ASX Announcement

14 February 2019

Manager
ASX Market Announcements
Australian Securities Exchange
Level 4, 20 Bridge Street
Sydney NSW 2000

Client and Market Services Team
NZX Limited
Level 1, NZX Centre, 11 Cable Street
PO Box 2959
Wellington, New Zealand

AMP Limited (ASX/NZX: AMP)

Full Year Financial Results

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Part One: Appendix 4E

Appendix 3A.1

Part Two: AMP reports FY 18 results

Part Three: Investor presentation

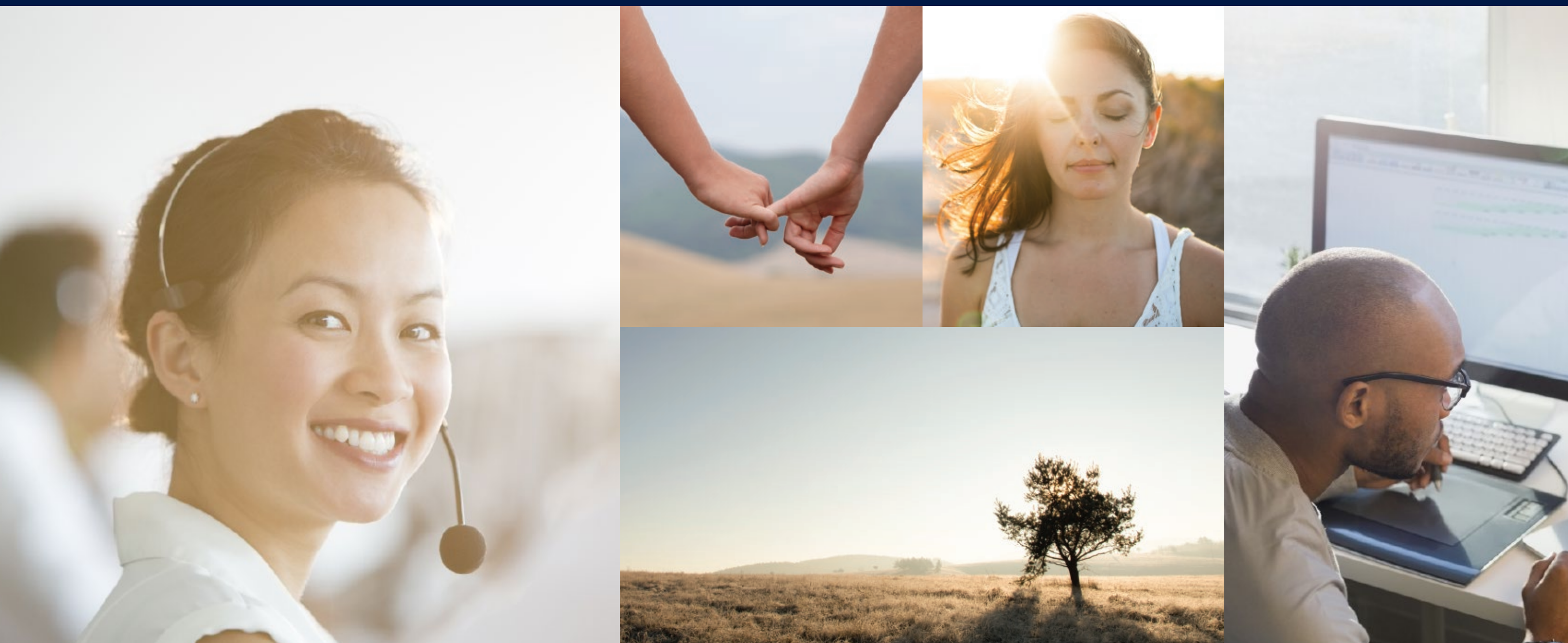
Part Four: Investor report

AMP Limited
33 Alfred Street, Sydney NSW 2000 Australia
ABN 49 079 354 519

Public Affairs
T 02 9257 6127
E media@amp.com.au
W AMP.com.au/media
AMP_AU

Investor report

Full year 2018



Management and contact details

AMP group leadership team

Francesco De Ferrari	Chief Executive Officer
Megan Beer[1]	Chief Executive, AMP Life
Sally Bruce[1]	Chief Executive, AMP Bank
David Cullen	Group General Counsel
Jenny Fagg	Chief Risk Officer
Gordon Lefevre	Chief Financial Officer
Helen Livesey	Group Executive, Public Affairs and Chief of Staff
Craig Ryman[1]	Chief Operating Officer
Adam Tindall	Chief Executive, AMP Capital
Blair Vernon[1]	Chief Executive, New Zealand Wealth Management
Alex Wade[1]	Chief Executive, Australian Wealth Management
Fiona Wardlaw	Group Executive, People and Culture

1 Effective 4 March 2019.

Investor relations

Howard Marks Director, Investor Relations
Telephone 61 2 9257 7109
Email howard_marks@amp.com.au

Michael Vercoe Senior Institutional Investor Relations Manager
Telephone 61 2 9257 4244
Email michael_vercoe@amp.com.au

Online reports

This Investor Report is available online at **amp.com.au/shares** along with other investor relations information.

Contents

AMP	FY 18 performance summary	2
	Financial summary	3
Five year summary		5
AMP business unit results	Australian wealth management	6
	AMP Capital	10
	AMP Bank	14
	New Zealand wealth management	16
	Sold businesses	18
Group Office and other items of profit and loss		20
Capital structure	Regulatory capital requirements and capital management framework	22
	Capital adequacy	23
	Capital position, movements and dividends	24
	Debt and liquidity overview	25
Additional AMP group information	Sensitivities – profit and capital	26
	Market share and channel analysis	28
	AMP Capital investment performance	29
Glossary of terms	Definitions of business units and exchange rates	30
	Accounting treatment and definitions	31
Key dates for shareholders		33

Important note

This Investor Report provides financial information reflecting after income tax results for AMP shareholders. Information is provided on an operational basis (rather than a statutory basis) to reflect a management view of the businesses and existing structures. Content is prepared using external market data and internal management information. The principles of life insurance accounting are used in reporting the results of the Australian and New Zealand wealth protection and mature businesses. This Investor Report is not audited.

Profit attributable to shareholders of AMP Limited has been prepared in accordance with Australian Accounting Standards.

Forward looking statements in this Investor Report are based on management's current views and assumptions and involve known and unknown risks and uncertainties, many of which are beyond AMP's control and could cause actual results, performance or events to differ materially from those expressed.

These forward looking statements are not guarantees or representations of future performance, and should not be relied upon.

This Investor Report is not an offer document and therefore has not been the subject of a full due diligence process typically used for an offer document. While AMP has sought to ensure that information in this Investor Report is accurate by undertaking a review process, it makes no representation or warranty as to the accuracy or completeness of any information or statement in this Investor Report. In particular, information and statements in this Investor Report do not constitute investment advice or a recommendation on any matter, and should not be relied upon.

AMP also provides statutory reporting prescribed under the Corporations Act 2001. Those accounts will be available from AMP's website amp.com.au and reflect policyholder and shareholder interests.

Resolution Life transaction

On 25 October 2018, AMP announced that it had entered into a sale and purchase agreement with Resolution Life for the sale of AMP Life. This effectively includes the Australian and New Zealand wealth protection and mature business units. These are referred to consistently in this report as 'sold' businesses.

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

The results of Australian wealth management and New Zealand wealth management also include earnings attributable to Resolution Life from 1 July 2018.

FY 18 performance summary

Key performance measures

- FY 18 underlying profit of A$680m is down A$360m (-35%) from A$1,040m in FY 17. This decrease largely reflects the impact of sold businesses with the operating earnings of retained businesses marginally weaker than in FY 17, driven by lower earnings for Australian wealth management (-7%), offset by growth in AMP Capital (+7%) and AMP Bank (+6%).
- Australian wealth management earnings of A$363m declined 7% from FY 17, driven by higher margin compression from MySuper repricing in Q4 18, lower revenues from weaker investment markets and impairments to the carrying value of client registers in 2H 18.
- Australian wealth management net cash outflows were A$3,968m in FY 18, down from net cashflows of A$931m in FY 17 reflecting a range of factors including the impact of AMP's appearance at the Royal Commission in 2018.
- AMP Capital external net cashflows were A$4,219m, down from A$5,477m in FY 17. External net cashflows were driven by strong flows into real asset classes (infrastructure and real estate), in part offset by lower cashflows from Asian based investors.
- FY 18 operating loss of sold businesses is A$3m, driven by capitalised losses and negative claims experience in 2H 18.
- Underlying return on equity decreased 4.7 percentage points to 9.6% in FY 18 from FY 17 reflecting reduced operating earnings in the Australian wealth protection business.

Revenue measures

- Total AUM of A$258b[1] in FY 18 up A$1b on FY 17.
- Australian wealth management AUM decreased 5.5% to A$123b in FY 18 from FY 17. FY 18 investment related revenue decreased 4% and investment related revenue to AUM fell 8 bps (8%) to 93 bps from FY 17.
- AMP Capital AUM decreased A$0.5b (0.3%) to A$187b in FY 18 from FY 17. Fee income increased 7% to A$708m in FY 18 from FY 17, driven by growth in AUM based management fees.
- AMP Bank total loans increased 3% to A$20b in FY 18 from FY 17. Net interest income increased 9% and net interest margin was unchanged at 1.70% from FY 17.

Cost measures

- AMP group cost to income ratio was 55.8% in FY 18, up from 46.2% in FY 17, largely driven by lower revenue.
- AMP group controllable costs (including sold businesses) increased A$5m to A$1,366m, largely due to increases in AMP Capital and AMP Bank costs, offset by lower variable remuneration and the full year impact of cost efficiency initiatives undertaken in FY 17.
- Total controllable costs to AUM has decreased in FY 18 to 52 bps.
- Excluding AMP Capital, FY 18 controllable costs decreased A$36m (4%) on FY 17 to A$913m.
- Australian wealth management cost to income ratio increased 0.3 percentage points to 46.4% in FY 18. Controllable costs decreased by A$28m from FY 17 to A$462m, reflecting lower variable remuneration, the full year impact of cost efficiency initiatives undertaken during 2017 and lower project costs.
- AMP Capital cost to income ratio increased 0.8 percentage points from FY 17 to 62.3% in FY 18, reflecting increased costs to support international growth. Controllable costs increased by A$41m to A$453m in FY 18.

Capital management and dividend

- FY 18 Level 3 eligible capital resources were A$1,651m above minimum regulatory requirements, down from A$2,338m at 31 December 2017, largely due to dividends, advice remediation provisions and the impact of best estimate assumption changes in Australian wealth protection.
- FY 18 final dividend of 4.0 cents per share (cps) declared, franked at 90%, representing a full year 2018 dividend payout ratio of 60% of underlying profit.
- The dividend reinvestment plan (DRP) continues to operate and AMP intends to issue new shares to participants in the DRP.

1 Includes SuperConcepts assets under administration, refer to page 9.

Financial summary

A$m	FY 18	2H 18	1H 18	FY 17	% FY
Profit and loss					
Australian wealth management[1]	**363**	159	204	391	(7.2)
AMP Capital[2]	**167**	73	94	156	7.1
AMP Bank	**148**	70	78	140	5.7
New Zealand wealth management[1]	**53**	25	28	54	(1.9)
Retained businesses operating earnings	**731**	327	404	741	(1.3)
Australian wealth protection	**(176)**	(177)	1	110	n/a
New Zealand wealth protection and mature	**39**	11	28	71	(45.1)
Australian mature	**134**	64	70	150	(10.7)
Sold businesses operating earnings[3]	**(3)**	(102)	99	331	n/a
BU operating earnings	**728**	225	503	1,072	(32.1)
Group Office costs	**(76)**	(47)	(29)	(74)	(2.7)
Total operating earnings	**652**	178	474	998	(34.7)
Underlying investment income[2]	**96**	44	52	95	1.1
Interest expense on corporate debt	**(68)**	(37)	(31)	(53)	(28.3)
Underlying profit	**680**	185	495	1,040	(34.6)
Advice remediation and related costs	**(469)**	(157)	(312)	-	n/a
Royal Commission	**(32)**	(19)	(13)	-	n/a
Portfolio review and related costs	**(48)**	(29)	(19)	(24)	(100.0)
Risk management, governance and controls	**(8)**	(8)	-	-	n/a
Other items	**(74)**	(33)	(41)	(21)	n/a
Amortisation of acquired intangible assets[2]	**(79)**	(39)	(40)	(80)	1.3
Profit/(loss) before market adjustments and accounting mismatches	**(30)**	(100)	70	915	n/a
Market adjustment – investment income[2]	**(28)**	(18)	(10)	(39)	28.2
Market adjustment – annuity fair value	**12**	4	8	4	200.0
Market adjustment – risk products	**24**	9	15	(18)	n/a
Accounting mismatches	**50**	18	32	(14)	n/a
Profit/(loss) attributable to shareholders of AMP Limited	**28**	(87)	115	848	(96.7)

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

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

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

Financial summary cont'd

		FY 18	2H 18	1H 18	FY 17
Earnings					
EPS – underlying (cps)[1]		**23.3**	6.3	17.0	35.5
EPS – actual (cps)		**1.0**	(3.0)	4.0	29.3
RoE – underlying		**9.6%**	5.3%	13.8%	14.3%
RoE – actual		**0.4%**	(2.5%)	3.2%	11.7%
Dividend					
Dividend per share (cps)		**14.0**	4.0	10.0	29.0
Dividend payout ratio – underlying		**60%**	63%	59%	81%
Franking rate[2]		**90%**	90%	50%	90%
Ordinary shares on issue (m)[1]		**2,937**	2,937	2,918	2,918
Weighted average number of shares on issue (m)	– basic[1]	**2,923**	2,928	2,918	2,930
	– fully diluted[1]	**2,942**	2,946	2,939	2,952
	– statutory	**2,897**	2,904	2,889	2,896
Market capitalisation – end period (A$m)		**7,197**	7,197	10,390	15,147
Capital management					
AMP shareholder equity (A$m)		**6,683**	6,683	6,956	7,276
Corporate debt (excluding AMP Bank debt) (A$m)		**1,849**	1,849	1,995	1,681
S&P gearing		**17%**	17%	13%	9%
Interest cover – underlying (times)		**11.0**	11.0	18.3	20.6
Interest cover – actual (times)		**1.4**	1.4	9.9	17.0
Margins					
Australian wealth management investment related revenue to AUM (bps)		**93**	91	96	101
AMP Capital AUM based management fees to AUM (bps) – external		**46.2**	47.6	44.9	46.0
AMP Bank net interest margin (over average interest earning assets)		**1.70%**	1.67%	1.72%	1.70%
Cashflows and AUM					
Australian wealth management cash inflows (A$m)		**25,084**	12,100	12,984	32,548
Australian wealth management cash outflows (A$m)		**(29,052)**	(15,195)	(13,857)	(31,617)
Australian wealth management net cashflows (A$m)		**(3,968)**	(3,095)	(873)	931
Australian wealth management persistency[3]		**88.3%**	87.7%	89.0%	89.2%
AMP Capital net cashflows – external (A$m)		**4,219**	2,628	1,591	5,477
AMP Capital net cashflows – internal (A$m)		**(6,991)**	(3,870)	(3,121)	(2,591)
AMP Capital AUM (A$b)[4]		**187**	187	190	188
Non-AMP Capital managed AUM (A$b)		**71**	71	71	69
Total AUM (A$b)[5]		**258**	258	261	257
Controllable costs (pre-tax) and cost ratios					
Operating costs (A$m)		**1,229**	652	577	1,205
Project costs (A$m)		**137**	72	65	156
Total controllable costs (A$m)		**1,366**	724	642	1,361
Cost to income ratio		**55.8%**	69.0%	45.9%	46.2%
Controllable costs to average AUM (bps)		**52**	55	50	55

1 Number of shares has not been adjusted to remove treasury shares.
2 Full year franking rate is the franking applicable to the final dividend for that year.
3 Excludes SuperConcepts AUA.
4 FY 18 includes AMP Capital's 24.9% share of PCCP. AUM measured at net asset value (A$1.5b).
5 Includes SuperConcepts assets under administration, refer to page 9.

