping people own tomorrow

Manage for value and capital efficiency

Wealth Protection	New Zealand	Mature
Reinsurance to release capital Focus on pricing, claims and lapse management to improve margins	Continue to manage for yield and cost efficiency Explore reinsurance opportunities	Continue to manage for yield and capital efficiency

Focus on customer, cost, capital and culture

Invest to grow

Goals-based advice

AMP Bank

- Organic growth via integrated goals-based solutions
- Become provider of choice to advisers and brokers
- Conservative risk, funding and capital settings

Australian Wealth Management

Advice strategy

- Greater participation in advice value chain
- Drive productivity via technology
- Drive professionalism and broaden offer
- Strengthen governance and compliance

Platforms & O/S

- Invest to further enhance platform competitiveness
- Goals-based O/S
- Increase channel choice
- Price for volume
- Grow revenue from SMSF
- Simplification and efficiency

AMP Capital

- Extend MAG capabilities
- Create and manufacture innovative goals-based funds
- Grow domestic real assets footprint
- Evolve and focus public market strategies

Leverage strengths to drive new growth

Global Investment Management

- Accelerate growth in Europe, North America and Asia
- Partnership with PCCP; expansion into real estate debt

Global Partnerships

- Grow and extend partnership with China Life
- Enhance MUFG: Trust Bank partnership to drive greater value

Global O/S & Advice

- Accelerate completion of O/S
- China Life O/S opportunity
- Partnering with leading O/S players; United Capital in US
- Explore options to disrupt overseas

O/S = operating system

Corporate sustainability

We are committed to building a sustainable future and creating long-term, shared value for our customers, shareholders, employees, the community and the environment.

Our first priority is to provide quality financial products and services, however our duty extends beyond this, and our aim is to help create tomorrow for everyone. Our customers trust us to help them build financial security and be there for them when they need us. It's a responsibility we take seriously. Every day we help millions of customers achieve their financial goals.

Taking the mystery out of managing money

We believe in making the complex simple and helping people make informed financial decisions. We have the largest network of financial advisers in Australia, and we provide tools to help people gain a greater understanding about achieving financial wellbeing, including budget planners, debt reduction calculators and financial news.

We also share our expertise with our shareholders, holding information sessions on financial topics prior to our annual general meetings (AGMs). We are fortunate to have leading financial experts working for us, and we want to share their knowledge with the wider community. All shareholders are invited to participate in person or online at the 2018 AGM information session. You can find further details of the event in the 2017 shareholder review or 2018 notice of meeting.

Responsible investing and good corporate governance

AMP Capital, our investment management arm, is a major investor in companies and assets on behalf of our customers, and is committed to improving the corporate responsibility of the businesses in which it invests. A key part of AMP Capital's investment process is assessing the environmental, social and governance (ESG) performance of each business it invests in. We are a signatory to the UN-backed Principles for Responsible Investment, and the most recent report card on how we are progressing on our commitments is available at ampcapital.com.au/esg.

We have a dedicated ESG team and sustainability specialists who actively engage with the boards and management teams of companies and assets 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.

In 2017, we further strengthened our commitment to responsible investing by introducing a new investment screening framework, where, in exceptional circumstances, companies or sectors can be excluded from our investment portfolio on ethical grounds. The framework has been incorporated into AMP Capital's ESG and Responsible Investment Philosophy, which is applied across the business. Under the framework, AMP Capital considered all sectors in which it invests and concluded that companies involved in the manufacture of tobacco, cluster munitions, landmines, biological and chemical weapons do not meet the minimum ethical standards required and are excluded from all investment portfolios managed by, or specifically for, AMP Capital.

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 are:

Committed and inclusive leadership – leaders are supported to create an inclusive culture.

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.

During 2017, gender equality remained at the forefront of our inclusion and diversity work, along with an increased focus on flexible work, including role modelling and storytelling by senior executives.

2017 also saw the introduction of our domestic and family violence support policy to support employees who are directly or indirectly experiencing domestic or family violence. AMP is committed to the safety and wellbeing of all employees and we want to provide an environment where our people feel comfortable to raise issues, and confident they'll receive the help and support they need.

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.

AMP was again named an Employer of Choice for Gender Equality by the Australian Government's Workplace Gender Equality Agency for 2017.

Protecting our environment

We aim to minimise the impact of our operations on the environment. We also actively assess the environmental risks and opportunities across our business and the investments that are managed by AMP Capital. In 2017, we continued to make progress against our environmental priorities and targets, remaining carbon neutral in our own operations and achieving a 5% year-on-year reduction in scope one and two emissions. We also announced a new suite of targets and priorities for 2017 – 2021, and started reviewing the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures, within the context of our existing approach to climate risk.

Investing in the community

Through the AMP Foundation we help provide a better tomorrow for everyone, especially people who face challenges accessing education and employment opportunities. Since 1992, the AMP Foundation has distributed over $91 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 organisations that give disadvantaged Australians life-changing learning and work opportunities. It also helps people to help others, 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 2017, the AMP Foundation distributed $5.7 million in the community, including more than $1 million in grants through AMP's Tomorrow Fund to help 45 amazing Australians achieve their goals. We also presented scholarships to 24 equally extraordinary New Zealanders. While these recipients all have very different interests, like AMP, they are all striving to give back.

You can find our sustainability report, as well as 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	2017 progress target	31 December 2017	31 December 2016
AMP Limited Board	40%	40%	40%	40%
Senior executives	47%	42%	38%	40%
Middle management	50%	44%	41%	41%
All employees	n/a	n/a	51%	52%

Our board

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

From the left, back row; Mike Wilkins AO, Vanessa Wallace, Geoff Roberts, Catherine Brenner, Craig Meller, Patricia (Patty) Akopiantz, Trevor Matthews. Front row, Peter Varghese AO, Holly Kramer, Andrew Harmos.

Catherine Brenner

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

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 and a Director of The National Mutual Life Association of Australasia Limited since March 2011.

Experience

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

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

Government and community involvement

- Member, Financial Sector Advisory Council

Patricia (Patty) Akopiantz

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

Andrew Harmos

Independent Director BCom, LLB (Hons)

Andrew was appointed to the AMP Limited Board in June 2017 and is a member of its Audit and Risk Committees. Andrew was appointed a Director of AMP Life Limited and The National Mutual Life Association of Australasia Limited in August 2013. He has served as a member of the Audit Committees of both life company boards since August 2013 and was appointed as a member of the Risk Committees of both life company boards in November 2014. Andrew became Chairman of the Audit Committees of both life company boards in May 2016.

Experience

Andrew is one of the founding directors and shareholders of Harmos Horton Lusk Limited, an Auckland-based specialist corporate legal advisory firm. He specialises in corporate takeovers, corporate structure and governance advice, company, business and asset acquisitions and disposals, securities offerings, and strategic and board corporate advice.

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

Listed directorships

– Director of Scentre Group (appointed June 2014)

Government and community involvement

– Member of the New Zealand Arts Foundation Finance Committee

Holly Kramer

Independent Director BA (Hons), MBA

Holly was appointed to the AMP Limited Board in October 2015 and was appointed a member of the Audit Committee in November 2015. In May 2017, she was appointed a Director of AMP Bank Limited, Chairman of the AMP Bank Audit Committee and a member of the AMP Bank Risk Committee. 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.

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

– Deputy Chair of Australia Post
– Director of Southern Phone Company Limited
– Director of The GO Foundation
– Member of the Board of Trustees of Western Sydney University

Trevor Matthews

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 (December 2013 to April 2017)
– Chairman of 1st Group Ltd (appointed February 2015)

Government and community involvement

– Chairman of the NSW State Insurance Regulatory Authority

Geoff Roberts

Independent Director BCom, MBA

Geoff was appointed to the AMP Limited Board and as Chairman of the Audit Committee in July 2016. He became a member of the Risk Committee in January 2018. 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 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.

Peter Varghese AO

Independent Director BA (Hons)

Peter was appointed to the AMP Limited Board and as a member of its Risk Committee in October 2016. He became a member of the Nomination & Governance Committee in May 2017. 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 was made an Officer of the Order of Australia in 2010 for distinguished service to public administration. He was awarded an Honorary Doctorate of Letters from the University of Queensland in recognition of his distinguished service to diplomacy and Australian public service.

Government and community involvement

- Chancellor, University of Queensland
- Chairman, Queensland Health Export and Investment Advisory Council

Vanessa Wallace

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 for global markets 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)
- Director of SEEK Limited (appointed March 2017)

Government and community involvement

- Member of the Chairman's Council of the Australian Chamber Orchestra
- Member of the MS Research Australia Leadership Council

Mike Wilkins AO

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. In May 2017, he became Chairman of the Risk Committee. 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. Mike was made an Officer of the Order of Australia in 2017 for distinguished service to the insurance industry.

Listed directorships

- Director of QBE Insurance Group Limited (appointed November 2016)
- Director of Medibank Private Limited (appointed May 2017)

Our management team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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 in 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 AMP, Megan led NAB's wealth management and insurance offer through the bank channel as General Manager, Bancassurance and Direct. Megan was also General Manager of Group Insurance and Head of Finance for Insurance, both at MLC. She worked for Tower (now TAL) for six years as Chief Actuary, Chief Risk Officer and Head of Risk, Planning and Analysis, and has been a Director with Tillinghast (Consulting Actuaries).

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

Sally Bruce[3]
Group Executive, AMP Bank BCom, MAppFin
Sally joined AMP in August 2015 as Managing Director, AMP Bank and was appointed Group Executive, AMP Bank in January 2017. Sally is responsible for AMP's banking business, as well as contributing to the overall leadership and culture of the organisation.

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, in 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
- Chairman of AMP Financial Planning Pty Limited
- Chairman of Charter Financial Planning Limited
- Chairman of Hillross Financial Services Limited
- Chairman of Ipac Securities Limited
- Director of the Financial Services Council


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Paul Sainsbury[5]
Group Executive, Wealth Solutions and Chief Customer Officer
Paul was appointed Chief Customer Officer in April 2013 and was appointed Group Executive, Wealth Solutions and Chief Customer Officer in 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 AMP/AXA Integration, 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, Ireland, Japan, Luxembourg, New Zealand, the United Arab Emirates, the United Kingdom and the United States.

Experience
Before being appointed CEO, Adam held the role of Director and Chief Investment Officer, Property at AMP Capital. Adam has 30 years of extensive experience in 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 appointment
– 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 in 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.

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 in January 2017. Helen has group-wide responsibility for AMP's brand, reputation and communications management, and managing AMP's relationship with key stakeholders.

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

Craig Ryman[10]

Group Executive, Technology and Operations BCom
Craig joined AMP in 1997 and was appointed to the role of Group Executive, Technology and Operations for the Group in January 2017. Craig is responsible for the strategy and management of technology and business operations for AMP.

Experience
Craig is a seasoned executive with more than 25 years of technology, business and transformation experience. Prior to his current role, Craig was AMP's Chief Information Officer and before that IT Director for AMP's retail and financial services businesses.

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

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

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 Chair of the General Counsel 100. He is a former Chairman and National Committee member of the Australian Securitisation Forum. He is an executive director of AMP's two superannuation trustee companies that represent the interests of almost four million AMP customers.

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

Corporate governance at AMP

We are committed to excellence in corporate governance, which we believe is essential for the long-term performance and sustainability of our company and the delivery of our strategy.

AMP's promise is to help people own tomorrow. This strong sense of purpose drives the AMP culture and all that we do. Three core elements underpin AMP's culture – integrity, help and performance. Integrity ensures we use our expertise to do the right thing. Help is at the core of how we support our customers, and we're driving our performance edge to deliver the best results we can for shareholders and customers. We view our governance framework as one of the foundations to support our culture. Our governance framework is designed to provide the right structure and review processes to deliver on our promise for many years to come.

We believe the long-term performance and sustainability of AMP goes beyond delivering long-term value to our shareholders. It requires us to consider the interests of a broader set of stakeholders, including our customers, our people and the wider community. Our corporate governance practices are designed to address all these interests.

Key information

During 2017, AMP continued to focus on enhancing its corporate governance structure and practices, including in the following key areas:

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 sound risk culture that drives the right behaviours and supports AMP's values of integrity, help and performance. We are committed to helping our customers and improving risk culture to keep pace with evolving regulatory, customer and community expectations. In 2017, AMP continued to implement initiatives designed to effectively integrate risk awareness into employee decision-making. For example, we further embedded the use of our risk appetite statement in the evaluation of our strategic initiatives and in enhanced periodic reporting to the board.

Inclusion and diversity – AMP continues to foster an inclusive and diverse workplace, with gender diversity a clear priority. We are committed to achieving our gender diversity targets, which aim to have women hold 47% of senior executive roles and 50% of middle manager roles by the end of 2020. Despite strong overall representation of women by industry standards – including women holding 40% of AMP Limited Board positions – AMP did not meet its progress targets for 2017. This was largely due to a realignment of AMP's organisational structure following changes to our operating model. The AMP Group Leadership Team has renewed its approach to increasing gender diversity through a focus on female talent and advocacy, recruitment and appointment practices, flexible work and targeted communication.

Life board governance – Following the transfer, in January 2017, of the Australian and New Zealand life insurance business of AMP subsidiary The National Mutual Life Association of Australasia Limited (NMLA) to AMP Life Limited (AMP Life), we introduced changes to improve the decision-making efficiency of the life company boards and to better align their work with that of the AMP Limited Board to reduce duplication, while maintaining high standards of governance and regulatory compliance. These changes included the convening of concurrent meetings to discuss areas of common interest and responsibility, and a change in board composition so that all AMP Life and NMLA non-executive directors are also AMP Limited non-executive directors.

Corporate sustainability – At AMP, we understand that, for our business to be truly sustainable and to be able to deliver on our promise of helping people own tomorrow, we need to maintain our focus on managing our environmental impact, responsible investing, engaging our people, community investment and corporate responsibility. In 2017, AMP continued to be carbon neutral and the AMP Foundation, which celebrated 25 years of supporting the community, distributed $5.7 million to the community, including more than $1 million in grants through AMP's Tomorrow Fund, which supports Australians who are doing great things in the community.

ESG reporting – We are expanding how we report on AMP's economic, environmental and social impact, delivering a more complete ESG (environmental, social and governance) report for 2017. This is a step towards creating a more comprehensive report on sustainability for 2018.

AMP Customer Advocate – AMP has strengthened its support for customers with the creation of a centralised AMP Customer Advocate function, announced on 31 October 2017. The objective of the AMP Customer Advocate is to help customers of the Australian business who seek a review of their complaint to ensure the outcome is fair and reasonable. A further objective of the AMP Customer Advocate is to ensure AMP's customer complaint processes are accessible, robust and transparent.

Engaging with our shareholders

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

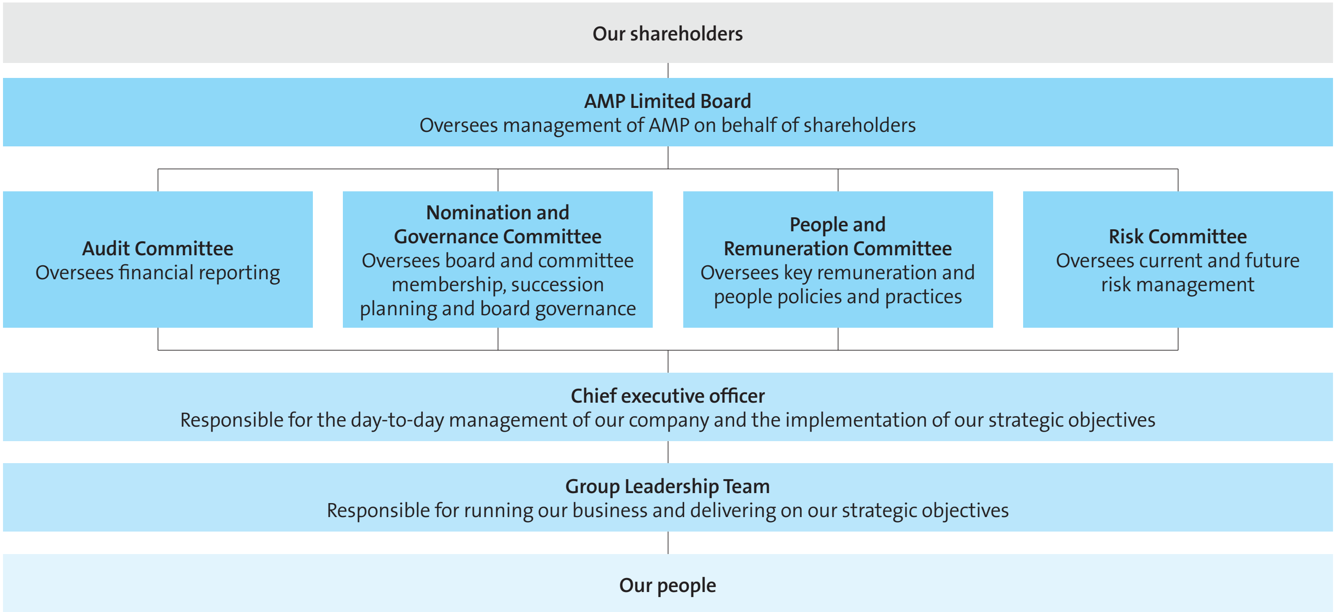
Our shareholders are the owners of our company and we value their input. During 2017, we had the third largest shareholder base of any company in Australia with over 750,000 shareholders, many of whom are also our customers.

Keeping our shareholders informed

AMP values direct, two-way communication with our shareholders and focuses on providing 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 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 directly to their inbox.

Our governance structure



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

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

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 2018 AGM, at 9.30am on Thursday 10 May 2018 at the Grand Hyatt Melbourne. All shareholders are invited to join the session in person or online.

2018 annual general meeting

AMP's 2018 AGM will be held at 11am on Thursday 10 May 2018 at the Grand Hyatt Melbourne. 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 ask questions through our webcast. Full details will be provided in the 2018 notice of meeting.

Our board of directors

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

The AMP Limited 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:

- reviewing and approving the strategic direction of the company and overseeing its implementation
- overseeing and approving the company's governance model
- promoting a sound and effective corporate culture designed to meet stakeholder expectations
- approving the risk management framework (including risk appetite, risk management strategy, and control and compliance systems) and monitoring its effectiveness (including risk culture)
- monitoring the performance of management and the business
- 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
- approving material transactions and capital initiatives.

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 the experience to oversee the delivery of our strategy and manage the opportunities and risks we face.

In accordance with our corporate governance charter, the AMP Limited Board is made up of a majority of independent non-executive directors and will have no more than two executive directors. The chairman of the board is 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. As at the date of this report, the longest serving director has held office for approximately seven and a half years. We value the balance of fresh perspectives and corporate memory provided by diverse tenure.

The AMP Limited Board is currently 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 biographical details of the directors of AMP Limited, 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 standing committees, each of which focuses in detail on different areas of the board's responsibilities and contributes to a strong governance framework.

The AMP Limited Board has the following four standing 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, endorsing the appointment of the Director of Internal Audit and the external auditor, and monitoring the performance, adequacy and independence of the internal and external audit functions.

Nomination and Governance Committee – responsible for reviewing the composition of AMP's boards, overseeing 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, endorsing AMP's remuneration policy, and reviewing or 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 and reviewing AMP's risk culture, approving material risk management and compliance policies, and endorsing AMP's risk management strategy, risk appetite statement and the appointment of the group chief risk officer.

Each committee has its own annual program and meets at least four times per year. Each program identifies items to be considered by the relevant committee during the year.

Throughout 2017, all standing committee members were independent directors.

You can find the terms of reference for each standing 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 support achievement of strategic objectives. The board and management consider effective risk management to be 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 AMP Limited 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 align achievement of strategic objectives with AMP's risk appetite and applicable laws and regulations. The Risk Committee and board review the ERM framework at least annually, including for 2017, to satisfy themselves that it continues to be sound.

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. Business unit teams are responsible for decision-making and the execution of the day-to-day business, while managing risk and the resulting profit and loss in line with the board's risk appetite and strategy.

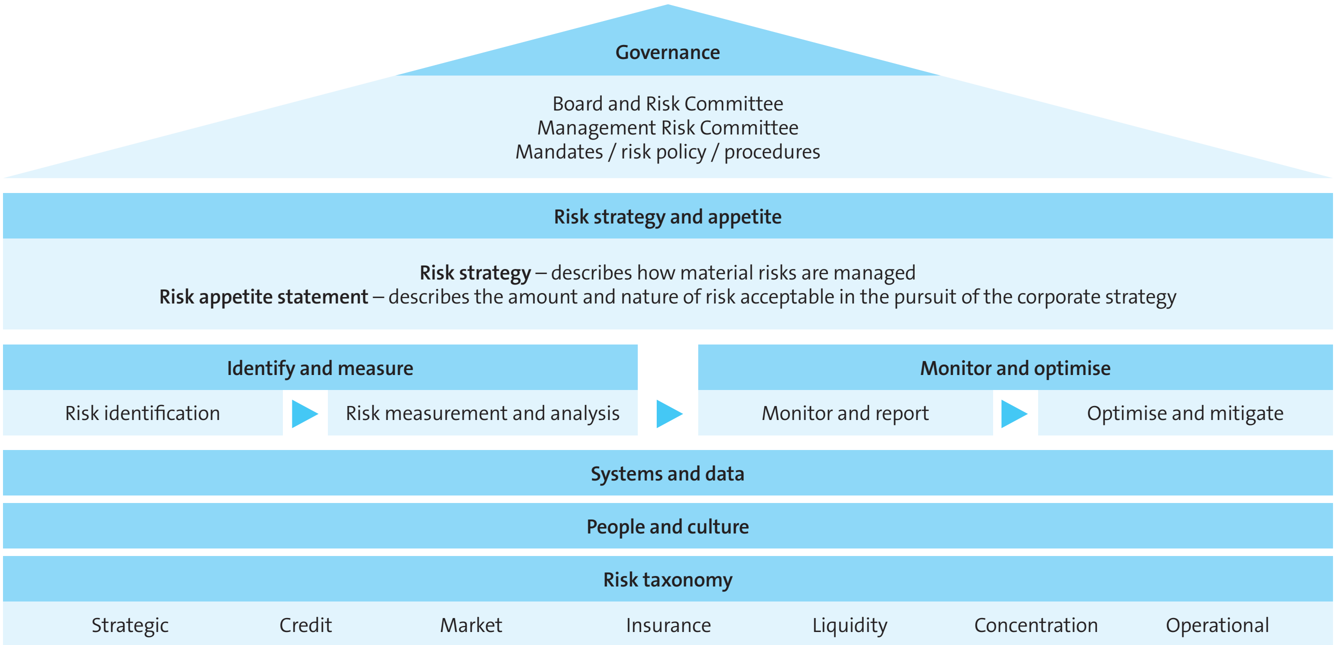
Line 2 – the ERM team, led by the group chief risk officer, is responsible for designing, implementing and monitoring the practices and processes to identify, assess, monitor and manage material risks and provide advice and oversight on material business decisions. The team also provides objective advice 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.

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

An outline of AMP's key business challenges and material risks can be found in the directors' report on pages 23 to 24.

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 Corporate Governance Council's Corporate Governance Principles and Recommendations may differ materially from NZX's corporate governance rules and the principles of the NZX Corporate Governance Code. You can find further information about the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations on the ASX website at asx.com.au/regulation/corporate-governance-council.htm.

Acting ethically and responsibly

AMP believes that by acting ethically and responsibly we will be best positioned to create a better tomorrow for our customers, employees, business partners, communities and shareholders.

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 2017, we complied with the recommendations set by the ASX Corporate Governance Council in the third edition of its Corporate Governance Principles and Recommendations, and we continually review our governance practices to seek to ensure that we not only meet but exceed the expectations of regulators and our stakeholders.

Our board-approved corporate governance statement, dated 27 February 2018, is available on our website at amp.com.au/corporategovernance.

Directors' report

for the year ended 31 December 2017

This directors' report provides information on the structure and progress of our business, our 2017 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 2017.

Operating and financial review

Principal activities

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

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 close to 3,300 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, 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 5,600 employees, around 750,000 shareholders and manage and administer $257 billion in assets.

AMP Capital has a strategic alliance with leading Japanese bank, Mitsubishi UFJ Trust and Banking Corporation (MUFG: Trust Bank) through which MUFG: Trust Bank holds a 15% minority interest in AMP Capital Holdings Limited. 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, AMP Bank, Australian wealth protection, New Zealand financial services and Australian mature.

The **Australian wealth management** business provides customers with superannuation, retirement income, investment, SMSF software and 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, multi-manager and multi-asset funds.

AMP Bank is an Australian retail bank offering residential mortgages, deposits, transaction banking, and SMSF products for 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.

Australian wealth protection comprises term life, disability and income protection insurance products sold on an individual and group basis. Insurance products can be bundled with a superannuation product or held independently.

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.

Australian mature is the largest closed life insurance business in Australia. Australian mature assets under management comprises capital guaranteed products (76%) and market linked products (24%). 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.

2017 performance

The profit attributable to shareholders of AMP Limited for the year ended 31 December 2017 was $848 million (2016: loss of $344 million).

Basic earnings per share for the year ended 31 December 2017 on a statutory basis were 29.3 cents per share (2016: loss of 11.7 cents per share). On an underlying basis, the earnings per share were 35.5 cents per share (2016: 16.4 cents per share).

Key performance measures were as follows:

- 2017 underlying profit of $1,040 million increased 114% from $486 million in 2016, driven by the recovery in Australian wealth protection earnings and strong operating earnings growth from AMP Bank (+17%) and AMP Capital (+8%).
- Australian wealth protection earnings of $110 million increased $525 million on 2016, reflective of the steps taken to stabilise the business in the second half of 2016 and in 2017.
- Australian wealth management earnings declined 2.5% from 2016, largely due to margin compression from MySuper transitions, increased variable remuneration and a reset of the investment management agreement with AMP Capital.
- Underlying investment income decreased $27 million to $95 million from 2016, due to lower shareholder capital resources and a 50 bp reduction in the assumed underlying after-tax rate of return.
- Australian wealth management net cashflows were $931 million, up 177% from 2016. AMP's retail and corporate super platform net cashflows were positively impacted by changes to superannuation contribution limits in 2017 and large mandate wins.

- AMP Capital external net cashflows were $5,477 million, up from $967 million in 2016. Inflows were driven by strong flows into fixed income and real asset (infrastructure and real estate) asset classes.
- Underlying return on equity rose 8.7 percentage points to 14.3% in 2017 from 2016, reflecting significantly improved profitability and the impact of capital management programs.

AMP's total assets under management (AUM) and administration were $257 billion at 31 December 2017 (2016: $240 billion).

