ASX Announcement

23 March 2020

Manager
ASX Market Announcements
Australian Securities Exchange
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Sydney NSW 2000

Client and Market Services Team
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AMP Limited (ASX/NZX: AMP)

2019 annual reporting suite

Part One:	2019 Annual Report
Part Two:	2019 Corporate Governance Statement and Appendix 4G
Part Three:	Annual Review and Notice of Meeting
Part Four:	AMP Annual General Meeting Update
Part Five:	2019 Sustainability Report

Marissa Bendyk
Group Company Secretary

2019
Annual report

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

Contents

AMP Limited ABN 49 079 354 519

Unless otherwise specified, all amounts are in Australian dollars.
The directors' report, financial report and independent auditor's report are dated and current as at 13 February 2020.

Message from the Chairman

As I foreshadowed last year, 2019 was a year of transition for AMP. As a board, and as a company, we have taken the necessary action to begin to address our legacy issues, in order to reinvent our 170-year-old business.

Our performance reflects the significant changes underway as we execute our new strategy, reposition the sale of AMP Life, address legacy issues, and navigate an increasingly complex regulatory environment.

Sale of AMP Life

The sale of our Australian and New Zealand wealth protection and mature businesses, now known as AMP Life, to Resolution Life is critical to AMP's longer-term success. In August 2019, we announced a revised agreement to sell AMP Life to Resolution Life for $2.5 billion in cash, as well as a $500 million equity interest in Resolution Life Australia, a new Australian-based company controlled by Resolution Life.

This agreement replaces the original transaction with Resolution Life, which could not progress due to challenges in achieving regulatory approvals.

The board assessed a number of options but remains convinced that the sale to Resolution Life will deliver the best outcomes for our shareholders, policyholders and business. We continue to progress the transaction, which is expected to complete by 30 June 2020.

Client remediation

The company is dealing with a number of legacy issues including the remediation of clients of advisers who received inappropriate advice, or who paid fees where there was no evidence of services delivered. The program accelerated as we said it would in 2019. Total program spend to date, including program costs and money repaid to clients, is $264 million with $190 million paid in the second half of the year. The program remains on track for completion in 2021.

Board renewal

We commenced the program of board renewal in 2018 and were pleased to have the support of our shareholders at the 2019 AGM for the new directors. The new appointments to our board bring valuable insights to AMP as the industry navigates increasing regulatory, governance and risk obligations.

Turning to our more recently appointed directors, Debra Hazelton joined the board as an independent non-executive director in June 2019, bringing more than 30 years' experience in global financial services, including roles as the local Chief Executive of Mizuho Bank in Australia and Commonwealth Bank (CBA) in Japan.

Rahoul Chowdry joined the board as a non-executive director in January 2020. Rahoul has 35 years' experience

"In 2019, AMP announced a three-year transformational strategy to become a client-led, simpler, growth-oriented business. There is still much work to do to drive this turnaround but the foundations are now in place."

in professional services, advising complex multinational organisations including Minter Ellison and PwC in Australia and overseas.

Michael Sammells joined the board as a non-executive director in March 2020. Michael brings more than two decades of experience as a CFO across private and ASX-listed companies. He is currently a non-executive director of Sigma Healthcare Limited.

We have also announced the retirement of three directors. Firstly, I want to acknowledge Mike Wilkins AO, who stepped down from the AMP Limited Board in February 2020. Mike has served AMP and its shareholders with distinction throughout his time on the board, particularly when he stepped into an executive capacity as interim Chairman and CEO at a deeply challenging time for the company in 2018. Mike will remain a non-executive director on the board of AMP Life until the completion of the sale of the business to Resolution Life.

Further, Peter Varghese AO and Andrew Harmos will also retire as directors at the conclusion of the AGM in May 2020. Andrew will remain a non-executive director on the board of AMP Life until the completion of the sale of the business to Resolution Life.

I would like to thank Mike, Peter and Andrew for their significant contributions to AMP over the past few years and wish them well for the future.

2019 performance and dividend

The business reported an underlying profit of $464 million for the year. This was 32% lower than underlying profit in 2018 and largely reflected the challenging conditions faced by Australian wealth management. The net loss attributable to shareholders for the year was $2.5 billion. This is due to a predominantly non-cash impairment of $2.35 billion (post-tax) taken in the first half to reset the business and support the new strategy.

It is important to understand that this does not affect the financial stability of our business.

To ensure we maintained our capital position, and to enable management to begin implementing the new strategy immediately, AMP undertook a capital raising in 2019 through an institutional placement and a retail share purchase plan. We were pleased with the strong support from new and existing retail and institutional shareholders.

AMP remains well capitalised. Level 3 eligible capital above minimum regulatory requirements was $2.5 billion at 31 December 2019, up from $1.65 billion at 31 December 2018.

To maintain balance sheet strength and prudent capital management through a period of significant change, the board has resolved not to declare a final dividend in FY 19. This position will be reviewed after completion of the AMP Life sale.

AMP anticipates that any capital in excess of target surplus post completion will first be used to fund delivery of the new AMP strategy. Beyond this, AMP will assess all capital management options with the intent of returning the excess above target surplus to shareholders, subject to unforeseen circumstances.

Reinventing AMP

In 2019, AMP announced a three-year transformational strategy to become a client-led, simpler, growth-oriented business. There is still much work to do to drive this turnaround but the foundations are now in place.

David Murray AO
Chairman

Message from the CEO

In my first year as CEO, we have set the foundations to turn our business around.

2019 was a year of fundamental reset for our business as we took bold but necessary action to address legacy issues and position AMP for the future. This was a critical first step in our transformational strategy to become a client-led, simpler, growth-oriented company and rebuild a business that you, our shareholders, can be proud of.

As a three-year strategy, there is still much to do, but I'm confident we're on the right course. We are driven by our purpose and motivated by our shared desire to serve our clients.

AMP was founded on a simple yet bold idea: that financial security enables people to live with dignity. Our commitment to improving financial literacy and making advice affordable to all Australians will help our clients live with the dignity that has been core to AMP's purpose for over 170 years.

AMP's commitment to our clients and the community remains as strong as it has ever been. The character of our company was on full display in 2019. The AMP Foundation continued to support the broader community, donating its 100 millionth dollar to a deserving charity partner.

And following the devastating bushfires over the summer, AMP answered the call. We partnered with advisers to offer pro bono advice and other relief packages, while AMP employees and the AMP Foundation contributed financially to the Australian Red Cross Disaster Relief Appeal.

2019 financial performance

Our performance in 2019 reflects the ongoing challenges we face as a business but was broadly in line with our guidance.

Our underlying profit was $464 million, down from $680 million in 2018, following a decline in earnings in Australian wealth management. The net loss attributable to shareholders for the year was $2.5 billion. This is due to a predominantly non-cash impairment of $2.35 billion (post-tax) taken in the first half of 2019 to reset the business and support the new strategy.

AMP Capital had an outstanding year, particularly in infrastructure and real estate investments. In 2019, AMP Capital delivered two of the 10 largest infrastructure fundraisings in the world. AMP Bank put in a resilient performance in a competitive market, growing both deposits and residential loans.

"It will take a concerted team effort to build the new AMP and I know our employees are ready for the challenge. With your ongoing support, I'm confident we can harness this unique opportunity to reinvent our iconic business."

Australian wealth management increased its assets under management over the year but its earnings were lower as we looked to improve competitiveness by reducing fees, among other factors. We are working hard at reinventing our wealth business – it will take time, but we have taken some important steps in 2019, including the fundamental reshape of our advice network.

In New Zealand wealth management we saw a resilient underlying performance. Ongoing legislative change impacted the performance of AMP Life, our life insurance and mature business, which we have agreed to sell to Resolution Life.

2019 priorities

In 2019, AMP made significant progress in delivering three complex but fundamental priorities. These priorities are critical to laying the foundation for our new strategy.

We reached a revised agreement for the sale of AMP Life to Resolution Life, expected to complete by 30 June 2020. We firmly believe the sale is in the best interests of policyholders and the company over the long term.

Our client remediation program is on track for completion in 2021 and we are doing everything we can to do this as quickly as possible. Putting things right for our clients is paramount – not only is it the right thing to do, it ensures we can focus on building our future.

And AMP's risk, governance and control settings have been strengthened through a $100 million (pre-tax) investment program, which will be complete by the end of 2020.

Strategy

In 2019, we announced a bold, three-year transformational strategy that will put clients first, simplify the business and drive growth and returns for shareholders.

We have a clear motivation to get there – AMP is ambitious, because we're ambitious for our clients.

AMP is in a unique position as a result of the disruption in the market currently. There is a growing need for advice amongst Australians – through face-to-face and digital services enabled by leading technology. We are well placed to develop whole-of-wealth offers encompassing advice, wealth and banking services to better serve our clients.

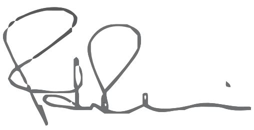
To support our strategy, we are committed to transforming our culture and improving our execution. In addition, we'll create a simpler and leaner business, through a multi-year cost-out program.

2020

In 2020, our focus will be on execution; we will meet our strategic priorities and implement a clear roadmap for delivering our three-year strategy.

We will simplify our portfolio by completing the sale of AMP Life, which will accelerate the simplification of our superannuation business. The reshape of our advice network will progress and we will capitalise on those areas of our business, like AMP Capital, AMP Bank and our platform business, that are performing strongly and continue to drive further growth.

This has been a challenging period for our business and I want to pay tribute to the resilience and professionalism shown by our employees. We are all energised by our mission. It will take a concerted team effort to build the new AMP and I know our employees are ready for the challenge. With your ongoing support, I'm confident we can harness this unique opportunity to reinvent our iconic business.



Francesco De Ferrari
Chief Executive Officer

Who we are and what we do

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

Over the course of our 170-year history, our business has evolved and it will continue to do so into the future.

AMP is a wealth management company with a growing retail banking business and an expanding international investment management business. We provide retail clients with financial advice and superannuation, retirement income, banking, investment products and life insurance. AMP also provides corporate superannuation products and services for workplace super and self-managed superannuation funds (SMSFs).

AMP Australia: Australian wealth management

We help our clients to save for, and live well in, retirement. We do this through our retail and workplace superannuation products, and self-managed superannuation funds services, as well as retirement income solutions and investments for individuals. Our superannuation business paid out $2.6 billion in retirement payments (including mature payments) in Australia in 2019.

As part of our three-year strategy, we are committed to reinventing wealth management in Australia. Bringing together our bank and wealth management teams in Australia will drive a more integrated organisation to better deliver whole-of-wealth services to clients.

AMP Australia: AMP Bank

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

In 2019, we helped around 110,000 Australians with their banking needs, including providing over 5,600 new home loans.

AMP Capital

AMP Capital is a global investment manager, which services institutional and direct clients, including AMP. The business continues to grow its global presence through differentiated capabilities in real assets (real estate and infrastructure) and public markets, investing more than $203 billion for clients across the world. In real assets, we manage real estate and infrastructure assets including shopping centres, airports and trains on behalf of funds and clients; while in public markets, we manage investments in equities, fixed income, multi-asset and diversified capabilities on behalf of clients around the world.

In 2019, AMP Capital had 358 direct international institutional clients and our ongoing relationships with global partners such as China Life provide a strong opportunity towards meeting our growth ambitions overseas and in new markets.

New Zealand wealth management

In New Zealand we provide clients with financial products and services, directly and through a large network of financial advisers. This is a strong business, that is now largely localised and running as a standalone business. We're in discussions with a number of interested parties and will provide an update at or before half-year results in August 2020.

In 2019, AMP maintained its position as New Zealand's leading non-bank retirement solutions provider with approximately 9% of the total KiwiSaver market and approximately 225,000 clients.

AMP Life

In August 2019, AMP announced a revised agreement to divest its Australian and New Zealand wealth protection and mature businesses to Resolution Life. This is a major step in reshaping AMP as a simpler, more focused group. The revised transaction is expected to complete by 30 June 2020.

Wealth protection (life insurance)

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

In 2019, we paid $1.1 billion in Australian insurance claims and NZ$54.6 million in New Zealand insurance claims when people needed us most.

Mature

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

1 Fee reductions include MyNorth fee reductions in 2019 and super fee reductions in February 2020.

Reinventing AMP

2019 was a year of fundamental reset for our company. The three-year strategy we have outlined will transform AMP into a client-led, higher growth and higher return business. The heart of our new strategy is the prioritisation of our clients.

Recognising the substantial disruption in the wealth management industry, our new strategy aims to meet the growing advice needs of Australians, on their own terms. Our commitment to advice means AMP is uniquely positioned to develop whole-of-wealth client offers, encompassing wealth management, banking and advice.

In our investment management business AMP Capital, we will continue to invest to expand our global footprint through expertise in infrastructure and real estate investments, as well as growing our solutions in public markets. In our banking business, AMP Bank, the focus will be on growing through a broader mix of channels and seeking opportunities for closer integration of banking and wealth offers.

We are also simplifying our portfolio of businesses. The sale of AMP Life is progressing and expected to be complete by 30 June 2020. We are also exploring options to divest our New Zealand wealth management business.

To ensure the success of this strategy, we are making targeted investments. We've announced a program to invest between $1 billion and $1.3 billion over the next three years, focused on growth, cost improvement and de-risking the business. This includes $350 million to $450 million to create a leaner, simpler business, and $300 million to $400 million to restructure our advice network and simplify our superannuation business.

In moving to the implementation phase of our strategy, in 2020 we will focus on key drivers of value: simplifying our portfolio; reinventing wealth management in Australia; continuing to grow our successful asset management franchise; and creating a simpler, leaner business. We have outlined 10 strategic priorities against these drivers.

Reinventing AMP:
client-led, simpler, growth-oriented

Australia		International
Australian Wealth Management Simpler, client-led wealth manager with tailored offering to meet the needs of all Australians	**AMP Bank** Technology enabled challenger bank that integrates with clients' wealth management needs	**AMP Capital** Leading global investment manager, growing through differentiated active capabilities

strategic enablers

Transform culture to be more client-focused and entrepreneurial

Improve execution through end-to-end businesses with greater accountability for delivery

Simplify the business to improve cost and capital efficiency

2020 strategic priorities

Simplify portfolio

1. Sale of AMP Life
The sale of our insurance and mature businesses (AMP Life) is progressing well following a revised agreement reached in 2019. This is a complex transaction but we're on track to complete by 30 June 2020.

2. Divest New Zealand
New Zealand wealth management is a well managed, cost efficient business, but we believe the strongest value for shareholders will be realised from it being a standalone, localised business. We're in discussions with a number of interested parties and expect to provide an update at or before our half-year results in August 2020.

Reinvent wealth management in Australia

3. Reinvent advice
We believe there is a strong social need for financial advice; however, it is not affordable to everyone who would benefit from it. In the second half of 2019 we embarked on significant reshaping of our adviser network to be more compliant, professional and productive. Our absolute focus is on continuing to provide high quality advice to our clients.

4. Build best-in-class super business
In superannuation, our simplification program has started and following the sale of AMP Life, we expect to accelerate the change that will see us reduce from six superannuation offerings to one, and from around 70 super products to six.[1]

5. Grow successful platform business
Our key wealth platform business, North, is highly rated by our clients and advisers – and we will continue to invest in North's features and capability to drive its growth in 2020. External financial advisers (EFAs), not just our aligned advisers, are increasingly utilising the North platform, with EFA inflows into North increasing 44% in 2019.

6. Maintain growth momentum in bank
AMP Bank will focus on improving its technology and integrating with Australian wealth management – our superannuation and advice business. By investing to modernise the bank's platform, we'll improve the client experience, deliver efficiencies and help AMP to grow.

Continue to grow successful asset management franchise

7. Grow AMP Capital through differentiated capabilities
Our asset management business AMP Capital delivered a strong performance in 2019 and in 2020 we will continue to build on its success.

In 2019, our real assets businesses (real estate and infrastructure) delivered two of the top 10 largest infrastructure fundraisings in the world. And in public markets, we've continued to build a strong track record for performance, including top rankings for our global listed infrastructure and global companies funds.

Create a simpler, leaner business

8. Create simpler, leaner operating model
In 2020, we'll continue to simplify our business model and create clear accountabilities. We've set a target to deliver gross cost savings of $300 million, excluding AMP Capital, by full-year 2022 and we've made good progress against this. We're targeting cumulative gross cost savings of $140 million by 2020.

9. Strengthen risk management
AMP is in the second year of a $100 million investment program to improve risk management, controls and governance, including new technology and systems, training, and a strengthened whistleblowing program. This program is on track to complete by the end of 2020.

10. Transform culture
Culture will play a major role in AMP's transformation. Creating a high-performance culture is integral to delivering for our shareholders. In 2019, we took the first steps to defining and embedding our values; and in 2020, our focus will be on execution and accountability.

1 Metrics are for AMP's Mastertrust, mature and wealth protection in super businesses.

Corporate sustainability

Our approach to sustainability is built around three areas of stakeholder focus: our clients, our people and our community.

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

In consultation with stakeholders, we have identified nine material sustainability issues, in our three key focus areas, which impact our ability to create and protect value for our stakeholders into the future. These issues are outlined below.

Our clients

AMP is committed to reinventing our business to deliver better outcomes for our clients and meet the financial needs of Australians. We are investing to simplify our business and processes and to improve service and value for our clients.

Client experience

In 2019, more than 85,000 clients benefitted from reduced MyNorth fees, and reduced super fees announced in February 2020 will benefit a further 500,000 clients.

In 2019, we continued to listen to client feedback, asking more than 570,000 clients for feedback through NPS surveys and enacting 91 changes to systems and processes as a result.

In addition, the AMP Customer Advocate conducts impartial reviews of client complaints using a 'fair and reasonable' framework. In 2019, the number of client complaint reviews increased 140% from 2018, while the proportion of new or enhanced client outcomes remained steady.

Regulatory and legislative change

AMP operates within a sophisticated legal and regulatory framework, set down by the government and enforced by our regulators. This framework covers how we serve our clients, design products and provide financial services.

In 2019, we contributed to many of the important government policy developments in the sector such as the consultation processes relating to proposed legislation for a Compensation Scheme of Last Resort and the government's Retirement Income Review. During the year, AMP also responded to the Final Report of the Financial Services Royal Commission and appeared before the House of Representatives Economics Committee.

During 2019, we have continued to strengthen our incident, issue, breach, risks and control systems to enhance processes for the mitigation and reporting of breaches. We have also updated our Regulatory Contact Policy, to centralise our engagement with regulators.

Digital and technology

Technology and digital transformation are creating new opportunities for clients to engage with their wealth. In 2019, we increased the functionality of our platforms to help clients bank, track cash flow, budget and model for retirement.

With greater technology adoption, the importance of cyber security and data privacy grows. We have strengthened our information security framework and training to enhance our resilience to cyber-attacks.

In 2019, we notified authorities of three data breaches which impacted a small number of clients and employees and took actions to protect individuals from harm and prevent future breaches.

Our people

Ethical conduct and professional standards

AMP employs more than 6,500 employees and works with many partners across our businesses, including more than 2,100 aligned advisers. We have always believed in investing in our people and their development, which is why creating the right culture is an integral part of our new strategy.

AMP has continued to make progress on our client remediation program, which is paying money back to clients of advisers who received inappropriate advice or who paid fees where there was no evidence of services being delivered. Total program spend to date, including program costs and money repaid to clients, is $264 million with $190 million paid in the second half of the year. The program remains on track for completion in 2021.

We are actively supporting our employed and aligned advisers transition to be degree-certified in compliance with the Financial Adviser Standards and Ethics Authority (FASEA). We have partnered with Griffith University to provide entry pathways and blended learning of professional development and education.

Supporting and developing people

AMP encourages a respectful, diverse and safe workplace that supports the physical and psychological safety of our people. In 2019, AMP developed a mentally healthy workplace strategy to provide improved support to employees. This included training over 90 accredited mental health first aid officers throughout our Australian offices, with a further 80 to be trained in 2020.

We value differences and encourage a flexible and inclusive work environment where people can bring their whole selves to work. AMP has gender targets in place for management positions, including 40% representation on the AMP Limited Board, 47% representation for senior executives and 50% for middle management.

In 2019, our LGBTIQ+ community hosted its inaugural AMProud Week, including LGBTIQ awareness sessions and functions to champion diversity of thought and lived experience.

Our community

Responsible investing

A key consideration of AMP Capital, our investment management business, is assessing the environmental, social and governance (ESG) performance of its investments, through dedicated investment specialists.

In 2019, AMP Capital achieved A/A+ ratings for the United Nations Principles for Responsible Investment (UNPRI) across all asset classes. It achieved top five global rankings for two infrastructure funds and scored 90% average across six real estate funds in the Global Real Estate Sustainability Benchmarking (GRESB) survey.

Climate change

AMP recognises that climate change is a significant global risk driver that presents economic and environmental challenges to society. AMP has maintained an A– score in our annual submission through the Carbon Disclosure Project (CDP).

AMP Capital manages climate risk as part of its ESG investment philosophy. It considers climate-related risks and opportunities in investment strategies and provides low carbon investment opportunities to institutional and AMP superannuation clients. AMP Capital has also committed its real estate portfolio to be carbon neutral for Scope 1 and 2 emissions by 2030.

Operations and supply chain

As a symbol of our commitment on climate change, AMP is carbon neutral across our own operations. In 2019, we reduced our Scope 1 and 2 emissions by 48% from 2013 levels.

We have also strengthened our supplier management framework by introducing a new Supplier Code of Practice which clearly outlines AMP expectations from suppliers, including issues such as information security and modern slavery.

Community investment

The AMP Foundation works with non-profit enterprises that provide sustainable employment opportunities for marginalised Australians. Since 1992, the AMP Foundation has distributed over $100 million to help charities and individuals make a positive impact in their communities.

In 2019, the AMP Foundation distributed over $5 million in the community, including $1 million in grants through the AMP Tomorrow Fund to help 37 talented Australians achieve their dreams. Our advisers helped 623 clients affected by cancer with pro bono advice through our partnership with Cancer Council Australia.

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

Corporate governance statement

AMP's board-approved corporate governance statement, dated 13 February 2020, is available on our website at amp.com.au/corporategovernance

Our board

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David Murray AO[1]

Chairman BBus, MBA

David was appointed to the AMP Limited Board as Chairman in June 2018. He is also Chairman of the Nomination and Remuneration Committees and was appointed a member of the Risk Committee in January 2019.

In addition, in February 2019, David was appointed Chairman of the AMP Bank Limited Board and a member of its Risk Committee.

Experience

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

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

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

Government and community involvement

– Chairman of the Butterfly Foundation Limited (appointed August 2013)
– Ambassador of the Australian Indigenous Education Foundation (appointed 2008)

Francesco De Ferrari[2]

Chief Executive Officer MBA, BS (Econ) (IntBus) – Bachelor of Science in Economics and International Business

Francesco was appointed Chief Executive Officer of AMP Limited by the AMP Limited Board, joining in December 2018. As CEO, he is responsible for leading the AMP business.

Also Francesco was appointed to the AMP Limited Board in January 2019 and the boards of AMP Bank Limited and AMP Capital Holdings Limited in February 2019.

Experience

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

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

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

Rahoul Chowdry[3]

Independent Director BCom and FCA

Rahoul was appointed to the AMP Limited Board as a Non-Executive Director in January 2020 and is a member of the Remuneration, Audit and Risk Committees. At the same time, he was appointed to the AMP Bank Limited Board and is a member of its Audit and Risk Committees.

Experience

Rahoul has 35 years' experience in professional services, advising complex multinational organisations in Australia and overseas.

He is currently Partner and National Leader of Minter Ellison Consulting's financial services, risk and regulatory practice in Australia. Prior to this, Rahoul was a Partner at PwC for almost 30 years, where he undertook a number of leadership roles, delivering audit, assurance, and risk consulting services to major financial institutions in Australia, Canada and the United Kingdom.

Government and community involvement

– Member, Reserve Bank of Australia Audit Committee (appointed February 2018)

John Fraser[4]

Independent Director BEc (Hons)

John was appointed to the AMP Limited Board in September 2018 and was appointed a member of its Audit, Risk and Remuneration Committees in January 2019.

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In February 2019, John was appointed to the AMP Bank Limited Board and as a member of its Audit and Risk Committees. At the same time, he was also appointed to the AMP Capital Holdings Limited Board and as a member of its Audit and Risk Committee. In February 2020, John was subsequently appointed as Chairman of the AMP Capital Holdings Limited Board.

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

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

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

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

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

Government and community involvement
- Director of the Advance Board (appointed September 2018)
- Director of the Future Fund (appointed November 2018)

Andrew Harmos[5]

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

Andrew was appointed as 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 Chairman of those Audit Committees in May 2016. He was appointed as a member of the Risk Committees of both life company boards in November 2014 and as Chairman in April 2018.

In addition, in February 2019, Andrew was appointed to the AMP Bank Limited Board, as a member of its Audit Committee and as Chairman of its Risk Committee.

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

Andrew is also a director of Pascaro Investments Limited (a farm investment company), and 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)

Andrew will retire from the AMP Limited Board on 8 May 2020. He remains on the AMP Life Boards until completion of the life business sale.

Debra Hazelton[6]

Independent Director BA (Hons), MCom
Debra was appointed to the AMP Limited Board in June 2019 and is a member of the Remuneration, Audit and Risk Committees. At the same time, she was appointed to the AMP Bank Limited Board and is a member of its Audit and Risk Committees.

In addition, Debra was appointed to the AMP Capital Holdings Limited Board in June 2018 and is a member of its Audit and Risk Committee.

Experience
Debra brings significant experience from more than 30 years in global financial services, including as the local Chief Executive of Mizuho Bank in Australia and Commonwealth Bank (CBA) in Japan. She has expertise across fixed interest, treasury, institutional banking, risk management and financial markets.

Debra is also a non-executive director on the boards of Treasury Corporation of Victoria, Persol Australia Holdings and the Australia-Japan Foundation. Her previous board experience includes Australian Financial Markets Association (AFMA), Asia Society and Women in Banking and Finance. She has graduate and post-graduate degrees in Japanese language, literature and philosophy as well as economics and finance.

Government and community involvement

- Director, Treasury Corporation of Victoria (appointed August 2018)
- Director, Australia-Japan Foundation (appointed October 2015)
- Advisory Committee Member (Japan) (appointed May 2019)
- Australian Chamber Orchestra (appointed May 2019)

Trevor Matthews[7]

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 its Risk Committee in November 2014. He was also appointed as a member of the Remuneration Committee in May 2018.

Trevor joined the AMP Life Limited and The National Mutual Life Association of Australasia Limited boards in June 2014 and was appointed Chairman of those boards in May 2016. He is also a member of the Audit Committee and Risk Committee of each of those boards.

In February 2019, Trevor was appointed to the AMP Bank Limited Board and as a member of its Audit and Risk Committees.

Experience

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

Listed directorships

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

Government and community involvement

- Chairman of the NSW State Insurance Regulatory Authority (appointed November 2015)

John O'Sullivan[8]

Independent Director BA, LLB, LLM

John was appointed to the AMP Limited Board in June 2018. He was appointed a member of the Audit, Risk and Remuneration Committees in January 2019.

In February 2019, John was appointed to the AMP Bank Limited Board and as a member of its Audit and Risk Committees.

Experience

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

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

Government and community involvement

- Ambassador of the Australian Indigenous Education Foundation (appointed 2008)
- Director of the Westconnex entities (appointed May 2018)

Andrea Slattery[9]

Independent Director BAcc, MCom

Andrea was appointed to the AMP Limited Board in February 2019 and is a member of the Audit, Risk and Remuneration Committees. At the same time she was appointed to the AMP Bank Limited Board and its Audit and Risk Committees. She was appointed Chairman of the AMP Limited and AMP Bank Limited Audit Committees in May 2019.

Andrea was appointed a Director of AMP Life Limited and The National Mutual Life Association of Australasia Limited in May 2019. She was also appointed a member of the Audit Committee and Risk Committee of each of those boards in December 2019.

Experience

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

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

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

Listed directorships

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

Government and community involvement

– Director of Clean Energy Finance Corporation (appointed February 2018)
– Deputy Chairman of Woomera Prohibited Area Advisory Board (appointed July 2019)

Peter Varghese AO[10]

Independent Director BA (Hons)

Peter was appointed to the AMP Limited Board and as a member of its Risk Committee in October 2016. He became a member of the Nomination Committee in May 2017 and a member of the Audit and Remuneration Committees in 2019.

Peter was appointed to the AMP Capital Holdings Limited Board and as a member of its Audit and Risk Committee in October 2016. He was also appointed to the AMP Bank Limited Board in May 2018 and as a member of its Audit and Risk Committees in February 2019.

Experience

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

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

Government and community involvement

– Chancellor, University of Queensland (appointed July 2016)
– Member, Advisory Panel Australia India Institute (appointed July 2016)
– Director, North Queensland Airports (appointed January 2019)
– Director, CARE Australia (appointed July 2019)

Peter will retire from the AMP Limited Board on 8 May 2020.

Mike Wilkins AO[11]

Independent Director BCom, MBA

Mike was appointed to the AMP Limited Board in September 2016. Mike was also appointed a member of the Audit, Risk, Remuneration and Nomination Committees in January 2019.

Mike was appointed to the AMP Life Limited and The National Mutual Life Association of Australasia Limited boards in October 2016. Mike is also a member of these boards' Audit and Risk Committees.

In February 2019, Mike was appointed to the AMP Bank Limited Board and as a member of its Audit and Risk Committees.

Experience

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

Mike has served as a director of Alinta Limited, Maple-Brown Abbott Limited, The Geneva Association and the Australian Business and Community Network. He was on the Business Council of Australia for eight years. 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)

Mike retired from the AMP Limited Board on 13 February 2020. He remains on the AMP Life Boards until completion of the life business sale.

Our management team

Francesco De Ferrari[1]

Chief Executive Officer
See page 12 for details of Francesco's roles, responsibilities and experience.

Megan Beer[2]

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

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

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

David Cullen[3]

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

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

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

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

Jennifer (Jenny) Fagg[4]

Chief Risk Officer
Jenny joined AMP in January 2018. She has group-wide responsibility for AMP's risk management function.

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

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

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

Jenny will step down from her role on 3 April 2020. Phil Pakes will be appointed Chief Risk Officer on 3 April 2020.

James Georgeson[5]

Chief Financial Officer BAcc, MCom and CA
James was appointed Chief Financial Officer in February 2020 after previously holding the position of Acting CFO from August 2019. Prior to this, he was Deputy Chief Financial Officer of AMP, with responsibility for AMP's group performance reporting, strategic planning and forecasting, portfolio and capital management and AMP's mergers and acquisitions functions.

Experience
Since joining AMP in 2001, Mr Georgeson has held senior finance positions across the group including: Chief Financial Officer (AMP wealth management), Director of Group Finance, Chief Financial Officer (AMP New Zealand), Chief Risk Officer and Director of Strategy (AMP New Zealand).

James has 20 years' experience in the finance industry.

James holds a Master of Commerce from Macquarie University, a Bachelor of Accounting from University of Technology Sydney, and is a Chartered Accountant with the Institute of Chartered Accountants of Australia and New Zealand.

Helen Livesey[6]

Group Executive, People and Corporate Affairs BSc (Hons)
Helen joined AMP in 1999 and was appointed Group Executive, People and Corporate Affairs in May 2019. Helen leads the development of people systems, policies, processes and workforce strategies. She also has group-wide responsibility for brand, reputation, communications and managing the business' relationship with key stakeholders.

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

Craig Ryman[7]

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

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

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

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

Adam Tindall[8]

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

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

Other appointments
– Male Champion of Change

Blair Vernon[9]

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

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

Alex Wade[10]

Chief Executive, AMP Australia MBT
Alex joined AMP in January 2019. He is Chief Executive of AMP Australia, AMP's retail business in Australia, responsible for AMP's wealth management and banking divisions with a focus on strengthening client-led outcomes.

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

Five-year financial summary

Year ended 31 December	2019 $m	2018 $m	2017 $m	2016 $m	2015 $m
Consolidated income statement					
Net premium, fee and other revenue	**5,813**	6,390	6,522	6,204	5,539
Investment gains	**17,835**	1,854	11,888	8,567	8,483
Profit (loss) before income tax from continuing operations	**(1,694)**	(366)	1,636	358	1,993
Income tax expense	**(740)**	417	(763)	(166)	(280)
Non-controlling interests	**(33)**	(23)	(25)	(536)	(741)
Profit (loss) after tax attributable to shareholders of AMP Limited	**(2,467)**	28	848	(344)	972
Consolidated statement of financial position					
Cash and cash equivalents	**4,539**	3,932	3,602	3,476	3,955
Investment assets	**136,316**	133,172	137,558	129,995	128,074
Intangibles	**877**	3,208	3,218	3,199	3,983
Assets of disposal groups	**–**	–	–	–	–
Other assets	**5,952**	5,056	3,861	3,390	3,696
Total assets	**147,684**	145,368	148,239	140,060	139,708
Interest-bearing liabilities	**22,852**	21,650	21,009	17,218	17,452
Life insurance contract liabilities	**23,505**	23,257	23,683	24,225	23,871
Investment contract liabilities	**71,671**	68,742	75,235	71,579	69,848
Liabilities of disposal groups	**–**	–	–	–	–
Other liabilities	**24,678**	24,928	21,029	19,497	19,642
Total liabilities	**142,706**	138,577	140,956	132,519	130,813
Net assets	**4,978**	6,791	7,283	7,541	8,895
Contributed equity	**10,299**	9,502	9,376	9,619	9,566
Reserves	**(1,930)**	(1,931)	(2,010)	(1,972)	(1,866)
Retained earnings	**(3,509)**	(886)	(164)	(185)	819
Total equity attributable to shareholders of AMP Limited	**4,860**	6,685	7,202	7,462	8,519
Non-controlling interests	**118**	106	81	79	376
Total equity	**4,978**	6,791	7,283	7,541	8,895

Year ended 31 December		2019	2018	2017	2016	2015
Other financial data						
Basic earnings per ordinary share	($ps)	**(0.795)**	$0.01	$0.29	($0.11)	$0.33
Diluted earnings per ordinary share	($ps)	**(0.795)**	$0.01	$0.29	($0.11)	$0.33
Dividends per ordinary share	($ps)	**n/a**	$0.14	$0.29	$0.28	$0.28
Number of ordinary shares	(m)	**3,437**	2,937	2,918	2,958	2,958
Assets under management	($b)	**272**	258	257	240	226

Analysis of shareholder profit

for the year ended 31 December 2019

All amounts are after income tax	2019 $m	2018 $m
Profit and loss		
Australian wealth management[1]	**182**	363
AMP Bank	**141**	148
AMP Capital[2]	**198**	167
New Zealand wealth management[1]	**44**	53
Retained businesses operating earnings	**565**	731
AMP Life operating earnings[3]	**(21)**	(3)
BU operating earnings	**544**	728
Group Office costs	**(128)**	(76)
Total operating earnings	**416**	652
Underlying investment income[2]	**113**	96
Interest expense on corporate debt	**(65)**	(68)
Underlying profit	**464**	680
Client remediation and related costs	**(153)**	(469)
Royal Commission	**–**	(32)
Portfolio review	**–**	(29)
Separation costs	**(183)**	(19)
Risk management, governance and controls	**(33)**	(8)
Transformation	**(28)**	–
Other items	**22**	(74)
Impairments	**(2,407)**	–
Amortisation of acquired intangible assets[2]	**(96)**	79
Profit/(loss) before market adjustments and accounting mismatches	**(2,414)**	(30)
Market adjustment – investment income[2]	**(47)**	(28)
Market adjustment – annuity fair value	**(2)**	12
Market adjustment – risk products	**(3)**	24
Accounting mismatches	**(1)**	50
Profit/(loss) attributable to shareholders of AMP Limited	**(2,467)**	28

1 FY 19 operating earnings of Australian and New Zealand wealth management businesses do not include internal distribution fees and product revenues that are for the benefit of Resolution Life from 1 July 2018.

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

3 AMP has entered into a sale and purchase agreement with Resolution Life for AMP Life. This includes the Australian and New Zealand wealth protection and mature business units. Operating earnings for AMP Life accrue to Resolution Life from 1 July 2018. AMP will continue to report these earnings until the sale completes.

Directors' report

for the year ended 31 December 2019

This directors' report provides information on the structure and progress of our business, our 2019 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 2019.

