Half year 2019

INVESTOR REPORT

Management and contact details

AMP group leadership team

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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, People and Corporate Affairs
Craig Ryman[1]	Chief Operating Officer
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1 Effective 4 March 2019.

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Online reports

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AMP Limited
ABN 49 079 354 519

Contents

Important general notes

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

The revised agreement delivers consideration of A$3.0b, comprising:

- A$2.5b cash, and
- A$500m equity interest (expected to be around 20%) in Resolution Life Australia, a new Australian-domiciled, Resolution Life-controlled holding company that will become the owner of AMP Life.

Resolution Life will be on risk for all experience and lapse losses from 1 July 2018 until completion and is entitled to all AMP Life net earnings during that period.

The sale is now expected to complete in 1H 20. AMP will continue to report the results of AMP Life through to completion of the transaction.

1H 19 performance summary

Key performance measures

- 1H 19 underlying profit of A$309m has reduced 38% from A$495m in 1H 18. This decrease largely reflects the impact of AMP Life and weaker Australian wealth management earnings (-50%), partly offset by growth in AMP Capital (+28%).
- 1H 19 loss attributable to shareholders of A$2,292m has been impacted by the writedown of goodwill and capitalised costs, and reduction in the carrying value of advice registers held by AMP, including those currently in the buyback process.
- Australian wealth management earnings of A$103m declined 50% from 1H 18, driven by lower investment related revenue arising from margin compression, including MySuper price changes in Q3 18, and higher controllable costs in part driven by higher risk and compliance costs.
- Australian wealth management net cash outflows were A$3,096m in 1H 19, including A$1,228m of pension payments, in line with net cash outflows of A$3,095m in 2H 18 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$818m, compared with A$1,591m in 1H 18, with A$5.1b of committed capital available for deployment. External net cashflows were driven by strong flows into real asset classes (infrastructure and real estate), partly offset by lower cashflows from Asian based investors.
- AMP Bank's total loan book increased to A$20.2b while deposits increased 4% to A$13.9b from FY 18.
- AMP Life earnings of A$31m were down 69% on 1H 18 due to capitalised losses and other one-off experience items and the impact of best estimate assumptions post 'Protecting Your Super' legislative changes.
- Underlying return on equity decreased 4.3 percentage points to 9.5% in 1H 19 from 1H 18 reflecting reduced operating earnings in AMP Life and the Australian wealth management business.

Revenue measures

- Total AUM of A$275b[1] in 1H 19 up A$17b (7%) on FY 18 and A$14b (5%) on 1H 18.
- Australian wealth management AUM increased 8% to A$132.7b in 1H 19 from FY 18. 1H 19 investment related revenue decreased 13% and investment related revenue to AUM fell 11 bps in 1H 19.
- AMP Capital AUM increased A$12.3b (7%) to A$199.6b in 1H 19 from FY 18. Fee income increased 12% to A$402m in 1H 19 from 1H 18, driven by growth in AUM based management fees.
- AMP Bank's total revenue increased 1% and the net interest margin remained resilient despite increasing funding costs and the competitive lending environment.

Cost measures

- AMP group cost to income ratio was 60.2% in 1H 19, up from 45.9% in 1H 18, driven by lower revenue and higher controllable costs including the impact of moving regulatory and compliance costs for implementing major change into controllable costs.
- AMP group controllable costs (including AMP Life) increased A$98m to A$740m, largely due to the inclusion of regulatory and compliance costs in controllable costs, increased professional indemnity insurance and increases in AMP Capital from domestic and international growth initiatives.
- Total controllable costs to AUM has increased in 1H 19 to 55 bps.
- Excluding AMP Capital, 1H 19 controllable costs increased A$74m (17%) on 1H 18 to A$501m.
- Australian wealth management cost to income ratio increased 18.4 percentage points to 61.3% in 1H 19 due to lower revenue and higher costs in the period. Controllable cost increased by A$24m from 1H 18 to A$247m, largely driven by higher project and risk and compliance costs.
- AMP Capital cost to income ratio decreased 2.7 percentage points from 1H 18 to 55.6% in 1H 19, reflecting increased costs to support international growth being more than offset by higher revenues. Controllable costs increased by A$24m to A$239m in 1H 19.

Capital position

- 1H 19 Level 3 eligible capital resources were A$1,694m above minimum regulatory requirements, up from A$1,651m at 31 December 2018, largely due to prudent capital management in light of increased uncertainty, lower bond yields and the impacts of upcoming regulatory changes.
- The AMP Limited Board has resolved not to declare an interim 2019 dividend. The Board will maintain a consistent approach to capital management until the completion of the sale of AMP Life.

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

Financial summary

A$m	1H 19	1H 18	2H 18	FY 18	% 1H 19/ 1H 18
Profit and loss					
Australian wealth management[1]	**103**	204	159	363	(49.5)
New Zealand wealth management[1]	**22**	28	25	53	(21.4)
AMP Capital[2]	**120**	94	73	167	27.7
AMP Bank	**71**	78	70	148	(9.0)
Retained businesses operating earnings	**316**	404	327	731	(21.8)
AMP Life operating earnings[3]	**31**	99	(102)	(3)	(68.7)
BU operating earnings	**347**	503	225	728	(31.0)
Group Office costs	**(59)**	(29)	(47)	(76)	(103.4)
Total operating earnings	**288**	474	178	652	(39.2)
Underlying investment income[2]	**55**	52	44	96	5.8
Interest expense on corporate debt	**(34)**	(31)	(37)	(68)	(9.7)
Underlying profit	**309**	495	185	680	(37.6)
Client remediation and related costs	**(41)**	(312)	(157)	(469)	86.9
Royal Commission	**-**	(13)	(19)	(32)	n/a
Portfolio review	**-**	(19)	(10)	(29)	n/a
Separation costs	**(89)**	-	(19)	(19)	n/a
Risk management, governance and controls	**(17)**	-	(8)	(8)	n/a
Other items	**(5)**	(41)	(33)	(74)	87.8
Impairments	**(2,352)**	-	-	-	n/a
Amortisation of acquired intangible assets[2]	**(45)**	(40)	(39)	(79)	(12.5)
Profit/(loss) before market adjustments and accounting mismatches	**(2,240)**	70	(100)	(30)	n/a
Market adjustment – investment income[2]	**(16)**	(10)	(18)	(28)	(60.0)
Market adjustment – annuity fair value	**(5)**	8	4	12	n/a
Market adjustment – risk products	**(26)**	15	9	24	n/a
Accounting mismatches	**(5)**	32	18	50	n/a
Profit/(loss) attributable to shareholders of AMP Limited	**(2,292)**	115	(87)	28	n/a

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

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

3 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 AMP Life accrue to Resolution Life from 1 July 2018. AMP will continue to report these earnings until the sale completes.

Financial summary cont'd

		1H 19	1H 18	2H 18	FY 18
Earnings					
EPS – underlying (cps)[1]		**10.5**	17.0	6.3	23.3
EPS – actual (cps)		**(78.4)**	4.0	(3.0)	1.0
RoE – underlying		**9.5%**	13.8%	5.3%	9.6%
RoE – actual		**-**	3.2%	(2.5%)	0.4%
Dividend[2]					
Dividend per share (cps)		**-**	10.0	4.0	14.0
Dividend payout ratio – underlying		**-**	59%	63%	60%
Franking rate[3]		**-**	50%	90%	90%
Ordinary shares on issue (m)[1]		**2,946**	2,918	2,937	2,937
Weighted average number of shares on issue (m)	– basic[1]	**2,942**	2,918	2,928	2,923
	– fully diluted[1]	**2,962**	2,939	2,946	2,942
	– statutory	**2,922**	2,889	2,904	2,897
Market capitalisation – end period (A$m)		**6,247**	10,390	7,197	7,197
Capital and corporate debt					
AMP shareholder equity (A$m)		**4,307**	6,956	6,683	6,683
Corporate debt (excluding AMP Bank debt) (A$m)		**1,909**	1,995	1,849	1,849
S&P gearing		**23%**	13%	17%	17%
Interest cover – underlying (times)		**8.0**	18.3	11.0	11.0
Interest cover – actual (times)		**-**	9.9	1.4	1.4
Margins					
Australian wealth management investment related revenue to AUM (bps)		**85**	96	91	93
AMP Capital AUM based management fees to AUM (bps) – external		**49.0**	44.9	47.6	46.2
AMP Bank net interest margin (over average interest earning assets)		**1.70%**	1.72%	1.67%	1.70%
Cashflows and AUM					
Australian wealth management cash inflows (A$m)		**11,366**	12,984	12,100	25,084
Australian wealth management cash outflows (A$m)		**(14,462)**	(13,857)	(15,195)	(29,052)
Australian wealth management net cashflows (A$m)		**(3,096)**	(873)	(3,095)	(3,968)
Australian wealth management persistency[4]		**86.6%**	89.0%	87.7%	88.3%
Australian wealth management AUM (A$b)[4]		**132.7**	132.0	123.2	123.2
AMP Capital net cashflows – external (A$m)		**818**	1,591	2,628	4,219
AMP Capital net cashflows – internal (A$m)		**(3,442)**	(3,121)	(3,870)	(6,991)
AMP Capital AUM (A$b)[5]		**200**	190	187	187
Non-AMP Capital managed AUM (A$b)		**75**	71	71	71
Total AUM (A$b)[6]		**275**	261	258	258
Controllable costs (pre-tax) and cost ratios					
Operating costs (A$m)		**638**	577	652	1,229
Project costs (A$m)		**102**	65	72	137
Total controllable costs (A$m)		**740**	642	724	1,366
Cost to income ratio		**60.2%**	45.9%	69.0%	55.8%
Controllable costs to average AUM (bps)		**55**	50	55	52

1 Number of shares has not been adjusted to remove treasury shares.
2 The AMP Limited Board has resolved not to declare an interim 2019 dividend.
3 Interim franking rate is the franking applicable to the interim dividend for that year.
4 Excludes SuperConcepts assets under administration.
5 1H 19 includes AMP Capital's 24.9% share of PCCP. AUM measured at net asset value (A$1.6b).
6 Includes SuperConcepts assets under administration, refer to page 9.

