2020 ASX Appendix 4E – Preliminary final report

AMP Limited ABN 49 079 354 519

Appendix 4E – Preliminary final report
for the year ended 31 December 2020

Contents

Results for announcement to the market

for the year ended 31 December 2020

	31 Dec 2020 $m	31 Dec 2019 $m	Movement %
Financial results			
Revenue from ordinary activities of continuing operations[1]	**3,427**	4,022	(15%)
Revenue from ordinary activities of discontinued operations	**(23,391)**	19,383	(221%)
Total revenue from ordinary activities	**(19,964)**	23,405	(185%)
Profit (loss) from ordinary activities of continuing operations after tax attributable to members	**53**	(1,864)	(103%)
Profit (loss) from ordinary activities of discontinued operations after tax attributable to members	**124**	(603)	(121%)
Total net profit (loss) for the period attributable to members	**177**	(2,467)	(107%)

1 Revenue from ordinary activities of continuing businesses includes fee revenue of $2,407m (2019: $2,862m), other revenue of $186m (2019: $145m), net investment gains of $753m (2019: $943m gain) and share of profit of associates accounted for using the equity method $81m (2019: $72m).

	Amount per security cents	Franked amount per security cents
Dividends		
– Final dividend (payable)	–	–
– Special dividend (paid) (franked to 100% at a tax rate of 30%)	10.00	10.00
The record date to determine entitlements to the final dividend	n/a	
The date the final dividend is payable	n/a	

	31 Dec 2020 $m	31 Dec 2019 $m
Net tangible assets per ordinary share	**1.06**	1.17

This Appendix 4E – Preliminary final report has not been subject to audit and there is no audit report provided. However, a substantial part of the financial information in the preliminary final report has been extracted from the AMP 2020 financial report which has been audited by Ernst & Young, who have issued an unqualified audit report. The audit report forms part of the AMP 2020 annual report. The presentation of the AMP 2020 annual report will be finalised for lodgement with ASX on 15 March 2021.

Commentary on the results

2020 performance

The profit attributable to shareholders of AMP Limited for the year ended 31 December 2020 was $177 million (2019: loss of $2,467 million).

Basic earnings per share for the year ended 31 December 2020 on a statutory basis was 5.2 cents per share (2019: basic loss of 79.5 cents per share). On an underlying basis, the earnings per share was 8.6 cents per share (2019: 14.0 cents per share[1]).

Key performance measures were as follows:

- 2020 NPAT (underlying)[2] of $295 million declined 33% from $439 million in 2019. This decrease largely reflects the impact of weaker Australian wealth management earnings (–44%), AMP Capital earnings (–32%), and AMP Bank earnings (–16%), with COVID-19 negatively impacting all business unit performance
- Sold businesses operating earnings (to the benefit of Resolution Life) were $129 million in 2020
- AMP's total assets under management (AUM) were $255 billion[3] at 31 December 2020 (2019: $272 billion)
- Australian wealth management net cash outflows were $8.3 billion in 2020 compared to net cash outflows of $6.3 billion in 2019. 2020 was impacted by previously announced mandate losses in corporate super amounting to $1.8 billion and $1.8 billion of COVID-19 Early Release of Super (ERS) payments
- AMP Capital external net cash outflows were $1.7 billion, with positive cash inflows of $2.4 billion across infrastructure and $0.7 billion across real estate, offset by cash outflows of $4.8 billion across public markets
- AMP Bank's total loan book decreased 1% to $20.6 billion in 2020 from $20.7 billion in 2019, while deposits increased 12% to $16.1 billion from $14.4 billion in 2019
- AMP's controllable costs (excluding AMP Life) decreased $15 million to $1,359 million, reflecting cost savings offset by group initiatives and structural cost increases, including regulatory and compliance costs and COVID-19 related costs
- The group's cost to income ratio was 75.5% in 2020, up from 66.0% in 2019, driven by lower revenue impacted by market volatility
- Underlying return on equity was 6.3% in 2020
- 2020 total eligible capital resources were $521 million above total requirements, down from $529 million at 31 December 2019

Operating results by business area

The operating results of each business area[4] for 2020 were as follows:

Australian wealth management – NPAT (underlying) declined from $195 million in 2019 to $110 million in 2020. The decline in NPAT (underlying) was driven by lower revenue predominantly from weaker investment markets and the impact of pricing and legislative changes, offset by lower investment management expenses from weaker markets and lower variable and controllable cost reduction initiatives.

AMP Bank – 2020 NPAT (underlying) of $119 million declined $22 million (16%) from 2019 predominantly from the recognition of a $24 million (post-tax) credit loss provision reflecting the uncertain and challenging economic outlook.

AMP Capital – 2020 NPAT (underlying) of $139 million declined 32% from 2019 reflecting lower performance and transaction fees which were adversely impacted by COVID-19.

New Zealand wealth management – 2020 NPAT (underlying) of $36 million declined $8 million (18%) from 2019 due to the proactive closure of two legacy schemes in 2019 and the impact of COVID-19.

1 2019 underlying earnings per share has been re-presented to exclude WP and mature businesses.
2 NPAT (underlying) represents shareholder attributable net profit or loss after tax excluding market adjustments, accounting mismatches and non-recurring revenue and expenses.
3 Includes SuperConcepts assets under administration.
4 Operating results have been re-presented to align to the FY 2020 Investor Report.

Preliminary final report

for the year ended 31 December 2020

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Consolidated income statement

for the year ended 31 December 2020

	Note	2020[1] $m	2019[1,3] $m
Fee revenue	1.1(b)	**2,407**	2,862
Interest income using the effective interest method		**721**	855
Other investment income		**32**	88
Share of profit or loss from associates	5.3	**81**	72
Other income		**186**	145
Total revenue		**3,427**	4,022
Fee and commission expenses		**(851)**	(1,145)
Staff and related expenses		**(1,211)**	(1,196)
Finance costs		**(424)**	(567)
Other operating expenses	1.2	**(890)**	(3,205)
Total expenses		**(3,376)**	(6,113)
Profit (loss) before tax		**51**	(2,091)
Income tax credit	1.4	**19**	260
Profit (loss) after tax from continuing operations		**70**	(1,831)
Profit (loss) from discontinued operations	5.2	**124**	(603)
Profit (loss) for the year		**194**	(2,434)
Profit (loss) attributable to:			
Shareholders of AMP Limited[2]		**177**	(2,467)
Non-controlling interests		**17**	33
Profit (loss) for the year		**194**	(2,434)

	Note	2020 cents	2019 cents
Earnings (loss) per share			
Basic	1.3	**5.2**	(79.5)
Diluted	1.3	**5.1**	(79.5)
Earnings (loss) per share from continuing operations			
Basic	1.3	**1.6**	(60.0)
Diluted	1.3	**1.5**	(60.0)

1 Results have been presented on a continuing basis and re-presented for the year ended 31 December 2019.
2 Profit (loss) attributable to shareholders of AMP Limited is comprised of $53m profit (2019: $1,864m loss) from continuing operations and $124m profit (2019: $603m loss) from discontinued operations.
3 Fee revenue and Fee and commission expenses have been restated. Refer to note 1.1(b) footnote 3.

Consolidated statement of comprehensive income

for the year ended 31 December 2020

	Note	2020[1] $m	2019[1] $m
Profit (loss) for the year from continuing operations		**70**	(1,831)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Fair value reserve			
– net gain on fair value asset reserve		**40**	71
– tax effect on fair value asset reserve gain		**(12)**	(21)
– net amount transferred to profit or loss for the year		**–**	(9)
– tax effect on amount transferred to profit or loss for the year		**–**	3
		28	44
Cash flow hedges			
– net loss on cash flow hedges		**(40)**	(67)
– tax effect on cash flow hedge loss		**13**	20
– net amount transferred to profit or loss for the year		**24**	7
– tax effect on amount transferred to profit or loss for the year		**(7)**	(2)
		(10)	(42)
Translation of foreign operations and revaluation of hedge of net investments		**(44)**	2
		(44)	2
Items that will not be reclassified subsequently to profit or loss			
Fair value reserve – equity instruments held by AMP Foundation		**(1)**	7
		(1)	7
Defined benefit plans			
– actuarial gains (losses)	4.1(a)	**5**	(23)
– tax effect on actuarial gains or losses		**(1)**	7
		4	(16)
Other comprehensive loss for the year from continuing operations		**(23)**	(5)
Total comprehensive income (loss) for the year from continuing operations		**47**	(1,836)
Profit (loss) for the year from discontinued operations		**124**	(603)
Other comprehensive loss for the year from discontinued operations		**(96)**	(6)
Total comprehensive income (loss) for the year		**75**	(2,445)
Total comprehensive income (loss) attributable to shareholders of AMP Limited		**58**	(2,478)
Total comprehensive income attributable to non-controlling interests		**17**	33
Total comprehensive income (loss) for the year		**75**	(2,445)

1 Results have been presented on a continuing basis and re-presented for the year ended 31 December 2019.

Consolidated statement of financial position

as at 31 December 2020

	Note	2020 $m	2019 $m
Assets			
Cash and cash equivalents	6.1	**2,428**	4,426
Receivables	2.5	**702**	2,699
Current tax assets		**160**	465
Investments in other financial assets	2.2	**5,087**	114,644
Loans and advances	2.1	**20,526**	20,660
Investment properties		**–**	161
Investments in associates	5.3	**1,442**	851
Right of use assets	6.3	**174**	245
Deferred tax assets	1.4	**828**	1,261
Reinsurance asset – ceded life insurance contracts		**–**	1,222
Intangibles	2.3	**640**	877
Other assets	2.4	**177**	173
Total assets[1]		**32,164**	147,684
Liabilities			
Payables	2.6	**291**	2,465
Current tax liabilities		**70**	123
Employee benefits		**357**	395
Other financial liabilities	2.2	**503**	1,050
Provisions	6.4	**1,056**	976
Interest-bearing liabilities	3.2	**24,916**	22,852
Lease liabilities	6.3	**211**	266
Deferred tax liabilities	1.4	**229**	2,492
External unitholder liabilities		**–**	15,295
Life insurance and reinsurance contract liabilities		**–**	25,020
North guarantee liabilities		**151**	121
Investment contract liabilities		**–**	71,550
Defined benefit plan liabilities	4.1	**98**	101
Total liabilities[1]		**27,882**	142,706
Net assets		**4,282**	4,978
Equity			
Contributed equity	3.1	**10,349**	10,299
Reserves		**(2,404)**	(1,930)
Retained earnings		**(3,671)**	(3,509)
Total equity of shareholders of AMP Limited		**4,274**	4,860
Non-controlling interests		**8**	118
Total equity of shareholders of AMP Limited and non-controlling interests		**4,282**	4,978

1 2019 comparatives include assets and liabilities relating to policyholders of AMP's wealth management and wealth protection businesses which have been sold.

Consolidated statement of changes in equity

for the year ended 31 December 2020

	Equity attributable to shareholders of AMP Limited											
	Contributed equity $m	Demerger reserve[1] $m	Share-based payment reserve[2] $m	Capital profits reserve[3] $m	Fair value reserve $m	Cash flow hedge reserve $m	Foreign currency translation and hedge of net investments reserves $m	Total reserves $m	Retained earnings $m	Total shareholder equity $m	Non-controlling interest $m	Total equity $m
2020												
Balance at the beginning of the year	**10,299**	**(2,566)**	**109**	**321**	**72**	**(34)**	**168**	**(1,930)**	**(3,509)**	**4,860**	**118**	**4,978**
Profit (loss) from continuing operations	–	–	–	–	–	–	–	–	53	53	17	70
Profit (loss) from discontinued operations[6]	–	–	–	–	–	–	–	–	124	124	–	124
Other comprehensive income (loss) from continuing operations	–	–	–	–	27	(10)	(44)	(27)	4	(23)	–	(23)
Foreign currency translation reserve recycled[6]	–	–	–	–	–	–	(96)	(96)	–	(96)	–	(96)
Total comprehensive income (loss)	–	–	–	–	27	(10)	(140)	(123)	181	58	17	75
Share-based payment expense	–	–	21	–	–	–	–	21	–	21	1	22
Share purchases	–	–	(12)	–	–	–	–	(12)	–	(12)	(1)	(13)
Deconsolidation of treasury shares[6]	50	–	–	–	–	–	–	–	–	50	–	50
Dividends paid[4]	–	–	–	–	–	–	–	–	(343)	(343)	(17)	(360)
Sales and acquisitions of non-controlling interests	–	–	–	(360)	–	–	–	(360)	–	(360)	(110)	(470)
Balance at the end of the year	**10,349**	**(2,566)**	**118**	**(39)**	**99**	**(44)**	**28**	**(2,404)**	**(3,671)**	**4,274**	**8**	**4,282**
2019												
Balance at the beginning of the year	9,502	(2,566)	105	329	21	8	172	(1,931)	(886)	6,685	106	6,791
Impact of adoption of new accounting standards	–	–	–	–	–	–	–	–	(7)	(7)	–	(7)
Balance at the beginning of the year – restated	9,502	(2,566)	105	329	21	8	172	(1,931)	(893)	6,678	106	6,784
Profit (loss) from continuing operations	–	–	–	–	–	–	–	–	(1,864)	(1,864)	33	(1,831)
Profit (loss) from discontinued operations[6]	–	–	–	–	–	–	–	–	(603)	(603)	–	(603)
Other comprehensive income (loss) from continuing operations	–	–	–	–	51	(42)	2	11	(16)	(5)	–	(5)
Other comprehensive income (loss) from discontinued operations[6]	–	–	–	–	–	–	(6)	(6)	–	(6)	–	(6)
Total comprehensive income (loss)	–	–	–	–	51	(42)	(4)	5	(2,483)	(2,478)	33	(2,445)
Share-based payment expense	–	–	28	–	–	–	–	28	–	28	2	30
Share purchases	–	–	(24)	–	–	–	–	(24)	–	(24)	–	(24)
Net sale (purchase) of treasury shares	5	–	–	–	–	–	–	–	(17)	(12)	–	(12)
Dividends paid[4]	–	–	–	–	–	–	–	–	(117)	(117)	(21)	(138)
Dividends paid on treasury shares[4]	–	–	–	–	–	–	–	–	1	1	–	1
New capital from shares issued during the year[5]	792	–	–	–	–	–	–	–	–	792	–	792
Sales and acquisitions of non-controlling interests	–	–	–	(8)	–	–	–	(8)	–	(8)	(2)	(10)
Balance at the end of the year	10,299	(2,566)	109	321	72	(34)	168	(1,930)	(3,509)	4,860	118	4,978

1 Reserve to recognise the additional loss and subsequent transfer from shareholders' retained earnings on the demerger of AMP's UK operations in December 2003. The loss was the difference between the pro-forma loss on demerger and the market-based fair value of the UK operations.