Operating and financial review

Principal activities

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

We provide retail customers with financial advice and superannuation, retirement income, banking, investment products and life insurance. AMP also provides corporate superannuation products and services for workplace super and self-managed superannuation funds (SMSFs).

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

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

In November 2019, AMP brought together Australian wealth management and AMP Bank into AMP Australia, providing clear management accountability for delivery of AMP's retail client offering.

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

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

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

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.

The *New Zealand wealth management* business encompasses the wealth management, financial advice and distribution business in New Zealand. It provides customers with a variety of wealth management solutions including KiwiSaver, corporate superannuation, retail investments and a wrap investment management program.

Australian and New Zealand wealth protection and mature comprises Australian wealth protection, Australian mature and New Zealand wealth protection and mature. The Australian wealth protection business includes individual and group term, disability and income protection insurance products. Products can be held within superannuation or independently of superannuation. The Australian mature business comprises products which are largely closed to new business and are in run-off. The New Zealand wealth protection and mature business includes a risk insurance and mature book, which is also largely closed to new business and in run-off.

Sale of wealth protection and mature businesses

On 8 August 2019, AMP announced a revised agreement with Resolution Life Australia Pty Ltd (Resolution), with updated terms, for the sale of its Australian and New Zealand wealth protection and mature businesses.

The revised agreement delivers consideration of $3.0 billion comprising:

- $2.5 billion cash; and
- $500 million equity interest (expected to be around 20%) in Resolution Life NOHC Pty Ltd (Resolution Life Australia), a new Australian-domiciled, Resolution-controlled holding company that will become the owner of the Australian and New Zealand wealth protection and mature businesses.

Resolution will be on risk for all experience and lapse losses from 1 July 2018 until completion and is entitled to all net earnings of the Australian and New Zealand wealth protection and mature businesses during that period.

The sale is expected to complete by 30 June 2020. AMP will continue to report the results of the Australian and New Zealand wealth protection and mature businesses through to completion of the transaction.

Client remediation

AMP remains on track to complete its client remediation program in 2021 with 80% of the program expected to be complete by the end of 2020.

Client remediation comprises the following components:

- Inappropriate advice: program is approximately 50% complete.
- Fee for no service:
  - Active advisers: program is approximately 20% complete.
  - Inactive advisers: pilot program for inactive advisers has commenced.
  - Overall fee for no service refund rate expected of 17% (29% including interest) of total ongoing service fees charged.
- Program costs are tracking to expectations.

Total program spend to date including program costs and money repaid to clients is $264 million with $190 million paid in 2H 19. Major policies now agreed with ASIC including active and inactive advisers. 2H 19 additional provision of $150 million primarily relates to finalisation of inactive adviser approach. Overall remediation costs remain broadly in line with original estimate provided in November 2018.

Impairment

As announced on 8 August 2019, AMP recognised a predominantly non-cash impairment of $2.35 billion (post-tax) in 1H 19 to write down goodwill in Australian wealth management and Australian and New Zealand wealth protection and mature, capitalised project costs and valuations of advice registers given changes to buy-back terms and associated practice finance loans.

An additional $55 million was recognised in 2H 19 reflecting additional reductions in value of client registers and associated practice finance loan impairments. Total 2019 impairment is $2.4 billion (post-tax).

2019 performance

The loss attributable to shareholders of AMP Limited for the year ended 31 December 2019 was $2,467 million (2018: profit of $28 million).

Basic loss per share for the year ended 31 December 2019 on a statutory basis was 79.5 cents per share (2018: basic earnings per share of 1.0 cents per share), influenced principally by non-cash impairments and provision for client remediation. On an underlying basis, the earnings per share was 14.8 cents per share (2018: 23.3 cents per share).

Key performance measures were as follows:

- 2019 underlying profit of $464 million has reduced 32% from $680 million in 2018. This decrease largely reflects the impact of Australian and New Zealand wealth protection and mature and weaker Australian wealth management earnings (–50%), partly offset by growth in AMP Capital (+19%).
- 2019 loss attributable to shareholders of $2,467 million has been impacted by the write-down of goodwill and capitalised costs, and reduction in the carrying value of advice registers held by AMP, including those currently in the buy-back process.
- Australian wealth management earnings of $182 million declined 50% from 2018, driven by the removal of $85 million of earnings to the benefit of Australian and New Zealand wealth protection and mature, lower investment-related revenue arising from margin compression, including MySuper price changes in Q3 18, and higher controllable costs in part driven by higher regulatory and compliance project costs.
- Australian wealth management net cash outflows were $6.3 billion in 2019, including $2.4 billion of pension payments, versus net cash outflows of $4.0 billion in 2018 reflecting a range of factors including the impact of AMP's appearance at the Royal Commission in 2018 and an increasingly competitive environment.
- AMP Bank's total loan book increased 3% to $21 billion in 2019 from 2018, including residential mortgage growth of 4%, while deposits increased 8% to $14.4 billion from 2018.
- AMP Capital external net cashflows were $2.5 billion, compared with $4.2 billion in 2018, with $7.5 billion of committed capital available for deployment following strong infrastructure fund-raising during the year.
- Australian and New Zealand wealth protection and mature operating losses of $21 million increased from losses of $3 million in 2018 due to capitalised losses and other one-off experience items and the impact of best estimate assumptions post 'Protecting Your Super' legislative changes.
- Underlying return on equity decreased 1.4 percentage points to 8.2% in 2019 from 2018 reflecting reduced operating earnings in Australian and New Zealand wealth protection and mature and Australian wealth management.

AMP's total assets under management (AUM) and administration were $272 billion at 31 December 2019 (2018: $258 billion).

Operating results by business area

The operating results of each business area for 2019 were as follows:

- *Australian wealth management* – operating earnings fell from $363 million in 2018 to $182 million in 2019. The decline in operating earnings was largely due to:
  - the impact of the Resolution transaction due to the cessation of internal distribution arrangements between Advice and the Australian wealth protection and mature businesses in 2019 ($85 million post-tax);
  - higher controllable costs ($55 million pre-tax); and
  - lower investment-related revenue arising from margin compression, including MySuper price changes in Q3 18 ($38 million pre-tax).
- *AMP Bank* – 2019 operating earnings of $141 million decreased by $7 million (5%) from 2018 largely due to the recognition of regulatory and compliance costs of $14 million. The result also reflects residential mortgage book growth of 3.8% in 2019, with largely stable margins and profit on sale of invested liquid assets, increased funding and deposit costs and the residual impact of conservative liquidity management actions taken in 2H 18.
- *AMP Capital* – the AMP group's 85% share of AMP Capital's 2019 operating earnings was $198 million, up 19% from $167 million in 2018. AMP Capital's operating earnings benefited from strong fee income growth of 13%, and seed and sponsor capital income of $17 million, partially offset by a 16% increase in controllable costs, largely reflecting investment in growth initiatives.
- *New Zealand wealth management* – excluding the impact of product revenues transferring with the sale of Australian and New Zealand wealth protection and mature ($12 million), 2019 operating earnings would have increased $3 million (7%) from 2018 and remain resilient despite the industry headwinds of regulation and increased competition. The ongoing performance of the wealth management business, responsible for the manufacturing and sourcing business lines, has supported the positive 2019 result.
- *Australian and New Zealand wealth protection and mature* – operating earnings decreased by $18 million to a $21 million operating loss in 2019 reflecting ongoing challenges in wealth protection claims, low interest rates and the impact of regulatory change.

Capital management and dividend

Equity and reserves of the AMP group attributable to shareholders of AMP Limited decreased to $4.9 billion at 31 December 2019 from $6.7 billion at 31 December 2018.

AMP remains well capitalised. Level 3 eligible capital above minimum regulatory requirements (MRR) is $2.5 billion at 31 December 2019, up from $1.65 billion at 31 December 2018. The increase reflects proceeds from the capital raising in 2H 19 and business unit earnings, offset by capital usage for business growth and below the line costs.

To maintain balance sheet strength and prudent capital management through a period of significant change, the AMP Limited Board has resolved not to declare a final dividend in 2019. This position will be reviewed after completion of the sale of the Australian and New Zealand wealth protection and mature businesses.

AMP anticipates that any capital in excess of target surplus post completion will first be used to fund delivery of the new AMP strategy. Beyond this, AMP will assess all capital management options with the intent of returning the excess above target surplus to shareholders, subject to unforeseen circumstances.

Strategy and prospects

On 8 August 2019, AMP announced its three-year strategic plan to transform the business into a simpler, client-focused business that is higher growth and higher return. AMP will seek to achieve this through transformation to a client-focused culture, improving execution and simplifying the business model.

Under the strategy, AMP intends to:

- divest Australian and New Zealand wealth protection and mature to help fund the new strategy, simplify AMP and shift capital toward higher-growth businesses;
- further localise New Zealand wealth management, exploring options to divest the business;
- reinvent wealth management in Australia, helping clients realise their ambitions:
  - grow contemporary solutions in Australian wealth management including a focus on direct-to-client channels and digital solutions;
  - further integrate AMP Bank solutions with Australian wealth management, continuing strong growth and targeting double-digit earnings growth over the medium term; and
  - fix legacy issues in Australian wealth management including reshaping aligned advice (buy-back changes; fewer, more productive advisers), simplifying super;
- grow AMP Capital through differentiated capabilities in real assets and public markets:
  - continue to expand global footprint in real assets, growing customised solutions;
  - build on relationships in China, Japan, US;
  - explore opportunities to expand global equity capabilities into international markets; and
  - target double-digit earnings growth over the medium term; and
- reinvigorate AMP's culture to be client-led, entrepreneurial, and accountable, with effective management of financial and non-financial risk.

AMP has provided a progress update on its strategic priorities to transform the business into a simpler, client-led, growth-oriented business.

Simplify portfolio

- Sale of Australian and New Zealand wealth protection and mature:
  - Legal separation and sale of Australian and New Zealand wealth protection and mature is on track for completion by 30 June 2020.
  - Approval from China Banking and Insurance Regulatory Commission (CBIRC) received. AMP continues to work with other regulators on achieving conditions precedent.
- Divest New Zealand wealth management:
  - Significant progress on simplification of business in 2019 including consolidation of product offerings and removal of a number of legacy products.
  - Divestment process underway with mandate to maximise shareholder value. AMP is in discussions with a number of interested parties and expects to provide a further update at or before 1H 20 results.

Reinvent wealth management in Australia

- Reshape advice:
  - In 2019, action was taken to reshape the aligned adviser network to be compliant, professional and more productive.
  - Approximately 440 advisers exited the network in 2019; consolidated operations in employed channel to major metropolitan locations.
  - Improved adviser productivity with average AUM per adviser increasing to $52 million.
- Build best-in-class retail super business:
  - Simplification of products, including reducing around 70 products to six, in parallel with completion of Australian and New Zealand wealth protection and mature transaction to deliver better client outcomes.
  - Delivered fee reductions in MyNorth (May 2019) and super (February 2020) benefiting more than 585,000 clients and all new clients.
  - Majority of grandfathered commissions to be removed in 1H 20 as part of the separation of the Australian and New Zealand wealth protection and mature businesses.
- Grow successful platform business:
  - North cash inflows from external financial advisers increased 44% to $1.2 billion in 2019 due in part to launch of new platform features.
  - Strengthened managed portfolio and investment offers including ongoing platform enhancements.
- Maintain growth momentum in AMP Bank:
  - Development of 'whole-of-wealth' corporate super offering with integrated banking and superannuation propositions underway; objective to launch in 2020.
  - Modernisation of the bank's core system on track for completion in 2020, including automation of deposit portfolio, improving efficiency and client experience, and enabling scaled growth.

Maintain growth momentum in AMP Capital

- Grow AMP Capital through differentiated capabilities:
  - Significant growth in infrastructure and real estate capabilities, including US$6.2 billion raised for fourth infrastructure debt strategy, US$3.4 billion for Global Infrastructure Fund II and further co-investment, and a $5 billion real estate development pipeline in Australia.

- – Global equities delivered top percentile performance vs peers, returning 27.8% annually since inception; top quartile performance for global listed real estate and global listed infrastructure strategies.
- – International growth building momentum. Direct international institutional clients grew to 358 in 2019, with AMP Capital managing $20.4 billion on their behalf, up 18% from $17.3 billion in 2018.

Key risks

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

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

The guiding principles assist with effective risk management practices and enable AMP to meet its legislative and regulatory requirements, codes and ethical standards, as well as internal policies and procedures.

AMP's ERM framework includes a risk management strategy which establishes the principles, requirements, roles and responsibilities for management of risk across AMP. It supports AMP in achieving its business strategy by detailing how risks are to be managed to fulfil the obligations to key stakeholders, clients, shareholders, policyholders and regulators to achieve financial outcomes and non-financial outcomes.

AMP's strategic objective is to be a client-led, simpler, growth-oriented business and the Risk Appetite Statement articulates the nature and level of risk the board and management are willing to accept in the pursuit of delivering their strategic objectives. Alignment between AMP's corporate strategy and the risk appetite of the AMP Limited Board seeks to ensure that decisions are consistent with the nature and level of risk the board and management are willing to accept.

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

Key business challenges

Given the nature of our business environment, we continue to face challenges that could have an adverse impact on the delivery of our strategy. Significant business challenges (in alphabetical order) include but are not limited to the following. More information about our approach to these challenges can be found in the 2019 Sustainability Report.

Business, employee and business partner conduct

The conduct of financial institutions continues to be an area of significant focus for the financial services industry both globally and in Australia and New Zealand. AMP business practices, management, staff or business partner behaviours may not adequately meet the expectations of regulators and customers resulting in an adverse impact to our reputation and value proposition to customers.

Our code of conduct outlines AMP's expectations in relation to minimum standards of behaviour and decision making, including how we treat our employees, customers, business partners and shareholders. We are committed to ensuring the right culture is embedded in our everyday practices. AMP has reviewed its internal policies on managing conduct with risk explicitly considered as part of the remuneration framework. Management is given an additional discretion to recommend adjustments to the bonus pool for significant failures in conduct or risk management.

AMP embraces a safe and respectful work environment that encourages our people to report issues or concerns in the workplace. Directors, employees (current and former), contractors, service providers or any relative or dependants of any of these people can utilise the Whistleblowing program to report conduct or unethical behaviours.

Climate change

AMP, its customers and its external suppliers may be adversely affected by the physical and transitional risks of climate change. These effects, whether acute or chronic in nature, may directly impact AMP and its customers through reputational damage, insurance risk and business disruption and may have an adverse impact on financial performance (including through an increase in defaults in credit exposures). Initiatives to mitigate or respond to adverse impacts of climate change may in turn impact market and asset prices, economic activity, and customer behaviour, particularly in geographic locations and industry sectors adversely affected by these changes.

AMP's corporate sustainability strategy includes a commitment to remain carbon neutral in its operations to address the direct impacts of our business activities. Management committees across the business consider climate-related financial risks and opportunities in investment management activities, operations and impacts to clients. AMP will continue to work with industry and regulators to overcome data and measurement challenges to respond to climate-related financial risks.

Competitor and customer environment

The financial services industry continues to increase its technological advancement as customer expectations are evolving, which is intensifying competition within wealth management. Failure of the AMP group to adapt its capabilities and operating model in order to remain relevant to customers may impact new business and retention of existing business. This could have a material adverse impact on the financial performance and position of AMP.

In 2019, AMP released several significant announcements to reposition AMP as a simpler, client-led, higher growth and higher return business. The new strategy to reinvent AMP as a contemporary wealth manager is a three-year investment program to fund growth, reduce costs and fix legacy issues. The strategy builds on core strengths and market positions with whole-of-wealth solutions.

Cyber security threats

Cyber risk continues to be a threat in a rapidly changing technological environment as the magnitude of the costs of cybercrime vary depending on the nature of the attack. We are committed to enhancing our cyber security capability as we recognise the current environment of cybercrime activity has increased across the industry.

To counter the evolving threat of cybercrime, AMP continues to invest in enhancing cyber security capabilities to uplift cyber defences. AMP's uplift in cyber security capability assesses and mitigates cybercrime and other internal and external vulnerabilities, and monitors for changes in its cyber threat profile that may impact the performance of business operations. AMP will continue to invest in a sustainable cyber security operating model that prevents, detects and responds to cyber incidents, in order to protect AMP's assets.

Operational risk environment

Operational risk exposures, relevant to the industry in which AMP operates, relate to losses resulting from inadequate or failed internal processes, people and systems or from external events. These include, but are not limited to, information technology, human resources, internal and external fraud, money laundering and counter-terrorism financing, bribery and corruption. High operational risks are driven by a complex operating environment associated with legacy products, systems and, in some cases, manual controls. This environment will be further stressed by the Key Business Challenges included in this section.

We continue to work towards remediating clients, simplifying our business, reducing operational complexity and strengthening risk management, internal controls and governance. A significant element of complexity will be addressed by the separation of the Australian and New Zealand wealth protection and mature businesses, reshaping of the Adviser network, and simplification of the Superannuation product and investment option set. The AMP operational risk profile reflects these exposures and the financial statements of AMP contain certain provisions and contingent liability disclosures for these risks in accordance with applicable accounting standards.

Organisational change

In 2019, AMP's investor presentation set out a clear ambition to become a client-led, simpler, and growth-oriented business. AMP committed to shifting to a leaner and simpler corporate centre, with activities being devolved from the central functions to the respective businesses. We commenced this organisational transition in late 2019 and will implement further changes in 2020 to fully establish our target operating model and to achieve further operating cost savings. There is a risk that business momentum is lost due to leader focus on organisational changes, and that talent critical for implementation of our strategy and transformation initiatives are impacted negatively. These risks will be mitigated by maintaining leadership and performance focus on the business and ensuring retention plans are in place for key talent.

AMP continues to invest in adopting new ways of working to drive efficiency and improve our practices to increase accountability and build on core strengths. We recognise that failure to execute appropriately on the implementation of these changes can increase the risks of disruption to AMP's business operations. To manage this, AMP has established a Transformation Office as part of the Transformation Program to ensure strategic alignment across the businesses and manage execution risk across multiple initiatives.

Regulatory environment

AMP operates in multiple jurisdictions across the globe, including Australia and New Zealand, and each one of these jurisdictions has its own legislative and regulatory requirements. The financial services industry both globally and in Australia and New Zealand continues to face challenges with a significant level of regulatory change impacting the business. AMP continues to respond and adjust its business model for these changes; however, failure to adequately anticipate and respond to future regulatory changes could have a material adverse impact on the performance of its businesses and achieving its strategic objectives.

AMP's commitment to uplift its risk management practices, and strengthen its control environment and compliance systems across the businesses, will address these legislative and regulatory requirements and embed effective risk management practices. AMP's internal policies, frameworks and procedures seek to ensure any changes in our domestic and international regulatory obligations are complied with in each jurisdiction. Regulatory and compliance risk that results in breaches is reported to AMP management committees and regulators are managed in accordance with internal policies.

Regulatory consultations and interactions are reported and monitored as part of AMP's internal risk and compliance reporting process. AMP actively participates in these interactions and co-operates with all regulators to resolve such matters.

The environment

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

Significant changes to the state of affairs

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

Events occurring after the reporting date

On 27 June 2018, ASIC brought civil penalty proceedings against AMP Financial Planning Pty Limited (AMPFP), a wholly-owned subsidiary of AMP Limited, alleging contraventions of the Corporations Act 2001 by AMPFP relating to the alleged conduct of certain of its authorised financial advisers over the period of 2013 to 2015 in providing advice to clients in relation to the replacement of life insurance policies by cancellation and new application rather than by transfer.

On 5 February 2020, the Federal Court of Australia determined there were six contraventions and that a civil penalty of $5.175 million should be imposed, with formal orders to give effect to the penalty to follow in due course. AMP acknowledges the Federal Court's decision and the penalty amount has been included as a provision within the financial report.

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

The AMP Limited board of directors

The directors of AMP Limited during the year ended 31 December 2019 and up to the date of this report are listed below. Directors were in office for this entire period except where stated otherwise:

- David Murray AO (Chairman)
- Francesco De Ferrari (Chief Executive Officer and Managing Director) (appointed 31 January 2019)
- Rahoul Chowdry (appointed 1 January 2020)
- John Fraser
- Andrew Harmos
- Debra Hazelton (appointed 15 June 2019)
- Trevor Matthews
- John O'Sullivan
- Geoff Roberts (retired 2 May 2019)
- Andrea Slattery (appointed 15 February 2019)
- Peter Varghese AO
- Mike Wilkins AO

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

Attendance at board and committee meetings

The table below shows details of attendance by directors of AMP Limited at meetings of boards and committees of which they were members during the year ended 31 December 2019. The Chairman and directors also attended other meetings, including board committee meetings and meetings of subsidiary boards and committees of which they were not a director or member during the year (those voluntary attendances are not included in the table below).

Board/committee	AMP Limited Board Meetings		Audit Committee		Risk Committee		Nomination Committee		Remuneration Committee		Ad hoc committees[1]		Subsidiary board and committee meetings[2]	
Held/attended	A	B	A	B	A	B	A	B	A	B	A	B	A	B
David Murray AO	16	16	–	–	5	5	3	3	5	5	10	10	–	–
Francesco De Ferrari (appointed 31 January 2019)[3]	14	14	–	–	–	–	–	–	–	–	10	8	4	3
John Fraser	16	16	5	4	5	4	–	–	5	5	5	5	10	7
Andrew Harmos	16	16	5	5	5	5	–	–	5	5	–	–	38	38
Debra Hazelton (appointed 15 June 2019)[4]	8	8	2	2	2	2	–	–	3	3	21	21	13	13
Trevor Matthews	16	16	5	5	5	5	–	–	5	5	–	–	38	38
John O'Sullivan	16	16	5	5	5	5	–	–	5	5	28	28	–	–
Geoff Roberts (retired on 2 May 2019)[5]	7	6	3	3	3	3	–	–	2	2	–	–	12	12
Andrea Slattery (appointed 15 February 2019)[6]	11	11	4	4	4	4	–	–	3	3	5	5	20	20
Peter Varghese AO	16	16	5	5	5	5	3	3	5	5	5	4	14	13
Mike Wilkins AO	16	16	5	5	5	5	3	3	5	5	–	–	27	26

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 were convened during the year in relation to matters including major corporate transactions, client remediation, compliance and financial results.
2 Subsidiary board and committee meetings refer to meetings of the boards and committees of the following key operating subsidiaries: AMP Life Limited (AMP Life), The National Mutual Life Association of Australasia Limited (NMLA), AMP Bank Limited and AMP Capital Holdings Limited. Where board and committee meetings of AMP Limited and AMP Bank Limited 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 Francesco De Ferrari was appointed as a director of AMP Limited effective 31 January 2019.
4 Debra Hazelton was appointed as a director of AMP Limited effective 15 June 2019.
5 Geoff Roberts retired as a director of AMP Limited effective 2 May 2019.
6 Andrea Slattery was appointed as a director of AMP Limited effective 15 February 2019.

Company secretary details

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

Marissa Bendyk

General Counsel, Corporate and Governance and Group Company Secretary
LLB (Hons), BCom (Accounting), GAICD

Marissa joined AMP in May 2019. She was appointed as the Company Secretary for AMP Limited on 6 May 2019 and is also secretary of a number of other AMP group companies. Before joining AMP, Marissa worked at APA Group and King & Wood Mallesons focusing on corporate governance, mergers and acquisitions, and corporate and commercial law.

AMP notes that David Cullen resigned as company secretary on 6 May 2019 and Vicki Vordis resigned as company secretary on 30 August 2019.

Indemnification and insurance of directors and officers

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

During, and since the end of, the financial year ended 31 December 2019, the company maintained, and paid premiums for, directors' and officers' and company reimbursement insurance for the benefit of all of the officers of the AMP group (including each director, secretary and senior manager of the company) against certain liabilities as permitted by the Corporations Act 2001. The insurance policy prohibits disclosure of the nature of the liabilities covered, the amount of the premium payable and the limit of liability.

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

Those deeds provide that:

– the directors will have access to board papers and specified records of the company (and of certain other companies) for their period of office and for at least 10 (or, in some cases, seven) years after they cease to hold office (subject to certain conditions);
– the company indemnifies the directors to the extent permitted by law, and to the extent and for the amount that the relevant director is not otherwise entitled to be, and is not actually, indemnified by another person;
– the indemnity covers liabilities (including legal costs) incurred by the relevant director in their capacity as a current or former director of the company, or director, officer or specified representative of another AMP group company or, in certain cases, an external company (where the person holds the relevant external position at the AMP group's request); and
– the company will maintain directors' and officers' insurance cover for the directors, to the extent permitted by law, for the period of their office and for at least 10 years after they cease to hold office.

During, and since the end of, the financial year ended 31 December 2019, in accordance with a deed of indemnity, insurance and access provided by the company, the company paid legal costs amounting to:

– $68,165.70 on behalf of a former director of AMP; and
– $40,147.92 on behalf of a former chief executive officer of AMP,

in relation to matters arising as a result of the findings of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry.

Indemnification of auditors

To the extent permitted by law, the company has agreed to indemnify its auditor, Ernst & Young, as part of the terms of its audit engagement agreement, against claims by third parties arising from the audit, other than where the claim is determined to have resulted from breach or any negligent, wrongful or wilful act or omission by or of Ernst & Young. No payment has been made to indemnify Ernst & Young during or since the financial year ended 31 December 2019.

Rounding

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

Auditor's independence declaration to the directors of AMP Limited

The directors have obtained an independence declaration from the company's auditor, Ernst & Young, for the financial year ended 31 December 2019.

Building a better working world

Ernst & Young
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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 2019, I declare to the best of my knowledge and belief, there have been:

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

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

Ernst & Young

Andrew Price
Partner
Sydney, 13 February 2020

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 2019, by the company's auditor, Ernst & Young.

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

- all non-audit assignments were approved by the CFO, or his nominated delegate, or the Chairman of the Audit Committee;
- no non-audit assignments were carried out which were specifically excluded by the AMP Charter of Audit Independence; and
- the level of fees for non-audit services amounted to 10% (ie $1.8 million) of the total fees paid to the auditors, compared with 13% (ie $2.3 million) for the prior year, as disclosed in note 7.4 to the financial report.

Remuneration disclosures

The remuneration arrangements for AMP directors and senior executives are outlined in the remuneration report which forms part of the directors' report for the year ended 31 December 2019.

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

Remuneration report (audited)

for the year ended 31 December 2019

Overview of 2019

In 2019, AMP committed to a significant transformation of its business, setting out a new strategy as well as changes to its operating model. The leaders and wider employee base took on the challenge of reshaping the business, including managing the complex separation of AMP's life insurance business and addressing the long-term legacy issues in financial advice and superannuation. This had to be conducted in an environment of rapid regulatory change.

Our CEO Francesco De Ferrari led the development of the new strategy and implemented required changes in the business in his first full year with the company. The CEO has reshaped and streamlined his leadership team, articulated a new corporate purpose, and established the new operating model. The board has established systems of oversight to track its progress of the strategy.

Following the challenges the company faced in 2018, and associated loss of shareholder value, our senior executives understood and accepted the board's decision not to award short-term incentive payments for that year.

For 2019, the board has been cognisant that the renegotiation of the AMP Life sale, the new capital issuance and ongoing complexity, again adversely affected the company's share price. Accordingly, in considering the 2019 short-term incentives the board has sought to balance the need to exercise some restraint to reflect our shareholders' experience, but at the same time be able to attract and retain the right people to work through the complexities in the business.

Conduct and culture

Improving the conduct and culture within the business forms a core element of AMP's transformation. The board seeks to set the tone by requiring management to address legacy issues by establishing robust processes around risk management, governance, reporting and people systems.

Together, these systems are intended to build a culture which reflects the company purpose and its underlying principles, with its focus on meeting our customers' needs and helping them to realise their broader ambitions in life. Important steps have also been taken in articulating expected behaviours and embedding them within our performance management, remuneration and employee recognition systems. These behaviours are reinforced by our employee conduct management policy and guidelines.

A major investment to enhance our risk management, internal controls and governance was outlined to shareholders in 2018. This has included putting in place new mechanisms to identify risks, ensure they are properly managed and reported and reinforce necessary practices within the business.

The board has been deliberate in ensuring the conduct and culture of the organisation, including risk outcomes, are taken into account in remuneration outcomes. As AMP continues its transformation, the board will continue to exercise discretion to ensure there are remuneration consequences applied where warranted.

2019 performance and remuneration

AMP's 2019 financial results are covered in detail elsewhere in this report. The board's role is to ensure remuneration outcomes have appropriately considered financial returns to shareholders while balancing longer-term financial and non-financial measures such as delivery against strategic priorities, risk management (including people risks), customer outcomes, individual behaviours and culture.

The company's remuneration approach recognises areas of strong performance where teams and individuals have delivered and outperformed against their targets. The board is aware of the challenges implicit in the transformation and delivery of the strategic plan and that this is dependent on attracting and retaining skilled people.

The board awarded 2019 outcomes for the CEO and executives taking into account the need to appropriately motivate and retain executives while ensuring alignment with stakeholder outcomes and exercising restraint. 2019 STI outcomes ranged between 0% and 63% of maximum opportunity, illustrating differentiation for factors such as business unit and individual performance including risk management, conduct and behaviours.

Changes to the remuneration structure for 2019

For 2019, the Remuneration Committee refreshed the group incentive structures to support the new strategy through:

- the development of the 2019 group incentive pool based on the achievement of financial outcomes and a set of key priorities. This departure from the scorecard approach used in prior years provides the board with flexibility and discretion to react to rapidly shifting strategic priorities as needed to deliver long-term shareholder value;
- introduction of a new long-term incentive plan for executives and senior leaders. The plan includes a Risk and Conduct Gateway to ensure the board's expectations of an individual's performance are met before vesting can occur; and
- senior leaders moving to an STI and LTI structure in support of our objective to differentiate reward outcomes for our best performers.

Committee priorities for 2020

The priorities for 2020 include:

- responding to changes in the regulation of executive remuneration;
- embedding the new conduct management policy and guidelines, which address inappropriate conduct and recognise behaviours that are consistent with AMP values; and
- monitoring of the remuneration framework and its consistency with AMP's transformation.

The board appreciates the feedback we have received from our shareholders and clients and will continue to engage as the company delivers on its transformation strategy.

David Murray AO
Chairman, AMP Limited Board and
AMP Remuneration Committee

Remuneration report

This remuneration report details the remuneration arrangements for our key management personnel (KMP) in 2019. This report has been prepared and audited against the disclosure requirements of the Corporations Act 2001.

CEO remuneration

In his remuneration package announced in August 2018, Mr De Ferrari was entitled under his contract to an LTI award with a face value of $3.5 million, originally intended to be delivered in early 2019.

The board decided Mr De Ferrari would also receive a 2019 LTI Transformation Award with a face value of $3.5 million. This reflects the board's desire to ensure the CEO is appropriately motivated, aligned and retained to execute on the new strategy and transformation of AMP for the benefit of all stakeholders.

These LTI awards were granted in September 2019, with vesting to be measured over a period of three-and-a-half years based on a comparison of the compound annual growth rate in AMP's total shareholder return (TSR) relative to a financial services comparator group of companies. Further details of these awards are explained in section 7.1 Executive 2019 remuneration arrangements.

The board was pleased with the progress Mr De Ferrari made in 2019 against the agreed priorities in what was another challenging year for AMP. Reflective of his strong performance in the current operating environment and current market conditions, the board awarded Mr De Ferrari 75% of his target STI opportunity (63% of maximum opportunity), being $1,650,000.

Mr De Ferrari did not receive an increase to his fixed remuneration during 2019.

Adjustments to CEO incentives on appointment

As outlined in the announcement made in August 2019, the remuneration package of Mr De Ferrari agreed prior to his appointment was adjusted to reflect the materially lower share price of the group immediately preceding his start date. Adjustments made to the Buy-out and Recovery incentives received by Mr De Ferrari on commencement are summarised in the tables below.

Buy-out incentive

Remuneration type	Value	Grant date	Vesting schedule	Vesting conditions
Restricted shares	587,328 AMP shares with a face value of approximately $1.0m	13 August 2019	60% on 15 August 2019 20% on 15 August 2020 20% on 15 August 2021	Continuous employment
Share rights	587,328 AMP share rights with a face value of approximately $1.0m	13 August 2019	50% on 15 February 2020 30% on 15 February 2021 20% on 15 February 2022	Continuous employment

Replacement Recovery incentive

Remuneration type	Value	Grant date	Vesting schedule	Vesting conditions
Performance rights	2,500,000 AMP share rights with a face value of approximately $4.4m	12 September 2019	Tested by the board in 15 February 2022 and 2023 (each a testing date)	Must be in employment on relevant testing date. On first testing date, 50% will vest if share price is $2.45[1]. On the second testing date, the balance of the award will be eligible to vest. If the share price is $2.45[1], 50% (including any awards that have vested already) would vest and 100% will vest if the share price is $2.75[1], with straight-line vesting between these share price hurdles.

1 Share price adjusted for any significant capital initiatives.

The replacement Recovery incentive award includes terms to enable the board to offset any value that may be achieved if the original Recovery incentive did vest. The board intends to seek shareholder approval to cancel the original Recovery incentives at the next AGM.

Incentive outcomes

A revised incentive structure for the executive team was implemented in 2019, replacing the EPI Plan with a short-term incentive (STI) and long-term incentive (LTI) structure.

The following table shows the STI awarded to executives based on the 2019 performance year. Individual STI awards varied based on individual executive performance and the performance of the business unit for which they are responsible.

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

	Maximum STI opportunity value $'000	% of maximum STI opportunity awarded	% of maximum STI opportunity not awarded	% of target STI opportunity awarded
Francesco De Ferrari	2,640	63%	37%	75%
Megan Beer	1,440	26%	74%	42%
David Cullen	1,120	29%	71%	46%
Jenny Fagg	1,440	17%	83%	28%
James Georgeson	1,120	31%	69%	50%
Helen Livesey	1,360	26%	74%	41%
Craig Ryman	1,440	17%	83%	28%
Adam Tindall[1]	n/a	n/a	n/a	n/a
Alex Wade	1,552	32%	68%	52%
Sally Bruce	1,280	21%	79%	34%
Gordon Lefevre	1,544	16%	84%	26%
Paul Sainsbury	1,280	0%	100%	0%
Fiona Wardlaw	1,544	0%	100%	0%

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

Conduct and reputation matters

In 2019, the board exercised discretion to apply remuneration consequences to executives for overall accountability for matters arising in their business units with adverse customer and reputational impacts.

During 2019, there was a small number of matters involving conduct that resulted in formal consequences. Around 40% of these resulted in termination of employment; of the remainder, consequences were applied as appropriate including warnings, additional training, and/or adjustments to performance-based remuneration.

At the time of this report the annual remuneration review process is about to commence and this will be factored into any remuneration decisions.

Remuneration report

Contents

1. Who is covered by this report

KMP are the individuals who have authority and responsibility for planning, directing and controlling the activities of AMP. This includes the chief executive officer (CEO), nominated direct reports of the CEO and AMP's non-executive directors (NEDs). In this report, the term 'executive' means the CEO and the other executives who are KMP. 2019 KMP are detailed below.

		Term as KMP in 2019
Current executives		
Francesco De Ferrari	Chief Executive Officer	Full Year
Megan Beer	Chief Executive, AMP Life	Full Year
David Cullen	Group General Counsel	Full Year
Jenny Fagg	Chief Risk Officer	Full Year
James Georgeson[1]	Chief Financial Officer	Three months
Helen Livesey	Group Executive, People and Corporate Affairs	Full Year
Craig Ryman	Chief Operating Officer	Full Year
Adam Tindall	Chief Executive, AMP Capital	Full Year
Alex Wade[2]	Chief Executive, AMP Australia	Full Year
Former executives		
Sally Bruce[3]	Chief Executive, AMP Bank	Eleven months
Gordon Lefevre[4]	Chief Financial Officer	Nine months
Paul Sainsbury[5]	Group Executive, Wealth Solutions and Customer	Three months
Fiona Wardlaw[6]	Group Executive, People and Culture	Five months
Current non-executive directors		
David Murray	Chairman	Full Year
John Fraser	Non-executive Director	Full Year
Andrew Harmos	Non-executive Director	Full Year
Debra Hazelton[7]	Non-executive Director	Seven months
Trevor Matthews	Non-executive Director	Full Year
John O'Sullivan	Non-executive Director	Full Year
Andrea Slattery[8]	Non-executive Director	Eleven months
Peter Varghese	Non-executive Director	Full Year
Mike Wilkins	Non-executive Director	Full Year
Former non-executive directors		
Geoff Roberts[9]	Non-executive Director	Five months

1 James Georgeson was appointed Acting Chief Financial Officer effective 21 September 2019 and subsequently permanently appointed on 3 February 2020.
2 Alex Wade was appointed Group Executive, Advice effective 7 January 2019.
3 Sally Bruce stepped down from the role as Chief Executive, AMP Bank effective 1 November 2019.
4 Gordon Lefevre stepped down from the role as Chief Financial Officer effective 20 September 2019.
5 Paul Sainsbury stepped down from the role as Group Executive, Wealth Solutions and Customer effective 4 March 2019.
6 Fiona Wardlaw stepped down as Group Executive, People and Culture effective 17 May 2019.
7 Debra Hazelton was appointed to the AMP Limited Board effective 15 June 2019.
8 Andrea Slattery was appointed to the AMP Limited Board effective 15 February 2019.
9 Geoff Roberts retired from the AMP Limited Board effective 2 May 2019.