Five year summary

		1H 19	1H 18	1H 17	1H 16	1H 15
Earnings						
Total operating earnings (A$m)		**288**	474	509	485	538
Underlying profit (A$m)		**309**	495	533	513	570
Profit/(loss) attributable to shareholders of AMP Limited (A$m)		**(2,292)**	115	445	523	507
EPS – underlying (cps)[1]		**10.5**	17.0	18.1	17.3	19.3
EPS – actual (cps)		**(78.4)**	4.0	15.3	17.9	17.4
RoE – underlying		**9.5%**	13.8%	14.5%	11.9%	13.5%
RoE – actual		**-**	3.2%	12.1%	12.1%	12.0%
Dividend[2]						
Dividend per share (cps)		**-**	10.0	14.5	14.0	14.0
Dividend payout ratio – underlying		**-**	59%	79%	81%	73%
Franking rate[3]		**-**	50%	90%	90%	85%
Ordinary shares on issue (m)[1]		**2,946**	2,918	2,918	2,958	2,958
Weighted average number of shares on issue (m)	– basic[1]	**2,942**	2,918	2,941	2,958	2,958
	– fully diluted[1]	**2,962**	2,939	2,961	2,975	2,978
	– statutory	**2,922**	2,889	2,910	2,927	2,910
Share price for the period (A$)	– low	**2.03**	3.56	4.75	5.02	5.30
	– high	**2.66**	5.47	5.42	5.92	6.79
Margins						
Australian wealth management investment related revenue to AUM (bps)		**85**	96	104	109	113
AMP Capital AUM based management fees to AUM (bps) – external		**49.0**	44.9	47.2	47.3	44.5
AMP Bank net interest margin (over average interest earning assets)		**1.70%**	1.72%	1.67%	1.71%	1.53%
Capital and corporate debt						
AMP shareholder equity (A$m)		**4,307**	6,956	7,296	8,678	8,475
Corporate debt (excluding AMP Bank debt) (A$m)		**1,909**	1,995	1,619	1,589	1,533
S&P gearing		**23%**	13%	10%	9%	10%
Interest cover – underlying (times)[4]		**8.0**	18.3	10.7	17.6	18.5
Interest cover – actual (times)[4,5]		**-**	9.9	5.7	16.4	17.0
Cashflows and AUM						
Australian wealth management net cashflows (A$m)		**(3,096)**	(873)	1,023	582	1,152
Australian wealth management persistency[6]		**86.6%**	89.0%	88.6%	90.4%	89.9%
Australian wealth management AUM (A$b)[6]		**132.7**	132.0	125.0	115.0	114.0
AMP Capital net cashflows – external (A$m)		**818**	1,591	2,439	(153)	3,025
AMP Capital AUM (A$b)[7]		**200**	190	179	160	156
Non-AMP Capital managed AUM (A$b)		**75**	71	68	66	66
Total AUM (A$b)[8]		**275**	261	247	226	222
Controllable costs (pre-tax) and cost ratios						
Controllable costs (A$m)		**740**	642	671	663	657
Cost to income ratio		**60.2%**	45.9%	45.1%	45.5%	43.1%
Controllable costs to average AUM (bps)		**55**	50	55	59	58
Staff numbers						
Total staff numbers[9]		**6,505**	5,977	5,572	5,448	5,344

1 Number of shares has not been adjusted to remove treasury shares.
2 The AMP Limited Board has resolved not to declare an interim 2019 dividend.
3 Interim franking rate is the franking applicable to the interim dividend for that year.
4 Calculated on a rolling 12 month basis. 1H 17 calculated including one-off experience losses of A$485m incurred in 2H 16.
5 Calculated on a rolling 12 month basis. 1H 17 calculated excluding A$668m goodwill impairment incurred in 2H 16.
6 Excludes SuperConcepts assets under administration.
7 1H 19 includes AMP Capital's 24.9% share of PCCP. AUM measured at net asset value (A$1.6b).
8 Includes SuperConcepts assets under administration, refer to page 9.
9 Excludes advisers.

Australian wealth management

Profit and loss (A$m)	1H 19	1H 18	2H 18[1]	FY 18[1]	% 1H 19/ 1H 18
Investment related revenue[2]	**540**	619	594	1,213	(12.8)
Other revenue[3]	**17**	57	39	96	(70.2)
Total revenue	**557**	676	633	1,309	(17.6)
Investment management expense	**(164)**	(164)	(167)	(331)	-
Controllable costs[4]	**(247)**	(223)	(239)	(462)	(10.8)
Tax expense	**(43)**	(85)	(68)	(153)	49.4
Operating earnings	**103**	204	159	363	(49.5)
Underlying investment income	**6**	6	7	13	-
Underlying operating profit after income tax	**109**	210	166	376	(48.1)

Ratios and other data					
RoBUE	**23.0%**	41.6%	33.3%	37.5%	n/a
End period tangible capital resources – after transfers (A$m)	**878**	934	898	898	(6.0)
Net cashflows (A$m)[5]	**(3,096)**	(873)	(3,095)	(3,968)	(254.6)
AUM (A$b)[5]	**132.7**	132.0	123.2	123.2	0.5
Average AUM (A$b)[5,6]	**128.8**	130.3	130.0	130.1	(1.2)
Persistency[5]	**86.6%**	89.0%	87.7%	88.3%	n/a
Cost to income ratio	**61.3%**	42.9%	50.1%	46.4%	n/a
Investment related revenue to AUM (bps)[2,5,6,7]	**85**	96	91	93	n/a
Investment management expense to AUM (bps)[5,6,7]	**26**	25	25	25	n/a
Investment related revenue less variable costs to AUM (bps)[2,5,6,7]	**59**	71	66	68	n/a
Controllable costs to AUM (bps)[4,5,6,7]	**39**	35	36	35	n/a
Operating earnings to AUM (bps)[4,5,6,7]	**16**	31	24	28	n/a

1 Operating earnings in FY 18 and 2H 18 includes A$42m (post-tax) relating to internal distribution fees and product revenues for the benefit of Resolution Life when the transaction settles. The full year equivalent amount is approximately A$85m (post-tax) and is reported in AMP Life operating earnings from 1 January 2019.
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 and mature products.
4 Includes SuperConcepts.
5 Excludes SuperConcepts assets under administration.
6 Based on average of monthly average AUM.
7 Ratio based on 181 days in 1H 19 and 1H 18 and 184 days in 2H 18.

Australian wealth management cont'd

Operating earnings

Operating earnings fell by A$101m from 1H 18 to A$103m in 1H 19. The decline in operating earnings was largely due to:

- the impact of the Resolution Life transaction due to the cessation of internal distribution arrangements between Advice and the Australian wealth protection and mature businesses in 1H 19
- lower investment related revenue arising from margin compression, including MySuper price changes in Q3 18, and
- higher controllable costs.

Other revenue

Other revenue decreased by A$40m from 1H 18 to A$17m in 1H 19, driven by the cessation of internal distribution arrangements between Advice and the Australian wealth protection and mature businesses.

BOLR

AMP has contractual arrangements with financial advice businesses in its aligned advice network to purchase the servicing rights attached to AMP's client registers at agreed values subject to certain conditions being met. These buy-back arrangements include arrangements known as Buyer of Last Resort (BOLR).

The 1H 19 results were impacted by impairments to owned client registers, recognition of expected future impairments to servicing rights and client registers where practices have submitted their BOLR notice, and expected credit losses in relation to loans advanced by AMP Bank to practices in the aligned AMP Advice network. These impacts were driven by the revaluation of client registers and are disclosed as a component of Group Office results.

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. Operating earnings for 2H 18 included A$42m (post-tax) which will be attributed for the benefit of Resolution Life when the transaction settles. This is primarily due to the cessation of internal distribution arrangements between Advice and the Australian wealth protection and mature businesses and product revenues transferring with the sale. The full year equivalent amount is approximately A$85m (post-tax).

Investment related revenue to AUM

1H 19 investment related revenue to AUM was 85 bps, a 11 bps (11%) reduction from 1H 18 driven by the Resolution Life transaction impact (3 bps), MySuper price change (4 bps) and product mix changes (4 bps). Half of the 6 bps reduction from 2H 18 was driven by the Resolution Life transaction impact, with a further 2 bps from MySuper price changes.

Investment related revenue to AUM for North was 54 bps in 1H 19 across both administration and multi-manager investment revenue with MySuper at 85 bps in 1H 19.

Including the impact of Protecting Your Super legislation and the MyNorth repricing implemented in May 2019, and subject to any further regulatory impacts and management initiatives, underlying margin compression is expected to be up to 11 bps in FY 19, including the 3 bps impact of the Resolution Life transaction in FY 19, in line with guidance at FY 18.

1H 19 investment management expenses to AUM increased 1 bp from FY 18 reflecting increased investment management expenses to AMP Life on guaranteed options under the Resolution Life sale agreement.

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 50,142 funds representing 8.4% of the SMSF market[1]. AMP currently provides professional administration services to 19,961 funds and software as a service to a further 30,181 funds. Total assets under administration in 1H 19 were A$27.0b, up 12% from 1H 18.

SuperConcepts revenue is reported as part of 'Other' revenue and forms part of Australian wealth management's consolidated reporting. SuperConcepts contributed A$21m from business operations to 'Other' revenue in 1H 19, in line with 1H 18.

Controllable costs

Australian wealth management controllable costs increased A$24m (11%) in 1H 19 to A$247m. This was largely driven by higher project and risk and compliance costs.