2 The Share-based payment reserve represents the cumulative expense recognised in relation to equity-settled share-based payments less the cost of shares purchased on market in respect of entitlements.

3 Capital profits reserve represents the difference between the acquisition or sale price of minority interest and the carrying value of net assets acquired or sold from or to entities outside the AMP group. On 1 September 2020, AMP repurchased Mitsubishi UFJ Trust and Banking Corporation's 15 per cent shareholding in AMP Capital, resulting in a $360m reduction in Capital profits reserve.

4 Dividends paid include dividends paid on treasury shares. Dividends paid on treasury shares are required to be excluded from the consolidated financial statements by adjusting retained earnings.

5 New capital raised under the institutional placement and share purchase plan is $771m, net of $13m directly attributable transaction costs (net of tax). Refer to note 3.1 for further details. Remaining $21m relates to shares issued under dividend reinvestment plan.

6 Relates to the deconsolidation of WP and mature businesses.

Consolidated statement of cash flows

for the year ended 31 December 2020

	Note	2020 $m	2019 $m
Cash flows from operating activities[1]			
Cash receipts in the course of operations		**6,536**	13,271
Interest received		**1,191**	1,906
Dividends and distributions received[2]		**671**	2,108
Cash payments in the course of operations		**(12,165)**	(25,403)
Finance costs		**(450)**	(627)
Net movement in deposits from customers		**1,892**	1,430
Income tax paid		**(417)**	(456)
Cash flows used in operating activities	6.1	**(2,742)**	(7,771)
Cash flows from investing activities[1]			
Net proceeds from sale of (payments to acquire):			
– investments in financial assets[3]		**1,496**	8,104
– operating and intangible assets		**(83)**	(55)
– operating controlled entities and investments in associates accounted for using the equity method		**(89)**	99
– AMP Capital minority interest		**(451)**	–
Proceeds from sale of the WP and mature businesses		**2,341**	–
Cash flows from investing activities		**3,214**	8,148
Cash flows from financing activities			
Proceeds from borrowings – non-banking operations[1]		**265**	871
Repayment of borrowings – non-banking operations[1]		**(507)**	(791)
Net movement in borrowings – banking operations		**(1,048)**	(604)
Proceeds from issue of shares		**–**	766
Proceeds from issue of subordinated debt		**–**	271
Repayment of subordinated debt		**(275)**	–
Lease payments		**(63)**	(67)
Dividends paid[4]		**(360)**	(138)
Cash flows (used in) from financing activities		**(1,988)**	308
Net (decrease) increase in cash and cash equivalents		**(1,516)**	685
Cash and cash equivalents at the beginning of the year		**8,069**	7,382
Effect of exchange rate changes on cash and cash equivalents		**(4)**	2
Cash and cash equivalents prior to the deconsolidation of WP and mature businesses[1]		**6,549**	8,069
Cash and cash equivalents deconsolidated[5]		**(3,896)**	–
Cash and cash equivalents at the end of the year	6.1	**2,653**	8,069

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

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

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

4 Dividends paid includes dividends paid to minority interest holders and is presented net of dividends on treasury shares.

5 The sale of the WP and mature businesses completed on 30 June 2020, resulting in the deconsolidation of cash and cash equivalents held by these businesses as at 30 June 2020.

About this report

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

(a) Understanding the AMP Preliminary final report

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

The consolidated Preliminary final report:

– is presented in Australian dollars with all values rounded to the nearest million dollars ($m), unless otherwise stated;
– has been prepared on a going concern basis generally using a historical cost basis; however where permitted under accounting standards a different basis may be used, including the fair value basis;
– presents assets and liabilities on the face of the Consolidated statement of financial position in decreasing order of liquidity and therefore does not distinguish between current and non-current items; and
– presents reclassified comparative information where required for consistency with the current year's presentation within the Preliminary final report.

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

Sale of wealth protection and mature businesses

The sale of the Australian and New Zealand wealth protection (WP) and mature businesses to Resolution Life Australia Pty Ltd (Resolution Life) completed on 30 June 2020 and these businesses have been deconsolidated from the AMP group at that date. The results of these businesses are presented as discontinued operations in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*. The comparative Consolidated Income statement and Statement of comprehensive income have been re-presented in order to present the results of the sold businesses as discontinued operations. Further details are provided in note 5.2 Discontinued operations.

COVID-19 impacts

The COVID-19 pandemic has resulted in significant disruptions to the global economy during the year ended 31 December 2020 and there remains substantial uncertainty over the ultimate duration and extent of the pandemic as well as the corresponding economic impacts. These uncertainties have been incorporated into the judgements and estimates used by management in the preparation of this report, including the carrying values of the assets and liabilities. Where the judgements and estimates are considered significant they have been disclosed in the notes to this report.

(b) Basis of consolidation

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

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

The share of the net assets of controlled entities attributable to non-controlling interests is disclosed as a separate line item on the Consolidated statement of financial position.

Materiality

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

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

(c) Significant accounting policies

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

Interest, dividends and distributions income

Interest income measured at amortised cost is recognised in the Consolidated income statement using the effective interest method. Revenue from dividends and distributions is recognised when the AMP group's right to receive payment is established.

Foreign currency transactions

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

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

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

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

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

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

(d) Critical judgements and estimates

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

Accounting judgements and estimates	Note		Page
Tax	1.4	Taxes	16
Impairment of financial assets	2.1	Expected credit losses (ECLs)	20
Fair value of financial assets	2.2	Investments in other financial assets and liabilities	22
Goodwill and acquired intangible assets	2.3	Intangibles	24
Consolidation	5.1	Controlled entities	55
Provisions and contingent liabilities	6.4	Provisions and contingent liabilities	65

Section 1: Results for the year

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

Statutory measures of performance disclosed in this report are:

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

NPAT (underlying) is AMP's key measure of business performance. This performance measure is disclosed by the AMP operating segment within Segment performance.

1.1 Segment performance
1.2 Other operating expenses
1.3 Earnings per share
1.4 Taxes
1.5 Dividends

1.1 Segment performance

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

Reportable segment	Segment description
Australian wealth management (WM)	Wealth management provides financial advice services (through aligned and owned advice businesses), platform administration (including SMSF), unit linked superannuation, retirement income and managed investment products.
AMP Bank	AMP Bank offers residential mortgages, deposits and transaction banking. The business will continue to act in its clients' best interests, while at the same time seek opportunities to integrate with Australian wealth management.
AMP Capital	AMP Capital is a diversified investment manager across major asset classes including infrastructure, real estate, equities, fixed interest, diversified and multi-manager and multi-asset funds. AMP Capital's aspiration is to build the best global private markets platform in the world, underpinned by real assets while at the same time continue to grow in select differentiated capabilities in public markets. On 1 September 2020 AMP completed the repurchase of Mitsubishi UFJ Trust and Banking Corporation's (MUTB) 15% shareholding in AMP Capital, resulting in 100% ownership of AMP Capital and the conclusion of the existing business and capital alliances between MUTB, AMP Limited and AMP Capital. AMP Capital and MUTB continue to cooperate strategically, building on their mutually beneficial business relationship in Japan with AMP Capital continuing to deliver its investment products through MUTB's network.
New Zealand wealth management (NZWM)	Encompasses the wealth management and financial advice and distribution business in New Zealand. Customers are provided with a variety of wealth management solutions including KiwiSaver, corporate superannuation, retail investments and a wrap investment management platform.

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

1.1 Segment performance (continued)

(a) Segment profit

	WM $m	AMP Bank $m	AMP Capital[1] $m	NZWM $m	Total $m
2020					
Segment profit after income tax	**110**	**119**	**139**	**36**	**404**
External customer revenue	**1,055**	**401**	**510**	**151**	**2,117**
Intersegment revenue[2]	**7**	**–**	**207**	**–**	**214**
Segment revenue	**1,062**	**401**	**717**	**151**	**2,331**
Other segment information					
Income tax expense	**46**	**51**	**39**	**14**	**150**
Depreciation and amortisation	**50**	**–**	**33**	**5**	**88**
2019					
Segment profit after income tax	195	141	204	44	584
External customer revenue	1,244	408	591	159	2,402
Intersegment revenue[2]	18	–	248	–	266
Segment revenue	1,262	408	839	159	2,668
Other segment information					
Income tax expense (credit)	79	60	69	18	226
Depreciation and amortisation	56	–	22	4	82

1 AMP Capital segment revenue is reported net of external investment manager fees. AMP regained 100% ownership of AMP Capital and Mitsubishi UFJ Trust and Banking Corporation's (MUTB) minority interest consequently ceased on 1 September 2020.
2 Intersegment revenue represents operating revenue between segments priced on a market related basis and is eliminated on consolidation.

1.1 Segment performance (continued)

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

	WM $m	AMP Bank $m	AMP Capital $m	NZWM $m	Total $m
2020					
Investment related	**907**	**–**	**564**	**115**	**1,586**
Management fees	**–**	**–**	**96**	**–**	**96**
Performance and transaction fees	**–**	**–**	**51**	**–**	**51**
Net interest income	**–**	**391**	**–**	**–**	**391**
Other revenue	**155**	**10**	**6**	**36**	**207**
Total segment revenue per segment note	**1,062**	**401**	**717**	**151**	**2,331**
Presentation adjustments[1]					**254**
Total statutory revenue from contracts with customers					**2,585**
2019					
Investment related	1,070	–	586	117	1,773
Management fees	–	–	130	–	130
Performance and transaction fees	–	–	84	–	84
Net interest income	–	387	–	–	387
Other revenue	192	21	39	42	294
Total segment revenue per segment note	1,262	408	839	159	2,668
Presentation adjustments[1]					324
Total statutory revenue from contracts with customers					2,992

	2020 $m	2019[3] $m
Statutory revenue from contracts with customers		
Fee revenue		
– Investment management and related fees	**1,696**	2,001
– Financial advisory fees[2]	**711**	861
	2,407	2,862
Other revenue	**178**	130
Total statutory revenue from contracts with customers	**2,585**	2,992

1 Presentation adjustments primarily reflect the difference between total segment revenue and statutory revenue from contracts with customers, as required by AASB 15 *Revenue from Contracts with Customers*. These adjustments include revenue from sources other than contracts with customers and expense items which are presented net in the segment results, but presented gross in the Consolidated income statement.

2 A substantial majority of the Financial advisory fees received are paid to advisers. With the exception of the matter in footnote 3 where AMP is acting as agent, for statutory reporting, Financial advisory fees are presented gross of the related cost which is presented in Fee and commission expenses in the Consolidated income statement.

3 Prior year adjustment – Certain Investment management and related fees and Financial advisory fees were presented gross of related expenses of $316m ($96m and $220m respectively), with no impact to profit. These items have been adjusted and reported on a net basis, in accordance with Australian Accounting Standards. After incorporating these adjustments and presenting comparative results on a continuing operations basis, Investment management and related fees have decreased by $62m and Financial advisory fees have increased by $17m. The related expenses have been adjusted accordingly, with no impact to reported profit.

1.1 Segment performance (continued)

(c) Reconciliations

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

	2020 $m	2019 $m
Segment profit after income tax	**404**	584
Group office costs	**(109)**	(145)
Total operating earnings	**295**	439
NPAT (underlying)[1]	**295**	439
Gain on sale of AMP Life	**299**	–
AMP Life separation costs	**(208)**	(183)
Client remediation and related costs	**(73)**	(153)
Risk management, governance and controls	**(29)**	(33)
Transformation cost out	**(51)**	(28)
Impairments	**(32)**	(2,407)
Other items[2]	**(33)**	22
Amortisation of acquired intangible assets	**(58)**	(96)
NPAT before market adjustments and accounting mismatches	**110**	(2,439)
AMP Life earnings[3]	**129**	42
Market and other adjustments[3]	**(62)**	(69)
Accounting mismatches[4]	**–**	(1)
Profit (loss) attributable to shareholders of AMP Limited	**177**	(2,467)
Profit attributable to non-controlling interests	**17**	33
Profit (loss) for the year	**194**	(2,434)

1 NPAT (underlying), represents shareholder attributable net profit or loss after tax excluding market adjustments, accounting mismatches and non-recurring revenue and expenses.
2 Other items largely comprise the net of one-off and non-recurring revenues and costs, including the cost of implementing significant regulatory changes.
3 AMP Life profit includes operating earnings, underlying investment income, market adjustment – investment income, market adjustment – annuity fair value and market adjustment – risk products related to AMP Life. Market adjustment – annuity fair value relates to the net impact of investment markets on AMP's annuity portfolio. 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.
4 Under Australian Accounting Standards, some assets held on behalf of the policyholders (and related tax balances) are recognised in the financial statements at different values to the values used in the calculation of the liability to policyholders in respect of the same assets. Therefore, movements in these policyholder assets result in accounting mismatches which impact profit attributable to shareholders. These differences have no impact on the operating earnings of the AMP group.