2. Remuneration framework

The table below outlines the remuneration framework in place for the executives in 2019.

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

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

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

Delivered through the following remuneration components:

Fixed	At risk	
Fixed remuneration Cash salary, superannuation and any salary-sacrificed benefits.	**Short-term incentive[1]** 80% delivered as cash; 20% delivered as share rights deferred for two years.	**Long-term incentive** 100% delivered as share rights subject to a performance hurdle with a three-and-a-half-year performance period (or four years where required to comply with regulation).

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

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

1 The deferral rate applied to short-term incentives will be adjusted where required in order to comply with regulatory requirements.

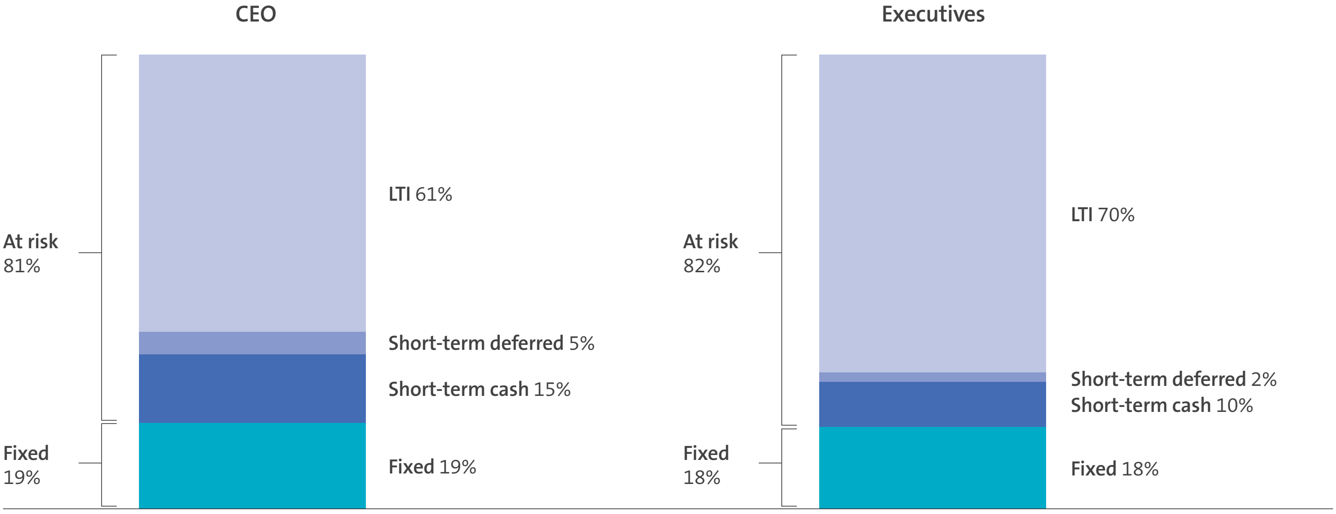
The deferral rate for 2019 reflects a remuneration mix that has a high LTI component and low STI outcomes relative to maximum opportunity. The proposed deferral rate for 2020 is 40% for a minimum of four years applied to total variable remuneration.

2. Remuneration framework (continued)

2.1 Remuneration mix

The following illustration shows the remuneration mix for the executives in 2019 (excluding the Chief Executive, AMP Capital who participates in the AMP Capital Enterprise Profit Share plan). Outcomes have been modelled based on the average of the executives' target bonus opportunities and actual deferred awards.

2019 Remuneration mix based on target incentive opportunity



2.2 Changes to executive remuneration for 2019

Following the review of the remuneration arrangements for 2019, the board approved a different approach to deriving the AMP group incentive pool. This is the incentive pool for AMP employees across the group, with the exception of the AMP Capital business which has separate remuneration arrangements. The new approach moved away from a formulaic scorecard approach and instead created an incentive pool for delivering upon a set of agreed priorities and the 2019 financial plan. To the extent targets are exceeded and financial results are above plan, an incremental amount may flow through to the group incentive pool.

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

The Chief Risk Officer will continue to recommend risk-related adjustments to the board. This forms part of the overall adjustment to the pool considered by the board rather than a separate standalone adjustment.

The 2019 executive incentive arrangements are comprised of a short-term incentive (STI) plan and a challenging LTI plan for driving and delivering the transformation agenda ('Transformation Incentive'). Some executives were awarded a one-off Transition Incentive to encourage greater alignment during the period before the Transformation Incentive was awarded.

Details of these plans are described in section 7.1: 2019 AMP Transformation Incentive Plan and 2019 AMP Transition Incentive Plan.

2.3 Culture and risk management in remuneration

Culture, effective risk practices and consequence management are important considerations at AMP. AMP believes that culture is an enabler of strategic execution over the long term, and has commenced a major program to drive a culture of high performance, premised on putting clients first, taking accountability, and adopting the mindset of an owner. Risk behaviour can be clearly traced through each of these cultural elements, and employee beliefs that such behaviours are valued and expected at AMP are a key indicator of AMP's overall culture in this regard.

Effective risk management is embedded into the remuneration principles and framework (outlined in the diagram in section 2). During 2019, there have been continued enhancements to the remuneration framework to further embed risk management and conduct into multiple layers of goal setting and performance assessment for executives and employees. Before remuneration is awarded or vests, risk management and conduct are specifically considered. Further detail on how risk management is considered for each reward element is outlined in section 7.

3. Remuneration governance

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

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

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

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

Where an external perspective is needed, the Remuneration Committee seeks guidance from independent remuneration advisers. During the year, the Remuneration Committee did not engage any independent remuneration advisers.

The governance framework is illustrated in the chart below.

AMP Limited Board

AMP subsidiary boards

AMP Limited Risk Committee

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

Recommends risk-related adjustments for the group incentive pool to the Remuneration Committee.

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

Remuneration Committee

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

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

Independent remuneration advisers

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

Management Remuneration Committee (MRC)

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

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

Management

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

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

3. Remuneration governance (continued)

3.1 Regulatory change

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

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

The remuneration arrangements for all executives and senior management who are subject to BEAR meet the regulatory requirements.

Throughout 2019, AMP Bank has continued to develop its practices in response to the Sedgwick Recommendations, through enhancements to performance management, governance and leader communication. Performance management now specifically incorporates the demonstration of customer-focused behaviour into the assessment of performance.

4. Remuneration outcomes

4.1 Summary of 2019 company performance

The 2019 financial results are reflected in the remuneration outcomes for executives and employees overall. 2019 underlying profit of $464 million has reduced 32% from $680 million in 2018. Underlying return on equity decreased to 8.2% reflecting reduced operating earnings in AMP Life and the Australian wealth management business.

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

	2015	2016	2017	2018	2019
Financial results					
Profit (loss) after tax attributable to shareholders ($m)	972	(344)	848	28	**(2,467)**
Underlying profit ($m)	1,120	486	1,040	680	**464**
Cost to income ratio (%)	43.8	63.7	46.2	55.8	**67.5**
Shareholder outcomes					
Total dividend (cents per share)	28	28	29	14	**0**
Share price at 31 December ($)	5.83	5.04	5.19	2.45	**1.91**
STI/group incentive pool[1]					
STI/group incentive pool ($m)[2]	105	34	75	33	**40**
STI/group incentive pool as % of underlying profit (%)	9.4	7.1	7.2	4.8	**8.5**
Average STI received as % of maximum opportunity for executives (%)	54	0	58	0	**23**
LTI performance					
Relative TSR percentile[3]	41st	31st	27th	8th	**0**
Return on Equity (%)[4]	13.2	5.6	14.3	9.6	**8.2**
LTI vesting outcome (% of grant vested during the year)	0	22	0	0	**0**

1 For 2015, 2016, 2017 and 2019, the pool value reflects the amount available under the STI plan. For 2018, the pool value is inclusive of the STI and EPI plans.
2 The 2016, 2017, 2018 and 2019 STI/group incentive pool excludes AMP Capital as this part of the business has separate remuneration arrangements that were introduced in 2016.
3 TSR percentile ranking as at 28 February 2015, 6 March 2016, 5 March 2017, 4 March 2018 and 3 March 2019 respectively. See section 4.3 Long-term incentive outcomes.
4 The RoE outcomes are the unadjusted outcomes. For 2015, the adjusted outcome was 13.5% to take into account the impact of the investment in the China Life Pension Company. This resulted in partial vesting of the RoE tranche as disclosed in the 2016 remuneration report.

The following sections detail how these outcomes were determined for 2019.

4. Remuneration outcomes (continued)

4.2 Incentive outcomes

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

4.2.1 Group incentive measures

The board believes that both financial and non-financial measures are key to delivering our strategy and through this, shareholder value. In 2019, the board approved a new approach that created an incentive pool for delivering upon a set of agreed strategic priorities and the 2019 financial plan. The strategic priorities set for 2019 include:

- Deliver on the 2019 financial plan
- Separate AMP Life
- Transform Australian wealth management
- Prioritise client remediation
- Strengthen risk and control environment
- Reset the AMP strategy

To the extent targets are exceeded and financial results are above plan, an incremental amount may flow through to the group incentive pool.

The board continues to exercise discretion when assessing performance to determine the final incentive pool. The board may also choose to exercise this discretion to take into account factors not fully reflected in the financial results, to ensure outcomes are appropriate and aligned to shareholder experience.

An overall assessment of risk management is recommended by the Chief Risk Officer, reviewed by the AMP Limited Board Risk Committee and approved by the AMP Limited Board as an input into the board's determination of the group incentive pool.

4.2.2 Group incentive outcome

The board assessed AMP's performance against the 2019 financial plan and strategic priorities, including risk management considerations, to determine an incentive pool for 2019 of $39.6 million (compared to an incentive pool of $32.9 million in 2018). Despite delivering against many of the targets set, the board determined that the overall STI pool would reflect average STI outcomes to employees of approximately 50% of target. This decision reflects the rigour and discipline applied to setting and measuring progress against targets and incorporates the board's desire to exercise restraint and balance stakeholder outcomes. The 2019 group incentive pool again excludes AMP Capital as this part of the business has separate remuneration arrangements.

Measure	Performance and progress
Reset the AMP strategy	Launched the three-year transformation strategy to reinvent AMP as a simpler, client-led business focused on higher growth and higher return. Ongoing focus on simplifying the portfolio, reinventing wealth management, continuing to grow AMP Capital and creating a simpler, leaner business.
Deliver on the 2019 financial plan	Achieved underlying profit of $464 million. Impact of AMP Life and weaker Australian wealth management earnings partly offset by strong performance in AMP Capital.
Separate AMP Life	Sale of AMP Life renegotiated in 2019. Program remains a key priority in 2020. AMP Life operating as standalone business. Positive momentum in securing regulatory approvals. On track for completion first half 2020.
Transform Australian wealth management	Significant progress on reshaping AMP's advice network with commercial terms reset. Phase one of the product simplification program is due to complete first half 2020 delivering significant reduction in number of funds, products and systems. Maintained growth momentum in AMP Bank with platform modernisation on track and expected to complete by end 2020.
Prioritise client remediation	Client remediation program accelerated to scale in 2019 with $150 million paid to clients. Program expected to be 80% complete by end 2020 and fully complete in 2021.
Strengthen risk and control environment	Uplifted risk management, governance and controls. New Governance, Risk and Compliance system introduced, new conduct and accountability frameworks implemented, enhanced whistleblower program and increased risk management training across the business.

4. Remuneration outcomes (continued)

4.2.3 Executive outcomes

In 2019, executives' individual performance objectives incorporated the relevant group performance measures based on business unit specific priorities. Objectives for the Chief Risk Officer are overseen by the Board Risk Committee to ensure independence.

Based on company and individual performance, the CEO recommends to the board for approval the executive incentive allocations. In 2019, short-term incentives were awarded to executives between 0% to 63% of maximum opportunity.

4.2.4 AMP Capital Enterprise Profit Share plan

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

Adam Tindall (Chief Executive, 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 the Chief Executive, AMP Capital, based on a recommendation from the AMP Limited CEO.

4.3 Long-term incentive outcomes

The vesting outcomes determined in 2019 are detailed below, along with the approved performance measures and targets for unvested LTI grants with a performance end date prior to 2022.

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							
2 Jun 2016	1 Jan 2018	31 Dec 2018	RoE	15.9%	18.0%	9.6%	0%
2 Jun 2016	3 Mar 2016	3 Mar 2019	TSR	50th percentile	75th percentile	0 percentile	0%
Grants to be tested for vesting in the future							
19 May 2017	1 Jan 2017	31 Dec 2020	TSR	50th percentile	75th percentile	TBA	TBA

Grant date	Performance period start date	Performance period end date	Measure	Threshold target (25% vests)	Maximum target (100% vests)	Board-approved performance outcome	Vesting outcome (portion of tranche vested)
12 Sep 2019	1 Aug 2019	15 Feb 2023	CAGR TSR	75% of index	110% of index	TBA	TBA

2016 LTI award

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

5. Executive shareholding

5.1 Minimum shareholding

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

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

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

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

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

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

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

5. Executive shareholding (continued)

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 2019.
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 2019								Holding at 31 Dec 2019		
	Shares	Share rights[1]	Total number of units at 1 Jan 2019	Share rights granted during 2019[2]	Shares granted during 2019[3]	Share rights converted to shares[4]	Share rights forfeited or lapsed	Other market trans-actions[5]	Shares	Share rights	Total number of units at 31 Dec 2019
Francesco De Ferrari[6]	–	1,453,488	1,453,488	587,328	2,040,816	–	–	–	2,040,816	2,040,816	4,081,632
Megan Beer	66,489	136,787	203,276	212,765	419	63,398	–	1,966	132,272	286,154	418,426
David Cullen	64,367	48,754	113,121	212,765	419	24,274	–	9,375	98,435	237,245	335,680
Jenny Fagg	–	–	–	212,765	419	–	–	9,374	9,793	212,765	222,558
James Georgeson[7]	177,331	49,423	226,754	–	–	–	–	–	177,331	49,423	226,754
Helen Livesey	11,858	114,989	126,847	212,765	419	48,718	–	–	60,995	279,036	340,031
Craig Ryman	32,674	69,491	102,165	212,765	419	–	–	47,450	80,543	282,256	362,799
Adam Tindall[8]	157,407	394,769	552,176	–	251,014	91,139	–	1,965	501,525	303,630	805,155
Alex Wade[9]	–	–	–	–	537,815	–	–	–	537,815	–	537,815

	Shares	Share rights[1]	Total number of units at 1 Jan 2019	Share rights granted during 2019[2]	Shares granted during 2019[3]	Share rights converted to shares[4]	Share rights forfeited or lapsed	Other market trans-actions[5]	Shares	Share rights	Total number of units on date ceased as KMP
Former Executives											
Sally Bruce	49,764	110,418	160,182	212,765	419	54,825	–	–	105,008	268,358	373,366
Gordon Lefevre	153,335	91,949	245,284	212,765	419	–	–	(72,612)	81,142	304,714	385,856
Paul Sainsbury	65,475	91,949	157,424	212,765	419	–	–	–	65,894	304,714	370,608
Fiona Wardlaw	176,704	64,830	241,534	212,765	419	–	–	–	177,123	277,595	454,718

1 Share rights give the participant the right to acquire one fully paid ordinary share in AMP Limited after a specified service period. Rights are granted at no cost to the participant and carry no dividend or voting rights until they vest. Rights may be settled through an equivalent cash payment at the discretion of the board.
2 Unless otherwise stated, share rights were awarded on 10 May 2019 in relation to the Transition Incentive award. The number of share rights granted was determined using the fair value price of $2.22 per share right.
3 Unless otherwise stated, 419 shares were awarded on 14 March 2019 as part of the employee's participation in the AMP Employee Share Plan (ESP). The number of shares granted was determined using the market price of $2.38 per share. These shares are restricted for three years from award date.
4 Unless otherwise stated, the share rights converted during 2019 relate to the vesting of the 2015 LTI, 2016 STI Deferral and 2016 LTI grants.
5 Other market transactions are a result of executives or their related parties trading AMP Limited shares on the open market (transactions may include shares purchased as part of the employee's participation in the AMP Share Purchase Plan (SPP) allotment at a market value of $1.60 per share, transfers or sales).
6 For Francesco De Ferrari, 587,328 share rights were awarded on 13 August 2019 relating to the additional Buy-out incentive award. 50% of the share rights granted was determined using the fair value price of $1.77, 30% of the share rights granted used a fair value price of $1.70 and 20% of the share rights granted used a fair value price of $1.64.
Shares granted during 2019 relate to the Buy-out incentive awards and are subject to disposal restrictions. 1,453,488 shares were granted on 25 February 2019 at an average market price of $2.35 per share and 587,328 shares were granted on 13 August 2019 at the market price of $1.81 per share. A total of 1,224,488 shares vested on 15 August 2019 and restrictions were lifted. The remaining balance of restricted shares vest in accordance with the vesting schedule.
7 The beginning balances shown for James Georgeson are reflective of his holdings as at 21 September 2019, the date he became KMP.
8 For Adam Tindall, in addition to the 419 shares granted under the AMP ESP, 250,595 shares were awarded on 17 May 2019 in relation to the 2018 Enterprise Profit Share plan. Shares were granted at the market price of $2.20 per share. The share rights converted during 2019 relate to the 2016 Enterprise Profit Share grant.
9 For Alex Wade, 537,815 shares were awarded on 25 February 2019 in relation to a sign-on award and are subject to disposal restrictions. Shares were granted at the market price of $2.38 per share and vest in accordance with the vesting schedule.

6. Non-executive director remuneration

The remuneration for NEDs, other than the AMP Limited Chairman, consists of three components:
- AMP Limited Board base fee;
- AMP Limited committee fees; and
- AMP subsidiary board and committee fees.

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

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

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.

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

6.1 Non-executive director fees

The Remuneration Committee is responsible for reviewing NED fees for AMP Limited and its main subsidiaries. In reviewing these fees, the committee has regard to a range of factors, including:
- the complexity of AMP's operations and those of its main subsidiaries;
- fees paid to board members of other Australian corporations of a similar size and complexity; and
- the responsibilities and workload requirements of each board and committee.

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

NED fees are recommended by the Remuneration Committee to the AMP Limited Board for approval.

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

During 2019, the total remuneration paid to AMP Limited NEDs was $3,799,060 being 82% of the shareholder-approved fee pool.

6.1.1 Base fees

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

The fee payable to the AMP Limited Chairman was $850,000 per annum (inclusive of superannuation contributions), covering all responsibilities, including his appointment as the chairman of the Nomination and Remuneration Committees and as a member of the Risk Committee. While not a member of the Audit Committee, he attends the meetings of this committee. The Chairman also acts as chair of the AMP Bank Limited Board, where he receives no additional fees for these responsibilities.

The board reviewed the Chairman's fees in January 2019; it was determined (with the Chairman abstaining) that there would be no change to this fee. The decision was made having regards to, amongst other matters:
- the overall size and complexity of the company has not reduced;
- the AMP Life transaction has not completed, and the ongoing work associated with this;
- the board renewal process is ongoing with further work required in 2020; and
- the refinement of AMP's strategy is ongoing.

The Chairman's fees will be reviewed again in April 2020 with the status of the above factors considered as part of that review.

In February 2019, the base fee for other AMP Limited NEDs was increased to $240,000 per annum (inclusive of superannuation contributions). This change was in recognition of their increased workload associated with the streamlining of board operations, whereby all NEDs serve on both the AMP Limited and the AMP Bank Limited Boards. This structure achieved greater operational and cost efficiency, so that no additional fees are paid to NEDs for the AMP Bank Limited Board and its Audit and Risk Committees. This structural change increased efficiency and reduced the aggregated NED fee spend.

In addition, as a further cost reduction measure, NEDs also agreed to waive any additional fees for membership of certain special purpose committees such as the Due Diligence Committee and other ad hoc committees.

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

6.1.2 Committee and subsidiary board and committee fees

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

6. Non-executive director remuneration (continued)

6.2 2019 non-executive director remuneration

The following table shows the annual NED fees for the board and permanent committees of AMP Limited and its main subsidiaries for 2019.

	Chairman base fee[1] effective 1 January 2019 $	Member base fee[1] effective 1 January 2019 $	Chairman base fee[1,4] effective 15 February 2019 $	Member base fee[1,4] effective 15 February 2019 $
AMP Limited				
Board	850,000	198,300	850,000	240,000
Audit Committee	55,000	25,400	55,000	25,400
Risk Committee	55,000	25,400	55,000	25,400
Nomination Committee[2]	–	–	–	–
Remuneration Committee[3]	55,000	25,400	55,000	25,400
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	124,000	78,900
Audit and Risk Committee	28,200	16,900	28,200	16,900
AMP Life Limited and NMLA				
Board	90,300	56,300	90,300	56,300
Audit Committee	10,000	5,000	10,000	5,000
Risk Committee	10,000	5,000	10,000	5,000

1 The total fees shown above are inclusive of superannuation contributions.
2 No fee is payable to the chairman of the committee where the chairman is also the chairman of the AMP Limited Board. No fee is payable for any director's membership or chairmanship of the Nomination Committee.
3 No fee is currently payable to a member of the committee who is also chairman of the AMP Limited Board. During 2019, the chairman of the AMP Limited Board was a member of the committee and therefore received no additional fee for this appointment.
4 The AMP Limited Board members are also members of AMP Bank Limited Board and Committees. The directors are not paid any additional fees for their membership or chairmanship of AMP Bank Limited Board and Committees.

6. Non-executive director remuneration (continued)

The following table shows the remuneration earned by AMP Limited NEDs for 2019.

		Short-term benefits				Post-employment benefits	
		AMP Limited Board and committee fees $'000	Fees for other group boards $'000	Additional board duties[1] $'000	Other short-term benefits[2] $'000	Super-annuation[3] $'000	Total $'000
Current NEDs							
David Murray	**2019**	**831**	**–**	**–**	**–**	**19**	**850**
Chairman	2018	438	–	–	–	11	449
John Fraser	**2019**	**287**	**58**	**–**	**–**	**24**	**369**
Non-executive Director	2018	50	–	–	–	6	56
Andrew Harmos	**2019**	**316**	**76**	**–**	**–**	**24**	**416**
Non-executive Director	2018	203	62	16	–	20	301
Debra Hazelton	**2019**	**153**	**79**	**–**	**–**	**19**	**251**
Non-executive Director	2018	–	–	–	–	–	–
Trevor Matthews	**2019**	**287**	**140**	**–**	**–**	**24**	**451**
Non-executive Director	2018	199	105	–	–	20	324
John O'Sullivan	**2019**	**287**	**–**	**–**	**–**	**24**	**311**
Non-executive Director	2018	101	–	–	–	11	112
Andrea Slattery	**2019**	**274**	**38**	**–**	**–**	**22**	**334**
Non-executive Director	2018	–	–	–	–	–	–
Peter Varghese	**2019**	**287**	**77**	**–**	**–**	**24**	**388**
Non-executive Director	2018	177	107	8	–	20	312
Mike Wilkins[3]	**2019**	**289**	**66**	**–**	**–**	**22**	**377**
Non-executive Director	2018	156	38	27	1,276	19	1,516
Former NEDs							
Catherine Brenner	**2019**	**–**	**–**	**–**	**–**	**–**	**–**
Former Chairman	2018	213	–	–	–	7	224
Patricia Akopiantz	**2019**	**–**	**–**	**–**	**–**	**–**	**–**
Former Non-executive Director	2018	223	101	25	–	20	372
Holly Kramer	**2019**	**–**	**–**	**–**	**–**	**–**	**–**
Former Non-executive Director	2018	70	37	19	–	8	136
Geoff Roberts	**2019**	**103**	**22**	**–**	**–**	**9**	**134**
Former Non-executive Director	2018	212	32	11	–	20	275
Vanessa Wallace	**2019**	**–**	**–**	**–**	**–**	**–**	**–**
Former Non-executive Director	2018	71	57	–	–	9	139

1 Additional work for special committees and projects.
2 Non-monetary benefits and the related fringe benefit tax (FBT) on each item.
3 Superannuation contributions have been disclosed separately in this table but are included in the base NED fees disclosed elsewhere in this report.

6. Non-executive director remuneration (continued)

6.3 Non-executive director minimum shareholding

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

– AMP Limited Chairman: $850,000 – the equivalent of the AMP Limited Chairman base fee.
– Other AMP Limited NEDs: $240,000 – the equivalent of the AMP Limited NED base fee.

NEDs are ordinarily expected to achieve these levels within four years of appointment. The policy expects NEDs to apply at least 25% of their AMP Limited base fee each year to the acquisition of AMP shares (when permitted to do so subject to the AMP Trading Policy) until the requirement has been met and they are also encouraged to increase their ownership over their tenure.

The only director who has been on the board for at least four years is Trevor Matthews. The decline in AMP's share price, since April 2018, resulted in the value of Trevor Matthews' holdings falling below the level expected under the minimum shareholding policy. To manage this, Trevor Matthews actively purchased additional shares in AMP throughout 2019 (when permissible and in accordance with the AMP Trading Policy) in order to attempt to meet the policy requirements.

6.4 Non-executive director shareholdings and other interests

The following table shows the number of ordinary shares in AMP Limited held directly, indirectly or beneficially by AMP Limited NEDs or their related parties as at 31 December 2019 and movements in those holdings during the year. For this purpose, a NED's related parties are their close family members (as defined in the applicable accounting standard) and any entities over which the NED (or a close family member) has control, joint control or significant influence (whether direct or indirect).

	Holding at 1 Jan 2019	Changes during the year[4]	Holding at 31 Dec 2019[1,2]	Value of holding at 31 Dec 2019[2,3] $
Current NEDs				
David Murray	2,000	289,375	291,375	557,983
John Fraser	2,500	19,375	21,875	41,891
Andrew Harmos	7,064	29,754	36,818	70,506
Debra Hazelton[5]	–	102,877	102,877	197,009
Trevor Matthews	63,763	36,237	100,000	191,500
John O'Sullivan	2,000	52,086	54,086	103,575
Andrea Slattery[6]	5,600	52,875	58,475	111,980
Peter Varghese	30,100	55,475	85,575	163,876
Mike Wilkins	31,500	77,025	108,525	207,825
Former NEDs				
Geoff Roberts	42,540	–	42,540	95,715

1 As at the date of this report, each of the current NEDs held a 'relevant interest' (as defined in the Corporations Act 2001) in the number of AMP shares disclosed above for that NED, except for Peter Varghese. Peter Varghese held an interest in 80,075 shares as at the date of this report, with the balance of the holdings disclosed above held directly and beneficially by a close family member.
2 The value of the shareholding as at 31 December 2019 was calculated using the closing AMP share price on the ASX of $1.915 (or, in the case of former directors, the closing price on the date they ceased to be an AMP Limited director).
3 The closing balance for Geoff Roberts reflects the position on the date that Geoff ceased to be a director of AMP Limited, being 2 May 2019.
4 Any movements in AMP shares during the year resulted from participation in the AMP Share Purchase Plan or the purchase of additional shares on market.
5 Debra Hazelton was appointed to the AMP Limited Board effective 15 June 2019.
6 Andrea Slattery was appointed to the AMP Limited Board effective 15 February 2019.

7. Further detail on executive arrangements and statutory disclosures

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

7.1 Executive 2019 remuneration arrangements

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

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

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

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

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

During 2019, executives participated in AMP's group incentive plan with the exception of the Chief Executive, AMP Capital. The Chief Executive, AMP Capital participates in the AMP Capital Enterprise Profit Share plan, which is an appropriate incentive plan for the executives of AMP's investment management business.

The new LTI plan for 2019, the 'Transformation Incentive', was aligned to the new business strategy and awarded in August 2019. Current executives participated in the Transformation Incentive in line with the strategic priorities for the business, with the exception of the Chief Executive, AMP Life and the Chief Executive, AMP Capital.

A short-term deferred incentive was designed to bridge the interim period during the development of the strategy and the implementation of the new LTI plan. This Transition Incentive was awarded in February 2019 to executives with appropriate tenure in role at the time, with the exception of the Chief Executive, AMP Capital.

The following common terms apply to the incentive plans outlined below:

Format of award	Awards delivered in rights to AMP Limited shares have no exercise price and carry no dividend or voting rights until the rights vest and have been converted to shares, subject to the available trading window. However, dividends that have accrued will be paid as additional shares after vesting.
How rights are converted to shares	At the end of the deferral period for each tranche, 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.
If there is a change in control of AMP	If AMP is subject to a takeover or change of control, the board will determine the treatment of any unvested rights.
Board discretion	The board may apply its discretion in adjusting for malus and clawback. The board may 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 AMP, or a significant unexpected or unintended consequence affecting AMP that was not foreseen by the Remuneration Committee (including any misstatement of financial results); and/or – to ensure no unfair benefit to the participant.
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.

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

	2019 AMP Group Incentive Plan
Who	All executives, excluding the Chief Executive, AMP Capital.
Format of award	The award is delivered 80% in cash and 20% in rights to AMP Limited shares deferred for two years. For employees subject to regulatory deferral requirements, the deferral rate applied would be 40% for four years, except where the employee has received an LTI award, in which case the deferral rate applied would be 20% for two years.
How individual performance is measured	Individual performance is measured against the performance of each executive's business area as well as their personal objectives. Performance measures for the executives and business areas are agreed with the board at the start of each year.
How the incentive pool is calculated	The board determines the group incentive pool, based on performance against the group incentive pool measures (refer to section 4.2.2), taking into account AMP's financial results and the progress of AMP's strategic objectives.
How the awards are allocated	The CEO AMP recommends to the board for its approval the executive incentive allocations based on company and individual performance. Separately the board assesses the CEO AMP's performance against the overall company performance measures and objectives to determine an allocation.
STI deferral	100% of the award vests after two years or four years respectively, depending upon regulatory deferral requirements. Vesting is subject to ongoing employment and compliance with AMP policies and is subject to board discretion (as described above under '*Board discretion*'). It is AMP's practice to buy on market the shares to be delivered.

	2019 arrangements for the Chief Executive, AMP Capital
Format of award	The total variable pay award is made up of an AMP Capital Enterprise Profit Share (EPS) award and eligibility for LTI participation. 50% of any total variable pay award is deferred into a combination of rights to AMP Limited shares deferred for two years and cash notionally invested into a general portfolio of AMP Capital-managed funds for four years.
How performance is measured	Performance of the Chief Executive, AMP Capital is measured against the performance of AMP Capital and performance against personal objectives. Performance measures for the Chief Executive, AMP Capital and the AMP Capital business are agreed with the board at the start of each year.
How the incentive pools are calculated	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 and 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	Based on a recommendation from the CEO AMP Limited, the board approves any allocation to the Chief Executive, AMP Capital based on performance against the AMP Capital scorecard. Following this allocation, the Chief Executive, AMP Capital allocates the remaining enterprise profit share pool to participants on a discretionary basis subject to final approval by the CEO AMP Limited.

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

	2019 arrangements for the Chief Executive, AMP Capital (continued)
Incentive deferral	A minimum of 50% of the total variable pay award is deferred into a combination of rights to AMP Limited shares and a deferred cash component that is notionally invested into a general portfolio of AMP Capital Funds. The deferred portion of the EPS allocation is split equally between the AMP share rights and notional investment. **Rights to AMP Limited shares** Any entitlement to AMP Limited shares will be delivered as share rights that will convert to AMP Limited shares (vest) after one and two years, subject to AMP's trading policy. Vesting is subject to ongoing employment and compliance with AMP policies and is subject to board discretion (as described above under '*Board discretion*'). Upon vesting the executive receives one fully paid ordinary AMP Limited share in exchange for each right held. It is AMP's practice to buy on market the shares to be delivered. **Notional investment** The deferred cash portion is notionally invested into a general portfolio of AMP Capital-managed funds. This investment is described as 'notional' because the Chief Executive, AMP Capital does not directly hold the underlying securities in this basket of managed funds. The value of the retained amount will vary as if these amounts were directly invested in AMP Capital-managed funds, giving the Chief Executive, AMP Capital an effective economic exposure to the performance of the securities over the four-year period. Vesting is subject to ongoing employment and compliance with AMP policies and is subject to board discretion (as described above under '*Board discretion*'). Upon vesting the executive receives the cash amount adjusted upwards or downwards for any notional return generated by the portfolio of AMP Capital Funds.

	2019 AMP Transition Incentive Plan
Who	Select members of the KMP.
Format of award	100% of this award is delivered in rights to AMP Limited shares. The award is split into two equal tranches, deferred for approximately 9 months and 21 months respectively.
How the awards are allocated	All eligible executives received the same grant value, being $500,000 as a one-off award only. This grant value is converted into a number of share rights. The total number of rights allocated is calculated as follows: $\frac{\text{Total grant value}}{\text{Face value of an AMP share}} = \text{Total number of rights to be allocated}$ The face value of an AMP share is the volume-weighted average price of AMP shares on the Australian Securities Exchange (ASX) during the 10-day trading period commencing on the day after the ex-dividend date (from 28 February 2019). The number of share rights is then rounded down to the nearest whole number of rights. There is no adjustment for dividends foregone in this calculation. The share rights are subject to board discretion and the executives meeting the time-based service conditions.
Vesting conditions	100% of the rights will vest after their respective deferral period. Vesting is subject to ongoing employment and compliance with AMP policies and is subject to board discretion (as described above under '*Board discretion*'). Upon vesting the executive receives one fully paid ordinary AMP Limited share for each right held. It is AMP's practice to buy the shares on market.

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

	2019 AMP Transformation Incentive Plan
Who	All executives.
Format of award	100% of the award is delivered in performance rights to AMP Limited shares subject to a risk and conduct gateway, performance hurdles and service conditions.
How the awards are allocated	The total number of rights allocated is based on the following calculation: Total number of rights allocated = $\frac{\text{Transformation Incentive Award amount}}{\text{Valuation Price}}$ Where: – **Valuation Price** is the face value of an AMP Share calculated as the volume-weighted average price (VWAP) of AMP shares on the ASX during the 10-day trading period prior to 26 August 2019 (12 August to 23 August 2019) – being $1.81. The **Valuation Price** is calculated by an independent consultant and the number of rights is rounded down to the nearest whole number.
Performance period	**Performance period start date:** 1 August 2019 **Performance period end date:** 15 February 2023 An independent consultant will be engaged to measure and test the performance results at the conclusion of the performance period.
Performance hurdles and conditions	The performance condition is a comparison of the Compound Annual Growth Rate (CAGR) in AMP Total Shareholder Return (TSR) relative to an index TSR for the performance period. The index will be constructed from an equal weighted index of ASX 100 financial services excluding A-REIT. The Award will not vest if both the CAGR of the Company's TSR is negative and the CAGR is below the index return (Performance Gateway Hurdle). Provided the Performance Gateway Hurdle is met, vesting of the Award will occur based on the following schedule: **Index return achieved** – **Percentage of the Award that will vest** Below 75% of the index return – Nil 75% of the index return – 25% 90% of the index return – 50% 100% of the index return – 75% 110% of the index return or above – 100% Straight-line vesting applies for performance between the thresholds above, although no vesting will occur if below 75% of the index return is achieved. An independent consultant will be used to construct the index and to test AMP's return against the index return.
Vesting conditions and gateways	The vesting of the award is subject to two separate gateways: 1. **Risk and Conduct Gateway** – if it is found that performance and conduct is not in line with AMP's expectations, the board has discretion to amend the vesting outcome (including to zero). 2. **Performance Gateway and Hurdle** – a performance gateway is included so that no awards will vest if both the CAGR is negative *and* the CAGR is below the benchmark index. There is a variation for risk and control roles ie Chief Risk Officer in that the vesting outcome in relation to 25% of the award will be determined by the Remuneration Committee at its sole discretion. The other 75% of the award will be subject to the performance hurdle. *Please see performance hurdles and conditions section for more details on the performance condition.* If required under any law or regulation (including under the *Banking Executive Accountability Regime*), a portion of any shares received at vesting may be subject to a holding lock until approximately **15 September 2023**.