1 Self-managed Super Fund Quarterly Statistical Report, Australian Taxation Office, March 2019.

Australian wealth management cont'd

1H 19 cashflows

Cashflows by product (A$m)	Cash inflows 1H 19	Cash inflows 1H 18	Cash inflows % 1H/1H	Cash outflows 1H 19	Cash outflows 1H 18	Cash outflows % 1H/1H	Net cashflows 1H 19	Net cashflows 1H 18	Net cashflows % 1H/1H
North[1]	6,942	7,423	(6.5)	(5,597)	(4,950)	(13.1)	1,345	2,473	(45.6)
AMP Flexible Super[2]	953	1,279	(25.5)	(1,955)	(2,024)	3.4	(1,002)	(745)	(34.5)
Summit, Generations and iAccess[3]	330	412	(19.9)	(1,192)	(1,279)	6.8	(862)	(867)	0.6
Flexible Lifetime Super (superannuation and pension)[4]	689	857	(19.6)	(1,900)	(1,642)	(15.7)	(1,211)	(785)	(54.3)
Other retail investment and platforms[5]	54	189	(71.4)	(195)	(286)	31.8	(141)	(97)	(45.4)
Total retail on AMP platforms	**8,968**	**10,160**	(11.7)	**(10,839)**	**(10,181)**	(6.5)	**(1,871)**	**(21)**	n/a
SignatureSuper and AMP Flexible Super – Employer	1,384	1,446	(4.3)	(1,500)	(1,346)	(11.4)	(116)	100	n/a
Other corporate superannuation[6]	666	728	(8.5)	(968)	(995)	2.7	(302)	(267)	(13.1)
Total corporate superannuation	**2,050**	**2,174**	(5.7)	**(2,468)**	**(2,341)**	(5.4)	**(418)**	**(167)**	(150.3)
Total retail and corporate superannuation on AMP platforms	**11,018**	**12,334**	(10.7)	**(13,307)**	**(12,522)**	(6.3)	**(2,289)**	**(188)**	n/a
External platforms[7]	348	650	(46.5)	(1,155)	(1,335)	13.5	(807)	(685)	(17.8)
Total Australian wealth management	**11,366**	**12,984**	(12.5)	**(14,462)**	**(13,857)**	(4.4)	**(3,096)**	**(873)**	(254.6)

Australian wealth management cash inflow composition (A$m)	1H 19	1H 18	% 1H/1H
Member contributions	1,660	1,987	(16.5)
Employer contributions	2,099	2,202	(4.7)
Total contributions	3,759	4,189	(10.3)
Transfers, rollovers in and other[8]	7,607	8,795	(13.5)
Total Australian wealth management	**11,366**	**12,984**	(12.5)

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$3,096m in 1H 19, compared to net cash outflows of A$873m in 1H 18 and A$3,095m in 2H 18. This included pension payments to clients of A$1.2b in 1H 19 in line with A$1.2b in 1H 18.

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

Internal inflows across wealth management products were A$5.8b in 1H 19 (A$6.3b in 1H 18), representing 51% (48% in 1H 18) of total wealth management 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.

Total retail AUM on AMP platforms increased A$7.3b (9%) from FY 18 to A$93.0b in 1H 19, largely driven by stronger investment markets.

Net cashflows on AMP retail platforms fell by A$1.9b in 1H 19 driven by lower member contributions and rollovers in, and increasing outflows from AMP.

North AUM increased A$5.4b (14%) to A$43.3b in 1H 19, while AUM held in North's capital guaranteed products increased A$95m to A$1.9b in 1H 19.

North net cashflows of A$1.3b were down A$1.1b (46%) on 1H 18. Externally sourced inflows fell A$585m (19%) whilst external outflows increased A$738m (40%). Inflows from External Financial Advisers increased by A$61m (14%) to A$504m driven by increasing distribution focus on non-aligned channels.

AMP Flexible Super net cash outflows were A$1.0b in 1H 19 reflecting an increasing preference for new and existing retirement clients to use North.

Flexible Lifetime Super (superannuation and pension) was closed to new business from 1 July 2010. In 1H 19, net cash outflows increased by A$0.4b reflecting a book that is in run-off.

Australian wealth management cont'd

1H 19 AUM

AUM (A$m)	FY 18 AUM	1H 19 net cashflows: Super-annuation	Pension payments	Other pension	Invest-ment	Total net cashflows	Other movements[1]	1H 19 AUM[2]
North	37,882	927	(617)	883	152	1,345	4,069	43,296
AMP Flexible Super	14,586	(328)	(279)	(395)	-	(1,002)	1,609	15,193
Summit, Generations and iAccess	9,372	(313)	(137)	(232)	(180)	(862)	1,073	9,583
Flexible Lifetime Super (superannuation and pension)[3]	21,619	(939)	(96)	(176)	-	(1,211)	2,143	22,551
Other retail investment and platforms	2,233	-	-	-	(141)	(141)	299	2,391
Total retail on AMP platforms	**85,692**	**(653)**	**(1,129)**	**80**	**(169)**	**(1,871)**	**9,193**	**93,014**
SignatureSuper and AMP Flexible Super – Employer	17,864	(86)	(18)	(12)	-	(116)	1,707	19,455
Other corporate superannuation[4]	12,000	(302)	-	-	-	(302)	729	12,427
Total corporate superannuation	**29,864**	**(388)**	**(18)**	**(12)**	**-**	**(418)**	**2,436**	**31,882**
Total retail and corporate superannuation on AMP platforms	**115,556**	**(1,041)**	**(1,147)**	**68**	**(169)**	**(2,289)**	**11,629**	**124,896**
External platforms	7,659	(116)	(81)	(181)	(429)	(807)	955	7,807
Total Australian wealth management	**123,215**	**(1,157)**	**(1,228)**	**(113)**	**(598)**	**(3,096)**	**12,584**	**132,703**
Australian wealth management – SuperConcepts[5]								
Assets under administration	26,682						320	27,002
Total AUM	**149,897**	**(1,157)**	**(1,228)**	**(113)**	**(598)**	**(3,096)**	**12,904**	**159,705**

Australian wealth management – AUM by asset class	FY 18	1H 19
Cash and fixed interest	30%	30%
Australian equities	29%	30%
International equities	28%	29%
Property	6%	6%
Other	7%	5%
Total	**100%**	**100%**

1 Other movements include fees, investment returns, distributions, taxes and foreign exchange movements.
2 AUM reflects a post separation view following the sale of Australian and New Zealand wealth protection and mature businesses to Resolution Life.
3 Flexible Lifetime Super (superannuation and pension) includes A$5.5b in MySuper (FY 18 A$5.0b).
4 Other corporate superannuation includes A$6.1b in MySuper (FY 18 A$5.6b).
5 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.

Corporate superannuation

Total corporate superannuation AUM of A$31.9b in 1H 19 increased A$2.0b (7%) from FY 18, largely due to stronger investment markets. Net cash outflows of A$418m in 1H 19 are A$251m higher than 1H 18.

There were no material outflows from loss of large corporate super mandates in 1H 19. There has been an increased level of employer review of corporate super arrangements since AMP's appearance at the Royal Commission, with AMP retaining over 20 large mandates at a value of A$1.7b. Outflows of approximately A$700m are expected in the next 12 months from a number of lost mandates.

AMP's corporate offerings, SignatureSuper and AMP Flexible Super – Employer, had net cash outflows of A$116m, compared to net cashflows of A$100m in 1H 18.

Other corporate superannuation comprising CustomSuper, SuperLeader and Business Super, experienced net cash outflows of A$302m in 1H 19, an increase of A$35m from 1H 18. The decline in performance was driven by weaker inflows since Q2 18.

External platforms

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

In 1H 19, external platform net cash outflows increased by A$122m mainly due to weaker inflows.

Total Australian wealth management AUM

Of the total Australian wealth management AUM of A$132.7b at 1H 19, 74% is ultimately externally managed, while 26% is internally managed.

New Zealand wealth management

Profit and loss (A$m)	1H 19	1H 18	2H 18[1]	FY 18[1]	% 1H 19/ 1H 18
Wealth management	**13**	21	16	37	(38.1)
Advice	**9**	7	9	16	28.6
Operating earnings after income tax[2]	**22**	28	25	53	(21.4)
Ratios and other data					
RoBUE	**42.1%**	66.9%	54.8%	60.6%	n/a
End period tangible capital resources – after transfers (A$m)	**100**	94	92	92	6.4
Net cashflows (A$m)	**(250)**	50	33	83	n/a
AUM (A$m)	**11,963**	11,099	11,076	11,076	7.8
Average AUM (A$m)	**11,749**	11,072	11,211	11,145	6.1
Persistency	**86.2%**	91.3%	88.5%	88.9%	n/a
Controllable costs (A$m)	**18**	16	17	33	12.5
Cost to income ratio	**36.9%**	29.1%	32.9%	31.0%	n/a
Controllable costs to AUM (bps)	**30**	29	30	30	n/a
Operating earnings to AUM (bps)	**37**	51	44	48	n/a

1 Operating earnings in FY 18 and 2H 18 includes A$6m (post-tax) relating to product revenues for the benefit of Resolution Life when the transaction settles. The full year equivalent amount is approximately A$12m (post-tax) and is reported in AMP Life operating earnings from 1 January 2019.

2 NZ dollar terms, operating earnings in 1H 19 was NZ$23m (1H 18 NZ$30m).

	KiwiSaver		Other[1]		Total	
Cashflows and movements in AUM (A$m)	**1H 19**	**1H 18**	**1H 19**	**1H 18**	**1H 19**	**1H 18**
AUM at beginning of period	4,883	4,623	6,193	6,264	11,076	10,887
Cash inflows	305	299	217	278	522	577
Cash outflows	(275)	(218)	(497)	(309)	(772)	(527)
Net cashflows	**30**	**81**	**(280)**	**(31)**	**(250)**	**50**
Other movements in AUM	438	79	699	83	1,137	162
AUM at end of period	**5,351**	**4,783**	**6,612**	**6,316**	**11,963**	**11,099**
Composition of net cashflows by product						
Superannuation	30	81	(29)	(16)	1	65
Investment	-	-	(251)	(15)	(251)	(15)

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

New Zealand wealth management cont'd

Operating earnings

Excluding the impact of product revenues transferring with the sale of AMP Life (A$6m), 1H 19 operating earnings of A$22m are in-line with 1H 18 results. Operating earnings for 1H 19 were favourably impacted by stronger advice income, offset by higher controllable costs.

Cashflows and AUM

1H 19 AUM of A$12.0b increased by A$0.9b (8%) from 1H 18, largely due to stronger investment markets.

Net cash outflows of A$250m for 1H 19 were impacted by cash withdrawals from retail investments, which were driven by a mix of expected regular retirement withdrawals and increased competition.

KiwiSaver generated net cash inflows of A$30m for 1H 19, while net cash outflows on platforms and other investments amounted to A$280m.

Advice and retirement planning (including KiwiSaver) continues to be a key focus for growth. New Zealand wealth management is a large KiwiSaver provider with approximately 10%[1] of the NZ$55.4b KiwiSaver market as at 31 March 2019.

Controllable costs

1H 19 controllable costs increased A$2m (13%) to A$18m from 1H 18 due to investments in legacy product renovation and the unfavourable timing related impact of the transition to NZ IFRS 16. The cost to income ratio increased 7.8 percentage points to 36.9%.

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. Operating earnings for 2H 18 included A$6m (post-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 (post-tax).