Operating results by business area

The operating results of each business area for 2017 were as follows:

- **Australian wealth management** – operating earnings dropped by $10 million (2.5%) from 2016 to $391 million in 2017. The decline in operating earnings was largely due to margin compression from MySuper transitions, increased variable remuneration associated with improved group performance plus a reset of the investment management agreement with AMP Capital.
- **AMP Capital** – AMP group's 85% share of AMP Capital's 2017 operating earnings was $156 million, up 8% from $144 million in 2016. AMP Capital's operating earnings benefited from strong fee income growth of 7%, partially offset by a 5% increase in controllable costs.
- **AMP Bank** – Operating earnings increased $20 million (17%) to $140 million in 2017 from 2016. Total revenue increased 17% in 2017 from 2016, primarily driven by growth in the loan portfolio.
- **Australian wealth protection** – Operating earnings improved by $525 million to $110 million in 2017 from 2016, with improved experience more than offsetting lower profit margins. Profit margins fell by $76 million (43%) from 2016 to $99 million in 2017, largely due to the strengthening of assumptions at 2016, the implementation of a 50% quota share reinsurance arrangement with Munich Reinsurance Company of Australasia (Munich Re) on 1 November 2016 and the implementation of a second tranche of reinsurance transactions on 1 November 2017 with General Reinsurance Life Australia Limited (Gen Re) and Munich Re. Total reinsurance cover on AMP's retail book is now equivalent to 65% of individual risk API. The impact of assumption changes and reinsurance arrangements were partially offset by a reduction in controllable costs.
- **New Zealand financial services** – In New Zealand dollar terms, operating earnings increased by $1 million (1%) to $135 million as a result of higher profit margins, partially offset by lower experience profits. In Australian dollar terms, operating earnings decreased by $1 million (1%) following the depreciation of the New Zealand dollar relative to the Australian dollar.
- **Australian mature** – 2017 operating earnings of $150 million decreased $1 million from 2016 due to the expected portfolio run-off ($9 million decrease) offset by improved experience ($5 million increase), investment markets ($2 million increase) and lower controllable costs ($1 million increase).

Capital management and dividend

Equity and reserves of the AMP group attributable to shareholders of AMP Limited decreased to $7.2 billion at 31 December 2017 from $7.5 billion at 31 December 2016.

AMP remains well capitalised, with $2.3 billion in shareholder regulatory capital resources, above minimum regulatory requirements (MRR) at 31 December 2017 ($2.2 billion at 31 December 2016).

AMP's final 2017 dividend is 14.5 cents per share, franked to 90%. This represents a full year 2017 dividend payout ratio of 81% of underlying profit. AMP will continue to offer the dividend reinvestment plan (DRP) to eligible shareholders. For the 2017 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.

Strategy and prospects

AMP is positioned to take advantage of positive long-term demographic and market trends, operating in large and growing markets where competition is rational and where AMP has a distinct competitive advantage. The company is pursuing a clear strategy for long-term growth with four key priorities:

- tilting investment to higher growth businesses with strong market positions, while releasing and recycling capital from lower growth businesses
- transforming the core Australian business to focus on helping customers achieve their goals
- managing costs to continue growing profitably in a margin compressed world, and
- expanding internationally by leveraging AMP's key strengths into new markets, specifically Europe, North America, China and Japan.

This strategy is expected to drive improved business performance and growth with the expectation that AMP will meet its 15% return on equity hurdle in 2018.

AMP is well progressed with a portfolio review of the manage for value businesses with all alternatives being considered. As a result, AMP is in discussions with a number of interested parties. While the portfolio review is yet to be concluded, AMP expects to be in a position to provide a further update at or before AMP's 2018 AGM.

1. Tilt investment to higher growth businesses

AMP is focused on delivering growth across the portfolio by focusing investment in its high growth businesses, including Australian wealth management, AMP Bank and AMP Capital.

A key priority is to grow in the expanding $3.3 trillion[1] Australian wealth management market, where AMP holds the number one[2] market share position in superannuation, advice, and SMSF and the number two market share position in retirement incomes.

AMP is investing in Australian wealth management to grow its distinctive competitive advantages. In 2018, AMP is targeting additional revenue equivalent to 2% of AUM fees from its Advice and SMSF businesses. This investment will also help Australians get more advice, more often through our goals-based operating system which will also improve productivity and drive new revenue streams.

1 ABS Managed Funds Report, Managed Funds Industry, September 2017.
2 Fund Market Overview Retail – Marketer, Strategic Insight (Plan for Life), September 2017.

AMP Bank continues to grow strongly and represents a significant opportunity for AMP by integrating debt and cashflow management strategies into our goals-based offers, particularly across its aligned advice network and broker proposition. AMP Bank offers an opportunity for the group to engage with customers earlier in their financial life cycle, with products and services that provide higher levels of interaction. Delivering on this strategy is expected to double the value of AMP Bank over five years.

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

2. Transform

AMP is transforming its core Australian businesses to be more customer centric, based on helping more people achieve their life goals.

AMP is aiming to make its goals-based approach to financial advice more relevant, accessible and affordable for its customers, and at the same time, more efficient and profitable for AMP and its strong network of aligned advisers. AMP is also giving customers more ways to interact with the company by creating an omni-channel experience with new digital and direct channels that complement its existing multi-branded face-to-face advice experience.

AMP is rolling out its technology-enabled, goals-based advice platform to AMP Advice. In second half 2017, AMP formalised a partnership with US advice business United Capital to collaborate as AMP develops its new operating system. By the end of 2017, 26 practices with over 200 financial advisers were operating under the new AMP Advice model. They will deliver a better and more relevant customer outcome and experience, greater adviser productivity and improved advice practice profitability.

3. Manage costs

AMP continues to deliver market-leading cost efficiency and in 2017 operating model and organisational design changes delivered efficiency gains which reduced controllable costs by 3%. AMP (excluding AMP Capital) has an ambition to keep controllable costs flat in the medium term. Run rate savings from initiatives in 2017 and benefits from other strategic cost initiatives will help deliver this outcome in 2018.

4. Expand internationally

AMP is expanding internationally, primarily through AMP Capital, in high-growth regions where its expertise and capabilities are in demand. AMP has built 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.

In the second half of 2017, AMP announced an agreement to purchase a minority stake in US-based real estate investment manager PCCP to provide commercial debt and equity capital for middle market investments throughout the US.

AMP's relationships with China Life continue to strengthen. China Life Asset Management Company Limited (CLAMP) is the fastest growing new asset management company in China while China Life Pension Company (CLPC) ranks first in trustee services with 31% market share and third in investment management with 11% market share. CLPC is expected to benefit from the implementation of new regulations for Occupational Pensions in China in coming years. AMP is targeting earnings of around $50 million per annum from the China businesses within five years.

AMP Capital's relationship with its Japanese strategic partner MUFG: Trust Bank also remains strong with the alliance enhanced and renewed during the first quarter of 2017.

Strategies and prospects by business area[3]

Australian wealth management

Australian wealth management's key priorities are to:

- build the goals-based advice model of the future and improve the quality of the advice experience
- maintain competitive platforms to access the retail and corporate superannuation markets
- increase revenues in Advice and SMSF while remaining vigilant on cost control
- increase channel choice and deliver an integrated customer experience
- use new capabilities to design customer centric offers covering advice, product and service, and
- develop a strong SMSF capability with a focus on building scale, efficiency and profitable growth over the medium term.

AMP Capital

Working as a trusted partner to clients, AMP Capital's key priorities are to deliver an outstanding investment experience for clients and to generate revenue growth through:

- delivering investment outcomes to clients specific to their goals
- 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 via enhanced distribution of real asset funds, and
- building preferential distribution partnerships in select Asian markets, particularly Japan and China.

AMP Bank

As the banking arm of a wealth manager, AMP Bank's role is to leverage and grow the group's customer base and support customer goals through providing banking solutions to both advised and non-advised customers as well as providing finance to AMP Advice businesses. In aligning with this strategic imperative, AMP Bank's priorities are to:

- build a superior advice and broker support network and proposition
- deliver compelling customer-centric banking propositions to AMP group target customer segments
- make banking easier for customers by investing in technology and service excellence
- leverage AMP group investments to build out capabilities in direct and digital
- maintain a conservative risk appetite and continue to invest in risk management capabilities
- continue to optimise AMP Bank's funding sources.

3 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.

Australian wealth protection
Australian wealth protection's key priorities are to:
- focus on pricing, claims and lapse management to improve margins, and
- provide a high-quality customer experience.

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
- grow scale and capture margin in wealth management
- 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 continue to manage Australian mature for yield and 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 5% per annum. However, in volatile investment markets, this run-off rate can vary substantially. The run-off of AUM is anticipated to have an average duration of approximately 13 years, but will be impacted by investment markets.

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. It also includes a risk appetite statement which articulates the nature and level of risk the board is willing to accept in the pursuit of strategic objectives. Alignment between AMP's corporate strategy and the risk appetite of the AMP Limited Board ensures that risks taken are consistent with the nature and level of risk the board is willing to accept.

Key business challenges
Given the nature of our business environment we continue to face challenges that could have an adverse impact on the delivery of our strategy. The most significant business challenges (in no particular order of importance) include, but are not limited to:

Competitor and customer 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 has programs in place aimed at anticipating and responding to threats and opportunities that arise from changing customer preferences and competitor strategies and capabilities.

Cyber security threats
Cyber risk continues to be a focus area across all industries. We recognise that cyber risk will continue to be a threat in a rapidly changing technological environment and that the magnitude and costs of cybercrime vary depending on the nature of the attack.

AMP is committed to investing in enhancing our cyber security network and we have several detective, preventative and responsive controls to protect our assets and networks. While 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 ways to mitigate failures of people, processes and technology.

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

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

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

AMP is committed to establishing a culture of help, integrity and performance. Our code of conduct outlines the minimum standards of behaviour and decision making and our expectations for how we treat our employees, customers, business partners and shareholders.

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

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

Regulatory environment
AMP operates in multiple jurisdictions across the globe. Each one of these jurisdictions has legislative and regulatory requirements that AMP is committed to meeting. These requirements are also subject to reform.

AMP has established internal policies, frameworks and procedures to seek to ensure our domestic and international regulatory obligations are met in each jurisdiction. Processes are also in place to manage the implications of regulatory change on our business performance. AMP has developed a curriculum of mandatory compliance training that all employees must undertake to ensure awareness of their general compliance obligations.

Regulatory and compliance risks, breaches, consultations and general interactions are reported as part of our internal risk and compliance reporting process, and to the relevant regulators as and when required. At any point in time, a number of investigations, consultations and general interactions may be in progress with our key regulators. We actively participate in these interactions and fully cooperate with regulators on such matters.

The Australian financial services industry is currently responding to a Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, established on 14 December 2017. The outcomes of this Royal Commission for AMP and the industry are uncertain at this time. AMP has welcomed the opportunity to contribute to the Royal Commission and supports its intent to provide certainty to the financial system and help restore the community's trust and confidence in the industry.

Material risk types

AMP has categorised risk in seven material risk types which are monitored, assessed and reported to the board and relevant committees to ensure that risk is managed appropriately. The risk types and definitions are noted below. The section should be read in conjunction with the corporate governance statement relevant to risk management.

Risk type	Definition
Strategic risk	Risk of loss or forgone value associated with strategic decisions and competitive positioning of the business and our ability to respond in a timely manner to changes in the regulatory, customer or competitive landscape.
Credit risk	The risk of loss or forgone value due to non-payment of a contractually required payment by a counterparty.
Market risk	The risk of loss or forgone value due to adverse movements in market prices and investment values. This may be due to economic changes or events that have an impact on large portions of the market.
Insurance risk	The risk of loss due to adverse developments in morbidity/mortality rates, longevity, expense, and changes to policyholder behaviour.
Liquidity risk	The risk of loss due to an inability to fund or trade liquidity risk at a given period to meet debt obligations at a reasonable price.
Concentration risk	The risk of loss due to a series of exposures with the potential to produce large enough losses. It may arise in the form of credit concentration, market correlation, cross risk types, pandemic, which may have been accumulated over time.
Operational risk	Risk of loss resulting from inadequate or failed internal processes and systems or from external events.

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 8 February 2018 of:

– a final dividend on ordinary shares of 14.5 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.

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 2017 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
– Andrew Harmos (appointed 1 June 2017)
– Holly Kramer
– Trevor Matthews
– Geoff Roberts
– Peter Shergold (retired 11 May 2017)
– Peter Varghese
– Vanessa Wallace
– Mike Wilkins

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 2017. The Chairman and directors also attended other meetings, including management meetings and meetings of subsidiary boards or committees of which they were not a director or member during the year (those voluntary attendances are not included in the table below).

Board/Committee	AMP Limited Board Meetings		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	14	14	–	–	–	–	3	3	7	7	13	13	–	–
Craig Meller	14	14	–	–	–	–	–	–	–	–	8	8	7	7
Patricia Akopiantz	14	14	1	1	3	3	3	3	7	7	6	6	16	16
Andrew Harmos (appointed 1 June 2017)[3]	9	9	2	2	2	2	–	–	–	–	6	5	7	7
Holly Kramer	14	14	4	4	–	–	–	–	–	–	5	4	10	10
Trevor Matthews	14	14	4	4	4	4	–	–	–	–	2	2	7	7
Geoff Roberts	14	14	4	4	–	–	–	–	–	–	8	8	–	–
Peter Shergold (retired 11 May 2017)[4]	5	5	–	–	2	2	2	2	–	–	–	–	6	6
Peter Varghese	14	14	–	–	4	4	1	1	–	–	1	1	12	12
Vanessa Wallace	14	13	–	–	1	1	–	–	7	7	2	1	12	12
Mike Wilkins	14	13	4	4	4	4	–	–	–	–	10	9	6	5

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, various compliance matters and certain strategic initiatives.
2 Subsidiary board and committee meetings include AMP Life/The National Mutual Life Association of Australasia (NMLA), AMP Bank and AMP Capital Holdings. Where board and committee meetings of AMP Limited and AMP Life/NMLA were held concurrently, only one meeting has been recorded in the above table. Similarly, where concurrent meetings of AMP Life and NMLA were held, only one meeting has been recorded.
3 Andrew Harmos was appointed as a Director on 1 June 2017 and member of the Audit and Risk Committees in June 2017.
4 Peter Shergold retired as a Director on 11 May 2017.

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 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 has held various legal roles in the AMP group before moving into the Group Corporate Governance team. She is Company Secretary for AMP Bank Limited. Prior to 2000, Vicki worked as a lawyer focusing on litigation in several Sydney private legal 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 2017.

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 2017, 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, 8 February 2018

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 2017, 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 CFO, or his nominated delegate, or the Chairman of the Audit Committee;
- No non-audit assignments were carried out which were specifically excluded by the AMP Charter of Audit Independence; and
- The level of fees for non-audit services amounted to 12% (ie $1.9 million) of the total fees paid to the auditors, decreasing by 9% on the prior year.

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 2017.

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

for the year ended 31 December 2017

On behalf of the board, I am pleased to present AMP's 2017 remuneration report for your consideration.

Heading into 2017, the board and management were determined to drive improved returns for shareholders. To this end, early in the year we made a number of key changes designed to turn around short-term performance and drive longer term growth. We announced a clear five-year portfolio strategy and introduced both a new organisational structure and operating model. This resulted in a number of changes to the AMP leadership team. In 2017 performance improved and we made good progress on strategy, successfully delivering many of the key strategic priorities.

Recognising that remuneration is a key lever in driving performance, as foreshadowed in our 2016 report, we also reviewed our executive remuneration arrangements to ensure they support the new portfolio strategy and drive performance within the appropriate risk management framework.

Our 2017 remuneration report details the link between the 2017 results and the remuneration outcomes for executives. The report also provides shareholders with an overview and structure for our 2018 executive remuneration arrangements, outlining the philosophy and approach adopted to drive growth and improve outcomes for shareholders.

2017 remuneration outcomes

2017 saw AMP deliver a strong recovery in underlying profit ($1,040m up from $486m in 2016) with solid operating performances across the group. The results reflect the continued growth in AMP's core businesses, the stabilisation of the insurance business and a sustained focus on cost management. Underlying return on equity increased to 14.3% and the capital position remained strong. As a result, shareholders will receive a final dividend of 14.5 cents per share, bringing the 2017 total dividend to 29 cents per share.

We also made good progress in delivering on our strategy. We are well progressed with a portfolio review of the 'manage for value' businesses (Insurance, New Zealand and Mature), with all alternatives being considered. While the portfolio review is yet to be concluded, we expect to be in a position to provide a further update at or before AMP's 2018 AGM. We continued investing for growth in our core Australian businesses. Internationally, to leverage and extend our strengths in advice and real asset management, we made two strategic investments in United Capital (a US-based advice business) and PCCP (a US-based real estate investment manager).

The 2017 remuneration outcomes reflect the group's improved financial performance and delivery against strategic priorities. However, despite delivering solid operating results, the board determined that the overall STI outcomes were slightly 'below target' at 90% of target (or 56% of maximum), resulting in a pool of $75m. This decision reflects the rigour and discipline applied to setting and measuring progress against targets and is consistent with the approach taken in 2016 when a zero STI outcome was applied to executives in reflection of poor financial performance.

Fixed remuneration increases were limited to where there was a change in role as a result of the new organisation structure. The CEO did not receive an increase in fixed remuneration in 2017.

There was no increase to NED fees in 2017. The board completed a review of the governance structure of the key operating subsidiary boards in 2017. This resulted in an annual saving of $836,500 in Life board director fees.

2018 executive remuneration changes

We conducted a comprehensive review of our remuneration strategy to determine how we could better deliver the group strategy and bring a performance edge to AMP's existing culture of integrity and help. This included extensive discussions with shareholders and other stakeholders.

While the existing incentive plans were meeting some of the remuneration guiding principles, the board felt that there was scope to improve the arrangements to ensure the remuneration framework best supports the delivery of AMP's new five-year strategy. In particular, the board strongly believes that using equity to create an ownership mentality is key to driving the performance culture required to deliver the strategy to create value for shareholders.

The new Executive Performance Incentive Plan (EPI Plan) is a simple framework that is designed to create equity ownership if performance objectives are met. A single allocation will be made each year based on performance against a scorecard, partly paid in cash with the majority deferred into equity for five years. The final value to the executive of that equity grant will be directly tied to the share price performance of AMP and hence will create a strong alignment with shareholder interests. This holistic incentive scheme will be effective from 1 January 2018 and will replace the existing STI and LTI plans.

To create this ownership mentality more broadly across the organisation, a similar remuneration approach will also be implemented with executives at the next layer in the organisation from 1 January 2018.

We acknowledge that there are many different views as to the 'right' remuneration approach. Your board considered many factors including AMP's overall remuneration objectives and principles, emerging practice and research, changing regulatory and market conditions, as well as stakeholder feedback, in arriving at an approach which is 'fit for purpose' for AMP today. We believe this is the best approach at this time to support the culture of performance and deliver returns for our shareholders.

We have included a detailed overview of the new remuneration arrangements in section 6 of this report.

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

Patricia Akopiantz

Patricia Akopiantz
Chairman, People and Remuneration Committee

Remuneration report (audited)

This remuneration report details the remuneration arrangements for our key management personnel (KMP) in 2017 in addition to guidance regarding changes to the remuneration framework that will take effect from 2018.

Contents

1. Who is covered by this report

KMP are the individuals who have authority and responsibility for planning, directing and controlling the activities of AMP. This includes the chief executive officer (CEO), nominated direct reports of the CEO and AMP's non-executive directors (NEDs). In this report, the term executive means the CEO and the other executives who are KMP. 2017 KMP are detailed below. There are a number of new executives in this report due to the restructure of the executive team effective 1 January 2017.

		Term as KMP in 2017
Current executives		
Craig Meller	Chief Executive Officer and Managing Director	Full Year
Megan Beer[1]	Group Executive, Insurance	Full Year
Sally Bruce[1]	Group Executive, AMP Bank	Full Year
Saskia Goedhart[1]	Chief Risk Officer	Full Year
Gordon Lefevre	Chief Financial Officer	Full Year
Helen Livesey[1]	Group Executive, Public Affairs and Chief of Staff	Full Year
Jack Regan[1]	Group Executive, Advice and New Zealand	Full Year
Craig Ryman	Group Executive, Technology and Operations	Full Year
Paul Sainsbury	Group Executive, Wealth Solutions and Customer	Full Year
Brian Salter	Group General Counsel	Full Year
Adam Tindall	Chief Executive Officer, AMP Capital	Full Year
Fiona Wardlaw	Group Executive, People and Culture	Full Year
Former executives		
Pauline Blight-Johnston[2]	Former Group Executive, Insurance and Superannuation	–
Robert Caprioli[2]	Former Group Executive, Advice and Banking	–
Matthew Percival[3]	Former Group Executive, Public Affairs and Chief of Staff	–
Wendy Thorpe[2]	Former Group Executive, Operations	–
Current non-executive directors		
Catherine Brenner	Chairman	Full Year
Patricia Akopiantz	Non-executive Director	Full Year
Andrew Harmos[4]	Non-executive Director	Seven months
Holly Kramer	Non-executive Director	Full Year
Trevor Matthews	Non-executive Director	Full Year
Geoff Roberts	Non-executive Director	Full Year
Peter Varghese	Non-executive Director	Full Year
Vanessa Wallace	Non-executive Director	Full Year
Mike Wilkins	Non-executive Director	Full Year
Former non-executive directors		
Simon McKeon[5]	Chairman	–
Brian Clark[5]	Non-executive Director	–
John Palmer[6]	Non-executive Director	–
Peter Shergold[7]	Non-executive Director	Five months

1 Megan Beer, Sally Bruce, Saskia Goedhart, Helen Livesey and Jack Regan were appointed to their roles on 1 January 2017.
2 Pauline Blight-Johnston, Robert Caprioli and Wendy Thorpe's roles were made redundant effective 31 December 2016.
3 Matthew Percival retired 31 December 2016.
4 Andrew Harmos was appointed to the AMP Limited Board on 1 June 2017.
5 Simon McKeon and Brian Clark retired from the AMP Limited Board following the annual general meeting (AGM) on 12 May 2016.
6 John Palmer held the position of AMP Limited Chairman for the period 12 May – 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.
7 Peter Shergold retired from the board on 11 May 2017.

2. 2017 remuneration framework

The table below outlines the remuneration plan in place for 2017. A new remuneration model will be introduced in 2018 and is described in section 6.

AMP's promise – helping people own tomorrow[1]

Executive remuneration objective:
To incentivise and reward executives for delivering sustained business performance that leads to long-term value creation 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

Delivered through the following remuneration components:

Fixed	At risk	
Fixed remuneration Cash salary, superannuation and any salary sacrificed benefits	**Short-term incentive (STI)** 60% delivered as cash 40% delivered as share rights deferred for two years	**Long-term incentive (LTI)** 100% delivered as performance rights subject to a total shareholder return (TSR) performance hurdle with a four-year performance period

Supported by the remuneration governance and risk management frameworks

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

1 Refer to the 'Our strategy' and 'Who we are and what we do' sections of the annual report for further detail.

2.1. Changes to executive remuneration in 2017

As outlined in the 2016 remuneration report, three key changes were made to our executive remuneration structure in 2017. These changes were interim measures pending the transition to our new business strategy and the outcome of the more detailed review of the executive remuneration framework. The changes for 2017 are detailed below:

- **LTI vesting period extended from three to four years**
  The 2017 grant will vest over four years instead of three. This change did not result in an increase in the LTI value awarded. The vesting period was moved from March to 1 January 2017 to align with AMP's financial year. These changes aligned the performance period that determines vesting with the performance period of AMP, and directs management's focus on value creation over a longer term.
- **100% of LTI is subject to relative total shareholder return (TSR)**
  As an interim step, while reviewing our remuneration framework, 100% of the 2017 LTI grant is subject to a single relative TSR measure.
- **Increased focus on financial goals for STI**
  In 2017, we increased the weighting of financial measures to 70% of the STI scorecard (from 65%). The remaining 30% focuses on embedding our customer-centred culture, supported by a strong risk management environment.

Information about the executive remuneration changes for 2018 can be found in section 6.

2.2. Culture and risk management in remuneration

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

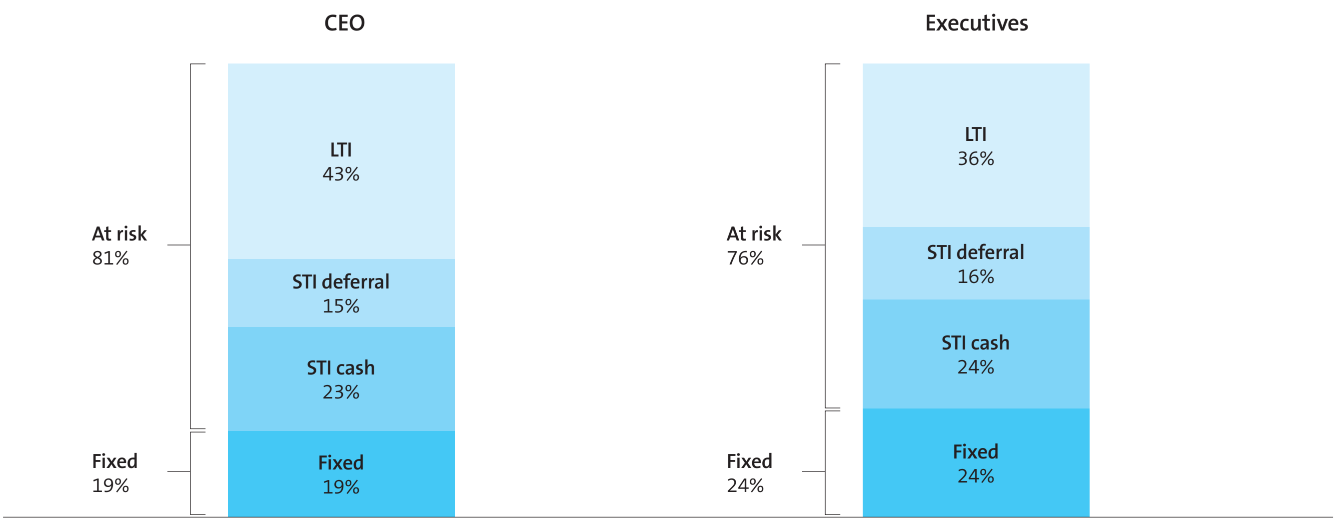
Effective risk management is embedded into the remuneration principles and framework (outlined in the diagram in section 2) and is a key consideration in our performance assessment at a company and individual level. Conduct is also a key consideration in the design of remuneration and evaluation of performance.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

Further detail on how risk is considered for each reward element is outlined in section 8.

2.3. Remuneration mix

The following illustration shows the remuneration mix for the executives in 2017 (excluding AMP Capital's CEO who participates in the AMP Capital enterprise profit share plan). Outcomes have been modelled based on the average of the executives' maximum opportunities. The LTI maximum value is the face value of the 2017 LTI award.

2017 remuneration mix based on maximum incentive opportunity



3. Remuneration governance

Remuneration at AMP is governed through the Limited and subsidiary boards and the People and Remuneration Committee (PRC). The PRC supports the boards to fulfil their remuneration obligations by overseeing AMP's remuneration strategy and policy.