Total segment revenue differs from Total revenue as follows:

	2020 $m	2019 $m
Total segment revenue	**2,331**	2,668
Add revenue excluded from segment revenue		
– Investment gains and losses (excluding AMP Bank interest revenue)	**32**	88
– Other revenue	**186**	145
Add back expenses netted against segment revenue		
– Interest expense related to AMP Bank	**377**	513
– External investment manager and adviser fees paid in respect of certain assets under management	**715**	874
Remove intersegment revenue	**(214)**	(266)
Total revenue	**3,427**	4,022

1.1 Segment performance (continued)

(d) Segment assets

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

Accounting policy – recognition and measurement

Revenue from contracts with customers

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

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

Investment management and related fees

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

Financial advisory fees

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

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

1.2 Other operating expenses

	2020 $m	2019 $m
Impairment of goodwill and other intangibles	**(5)**	(1,839)
Movement in expected credit losses	**(7)**	1
Movement in North guarantee liabilities	**(30)**	(7)
Information technology and communication	**(239)**	(292)
Professional and consulting fees	**(288)**	(293)
Amortisation of intangibles	**(126)**	(188)
Depreciation of property, plant and equipment	**(74)**	(73)
Other expenses	**(121)**	(514)
Total other operating expenses	**(890)**	(3,205)

1.3 Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

	2020 $m	2019 $m
Profit (loss) attributable to shareholders of AMP		
Continuing operations	**53**	(1,864)
Discontinued operations	**124**	(603)
Profit (loss) attributable to shareholders of AMP	**177**	(2,467)

	2020 millions	2019 millions
Weighted average number of ordinary shares for basic EPS[1]	**3,428**	3,105
Add: potential ordinary shares considered dilutive[2]	**56**	–
Weighted average number of ordinary shares used in the calculation of dilutive earnings (loss) per share	**3,484**	3,105

	2020 cents	2019 cents
Earnings (loss) per share		
Basic	**5.2**	(79.5)
Diluted	**5.1**	(79.5)
Earnings (loss) per share for continuing operations		
Basic	**1.6**	(60.0)
Diluted	**1.5**	(60.0)
Earnings (loss) per share for discontinuing operations		
Basic	**3.6**	(19.5)
Diluted	**3.6**	(19.5)

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

1.4 Taxes

Our taxes

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

- **the impact of tax on the reported result;**
- **amounts owed to/receivable from the tax authorities; and**
- **deferred tax balances that arise due to differences in the tax and accounting treatment of balances recorded in the Preliminary final report.**

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

(a) Income tax credit

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

	2020[1] $m	2019[1] $m
Profit (loss) before income tax	**51**	(2,091)
Tax at the Australian tax rate of 30% (2019: 30%)	**(15)**	627
Tax concessions including research and development and offshore banking unit	**1**	2
Non-deductible expenses	**(25)**	(31)
Non-taxable income	**14**	22
Other items	**25**	29
Goodwill impairment	**–**	(453)
Over provided in previous years	**3**	9
Utilisation of previously unrecognised tax losses	**–**	45
Differences in overseas tax rates	**16**	10
Income tax credit per Consolidated income statement	**19**	260

1 Results have been presented on a continuing basis and re-presented for the year ended 31 December 2019.

(b) Analysis of income tax credit

	2020[1] $m	2019[1] $m
Current tax expense	**(7)**	(108)
Increase in deferred tax assets	**57**	264
(Increase) decrease in deferred tax liabilities	**(31)**	104
Income tax credit	**19**	260

1 Results have been presented on a continuing basis and re-presented for the year ended 31 December 2019. The increase in deferred tax assets (DTA) and deferred tax liabilities (DTL) during the year arises primarily from the deconsolidation of DTA and DTL held in WP and mature businesses.

(c) Analysis of deferred tax balances

	2020 $m	2019 $m
Analysis of deferred tax assets		
Expenses deductible and income recognisable in future years	**478**	1,015
Unrealised movements on borrowings and derivatives	**54**	42
Unrealised investment losses	**19**	6
Losses available for offset against future taxable income	**43**	43
Other	**234**	155
Total deferred tax assets	**828**	1,261
Analysis of deferred tax liabilities		
Unrealised investment gains	**43**	1,995
Other	**186**	497
Total deferred tax liabilities	**229**	2,492

1.4 Taxes (continued)

(d) Amounts recognised directly in equity

	2020 $m	2019 $m
Deferred income tax (expense) credit related to items taken directly to equity during the current year	**(7)**	13

(e) Unused tax losses and deductible temporary differences not recognised

	2020 $m	2019 $m
Revenue losses	**112**	112
Capital losses[1]	**741**	656

1 Unused capital losses not recognised do not include projected capital losses from the sale of the WP and mature businesses.

Accounting policy – recognition and measurement

Income tax expense

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

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

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

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

Deferred tax

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

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

Tax consolidation

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

Critical accounting estimates and judgements:

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

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

1.5 Dividends

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

	2020 Final	2020 Special dividend	2019 Final	2019 Interim
Dividend per share (cents)	–	**10.0**	–	–
Franking percentage	–	**100%**	–	–
Dividend amount ($m)	–	**343**	–	–
Payment date	–	**1 October 2020**	–	–

	2020 $m	2019 $m
Dividends paid		
Previous year final dividend on ordinary shares	–	117
Special dividend on ordinary shares	**343**	–
Total dividends paid[1]	**343**	117

1 Total dividends paid includes dividends paid on Treasury shares $nil (2019: $1m).

Dividend franking credits

Franking credits available to shareholders are $76m (2019: $175m), based on a tax rate of 30%. This amount is calculated from the balance of the franking account as at the end of the reporting period, adjusted for franking credits that will arise from the settlement, after the end of the reporting date, of liabilities for income tax and receivables for dividends.

The company's ability to utilise the franking account credits depends on meeting *Corporations Act 2001* (Cth) requirements to declare dividends.

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

Section 2: Loans and advances, investments, intangibles and working capital

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

2.1 Loans and advances
2.2 Investments in other financial assets and liabilities
2.3 Intangibles
2.4 Other assets
2.5 Receivables
2.6 Payables
2.7 Fair value information

2.1 Loans and advances

(a) Loans and advances

	2020 $m	2019 $m
Housing loans[1]	**20,289**	20,314
Practice finance loans	**391**	478
Total loans and advances[2]	**20,680**	20,792
Less: Provisions for impairment		
Individual provisions		
– Housing loans	**(13)**	(11)
– Practice finance loans	**(94)**	(101)
Collective provisions	**(47)**	(20)
Total provisions for impairment	**(154)**	(132)
Total net loans and advances	**20,526**	20,660
Movement in provisions:		
Individual provision		
Balance at the beginning of the period	**112**	17
Increase in provision – housing loans	**4**	5
Increase in provision – practice finance loans	**1**	91
Bad debts written off	**(3)**	–
Provision released	**(7)**	(1)
Balance at the end of the period	**107**	112
Collective provision		
Balance at the beginning of the period	**20**	21
Increase/(decrease) in provision	**27**	(1)
Balance at the end of the period	**47**	20

1 Total loans and advances includes net capitalised costs of $76m (2019: $77m).
2 Total loans and advances of $16,317m (2019: $17,091m) is expected to be received more than 12 months after the reporting date.

2.1 Loans and advances (continued)

(b) Expected credit losses

The following table provides the changes to expected credit losses (ECLs) relating to loans and advances during the year. The new and increased provisions during the period are inclusive of adjustments to macro-economic factors (including unemployment, property prices, ASX index and cash rate) that reflect the downturn in the economy as a result of the COVID-19 pandemic.

	Stage 1 collective $m	Stage 2 collective $m	Stage 3 $m	Total $m
2020				
Balance at the beginning of the year	**11**	**9**	**112**	**132**
Transferred to Stage 1 (12-months ECL – collective provision)	**7**	**(2)**	**(5)**	**–**
Transferred to Stage 2 (lifetime ECL credit impaired – collective provision)	**–**	**1**	**(1)**	**–**
Transferred to Stage 3 (lifetime ECL credit impaired – specific provision)	**(1)**	**(1)**	**2**	**–**
New and increased provisions during the year (net of collective provision released)	**14**	**9**	**6**	**29**
Bad debts write-offs	**–**	**–**	**(3)**	**(3)**
Provision for practice finance loans	**–**	**–**	**(4)**	**(4)**
Balance at the end of the year	**31**	**16**	**107**	**154**
2019				
Balance at the beginning of the year	8	13	17	38
Transferred to Stage 1 (12-months ECL – collective provision)	4	(3)	(1)	–
Transferred to Stage 2 (lifetime ECL credit impaired – collective provision)	–	1	(1)	–
Transferred to Stage 3 (lifetime ECL credit impaired – specific provision)	(2)	(5)	7	–
New and increased provisions during the year (net of collective provision released)	1	3	5	9
Bad debts write-offs	–	–	(1)	(1)
Provision for practice finance loans	–	–	86	86
Balance at the end of the year	11	9	112	132

Accounting policy – recognition and measurement

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

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

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

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

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

As a resultant impact of COVID-19 AMP Bank introduced loan repayment deferral arrangements to mortgage customers. The repayment deferrals were considered a continuation of customers' existing loans and recognised as non-substantial loan modifications as they continue to accrue interest on deferred repayments. A request for repayment deferrals is not automatically treated as, but may result in, a significant increase in credit risk, subject to management assessment.

2.1 Loans and advances (continued)

Impairment of financial assets

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

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

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

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

Stage 1 (12-month ECL)

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

Stage 2 (Lifetime ECL – not credit impaired)

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

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

Stage 3 (Lifetime ECL – credit impaired)

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

Critical accounting estimates and judgements:

Impairment

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

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

At the reporting date, COVID-19 is the key driver of macro-economic outcomes and significant judgement has been exercised in the determination of the duration, impact and severity of the macro-economic impacts of COVID-19 for estimation of the ECL provision. Future macro-economic conditions which differ from management's assumptions and estimates could result in changes to the timing and amount of credit losses to be recognised.

2.2 Investments in other financial assets and liabilities

	2020 $m	2019 $m
Financial assets measured at fair value through profit or loss		
Equity securities and listed managed investment schemes	**28**	57,698
Debt securities	**1,132**	29,821
Unlisted managed investment schemes	**149**	23,358
Derivative financial assets	**369**	1,699
Total financial assets measured at fair value through profit or loss	**1,678**	112,576
Financial assets measured at fair value through other comprehensive income		
Debt securities[1]	**2,768**	1,960
Equity securities	**59**	63
Total financial assets measured at fair value through other comprehensive income	**2,827**	2,023
Other financial assets measured at amortised cost		
Debt securities	**582**	45
Total other financial assets measured at amortised cost	**582**	45
Total other financial assets	**5,087**	114,644
Other financial liabilities		
Derivative financial liabilities	**376**	880
Collateral deposits held	**127**	170
Total other financial liabilities	**503**	1,050

1 Debt securities measured at fair value through other comprehensive income are assets of AMP Bank.

Accounting policy – recognition and measurement

Recognition and derecognition of financial assets and liabilities

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

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

Financial assets measured at fair value through profit or loss

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

Financial assets measured at fair value through profit or loss – debt securities

Debt securities can be irrevocably designated, at initial recognition, as measured at fair value through profit or loss where doing so would eliminate or significantly reduce a measurement or recognition inconsistency or otherwise results in more relevant information. Fair value on initial recognition is determined as the purchase cost of the asset, exclusive of any transaction costs. Transactions costs are expensed as incurred in profit or loss. Subsequent measurement is determined with reference to the bid price at the reporting date. Any realised and unrealised gains or losses arising from subsequent measurement at fair value are recognised in the Consolidated income statement in the period in which they arise.

2.2 Investments in other financial assets and liabilities (continued)

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

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

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

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

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

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

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

Financial assets measured at amortised cost – debt securities
Refer to note 2.1 for details.

Critical accounting estimates and judgements:
Financial assets measured at fair value
Where available, quoted market prices for the same or similar instruments are used to determine fair value. Where there is no market price available for an instrument, a valuation technique is used. Management applies judgement in selecting valuation techniques and setting valuation assumptions and inputs. Further detail on the determination of fair value of financial instruments is set out in note 2.7.

2.3 Intangibles

	Goodwill[1] $m	Capitalised costs[2] $m	Value of in-force business $m	Distribution networks $m	Other intangibles $m	Total $m
2020						
Balance at the beginning of the year	**172**	**223**	**341**	**127**	**14**	**877**
Additions through acquisitions of controlled entities	**–**	**–**	**–**	**8**	**–**	**8**
Additions through separate acquisitions	**–**	**–**	**–**	**83**	**–**	**83**
Additions through internal development	**–**	**93**	**–**	**–**	**–**	**93**
Reductions through disposal[2]	**(15)**	**(12)**	**(177)**	**(66)**	**–**	**(270)**
Transferred to inventories	**–**	**–**	**–**	**(3)**	**–**	**(3)**
Amortisation expense[3]	**–**	**(64)**	**(50)**	**(26)**	**(3)**	**(143)**
Impairment loss	**–**	**(1)**	**–**	**(4)**	**–**	**(5)**
Balance at the end of the year	**157**	**239**	**114**	**119**	**11**	**640**
2019						
Balance at the beginning of the year	2,130	505	420	138	15	3,208
Additions through acquisitions of controlled entities	10	2	–	55	–	67
Additions through separate acquisitions	–	–	–	33	–	33
Additions through internal development	–	112	–	–	–	112
Reductions through disposal	–	–	–	(8)	–	(8)
Transferred from inventories	–	–	–	1	–	1
Amortisation expense[3]	–	(94)	(79)	(55)	(1)	(229)
Impairment loss[4]	(1,968)	(302)	–	(37)	–	(2,307)
Balance at the end of the year	172	223	341	127	14	877

1 Total goodwill comprises amounts attributable to shareholders of $157m (2019: $157m) and amounts attributable to policyholders of $nil (2019: $15m).
2 Includes intangible assets derecognised as part of sale of the WP and mature businesses.
3 Amortisation expense includes amortisation related to the WP and mature businesses of $17m (2019: $41m).
4 Includes $468m of impairment loss relating to the WP and mature businesses.