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

	2019 AMP Transformation Incentive Plan (continued)
Dividend Equivalent Amount (DEA)	– The executives will receive a dividend equivalent amount (DEA) on any rights that may vest. – The DEA for each vested right will be approximately equal to the gross cash value of dividends that the executive would have received if they held shares. – This DEA will generally be made in the form of additional shares; however, the board retains discretion to settle the DEA in cash. – The DEA entitlement is calculated from the grant date of the rights until the date on which shares are released to the executive (allocation date) following vesting. If the DEA is settled in shares, the number of additional shares will be calculated by dividing the DEA amount by the 5-day VWAP preceding the relevant allocation date, rounded up to the nearest whole share. Any additional shares would be allocated to the executive with no further trading restrictions.
If the executive leaves AMP	See table below

Date range	Reason for notification of cessation of employment	Treatment of Rights
On or before 31 Dec 2019	– Any reason	Automatic lapse of all Rights
From 1 Jan 2020	– Summarily terminated or resign; or – Give notice of resignation	Automatic lapse of all Rights
	– Cease employment in any other circumstances	Retain a pro-rata[1] portion of Rights

1 The pro-rata amount is calculated based on the portion of the performance period that has elapsed up to the date of the executive's cessation of employment.

7.2 Executive employment contracts

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

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

7.3 Other executive remuneration disclosures

The following disclosures provide additional information and/or are required under the Corporations Act. This includes the 2019 executive remuneration that is prepared according to Australian Accounting Standards.

7.3.1 Statutory disclosure

The table below shows the remuneration that was received by executives in 2019 as well as any incentive rewards that have been awarded but not yet received. This includes fixed remuneration and the value of current and previous incentive payments which have not yet vested.

		Short-term employee benefits			Post-employment benefits		Share-based payments[4]		Long-term benefits		Termination payments	
		Cash salary[1] $'000	Cash short-term incentive $'000	Other short-term benefits[2] $'000	Super-annuation benefits $'000	Other post-employ-ment benefits[3] $'000	Rights and options $'000	Restricted shares $'000	Deferred incentive[5] $'000	Other[6] $'000	Cash payments $'000	Total $'000
Current disclosed executives												
Francesco De Ferrari Chief Executive Officer	**2019** 2018	**2,177** 156	**1,320** –	**1,711** 341	**22** 5	**–** –	**4,124** 375	**4,072** 399	**–** –	**5** –	**–** –	**13,431** 1,276
Megan Beer Chief Executive, AMP Life	**2019** 2018	**860** 861	**225** –	**56** 45	**25** 25	**–** –	**641** 618	**–** –	**–** –	**13** 9	**–** –	**1,820** 1,558
David Cullen Group General Counsel	**2019** 2018	**668** 426	**260** –	**8** 29	**25** 15	**–** –	**531** 45	**–** –	**–** –	**13** 88	**–** –	**1,505** 603
Jenny Fagg Chief Risk Officer	**2019** 2018	**877** 797	**200** –	**43** 159	**22** 57	**–** –	**283** 330	**–** –	**–** –	**2** 2	**–** –	**1,427** 1,345
James Georgeson Chief Financial Officer	**2019** 2018	**182** –	**78** –	**1** –	**7** –	**–** –	**115** –	**–** –	**–** –	**3** –	**–** –	**386** –
Helen Livesey Group Executive, People and Corporate Affairs	**2019** 2018	**802** 666	**280** –	**16** 55	**22** 22	**–** –	**617** 507	**–** –	**–** –	**17** 8	**–** –	**1,754** 1,258
Craig Ryman Chief Operating Officer	**2019** 2018	**846** 755	**200** –	**43** 54	**25** 25	**–** –	**552** 575	**–** –	**–** –	**40** 52	**–** –	**1,706** 1,461
Adam Tindall Chief Executive, AMP Capital	**2019** 2018	**878** 853	**1,442** 785	**30** 41	**25** 25	**–** –	**1,090** 1,272	**–** –	**639** 262	**19** 71	**–** –	**4,123** 3,309
Alex Wade Chief Executive, AMP Australia	**2019** 2018	**909** –	**400** –	**581** –	**39** –	**–** –	**392** –	**659** –	**–** –	**1** –	**–** –	**2,981** –

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

		Short-term employee benefits			Post-employment benefits		Share-based payments[4]		Long-term benefits		Termination payments	
		Cash salary[1] $'000	Cash short-term incentive $'000	Other short-term benefits[2] $'000	Super-annuation benefits $'000	Other post-employment benefits[3] $'000	Rights and options $'000	Restricted shares $'000	Deferred incentive[5] $'000	Other[6] $'000	Cash payments $'000	Total $'000
Former disclosed executives												
Sally Bruce	**2019**	**655**	**165**	**222**	**23**	**–**	**623**	**–**	**–**	**(11)**	**419**	**2,096**
Former Group Executive, AMP Bank	2018	725	–	232	25	–	526	–	–	5	–	1,513
Saskia Goedhart	**2019**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Former Chief Risk Officer	2018	91	–	5	5	148	(339)	–	–	(5)	–	(95)
Gordon Lefevre	**2019**	**684**	**150**	**70**	**22**	**–**	**582**	**–**	**–**	**(26)**	**967**	**2,449**
Former Chief Financial Officer	2018	939	–	121	22	–	790	–	–	10	–	1,882
Craig Meller	**2019**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Former Chief Executive Officer and Managing Director	2018	573	–	101	33	–	(2,417)	–	–	(126)	1,882	46
Jack Regan	**2019**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Former Group Executive, Advice and New Zealand	2018	875	–	207	25	–	707	–	–	(32)	–	1,782
Paul Sainsbury	**2019**	**129**	**–**	**81**	**24**	**–**	**(80)**	**–**	**–**	**7**	**1,808**	**1,969**
Former Group Executive, Wealth Solutions and Customer	2018	897	–	35	25	–	778	–	–	(26)	–	1,709
Brian Salter	**2019**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Former Group General Counsel	2018	261	–	53	10	–	(692)	–	–	(5)	797	424
Fiona Wardlaw	**2019**	**298**	**–**	**31**	**18**	**–**	**556**	**–**	**–**	**(4)**	**1,202**	**2,101**
Former Group Executive, People and Culture	2018	757	–	43	25	–	538	–	–	29	–	1,392

1 Includes base salary and short-term compensated absences.
2 Other short-term benefits include non-monetary benefits and any related FBT, for example, relocation costs, short-term allowances, taxation arrangements and the net change in annual leave accrued.
3 Other post-employment benefits relates to previously granted deferred equity awards that remain unvested following cessation of employment. The amount reflects the expense for all future years brought forward and disclosed in total for the financial year.
4 Amounts reflect the accounting expense on a fair value basis for unvested equity awards including adjustments made on cessation of employment. The minimum future value for these awards is nil and the maximum amount expensed is the fair value at grant date. All awards made in any year are amortised over the vesting period and adjusted to reflect the number of instruments expected to vest over the period. To determine the fair values, AMP engages external consultants to calculate these as at the grant date.
The fair value of any share rights and restricted share awards is calculated using a discounted cash flow technique, where the share price is discounted for dividends forgone. For any performance rights, the fair values are calculated using a Monte Carlo simulation for the TSR component and a discounted cash flow methodology for the RoE component. These are discounted for dividends forgone and the risk of performance conditions not being met. To determine the fair value of rights awards with share price targets, assumptions underlying the Black-Scholes methodology are used to produce a Monte Carlo simulation model, allowing for the share price target hurdles to be incorporated. For options awards, the fair value is determined using the Black-Scholes methodology and AMP's actual historic data.
5 Amount reflects the accounting expense for cash incentive notionally invested as part of deferred incentive arrangements in AMP Capital.
6 Other long-term benefits represents the net change in long service leave accrued.

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

7.3.2 Executive performance rights holdings

The following table shows the performance rights which were granted, exercised or lapsed during 2019.

Name	Grant date	Performance condition	Fair value per performance right $	Holding at 1 Jan 2019	Rights granted in 2019[1]	Rights exercised in 2019	Rights forfeited or lapsed in 2019	Holding at 31 Dec 2019	Vested and exercisable at 31 Dec 2019
Francesco De Ferrari	21/08/18	Share Price Targets	0.82	1,656,976	–	–	–	1,656,976	–
	12/09/19	Share Price Targets	0.62	–	2,500,000	–	–	2,500,000	–
	12/09/19	CAGR of TSR	1.21	–	3,867,402	–	–	3,867,402	–
Total				**1,656,976**	**6,367,402**	**–**	**–**	**8,024,378**	**–**
Megan Beer	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				**214,188**	**–**	**–**	**34,188**	**180,000**	**–**
David Cullen	02/06/16	TSR	2.37	7,179	–	–	7,179	–	–
		RoE	4.81	4,786	–	–	4,786	–	–
	12/09/19	CAGR of TSR	1.21	–	1,933,701	–	–	1,933,701	–
Total				**11,965**	**1,933,701**	**–**	**11,965**	**1,933,701**	**–**
Jenny Fagg	12/09/19	CAGR of TSR	1.21	–	2,486,187	–	–	2,486,187	–
Total				**–**	**2,486,187**	**–**	**–**	**2,486,187**	**–**
James Georgeson[2]	02/06/16	TSR	2.37	10,256	–	–	10,256	–	–
		RoE	4.81	6,837	–	–	6,837	–	–
	12/09/19	CAGR of TSR	1.21	–	828,729	–	–	828,729	–
Total				**17,093**	**828,729**	**–**	**17,093**	**828,729**	**–**
Helen Livesey	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	–
	12/09/19	CAGR of TSR	1.21	–	2,348,066	–	–	2,348,066	–
Total				**198,141**	**2,348,066**	**–**	**25,641**	**2,520,566**	**–**
Craig Ryman	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	–
	12/09/19	CAGR of TSR	1.21	–	2,486,187	–	–	2,486,187	–
Total				**391,666**	**2,486,187**	**–**	**166,666**	**2,711,187**	**–**
Adam Tindall	02/06/16	TSR	2.37	123,076	–	–	123,076	–	–
		RoE	4.81	82,051	–	–	82,051	–	–
	19/05/17	TSR	2.24	240,000	–	–	–	240,000	–
Total				**445,127**	**–**	**–**	**205,127**	**240,000**	**–**
Alex Wade	12/09/19	CAGR of TSR	1.21	–	2,679,558	–	–	2,679,558	–
Total				**–**	**2,679,558**	**–**	**–**	**2,679,558**	**–**

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

Name	Grant date	Performance condition	Fair value per performance right $	Holding at 1 Jan 2019	Rights granted in 2019[1]	Rights exercised in 2019	Rights forfeited or lapsed in 2019	Holding on date ceased as KMP	Vested and exercisable at 31 Dec 2019
Former Executives									
Sally Bruce	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				**197,093**	**–**	**–**	**17,093**	**180,000**	**–**
Gordon Lefevre	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				**536,935**	**–**	**–**	**247,435**	**289,500**	**–**
Paul Sainsbury[3]	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				**512,576**	**–**	**–**	**–**	**512,576**	**–**
Fiona Wardlaw[3]	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				**389,486**	**–**	**–**	**–**	**389,486**	**–**

1 Performance rights give the participant the right to acquire one fully paid ordinary share in AMP Limited upon meeting specific performance hurdles. Rights are granted at no cost to participants and carry no dividend or voting rights until they vest. Performance rights may be settled through an equivalent cash payment at the discretion of the board.
2 Performance rights granted to James Georgeson under the 2016 LTI and 2019 LTI awards were made prior to his commencement as KMP.
3 Performance rights granted under the 2016 LTI award lapsed subsequent to cessation as KMP.

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

7.3.3 Executive options holdings

The following table shows the options that were granted, exercised or lapsed during 2019.

Name	Grant date	Exercise price $	Holding at 1 Jan 2019	Options granted in 2019[1]	Options exercised in 2019	Options forfeited or lapsed in 2019	Holding at 31 Dec 2019	Vested and exercisable at 31 Dec 2019
Francesco De Ferrari	14/12/18	5.50	8,000,000	–	–	–	8,000,000	–
Total			**8,000,000**	**–**	**–**	**–**	**8,000,000**	**–**

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

7.3.4 Loans and other transactions

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

	Balance at 1 Jan 2019 $'000	Written off $'000	Net advances (repayments) $'000	Balance at 31 Dec 2019 $'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	11,666	–	1,792	13,458	368	–	14,682	9
Loans to KMP exceeding $100,000								
Sally Bruce	1,046	–	293	1,338	39	–	1,496	
James Georgeson	1,020	–	(29)	991	26	–	1,020	
Gordon Lefevre	1,345	–	(40)	1,305	40	–	1,347	
Helen Livesey	1,940	–	(102)	1,838	42	–	1,940	
Craig Ryman	1,904	–	99	2,002	69	–	2,045	
Adam Tindall	2,212	–	–	2,212	23	–	2,212	
Alex Wade	–	–	2,169	2,169	55	–	2,200	
Fiona Wardlaw	2,200	–	(595)	1,605	73	–	2,308	

Other transactions

During 2019, the executives and their related parties may have access to other AMP products. Again, these products are provided to executives within normal employee terms and conditions. The products may include:

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

Signed in accordance with a resolution of the directors.

David Murray
Chairman
Sydney, 13 February 2020

Francesco De Ferrari
Chief Executive Officer and Managing Director

Financial report

for the year ended 31 December 2019

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Consolidated income statement

for the year ended 31 December 2019

	Note	2019 $m	2018 $m
Income and expenses of shareholders, policyholders, external unitholders and non-controlling interests[1]			
Life insurance contract related revenue	4.2(a)	**2,244**	2,653
Life insurance claims recovered from reinsurers	4.2(b)	**512**	487
Fee revenue	1.1(b)	**2,904**	3,083
Other revenue		**153**	167
Interest income, dividends and distributions and net gains or losses and liabilities at fair value through profit or loss		**16,980**	955
Interest income earned using the effective interest method		**855**	899
Share of profit or loss of associates accounted for using the equity method	6.3	**72**	42
Life insurance contract claims expense	4.2(b)	**(2,175)**	(2,254)
Life insurance contract premium ceded to reinsurers	4.2(a)	**(1,033)**	(989)
Fees and commission expenses		**(1,603)**	(1,701)
Staff and related expenses		**(1,323)**	(1,136)
Impairment of goodwill and other intangibles	2.2	**(2,307)**	(19)
Other operating expenses		**(1,641)**	(1,868)
Finance costs		**(617)**	(611)
Movement in external unitholder liabilities		**(2,146)**	(208)
Change in policyholder liabilities			
– life insurance contracts	4.2(e)	**(1,436)**	79
– investment contracts		**(11,133)**	55
Income tax (expense) credit	1.3	**(740)**	417
(Loss) profit for the year		**(2,434)**	51
(Loss) profit attributable to shareholders of AMP Limited		**(2,467)**	28
Profit attributable to non-controlling interests		**33**	23
(Loss) profit for the year		**(2,434)**	51

	Note	2019 cents	2018 cents
(Loss) earnings per share			
Basic	1.2	**(79.5)**	1.0
Diluted	1.2	**(79.5)**	1.0

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 2019

	Note	2019 $m	2018 $m
(Loss) profit for the year		**(2,434)**	51
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Fair value reserve			
– net gain on fair value asset reserve		**71**	22
– tax effect on fair value asset reserve gain		**(21)**	(7)
– net amount transferred to profit or loss for the year		**(9)**	–
– tax effect on amount transferred to profit or loss for the year		**3**	–
		44	15
Cash flow hedges			
– net loss on cash flow hedges		**(67)**	(37)
– tax effect on cash flow hedge loss		**20**	11
– net amount transferred to profit or loss for the year		**7**	11
– tax effect on amount transferred to profit or loss for the year		**(2)**	(3)
		(42)	(18)
Translation of foreign operations and revaluation of hedge of net investments		**(4)**	78
		(4)	78
Items that will not be reclassified subsequently to profit or loss			
Fair value reserve – equity instruments held by AMP Foundation		**7**	(4)
		7	(4)
Defined benefit plans			
– actuarial (losses) gains	5.2(a)	**(23)**	(43)
– tax effect on actuarial gains or losses		**7**	12
		(16)	(31)
Other comprehensive (loss) income for the year		**(11)**	40
Total comprehensive (loss) income for the year		**(2,445)**	91
Total comprehensive (loss) income attributable to shareholders of AMP Limited		**(2,478)**	68
Total comprehensive income attributable to non-controlling interests		**33**	23
Total comprehensive (loss) income for the year		**(2,445)**	91

Consolidated statement of financial position

as at 31 December 2019

	Note	2019 $m	2018 $m
Assets			
Cash and cash equivalents	7.1	**4,539**	3,932
Receivables	2.3	**2,586**	2,608
Current tax assets		**465**	213
Planner registers held for sale and prepayments		**75**	101
Investments in financial assets	2.1(a)	**135,304**	132,103
Investment properties		**161**	145
Investments in associates accounted for using the equity method	6.3	**851**	924
Property, plant and equipment		**98**	95
Right of use assets	7.5	**245**	–
Deferred tax assets	1.3	**1,261**	966
Reinsurance asset – ceded life insurance contracts	4.2(d)	**1,222**	1,073
Intangibles	2.2	**877**	3,208
Total assets of shareholders of AMP Limited, policyholders, external unitholders and non-controlling interests		**147,684**	145,368
Liabilities			
Payables	2.4	**2,465**	2,032
Current tax liabilities		**123**	73
Employee benefits		**395**	316
Other financial liabilities	2.1	**1,050**	1,389
Provisions	7.3	**976**	807
Interest-bearing liabilities	3.2	**22,852**	21,650
Lease liabilities	7.5	**266**	–
Deferred tax liabilities	1.3	**2,492**	1,723
External unitholder liabilities		**15,295**	17,059
Life insurance contract liabilities	4.2(d)	**23,505**	23,257
Investment contract liabilities	4.5(b)	**71,671**	68,742
Reinsurance liability – ceded life insurance contracts	4.2(d)	**1,515**	1,452
Defined benefit plan liabilities	5.2	**101**	77
Total liabilities of shareholders of AMP Limited, policyholders, external unitholders and non-controlling interests		**142,706**	138,577
Net assets of shareholders of AMP Limited and non-controlling interests		**4,978**	6,791
Equity			
Contributed equity	3.1	**10,299**	9,502
Reserves		**(1,930)**	(1,931)
Retained earnings		**(3,509)**	(886)
Total equity of shareholders of AMP Limited		**4,860**	6,685
Non-controlling interests		**118**	106
Total equity of shareholders of AMP Limited and non-controlling interests		**4,978**	6,791

Consolidated statement of changes in equity

for the year ended 31 December 2019

	Equity attributable to shareholders of AMP Limited											
	Contributed equity $m	Demerger reserve[1] $m	Share-based payment reserve[2] $m	Capital profits reserve[3] $m	Fair value reserve $m	Cash flow hedge reserve $m	Foreign currency translation and hedge of net investments reserves $m	Total reserves $m	Retained earnings $m	Total shareholder equity $m	Non-controlling interest $m	Total equity $m
2019												
Balance at the beginning of the year	**9,502**	**(2,566)**	**105**	**329**	**21**	**8**	**172**	**(1,931)**	**(886)**	**6,685**	**106**	**6,791**
Impact of adoption of new accounting standards	–	–	–	–	–	–	–	–	(7)	(7)	–	(7)
Balance at the beginning of the year – restated	9,502	(2,566)	105	329	21	8	172	(1,931)	(893)	6,678	106	6,784
Loss	–	–	–	–	–	–	–	–	(2,467)	(2,467)	33	(2,434)
Other comprehensive loss	–	–	–	–	51	(42)	(4)	5	(16)	(11)	–	(11)
Total comprehensive income	–	–	–	–	51	(42)	(4)	5	(2,483)	(2,478)	33	(2,445)
Share-based payment expense	–	–	28	–	–	–	–	28	–	28	2	30
Share purchases	–	–	(24)	–	–	–	–	(24)	–	(24)	–	(24)
Net sale (purchase) of treasury shares	5	–	–	–	–	–	–	–	(17)	(12)	–	(12)
Dividends paid[4]	–	–	–	–	–	–	–	–	(117)	(117)	(21)	(138)
Dividends paid on treasury shares[4]	–	–	–	–	–	–	–	–	1	1	–	1
New capital from shares issued during the year[5]	792	–	–	–	–	–	–	–	–	792	–	792
Sales and acquisitions of non-controlling interests	–	–	–	(8)	–	–	–	(8)	–	(8)	(2)	(10)
Balance at the end of the year	**10,299**	**(2,566)**	**109**	**321**	**72**	**(34)**	**168**	**(1,930)**	**(3,509)**	**4,860**	**118**	**4,978**
2018												
Balance at the beginning of the year	9,376	(2,566)	100	329	7	26	94	(2,010)	(164)	7,202	81	7,283
Impact of adoption of new accounting standards	–	–	–	–	3	–	–	3	(1)	2	–	2
Balance at the beginning of the year – restated	9,376	(2,566)	100	329	10	26	94	(2,007)	(165)	7,204	81	7,285
Profit	–	–	–	–	–	–	–	–	28	28	23	51
Other comprehensive income	–	–	–	–	11	(18)	78	71	(31)	40	–	40
Total comprehensive income	–	–	–	–	11	(18)	78	71	(3)	68	23	91
Share-based payment expense	–	–	26	–	–	–	–	26	–	26	1	27
Share purchases	–	–	(21)	–	–	–	–	(21)	–	(21)	(3)	(24)
Net sale (purchase) of treasury shares	63	–	–	–	–	–	–	–	(6)	57	–	57
Dividends paid[4]	–	–	–	–	–	–	–	–	(715)	(715)	–	(715)
Dividends paid on treasury shares[4]	–	–	–	–	–	–	–	–	7	7	–	7
New capital from shares issued under dividend reinvestment plan	63	–	–	–	–	–	–	–	–	63	–	63
Sales and acquisitions of non-controlling interests	–	–	–	–	–	–	–	–	(4)	(4)	4	–
Balance at the end of the year	9,502	(2,566)	105	329	21	8	172	(1,931)	(886)	6,685	106	6,791

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 and losses attributable to shareholders of AMP on the sale or acquisition of minority interests in controlled entities to or from 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.
5 New capital raised under the institutional placement and share purchase plan is $771m, net of $13m directly attributable transaction costs (net of tax). Refer to note 3.1 for further details. Remaining $21m relates to shares issued under dividend reinvestment plan.

Consolidated statement of cash flows

for the year ended 31 December 2019

	Note	2019 $m	2018 $m
Cash flows from operating activities[1]			
Cash receipts in the course of operations		**13,384**	14,871
Interest received		**1,906**	2,140
Dividends and distributions received[2]		**2,108**	2,236
Cash payments in the course of operations		**(25,424)**	(22,100)
Finance costs paid		**(627)**	(613)
Income tax paid		**(456)**	(515)
Cash flows used in operating activities	7.1	**(9,109)**	(3,981)
Cash flows from investing activities[1]			
Net proceeds from sale of (payments to acquire):			
– investments in financial assets[3]		**8,104**	4,355
– operating and intangible assets		**(55)**	(37)
– operating controlled entities and investments in associates accounted for using the equity method		**99**	(113)
Cash flows from investing activities		**8,148**	4,205
Cash flows from financing activities			
Net movement in deposits from customers		**1,430**	1,357
Proceeds from borrowings – non-banking operations[1]		**871**	289
Repayment of borrowings – non-banking operations[1]		**(791)**	(216)
Net movement in borrowings – banking operations		**(604)**	(724)
Proceeds from issue of shares		**766**	–
Proceeds from issue of subordinated debt		**271**	250
Lease payments		**(67)**	–
Repayment of subordinated debt		**–**	(325)
Dividends paid[4]		**(117)**	(708)
Cash flows from (used in) financing activities		**1,759**	(77)
Net increase in cash and cash equivalents		**798**	147
Cash and cash equivalents at the beginning of the year		**7,382**	7,222
Effect of exchange rate changes on cash and cash equivalents		**2**	13
Cash and cash equivalents at the end of the year[1]	7.1	**8,182**	7,382

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

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

3 Net proceeds from sale of (payments to acquire) investments in financial assets also include 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 (AMP) is comprised of AMP Limited (the parent), a holding company incorporated and domiciled in Australia, and the entities it controls (subsidiaries or controlled entities). 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 – a registered life insurance entity and its related controlled entities, AMP Bank Limited (AMP Bank) and AMP Capital investment management companies (AMP Capital).

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

AMP Capital operates a large number of registered managed investment schemes and other pooled investment vehicles. AMP Life makes significant policyholder investments into these vehicles. In many cases, this results in the vehicle being controlled and therefore consolidated in its entirety into the AMP group financial statements, including the portion that represents the shareholdings of external parties, disclosed as External unitholder liabilities on the Consolidated statement of financial position.

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

Agreement to sell wealth protection and mature businesses

On 25 October 2018, AMP announced an agreement with Resolution Life Australia Pty Ltd (Resolution) to sell its Australian and New Zealand wealth protection (WP) and mature businesses. On 8 August 2019, AMP announced a revised agreement with updated terms for the sale of these businesses, subject to regulatory approvals, which is expected to complete in the first half of 2020.

Consideration for the sale payable on transaction completion comprises $2,500m cash and non-cash consideration of a $500m equity interest in Resolution Life NOHC Pty Ltd, a new Australian-domiciled Resolution controlled holding company that will become the owner of these businesses.

The fair value of the non-cash consideration will be determined by AMP on completion and, together with cash proceeds, will be treated as the accounting sale price. Under the terms of the agreement, Resolution assumes profit and loss from the WP and mature business from 1 July 2018. These profit impacts are transferred to Resolution as an adjustment to the purchase price upon completion. Adjustments to purchase price will affect the profit or loss recognised by AMP at completion.

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

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

The financial report:

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

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

The financial statements for the year ended 31 December 2019 were authorised for issue on 13 February 2020 in accordance with a resolution of the directors.

(b) Basis of consolidation

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

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

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

Materiality

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

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

(c) Significant accounting policies

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

Interest, dividends and distributions income

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

Foreign currency transactions

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

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

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

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

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

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

(d) Critical judgements and estimates

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

Accounting judgements and estimates	Note		Page
Tax	1.3	Taxes	66
Fair value of financial assets	2.1	Investments in financial instruments	69
Impairment	2.1(b)	Expected credit losses (ECLs)	71
Goodwill and acquired intangible assets	2.2	Intangibles	72
Life insurance and investment contract liabilities	4.1	Accounting for life insurance and investment contracts	92
Consolidation	6.1	Controlled entities	120
Provisions and contingent liabilities	7.3	Provisions and contingent liabilities	124

Section 1: Results for the year

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

Statutory measures of performance disclosed in this report are:

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

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

1.1 Segment performance
1.2 Earnings per share
1.3 Taxes
1.4 Dividends

1.1 Segment performance

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

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

1.1 Segment performance (continued)

Reportable segment	Segment description
New Zealand wealth management (NZ WM)	Encompasses the wealth management and financial advice and distribution business in New Zealand. Customers are provided with a variety of wealth management solutions including KiwiSaver, corporate superannuation, retail investments and a wrap investment management platform.
Australian and New Zealand wealth protection (WP) and mature	Australian WP includes individual and group term, disability and income protection insurance products. Products can be held within a superannuation product or held independently of superannuation. Australian mature is a business comprising products which are largely closed to new business and are in run-off. Products within Australian mature include whole of life, endowment, investment linked, investment account, Retirement Savings Account (RSA), Eligible Rollover Fund (ERF), annuities, insurance bonds, personal superannuation and guaranteed savings accounts (GSAs). New Zealand WP and mature includes risk insurance and mature book (traditional participating business).

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

(a) Segment profit

	WM \$m	AMP Bank \$m	AMP Capital[1] \$m	NZ WM \$m	AUS and NZ WP and mature[4] \$m	Total \$m
2019						
Segment profit after income tax	**182**	**141**	**198**	**44**	**(21)**	**544**
External customer revenue	**1,077**	**408**	**552**	**151**	**(21)**	**2,167**
Intersegment revenue[2]	**18**	**–**	**248**	**–**	**–**	**266**
Segment revenue[3]	**1,095**	**408**	**800**	**151**	**(21)**	**2,433**
Other segment information						
Income tax expense (credit)	**74**	**60**	**59**	**18**	**(9)**	**202**
Depreciation and amortisation	**56**	**–**	**22**	**4**	**9**	**91**
2018						
Segment profit after income tax	363	148	167	53	(3)	728
External customer revenue	1,195	401	450	148	(3)	2,191
Intersegment revenue[2]	114	–	258	16	–	388
Segment revenue[3]	1,309	401	708	164	(3)	2,579
Other segment information						
Income tax expense	153	63	59	21	–	296
Depreciation and amortisation	60	–	14	4	15	93

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 Intersegment revenue represents operating revenue between segments priced on a market-related basis and is eliminated on consolidation.
3 Segment revenue and other segment information excludes revenue, expenses and tax relating to assets backing policyholder liabilities. Disaggregated revenue information is presented in note 1.1(b).
4 For segment reporting, revenue for AUS and NZ WP and mature is presented as the amount of operating earnings of the segment, which is also the segment profit after tax.

1.1 Segment performance (continued)

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

	WM $m	AMP Bank $m	AMP Capital $m	NZ WM $m	AUS and NZ WP and mature[1] $m	Total $m
2019						
Investment-related	**1,070**	**–**	**–**	**127**	**–**	**1,197**
Management fees	**–**	**–**	**716**	**–**	**–**	**716**
Performance and transaction fees	**–**	**–**	**84**	**–**	**–**	**84**
Net interest income	**–**	**387**	**–**	**–**	**–**	**387**
Other revenue	**25**	**21**	**–**	**24**	**(21)**	**49**
Total segment revenue per segment note	**1,095**	**408**	**800**	**151**	**(21)**	**2,433**
Presentation adjustments[2]						**609**
Total statutory revenue from contracts with customers						**3,042**
2018						
Investment-related	1,213	–	–	126	–	1,339
Management fees	–	–	639	–	–	639
Performance and transaction fees	–	–	69	–	–	69
Net interest income	–	388	–	–	–	388
Other revenue	96	13	–	38	(3)	144
Total segment revenue per segment note	1,309	401	708	164	(3)	2,579
Presentation adjustments[2]						625
Total statutory revenue from contracts with customers						3,204

	2019 $m	2018 $m
Statutory revenue from contracts with customers		
Fee revenue		
– Investment management and related fees	**2,063**	2,221
– Financial advisory fees[3]	**841**	862
	2,904	3,083
Other revenue	**138**	121
Total statutory revenue from contracts with customers	**3,042**	3,204

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

1.1 Segment performance (continued)

(c) Reconciliations

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

	2019 $m	2018 $m
Segment profit after income tax	**544**	728
Group office costs	**(128)**	(76)
Total operating earnings	**416**	652
Underlying investment income[1]	**113**	96
Interest expense on corporate debt	**(65)**	(68)
Underlying profit	**464**	680
Client remediation and related costs	**(153)**	(469)
Royal Commission	**–**	(32)
Portfolio review	**–**	(29)
Separation costs	**(183)**	(19)
Risk management, governance and controls	**(33)**	(8)
Transformation	**(28)**	–
Other items[2]	**22**	(74)
Impairment charges	**(2,407)**	–
Amortisation of acquired intangible assets[3]	**(96)**	(79)
(Loss) profit before market adjustments and accounting mismatches	**(2,414)**	(30)
Market adjustment – investment income[1]	**(47)**	(28)
Market adjustment – annuity fair value[4]	**(2)**	12
Market adjustment – risk products[5]	**(3)**	24
Accounting mismatches[6]	**(1)**	50
(Loss) profit attributable to shareholders of AMP Limited	**(2,467)**	28
Profit attributable to non-controlling interests	**33**	23
(Loss) profit for the period	**(2,434)**	51

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.
3 Amortisation of acquired intangibles includes amortisation of intangibles acquired through business combinations and notional intangibles included within the carrying value of equity accounted associates and acquired client registers.
4 Market adjustment – annuity fair value relates to the net impact of investment markets on AMP's annuity portfolio.
5 Market adjustment – risk products relates to the net impact of changes in market economic assumptions (bond yields and CPI) on the valuation of risk insurance liabilities.
6 Under Australian Accounting Standards, some assets held on behalf of the policyholders (and related tax balances) are recognised in the financial statements at different values to the values used in the calculation of the liability to policyholders in respect of the same assets. Therefore, movements in these policyholder assets result in accounting mismatches which impact profit attributable to shareholders. These differences have no impact on the operating earnings of the AMP group.

Total segment revenue differs from Total revenue as follows:

	2019 $m	2018 $m
Total segment revenue	**2,433**	2,579
Add revenue excluded from segment revenue		
– Investment gains and losses – shareholders and policyholders (excluding AMP Bank interest revenue)	**16,935**	913
– Other revenue	**153**	167
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	**2,626**	2,979
– Interest expense related to AMP Bank	**513**	553
– External investment manager and adviser fees paid in respect of certain assets under management	**1,326**	1,483
Remove intersegment revenue	**(266)**	(388)
Total revenue	**23,720**	8,286

1.1 Segment performance (continued)

(d) Segment assets

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

Accounting policy – recognition and measurement

Revenue from contracts with customers

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

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

Investment management and related fees

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

Financial advisory fees

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

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

1.2 Earnings per share

Basic earnings per share

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

	2019	2018
(Loss) profit attributable to shareholders of AMP ($m)	**(2,467)**	28
Weighted average number of ordinary shares (millions)[1]	**3,105**	2,897
Basic (loss) earnings per share (cents per share)	**(79.5)**	1.0

Diluted earnings per share

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

	2019	2018
(Loss) profit attributable to shareholders of AMP ($m)	**(2,467)**	28
Weighted average number of ordinary shares (millions) – diluted:		
– Weighted average number of ordinary shares[1]	**3,105**	2,897
– Add: potential ordinary shares considered dilutive	**–**	18
Weighted average number of ordinary shares used in the calculation of diluted earnings per share (millions)	**3,105**	2,915
Diluted (loss) earnings per share (cents per share)	**(79.5)**	1.0

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

1.3 Taxes

Our taxes

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

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

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

(a) Income tax expense

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

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

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

	2019 $m	2018 $m
Loss before income tax	**(1,694)**	(366)
Policyholder tax (expense) credit recognised as part of the change in policyholder liabilities in determining profit before tax	**(990)**	399
(Loss) profit before income tax excluding tax charged to policyholders	**(2,684)**	33
Tax at the Australian tax rate of 30% (2018: 30%)	**805**	(10)
Shareholder impact of life insurance tax treatment	**(52)**	(2)
Tax concessions including research and development and offshore banking unit	**2**	7
Non-deductible expenses	**(35)**	(23)
Non-taxable income	**48**	6
Other items	**7**	15
Goodwill impairment	**(590)**	–
Over provided in previous years	**9**	8
Utilisation of previously unrecognised tax losses	**45**	8
Differences in overseas tax rates	**11**	9
Income tax credit attributable to shareholders and non-controlling interest	**250**	18
Income tax (expense) credit attributable to policyholders	**(990)**	399
Income tax (expense) credit recorded in the Consolidated income statement	**(740)**	417

(b) Analysis of income tax expense

	2019 $m	2018 $m
Current tax expense	**(266)**	(330)
Increase in deferred tax assets	**295**	190
(Increase) decrease in deferred tax liabilities	**(769)**	557
Income tax (expense) credit	**(740)**	417

1.3 Taxes (continued)

	2019 $m	2018 $m
(c) Analysis of deferred tax balances		
Expenses deductible and income recognisable in future years	**1,015**	792
Unrealised movements on borrowings and derivatives	**42**	30
Unrealised investment losses	**6**	41
Losses available for offset against future taxable income	**43**	45
Other	**155**	58
Total deferred tax assets	**1,261**	966
Unrealised investment gains	**1,995**	1,174
Other	**497**	549
Total deferred tax liabilities	**2,492**	1,723
(d) Amounts recognised directly in equity		
Deferred income tax credit related to items taken directly to equity during the current year	**13**	13
(e) Unused tax losses and deductible temporary differences not recognised		
Revenue losses	**112**	111
Capital losses	**656**	706

Accounting policy – recognition and measurement

Income tax expense

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

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

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

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

Income tax for investment contracts business and life insurance contracts business

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

Deferred tax

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

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

Tax consolidation

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

1.3 Taxes (continued)

Critical accounting estimates and judgements:

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

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

1.4 Dividends

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

	2019 Final	2019 Interim	2018 Final	2018 Interim
Dividend per share (cents)	–	–	4.0	10.0
Franking percentage	–	–	90%	50%
Dividend amount ($m)	–	–	117	292
Payment date	–	–	28 March 2019	28 September 2018

	2019 $m	2018 $m
Dividends paid		
Previous year final dividend on ordinary shares	**117**	423
Interim dividend on ordinary shares	**–**	292
Total dividends paid[1]	**117**	715

1 Total dividends paid includes dividends paid on Treasury shares $1m (2018: $7m).

Dividend franking credits

Franking credits available to shareholders are $175m (2018: $148m), 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.