Five year summary

		FY 18	FY 17	FY 16	FY 15	FY 14
Earnings						
Total operating earnings (A$m)		**652**	998	423	1,054	990
Underlying profit (A$m)		**680**	1,040	486	1,120	1,045
Profit attributable to shareholders of AMP Limited (A$m)		**28**	848	(344)	972	884
EPS – underlying (cps)[1]		**23.3**	35.5	16.4	37.9	35.3
EPS – actual (cps)		**1.0**	29.3	(11.7)	33.3	30.3
RoE – underlying		**9.6%**	14.3%	5.6%	13.2%	12.7%
RoE – actual		**0.4%**	11.7%	(4.0%)	11.5%	10.8%
Dividend						
Dividend per share (cps)		**14.0**	29.0	28.0	28.0	26.0
Dividend payout ratio – underlying[2]		**60%**	81%	85%	74%	74%
Franking rate[3]		**90%**	90%	90%	90%	80%
Ordinary shares on issue (m)[1]		**2,937**	2,918	2,958	2,958	2,958
Weighted average number of shares on issue (m)	– basic[1]	**2,923**	2,930	2,958	2,958	2,958
	– fully diluted[1]	**2,942**	2,952	2,976	2,978	2,983
	– statutory	**2,897**	2,896	2,929	2,918	2,920
Share price for the period (A$)	– low	**2.27**	4.75	4.42	5.30	4.12
	– high	**5.47**	5.47	5.96	6.79	5.93
Margins						
Australian wealth management investment related revenue to AUM (bps)		**93**	101	107	112	117
AMP Capital AUM based management fees to AUM (bps) – external		**46.2**	46.0	47.0	45.4	45.2
AMP Bank net interest margin (over average interest earning assets)		**1.70%**	1.70%	1.67%	1.59%	1.41%
Financial position						
AMP shareholder equity (A$m)		**6,683**	7,276	7,489	8,623	8,346
Corporate debt (excluding AMP Bank debt) (A$m)		**1,849**	1,681	1,562	1,801	1,458
S&P gearing		**17%**	9%	9%	10%	10%
Interest cover – underlying (times)[4]		**11.0**	20.6	9.2	20.0	14.6
Interest cover – actual (times)[4,5]		**1.4**	17.0	6.5	17.5	12.5
Cashflows and AUM						
Australian wealth management net cashflows (A$m)		**(3,968)**	931	336	2,213	2,281
Australian wealth management persistency[6]		**88.3%**	89.2%	90.2%	89.9%	89.1%
AMP Capital net cashflows – external (A$m)		**4,219**	5,477	967	4,434	3,723
AMP Capital AUM (A$b)[7]		**187**	188	165	160	151
Non-AMP Capital managed AUM (A$b)[8]		**71**	69	75	66	63
Total AUM (A$b)[9]		**258**	257	240	226	214
Controllable costs (pre-tax) and cost ratios						
Controllable costs (pre-tax) – AMP (A$m)		**1,366**	1,361	1,393	1,329	1,315
Cost to income ratio – AMP		**55.8%**	46.2%	63.7%	43.8%	44.8%
Controllable costs to average AUM (bps)		**52**	55	62	59	64
Staff numbers						
Total staff numbers[10]		**6,189**	5,697	5,464	5,420	5,407

1 Number of shares has not been adjusted to remove treasury shares.
2 FY 16 calculated based on underlying profit excluding capitalised losses and other one-off experience items.
3 Full year franking rate is the franking applicable to the final dividend for that year.
4 Calculated on a rolling 12 month basis. FY 16 calculated including one-off experience losses of A$485m incurred in 2H 16.
5 Calculated on a rolling 12 month basis. FY 16 calculated excluding A$668m goodwill impairment incurred in 2H 16.
6 Excludes SuperConcepts AUA.
7 FY 18 includes AMP Capital's 24.9% share of PCCP. AUM measured at net asset value (A$1.5b).
8 FY 14 AUM adjusted for SuperConcepts AUA account consolidation.
9 Includes SuperConcepts assets under administration, refer to page 9.
10 Excludes advisers.

Australian wealth management

Profit and loss (A$m)	FY 18[1]	2H 18[1]	1H 18	FY 17	% FY
Revenue					
Investment related[2]	**1,213**	594	619	1,263	(4.0)
Other[3]	**96**	39	57	108	(11.1)
Total revenue	**1,309**	633	676	1,371	(4.5)
Investment management expense	**(331)**	(167)	(164)	(325)	(1.8)
Controllable costs[4]	**(462)**	(239)	(223)	(490)	5.7
Tax expense	**(153)**	(68)	(85)	(165)	7.3
Operating earnings[1]	**363**	159	204	391	(7.2)
Underlying investment income	**13**	7	6	12	8.3
Underlying operating profit after income tax	**376**	166	210	403	(6.7)

Ratios and other data	FY 18[1]	2H 18[1]	1H 18	FY 17	% FY
RoBUE	**37.5%**	33.3%	41.6%	39.2%	n/a
End period tangible capital resources – after transfers (A$m)	**898**	898	934	982	(8.5)
Net cashflows (A$m)[5]	**(3,968)**	(3,095)	(873)	931	n/a
AUM (A$b)[5]	**123.2**	123.2	132.0	130.4	(5.5)
Average AUM (A$b)[5,6]	**130.1**	130.0	130.3	124.7	4.3
Persistency[5]	**88.3%**	87.7%	89.0%	89.2%	n/a
Cost to income ratio	**46.4%**	50.1%	42.9%	46.1%	n/a
Investment related revenue to AUM (bps)[2,5,6,7]	**93**	91	96	101	n/a
Investment management expense to AUM (bps)[2,5,6,7]	**25**	25	25	26	n/a
Investment related revenue less variable costs to AUM (bps)[2,5,6,7]	**68**	66	71	75	n/a
Controllable costs to AUM (bps)[6,7]	**35**	36	35	39	n/a
Operating earnings to AUM (bps)[5,6,7]	**28**	24	31	31	n/a

1 Operating earnings in FY 18 and 2H 18 includes A$42m (after-tax) relating to internal distribution fees and product revenue for the benefit of Resolution Life pursuant to the sale and purchase agreement announced on 25 October 2018.
2 Investment related revenue refers to revenue on superannuation, retirement income and investment products.
3 Other revenue includes SuperConcepts revenues and product fees, platform fees and advice fees received by licensees on Australian wealth protection products and movements in the value of client registers purchased.
4 Includes SuperConcepts.
5 Excludes SuperConcepts AUA.
6 Based on average of monthly average AUM.
7 Ratio based on 184 days in 2H 18 and 181 days in 1H 18.

Australian wealth management cont'd

Business overview

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.

Operating earnings

Operating earnings fell by A$28m from FY 17 to A$363m in FY 18. The decrease in operating earnings was largely due to lower investment related revenue arising from margin compression, including MySuper price changes and lower Other revenue impacts, in part offset by lower controllable costs reflecting lower variable remuneration and the full year impact of business efficiency initiatives executed in FY 17.

Other revenue

Other revenue decreased by A$12m (11%) from FY 17 to A$96m in FY 18, driven by impairments to the carrying value of client registers in 2H 18, offset partly by growth in SuperConcepts revenue.

Resolution Life transaction impacts

As outlined on page 1, Resolution Life assumes the risks and is entitled to profit impacts from the AMP Life sale with effect from 1 July 2018, subject to risk sharing arrangements. For the Australian wealth management business, this includes the cessation of internal distribution arrangements between Advice and the Australian wealth protection and mature businesses. Income relating to this is reported in Other revenue. In addition, investment related revenue will reduce due to adjustments for tax and product revenues transferring with the sale.

Operating earnings in 2H 18 include A$42m (after-tax) which will be attributed for the benefit of Resolution Life when the transaction settles. The full year equivalent amount is approximately A$85m (after-tax).

On a full year basis for the Australian wealth management business these impacts will reflect in reduced investment related revenues of A$40m, reduced Other revenues of A$75m and increased investment management expenses of A$10m. These are all pre-tax amounts.

As Australian wealth management will no longer operate its master trust business under a Life Company structure, the investment fee revenues earned on capital guaranteed investment options on corporate super products will move to Resolution Life with a reduction in capital requirements.

Investment related revenue to AUM

FY 18 investment related revenue to AUM was 93 bps, a 8 bps (8%) reduction from FY 17. Fee compression of 5 bps was experienced in 2H 18, largely driven by MySuper price changes (2 bps) and product mix changes from continuing strong growth of cashflows to the MyNorth series within North. Investment related revenue to AUM for North was 57 bps in FY 18 across both administration and multi-manager investment revenue.

MySuper AUM balances were A$20.1b at FY 18 and investment related revenue to AUM for MySuper was approximately 100 bps in FY 18.

MySuper pricing changes implemented in Q3 18 are expected to reduce MySuper investment related revenue margins by 17 bps and overall margins by a further 3 bps in FY 19.

Including the MySuper repricing, and subject to any further regulatory impacts and management initiatives, underlying margin compression is expected to be up to 8 bps in FY 19.

FY 18 investment management expenses to AUM declined 1 bp to 25 bps due to product mix changes with a lower proportion of AUM attracting investment fee expense.

SuperConcepts

SuperConcepts incorporates a range of SMSF services and products including fund administration, accounting software and education for individual members, intermediaries and accountants.

Across administration and software services, SuperConcepts supports 51,258 funds representing 8.6% of the SMSF market[1]. AMP currently provides professional administration services to 21,310 funds and software as a service to a further 29,948 funds. Total assets under administration in FY 18 were A$26.7b, up 15% from FY 17. During 2H 18, a significant number of software funds were terminated (including read only access funds) when SuperConcepts decommissioned its Desktop Super software. The termination of software funds had a negligible impact on revenues.

SuperConcepts revenue is reported as part of 'Other' revenue and forms part of WM's consolidated reporting. SuperConcepts contributed A$43m from business operations to 'Other' revenue in FY 18, up A$6m[2] on FY 17.

Controllable costs

WM controllable costs decreased A$28m (6%) in FY 18 to A$462m. This was largely driven by lower variable remuneration and project costs as well as the full year impact of 2017 cost efficiency initiatives.

1 Self-managed Super Fund Quarterly Statistical Report, Australian Taxation Office, September 2018.
2 Increase includes a A$4m adjustment for amortisation on SMSF business acquisitions which is now included in amortisation of acquired intangible assets.

Australian wealth management cont'd

FY 18 cashflows

Cashflows by product (A$m)	Cash inflows FY 18	Cash inflows FY 17	Cash inflows % FY	Cash outflows FY 18	Cash outflows FY 17	Cash outflows % FY	Net cashflows FY 18	Net cashflows FY 17	Net cashflows % FY
North[1]	14,620	17,375	(15.9)	(10,634)	(11,695)	9.1	3,986	5,680	(29.8)
AMP Flexible Super[2]	2,467	4,424	(44.2)	(4,219)	(5,105)	17.4	(1,752)	(681)	(157.3)
Summit, Generations and iAccess[3]	701	1,564	(55.2)	(2,459)	(3,288)	25.2	(1,758)	(1,724)	(2.0)
Flexible Lifetime Super (superannuation and pension)[4]	1,574	1,862	(15.5)	(3,548)	(3,382)	(4.9)	(1,974)	(1,520)	(29.9)
Other retail investment and platforms[5]	233	294	(20.7)	(450)	(363)	(24.0)	(217)	(69)	(214.5)
Total retail on AMP platforms	**19,595**	**25,519**	(23.2)	**(21,310)**	**(23,833)**	10.6	**(1,715)**	**1,686**	n/a
SignatureSuper and AMP Flexible Super – Employer	2,932	3,783	(22.5)	(2,990)	(2,589)	(15.5)	(58)	1,194	n/a
Other corporate superannuation[6]	1,466	1,599	(8.3)	(2,214)	(2,076)	(6.6)	(748)	(477)	(56.8)
Total corporate superannuation	**4,398**	**5,382**	(18.3)	**(5,204)**	**(4,665)**	(11.6)	**(806)**	**717**	n/a
Total retail and corporate superannuation on AMP platforms	**23,993**	**30,901**	(22.4)	**(26,514)**	**(28,498)**	7.0	**(2,521)**	**2,403**	n/a
External platforms[7]	1,091	1,647	(33.8)	(2,538)	(3,119)	18.6	(1,447)	(1,472)	1.7
Total Australian wealth management	**25,084**	**32,548**	(22.9)	**(29,052)**	**(31,617)**	8.1	**(3,968)**	**931**	n/a

Australian wealth management cash inflow composition (A$m)	FY 18	FY 17	% FY
Member contributions	3,518	4,864	(27.7)
Employer contributions	4,159	4,191	(0.8)
Total contributions	7,677	9,055	(15.2)
Transfers, rollovers in and other[8]	17,407	23,493	(25.9)
Total Australian wealth management	**25,084**	**32,548**	(22.9)

1 North is an award-winning fully functioning wrap platform which includes guaranteed and non-guaranteed options.
2 AMP Flexible Super is a flexible all in one superannuation and retirement account for individual retail business.
3 Summit and Generations are owned and developed platforms. iAccess is ipac's badge on Summit.
4 Flexible Lifetime Super (superannuation and pension) was closed to new business from 1 July 2010. A small component of corporate superannuation schemes are included.
5 Other retail investment and platforms include Flexible Lifetime – Investments and AMP Personalised Portfolio.
6 Other corporate superannuation comprises CustomSuper, SuperLeader and Business Super.
7 External platforms comprise Asgard, Macquarie, BT Wrap platforms and Challenger annuities.
8 Transfers, rollovers in and other includes the transfer of accumulated member balances into AMP from both internal (eg retail superannuation to allocated pension/annuities) and external products.

Cashflow overview

Australian wealth management net cash outflows were A$3,968m in FY 18, compared to net cash inflows of A$931m in FY 17. FY 17 benefited from A$521m in Corporate Super mandate wins and higher member contributions in the lead up to the 1 July 2017 changes to contribution limits. Pension payments to customers remained steady at A$2.4b in FY 18.

Both cash inflows and outflows were impacted by A$4.8b lower internal product transfers following heightened transfers in FY 17 in the lead up to 1 July 2017 changes and lower inflows from new pension customers, who typically consolidate funds in superannuation before transferring to pension.

Cashflows since Q2 18 have been impacted by weaker inflows and higher outflows to customers reflecting a range of factors including AMP's appearance at the Royal Commission in 2018.

Member contributions were A$3.5b in FY 18, a decrease of A$1.3b (28%) from FY 17, reflecting higher non-concessional contributions in 1H 17 prior to 1 July 2017 changes to contribution limits.

Internal inflows across WM products were A$13.0b in FY 18 (A$17.8b in FY 17), representing 52% (55% in FY 17) of total WM cash inflows.

Retail on AMP platforms

AMP's retail platforms comprise platforms which are owned, developed, and operated by AMP in contrast to external platforms which are administered by other platform providers. Net cashflows on AMP retail platforms fell by A$3.4b in FY 18 driven by lower member contributions and increasing outflows from AMP. Internal inflows from other AMP products were A$4.3b lower in FY 18.

North net cashflows of A$4.0b were down A$1.7b (30%) on FY 17. Externally sourced inflows fell A$598m (9%) whilst external outflows increased A$997m (31%). 39% of North's net cashflows were externally sourced in FY 18, down from 56% in FY 17 with net cashflow from internal products down A$98m to A$2.4b.