1 Measured by AUM. Source: FundSource Limited March 2019.

AMP Capital

Profit and loss (A$m)	1H 19	1H 18	2H 18	FY 18	% 1H 19/ 1H 18
Internal AUM based management fees	**117**	121	121	242	(3.3)
External AUM based management fees	**175**	147	162	309	19.0
Non-AUM based management fees	**48**	40	48	88	20.0
Performance and transaction fees	**62**	52	17	69	19.2
Fee income	**402**	360	348	708	11.7
Controllable costs	**(239)**	(215)	(238)	(453)	(11.2)
Tax expense	**(37)**	(38)	(28)	(66)	2.6
Operating earnings before net seed pool income	**126**	107	82	189	17.8
Net seed and sponsor capital income	**15**	4	3	7	275.0
Operating earnings including minority interests	**141**	111	85	196	27.0
Minority interests in operating earnings	**(21)**	(17)	(12)	(29)	(23.5)
Operating earnings	**120**	94	73	167	27.7
Underlying investment income	**3**	2	3	5	50.0
Underlying operating profit after income tax	**123**	96	76	172	28.1
Controllable costs					
Employee related	**168**	147	162	309	14.3
Investment operations and other	**62**	62	71	133	-
Total operating costs	**230**	209	233	442	10.0
Project costs	**9**	6	5	11	50.0
Total controllable costs	**239**	215	238	453	11.2
Ratios and other data					
Cost to income ratio	**55.6%**	58.3%	66.3%	62.3%	n/a
Controllable costs to average AUM (bps)[1,2]	**24.6**	22.6	25.0	23.8	n/a
AMP Capital staff numbers[3]	**1,327**	1,183	1,242	1,242	12.2
AUM (A$b)[2]	**199.6**	190.5	187.2	187.2	4.8
Average AUM (A$b) – total[1,2]	**194.2**	190.3	190.2	190.2	2.0
Average AUM (A$b) – internal[1]	**122.2**	124.7	122.1	123.3	(2.0)
Average AUM (A$b) – external[1,2]	**72.0**	65.6	68.1	66.9	9.8
AUM based management fees to AUM (bps) – total[1,2]	**30.3**	28.4	29.5	29.0	n/a
AUM based management fees to AUM (bps) – internal[1]	**19.3**	19.4	19.8	19.6	n/a
AUM based management fees to AUM (bps) – external[1,2]	**49.0**	44.9	47.6	46.2	n/a
Performance and transaction fees to AUM (bps)[1,2]	**6.4**	5.5	1.8	3.6	n/a
End period tangible capital resources – after transfers (A$m)[4]	**618**	415	509	509	48.9
RoBUE	**53.6%**	63.8%	39.4%	50.2%	n/a

1 Based on average of monthly average AUM.
2 1H 19 average AUM includes A$8.9b relating to joint ventures, including AMP Capital's 24.9% share of PCCP's net asset value at 1H 19 (average A$1.5b, closing A$1.6b).
3 1H 19 includes 308 FTEs (296 in 1H 18), primarily in shopping centres, for which the costs are recharged.
4 End period tangible capital resources are disclosed gross of minority interest.

Operational highlights

Operational highlights during 1H 19 include:

- strong momentum in AMP Capital's infrastructure debt series and global infrastructure equity platform
- investment of A$2.1b of real asset committed capital during 1H 19, including in a European water utility company, Scandinavian district heating business and a US power company
- strong further commitments into real asset capabilities with A$5.1b of uncalled committed capital at 1H 19, with A$2.0b earmarked for investment, and
- continued expansion of AMP Capital's global footprint, increasing AUM managed on behalf of direct international institutional clients to A$18.8b (from A$17.3b in FY 18).

Operating earnings

AMP group's 85% share of AMP Capital's 1H 19 operating earnings was A$120m, up 28% from A$94m in 1H 18. AMP Capital's operating earnings benefited from strong fee income growth of 12%, seed and sponsor capital income of A$15m, partially offset by an 11% increase in controllable costs, largely reflecting investment in growth initiatives.

Fee income

Fee income increased 12% in 1H 19 to A$402m from A$360m in 1H 18. This was driven by a A$24m (9%) increase in AUM based management fees, a A$8m (20%) increase in non-AUM based management fees, and a A$10m (19%) increase in performance and transaction fees.

AMP Capital cont'd

Average AUM increased 2% to A$194.2b from A$190.3b, driven by positive investment returns, investment of real asset committed capital and positive external net cashflows. Total AUM based management fees to AUM were 30.3 bps in 1H 19. The increase from 28.4 bps in 1H 18 and 29.0 bps for FY 18 reflects the ongoing portfolio shift to higher margin real asset businesses.

Internal AUM based management fees were A$117m in 1H 19. The average internal AUM margin was 19.3 bps, compared to 19.4 bps in 1H 18 and 19.8 bps in 2H 18.

External AUM based management fees increased A$28m (19%) from A$147m in 1H 18, driven by growth in average AUM from the investment of committed capital. External AUM margins of 49.0 bps were higher than 46.2 bps in FY 18 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$48m in 1H 19, up A$8m (20%) from 1H 18 reflecting infrastructure commitment fees.

1H 19 performance and transaction fees were A$62m, up A$10m from A$52m in 1H 18. Infrastructure equity performance fees were A$11m lower than in 1H 18. 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$25m were A$22m higher than in 1H 18. This includes transaction revenue on the sale of the AA REIT management entities, infrastructure debt co-investment transactions and debt advisory revenues.

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 Global Infrastructure Fund and Infrastructure 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, commencing 2020-21.

Controllable costs

Controllable costs of A$239m in 1H 19 increased A$24m (11%) from 1H 18 and A$1m from 2H 18. The increase in costs from 1H 18 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 domestic real estate development program. Controllable costs also reflect additional regulatory and compliance costs, as evidenced across the industry. Controllable costs are increasingly influenced by foreign exchange movements as the business grows internationally.

AMP Capital's cost to income ratio decreased 2.7 percentage points to 55.6% in 1H 19. 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 1H 19 was 24.1%, down from 26.2% in FY 18. The effective tax rate is lower than the Australian corporate tax rate (30%), largely due to tax concessions on offshore activities, joint venture earnings which are recognised net of tax and the 1H 19 sale of AA REIT management rights.

Net seed and sponsor capital income

1H 19 total seed and sponsor capital holdings were A$481m.

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

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. The sale of the AA REIT management rights completed in March 2019.

Seed capital investments at 1H 19 were real asset related.

The 1H 19 net seed and sponsor capital income of A$15m is net of debt funding costs. It reflects positive returns on investments, particularly from infrastructure holdings, and distribution income.

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 June 2019, the proportion of AMP Capital's AUM performing at or above client goals was 74% over three years. AMP Capital's internal target is 75% over three years.

Assessed on the more conventional metric of performance versus market benchmarks, 79% of AUM has outperformed over a three year time period.

Returns across AMP Capital's multi-asset funds were positive over 1H 19, driven by gains in both equity and bond markets. Listed assets generally outperformed unlisted assets over the period, improving AMP Capital's relative peer performance, in what continues to be a challenging environment for active managers.

The table on page 29 shows investment performance across all asset classes over various timeframes to 30 June 2019.

AMP Capital cont'd

Cashflows and AUM

Cashflows by asset class (A$m)	Cash inflows 1H 19	Cash inflows 1H 18	Cash inflows % 1H/1H	Cash outflows 1H 19	Cash outflows 1H 18	Cash outflows % 1H/1H	Net cashflows 1H 19	Net cashflows 1H 18	Net cashflows % 1H/1H
External									
Australian equities	42	104	(59.6)	(135)	(82)	(64.6)	(93)	22	n/a
International equities	741	460	61.1	(513)	(539)	4.8	228	(79)	n/a
Fixed interest	2,091	2,261	(7.5)	(3,029)	(2,179)	(39.0)	(938)	82	n/a
Infrastructure	1,899	1,524	24.6	(541)	(425)	(27.3)	1,358	1,099	23.6
Direct investments	-	-	n/a	-	-	n/a	-	-	n/a
Real estate	1,061	2,150	(50.7)	(690)	(1,701)	59.4	371	449	(17.4)
Alternative assets	12	45	(73.3)	(120)	(27)	(344.4)	(108)	18	n/a
Total external	**5,846**	**6,544**	(10.7)	**(5,028)**	**(4,953)**	(1.5)	**818**	**1,591**	(48.6)
Internal									
Australian equities	889	5,263	(83.1)	(1,993)	(6,009)	66.8	(1,104)	(746)	(48.0)
International equities	1,648	1,458	13.0	(2,305)	(2,434)	5.3	(657)	(976)	32.7
Fixed interest	4,386	7,148	(38.6)	(5,943)	(8,484)	30.0	(1,557)	(1,336)	(16.5)
Infrastructure	120	125	(4.0)	(142)	(159)	10.7	(22)	(34)	35.3
Direct investments	4	7	(42.9)	(30)	(49)	38.8	(26)	(42)	38.1
Real estate	104	78	33.3	(153)	(114)	(34.2)	(49)	(36)	(36.1)
Alternative assets	268	190	41.1	(295)	(141)	(109.2)	(27)	49	n/a
Total internal	**7,419**	**14,269**	(48.0)	**(10,861)**	**(17,390)**	37.5	**(3,442)**	**(3,121)**	(10.3)
Total	**13,265**	**20,813**	(36.3)	**(15,889)**	**(22,343)**	28.9	**(2,624)**	**(1,530)**	(71.5)

AUM by asset class (A$m)	FY 18	%	Net cashflows 1H 19	Investment returns and other[1]	1H 19	%
External						
Australian equities	957	1	(93)	181	1,045	1
International equities	6,122	9	228	933	7,283	10
Fixed interest	19,633	28	(938)	696	19,391	26
Infrastructure	17,775	25	1,358	1,041	20,174	27
Direct investments	11	-	-	-	11	-
Real estate[2]	25,859	37	371	(398)	25,832	35
Alternative assets[3]	481	-	(108)	32	405	1
Total external	**70,838**	**100**	**818**	**2,485**	**74,141**	**100**
Internal						
Australian equities	25,843	22	(1,104)	4,532	29,271	23
International equities	31,873	27	(657)	4,453	35,669	28
Fixed interest	48,435	42	(1,557)	2,261	49,139	40
Infrastructure	2,540	2	(22)	421	2,939	2
Direct investments	1,157	1	(26)	140	1,271	1
Real estate[2]	3,476	3	(49)	75	3,502	3
Alternative assets[3]	3,086	3	(27)	574	3,633	3
Total internal	**116,410**	**100**	**(3,442)**	**12,456**	**125,424**	**100**
Total						
Australian equities	26,800	14	(1,197)	4,713	30,316	15
International equities	37,995	20	(429)	5,386	42,952	22
Fixed interest	68,068	36	(2,495)	2,957	68,530	33
Infrastructure	20,315	11	1,336	1,462	23,113	12
Direct investments	1,168	1	(26)	140	1,282	1
Real estate[2]	29,335	16	322	(323)	29,334	15
Alternative assets[3]	3,567	2	(135)	606	4,038	2
Total	**187,248**	**100**	**(2,624)**	**14,941**	**199,565**	**100**

AUM by source of client (A$m)	FY 18	%	1H 19	%
Australia	139,133	75	146,950	73
New Zealand	19,072	10	21,404	11
Asia (including Middle East)	17,698	9	17,899	9
Rest of world	11,345	6	13,312	7
Total	**187,248**	**100**	**199,565**	**100**

1 Investment returns and other includes fees, investment returns, distributions, taxes and foreign exchange movements. The external real estate category has reduced by A$765m from the sale of the AA REIT management entities.