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

Section 2: Investments, intangibles and working capital

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

2.1 Investments in financial instruments

(a) Investments in financial instruments

	2019 $m	2018 $m
Financial assets measured at fair value through profit or loss[1]		
Equity securities and listed managed investment schemes	**57,698**	55,894
Debt securities	**29,820**	32,577
Unlisted managed investment schemes	**23,358**	19,838
Derivative financial assets	**1,699**	1,059
Total financial assets measured at fair value through profit or loss	**112,575**	109,368
Financial assets measured at fair value through other comprehensive income		
Debt securities[2]	**1,960**	2,355
Equity securities	**63**	60
Total financial assets measured at fair value through other comprehensive income	**2,023**	2,415
Financial assets measured at amortised cost[3]		
Loans and advances	**20,661**	20,098
Debt securities	**45**	222
Total financial assets measured at amortised cost	**20,706**	20,320
Total financial assets	**135,304**	132,103
Other financial liabilities		
Derivative financial liabilities	**880**	1,225
Collateral deposits held	**170**	164
Total other financial liabilities	**1,050**	1,389

1 Financial assets measured at fair value through profit or loss are mainly assets of the AMP Life insurance entities' statutory funds and their controlled entities.
2 Debt securities measured at fair value through other comprehensive income are assets of AMP Bank.
3 Financial assets measured at amortised cost are presented net of expected credit losses (ECLs) of $132m (2018: $38m). Included in this balance are loans to aligned advice practices of $373m (2018: $529m), net of ECLs of $105m (2018: $20m).

2.1 Investments in financial instruments (continued)

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

	Stage 1 collective $m	Stage 2 collective $m	Stage 3 $m	Total $m
2019				
Balance at the beginning of the year	**8**	**13**	**17**	**38**
Transferred to 12-months ECL – collective provision	**4**	**(3)**	**(1)**	**–**
Transferred to Lifetime ECL credit impaired – collective provision	**–**	**1**	**(1)**	**–**
Transferred to Lifetime ECL credit impaired – specific provision	**(2)**	**(5)**	**7**	**–**
New and increased provisions during the year (net of collective provision released)	**1**	**3**	**5**	**9**
Write-offs from specific provisions	**–**	**–**	**(1)**	**(1)**
Provision for practice finance loans	**–**	**–**	**86**	**86**
Balance at the end of the year	**11**	**9**	**112**	**132**
2018				
Balance at the beginning of the year	3	11	14	28
Transferred to 12-months ECL – collective provision	5	(3)	(2)	–
Transferred to Lifetime ECL credit impaired – collective provision	–	1	(1)	–
Transferred to Lifetime ECL credit impaired – specific provision	–	(2)	2	–
New and increased provisions during the year (net of collective provision released)	–	6	6	12
Write-offs from specific provisions	–	–	(2)	(2)
Balance at the end of the year	8	13	17	38

Accounting policy – recognition and measurement

Recognition and derecognition of financial assets and liabilities

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

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

Financial assets measured at fair value through profit or loss

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

Financial assets measured at fair value through OCI – debt securities

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

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

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

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

Financial assets measured at fair value through OCI – equity securities

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

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

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

2.1 Investments in financial instruments (continued)

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

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

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

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

Loans and advances are financial assets with fixed or determinable payments that are not quoted in an active market. They arise when AMP Bank provides money directly to a customer, including loans and advances to advisers, and with no intention of trading the financial asset. Loans and advances are initially recognised at fair value including direct and incremental transaction costs relating to loan origination. They are subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Impairment of financial assets

An allowance for expected credit losses (ECLs) is recognised for financial assets not held at fair value through profit or loss. ECLs are probability weighted estimates of credit losses and are measured as the present value of all cash shortfalls discounted at the effective interest rate of the financial instrument. The key elements in the measurement of ECLs are as follows:

- PD – The probability of default is an estimate of the likelihood of default over a given time horizon.
- EAD – The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date.
- LGD – Loss given default is an estimate of the loss arising in the case where default occurs at a given time. It is based on the difference between cash flows due to the group in accordance with the contract and the cash flows that the group expects to receive, including from the realisation of any collateral.

The group estimates these elements using appropriate credit risk models taking into consideration the internal and external credit ratings of the assets, nature and value of collaterals, forward-looking macro-economic scenarios, etc.

Other than ECL on trade receivables, where a simplified approach is taken, the group applies a three-stage approach to measure the ECLs as follows:

Stage 1 (12-month ECL)

The group collectively assesses and recognises a provision at an amount equal to 12-month ECL when financial assets are current and/or have had a good performance history and are of low credit risk. It includes financial assets where the credit risk has improved, and the financial assets have been reclassified from Stage 2 or even Stage 3 based on improved performance observed over a predefined period of time. A financial asset is considered to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Stage 2 (Lifetime ECL – not credit impaired)

The group collectively assesses and recognises a provision at an amount equal to lifetime ECL on financial assets where there has been a significant increase in credit risk since initial recognition but the financial assets are not credit impaired.

The quantitative criteria used to determine a significant increase in credit risk is a series of relative and absolute thresholds. Financial assets that were 30 days past due at least once over the last six months are deemed to have significant increase in credit risk since initial recognition. For loans and advances, other risk factors like hardship, loan to value ratio (LVR) and loan to income ratio (LTI) are also considered in order to determine a significant increase in credit risk.

Stage 3 (Lifetime ECL – credit impaired)

The group measures loss allowances at an amount equal to lifetime ECL on financial assets that are determined to be credit impaired based on objective evidence of impairment. Financial assets are classified as impaired when payment is 90 days past due or when there is no longer reasonable assurance that principal or interest will be collected in their entirety on a timely basis.

Critical accounting estimates and judgements:

Financial assets measured at fair value

Where available, quoted market prices for the same or similar instruments are used to determine fair value. Where there is no market price available for an instrument, a valuation technique is used. Management applies judgement in selecting valuation techniques and setting valuation assumptions and inputs. Further detail on the determination of fair value of financial instruments is set out in note 2.5.

Impairment

The impairment provisions (individual and collective) are outputs of ECL models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting estimates and judgements include:

- *the AMP group's internal grading which assigns PDs to the individual grades;*
- *the AMP group's estimates of LGDs arising in the event of default;*
- *the AMP group's criteria for assessing if there has been a significant increase in credit risk;*
- *development of ECL models, including the various formulas, choice of inputs and assumptions; and*
- *determination of associations between macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.*

2.2 Intangibles

	Goodwill[1] $m	Capitalised costs[2] $m	Value of in-force business $m	Distribution networks $m	Other intangibles $m	Total $m
2019						
Balance at the beginning of the year	**2,130**	**505**	**420**	**138**	**15**	**3,208**
Additions through acquisitions of controlled entities	**10**	**2**	**–**	**55**	**–**	**67**
Additions through separate acquisitions	**–**	**–**	**–**	**33**	**–**	**33**
Additions through internal development	**–**	**112**	**–**	**–**	**–**	**112**
Reductions through disposal	**–**	**–**	**–**	**(8)**	**–**	**(8)**
Transferred from inventories	**–**	**–**	**–**	**1**	**–**	**1**
Amortisation expense	**–**	**(94)**	**(79)**	**(55)**	**(1)**	**(229)**
Impairment loss	**(1,968)**	**(302)**	**–**	**(37)**	**–**	**(2,307)**
Balance at the end of the year	**172**	**223**	**341**	**127**	**14**	**877**
Cost	***2,916***	***1,760***	***1,191***	***474***	***110***	***6,451***
Accumulated amortisation and impairment	***(2,744)***	***(1,537)***	***(850)***	***(347)***	***(96)***	***(5,574)***
2018						
Balance at the beginning of the year	2,123	434	498	147	16	3,218
Additions through acquisitions of controlled entities	7	–	–	11	–	18
Additions through separate acquisitions	–	–	–	36	–	36
Additions through internal development	–	189	–	–	–	189
Reductions through disposal	–	–	–	(11)	–	(11)
Transferred to inventories	–	–	–	(3)	–	(3)
Amortisation expense	–	(118)	(78)	(23)	(1)	(220)
Impairment loss	–	–	–	(19)	–	(19)
Balance at the end of the year	2,130	505	420	138	15	3,208
Cost	*2,906*	*1,646*	*1,191*	*393*	*110*	*6,246*
Accumulated amortisation and impairment	*(776)*	*(1,141)*	*(771)*	*(255)*	*(95)*	*(3,038)*

1 Total goodwill comprises amounts attributable to shareholders of $157m (2018: $2,115m) and amounts attributable to policyholders of $15m (2018: $15m).

2 AMP's new strategy has resulted in a review of the expected future economic benefits and useful life of Capitalised costs. This has resulted in impairment during the year.

Accounting policy – recognition and measurement

Goodwill

Goodwill acquired in a business combination is recognised at cost and subsequently measured at cost less any accumulated impairment losses. The cost represents the excess of the cost of a business combination over the fair value of the identifiable assets acquired and liabilities assumed. Goodwill includes balances attributable to shareholders and balances attributable to policyholders in investment entities controlled by the AMP Life statutory funds. Goodwill is not amortised.

Capitalised costs

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

Value of in-force business

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

Distribution networks

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

2.2 Intangibles (continued)

Amortisation

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

Item	Useful life
Capitalised costs	Up to 10 years
Value of in-force business – wealth management and distribution businesses	10 years
Value of in-force business – wealth protection and mature business	20 years
Distribution networks	2 to 15 years

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

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 CGU's carrying amount exceeds the CGU's recoverable amount. When applicable, an impairment loss is first allocated to goodwill and any remainder is then allocated to the other assets on a pro-rata basis.

Goodwill attributable to shareholders

The goodwill attributable to shareholders of $157m (2018: $2,115m) 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.

The composition of the group's CGUs has not changed since December 2018 and is consistent with the composition of the group's operating segments as disclosed in note 1.1. Goodwill attributable to shareholders allocated to each CGU is presented in the table below.

	2019 $m	2018 $m
Australian wealth management (WM)	–	1,499
New Zealand wealth management (NZ WM)	**70**	70
Australian and New Zealand wealth protection (WP) and mature	–	459
AMP Capital	**87**	87
	157	2,115

The recoverable amounts for Australian wealth management and New Zealand wealth management have been determined by fair value less costs of disposal using a discounted cash flow (DCF) method. The DCF method is based on management's forecast cash flows and reflects management's long-term view of the business and market conditions. For Australian wealth management the forecast cash flows include the impact of significant strategic changes to the business including reshaping the aligned advice network. The forecast cash flows have been further risk adjusted to reflect likely adjustments a market participant would make. These cash flows are discounted to net present values to arrive at the recoverable amounts.

The key assumptions in determining the recoverable amounts for Australian wealth management and New Zealand wealth management are:

- Risk adjusted discount rates of 14% and 12% have been applied to Australian wealth management and New Zealand wealth management respectively. This reflects a discount rate that is adjusted for risks specific to the CGUs.
- Growth of funds under management (FUM) has been projected based on a long-term view of investment market returns at approximately 3% to 6% per annum, and takes into account the recent experience of FUM outflows.

The recoverable amount of Australian and New Zealand WP and mature has been determined by reference to the expected sale proceeds from Resolution, less an allowance for costs of disposal.

The recoverable amount of AMP Capital has been determined based on a multiple between 13 and 14 times adjusted current year annualised earnings (31 December 2018: 14 and 15 times), which approximates the fair value of the business, less an allowance for costs of disposal.

Goodwill attributable to policyholders

Policyholder cash-generating units were allocated $15m goodwill at 31 December 2019 (31 December 2018: $15m).

Impairment loss

Goodwill attributed to the Australian wealth management CGU has been fully impaired as at 31 December 2019 resulting in a non-cash impairment expense of $1,509m during the year, recognised in the Impairment of goodwill and other intangibles line in the Consolidated income statement. The impairment was the result of a number of factors including impacts from the new AMP strategy, challenging market conditions impacting margins and funds under management, regulatory and legislative changes such as Protecting Your Super (PYS) legislation, and continued migration to lower margin contemporary products.

2.2 Intangibles (continued)

Goodwill attributed to the Australian and New Zealand WP and mature CGU has been fully impaired resulting in a further non-cash impairment expense of $459m. This was caused primarily by changes in best estimate assumptions and impacts from Protecting Your Super (PYS) legislation.

For other CGUs, there are no reasonably possible alternative assumptions which would result in an impairment of any goodwill amounts.

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 the CGUs; and*
- *assessment of whether there are any impairment indicators for acquired intangibles and, where required, in determining the recoverable amount.*

2.3 Receivables

	2019 $m	2018 $m
Investment-related receivables	**1,403**	1,664
Life insurance contract premiums receivable	**311**	330
Reinsurance receivables	**220**	186
Trade debtors and other receivables	**652**	428
Total receivables[1]	**2,586**	2,608
Current	***2,580***	*2,603*
Non-current	***6***	*5*

1 Receivables are presented net of ECL of $5m (2018: $6m).

Accounting policy – recognition and measurement

Receivables

Investment-related receivables and Life insurance contract premium receivables backing investment contract liabilities and life insurance contract liabilities are financial assets measured at fair value through profit or loss. Reinsurance receivables and Trade debtors and other receivables are measured at amortised cost, less any allowance for ECLs.

The group applies a simplified approach in calculating ECLs for receivables. Therefore, the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.4 Payables

	2019 $m	2018 $m
Investment-related payables	**1,108**	762
Life insurance and investment contracts in process of settlement	**341**	302
Accrued expenses, trade creditors and other payables	**977**	965
Reinsurance payables	**39**	3
Total payables	**2,465**	2,032
Current	***2,332***	*1,908*
Non-current	***133***	*124*

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
2019					
Financial assets measured at fair value					
Equity securities and listed managed investment schemes	57,761	54,552	694	2,515	57,761
Debt securities	31,780	1,770	29,883	127	31,780
Unlisted managed investment schemes	23,358	–	20,687	2,671	23,358
Derivative financial assets	1,699	71	1,628	–	1,699
Investment properties	161	–	–	161	161
Total financial assets measured at fair value	**114,759**	**56,393**	**52,892**	**5,474**	**114,759**
Financial assets not measured at fair value					
Loans and advances	20,661	–	–	20,664	20,664
Debt securities	45	–	45	–	45
Total financial assets not measured at fair value	**20,706**	**–**	**45**	**20,664**	**20,709**
Financial liabilities measured at fair value					
Derivative financial liabilities	880	186	694	–	880
Collateral deposits held	170	–	170	–	170
Investment contract liabilities	71,671	–	1,484	70,187	71,671
Total financial liabilities measured at fair value	**72,721**	**186**	**2,348**	**70,187**	**72,721**
Financial liabilities not measured at fair value					
AMP Bank					
– Deposits	12,442	–	12,442	–	12,442
– Other	7,492	–	7,504	–	7,504
Corporate borrowings	2,445	–	2,461	–	2,461
Borrowings within investment entities controlled by AMP Life's statutory funds	473	–	473	–	473
Total financial liabilities not measured at fair value	**22,852**	**–**	**22,880**	**–**	**22,880**
2018					
Financial assets measured at fair value					
Equity securities and listed managed investment schemes	55,954	52,821	769	2,364	55,954
Debt securities	34,932	1,978	32,837	117	34,932
Unlisted managed investment schemes	19,838	–	17,940	1,898	19,838
Derivative financial assets	1,059	393	666	–	1,059
Investment properties	145	–	–	145	145
Other financial assets	–	–	–	–	–
Total financial assets measured at fair value	111,928	55,192	52,212	4,524	111,928
Financial assets not measured at fair value					
Loans and advances	20,098	–	–	20,101	20,101
Debt securities	222	–	225	–	225
Total financial assets not measured at fair value	20,320	–	225	20,101	20,326
Financial liabilities measured at fair value					
Derivative financial liabilities	1,225	225	1,000	–	1,225
Collateral deposits held	164	–	164	–	164
Investment contract liabilities	68,742	–	1,810	66,932	68,742
Total financial liabilities measured at fair value	70,131	225	2,974	66,932	70,131
Financial liabilities not measured at fair value					
AMP Bank					
– Deposits	11,012	–	11,012	–	11,012
– Other	8,103	–	8,062	–	8,062
Corporate borrowings	2,154	–	2,177	–	2,177
Borrowings within investment entities controlled by AMP Life's statutory funds	381	–	381	–	381
Total financial liabilities not measured at fair value	21,650	–	21,632	–	21,632

2.5 Fair value information (continued)

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

Listed equity securities and listed managed investment schemes	The fair value of listed equity securities traded in an active market and listed managed investment schemes reflects the quoted bid price at the reporting date. In the case of equity securities and listed managed investment schemes where there is no active market, fair value is established using valuation techniques including the use of recent arm's length transactions, references to other instruments that are substantially the same, discounted cash flow analysis and option pricing models.
Debt securities	The fair value of listed debt securities reflects the bid price at the reporting date. Listed debt securities that are not frequently traded are valued by discounting estimated recoverable amounts. The fair value of unlisted debt securities is estimated using interest rate yields obtainable on comparable listed investments. The fair value of loans is determined by discounting the estimated recoverable amount using prevailing interest rates.
Loans	The estimated fair value of loans represents the discounted amount of estimated future cash flows expected to be received, based on the maturity profile of the loans. As the loans are unlisted, the discount rates applied are based on the yield curve appropriate to the remaining term of the loans. The loans may be measured at an amount in excess of fair value due to fluctuations on fixed rate loans. As the fluctuations in fair value do not represent a permanent diminution and the carrying amounts of the loans are recorded at recoverable amounts after assessing impairment, it is not appropriate to restate their carrying amounts.
Unlisted managed investment schemes	The fair value of investments in unlisted managed investment schemes is determined on the basis of published redemption prices of those managed investment schemes at the reporting date.
Derivative financial assets and liabilities	The fair value of financial instruments traded in active markets (such as publicly traded derivatives) is based on quoted market prices (current bid price or current offer price) at the reporting date. The fair value of financial instruments not traded in an active market (eg over-the-counter derivatives) is determined using valuation techniques. Valuation techniques include net present value techniques, option pricing models, discounted cash flow methods and comparison to quoted market prices or dealer quotes for similar instruments. The models use a number of inputs, including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate curves and forward rate curves of the underlying instruments. Some derivatives contracts are significantly cash collateralised, thereby minimising both counterparty risk and the group's own non-performance risk.
Corporate borrowings	Borrowings comprise commercial paper, drawn liquidity facilities, various floating-rate and medium-term notes and subordinated debt. The estimated fair value of borrowings is determined with reference to quoted market prices. For borrowings where quoted market prices are not available, a discounted cash flow model is used, based on a current yield curve appropriate for the remaining term to maturity. For short-term borrowings, the par value is considered a reasonable approximation of the fair value.
AMP Bank deposits and other borrowings	The estimated fair value of deposits and other borrowings represents the discounted amount of estimated future cash flows expected to be paid based on the residual maturity of these liabilities. The discount rate applied is based on a current yield curve appropriate for similar types of deposits and borrowings at the reporting date.
Investment properties	The fair value of investment properties is determined by independent valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the properties being valued. The valuers apply 'comparable sales analysis' and the 'capitalised income approach' by reference to annual net market income, comparable capitalisation rates and other property-specific adjustments as well as 'discounted cash flow analysis', where the expected net cash flows are discounted to their present value using a market determined risk-adjusted discount rate.
Investment contract liabilities	See note 4.1.

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

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

2.5 Fair value information (continued)

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

There have been no significant transfers between Level 1 and Level 2 during the 2019 financial year. Transfers to and from Level 3 are shown in the Reconciliation of Level 3 values table later in this note.

Level 3 fair values

For financial assets measured at fair value on a recurring basis and categorised within Level 3 of the fair value hierarchy, the valuation processes applied in valuing such assets is governed by the AMP Capital asset valuation policy. This policy outlines the asset valuation methodologies and processes applied to measure non-exchange traded assets which have no regular market price, including investment property, infrastructure, private equity, alternative assets and illiquid debt securities. All significant Level 3 assets are referred to the appropriate valuation committee who meet at least every six months, or more frequently if required.

The following table shows the valuation techniques used in measuring Level 3 fair values of financial assets measured at fair value on a recurring basis, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs
Equity securities and listed managed investment schemes	Discounted cash flow approach utilising cost of equity as the discount rate	Discount rate Terminal value growth rate Cash flow forecasts
Debt securities	Discounted cash flow approach	Discount rate Cash flow forecasts
Unlisted managed investment schemes	Published redemption prices	Judgement made in determining unit prices
Investment contract liabilities	Published unit prices and the fair value of backing assets	Fair value of financial instruments Cash flow forecasts Credit risk
Investment properties	Comparable sales analysis Capitalised income approach Discounted cash flow approach utilising market determined risk-adjusted discount rate	Capitalisation rate Discount rate Cash flow forecasts

Sensitivity

Reasonably possible alternative assumptions could have been used in determining the fair values of financial instruments measured at fair value on a recurring basis and categorised as Level 3 in the fair value hierarchy. These include assumptions such as credit risk and discount rates for determining the valuation range on an individual investment. However, the impact to AMP of any reasonable possible alternative assumptions is not significant as any movement in the value of these financial assets is substantially offset by a corresponding increase or decrease in the value of investment contract liabilities.

AMP Limited is insignificantly exposed to impacts from potential changes in the fair value of Debt securities, Unlisted managed investment schemes and Investment properties which are categorised as Level 3 as these assets predominately back investment-linked policy liabilities. There is an immaterial exposure to changes in the fair value of Equity securities and listed managed investment schemes categorised as Level 3. AMP's sensitivity to changes in the fair value of these Level 3 assets is disclosed in the following table:

	2019		2018	
	(+) $m	(–) $m	(+) $m	(–) $m
Financial assets				
Equity securities and listed managed investment schemes[1,2]	**86**	**(86)**	92	(91)
Financial liabilities				
Investment contract liabilities[2]	**90**	**(90)**	94	(92)
Net sensitivity	**(4)**	**4**	(2)	1

1 The discount rates used to value the assets range from 7.10% to 17.2%. Sensitivities have been determined by up to +/– 100 basis point change in the discount rates.

2 Investments in equity securities and listed managed investment schemes are predominantly policyholder assets. Accordingly, any movements in the value of the assets are largely offset by a corresponding movement in investment contract liabilities.

2.5 Fair value information (continued)

Reconciliation of Level 3 values

The following table shows movements in the fair values of financial instruments measured at fair value on a recurring basis and categorised as Level 3 in the fair value hierarchy:

	Balance at the beginning of the period $m	FX gains or losses[1] $m	Total gains/ losses[1] $m	Purchases/ deposits $m	Sales/ withdrawals $m	Net transfers in/(out)[2] $m	Balance at the end of the period $m	Total gains and losses on assets and liabilities held at reporting date $m
2019								
Assets classified as Level 3								
Equity securities and listed managed investment schemes	**2,364**	**–**	**145**	**11**	**(5)**	**–**	**2,515**	**164**
Debt securities	**117**	**–**	**10**	**4**	**(2)**	**(2)**	**127**	**10**
Unlisted managed investment schemes	**1,898**	**–**	**61**	**567**	**(19)**	**164**	**2,671**	**95**
Investment properties	**145**	**–**	**16**	**–**	**–**	**–**	**161**	**16**
Liabilities classified as Level 3								
Investment contract liabilities	**66,932**	**2**	**10,260**	**7,044**	**(14,051)**	**–**	**70,187**	**10,258**
2018								
Assets classified as Level 3								
Equity securities and listed managed investment schemes	1,936	–	179	388	(150)	11	2,364	123
Debt securities	112	–	1	21	(15)	(2)	117	2
Unlisted managed investment schemes	1,434	–	55	623	(268)	54	1,898	99
Investment properties	134	–	11	–	–	–	145	11
Liabilities classified as Level 3								
Investment contract liabilities	73,207	13	(1,172)	7,720	(12,836)	–	66,932	(1,172)

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:

- **the 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
3.2 Interest-bearing liabilities
3.3 Financial risk management
3.4 Derivatives and hedge accounting
3.5 Capital management

3.1 Contributed equity

	2019 $m	2018 $m
Issued capital[1,3]		
3,436,599,241 (2018: 2,937,428,336) ordinary shares fully paid	**10,402**	9,610
Treasury shares[2]		
29,342,125 (2018: 21,102,496) treasury shares	**(103)**	(108)
Total contributed equity		
3,407,257,116 (2018: 2,916,325,840) ordinary shares fully paid	**10,299**	9,502
Issued capital		
Balance at the beginning of the year	**9,610**	9,547
9,064,722 (2018: 18,959,199) shares issued under dividend reinvestment plan[1]	**21**	63
406,250,000 (2018: nil) shares issued under institutional placement[4]	**638**	–
83,856,183 (2018: nil) shares issued under share purchase plan[4]	**133**	–
Balance at the end of the year	**10,402**	9,610
Treasury shares		
Balance at the beginning of the year	**(108)**	(171)
Decrease due to purchases less sales during the year	**5**	63
Balance at the end of the year	**(103)**	(108)

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 2018 final dividend (paid in March 2019) at 4 cents per share. AMP settled the DRP for the 2018 final dividend by issuing shares at $2.33 per share.

2 Of the AMP Limited ordinary shares on issue 27,215,738 (2018: 18,976,109) are held by AMP Life on behalf of policyholders. ASIC has granted relief from restrictions in the Corporations Act 2001 to allow AMP Life to hold and trade shares in AMP Limited as part of the policyholder funds' investment activities. The cost of the investment in these treasury shares is reflected as a deduction from total contributed equity. The remaining balance is held by AMP Foundation Limited as trustee for the AMP Foundation.

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

4 Capital raising during the year comprises the following: (i) shares were issued on 13 August 2019 under institutional placement at a price of $1.60 per share. The amount recognised is net of directly attributable transaction costs of $12m (net of tax); and (ii) shares were issued on 13 September 2019 to participating eligible shareholders under a share purchase plan at a price of $1.60 per share. The amount recognised is net of directly attributable transaction costs of $1m (net of tax).

3.1 Contributed equity (continued)

Accounting policy – recognition and measurement

Issued capital

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

Treasury shares

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

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 AMP Foundation 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

	2019			2018		
	Current $m	Non-current $m	Total $m	Current $m	Non-current $m	Total $m
Interest-bearing liabilities						
AMP Bank						
– Deposits[1]	**12,291**	**151**	**12,442**	10,942	70	11,012
– Other	**2,811**	**4,681**	**7,492**	2,255	5,848	8,103
Corporate entity borrowings[2]						
– 6.875% GBP Subordinated Guaranteed Bonds (maturity 2022)	**–**	**69**	**69**	–	68	68
– AMP Notes 3 (first call 2023, maturity 2028)[3]	**–**	**250**	**250**	–	251	251
– AMP Subordinated Notes[3]	**–**	**250**	**250**	–	250	250
– AMP Wholesale Capital Notes[4]	**277**	**–**	**277**	–	277	277
– AMP Capital Notes[4]	**–**	**265**	**265**	–	264	264
– AMP Capital Notes 2[4]	**–**	**271**	**271**	–	–	–
– Syndicated loan facility	**–**	**–**	**–**	488	–	488
– Commercial paper	**–**	**–**	**–**	259	–	259
– USD Medium Term Notes[5]	**–**	**437**	**437**	–	–	–
– CHF Medium Term Notes[5]	**–**	**592**	**592**	–	233	233
– Other	**34**	**–**	**34**	–	64	64
Borrowings within investment entities controlled by AMP Life's statutory funds	**464**	**9**	**473**	79	302	381
Total interest-bearing liabilities	**15,877**	**6,975**	**22,852**	14,023	7,627	21,650

1 Deposits comprise at call customer deposits and customer term deposits at variable interest rates with AMP Bank.

2 The current/non-current classification of corporate entity borrowings is based on the maturity of the underlying debt instrument and related principal repayment obligations. The carrying value of corporate entity borrowings includes interest payable of $13m (2018: $9m) which is expected to be settled within the next 12 months.

3 AMP Notes 3 and AMP Subordinated Notes are floating rate subordinated unsecured notes. These were issued 15 November 2018 and 1 September 2017 respectively, and mature 15 November 2028 and 1 December 2027 respectively. Subject to APRA approval, AMP has the right, but not the obligation, to redeem all or some of the Notes 15 November 2023 and 1 December 2022 respectively, 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.

4 AMP Wholesale Capital Notes, AMP Capital Notes (ASX: AMPPA) and AMP Capital Notes 2 (ASX: AMPPB) were issued 27 March 2015, 30 November 2015 and 23 December 2019 respectively. Subject to APRA approval, AMP has the right, but not the obligation, to redeem all or some of the Notes 27 March 2020, 22 December 2021 and 16 December 2025 respectively, or, subject to certain conditions, at a later date. 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.

5 USD 300m 4 per cent Bond was issued 14 March 2019 and matures 14 September 2021. CHF 110m Senior Unsecured Fixed Rate Bond was issued 19 June 2018 and matures 19 December 2022. This Bond was subsequently increased by CHF 50m on 19 September 2018. CHF 140m Senior Unsecured Fixed Rate Bond was issued 18 April 2019 and matures 18 July 2023. This Bond was subsequently increased by CHF 100m on 3 December 2019.

3.2 Interest-bearing liabilities (continued)

(b) Financing arrangements

Loan facilities and note programs

Loan facilities and note programs comprise facilities arranged through bond and note issues, as well as financing facilities provided through bank loans under normal commercial terms and conditions.

	2019 $m	2018 $m
Available loan facilities[1]	**2,265**	3,014
Note program capacity	**14,993**	14,914
Used	**(4,316)**	(4,627)
Unused facilities and note programs at the end of the year	**12,942**	13,301

1 Available loan facilities include bilateral facilities of $750m which mature on 31 December 2020.

(c) Changes in liabilities arising from financing activities

	2019 $m	2018 $m
1 January	**21,650**	21,009
Cash flows	**1,177**	631
Other	**25**	10
31 December	**22,852**	21,650

Accounting policy – recognition and measurement

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

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

It is AMP's policy to hedge currency and interest rate risk arising on issued bonds and subordinated debt. When fair value hedge accounting is applied, the carrying amounts of borrowings and subordinated debt are adjusted for changes in fair value related to the hedged risk for the period that the hedge relationship remains effective. Any changes in fair value for the period are recognised in the Consolidated income statement. In cash flow hedge relationships the borrowings are not revalued.

Finance costs include:

(i) borrowing costs:
  - interest on bank overdrafts, borrowings and subordinated debt;
  - amortisation of discounts or premiums related to borrowings;

(ii) exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs; and

(iii) changes in the fair value of derivative hedges together with any change in the fair value of the hedged assets or liabilities that are designated and qualify as fair value hedges, foreign exchange gains and losses and other financing-related amounts. Changes in the fair value of derivatives in effective cash flow hedges are recognised in the cash flow hedge reserve. The accounting policy for derivatives is set out in note 3.4.

Borrowing costs are recognised as expenses when incurred.

3.3 Financial risk management

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

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

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

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

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

3.3 Financial risk management (continued)

Sensitivity analysis

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

- shows the direct impact of a reasonably possible change in market rates 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	2019 Impact on profit after tax increase (decrease) $m	2019 Impact on equity[1] increase (decrease) $m	2018 Impact on profit after tax increase (decrease) $m	2018 Impact on equity[1] increase (decrease) $m
Interest rate risk Impact of a 100 basis point (bp) change in Australian and international interest rate.	–100bp	**(1)**	**7**	(8)	2
	+100bp	**(15)**	**(26)**	(4)	(18)
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**	**138**	3	119
	10% appreciation of AUD	**(4)**	**(114)**	(4)	(99)
Equity price risk Impact of a 10% movement in Australian and international equities. Any potential impact on fees from the AMP group's investment-linked business is not included.	10% increase in:				
	Australian equities	**8**	**8**	8	8
	International equities	**7**	**7**	6	6
	10% decrease in:				
	Australian equities	**(9)**	**(9)**	(10)	(10)
	International equities	**(8)**	**(8)**	(8)	(8)

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

(b) Liquidity and refinancing risk

Risk	Exposures	Management of exposures
Liquidity risk The risk that the AMP group is not able to meet its obligations as they fall due because of an inability to liquidate assets or obtain adequate funding when required.	The AMP group corporate debt portfolio, AMP Bank and AMP Capital through various investment funds, entities or mandates that AMP manages or controls within the AMP group.	Group Treasury maintains a defined surplus of cash to mitigate refinancing risk, satisfy regulatory requirements and protect against liquidity shocks in accordance with the liquidity risk management policy approved by the Group ALCO.
Refinancing risk The risk that the AMP group is not able to refinance the full quantum of its ongoing debt requirements on appropriate terms and pricing.		Financiers of loans lending to controlled entities of the life statutory funds do not have legal recourse beyond the operating subsidiary borrower and there is no direct effect on any other AMP group debt.

3.3 Financial risk management (continued)

Maturity analysis

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

	Up to 1 year or no term $m	1 to 5 years $m	Over 5 years $m	Not specified $m	Total $m
2019					
Non-derivative financial liabilities					
Payables	**2,332**	**133**	**–**	**–**	**2,465**
Borrowings[1]	**15,554**	**4,761**	**1,151**	**–**	**21,466**
Lease liabilities	**58**	**165**	**87**	**–**	**310**
Subordinated debt	**72**	**345**	**1,643**	**–**	**2,060**
Investment contract liabilities[2]	**350**	**834**	**849**	**69,705**	**71,738**
External unitholders' liabilities	**–**	**–**	**–**	**15,295**	**15,295**
Derivative financial instruments					
Interest rate and cross-currency swaps	**48**	**85**	**23**	**–**	**156**
Off-balance sheet items					
Credit-related commitments – AMP Bank[3]	**3,522**	**–**	**–**	**–**	**3,522**
Total undiscounted financial liabilities and off-balance sheet items[4]	**21,936**	**6,323**	**3,753**	**85,000**	**117,012**
2018					
Non-derivative financial liabilities					
Payables	1,908	119	–	5	2,032
Borrowings[1]	13,915	6,018	980	–	20,913
Subordinated debt	67	346	1,425	–	1,838
Investment contract liabilities[2]	372	1,021	1,092	66,466	68,951
External unitholders' liabilities	–	–	–	17,059	17,059
Derivative financial instruments					
Interest rate and cross-currency swaps	8	45	13	–	66
Foreign currency forward contract	10	–	–	–	10
Off-balance sheet items					
Credit-related commitments – AMP Bank[3]	3,396	–	–	–	3,396
Total undiscounted financial liabilities and off-balance sheet items[4]	19,676	7,549	3,510	83,530	114,265

1 Borrowings include AMP Bank deposits.
2 Investment contract liabilities are liabilities to policyholders for investment-linked business linked to the performance and value of assets that back those liabilities. If all these policyholders claimed their funds, there may be some delay in settling the liability as assets are liquidated, but the shareholder has no direct exposure to any liquidity risk. External unitholders' liabilities all relate to controlled entities of the AMP Life statutory funds and would only be paid when corresponding assets are realised.
3 Credit-related loan commitments are off-balance sheet as they relate to unexercised commitments to lend to customers of AMP Bank.
4 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 AMP, with the exception of credit risk directly and indirectly impacting shareholder capital, which is measured and managed on an aggregate basis by Group Treasury at the AMP group level and reported to Group ALCO.