North AUM increased A$3.0b to A$37.9b in FY 18, while AUM held in North's capital guaranteed product fell A$238m to A$1.8b in FY 18.

AMP Flexible Super net cash outflows were A$1.8b in FY 18, driven by increasing preference for new and existing retirement customers to use North over AMP Flexible Super. AMP Flexible Super AUM fell A$1.8b (11%) to A$14.6b in FY 18, driven by weak net cashflows.

Summit, Generations and iAccess net cash outflows were A$1.8b in FY 18, driven by lower inflows due to a preference for North, partially offset by lower outflows as AUM declines.

Australian wealth management cont'd

FY 18 AUM

AUM (A$m)	FY 17 AUM	FY 18 net cashflows: Super-annuation	Pension	Investment	Total net cashflows	Other movements[1]	FY 18 AUM
North	34,926	1,983	1,043	960	3,986	(1,030)	37,882
AMP Flexible Super	16,342	(559)	(1,193)	-	(1,752)	(4)	14,586
Summit, Generations and iAccess	11,388	(610)	(880)	(268)	(1,758)	(258)	9,372
Flexible Lifetime Super (superannuation and pension)[2]	24,198	(1,484)	(490)	-	(1,974)	(605)	21,619
Other retail investment and platforms	2,545	-	-	(217)	(217)	(95)	2,233
Total retail on AMP platforms	**89,399**	**(670)**	**(1,520)**	**475**	**(1,715)**	**(1,992)**	**85,692**
SignatureSuper and AMP Flexible Super – Employer	18,510	(8)	(50)	-	(58)	(588)	17,864
Other corporate superannuation[3]	13,055	(748)	-	-	(748)	(307)	12,000
Total corporate superannuation	**31,565**	**(756)**	**(50)**	**-**	**(806)**	**(895)**	**29,864**
Total retail and corporate superannuation on AMP platforms	**120,964**	**(1,426)**	**(1,570)**	**475**	**(2,521)**	**(2,887)**	**115,556**
External platforms	9,425	(291)	(432)	(724)	(1,447)	(319)	7,659
Total Australian wealth management	**130,389**	**(1,717)**	**(2,002)**	**(249)**	**(3,968)**	**(3,206)**	**123,215**
Australian wealth management – SuperConcepts[4]							
Assets under administration	23,204					3,478	26,682
Total AUM	**153,593**	**(1,717)**	**(2,002)**	**(249)**	**(3,968)**	**272**	**149,897**

Australian wealth management – AUM by asset class	FY 17	FY 18
Cash and fixed interest	30%	30%
Australian equities	31%	29%
International equities	27%	28%
Property	6%	6%
Other	6%	7%
Total	**100%**	**100%**

1 Other movements include fees, investment returns, distributions, taxes, and foreign exchange movements.
2 Flexible Lifetime Super (superannuation and pension) includes A$5.0b in MySuper (FY 17 A$5.2b).
3 Other corporate superannuation includes A$5.6b in MySuper (FY 17 A$5.9b).
4 SuperConcepts assets under administration includes AMP SMSF, Multiport, Cavendish, SuperIQ, yourSMSF, JustSuper, Ascend and SuperConcepts platforms, but does not include Multiport Annual, SuperConcepts Accountants Outsource, SMSF Managers and MORE Superannuation.

Flexible Lifetime Super (superannuation and pension) was closed to new business from 1 July 2010. In FY 18, net cash outflows increased by A$454m to A$2.0b reflecting the impact of AMP's appearance at the Royal Commission.

Other retail and investment platforms net cash outflows in FY 18 increased by A$148m to A$217m, driven by lower inflows into both the AMP Personalised Portfolio platform and Flexible Lifetime – Investments. A large replacement policy of A$71m overstates both inflows and outflows.

Corporate superannuation

Total corporate superannuation reported net cash outflows of A$806m in FY 18, relative to net cash inflows of A$717m in FY 17. The decline from FY 17 was driven by lower mandate wins and higher outflows since Q2 18. FY 17 benefited from A$521m of large corporate super mandate wins.

There were no outflows from loss of large corporate super mandates in FY 18. There has been an increased level of employer review of corporate super arrangements since AMP's appearance at the Royal Commission, with AMP retaining the majority of large mandates following completion of review.

AMP's corporate offerings, SignatureSuper and AMP Flexible Super – Employer, had net cash outflows of A$58m, down A$1.3b on FY 17. There were no large mandate wins within SignatureSuper in FY 18 (FY 17 A$521m) with no plan transitions from CustomSuper (FY 17 A$116m).

Other corporate superannuation comprising CustomSuper, SuperLeader and Business Super, experienced net cash outflows of A$748m in FY 18, an increase of A$271m from FY 17. The decline in performance was driven by higher outflows since Q2 18.

External platforms

External platforms represent superannuation, pension and investment products on the Asgard, Macquarie, BT Wrap platforms and Challenger annuities.

In FY 18, external platform net cash outflows decreased by A$25m to A$1.4b.

AMP Capital

Profit and loss (A$m)	FY 18	2H 18	1H 18	FY 17	% FY
Internal AUM based management fees	**242**	121	121	234	3.4
External AUM based management fees	**309**	162	147	266	16.2
Non-AUM based management fees	**88**	48	40	84	4.8
Performance and transaction fees	**69**	17	52	75	(8.0)
Fee income	**708**	348	360	659	7.4
Controllable costs	**(453)**	(238)	(215)	(412)	(10.0)
Tax expense	**(66)**	(28)	(38)	(67)	1.5
Operating earnings before net seed pool income	**189**	82	107	180	5.0
Net seed and sponsor capital income	**7**	3	4	3	133.3
Operating earnings including minority interests	**196**	85	111	183	7.1
Minority interests in operating earnings	**(29)**	(12)	(17)	(27)	(7.4)
Operating earnings	**167**	73	94	156	7.1
Underlying investment income	**5**	3	2	4	25.0
Underlying operating profit after income tax	**172**	76	96	160	7.5
Controllable costs					
Employee related	**309**	162	147	284	8.8
Investment operations and other	**133**	71	62	109	22.0
Total operating costs	**442**	233	209	393	12.5
Project costs	**11**	5	6	19	(42.1)
Total controllable costs	**453**	238	215	412	10.0
Ratios and other data					
Cost to income ratio	**62.3%**	66.3%	58.3%	61.5%	n/a
Controllable costs to average AUM (bps)[1,2,3]	**23.8**	25.0	22.6	22.9	n/a
AMP Capital staff numbers[4]	**1,242**	1,242	1,183	1,145	8.5
AUM (A$b)[2]	**187.2**	187.2	190.5	187.7	(0.3)
Average AUM (A$b) – total[1,2,3,5]	**190.2**	190.2	190.3	179.6	5.9
Average AUM (A$b) – internal[1,3]	**123.3**	122.1	124.7	121.8	1.2
Average AUM (A$b) – external[1,2,5]	**66.9**	68.1	65.6	57.8	15.7
AUM based management fees to AUM (bps) – internal[1,3]	**19.6**	19.8	19.4	19.2	n/a
AUM based management fees to AUM (bps) – external[1,2]	**46.2**	47.6	44.9	46.0	n/a
Performance and transaction fees to AUM (bps)[1,2]	**3.6**	1.8	5.5	4.2	n/a
End period tangible capital resources – after transfers (A$m)[6]	**509**	509	415	318	60.1
RoBUE	**50.2%**	39.4%	63.8%	61.6%	n/a

1 Based on average of monthly average AUM.
2 FY 18 includes AMP Capital's 24.9% share of PCCP. AUM measured at net asset value (average A$1.2b; closing A$1.5b).
3 1H 18 results have been restated to include A$1.2b of internally managed AUM.
4 FY 18 includes 307 FTEs (268 in FY 17), primarily in shopping centres, for which the costs are recharged.
5 FY 18 Average AUM includes A$8.4b relating to joint ventures.
6 End period tangible capital resources are disclosed gross of minority interest.

Business overview

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. Mitsubishi UFJ Trust and Banking Corporation (MUFG: Trust Bank) holds a 15% ownership interest in AMP Capital.

AMP Capital holds a 15% stake in the China Life AMP Asset Management Company Limited (CLAMP), a funds management company which offers retail and institutional investors in China access to leading investment solutions.

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

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

AMP Capital cont'd

Delivery against the key priorities during the period saw a 7% increase in AMP Capital operating earnings.

Key operational and strategic highlights during FY 18 include:

– Continued expansion of AMP Capital's global footprint, increasing AUM managed on behalf of direct international institutional clients to A$17.3b (from A$12.0b in FY 17).
– Strong momentum in AMP Capital's global infrastructure equity platform and infrastructure debt series.
– Commencement of Quay Quarter Tower construction in Sydney.
– Investment of A$4.4b of real asset committed capital during FY 18, including in London Luton Airport and Invenergy Clean Power LLC.
– Strong further commitments into real asset capabilities with A$4.4b of uncalled committed capital at FY 18.

Operating earnings

AMP group's 85% share of AMP Capital's FY 18 operating earnings was A$167m, up 7% from A$156m in FY 17. AMP Capital's operating earnings benefited from strong fee income growth of 7%, partially offset by a 10% increase in controllable costs.

Fee income

Fee income increased 7% in FY 18 to A$708m from A$659m in FY 17. This was driven by a A$51m (10%) increase in AUM based management fees, a A$4m (5%) increase in non-AUM based management fees, partially offset by a A$6m (8%) decrease in performance and transaction fees.

Average AUM increased 6% to A$190b from A$180b, driven by investment of real asset committed capital, positive investment returns, positive external net cashflows and the inclusion of AMP's 24.9% share of US-based real estate investment manager PCCP's net assets under management (A$1.2b). Total AUM based management fees to AUM were 29.0 bps in FY 18. The increase from 27.8 bps in FY 17 reflects the ongoing portfolio shift to higher margin real asset businesses.

Internal AUM based management fees increased A$8m (3%) to A$242m in FY 18. The average internal AUM margin was 19.6 bps, higher than 19.2 bps in FY 17 and 19.4 bps in 1H 18.

External AUM based management fees increased A$43m (16%) from FY 17, driven by 16% growth in average AUM from investment of committed capital. External AUM margins of 46.2 bps were higher than 46.0 bps in FY 17 and 44.9 bps in 1H 18.

Non-AUM based management fees mainly comprise real estate management, development and leasing fees. Non-AUM based management fees were A$88m in FY 18, up A$4m (5%) from FY 17 due to an increase in real estate management fees.

FY 18 performance and transaction fees were A$69m, down A$6m from A$75m in FY 17. Infrastructure equity performance fees were A$16m lower than in FY 17 – whilst this revenue stream continues to reflect active asset management, strong market demand for infrastructure assets and continued low bond yields, it is reducing as prior period performance fees run-off. Transaction fees of A$17m were A$10m higher than in FY 17, this includes transaction revenue on infrastructure debt co-investment transactions.

Performance and transaction fees remain variable from period to period and are typically materially lower in 2H as most infrastructure funds attract performance fees for annual periods ending 30 June.

AMP Capital's new global infrastructure equity and debt fund series are closed end funds, meaning any carried interest will be recognised towards the end of the fund's lifetime rather than throughout the lifetime of the fund. This is expected to increase earnings variability over coming years.

Controllable costs

Controllable costs increased by A$41m (10%) in FY 18 to A$453m from FY 17. The increase in costs was largely due to higher employee costs reflecting investment in growth initiatives, including the expansion of AMP Capital's international business and delivery of the real estate development program domestically. Controllable costs are increasingly influenced by foreign exchange movements as the business grows internationally.

AMP Capital's cost to income ratio increased 0.8 percentage points from 61.5% in FY 17 to 62.3% in FY 18, reflecting increased costs to support growth and additional regulatory and compliance costs, as evidenced across the industry. AMP Capital continues to target a full year cost to income ratio between 60% and 65%.

Tax expense

AMP Capital's effective tax rate in FY 18 was 26.2%, down from 27.4% in FY 17. The effective tax rate is lower than the Australian corporate tax rate (30%), largely due to tax concessions on offshore activities and joint venture earnings which are recognised net of tax.

Net seed and sponsor capital income

FY 18 total seed and sponsor capital holdings were A$298m.

Sponsor capital investments include a stake in the Singapore Exchange listed AIMS AMP Capital Industrial REIT (AA REIT) and holdings in AMP Capital's Global Infrastructure Fund and Infrastructure Debt Fund series.

The seed capital investment at FY 18 is real asset related.

The FY 18 net seed and sponsor capital income of A$7m reflects distribution income and positive returns on investments, partly offset by debt funding costs.

In November 2018, AMP Capital announced an agreement to sell its 10.26% principal stake in AA REIT units. This is expected to complete by 30 September 2019 subject to conditions precedent.

Given the variable mix of short-term asset holdings and longer-term cornerstone investments, as well as asset return fluctuations, income from seed and sponsor capital will vary from period to period.

Investment performance

AMP Capital's purpose is to be a trusted partner delivering an outstanding investment experience for its clients. A key component of this experience is the delivery of strong investment performance.

As at December 2018, the proportion of AMP Capital's AUM performing at or above client goals was 61% over three years. Our internal target is 75% over three years.

In addition, the proportion of AMP Capital's infrastructure AUM performing at or above client goals over a three year period has been 100% for 43 consecutive months.

Assessed on the more conventional metric of performance versus market benchmarks, 68% of AUM has outperformed over a three year time period.

Performance of multi-asset balanced funds was constrained in 2018 by a lack of diversification in markets which challenged active management. In addition, relative peer performance continues to be impacted by lower exposure to unlisted assets in AMP Capital's multi-asset balanced funds.

The table on page 29 shows investment performance across all asset classes over various timeframes to 31 December 2018.