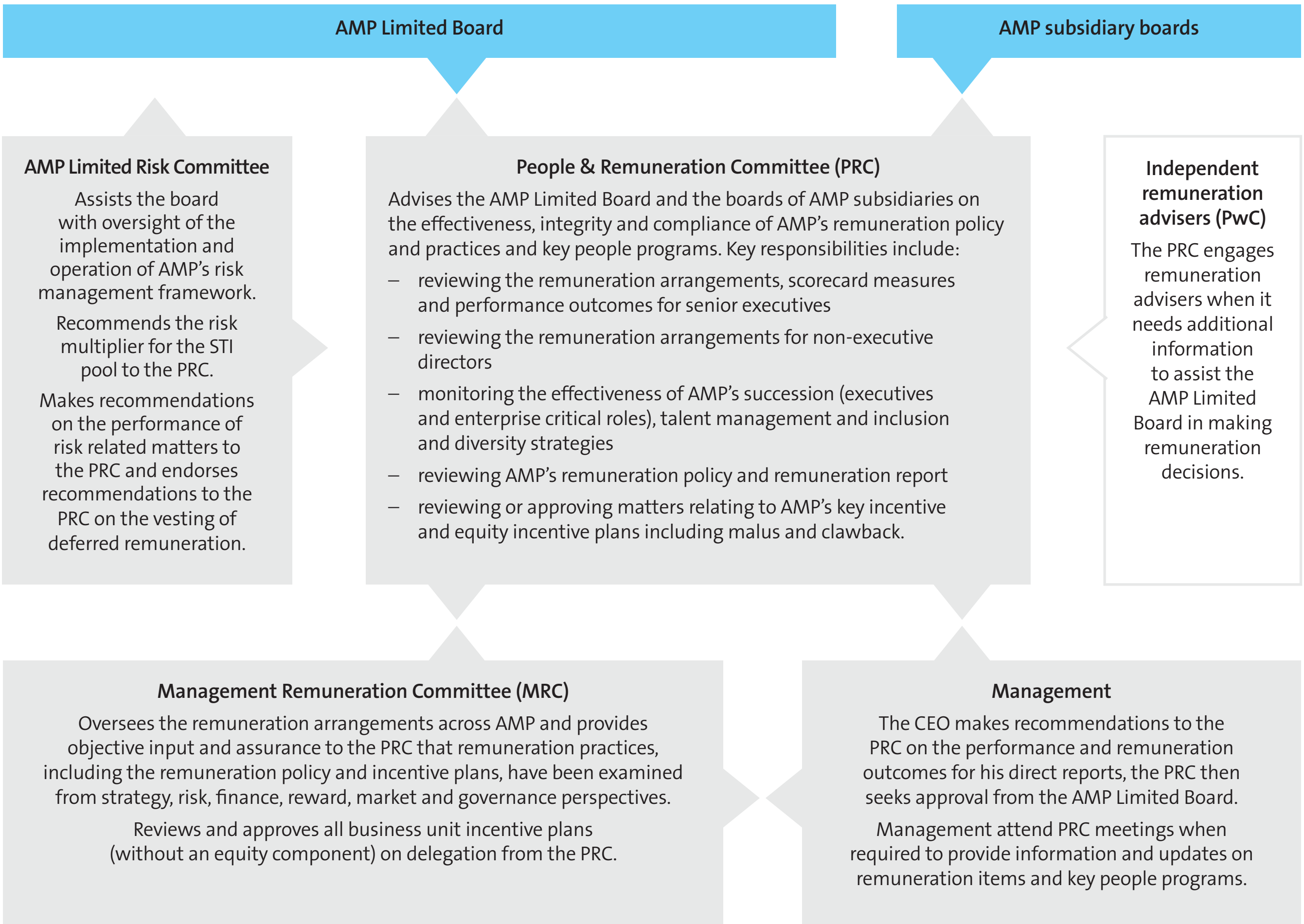
AMP's remuneration policy provides a framework for the implementation, assessment and maintenance of remuneration arrangements throughout AMP in line with the remuneration guiding principles adopted by the PRC.

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

The board believes that to make good remuneration decisions it needs both a robust framework and the ability to exercise judgement. Therefore, the board retains discretion to adjust remuneration outcomes in certain cases to ensure that awards are appropriate and aligned to shareholder experience. We recognise that shareholders place a significant degree of trust in the board to exercise this discretion. In 2016, the board exercised downward discretion, and in conjunction with the CEO, determined that the executives should not receive any STI awards based on the performance of the wealth protection business for that period.

Where an external perspective is needed, the PRC seeks guidance from independent remuneration advisers. During the year, the PRC engaged PricewaterhouseCoopers (PwC) and received updates on market trends, regulatory changes, shareholder concerns regarding remuneration, and advice on remuneration given AMP's strategy and goals. No specific remuneration recommendations were made to the PRC by independent remuneration advisers in 2017.

The governance framework is illustrated in the chart below.



3.1 Regulatory change

The financial services industry continues to be subject to significant regulatory change. Remuneration has been one of the areas of focus. The board endorses the spirit and sentiment of these regulatory changes and believes they support AMP's desired culture of help, integrity and performance.

As a diversified financial services organisation, different regulations around remuneration apply to different parts of the AMP group. AMP aims to incorporate elements of these remuneration changes across the whole group.

AMP, through AMP Bank, is committed to implementing any changes required to support the Sedgwick Retail Banking Remuneration Review recommendations.

4. 2017 remuneration outcomes

4.1. Summary of 2017 company performance

2017 saw AMP deliver a strong recovery in underlying profit ($1,040m up from $486m in 2016) with solid operating performances across the group. The results reflect the continued growth in AMP's core businesses, the stabilisation of the insurance business and a sustained focus on cost management. Underlying return on equity increased to 14.3% and the capital position remained strong. As a result, shareholders will receive a final dividend of 14.5 cents per share, bringing the 2017 total dividend to 29 cents per share.

We also made good progress in delivering on strategy. We announced that we were well progressed with a portfolio review of the manage for value businesses (Australian wealth protection, New Zealand and Mature), with all alternatives being considered. We continued investing for growth in our core Australian businesses. Internationally, to leverage and extend our strengths in advice and real asset management, we made two strategic investments in United Capital (a US-based advice business) and PCCP (a US-based real estate investment manager).

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

	2013	2014	2015	2016	2017
Financial results					
Profit (loss) after tax attributable to shareholders ($m)	672	884	972	(344)	**848**
Underlying profit ($m)	849	1,045	1,120	486	**1,040**
Cost to income ratio (%)	49.4	44.8	43.8	63.7	**46.2**
Shareholder outcomes					
Total dividend (cents per share)	23	26	28	28	**29**
Share price at 31 December ($)	4.39	5.50	5.83	5.04	**5.19**
STI pool					
STI pool ($m)[1]	83	118	105	34	**75**
STI pool as % of underlying profit (%)	9.8	11.3	9.4	7.1	**7.2**
Average STI received as % of maximum opportunity for executives (%)	43	70	54	0	**58**
LTI performance					
Relative TSR percentile[2]	21st	26th	41st	31st	**27th**
Return on equity (%)[3]	10.7	12.7	13.2	5.6	**14.3**
LTI vesting outcome (% of grant vested during the year)	0	0	0	22	**0**

1 The 2016 and 2017 STI pool excludes AMP Capital as this part of the business has separate remuneration arrangements that were introduced in 2016.
2 TSR percentile ranking as at 31 July 2013 and 2014, 28 February 2015, 6 March 2016, and 5 March 2017 respectively.
3 The RoE outcomes are the unadjusted outcomes. For 2015, the adjusted outcome was 13.5% to take into account the impact of the investment in the China Life Pension Company. This resulted in partial vesting of the RoE tranche as disclosed in the 2016 remuneration report.

4.2. Summary of 2017 executive outcomes

The following table shows the remuneration awarded to executives based on the 2017 performance year, or in the case of LTI, the face value of the LTI awarded for 2017. Reflective of AMP's improved performance in 2017, executives received STI awards in 2017 in contrast to receiving no allocations in 2016. Based on performance against scorecard, the board determined that 90% of target had been achieved (or 56% of maximum opportunity). Individual STI payments varied based on individual executive performance and, in cases where the executives were responsible for running a business unit, specific business unit performance.

This table differs from the statutory table in section 8.3.1 which is prepared according to Australian Accounting Standards.

	Fixed remuneration $'000	Cash STI $'000	Deferred STI $'000	LTI face value awarded $'000	Total remuneration earned from 2017 $'000	% of maximum STI opportunity awarded	% of maximum STI opportunity not awarded
Craig Meller	1,900	1,288	859	4,275	8,322	57	44
Megan Beer	900	520	346	1,350	3,116	69	31
Sally Bruce	750	394	262	1,125	2,531	62	38
Saskia Goedhart[1]	600	142	94	900	1,736	28	72
Gordon Lefevre	965	651	434	1,448	3,498	56	44
Helen Livesey	650	469	313	975	2,407	69	31
Jack Regan	900	591	394	1,350	3,235	62	38
Craig Ryman	750	492	328	1,125	2,695	62	38
Paul Sainsbury	965	651	434	1,448	3,498	56	44
Brian Salter	785	463	309	1,178	2,735	56	44
Adam Tindall[2]	800	1,430	953	1,200	4,383	n/a	n/a
Fiona Wardlaw	700	459	306	1,050	2,515	62	38
Total	**10,665**	**7,550**	**5,032**	**17,424**	**40,671**		

1 Saskia Goedhart resigned during 2017 and her STI allocation has been adjusted accordingly.
2 The percentage of maximum STI opportunity awarded for Adam Tindall is not applicable because his opportunity is uncapped under the AMP Capital enterprise profit share plan.

The following sections detail how these outcomes were determined for 2017.

4.3. Fixed remuneration outcomes

Changes to the organisational structure were announced in November 2016. As a result, certain executive roles changed. The Chief Information Officer and Chief Customer Officer roles were expanded to become Group Executive, Technology & Operations and Group Executive, Wealth Solutions and Customer respectively. To reflect the increased responsibilities and workload associated with these roles, the incumbents received fixed remuneration increases of 15% and 11% respectively, effective 1 January 2017.

In addition, effective 1 January 2017, several executives were appointed to new roles as direct reports to the CEO and became KMP. Remuneration for these executives was determined using independent external benchmarks.

The CEO did not receive a fixed remuneration increase in 2017.

4.4 Short-term incentive outcomes

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

4.4.1. Group STI and CEO scorecard

The board believes that both financial and strategic measures are key to delivering our strategy and through this, shareholder value. In 2017, 70% of the Group STI scorecard was weighted to financial measures and 30% to strategic measures. The financial measures are focused on driving profitability and growth. The strategic measures are focused on building and strengthening critical capabilities to deliver on AMP's strategy.

The first strategic measure in the scorecard is Net Promoter Score (NPS), which is designed to drive customer advocacy (20% of scorecard). We believe an improved customer experience will deliver a sustained competitive advantage and will drive superior outcomes for customers and shareholders. This year we have used a single quantitative measure, customer NPS, to measure our performance. Our analysis has shown a strong link between improved NPS and customer lifetime value.

The second strategic measure is strengthening our risk culture (10% of scorecard). Conduct of our people is paramount to our success. Strong risk management behaviours support us to do the right thing by our customers and allow us to make better decisions. This year the board again set stretch aspirations for the continued development and embedding of our risk management framework.

4.4.2. Group STI outcome

The board assessed AMP's performance against the STI scorecard to determine the size of the STI pool for 2017. In 2017 AMP's financial performance was slightly below target. Performance against the strategic customer goals was determined by the board to be well above target and performance on risk goals was determined by the board to be slightly below target.

Overall performance on financial and strategic measures generated an STI pool for 2017 of $75 million or 90% of target opportunity. This compares to an STI pool of $34 million or 40% of target opportunity in 2016. The 2017 STI pool again excludes AMP Capital as this part of the business has separate remuneration arrangements.

Metrics	Link to strategy	Performance outcome	Performance commentary
Underlying profit less cost of capital charge **(50%)**	Underlying profit less cost of capital assesses management's ability to deliver real economic value to shareholders by considering how effectively capital is deployed to generate profit. The metric encourages management to invest in projects and grow business lines that deliver returns above the cost of capital, and actively manage both the cost and usage of capital.	On target	In 2017, the group delivered underlying profit of $1,040 million, up from $486 million in 2016. The strong business recovery reflects the stabilisation of wealth protection (insurance) and solid operating performances right across the group. – Wealth management delivered a resilient performance underpinned by strong platform cashflows, disciplined management of margin compression, delivery of 10% growth in other revenue from Advice and SMSF and tight cost management. – AMP Capital and AMP Bank's growth momentum continued with operating earnings up 8%.and 17% respectively. – The wealth protection business stabilised and completed comprehensive reinsurance program releasing capital. Disciplined management of costs delivered a 3% reduction in controllable costs (excluding AMP Capital) for the year. The cost to income ratio was 46.2%. The capital position remains strong, further strengthening through the year to finish 2017 with a surplus over minimum regulatory requirements of $2.3 billion. Underlying return on equity increased to 14.3%, moving towards target of 15% in 2018.
Value of business growth **(20%)**	We orient capital and resources to grow our core Australian businesses. We consider metrics specific to various businesses including: – value of net cashflow – value of risk new business – net revenue of AMP Capital	Significantly below target	Value of net cashflow – neither the value of net cash flow or risk new business measures met threshold. Australian wealth management net cashflows increased by $595m to $931m from strong discretionary contributions ahead of 1 July 2017 super changes, corporate super mandate wins and strong cashflows on North which were up 14% on 2016. However, strong inflows were offset by increased market activity from superannuation consolidation and MySuper transitions. AMP Bank delivered 14% growth in residential lending in a competitive environment. Considered collectively, the overall value of net cash flow did not meet threshold targets. Value of risk new business – Australian wealth protection new business was also below threshold reflecting competitive pressures. Net revenue of AMP Capital – offsetting this was strong performance from AMP Capital where net revenue was significantly above target. There were strong external net cashflows of $5,477 million, up from $967 million in 2016, including good flows into real assets and fixed income. As a result, the board assessed the overall performance of value of business growth as significantly below target.
Customer advocacy **Net Promoter Score (NPS)** **(20%)**	Improved customer experiences, through goals-based experiences and solutions will drive long-term value and a sustainable competitive advantage.	Well above target	The combined NPS result across our business increased +11 which was well above the stretch target set. Importantly, we saw a trend of consistent improvement throughout the year, driven by our customer facing teams listening to and acting on detractor feedback. In addition, our corporate functions have been leading improvement programs focused on systemic causes of customer detraction, which were not within the control of our customer facing teams to resolve.
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 and make better decisions. This in turn will increase customer loyalty and advocacy to generate improved financial returns and value for shareholders.	Slightly below target	Embedding the enhanced risk management framework is on track with two of three measures for 2017 achieved and one mostly achieved. Two further stretch goals (over and above targets set) were not achieved. Collectively, this has resulted in improvements in our approach to risk management and risk behaviours to support customer outcomes and improved decision making across AMP.

4.4.3 CEO outcome

At the end of the year, the board completes a thorough assessment of the CEO's performance against the STI scorecard and the individual goals, which were set for him at the beginning of the year. The CEO's STI outcome is directly linked to the STI scorecard outcomes. This is a deliberate choice by the board and reinforces that the CEO is accountable for the overall performance of the business. While the scorecard is the primary determinant of the CEO's STI reward, the board does overlay a broader set of measures when assessing his performance. For 2017 the additional measures included key strategic priorities and people and culture measures.

Good progress was made against the key strategic priorities: earnings in wealth protection were stabilised through reinsurance; AMP Bank continued to grow while maintaining a conservative lending approach; other revenue in wealth management grew by 10% reflecting increased contribution from Advice and SMSF; AMP Capital's international growth continued through targeted investment in US-based investment manager PCCP and the ongoing success of its Asian distribution strategy; and a portfolio review of the 'manage for value' businesses (Insurance, New Zealand and Mature) was initiated and is well progressed.

The people and culture measures against which the CEO was evaluated relate to the development of a customer-centric and performance-oriented culture, employee engagement and diversity. Employee engagement has remained strong. This is a pleasing result for the board and management given the significant regulatory changes and restructuring of the business which occurred during 2017. At 31 December 2017, women held 38% of AMP's senior executive roles and 41% of middle manager roles. These outcomes, whilst above industry averages, fall short of the year-by-year target set as part of the ambitious 2020 aim of 47% female representation for senior executives and 50% for middle managers. Additional diversity initiatives have been endorsed by management to achieve the targets.

Overall the board assessed the CEO's performance as on target. Despite his performance being on target, consistent with the board philosophy of linking the CEO STI outcome closely to the overall STI scorecard outcome, the CEO received an allocation of $2,147,000 which is 90% of his target opportunity.

4.4.4 Executive outcomes

To drive collective responsibility, all executives shared the same scorecard measures in 2017 as the CEO. In addition, executives have individual targets associated with the performance of their own business unit. Based on individual performance, the CEO recommends to the board for approval the executive STI allocations. In 2017, STI awarded to executives varied from 56% to 69% of opportunity.

4.4.5 AMP Capital enterprise profit share plan

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

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

4.5. Long-term incentive outcomes

AMP operated a LTI plan in 2017. Full details of the LTI plan are described in section 8.1.

The vesting outcomes that reflect 2016 and 2017 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							
5 Jun 2014	1 Jan 2016	31 Dec 2016	RoE	13.7%	15.0%	5.8%	0%
5 Jun 2014	6 Mar 2014	5 Mar 2017	TSR	50th percentile	75th percentile	27th percentile	0%
4 Jun 2015	1 Jan 2017	31 Dec 2017	RoE	15.3%	17.2%	14.3%	0%
Grants to be tested for vesting in the future							
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
19 May 2017	1 Jan 2017	31 Dec 2020	TSR	50th percentile	75th percentile	TBA	TBA

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

The board did not make any adjustments to any LTI awards that were tested and eligible for vesting during the 2017 financial year.

2014 LTI award
The performance hurdles were not met and as a result 100% of both the RoE and TSR tranches lapsed.

2015 LTI award
RoE measured for the year ended 31 December 2017 was not sufficient to meet the required performance threshold and 100% of this tranche also lapsed at the performance end date.

The current relative TSR performance indicates that AMP is not likely to meet the performance target of outperforming at least 50% of the peer group. If this is the case when this hurdle is tested in March 2018, 100% of this tranche will also lapse.

Details on the 2015 LTI award are included to provide transparent disclosure on outcomes relating to 2017 performance, despite the final TSR outcome not being confirmed at time of publication. The final outcome of the 2015 LTI award will be included in the 2018 report.

5. Executive shareholding

5.1. Minimum shareholding

All executives are required to accumulate 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

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, eg 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 further performance condition (other than a continued service condition). Under the current STI deferral plan, share rights are deferred for two years and can be disposed of after the two-year vesting period.

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

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

5.2. Executive shares and share rights holding

The following table shows the number of shares and share rights held by executives or their related parties during 2017. 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 2017						Holding at 31 Dec 2017		
	Shares	Share rights	Total number of units at 1 Jan 2017	Share rights granted during 2017[1]	Share rights converted to shares[2]	Other market transactions[3]	Shares	Share rights	Total number of units at 31 Dec 2017
Craig Meller	521,175	336,984	**858,159**	–	166,944	–	688,119	170,040	**858,159**
Megan Beer[4]	–	123,754	**123,754**	6,133	39,566	–	39,566	90,321	**129,887**
Sally Bruce[5]	41,666	85,897	**127,563**	18,692	41,667	(41,666)	41,667	62,922	**104,589**
Saskia Goedhart[6]	8,156	82,540	**90,696**	10,322	16,313	–	24,469	76,549	**101,018**
Gordon Lefevre	–	153,335	**153,335**	–	69,449	–	69,449	83,886	**153,335**
Helen Livesey[7]	–	60,576	**60,576**	–	11,858	–	11,858	48,718	**60,576**
Jack Regan	234,149	89,909	**324,058**	29,763	45,075	–	279,224	74,597	**353,821**
Craig Ryman[8]	17,608	60,551	**78,159**	–	15,066	–	32,674	45,485	**78,159**
Paul Sainsbury	65,475	164,039	**229,514**	–	85,141	(85,141)	65,475	78,898	**144,373**
Brian Salter	156,207	117,940	**274,147**	–	58,430	(106,950)	107,687	59,510	**167,197**
Adam Tindall	110,182	223,027	**333,209**	187,021	69,181	–	179,363	340,867	**520,230**
Fiona Wardlaw	168,031	105,486	**273,517**	–	52,420	–	220,451	53,066	**273,517**

1 The number of share rights granted on 27 April under the STI deferral plan was determined using the fair value price of $4.65 per share right.
2 Unless otherwise stated, the share rights converted to shares during 2017 relate to the vesting of the 2014 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 Megan Beer's 12,555 share rights that converted to shares during 2017 were granted in June 2014 as part of the 2014 LTI award.
5 Sally Bruce's 41,667 share rights that were converted to shares during 2017 were granted in September 2015 as a sign-on bonus.
6 Saskia Goedhart's 16,313 share rights that were converted to shares during 2017 were granted in September 2015 as a sign-on bonus.
7 Helen Livesey's 11,858 share rights that converted to shares during 2017 were granted in June 2014 as part of the 2014 LTI award.
8 Craig Ryman's 15,066 share rights that converted to shares during 2017 were granted in June 2014 as part of the 2014 LTI award.

6. Executive remuneration changes for 2018

As indicated in last year's remuneration report, during the course of 2017 we conducted a review of our remuneration model. The review focused on strengthening the alignment of our remuneration strategy to performance and the delivery of long-term sustainable returns for shareholders.

The starting point for the review was the new AMP group strategy which involves the fundamental transformation and reshaping of our business portfolio. While the endpoint is clear, the timing and options to execute this type of portfolio transformation may differ and requires a remuneration model that can be flexible and responsive.

The remuneration model also needs to support and help drive our culture. Based on our heritage, AMP's culture has historically always centred on integrity and help – with doing the right thing for our customers paramount. Last year, recognising the need to drive a greater performance edge, we introduced a third aspect to the culture – performance. The new remuneration model is designed to help drive this performance element without compromising the integrity and help components. The new model will help balance needs of all stakeholders, ensuring we continue to conduct ourselves in the right way with customers while also delivering improved returns for our shareholders.

The review also took into account many other factors including emerging practice and research and changing regulatory and market conditions. The board sought and considered extensive stakeholder feedback and carefully evaluated several different approaches in determining a plan that is 'fit for purpose' for AMP today.

From this work a set of guiding principles has emerged that formed the foundation for the new model. These are:
- pay for performance
- create significant share ownership
- allow for strategic agility
- be transparent and simple
- balance short and long-term performance.

While the existing incentive plan was meeting some of the remuneration guiding principles, the board felt that it was not the best model to support the delivery of AMP's new five-year strategy.

In particular, the board strongly believes that using equity to create an ownership mentality amongst the most senior members of our team is key to driving the performance culture required to deliver AMP's strategy and create value for shareholders. Creating equity ownership also ensures a focus on the long term and reinforces doing the right thing for our customers. The board has therefore determined this to be a critical component of any new incentive arrangements.

The result is that:
- AMP will introduce a new incentive plan for executives from 1 January 2018 – the Executive Performance Incentive Plan (EPI Plan) where there is a significant emphasis on equity for the CEO and executive team;
- a similar remuneration approach will be rolled out to the next layer of management at AMP from 1 January 2018, generally the direct reports to the executives covered in this report; and
- a review is underway into encouraging employee share ownership across AMP, with changes expected to be implemented over the next 12 months.

The board strongly believes that this model will drive the performance culture required to deliver value for shareholders.

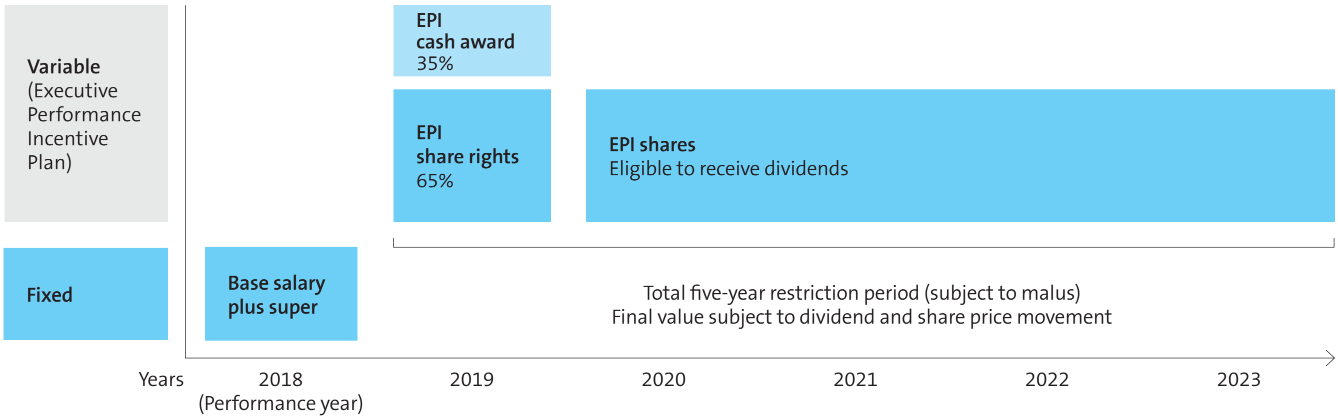
While full disclosure is not formally required until next year, the board believes that it is appropriate for shareholders to understand the rationale for and structure of the new framework.

6.1 Executive Performance Incentive Plan

The EPI Plan is delivered in two components, an EPI cash award and an EPI equity award. The EPI cash award is largely equivalent to the STI cash component in today's model. The EPI equity award is a grant of restricted equity subject to a five-year holding lock. The award of restricted equity will initially be made as rights to AMP shares (EPI share rights), and these rights will convert into restricted AMP shares after one year and remain subject to dealing restrictions for a further four-year period (EPI shares).

The result is a simple plan which is illustrated below.

Executive Performance Incentive Plan
Illustrated to show relative proportions for the CEO's on target performance in 2018.



Under the new EPI Plan, performance is assessed against an annual scorecard of at least 70% financial and at most 30% strategic measures. Financial targets will be linked to earnings growth and dividends as these metrics drive long-term shareholder value and are directly within the control of management. Strategic measures will be focused on the key strategic initiatives required to deliver the five-year plan.

While an executive's performance against these metrics will determine the size of the EPI allocation, the total value of the award will depend on how AMP's shares perform during the five-year restricted period as well as the value of the dividends received.

The board will review and potentially set new performance measures each year, depending on whether a change of focus is needed to support and drive delivery of the company strategy. These metrics will be disclosed in the 2018 remuneration report and will include detailed disclosure on performance against those metrics.