Accounting policy – recognition and measurement

Goodwill

Goodwill acquired in a business combination is recognised at cost and subsequently measured at cost less any accumulated impairment losses. The cost represents the excess of the cost of a business combination over the fair value of the identifiable assets acquired and liabilities assumed.

Capitalised costs

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

Value of in-force business

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

Distribution networks

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

2.3 Intangibles (continued)

Amortisation

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

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

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

Impairment testing

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

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs). An impairment loss is recognised when the CGU's carrying amount exceeds the CGU's recoverable amount. When applicable, an impairment loss is first allocated to goodwill and any remainder is then allocated to the other assets on a pro-rata basis.

Composition of goodwill

The goodwill of $157m (2019: $157m) arose from historical acquisitions where the AMP group was the acquirer. Goodwill attributable to the relevant CGUs is presented in the table below.

	2020 $m	2019 $m
New Zealand wealth management (NZWM)	**70**	70
AMP Capital	**87**	87
	157	157

The annual impairment assessment for both NZWM and AMP Capital resulted in significant headroom in both the CGUs. There was no reasonably possible change to a key assumption used in the impairment assessment that would result in an impairment at 31 December 2020.

Critical accounting estimates and judgements:

Management applies judgement in selecting valuation techniques and setting valuation assumptions to determine the:

- *acquisition date fair value and estimated useful life of acquired intangible assets;*
- *allocation of goodwill to CGUs and determining the recoverable amount of the CGUs; and*
- *assessment of whether there are any impairment indicators for acquired intangibles and internally generated intangibles, where required, in determining the recoverable amount.*

2.4 Other assets

	2020 $m	2019 $m
Planner registers held for sale	**28**	19
Prepayments	**59**	56
Property, plant and equipment	**90**	98
Total other assets	**177**	173
Current	***73***	*66*
Non-current	***104***	*107*

2.5 Receivables

	2020 $m	2019 $m
Investment related receivables	**3**	1,403
Life insurance contract premiums receivable	**–**	311
Reinsurance receivables	**–**	220
Client register receivables	**62**	17
Collateral receivables	**203**	205
Trade debtors and other receivables	**434**	543
Total receivables[1]	**702**	2,699
Current	***651***	*2,693*
Non-current	***51***	*6*

1 Receivables are presented net of ECL of $11m (2019: $5m).

Accounting policy – recognition and measurement

Receivables

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

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

2.6 Payables

	2020 $m	2019 $m
Investment related payables	**12**	1,108
Life insurance and investment contracts in process of settlement	**–**	341
Accrued expenses, trade creditors and other payables	**279**	977
Reinsurance payables	**–**	39
Total payables	**291**	2,465
Current	***288***	*2,332*
Non-current	***3***	*133*

Accounting policy – recognition and measurement

Payables

Payables are measured at the nominal amount payable. Given the short-term nature of most payables, the nominal amount payable approximates fair value.

2.7 Fair value information

The following table shows the carrying amount and estimated fair values of financial instruments including their levels in the fair value hierarchy.

	Carrying amount $m	Level 1 $m	Level 2 $m	Level 3 $m	Total fair value $m
2020					
Financial assets measured at fair value					
Equity securities and listed managed investment schemes	**87**	**80**	**–**	**7**	**87**
Debt securities	**3,900**	**2,413**	**1,487**	**–**	**3,900**
Unlisted managed investment schemes	**149**	**–**	**108**	**41**	**149**
Derivative financial assets	**369**	**–**	**369**	**–**	**369**
Total financial assets measured at fair value	**4,505**	**2,493**	**1,964**	**48**	**4,505**
Financial assets not measured at fair value					
Loans and advances	**20,526**	**–**	**–**	**20,649**	**20,649**
Debt securities	**582**	**–**	**582**	**–**	**582**
Total financial assets not measured at fair value	**21,108**	**–**	**582**	**20,649**	**21,231**
Financial liabilities measured at fair value					
Derivative financial liabilities	**376**	**–**	**376**	**–**	**376**
Collateral deposits held	**127**	**–**	**127**	**–**	**127**
North guarantee liabilities	**151**	**–**	**–**	**151**	**151**
Total financial liabilities measured at fair value	**654**	**–**	**503**	**151**	**654**
Financial liabilities not measured at fair value					
AMP Bank					
– Deposits	**16,129**	**–**	**16,129**	**–**	**16,129**
– Other	**6,443**	**–**	**6,503**	**–**	**6,503**
Corporate borrowings	**2,344**	**–**	**2,344**	**–**	**2,344**
Total financial liabilities not measured at fair value	**24,916**	**–**	**24,976**	**–**	**24,976**
2019					
Financial assets measured at fair value					
Equity securities and listed managed investment schemes	57,761	54,552	694	2,515	57,761
Debt securities	31,781	1,771	29,883	127	31,781
Unlisted managed investment schemes	23,358	–	20,687	2,671	23,358
Derivative financial assets	1,699	71	1,628	–	1,699
Investment properties	161	–	–	161	161
Total financial assets measured at fair value	114,760	56,394	52,892	5,474	114,760
Financial assets not measured at fair value					
Loans and advances	20,660	–	–	20,663	20,663
Debt securities	45	–	45	–	45
Total financial assets not measured at fair value	20,705	–	45	20,663	20,708
Financial liabilities measured at fair value					
Derivative financial liabilities	880	186	694	–	880
Collateral deposits held	170	–	170	–	170
Investment contract liabilities	71,550	–	1,484	70,066	71,550
North guarantee liabilities	121	–	–	121	121
Total financial liabilities measured at fair value	72,721	186	2,348	70,187	72,721
Financial liabilities not measured at fair value					
AMP Bank					
– Deposits	12,442	–	12,442	–	12,442
– Other	7,492	–	7,504	–	7,504
Corporate borrowings	2,445	–	2,461	–	2,461
Borrowings within investment entities controlled by AMP Life's statutory funds	473	–	473	–	473
Total financial liabilities not measured at fair value	22,852	–	22,880	–	22,880

2.7 Fair value information (continued)

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

Equity securities and listed managed investment schemes	The fair value of listed equity securities traded in an active market and listed managed investment schemes reflects the quoted bid price at the reporting date. In the case of equity securities where there is no active market, fair value is established using valuation techniques including the use of recent arm's length transactions, references to other instruments that are substantially the same, discounted cash flow analysis and option pricing models.
Debt securities	The fair value of listed debt securities reflects the bid price at the reporting date. Listed debt securities that are not frequently traded are valued by discounting estimated recoverable amounts. The fair value of unlisted debt securities is estimated using interest rate yields obtainable on comparable listed investments. The fair value of loans is determined by discounting the estimated recoverable amount using prevailing interest rates.
Loans	The estimated fair value of loans represents the discounted amount of estimated future cash flows expected to be received, based on the maturity profile of the loans. As the loans are unlisted, the discount rates applied are based on the yield curve appropriate to the remaining term of the loans. The loans may, from time to time, be measured at an amount in excess of fair value due to fluctuations on fixed rate loans. In these situations, as the fluctuations in fair value would not represent a permanent diminution and the carrying amounts of the loans are recorded at recoverable amounts after assessing impairment, it would not be appropriate to restate their carrying amount.
Unlisted managed investment schemes	The fair value of investments in unlisted managed investment schemes is determined on the basis of published redemption prices of those managed investment schemes at the reporting date.
Derivative financial assets and liabilities	The fair value of financial instruments traded in active markets (such as publicly traded derivatives) is based on quoted market prices (current bid price or current offer price) at the reporting date. The fair value of financial instruments not traded in an active market (e.g. over-the-counter derivatives) is determined using valuation techniques. Valuation techniques include net present value techniques, option pricing models, discounted cash flow methods and comparison to quoted market prices or dealer quotes for similar instruments. The models use a number of inputs, including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate curves and forward rate curves of the underlying instruments. Some derivatives contracts are significantly cash collateralised, thereby minimising both counterparty risk and the group's own non-performance risk.
Corporate borrowings	Borrowings comprise commercial paper, drawn liquidity facilities, various floating-rate and medium-term notes and subordinated debt. The estimated fair value of borrowings is determined with reference to quoted market prices. For borrowings where quoted market prices are not available, a discounted cash flow model is used, based on a current yield curve appropriate for the remaining term to maturity. For short-term borrowings, the par value is considered a reasonable approximation of the fair value.
AMP Bank deposits and other borrowings	The estimated fair value of deposits and other borrowings represents the discounted amount of estimated future cash flows expected to be paid based on the residual maturity of these liabilities. The discount rate applied is based on a current yield curve appropriate for similar types of deposits and borrowings at the reporting date.
North guarantee liabilities	The fair value of the North guarantee liabilities is determined as the net present value of future cash flows discounted using market rates. The future cash flows are determined using risk neutral stochastic projections based on assumptions such as mortality rate, lapse rate and asset class allocation/correlation. The future cash flows comprise expected guarantee claims and hedging expenses net of expected fee revenue.

2.7 Fair value information (continued)

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

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

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

There have been no significant transfers between Level 1 and Level 2 during the 2020 financial year. Transfers to and from Level 3 are shown in the Reconciliation of Level 3 values table later in this note.

Level 3 fair values

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

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

Type	Valuation technique	Significant unobservable inputs
Equity securities and listed managed investment schemes	Discounted cash flow approach utilising cost of equity as the discount rate	Discount rate Terminal value growth rate Cash flow forecasts
Debt securities	Discounted cash flow approach	Discount rate Cash flow forecasts Credit risk
Unlisted managed investment schemes	Published redemption prices	Judgement made in determining unit prices
Investment contract liabilities	Published unit prices and the fair value of backing assets	Fair value of financial instruments Cash flow forecasts Credit risk
North guarantee liabilities	Discounted cash flow approach	Discount rate Hedging costs

Sensitivity

The following table illustrates the impacts to profit before tax and equity resulting from reasonably possible changes in key assumptions.

	2020		2019[1]	
	(+) $m	(–) $m	(+) $m	(–) $m
Financial assets				
Equity securities and listed managed investment schemes	**1**	**(1)**	86	(86)
Unlisted managed investment schemes	**4**	**(4)**	134	(134)
Financial liabilities				
North guarantee liabilities	**1**	**(3)**	–	(7)
Investment contract liabilities	**n/a**	**n/a**	224	(224)

1 In 2019, the investments in equity securities and listed managed investment schemes and unlisted managed investment schemes predominantly related to policyholder assets. Accordingly, any movements in the value of the assets were largely offset by a corresponding movement in Investment contract liabilities.

2.7 Fair value information (continued)

Level 3 fair values (continued)

Reconciliation of Level 3 values

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

	Balance at the beginning of the period $m	FX gains or losses[1] $m	Total gains/ losses[1] $m	Purchases/ deposits $m	Sales/ withdrawals $m	Net transfers in/(out) $m	Balance at the end of the period $m	Total gains and losses on assets and liabilities held at reporting date $m
2020								
Assets classified as Level 3								
Equity securities and listed managed investment schemes	**2,515**	**–**	**(11)**	**63**	**(2,567)**	**7**	**7**	**–**
Debt securities	**127**	**–**	**–**	**–**	**(127)**	**–**	**–**	**–**
Unlisted managed investment schemes	**2,671**	**–**	**2**	**158**	**(2,831)**	**41**	**41**	**4**
Investment properties	**161**	**–**	**3**	**–**	**(164)**	**–**	**–**	**–**
Liabilities classified as Level 3								
North guarantee liabilities	**121**	**–**	**35**	**4**	**(9)**	**–**	**151**	**35**
Investment contract liabilities	**70,066**	**(7)**	**(6,201)**	**2,008**	**(65,866)**	**–**	**–**	**–**
2019								
Assets classified as Level 3								
Equity securities and listed managed investment schemes	2,364	–	145	11	(5)	–	2,515	164
Debt securities	117	–	10	4	(2)	(2)	127	10
Unlisted managed investment schemes	1,898	–	61	567	(19)	164	2,671	95
Investment properties	145	–	16	–	–	–	161	16
Liabilities classified as Level 3								
North guarantee liabilities	115	–	18	1	(13)	–	121	18
Investment contract liabilities	66,817	2	10,242	7,043	(14,038)	–	70,066	10,240

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

Section 3: Capital structure and financial risk management

This section provides information relating to:

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

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

3.1 Contributed equity

	2020 $m	2019 $m
Issued capital[1]		
3,436,599,241 (2019: 3,436,599,241) ordinary shares fully paid	**10,355**	10,402
Treasury shares[2]		
2,126,387 (2019: 29,342,125) treasury shares	**(6)**	(103)
Total contributed equity		
3,434,472,854 (2019: 3,407,257,116) ordinary shares fully paid	**10,349**	10,299
Issued capital		
Balance at the beginning of the year	**10,402**	9,610
Nil (2019: 9,064,722) shares issued under dividend reinvestment plan[1]	**–**	21
Nil (2019: 406,250,000) shares issued under institutional placement	**–**	638
Nil (2019: 83,856,183) shares issued under share purchase plan	**–**	133
Deconsolidation of discontinued operations	**(47)**	–
Balance at the end of the year	**10,355**	10,402
Treasury shares		
Balance at the beginning of the year	**(103)**	(108)
Decrease due to deconsolidation of discontinued operations	**97**	–
Decrease due to purchases less sales during the year	**–**	5
Balance at the end of the year	**(6)**	(103)

1 Under the terms of the dividend reinvestment plan (DRP), shareholders may elect to have all or part of their dividend entitlements satisfied in shares rather than being paid cash.
2 Of the AMP Limited ordinary shares on issue 2,126,387 (2019: 2,126,387) are held by AMP Foundation Limited as trustee for AMP Foundation. At 31 December 2019, 27,215,738 shares were held by AMP Life on behalf of policyholders.