AMP Capital cont'd

Cashflows and AUM

Cashflows by asset class (A$m)	Cash inflows FY 18	Cash inflows FY 17	Cash inflows % FY	Cash outflows FY 18	Cash outflows FY 17	Cash outflows % FY	Net cashflows FY 18	Net cashflows FY 17	Net cashflows % FY
External									
Australian equities	251	250	0.4	(162)	(600)	73.0	89	(350)	n/a
International equities	847	1,078	(21.4)	(1,186)	(1,695)	30.0	(339)	(617)	45.1
Fixed interest	3,997	8,340	(52.1)	(4,163)	(6,690)	37.8	(166)	1,650	n/a
Infrastructure	4,718	3,445	37.0	(1,170)	(947)	(23.5)	3,548	2,498	42.0
Direct investments	-	-	n/a	-	(1)	n/a	-	(1)	n/a
Real estate	3,558	3,417	4.1	(2,371)	(1,056)	(124.5)	1,187	2,361	(49.7)
Alternative assets	72	88	(18.2)	(172)	(152)	(13.2)	(100)	(64)	(56.3)
Total external	**13,443**	**16,618**	(19.1)	**(9,224)**	**(11,141)**	17.2	**4,219**	**5,477**	(23.0)
Internal									
Australian equities	6,606	7,478	(11.7)	(8,769)	(8,779)	0.1	(2,163)	(1,301)	(66.3)
International equities	4,655	4,954	(6.0)	(6,415)	(5,630)	(13.9)	(1,760)	(676)	(160.4)
Fixed interest	11,952	22,342	(46.5)	(14,601)	(23,071)	36.7	(2,649)	(729)	(263.4)
Infrastructure	267	515	(48.2)	(459)	(588)	21.9	(192)	(73)	(163.0)
Direct investments	15	165	(90.9)	(121)	(120)	(0.8)	(106)	45	n/a
Real estate	193	421	(54.2)	(360)	(977)	63.2	(167)	(556)	70.0
Alternative assets	472	1,060	(55.5)	(426)	(361)	(18.0)	46	699	(93.4)
Total internal	**24,160**	**36,935**	(34.6)	**(31,151)**	**(39,526)**	21.2	**(6,991)**	**(2,591)**	(169.8)
Total	**37,603**	**53,553**	(29.8)	**(40,375)**	**(50,667)**	20.3	**(2,772)**	**2,886**	n/a

AUM by asset class (A$m)	FY 17	%	Net cashflows 1H 18	Net cashflows 2H 18	Investment returns and other[1]	FY 18	%
External							
Australian equities	965	2	22	67	(97)	957	1
International equities	6,720	11	(79)	(260)	(259)	6,122	9
Fixed interest	19,038	30	82	(248)	761	19,633	28
Infrastructure	12,295	20	1,099	2,449	1,932	17,775	25
Direct investments	10	-	-	-	1	11	-
Real estate[2]	22,878	36	449	738	1,794	25,859	37
Alternative assets[3]	612	1	18	(118)	(31)	481	-
Total external	**62,518**	**100**	**1,591**	**2,628**	**4,101**	**70,838**	**100**
Internal							
Australian equities	30,298	24	(746)	(1,417)	(2,292)	25,843	22
International equities	34,848	28	(976)	(784)	(1,215)	31,873	27
Fixed interest	50,258	40	(1,336)	(1,313)	826	48,435	42
Infrastructure	2,547	2	(34)	(158)	185	2,540	2
Direct investments	966	1	(42)	(64)	297	1,157	1
Real estate[2]	3,215	3	(36)	(131)	428	3,476	3
Alternative assets[3]	3,074	2	49	(3)	(34)	3,086	3
Total internal	**125,206**	**100**	**(3,121)**	**(3,870)**	**(1,805)**	**116,410**	**100**
Total							
Australian equities	31,263	16	(724)	(1,350)	(2,389)	26,800	14
International equities	41,568	22	(1,055)	(1,044)	(1,474)	37,995	20
Fixed interest	69,296	37	(1,254)	(1,561)	1,587	68,068	36
Infrastructure	14,842	8	1,065	2,291	2,117	20,315	11
Direct investments	976	1	(42)	(64)	298	1,168	1
Real estate[2]	26,093	14	413	607	2,222	29,335	16
Alternative assets[3]	3,686	2	67	(121)	(65)	3,567	2
Total	**187,724**	**100**	**(1,530)**	**(1,242)**	**2,296**	**187,248**	**100**

AUM by source of client (A$m)	FY 17		FY 18	%
Australia	146,101	79	139,133	75
New Zealand	19,608	10	19,072	10
Asia (including Middle East)	15,452	8	17,698	9
Rest of world	6,563	3	11,345	6
Total	**187,724**	**100**	**187,248**	**100**

1 Investment returns and other includes fees, investment returns, distributions, taxes and foreign exchange movements. The external real estate category includes AMP Capital's 24.9% share of PCCP's net asset value on acquisition (A$1.0b).

2 Real estate AUM comprises Australian (A$26.2b), NZ (A$1.6b) and Global (A$1.5b) managed assets. Australian real estate AUM is invested in office (42%), retail (52%), industrial (5%) and other (1%).

3 Alternative assets refers to a range of investments that fall outside the traditional asset classes and includes investments in commodities and absolute return funds.

AMP Capital cont'd

Assets under management (AUM)

AUM decreased by A$0.5b to A$187.2b in FY 18, driven by internal cash outflows, offset by investment of committed capital, positive external net cashflows, investment returns and the inclusion of AMP's 24.9% share of US-based real estate investment manager PCCP's AUM. In addition, AMP Capital has A$4.4b of uncalled committed real asset capital at FY 18.

External AUM and cashflows

External AUM increased by A$8.3b (13%) over FY 17 to A$70.8b, with A$4.2b of net cashflows, positive investment returns of A$2.6b and the inclusion of 24.9% of US-based real estate investment manager PCCP's net assets under management (A$1.5b).

Investment of committed capital drove strong external net cashflows in infrastructure during FY 18. Notable transactions include the acquisition of 49% of London Luton Airport and entering into a 50/50 partnership with Invenergy Clean Power LLC on behalf of investors in the global infrastructure equity series.

External net cashflows of A$4.2b were down on the A$5.5b of net cashflows achieved in FY 17, reflecting:

- reduced FY 18 net cashflows from domestic clients (-A$1.8b) primarily through fixed income capabilities which benefited from major mandate changes in FY 17, offset by
- international investors (+A$0.5b), with a high level of investments in infrastructure debt and equity internationally, offset by lower cashflows from CLAMP.

International

AMP Capital continued to attract new international clients, with approximately 41% (A$29.0b) of external AUM now managed on behalf of clients outside Australia and New Zealand. AMP Capital grew its number of direct international institutional clients to 302 in FY 18, managing A$17.3b on their behalf (up 44% from A$12b at FY 17).

Growth in FY 18 was assisted by strong international investor interest in AMP Capital's infrastructure funds.

China

During FY 18, the CLAMP joint venture launched 17 new products, including SMAs, diversified, equity and bond funds. At FY 18, the joint venture managed A$41.7b (RMB 201.7b) of total AUM on behalf of Chinese retail and institutional investors. This was up 16% on A$36.0b at FY 17.

In FY 18, AMP Capital's share of CLAMP net cashflows was A$0.5b compared with net cashflows of A$1.9b in FY 17, reflecting local liquidity market practices and restraints on active fundraising whilst in the transitional phase for new regulatory reforms.

AMP Capital reports its 15% share of the joint venture's AUM (A$6.3b) and cashflows within the 'External' AUM and cashflow disclosure.

Japan

AMP Capital's business alliance with MUFG: Trust Bank offers products covering balanced strategies, Australian and global fixed interest, global infrastructure as well as hedged and unhedged listed real estate.

At FY 18, AMP Capital's business alliance with MUFG: Trust Bank had nine retail funds and three institutional funds in market with a combined AUM of A$1.2b.

In addition, MUFG: Trust Bank has raised commitments of A$1.6b across a large number of Japanese institutional clients since the launch of AMP Capital's Global Infrastructure Fund and Infrastructure Debt Fund series.

AMP Capital also continues to raise and manage funds through partnerships with other Japanese distributors. AMP Capital manages A$5.9b AUM on behalf of all Japanese retail and institutional clients.

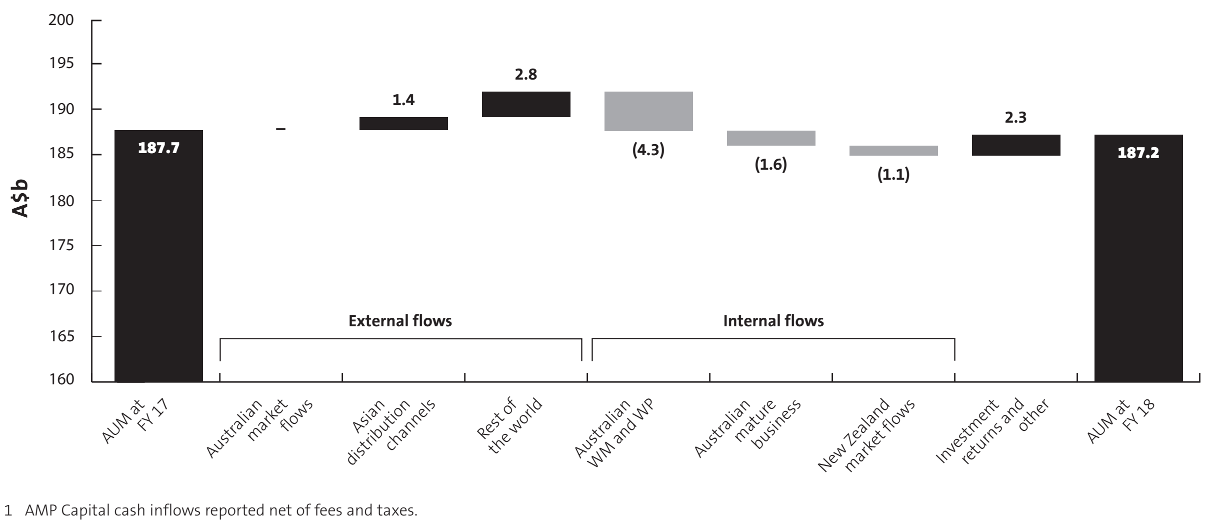
Internal AUM and cashflows

Internal AUM decreased 7% in FY 18 to A$116.4b, reflecting net cash outflows (-A$7.0b) and investment returns (-A$1.8b).

Internal net cashflows include AMP group payments such as dividend payments and net cashflows from WM and mature products including products in run-off. AMP Capital manages a significant portion of AMP mature business AUM, which is expected to run off at around 5% per annum. As part of AMP's sale of AMP Life to Resolution Life, funds managed for the sold businesses will be shown as external AUM once the sale completes.

AMP Capital continues to partner across the AMP group to deliver tailored investment solutions for domestic retail clients, including goals-based solutions offered via AMP Advice.

Movement in AUM by channel FY 17 to FY 18[1]



1 AMP Capital cash inflows reported net of fees and taxes.

AMP Bank

Profit and loss (A$m)	FY 18	2H 18	1H 18	FY 17	% FY
Net interest income	**388**	194	194	355	9.3
Fee and other income[1]	**13**	6	7	10	30.0
Total revenue	**401**	200	201	365	9.9
Bank variable costs	**(82)**	(39)	(43)	(80)	(2.5)
Loan impairment expense	**(13)**	(12)	(1)	(5)	(160.0)
Controllable costs	**(95)**	(50)	(45)	(80)	(18.8)
Tax expense	**(63)**	(29)	(34)	(60)	(5.0)
Operating profit after income tax	**148**	70	78	140	5.7
Ratios and other data					
Return on capital	**15.0%**	13.5%	16.7%	16.5%	n/a
Total capital resources (A$m)[2]	**980**	980	931	872	12.4
Capital Adequacy Ratio	**16.3%**	16.3%	15.8%	15.2%	n/a
Common Equity Tier 1 Capital Ratio	**10.9%**	10.9%	10.3%	9.7%	n/a
Net Interest Margin (over average interest earning assets)	**1.70%**	1.67%	1.72%	1.70%	n/a
Loan Portfolio Growth – AMP aligned channel	**0%**	(3%)	3%	8%	n/a
Total loans (A$m)	**20,008**	20,008	20,248	19,445	2.9
Residential mortgages (A$m)	**19,460**	19,460	19,680	18,870	3.1
Practice finance loans to AMP aligned advisers (A$m)	**548**	548	568	575	(4.7)
Mortgages – existing business weighted average loan to value ratio (LVR)	**66%**	66%	67%	67%	n/a
Total deposits (A$m)	**13,304**	13,304	12,707	12,383	7.4
Deposit to loan ratio	**66%**	66%	63%	64%	n/a
Mortgages – 30+ days in arrears	**1.02%**	1.02%	0.88%	0.79%	n/a
Mortgages – 90+ days in arrears	**0.47%**	0.47%	0.44%	0.36%	n/a
Loan impairment expense to average gross loans and advances	**0.06%**	0.11%	0.01%	0.02%	n/a
Total provisions for impairment losses (A$m)	**38**	38	28	16	137.5
Total loan provisions to gross loans and advances	**0.19%**	0.19%	0.14%	0.08%	n/a
Cost to income ratio	**31.0%**	33.6%	28.7%	28.6%	n/a

1 Fee and other income mainly comprises mortgage origination, servicing and discharge fees.
2 Total capital resources excludes A$140m of Additional Tier 1 capital and A$250m of Tier 2 capital. See page 25 for further details.

	Deposits (super and platform)		**Deposits (other)[1]**		**Loans**	
Movement in deposits and loans (A$m)	**FY 18**	**FY 17**	**FY 18**	**FY 17**	**FY 18**	**FY 17**
Balance at beginning of period	5,178	5,173	7,205	6,376	19,445	17,120
Net movement	520	5	401	829	563	2,325
Balance at end of period	**5,698**	**5,178**	**7,606**	**7,205**	**20,008**	**19,445**
% FY 18/FY 17	10.0%		5.6%		2.9%	

1 Includes retail deposits, internal deposits, wholesale deposits and other deposits.

AMP Bank funding composition (A$b)	**2H 18**		**1H 18**		**FY 17**	
Total deposits	13.3	59%	12.7	56%	12.4	56%
Securitisation	4.6	20%	4.9	21%	4.4	20%
Wholesale funding	3.4	15%	4.0	18%	4.3	19%
Subordinated debt	0.3	1%	0.3	1%	0.3	1%
Equity and reserves	1.1	5%	0.9	4%	0.9	4%
Total funding	**22.7**	**100%**	**22.8**	**100%**	**22.3**	**100%**

AMP Bank cont'd

Business overview

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

AMP Bank distributes its solutions by leveraging AMP's advice network, brokers and directly. AMP Bank priorities are to:

- deliver compelling customer-centric banking propositions to AMP group target segments
- build a superior advice and broker support network and proposition via direct and digital platforms
- maintain targeted banking value propositions
- invest in technology and service excellence, building an efficient and effective operations and technology infrastructure
- leverage AMP group investments to build out capabilities in direct, digital and data.

Operating earnings

Operating earnings increased A$8m (6%) to A$148m in FY 18 from FY 17. FY 18 operating earnings were driven by residential mortgage book growth, as well as a reduction in investment platform deposit costs, partly offset by increases in other funding costs, additional loan provisions, as well as increased costs.

Total revenue increased 10% in FY 18 on FY 17, driven mainly by growth in the loan portfolio. Net interest margin was 1.70% for FY 18, which is in line with FY 17 primarily due to reduced deposit costs, partly offset by higher other funding costs, and increased competition for loans. Net interest margin remains under pressure from the competitive lending environment, the regulatory landscape, shift in the mix of the lending portfolio and from increased funding costs.

AMP Bank's return on capital was 15.0%, a decrease of 1.5 percentage points from FY 17, impacted by slower lending growth, the competitive environment and increased funding costs, increased loan provisions, as well as additional allocation of Group costs.

Lending

AMP Bank maintained a competitive lending position, with the total loan book growing by A$0.6b (3%) to A$20.0b in FY 18 from FY 17. Loan growth particularly in 2H 18 was impacted by intense competition in a slowing housing lending system, regulatory limits, and a period of conservative liquidity management.

Residential mortgage competition, particularly in the owner occupied principal and interest market, remained intense. Within this environment, AMP Bank's residential mortgage book grew A$0.6b in FY 18 to A$19.5b (an increase of 3% from FY 17), primarily driven by growth in owner-occupied principal and interest only lending.

Growth in AMP Bank's investment property and interest only lending segments was constrained, in response to regulatory requirements.

The broker channel achieved loan growth at around system growth. Growth in the AMP aligned adviser channel was impacted by market conditions in 2H 18.

AMP Bank continues to target total lending growth at or above system, subject to risk appetite, regulatory landscape, return on capital hurdles and funding availability

The practice finance loan portfolio declined slightly during the year, from A$575m at FY 17 to A$548m at FY 18.

Credit quality, impairment provisions and loan impairment expenses

AMP Bank's credit policy is conservative and was strengthened during FY 18 in line with other industry participants. Asset quality of the residential book remains strong, while the practice finance loan book shows some signs of deterioration. During the year, loan provisioning increased by A$22m. AASB9 methodology changes contributed A$12m of this increase, practice finance specific and collective provisioning increased A$7m and residential collective loan provisioning was up A$3m over FY 18.

Mortgages in arrears (90+ days) was 0.47% as at December 2018 up from 0.36% at FY 17 and 0.44% at 1H 18. The increased impairment expense in 2H 18 was mainly driven by practice finance loans. The Bank maintains conservative underwriting standards which ensure that the portfolio of AMP Bank is well positioned for the future.

Variable and controllable costs

The Bank's variable costs decreased by A$2m from FY 17 to A$82m, in line with loan growth.

AMP Bank's controllable costs increased A$15m (19%) from FY 17 to A$95m in FY 18, as the Bank continues to invest in technology and operating capability.