2 Real estate AUM comprises Australian (A$25.3b), NZ (A$2.1b) and Global (A$1.9b) managed assets. Australian real estate AUM is invested in office (44%), retail (50%), 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 increased by A$12.3b to A$199.6b in 1H 19, driven by positive external net cashflows and the investment of real asset committed capital, positive investment returns, partially offset by net cash outflows from internal sources. AMP Capital has A$5.1b of uncalled committed real asset capital at 1H 19.

External AUM and cashflows

External AUM increased by A$3.3b (5%) over 1H 19 to A$74.1b, with A$0.8b of net cashflows and A$2.5b net positive investment returns and other movements. During Q1 19, AMP Capital confirmed the sale of its 50 per cent shareholding in the management companies of Singapore Exchange listed AIMS APAC REIT (AA REIT) to joint venture partner AIMS Financial Group. As a result of this share sale, AMP Capital's external real estate AUM reduced by A$765m and AMP Capital recognised a gain on sale in 1H 19.

Investment of committed capital drove strong external net cashflows in infrastructure during 1H 19. Notable transactions include investments in a European water utility company, Scandinavian district heating business and a US power company on behalf of investors in the infrastructure debt series.

External net cashflows of A$0.8b were down from A$1.6b in 1H 18, reflecting:
- lower net cashflows from domestic clients (down A$1.0b)
- higher net cashflows from international investors (up A$0.2b), with a high level of investments in infrastructure debt and equity internationally.

International

AMP Capital grew its number of direct international institutional clients to 319 in 1H 19, managing A$18.8b on their behalf (up 9% from A$17.3b at FY 18). Approximately 42% (A$31.2b) of external AUM is now managed on behalf of clients outside Australia and New Zealand.

Growth in 1H 19 was assisted by strong international investor interest in AMP Capital's infrastructure funds.

China

During 1H 19, the CLAMP joint venture launched 14 new products, including SMAs, diversified, equity and bond funds. At 1H 19, the joint venture managed A$43.0b (RMB 207.0b) of total AUM on behalf of Chinese retail and institutional investors. This was up 3% on A$41.7b at FY 18.

In 1H 19, AMP Capital's share of CLAMP net cashflows were A$12m, down from A$157m in 1H 18. CLAMP experienced inflows into CLAMP fixed income and equities funds, while experiencing outflows from money market funds due to easing monetary policies and regulatory changes.

AMP Capital reports its 15% share of the joint venture's AUM (A$6.4b) 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 1H 19, 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$1.5b, up 25% from A$1.2b in FY 18.

In addition, MUFG: Trust Bank has raised commitments of A$1.9b 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$6.3b AUM on behalf of all Japanese retail and institutional clients.

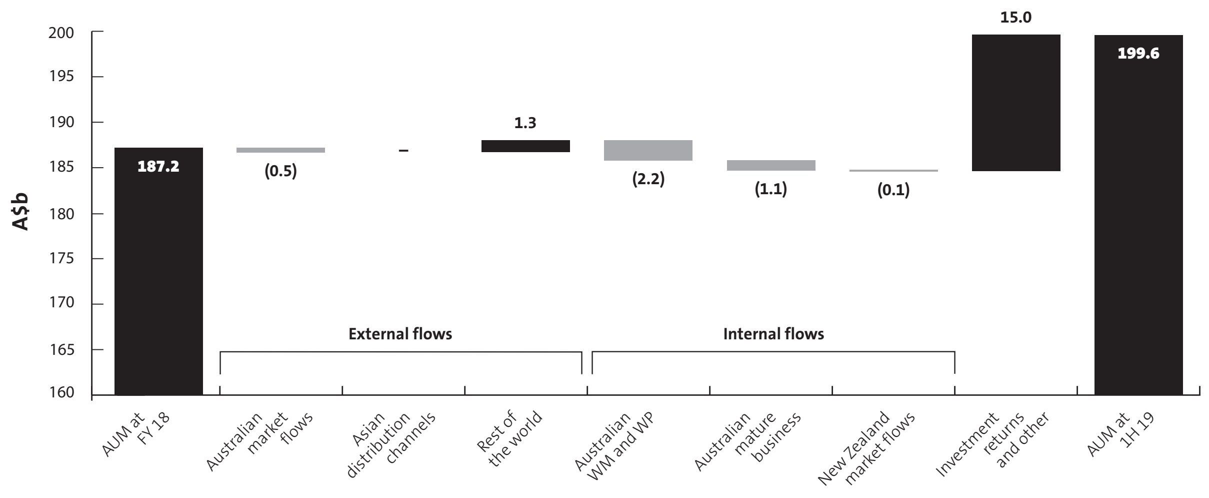
Internal AUM and cashflows

Internal AUM increased 8% in 1H 19 to A$125.4b, reflecting net cash outflows (-A$3.4b) and investment returns (A$12.5b).

Internal net cashflows include AMP group payments such as dividend payments and net cashflows from wealth management and mature products including products in run-off. AMP Capital manages over 90% 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 AMP Life 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 18 to 1H 19[1]



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

AMP Bank

Profit and loss (A$m)	1H 19	1H 18	2H 18	FY 18	% 1H 19/ 1H 18
Net interest income	**192**	194	194	388	(1.0)
Fee and other income[1]	**10**	7	6	13	42.9
Total revenue	**202**	201	200	401	0.5
Bank variable costs	**(40)**	(43)	(39)	(82)	7.0
Loan impairment expense	**(6)**	(1)	(12)	(13)	n/a
Controllable costs[2]	**(55)**	(45)	(50)	(95)	(22.2)
Tax expense	**(30)**	(34)	(29)	(63)	11.8
Operating profit after income tax[2]	**71**	78	70	148	(9.0)

Ratios and other data	1H 19	1H 18	2H 18	FY 18	% 1H 19/ 1H 18
Return on capital	**14.1%**	16.7%	13.5%	15.0%	n/a
Total capital resources (A$m)[3]	**958**	931	980	980	2.9
Capital Adequacy Ratio	**16.5%**	15.8%	16.3%	16.3%	n/a
Common Equity Tier 1 capital ratio	**11.1%**	10.3%	10.9%	10.9%	n/a
Net interest margin (over average interest earning assets)	**1.70%**	1.72%	1.67%	1.70%	n/a
Total loans (A$m)	**20,202**	20,248	20,008	20,008	(0.2)
Residential mortgages (A$m)	**19,690**	19,680	19,460	19,460	0.1
Practice finance loans to AMP aligned advisers (A$m)	**512**	568	548	548	(9.9)
Mortgages – interest only as a proportion of total	**27%**	35%	31%	31%	n/a
Mortgages – existing business weighted average loan to value ratio (LVR)	**66%**	67%	66%	66%	n/a
Loan portfolio growth – AMP aligned channel	**(2%)**	3%	(3%)	0%	n/a
Total deposits (A$m)	**13,868**	12,707	13,304	13,304	9.1
Deposit to loan ratio	**69%**	63%	66%	66%	n/a
Mortgages – 30+ days in arrears	**1.25%**	0.88%	1.02%	1.02%	n/a
Mortgages – 90+ days in arrears	**0.63%**	0.44%	0.47%	0.47%	n/a
Loan impairment expense to average gross loans and advances	**0.06%**	0.01%	0.11%	0.06%	n/a
Total provisions for impairment losses (A$m)	**43**	28	38	38	53.6
Total loan provisions to gross loans and advances	**0.21%**	0.14%	0.19%	0.19%	n/a
Cost to income ratio[2]	**35.3%**	28.7%	33.6%	31.0%	n/a

1 Fee and other income mainly comprises mortgage origination, servicing and discharge fees as well as profit on sale of invested assets.

2 Regulatory and compliance costs relating to major projects are reported within controllable costs from 2019. Excluding the impact of these costs, 1H 19 controllable costs of A$47m (A$3m or 6% lower than 2H 18), operating earnings of A$76m (A$6m or 6% higher than 2H 18) and cost to income ratio of 30.1% (3.4 percentage points down from 2H 18).

3 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)	**1H 19**	**1H 18**	**1H 19**	**1H 18**	**1H 19**	**1H 18**
Balance at beginning of period	5,698	5,178	7,606	7,205	20,008	19,445
Net movement	(365)	(77)	929	401	194	803
Balance at end of period	**5,333**	**5,101**	**8,535**	**7,606**	**20,202**	**20,248**
% 1H 19/1H 18	4.5%		12.2%		(0.2%)	

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

AMP Bank funding composition (A$b)	1H 19		FY 18		1H 18	
Total deposits	13.9	61%	13.3	59%	12.7	56%
Securitisation	4.7	21%	4.6	20%	4.9	21%
Wholesale funding	2.8	12%	3.4	15%	4.0	18%
Subordinated debt	0.3	1%	0.3	1%	0.3	1%
Equity and reserves	1.1	5%	1.1	5%	0.9	4%
Total funding	**22.8**	**100%**	**22.7**	**100%**	**22.8**	**100%**

AMP Bank cont'd

Operating profit

1H 19 operating profit of A$71m decreased by A$7m (9%) relative to 1H 18. The result was driven by residential mortgage book growth with largely stable margins, offset by increased controllable costs (with major regulatory and compliance project costs reported in controllable costs from 2019), increased funding costs and the residual impact of conservative liquidity management actions taken in 2H 18.