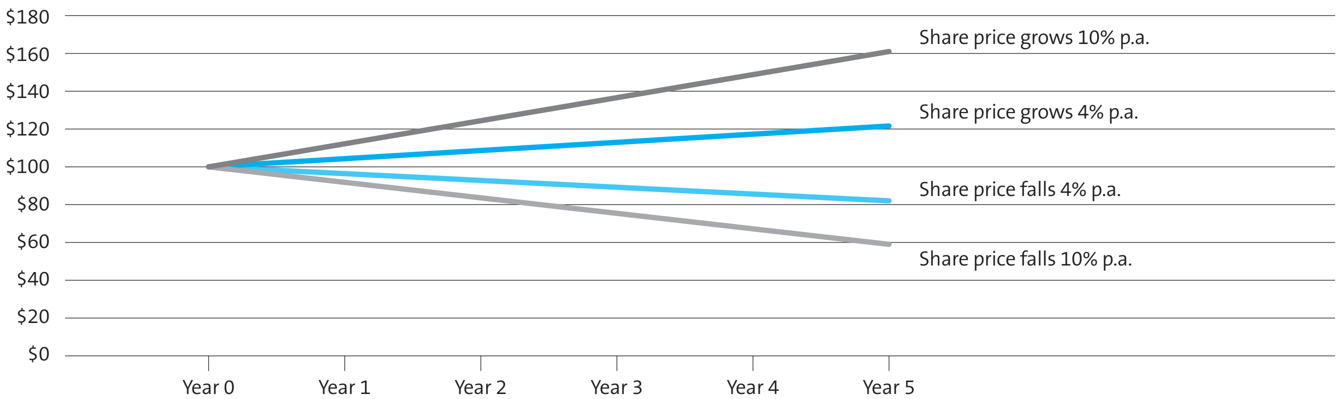
For 2018, 65% of the CEO's overall variable award will be awarded in equity, with 35% awarded in cash. For other executives, 60% will be in equity and 40% in cash. The board retains the right to vary the mix of equity and cash to ensure that the aim of increasing executive share ownership is maximised. There is no change to the value of the executives' remuneration at target. The intention of the model is not to pay executives more or less, but to pay them differently, to align them more strongly with the shareholder experience. To arrive at an equivalent value at target, extensive modelling was completed by a third party. Based on this, a discount of 40% to the current LTI face value was applied to determine the EPI Plan target opportunity.

For the CEO, under the new plan the target opportunity is 210% of fixed remuneration. The maximum incentive opportunity for the CEO is 336% of fixed remuneration, compared to 425% of fixed remuneration under the previous arrangements. The reduced overall incentive opportunity for the CEO recognises the different risk profile of the new framework.

The delivery of the award, whereby the majority will be provided in restricted equity that vests after a five-year period, will tie executives to long-term company and share price performance. Executives are also aligned with shareholders through the receipt of dividends during years two to five of the restriction period. Ultimately, the final value to the executive is dependent on the movement in share price and dividends over the restricted period, creating a strong incentive to create long-term value.

The chart below is a simple illustration of the share price component on the final value. For example, if an executive received an EPI equity award of $100 and the share price increased 10% p.a. over the five-year restriction period, the final value of the EPI equity award would be $161. Conversely, if the share price declined 4% p.a., the final value of the EPI equity award would be $82.

Executives are connected to share price value



A key feature of the EPI Plan is that executives will generally remain entitled to EPI equity awards beyond cessation of employment in most circumstances, including resignation if the executive ceases employment after the initial one-year restriction period. Under the existing STI deferral and LTI arrangements, the default treatment is forfeiture of unvested awards upon resignation. This change results from a shift from retention to reinforcing performance outcomes that remain aligned with the long-term interests of shareholders.

Risk and conduct will be reviewed at the time of the EPI allocation, at the end of the one-year initial restriction period and at the end of the five-year restriction period. EPI equity awards will remain subject to forfeiture under the existing malus conditions. Extending the period during which deferred awards can be forfeited helps manage risk and ensures executives do not receive inappropriate benefits.

The table below summarises some of the key features of the changes. Full details will be disclosed in the 2018 remuneration report.

Feature	Previous arrangements	New arrangements	Rationale for change
Remuneration components	Fixed remuneration STI: – 60% cash – 40% deferred STI (DSTI) LTI: – Performance rights	Fixed remuneration Annual incentive (EPI allocation) delivered as a EPI cash award and EPI equity award – CEO: 35% cash, 65% equity – Group executives: 40% cash, 60% equity	Delivering a significant portion of the incentive as AMP restricted equity creates an ownership mentality and alignment to shareholder interests through share ownership. A single incentive plan simplifies arrangements and focuses executives on executing on strategy.
Equity deferral period	DSTI: Two years LTI: Four years	Five-year restriction period	An extended period where executives hold significant value in restricted AMP shares ensures their focus is on improving shareholder returns over the long term.
Malus	Unvested DSTI and LTI subject to malus during the relevant deferral period	EPI equity award subject to malus during the five-year restriction period	No change proposed to malus terms other than extending the period during which deferred awards can be clawed back to align with the new five-year restriction period. This helps AMP manage risk and ensures executives do not receive inappropriate benefits.
Dividends	No dividends payable	Dividends payable through the four-year restriction period when the EPI award is held as AMP shares	Receiving dividends over the restriction period ensures increased alignment with shareholders.
Post-employment conditions	DSTI and LTI: – Forfeited upon resignation or termination for cause – Remains in the plan subject to original conditions upon redundancy or retirement	EPI equity award: – Retain for 'good leavers' (eg redundancy or separation by mutual agreement) – Retain on resignation (after initial one-year restriction period) – Forfeited upon termination for cause	Retaining an interest through a material shareholding post-employment helps to influence an executive's decisions on the future performance of AMP, even when they are considering leaving.
Risk and conduct review	Risk and conduct reviewed prior to DSTI and LTI vesting	Risk and conduct will be reviewed at the date of grant, at the end of the initial restriction period and at the end of the five-year restriction period.	To ensure pay for performance and shareholder protection.

The arrangements apply in full from 1 January 2018. There are no transition arrangements.

7. Non-executive director remuneration

AMP's non-executive director (NED) remuneration is structured to ensure 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 three components:

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

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

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

As detailed in section 7.1.2, 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 AMP board considers this enhances its oversight of the group and achieves efficiencies in the operation of the boards. The key subsidiary boards are AMP Life Limited, The National Mutual Life Association of Australasia Limited (NMLA), 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, which is a minority shareholder in the AMP Capital business. 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 (if any) appointed to them.

AMP is committed to continually evaluating the efficiency and effectiveness of its conglomerate-based governance model. Following the successful transfer of NMLA's Australian and New Zealand life insurance business to AMP Life on 1 January 2017, changes were made to the composition of, and remuneration paid to, the AMP Life and NMLA boards. These changes resulted in a 78% reduction in the aggregate annual remuneration paid to AMP Life and NMLA NEDs, with effect from 1 March 2017, saving an annualised amount of $836,500.

Other NED fees for AMP Limited and its key subsidiaries did not change during 2017. However, from 1 January 2017, the superannuation entitlements of AMP Limited and key subsidiary NEDs were consolidated into their board and committee fees, to simplify NED fee structures and increase transparency. This change did not result in any change to the total remuneration received by the NEDs.

To align the interests of NEDs with the long-term interests of shareholders, all NEDs are required to hold AMP shares and are encouraged to increase their holding further over the course of their tenure (for details see section 7.3).

7.1. 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:

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

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

NED 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 annual general meeting (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 2017, the total remuneration paid to AMP Limited NEDs was $3,401,754 being 74% of the shareholder-approved fee pool.

7.1.1. 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.

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

7.1.2. 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, as directors of AMP's key subsidiaries and members of committees of the boards of those subsidiaries, and as members of other special purpose committees formed from time to time.

As a large, diversified financial services group, operating through highly regulated subsidiaries AMP understands it is imperative 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.

7.2. 2017 non-executive director remuneration

The following table shows the NED fees for AMP Limited and its key subsidiaries for 2017.

	Chairman base fee[1] $	Member base fee[1] $
AMP Limited		
Board	659,800	198,300
Audit Committee	50,800	25,400
Risk Committee	50,800	25,400
Nomination and Governance Committee[2]	–	13,100
People and Remuneration Committee[3]	47,400	23,700
AMP Bank		
Board	90,300	56,300
Audit Committee	27,700	15,300
Risk Committee	27,700	15,300
AMP Capital Holdings		
Board	124,000	78,900
Audit and Risk Committee	28,200	16,900
AMP Life Limited & NMLA[4]		
Board	90,300	56,300
Audit Committee	10,000	5,000
Risk Committee	10,000	5,000

1 Fees effective 1 January 2017, reflecting the inclusion of superannuation that was previously presented separately of base fees. Refer section 7 above.
2 No fee is currently payable when the chairman of the committee is the Chairman of the AMP Limited Board. The chairman of the committee is currently the Chairman of the AMP Limited Board and so receives no additional fee for this appointment. If the Chairman of the Nomination and Governance Committee is not the Chairman of the AMP Limited board then a fee of $26,200 will apply.
3 No fee is currently payable to a member of the committee who is also Chairman of the AMP Limited Board. The Chairman of the AMP Limited Board is currently a member of the committee and so receives no additional fee for this appointment.
4 Fees effective 1 March 2017. 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 2017.

		Short-term benefits					Post-employment benefits	
		AMP Limited Board and committee fees $'000	Fees for other group boards $'000	Other short-term benefits[1] $'000	Additional board duties[2] $'000	Non-monetary benefits[3] $'000	Super-annuation[4] $'000	Total $'000
Current NEDs								
Catherine Brenner	**2017**	**640**	**–**	**–**	**–**	**–**	**20**	**660**
Chairman	2016	410	71	2	–	–	46	529
Patricia Akopiantz	**2017**	**261**	**121**	**–**	**11**	**–**	**20**	**413**
Non-executive Director	2016	239	111	2	–	–	33	385
Andrew Harmos[5]	**2017**	**134**	**42**	**–**	**14**	**2**	**12**	**204**
Non-executive Director	2016	–	–	–	–	–	–	–
Holly Kramer	**2017**	**204**	**81**	**–**	**11**	**–**	**20**	**316**
Non-executive Director	2016	203	85	2	–	–	27	317
Trevor Matthews	**2017**	**229**	**119**	**–**	**–**	**–**	**20**	**368**
Non-executive Director	2016	238	177	2	–	–	40	457
Geoff Roberts	**2017**	**229**	**–**	**–**	**14**	**–**	**20**	**263**
Non-executive Director	2016	114	–	–	–	–	11	125
Peter Varghese	**2017**	**204**	**96**	**–**	**–**	**1**	**28**	**329**
Non-executive Director	2016	51	18	–	–	1	7	77
Vanessa Wallace	**2017**	**205**	**141**	**–**	**–**	**–**	**20**	**366**
Non-executive Director	2016	188	71	1	–	–	25	285
Mike Wilkins	**2017**	**245**	**104**	**–**	**24**	**–**	**20**	**393**
Non-executive Director	2016	69	23	–	–	–	9	101
Former NEDs								
Simon McKeon	**2017**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Former Chairman	2016	220	–	–	–	4	8	232
Brian Clark	**2017**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Former Non-executive Director	2016	68	54	2	–	6	12	142
John Palmer	**2017**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Former Non-executive Director	2016	135	32	2	–	6	16	191
Peter Shergold	**2017**	**87**	**50**	**–**	**–**	**–**	**8**	**145**
Former Non-executive Director	2016	246	144	2	–	1	37	430
Total for 2017		**2,438**	**754**	**–**	**74**	**3**	**188**	**3,457**
Total for 2016		2,181	786	15	–	18	271	3,271

1 Annual expense allowance that was consolidated into the AMP Limited NED base fee from 1 April 2016.
2 Additional work for special committees and projects.
3 Non-monetary benefits and the related fringe benefit tax (FBT) on each item.
4 Superannuation contributions have been disclosed separately in this table, but are included in the 2017 base fees disclosed elsewhere in this report.
5 Andrew Harmos was appointed to the AMP Limited Board on 1 June 2017.

7.3. 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 their interests are closely aligned with the long-term interests of AMP shareholders. These minimum values are:

- AMP Limited Chairman: $659,800 – the equivalent of the AMP Limited Chairman base fee
- other AMP Limited NEDs: $198,300 – the equivalent of the AMP Limited NED base fee.

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

Based on the closing share price of $5.19 on 31 December 2017, all NEDs comply with the terms of the minimum shareholding policy having regard to their tenure on the board.

7.4. 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 2017 and movements in their holdings during the year.

	Holding at 1 Jan 2017	Other market transactions[1]	Holding at 31 Dec 2017[2]	Value of holding at 31 Dec 2017[3] $
Current NEDs				
Catherine Brenner	139,463	–	139,463	723,813
Patricia Akopiantz	65,009	–	65,009	337,397
Andrew Harmos[4]	–	2,000	2,000	10,380
Holly Kramer	46,231	9,881	56,112	291,221
Trevor Matthews	63,763	–	63,763	330,930
Geoff Roberts	42,540	–	42,540	220,783
Peter Varghese	7,500	20,000	27,500	142,725
Vanessa Wallace	70,000	–	70,000	363,300
Mike Wilkins	31,500	–	31,500	163,485
Former NEDs				
Peter Shergold	63,348	(63,348)	–	–

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 Peter Shergold is at 11 May 2017, the date he retired from the AMP Limited Board.
3 Value as at 31 December using closing share price of $5.19.
4 Andrew Harmos was appointed to the AMP Limited Board on 1 June 2017.

8. Further detail on current executive arrangements and statutory disclosures

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

8.1 Executive 2017 remuneration arrangements

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

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

Executive fixed remuneration is reviewed (but not necessarily increased) annually by the PRC and approved by the board, taking into account:

– external market remuneration ranges for the role
– the individual's experience and their criticality to the role
– the available budget for remuneration increases.

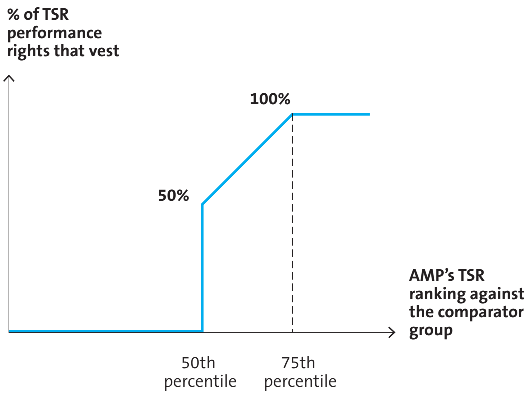
AMP's STI plans are designed to reward executives for achieving financial and strategic performance at both a business and individual level.

Going forward, the CEO and his direct reports will no longer participate in the STI, as from 1 January 2018 the STI has been replaced by the EPI.

All executives participated 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.

	2017 AMP short-term incentive plan	2017 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 for two years.	
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 4.4.1), 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 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.	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	40% of any STI payment or profit share rewards are 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 diluted by the issuing of new shares.	
If the executive leaves AMP	If any rights have not yet vested and an executive resigns from AMP or their employment is terminated for misconduct any unvested 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 would apply if the person had remained in AMP employment.	
If there is a change in control of AMP	In the event AMP is subject to a takeover or change of control, the board will determine the treatment of any unvested rights.	
Board discretion	Vesting is at the board's discretion with malus and clawback provisions. The provisions allow the board to reduce or clawback awards in certain circumstances, such as: – the participant's employment is terminated for misconduct – the participant acting fraudulently, dishonestly or in a manner which brings the AMP group into disrepute or being in material breach of their obligations to the group – to protect the financial soundness or position of AMP – to respond to a material change in the circumstances of, or a significant unexpected or unintended consequence affecting AMP that was not foreseen by the PRC (including any misstatement of financial results) – to ensure no unfair benefit to the participant.	

AMP's LTI plan is designed to link the remuneration of executives with the creation of long-term value for shareholders.

	2017 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 four years after they have been awarded if the vesting conditions have been met. The performance rights have no exercise price and no exercise period. Upon vesting the executive receives one fully paid ordinary AMP Limited share in exchange for each right held. The executive does not receive dividends and voting rights until the rights vest and have been converted to shares.
How the awards are allocated	Annually, the 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 preceding the valuation date of the award (1 January 2017 for the 2017 awards). 100% of the rights are subject to a relative total shareholder return (TSR) hurdle.
The performance hurdle	TSR measures the value delivered to shareholders over four years including dividend payments, capital returns, and movement in the share price. This hurdle was chosen because it requires AMP to outperform major ASX-listed companies before the plan generates any value. To meet this hurdle, AMP needs to generate a TSR greater than that achieved by 50% of a comparator group of companies over four years. The more companies AMP outperforms on this measure, the greater the percentage of rights that vest. The comparator group is made up of the top 50 industrial companies in the S&P/ASX 100 Index (based on market capitalisation).
How performance is measured	At the end of the vesting period the rights are tested against the performance hurdle set at the start of the performance period. If the rights pass the performance hurdle, they will be converted into AMP ordinary shares according to the following diagram. If the rights do not pass the performance test they will lapse and will not be retested. 
How the rights are converted to shares	At the end of the four-year period, any rights that have vested are converted into AMP Limited ordinary shares on behalf of participants. Participants then become entitled to shareholder benefits, including dividends and voting rights.
Source of the shares	It is the board's preference to buy the shares on market so the value of existing AMP shares is not diluted.

	2017 AMP long-term incentive plan
If the executive leaves AMP	If any rights have not yet vested and an executive resigns from AMP or their employment is terminated for misconduct their rights will lapse. If an executive leaves AMP due to retirement or redundancy any unvested rights may be retained and vesting will continue subject to the same vesting conditions as if the person had remained in AMP employment.
If there is a change in control of AMP	In the event AMP is subject to a takeover or change of control, the board will determine the treatment of any unvested rights.
Board discretion	Vesting is at the board's discretion with malus and clawback provisions. The provisions allow the board to reduce or clawback awards in certain circumstances, such as: – the participant's employment is terminated for misconduct – the participant acting fraudulently, dishonestly or in a manner which brings the AMP group into disrepute or being in material breach of their obligations to the group – to protect the financial soundness or position of AMP – to respond to a material change in the circumstances of, or a significant unexpected or unintended consequence affecting AMP that was not foreseen by the PRC (including any misstatement of financial results) – to ensure no unfair benefit to the participant.

8.2. Executive employment contracts

Contract term	CEO	Executives
Length of contract	Open-ended	Open-ended
Notice period	12 months by AMP 6 months by Craig Meller	6 or 12 months by AMP 6 or 12 months by the executive
Entitlements on termination	– 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.	
Restrictions on termination benefits	In most cases, the employment contract states that termination payments are capped at one year's base salary and do not require shareholder approval. Where this is not detailed in the contract, the same approach would be taken to ensure compliance with the Corporations Act.	
Post-employment restraint	Six or 12-month restraint on entering employment with a competitor and solicitation of AMP clients and employees.	

8.3. Other executive remuneration disclosures

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

8.3.1. Statutory disclosure

The table below shows the remuneration that was received by executives in 2017 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 2017 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[4]		
		Cash salary $'000	Cash short-term incentive $'000	Other short-term benefits[1] $'000	Superannuation benefits $'000	Rights[2] $'000	Other[3] $'000	Cash payments $'000	Share-based payment $'000	Grand total $'000
Current disclosed executives										
Craig Meller Chief Executive Officer and Managing Director	**2017**	**1,862**	**1,288**	**38**	**25**	**2,028**	**44**	**–**	**–**	**5,285**
	2016	1,828	–	34	25	996	71	–	–	2,954
Gordon Lefevre Chief Financial Officer	**2017**	**939**	**651**	**54**	**21**	**775**	**4**	**–**	**–**	**2,444**
	2016	931	–	67	21	474	2	–	–	1,495
Craig Ryman Group Executive, Technology and Operations	**2017**	**712**	**492**	**11**	**27**	**456**	**12**	**–**	**–**	**1,710**
	2016	599	–	11	29	250	11	–	–	900
Paul Sainsbury[5] Group Executive, Wealth Solutions and Customer	**2017**	**873**	**651**	**67**	**30**	**740**	**39**	**–**	**–**	**2,400**
	2016	745	–	73	34	370	44	–	–	1,266
Brian Salter[6] Group General Counsel	**2017**	**740**	**463**	**51**	**31**	**618**	**49**	**–**	**–**	**1,952**
	2016	741	–	46	31	274	30	–	–	1,122
Adam Tindall[7] Chief Executive Officer, AMP Capital	**2017**	**756**	**1,430**	**41**	**27**	**898**	**35**	**–**	**–**	**3,187**
	2016	740	1,271	41	22	643	21	–	–	2,738
Fiona Wardlaw[7] Group Executive, People and Culture	**2017**	**659**	**459**	**42**	**25**	**549**	**43**	**–**	**–**	**1,777**
	2016	615	–	60	25	303	27	–	–	1,030
New executives										
Megan Beer Group Executive, Insurance	**2017**	**858**	**520**	**15**	**25**	**303**	**9**	**–**	**–**	**1,730**
	2016	–	–	–	–	–	–	–	–	–
Sally Bruce[7] Group Executive, AMP Bank	**2017**	**729**	**394**	**6**	**27**	**274**	**4**	**–**	**–**	**1,434**
	2016	–	–	–	–	–	–	–	–	–
Saskia Goedhart[8] Chief Risk Officer	**2017**	**679**	**142**	**38**	**21**	**269**	**3**	**–**	**–**	**1,152**
	2016	–	–	–	–	–	–	–	–	–
Helen Livesey Group Executive, Public Affairs and Chief of Staff	**2017**	**603**	**469**	**–**	**46**	**185**	**5**	**–**	**–**	**1,308**
	2016	–	–	–	–	–	–	–	–	–
Jack Regan[9] Group Executive, Advice and New Zealand	**2017**	**856**	**591**	**165**	**45**	**222**	**102**	**–**	**–**	**1,981**
	2016	–	–	–	–	–	–	–	–	–

		Short-term employee benefits			Post-employment benefits	Share-based payments	Long-term benefits	Termination payments[4]		
		Cash salary $'000	Cash short-term incentive $'000	Other short-term benefits[1] $'000	Super-annuation benefits $'000	Rights[2] $'000	Other[3] $'000	Cash payments $'000	Share-based payment $'000	Grand total $'000
Former disclosed executives										
Pauline Blight-Johnston	**2017**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Former Group Executive, Insurance and Superannuation	2016	769	–	26	21	342	4	291	–	1,453
Rob Caprioli	**2017**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Former Group Executive, Advice and Banking	2016	752	–	11	23	321	13	436	–	1,556
Matthew Percival	**2017**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Former Group Executive, Public Affairs and Chief of Staff	2016	525	–	7	40	208	39	–	–	819
Wendy Thorpe	**2017**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Former Group Executive, Operations	2016	648	–	8	56	380	12	1,000	–	2,104
2017 total		**10,266**	**7,550**	**528**	**350**	**7,317**	**349**	**–**	**–**	**26,360**
2016 total		8,893	1,271	384	327	4,561	274	1,728	–	17,438

1 Other short-term benefits include non-monetary benefits, for example, purchased annual leave, car benefits and any related FBT on each item.
2 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. The total 2016 share-based payment expense was incorrectly stated in the 2016 remuneration report by $6.58 million due to a late update on vesting assumptions in 2016 with respect to RoE performance rights. 2016 balances have been restated for relevant KMP.
3 Other long-term benefits represent long service leave accrued, taken or paid during the year.
4 There were no termination payments made to executives in 2017. Termination payments for Pauline Blight-Johnston, Rob Caprioli and Wendy Thorpe were disclosed in 2016 as they relate to the termination of their KMP roles.
5 Paul Sainsbury received additional remuneration relating to the refund relating to a novated car lease.
6 Brian Salter received a cash payment to fund his life insurance cover.
7 Sally Bruce, Adam Tindall and Fiona Wardlaw received additional remuneration relating to the refund of unused purchased annual leave.
8 Saskia Goedhart received additional remuneration relating to relocation support and the final instalment of a sign-on payment.
9 Jack Regan received additional remuneration in relation to his relocation back to Australia including accommodation, tax arrangements and relocation.

8.3.2. Executive performance rights holdings
The following table shows the LTI performance rights which were granted, lapsed or exercised during 2017. 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 2017	Rights granted in 2017	Rights exercised in 2017	Rights lapsed in 2017	Holding at 31 Dec 2017	Vested and exercisable at 31 Dec 2017
Craig Meller	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	–
	19/05/17	TSR	2.24	–	855,000	–	–	855,000	–
Total				**1,990,028**	**855,000**	**–**	**653,490**	**2,191,538**	**–**
Megan Beer	05/06/14	TSR	2.89	10,008	–	–	10,008	–	–
		RoE	4.57	8,370	–	–	8,370	–	–
	04/06/15	TSR	2.82	13,845	–	–	–	13,845	–
		RoE	5.39	9,231	–	–	–	9,231	–
	02/06/16	TSR	2.37	20,513	–	–	–	20,513	–
		RoE	4.81	13,675	–	–	–	13,675	–
	19/05/17	TSR	2.24	–	180,000	–	–	180,000	–
Total				**75,642**	**180,000**	**–**	**18,378**	**237,264**	**–**
Sally Bruce	04/06/15	TSR	2.82	11,423	–	–	–	11,423	–
		RoE	5.39	7,615	–	–	–	7,615	–
	02/06/16	TSR	2.37	10,256	–	–	–	10,256	–
		RoE	4.81	6,837	–	–	–	6,837	–
	19/05/17	TSR	2.24	–	180,000	–	–	180,000	–
Total				**36,131**	**180,000**	**–**	**–**	**216,131**	**–**
Saskia Goedhart	04/06/15	TSR	2.82	20,769	–	–	–	20,769	–
		RoE	5.39	13,846	–	–	–	13,846	–
	02/06/16	TSR	2.37	12,307	–	–	–	12,307	–
		RoE	4.81	8,205	–	–	–	8,205	–
	19/05/17	TSR	2.24	–	180,000	–	–	180,000	–
Total				**55,127**	**180,000**	**–**	**–**	**235,127**	**–**
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	–
	19/05/17	TSR	2.24	–	289,500	–	–	289,500	–
Total				**696,968**	**289,500**	**–**	**236,072**	**750,396**	**–**
Helen Livesey	05/06/14	TSR	2.89	9,452	–	–	9,452	–	–
		RoE	4.57	7,905	–	–	7,905	–	–
	04/06/15	TSR	2.82	13,845	–	–	–	13,845	–
		RoE	5.39	9,231	–	–	–	9,231	–
	02/06/16	TSR	2.37	15,385	–	–	–	15,385	–
		RoE	4.81	10,256	–	–	–	10,256	–
	19/05/17	TSR	2.24	–	172,500	–	–	172,500	–
Total				**66,074**	**172,500**	**–**	**17,357**	**221,217**	**–**

Name	Grant date	Performance condition	Fair value per performance right $	Holding at 1 Jan 2017	Rights granted in 2017	Rights exercised in 2017	Rights lapsed in 2017	Holding at 31 Dec 2017	Vested and exercisable at 31 Dec 2017
Craig Ryman	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	–
	19/05/17	TSR	2.24	–	225,000	–	–	225,000	–
Total				**327,181**	**225,000**	**–**	**22,054**	**530,127**	**–**
Paul Sainsbury	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	–
	19/05/17	TSR	2.24	–	289,500	–	–	289,500	–
Total				**659,917**	**289,500**	**–**	**236,072**	**713,345**	**–**
Brian Salter	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	–
	19/05/17	TSR	2.24	–	235,500	–	–	235,500	–
Total				**596,307**	**235,500**	**–**	**213,873**	**617,934**	**–**
Jack Regan	05/06/14	TSR	2.89	36,691	–	–	36,691	–	–
		RoE	4.57	30,685	–	–	30,685	–	–
	04/06/15	TSR	2.82	78,230	–	–	–	78,230	–
		RoE	5.39	52,154	–	–	–	52,154	–
	02/06/16	TSR	2.37	86,923	–	–	–	86,923	–
		RoE	4.81	57,948	–	–	–	57,948	–
	19/05/17	TSR	2.24	–	210,000	–	–	210,000	–
Total				**342,631**	**210,000**	**–**	**67,376**	**485,255**	**–**
Adam Tindall	02/06/16	TSR	2.37	123,076	–	–	–	123,076	–
		RoE	4.81	82,051	–	–	–	82,051	–
	19/05/17	TSR	2.24	–	240,000	–	–	240,000	–
Total				**205,127**	**240,000**	**–**	**–**	**445,127**	**–**
Fiona Wardlaw	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	–
	19/05/17	TSR	2.24	–	210,000	–	–	210,000	–
Total				**518,791**	**210,000**	**–**	**177,767**	**551,024**	**–**

8.3.3. Loans and other transactions

AMP provides home loans to Australians to help them buy, build or renovate properties. The table below includes loans offered to executives in the ordinary course of business. These loans are equivalent to those that prevail in arm's length transactions, the terms and conditions of these loans 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 2017 $'000	Written off $'000	Net advances (repayments) $'000	Balance at 31 Dec 2017 $'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	11,974	–	1,845	13,819	429	–	14,642	10
Loans to KMP exceeding $100,000								
Craig Meller	2,033	–	(139)	1,894	80	–	2,253	
Sally Bruce	474	–	(211)	262	11	–	478	
Gordon Lefevre	1,397	–	(40)	1,357	45	–	1,397	
Helen Livesey	–	–	2,032	2,032	11	–	2,045	
Craig Ryman	2,009	–	(50)	1,958	76	–	2,070	
Adam Tindall	2,246	–	314	2,560	72	–	2,560	
Fiona Wardlaw	2,384	–	16	2,400	89	–	2,408	
Peter Shergold	1,350	–	–	1,350	44	–	1,350	

Other transactions

During 2017, the executives and their related parties may have access to other AMP products. Again, these products are provided to executives within normal employee terms and conditions. The products may include:

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

Signed in accordance with a resolution of the directors.