The cost to income ratio increased 2.4 percentage points from FY 17 to 31.0% in FY 18, as a result of considered levels of investment in the Bank, additional loan provisioning and additional group allocated costs.

Funding, liquidity and capital management

The Bank maintains a diversified funding base and conservative liquidity profile. AMP Bank's total debt and equity funding was A$22.7b at FY 18 (A$22.3b at FY 17).

Total deposits increased in FY 18 by A$0.9b (7%) from FY 17, mainly from growth in retail deposits. Deposit to loan ratio was 66% for FY 18, compared with 64% for FY 17.

AMP Bank maintains a diversified liquidity portfolio and has adequate high quality liquid assets, in accordance with Basel III liquidity requirements. As at FY 18, AMP Bank's liquidity coverage ratio was 139% (126% at FY 17). The Net Stable Funding Ratio was 127%, which is above both internal and regulatory requirements.

The Capital Adequacy Ratio was 16.3% as at FY 18 (15.2% at FY 17). The Common Equity Tier 1 Capital Ratio (CET1) for FY 18 was 10.9% (9.7% at FY 17). The increase in our CET1 Capital ratio has been largely driven by a strengthening of the capital position given the regulatory landscape. Both ratios remain well above APRA and internal thresholds.

New Zealand wealth management

Profit and loss (A$m)	FY 18[1]	2H 18[1]	1H 18	FY 17	% FY
Wealth management	**37**	16	21	41	(9.8)
Advice	**16**	9	7	13	23.1
Operating earnings[1,2]	**53**	25	28	54	(1.9)
Ratios and other data					
RoBUE	**60.6%**	54.8%	66.9%	102.7%	n/a
End period tangible capital resources – after transfers (A$m)	**92**	92	94	71	29.6
Net cashflows (A$m)	**83**	33	50	220	(62.3)
AUM (A$m)	**11,076**	11,076	11,099	10,887	1.7
Average AUM (A$m)	**11,145**	11,211	11,072	10,482	6.3
Persistency	**88.9%**	88.5%	91.3%	89.4%	n/a
Controllable costs (A$m)	**33**	17	16	32	3.1
Cost to income ratio	**31.0%**	32.9%	29.1%	29.9%	n/a
Controllable costs to AUM (bps)	**30**	30	29	31	n/a
Operating earnings to AUM (bps)	**48**	44	51	52	n/a

1 Operating earnings in FY 18 and 2H 18 includes A$6m for the benefit of Resolution Life pursuant to the sale and purchase agreement announced on 25 October 2018.
2 NZ dollar terms, operating earnings in FY 18 was NZ$57m (FY 17 NZ$58m).

	KiwiSaver		Other[1]		Total	
Cashflows and movements in AUM (A$m)	**FY 18**	**FY 17**	**FY 18**	**FY 17**	**FY 18**	**FY 17**
AUM at beginning of period	4,623	4,215	6,264	6,111	10,887	10,326
Cash inflows	662	679	633	632	1,295	1,311
Cash outflows	(527)	(403)	(685)	(688)	(1,212)	(1,091)
Net cashflows	**135**	**276**	**(52)**	**(56)**	**83**	**220**
Other movements in AUM	125	132	(19)	209	106	341
AUM at end of period	**4,883**	**4,623**	**6,193**	**6,264**	**11,076**	**10,887**
Composition of net cashflows by product						
Superannuation	135	276	26	(10)	161	266
Pension	-	-	-	-	-	-
Investment	-	-	(78)	(46)	(78)	(46)
Other	-	-	-	-	-	-

1 Other New Zealand wealth management cashflows and AUM includes non-KiwiSaver wealth management products.

New Zealand wealth management cont'd

Business overview

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

Resolution Life transaction impacts

As outlined on page 1, Resolution Life assumes the risks and is entitled to profit impacts from the AMP Life sale with effect from 1 July 2018, subject to risk sharing arrangements. Operating earnings for 2H 18 includes A$6m (after-tax) which will be attributed for the benefit of Resolution Life when the transaction settles. This is primarily due to product perimeter changes between the retained New Zealand wealth management business and the sold New Zealand wealth protection and mature businesses. The full year equivalent amount is approximately A$12m (after-tax).

Operating earnings

Operating earnings decreased by A$1m to A$53m in FY 18 primarily due to lower wealth management income predominantly from a decline in AUM margins, partly offset by favourable advice income largely driven by growth in general insurance premiums.

Controllable costs

FY 18 controllable costs increased by A$1m (3%) to A$33m from FY 17. The cost to income ratio increased by 1.1 percentage points to 31.0%.

Cashflows and AUM

FY 18 net cashflows decreased by A$137m (62%) to A$83m from FY 17, primarily driven by higher KiwiSaver cash outflows including an increase in retirement and first home buyer withdrawals.

In NZ$ terms, FY 18 AUM of NZ$11.6b decreased NZ$0.3b (3%) from FY 17 reflecting unfavourable market performance driven by adverse investment market conditions, partially offset by positive net cashflows.

In A$ terms, FY 18 AUM increased A$0.2b to A$11.1b, impacted by the appreciation of the closing NZ$ against the A$ (FX impact is A$502m).

Advice and retirement planning (including KiwiSaver) is a key focus for growth. NZWM is a large KiwiSaver provider with approximately 10%[1] of the total KiwiSaver market as at 30 September 2018 and had approximately 225,000 KiwiSaver customers. At FY 18, KiwiSaver reached NZ$5.1b in AUM, an increase of 1% from FY 17 despite unfavourable market conditions over the year.

1 Measured by AUM. Source: FundSource Limited September 2018.

Sold businesses

Profit and loss (A$m)	**FY 18**	**2H 18**	**1H 18**	**FY 17**	**% FY**
Australian wealth protection	**86**	40	46	99	(13.1)
New Zealand wealth protection and mature	**51**	25	26	61	(16.4)
Australian mature	**132**	61	71	143	(7.7)
Total profit margins	**269**	126	143	303	(11.2)
AWP experience profits/(losses)	**(65)**	(49)	(16)	4	n/a
New Zealand experience profits/(losses)	**-**	(2)	2	10	n/a
Australian mature experience profits/(losses)	**2**	3	(1)	7	(71.4)
Total experience profits/(losses)	**(63)**	(48)	(15)	21	n/a
AWP and NZ capitalised (losses)/reversals and other one-off experience items	**(209)**	(180)	(29)	7	n/a
Operating earnings	**(3)**	(102)	99	331	n/a
Underlying investment income	**43**	22	21	54	(20.4)
Underlying operating profit/(loss) after income tax	**40**	(80)	120	385	(89.6)
Ratios and other data					
RoBUE	**1.9%**	(7.3%)	11.5%	14.2%	n/a
End period tangible capital resources – after transfers (A$m)	**1,910**	1,910	2,126	2,016	(5.3)
AWP and NZ total individual risk API (A$m)	**1,786**	1,786	1,767	1,806	(1.1)
AWP and NZ total group risk API (A$m)	**304**	304	413	417	(27.1)
AWP individual risk lapse rate	**16.2%**	17.7%	14.7%	14.2%	n/a
NZ individual risk lapse rate	**11.9%**	13.0%	10.8%	11.3%	n/a
Australian and NZ mature AUM (A$b)	**24.6**	24.6	25.1	25.5	(3.5)
Australian mature persistency	**89.4%**	88.9%	89.7%	89.9%	n/a
Controllable costs (A$m)	**214**	112	102	241	(11.2)
Controllable costs/annual premium	**10.2%**	10.6%	9.4%	10.8%	n/a

Sold businesses cont'd

Businesses sold to Resolution Life

On 25 October 2018, AMP announced that it had entered into a sale and purchase agreement with Resolution Life for the sale of AMP Life. This effectively includes the Australian and New Zealand wealth protection and mature business units. These are referred to in this section and elsewhere in this report as 'sold' businesses.

Under the terms of the sale and purchase agreement, Resolution Life assumes the risks and profit impacts from these sold businesses from 1 July 2018, subject to risk sharing arrangements. As a consequence, the underlying operating profit after-tax for these businesses, adjusted for AMP's share of risks and benefits, and AMP's retained economic interest in the mature business, accrue to Resolution Life from 1 July 2018. AMP remains responsible for the operations, capital and cost management of the sold businesses until the sale completes. Reported results for AMP will continue to include earnings for the sold businesses until the sale completes.

Profit margins

Profit margins of A$269m decreased 11% from FY 17 largely due to the impact of increased reinsurance and the run-off of the mature book.

Experience

Total experience losses of A$63m were driven primarily by A$65m of Australian wealth protection experience losses, largely due to higher than expected claims, particularly in relation to Total and Permanent Disability (TPD) and income protection.

Capitalised (losses)/reversals and other one-off

Australian and New Zealand wealth protection capitalised losses and other one-off experience items of A$209m in FY 18 are largely due to strengthening in best estimate assumptions and negative experience from a large Group plan which terminated on 30 June 2018. Capitalised losses also arose on new business due to lower than planned sales volumes. Capitalised losses were partially offset by planned pricing changes and reductions in group allocated costs.

The accumulated capitalised loss position at 31 December 2018 was A$553m which primarily relates to AMP's income protection business.

Annual premium in-force (API)

Australian and New Zealand wealth protection Individual risk API decreased by A$20m from FY 17 to A$1,786m at FY 18 due to lapses, partly offset by repricing, the annual benefit from Consumer Price Index (CPI) and age premium increases on risk policies. Sales during FY 18 were modest.

Group risk API decreased A$113m to A$304m in FY 18 from FY 17 largely due to the loss of a large Australian Group plan from 1 July 2018.

Mature AUM

FY 18 Australian mature AUM was A$19.7b, down from A$20.7b in FY 17 due to the natural run-off of the business.

In NZ$ terms, FY 18 New Zealand mature AUM of NZ$5.2b decreased NZ$0.1b (2%) from FY 17 due to run-off of the book. In A$ terms, FY 18 New Zealand mature AUM increased A$0.1b to A$5.0b, impacted by the appreciation of the closing NZ$ against the A$ (FX impact is A$0.2b).

AMP Capital is expected to continue managing wealth protection and mature AUM. AMP Capital will also join Resolution Life's global panel of preferred asset managers.

Lapse rates

Australian wealth protection FY 18 lapse rates of 16.2% increased 2.0 percentage points from FY 17 due to a range of factors including the impact of AMP's appearance at the Royal Commission. Second half lapse rates are typically higher, due to the greater volume of annual CPI and age premium increases.

New Zealand wealth protection FY 18 lapse rates were 11.9%, up slightly from 11.3% in FY 17.

Controllable costs

Controllable costs were A$214m in FY 18, down A$27m (11%) from FY 17, reflecting savings from lower variable remuneration, ongoing business efficiencies and a reduction in group allocated costs.

Group Office

A$m	FY 18	2H 18	1H 18	FY 17	% FY
Group Office costs not recovered from business units	**(76)**	(47)	(29)	(74)	(2.7)
Underlying investment income on Group Office capital	**35**	12	23	25	40.0
Interest expense on corporate debt	**(68)**	(37)	(31)	(53)	(28.3)
Advice remediation and related costs	**(469)**	(157)	(312)	-	n/a
Royal Commission	**(32)**	(19)	(13)	-	n/a
Portfolio review and related costs	**(48)**	(29)	(19)	(24)	(100.0)
Risk management, governance and controls	**(8)**	(8)	-	-	n/a
Other items	**(74)**	(33)	(41)	(21)	n/a
Amortisation of acquired intangible assets	**(79)**	(39)	(40)	(80)	1.3
Market adjustment – investment income	**(28)**	(18)	(10)	(39)	28.2
Market adjustment – annuity fair value	**12**	4	8	4	200.0
Market adjustment – risk products	**24**	9	15	(18)	n/a
Accounting mismatches	**50**	18	32	(14)	n/a
Interest expense summary					
Average volume of corporate debt	**1,826**	1,890	1,762	1,617	
Weighted average cost of corporate debt	**5.03%**	5.12%	4.94%	4.58%	
Tax rate	**26%**	24%	29%	29%	
Interest expense on corporate debt[1]	**68**	37	31	53	
Franking credits					
AMP dividend franking credits at face value at end of period[2]	**148**	148	159	275	
Staff numbers	**1,033**	1,033	1,005	924	11.8

1 Includes fees associated with undrawn liquidity facilities.

2 Balance of franking account adjusted for franking credits which will arise from the payment of income tax provided for in the financial statements. After franking the final dividend (90%), the balance of franking credits will be A$103m.

Group Office costs not recovered from business units

FY 18 Group Office costs not recovered from business units were A$76m, up from A$74m in FY 17. The increase from 1H 18 is due to the seasonality of marketing spend and increased professional indemnity insurance costs.

Most Group Office related synergies and ongoing business efficiency benefits are passed on to the business units through lower overhead allocations.

Underlying investment income on Group Office capital

Underlying investment income on Group Office capital was A$35m in FY 18, up from A$25m in FY 17, reflecting an increased contribution from CLPC.

Underlying investment income assumes after-tax returns of 2.5% on Group Office capital. Any differences between this rate and what is actually earned are reported as market adjustment – investment income.

Following the completion of AMP's acquisition of 19.99% of China Life Pension Company (CLPC) in January 2015, AMP's equity accounted share of CLPC's net profit is reported through underlying investment income in Group Office capital.

Interest expense on corporate debt

FY 18 interest expense on corporate debt was A$68m, up from A$53m in FY 17. This increase resulted from higher weighted average cost of debt, lower effective tax rate and a higher average volume of debt throughout FY 18.

The average volume of corporate debt increased to A$1,826m in FY 18 (A$1,617m in FY 17).

The weighted average cost of debt in FY 18 was 5.03%, up from 4.58% in FY 17. This was mainly due to higher average interest rates during the period and higher undrawn facility fees.

The effective tax rate was lower in 2H 18 due to the lower interim dividend franking percentage, which reduces the effective tax rate on AMP Wholesale Capital Notes and AMP Capital Notes.

For further information on corporate debt, refer to page 25.

Advice remediation and related costs

FY 18 Advice remediation and related costs of A$469m includes a A$290m provision for potential advice remediation, plus a further A$22m of related costs in 1H 18. In 2H 18, an additional A$130m provision for program running costs plus related costs of A$17m were incurred as well as a A$10m provision for customer lost earnings. These provisions relate to AMP's review of the quality of advice delivered and support for service fees charged across its entire advice network since 2008. This is in response to ASIC reports 499 and 515. FY 18 also includes current year program costs and other payments.

Royal Commission

The FY 18 Royal Commission costs of A$32m relate primarily to external legal and consulting fees paid for support in preparing and submitting documents and responding to various issues arising during the course of 2018.

Group Office cont'd

Portfolio review and related costs

Portfolio review and related costs of A$48m relate to preparation and execution of the sale of AMP Life.

Risk management, governance and controls

Costs relating to this program of work are expected to total A$100m pre-tax (A$70m post-tax) over a 24 month period. The A$8m post-tax reported in 2H 18 is the first of a series of costs to be incurred.

Other items

Other items largely comprise the net of one-off and non-recurring revenues and costs. In FY 18, Other items included non-advice customer remediation charges of A$20m (FY 17 nil) and costs of significant regulatory and compliance projects of A$40m (FY 17 A$28m).

Amortisation of acquired intangible assets

FY 18 amortisation of acquired intangible assets was A$79m. Amortisation of acquired intangibles for FY 19 is expected to be approximately A$80m.

The difference between the purchase consideration for AXA (A$4.3b) and AXA net tangible assets (A$0.8b) represents AXA intangible assets (A$1.4b) and goodwill (A$2.1b). AXA intangible assets primarily comprise rights to future income.

AXA intangible assets are required to be amortised over their expected useful life; goodwill is not required to be amortised. The amortised balance of AXA acquired intangibles as at FY 18 was A$0.4b.