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

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

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

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

Impairment assessment

Definition of default

AMP Bank considers a financial asset defaulted and hence Stage 3 impaired when payment is 90 days past due or when there is no longer reasonable assurance that principal or interest will be collected in their entirety on a timely basis.

AMP Bank's internal risk grading and PD estimation process

AMP Bank's credit risk management department runs expected credit loss models for the residential mortgage book as well as the practice finance loans.

- The Bank's residential mortgage book is a portfolio with a low default history so point-in-time (PIT) benchmark PDs are utilised across the portfolio by Loan to Value Ratio (LVR) band and time since origination.
- The Bank is also in the process of developing its internal Generation 1 behavioural scorecards which will be used to replace the benchmark PDs in an endeavour to better risk rank order the portfolio by credit risk worthiness.

Internal risk grades for residential mortgage book are as follows:

Internal credit rating grade	Internal credit rating grade description
Performing	Not in arrears in the past six months
Past due but not impaired	Accounts in arrears but have not been past 90 days in the last six months
Impaired	90 days past due over the last six months

- For practice finance loans a Probability of Default risk grade model is applied that includes weighted risk factors such as Interest Coverage Ratio, revenue growth, licence compliance rating, experience in business and arrears levels. Practices on watch-list are also downgraded. Credit judgement may be applied to arrive at the final risk grade.

3.3 Financial risk management (continued)

Internal risk grades for practice finance book are as follows:

Internal risk grade	Internal risk grade description	Broadly corresponds with Standard & Poors ratings of
A to H	Sub-investment Grade	BB+ to CCC
I	Impaired	D

The Bank's interbank and financial institutions exposures as well as exposures to interest-bearing securities are based on external credit rating of the counterparties as follows:

Internal risk grade description	Broadly corresponds with Standard & Poors ratings of
Senior Investment Grade	AAA to A–
Investment Grade	BBB+ to BBB–
Sub-investment Grade	BB+ up to but not including defaulted or impaired

Exposure at default (EAD)
EAD is modelled by applying assumptions in relation to the amortisation of the loans based on scheduled principal and interest repayments except for Stage 3 loans.

Loss given default (LGD)
For the residential mortgage portfolio the key driver for the LGD calculation is the value of the underlying property, as in a foreclosure scenario the proceeds from the sale of a property are secured by the Bank to repay the loan. The value of the underlying residential property is captured via the LVR which factors both changes in loan balance and estimated value of the collateral using market data and indices. Both floor and haircuts are applied to provide for model risk.

For practice finance loans, the LGD is calculated via assumptions to the reduction in valuations of practices (being a multiple of their recurring cash flows) in the event of default, such as client run-off or deterioration in valuation due to compliance issues. In addition, haircuts are applied to cater for the volatility observed in the register values in the event of default but also general volatility in valuations over time.

Grouping of financial assets for expected credit losses (ECL) calculation
Asset classes where the bank calculates ECL on an individual basis include all Stage 3 assets, and interbank and debt securities at FVOCI.

For all other asset classes ECL is calculated on a collective basis taking into account risk factors for each loan and arriving at the ECL estimate and then aggregating the number for the relevant portfolio.

Forward-looking information
The Bank's ECL model incorporates a number of forward-looking macroeconomic factors (MEF) that are reviewed on a quarterly basis and approved by the Credit Risk Committee (CRC). The MEF include unemployment, property prices, ASX Index and Cash Rate.

At least three different scenarios with fixed weightings are used in the model. The weightings are reviewed on annual basis.

The ECL is calculated as the probability weighted average of the provision calculated for each economic scenario.

Management overlay
Management overlay is required to mitigate model risk and any systemic risk that is not recognised by the model.

The management overlays are reviewed on an annual basis or more frequently if required and presented to the CRC and Board Audit Committee (BAC) for approval.

Write-offs
Financial assets are written off either partially or in their entirety only when there is no reasonable expectation of recovery. Recovery actions can cease if they are determined as being no longer cost effective or in some situations where the customers have filed for bankruptcy.

Credit risk of the loan portfolio in AMP Bank (the Bank)
The Bank is predominantly a lender for residential properties – both owner occupied and for investment. In every case the Bank completes a credit assessment, which includes cost of living allowance and requires valuation of the proposed security property. Approximately 20% of the Bank's residential loan portfolio is externally securitised and all loans in securitisation trusts are loans that have LMI thereby further mitigating the risk. The Bank's CRC and Board Risk Committee (BRC) oversee trends in lending exposures and compliance with the Risk Appetite Statement. The Bank secures its housing loans with mortgages over relevant properties and as a result manages credit risk on its loans with conservative lending policies and particular focus on the LVR. The LVR is calculated by dividing the total loan amount outstanding by the lower of the Bank's approved valuation amount or the purchase price. Loans with LVR greater than 80% are fully mortgage insured. Mortgage insurance is provided by Genworth Mortgage Insurance Australia Ltd and QBE Lenders Mortgage Insurance Ltd who are both regulated by APRA. The Bank has strong relationships with both insurers and experienced minimal levels of historic claim rejections and reductions.

3.3 Financial risk management (continued)

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

	Existing business 2019 %	New business 2019 %	Existing business 2018 %	New business 2018 %
LVR				
0–50	**17**	**13**	18	15
51–60	**12**	**11**	12	10
61–70	**18**	**17**	18	16
71–80	**38**	**48**	37	44
81–90	**12**	**7**	11	8
91–95	**3**	**4**	4	7
> 95	**–**	**–**	–	–

Renegotiated loans

Where possible, AMP Bank seeks to restructure loans for borrowers seeking hardship relief rather than take possession of collateral. This may involve capitalising interest repayments for a period and increasing the repayment arrangement for the remaining term of the loan. Once the terms have been renegotiated, the loan is no longer considered past due. AMP Bank assisted customers by renegotiating $214m (2018: $165m) worth of loans during the year, that otherwise would be past due or impaired.

Collateral and master netting or similar agreements

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

(i) Derivative financial assets and liabilities

The credit risk of derivatives is managed in the context of the AMP group's overall credit risk policies and includes the use of Credit Support Annexes to derivative agreements which facilitate the bilateral posting of collateral as well as the clearing of derivative positions on the London Clearing House.

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

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

If these netting arrangements were applied to the derivative portfolio, the derivative assets of $1,699m would be reduced by $192m to the net amount of $1,507m and derivative liabilities of $880m would be reduced by $192m to the net amount of $688m (2018: derivative assets of $1,059m would be reduced by $180m to the net amount of $879m and derivative liabilities of $1,225m would be reduced by $180m to the net amount of $1,045m).

(ii) Repurchase agreements

Included within debt securities are assets held to back the liability for collateral deposits held in respect of debt security repurchase arrangements entered into by the life entities' statutory funds and controlled entities of the life entities' statutory funds. As at 31 December 2019, if repurchase arrangements were netted, debt securities of $29,820m would be reduced by $nil to the net amount of $29,820m and collateral deposits held of $170m would be reduced by $nil to the net amount of $170m (2018: debt securities of $32,577m would be reduced by $9m to the net amount of $32,568m and collateral deposits held of $164m would be reduced by $9m to the net amount of $155m).

(iii) Other collateral

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

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

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

Collateral generally consists of 11am loans and deposits and is exchanged between the counterparties to reduce the exposure from the net fair value of derivative assets and liabilities between the counterparties. As at 31 December 2019 there was $170m (2018: $164m) of collateral deposits (due to other counterparties) and $181m (2018: $78m) of collateral loans (due from other counterparties) relating to derivative assets and liabilities.

3.4 Derivatives and hedge accounting

The group is exposed to certain risks relating to its ongoing business operations. To mitigate the risks the group uses derivative financial instruments such as cross-currency swaps and interest rate swaps. When the group designates certain derivatives to be part of a hedging relationship, and they meet the criteria for hedge accounting, the hedges are classified as:

– Cash flow hedges;
– Fair value hedges; or
– Net investment hedges.

Derivative financial instruments are held for risk and asset management purposes only and not for the purpose of speculation. Not all derivatives held are designated as hedging instruments. The group's risk management strategy and how it is applied to manage risk is explained further in note 3.3.

(a) Hedging Instruments

The following table sets out the notional amount of derivative instruments designated in a hedge relationship by relationship type as well as the related carrying amounts.

		Notional amount $m	Fair value Assets $m	Fair value Liabilities $m
2019				
Hedge type	**Hedging instrument**			
Cash flow	Interest rate swaps	**8,648**	**24**	**99**
Fair value	Cross-currency swaps	**83**	**–**	**19**
Fair value	Interest rate swaps	**67**	**7**	**–**
Fair value and cash flow	Cross-currency interest rate swaps	**988**	**37**	**–**
Net investment	Foreign currency forward contract	**366**	**9**	**2**
Total		**10,152**	**77**	**120**
2018				
Hedge type	**Hedging instrument**			
Cash flow	Interest rate swaps	8,200	5	19
Fair value	Cross-currency swaps	83	–	22
Fair value	Interest rate swaps	64	9	–
Fair value and cash flow	Cross-currency interest rate swaps	218	14	–
Net investment	Foreign currency forward contract	343	–	7
Total		8,908	28	48

(b) Hedged items

The following table sets out the carrying amount of hedged items in fair value hedge relationships, and the accumulated amount of fair value hedge adjustments in these carrying amounts. The group does not hedge its entire exposure to a class of financial instruments, therefore the carrying amounts below do not equal the total carrying amounts disclosed in other notes.

	Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged items	
	Assets $m	Liabilities $m	Assets $m	Liabilities $m
2019				
6.875% GBP Subordinated Guaranteed Bonds (maturity 2022)	**–**	**69**	**11**	**–**
Medium Term Notes	**–**	**951**	**–**	**35**
2018				
6.875% GBP Subordinated Guaranteed Bonds (maturity 2022)	–	68	13	–
Medium Term Notes	–	157	–	17

3.4 Derivatives and hedge accounting (continued)

Fair value hedge relationships resulted in the following changes in the values used to recognise hedge ineffectiveness for the year:

	2019 $m	2018 $m
Gain on hedging instrument	**37**	19
Loss on hedged items attributable to the hedged risk	**(35)**	(17)
Hedge ineffectiveness recognised in the income statement	**2**	2

Derivative instruments accounted for as cash flow hedges
The group is exposed to variability in future interest cash flows on non-trading assets and liabilities which bear interest at fixed and variable rates. The group uses interest rate swaps to manage interest rate risks and many of the swaps are cash flow hedges for accounting purposes.

Methods used to test hedge effectiveness and establish the hedge ratio include regression analysis, and for some portfolio hedge relationships, a comparison to ensure the expected interest cash flows from the portfolio exceed those of the hedging instruments. The main potential source of hedge ineffectiveness from cash flow hedges is mismatches in the terms of hedged items and hedging instruments, for example the frequency and timing of when interest rates are reset.

During the year the AMP group recognised $nil (2018: $nil) due to ineffectiveness on derivative instruments designated as cash flow hedges.

Derivative instruments accounted for as fair value hedges
Fair value hedges are used to protect against changes in the fair value of financial assets and financial liabilities due to movements in exchange rates and interest rates.

Hedge effectiveness is assessed by comparing the overall changes in the fair value of the hedging instrument against the changes in the fair value of the hedged items attributable to the hedged risks. The main potential source of ineffectiveness on fair value hedges is currency basis spread, which is included in the valuation of the hedging instrument, but excluded from the value of the hedged item.

Hedges of net investments in foreign operations
The group hedges its exposure to changes in exchange rates on the value of its foreign currency denominated seed pool investments. Hedge effectiveness is assessed based on the overall changes in the fair value of the forward contract, primarily using the cumulative dollar offset method.

The AMP group recognised $nil (2018: $nil) due to the ineffective portion of hedges relating to investments in seed pool foreign operations.

The following table sets out the maturity profile of derivative instruments in a hedge relationship.

	0 to 3 months $m	3 to 12 months $m	1 to 5 years $m	Over 5 years $m	Total $m
2019					
Interest rate swaps	**1,889**	**3,542**	**2,782**	**502**	**8,715**
Cross-currency swaps	**–**	**–**	**83**	**–**	**83**
Cross-currency interest rate swaps	**–**	**–**	**988**	**–**	**988**
Foreign currency forward contract	**366**	**–**	**–**	**–**	**366**
2018					
Interest rate swaps	2,278	3,106	1,924	956	8,264
Cross-currency swaps	–	–	83	–	83
Cross-currency interest rate swaps	–	–	218	–	218
Foreign currency forward contract	327	16	–	–	343

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.

3.4 Derivatives and hedge accounting (continued)

Hedge accounting

AMP continues to apply the hedge accounting requirements under AASB 139 *Financial instruments: Recognition and Measurement*.

Cash flow hedges

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

Fair value hedges

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

Net investment hedges

The effective portion of changes in the fair value of net investment hedges is recognised (including related tax impacts) in Other comprehensive income. Any ineffective portion is recognised immediately in the Consolidated income statement. The cumulative gain or loss existing in equity remains in equity until the foreign investment is disposed of.

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; and
– maintain the AMP group's credit rating.

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

Calculation of capital resources

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

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

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

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

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

	2019 $m	2018 $m
AMP statutory equity attributable to shareholders of AMP Limited	**4,860**	6,685
Accounting mismatches, cash flow hedge resources and other adjustments	**50**	(2)
AMP shareholders' equity	**4,910**	6,683
Subordinated debt[1]	**1,151**	876
Senior debt[1]	**988**	973
Total AMP capital resources	**7,049**	8,532

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

3.5 Capital management (continued)

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. In certain circumstances, APRA or other regulators may require AMP and other entities of the AMP group to hold a greater level of capital to support its business and/or require those entities not to pay dividends on their shares or restrict the amount of dividends that can be paid by them. Any such adjustments would be incorporated into the minimum regulatory requirements and/or capital policies as required.

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

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

AMP Limited, AMP Life Limited 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

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

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 Income statement.

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

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

Allocation of operating profit and unvested policyholder benefits

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

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

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

Bonus distributions to participating policyholders do not alter the amount of profit attributable to shareholders. They change the nature of the liability from unvested to vested.

4.1 Accounting for life insurance and investment contracts (continued)

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

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

(ii) Other MoS profits arising from discretionary participating business are allocated 80% to policyholders and 20% to shareholders, with the following exceptions:

- the profit arising from New Zealand corporate superannuation business is apportioned such that shareholders are allocated 15% of the profit allocated to policyholders;
- the profit arising in respect of preservation superannuation account business is allocated 92.5% to policyholders and 7.5% to shareholders;
- the profits arising from 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 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 section 4.1.

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

Reinsurance

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

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

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

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

Critical accounting estimates and judgements:

Life insurance contract liabilities

The measurement of insurance contract liabilities is determined using the MoS methodology. The determination of the liability amounts involves judgement in selecting the valuation methods, profit carriers and valuation assumptions for each type of business. The determination is subjective and relatively small changes in assumptions may have a significant impact on the reported profit. The Board of 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

	2019 $m	2018 $m
(a) Analysis of life insurance contract related revenue – net of reinsurance		
Total life insurance contract premiums received and receivable	**2,351**	2,549
Less: component recognised as a change in life insurance contract liabilities	**(369)**	(367)
Life insurance contract premium revenue[1]	**1,982**	2,182
Commission received from reinsurers	**262**	471
Life insurance contract related revenue	**2,244**	2,653
Life insurance contract premium ceded to reinsurers	**(1,033)**	(989)
Life insurance contract related revenue – net of reinsurance	**1,211**	1,664
(b) Analysis of life insurance contract claims expenses – net of reinsurance		
Total life insurance contract claims paid and payable	**(3,854)**	(3,412)
Less: component recognised as a change in life insurance contract liabilities	**1,679**	1,158
Life insurance contract claims expense	**(2,175)**	(2,254)
Life insurance claims recovered from reinsurers	**512**	487
Life insurance contract claims expenses – net of reinsurance	**(1,663)**	(1,767)
(c) Analysis of life insurance contract operating expenses		
Life insurance contract acquisition expenses		
– commission	**(12)**	(27)
– other expenses	**(4)**	(108)
Life insurance contract maintenance expenses		
– commission	**(164)**	(172)
– other expenses	**(350)**	(416)
Investment management expenses	**(52)**	(53)
(d) Life insurance contract liabilities		
Life insurance contract liabilities determined using projection method		
Best estimate liability		
– value of future life insurance contract benefits	**14,401**	14,469
– value of future expenses	**3,785**	4,377
– value of future premiums	**(8,986)**	(10,435)
Value of future profits		
– life insurance contract holder bonuses	**3,420**	3,136
– shareholders' profit margins	**1,479**	1,565
Total life insurance contract liabilities determined using the projection method[2]	**14,099**	13,112
Life insurance contract liabilities determined using the accumulation method		
Best estimate liability		
– value of future life insurance contract benefits	**7,029**	7,951
– value of future acquisition expenses	**(44)**	(50)
Total life insurance contract liabilities determined using the accumulation method	**6,985**	7,901
Value of declared bonus	**262**	304
Unvested policyholder benefits liabilities[2]	**2,452**	2,319
Total life insurance contract liabilities net of reinsurance	**23,798**	23,636
Reinsurance asset – ceded life insurance contracts	**1,222**	1,073
Reinsurance liability – ceded life insurance contracts[3]	**(1,515)**	(1,452)
Total life insurance contract liabilities gross of reinsurance	**23,505**	23,257

1 Life insurance contract premium revenue consists entirely of direct insurance premiums; there is no inward reinsurance component.
2 For participating business in the statutory funds, part of the assets in excess of the life insurance contract and other liabilities calculated under Margin on Services (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 life policyholder benefits liabilities and is included within life insurance contract liabilities even though it is yet to be vested as specific policyholder entitlements.
3 Reinsurance liability – ceded life insurance contracts reflects the present value of the net obligation to transfer cash flows under the 60% quota share reinsurance arrangement with Gen Re, Munich Re and Swiss Re, in return for upfront commission received. It also reflects the reinsurance position of the surplus reinsurance arrangement with Gen Re and Swiss Re.

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

	2019 $m	2018 $m
(e) Reconciliation of changes in life insurance contract liabilities		
Total life insurance contract liabilities at the beginning of the year	**23,257**	23,683
Change in life insurance contract liabilities recognised in the Consolidated income statement	**1,436**	(79)
Premiums recognised as an increase in life insurance contract liabilities	**369**	367
Claims recognised as a decrease in life insurance contract liabilities	**(1,679)**	(1,158)
Change in reinsurance asset – ceded life insurance contracts	**149**	269
Change in reinsurance liability – ceded life insurance contracts	**(63)**	(2)
Foreign exchange adjustment	**36**	177
Total life insurance contract liabilities at the end of the year	**23,505**	23,257

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 2019 Australia %	31 December 2019 New Zealand %	31 December 2018 Australia %	31 December 2018 New Zealand %
Retail risk (other than income benefit open claims)[1]		Zero coupon government bond yield curve	**0.9–2.2**	**1.1–2.5**	1.8–3.0	1.7–3.0
Retail risk and group risk (income benefit open claims)[1]		Zero coupon government bond yield curve (including liquidity premium)	**1.1–2.4**	**1.3–2.7**	2.1–3.2	2.0–3.3
Life annuities	Non-CPI	Zero coupon government bond yield curve (including liquidity premium)	**1.2–2.4**	**1.4–2.8**	2.2–3.3	2.0–3.4
	CPI	Commonwealth indexed bond yield curve (including liquidity premium)	**–0.2–0.6**	**0.4–1.4**	0.8–1.3	1.1–2.3

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

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

(b) Future maintenance and investment expenses

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

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

(c) Inflation and indexation

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

The expense inflation assumptions have been set based on the inflation rates, recent expense performance, AMP Life's current plans and the terms of the relevant service company agreement, as appropriate. In addition, lower expense inflation has been assumed for Australia and New Zealand wealth protection portfolios compared to that assumed at 31 December 2018. The lower expense inflation assumptions reflect the implementation of new service company agreements, which extend fixed fee arrangements to a wider pool of business, increasing the proportion of costs that are fully variable and will run-off with policies following the closure to new business.

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

	Australia %		New Zealand %	
	CPI	Expense Inflation	CPI	Expense Inflation
31 December 2019	**1.4**	**3.0**	**1.6**	**2.0**
31 December 2018	1.6	3.0–8.0	1.7	2.0–6.0

(d) Bases of taxation

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

(e) Voluntary discontinuance

Assumptions for the incidence of withdrawals, paid ups and premium dormancy are primarily based on investigations of AMP Life's own historical experience. These rates are based upon the assessed global rate for each of the individual products (or product groups) and then, where appropriate, further adjusted for factors like duration, premium structure, smoker status, age attained or short-term market and business effects etc. Given the variety of influences affecting discontinuance for different product groups, the range of voluntary discontinuance rates across AMP Life is extremely diverse.

The assumptions for future rates of discontinuance of the major classes of life insurance contracts have been reviewed. Discontinuance assumptions were changed from those assumed at 31 December 2018 for Australian retail risk and Flexible Lifetime Super, and New Zealand retail risk.

Note that the wealth protection discontinuance rate ranges are calculated based on current business mix and various assumption rating factors. Discontinuance rates for conventional products (Australia and New Zealand) are calculated based on average expected for the next five years.

	31 December 2019		31 December 2018	
Business type	Australia %	New Zealand %	Australia %	New Zealand %
Conventional	**2.2–7.4**	**1.1–2.2**	2.3–9.3	1.5–2.7
Retail risk (lump sum)	**13.7–20.5**	**4.7–16.1**	13.1–18.0	4.9–15.2
Retail risk (income benefit)	**7.8–22.0**	**8.7–15.5**	7.5–20.1	5.0–14.7
Flexible Lifetime Super (FLS) risk business	**17.5–19.3**	**n/a**	14.4–16.6	n/a

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

(f) Surrender values

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

(g) Mortality and morbidity

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

The following assumptions have changed from those assumed at 31 December 2018:

– an allowance for possible anti-selection on retained business for 12 months following 1 July 2019 due to the opt-in related to Protecting Your Super ('PYS') legislation;
– an allowance for additional historical claims resulting from increased member communications due to PYS;
– Australian and New Zealand retail death rates;
– Australian and New Zealand Income Protection termination rates; and
– Australian TPD rates.

The assumptions are summarised in the following table.

Conventional	Conventional % of IA95-97 Male	Female
31 December 2019		
Australia	**60.8**	**60.8**
New Zealand	**73.0**	**73.0**
31 December 2018		
Australia	60.8	60.8
New Zealand	73.0	73.0

Risk products	Retail Lump Sum % of table Male	Female
31 December 2019		
Australia[1]	**90–141**	**90–141**
New Zealand	**104–120**	**85–98**
31 December 2018		
Australia[1]	94–148	94–148
New Zealand	104–120	86–98

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 2019		
Australia and New Zealand[1]	**95.0**	**80.0**
31 December 2018		
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 2019		
Australia	**45–179**	**53–89**
New Zealand	**83–149**	**69–144**
31 December 2018		
Australia	45–179	53–80
New Zealand	83–149	82–105

Retail lump sum	Male % of IA04-08	Female % of IA04-08
31 December 2019		
Australia TPD[1]	**132–277**	**150–351**
Australia Trauma[2]	**102–193**	**102–193**
New Zealand TPD[1]	**120**	**120**
New Zealand Trauma[2]	**110–114**	**110–114**
31 December 2018		
Australia TPD[1]	132–241	150–305
Australia Trauma[2]	102–193	102–193
New Zealand TPD[1]	120	120
New Zealand Trauma[2]	110–114	110–114

1 Base IA04-08 TPD table modified based on our aggregated experience but with overall product-specific adjustment factors (estimated methodology used).

2 Base IA04-08 Trauma table modified based on our aggregated experience but with overall product-specific adjustment factors (estimated methodology used).

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 to 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 to 2002. The tables refer to male and female lives respectively and incorporate factors that allow for mortality improvements since the date of the investigation. IML00* and IFL00* are these published tables amended for some specific AMP Life experience.
IA04-08 DTH	This was published by the Institute of Actuaries of Australia under the name *A graduation of the 2004–2008 Lump Sum Investigation Data*. The table has been modified based on aggregated experience with overall product-specific adjustment factors.
IA04-08 TPD	This is the TPD graduation published in the same paper as above.
IA04-08 Trauma	This is the Trauma graduation published in the same paper as above.
ADI 07-11	A disability table developed by KPMG at the request of the Financial Services Council (FSC) based on Australian disability income experience for the period 2007 to 2011. This table has been adjusted 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 2019						
Australia	**1.4**	**4.5**	**3.5**	**2.5**	**0.5**	**(0.5)**
New Zealand	**1.7**	**4.5**	**3.5**	**2.5**	**0.4**	**(0.5)**
31 December 2018						
Australia	2.3	4.5	3.5	2.5	0.6	(0.5)
New Zealand	2.4	4.5	3.5	2.5	0.5	(0.5)

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 2019				
Australia	**29**	**14**	**39**	**18**
New Zealand	**35**	**17**	**39**	**9**
31 December 2018				
Australia	28	14	39	19
New Zealand	35	17	38	10

1 The asset mix in the table above includes both conventional and investment account business for AMP Life. 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.

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.

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

Typical supportable bonus rates on major product lines are as follows for AMP Life (31 December 2018 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	**0.5–1.6** (0.7–1.0)	**0.5–1.6** (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	**1.8–3.3** (0.6–3.3)
New Zealand	**2.1–2.5** (1.7–2.3)

(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 2018 to 31 December 2019 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	(15)	149	(104)
Discontinuance rates	(75)	59	(42)
Maintenance expenses	162	85	(36)
Other assumptions[1]	(53)	(35)	24

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 non-participating related product group, the changes in assumptions at the end of a period eliminate any future profit margins for the related product group, and result in negative future profit margins, this negative balance for all forecasted future periods is recognised as a loss in the current period. If the changes in assumptions in a period are favourable for a product group currently in loss recognition, then the previously recognised losses are reversed in the period.

4.4 Life insurance contracts – risk

(a) Life insurance risk

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

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

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

4.4 Life insurance contracts – risk (continued)

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 its 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+.

(b) Key terms and conditions of life insurance contracts

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

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

4.4 Life insurance contracts – risk (continued)

(c) Insurance risk sensitivity analysis – life insurance contracts

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

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

		Change in life insurance contract liabilities		Change in shareholder profit after income tax and equity	
Variable	Change in variable	Gross of reinsurance $m	Net of reinsurance $m	Gross of reinsurance $m	Net of reinsurance $m
Mortality	10% increase in mortality rates	51	19	(37)	(13)
Annuitant mortality	50% increase in the rate of mortality improvement	15	15	(11)	(11)
Morbidity – lump sum disablement	20% increase in lump sum disablement rates	39	16	(28)	(11)
Morbidity – disability income	10% increase in incidence rates	220	91	(154)	(64)
Morbidity – disability income	10% decrease in termination rates	385	175	(270)	(122)
Discontinuance rates	10% increase in discontinuance rates	103	28	(74)	(20)
Maintenance expenses	10% increase in maintenance expenses	35	35	(25)	(25)

(d) Liquidity risk and future net cash outflows

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

	Up to 1 year $m	1 to 5 years $m	Over 5 years $m	Total $m
2019	**1,589**	**3,628**	**10,336**	**15,553**
2018	1,264	3,039	8,243	12,546

4.5 Other disclosure – life insurance and investment contracts

	2019 $m	2018 $m
(a) Analysis of life insurance and investment contract profit		
Components of profit related to life insurance and investment contract liabilities:		
– planned margins of revenues over expenses released	**327**	437
– losses arising from difference between actual and assumed experience	**(26)**	(86)
– losses arising from changes in assumptions	**(135)**	(29)
– capitalised losses	**(166)**	(174)
Profit related to life insurance and investment contract liabilities	**–**	148
Attributable to:		
– life insurance contracts	**(87)**	(31)
– investment contracts	**87**	179
Profit related to life insurance and investment contract liabilities	**–**	148
Investment earnings on assets in excess of life insurance and investment contract liabilities	**80**	38

(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 Limited has three statutory funds as set out below:

No. 1 fund	Australia	All non-investment-linked 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)

	2019			2018		
	Non-investment-linked $m	Investment-linked $m	Total life entities' statutory funds $m	Non-investment-linked $m	Investment-linked $m	Total life entities' statutory funds $m
Net assets of life entities' statutory funds attributable to policyholders and shareholders	**27,240**	**69,977**	**97,217**	27,324	66,659	93,983
Attributable to policyholders[2]						
Life insurance contract liabilities	**23,505**	**–**	**23,505**	23,257	–	23,257
Investment contract liabilities[1]	**1,845**	**69,705**	**71,550**	2,173	66,454	68,627
	25,350	**69,705**	**95,055**	25,430	66,454	91,884
Attributable to shareholders	**1,890**	**272**	**2,162**	1,894	205	2,099

1 Investment contract liabilities in this table do not include $121m (2018: $115m) 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 $12,336m (2018: $13,679m) of policy liabilities may be settled within 12 months of the reporting date.

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

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

	Life entities' statutory funds consolidated	
	2019 $m	2018 $m
Assets		
Cash and cash equivalents	**5,605**	7,230
Investments in financial assets measured at fair value through profit or loss	**111,973**	109,364
Investment property	**161**	145
Other assets	**2,189**	1,580
Total assets of policyholders, shareholders and non-controlling interests	**119,928**	118,319
Liabilities		
Life insurance contract liabilities	**23,505**	23,257
Investment contract liabilities	**71,550**	68,627
Other liabilities	**7,484**	7,084
External unitholders' liabilities	**15,295**	17,059
Total liabilities of policyholders, shareholders and non-controlling interests	**117,834**	116,027
Net assets	**2,094**	2,292

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

(c) Capital guarantees

	2019 $m	2018 $m
Life insurance contracts with a discretionary participating feature – amount of the liabilities that relate to guarantees	**13,327**	14,152
Investment-linked contracts – amount of the liabilities subject to investment performance guarantees	**762**	847
Other life insurance contracts with a guaranteed termination value – current termination value	**68**	127

(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 introduce 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 Limited and NMLA maintain a target surplus providing an additional capital buffer against adverse events. The companies use internal capital models to determine target surplus, with the models reflecting the risks of the business, principally the risk of adverse asset movements relative to the liabilities and of worse than expected claims costs.

The Appointed Actuary of AMP Life Limited and NMLA has confirmed that the capital base of each life statutory fund and shareholders' fund have exceeded PCA at all times during 2019 and 2018. The combined capital position of AMP Life Limited and NMLA is as follows:

	2019 $m	2018 $m
Common Equity Tier 1 Capital	**2,059**	2,430
Adjustments to Common Equity Tier 1 Capital	**34**	(374)
Additional Tier 1 Capital	**305**	305
Adjustments to Additional Tier 1 Capital	**–**	–
Tier 2 Capital	**200**	250
Adjustments to Tier 2 Capital	**–**	–
Total capital base	**2,598**	2,611
Total Prescribed Capital Amount (PCA)	**1,102**	1,190
Capital adequacy amount	**1,496**	1,421
Capital adequacy multiple[1]	**236%**	219%

1 The capital adequacy multiples were 236% and 263% for AMP Life Limited and NMLA respectively (2018: 219% and 226%).

(e) Actuarial information

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

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

Section 5: Employee disclosures

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

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

5.1 Key management personnel

(a) Compensation of key management personnel

	2019 $'000	2018 $'000
Short-term benefits	**21,248**	15,983
Post-employment benefits	**510**	663
Share-based payments	**14,757**	4,012
Other long-term benefits	**718**	342
Termination benefits	**4,396**	2,680
Total	**41,629**	23,680

(b) Loans to key management personnel

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

	2019 $'000	2018 $'000
Balance as at the beginning of the year	**11,666**	12,453
Net advances	**1,792**	51
Balance as at the end of the year	**13,458**	12,504
Interest charged	**368**	361

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

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

Information about such transactions does not have the potential to adversely affect decisions about the allocation of scarce resources made by users of this financial report, or the discharge of accountability by the specified executives or specified directors.

(d) Transactions with related parties

Some of the non-executive directors hold directorships or positions in other companies or organisations. From time to time, AMP may provide or receive services from these companies or organisations on arm's length terms. None of the non-executive directors were, or are, involved in any procurement or board decision making regarding the companies or organisations with which they have an association.

Accounting policy – recognition and measurement

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

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

Share-based payments – refer to note 5.3.

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

5.2 Defined benefit plans

AMP contributes 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 plans' 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 2019.	31 December 2017.
Additional recommended contributions	10% to 15% of members' salaries plus plan expenses.	No additional contributions are required until 30 June 2021, at which point the requirement will be reassessed.

(a) Defined benefit liability

	2019 $m	2018 $m
Present value of wholly-funded defined benefit obligations	**(919)**	(833)
Less: Fair value of plan assets	**818**	756
Defined benefit liability recognised in the Consolidated statement of financial position	**(101)**	(77)
Movement in defined benefit liability		
Deficit at the beginning of the year	**(77)**	(29)
Plus: Total expenses recognised in the Consolidated income statement	**(2)**	(7)
Plus: Employer contributions	**1**	2
Plus: Actuarial (losses) gains recognised in Other comprehensive income	**(23)**	(43)
Defined benefit liability recognised at the end of the year	**(101)**	(77)

5.2 Defined benefit plans (continued)

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

	Defined benefit obligation		Fair value of plan assets	
	2019 $m	2018 $m	2019 $m	2018 $m
Balance at the beginning of the year	**(833)**	(821)	**756**	792
Current service cost	**(3)**	(3)	**–**	–
Interest (cost) income	**(19)**	(18)	**17**	17
Net actuarial gains and losses	**(118)**	(38)	**94**	(5)
Employer contributions	**–**	–	**1**	2
Contributions by plan participants	**–**	–	**–**	–
Foreign currency exchange rate changes	**2**	(5)	**2**	2
Benefits paid	**52**	52	**(52)**	(52)
Balance at the end of the year	**(919)**	(833)	**818**	756

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

	Fair value of plan assets		Present value of plan obligation		Net recognised surplus (deficit)		Actuarial gains/(losses)	
	2019 $m	2018 $m	2019 $m	2018 $m	2019 $m	2018 $m	2019 $m	2018 $m
AMP Australia	**291**	263	**(339)**	(307)	**(48)**	(44)	**(3)**	(15)
AMP AAPH Australia	**415**	388	**(427)**	(378)	**(12)**	10	**(21)**	(20)
AMP New Zealand	**20**	19	**(25)**	(25)	**(5)**	(6)	**1**	(2)
AMP AAPH New Zealand	**92**	86	**(128)**	(123)	**(36)**	(37)	**–**	(6)
Total	**818**	756	**(919)**	(833)	**(101)**	(77)	**(23)**	(43)

(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	
	2019 %	2018 %	2019 %	2018 %	2019 %	2018 %	2019 %	2018 %
Weighted average discount rate	**2.8**	4.0	**1.5**	2.3	**3.0**	4.1	**2.2**	2.7
Expected rate of salary increases	**n/a**	n/a	**n/a**	n/a	**3.5**	3.5	**3.0**	3.0

(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	
	2019 %	2018 %	2019 %	2018 %	2019 %	2018 %	2019 %	2018 %
Equity	**46**	50	**38**	38	**25**	30	**46**	40
Fixed interest	**38**	34	**38**	38	**57**	51	**34**	39
Property	**10**	8	**4**	4	**7**	5	**4**	4
Cash	**1**	3	**14**	14	**1**	1	**14**	14
Other	**5**	5	**6**	6	**10**	13	**2**	3

5.2 Defined benefit plans (continued)

(f) Sensitivity analysis

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

	AMP				AMP AAPH			
	Australia		New Zealand		Australia		New Zealand	
	(+) $m	(–) $m	(+) $m	(–) $m	(+) $m	(–) $m	(+) $m	(–) $m
2019								
Assumption								
Discount rate (+/– 0.5%)[1]	**(20)**	**22**	**n/a**	**2**	**(32)**	**35**	**n/a**	**16**
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%)[2]	**22**	**(20)**	**1**	**n/a**	**30**	**(28)**	**13**	**n/a**
Pensioner mortality assumption (0.5%)	**n/a**	**13**	**n/a**	**n/a**	**n/a**	**12**	**n/a**	**n/a**
Life expectancy (additional 1 year)	**n/a**	**n/a**	**1**	**n/a**	**n/a**	**n/a**	**4**	**n/a**
2018								
Assumption								
Discount rate (+/– 0.5%)	(17)	19	n/a	2	(27)	30	n/a	24
Expected salary increase rate (0.5%)	n/a	n/a	n/a	n/a	1	n/a	n/a	n/a
Expected deferred benefit crediting rate (0.5%)	n/a	n/a	n/a	n/a	3	n/a	n/a	n/a
Pensioner indexation assumption (0.5%)	19	(18)	1	n/a	25	(23)	13	n/a
Pensioner mortality assumption (0.5%)	n/a	10	n/a	n/a	n/a	9	n/a	n/a
Life expectancy (additional 1 year)	n/a	n/a	1	n/a	n/a	n/a	4	n/a

1 (–1%) discount rate applied to AMP New Zealand and AMP AAPH New Zealand.
2 1% indexation increase applied to AMP New Zealand and AMP AAPH New Zealand.