Net interest margin was 1.70% in 1H 19, which was 2 bps lower than in 1H 18 and an improvement of 3 bps on 2H 18. Net interest margin remains under pressure from the competitive lending environment and increased funding costs.

AMP Bank's return on capital in 1H 19 was 14.1%, a decrease of 2.6 percentage points from 1H 18, impacted by the lower operating profits and higher levels of equity and reserves.

Lending

AMP Bank maintained a competitive lending position in 1H 19, with the total loan book growing by approximately 1% in six months in a slowing housing lending system.

Residential mortgage competition, particularly in the owner occupied principal and interest market, remained intense. Within this environment, AMP Bank's residential mortgage book grew to A$19.7b, with growth in principal and interest across both owner-occupied and investment lending. Interest only lending represents 27% of the total book, down from 31% at FY 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 from A$548m at FY 18 to A$512m at 1H 19 with loan repayments exceeding new loans.

Credit quality, impairment provisions and loan impairment expenses

Mortgages (90+ days) in arrears increased 0.16 percentage points to 0.63% but compares favourably to an industry average of ~1.00%[1]. The majority of AMP Bank's loan book is based in New South Wales and Victoria.

An intragroup indemnity is in place covering any credit losses that relate to practice finance loans. Accordingly, AMP Bank does not report impairment charges for these loans and excludes related expected credit losses from its portfolio loan provisioning.

The 1H 19 loan impairment expense of A$6m is A$6m lower than 2H 18 as a consequence.

Variable and controllable costs

The Bank's variable costs decreased to A$40m from A$43m in 1H 18 due to lower residential mortgage book growth.

AMP Bank's controllable costs increased by A$10m (22%) from 1H 18 to A$55m in 1H 19 predominantly due to changes in reporting of major regulatory and compliance project costs. Controllable cost growth excluding these costs was up A$2m (4%) from 1H 18 reflecting AMP Bank's continued investment in technology and operating capability.

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$22.8b at 1H 19, stable relative to 1H 18.

Total deposits increased by A$0.6b (4%) in the half, mainly from growth in term and at-call deposits. AMP Bank's deposit to loan ratio is 69% at 1H 19, compared with 63% at 1H 18 and 66% at FY 18.

AMP Bank maintains a diversified liquidity portfolio with adequate high-quality liquid assets, in accordance with Basel III liquidity requirements. As at 1H 19, AMP Bank's liquidity coverage ratio was 154% (139% at FY 18) and the Net Stable Funding Ratio was 127%. Both remain above internal and regulatory requirements.

The Capital Adequacy Ratio was 16.5% as at 1H 19 (16.3% at FY 18). The Common Equity Tier 1 Capital Ratio (CET1) for 1H 19 was 11.1% (10.9% at FY 18). Both ratios remain above internal and regulatory requirements.

1 Data as at February 2019 per Reserve Bank of Australia.

AMP Life

Profit and loss (A$m)	**1H 19**	**1H 18**	**2H 18**	**FY 18**	**% 1H 19/ 1H 18**
Australian wealth protection	**36**	46	40	86	(21.7)
New Zealand wealth protection and mature	**11**	26	25	51	(57.7)
Australian mature	**69**	71	61	132	(2.8)
Total profit margins	**116**	143	126	269	(18.9)
AWP experience profits/(losses)	**(13)**	(16)	(49)	(65)	18.8
New Zealand experience profits/(losses)	**(4)**	2	(2)	-	n/a
Australian mature experience profits/(losses)	**2**	(1)	3	2	n/a
Total experience profits/(losses)	**(15)**	(15)	(48)	(63)	-
Capitalised (losses)/reversals and other one-off experience items	**(70)**	(29)	(180)	(209)	(141.4)
Operating earnings	**31**	99	(102)	(3)	(68.7)
Underlying investment income	**22**	21	22	43	4.8
Underlying operating profit/(loss) after income tax	**53**	120	(80)	40	(55.8)

Ratios and other data					
RoBUE	**5.4%**	11.5%	(7.3%)	1.9%	n/a
End period tangible capital resources – after transfers (A$m)	**1,983**	2,126	1,910	1,910	(6.7)
AWP and NZ total individual risk API (A$m)	**1,711**	1,767	1,786	1,786	(3.2)
AWP and NZ total group risk API (A$m)	**289**	413	304	304	(30.0)
AWP individual risk lapse rate	**16.9%**	14.7%	17.7%	16.2%	n/a
NZ individual risk lapse rate	**12.9%**	10.8%	13.0%	11.9%	n/a
Australian and NZ mature AUM (A$b)	**27.5**	25.1	24.6	24.6	9.6
Australian mature persistency	**88.8%**	89.7%	88.9%	89.4%	n/a
Controllable costs (A$m)	**96**	102	112	214	(5.9)
Controllable costs/annual premium	**9.7%**	9.4%	10.6%	10.2%	n/a

AMP Life cont'd

Businesses sold to Resolution Life

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

The revised agreement delivers consideration of A$3.0b, comprising:
- A$2.5b cash, and
- A$500m equity interest (expected to be around 20%) in Resolution Life Australia, a new Australian-domiciled, Resolution Life-controlled holding company that will become the owner of AMP Life.

Resolution Life will be on risk for all experience and lapse losses from 1 July 2018 until completion and is entitled to all AMP Life net earnings during that period.

The sale is now expected to complete in 1H 20. AMP will continue to report the results of AMP Life through to completion of the transaction.

Profit margins

1H 19 profit margins of A$116m decreased 19% from 1H 18 largely due to the impact of best estimate assumption changes in 2H 18 in Australian wealth protection, increased reinsurance in New Zealand wealth protection, and the impact of lower bond yields on the mature book, partly offset by product transfers and the cessation of internal distribution arrangements between AMP Life and Australian and New Zealand wealth management due to the Resolution Life transaction.

Experience

Total experience losses of A$15m in 1H 19 were driven primarily by A$13m 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 capitalised losses and other one-off experience items of A$70m in 1H 19 were mainly due to strengthening in best estimate assumptions driven by immediate and ongoing Protecting Your Super legislation impacts in both the Australian wealth protection and mature businesses.

The accumulated capitalised loss position at 30 June 2019 was A$540m 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$56m from 1H 18 to A$1,711m at 1H 19 due to lapses, partly offset by repricing, the annual benefit from Consumer Price Index (CPI) and age premium increases on risk policies.

Group risk API decreased A$124m to A$289m in 1H 19 from 1H 18 largely due to the loss of a large Australian Group plan from 1 July 2018.

Mature AUM

1H 19 Australian and New Zealand mature AUM was A$27.5b, up from A$25.1b in 1H 18 due to stronger market movements.

Lapse rates

Australian wealth protection 1H 19 lapse rates of 16.9% increased 2.2 percentage points from 1H 18. New Zealand wealth protection 1H 19 lapse rates were 12.9%, up from 10.8% in 1H 18. The increases were due to a range of factors including client activity following communications required to implement Protecting Your Super legislation in Australia. Second half lapse rates are typically higher, due to the greater volume of annual CPI and age premium increases and in 2H 19 will be impacted by the implementation of Protecting Your Super legislation.

Controllable costs

Controllable costs were A$96m in 1H 19, down A$6m (6%) from 1H 18, reflecting ongoing business efficiencies and a reduction in group allocated costs.

Group Office

A$m	1H 19	1H 18	2H 18	FY 18	% 1H 19/ 1H 18
Group Office costs not recovered from business units	**(59)**	(29)	(47)	(76)	(103.4)
Underlying investment income on Group Office capital	**24**	23	12	35	4.3
Interest expense on corporate debt	**(34)**	(31)	(37)	(68)	(9.7)
Client remediation and related costs	**(41)**	(312)	(157)	(469)	86.9
Royal Commission	**-**	(13)	(19)	(32)	n/a
Portfolio review	**-**	(19)	(10)	(29)	n/a
Separation costs	**(89)**	-	(19)	(19)	n/a
Risk management, governance and controls	**(17)**	-	(8)	(8)	n/a
Other items	**(5)**	(41)	(33)	(74)	87.8
Impairments	**(2,352)**	-	-	-	n/a
Amortisation of acquired intangible assets	**(45)**	(40)	(39)	(79)	(12.5)
Market adjustment – investment income	**(16)**	(10)	(18)	(28)	(60.0)
Market adjustment – annuity fair value	**(5)**	8	4	12	n/a
Market adjustment – risk products	**(26)**	15	9	24	n/a
Accounting mismatches	**(5)**	32	18	50	n/a
Interest expense summary					
Average volume of corporate debt	**1,803**	1,762	1,890	1,826	
Weighted average cost of corporate debt	**5.33%**	4.94%	5.12%	5.03%	
Tax rate	**29%**	29%	24%	26%	
Interest expense on corporate debt[1]	**34**	31	37	68	
Franking credits					
AMP dividend franking credits at face value at end of period[2]	**158**	159	148	148	
Staff numbers	**1,111**	1,005	1,033	1,033	10.5

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.

Group Office costs not recovered from business units

1H 19 Group Office costs not recovered from business units were A$59m, up from A$29m in 1H 18. The increase from 1H 18 is largely due to the inclusion of major regulatory and compliance project costs in controllable costs 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$24m in 1H 19, up from A$23m in 1H 18.

Underlying investment income assumes post-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

1H 19 interest expense on corporate debt was A$34m, up from A$31m in 1H 18 due to the higher weighted average cost of debt and increased average volume of debt.

The average volume of corporate debt increased to A$1,803m in 1H 19 (A$1,762m in 1H 18).

The weighted average cost of debt in 1H 19 was 5.33%, up from 4.94% in 1H 18. This was mainly due to higher undrawn facility fees and other debt costs in 1H 19.

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

Client remediation and related costs

1H 19 client remediation and related costs of A$41m reflect a further half year of client lost earnings and modest increases in provisioning levels.

Separation costs

Separation costs of A$89m relate to the execution of the sale of AMP Life.

Risk management, governance and controls

Costs relating to improving AMP's risk management, governance and controls environment are expected to total A$100m pre-tax (A$70m post-tax) over a 24 month period. To date, AMP has incurred A$25m of post-tax costs relating to this program.