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

3.1 Contributed equity (continued)

Accounting policy – recognition and measurement

Issued capital

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

Treasury shares

The AMP group is not permitted to recognise Treasury shares in the Consolidated statement of financial position. These shares, plus any corresponding Consolidated income statement fair value movement on the shares and dividend income, are eliminated on consolidation.

AMP Foundation also holds AMP Limited shares. These shares, plus any corresponding Consolidated income statement fair value movement on the shares and any dividend income, are eliminated on consolidation.

3.2 Interest-bearing liabilities

(a) Interest-bearing liabilities

	2020			2019		
	Current $m	Non-current $m	Total $m	Current $m	Non-current $m	Total $m
Interest-bearing liabilities						
AMP Bank						
– Deposits[1]	**15,990**	**139**	**16,129**	12,291	151	12,442
– Other	**3,976**	**2,467**	**6,443**	2,811	4,681	7,492
Corporate entity borrowings[2]						
– 6.875% GBP Subordinated Guaranteed Bonds (maturity 2022)	**–**	**63**	**63**	–	69	69
– AMP Notes 3 (first call 2023, maturity 2028)[3]	**–**	**250**	**250**	–	250	250
– AMP Subordinated Notes[3]	**–**	**250**	**250**	–	250	250
– AMP Wholesale Capital Notes[4]	**–**	**–**	**–**	277	–	277
– AMP Capital Notes[4]	**266**	**–**	**266**	–	265	265
– AMP Capital Notes 2[4]	**–**	**271**	**271**	–	271	271
– USD Medium Term Notes[5]	**398**	**–**	**398**	–	437	437
– CHF Medium Term Notes[5]	**–**	**846**	**846**	–	592	592
– Other	**–**	**–**	**–**	34	–	34
Borrowings within investment entities controlled by AMP Life's statutory funds	**–**	**–**	**–**	464	9	473
Total interest-bearing liabilities	**20,630**	**4,286**	**24,916**	15,877	6,975	22,852

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

2 The current/non-current classification of corporate entity borrowings is based on the maturity of the underlying debt instrument and related principal repayment obligations. The carrying value of corporate entity borrowings includes interest payable of $10m (2019: $13m) which is expected to be settled within the next 12 months.

3 AMP Notes 3 and AMP Subordinated Notes are floating rate subordinated unsecured notes. These were issued 15 November 2018 and 1 September 2017 respectively, and mature 15 November 2028 and 1 December 2027 respectively. Subject to APRA approval, AMP has the right, but not the obligation, to redeem all or some of the Notes on 15 November 2023 and 1 December 2022 respectively, or, subject to certain conditions, at a later date. In certain circumstances, AMP may be required to convert some or all of the Notes into AMP ordinary shares.

4 AMP Capital Notes (ASX: AMPPA) and AMP Capital Notes 2 (ASX: AMPPB) were issued 30 November 2015 and 23 December 2019 respectively. Subject to APRA approval, AMP has the right, but not the obligation, to redeem all or some of the Notes on 22 December 2021 and 16 December 2025 respectively, or, subject to certain conditions, at a later date. They are perpetual notes with no maturity date. In certain circumstances, AMP may be required to convert some or all of the Notes into AMP ordinary shares. On 27 March 2020, AMP redeemed the AMP Wholesale Capital Notes.

5 USD 300m 4 per cent Bond was issued 14 March 2019 and matures 14 September 2021. CHF 110m Senior Unsecured Fixed Rate Bond was issued 19 June 2018 and matures 19 December 2022. This Bond was subsequently increased by CHF 50m on 19 September 2018. CHF 140m Senior Unsecured Fixed Rate Bond was issued 18 April 2019 and matures 18 July 2023. This Bond was subsequently increased by CHF 100m on 3 December 2019. CHF 175m Senior Unsecured Fixed Rate Bond was issued 3 March 2020 and matures 3 June 2024.

3.2 Interest-bearing liabilities (continued)

(b) Financing arrangements

Loan facilities and note programs

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

	2020 $m	2019 $m
Available loan facilities[1]	**1,450**	2,265
Note program capacity	**14,087**	14,993
Used	**(3,117)**	(4,316)
Unused facilities and note programs at the end of the year	**12,420**	12,942

1 Available loan facilities include bilateral facilities of $450m which mature on 31 August 2021.

(c) Changes in liabilities arising from operating and financing activities

	2020 $m	2019 $m
1 January	**22,852**	21,650
Cash flows	**327**	1,177
Deconsolidation of WP and mature businesses[1]	**1,795**	–
Other	**(58)**	25
31 December	**24,916**	22,852

1 Super and platform related deposits previously held by the WP and mature businesses are no longer eliminated on consolidation.

Accounting policy – recognition and measurement

Interest-bearing liabilities are initially recognised at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest rate method.

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

Finance costs include:

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

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

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

Finance costs are recognised as expenses when incurred.

3.3 Financial risk management

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

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

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

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

(a) Market risk

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

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

Market risk	Exposures	Management of exposures and use of derivatives
Interest rate risk The risk of an impact on the AMP group's profit after tax and equity arising from fluctuations in the fair value or future cash flows of financial instruments due to changes in market interest rates. Interest rate movements could result from changes in the absolute levels of interest rates, the shape of the yield curve, the margin between yield curves and the volatility of interest rates.	The AMP group's long-term borrowings and subordinated debt.	Interest rate risk is managed by entering into interest rate swaps, which have the effect of converting borrowings from floating rate to fixed rate.
	AMP Bank interest rate risk from mismatches in the repricing terms of assets and liabilities (term risk) and variable rate short-term repricing bases (basis risk).	AMP Bank uses natural offsets, interest rate swaps and basis swaps to hedge the mismatches within exposure limits. Group Treasury manages the exposure in AMP Bank by maintaining a net interest rate risk position within the limits delegated and approved by the AMP Bank Board.
Currency risk The risk of an impact on the AMP group's profit after tax and equity arising from fluctuations of the fair value of a financial asset, liability or commitment due to changes in foreign exchange rates.	Foreign currency denominated assets and liabilities. Foreign equity accounted associates and capital invested in overseas operations. Foreign exchange rate movements on specific cash flow transactions.	The AMP group uses swaps to hedge the interest rate risk and foreign currency risk on foreign currency denominated borrowings but does not hedge the capital invested in overseas operations. The AMP group hedges material foreign currency risk originated by receipts and payments once the value and timing of the expected cash flow is known. In addition, the AMP group will at times pre-hedge any future (but not expected) foreign currency receipts and payments, subject to market conditions.
Equity price risk The risk of an impact on the AMP group's profit after tax and equity arising from fluctuations in the fair value or future cash flows of a financial instrument due to changes in equity prices.	Exposure for shareholders includes listed and unlisted shares and participation in equity unit trusts.	Group Treasury may, with Group ALCO approval, use equity exposures or equity futures or options to hedge other enterprise-wide equity exposures.

3.3 Financial risk management (continued)

(a) Market risk (continued)

Sensitivity analysis

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

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

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

		2020		2019	
Sensitivity analysis	Change in variables	Impact on profit after tax increase (decrease) $m	Impact on equity[1] increase (decrease) $m	Impact on profit after tax increase (decrease) $m	Impact on equity[1] increase (decrease) $m
Interest rate risk Impact of a 100 basis point (bp) change in Australian and international interest rates.	–100bp +100bp	**(0.4)** **(0.5)**	**2.9** **(3.7)**	(1.5) (15.2)	7.2 (26.1)
Currency risk Impact of a 10% movement of exchange rates against the Australian dollar on currency sensitive monetary assets and liabilities.	10% depreciation of AUD 10% appreciation of AUD	**0.2** **(0.5)**	**86.7** **(71.3)**	3.8 (4.4)	175.9 (145.1)
Equity price risk Impact of a 10% movement in Australian and international equities. Any potential impact on fees from the AMP group's investment-linked business is not included.	10% increase in: Australian equities International equities	 **0.6** **0.2**	 **0.6** **0.2**	 7.8 7.2	 7.8 7.2
	10% decrease in: Australian equities International equities	 **(0.4)** **(0.9)**	 **(0.4)** **(0.9)**	 (8.6) (8.3)	 (8.6) (8.3)

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

(b) Liquidity and refinancing risk

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

3.3 Financial risk management (continued)

(b) Liquidity and refinancing risk (continued)

Maturity analysis

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

	Up to 1 year $m	1 to 5 years $m	Over 5 years $m	Not specified $m	Total $m
2020					
Non-derivative financial liabilities					
Payables	**288**	**3**	**–**	**–**	**291**
Borrowings[1]	**17,279**	**2,771**	**796**	**–**	**20,846**
Lease liabilities	**58**	**127**	**58**	**–**	**243**
Subordinated debt	**46**	**235**	**1,354**	**–**	**1,635**
North guarantee liabilities	**–**	**–**	**–**	**151**	**151**
Derivative financial instruments					
Interest rate and cross-currency swaps	**50**	**84**	**21**	**–**	**155**
Off-balance sheet items					
Credit-related commitments – AMP Bank[2]	**3,398**	**–**	**–**	**–**	**3,398**
Lease commitments	**–**	**208**	**527**	**–**	**735**
Buy-back arrangement commitments	**89**	**–**	**–**	**–**	**89**
Investment commitments	**–**	**–**	**–**	**217**	**217**
Total undiscounted financial liabilities and off-balance sheet items	**21,208**	**3,428**	**2,756**	**368**	**27,760**
2019					
Non-derivative financial liabilities					
Payables	2,332	133	–	–	2,465
Borrowings[1]	15,554	4,761	1,151	–	21,466
Lease liabilities	58	165	87	–	310
Subordinated debt	72	345	1,643	–	2,060
North guarantee liabilities	–	–	–	121	121
Investment contract liabilities	350	834	849	69,584	71,617
External unitholders' liabilities	–	–	–	15,295	15,295
Derivative financial instruments					–
Interest rate and cross-currency swaps	48	85	23	–	156
Off-balance sheet items					
Credit-related commitments – AMP Bank[2]	3,522	–	–	–	3,522
Lease commitments	–	155	593	–	748
Buy-back arrangement commitments	228	7	–	–	235
Investment commitments	–	–	–	417	417
Total undiscounted financial liabilities and off-balance sheet items	22,164	6,485	4,346	85,417	118,412

1 Borrowings include AMP Bank deposits.
2 Credit-related loan commitments are off-balance sheet as they relate to unexercised commitments to lend to customers of AMP Bank.

3.3 Financial risk management (continued)

(c) Credit risk

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

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

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

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

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

Impairment assessment

Definition of default

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

AMP Bank's internal risk grading and PD estimation process

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

– The Bank's residential mortgage book is a portfolio with a low number of defaults. In recent times, the Bank's residential mortgage book has grown significantly, and a larger history of default data has been captured.
– This has enabled the Bank to successfully develop its internal behavioural scorecards which have been used to replace the benchmark PDs in an endeavour to better risk rank order the portfolio by credit risk worthiness.

Internal risk grades for the residential mortgage book are as follows:

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

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

3.3 Financial risk management (continued)

(c) Credit risk (continued)

Internal risk grades for practice finance book are as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Credit risk of the loan portfolio in AMP Bank (the Bank)
The Bank is predominantly a lender for residential properties – both owner occupied and for investment. In every case the Bank completes a credit assessment, which includes cost of living allowance and requires valuation of the proposed security property.

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

3.3 Financial risk management (continued)

(c) Credit risk (continued)

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

	Existing business 2020 %	New business 2020 %	Existing business 2019 %	New business 2019 %
LVR				
0–50	**17**	**6**	17	7
51–60	**11**	**7**	11	8
61–70	**18**	**13**	18	14
71–80	**36**	**50**	37	50
81–90	**14**	**16**	12	12
91–95	**3**	**8**	3	9
> 95	**1**	**–**	2	–

Renegotiated loans

Where possible, the Bank seeks to restructure loans for borrowers seeking hardship relief rather than take possession of collateral. This may involve capitalising interest repayments for a period and increasing the repayment arrangement for the remaining term of the loan. Once the term has been renegotiated, the loan is no longer considered past due or an impaired asset unless it was greater than 90 days in arrears in the previous six months or a specific provision has been raised for the loan. The Bank assisted customers by renegotiating $2,391m (2019: $214m) of loans during the year, of which $2,263m (2019: nil) relates to hardship granted due to COVID-19, that otherwise would be past due or impaired. Hardship assistance granted due to COVID-19 includes assistance in the form of repayment deferrals. As at 31 December 2020, $1,542m of the total $2,263m hardship loans have exited the repayment deferral program and are considered to be performing loans. The impact to the Consolidated income statement of loan modifications is not considered to be material.

Collateral and master netting or similar agreements

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

(i) Derivative financial assets and liabilities

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

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

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

If these netting arrangements were applied to the derivative portfolio, the derivative assets of $369m would be reduced by $160m to the net amount of $209m and derivative liabilities of $376m would be reduced by $160m to the net amount of $216m (2019: derivative assets of $1,699m would be reduced by $192m to the net amount of $1,507m and derivative liabilities of $880m would be reduced by $192m to the net amount of $688m).

(ii) Other collateral

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

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

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

Collateral generally consists of 11am loans and deposits and is exchanged between the counterparties to reduce the exposure from the net fair value of derivative assets and liabilities between the counterparties. As at 31 December 2020 there was $127m (2019: $170m) of collateral deposits (due to other counterparties) and $204m (2019: $181m) of collateral loans (due from other counterparties) relating to derivative assets and liabilities.

3.4 Derivatives and hedge accounting

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

- cash flow hedges;
- fair value hedges; or
- net investment hedges.