Catherine Brenner
Chairman

Sydney, 8 February 2018

Craig Meller
Chief Executive Officer and Managing Director

Analysis of shareholder profit

for the year ended 31 December 2017

All amounts are after income tax	2017 $m	2016 $m
Profit and loss		
Australian wealth management	**391**	401
AMP Capital[1]	**156**	144
AMP Bank	**140**	120
Australian wealth protection	**110**	(415)
New Zealand financial services	**125**	126
Australian mature	**150**	151
Business unit operating earnings	**1,072**	527
Group Office costs	**(74)**	(104)
Total operating earnings	**998**	423
Underlying investment income[1]	**95**	122
Interest expense on corporate debt	**(53)**	(59)
Underlying profit	**1,040**	486
Other items	**(21)**	(9)
Portfolio review and related costs	**(24)**	–
Business efficiency program costs	**–**	(19)
Amortisation of AXA acquired intangible assets[1]	**(80)**	(77)
Goodwill impairment	**–**	(668)
Profit before market adjustments and accounting mismatches	**915**	(287)
Market adjustment – investment income[1]	**(39)**	(46)
Market adjustment – annuity fair value	**4**	(8)
Market adjustment – risk products	**(18)**	11
Accounting mismatches	**(14)**	(14)
Profit attributable to shareholders of AMP Limited	**848**	(344)

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

Financial report

for the year ended 31 December 2017

Contents

Consolidated income statement

for the year ended 31 December 2017

	Note	2017 $m	2016 $m
Income and expenses of shareholders, policyholders, external unitholders and non-controlling interests[1]			
Life insurance contract related revenue	4.2	**2,997**	2,883
Life insurance claims recovered from reinsurers	4.2	**234**	150
Fee revenue		**3,125**	3,031
Other revenue		**88**	140
Interest income, dividends and distributions and net gains on financial assets and liabilities at fair value through profit or loss		**11,074**	7,817
Interest income on assets not at fair value through profit or loss		**814**	750
Share of profit or loss of associates accounted for using the equity method	6.3	**29**	28
Life insurance contract claims expense	4.2	**(2,046)**	(2,038)
Life insurance contract premium ceded to reinsurers	4.2	**(635)**	(243)
Fees and commission expenses		**(1,697)**	(1,671)
Staff and related expenses		**(1,045)**	(1,047)
Goodwill impairment	2.2	**–**	(668)
Other operating expenses		**(1,009)**	(1,165)
Finance costs		**(585)**	(551)
Movement in external unitholder liabilities		**(1,481)**	(979)
Change in policyholder liabilities			
– life insurance contracts	4.2	**(1,069)**	(1,471)
– investment contracts		**(7,158)**	(4,608)
Income tax expense	1.3	**(763)**	(166)
Profit for the year		**873**	192
Profit (loss) attributable to shareholders of AMP Limited		**848**	(344)
Profit attributable to non-controlling interests		**25**	536
Profit for the year		**873**	192

	Note	2017 cents	2016 cents
Earnings (loss) per share			
Basic	1.2	**29.3**	(11.7)
Diluted	1.2	**29.1**	(11.7)

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

Consolidated statement of comprehensive income

for the year ended 31 December 2017

	Note	2017 $m	2016 $m
Profit for the year		**873**	192
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Available-for-sale financial assets			
– losses in fair value of available-for-sale financial assets		**(1)**	–
– income tax credit		**–**	–
		(1)	–
Cash flow hedges			
– gains (losses) in fair value of cash flow hedges		**4**	(13)
– income tax (expense) credit		**(1)**	4
– losses recognised in previous years transferred to profit for the year		**10**	19
– transferred to profit for the year – income tax expense		**(3)**	(6)
		10	4
Exchange (losses) and gains on translation of foreign operations and revaluation of hedge of net investments		**(54)**	12
		(54)	12
Items that will not be reclassified subsequently to profit or loss			
Defined benefit plans			
– actuarial gains	5.2	**7**	48
– income tax expense		**(2)**	(14)
		5	34
Other comprehensive (loss) income for the year		**(40)**	50
Total comprehensive income for the year		**833**	242
Total comprehensive income (loss) attributable to shareholders of AMP Limited		**808**	(294)
Total comprehensive income attributable to non-controlling interests		**25**	536
Total comprehensive income for the year		**833**	242

Consolidated statement of financial position

as at 31 December 2017

	Note	2017 $m	2016 $m
Assets			
Cash and cash equivalents	7.1	**3,602**	3,476
Receivables	2.3	**2,151**	1,975
Current tax assets		**7**	24
Planner registers held for sale and prepayments		**138**	123
Investments in financial assets	2.1	**136,675**	129,419
Investment properties		**134**	127
Investments in associates accounted for using the equity method	6.3	**749**	449
Property, plant and equipment		**75**	66
Deferred tax assets	1.3	**686**	656
Reinsurance asset – ceded life insurance contracts	4.2	**650**	546
Intangibles	2.2	**3,218**	3,199
Total assets of shareholders of AMP Limited, policyholders, external unitholders and non-controlling interests		**148,085**	140,060
Liabilities			
Payables	2.4	**1,752**	1,852
Current tax liabilities		**71**	55
Provisions	7.3	**153**	205
Employee benefits		**325**	271
Other financial liabilities	2.1	**591**	1,342
Interest-bearing liabilities	3.2	**21,009**	17,218
Deferred tax liabilities	1.3	**2,190**	1,946
External unitholder liabilities		**14,468**	13,252
Life insurance contract liabilities	4.2	**23,683**	24,225
Investment contract liabilities	4.5	**75,235**	71,579
Reinsurance liability – ceded life insurance contracts	4.2	**1,296**	530
Defined benefit plan liabilities	5.2	**29**	44
Total liabilities of shareholders of AMP Limited, policyholders, external unitholders and non-controlling interests		**140,802**	132,519
Net assets of shareholders of AMP Limited and non-controlling interests		**7,283**	7,541
Equity			
Contributed equity	3.1	**9,376**	9,619
Reserves		**(2,010)**	(1,972)
Retained earnings		**(164)**	(185)
Total equity of shareholders of AMP Limited		**7,202**	7,462
Non-controlling interests		**81**	79
Total equity of shareholders of AMP Limited and non-controlling interests		**7,283**	7,541

Consolidated statement of changes in equity

for the year ended 31 December 2017

	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
2017													
Balance at the beginning of the year	9,619	(2,566)	93	329	8	16	148	–	(1,972)	(185)	7,462	79	7,541
Profit	–	–	–	–	–	–	–	–	–	848	848	25	873
Other comprehensive income	–	–	–	–	(1)	10	(54)	–	(45)	5	(40)	–	(40)
Total comprehensive income	–	–	–	–	(1)	10	(54)	–	(45)	853	808	25	833
Share-based payment expense	–	–	27	–	–	–	–	–	27	–	27	1	28
Share purchases	(200)	–	(20)	–	–	–	–	–	(20)	–	(220)	(1)	(221)
Net sale/(purchase) of treasury shares	(43)	–	–	–	–	–	–	–	–	(3)	(46)	–	(46)
Dividends paid[4]	–	–	–	–	–	–	–	–	–	(837)	(837)	(22)	(859)
Dividends paid on treasury shares[4]	–	–	–	–	–	–	–	–	–	8	8	–	8
Sales and acquisitions of non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(1)	(1)
Balance at the end of the year	9,376	(2,566)	100	329	7	26	94	–	(2,010)	(164)	7,202	81	7,283
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/(purchase) 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

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 2017

	Note	2017 $m	2016 $m
Cash flows from operating activities[1]			
Cash receipts in the course of operations		**18,067**	19,072
Interest received		**2,041**	2,123
Dividends and distributions received[2]		**2,137**	2,319
Cash payments in the course of operations		**(22,605)**	(22,166)
Finance costs		**(519)**	(534)
Income tax paid		**(519)**	(639)
Cash flows (used in) from operating activities	7.1	**(1,398)**	175
Cash flows from investing activities[1]			
Net proceeds from sale of (payments to acquire):			
– investment property		**–**	279
– investments in financial assets[3]		**(2,614)**	1,174
– operating and intangible assets		**(46)**	(11)
(Payments to acquire) proceeds from disposal of operating controlled entities and investments in associates accounted for using the equity method		**(293)**	10
Cash flows (used in) from investing activities		**(2,953)**	1,452
Cash flows from financing activities			
Net movement in deposits from customers		**1,003**	1,972
Proceeds from borrowings – non-banking operations[1]		**391**	361
Repayment of borrowings – non-banking operations[1]		**–**	(653)
Net movement in borrowings – banking operations		**2,305**	(282)
On market share buy-back		**(200)**	–
Proceeds from issue of subordinated debt		**250**	–
Repayment of subordinated debt		**(150)**	–
Dividends paid[4]		**(828)**	(821)
Cash flows from financing activities		**2,771**	577
Net increase (decrease) in cash and cash equivalents		**(1,580)**	2,204
Cash and cash equivalents at the beginning of the year		**8,810**	6,601
Effect of exchange rate changes on cash and cash equivalents		**(8)**	5
Cash and cash equivalents at the end of the year[1]	7.1	**7,222**	8,810

1 Cash flows and Cash and cash equivalents include amounts attributable to shareholders' interests, policyholders' interests in AMP Life's statutory funds and controlled entities of those statutory funds, external unitholders' interests and non-controlling interests. Cash equivalents for the purpose of the Consolidated statement of cash flows includes short-term bills and notes.

2 Dividends and distributions received are amounts of cash received mainly from investments held by AMP Life's statutory funds and controlled entities of the statutory funds. Dividends and distributions reinvested have been treated as non-cash items.

3 Net proceeds from sale of (payments to acquire) investments in financial assets also includes loans and advances made (net of payments) and purchases of financial assets (net of maturities) during the period by AMP Bank.

4 The Dividends paid amount is presented net of dividends on treasury shares.

About this report

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

(a) Understanding the AMP financial report

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

AMP business operations are carried out by a number of these controlled entities including AMP Life Limited and National Mutual Life Association of Australasia Limited, collectively 'AMP Life' – both registered life insurance entities and their related controlled entities, AMP Bank Limited (AMP Bank) and AMP Capital investment management companies.

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

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

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

The financial report:

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

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

The financial statements for the year ended 31 December 2017 were authorised for issue on 9 February 2018 in accordance with a resolution of the directors.

(b) Basis of consolidation

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

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

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

Materiality

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

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

(c) Significant accounting policies

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

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) using the following applicable exchange rates:

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

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

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

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

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

(d) Critical judgements and estimates

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

Accounting judgements and estimates	Note		Page
Tax	1.3	Taxes	65
Fair value of financial assets	2.1	Investments in financial instruments	69
Goodwill and acquired intangible assets	2.2	Intangibles	71
Life insurance and investment contract liabilities	4.1	Accounting for life insurance and investment contracts	88
Consolidation	6.1	Controlled entities	112
Provisions	7.3	Provisions	116

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 (MUFG: Trust Bank) have a strategic business and capital alliance, with MUFG: Trust Bank 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 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
2017							
Segment profit after income tax	**391**	**156**	**110**	**140**	**125**	**150**	**1,072**
External customer revenue	**1,488**	**408**	**110**	**364**	**125**	**150**	**2,645**
Intersegment revenue[4]	**115**	**250**	**–**	**–**	**–**	**–**	**365**
Segment revenue[3]	**1,603**	**658**	**110**	**364**	**125**	**150**	**3,010**
Other segment information							
Income tax expense	**165**	**60**	**47**	**60**	**49**	**64**	**445**
Depreciation and amortisation	**77**	**7**	**19**	**–**	**8**	**8**	**119**
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							
Income tax expense	168	59	(178)	52	49	65	215
Depreciation and amortisation	78	11	26	–	6	9	130

1 AMP Capital segment revenue is reported net of external investment manager fees. Segment profit after income tax is reported net of 15% minority interest attributable to MUFG: Trust Bank.
2 Segment revenue is reported as Segment profit after income tax for WP, NZFS and Mature. This represents gross revenue less claims, expenses, movement in insurance contract liabilities and tax.
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:

	2017 $m	2016 $m
Segment profit after income tax	**1,072**	527
Group office costs	**(74)**	(104)
Total operating earnings	**998**	423
Underlying investment income[1]	**95**	122
Interest expense on corporate debt	**(53)**	(59)
Underlying profit	**1,040**	486
Other items[2]	**(21)**	(9)
Portfolio review and related costs	**(24)**	–
Business efficiency program costs	**–**	(19)
Amortisation of AMP AAPH acquired intangible assets	**(80)**	(77)
Goodwill impairment	**–**	(668)
Profit (loss) before market adjustments and accounting mismatches	**915**	(287)
Market adjustment – investment income[1]	**(39)**	(46)
Market adjustment – annuity fair value[3]	**4**	(8)
Market adjustment – risk products[4]	**(18)**	11
Accounting mismatches	**(14)**	(14)
Profit (loss) attributable to shareholders of AMP Limited	**848**	(344)
Profit attributable to non-controlling interests	**25**	536
Profit for the year	**873**	192

1 Underlying investment income consists of investment income on shareholder assets invested in income producing investment assets normalised by eliminating the impact of short-term market volatility on underlying performance. Underlying returns are set based on long-term expected returns for each asset class, except for a short-term return, equivalent to a one-year government bond, set annually for the implicit deferred acquisition costs (DAC) component of shareholder assets. Market adjustment – investment income is the excess (shortfall) between the underlying investment income and the actual return on shareholder assets invested in income producing investment assets.
2 Other items largely comprise the net of one-off and non-recurring revenues and costs, including the cost of implementing significant regulatory changes.
3 Market adjustment – annuity fair value relates to the net impact of investment markets on AMP's annuity portfolio.
4 Market adjustment – risk products relates to the net impact of changes in market economic assumptions (bond yields and CPI) on the valuation of risk insurance liabilities.

Total segment revenue differs from Total revenue as follows:

	2017 $m	2016 $m
Total segment revenue	**3,010**	2,394
Add revenue excluded from segment revenue		
– investment gains and losses – shareholders and policyholders (excluding AMP Bank interest revenue)	**11,019**	7,775
– revenue of investment entities controlled by AMP Life's statutory funds which carry out business operations unrelated to the core wealth management operations of the AMP group	**–**	19
– other revenue	**88**	121
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	**2,846**	3,171
– interest expense related to AMP Bank	**515**	490
– external investment manager and adviser fees paid in respect of certain assets under management	**1,248**	1,164
Remove intersegment revenue	**(365)**	(335)
Total revenue	**18,361**	14,799

(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.

	2017	2016
Profit (loss) attributable to shareholders of AMP ($m)	**848**	(344)
Weighted average number of ordinary shares (millions)[1]	**2,896**	2,929
Basic earnings (loss) per share (cents per share)	**29.3**	(11.7)

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.

	2017	2016
Profit (loss) attributable to shareholders of AMP ($m)	**848**	(344)
Weighted average number of ordinary shares (millions) – diluted:		
– weighted average number of ordinary shares[1]	**2,896**	2,929
– add: potential ordinary shares considered dilutive[2]	**22**	19
Weighted average number of ordinary shares used in the calculation of dilutive earnings (loss) per share	**2,918**	2,948
Diluted earnings (loss) per share (cents per share)	**29.1**	(11.7)

1 The weighted average number of ordinary shares outstanding is calculated after deducting the weighted average number of treasury shares held during the period.

2 Performance rights have been determined to be dilutive, however, if these instruments vest and are exercised, it is AMP's policy to buy AMP shares on market so there will be no dilutive effect on the value of AMP shares.

1.3 Taxes

Our taxes

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

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

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

(a) Income tax expense

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

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

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 Consolidated income statement for the year.

	2017 $m	2016 $m
Profit before income tax	**1,636**	358
Policyholder tax expense recognised as part of the change in policyholder liabilities in determining profit before tax	**(472)**	(121)
Profit before income tax excluding tax charged to policyholders	**1,164**	237
Tax at the Australian tax rate of 30% (2016: 30%)	**(349)**	(71)
Shareholder impact of life insurance tax treatment	**(33)**	(16)
Tax concessions including research and development and offshore banking unit	**8**	5
Non-deductible expenses	**(27)**	(19)
Non-taxable income	**16**	5
Other items	**24**	5
Non-controlling interests[1]	**–**	154
Goodwill impairment	**–**	(200)
Over provided in previous years after excluding amounts attributable to policyholders	**3**	14
Utilisation of previously unrecognised tax losses	**53**	69
Differences in overseas tax rates	**14**	9
Income tax expense attributable to shareholders and non-controlling interest	**(291)**	(45)
Income tax expense attributable to policyholders	**(472)**	(121)
Income tax expense per Income statement	**(763)**	(166)

1 $Nil (2016: $513m) profit attributable to non-controlling interests in investment entities controlled by AMP Life's statutory funds is not subject to tax.

(b) Analysis of income tax expense

	2017 $m	2016 $m
Current tax expense	**(536)**	(486)
Increase in deferred tax assets	**23**	163
(Increase) decrease in deferred tax liabilities	**(244)**	142
(Under) over provided in previous years including amounts attributable to policyholders	**(6)**	15
Income tax expense	**(763)**	(166)

(c) Analysis of deferred tax balances

	2017 $m	2016 $m
Expenses deductible and income recognisable in future years	**470**	491
Unrealised movements on borrowings and derivatives	**32**	40
Unrealised investment losses	**40**	27
Losses available for offset against future taxable income	**87**	49
Other	**57**	49
Total deferred tax assets	**686**	656
Analysis of deferred tax liabilities		
Unrealised investment gains	**1,736**	1,498
Other	**454**	448
Total deferred tax liabilities	**2,190**	1,946

1.3 Taxes (continued)

	2017 $m	2016 $m
(d) Amounts recognised directly in equity		
Deferred income tax expense related to items taken directly to equity during the current year	**(6)**	(16)
(e) Unused tax losses and deductible temporary differences not recognised		
Revenue losses	**108**	110
Capital losses	**117**	170

Accounting policy – recognition and measurement

Income tax expense

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

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

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

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

Income tax for investment contracts business and life insurance contracts business

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

Deferred tax

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

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

Tax consolidation

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

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:

	2017 Final	2017 Interim	2016 Final	2016 Interim
Dividend per share (cents)	**14.5**	**14.5**	14.0	14.0
Franking percentage	**90%**	**90%**	90%	90%
Cost (in $m)	**423**	**423**	414	414
Payment date	**28 March 2018**	**29 September 2017**	31 March 2017	7 October 2016

	2017 $m	2016 $m
Dividends paid		
Previous year final dividend on ordinary shares	**414**	414
Interim dividend on ordinary shares	**423**	414
Total dividends paid[1]	**837**	828

1 Total dividends paid includes dividends paid on treasury shares $8m (2016: $8m).

Dividend franking credits

Franking credits available to shareholders are $275m (2016: $342m), 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 $163m.

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

Section 2: Investments, intangibles and working capital

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

2.1 Investments in financial instruments

	2017 $m	2016 $m
Financial assets measured at fair value through profit or loss[1]		
Equity securities and listed managed investment schemes	**58,538**	53,520
Debt securities[2]	**32,457**	34,512
Investments in unlisted managed investment schemes	**22,398**	21,359
Derivative financial assets	**1,092**	1,195
Other financial assets	**5**	5
Total financial assets measured at fair value through profit or loss	**114,490**	110,591
Available-for-sale financial assets		
Equity securities and managed investment schemes	**68**	67
Total available-for-sale financial assets	**68**	67
Financial assets measured at amortised cost[3]		
Loans and advances	**19,554**	17,204
Debt securities – held to maturity	**2,563**	1,557
Total financial assets measured at amortised cost	**22,117**	18,761
Total financial assets	**136,675**	129,419
Other financial liabilities		
Derivative financial liabilities	**489**	1,150
Collateral deposits held[2]	**102**	192
Total other financial liabilities	**591**	1,342

1 Financial assets measured at fair value through profit or loss are mainly assets of AMP Life's 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 AMP Life's 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 Consolidated 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 Consolidated 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 Consolidated 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
2017						
Balance at the beginning of the year	**2,117**	**382**	**600**	**99**	**1**	**3,199**
Additions through acquisitions of controlled entities	**6**	**–**	**–**	**24**	**–**	**30**
Additions through separate acquisitions	**–**	**–**	**–**	**26**	**15**	**41**
Additions through internal development	**–**	**191**	**–**	**–**	**–**	**191**
Reductions through disposal	**–**	**–**	**–**	**(13)**	**–**	**(13)**
Transferred from inventories	**–**	**–**	**–**	**46**	**–**	**46**
Amortisation expense	**–**	**(138)**	**(102)**	**(31)**	**–**	**(271)**
Impairment loss	**–**	**(1)**	**–**	**(4)**	**–**	**(5)**
Balance at the end of the year	**2,123**	**434**	**498**	**147**	**16**	**3,218**
Cost	***2,899***	***1,457***	***1,191***	***360***	***110***	***6,017***
Accumulated amortisation and impairment	***(776)***	***(1,023)***	***(693)***	***(213)***	***(94)***	***(2,799)***
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)*

1 Total goodwill comprises amounts attributable to shareholders of $2,108m (2016: $2,102m) and amounts attributable to policyholders of $15m (2016: $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 AMP Life's 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 business	20 years
Distribution networks	3–15 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 $2,108m (2016: $2,102m) 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:

	2017 $m	2016 $m
Australian wealth management	**1,494**	1,488
Australian mature	**350**	350
AMP Financial Services New Zealand	**177**	177
AMP Capital	**87**	87
	2,108	2,102

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% (2016: 5%–7%) for Australia and 5% for New Zealand (2016: 5%): Australia 7.6% (2016: 7.8%–9.8%), New Zealand 7.8% (2016: 8.4%), 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 for AMP Life (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 17 times current period earnings (2016: 19 times), which approximates the fair value of this business, less an allowance for disposal costs.

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 2017 (31 December 2016: $15m).

Impairment loss
The conclusion from the goodwill impairment testing is that there has been no impairment to the amount of the goodwill recognised for all CGUs for the year.

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

2.3 Receivables

	2017 $m	2016 $m
Investment related receivables	**1,376**	1,163
Life insurance contract premiums receivable	**333**	345
Reinsurance receivables	**81**	70
Trade debtors and other receivables	**361**	397
Total receivables	**2,151**	1,975
Current	***2,103***	*1,857*
Non-current	***48***	*118*

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

	2017 $m	2016 $m
Investment related payables	**746**	701
Life insurance and investment contracts in process of settlement	**311**	350
Accrued expenses, trade creditors and other payables	**695**	729
Reinsurance payables	**–**	72
Total payables	**1,752**	1,852
Current	***1,635***	*1,740*
Non-current	***117***	*112*

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
2017					
Financial assets measured at fair value					
Equity securities and listed managed investment schemes	58,606	55,942	728	1,936	58,606
Debt securities	32,457	1	32,344	112	32,457
Investments in unlisted managed investment schemes	22,398	–	20,964	1,434	22,398
Derivative financial assets	1,092	210	882	–	1,092
Investment properties	134	–	–	134	134
Other financial assets	5	–	5	–	5
Total financial assets measured at fair value	114,692	56,153	54,923	3,616	114,692
Financial assets not measured at fair value					
Loans and advances	19,554	–	19,549	–	19,549
Debt securities – held to maturity	2,563	–	2,567	–	2,567
Total financial assets not measured at fair value	22,117	–	22,116	–	22,116
Financial liabilities measured at fair value					
Derivative financial liabilities	489	148	341	–	489
Collateral deposits held	102	–	102	–	102
Investment contract liabilities	75,235	–	2,028	73,207	75,235
Total financial liabilities measured at fair value	75,826	148	2,471	73,207	75,826
Financial liabilities not measured at fair value					
AMP Bank					
– Deposits	9,655	–	9,653	–	9,653
– Other	8,819	–	8,867	–	8,867
Corporate entity borrowings	1,938	–	1,992	–	1,992
Borrowings within investment entities controlled by AMP Life's statutory funds	597	–	597	–	597
Total financial liabilities not measured at fair value	21,009	–	21,109	–	21,109
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	–	17,205	–	17,205
Debt securities – held to maturity	1,557	–	1,560	–	1,560
Total financial assets not measured at fair value	18,761	–	18,765	–	18,765
Financial liabilities measured at fair value					
Derivative financial liabilities	1,150	97	1,053	–	1,150
Collateral deposits held	192	–	192	–	192
Investment contract liabilities	71,579	–	2,252	69,327	71,579
Total financial liabilities measured at fair value	72,921	97	3,497	69,327	72,921
Financial liabilities not measured at fair value					
AMP Bank:					
– Deposits	8,652	–	8,683	–	8,683
– Other	6,661	–	6,676	–	6,676
Corporate entity borrowings	1,552	618	977	–	1,595
Borrowings within investment entities controlled by AMP Life's statutory funds	353	–	353	–	353
Total financial liabilities not measured at fair value	17,218	618	16,689	–	17,307

2.5 Fair value information (continued)

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

Listed equity securities and listed managed investment schemes	The fair value of listed equity securities traded in an active market and listed managed investment schemes reflects the quoted bid price at the reporting date. In the case of equity securities and listed managed investment schemes where there is no active market, fair value is established using valuation techniques including the use of recent arm's length transactions, references to other instruments that are substantially the same, discounted cash flow analysis and option pricing models.
Debt securities	The fair value of listed debt securities reflects the bid price at the reporting date. Listed debt securities that are not frequently traded are valued by discounting estimated recoverable amounts. The fair value of unlisted debt securities is estimated using interest rate yields obtainable on comparable listed investments. The fair value of loans is determined by discounting the estimated recoverable amount using prevailing interest rates.
Loans	The estimated fair value of loans represents the discounted amount of estimated future cash flows expected to be received, based on the maturity profile of the loans. As the loans are unlisted, the discount rates applied are based on the yield curve appropriate to the remaining term of the loans. The loans may be measured at an amount in excess of fair value due to fluctuations on fixed rate loans. As the fluctuations in fair value do not represent a permanent diminution and the carrying amounts of the loans are recorded at recoverable amounts after assessing impairment, it is not appropriate to restate their carrying 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.
Borrowings	The fair value of borrowings is determined with reference to quoted market prices where possible. For borrowings where quoted market prices are not available, a discounted cash flow model is used, based on current yield curve appropriate for the remaining term to maturity.
Investment properties	The fair value of investment properties is determined by independent valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the properties being valued. The valuers apply 'comparable sales analysis' and the 'capitalised income approach' by reference to annual net market income, comparable capitalisation rates and other property-specific adjustments as well as 'discounted cash flow analysis', where the expected net cash flows are discounted to their present value using a market-determined risk adjusted discount rate.
Investment contract liabilities	See note 4.1.