Other items

Other items largely comprise the net of one-off and non-recurring revenues and costs. In 2018 and prior years the cost of implementing significant regulatory and compliance changes was also included in other items.

Impairments

1H 19 impairments of A$2,352m have been impacted by the writedown of goodwill and capitalised costs, a reduction in the carrying value of advice registers held by AMP, recognition of expected future impairments to servicing rights and client registers

Group Office cont'd

where practices have submitted their BOLR notice, and expected credit losses in relation to loans advanced by AMP Bank to practices in the aligned AMP Advice network. These impacts were driven by the revaluation of client registers.

Amortisation of acquired intangible assets

1H 19 amortisation of acquired intangible assets was A$45m. Amortisation of acquired intangibles for FY 19 is expected to be approximately A$90m.

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 1H 19 was A$0.4b.

In addition to the AXA acquired intangibles, amortisation of the Advice equity purchases, PCCP and SuperConcepts business acquisitions are 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 1H 19 market adjustment – investment income was -A$16m (1H 18 -A$10m), 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 1H 19.

Market adjustment – annuity fair value

1H 19 market adjustment – annuity fair value was -A$5m (1H 18 A$8m). Market adjustment – annuity fair value relates to the net impact of investment markets on AMP Life's annuity portfolio. AMP Life'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 Life's Australian annuity book comprise a mixture of government bonds and cash (9%), semi-government bonds (40%) 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 1H 19, there were no asset defaults.

The portfolio credit rating composition is AAA (41%), AA (20%), A (27%) and BBB (12%). Corporate bond exposures are AAA (1%), AA (13%), A (59%) and BBB (27%).

Market adjustment – risk products

1H 19 market adjustment – risk products was -A$26m (1H 18 A$15m) due to decreasing interest rates.

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

Accounting mismatches represents the difference in the valuation treatment of policyholder assets/liabilities in the financial statements and the impact of the introduction of AASB 9 Financial Instruments in 2018 to AMP's syndicated loans which were repaid in 1H 19.

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.

The introduction of AASB 9 Financial Instruments in 2018, required AMP to recognise a negotiated adjustment to the terms of a syndicated loan facility as a change in the carrying value of that facility. This resulted in a gain on modification recognised directly in 1 January 2018 opening retained earnings. The difference between the unadjusted carrying value at 31 December 2017 and the adjusted carrying value at 1 January 2018 would have been amortised over the remaining life of the facility and reflected as an increase in finance costs. However, as the facility was repaid in early 2019, the unamortised portion of the gain has been fully written off.

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

- treasury shares (AMP Limited shares held by the statutory funds on behalf of policyholders) (1H 19 +A$5m, 1H 18 +A$33m)
- investments in controlled entities (1H 19 -A$2m, 1H 18 -A$1m)
- superannuation products invested with AMP Bank (1H 19 -A$1m, 1H 18 nil)
- syndicated loan repayment gain on modification reversal (1H 19 -A$7m, 1H 18 nil).

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, and
- 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 clients, 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)	30 June 2019	31 December 2018
Shareholder equity	**4,307**	6,683
Goodwill and other intangibles[1]	**(1,252)**	(3,560)
Other regulatory adjustments[2]	**(98)**	(129)
Subordinated bonds eligible as Level 3 capital	**83**	83
Level 3 eligible capital	**3,040**	3,077
Minimum regulatory requirements (MRR)	**1,346**	1,426
Level 3 eligible capital above MRR	**1,694**	1,651

AMP group capital resources by asset class (A$m)	30 June 2019	31 December 2018
International equities	**76**	51
Australian equities	**107**	76
Property	**51**	53
International fixed interest	**51**	130
Australian fixed interest	**237**	337
Cash[3]	**2,922**	2,594
Implicit DAC	**331**	389
Total shareholder funds	**3,775**	3,630
Other[4]	**1,189**	1,342
Tangible capital resources	**4,964**	4,972
Other regulatory adjustments[2]	**(98)**	(129)
Subordinated and senior debt not eligible as regulatory capital[5]	**(1,826)**	(1,766)
Level 3 eligible capital	**3,040**	3,077

1 Refer to page 30 for definition of intangibles.
2 For life insurers, other regulatory adjustments include policy liability adjustments and deferred tax assets. For AMP Bank, other regulatory adjustments 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$931m, corporate subordinated debt on-lent to AMP Bank of A$140m, A$326m of seed and sponsor capital assets less A$208m of other assets and liabilities.
5 Refer page 25 for debt overview. A$793m (FY 18 A$793m) 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 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.

Management of market risks in total shareholder funds

Total shareholder funds (A$3,775m) comprise direct shareholder funds (A$3,170m) where the shareholder can determine the asset mix and co-mingled shareholder funds (A$605m) 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 (18%), AA (40%), A (28%), BBB (14%) and sub-investment grade and unrated (<1%). At 30 June 2019, 5% of AMP shareholder funds were invested in equities.

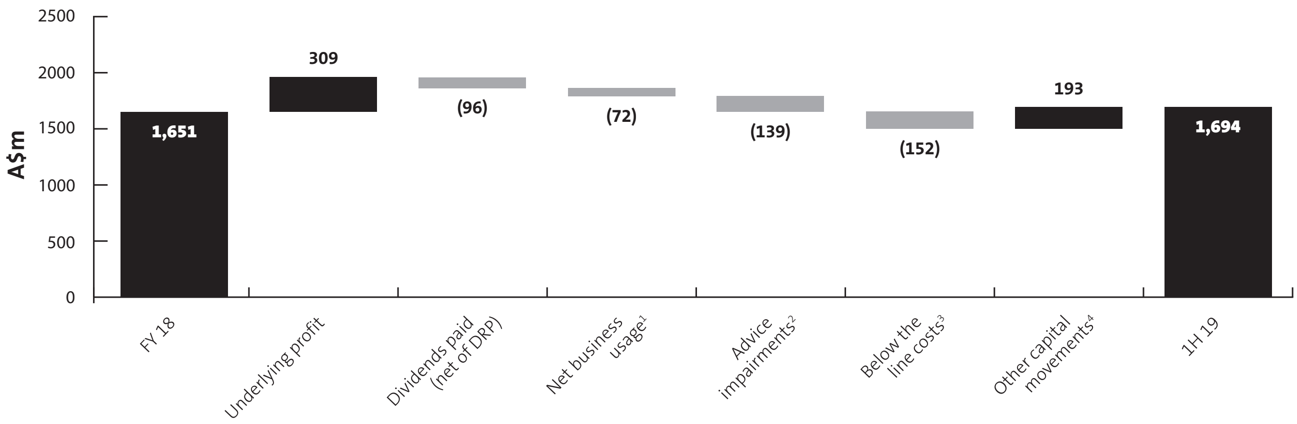
AMP uses interest rate derivatives in the shareholder funds to manage its exposure to movements in long-term interest rates. The impact of these derivatives on AMP's profit and capital sensitivities is shown in the profit sensitivities for investment income on page 26 and regulatory capital sensitivities 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 18 to 1H 19



1 In 1H 19 net business usage is mainly from the purchase of advice registers and growth in AUM.
2 The capital impact excludes impairment of intangibles that are already deducted from shareholder equity in calculating eligible capital.
3 Includes separation costs, client remediation and related costs, risk management, governance and controls and other items.
4 In 1H 19, other capital movements includes a large positive impact from the netting of deferred tax balances as well as impacts from market movements net of hedging, Protecting Your Super reforms and other tax movements.

Capital position

At 30 June 2019, Level 3 eligible capital above MRR was A$1,694m (A$1,651m at 31 December 2018). The ratio of Level 3 eligible capital to MRR is 2.3x (compared to 2.2x MRR at 31 December 2018). 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$1,694m includes A$821m of shareholders retained earnings 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$2,419m at 30 June 2019 (A$2,319m at 31 December 2018).

Interim 2019 dividend

The AMP Limited Board has resolved not to declare an interim 2019 dividend. The Board will maintain a consistent approach to capital management until the completion of the sale of AMP Life.

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 AMP Life until completion.

Accordingly, AMP Life's regulatory capital will continue to form part of the consolidated AMP group regulatory capital until completion. As at 30 June 2019, A$1.2b of the A$1.7b of AMP group Level 3 eligible capital above MRR related to AMP Life, including both statutory and shareholder funds. Of the A$1.2b, A$821m 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$821m 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.

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

Debt and liquidity overview

A$m	30 June 2019 Corporate debt	AMP Bank[1]	Total	31 December 2018 Corporate debt	AMP Bank[1]	Total
Subordinated bonds	83	-	**83**	83	-	**83**
AMP Notes 3[2]	250	-	**250**	250	-	**250**
AMP Wholesale Capital Notes[3]	275	-	**275**	275	-	**275**
AMP Capital Notes[4]	268	-	**268**	268	-	**268**
AMP Subordinated Notes[5]	-	250	**250**	-	250	**250**
Total subordinated debt	876	250	**1,126**	876	250	**1,126**
Commercial paper, NCDs and repos	192	450	**642**	255	596	**851**
Medium-term notes (MTN)	841	2,341	**3,182**	218	2,846	**3,064**
Drawn syndicated loan[6]	-	-	**-**	500	-	**500**
Total senior debt	1,033	2,791	**3,824**	973	3,442	**4,415**
Deposits	-	13,868	**13,868**	-	13,304	**13,304**
Total debt	1,909	16,909	**18,818**	1,849	16,996	**18,845**
Corporate gearing ratios						
S&P gearing	**23%**			17%		
Interest cover – underlying (times)	**8.0**			11.0		
Interest cover – actual (times)	**-**			1.4		

A$m	Corporate debt by year of repayment[7] 0–1 year	1–2 years	2–5 years	5–10 years	10+ years	Total
Total corporate debt at 30 June 2019	**467**	**-**	**1,442**	**-**	**-**	**1,909**
Total corporate debt at 31 December 2018	255	575	1,019	-	-	1,849

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 2 and 3 below).

2 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.

3 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.

4 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.

5 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.