In addition to the AXA acquired intangibles, amortisation of the Advice equity purchases, PCCP and SMSF business acquisitions are now included in this line item.

Market adjustment – investment income

Market adjustment – investment income represents the excess (or shortfall) between underlying investment income and actual return on shareholder assets invested in income producing assets.

The FY 18 market adjustment – investment income was -A$28m (FY 17 -A$39m), reflecting lower short-term interest rates relative to the long-term assumed earning rate of 2.5% post-tax.

AMP uses interest rate derivatives to manage the impact of falling interest rates on its capital position experienced through the life insurance business and defined benefit funds. The impact of these derivatives was immaterial in FY 18.

Market adjustment – annuity fair value

FY 18 market adjustment – annuity fair value was A$12m (FY 17 A$4m). Market adjustment – annuity fair value relates to the net impact of investment markets on AMP's annuity portfolio. AMP's annuity portfolio comprises fixed term and lifetime annuity products, with Australian fixed term liabilities of A$0.1b and Australian lifetime annuity liabilities of A$1.1b. The Australian annuity portfolio is managed on a matched basis, with fixed interest assets matched to expected annuity cash outflows. Equities are not used by AMP to match its Australian annuity book.

The assets that support AMP's Australian annuity book comprise a mixture of government bonds and cash (10%), semi-government bonds (39%) and corporate bonds and other (51%). These assets are principally exposed to Australian credit markets. The asset mix is managed to achieve close matching of assets to expected cash annuity outflows. Interest rate risk from any cashflow mismatch is managed by closely matching duration and convexity, but credit risk remains. The average duration of the portfolio is seven years.

For fixed term annuities, accounting standards require the liabilities and the assets that back them both to be valued consistently on a fair value basis.

For lifetime annuities, accounting standards require the liabilities to be valued based on the risk-free rate of return and the assets to be valued on a fair value basis. Therefore, in the absence of any defaults, changes in credit spreads and deterioration in the quality of individual assets can lead to timing differences.

As the assets are predominantly held to maturity, gains/losses due to changes in credit spreads or credit deterioration should reverse over time, to the extent that there are no asset defaults. In FY 18, there were no asset defaults.

The portfolio credit rating composition is AAA (35%), AA (26%), A (27%) and BBB (12%). Corporate bond exposures are AA (19%), A (64%) and BBB (17%).

Market adjustment – risk products

FY 18 market adjustment – risk products was A$24m (FY 17 -A$18m) due to higher investment returns than planned, partially offset by decreasing bond yields.

Market adjustment – risk products relates to the net impact of changes in market economic assumptions (bond yields and CPI) on the valuation of risk insurance liabilities. Under Australian Accounting Standards, life insurance business is accounted for using Margin on Services (MoS).

Under MoS, the profits that are expected to be earned on life insurance contracts emerge over the life of the business as services are provided and income received. MoS involves projecting future cashflows (premiums, benefits and costs after allowing for inflation), and discounting future cashflows to their present value using the appropriate risk-free discount rate. Changes to market related economic assumptions affect policyholder liabilities and current year profit. The impact of movements in bond yields can vary from period to period depending on the level of claims reserves.

Accounting mismatches

Under Australian Accounting Standards, some assets held on behalf of policyholders (and related tax balances) are included in the financial statements at different values to the value used in the calculation of policyholder liabilities in respect of the same asset.

Movements in these policyholder assets flow through to shareholder profit. These differences have no impact on the true economic profits and losses of the AMP group.

Mismatch items that may impact the profit and loss arise from policyholder interests in the following:

- treasury shares (AMP Limited shares held by the statutory funds on behalf of policyholders) (FY 18 +A$50m, FY 17 -A$13m)
- investments in controlled entities (FY 18 nil, FY 17 -A$2m)
- superannuation products invested with AMP Bank (FY 18 nil, FY 17 +A$1m).

Regulatory capital requirements and capital management framework

Regulatory requirements

A number of the operating entities within the AMP group of companies are regulated. These include an authorised deposit taking institution (ADI), life insurance companies, superannuation entities and a number of companies that hold Australian Financial Services Licences (AFSLs). These companies are regulated by APRA, the Reserve Bank of New Zealand and/or the Australian Securities and Investments Commission (ASIC) and are required to hold minimum levels of regulatory capital, as set by the relevant regulator.

The main minimum regulatory capital requirements for AMP's regulated businesses are determined as follows:

- AMP Life – capital adequacy requirements as specified under the APRA Life Insurance Prudential Standards
- AMP Bank – capital requirements as specified under the APRA ADI Prudential Standards
- AMP Superannuation Limited and N.M. Superannuation Proprietary Limited – Operational Risk Financial Requirements in accordance with APRA Superannuation Prudential Standards
- AMP Capital and other ASIC regulated businesses – capital requirements under AFSL requirements and for risks relating to North.

APRA announced the deferral of its proposed capital requirements for conglomerate groups (Level 3 institutions) in March 2016. There are no current plans to introduce these standards and APRA has not yet started industry consultations. The transition arrangements provided by APRA in 2013 allow the A$83m subordinated bond maturing in 2022 to be recognised as Level 3 eligible capital until the implementation of conglomerate capital standards.

Capital management framework

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

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

These factors are considered together with AMP's appetite for material risks (including financial risk, product and insurance risk and operational risk), when setting a target surplus above MRR which seeks to reduce the risk of breaching MRR.

AMP Limited, AMP Life and AMP Bank have Board approved minimum capital levels above APRA requirements, with additional capital targets held above these amounts. Within AMP Life, 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.

In addition, the participating business of AMP Life is managed to target a very high level of confidence that the business is self-supporting and that there are sufficient assets to support policyholder liabilities.

Level 3 eligible capital above MRR for regulated entities and the AMP group may vary throughout the year due to a range of factors including profits, dividend payments, capital for business growth and other one-off items, including market movements.

Capital adequacy

AMP group capital adequacy calculation (A$m)	31 December 2018	31 December 2017
Shareholder equity	**6,683**	7,276
Less: goodwill and other intangibles[1]	**(3,560)**	(3,475)
Less: other deductions[2]	**(129)**	(173)
Plus: subordinated bonds eligible as Level 3 capital	**83**	83
Level 3 eligible capital	**3,077**	3,711
Minimum regulatory requirements (MRR)	**1,426**	1,373
Level 3 eligible capital above MRR	**1,651**	2,338

AMP group capital resources by asset class (A$m)	31 December 2018	31 December 2017
International equities	**51**	79
Australian equities	**76**	104
Property	**53**	43
International fixed interest	**130**	89
Australian fixed interest	**337**	672
Cash[3]	**2,594**	2,717
Implicit DAC	**389**	610
Total shareholder funds	**3,630**	4,314
Other[4]	**1,342**	1,168
Tangible capital resources	**4,972**	5,482
Less other deductions[2]	**(129)**	(173)
Less: subordinated and senior debt not eligible as regulatory capital[5]	**(1,766)**	(1,598)
Level 3 eligible capital	**3,077**	3,711

1 Refer to page 31 for definition of intangibles.

2 For life insurers, other deductions include policy liability adjustments, deferred tax assets and regulatory requirements for AMP's superannuation trustees, which are subsidiaries of the life insurers. For AMP Bank, other deductions relate to securitisation, deferred tax assets and other provisions.

3 Cash includes cash balances held as bank deposits, short-term fixed interest securities and floating rate securities.

4 Other includes tangible capital of AMP Bank of A$885m, corporate subordinated debt on-lent to AMP Bank of A$140m, A$253m of seed and sponsor capital assets and A$64m of other assets and liabilities.

5 Refer page 25 for debt overview. A$793m (FY 17 A$868m) of subordinated debt is not recognised as Level 3 eligible capital. A$695m of this sub-debt is on-lent to AMP Life (A$555m) and AMP Bank (A$140m) and recognised as eligible capital for those entities, subject to regulatory limits for Tier 1 and Tier 2 capital. Consequently this reduces the MRR for the AMP group.

Implicit DAC

The implicit DAC relates to the Australian and New Zealand wealth protection businesses, and is similar to a loan from shareholder capital to the wealth protection business (A$37m in Australia and A$352m in New Zealand) to fund the upfront costs associated with acquiring new risk insurance business. The implicit DAC asset generates an investment return equivalent to a one year government bond. The reduction in implicit DAC in FY 18 was due to New Zealand reinsurance and best estimate assumption changes.

Management of market risks in total shareholder funds

Total shareholder funds (A$3,630m) comprise direct shareholder funds (A$3,050m) where the shareholder can determine the asset mix and co-mingled shareholder funds (A$580m) that are invested in the same asset mix as participating policyholder funds.

The investment of shareholder funds provides management with the ability to manage the overall market risk within AMP. Changes are made to the asset mix of shareholder funds to achieve the desired level of overall market risk exposure across AMP. AMP continues to review the asset mix of shareholder funds to maximise shareholder returns within the constraints of AMP's risk appetite.

The shareholder fixed interest portfolio is split 25% in government exposures and 75% in corporate exposures. Corporate exposures are invested in AAA (19%), AA (38%), A (30%), BBB (13%) and sub-investment grade and unrated (<1%). At 31 December 2018, 4% of AMP shareholder funds were invested in equities.

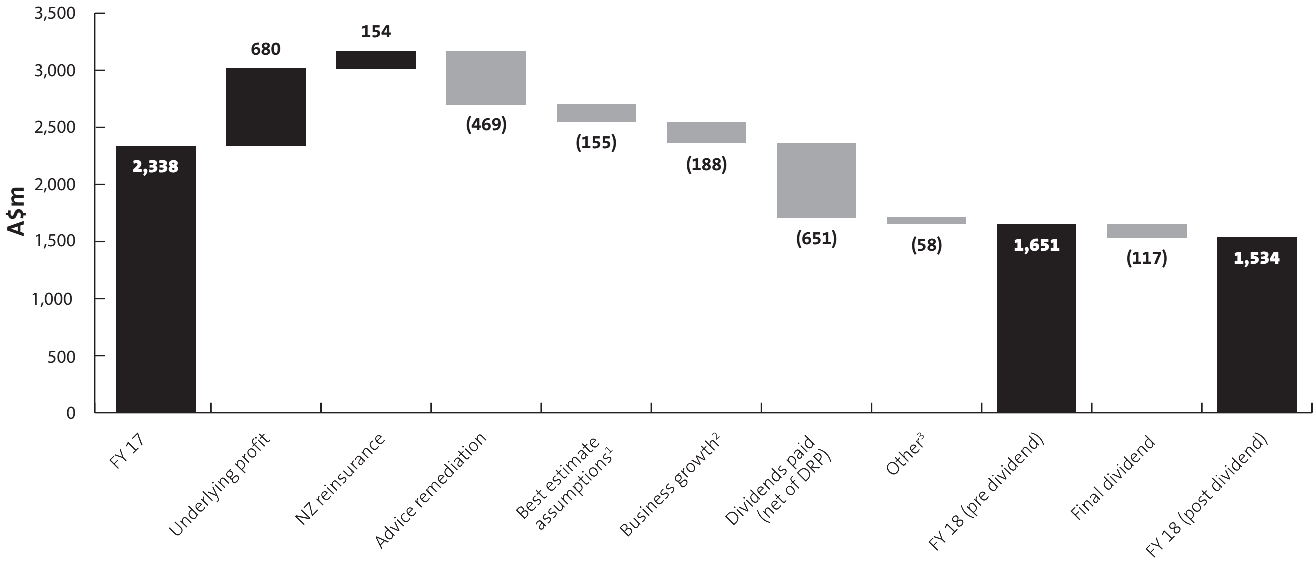
AMP uses interest rate derivatives in the shareholder funds to manage its exposure to movements in long-term interest rates. The impact of these derivatives on AMP's profit and capital sensitivities is shown in the profit sensitivities for investment income on page 26 and regulatory capital sensitivities on page 27.

Nominal versus effective exposure

The asset allocations set out above reflect the effective exposure of shareholder funds after consideration of the effects of equity derivative positions. Interest rate derivatives are not converted to effective exposure in the asset allocations. The exposure in shareholder investments to movements in interest rates is shown in the profit sensitivities for investment income on page 26.

Capital position, movements and dividends

Movement in AMP group capital FY 17 to FY 18



1 The A$155m impact on capital above MRR from best estimate assumptions includes A$93m from 1H 18 and A$62m from 2H 18. In 2H 18, target surplus also increased by A$39m due to best estimate assumptions, taking the total capital impact to A$101m. The Resolution sale proceeds will be adjusted to reflect the entire A$101m 2H 18 capital impact.

2 In FY 18, business growth capital usage is primarily from growth in capitalised costs, the purchase of adviser registers, AMP Bank's loan portfolio growth and risk insurance acquisition costs.

3 Other includes below-the-line profit items and additional capital impacts from market movements and the netting of deferred tax balances. Capitalised losses for which the capital impact is separately disclosed are added back in Other.

Capital position

At 31 December 2018, Level 3 eligible capital above MRR was A$1,651m (A$2,338m at 31 December 2017). The ratio of Level 3 eligible capital to MRR is 2.2x (compared to 2.7x MRR at 31 December 2017). After allowing for a declared final dividend of 4.0 cents per share, Level 3 eligible capital above MRR reduces to A$1,534m. This is a ratio of 2.1x Level 3 eligible capital to MRR. At this level of capital, the AMP group meets target surplus requirements approved by the AMP Limited Board.

Level 3 eligible capital above MRR of A$1,534m (after allowing for the FY 18 dividend) includes A$773m related to the life insurance participating business. This will vary over time depending on the risk exposures and strategies used in managing the participating business and is consistent with the target of providing a very high level of confidence that the business is self-supporting and that there are sufficient assets to support policyholder liabilities.

Policyholder retained profits continue to be resources supporting the participating business. The total policyholder retained profits of AMP Life were A$2,319m at 31 December 2018 (A$2,312m at 31 December 2017).

Final 2018 dividend

AMP's final 2018 dividend is 4.0 cents per share, franked to 90%. AMP will continue to offer the DRP to eligible shareholders. For the 2018 final dividend, no discount will apply to the DRP allocation price. AMP will issue shares to participants in the DRP.

Impact of Resolution Life transaction

As outlined on pages 1 and 19, under the terms of the sale and purchase agreement with Resolution Life, AMP remains responsible for the operations and capital management of the sold businesses – until completion.

Accordingly, AMP Life's regulatory capital will continue to form part of the consolidated AMP group regulatory capital – until completion. As at 31 December 2018, A$1.1b of the A$1.5b of AMP group Level 3 eligible capital above MRR (post final FY 18 dividend) related to AMP Life, including both statutory and shareholder funds. This level of capital for AMP Life is unchanged from 31 December 2017. Of the A$1.1b, A$773m relates to life insurance participating business.

Upon completion, AMP has an obligation to deliver AMP Life to Resolution Life with an appropriate level of regulatory capital (including target surplus). All of the A$773m capital above MRR relating to the participating business will transfer with AMP Life on sale, as will any capital that was required to support AMP Life's balance sheet as at the 30 June 2018 sale date. This will be adjusted for any business as usual trading activities from 1 July 2018 until completion date.

Capital supporting AMP's superannuation business as well as any assets excluded from the sale will be transferred out of AMP Life prior to the sale.

During the six months since 1 July 2018, AMP Life reserved capital in the order of A$100m to support changes to best estimate assumptions. The sale and purchase agreement makes provision for this to be offset on settlement against any profits earned after 1 July 2018.

The sale transaction is expected to complete in Q3 19. Closer to settlement, the level of capital required to support the retained businesses will become known and in turn, this will enable an assessment of the extent to which residual capital exceeds target surplus. As a minimum, AMP is committed to returning the majority of any net cash proceeds on settlement to shareholders, subject to unforeseen circumstances.