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

- Level 1: the fair value is valued by reference to quoted prices and active markets for identical assets;
- Level 2: the fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the asset; or liability, either directly (as prices) or indirectly (derived from prices);
- 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 of financial assets or liabilities measured at fair value between Level 1 and Level 2 during the 2017 and 2016 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

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.

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	Published unit prices and the fair value of backing assets.	Fair value of financial instruments. Cash flow forecasts. Credit risk.
Investment properties	Comparable sales analysis. Capitalised income approach. Discounted cash flow approach utilising market determined risk adjusted discount rate.	Capitalisation rate. Discount rate. Cash flow forecasts.

Sensitivity 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.

	2017		2016	
	(+) $m	(–) $m	(+) $m	(–) $m
Financial assets				
Equity securities and listed managed investment schemes	**111**	**(103)**	146	(153)
Financial liabilities				
Investment contract liabilities	**4**	**(3)**	6	(5)

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
2017								
Assets classified as Level 3								
Equity securities and listed managed investment schemes	**2,499**	**–**	**268**	**439**	**(1,088)**	**(182)**	**1,936**	**271**
Debt securities	**19**	**–**	**(20)**	**174**	**(50)**	**(11)**	**112**	**(20)**
Investments in unlisted managed investment schemes	**942**	**–**	**(159)**	**1,392**	**(955)**	**214**	**1,434**	**(163)**
Investment properties	**127**	**–**	**–**	**7**	**–**	**–**	**134**	**–**
Other financial assets	**5**	**–**	**(1)**	**(1)**	**–**	**(3)**	**–**	**(1)**
Liabilities classified as Level 3								
Investment contract liabilities	**69,327**	**(17)**	**6,010**	**10,150**	**(12,263)**	**–**	**73,207**	**6,006**
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

1 Gains and losses are classified in investment gains and losses or change in policyholder liabilities in the Consolidated income statement.
2 The AMP group recognises transfers as at the end of the reporting period during which the transfer has occurred. Transfers are recognised when there are changes in the observability of the pricing of the relevant securities or where the AMP group ceases to consolidate a controlled entity.

Section 3: Capital structure and financial risk management

This section provides information relating to:

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

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

3.1 Contributed equity

	2017 $m	2016 $m
Issued capital[1,3]		
2,918,469,137 (2016: 2,957,737,964) ordinary shares fully paid	**9,547**	9,747
Treasury shares[2]		
32,887,493 (2016: 23,539,463) treasury shares	**(171)**	(128)
Total contributed equity		
2,885,581,644 (2016: 2,934,198,501) ordinary shares fully paid	**9,376**	9,619
Issued capital		
Balance at the beginning of the year	**9,747**	9,747
39,268,827 (2016: nil) on-market share buy-back	**(200)**	–
Balance at the end of the year	**9,547**	9,747
Treasury shares		
Balance at the beginning of the year	**(128)**	(181)
(Increase) decrease due to purchases less sales during the year	**(43)**	53
Balance at the end of the year	**(171)**	(128)

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 2016 final dividend (paid in March 2017) at 14.0 cents per share and 2017 interim dividend (paid in September 2017) at 14.5 cents per share. AMP settled the DRP for the 2016 final dividend and 2017 interim dividend by acquiring shares on market and, accordingly, no new shares were issued.

2 Of the AMP Limited ordinary shares on issue 30,761,106 (2016: 21,413,076) are held by AMP Life on behalf of policyholders. ASIC has granted relief from restrictions in the *Corporations Act 2001* to allow AMP Life to hold and trade shares in AMP Limited as part of the policyholder funds' investment activities. The cost of the investment in these treasury shares is reflected as a deduction from total contributed equity. The remaining balance is held by AMP Foundation Limited as trustee for the AMP Foundation.

3 Mitsubishi UFJ Trust and Banking Corporation (MUFG: Trust Bank) has an option to require AMP Limited to purchase MUFG's interest in AMP Capital Holdings Limited (AMPCH) in certain circumstances. As consideration for the acquisition of AMPCH shares, AMP would be required to issue ordinary shares in AMP Limited to MUFG (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 AMP Limited entity. Incremental costs directly attributable to the issue of certain new shares are recognised in equity as a deduction, net of tax, from the proceeds.

Treasury shares

The AMP group is not permitted to recognise treasury shares in the Consolidated statement of financial position. These shares, plus any corresponding Consolidated income statement fair value movement on the shares and dividend income, are eliminated on consolidation. However, the corresponding investment contract and life insurance contract liabilities, and related Consolidated income statement change in the liabilities, remain on consolidation. At the AMP group consolidated level, the mismatch results in policyholder asset movements impacting the profit attributable to shareholders of AMP Limited.

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

3.2 Interest-bearing liabilities

(a) Interest-bearing liabilities

	2017			2016		
	Current $m	Non-current $m	Total $m	Current $m	Non-current $m	Total $m
Interest-bearing liabilities						
AMP Bank						
– Deposits[1]	**9,627**	**28**	**9,655**	8,614	38	8,652
– Other	**3,382**	**5,437**	**8,819**	3,145	3,516	6,661
Corporate entity borrowings						
– 6.875% GBP Subordinated Guaranteed Bonds (maturity 2022)	**–**	**69**	**69**	–	71	71
– AMP Subordinated Notes 2 (first call 2018, maturity 2023)[2]	**–**	**324**	**324**	–	322	322
– AMP Wholesale Capital Notes[3]	**–**	**276**	**276**	–	276	276
– AMP Capital Notes – 2015[3]	**–**	**264**	**264**	–	263	263
– AMP Capital Notes – 2017[4]	**–**	**250**	**250**	–	–	–
– Syndicated loan facility[5]	**–**	**497**	**497**	–	500	500
– Commercial paper	**229**	**–**	**229**	114	–	114
– Other	**28**	**1**	**29**	6	–	6
Borrowings within investment entities controlled by AMP Life's statutory funds	**89**	**508**	**597**	98	255	353
Total interest-bearing liabilities	**13,355**	**7,654**	**21,009**	11,977	5,241	17,218

1 Deposits comprise at call retail cash on deposit and retail term deposits at variable interest rates within the AMP Bank.
2 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.
3 AMP Wholesale Capital Notes and AMP Capital Notes were issued on 27 March and 30 November 2015, respectively. They are perpetual notes with no maturity date. In certain circumstances, AMP may be required to convert some or all of the Notes into AMP ordinary shares.
4 Floating Rate Subordinated Unsecured Notes were issued on 1 September 2017 and mature 1 December 2027. AMP has the right, but not the obligation, to redeem all or some of the notes on 1 December 2022 or, subject to certain conditions, at a later date. In certain circumstances, AMP may be required to convert some or all of the Notes into AMP ordinary shares.
5 The facility was renegotiated effective 14 December 2017 and includes tranches of $300m and $200m, maturing 22 March 2020 and 22 March 2022 respectively.

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.

	2017 $m	2016 $m
Available	**15,595**	13,529
Used	**(3,020)**	(2,579)
Unused facilities at the end of the year	**12,575**	10,950

Overdraft facilities

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 $487m (2016: $838m).

(c) Changes in liabilities arising from financing activities

	Interest bearing liabilities $m
1 January 2017	**17,218**
Cash flows	3,799
Other	(8)
31 December 2017	**21,009**

Accounting policy – recognition and measurement

Interest-bearing liabilities, other than those held by controlled entities of AMP Life's 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 AMP Life's 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 AMP Life's statutory funds are subsequently measured at fair value with movements recognised in the Consolidated income statement.

It is AMP's policy to hedge currency and interest rate risk arising on issued bonds and subordinated debt. When 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 Consolidated 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.	AMP Life manages 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. Bank Treasury manages the exposure in AMP Bank by maintaining a net interest rate risk position within the limits delegated and approved by the AMP Bank Board.
Currency risk The risk of an impact on the AMP group's profit after tax and equity arising from fluctuations of the fair value of a financial asset, liability or commitment due to changes in foreign exchange rates.	Foreign currency denominated assets and liabilities. Capital invested in overseas operations. Foreign exchange rate movements on specific cash flow transactions.	The AMP group uses swaps to hedge the interest rate risk and foreign currency risk on foreign currency denominated borrowings but does not hedge the capital invested in overseas operations. The AMP group hedges material foreign currency risk originated by receipts and payments once the value and timing of the expected cash flow is known excluding the international equities portfolio attributable to shareholders within the AMP Life Limited Statutory Fund No. 1. Bank 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 shareholder includes listed and unlisted shares and participation in equity unit trusts.	Bank Treasury may, with Group ALCO approval, use equity exposures or equity futures or options to hedge other enterprise-wide equity exposures.

3.3 Financial risk management (continued)

Sensitivity analysis

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

- shows the direct impact of a reasonably possible change in market rate and is not intended to illustrate a remote, worst case stress test scenario;
- assumes that all underlying exposures and related hedges are included and the change in variable occurs at the reporting date; and
- does not include the impact of any mitigating management actions over the period to the subsequent reporting date.

The categories of risks faced and methods used for deriving sensitivity information did not change from previous periods.

Sensitivity analysis	Change in variables	2017 Impact on profit after tax increase (decrease) $m	2017 Impact on equity[1] increase (decrease) $m	2016 Impact on profit after tax increase (decrease) $m	2016 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	**(3)**	**(33)**	82	83
	+100bp	**(15)**	**9**	(65)	(66)
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	**4**	**130**	5	141
	10% appreciation of AUD	**(5)**	**(107)**	(6)	(117)
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	**10**	**10**	12	12
	International equities	**7**	**7**	4	4
	10% decrease in:				
	Australian equities	**(10)**	**(10)**	(11)	(11)
	International equities	**(9)**	**(9)**	(6)	(6)

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.	Bank Treasury maintains a defined surplus of cash to mitigate refinancing risk, satisfy regulatory requirements and protect against liquidity shocks in accordance with the liquidity risk management policy approved by the Group ALCO.
Refinancing risk The risk that the AMP group is not able to refinance the full quantum of its ongoing debt requirements on appropriate terms and pricing.		Financiers of loans lending to controlled entities of the life statutory funds do not have legal recourse beyond the operating subsidiary borrower and there is no direct effect on any other AMP group debt.

3.3 Financial risk management (continued)

Maturity analysis

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

	Up to 1 year or no term $m	1–5 years $m	Over 5 years $m	Not specified $m	Total $m
2017					
Non-derivative financial liabilities					
Payables	**1,635**	**4**	**15**	**98**	**1,752**
Borrowings	**14,380**	**5,011**	**1,141**	**–**	**20,532**
Subordinated debt	**62**	**570**	**918**	**–**	**1,550**
Investment contract liabilities[1]	**743**	**703**	**1,289**	**72,691**	**75,426**
External unitholders' liabilities	**–**	**–**	**–**	**14,468**	**14,468**
Derivative financial instruments					
Interest rate and cross currency swaps	**7**	**26**	**22**	**–**	**55**
Off-balance sheet items					
Credit-related commitments – AMP Bank[2]	**3,606**	**–**	**–**	**–**	**3,606**
Total undiscounted financial liabilities and off-balance sheet items[3]	**20,433**	**6,314**	**3,385**	**87,257**	**117,389**
2016					
Non-derivative financial liabilities					
Payables	1,740	112	–	–	1,852
Borrowings	12,124	4,413	21	–	16,558
Subordinated debt	210	210	1,000	–	1,420
Investment contract liabilities[1]	880	802	1,434	68,858	71,974
External unitholders' liabilities	–	–	–	13,252	13,252
Derivative financial instruments					
Interest rate and cross currency swaps	18	20	1	–	39
Off-balance sheet items					
Credit-related commitments – AMP Bank[2]	3,653	–	–	–	3,653
Total undiscounted financial liabilities and off-balance sheet items[3]	18,625	5,557	2,456	82,110	108,748

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 AMP Life's statutory funds and would only be paid when corresponding assets are realised.

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

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

3.3 Financial risk management (continued)

(c) Credit risk

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

Risk	Exposures	Management of exposures and use of derivatives
Credit risk Credit default risk is the risk of financial or reputational loss due to a counterparty failing to meet their contractual commitments in full and on time. Concentration of credit risk arises when a number of financial instruments or contracts are entered into with the same counterparty or where a number of counterparties are engaged in similar business activities that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.	Wholesale credit risk on the invested fixed income portfolios in AMP Life's statutory funds.	Managed by the AMP Capital Risk and Compliance Committee and reported to the fund managers, within specified credit criteria in the mandate approved by the AMP Life Board.
	Wholesale credit risk, including portfolio construction, in the fixed income portfolios managed by AMP Capital.	Responsibility of the individual investment teams. There is also a dedicated credit research team and a specific credit investment committee. The investment risk and performance team provides reports to the AMP Capital Investment Committee.
	Credit risk arising in AMP Bank as part of lending activities and management of liquidity.	Managed as prescribed by AMP Bank's Risk 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 & Credit Default Risk Policy sets out the assessment and determination of what constitutes credit concentration risk. The policy sets exposure limits based on each counterparty's credit rating (unless special considerations are defined). Additional limits are set for the distribution of the total portfolio by credit rating bands. Compliance with this policy is monitored and exposures and breaches are reported to portfolio managers, senior management and the AMP Board Risk Committee through periodic financial risk management reports.

Bank 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 Bank Treasury within limits set by the AMP Concentration & 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 2017 %	New business 2017 %	Existing business 2016 %	New business 2016 %
0–50	**18**	**12**	17	9
51–60	**12**	**12**	11	9
61–70	**18**	**17**	17	16
71–80	**36**	**47**	38	50
81–90	**12**	**6**	13	8
91–95	**4**	**6**	4	8
> 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 loans and advances 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
2017						
Loans and advances	**19,029**	**343**	**71**	**20**	**91**	**19,554**
2016						
Loans and advances	16,668	373	66	25	72	17,204

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 Consolidated statement of financial position. This is because the AMP group, in most cases, does not have any current legally enforceable right to offset recognised amounts.

If these netting arrangements were applied to the derivative portfolio, the derivative assets of $1,092m would be reduced by $154m to the net amount of $938m and derivative liabilities of $489m would be reduced by $154m to the net amount of $335m (2016: 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).

(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 AMP Life's statutory funds and their controlled entities. As at 31 December 2017, if repurchase arrangements were netted, debt securities of $32,457m would be reduced by $8m to the net amount of $32,449m and collateral deposits held of $8m would be reduced by $8m to the net amount of $nil (2016: debt securities of $34,512m would be reduced by $25m to the net amount of $34,487m and collateral deposits held of $27m would be reduced by $25m to the net amount of $2m).

(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 11m 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 2017 there was $94m (2016: $165m) of collateral deposits (due to other counterparties) and $41m (2016: $23m) of collateral loans (due from other counterparties) relating to derivative assets and liabilities.

3.4 Other derivative information

(a) 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 $nil (2016: $1m loss) on derivative instruments designated as fair value hedges. The net gain on the hedged interest-bearing liabilities amounted to $nil (2016: $1m gain).

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 (2016: $nil) was recognised in the Consolidated 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
2017					
Cash inflows	**98**	**43**	**32**	**29**	**20**
Cash outflows	**(99)**	**(43)**	**(31)**	**(26)**	**(20)**
Net cash inflow/(outflow)	**(1)**	**–**	**1**	**3**	**–**
2016					
Cash inflows	98	40	15	6	3
Cash outflows	(104)	(38)	(14)	(8)	(4)
Net cash inflow/(outflow)	(6)	2	1	(2)	(1)

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 (2016: $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 Consolidated 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 Consolidated income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. If a hedge no longer meets the criteria for hedge accounting, the cumulative gains and losses recognised on the hedged item will be amortised over the remaining life of the hedged item.

Cash flow hedges

The effective portion of changes in the fair value of cash flow hedges are recognised (including related tax impacts) through Other comprehensive income in the Cash flow hedge reserve in equity. The ineffective portion is recognised immediately in the Consolidated income statement. The balance of the Cash flow hedge reserve in relation to each particular hedge is transferred to the Consolidated income statement in the period when the hedged item affects profit or loss. Hedge accounting is discontinued when a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting. The cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Consolidated income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Consolidated income statement.

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.

These factors are balanced when forming AMP's risk appetite as approved by the AMP Limited Board.

Calculation of capital resources

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

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

- treasury shares (AMP Limited shares held by the statutory funds on behalf of policyholders);
- AMP Life Limited statutory funds' investments in controlled entities;
- 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:

	2017 $m	2016 $m
AMP statutory equity attributable to shareholders of AMP Limited	**7,202**	7,462
Accounting mismatch, cash flow hedge resources and other adjustments	**74**	27
AMP shareholder equity	**7,276**	7,489
Subordinated debt[1]	**951**	951
Senior debt[1]	**730**	611
Total AMP capital resources	**8,957**	9,051

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	Capital adequacy requirements as specified under the APRA Life Insurance Prudential Standards
AMP Bank Limited	Capital requirements as specified under the APRA ADI Prudential Standards
AMP Superannuation Limited and National Mutual Superannuation Pty Limited	Operational Risk Financial Requirements as specified under the APRA Superannuation Prudential Standards
AMP Capital Investors Limited and other ASIC regulated businesses	Capital requirements under AFSL requirements and for risks relating to North guarantees

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

AMP Limited, AMP Life and AMP Bank have board approved minimum capital levels above APRA requirements, with additional capital targets held above these amounts. Within the life insurance business, the capital targets above board minimums have been set to a less than 10% probability of capital resources falling below the board minimum over a 12 month period. Capital targets are also set for AMP Capital to cover risk associated with seed and sponsor capital investments and operational risk. Other components of AMP group's capital targets include amounts relating to Group Office investments, defined benefit funds and other operational risks.

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

Section 4: Life insurance and investment contracts

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

4.1 Accounting for life insurance and investment contracts

Prior to 1 January 2017, the AMP group's life insurance related activities were conducted through two registered life insurance companies, AMP Life Limited and National Mutual Life Association of Australasia Limited (NMLA). On 1 January 2017, the Australian and New Zealand life insurance business of NMLA was transferred to AMP Life Limited, both wholly owned controlled entities of the AMP group, pursuant to a scheme under part 9 of the *Life Insurance Act 1995* (Cth) (Life Act). This represents the substantial majority of operations of NMLA up to 31 December 2016. Because NMLA and AMP Life Limited are both wholly owned subsidiaries within the AMP group, there was no impact on profit and loss from the transfer transaction.

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

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

Investment contracts

The investment contracts of AMP Life relate to wealth management products such as savings, investment-linked and retirement income policies. The nature of this business is that AMP Life receives deposits from policyholders and those funds are invested on behalf of the policyholders. Fees and other charges are passed to the shareholder and reported as revenue.

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

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

Life insurance contracts

AMP Life issues contracts that transfer significant insurance risk from the policyholder, covering death, disability or longevity of the insured. In addition, there are some policies known as discretionary participating contracts that are similar to investment contracts, but the timing of the vesting of the profit attributable to the policyholders is at the discretion of AMP Life. Such contracts are defined as *life insurance contracts* and accounted for using *Margin on Services* (MoS).

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

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

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

4.1 Accounting for life insurance and investment contracts (continued)

Allocation of operating profit and unvested policyholder benefits

The operating profit arising from discretionary participating contracts is allocated between shareholders and participating policyholders by applying the MoS principles in accordance with the Life Act and the Participating Business Management Framework.

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

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

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

The principles of allocation of the profit arising from discretionary participating business are as follows:

(i) investment income (net of tax and investment expenses) on retained earnings in respect of discretionary participating business is allocated between policyholders and shareholders in proportion to the balances of policyholders' and shareholders' retained earnings. This proportion is, mostly, 80% to policyholders and 20% to shareholders;

(ii) other MoS profits arising from discretionary participating business are allocated 80% to policyholders and 20% to shareholders, with the following exceptions:
- the profit arising from New Zealand corporate superannuation business is apportioned such that shareholders are allocated 15% of the profit allocated to policyholders;
- the profit arising in respect of Australian preservation superannuation account business is allocated 92.5% to policyholders and 7.5% to shareholders;
- the profits arising from discretionary participating investment account business where 100% of investment profit is allocated to policyholders and 100% of any other profit or loss is allocated to shareholders, with the over-riding provision being that at least 80% of any profit and not more than 80% of any loss be allocated to policyholders' retained profits of the relevant statutory fund; and
- the underwriting profit arising in respect of participating Business Super risk business is allocated 90% to policyholders and 10% to shareholders.

Allocation of expenses within the life insurance entity's statutory funds

All operating expenses relating to the life insurance contract and investment contract activities are apportioned between acquisition, maintenance and investment management expenses. Expenses which are directly attributable to an individual life insurance contract or investment contract or product are allocated directly to a particular expense category, fund, class of business and 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 to. The apportionment basis has been made in accordance with Actuarial Standards and on an equitable basis to the different classes of business in accordance with the Life Act.

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

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

Reinsurance

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

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

Changes in the reinsurance asset and the reinsurance liability during the period are recognised as Changes in policyholder liabilities. On-going commission from reinsurers is recognised as revenue at the time the commission is received or receivable.

Critical accounting judgements and estimates

Life insurance contract liabilities

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

Investment contract liabilities

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

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

	2017 $m	2016 $m
(a) Analysis of life insurance contract related revenue – net of reinsurance		
Total life insurance contract premiums received and receivable	**2,696**	2,748
Less: component recognised as a change in life insurance contract liabilities	**(402)**	(415)
Life insurance contract premium revenue[1]	**2,294**	2,333
Commission received from reinsurers	**703**	550
Life insurance contract related revenue	**2,997**	2,883
Life insurance contract premium ceded to reinsurers	**(635)**	(243)
Life insurance contract related revenue – net of reinsurance	**2,362**	2,640
(b) Analysis of life insurance contract claims expenses – net of reinsurance		
Total life insurance contract claims paid and payable	**(3,192)**	(3,178)
Less: component recognised as a change in life insurance contract liabilities	**1,146**	1,140
Life insurance contract claims expense	**(2,046)**	(2,038)
Life insurance claims recovered from reinsurers	**234**	150
Life insurance contract claims expenses – net of reinsurance	**(1,812)**	(1,888)
(c) Analysis of life insurance contract operating expenses		
Life insurance contract acquisition expenses		
– commission	**(41)**	(52)
– other expenses	**(130)**	(141)
Life insurance contract maintenance expenses		
– commission	**(178)**	(191)
– other expenses	**(404)**	(389)
Investment management expenses	**(55)**	(51)

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

	2017 $m	2016 $m
(d) Life insurance contract liabilities		
Life insurance contract liabilities determined using projection method		
Best estimate liability		
– value of future life insurance contract benefits	**15,007**	18,120
– value of future expenses	**4,616**	4,789
– value of future premiums	**(12,078)**	(16,209)
Value of future profits		
– life insurance contract holder bonuses	**3,354**	3,188
– shareholders' profit margins	**2,183**	2,606
Total life insurance contract liabilities determined using the projection method[1]	**13,082**	12,494
Life insurance contract liabilities determined using accumulation method		
Best estimate liability		
– value of future life insurance contract benefits	**8,703**	9,181
– value of future acquisition expenses	**(58)**	(65)
Total life insurance contract liabilities determined using the accumulation method	**8,645**	9,116
Value of declared bonus	**290**	351
Unvested policyholder benefits liabilities[1]	**2,312**	2,248
Total life insurance contract liabilities net of reinsurance	**24,329**	24,209
Reinsurance asset – ceded life insurance contracts	**650**	546
Reinsurance liability – ceded life insurance contracts[2]	**(1,296)**	(530)
Total life insurance contract liabilities gross of reinsurance	**23,683**	24,225

1 For participating business in the statutory funds, part of the assets in excess of the life insurance contract and other liabilities calculated under MoS are attributed to policyholders. Under the Life Act, this is referred to as policyholder retained profits. For the purpose of reporting under accounting standards, this amount is referred to as unvested policyholder benefits liabilities and is included within life insurance contract liabilities even though it is yet to be vested as specific policyholder entitlements.

2 Reinsurance liability – ceded life insurance contracts reflects the present value of the net obligation to transfer cash flows under the 60% quota share reinsurance arrangement (Gen Re), effective 1 November 2017, and increase to 60% quota share reinsurance arrangement (Munich Re), in return for upfront commission received.

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

	2017 $m	2016 $m
(e) Reconciliation of changes in life insurance contract liabilities		
Total life insurance contract liabilities at the beginning of the year	**24,225**	23,871
Change in life insurance contract liabilities recognised in the Consolidated income statement	**1,069**	1,471
Premiums recognised as an increase in life insurance contract liabilities	**402**	415
Claims recognised as a decrease in life insurance contract liabilities	**(1,146)**	(1,140)
Change in reinsurance asset – ceded life insurance contracts	**104**	55
Change in reinsurance liability – ceded life insurance contracts	**(766)**	(530)
Foreign exchange adjustment	**(205)**	83
Total life insurance contract liabilities at the end of the year	**23,683**	24,225

4.3 Life insurance contracts – assumptions and valuation methodology

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

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

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

(a) Risk-free discount rates

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

Business type		Basis[1]	31 December 2017 Australia %	31 December 2017 New Zealand %	31 December 2016 Australia %	31 December 2016 New Zealand %
Retail risk (other than income benefit open claims)[1]		Zero coupon government bond yield curve	**1.8–3.6**	**1.8–3.6**	1.7–4.1	1.9–4.8
Retail risk and group risk (income benefit open claims)[1]		Zero coupon government bond yield curve (including liquidity premium)	**2.0–3.7**	**2.0–3.9**	2.1–4.4	2.2–5.1
Life annuities	Non-CPI	Zero coupon government bond yield curve (including liquidity premium)	**2.1–3.8**	**1.8–3.6**	2.2–4.5	2.3–5.2
	CPI	Commonwealth indexed bond yield curve (including liquidity premium)	**0.5–1.2**	**0.5–2.2**	0.7–1.6	0.9–3.4

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

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

(b) Future maintenance and investment expenses

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

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

(c) Inflation and indexation

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

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

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

	Australia %	New Zealand %
31 December 2017	**1.9 CPI, 3.0 expenses**	**1.7 CPI, 2.0 expenses**
31 December 2016	2.0 CPI, 3.0 expenses	1.5 CPI, 2.0 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 own historical experience. These rates are based upon the assessed global rate for each of the individual products (or product groups) and then, where appropriate, further adjusted for factors like duration, premium structure, smoker status, age attained or short-term market and business effects etc. Given the variety of influences affecting discontinuance for different product groups, the range of voluntary discontinuance rates across AMP Life is extremely diverse.