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

(a) Hedging Instruments

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

		Notional amount $m	Fair value Assets $m	Fair value Liabilities $m
2020				
Hedge type	**Hedging instrument**			
Cash flow	Interest rate swaps	**9,568**	**32**	**122**
Fair value	Cross-currency swaps	**83**	**–**	**22**
Fair value	Interest rate swaps	**63**	**6**	**–**
Fair value and cash flow	Cross-currency interest rate swaps	**1,254**	**–**	**20**
Net investment	Foreign currency forward contract	**390**	**23**	**1**
Total		**11,358**	**61**	**165**
2019				
Hedge type	**Hedging instrument**			
Cash flow	Interest rate swaps	8,648	24	99
Fair value	Cross-currency swaps	83	–	19
Fair value	Interest rate swaps	67	7	–
Fair value and cash flow	Cross-currency interest rate swaps	988	37	–
Net investment	Foreign currency forward contract	366	9	2
Total		10,152	77	120

3.4 Derivatives and hedge accounting (continued)

(b) Hedged items

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

	Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged items	
	Assets $m	Liabilities $m	Assets $m	Liabilities $m
2020				
6.875% GBP Subordinated Guaranteed Bonds (maturity 2022)	**–**	**63**	**16**	**–**
Medium Term Notes	**–**	**1,172**	**16**	**–**
2019				
6.875% GBP Subordinated Guaranteed Bonds (maturity 2022)	–	69	11	–
Medium Term Notes	–	951	–	35

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

	2020 $m	2019 $m
Gain/(loss) on hedging instrument	**50**	37
Gain/(loss) on hedged items attributable to the hedged risk	**(56)**	(35)
Hedge ineffectiveness recognised in the income statement	**(6)**	2

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

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

During the year the AMP group recognised $nil (2019: $nil) due to ineffectiveness on derivative instruments designated as cash flow hedges.

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

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

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

The AMP group recognised $nil (2019: $nil) due to the ineffective portion of hedges relating to investments in seed pool foreign operations.

3.4 Derivatives and hedge accounting (continued)

(b) Hedged items (continued)

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

	0 to 3 months $m	3 to 12 months $m	1 to 5 years $m	Over 5 years $m	Total $m
2020					
Interest rate swaps	**1,569**	**3,814**	**3,686**	**562**	**9,631**
Cross-currency swaps	**–**	**–**	**83**	**–**	**83**
Cross-currency interest rate swaps	**–**	**426**	**828**	**–**	**1,254**
Foreign currency forward contract	**390**	**–**	**–**	**–**	**390**
2019					
Interest rate swaps	1,889	3,542	2,782	502	8,715
Cross-currency swaps	–	–	83	–	83
Cross-currency interest rate swaps	–	–	988	–	988
Foreign currency forward contract	366	–	–	–	366

Accounting policy – recognition and measurement

Derivative financial instruments

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

Hedge accounting

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

Cash flow hedges

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

Fair value hedges

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

Net investment hedges

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

3.5 Capital management

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

– maintain a sufficient surplus above minimum regulatory capital requirements (MRR) to reduce the risk of breaching MRR; and
– maintain the AMP group's credit rating.

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

Calculation of capital resources

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

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

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

	2020 $m	2019 $m
AMP statutory equity attributable to shareholders of AMP Limited	**4,274**	4,860
Accounting mismatch, cash flow hedge resources and other adjustments	**9**	50
AMP shareholder equity	**4,283**	4,910
Subordinated debt[1]	**876**	1,151
Senior debt[1]	**1,254**	988
Total AMP capital resources	**6,413**	7,049

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

Capital requirements

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

The main minimum regulatory capital requirements for AMP's businesses are:

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

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

AMP Limited and AMP Bank have board-approved minimum capital levels above APRA requirements, with additional capital targets held above these amounts. Capital targets are also set for AMP Capital to cover risk associated with seed and sponsor capital investments and operational risk. Other components of AMP group's capital targets include amounts relating to Group Office investments, defined benefit funds and other operational risks.

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

Section 4: Employee disclosures

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

4.1 Defined benefit plans
4.2 Share-based payments

4.1 Defined benefit plans

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

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

Plan details	Australia	New Zealand
Plan names	AMP Australia Plan I and AMP Australia Plan II.	AMP New Zealand Plan I and AMP New Zealand Plan II.
Entitlements of active members	A lump sum or pension on retirement. Pensions provided are lifetime indexed pensions with a reversionary spouse pension.	Accumulation benefits and a lump sum payment on retirement.
Governance of the plans	The plans' trustees (*Super Directions Fund* from 15 May 2020 to 31 December 2020 and *AMP Superannuation Savings Trust* from 1 January 2020 to 15 May 2020, of which the Australian plans are sub-funds) – this includes administration of the plan, management and investment of the plan assets, and compliance with superannuation laws and other applicable regulations.	The plans' trustees – this includes administration of the plan, management and investment of the plan assets, and looking after the interests of all beneficiaries.
Valuations required	Every year.	Every three years.
Key risks	The risk of actual outcomes being different to the actuarial assumptions used to estimate the defined benefit obligation, investment risk and legislative risk.	
Date of valuation	31 March 2020.	31 December 2020.
Additional recommended contributions	10% to 15% of members' salaries plus plan expenses.	No additional contributions are required until 30 June 2021, at which point the requirement will be reassessed.

(a) Defined benefit liability

	2020 $m	2019 $m
Present value of wholly-funded defined benefit obligations	**(882)**	(919)
Less: Fair value of plan assets	**784**	818
Defined benefit liability recognised in the Consolidated statement of financial position	**(98)**	(101)
Movement in defined benefit liability		
Deficit at the beginning of the year	**(101)**	(77)
Plus: Total income (expenses) recognised in the Consolidated income statement	**1**	(2)
Plus: Employer contributions	**1**	1
Plus: Foreign currency exchange rate changes	**(4)**	–
Plus: Actuarial gains (losses) recognised in Other comprehensive income[1]	**5**	(23)
Defined benefit liability recognised at the end of the year	**(98)**	(101)

1 The cumulative net actuarial gains and losses recognised in the Statement of comprehensive income is a $98m gain (2019: $93m gain).

4.1 Defined benefit plans (continued)

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

	Defined benefit obligation 2020 $m	Defined benefit obligation 2019 $m	Fair value of plan assets 2020 $m	Fair value of plan assets 2019 $m
Balance at the beginning of the year	**(919)**	(833)	**818**	756
Current service cost	**–**	(3)	**–**	–
Past service cost/curtailments	**1**	–	**–**	–
Interest (cost) income	**(10)**	(19)	**10**	17
Net actuarial gains and losses	**(14)**	(118)	**19**	94
Employer contributions	**–**	–	**1**	1
Contributions by plan participants	**–**	–	**–**	–
Foreign currency exchange rate changes	**2**	2	**(6)**	2
Benefits paid	**58**	52	**(58)**	(52)
Balance at the end of the year	**(882)**	(919)	**784**	818

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

	Fair value of plan assets 2020 $m	Fair value of plan assets 2019 $m	Present value of plan obligation 2020 $m	Present value of plan obligation 2019 $m	Net recognised surplus (deficit) 2020 $m	Net recognised surplus (deficit) 2019 $m	Actuarial gains/(losses) 2020 $m	Actuarial gains/(losses) 2019 $m
AMP Australia Plan I	**281**	291	**(334)**	(339)	**(53)**	(48)	**(5)**	(3)
AMP Australia Plan II	**400**	415	**(386)**	(427)	**14**	(12)	**24**	(21)
AMP New Zealand Plan I	**17**	20	**(24)**	(25)	**(7)**	(5)	**(1)**	1
AMP New Zealand Plan II	**86**	92	**(138)**	(128)	**(52)**	(36)	**(13)**	–
Total	**784**	818	**(882)**	(919)	**(98)**	(101)	**5**	(23)

(d) Principal actuarial assumptions

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

	AMP Plan I				AMP Plan II			
	Australia		New Zealand		Australia		New Zealand	
	2020 %	2019 %	2020 %	2019 %	2020 %	2019 %	2020 %	2019 %
Weighted average discount rate	**2.1**	2.8	**0.9**	1.5	**2.4**	3.0	**1.4**	2.2
Expected rate of salary increases	**n/a**	n/a	**n/a**	n/a	**3.3**	3.5	**3.0**	3.0

(e) Allocation of assets

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

	AMP Plan I				AMP Plan II			
	Australia		New Zealand		Australia		New Zealand	
	2020 %	2019 %	2020 %	2019 %	2020 %	2019 %	2020 %	2019 %
Equity	**41**	46	**38**	38	**15**	25	**46**	46
Fixed interest	**41**	38	**38**	38	**59**	57	**34**	34
Property	**8**	10	**4**	4	**6**	7	**4**	4
Cash	**4**	1	**14**	14	**8**	1	**14**	14
Other	**6**	5	**6**	6	**12**	10	**2**	2

4.1 Defined benefit plans (continued)

(f) Sensitivity analysis

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

	AMP Plan I				AMP Plan II			
	Australia		New Zealand		Australia		New Zealand	
	(+) $m	(–) $m	(+) $m	(–) $m	(+) $m	(–) $m	(+) $m	(–) $m
2020								
Assumption								
Discount rate (+/– 0.5%)[1]	**(18)**	**20**	**n/a**	**2**	**(26)**	**29**	**n/a**	**18**
Expected salary increase rate (0.5%)	**n/a**	**n/a**	**n/a**	**n/a**	**–**	**n/a**	**n/a**	**n/a**
Expected deferred benefit crediting rate (0.5%)	**n/a**	**n/a**	**n/a**	**n/a**	**2**	**n/a**	**n/a**	**n/a**
Pensioner indexation assumption (0.5%)[2]	**20**	**(18)**	**1**	**n/a**	**26**	**(23)**	**14**	**n/a**
Pensioner mortality assumption (0.5%)	**n/a**	**13**	**n/a**	**n/a**	**n/a**	**11**	**n/a**	**n/a**
Life expectancy (additional 1 year)	**n/a**	**n/a**	**1**	**n/a**	**n/a**	**n/a**	**4**	**n/a**
2019								
Assumption								
Discount rate (+/– 0.5%)	(20)	22	n/a	2	(32)	35	n/a	16
Expected salary increase rate (0.5%)	n/a	n/a	n/a	n/a	1	n/a	n/a	n/a
Expected deferred benefit crediting rate (0.5%)	n/a	n/a	n/a	n/a	3	n/a	n/a	n/a
Pensioner indexation assumption (0.5%)	22	(20)	1	n/a	30	(28)	13	n/a
Pensioner mortality assumption (0.5%)	n/a	13	n/a	n/a	n/a	12	n/a	n/a
Life expectancy (additional 1 year)	n/a	n/a	1	n/a	n/a	n/a	4	n/a

1 (–1%) discount rate applied to AMP New Zealand Plan I and II.
2 1% indexation increase applied to AMP New Zealand Plan I and II.

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

	AMP Plan I		AMP Plan II	
	Australia	New Zealand	Australia	New Zealand
Expected employer contributions ($m)	–	–	1	–
Weighted average duration of the defined benefit obligation (years)	11	9	13	14

Accounting policy – recognition and measurement

Defined benefit plans

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

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

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

4.2 Share-based payments

AMP has multiple employee share-based payment plans. Share-based payment plans help create alignment between employees participating in those plans (participants) and shareholders. Information on plans which AMP currently offers is provided below.

The following table shows the expense recorded for AMP share-based payment plans during the year:

	2020 $'000	2019 $'000
Performance rights	**12,123**	5,654
Share rights and restricted shares – equity settled	**7,461**	23,198
Share rights – cash settled	**1,873**	1,544
Options	**53**	52
Total share-based payments expense	**21,510**	30,448

(a) Performance rights

The AMP Group Executive Committee, as well as selected senior executives, receive their long-term incentive (LTI) awards in the form of performance rights. This is intended to further align the interests of those executives, who are able to most directly influence company performance, with the interests of shareholders.

Plan	LTI awards
Overview	Performance rights give the participant the right to acquire one fully paid ordinary share in AMP Limited upon meeting specific performance hurdles. They are granted at no cost to the participant and carry no dividend or voting rights until they vest. This award may be settled through an equivalent cash payment, at the discretion of the board.
Vesting conditions	**2017 LTI award** The performance hurdles for rights granted in 2017 are: – 100% subject to AMP's total shareholder return (TSR) performance relative to entities in the Comparator Group[1] (being the top 50 industrial companies in the S&P/ASX 100 Index, based on market capitalisation rank at the start of the applicable performance period) over four years. AMP's TSR performance against its peer comparator group was measured for the period 1 January 2017 up to 31 December 2020. The outcome resulted in nil vesting of the 2017 LTI award and the award will be lapsed in full. **2018 LTI award** No performance rights were granted under an LTI plan in 2018. **2019 LTI award (Transformation Incentive Award)** The vesting of the performance rights is subject to two separate gateways: a. Risk and Conduct Gateway – if a participant's performance and conduct is not in line with AMP's expectations, the board has discretion to amend the vesting outcome (including to zero). b. Performance Gateway and Hurdle – a performance gateway is included so that no awards will vest if both the Compound Annual Growth Rate (CAGR) is negative and the CAGR is below the benchmark index[2]. For risk and control roles i.e. Chief Risk Officer – the vesting outcome in relation to 25% of the award will be determined by the Remuneration Committee at its sole discretion. The other 75% of the award will be subject to the performance hurdle. The 2019 Transformation Incentive awards for the CFO and CRO were adjusted upon permanent appointment to their roles. **2020 LTI award** No performance rights were granted under an LTI plan in 2020. 1 In determining the Comparator Group, all entities other than those in the global industry classification standard (GICS) energy sector and GICS metals and mining industry are classified as industrial companies. 2 The benchmark index is constructed from an equal weighted index of ASX 100 financial services companies (excluding A-REITs).
Vesting period	– 2017 LTI award – 4 years for rights granted in 2017. – 2019 LTI award – 3.5 years for rights granted in 2019.
Vested awards	Vested performance rights are automatically converted to shares on behalf of participants.
Unvested awards	Unvested awards are forfeited if the participant voluntarily ceases employment or is dismissed for misconduct.