Debt and liquidity overview

	31 December 2018			31 December 2017		
A$m	**Corporate debt**	**AMP Bank[1]**	**Total**	**Corporate debt**	**AMP Bank[1]**	**Total**
Subordinated bonds	83	-	**83**	83	-	**83**
AMP Notes 2[2]	-	-	**-**	325	-	**325**
AMP Notes 3[3]	250	-	**250**	-	-	**-**
AMP Wholesale Capital Notes[4]	275	-	**275**	275	-	**275**
AMP Capital Notes[5]	268	-	**268**	268	-	**268**
AMP Subordinated Notes[6]	-	250	**250**	-	250	**250**
Total subordinated debt	876	250	**1,126**	951	250	**1,201**
Commercial paper, NCDs and repos	255	596	**851**	230	2,058	**2,288**
Medium-term notes	218	2,846	**3,064**	-	2,200	**2,200**
Drawn syndicated loan[7]	500	-	**500**	500	-	**500**
Total senior debt	973	3,442	**4,415**	730	4,258	**4,988**
Deposits	-	13,304	**13,304**	-	12,383	**12,383**
Total debt	1,849	16,996	**18,845**	1,681	16,891	**18,572**
Corporate gearing ratios						
S&P gearing	**17%**			9%		
Interest cover – underlying (times)	**11.0**			20.6		
Interest cover – actual (times)	**1.4**			17.0		

	Corporate debt by year of repayment[8]					
A$m	**0–1 year**	**1–2 years**	**2–5 years**	**5–10 years**	**10+ years**	**Total**
Total corporate debt at 31 December 2018	**255**	**575**	**1,019**	**-**	**-**	**1,849**
Total corporate debt at 31 December 2017	555	-	1,126	-	-	1,681

1 This excludes A$100m of AMP Wholesale Capital Notes and A$40m of AMP Capital Notes on-lent to AMP Bank by AMP group and the AMP Bank debt held within securitisation vehicles (see footnotes 3 and 4 below).

2 AMP Notes 2 were redeemed in full in December 2018 and this funding was replaced with the AMP Notes 3 issue in November 2018.

3 AMP Notes 3 are not recognised as Level 3 eligible capital of AMP group for APRA purposes and are effectively on-lent to AMP Life and recognised as allowable Tier 2 capital for that business.

4 AMP Wholesale Capital Notes are not recognised as Level 3 eligible capital of AMP group for APRA purposes and consequently on-lent to AMP Bank (A$100m) and AMP Life (A$175m), where they are recognised as Additional Tier 1 capital for those businesses.

5 AMP Capital Notes are not recognised as Level 3 eligible capital of AMP group for APRA purposes and consequently on-lent to AMP Bank (A$40m) and AMP Life (A$130m), where they are recognised as Additional Tier 1 capital for those businesses.

6 AMP Subordinated Notes are issued by AMP Limited and on-lent to AMP Bank, where they are recognised as allowable Tier 2 capital. The debt and interest expense on these notes is included in AMP Bank's balance sheet and operating results and not in AMP corporate debt and interest expense.

7 The drawn syndicated loan was fully repaid in early February 2019 using existing cash.

8 Based on the earlier of the maturity date and the first call date.

Corporate debt

Corporate debt increased by A$168m during FY 18 due to a CHF 160m (A$218m) MTN issuance, and A$25m increase in short-term funding. This was partially offset by the redemption of AMP Notes 2, which were partially refinanced by the AMP Notes 3 issue. At 31 December 2018, approximately 14% of corporate debt was effectively at fixed rates.

All foreign currency denominated corporate debt is hedged back to AUD at the time of issuance for the life of the security. Foreign currency denominated debt is reported above in AUD based on hedged face value.

At 31 December 2018, AMP's liquidity comprised A$533m of group cash (including short-term investments) and undrawn facilities of A$1,000m. AMP repaid a syndicated loan (A$500m corporate debt and A$400m undrawn loan facilities) subsequent to the reporting date.

AMP Bank

AMP Bank utilises a diverse range of funding sources including securitisation, customer deposits and short and long-term wholesale borrowings. The securitisation of mortgages via the issuance of residential mortgage backed securities (RMBS) is a source of funding and capital relief for AMP Bank.

As at 31 December 2018, total securitised funds were A$4.2b. AMP Bank has access to a A$1b warehouse facility with MUFG Bank Ltd.

Sensitivities – profit and capital

FY 18 profit sensitivities – excluding sold businesses (A$m)

	Operating earnings (post-tax)						
	WM	AMP Bank	NZWM	AMP Capital	Group Office	Total	Investment income
Market variables							
10% increase in Australian equities	9	-	-	2		**11**	**6**
10% decrease in Australian equities	(9)	-	-	(2)		**(11)**	**(7)**
10% increase in international equities	8	-	1	3		**12**	**5**
10% decrease in international equities	(8)	-	(1)	(3)		**(12)**	**(6)**
10% increase in property	2	-	-	4		**6**	**4**
10% decrease in property	(2)	-	-	(4)		**(6)**	**(4)**
1% (100 bps) increase in 10 year Australian bond yields	(1)	-	-	(1)		**(2)**	**(21)**
1% (100 bps) decrease in 10 year Australian bond yields	1	-	-	1		**2**	**18**
1% increase in cash rate	1	-	-	-		**1**	**21**
1% decrease in cash rate	(1)	-	-	-		**(1)**	**(21)**
Business variables							
5% increase in AUM	16		2	9		**27**	
5% increase in (AMP Capital) external AUM				5		**5**	
5% increase in (AMP Capital) internal AUM				4		**4**	
5% increase in AMP Bank total mortgage balances		5				**5**	
5% increase in sales volumes	1	1	-			**2**	
1% increase in persistency	6	-	-			**6**	
1 bp increase in AMP Bank net interest margin[1]	-	2	-			**2**	
5% reduction in controllable costs	16	3	1	14	4	**38**	

1 AMP Bank has no direct property exposure.

All profit sensitivities above show a full year impact.

The profit and capital sensitivities are only indicative, because:
- they assume that the particular variable moves independently of all others
- they are based on the FY 18 position, ie not 'forward looking', and make no allowances for events subsequent to 31 December 2018, and
- in general, for profit sensitivities, they assume the movement occurs evenly over the year; for capital sensitivities, they assume the movement occurs at 31 December 2018.

Other assumptions include:
- Parent company shareholders' equity is fully invested, and there are no adjustments for investments which are outside index weightings.
- Currency movements in investments in self-sustaining operations do not impact profit.
- Sales sensitivity assumes the same product mix as in underlying sales during FY 18.
- Investment income sensitivity is based on the amount of investments held at 31 December 2018.
- Property sensitivities relate to unlisted property; listed property trusts are included in equities.
- Bond yield sensitivities relate to both government and corporate bond yields for both Australian and international bonds.
- Profit sensitivities exclude the impact of movements in credit spreads in corporate and semi-government debt.
- AMP Bank net interest margin is assumed to be insensitive to changes in cash rate.
- AMP Bank's increase in sales volume assumes a 5% change in total loans growth with no change in net interest margin and costs.

Profit sensitivities

The sensitivities set out above apply to FY 18 operating earnings and investment income, assuming changes in a range of hypothetical economic or business variables.

Important considerations when using these sensitivities

Operating earnings – investment linked business

For investment linked business, fee income is largely based on the level of AUM, which in turn is directly impacted by investment markets.

For changes in market variables which impact AUM levels, it is assumed that the change in the variable occurs evenly across the entire year. That is, the analysis is point to point, assuming the movement from one point (eg beginning of the year equity markets) to another point (eg end of the year equity markets) occurs evenly over the year. It is similar to assuming a one-off movement in the variable halfway through the year. For large movements that do not occur halfway through the year, the profit sensitivities need to be extrapolated. For example, a 10% increase/decrease in equity markets at the start of the year would have double the impact on FY 18 operating earnings than set out in the table above.

The sensitivities are based on the FY 18 position and are not forward looking. If using the sensitivities as forward looking (eg applying FY 18 profit sensitivities for FY 18 or FY 19), an allowance for changes in AUM levels and mix should be made. Refer to page 6 (WM) and page 10 (AMP Capital) for average AUM levels that were applied in FY 18.

The AMP Capital operating earning sensitivities are net of minority interests and assume no change to performance and transaction fees and do not include seed and sponsor capital investments.

Sensitivities – profit and capital cont'd

Operating earnings – participating business

For participating business, profit margins are dependent on the level of future bonuses supported by both the value of available assets and the assumed future investment earnings (largely driven by prevailing bond yields). As the effect of movements in investment markets is absorbed by bonuses over a number of years, only a portion of the impact is recognised in the current reporting period and is allocated between policyholders and shareholders.

Investment income

The analysis is based on a point in time and indicates the impact a change in the market variable would have on AMP's FY 18 total investment income (ie underlying investment income plus market adjustment – investment income).

The sensitivities are based on 31 December 2018 equity markets, bond yields and property values and correspond to the disclosure in the capital adequacy section (refer to page 23).

Sensitivities include the profit/loss impact from changes in investment market variables on total shareholder funds. Changes in BU operating earnings are not reflected.

The cash rate sensitivities show the full year impact of a different cash rate on total investment income. The impact assumes that the change in the cash rate applies over the entire year.

The investment income sensitivities (refer to page 26 for details) do not include any allowance for investment gains/losses on assets that back AMP's annuity book or the impact of changes in economic variables (such as bond yields or CPI) on wealth protection products. The impacts of investment market variables are not always symmetrical, as they are inclusive of the impacts of long-term and tactical protection strategies.

The sensitivities assume that the guarantees on the North products are effectively hedged under current hedging procedures.

The investment income sensitivities to bond yields include the use of derivatives to reduce the impact on regulatory capital resources above MRR from bond yields movements. Gains and losses on these derivatives are reported in the market adjustment – investment income.

AMP regulatory capital sensitivities

Capital sensitivities – regulatory capital resources above MRR (A$m)[1]		**AMP Life**	**AMP group**[2]
Actual 31 December 2018 (ASX 200 @ 5,646; Australian bond yields @ 2.4%)		1,087	1,651
Equity sensitivity	– 20% increase (ASX 200 @ 6,776)	85	100
	– 10% increase (ASX 200 @ 6,211)	40	50
	– 10% decrease (ASX 200 @ 5,082)	(45)	(60)
	– 20% decrease (ASX 200 @ 4,517)	(85)	(125)
Australian bond yields sensitivity	– 100 bps increase (Australian bond yields @ 3.4%)	25	50
	– 50 bps increase (Australian bond yields @ 2.9%)	10	25
	– 50 bps decrease (Australian bond yields @ 1.9%)	(50)	(65)
	– 100 bps decrease (Australian bond yields @ 1.4%)	(110)	(140)
Property sensitivity[3]	– 10% increase in unlisted property values	15	15
	– 10% decrease in unlisted property values	(20)	(20)

1 These sensitivities are based on a point in time and do not make any allowance for subsequent management actions.
2 AMP group sensitivities include AMP Life and impacts outside AMP Life.
3 Property sensitivity relates to unlisted property. Listed property is included in the equity sensitivity.

The sensitivities shown above reflect the impact of market movements on AMP's capital position.

The analysis is a point in time view of the capital impact of movements in equity markets, bond yields and property values on AMP's capital position inclusive of long-term and tactical protection.

The capital sensitivities for AMP Life include guaranteed products (the majority of which are contained within the Australian mature business), risk insurance products, unit linked products and shareholders' funds.

AMP group sensitivities are movements in AMP Life plus movements in AMP group shareholder capital held outside the Life companies, and include the effect on capital from defined benefit funds and North guarantee products.

AMP's capital management policies include market related trigger points at which management will take action to reduce the impact of market movements on AMP's capital position.

AMP actively manages both the asset mix and the associated capital. Market movements and trends are carefully monitored and adjustments made accordingly.

The sensitivities contained in the table above do not make any allowance for management actions subsequent to 31 December 2018, which may have a significant impact on these sensitivities.

Market share and channel analysis

Market share

	September 2018			September 2017		
	Total market size	Market position (rank)	Market share %	Total market size	Market position (rank)	Market share %
Market share – Australia (AUM) A$b						
Superannuation including rollovers[1,2]	436.5	1	25.4	404.8	1	25.5
Corporate superannuation master funds[3]	164.7	2	19.9	155.2	2	20.2
Retirement income[1]	211.0	2	17.6	202.1	2	18.0
Unit trusts (excluding cash management trusts)[1,2]	285.8	5	5.7	234.3	5	6.4
Total retail managed funds (excluding cash management trusts)[1,2]	940.9	1	17.5	848.7	1	18.3
Market share – New Zealand wealth management (AUM) NZ$b						
Retail superannuation[4]	3.2	1	41.6	3.4	1	45.9
Unit trusts[4]	40.3	13	2.1	34.2	11	2.9
Total retail funds[4]	97.1	4	7.8	82.4	4	9.0
Corporate superannuation[5]	8.1	1	39.3	7.4	1	41.9
KiwiSaver[4]	52.8	4	10.3	44.1	4	10.9

1 Source: Market Overview Retail Managed Funds – Marketer, Strategic Insight (Plan For Life), September 2018.
2 These figures include SuperConcepts products in the superannuation and unit trust categories.
3 Source: Australian Retail and Wholesale Investments, Market Share and Dynamics Report, Strategic Insight (Plan For Life), 30 September 2018.
4 Measured by AUM. Source: FundSource Limited September 2018 and September 2017.
5 Measured by AUM. Source: Eriksens Master Trust Survey September 2018 and September 2017.

Channel analysis

	Adviser numbers			Total AUM			AUM per adviser[1]		
Channel analysis (A$m)	FY 18	FY 17	% FY	FY 18	FY 17	% FY	FY 18	FY 17	% FY
AMP Advice[2]	233	226	3.1	13,788	15,302	(9.9)	59.2	67.7	(12.6)
AMP Financial Planning[3]	1,334	1,437	(7.2)	56,774	59,427	(4.5)	42.6	41.4	2.9
Charter Financial Planning[4]	687	712	(3.5)	20,742	22,830	(9.1)	30.2	32.1	(5.9)
Hillross	313	317	(1.3)	13,710	14,756	(7.1)	43.8	46.5	(5.8)
Total (core licensees)	**2,567**	**2,692**	(4.6)	**105,014**	**112,315**	(6.5)	**40.9**	**41.7**	(1.9)
Jigsaw Support Services[5]	137	134	2.2	1,089	1,115	(2.3)	7.9	8.3	(4.8)
SMSF Advice	-	41	n/a						
Total (licensee services)	**137**	**175**	(21.7)	**1,089**	**1,115**	(2.3)	**7.9**	**6.4**	23.4
Corporate Super Direct				14,323	14,866	(3.7)			
Third-party distributors and other				22,449	22,791	(1.5)			
Total Australia[6]	**2,704**	**2,867**	(5.7)	**142,875**	**151,087**	(5.4)			
New Zealand[7]	350	410	(14.6)	16,047	15,717	2.1			
Total	**3,054**	**3,277**	(6.8)	**158,922**	**166,804**	(4.7)			

1 Calculated by dividing total AUM with adviser numbers.
2 Includes AMP Advice employed, AMP Assist and AMP Advice self-employed advisers.
3 Excludes 52 AMP Advice self-employed advisers.
4 Excludes 17 AMP Advice self-employed advisers.
5 Excludes AMP Authorised Representatives.
6 AUM includes all WM and Australian mature products and excludes SuperConcepts.
7 New Zealand includes AMP and AdviceFirst employed advisers, advisers within the AMP QFE (Qualifying Financial Entity) and advisers that subscribe to AMP's adviser services offered under the Quality Advice Network brand.