The assumptions for future rates of discontinuance of the major classes of life insurance contracts have been reviewed. Discontinuance assumptions were strengthened for the legacy-NMLA Australian retail lump sum business from those assumed at 31 December 2016, as shown in the following table.

Note that the wealth protection discontinuance rate ranges are calculated based on current business mix and various assumption rating factors. Discontinuance rate ranges for conventional products (Australia and New Zealand) are calculated based on average expected lapse rates for the next five years. The 2016 reported discontinuance rates were calculated with average expected lapse rates for the next 10 years and have been revised to reflect the current methodology.

	31 December 2017		31 December 2016	
Business type	Australia %	New Zealand %	Australia %	New Zealand %
Conventional	**2.4–8.4**	**1.5–2.8**	2.4–8.6	1.5–2.8
Retail risk (lump sum)	**12.8–16.9**	**11.6–12**	12.7–18.3	11.6–12
Retail risk (income benefit)	**8.1–18.8**	**9.5–11.4**	8–19.1	9.5–11.4
Flexible Lifetime Super (FLS) risk business	**14.0–16.4**	**n/a**	13.3–16.5	n/a
Investment account	**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 and morbidity tables, based on national or industry wide data, are used.

The following assumptions remain unchanged from those assumed at 31 December 2016:

– Mortality rates for the retail risk, conventional and annuity business.
– Trauma rates for the retail risk business.
– Australian income protection business incidence and termination rates.

TPD assumptions have been strengthened for the legacy-AMPL Australian lump sum business from those assumed at 31 December 2016.

For New Zealand income protection business, the assumptions have been updated and based on the recently released ADI 07-11 standard table modified for AMP Life with overall product specific adjustment factors.

The assumptions are summarised in the following table.

Conventional	Conventional – % of IA95-97 Male	Conventional – % of IA95-97 Female
31 December 2017		
Australia	**67.5**	**67.5**
New Zealand	**73.0**	**73.0**
31 December 2016		
Australia	67.5	67.5
New Zealand	73.0	73.0

Risk products	Retail Lump Sum % of table Male	Retail Lump Sum % of table Female
31 December 2017		
Australia[1]	**94–148**	**94–148**
New Zealand	**100–120**	**82–98**
31 December 2016		
Australia[1]	94–148	94–148
New Zealand	100–120	82–98

1 Base IA04-08 Death Without Riders table modified based on aggregated experience but with overall product specific adjustment factors.

Annuities	Male % of IML00*	Female % of IFL00*
31 December 2017		
Australia and New Zealand[1]	**95.0**	**80.0**
31 December 2016		
Australia and New Zealand[1]	95.0	80.0

1 Annuities tables modified for future mortality improvements.

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

Typical morbidity assumptions, in aggregate, are as follows:

Income protection	Incidence rates % of ADI 07-11	Termination rates (ultimate) % of ADI 07-11
31 December 2017		
Australia	**45–146**	**70–99**
31 December 2016		
Australia	45–146	70–99

Income protection	Incidence rates 2017 – % of ADI 07-11 2016 – % of IAD 89-93	Termination rates (ultimate) 2017 – % of ADI 07-11 2016 – % of IAD 89-93
31 December 2017		
New Zealand	**83–149**	**82–105**
31 December 2016		
New Zealand	45–80	41–78

Retail lump sum	Male % of IA04-08	Female % of IA04-08
31 December 2017		
Australia TPD[1]	**150–185**	**150–210**
Australia Trauma[2]	**102–168**	**102–168**
New Zealand TPD[1]	**150–194**	**190–194**
New Zealand Trauma[2]	**101–114**	**101–114**
31 December 2016		
Australia TPD[1]	150–173	150–196
Australia Trauma[2]	102–168	102–168
New Zealand TPD[1]	150–194	190–194
New Zealand Trauma[2]	101–114	101–114

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

The actuarial tables used were as follows:

IA95-97	A mortality table developed by the Institute of Actuaries of Australia based on Australian insured lives experience from 1995–1997. The table has been modified to allow for future mortality improvement.
IML00*/IFL00*	IML00 and IFL00 are mortality tables developed by the Institute and Faculty of Actuaries based on United Kingdom annuitant lives experience from 1999–2002. The tables refer to male and female lives respectively and incorporate factors that allow for mortality improvements since the date of the investigation. IML00* and IFL00* are these published tables amended for some specific AMP Life experience.
IA04-08 DTH	This was published by the Institute of Actuaries of Australia under the name *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 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 with overall product specific adjustment factors.

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

(h) Other participating business assumptions

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

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

		Risk premiums				
	10 year government bonds %	Local equities %	International equities %	Property and infrastructure %	Fixed interest %	Cash %
31 December 2017						
Australia	**2.6**	**4.5**	**3.5**	**2.4**	**0.5**	**(0.5)**
New Zealand	**2.8**	**4.5**	**3.5**	**2.5**	**0.4**	**(0.5)**
31 December 2016						
Australia	2.8	4.5	3.5	2.5	0.6	(0.5)
New Zealand	3.4	4.5	3.5	2.5	0.6	(0.5)

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

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

Average asset mix[1]	Equities %	Property and infrastructure %	Fixed interest %	Cash %
31 December 2017				
Australia	**26**	**13**	**39**	**22**
New Zealand	**34**	**17**	**41**	**8**
31 December 2016				
Australia	26	13	39	22
New Zealand	34	17	41	8

1 The asset mix includes both conventional and investment account business. As described in note 4.1, 100% of investment profits on discretionary participating investment account business 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; and
- ongoing capital adequacy.

Given the many factors involved, the range of bonus structures and rates for participating business is extremely diverse.

Typical supportable bonus rates on major product lines are as follows for AMP Life (31 December 2016 in parentheses).

Reversionary bonus	Bonus on sum insured %	Bonus on existing bonuses %
Australia	**0.4–1.0** (0.4–1.0)	**0.8–1.5** (0.8–1.5)
New Zealand	**0.7–1.0** (0.7–1.0)	**0.7–1.1** (0.7–1.1)

Terminal bonus

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

Crediting rates (investment account)	%
Australia	**0.8–4.5** (1.3–5.2)
New Zealand	**2.7–5.8** (2.0–6.4)

(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 2016 to 31 December 2017 in respect of life insurance contracts (excluding new business contracts which are measured using assumptions at reporting date) is as shown in the table below.

Assumption change	Change in future profit margins $m	Change in life insurance contract liabilities[2] $m	Change in shareholders' profit and equity[3] $m
Non-market related changes to discount rates	1	–	–
Mortality and morbidity	(35)	–	–
Discontinuance rates	(14)	–	–
Maintenance expenses	(202)	(252)	177
Other assumptions[1]	(81)	217	(152)

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 results in negative future profit margins, this negative balance for all forecasted future periods is recognised as a loss in the current period. If the changes in assumptions in a period are favourable for a product group currently in loss recognition, then the previously recognised losses are reversed in the period.

4.4 Life insurance contracts – risk

(a) Life insurance risk

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

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

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

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

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

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

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

4.4 Life insurance contracts – risk (continued)

(b) Key terms and conditions of life insurance contracts

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

Type of contract	Detail of contract workings	Nature of compensation for claims	Key variables affecting future cash flows
Non-participating life insurance contracts with fixed and guaranteed terms (term life and disability)	These policies provide guaranteed benefits, which are paid on death or ill-health, that are fixed and not at the discretion of 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
Mortality	10% increase in mortality rates	18	6	(13)	(4)
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	49	15	(34)	(10)
Morbidity – disability income	10% increase in incidence rates	203	86	(142)	(60)
Morbidity – disability income	10% decrease in recovery rates	356	172	(249)	(120)
Discontinuance rates	10% increase in discontinuance rates	65	24	(46)	(17)
Maintenance expenses	10% increase in maintenance expenses	13	13	(9)	(9)

(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
2017	**1,463**	**3,456**	**8,796**	**13,715**
2016	1,479	3,270	8,958	13,707

4.5 Other disclosure – life insurance and investment contracts

	2017 $m	2016 $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	**432**	580
– profits (losses) arising from difference between actual and assumed experience	**34**	(137)
– losses arising from changes in assumptions	**(71)**	(49)
– capitalised (losses) reversals	**12**	(426)
Profit (loss) related to life insurance and investment contract liabilities	**407**	(32)
Attributable to:		
– life insurance contracts	**217**	(250)
– investment contracts	**190**	218
Profit (loss) related to life insurance and investment contract liabilities	**407**	(32)
Investment earnings on assets in excess of life insurance and investment contract liabilities	**107**	157

(b) Restrictions on assets in statutory funds

AMP Life conducts investment-linked and non-investment linked business. For investment-linked business, deposits are received from policyholders, the funds are invested on behalf of the policyholders and the resulting liability to policyholders is linked to the performance and value of the assets that back those liabilities.

AMP Life has three statutory funds as set out below:

No. 1 fund	Australia	All business (whole of life, endowment, investment account, retail and group risk and immediate annuities) and North longevity guarantee
	New Zealand	All business (whole of life, endowment, investment account, retail and group risk, investment-linked and immediate annuities)
No. 2 fund	Australia	Investment-linked superannuation business (retail and group investment-linked and deferred annuities)
No. 3 fund	Australia	Investment-linked ordinary business

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

Further details about capital management are provided in note 3.5.

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

	2017			2016		
	Non-investment linked $m	Investment-linked $m	Total statutory funds $m	Non-investment linked $m	Investment-linked $m	Total statutory funds $m
Net assets of statutory funds attributable to policyholders and shareholders	**28,133**	**72,884**	**101,017**	29,747	68,956	98,703
Attributable to policyholders[2]						
Life insurance contract liabilities	**23,683**	**–**	**23,683**	24,225	–	24,225
Investment contract liabilities[1]	**2,464**	**72,690**	**75,154**	2,739	68,760	71,499
	26,147	**72,690**	**98,837**	26,964	68,760	95,724
Attributable to shareholders	**1,986**	**194**	**2,180**	2,783	196	2,979

1 Investment contract liabilities in this table do not include $81m (2016: $80m) 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 $14,266m (2016: $14,268m) 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's statutory funds and the entities controlled by AMP Life's statutory funds.

	2017 $m	2016 $m
Life insurance contract related revenue – net of reinsurance	**2,362**	2,640
Fee revenue	**1,087**	1,485
Other revenue	**8**	5
Investment gains and losses	**11,277**	8,214
Life insurance contract claims expenses – net of reinsurance	**(1,812)**	(1,888)
Operating expenses including finance costs	**(1,904)**	(2,339)
Movement in external unitholders' liabilities	**(1,615)**	(1,263)
Change in policyholder liabilities		
– Life insurance contract liabilities	**(1,069)**	(1,471)
– Investment contract liabilities	**(7,159)**	(4,614)
Income tax expense	**(666)**	(154)
Profit for the year	**509**	615
Assets		
Cash and cash equivalents	**6,206**	7,086
Investments in financial assets measured at fair value through profit or loss	**110,540**	100,681
Investment property	**134**	127
Other assets	**5,682**	11,550
Total assets of policyholders, shareholders and non-controlling interests	**122,562**	119,444
Liabilities		
Life insurance contract liabilities	**23,683**	24,225
Investment contract liabilities	**75,154**	71,499
Other liabilities	**6,624**	6,682
External unitholders' liabilities	**14,911**	14,056
Total liabilities of policyholders, shareholders and non-controlling interests	**120,372**	116,462
Net assets	**2,190**	2,982

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

(c) Capital guarantees

	2017 $m	2016 $m
Life insurance contracts with a discretionary participating feature – amount of the liabilities that relate to guarantees	**14,759**	15,440
Investment-linked contracts – amount of the liabilities subject to investment performance guarantees	**878**	925
Other life insurance contracts with a guaranteed termination value – current termination value	**152**	169

(d) Capital requirements

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

In addition to the regulatory capital requirements, AMP Life maintains a target surplus providing an additional capital buffer against adverse events. AMP Life uses internal capital models to determine target surplus, with the models reflecting the risks of the business, principally the risk of adverse asset movements relative to the liabilities and of worse than expected claims costs.

The Appointed Actuary of AMP Life has confirmed that the capital base of each life statutory fund and shareholders' fund have exceeded PCA at all times during 2017 and 2016. The combined capital position of AMP Life Limited and NMLA is as follows:

	2017 $m	2016 $m
Common Equity Tier 1 Capital	**3,529**	4,154
Adjustments to Common Equity Tier 1 Capital	**(803)**	(1,384)
Additional Tier 1 Capital	**305**	305
Adjustments to Additional Tier 1 Capital	**–**	–
Tier 2 Capital	**300**	300
Adjustments to Tier 2 Capital	**–**	–
Total capital base	**3,331**	3,375
Total prescribed capital amount (PCA)	**1,228**	1,323
Capital adequacy amount	**2,103**	2,052
Capital adequacy multiple[1]	**271%**	255%

1 The capital adequacy multiples were 272% and 218% for AMP Life Limited and NMLA respectively (2016: 288% and 201%).

(e) Actuarial information

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

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

Section 5: Employee disclosures

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

5.1 Key management personnel

(a) Compensation of key management personnel

	2017 $'000	2016 $'000
Short-term benefits	**21,613**	13,548
Post-employment benefits	**538**	598
Share-based payments	**7,317**	4,561
Other long-term benefits	**349**	274
Termination benefits	**–**	1,728
Total	**29,817**	20,709

(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:

	2017 $'000	2016 $'000
Balance as at the beginning of the year	**11,974**	13,592
Net advances	**1,845**	3,756
Balance as at the end of the year	**13,819**	17,348
Interest charged	**429**	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 affect adversely decisions about the allocation of scarce resources made by users of this financial report, or the discharge of accountability by the specified executives or specified directors.

Accounting policy – recognition and measurement

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

Post-employment benefits – defined contribution funds – the contributions paid and payable by AMP group to defined contributions funds are recognised in the Consolidated income statement as an operating expense when they fall due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

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

5.2 Defined benefit plans

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

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

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

	2017 $m	2016 $m
Present value of wholly funded defined benefit obligations	**(821)**	(804)
Less: Fair value of plan assets	**792**	760
Defined benefit liability recognised in the Consolidated statement of financial position	**(29)**	(44)
Movement in defined benefit liability		
Deficit at the beginning of the year	**(44)**	(98)
Plus: Total expenses recognised in income	**(2)**	(3)
Plus: Employer contributions	**10**	9
Plus: Actuarial gains recognised in Other comprehensive income[1]	**7**	48
Defined benefit liability recognised at the end of the year	**(29)**	(44)

1 The cumulative net actuarial gains and losses recognised in the Statement of comprehensive income is a $159m gain (2016: $152m gain).

5.2 Defined benefit plans (continued)

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

	Defined benefit obligation 2017 $m	Defined benefit obligation 2016 $m	Fair value of plan assets 2017 $m	Fair value of plan assets 2016 $m
Balance at the beginning of the year	**(804)**	(860)	**760**	762
Current service cost	**(3)**	(4)	**–**	–
Interest (cost) income	**(18)**	(23)	**18**	24
Net actuarial gains and losses	**(55)**	37	**62**	11
Employer contributions	**–**	–	**10**	9
Contributions by plan participants	**(1)**	–	**1**	–
Foreign currency exchange rate changes	**8**	(3)	**(7)**	3
Benefits paid	**52**	49	**(52)**	(49)
Balance at the end of the year	**(821)**	(804)	**792**	760

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

	Fair value of plan assets 2017 $m	Fair value of plan assets 2016 $m	Present value of plan obligation 2017 $m	Present value of plan obligation 2016 $m	Net recognised surplus (deficit) 2017 $m	Net recognised surplus (deficit) 2016 $m	Actuarial gains 2017 $m	Actuarial gains 2016 $m
AMP Australia	**279**	265	**(307)**	(302)	**(28)**	(37)	**8**	14
AMP AAPH Australia	**403**	384	**(373)**	(359)	**30**	25	**2**	29
AMP New Zealand	**20**	22	**(24)**	(26)	**(4)**	(4)	**–**	–
AMP AAPH New Zealand	**90**	89	**(117)**	(117)	**(27)**	(28)	**(3)**	5
Total	**792**	760	**(821)**	(804)	**(29)**	(44)	**7**	48

(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	
	2017 %	2016 %	2017 %	2016 %	2017 %	2016 %	2017 %	2016 %
Weighted average discount rate	**4.5**	4.5	**2.8**	3.3	**4.6**	4.6	**3.3**	4.1
Expected rate of salary increases	**n/a**	n/a	**n/a**	4.0	**3.5**	3.5	**4.0**	4.0

(e) Allocation of assets

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

	AMP				AMP AAPH			
	Australia		New Zealand		Australia		New Zealand	
	2017 %	2016 %	2017 %	2016 %	2017 %	2016 %	2017 %	2016 %
Equity	**51**	46	**38**	34	**31**	29	**40**	38
Fixed interest	**31**	32	**38**	36	**42**	45	**39**	36
Property	**10**	9	**4**	7	**5**	5	**4**	6
Cash	**4**	6	**14**	14	**14**	7	**14**	14
Other	**4**	7	**6**	10	**8**	14	**4**	6

5.2 Defined benefit plans (continued)

(f) Sensitivity analysis

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

	AMP				AMP AAPH			
	Australia		New Zealand		Australia		New Zealand	
	(+) $m	(–) $m	(+) $m	(–) $m	(+) $m	(–) $m	(+) $m	(–) $m
2017								
Assumption								
Discount rate (+/- 0.5%)	**(17)**	**19**	**n/a**	**2**	**(27)**	**30**	**n/a**	**17**
Expected salary increase rate (0.5%)	**n/a**	**n/a**	**n/a**	**n/a**	**1**	**n/a**	**n/a**	**n/a**
Expected deferred benefit crediting rate (0.5%)	**n/a**	**n/a**	**n/a**	**n/a**	**3**	**n/a**	**n/a**	**n/a**
Pensioner indexation assumption (0.5%)	**19**	**(18)**	**n/a**	**n/a**	**25**	**(23)**	**14**	**n/a**
Pensioner mortality assumption (0.5%)	**n/a**	**10**	**n/a**	**n/a**	**n/a**	**9**	**n/a**	**n/a**
Life expectancy (additional 1 year)	**n/a**	**n/a**	**2**	**n/a**	**n/a**	**n/a**	**4**	**n/a**
2016								
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)	–	–	2	4
Weighted average duration of the defined benefit obligation (years)	11	8	13	14

Accounting policy – recognition and measurement

Defined benefit plans

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

After taking into account any contributions paid into the defined benefit funds during the period, movements in the net surplus or deficit of each fund, except actuarial gains and losses, are recognised in the Consolidated income statement. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions over the period and the returns on plan assets are recognised (net of tax) directly in retained earnings through Other comprehensive income.

Contributions paid into defined benefit funds are recognised as reductions in the deficit.

5.3 Share-based payments

AMP has 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:

	2017 $'000	2016 $'000
Performance rights	**6,297**	1,220
Share rights	**21,878**	24,109
Total share-based payments expense	**28,175**	25,329

(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 are: – 50% subject to AMP's total shareholder return (TSR) performance relative to the top 50 industrial companies in the S&P/ASX 100 Index excluding those companies in the GICS Energy Sector and GICS Metals and Mining industry groups over a three-year performance period. – 50% subject to a return on equity (RoE) measure. The performance hurdles for rights granted in 2015 and 2016 are: – 60% subject to AMP's TSR performance relative to the top 50 industrial companies in the S&P/ASX 100 Index excluding those companies in the GICS Energy Sector and GICS Metals and Mining industry groups over a three-year performance period. – 40% subject to a RoE measure. The performance hurdles for rights granted in 2017 are: – 100% subject to AMP's TSR performance relative to the top 50 industrial companies in the S&P/ASX 100 Index excluding those companies in the GICS Energy Sector and GICS Metals and Mining industry groups over a four-year performance period.
Vesting period	– 3 years for rights granted in 2014, 2015 and 2016. – 4 years for rights granted in 2017.
Vested awards	Vested performance rights are automatically converted to shares on behalf of participants.
Unvested awards	Unvested awards are forfeited if the participant voluntarily ceases employment or is dismissed for misconduct 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)

(a) Performance rights (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
19/05/2017	$5.08	4.0	5.2%	23%	1.8%	56%	n/a	$2.24	n/a
13/01/2017	$5.15	2.4	5.0%	23%	1.9%	71%	0%	$1.47	$4.57
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

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:

Movements during the period of all performance rights

Grant date	Exercise price	Balance at 1 Jan 2017	Exercised during the year	Granted during the year	Lapsed during the year	Balance at 31 Dec 2017
05/06/2014	Nil	3,892,600	–	–	3,892,600	–
13/04/2015	Nil	8,004	–	–	8,004	–
04/06/2015	Nil	3,441,809	–	–	25,763	3,416,046
18/09/2015	Nil	61,038	–	–	–	61,038
15/04/2016	Nil	44,263	–	–	44,263	–
15/04/2016	Nil	21,788	–	–	–	21,788
02/06/2016	Nil	3,732,167	–	–	43,745	3,688,422
13/01/2017	Nil	–	–	12,820	–	12,820
19/05/2017	Nil	–	–	3,267,000	–	3,267,000
Total		**11,201,669**	**–**	**3,279,820**	**4,014,375**	**10,467,114**

From the end of the financial year and up to the date of this report, no performance rights have been issued, no performance rights have been exercised, and no performance rights have lapsed. Of the performance rights outstanding at the end of the period, none have vested or become exercisable.

5.3 Share-based payments (continued)

(b) Share rights

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, up until 2017, high potential employees at a senior leader level were eligible for nomination to participate in the STI match plan, which provided an award of share rights to the value of 50% of the individual's STI (plan ceased in 2017).

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 (2014, 2015 and 2016 grants) and four years for the 2017 grant made to AMP group employees. The 2017 LTI grant made to AMP Capital employees has a three-year service period. These may also 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. For AMP Capital employees participating in the Enterprise Profit Share scheme and the Deferred Bonus Equity Plan, the grant is split into two tranches with continued service for two and three years respectively. These are also subject to ongoing employment, compliance with AMP policies and the board's discretion.	Continued service for two years and subject to ongoing employment, compliance with AMP policies and the board's discretion.
Vested awards	Vested share rights are automatically converted to shares on behalf of participants.		
Unvested awards	Unvested awards are forfeited if the participant voluntarily ceases employment or is dismissed for misconduct 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.

5.3 Share-based payments (continued)

The following table shows the factors which were considered in determining the independent fair value of the share rights granted during the period:

Grant date	Share price	Contractual life (years)	Dividend yield	Dividend discount	Fair value
05/06/2014	$5.28	3.0	4.8%	13%	$4.57
13/04/2015	$6.69	2.1	4.8%	10%	$6.05
30/04/2015	$6.44	1.8	4.8%	8%	$5.90
29/05/2015	$6.66	1.8	4.8%	8%	$6.11
04/06/2015	$6.20	3.0	4.7%	13%	$5.39
18/09/2015	$5.79	2.0	4.6%	6%	$5.42
18/09/2015	$5.79	1.8	4.6%	7%	$5.41
18/09/2015	$5.79	2.7	4.6%	12%	$5.11
22/02/2016	$5.54	1.6	4.6%	7%	$5.15
22/02/2016	$5.54	2.6	4.6%	11%	$4.91
22/02/2016	$5.54	1.5	4.6%	7%	$5.17
29/02/2016	$5.32	1.1	4.7%	5%	$5.06
15/04/2016	$5.79	0.9	4.7%	4%	$5.56
28/04/2016	$5.84	1.8	4.7%	8%	$5.36
02/06/2016	$5.54	3.0	4.7%	13%	$4.81
13/01/2017	$5.15	0.6	5.0%	3%	$5.00
13/01/2017	$5.15	1.6	5.0%	8%	$4.75
13/01/2017	$5.15	2.4	5.0%	11%	$4.57
27/04/2017	$5.12	1.8	5.2%	9%	$4.65
27/04/2017	$5.12	2.8	5.2%	14%	$4.42
19/05/2017	$5.08	4.0	5.2%	17%	$4.21
19/05/2017	$5.08	3.0	5.2%	13%	$4.43
03/07/2017	$5.19	2.0	5.2%	10%	$4.68

The following table shows the movement in share rights outstanding during the period:

Grant date	Exercise price	Balance at 1 Jan 2017	Exercised during the year	Granted during the year	Lapsed during the year	Balance at 31 Dec 2017
05/06/2014	Nil	1,378,520	1,371,824	–	6,696	–
13/04/2015	Nil	5,468	5,468	–	–	–
30/04/2015	Nil	3,023,673	3,023,673	–	–	–
29/05/2015	Nil	12,437	12,437	–	–	–
04/06/2015	Nil	1,532,875	–	–	31,026	1,501,849
18/09/2015	Nil	61,037	–	–	–	61,037
18/09/2015	Nil	16,313	16,313	–	–	–
18/09/2015	Nil	41,667	41,667	–	–	–
22/02/2016	Nil	10,733	–	–	10,733	–
22/02/2016	Nil	10,733	–	–	10,733	–
22/02/2016	Nil	27,522	27,522	–	–	–
29/02/2016	Nil	52,739	52,739	–	–	–
15/04/2016	Nil	8,932	8,932	–	–	–
28/04/2016	Nil	3,580,593	–	–	5,343	3,575,250
02/06/2016	Nil	1,765,949	–	–	65,114	1,700,835
13/01/2017	Nil	–	–	12,821	–	12,821
13/01/2017	Nil	–	8,818	8,818	–	–
13/01/2017	Nil	–	–	8,818	–	8,818
27/04/2017	Nil	–	–	1,583,883	8,256	1,575,627
27/04/2017	Nil	–	–	1,086,272	–	1,086,272
19/05/2017	Nil	–	–	566,000	–	566,000
19/05/2017	Nil	–	–	1,423,777	82,330	1,341,447
03/07/2017	Nil	–	–	9,671	–	9,671
Total		**11,529,191**	**4,569,393**	**4,700,060**	**220,231**	**11,439,627**

From the end of the financial year and up to the date of this report, no share rights have been issued, no share rights have been exercised, and 5,686 share rights have lapsed due to resignation. Of the share rights outstanding at the end of the period, none have vested or become exercisable.