4.2 Share-based payments (continued)

(a) Performance rights (continued)

CEO (Original) Recovery Incentive Rights Award

As part of the Chief Executive Officer's (CEO's) incentive package on appointment in 2018, the CEO was granted an award of rights with a performance condition. Following shareholder approval at the 2020 AGM, performance rights granted in 2018 as part of Mr Francesco De Ferrari's Recovery Incentive Rights were cancelled in full.

CEO Replacement Recovery Incentive Rights Award

Prior to his start date of 1 December 2018, and in the period immediately afterwards, AMP's share price and performance were impacted by a range of events outside Mr De Ferrari's influence. Taking into account feedback from a range of shareholders, the board resolved to adjust Mr De Ferrari's incentives to reflect the share price of the group immediately preceding his start date and implement share price performance hurdles on the Recovery Incentive, which better reflect the challenges currently facing the AMP group.

In 2019, the CEO's remuneration package was reviewed and adjusted to ensure the CEO is appropriately incentivised and aligned with shareholders during the transformation of AMP. As part of this update, the CEO was granted a new award of rights with a performance condition. This award is intended to replace the original Recovery Incentive Award to better align the CEO with the long-term interests of shareholders.

Plan	CEO Replacement Recovery Incentive Rights Award
Overview	The Recovery Incentive performance rights give the CEO the right to acquire one fully paid ordinary share in AMP Limited (per right) upon meeting specific performance hurdles, being the achievement of multiple share price targets. They were granted at no cost to the CEO and carry no dividend or voting rights until they vest. This award may be settled through an equivalent cash payment, at the discretion of the board.
Vesting conditions	The share price targets that will be tested on the specified dates: – First Testing Date – 50% of rights granted will vest if the share price is $2.45 at the testing date (adjusted for any significant capital initiatives). – Second Testing Date – if the first share price target of $2.45 is not met at the first testing date, it will be retested and 50% will vest if the $2.45 target is met. The remaining balance may also vest depending on the share price being higher than $2.45 and will vest on a straight-line basis with 100% vesting if the share price is $2.75 (adjusted for any significant capital initiatives).
Vesting period/ testing dates	The board will test the share price targets on or around the following testing dates: – 15 February 2022 (First Testing Date); and – 15 February 2023 (Second Testing Date). If the share price targets are met, the rights will vest and become exercisable.
Vested awards	Vested rights are automatically converted to shares on behalf of the CEO.
Unvested awards	Unvested awards are forfeited if the CEO voluntarily ceases employment or is dismissed for misconduct.

Valuation of performance rights

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

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

Valuations are prepared by an independent external consultant. The valuations are based on AMP's closing share price at the valuation date. Assumptions regarding the dividend yield and volatility have been estimated based on AMP's dividend yield and volatility over an appropriate period.

4.2 Share-based payments (continued)

(a) Performance rights (continued)

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

Grant date	Share price	Contractual life (years)	Dividend yield	Volatility[1]	Risk-free rate[1]	TSR performance hurdle discount	TSR performance rights fair value
19/05/2017	$5.08	4.0	5.2%	23%	1.8%	56%	$2.24
12/09/2019	$1.85	3.4	4.0%	33%	0.9%	35%	$1.21

1 Applies to performance rights subject to a relative TSR performance hurdle.

For the 2017 LTI (TSR) award granted on 19 May 2017, AMP's TSR performance against its peer comparator group was measured for the period 1 January 2017 up to 31 December 2020. The outcome resulted in nil vesting of the award and the award will be lapsed in full.

The following table shows the factors considered in determining the value of the CEO Recovery Incentive Rights Awards with a share price target granted during the year:

Grant date	Share price	Contractual life (years)	Dividend yield	Volatility	Risk-free rate	Share rights fair value
21/08/2018	$3.45	4.5	5.3%	22%	2.2%	$0.82
12/09/2019	$1.85	3.4	4.0%	33%	0.9%	$0.62

The following table shows the movement in number of performance rights outstanding during the year:

Grant date	Balance at 1 Jan 2020	Granted during the year[1]	Exercised during the year	Lapsed during the year	Balance at 31 Dec 2020
19/05/2017	1,880,700	–	–	–	1,880,700
21/08/2018	1,656,976	–	–	(1,656,976)	–
12/09/2019	2,500,000	–	–	–	2,500,000
12/09/2019	1,933,701	–	–	–	1,933,701
12/09/2019	33,895,010	3,729,281	–	(11,700,864)	25,923,427
Total	**41,866,387**	**3,729,281**	**–**	**(13,357,840)**	**32,237,828**

1 LTI awards for the CFO and CRO were adjusted upon permanent appointment to their roles.

4.2 Share-based payments (continued)

(b) Share rights

- LTI participants below the AMP Group Executive Committee may be awarded share rights as part of their overall LTI award.
- Short-term Incentive Deferral Plan participants are nominated executives and selected senior leaders who have the ability to impact AMP's financial soundness. This requires a portion of the participant's annual short-term incentive outcome to be deferred and awarded as share rights.
- Transition Incentive award was made to select participants of AMP's Group Executive Committee in the form of share rights as a transitionary award between remuneration arrangements and the finalisation of strategy.
- Enterprise Profit Share Plan supports AMP Capital's remuneration framework by aligning its strategic intent and rewarding behaviour that leads to sustainably increased profit and shareholder value. The participants are the AMP Capital Leadership Team whereby a portion of their annual profit share outcome is deferred into share rights.
- Deferred Bonus Equity Plan applies to selected AMP Capital participants whereby a portion of their annual short-term incentive outcome (above a specified threshold) is deferred into share rights.
- Retention awards were made to selected senior leaders who are critical to on-going operations and the delivery of AMP's strategy during the portfolio review and the completion of any subsequent corporate transactions.

Plan	Long-term Incentive Plan	Short-term Incentive Deferral Plan, Transition Incentive award and Retention award	Enterprise Profit Share Plan and Deferred Bonus Equity Plan
Overview	Share rights give the participant the right to acquire one fully paid ordinary share in AMP Limited after a specified service period. They are granted at no cost to the participant and carry no dividend or voting rights until they vest. This award may be settled through an equivalent cash payment at the discretion of the board.		
Vesting conditions/period	**AMP Group participants** Continued service of four years for the 2017 grant. No share rights under the LTI plan were granted in 2018, 2019 or 2020. **AMP Capital participants** Continued service for three years. Some awards may also vary where the share rights are awarded as a sign-on equity award or to retain an employee for a critical period. All awards are also subject to ongoing employment, compliance with AMP policies and the board's discretion.	**Short-term Incentive Deferral Plan** Continued service for two or four years and subject to ongoing employment, compliance with AMP policies and the board's discretion. **Transition Incentive award** This 2019 grant is split into two tranches with continued service for approximately one and two years respectively. These are also subject to ongoing employment, compliance with AMP policies and the board's discretion. **Retention award** 40% of the award was granted in share rights and is subject to a one-year service condition and ongoing compliance with AMP policies and the board's discretion. After this period, an additional three-year holding period with vesting scheduled to occur in 2024.	**Enterprise Profit Share Plan** The grant is split into two tranches with continued service for two and three years respectively. These are also subject to ongoing employment, compliance with AMP policies and the board's discretion. For awards relating to the 2018 performance year, share rights were granted to select participants. The award was subject to a one-year service condition, ongoing compliance with AMP policies and the board's discretion. After this period, an additional three-year non-vesting holding period is applicable to participants except for the AMP Capital Chief Executive Officer where the non-vesting holding period is a further four years. **Deferred Bonus Equity Plan** The grant is split into two tranches with continued service for two and three years respectively. These are also subject to ongoing employment, compliance with AMP policies and the board's discretion.
Vested awards	Vested share rights are automatically converted to shares on behalf of participants.		
Unvested awards	Unvested awards are forfeited if the participant voluntarily ceases employment or is dismissed for misconduct.		

4.2 Share-based payments (continued)

(b) Share rights (continued)

CEO Buy-out Incentive Rights Award

As part of the CEO's incentive package on appointment in 2018, the CEO was granted an award of share rights with a service (employment) condition to compensate for incentives forgone from the CEO's previous employer.

In 2019, the CEO's remuneration package was reviewed and adjusted to ensure the CEO is appropriately incentivised and aligned with shareholders during the transformation of AMP. As part of this update, the CEO was granted an additional award of share rights with a service (employment) condition. All other terms of the additional share rights award are consistent with the original Buy-out Incentive Rights Award.

Plan	CEO Buy-out Incentive Rights Award
Overview	The Buy-out Incentive share rights give the CEO the right to acquire one fully paid ordinary share in AMP Limited (per right) after a specified service period. They were granted at no cost to the CEO and carry no dividend or voting rights until they vest. This award may be settled through an equivalent cash payment at the discretion of the board.
Vesting conditions/period	The rights will vest in accordance with the vesting schedule set out below: – 50% on 15 February 2020 – 30% on 15 February 2021 – 20% on 15 February 2022 Vesting is subject to continued service and in compliance with AMP policies and the board's discretion.
Vested awards	Vested share rights are automatically converted to shares on behalf of the CEO.
Unvested awards	Unvested awards are forfeited if the CEO voluntarily ceases employment or is dismissed for misconduct.

Valuation of share rights

The fair value of share rights has been calculated as at the grant date, by external consultants using a 'discounted cash flow' methodology. Fair value has been discounted for the present value of dividends expected to be paid during the vesting period to which the participant is not entitled. For the purposes of the valuation it is assumed share rights are exercised as soon as they have vested. Assumptions regarding the dividend yield have been estimated based on AMP's dividend yield over an appropriate period.

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

For the CEO's share rights awards, the valuations are also prepared by an independent external consultant. The valuations are based on AMP's closing share price at the valuation date. Assumptions regarding the dividend yield and volatility have been estimated based on AMP's dividend yield and volatility over an appropriate period.

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

Grant date	Share price	Contractual life (years)	Dividend yield	Dividend discount	Fair value
1/04/2020	$1.41	1.9	4.0%	7%	$1.31
1/04/2020	$1.41	3.9	4.0%	14%	$1.21
1/04/2020	$1.41	1.0	4.0%	14%	$1.21
1/04/2020	$1.41	3.9	0.0%	0%	$1.41
1/04/2020	$1.41	0.9	0.0%	0%	$1.41
1/04/2020	$1.41	1.9	0.0%	0%	$1.41
1/04/2020	$1.41	2.9	4.0%	11%	$1.26
23/11/2020	$1.71	4.0	5.0%	18%	$1.40

4.2 Share-based payments (continued)

(b) Share rights (continued)

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

Grant date	Balance at 1 Jan 2020	Granted during the year	Exercised during the year	Lapsed during the year	Balance at 31 Dec 2020
27/04/2017	1,040,678	–	(1,040,678)	–	–
19/05/2017	1,570,713	–	(531,000)	(65,250)	974,463
02/04/2019	713,708	–	(713,708)	–	–
02/04/2018	2,678,286	–	(1,005,163)	(165,623)	1,507,500
13/08/2018	106,382	–	(53,191)	–	53,191
03/12/2018	285,713	–	(142,856)	(102,041)	40,816
21/08/2018	1,453,488	–	(726,744)	–	726,744
08/03/2019	23,166	–	(23,166)	–	–
25/03/2019	24,261	–	(24,261)	–	–
01/04/2019	2,312,980	–	–	(185,057)	2,127,923
10/05/2019	1,914,885	–	(957,438)	–	957,447
17/05/2019	773,997	–	–	–	773,997
24/05/2019	33,039	–	(33,039)	–	–
19/07/2019	144,927	–	(53,140)	–	91,787
13/08/2019	587,328	–	(293,664)	–	293,664
20/09/2019	22,099	–	(13,812)	–	8,287
01/04/2020	–	8,239,879	–	(882,402)	7,357,477
23/11/2020	–	1,627,444	–	–	1,627,444
Total	**13,685,650**	**9,867,323**	**(5,611,860)**	**(1,400,373)**	**16,540,740**

(c) Options

CEO Recovery Incentive Options Award

As part of the CEO's incentive package on appointment in 2018, the CEO was granted an award of options. Following shareholder approval at the 2020 AGM, the 2018 Recovery Incentive Options award was cancelled in full and will not be replaced.

(d) Restricted shares

CEO Buy-out Incentive Shares Award

As part of the CEO's incentive package on appointment in 2018, the CEO was awarded restricted shares with a service (employment) condition to compensate for incentives forgone from the CEO's previous employer.

In 2019, the CEO's remuneration package was reviewed and adjusted to ensure he is appropriately incentivised and aligned with shareholders during the transformation of AMP. As part of this update the CEO was granted an additional award of restricted shares with a service (employment) condition. All other terms of the additional restricted shares award are consistent with the original award.

Plan	CEO Buy-out Incentive Shares Award
Overview	The Buy-out Incentive restricted shares are fully paid ordinary shares in AMP Limited that are held in the AMP Employee Share Trust on behalf of the CEO until the specified service period has been met. They were granted at no cost to the CEO and carry the same dividend or voting rights as other fully paid ordinary shares. Any dividends paid on shares are received in the ordinary course on the dividend payment date(s).
Vesting conditions/period	The restricted shares are released in accordance with the vesting schedule set out below: – 60% on 15 August 2019 – 20% on 15 August 2020 – 20% on 15 August 2021 Vesting is subject to continued service and in compliance with AMP policies and the board's discretion.
Vested awards	On the relevant vesting dates, the restriction on the shares is released.
Unvested awards	Unvested awards are forfeited if the CEO voluntarily ceases employment or is dismissed for misconduct.

4.2 Share-based payments (continued)

(d) Restricted shares (continued)

AMP Capital Enterprise Profit Share Plan

The AMP Capital Leadership Team is comprised of a select group of senior executives who are eligible to participate in the Enterprise Profit Share Plan. This plan was designed to support AMP Capital's remuneration framework by aligning its strategic intent and rewarding behaviour that leads to sustainably increased profit and shareholder value. It is required that 40% of the participants' profit share outcomes be deferred. 50% of the deferred component is awarded in the form of restricted shares for participants who reside in Australia with the exception of the AMP Capital Chief Executive Officer. The objective of this was to create greater alignment with our shareholders. The equity component of this plan was granted in 2019.