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

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

Corporate debt

Corporate debt increased by A$60m during 1H 19 due to a CHF 140m (A$197m) MTN issuance, a USD 300m (A$426m) MTN issuance, a A$500m pay down of the syndicated loan and a A$63m decrease in short- term funding. At 30 June 2019, all corporate debt was effectively at floating 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 30 June 2019, AMP's liquidity comprised A$307m of group cash (including short-term investments) and undrawn facilities of A$1.0b. AMP repaid a syndicated loan (A$500m corporate debt and A$400m undrawn loan facilities) during 1H 19.

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 30 June 2019, total securitised funds were A$4.7b. AMP Bank has access to a A$1b warehouse facility with MUFG Bank Ltd.

Sensitivities – profit and capital

1H 19 profit sensitivities – excluding AMP Life (A$m)

	Operating earnings (post-tax)						
	WM	AMP Bank	NZWM	AMP Capital	Group Office	Total	Investment income
Market variables							
10% increase in Australian equities	7	-	-	2		**9**	**7**
10% decrease in Australian equities	(7)	-	-	(2)		**(9)**	**(7)**
10% increase in international equities	7	-	1	3		**11**	**6**
10% decrease in international equities	(7)	-	(1)	(3)		**(11)**	**(7)**
10% increase in property[1]	1	-	-	3		**4**	**4**
10% decrease in property[1]	(1)	-	-	(3)		**(4)**	**(4)**
1% (100 bps) increase in 10 year Australian bond yields	(1)	-	(1)	(1)		**(3)**	**(23)**
1% (100 bps) decrease in 10 year Australian bond yields	1	-	1	1		**3**	**20**
1% increase in cash rate	1	-	-	-		**1**	**23**
1% decrease in cash rate	(1)	-	-	-		**(1)**	**(23)**
Business variables							
5% increase in AUM	13		2	9		**24**	
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	3	-	-			**3**	
1 bp increase in AMP Bank net interest margin	-	2	-			**2**	
5% reduction in controllable costs	17	4	1	14	6	**42**	

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 1H 19 position, ie not 'forward looking', and make no allowances for events subsequent to 30 June 2019, and
- in general, for profit sensitivities, they assume the movement occurs evenly over the year; for capital sensitivities, they assume the movement occurs at 30 June 2019.

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 1H 19
- investment income sensitivity is based on the amount of investments held at 30 June 2019
- 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, and
- 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 1H 19 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 1H 19 operating earnings than set out in the table above.

The sensitivities are based on the 1H 19 position and are not forward looking. If using the sensitivities as forward looking (eg applying 1H 19 profit sensitivities for 2H 19 or FY 19), an allowance for changes in AUM levels and mix should be made. Refer to page 6 (Australian wealth management) and page 12 (AMP Capital) for average AUM levels that were applied in 1H 19.

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

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 1H 19 total investment income (ie underlying investment income plus market adjustment – investment income).

The sensitivities are based on 30 June 2019 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 30 June 2019 (ASX 200 @ 6,619; Australian bond yields @ 1.4%)		1,196	1,694
Equity sensitivity	– 20% increase (ASX 200 @ 7,943)	70	75
	– 10% increase (ASX 200 @ 7,281)	35	35
	– 10% decrease (ASX 200 @ 5,957)	(40)	(50)
	– 20% decrease (ASX 200 @ 5,295)	(80)	(100)
Australian bond yields sensitivity	– 100 bps increase (Australian bond yields @ 2.4%)	85	105
	– 50 bps increase (Australian bond yields @ 1.9%)	50	60
	– 50 bps decrease (Australian bond yields @ 0.9%)	(50)	(65)
	– 100 bps decrease (Australian bond yields @ 0.4%)	(130)	(165)
Property sensitivity[3]	– 10% increase in unlisted property values	15	15
	– 10% decrease in unlisted property values	(15)	(15)

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 30 June 2019, which may have a significant impact on these sensitivities.

Market share and channel analysis

Market share

	March 2019			March 2018		
	Total market size	Market position (rank)	Market share %	Total market size	Market position (rank)	Market share %
Market share – Australia (AUM) A$b						
Superannuation including rollovers[1,2]	437.0	1	25.4	416.4	1	25.4
Corporate superannuation master funds[3]	163.7	2	19.7	158.9	2	20.2
Retirement income[1]	210.0	2	17.2	204.6	2	17.8
Unit trusts (excluding cash management trusts)[1,2]	284.9	5	5.6	262.2	5	6.0
Total retail managed funds (excluding cash management trusts)[1,2]	939.4	1	17.4	890.6	1	17.8
Market share – New Zealand wealth management (AUM) NZ$b						
Retail superannuation[4]	3.0	1	39.4	3.1	1	41.7
Unit trusts[4]	39.4	13	1.9	36.7	11	2.5
Total retail funds[4]	98.6	4	7.5	88.1	4	8.3
Corporate superannuation[5]	8.2	1	40.5	7.6	1	41.4
KiwiSaver[4]	55.4	4	9.9	47.4	4	10.7

1 Source: Market Overview Retail Managed Funds – Marketer, Strategic Insight (Plan For Life), March 2019.
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), 31 March 2019.
4 Measured by AUM. Source: FundSource Limited March 2019 and March 2018.
5 Measured by AUM. Source: Eriksens Master Trust Survey March 2019 and March 2018.

Channel analysis

	Adviser numbers			Total AUM			AUM per adviser[1]		
Channel analysis (A$m)	1H 19	1H 18	% 1H/1H	1H 19	1H 18	% 1H/1H	1H 19	1H 18	% 1H/1H
AMP Advice[2]	210	227	(7.5)	14,653	14,680	(0.2)	69.8	64.7	7.9
AMP Financial Planning[3]	1,221	1,360	(10.2)	59,530	60,251	(1.2)	48.8	44.3	10.2
Charter Financial Planning[4]	643	670	(4.0)	22,674	22,581	0.4	35.3	33.7	4.7
Hillross	298	309	(3.6)	14,528	14,941	(2.8)	48.8	48.4	0.8
Total (core licensees)	**2,372**	**2,566**	(7.6)	**111,385**	**112,453**	(0.9)	**47.0**	**43.8**	7.3
Jigsaw Support Services[5]	55	136	(59.6)	1,064	1,162	(8.4)	19.3	8.5	127.1
SMSF Advice	-	16	n/a						
Total (licensee services)	**55**	**152**	(63.8)	**1,064**	**1,162**	(8.4)	**19.3**	**7.6**	153.9
Corporate Super Direct				15,848	15,340	3.3			
Third-party distributors and other				24,551	23,277	5.5			
Total Australia[6]	**2,427**	**2,718**	(10.7)	**152,848**	**152,232**	0.4			
New Zealand[7]	345	405	(14.8)	17,253	15,992	7.9			
Total	**2,772**	**3,123**	(11.2)	**170,101**	**168,224**	1.1			

1 Calculated by dividing total AUM with adviser numbers.
2 Includes AMP Advice employed, AMP Assist and AMP Advice self-employed advisers.
3 Excludes 48 AMP Advice self-employed advisers in 1H 19.
4 Excludes 13 AMP Advice self-employed advisers in 1H 19.
5 Excludes AMP Authorised Representatives.
6 AUM includes all Australian wealth management and 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

		1 Year		3 Year		5 Year	
Fund/style name	AUM (A$m)	Absolute return[1] %	Excess return[2] %	Absolute return[1] %	Excess return[2] %	Absolute return[1] %	Excess return[2] %
Australian Equities							
Small Caps	339	6.2	1.8	10.9	(2.3)	12.8	1.0
Enhanced Index	9,949	11.6	(0.1)	12.8	(0.4)	8.9	(0.2)
FD Australian Shares[3]	3,812	6.7	(4.7)	12.2	(0.7)	9.4	0.5
Global Equities							
Global Companies Fund	125	18.6	-	-	-	-	-
Global Listed Real Estate[4]	6,277	11.1	2.7	6.6	0.8	8.3	(0.8)
Global Listed Infrastructure[4]	2,647	23.2	3.8	12.1	1.5	11.3	(0.3)
Specialist International Shares Fund[3]	1,057	11.0	(0.9)	13.3	(0.7)	14.0	0.9
Enhanced Index International Shares	13,281	11.5	(0.7)	14.2	0.1	13.6	0.3
Fixed interest							
Wholesale Australian Bond Fund	2,558	10.1	-	4.8	-	5.3	(0.2)
Managed Treasury Fund	2,383	2.4	0.3	2.2	0.2	2.4	0.2
Real Estate (direct)[5]							
Wholesale Office[6]	6,277	12.2	0.3	12.0	(1.5)	12.3	(1.6)
Shopping Centres[6]	4,255	-	(2.2)	6.1	(1.3)	8.1	(0.1)
Diversified Property Fund[6]	6,180	4.8	(2.8)	8.2	(2.0)	n/a	n/a
Infrastructure (direct)							
Diversified Infrastructure Trust	1,693	7.9	1.2	11.7	4.7	14.9	7.8
Australia Pacific Airports Fund[7]	446	9.2	(2.8)	14.6	2.6	19.4	7.4
Diversified							
Balanced Growth Option[8]	5,806	7.8	Yes	9.3	Yes	8.4	Yes
FD Balanced Fund[8]	5,114	6.7	No	9.3	No	8.6	No
MySuper 1970s[9]	5,954	6.9	(1.7)	10.5	0.2	9.2	0.7
Goal based							
Corporate Bond	1,319	3.6	(0.4)	3.8	(0.1)	3.7	(0.8)
Multi Asset Fund	1,003	2.5	(4.8)	6.0	(1.4)	6.3	(1.2)
Dynamic Markets Fund	829	(3.3)	(9.6)	4.2	(2.1)	4.3	(2.2)
Income Generator	1,781	8.1	(0.6)	7.1	(0.9)	7.0	0.4
Equity Income Generator[10]	420	16.5	7.1	12.2	3.8	11.3	2.9

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 – 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 1970s 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.

Accounting treatment, definitions and exchange rates

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 regulatory capital divided by total risk weighted assets calculated using the standardised approach. Total regulatory 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 post-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 post-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.

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

Accounting treatment, definitions and exchange rates cont'd

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 AMP Life. 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. Wealth management 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 post-tax rate of return used for 1H 19 is 2.5% pa (unchanged from FY 18) 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 post-tax is being applied to the implicit DAC for 1H 19 (1.3% in 2018).

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 the net of one-off and non-recurring revenues and costs.

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

Exchange rates			**AUD/NZD**
2019	1H 19	– closing	1.0448
		– average	1.0500
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

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Website

For additional 2019 half 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.

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