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

	AMP		AMP AAPH	
	Australia	New Zealand	Australia	New Zealand
Expected employer contributions ($m)	–	–	1	–
Weighted average duration of the defined benefit obligation (years)	11	9	14	13

Accounting policy – recognition and measurement

Defined benefit plans

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

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

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

5.3 Share-based payments

AMP has multiple employee share-based payment plans. Share-based payment plans help create alignment between employees participating in those plans (participants) and shareholders. Information on plans which AMP currently offers is provided below.

The following table shows the expense recorded for AMP share-based payment plans during the year:

	2019 $'000	2018 $'000
Performance rights[1]	**5,654**	(2,946)
Share rights and restricted shares	**24,742**	30,227
Options	**52**	5
Total share-based payments expense	**30,448**	27,286

1 Non-market performance rights which were forfeited or where the performance conditions were not met were reversed during 2018.

(a) Performance rights

The AMP Group Leadership Team, as well as selected senior executives, receive their long-term incentive (LTI) awards in the form of performance rights. This is intended to align the interests of those executives, who are able to most directly influence company performance, with the interests of shareholders.

Plan	LTI awards
Overview	Performance rights give the participant the right to acquire one fully paid ordinary share in AMP Limited upon meeting specific performance hurdles. They are granted at no cost to the participant and carry no dividend or voting rights until they vest. This award may be settled through an equivalent cash payment, at the discretion of the board.
Vesting conditions	**2016 LTI award** The performance hurdles for rights granted in 2016 are: – 60% subject to AMP's total shareholder return (TSR) performance relative to that of the entities in the Comparator Group[1] (being the top 50 industrial companies in the S&P/ASX 100 Index, based on market capitalisation rank at the start of the applicable performance period) over three years. – 40% subject to a Return on Equity (RoE) measure. **2017 LTI award** The performance hurdles for rights granted in 2017 are: – 100% subject to AMP's TSR performance relative to entities in the Comparator Group[1] (being the top 50 industrial companies in the S&P/ASX 100 Index, based on market capitalisation rank at the start of the applicable performance period) over four years. **2018 LTI award** No performance rights were granted under an LTI plan in 2018. **2019 LTI award (Transformation Incentive Award)** The vesting of the performance rights is subject to two separate gateways: (a) Risk and Conduct Gateway – if a participant's performance and conduct is not in line with AMP's expectations, the board has discretion to amend the vesting outcome (including to zero). (b) Performance Gateway and Hurdle – a performance gateway is included so that no awards will vest if both the Compound Annual Growth Rate (CAGR) is negative and the CAGR is below the benchmark index[2]. For risk and control roles ie Chief Risk Officer – the vesting outcome in relation to 25% of the award will be determined by the Remuneration Committee at its sole discretion. The other 75% of the award will be subject to the performance hurdle. 1 In determining the Comparator Group, all entities other than those in the global industry classification standard (GICS) energy sector and GICS metals and mining industry are classified as industrial companies. 2 The benchmark index is constructed from an equal weighted index of ASX 100 financial services companies (excluding A-REITs).
Vesting period	– 2016 LTI award – 3 years for rights granted in 2016. – 2017 LTI award – 4 years for rights granted in 2017. – 2019 LTI award – 3.5 years for rights granted in 2019.
Vested awards	Vested performance rights are automatically converted to shares on behalf of participants.
Unvested awards	Unvested awards are forfeited if the participant voluntarily ceases employment or is dismissed for misconduct.

5.3 Share-based payments (continued)

CEO (Original) Recovery Incentive Rights Award
As part of the Chief Executive Officer's (CEO) incentive package on appointment in 2018, the CEO was granted an award of rights with a performance condition. This award is to intended to align CEO interests with the long-term interests of shareholders.

The board intends to seek shareholder approval to cancel the original Recovery Incentive at the next AGM in May 2020.

Plan	CEO (Original) Recovery Incentive Rights Award
Overview	The Recovery Incentive performance rights give the CEO the right to acquire one fully paid ordinary share in AMP Limited (per right) upon meeting specific performance hurdles, being the achievement of multiple share price targets. They were granted at no cost to the CEO and carry no dividend or voting rights until they vest. This award may be settled through an equivalent cash payment, at the discretion of the board.
Vesting conditions	The share price targets that will be tested on the specified dates: – First Testing Date – 25% of rights granted will vest if share price is \$4.50 at the testing date. – Second Testing Date – 50% or 75% (including any that have vested already) will vest if share price is \$4.75 or \$5.00 respectively. – Third Testing Date – the balance will vest depending on the share price being higher than \$4.50 and will vest on a straight-line basis with 100% vesting if the share price is \$5.25.
Vesting period/ Testing dates	The board will test the share price targets on or around the following testing dates: – 15 February 2021 (First Testing Date); – 15 February 2022 (Second Testing Date); and – 15 February 2023 (Third Testing Date). If the share price targets are met, the rights will vest and become exercisable.
Vested awards	Vested rights are automatically converted to shares on behalf of the CEO.
Unvested awards	Unvested awards are forfeited if the CEO voluntarily ceases employment or is dismissed for misconduct.

CEO Replacement Recovery Incentive Rights Award
In 2019, the CEO's remuneration package was reviewed and adjusted to ensure the CEO is appropriately incentivised and aligned with shareholders during the transformation of AMP. As part of this update, the CEO was granted a new award of rights with a performance condition. This award is intended to replace the original Recovery Incentive Award to better align the CEO with the long-term interests of the shareholders.

Plan	CEO Replacement Recovery Incentive Rights Award
Overview	The Recovery Incentive performance rights give the CEO the right to acquire one fully paid ordinary share in AMP Limited (per right) upon meeting specific performance hurdles, being the achievement of multiple share price targets. They were granted at no cost to the CEO and carry no dividend or voting rights until they vest. This award may be settled through an equivalent cash payment, at the discretion of the board.
Vesting conditions	The share price targets that will be tested on the specified dates: – First Testing Date – 50% of rights granted will vest if the share price is \$2.45 at the testing date (adjusted for any significant capital initiatives). – Second Testing Date – if the first share price target of \$2.45 is not met at the first testing date, it will be retested and 50% will vest if the \$2.45 target is met. The remaining balance may also vest depending on the share price being higher than \$2.45 and will vest on a straight-line basis with 100% vesting if the share price is \$2.75 (adjusted for any significant capital initiatives).
Vesting period/ Testing dates	The board will test the share price targets on or around the following testing dates: – 15 February 2022 (First Testing Date); and – 15 February 2023 (Second Testing Date). If the share price targets are met, the rights will vest and become exercisable.
Vested awards	Vested rights are automatically converted to shares on behalf of the CEO.
Unvested awards	Unvested awards are forfeited if the CEO voluntarily ceases employment or is dismissed for misconduct.

5.3 Share-based payments (continued)

Valuation of performance rights

The values for performance rights are based on valuations prepared by an independent external consultant. The valuations are based on the 10-day volume weighted average share price over the 10-day trading period prior to the start of the award's valuation period. Assumptions regarding the dividend yield and volatility have been estimated based on AMP's 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. This is revisited each reporting date.

For both of the CEO Recovery Incentive Rights Awards, the valuations are also prepared by an independent external consultant. The valuations are based on AMP's closing share price at the valuation date. Assumptions regarding the dividend yield and volatility have been estimated based on AMP's dividend yield and volatility over an appropriate period.

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

Grant date	Share price	Contractual life (years)	Dividend yield	Volatility[1]	Risk-free rate[1]	TSR performance hurdle discount	RoE performance hurdle discount[2]	TSR performance rights fair value	RoE performance rights fair value
02/06/2016	$5.54	3.0	4.7%	24%	1.6%	57%	0%	$2.37	$4.81
13/01/2017	$5.15	2.4	5.0%	23%	1.9%	71%	0%	$1.47	$4.57
19/05/2017	$5.08	4.0	5.2%	23%	1.8%	56%	n/a	$2.24	n/a
12/09/2019	$1.85	3.4	4.0%	33%	0.9%	35%	n/a	$1.21	n/a

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

2 In accordance with the accounting standard AASB 2 *Share-based Payment*, allowance cannot be made for the impact of a non-market based performance hurdle in determining fair value.

The following table shows the factors considered in determining the value of the CEO Recovery Incentive Rights Awards with a share price target granted during the period:

Grant date	Share price	Contractual life (years)	Dividend yield	Volatility	Risk-free rate	Share rights fair value
21/08/2018	$3.45	4.5	5.3%	22%	2.2%	$0.82
12/09/2019	$1.85	3.4	4.0%	33%	0.9%	$0.62

The following table shows the movement in number of performance rights outstanding during the period:

Grant date	Exercise price	Balance at 1 Jan 2019	Exercised during the year	Granted during the year	Lapsed during the year	Balance at 31 Dec 2019
02/06/2016	Nil	2,441,062	–	–	2,441,062	–
13/01/2017	Nil	12,820	–	–	12,820	–
19/05/2017	Nil	1,996,500	–	–	115,800	1,880,700
21/08/2018	Nil	1,656,976	–	–	–	1,656,976
12/09/2019	Nil	–	–	2,500,000	–	2,500,000
12/09/2019	Nil	–	–	35,828,711	–	35,828,711
Total		**6,107,358**		**38,328,711**	**2,569,682**	**41,866,387**

5.3 Share-based payments (continued)

(b) Share rights

- LTI participants below the AMP Group Leadership Team may be awarded share rights as part of their overall LTI award.
- Short-term Incentive Deferral participants are nominated executives and selected senior leaders who have the ability to impact AMP's financial soundness. This requires a portion of the participant's annual short-term incentive outcome to be deferred and awarded as share rights.
- Short-term Incentive Match Plan participants were high potential employees at a senior leader level who were eligible for participation in the plan. This plan provided an award of share rights to the value of 50% of the individual's short-term incentive outcome (the plan ceased in 2017).
- Transition Incentive award was made to select participants of AMP's Group Leadership Team in the form of share rights as a transitionary award between remuneration arrangements and the finalisation of strategy.
- Enterprise Profit Share Plan supports AMP Capital's remuneration framework by aligning its strategic intent and rewarding behaviour that leads to sustainably increased profit and shareholder value. The participants are the AMP Capital Group Leadership Team whereby a portion of their annual profit share outcome is deferred into share rights.
- Deferred Bonus Equity Plan applies to selected AMP Capital participants whereby a portion of their annual short-term incentive outcome (above a specified threshold) is deferred into share rights.

Plan	Long-term Incentive Plan	Short-term Incentive Deferral Plan, Short-term Incentive Match Plan and Transition Incentive award	Enterprise Profit Share Plan and Deferred Bonus Equity Plan
Overview	Share rights give the participant the right to acquire one fully paid ordinary share in AMP Limited after a specified service period. They are granted at no cost to the participant and carry no dividend or voting rights until they vest. This award may be settled through an equivalent cash payment at the discretion of the board.		
Vesting conditions/period	**AMP Group participants** Continued service for three years for the 2016 grant and four years for the 2017 grant. No LTI grant was made in 2018. **AMP Capital participants** Continued service for three years. Some awards may also vary where the share rights are awarded as a sign-on equity award or to retain an employee for a critical period. All awards are also subject to ongoing employment, compliance with AMP policies and the board's discretion.	**Short-term Incentive Deferral/Short-term Incentive Match Plan** Continued service for two years and subject to ongoing employment, compliance with AMP policies and the board's discretion. **Transition Incentive award** This 2019 grant is split into two tranches with continued service for approximately one and two years respectively. These are also subject to ongoing employment, compliance with AMP policies and the board's discretion.	**Enterprise Profit Share Plan** For awards relating to the 2016 and 2017 performance year, 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. For awards relating to the 2018 performance year, share rights were granted to select participants. The award was subject to a one-year service condition, ongoing compliance with AMP policies and the board's discretion. After this period, an additional three-year non-vesting holding period is applicable to participants except for the AMP Capital Chief Executive Officer where the non-vesting holding period is a further four years. **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.
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.		

5.3 Share-based payments (continued)

CEO Buy-out Incentive Rights Award

As part of the CEO's incentive package on appointment in 2018, the CEO was granted an award of share rights with a service (employment) condition to compensate for incentives forgone from the CEO's previous employer.

In 2019, the CEO's remuneration package was reviewed and adjusted to ensure the CEO is appropriately incentivised and aligned with shareholders during the transformation of AMP. As part of this update, the CEO was granted an additional award of share rights with a service (employment) condition. All other terms of the additional share rights award are consistent with the original Buy-out Incentive Rights Award.

Plan	CEO Buy-out Incentive Rights Award
Overview	The Buy-out Incentive share rights give the CEO the right to acquire one fully paid ordinary share in AMP Limited (per right) after a specified service period. They were granted at no cost to the CEO and carry no dividend or voting rights until they vest. This award may be settled through an equivalent cash payment at the discretion of the board.
Vesting conditions/period	The rights will vest in accordance with the vesting schedule set out below: – 50% on 15 February 2020 – 30% on 15 February 2021 – 20% on 15 February 2022 Vesting is subject to continued service and in compliance with AMP policies and the board's discretion.
Vested awards	Vested share rights are automatically converted to shares on behalf of the CEO.
Unvested awards	Unvested awards are forfeited if the CEO voluntarily ceases employment or is dismissed for misconduct.

Valuation of share rights

The fair value of share rights has been calculated as at the grant date, by external consultants using a 'discounted cash flow' methodology. Fair value has been discounted for the present value of dividends expected to be paid during the vesting period to which the participant is not entitled. For the purposes of the valuation it is assumed share rights are exercised as soon as they have vested. Assumptions regarding the dividend yield have been estimated based on AMP's dividend yield over an appropriate period.

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

For the CEO's share rights awards, the valuations are also prepared by an independent external consultant. The valuations are based on AMP's closing share price at the valuation date. Assumptions regarding the dividend yield and volatility have been estimated based on AMP's dividend yield and volatility over an appropriate period.

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

Grant date	Share price	Contractual life (years)	Dividend yield	Dividend discount	Fair value
01/04/2019	$2.14	2.0	4.2%	11%	$1.91
01/04/2019	$2.14	2.0	4.2%	7%	$1.98
01/04/2019	$2.14	3.0	4.2%	11%	$1.90
08/03/2019	$2.31	1.0	4.2%	3%	$2.24
25/03/2019	$2.15	1.0	4.2%	4%	$2.06
10/05/2019	$2.22	1.0	4.2%	0%	$2.22
10/05/2019	$2.22	2.0	4.2%	0%	$2.22
17/05/2019	$2.20	1.0	4.2%	0%	$2.20
17/05/2019	$2.20	1.0	4.2%	0%	$2.20
17/05/2019	$2.20	4.0	4.2%	0%	$2.19
17/05/2019	$2.20	5.0	4.2%	0%	$2.19
24/05/2019	$2.17	1.0	4.2%	3%	$2.10
13/08/2019	$1.81	1.0	4.0%	2%	$1.77
13/08/2019	$1.81	2.0	4.0%	6%	$1.70
13/08/2019	$1.81	3.0	4.0%	9%	$1.64
19/07/2019	$1.80	1.0	4.2%	2%	$1.75
19/07/2019	$1.80	2.0	4.2%	6%	$1.68
19/07/2019	$1.80	3.0	4.2%	10%	$1.61
29/07/2019	$1.83	1.0	4.2%	1%	$1.82
20/09/2019	$1.86	1.0	4.0%	4%	$1.79
20/09/2019	$1.86	2.0	4.0%	7%	$1.72

5.3 Share-based payments (continued)

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

Grant date	Exercise price	Balance at 1 Jan 2019	Exercised during the year	Granted during the year	Lapsed during the year	Balance at 31 Dec 2019
04/06/2015	Nil	107,454	107,454	–	–	–
18/09/2015	Nil	19,038	19,038	–	–	–
02/06/2016	Nil	1,578,764	1,540,646	–	38,118	–
13/01/2017	Nil	12,821	12,821	–	–	–
13/01/2017	Nil	8,818	8,818	–	–	–
27/04/2017	Nil	189,633	189,633	–	–	–
27/04/2017	Nil	311,791	307,007	–	3,010	1,774
27/04/2017	Nil	920,201	920,201	–	–	–
27/04/2017	Nil	968,086	–	–	–	968,086
27/04/2017	Nil	75,779	70,538	–	5,241	–
27/04/2017	Nil	79,725	–	–	8,907	70,818
19/05/2017	Nil	561,000	–	–	30,000	531,000
19/05/2017	Nil	1,143,313	–	–	103,600	1,039,713
03/07/2017	Nil	9,671	–	–	9,671	–
02/04/2018	Nil	652,546	–	–	43,182	609,364
02/04/2019	Nil	805,657	–	–	91,949	713,708
02/04/2018	Nil	901,333	–	–	–	901,333
02/04/2018	Nil	953,876	–	–	–	953,876
02/04/2018	Nil	115,451	–	–	11,621	103,830
02/04/2018	Nil	122,181	–	–	12,298	109,883
16/07/2018	Nil	40,650	40,650	–	–	–
16/07/2018	Nil	40,650	40,650	–	–	–
13/08/2018	Nil	39,895	39,895	–	–	–
13/08/2018	Nil	53,191	53,191	–	–	–
13/08/2018	Nil	53,191	–	–	–	53,191
13/08/2018	Nil	53,191	–	–	–	53,191
21/08/2018	Nil	726,744	–	–	–	726,744
21/08/2018	Nil	436,046	–	–	–	436,046
21/08/2018	Nil	290,698	–	–	–	290,698
03/12/2018	Nil	142,856	–	–	–	142,856
03/12/2018	Nil	142,857	–	–	–	142,857
08/03/2019	Nil	–	–	23,166	–	23,166
25/03/2019	Nil	–	–	24,261	–	24,261
01/04/2019	Nil	–	–	1,896,149	63,558	1,832,591
01/04/2019	Nil	–	–	237,447	2,488	234,959
01/04/2019	Nil	–	–	248,029	2,599	245,430
10/05/2019	Nil	–	–	957,438	–	957,438
10/05/2019	Nil	–	–	957,447	–	957,447
17/05/2019	Nil	–	–	250,595	–	250,595
17/05/2019	Nil	–	–	523,402	–	523,402
24/05/2019	Nil	–	–	33,039	–	33,039
19/07/2019	Nil	–	–	53,140	–	53,140
19/07/2019	Nil	–	–	53,140	–	53,140
19/07/2019	Nil	–	–	38,647	–	38,647
29/07/2019	Nil	–	–	22,012	22,012	–
13/08/2019	Nil	–	–	293,664	–	293,664
13/08/2019	Nil	–	–	176,198	–	176,198
13/08/2019	Nil	–	–	117,466	–	117,466
20/09/2019	Nil	–	–	13,812	–	13,812
20/09/2019	Nil	–	–	8,287	–	8,287
Total		**11,557,107**	**3,350,542**	**5,927,339**	**448,254**	**13,685,650**

5.3 Share-based payments (continued)

(c) Options

CEO Recovery Incentive Options Award

As part of the CEO's incentive package on appointment in 2018, the CEO was granted an award of options. This award is to ensure that the CEO is aligned with the long-term interests of shareholders. No similar options award was granted in 2019.

Plan	CEO Recovery Incentive Options Award
Overview	The Recovery Incentive options give the CEO the right to acquire one fully paid ordinary share in AMP Limited (per option) at a predetermined price. Options do not carry any dividend or voting rights and are granted at no cost, however they are subject to an exercise price at the time the options are converted to shares.
Vesting conditions	The options award has an exercise price of $5.50 per option. The CEO will be allocated one share or a cash equivalent for each vested option that is exercised and for which the exercise price has been paid by the CEO, subject to continued employment.
Vesting period	The options award will vest and become exercisable on or around 15 February 2023. Vested options will automatically lapse on 31 March 2024 if they have not been exercised before that date.
Vested awards	Vested options may only be exercised by the CEO in accordance with AMP's trading policy and subject to all applicable laws.
Unvested awards	Unvested awards are forfeited if the CEO voluntarily ceases employment or is dismissed for misconduct.

Valuation of options

The fair value of the options has been calculated by an independent external consultant using AMP's closing share price at the valuation date being 14 December 2018.

(i) The following table shows the number and weighted average exercise prices (WAEP) of, and movements in, options issued:

Grant date	Exercise price	Balance at 1 Jan 2019	Exercised during the year	Granted during the year	Lapsed during the year	Balance at 31 Dec 2019
14/12/2018	$5.50	8,000,000	–	–	–	8,000,000
Total		**8,000,000**	**–**	**–**	**–**	**8,000,000**

(ii) The weighted average remaining contractual life for the options outstanding as at 31 December 2019 was 4.3 years (2018: 5.3 years).

(iii) There were no options granted during the year. The weighted average fair value of options granted during 2018 was $0.03.

(iv) The following table shows the factors considered in determining the fair value of the options on the date of grant:

	2018
Weighted average fair values at the measurement date	$0.03
Dividend yield (%)	5.3%
Expected volatility (%)	26%
Risk-free interest rate (%)	2.1%
Expected life of share options (years)	5.3
Weighted average share price ($)	$2.33
Model used	Black-Scholes

The volatility assumption is based on the actual volatility of AMP's daily closing share price over the three-year period to the valuation date.

5.3 Share-based payments (continued)

(d) Restricted shares

CEO Buy-out Incentive Shares Award

As part of the CEO's incentive package on appointment in 2018, the CEO was awarded restricted shares with a service (employment) condition to compensate for incentives forgone from the CEO's previous employer.

In 2019, the CEO's remuneration package was reviewed and adjusted to ensure he is appropriately incentivised and aligned with shareholders during the transformation of AMP. As part of this update the CEO was granted an additional award of restricted shares with a service (employment) condition. All other terms of the additional restricted shares award are consistent with the original award.

Plan	CEO Buy-out Incentive Shares Award
Overview	The Buy-out Incentive restricted shares are fully paid ordinary shares in AMP Limited that are held in the AMP Employee Share Trust on behalf of the CEO until the specified service period has been met. They were granted at no cost to the CEO and carry the same dividend or voting rights as other fully paid ordinary shares. Any dividends paid on shares are received in the ordinary course on the dividend payment date(s).
Vesting conditions/period	The restricted shares are released in accordance with the vesting schedule set out below: – 60% on 15 August 2019 – 20% on 15 August 2020 – 20% on 15 August 2021 Vesting is subject to continued service and in compliance with AMP policies and the board's discretion.
Vested awards	On the relevant vesting dates, the restriction on the shares is released.
Unvested awards	Unvested awards are forfeited if the CEO voluntarily ceases employment or is dismissed for misconduct.

AMP Capital Enterprise Profit Share Plan

The AMP Capital Group Leadership Team is comprised of a select group of senior executives who are eligible to participate in the Enterprise Profit Share Plan. This plan was designed to support AMP Capital's remuneration framework by aligning its strategic intent and rewarding behaviour that leads to sustainably increased profit and shareholder value. It is required that 40% of the participants' profit share outcomes be deferred. From 2018, 50% of the deferred component is awarded in the form of restricted shares for participants who reside in Australia with the exception of the AMP Capital Chief Executive Officer. The objective of this was to create greater alignment with our shareholders. The equity component of this plan was granted in 2019.

Plan	AMP Capital Enterprise Profit Share Plan
Overview	The deferred component of the 2018 Enterprise Profit Share award was granted in the form of restricted shares. Restricted shares are fully paid ordinary shares in AMP Limited that are held in the AMP Employee Share Trust on behalf of the participant until the specified service/holding period has been met. They were granted at no cost to participants and carry the same dividend or voting rights as other fully paid ordinary shares. Any dividends paid on shares are received in the ordinary course on the dividend payment date(s).
Vesting conditions/period	The restricted shares will vest after one year and continue to be subject to a disposal restriction for an additional three-year period. Prior to each of the vesting date and the release date, the board will undertake a conduct/risk review to confirm that vesting and release of the award aligns with the conduct and risk outcomes of the AMP group.
Vested awards	On the relevant release dates, the restriction on the shares is released.
Unvested awards	Unvested awards are forfeited if the participant voluntarily ceases employment or is dismissed for misconduct.

5.3 Share-based payments (continued)

AMP Executive Performance Incentive Plan

The Executive Performance Incentive (EPI) Plan was newly introduced for the 2018 performance year and takes a combined incentive approach, whereby a portion of the participant's annual EPI outcome is paid out in cash and the other part deferred into restricted shares. The objective of this plan is to create equity ownership across a select group of senior executives if performance objectives are met. The equity component of this plan was granted in 2019.

Plan	AMP Executive Performance Incentive Plan
Overview	The deferred component of the Executive Performance Incentive Plan was granted in the form of restricted shares. Restricted shares are fully paid ordinary shares in AMP Limited that are held in the AMP Employee Share Trust on behalf of the participant until the specified service/holding period has been met. They were granted at no cost to participants and carry the same dividend or voting rights as other fully paid ordinary shares. Any dividends paid on shares are received in the ordinary course on the dividend payment date(s).
Vesting conditions/period	The restricted shares will vest after one year and continue to be subject to a disposal restriction for an additional three-year period. Prior to each of the vesting date and the release date, the board will undertake a conduct/risk review to confirm that vesting and release of the award aligns with the conduct and risk outcomes of the AMP group.
Vested awards	On the relevant release dates, the restriction on the shares is released. Some shares may be released early for participants who ceased employment to assist participants in managing their tax liability.
Unvested awards	Unvested awards are forfeited if the participant voluntarily ceases employment or is dismissed for misconduct.

AMP Employee Share Plan – $1,000 Share Plan

AMP has given permanent employees the opportunity to become shareholders in AMP through the launch of the AMP Employee Share Plan (AESP). All permanent employees as at 12 December 2018 were offered a $1,000 gift of shares subject to employment on the allocation date in March 2019. These shares are subject to a restriction on sale and transfer for up to three years from the date they are allocated. Any shares acquired as a gift will be released to the participant at the end of the three-year period or when they leave employment with AMP (whichever is earlier).

For the period 1 April 2020, eligible participants may acquire $1,000 fully paid ordinary shares in AMP by sacrificing $1,000 of their 2019 short-term incentive award.

AMP Employee Share Plan – $5,000 Salary Sacrifice Plan

AMP has given permanent employees the opportunity to become shareholders in AMP through the launch of the AMP Salary Sacrifice Share Plan (SSP). All permanent employees in Australia were offered the opportunity to salary sacrifice between $2,500 to $5,000 over a 12-month period to acquire shares in AMP. AMP offered a matching contribution on a 1:5 basis, meaning that employees who opted to salary sacrifice $5,000 would receive an upfront matched allocation of $1,000 in AMP shares. The salary sacrifice and matching shares are both held in an employee share plan trust on behalf of the employees and are subject to a restriction on sale and transfer for up to three years from the date they are allocated.

Any purchased and matching shares acquired during 2019 will be released to the participant at the end of the three-year period. Any purchased shares acquired during 2020 will be released at the end of the three-year period and matching shares will be released at the end of the two-year period or when they leave employment with AMP (whichever is earlier). Matching shares are forfeited if a participant voluntarily ceases employment before the end of the three-year holding period.

Valuation of restricted shares and AMP Employee Share Plan

The restricted share awards are based on valuations prepared by an independent external consultant. The valuations are based on the 10-day volume weighted average share price over the 10-day trading period prior to the start of the award's valuation period. Assumptions regarding the dividend yield and volatility have been estimated based on AMP's dividend yield and volatility over an appropriate period.

For the AMP Employee Share Plan $1,000 Share Plan and $5,000 Salary Sacrifice Plan, the fair value of the shares was determined as the market price of AMP ordinary shares on the grant date. As employees holding restricted shares are entitled to dividend payments, no adjustment has been made to the fair value in respect of future dividend payments.

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

5.3 Share-based payments (continued)

Grant date	Share price	Contractual life (years)	Vesting date	Dividend yield	Fair value
25/02/2019	$2.38	1.0	15/02/2020	n/a	$2.38
25/02/2019	$2.38	2.0	15/02/2021	n/a	$2.38
25/02/2019	$2.38	3.0	15/02/2022	n/a	$2.38
17/05/2019	$2.20	0.8	15/02/2020	4.2%	$2.20
17/05/2019	$2.20	1.0	15/05/2020	4.2%	$2.20
13/08/2019	$1.81	0.0	15/08/2019	4.0%	$1.81
13/08/2019	$1.81	1.0	15/08/2020	4.0%	$1.81
13/08/2019	$1.81	2.0	15/08/2021	4.0%	$1.81

The following table shows the movement in restricted shares outstanding for the period:

Grant date	Exercise price	Balance at 1 Jan 2019	Granted during the year	Released during the year	Lapsed during the year	Balance at 31 Dec 2019
25/02/2019	Nil	–	1,991,303	872,092	–	1,119,211
14/03/2019	Nil	–	2,350,031	301,076	–	2,048,955
26/04/2019	Nil	–	403,228	10,886	33,524	358,818
17/05/2019	Nil	–	1,621,593	7,013	27,233	1,587,347
13/08/2019	Nil	–	587,328	352,396	–	234,932
Total		**–**	**6,953,483**	**1,543,463**	**60,757**	**5,349,263**

(e) Employee share acquisition plan

The employee share acquisition plan was suspended mid-way through 2009 in Australia but continued to operate in New Zealand until September 2019. This legacy share plan was subsequently closed in September 2019 after all participation ceased and no further tax deferrals were available to employees.

Accounting policy – recognition and measurement

Equity-settled share-based payments

The cost of equity-settled share-based payments is measured using their fair value at the date on which they are granted. The fair value calculation takes into consideration a number of factors, including the likelihood of achieving market-based vesting conditions such as total shareholder return (market conditions).

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

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

Where an equity-settled award does not ultimately vest, expenses are not reversed; except for awards where vesting is conditional upon a non-market condition, in which case all expenses are reversed in the period in which the award 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 2019	% holdings 2018
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
AMP Life Services Pty Ltd	Australia	Ord	**100**	n/a
AMP Wealth Management Holdings Pty Ltd	Australia	Ord	**100**	n/a
NM Superannuation Pty Ltd	Australia	Ord	**100**	100
National Mutual Funds Management (Global) Limited	Australia	Ord	**100**	100
National Mutual Funds Management Ltd	Australia	Ord	**100**	100
National Mutual Life Nominees Pty Limited	Australia	Ord	**100**	100
NMMT Limited	Australia	Ord	**100**	100
The National Mutual Life Association of Australasia Limited	Australia	Ord	**100**	100

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

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

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

6.2 Acquisitions and disposals of controlled entities

(a) Acquisitions and disposals of controlled operating entities

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

(b) Acquisitions and disposals of controlled entities of AMP Life statutory funds

In the course of normal operating investment activities, the AMP Life statutory funds acquire equity interests in entities which, in some cases, result in AMP holding a controlling interest in the investee entity.

Most acquisitions and disposals of controlled entities are in relation to managed investment schemes with underlying net assets typically comprising investment assets including cash. The consideration for acquisitions or disposals reflects the fair value of the investment assets at the date of the transactions after taking into account minority interests.

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

6.3 Investments in associates

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

Associate	Principal activity	Place of business	Ownership interest 2019 %	Ownership interest 2018 %	Carrying amount[1] 2019 $m	Carrying amount[1] 2018 $m
China Life Pension Company[2]	Pension company	China	**19.99**	19.99	**325**	305
AIMS AMP Capital Industrial REIT[3]	Industrial property trust	Singapore	**–**	10	**–**	101
China Life AMP Asset Management Company Ltd	Investment management	China	**15**	15	**53**	49
Global Infrastructure Fund Sponsor[4]	Fund	Cayman Islands	**5**	5	**101**	98
Global Infrastructure Fund II[4]	Fund	Cayman Islands	**5**	5	**124**	81
PCCP LLC[2]	Investment management	United States	**24.9**	24.9	**144**	145
Other (individually immaterial associates)			**n/a**	n/a	**104**	145
Total investments in associates accounted for using the equity method					**851**	924

1 The carrying amount is after recognising $72m (2018: $42m) 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 This has been disposed during the year and all proceeds were received.
4 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 the life entities' statutory funds measured at fair value through profit or loss

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

Accounting policy – recognition and measurement

Investments in associates

Investments in associates accounted for using the equity method

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

Any impairment is recognised in the 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 the 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

	2019 $m	2018 $m
(a) Statement of comprehensive income – AMP Limited entity		
Dividends and interest from controlled entities	**153**	545
Service fee revenue	**17**	4
Other income	**–**	1
Operating expenses	**(20)**	(3)
Impairment of investments in controlled entities	**(3,173)**	(2,489)
Finance costs	**(44)**	(55)
Income tax credit[1]	**58**	17
Loss for the year	**(3,009)**	(1,980)
Total comprehensive loss for the year	**(3,009)**	(1,980)
(b) Statement of financial position – AMP Limited entity		
Current assets		
Cash and cash equivalents	**9**	8
Receivables and prepayments[2]	**325**	57
Current tax assets	**392**	130
Loans and advances to subsidiaries	**253**	–
Non-current assets		
Investments in controlled entities	**6,838**	9,911
Loans and advances to subsidiaries	**1,558**	1,007
Deferred tax assets[3]	**51**	47
Total assets	**9,426**	11,160
Current liabilities		
Payables[2]	**565**	239
Provisions	**2**	1
Subordinated debt[4]	**277**	–
Non-current liabilities		
Subordinated debt[4]	**1,036**	1,043
Total liabilities	**1,880**	1,283
Net assets	**7,546**	9,877
Equity – AMP Limited entity		
Contributed equity	**10,402**	9,610
Share-based payment reserve	**24**	21
Retained earnings[5]	**(2,880)**	246
Total equity	**7,546**	9,877

1 Dividend income from controlled entities $128m (2018: $514m) is not assessable for tax purposes. Income tax credit includes $45m (2018: $8m) utilisation of previously unrecognised tax losses.
2 Receivables and payables include tax-related amounts receivable from subsidiaries $125m (2018: $53m) and payable to subsidiaries $533m (2018: $207m).
3 Deferred tax assets include amounts recognised for losses available for offset against future taxable income $43m (2018: $45m).
4 The AMP Limited entity is the issuer of: AMP Wholesale Capital Notes; AMP Capital Notes, AMP Capital Notes 2, AMP Subordinated Notes and AMP Notes 3. Further information on these is provided in note 3.2.
5 Changes in retained earnings comprise $3,009m loss (2018: $1,980m loss) for the year less dividends paid of $117m (2018: $715m).

(c) Contingent liabilities of the AMP Limited entity

The AMP Limited entity has entered into deeds to provide capital maintenance and liquidity support to AMP Bank Limited. At the reporting date, the likelihood of any outflow in settlement of these obligations is considered remote.

Section 7: Other disclosures

This section includes disclosures other than those covered in the previous sections, required for the AMP group to comply with the accounting standards and pronouncements.