5.3 Share-based payments (continued)

(c) Restricted shares

No restricted shares were granted during 2016 and 2017.

(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 in the Consolidated income statement, together with a corresponding increase in the share-based payment reserve (SBP reserve) in equity, over the vesting period of the instrument. At each reporting date, the AMP group reviews its estimates of the number of instruments that are expected to vest and any changes to the cost are recognised in the Consolidated income statement and the SBP reserve, over the remaining vesting period.

Where the terms of an equity-settled share-based payment are modified and the expense increases as a result of the modification, the increase is recognised over the remaining vesting period. When a modification reduces the expense, there is no adjustment and the pre-modification cost continues to be recognised.

Where an equity-settled award does not ultimately vest, expenses are not reversed, except for awards where vesting is conditional upon a non-market condition, in which case all expenses are reversed in the period in which the instrument lapses.

Section 6: Group entities

This section explains significant aspects of the AMP group structure, including significant investments in controlled operating entities and entities controlled by AMP Life's statutory funds, and investments in associates. It also provides information on business acquisitions and disposals made during the year.

6.1 Controlled entities

(a) Significant investments in controlled operating entities are as follows:

Operating entities Name of entity	Country of registration	Share type	% holdings 2017	2016
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 AMP Life's statutory funds

The life insurance statutory funds hold investments in various investment vehicles/funds backing policyholder liabilities as well as shareholder attributable assets in the life insurance statutory funds. The policyholder attributable investments are not part of the core wealth management business of AMP and do not have a material impact on the financial performance or net financial position of the company. The investments are measured at fair value through profit and loss reflecting the fair value movements in these investments in the financial statements.

Critical accounting estimates and judgements:

Judgement is applied in determining the relevant activities of each entity, whether AMP Limited has power over these activities and whether control exists. This involves assessing the purpose and design of the entity and identifying the activities which significantly affect that entity's returns and how decisions are made about those activities. In assessing how decisions are made, management considers voting and veto rights, contractual arrangements with the entity or other parties, and any rights or ability to appoint, remove or direct key management personnel or entities that have the ability to direct the relevant activities of the entity. Management also considers the practical ability of other parties to exercise their rights.

Judgement is also applied in identifying the variable returns of each entity and assessing AMP Limited's exposure to these returns. Variable returns include distributions, exposure to gains or losses and fees that may vary with the performance of an entity.

6.2 Acquisitions and disposals of controlled entities

(a) Acquisitions and disposals of controlled operating entities

There were no individually or collectively significant acquisitions or disposals of controlled operating entities during the year.

(b) Acquisition and disposals of controlled entities of AMP Life's statutory funds

In the course of normal operating investment activities, AMP Life's 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 AMP Life's statutory funds are operating companies which carry out business operations unrelated to the core wealth management operations of the AMP group.

6.3 Investments in associates

(a) Investments in associates accounted for using the equity method

Associate	Principal activity	Place of business	Ownership interest 2017 %	Ownership interest 2016 %	Carrying amount[1] 2017 $m	Carrying amount[1] 2016 $m
China Life Pension Company[2]	Pension company	China	**19.99**	19.99	**281**	283
AIMS AMP Capital Industrial REIT[3]	Industrial property trust	Singapore	**5**	5	**47**	49
China Life AMP Asset Management Company Ltd[2]	Investment management	China	**15**	15	**23**	21
Global Infrastructure Fund[3]	Fund	Cayman Island	**8**	5	**151**	38
PCCP LLC[2]	Investment management	United States	**24.9**	–	**127**	–
Other (individually immaterial associates)			**n/a**	n/a	**120**	58
Total investments in associates accounted for using the equity method					**749**	449

1 The carrying amount is after recognising $29m (2016: $28m) share of current period profit or loss of associates accounted for using the equity method.
2 The AMP group has significant influence through representation on the entity's board.
3 Entities within the AMP group have been appointed investment manager, therefore the group is considered to have significant influence.

(b) Investments in significant associates held by AMP Life's statutory funds measured at fair value through profit or loss

The life insurance statutory funds hold investments in various investment vehicles/funds on behalf of policyholders. These investments are not part of the core wealth management business of AMP and do not have a material impact on the financial performance or net financial position of the AMP group.

Accounting policy – recognition and measurement

Investments in associates accounted for using the equity method

Investments in entities, other than those backing investment contract liabilities and life insurance contract liabilities, over which the AMP group has the ability to exercise significant influence, but not control, are accounted for using the equity method of accounting. The investment is measured at cost plus post-acquisition changes in the AMP group's share of the associates' net assets, less any impairment in value. The AMP group's share of profit or loss of associates is included in the Consolidated income statement. Any dividend or distribution received from associates is accounted for as a reduction in carrying value of the associate.

Any impairment is recognised in the Consolidated income statement when there is objective evidence a loss has been incurred. It is measured as the amount by which the carrying amount of the investment in entities exceeds its recoverable amount.

Investments in associates measured at fair value through profit or loss

Investments in entities held to back investment contract liabilities and life insurance contract liabilities are exempt from the requirement to apply equity accounting and have been designated on initial recognition as financial assets measured at fair value through profit or loss.

6.4 Parent entity information

	2017 $m	2016 $m
(a) Statement of comprehensive income – AMP Limited entity		
Dividends and interest from controlled entities	**890**	634
Interest revenue – other entities	**–**	1
Service fee revenue	**8**	11
Operating expenses	**(8)**	(8)
Finance costs	**(45)**	(44)
Income tax credit[1]	**49**	52
Profit for the year	**894**	646
Total comprehensive income for the year	**894**	646
(b) Statement of financial position – AMP Limited entity		
Current assets		
Cash and cash equivalents	**3**	32
Receivables and prepayments[2]	**99**	107
Loans and advances to subsidiaries	**1,191**	2,078
Non-current assets		
Investments in controlled entities	**12,400**	11,355
Deferred tax assets[3]	**91**	53
Total assets	**13,784**	13,625
Current liabilities		
Payables[2]	**106**	77
Current tax liabilities	**47**	29
Provisions	**5**	3
Non-current liabilities		
Subordinated debt[4]	**1,116**	864
Total liabilities	**1,274**	973
Net assets	**12,510**	12,652
Equity – AMP Limited entity		
Contributed equity	**9,547**	9,747
Share based-payment reserve	**22**	21
Retained earnings[5]	**2,941**	2,884
Total equity	**12,510**	12,652

1 Dividend income from controlled entities $866m (2016: $611m) is not assessable for tax purposes. Income tax credit includes $53m (2016: $65m) utilisation of previously unrecognised tax losses.
2 Receivables and payables include tax-related amounts receivable from subsidiaries $52m (2016: $99m) and payable to subsidiaries $75m (2016: $42m).
3 Deferred tax assets include amounts recognised for losses available for offset against future taxable income $87m (2016: $49m).
4 AMP Limited entity is the issuer of: AMP Subordinated Notes; AMP Wholesale Capital Notes; AMP Capital Notes – 2015 and AMP Capital Notes – 2017. Further information on these are provided in note 3.2.
5 Changes in retained earnings comprise $894m (2016: $646m) profit for the year less dividends paid of $837m (2016: $828m).

(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

	2017 $m	2016 $m
(a) Reconciliation of cash flow from operating activities		
Net profit after income tax	**873**	192
Depreciation of operating assets	**17**	18
Amortisation and impairment of intangibles	**276**	937
Investment gains and losses and movements in external unitholders liabilities	**(1,495)**	506
Dividend and distribution income reinvested	**(4,686)**	(3,515)
Share-based payments	**7**	–
(Increase) decrease in receivables, intangibles and other assets	**(152)**	83
Increase in net policy liabilities	**3,769**	2,615
Increase (decrease) in income tax balances	**244**	(473)
(Decrease) in other payables and provisions	**(251)**	(188)
Cash flows from (used in) operating activities	**(1,398)**	175
(b) Reconciliation of cash		
Comprises:		
Cash and cash equivalents	**3,602**	3,476
Short-term bills and notes (included in Debt securities)	**3,620**	5,334
Cash and cash equivalents for the purpose of the Statement of cash flows	**7,222**	8,810

Accounting policy – recognition and measurement

Cash and cash equivalents

Cash and cash equivalents comprise cash-on-hand that is available on demand and deposits that are held at call with financial institutions. Cash and cash equivalents are measured at fair value, being the principal amount. For the purpose of the Consolidated statement of cash flows, Cash and cash equivalents also includes other highly liquid investments not subject to significant risk of change in value, with short periods to maturity, net of outstanding bank overdrafts. Bank overdrafts are shown within Interest-bearing liabilities in the Consolidated statement of financial position.

7.2 Leases

	2017 $m	2016 $m
Due within one year	**81**	89
Due within one year to five years	**279**	222
Due later than five years	**951**	16
Total operating lease commitments	**1,311**	327

Non-cancellable operating leases are in relation to the AMP group's offices in various locations. AMP generally pays rent on a periodic basis at rates agreed at the inception of the lease.

At 31 December 2017, the total of future minimum sublease payments expected to be received under non-cancellable subleases was $15m (2016: $37m).

Accounting policy – recognition and measurement

Operating lease payments

Operating lease payments are recognised as an expense in the Consolidated income statement on a straight-line basis over the lease term or other systematic basis representative of the patterns of the benefits obtained. Operating incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

7.3 Provisions

	Consolidated 2017 $m	Consolidated 2016 $m
(a) Provisions		
Restructuring[1]	**22**	67
Other[2]	**131**	138
Total provisions	**153**	205

	Restructuring[1] $m	Other[2] $m	Total $m
(b) Movements in provisions – consolidated			
Balance at the beginning of the year	67	138	205
Additional provisions made during the year	15	71	86
Provisions used during the year	(60)	(78)	(138)
Balance at the end of the year	**22**	**131**	**153**

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. $25m (2016: $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.

Industry and regulatory compliance investigations

AMP is subject to review from time to time by regulators, both in Australia and offshore. In Australia, AMP's principal regulators are APRA, ASIC and AUSTRAC, though, other government agencies may have jurisdiction depending on the circumstances. The reviews conducted by regulators may be industry wide or specific to AMP and the outcomes of those reviews can vary and may lead, for example, to the imposition of penalties, the compensation of customers, enforceable undertakings or recommendations and directions for AMP to enhance its control framework, governance and systems.

There are currently a number of investigations being undertaken by ASIC, some of which are industry wide. These cover a range of matters, including adviser conduct, customer fees, the quality of advice and the monitoring and supervision by AMP of its advisers. These investigations have not been completed and the associated outcomes and costs are uncertain.

AMP is also undertaking reviews concurrently with these regulatory investigations to determine, amongst other things, where customers may have been disadvantaged. In some instances compensation has been paid and, as these reviews are ongoing, further compensation may be required to be paid to customers. Where the results of our reviews have reached the point that customer compensation is likely, specific provisions have been raised, however, a contingency remains in relation to the regulatory investigations.

More recently, the Australian financial services industry is responding to a Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, established on 14 December 2017. The outcomes of this Royal Commission for AMP and the industry are uncertain at this time. AMP has welcomed the opportunity to contribute to the Royal Commission and supports its intent to provide certainty to the financial system and help restore the community's trust and confidence in the industry.

7.5 Auditors' remuneration

	2017 $'000	2016 $'000
AMP Limited and other corporate entities in the consolidated group		
Audit services		
Audit or review of financial statements	**5,536**	5,377
Other audit services[1]	**1,395**	1,239
Total audit service fees	**6,931**	6,616
Non-audit services		
Taxation services	**743**	681
Other services[2]	**856**	1,012
Total non-audit services fees	**1,599**	1,693
Total auditors' remuneration for AMP Limited and other corporate entities	**8,530**	8,309
Managed Investment Schemes and Superannuation Funds		
Audit services		
Audit or review of financial statements	**6,977**	6,753
Other audit services[1]	**303**	288
Total audit service fees	**7,280**	7,041
Non-audit services		
Taxation services	**305**	277
Other services[3]	**–**	119
Total non-audit services fees	**305**	396
Total auditors' remuneration for managed investment schemes and superannuation funds	**7,585**	7,437
Total auditors' remuneration	**16,115**	15,746

1 Other audit services includes regulatory compliance and reviews of controls and procedures.
2 Other non-audit services for AMP Limited and other corporate entities relate to compliance related review.
3 Other non-audit services for managed investment schemes and superannuation funds are comprised primarily with transaction related advice.

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 2017. 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. 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.

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. Based on the impact assessment undertaken by the AMP group, there is no material impact to the group upon adoption of 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 (ECL) on financial assets, and also introduces new general hedge accounting requirements.

Based on the impact assessment undertaken by the AMP group, there is no material impact to the group upon adoption of AASB 9 classification and measurement, and ECL requirements. As permitted by AASB 9 the group has chosen to continue to apply the hedge accounting requirements of AASB 139 *Financial Instruments: Recognition and Measurement*.

7.6 New accounting standards (continued)

AASB 16 *Leases*
AASB 16 *Leases* (AASB 16) is effective for periods beginning on 1 January 2019. AASB 16 requires lessees to recognise most leases on balance sheet as lease liabilities, with the corresponding right-of-use assets. Lessees have the option not to recognise 'short-term' leases and leases of 'low-value' assets.

Impact assessment for the adoption of AASB 16 is ongoing. The AMP group is not considering early adopting AASB 16.

AASB 17 *Insurance Contracts*
AASB 17 *Insurance Contracts* (AASB 17) is effective for periods beginning on 1 January 2021. The new standard will introduce significant change to the accounting for life insurance contracts and the reporting and disclosures in relation to those contracts.

The new standard, of itself, does not change the underlying economics or cash flows of the life insurance business. However, it is anticipated that there will be an impact on profit emergence profiles from life insurance contracts. Subject to any changes to regulation or legislation which may be made in response to the new standard, there may also be an impact on the determination of capital requirements and income tax.

The detailed requirements of the standard are complex and, in some cases, the final impact of these requirements will not be determined until interpretations and regulatory responses to the new standard are developed. The AMP group is currently undertaking an assessment of the potential impact of this standard.

7.7 Events occurring after reporting date

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
– AMP group's state of affairs in future financial years.

Directors' declaration

for the year ended 31 December 2017

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 2017 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 2017 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.

C. Brenner

Catherine Brenner
Chairman

C D Meller

Craig Meller
Chief Executive Officer and Managing Director

Sydney, 8 February 2018

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Independent Auditor's Report

to the Shareholders of AMP Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of AMP Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance for the year ended on that date; and
b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional 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 report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Valuation of life insurance policy liabilities	
Why significant	**How our audit addressed the key audit matter**
Life insurance contract liabilities total $23,683 million and represent 17% of total liabilities. The valuation of the provisions for the settlement of future claims involves complex and subjective judgements about future events, both internal and external to the business. Small changes in assumptions can have a material impact on the valuation of these liabilities. Key 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	Our audit procedures included the following: – We assessed the Group's controls over the recording of new business, policy administration and claims processes. – We assessed the policy liability valuation process including the key reconciliations supporting the data used in the valuation process. – We evaluated the associated IT systems and the design and operating effectiveness of IT system controls relating to the policy valuations. – We assessed the competence and objectivity of the AMP life entities' Appointed Actuary. – Our actuarial specialists assessed the reasonableness of the valuation methodology, key assumptions, including the impact of the recent reinsurance transactions, and the interpretation of prudential standards that affect the policy liability valuation. – Where adjustments were made to the valuation model outputs outside the standard processes, our actuarial specialists performed testing necessary, on a sample basis, to validate the nature and accuracy of the adjustments. – Our actuarial specialists independently developed expectations regarding the valuation results based on their understanding of the business, external industry trends and experience and AMP life entities' 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 Standards.

Independent Auditor's Report (continued)

<table>
<tr><th colspan="2">Valuation of investment contract liabilities</th></tr>
<tr><th>Why significant</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Investment contract liabilities total $75,235 million and represent 53% 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 investment 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 was considered a key audit matter given the significance of this account to the overall financial statements.</td><td>Our audit procedures included the following:
– We assessed the Group's controls over the recording of new business, renewals and benefits processes.
– We evaluated the associated IT systems and the design and operating effectiveness of IT system controls relating to investment contract liabilities valuation.
– We examined the unit pricing process, which included assessing the design and testing controls associated with the process.
– We considered the unqualified assurance report from an audit firm addressing the controls at the custodian.
– We evaluated the process and tested controls of the Group that support the valuation of investment contract liabilities.
– 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 2017. We performed testing over this extraction process, reconciled the investment contract liabilities to the fair value of underlying assets and evaluated the reasonableness of reconciliation differences.</td></tr>
<tr><th colspan="2">Valuation of complex and illiquid financial investments</th></tr>
<tr><th>Why significant</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Investments in financial assets total $136,675 million and represent 92% of total assets.

As set out in Note 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.

The Group exercised judgement 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.</td><td>Our audit procedures included the following:
– We assessed the Group's controls over the valuation of illiquid financial investments.
– For all level 3 investments, where relevant, our valuation specialists assessed the valuation and modelling methodologies and the key assumptions used, including the prevailing local market conditions for offshore assets, for 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 on a sample basis as provided by external investment managers, including an assessment of the reliability of the information provided by the investment managers.</td></tr>
</table>

Recoverability of Goodwill and intangible assets	
Why significant	**How our audit addressed the key audit matter**
Goodwill and intangible assets total $3,218 million and represent 2% of total assets. 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). 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 contract 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. The determination of the recoverable amounts of these assets are complex and typically requires a high level of judgement. The most significant judgements arise over the assumptions applied in the embedded value calculation.	Our audit procedures included the following: – Assessed whether the methodology used by the Group for impairment assessment purposes was in line with the requirements of Australian Accounting Standards, 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 contract 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. – Tested 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. – Our consideration of the impairment assessment undertaken by the Group required valuation and actuarial expertise to assist in the testing of the recoverable amount models and assumptions. Accordingly, we involved our specialists where necessary in conducting these procedures.

Independent Auditor's Report (continued)

Information technology (IT) environment	
Why significant	**How our audit addressed the key audit matter**

The operations of AMP Limited are heavily dependent on information technology systems and their associated IT controls.
 	
A fundamental component of IT controls is ensuring appropriate user access management, program change management and IT operational protocols exist and are being adhered to.
	Our audit procedures included the following:
	– We assessed the Group's overall IT environment and the controls in place over access to systems and data, as well as system changes. We tailored our audit approach based on the financial significance of the system and whether there were automated procedures supported by that system.
	– The procedures performed included testing the Group's controls over appropriate access rights for the relevant applications.
	– We assessed the Group's controls relating to system development and program changes to establish that system changes were appropriately authorised.
	– Where deficiencies were identified, we performed additional procedures to test the information produced from affected systems.
	– These procedures included:
	  – Identifying whether there had been unauthorised or inappropriate changes made to critical IT systems and databases.
	  – Assessing the design and operating effectiveness of compensating controls.
	– Where required, we performed testing to validate the integrity and reliability of the specific information.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2017 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report (including the remuneration report) that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

Independent Auditor's Report (continued)

As part of an audit in accordance with the 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2017.

In our opinion, the Remuneration Report of AMP Limited for the year ended 31 December 2017, 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

Tony Johnson
Partner
Sydney
8 February 2018

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Securityholder information

as at 8 February 2018

Distribution of AMP capital notes holdings

Range	Number of holders	Notes held	% of issued capital
1–1,000	4,197	1,130,629	42.27
1,001–5,000	251	547,187	20.46
5,001–10,000	16	101,047	3.78
10,001–100,000	21	622,024	23.25
100,001 and over	2	274,113	10.25
Total	**4,487**	**2,675,000**	**100.00**

Twenty largest AMP capital notes holdings

Rank	Name	Notes held	% of issued capital
1	HSBC Custody Nominees (Australia) Limited	143,260	5.36
2	Citicorp Nominees Pty Limited	130,853	4.89
3	J P Morgan Nominees Australia Limited	99,595	3.72
4	Navigator Australia Ltd <MLC Investment Sett A/C>	70,981	2.65
5	BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd DRP	55,613	2.00
6	IOOF Investment Management Limited <IPS Super A/C>	52,827	1.97
7	National Nominees Limited	40,353	1.51
8	Mutual Trust Pty Ltd	36,633	1.37
9	Taverners No 11 Pty Ltd <Brencorp No 11 Unit A/C>	27,539	1.03
10	HSBC Custody Nominees (Australia) Limited – A/C 2	26,432	0.99
11	Nulis Nominees (Australia) Limited <Navigator Mast Plan Sett A/C>	25,832	0.97
12	Filbury P/L <Piekarski Grand Invest A/C>	25,800	0.96
13	IOOF Investment Management Limited <IPS IDPS A/C>	22,715	0.85
14	BNP Paribas Noms Pty Ltd <DRP>	20,491	0.77
15	Netwealth Investments Limited <Wrap Services A/C>	19,182	0.72
16	Navigator Australia Ltd <JB Were List Fix Int SMA A/C>	16,811	0.63
17	T G B Holdings Pty Ltd	14,100	0.53
18	Larkins Business Management Pty Ltd	13,034	0.49
19	Taverners J Pty Ltd <Scanlon Foundation RC A/C>	12,029	0.45
20	Citicorp Nominees Pty Limited <DPSL>	11,572	0.43
Total		**863,652**	**32.29**

Distribution of AMP wholesale capital notes holdings

Range	Number of holders	Notes held	% of issued capital
1–1,000	9	2,368	8.61
1,001–5,000	3	10,462	38.04
5,001–10,000	2	14,670	53.35
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 127.

Distribution of AMP Limited shareholdings

Range	Number of holders	Ordinary shares held	% of issued capital
1–1,000	511,176	224,144,275	7.68
1,001–5,000	208,779	426,103,666	14.60
5,001–10,000	20,932	147,601,338	5.06
10,001–100,000	10,309	212,761,331	7.29
100,001 and over	263	1,907,858,527	65.37
Total	**751,459**	**2,918,469,137**	**100.00**

The total number of shareholders holding less than a marketable parcel of 96 shares is 12,213.

Twenty largest AMP Limited shareholdings

Rank	Name	Ordinary shares held	% units
1	HSBC Custody Nominees (Australia) Limited	889,548,345	30.48
2	J P Morgan Nominees Australia Limited	377,340,843	12.93
3	Citicorp Nominees Pty Limited	230,819,516	7.91
4	National Nominees Limited	119,695,354	4.10
5	BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	38,859,153	1.33
6	BNP Paribas Noms Pty Ltd <DRP>	34,755,918	1.19
7	Australian Foundation Investment Company Limited	20,100,422	0.69
8	HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	18,730,387	0.64
9	Citicorp Nominees Pty Limited <Colonial First State INV A/C>	15,490,647	0.53
10	Argo Investments Limited	12,381,674	0.42
11	AMP Life Limited	11,906,937	0.41
12	UBS Nominees Pty Ltd	9,841,931	0.34
13	Navigator Australia Ltd <SMA Antares Inv DV Build A/C>	6,403,367	0.22
14	Navigator Australia Ltd <MLC Investment Sett A/C>	4,519,454	0.15
15	Australian United Investment Company Limited	4,500,000	0.15
16	RBC Investor Services Australia Nominees Pty Limited <MBA A/C>	4,275,977	0.15
17	Diversified United Investment Limited	3,900,000	0.13
18	RBC Investor Services Australia Nominees Pty Lty <Harvester ETF>	3,898,770	0.13
19	HSBC Custody Nominees (Australia) Limited-GSCO ECA	3,595,029	0.12
20	Nulis Nominees (Australia) Limited <Navigator Mast Plan Sett A/C>	3,350,572	0.11
Total		**1,813,914,296**	**62.15**

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 2017
4,300,864 AMP Limited ordinary shares were purchased on market to satisfy entitlements under AMP's employee incentive schemes at an average price per share of $5.20.

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
The on-market buy-back announced in 2017 is currently on hold.

Glossary

Contingent liabilities
A situation existing at reporting date, where past events have led to a possible obligation, the outcome of which depends on uncertain future events, or an obligation where the outcome is not sufficiently probable or reliably measurable to warrant recognising the liability at this reporting date.

Controllable costs
Costs that AMP incurs in running its business. Controllable costs include operational and project costs and exclude variable costs, provision for bad and doubtful debts and interest on corporate debt.

Earnings per share (EPS)
Each earnings per share (EPS) calculation represents the profit amount divided by the weighted average number of shares on issue during the year.

Embedded value
A calculation of the economic value of the shareholder capital in the businesses other than AMP Bank, and the future shareholder profits expected to emerge from the business currently in force (expressed in today's dollars).

Executives
Within this report, the term *executives* refers to the chief executive officer and nominated direct reports of the CEO who are key management personnel (KMP).

Franking rate
The amount of tax AMP has already paid on a dividend payment. This can be used as a tax credit by Australian resident shareholders. The franking rate is determined by AMP's taxable income. AMP's policy is to always frank dividends at the highest possible rate.

Investment performance
A measure of how well we manage funds on behalf of our customers. The percentage of assets managed by AMP which met or exceeded their respective client goals.

Key management personnel (KMP)
The chief executive officer (CEO), direct reports of the CEO and the non-executive directors, who have authority and responsibility for planning, directing and controlling the activities of AMP.

Long-term incentive (LTI)
An executive reward for helping AMP achieve specific long-term performance targets. It is awarded in the form of share rights and/or performance rights to motivate executives to create outstanding long-term value for shareholders. A right is an entitlement to receive one AMP limited share per right subject to meeting the vesting conditions.

Non-executive directors (NEDs)
Board directors who are not employees of AMP (they are independent).

Operating earnings
Total operating earnings are the shareholder profits that relate to the performance of AMP. Operating earnings exclude investment earnings on shareholder capital and one-off items.

Performance right
A form of executive remuneration designed to reward long-term performance. Selected executives are granted performance rights. Each performance right is a right to acquire one AMP share after a three-year performance period, if a specific performance hurdle is met.

Return on equity (RoE)
Return on equity (RoE) is a measure used in the AMP long-term incentive plan. It is a percentage that shows how effective AMP has been in growing the value of the money invested by our shareholders. The percentage is determined by dividing AMP's underlying profit by AMP shareholder equity.

Share right
A share right is an entitlement to acquire one AMP share at the end of a vesting period, eg two years, as long as the service conditions are met.

Short-term incentive (STI)
An executive reward for helping AMP achieve specific short-term performance targets and objectives. It is paid in the form of cash and share rights to motivate executives to achieve outstanding performance during the year.

STI pool
The money used for the payment of STI rewards. The pool size varies each year depending on AMP's financial and non-financial performance against the STI scorecard.

Total shareholder return (TSR)
A measure of the value returned to shareholders over a period of time. It takes into account the changes in market value of AMP shares, plus the value of any dividends paid and capital returns on the shares.

Underlying investment income
Underlying investment income is based on long-term expected rates of return. Actual investment income can be higher or lower than the long-term rate from year to year.

Underlying profit
AMP's key measure of business profitability, as it smooths investment market volatility that stems from shareholder assets that are invested in investment markets and aims to reflect the trends in the underlying business performance of the AMP group. The components of underlying profit are listed on pages 63 and 64.

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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