AMP Capital investment performance

Fund/style name	AUM (A$m)	1 Year Absolute return[1] %	1 Year Excess return[2] %	3 Year Absolute return[1] %	3 Year Excess return[2] %	5 Year Absolute return[1] %	5 Year Excess return[2] %
Equities							
Small Caps	298	(4.3)	1.9	5.7	(4.3)	9.2	1.1
Enhanced Index	8,897	(2.9)	(0.2)	6.5	(0.5)	5.7	(0.3)
FD Australian Shares[3]	3,395	(4.7)	(1.6)	5.8	(0.9)	6.1	0.5
Fixed interest							
Wholesale Australian Bond Fund	2,980	4.7	(0.4)	4.2	-	4.9	(0.3)
Managed Treasury Fund	2,878	2.2	0.1	2.3	0.2	2.5	0.2
International							
Specialist International Shares Fund[3]	2,294	2.3	0.9	9.2	1.7	11.4	1.7
Enhanced Index International Shares	11,299	1.0	(0.7)	7.7	0.1	10.2	0.4
Global Listed Real Estate[4]	5,626	(4.7)	(1.5)	1.9	(2.6)	7.9	(1.6)
Global Listed Infrastructure[4]	2,101	0.9	(2.2)	5.9	(2.3)	8.8	(0.6)
FD International Bonds	1,660	1.2	(0.5)	3.3	(0.2)	4.4	(0.4)
Real Estate (direct)[5]							
Wholesale Office[6]	5,971	11.9	(1.7)	12.5	(1.6)	12.3	(1.5)
Shopping Centres[6]	4,383	5.4	0.6	8.8	(0.1)	9.3	0.4
Diversified Property Fund[6]	6,404	9.8	(0.2)	9.7	(1.1)	n/a	n/a
Infrastructure (direct)							
Diversified Infrastructure Trust	1,435	13.9	6.7	13.2	6.2	15.7	8.4
Australia Pacific Airports Fund[7]	430	14.2	2.2	18.0	6.0	21.4	9.4
Diversified							
Balanced Growth Option[8]	5,564	(0.3)	Yes	5.0	No	6.7	Yes
FD Balanced Fund[8]	4,882	(1.2)	No	5.6	No	7.0	No
MySuper 1970's[9]	5,367	(1.8)	(0.7)	6.3	0.1	7.5	0.8
Goal based							
Corporate Bond	1,470	2.6	(1.4)	3.8	(0.2)	4.0	(0.2)
Multi Asset Fund	1,424	(3.5)	(10.9)	4.0	(3.4)	5.5	(2.1)
Dynamic Markets Fund	1,125	(8.2)	(14.6)	0.9	(5.4)	3.6	(3.0)
Income Generator	1,751	(0.2)	(1.0)	4.6	(0.5)	5.7	0.6
Equity Income[10]	383	15.0	6.4	12.5	4.3	10.9	2.7

1 Absolute returns are annualised for periods greater than one year.
2 Excess return is measured against the client goal or market benchmark.
3 For this fund, two fund returns have been joined due to historical fund restructures.
4 AUM provided is the assets under management of the entire capability.
5 Calculated in accordance with the Mercer/IPD Pooled Property Fund Index methodology.
6 For this fund, AUM disclosed is the gross asset value.
7 Australia Pacific Airports Fund (APAF) is representative of the APAF fund range (total AUM A$1.6b) – it is disclosed as it is the initial fund in the APAF range.
8 For this fund, the client goal is to perform Q2 or better.
9 MySuper 1970's is representative of the MySuper range of funds – it is disclosed as it is the largest fund in the MySuper range.
10 For this fund, the client goal is an income yield measure.

Definitions of business units and exchange rates

AMP
AMP is made up of the following business units.

Australian wealth management (WM)
Offers financial advice services (through aligned and owned advice businesses), platform and software administration (including SMSF), unit linked superannuation, retirement income and managed investment products business in Australia. Superannuation products include personal and employer sponsored plans with insurance.

AMP Capital
A diversified investment manager with a growing international presence providing investment services for domestic and international customers. AMP Capital manages investments across major asset classes including equities, fixed interest, real estate, infrastructure, and multi-manager and multi-asset funds. AMP Capital also provides commercial, industrial and retail real estate management services.

On 1 March 2012, AMP Capital and Mitsubishi UFJ Trust and Banking Corporation (MUFG: Trust Bank) formed a strategic business and capital alliance. As part of that alliance, MUFG: Trust Bank acquired a 15% ownership interest in AMP Capital. The initial five year agreement between AMP Capital and MUFG: Trust Bank was renewed in the first quarter of 2017.

In November 2013, AMP Capital established a funds management company in China with China Life called China Life AMP Asset Management Company Limited (CLAMP). AMP Capital is a founding shareholder, holding a 15% stake, with the balance held by China Life Asset Management Company, a subsidiary of China Life.

AMP Bank
Australian retail bank offering residential mortgages, deposits, transaction banking and SMSF products. It also has a portfolio of practice finance loans. AMP Bank distributes through AMP's aligned distribution network as well as third-party brokers, and direct to retail customers via phone and online.

New Zealand wealth management (NZWM)
Encompasses the wealth management and financial advice and distribution businesses 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.

SuperConcepts
SuperConcepts incorporates a range of services and products across SMSF administration, software and education.

SuperConcepts comprises a number of sub-brands including AMP SMSF, Ascend, Cavendish, JustSuper, MORE Superannuation, Multiport, SMSF Managers, SuperIQ, superMate and yourSMSF.

SuperConcepts forms part of WM's reported results.

Group Office
Group Office comprises:
– Group Office operations; and
– Corporate debt.

AMP's acquisition of 19.99% of China Life Pension Company (CLPC) was completed in January 2015. AMP's share of CLPC's net profit is reported through underlying investment income in Group Office capital.

Sold Businesses

Australian wealth protection (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.

New Zealand wealth protection and mature
A risk insurance and mature book (traditional participating business).

Australian mature
A business comprising products which are largely closed to new business and are in run-off. Products within Australian mature include whole of life, endowment, investment linked, investment account, Retirement Savings Account (RSA), Eligible Rollover Fund (ERF), annuities, insurance bonds, personal superannuation and guaranteed savings accounts (GSAs).

Exchange rates			**AUD/NZD**
2018	FY 18	– closing	1.0499
		– average	1.0807
	2H 18	– closing	1.0499
		– average	1.0804
	1H 18	– closing	1.0913
		– average	1.0824
2017	FY 17	– closing	1.0998
		– average	1.0767

Accounting treatment and definitions

Accounting mismatches – Refer to page 21.

Additional Tier 1 capital – Includes components of capital for insurers and ADIs that are higher quality than Tier 2 capital, but do not meet the requirements for Common Equity Tier 1 capital.

Capital Adequacy Ratio (AMP Bank) – Total capital divided by total risk weighted assets calculated using the standardised approach. Total capital is comprised of Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital.

Common Equity Tier 1 capital – Comprises the highest quality components of capital that fully satisfy all of the following essential characteristics:

a) provide a permanent and unrestricted commitment of funds
b) are freely available to absorb losses
c) do not impose any unavoidable servicing charge against earnings, and
d) rank behind the claims of depositors, policyholders and other creditors in the event of winding up.

Controllable costs – Include operational and project costs and exclude variable costs, provision for bad and doubtful debts and interest on corporate debt.

Controllable costs to AUM – Calculated as controllable costs divided by the average of monthly average AUM.

Corporate debt – Borrowings used to fund shareholder activities of the AMP group including the impact of any cross-currency swaps entered into to convert the debt into A$, but excluding limited recourse debt in investment entities controlled by AMP Life policyholder funds and debt used to fund AMP Bank activities. Refer to page 25 for more detail.

Cost to income ratio – Calculated as controllable costs divided by gross margin. Gross margin is calculated as total operating earnings and underlying investment income before tax expense plus controllable costs.

Deferred acquisition costs (DAC) – Margin on Services (MoS) is the financial reporting methodology developed to report life insurance business in Australia. Under MoS, the profits that are expected to be earned on life insurance contracts emerge over the life of the business as services are provided and income received. Under MoS, all costs associated with acquiring new business (including adviser payments, controllable costs and stamp duty) are allowed for in determining profit margins and policy liabilities. For wealth protection business, this normally results in negative policy liabilities for new business. The amount of this negative policy liability is often referred to as DAC or implicit DAC.

Defined benefit fund – A scheme that provides a retirement benefit, usually based on salary and/or a predetermined formula for calculating that benefit. Unlike an accumulation scheme, the retirement benefit and method of calculation is known to the member at all times.

Dividend payout ratio – Calculated as dividend per share times ordinary shares on issue at the time of dividend payment divided by underlying profit.

EPS (actual) – Earnings per share calculated as profit attributable to shareholders of AMP Limited divided by the statutory weighted average number of ordinary shares.

EPS (underlying) – Calculated as underlying profit divided by the basic weighted average number of ordinary shares.

External AUM (AMP Capital) – Assets managed by AMP Capital sourced from institutional clients (including corporate, public sector and industry superannuation funds, and large non-superannuation funds), non-AMP dealer groups, private clients and international clients and partnerships.

Group cash – Cash and cash equivalents held outside business units.

Group risk API – Contractual annual premiums payable on all in-force group risk policies.

Individual risk API – Contractual annual premiums payable on all in-force individual risk policies.

Individual risk lapse rate – Calculated as annualised voluntary cancellations as a percentage of average annual premium in-force prior to cancellations. Policies expiring due to maturities, death or disablement and conversions are excluded from the calculation.

Intangibles – Represents acquired goodwill, acquired identifiable intangibles on merging with AXA, acquired asset management mandates, capitalised costs and associate equity investments in financial institutions.

Interest cover (actual) – Calculated on a rolling 12 month after-tax basis as profit attributable to shareholders of AMP Limited before interest expense on corporate debt for the year divided by interest expense on corporate debt for the same period.

Interest cover (underlying) – Calculated on a rolling 12 month after-tax basis as underlying profit before interest expense on corporate debt for the year divided by interest expense on corporate debt for the same period.

Internal AUM (AMP Capital) – Assets managed by AMP Capital sourced from AMP's business units.

Investment performance (AMP Capital) – The percentage of AUM meeting or exceeding their client goals.

Level 3 eligible capital – Comprises the highest quality components of capital for AMP Limited as the head of a Level 3 group. Level 3 eligible capital has similar characteristics to Common Equity Tier 1 capital for insurers and ADIs.

Liquidity Coverage Ratio (LCR) – A requirement to maintain an adequate level of liquid assets to meet liquidity needs for a 30 calendar day period under a stress scenario. Absent a situation of financial stress, the value of the LCR may not be less than 100%.

Market adjustment – annuity fair value – Refer to page 21.

Market adjustment – investment income – Refer to page 21.

Market adjustment – risk products – Refer to page 21.

Minimum regulatory capital requirements (MRR) – Refer to page 22.

Accounting treatment and definitions cont'd

Net interest margin (AMP Bank) – Net interest income over average interest earning assets.

Net seed and sponsor capital income (AMP Capital) – Income on seed and sponsor capital assets, including normal valuation movements and net profit/loss on sales, offset by funding costs.

Net Stable Funding Ratio (NSFR) – The Net Stable Funding Ratio seeks to promote the stable funding of a bank's balance sheet based on the liquidity characteristics of its assets and off-balance sheet activities over a one year time horizon. The measure aims to ensure that long-term assets are financed with at least a minimum amount of stable funding.

Operating earnings – Represent shareholder attributable profits or losses that relate to the performance of a business unit. The principles of life insurance accounting are used in reporting the results of the sold businesses. Operating earnings exclude investment earnings on shareholder capital and one-off items.

Persistency – Calculated as opening AUM less cash outflows during the period divided by opening AUM. WM total cash outflows are adjusted to exclude internal flows so as to reflect external cash outflows only.

Practice finance loans – Business loans provided to AMP aligned financial advisers, which are secured by a General Security Agreement over the adviser's business assets, including the client servicing rights, or other assets. Commercial lending credit policy, process and rates apply to these loans.

Return on capital (AMP Bank) – Return on capital is calculated as operating profit after income tax, less distributions on Additional Tier 1 capital divided by average total capital resources (for the purpose of this calculation, total capital resources is balance sheet equity, less Additional Tier 1 capital) for the period.

RoBUE – Return on BU equity is calculated as BU underlying operating profit after income tax (including underlying investment income) divided by the BU's average of monthly average tangible capital resources. No allowance is made for the benefit of gearing, which occurs at the AMP group level.

RoE (actual) – Calculated as annualised profit attributable to shareholders of AMP Limited divided by the average of the monthly average shareholder equity for the period.

RoE (underlying) – Calculated as annualised underlying profit divided by the average of the monthly average shareholder equity for the period.

S&P gearing – Senior debt plus non-allowable hybrids divided by economic capital available plus hybrids plus senior debt. Economic capital available is as defined by Standard & Poor's and includes AMP shareholders' equity (including goodwill and acquired AXA intangibles, but excluding acquired asset management mandates and capitalised costs) and 100% of future AMP Life shareholder profits.

Tier 2 capital – Includes components of capital for insurers and ADIs that, to varying degrees, fall short of the quality of Common Equity Tier 1 capital and Additional Tier 1 capital but nonetheless contribute to the overall strength of an insurer or ADI.

Underlying investment income – The investment income on shareholder assets invested in income producing investment assets (as opposed to income producing operating assets) attributed to the BUs (including Group Office) has been normalised in order to bring greater clarity to the results by eliminating the impact of short-term market volatility on underlying performance. The excess (or shortfall) between the underlying return and the actual return is disclosed separately as market adjustment – investment income. 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 DAC component of shareholder assets. The return on AMP Bank income producing investment assets is included in AMP Bank operating earnings.

The underlying after-tax rate of return used for FY 18 is 2.5% pa (unchanged from FY 17) and is based on the long-term target asset mix and assumed long-term rates of return. The investment return equivalent to a one year government bond of 1.3% pa after tax is being applied to the implicit DAC for FY 18 (1.3% in 2017).

Shareholder funds invested in income producing assets may be higher or lower than BU capital due to the working capital requirements of the business unit.

Underlying profit – AMP's key measure of business profitability, as it normalises investment market volatility stemming from shareholder assets invested in investment markets and aims to reflect the trends in the underlying business performance of the AMP group. Underlying profit excludes all items listed below the 'underlying profit' line on page 3. Other items largely comprise net one-off and non-recurring revenues and costs. This includes the cost of implementing significant regulatory and compliance changes, and remediation of prior year matters.

Variable costs – Include costs that vary directly with the level of related business (eg investment management fees and banking commissions and securitisation costs).

Key dates for shareholders

27 February 2019	Ex-dividend date for full year 2018 dividend (Australia and New Zealand)
28 February 2019	Record date for full year 2018 dividend
1 March 2019	Dividend reinvestment plan record date for full year 2018 dividend
5 March 2019 – 14 March 2019	Pricing period for full year 2018 dividend reinvestment plan
28 March 2019	Payment date for full year 2018 dividend
2 May 2019	First quarter 2019 cashflow and AUM announcement
2 May 2019	2019 Annual General Meeting
8 August 2019	Interim 2019 results
21 August 2019	Ex-dividend date for interim 2019 dividend (Australia and New Zealand)
22 August 2019	Record date for interim 2019 dividend
23 August 2019	Dividend reinvestment plan record date for interim 2019 dividend
20 September 2019	Payment date for interim 2019 dividend
24 October 2019	Third quarter 2019 cashflow and AUM announcement

This page has been left blank intentionally.

Registered Office:
33 Alfred Street
SYDNEY NSW 2000
AUSTRALIA

amp.com.au

Website

For additional 2018 full year results information, visit AMP's website at **amp.com.au/shares**

You will find:

- background information on AMP, business units, management and policies
- statutory reporting at the AMP Limited level (incorporating shareholder, policyholder and non-controlling interests)
- archived webcasts of presentations to investors and analysts
- archived ASX announcements and historical information
- definitions and details of assumptions.

NS1679 01/19