7.1 Notes to Consolidated statement of cash flows
7.2 Commitments
7.3 Provisions and contingent liabilities
7.4 Auditors' remuneration
7.5 New accounting standards
7.6 Events occurring after reporting date

7.1 Notes to Consolidated statement of cash flows

	2019 $m	2018 $m
(a) Reconciliation of cash flow from operating activities		
Net (loss) profit after income tax	**(2,434)**	51
Depreciation of operating assets	**74**	22
Amortisation and impairment of intangibles	**2,546**	239
Investment gains and losses and movements in external unitholders' liabilities	**(7,472)**	8,258
Dividend and distribution income reinvested	**(4,180)**	(5,502)
Share-based payments	**4**	5
(Increase) in receivables, intangibles and other assets	**(567)**	(569)
Increase (decrease) in net policy liabilities	**3,315**	(6,769)
Increase (decrease) in income tax balances	**279**	(937)
(Decrease) increase in other payables and provisions	**(674)**	1,221
Cash flows used in operating activities	**(9,109)**	(3,981)
(b) Reconciliation of cash		
Comprises:		
Cash and cash equivalents	**4,539**	3,932
Short-term bills and notes (included in Debt securities)	**3,643**	3,450
Cash and cash equivalents for the purpose of the Statement of cash flows	**8,182**	7,382

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 include other highly liquid investments not subject to significant risk of change in value, with short periods to maturity, net of outstanding bank overdrafts. Bank overdrafts are shown within Interest-bearing liabilities in the Consolidated statement of financial position.

7.2 Commitments

(a) Commitments for leases not yet commenced

The future lease payments for which the group is committed but the leases have not yet commenced as at 31 December 2019 are $748m (2018: $819m). Lease commitments do not include non-lease components per AMP's accounting policy based on AASB 16 *Leases*.

(b) Buy-back arrangements

AMP has contractual arrangements with financial advice businesses in the AMP advice network to purchase their client registers at agreed values subject to certain conditions being met. These buy-back arrangements include arrangements known as Buyer of Last Resort (BOLR). Advice businesses must register their intention to invoke buy-back arrangements, which have six to 18-month lead times and are subject to audit prior to finalising the purchase price. The pipeline of buy-back arrangements where an intention to invoke has been registered is $235m (2018: $163m), $228m of which relates to arrangements expected to settle in the next 12 months. The commitment value has been disclosed as the unaudited value as advised by the advice businesses. AMP's experience is that the ultimate purchase price after audit is typically less than the initially advised value and not all of the buy-backs progress to completion. Over the 12 months ended 31 December 2019, $98m was paid for executed buy-back arrangements.

Where a notice of intention to invoke the buy-back arrangement has been received as at 31 December 2019 and AMP has concluded that the purchase price of the register exceeds the value of the client register to AMP, or where on-going service arrangements would be unable to be serviced or sold, a provision has been raised for the difference. Refer to note 7.3 for further details.

(c) Investment commitment

At 31 December 2019 AMP Capital Finance Limited, a controlled entity of AMP Limited, had uncalled investment commitments of $417m (2018: $265m) in relation to certain funds managed by AMP Capital. Subsequent to the reporting date, $103m of this committed capital was invested by AMP Capital Finance Limited into AMP Capital managed funds.

7.3 Provisions and contingent liabilities

	2019 $m	2018 $m
(a) Provisions		
Restructuring[1]	**27**	19
Client remediation	**652**	656
Buy-back arrangements	**116**	–
Other[2]	**181**	132
Total provisions	**976**	807

	Restructuring[1] $m	Client remediation $m	Buy-back arrangements $m	Other[2] $m	Total $m
(b) Movements in provisions					
Balance at the beginning of the year	19	656	–	132	807
Additional provisions made during the year	19	217	145	139	520
Provisions used during the year	(11)	(221)	(29)	(90)	(351)
Balance at the end of the year	**27**	**652**	**116**	**181**	**976**

1 Restructuring provisions are recognised in respect of programs that materially change the scope of the business or the manner in which the business is conducted.

2 Other provisions are in respect of various other operational provisions. $24m (2018: $28m) 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.

A contingent liability is disclosed where a legal or constructive obligation is possible, but not probable; or where the obligation is probable, but the financial impact of the event is unable to be reliably estimated.

7.3 Provisions and contingent liabilities (continued)

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 for.

From time to time, the AMP group may incur obligations or suffer financial loss arising from litigation or contracts entered into in the normal course of business, including guarantees issued by the parent for performance obligations of controlled entities in the AMP group. Legal proceedings threatened against AMP may also, if filed, result in AMP incurring obligations or suffering financial loss. A contingent liability exists in relation to actual and likely potential legal proceedings.

Where it is determined that the disclosure of information in relation to a contingent liability can be expected to seriously prejudice the position of the AMP group (or its insurers) in a dispute, accounting standards allow the AMP group not to disclose such information. It is the AMP group's policy that such information is not disclosed in this note.

Industry and regulatory compliance investigations

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

AMP is undertaking additional reviews concurrently with these regulatory investigations to determine, amongst other things, where clients may have been disadvantaged. In some instances, compensation has been paid and where the results of our reviews have reached the point that customer compensation is likely and can be reliably estimated then a provision has been raised.

Client remediation

AMP is progressing with its customer review and remediation programs which are seeking to identify and compensate clients who have suffered loss or detriment as a result of either:

- inappropriate advice from their adviser; or
- where clients have been charged an advice service fee without the provision of financial advice services (or insufficient evidence of the provision of financial services).

Provisions have been raised for both of these items, inclusive of the costs to perform the review and implement the remediation process. The measurement of provisions is based on assumptions used to estimate the customer remediation payments, including evidence failure rates and compensation amounts, which require significant judgement. As the review progresses, additional information may arise or further issues may be identified, which could have a significant impact on the final compensation and the costs of the programs. Consequently, the total costs associated with this matter remain uncertain.

Provisions for client remediation do not include amounts for potential recoveries from advisers and insurers.

Inappropriate advice

AMP continues to progress with the identification and compensation of clients who have suffered loss or detriment as a result of receiving inappropriate advice from their adviser. The scope of the review includes the period from 1 January 2009 to 30 June 2015 specified by ASIC in Report 515 Financial advice: Review of how large institutions oversee their advisers. AMP has extended its review to 30 June 2017. The provision also includes any instances of inappropriate advice identified through ongoing monitoring and supervision activities.

Compensation has been and continues to be paid and a provision exists for further compensation payable as the review progresses and client reviews are completed. AMP has adjusted its provision estimate for future compensation based on the actual experience of remediating clients and the expected future costs of operating the program. The provision includes a component for advisers for whom a remediation review has not yet commenced and the determination of compensation for any given client is not known with certainty until immediately prior to payment.

Advice service fee (fees for no service)

AMP has progressed on the identification and compensation of clients of advisers who have been charged an ongoing service fee without the provision of financial advice services (or where there is insufficient evidence of the provision of financial advice services). This involves a large-scale review of fee arrangements from 1 July 2008 as specified by ASIC in Report 499 Financial advice: Fees for no service. Sampling of customer files has been conducted across AMP licensees and has identified instances in the review period where clients have paid fees and there is insufficient evidence to support that the associated service had been performed. In such instances, clients have been remediated.

AMP has developed a process for client review and remediation, which on current estimates is expected to finish mid-2021. AMP has made significant progress in the execution of the remediation program, including agreeing major policies with ASIC. Throughout the program AMP continues to engage with ASIC on its progress and approach.

The provision for advice service fee client compensation and the future costs of executing the remediation program is judgemental and has been estimated using multiple assumptions derived from the sampling conducted to date. Assumptions used include evidence failure rates, average fees to be refunded and compensation for lost earnings.

7.3 Provisions and contingent liabilities (continued)

Other matters

In addition to the above items, other reviews in relation to fees charged to clients have been performed during the year, including corporate plan service fees, fees charged to clients without an active adviser and deceased estates. Those reviews are largely complete. Where the reviews have identified instances of clients having suffered loss or detriment, compensation has been paid. As at 31 December 2019, provisions of $22m have been raised for the estimated remaining compensation due to clients, including lost earnings, for these matters. The provisions are judgemental and the actual compensation to clients could vary from the amounts provided.

Buy-back arrangements

AMP has contractual arrangements with financial advice businesses in the aligned AMP advice network to purchase their client registers at agreed multiples to revenues subject to certain conditions being met. These buy-back arrangements include arrangements known as Buyer of Last Resort (BOLR). Advice businesses must register their intention to invoke buy-back arrangements, which have six to 18-month lead times and are subject to audit prior to finalising the purchase price. Client registers are either acquired outright by AMP or AMP facilitates a sale to an existing business within the aligned AMP advice network. The BOLR Master Terms and other buy-back arrangements were modified on 8 August 2019.

Where a notice of intention to invoke the buy-back arrangement has been received as at 31 December 2019 and AMP has concluded that the purchase price of the register exceeds the value of the client register to AMP, or where on-going service arrangements would be unable to be serviced or sold, a provision has been raised for the difference. The provision is judgemental and the actual loss incurred upon settlement of the arrangement may vary significantly from the provision.

A contingent liability exists in relation to buy-back arrangements where a notice of intention could occur in future periods.

Litigation

Shareholder class actions

During May and June 2018, AMP Limited was served with five competing shareholder class actions, one filed in the Supreme Court of NSW and the others filed in the Federal Court of Australia. The actions follow the financial advice hearing block in the Royal Commission in April 2018 and allege breaches by AMP Limited of its continuous disclosure obligations. Each action is on behalf of shareholders who acquired an interest in AMP Limited shares over a specified time period. The claims are yet to be quantified and participation has not been determined. Subsequently, the four proceedings commenced in the Federal Court of Australia were transferred to the Supreme Court of NSW. The Supreme Court of NSW determined that a consolidated class action (of two of the class actions) should continue, and the other three proceedings were permanently stayed. An appeal against that decision was filed by one of the unsuccessful plaintiffs, and that appeal was subsequently dismissed (a further application for leave to appeal has been filed in the High Court of Australia). AMP Limited has filed its defence to the proceedings. Currently it is not possible to determine the ultimate impact of these claims, if any, upon AMP. AMP Limited is vigorously defending these actions.

Superannuation class actions

During May and June 2019, certain subsidiaries of AMP Limited were served with two class actions in the Federal Court of Australia. The first of those class actions relates to the fees charged to members of certain of AMP superannuation funds. The second of those actions relates to the fees charged to members, and interest rates received and fees charged on cash-only fund options. The two proceedings were brought on behalf of certain superannuation clients and their beneficiaries. Subsequently, the Federal Court ordered that the two proceedings be consolidated into one class action, a consolidated claim was filed and defences were filed on behalf of the respondent AMP Limited-subsidiaries. The claims are yet to be quantified and participation has not been determined. Currently, it is not possible to determine the ultimate impact of these claims, if any, upon AMP. The proceedings are being vigorously defended.

7.4 Auditors' remuneration

	2019 $'000	2018 $'000
AMP Limited and other corporate entities in the consolidated group		
Audit services		
Audit or review of financial statements	**6,731**	6,107
Other audit services[1]	**1,596**	1,340
Total audit service fees	**8,327**	7,447
Non-audit services		
Taxation services	**499**	766
Other services[2]	**1,063**	1,028
Total non-audit services fees	**1,562**	1,794
Total auditors' remuneration for AMP Limited and other corporate entities	**9,889**	9,241
Managed Investment Schemes and Superannuation Funds Audit services		
Audit or review of financial statements	**8,005**	7,696
Other audit services[1]	**452**	371
Total audit service fees	**8,457**	8,067
Non-audit services		
Taxation services	**45**	274
Other services[3]	**173**	280
Total non-audit services fees	**218**	554
Total auditors' remuneration for managed investment schemes and superannuation funds	**8,675**	8,621
Total auditors' remuneration	**18,564**	17,862

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

7.5 New accounting standards

(a) New and amended accounting standards adopted by the AMP group

A number of new accounting standards and amendments have been adopted effective 1 January 2019. These have not had a material effect on the financial position or performance of the AMP group other than as described below.

AASB 16 *Leases*

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

AMP has applied the 'modified retrospective' method in adopting AASB 16 without restating the comparative information for 2018 as permitted by the transitional provisions of the standard. The adoption of the modified retrospective approach resulted in recognition of the cumulative effect of the initial adjustment to retained earnings, for certain leases, as at 1 January 2019.

7.5 New accounting standards (continued)

The following table identifies the impacts of the adoption of AASB 16 on the Consolidated statement of financial position and equity balances as at 1 January 2019:

	Right of use assets $m	Lease liabilities[1] $m	Retained earnings (net of tax) $m	Total equity $m
Balance at 31 December 2018	–	–	(886)	6,791
Adoption of AASB 16	199	(209)	(7)	(7)
Balance at 1 January 2019	**199**	**(209)**	**(893)**	**6,784**

1 These do not include commitments to enter leases which have not yet commenced.

Opening balance reconciliation:
The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

	$m
Lease commitments at 31 December 2018 (undiscounted)	1,241
Lease commitments not commenced at 1 January 2019	(966)
Short-term leases	(13)
Discounting impact	(27)
Non-lease components and other items[1]	(26)
Opening lease liabilities at 1 January 2019	**209**

1 Non-lease components are incorporated within the opening lease commitments but are excluded from lease liabilities.

Accounting policy – recognition and measurement

At inception, the AMP group assesses whether a contract is or contains a lease. Such assessment involves the application of judgement as to whether:

– the contract involves the use of an identified asset;
– the group obtains substantially all the economic benefits from the asset; and
– the group has the right to direct the use of the asset.

It is AMP's policy to separate non-lease components when recognising the lease liability.

The group recognises a right of use (ROU) asset and a lease liability at the lease commencement date. The ROU asset is initially measured as the present value of future lease payments, plus initial direct costs and restoration costs of the underlying asset, less any lease incentives received. The ROU asset is depreciated over the shorter of the lease term and the useful life of the underlying asset. The ROU asset is tested for impairment if there is an indicator, and is adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of future lease payments discounted using the group's incremental borrowing rate. Lease payments generally include fixed payments and variable payments that depend on an index, eg CPI. A lease liability is remeasured when there is a change in future lease payments from a change in an index, or if the group's assessment of whether an option will be exercised changes.

Interest expense on lease liabilities is recognised within finance costs in the Consolidated income statement.

The group has elected not to recognise ROU assets and lease liabilities for leases where the lease term is less than or equal to 12 months. Payments for such leases are recognised as an expense on a straight-line basis over the lease term.

Right of use assets:
The main type of ROU asset recognised by the group is buildings. The following table details the carrying amount of the ROU assets at 31 December 2019 and the movements during the year.

	Buildings $m	Total $m
Upon adoption of AASB 16 at 1 January 2019	199	199
Net additions during the year	96	96
Depreciation expense	(50)	(50)
Closing balance at 31 December 2019	**245**	**245**

7.5 New accounting standards (continued)

Lease liabilities:
The following table details the carrying amount of lease liabilities at 1 January 2019 and the movements during the year.

	$m
Upon adoption of AASB 16 at 1 January 2019	209
Net additions during the year	100
Interest expense	10
Payments made	(53)
Closing balance at 31 December 2019	**266**

The AMP group paid an amount of $13m in relation to short-term leases and $1m in relation to variable lease payments. The total cash outflow for leases in 2019 was $67m.

AASB Interpretation 23 *Uncertainty over Income Tax Treatments*
AASB Interpretation 23 *Uncertainty over Income Tax Treatments* clarifies the application of the recognition and measurement criteria in AASB 112 *Income Taxes* when there is uncertainty over income tax treatments. The Interpretation specifically addresses whether an entity considers uncertain tax treatments separately, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and how an entity considers changes in facts and circumstances.

The group adopted the interpretation on 1 January 2019. Upon adoption, the group assessed whether it has any uncertain tax positions. The adoption of this interpretation did not have a material impact on the 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 17 *Insurance Contracts*
AASB 17 *Insurance Contracts* (AASB 17) introduces significant changes to accounting for life insurance contracts and the reporting and disclosures in relation to those contracts. AASB 17 does not change the underlying economics or cash flows of the life insurance business; however, there will be significant changes to the measurement of insurance contract liabilities including the amount of deferred acquisition costs and the profit emergence profiles from life insurance contracts.

Since the standard was issued, various implementation matters have been raised by stakeholders and the International Accounting Standards Board (IASB) is currently considering certain targeted amendments to the standard. The IASB proposes to announce resolution of any amendments later in 2020.

As it currently stands, the mandatory adoption date is 1 January 2021. However, one of the proposed changes being considered by the IASB is the deferral of the effective date for adoption of the new standard. Subject to the outcome of the IASB's process, the new effective date is proposed for financial reporting periods beginning on 1 January 2022.

In addition to the financial reporting impacts, regulators are considering their response to the new standard which may lead to changes in the determination of capital requirements, income tax and prudential reporting.

Due to the complexities of the requirements, evolving interpretations and the potential changes to the original standard, it is not yet practicable to quantify the financial impact on the AMP group's life insurance business. In some cases, the final impact of the new requirements will not be determined until any amendments, interpretations and regulatory responses to the new standard are determined. The AMP group is continuing to develop its implementation plans for the adoption of AASB 17.

7.6 Events occurring after reporting date

On 27 June 2018, ASIC brought civil penalty proceedings against AMP Financial Planning Pty Limited (AMPFP), a wholly-owned subsidiary of AMP Limited, alleging contraventions of the Corporations Act 2001 by AMPFP relating to the alleged conduct of certain of its authorised financial advisers over the period of 2013 to 2015 in providing advice to clients in relation to the replacement of life insurance policies by cancellation and new application rather than by transfer.

On 5 February 2020, the Federal Court of Australia determined there were six contraventions and that a civil penalty of $5.175 million should be imposed, with formal orders to give effect to the penalty to follow in due course. AMP acknowledges the Federal Court's decision and the penalty amount has been included as a provision within the financial statements.

As at the date of this report, the directors are not aware of any other matters or circumstances that have arisen since the end of the financial year that have significantly affected, or may significantly affect:
– the AMP group's operations in future years;
– the results of those operations in future years; or
– the AMP group's state of affairs in future financial years.

Directors' declaration

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 2019 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 2019 include an explicit and unreserved statement of compliance with the International Financial Reporting Standards; and

(d) the declarations required by section 295A of the Corporations Act 2001 have been given to the directors.

David Murray
Chairman
Sydney, 13 February 2020

Francesco De Ferrari
Chief Executive Officer and Managing Director

Independent Auditor's Report

to the Shareholders of AMP Limited

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Report on the Financial Report for the Year Ended 31 December 2019

Opinion

We have audited the financial report of AMP Limited (the Company) and its subsidiaries (collectively the Group or AMP), which comprises the consolidated statement of financial position as at 31 December 2019, 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 2019 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.

Report on the Financial Report (continued)

Provisions – Customer Remediation

31 December 2019 Financial report reference: Section 7.3: Provisions and contingent liabilities

Why significant	How our audit addressed the matter

– AMP has recorded provisions in relation to customer remediation programs amounting to $652 million, and disclosed related contingent liabilities, at 31 December 2019 as set out in Section 7.3. The remediation provision has arisen due to obligations to compensate clients as a result of either:
  – inappropriate advice from their adviser; or
  – where clients have been charged an advice fee without the provision of financial advice services (or insufficient evidence of provision of financial services).
– Provisions for remediation can only be raised when it is possible to reliably estimate the quantum of the remediation cost and if this is not possible, they are disclosed as a contingent liability.
– Significant judgement was involved in assessing customer remediation matters and in determining a reliable measurement of the required provisions. Accordingly, we considered this to be a key audit matter.
– Key areas of judgement included:
  – whether sufficient information existed to allow provisions to be reliably measured;
  – the setting of model assumptions including remediation rates, average compensation amounts, resources required and time to complete the program; and
  – timing of probable remediation payments.
	Our audit procedures included the following:
	– We evaluated evidence of potential obligations through an assessment of customer complaints, regulatory and breach notifications, claims and litigation.
	– We considered the status of the various customer remediation programs including the results of management investigations, engagement with regulators and key decisions made by the Group regarding the program approach through discussions with management and directors, and review of board minutes and papers.
	– We assessed key modelling assumptions used to calculate provisioned amounts.
	– We involved modelling specialists to test arithmetic accuracy of the financial model.
	– We assessed the manner in which remediation costs have been accounted for and whether this is in accordance with Australian Accounting Standards.
	– For those matters where the Group determined that a sufficiently reliable estimate of the obligation could not be made, we assessed this conclusion and the related contingent liability disclosures required by Australian Accounting Standards.

Report on the Financial Report (continued)

Impairment of Advice Related Assets and Buyer of Last Resort Obligations

31 December 2019 Financial report reference: See references below

Why significant	How our audit addressed the matter

The Group has exercised significant judgement in recording provisions for the following matters:
– As disclosed in section 7.3 of the financial report, the Group has significant exposure in relation to the Buyer of Last Resort (BOLR) arrangements arising from:
  – historic purchases of planner registers which remain on balance sheet;
  – the contingent right and obligation to purchase future registers; and
  – registers held as collateral supporting practice finance loans.
– As disclosed in section 2.2 of the financial report, AMP has acquired advice registers which are recorded as inventory or intangibles depending on their nature. The assumptions used in the impairment model for intangible assets valuation provisioning reflect the removal of recurring revenues related to grandfathered commissions with effect from 31 January 2020.
– As disclosed in section 3.3 of the financial report, AMP Bank also has practice finance loans to AMP Advisers as at 31 December 2019, for which provisions for expected credit losses are required to be booked in accordance with Australian Accounting Standards.
Key areas of judgement include:
– assumptions within the impairment model on the valuation of the planner registers such as: recurring revenue multiple, projected revenue life and the discount rates used on the impairment model;
– classification of leased registers on the balance sheet between inventory and intangibles;
– practice finance loans facilities with the practice registers as collateral. Assumptions used in assessing expected credit losses include the historical data of practice revenue and collateral discount applied to consider volatility in register valuations; and
– whether the BOLR terms represent an onerous contract and require a provision to be recorded. Due the high level of judgement required in determining these amounts, we considered this to be a key audit matter.
	Our audit procedures included the following:
	– We assessed the Group's analysis of the impact of the removal of grandfathered commissions and the reassessment of other key assumptions in impairment models, to assess the reasonableness of carrying values and impairment outcomes.
	– We considered the Group's assessment of market and contractual factors in determining whether an onerous contract exists at 31 December 2019 in relation to BOLR arrangements. We considered the Group's assessment of market and contractual factors in determining the loan impairment recognised against the practice finance loan book. We considered whether the discounts applied are within an appropriate range and provision coverage was reasonable.
	– We assessed the disclosures of the assumptions, uncertainties and associated judgements in relation to these matters.
	– We assessed the appropriateness of contingent liability disclosures against requirements of Australian Accounting Standards.

Report on the Financial Report (continued)

Valuation of Life Insurance Policy Liabilities

31 December 2019 Financial report reference: Section 4.1: Accounting for life insurance and investment contracts

Why significant	How our audit addressed the matter
– Life insurance policy liabilities total $23,505 million and represent 16.5% of total liabilities at 31 December 2019 as set out in note 4.2. – 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. Accordingly, they were considered to be a key audit matter. Key areas of judgement included: – discount rates; – inflation and indexation; – forecast lapse rates, particularly for the wealth protection book of business; – forecast rates of mortality and morbidity for the wealth protection and mature books of business; and – future maintenance and investment expenses.	To assess the assumptions used to determine the value of policyholder liability, we have performed the following audit procedures, amongst others, in conjunction with our actuarial specialists. – We reassessed the policyholder liability, regulatory capital balances and related disclosures included within the financial reports against the Life Prudential Standards and Australian Accounting Standards. – We assessed the policy liability valuation process including the inputs into the calculation. – We evaluated the design and operating effectiveness of associated information technology system controls relating to the policy valuations. – We assessed the qualifications, competence and objectivity of the AMP life entities' Appointed Actuary. – Our actuarial specialists assessed the reasonableness of the valuation methodology, key assumptions, and the interpretation of prudential standards that affect the policy liability valuation. – Our actuarial specialists assessed, on a sample basis, adjustments that were made to the valuation model outputs. – We assessed the adequacy of policy liability disclosures included in the financial report against the requirements of Australian Accounting Standards.

Report on the Financial Report (continued)

Goodwill and Intangible Assets

31 December 2019 Financial report reference: Section 2.2: Intangibles

Why significant	How our audit addressed the matter
– Goodwill has arisen from AMP's historical acquisitions, representing the excess of the purchase consideration over the fair value of net assets acquired. – Following a $1,968 million impairment charge of Australian wealth management and Australian and New Zealand wealth protection and mature cash-generating units (CGUs) at 30 June 2019, AMP has $172 million of goodwill as described in section 2.2 Intangibles of the financial report as at 31 December 2019. – An impairment assessment of goodwill was performed, comparing the carrying value of each relevant CGU with its recoverable amount. The recoverable amount of each CGU was determined by calculating the CGU's fair value less cost of disposal. – Intangible assets for in-force contracts, distribution networks and capitalised costs total $691 million as at 31 December 2019 as described in section 2.2 Intangibles of the financial report. 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. An impairment charge was recorded against capitalised costs during the year. Key areas of judgement included the following assumptions used to calculate recoverable amounts, which differ by CGU and level of risk and judgement: – Australian Wealth Management – Discounted Cash Flow (DCF) using assumption on Advice business reshaping, projected market returns, product margins and cost savings. – Australian and New Zealand wealth protection and mature – Adjusts the expected sale proceeds for the sale of AMP Life to Resolution Life for the recoverable amount. – AMP Capital is based on an average market 'consensus multiple' from a group of analysts. – New Zealand wealth management uses a discounted cash flow analysis with assumptions and input aligned to the prevailing strategic plan.	Our audit procedures included the following: – Assessed whether the methodology used by the Group for impairment assessment purposes was in accordance with the requirements of Australian Accounting Standards. – Assessed the key assumptions in the fair value calculations such as transaction values resulting from sale and purchase arrangements, risk discount rates, and forecast new business growth rates and cost bases. – Performed sensitivity analysis on the impact of changes in those assumptions. – Where required, we involved valuation specialists to test the arithmetic accuracy of the impairment model and assess key assumptions such as risk discount rates, forecast new business growth rates and cost bases and reasonableness of price/earnings multiples. – For amortising intangible assets such as in-force, distribution networks and capitalised costs, 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. – We assessed the adequacy of impairment disclosures included in the financial report against the requirements of Australian Accounting Standards.

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 2019 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 Group are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional 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 2019.

In our opinion, the Remuneration Report of AMP for the year ended 31 December 2019 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young
Andrew Price
Partner
Sydney

13 February 2020

Securityholder information

Distribution of AMP Capital Notes 2 holdings as at 13 February 2020

Range	Number of holders	Notes held	% of issued Notes
1–1,000	3,409	988,401	36.95
1,001–5,000	252	520,170	19.45
5,001–10,000	22	152,881	5.72
10,001–100,000	17	440,527	16.47
100,001 and over	3	573,021	21.42
Total	**3,703**	**2,675,000**	**100.00**

Twenty largest AMP Capital Notes 2 holdings as at 13 February 2020

Rank	Name	Notes held	% of issued Notes
1	HSBC Custody Nominees (Australia) Limited	285,749	10.68
2	Citicorp Nominees Pty Limited	163,931	6.13
3	Mutual Trust Pty Ltd	123,341	4.61
4	Navigator Australia Ltd <MLC Investment Sett A/C>	60,132	2.25
5	Australian Executor Trustees Limited <IPS Super A/C>	56,014	2.09
6	BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd DRP	42,089	1.57
7	National Nominees Limited	36,775	1.37
8	Trustees of Church Property for the Diocese of Newcastle <Savings & Development A/C>	31,960	1.19
9	Netwealth Investments Limited <Wrap Services A/C>	28,120	1.05
10	Filbury P/L <Piekarski Grand Invest A/C>	25,800	0.96
11	Nulis Nominees (Australia) Limited <Navigator Mast Plan Sett A/C>	25,045	0.94
12	Australian Executor Trustees Limited <IPS IDPS A/C>	24,923	0.93
13	HSBC Custody Nominees (Australia) Limited – A/C 2	22,011	0.82
14	Netwealth Investments Limited <Super Services A/C>	15,481	0.58
15	J P Morgan Nominees Australia Pty Limited	15,028	0.56
16	T G B Holdings Pty Ltd	14,100	0.53
17	Brownbuilt Pty Limited	11,285	0.42
18	Invia Custodian Pty Limited <A/M Unit A/C>	10,907	0.41
19	Mr James Vincent Chester Guest <RJCG F A/C>	10,657	0.40
20	Lightningedge Pty Ltd	10,200	0.38
Total		**1,013,548**	**37.89**

Securityholder information (continued)

Distribution of AMP Capital Notes 3 holdings as at 13 February 2020

Range	Number of holders	Notes held	% of issued Notes
1–1,000	3,149	937,985	34.11
1,001–5,000	279	590,239	21.46
5,001–10,000	17	128,882	4.69
10,001–100,000	14	514,688	18.72
100,001 and over	2	578,206	21.03
Total	**3,461**	**2,750,000**	**100.00**

Twenty largest AMP Capital Notes 3 holdings as at 13 February 2020

Rank	Name	Notes held	% of issued Notes
1	HSBC Custody Nominees (Australia) Limited	460,006	16.73
2	Sargon CT Pty Ltd <DDH Preferred Income Fund>	118,200	4.30
3	J P Morgan Nominees Australia Pty Limited	90,198	3.28
4	UBS Nominees Pty Ltd	62,380	2.27
5	Netwealth Investments Limited <Wrap Services A/C>	59,529	2.16
6	Nora Goodridge Investments Pty Limited	50,000	1.82
7	John E Gill Trading Pty Ltd	47,395	1.72
8	Netwealth Investments Limited <Super Services A/C>	40,526	1.47
9	Elmore Super Pty Ltd <The Peabody Super Fund A/C>	30,000	1.09
10	National Nominees Limited	27,261	0.99
11	Harmanis Holdings Pty Ltd <The Harman Family A/C>	25,000	0.91
12	BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd DRP	21,344	0.78
13	Mutual Trust Pty Ltd	19,860	0.72
14	Nulis Nominees (Australia) Limited <Navigator Mast Plan Sett A/C>	15,795	0.57
15	Invia Custodian Pty Limited <A/M Unit A/C>	13,990	0.51
16	Invia Custodian Pty Limited <Baptistcare Long Term A/C>	11,410	0.41
17	G C F Investments Pty Ltd	10,000	0.36
17	MF Investments No 1 Pty Ltd	10,000	0.36
17	South Brisbane Hotel Pty Ltd <Sth Brisbane Hotel Unit A/C>	10,000	0.36
20	Specialist Nominees Pty Limited	9,750	0.35
Total		**1,132,644**	**41.19**

Distribution of AMP Wholesale Capital Notes holdings as at 13 February 2020

Range	Number of holders	Notes held	% of issued Notes
1–1,000	8	2,983	10.85
1,001–5,000	4	10,472	38.08
5,001–10,000	2	14,045	51.07
Total	**14**	**27,500**	**100.00**

Securityholder information (continued)

AMP Notes voting rights
AMP Wholesale Capital Notes and AMP Capital Notes confer no right to attend or vote at any general meeting of the shareholders of AMP Limited. If a holder's Notes convert into AMP Limited ordinary shares in accordance with the terms of the Notes, those shares will have the voting rights described on page 140.

Substantial holders as at 31 January 2020
The names of substantial holders in AMP Limited, and the number of ordinary shares which each substantial holder and the substantial holder's associates have a relevant interest in, as disclosed in substantial holding notices received by AMP Limited before 13 February 2020, are set out below. For details of the related bodies corporate of the substantial holders who also hold relevant interests in AMP Limited ordinary shares, refer to the substantial holding notices lodged with ASX, under the company code AMP.

Shareholder	Number of ordinary shares	Voting power %
Lazard Asset Management Pacific Co	235,114,471	6.84
Harris Associates Investment Trust	224,258,692	6.53
Allan Gray Investment Management	201,256,600	5.86
The Vanguard Group Inc.	195,531,341	5.69

Distribution of AMP Limited shareholdings as at 13 February 2020

Range	Number of holders	Ordinary shares held	% of issued shares
1–1,000	489,183	213,855,162	6.22
1,001–5,000	196,084	398,995,206	11.61
5,001–10,000	21,375	152,543,039	4.44
10,001–100,000	16,173	362,619,306	10.55
100,001 and over	572	2,308,586,528	67.18
Total	**723,387**	**3,436,599,241**	**100.00**

As at 13 February 2020, the total number of shareholders holding less than a marketable parcel of 276 shares is 162,363.

Twenty largest AMP Limited shareholdings as at 13 February 2020

Rank	Name	Ordinary shares held	% of issued capital
1	HSBC Custody Nominees (Australia) Limited	1,034,483,867	30.10
2	J P Morgan Nominees Australia Pty Limited	450,798,679	13.12
3	Citicorp Nominees Pty Limited	284,324,060	8.27
4	BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	75,500,119	2.20
5	HSBC Custody Nominees (Australia) Limited – GSCO ECA	71,044,702	2.07
6	National Nominees Limited	59,586,605	1.73
7	BNP Paribas Noms Pty Ltd <DRP>	46,158,144	1.34
8	HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	19,590,576	0.57
9	Citicorp Nominees Pty Limited <Colonial First State INV A/C>	19,324,908	0.56
10	Netwealth Investments Limited <Wrap Services A/C>	15,622,404	0.45
11	BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd DRP	10,748,724	0.31
12	Argo Investments Limited	10,381,674	0.30
13	BNP Paribas Noms Pty Ltd <ING Bank NV WIA DRP>	10,000,000	0.29
13	Mr Kenneth Joseph Hall <Hall Park A/C>	10,000,000	0.29
15	AMP Life Limited	8,194,320	0.24
16	Netwealth Investments Limited <Super Services A/C>	6,378,410	0.19
17	Aigle Royal Superannuation Pty Ltd <A Poli Super Fund A/C>	5,500,000	0.16
18	BNP Paribas Nominees Pty Ltd <Agency Lending Collateral>	3,960,000	0.12
19	HSBC Custody Nominees (Australia) Limited – A/C 2	3,281,770	0.10
20	Gwynvill Trading Pty Limited	3,054,000	0.09
Total		**2,147,932,962**	**62.50**

Securityholder information (continued)

AMP Limited shares voting rights
The voting rights attached to AMP Limited ordinary shares are that each registered holder of shares present in person (or by proxy, attorney or representative) at a meeting of shareholders has one vote on a vote taken by a show of hands, and one vote for each fully paid share held on a vote taken by a poll.

Options and rights granted under the Equity Incentive Plan
As at 13 February 2020, AMP Limited had the following unquoted options and rights on issue under its Equity Incentive Plan:
- 13,650,783 share rights, of which the number of holders was 199.
- 41,866,387 performance rights, of which the number of holders was 52.

Options, share rights and performance rights do not give the holder an entitlement to be issued AMP Limited shares. AMP Limited generally has the discretion to satisfy vested options and rights by way of the issue, on market purchase or transfer of shares (or by an equivalent cash payment). Options, share rights and performance rights do not confer any voting rights on the holder unless and until they vest and are converted into shares. For further details of options and rights on issue, refer to pages 110 to 117 (note 5.3 Share-based payments) and the remuneration report.

Number of Share Rights on issue as at 13 February 2020

Size of holding	Number of holders	Share rights
1–1,000	–	–
1,001–5,000	10	36,226
5,001–10,000	6	49,699
10,001–100,000	150	4,403,669
100,001 and over	33	9,161,189
Total	**199**	**13,650,783**

Number of Performance Rights on issue as at 13 February 2020

Size of holding	Number of holders	Performance rights
1–1,000	–	–
1,001–5,000	–	–
5,001–10,000	–	–
10,001–100,000	–	–
100,001 and over	52	41,866,387
Total	**52**	**41,866,387**

On market acquisitions for employee incentive schemes during the financial year ended 31 December 2019
10,980,931 AMP Limited ordinary shares were purchased on market to satisfy entitlements under AMP's employee incentive schemes at an average price per share of $2.26.

Stock exchange listings
AMP Limited's ordinary shares are quoted on the Australian Securities Exchange and on the New Zealand Stock Exchange. AMP capital notes are quoted on the Australian Securities Exchange.

Restricted securities
There are no restricted securities on issue.

Buy-back
There is no current on market buy-back.

Glossary

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

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

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

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), nominated 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 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 performance period, if a specific performance hurdle is met.

Return on equity (RoE)
Return on equity (RoE) is a measure previously 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, 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 and drive performance during the year.

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

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

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

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