Plan	AMP Capital Enterprise Profit Share Plan
Overview	The deferred component of the 2018 Enterprise Profit Share award was granted in the form of restricted shares. Restricted shares are fully paid ordinary shares in AMP Limited that are held in the AMP Employee Share Trust on behalf of the participant until the specified service/holding period has been met. They were granted at no cost to participants and carry the same dividend or voting rights as other fully paid ordinary shares. Any dividends paid on shares are received in the ordinary course on the dividend payment date(s).
Vesting conditions/period	The restricted shares will vest after one year and continue to be subject to a disposal restriction for an additional three-year period. Prior to each of the vesting date and the release date, the board will undertake a conduct/risk review to confirm that vesting and release of the award aligns with the conduct and risk outcomes of the Group.
Vested awards	On the relevant release dates, the restriction on the shares is released.
Unvested awards	Unvested awards are forfeited if the participant voluntarily ceases employment or is dismissed for misconduct.

AMP Executive Performance Incentive Plan

The Executive Performance Incentive (EPI) Plan was newly introduced for the 2018 performance year and takes a combined incentive approach, whereby a portion of the participant's annual EPI outcome is paid out in cash and the other part deferred into restricted shares. The objective of this plan is to create equity ownership across a select group of senior executives if performance objectives are met. The equity component of this plan was granted in 2019.

Plan	AMP Executive Performance Incentive Plan
Overview	The deferred component of the Executive Performance Incentive Plan was granted in the form of restricted shares. Restricted shares are fully paid ordinary shares in AMP Limited that are held in the AMP Employee Share Trust on behalf of the participant until the specified service/holding period has been met. They were granted at no cost to participants and carry the same dividend or voting rights as other fully paid ordinary shares. Any dividends paid on shares are received in the ordinary course on the dividend payment date(s).
Vesting conditions/period	The restricted shares will vest after one year and continue to be subject to a disposal restriction for an additional three-year period. Prior to each of the vesting date and the release date, the board will undertake a conduct/risk review to confirm that vesting and release of the award aligns with the conduct and risk outcomes of the AMP group.
Vested awards	On the relevant release dates, the restriction on the shares is released. Some shares may be released early for participants who ceased employment to assist participants in managing their tax liability.
Unvested awards	Unvested awards are forfeited if the participant voluntarily ceases employment or is dismissed for misconduct.

No restricted share awards were granted under the above disclosed Plans in 2020.

4.2 Share-based payments (continued)

(d) Restricted shares (continued)

2019 AMP Employee Share Plan – $1,000 Tax Exempt Plan

AMP has given permanent employees the opportunity to become shareholders in AMP through the launch of the AMP Employee Share Plan (AESP). All permanent employees as at 12 December 2018 were offered a $1,000 gift of shares subject to employment on the allocation date in March 2019. These shares are subject to a restriction on sale and transfer for up to three years from the date they are allocated. Any shares acquired as a gift will be released to the participant at the end of the three-year period or when they leave employment with AMP (whichever is earlier).

2020 AMP Employee Share Plan – $1,000 Tax Exempt Plan

For the period from 1 April 2020, eligible participants may acquire $1,000 fully paid ordinary shares in AMP by sacrificing $1,000 of their 2019 short-term incentive (STI) award. These shares are subject to a restriction on sale and transfer for up to three years from the date they are allocated. Any shares acquired will be released to the participant at the end of the three-year period or when they leave employment with AMP (whichever is earlier).

The AMP $1,000 Tax Exempt Plan will not be reoffered to employees in 2021 in its current format.

2019 and 2020 AMP Employee Share Plan – $5,000 Salary Sacrifice Plan

AMP has given permanent employees the opportunity to become shareholders in AMP through the launch of the AMP Salary Sacrifice Share Plan (SSP). All permanent employees in Australia were offered the opportunity to salary sacrifice between $2,500 to $5,000 over a 12-month period to acquire shares in AMP. AMP offered a matching contribution on a 1:5 basis, meaning that employees who opted to salary sacrifice $5,000 would receive an upfront matched allocation of $1,000 in AMP shares. The salary sacrifice and matching shares are both held in an employee share plan trust on behalf of the employees and are subject to a restriction on sale and transfer for up to three years from the date they are allocated.

Any purchased and matching shares acquired during 2019 will be released to the participant at the end of the three-year period. Any purchased shares acquired during 2020 will be released at the end of the three-year period and matching shares will be released at the end of the two-year period or when they leave employment with AMP (whichever is earlier). Matching shares are forfeited if a participant voluntarily ceases employment before the end of the three-year holding period.

The AMP $5,000 Salary Sacrifice Plan will not be reoffered to employees in 2021 in its current format.

Valuation of restricted shares and AMP Employee Share Plan

The restricted share awards are based on valuations prepared by an independent external consultant. The valuations are based on the 10-day volume weighted average share price over the 10-day trading period prior to the start of the award's valuation period. Assumptions regarding the dividend yield and volatility have been estimated based on AMP's dividend yield and volatility over an appropriate period.

For the AMP Employee Share Plan $1,000 Tax Exempt Plan and $5,000 Salary Sacrifice Plan, the fair value of the shares was determined as the market price of AMP ordinary shares on the grant date. As employees holding restricted shares are entitled to dividend payments, no adjustment has been made to the fair value in respect of future dividend payments.

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

4.2 Share-based payments (continued)

(d) Restricted shares (continued)

Grant date	Share price	Contractual life (years)	Vesting date	Dividend yield	Fair value
25/02/2019	$2.38	1.0	15/02/2020	n/a	$2.38
25/02/2019	$2.38	2.0	15/02/2021	n/a	$2.38
25/02/2019	$2.38	3.0	15/02/2022	n/a	$2.38
14/03/2019	$2.39	3.0	14/03/2022	n/a	$2.39
26/04/2019	$2.39	3.0	26/04/2022	n/a	$2.39
17/05/2019	$2.20	0.8	15/02/2020	4.2%	$2.20
17/05/2019	$2.20	1.0	15/05/2020	4.2%	$2.20
13/08/2019	$1.81	0.0	15/08/2019	4.0%	$1.81
13/08/2019	$1.81	1.0	15/08/2020	4.0%	$1.81
13/08/2019	$1.81	2.0	15/08/2021	4.0%	$1.81
28/04/2020	$1.68	2.0	30/04/2022	n/a	$1.68

The following table shows the movement in restricted shares outstanding for the year:

Grant date	Balance at 1 Jan 2020	Granted during the year	Released during the year	Lapsed during the year	Balance at 31 Dec 2020
25/02/2019	1,119,211	–	–	(328,068)	791,143
14/03/2019	2,048,955	–	(602,811)	–	1,446,144
26/04/2019	358,818	–	(69,034)	(26,006)	263,778
17/05/2019	1,587,347	–	(52,761)	(226,380)	1,308,206
13/08/2019	234,932	–	–	–	234,932
28/04/2020	–	352,474	(45,654)	(17,083)	289,737
Total	**5,349,263**	**352,474**	**(770,260)**	**(597,537)**	**4,333,940**

Accounting policy – recognition and measurement

Equity-settled share-based payments

The cost of equity-settled share-based payments is measured using their fair value at the date on which they are granted. The fair value calculation takes into consideration a number of factors, including the likelihood of achieving market-based vesting conditions such as total shareholder return (market conditions).

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

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

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

Cash-settled share-based payments

Cash-settled share-based payments are recognised when the terms of the arrangement provide the AMP group with the discretion to settle in cash or by issuing equity instruments and it has a present obligation to settle the arrangement in cash. A present obligation may occur where the past practice has set a precedent for future settlements in cash.

Cash-settled share-based payments are recognised, over the vesting period of the award, in the Consolidated income statement, together with a corresponding liability. The fair value is measured on initial recognition and re-measured at each reporting date up to and including the settlement date, with any changes in fair value recognised in the Consolidated income statement. Similar to equity-settled awards, numbers of instruments expected to vest are reviewed at each reporting date and any changes are recognised in the Consolidated income statement and corresponding liability. The fair value is determined using appropriate valuation techniques at grant date and subsequent reporting dates.

Section 5: Group entities

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

5.1 Controlled entities

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

Operating entities Name of entity	Country of registration	Share type	% holdings 2020	 2019
AMP AAPH Limited	Australia	Ord	–	100
AMP Advice Holdings Pty Ltd	Australia	Ord	**100**	100
AMP Bank Limited	Australia	Ord	**100**	100
AMP Capital Funds Management Limited	Australia	Ord	**100**	85
AMP Capital Holdings Limited	Australia	Ord	**100**	85
AMP Capital Investors (New Zealand) Limited	New Zealand	Ord	**100**	85
AMP Capital Investors Limited	Australia	Ord	**100**	85
AMP Capital Office and Industrial Pty Limited	Australia	Ord	**100**	85
AMP Capital Shopping Centres Pty Limited	Australia	Ord	**100**	85
AMP Financial Planning Pty Limited	Australia	Ord	**100**	100
AMP Group Finance Services Limited	Australia	Ord	**100**	100
AMP Group Holdings Limited	Australia	Ord A	**100**	100
AMP Life Limited	Australia	Ord	–	100
AMP Services (NZ) Limited	New Zealand	Ord	**100**	100
AMP Services Limited	Australia	Ord A	**100**	100
AMP Superannuation Limited	Australia	Ord	**100**	100
AMP Wealth Management New Zealand Limited	New Zealand	Ord	**100**	100
Hillross Financial Services Limited	Australia	Ord	**100**	100
ipac Group Services Pty Ltd	Australia	Ord	**100**	100
AMP Life Services Pty Ltd	Australia	Ord	–	100
AMP Wealth Management Holdings Pty Ltd	Australia	Ord	**100**	100
N.M. Superannuation Pty Ltd	Australia	Ord	**100**	100
National Mutual Funds Management (Global) Limited	Australia	Ord	**100**	100
National Mutual Funds Management Ltd	Australia	Ord	**100**	100
National Mutual Life Nominees Pty Limited	Australia	Ord	–	100
NMMT Limited	Australia	Ord	**100**	100
The National Mutual Life Association of Australasia Limited	Australia	Ord	–	100

Critical accounting estimates and judgements:

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

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

5.2 Discontinued operations

(a) Sale of wealth protection and mature business

Consideration for the sale comprised $2,500m cash and non-cash consideration of 20% equity interest in Resolution Life NOHC Pty Ltd (Resolution Life Australasia), a new Australian-domiciled Resolution controlled holding company that became the owner of WP and mature businesses upon completion. The accounting fair value of AMP's initial 20% equity interest in Resolution Life Australasia at 30 June 2020 was determined to be $500m.

Under the terms of the sale agreement, certain purchase price adjustments were made to the cash consideration to determine the completion payment from Resolution Life. The adjustments included profits earned by the WP and mature businesses since 1 July 2018, profits emerging within AMP Life from businesses other than WP and mature, dividends paid by AMP Life since 1 July 2018, capital contributions made by AMP since 1 July 2018 up to the completion date and some other adjustments, the majority of which have been finalised.

The sale of the WP and mature businesses resulted in an after-tax gain of $91m (net of transaction cost and separation costs) recognised within the Preliminary final report for the year ended 31 December 2020. The gain includes estimates of purchase price adjustments as well as estimated provisions for future separations costs, warranties and indemnities under the sale agreement and onerous contracts resulting from the separation where reliable estimates can be made.

Gain on sale of the WP and mature businesses disclosed in the Segment performance note excludes $208m of separation costs and related provisions.

(b) Treatment of equity interest in Resolution Life Australasia

AMP's initial 20% equity interest in Resolution Life Australasia is accounted for as an investment in associate using the equity method in accordance with AASB 128 *Investments in Associates and Joint Ventures*. AMP's interest has subsequently reduced. Refer to note 5.3 for details related to the carrying value and ownership interest of AMP's investment in Resolution Life Australasia.

(c) Profit or loss for the period from discontinued operations

The results of the WP and mature businesses included within the AMP group's Consolidated income statement are set out below, including comparative information.

Following the sale of the WP and mature businesses, certain service arrangements will continue between AMP and those businesses; for example, investment management services. Where relevant, revenues and expenses attributable to continuing operations from such arrangements have been presented within continuing operations to reflect the ongoing nature of such arrangements. The results of the discontinued operations presented below have been adjusted for these arrangements.

	6 months to 30 June 2020 $m	2019 $m
Total revenue of WP and mature businesses[1]	**(23,391)**	19,383
Total expense of WP and mature businesses[2]	**22,823**	(18,986)
(Loss) profit before tax from WP and mature businesses	**(568)**	397
Income tax credit (expense)	**601**	(1,000)
Profit (loss) for the period from discontinued operations before disposal of WP and mature	**33**	(603)
Loss on disposal of WP and mature before tax	**(13)**	–
Income tax credit resulting from the loss on disposal of WP and mature	**104**	–
Gain on disposal of WP and mature after tax[3]	**91**	–
Profit (loss) for the period from discontinued operations	**124**	(603)

1 Total revenue of WP and mature businesses includes investment losses of $24.7b (2019: gains of $16.9b).

2 Total expense of WP and mature businesses includes decreases in external unitholder liabilities of $18.4b (2019: increases of $2.1b) and decreases in investment contract liabilities of $5.9b (2019: increases of $11.1b).

3 Gain on sale of the WP and mature businesses disclosed in the Segment performance note excludes $208m of separation costs and related provisions.

5.2 Discontinued operations (continued)

(d) Cash flows from/(used in) discontinued operations

The cash flows from/(used in) discontinued operations for the period up to the loss of control (30 June 2020) included within the Consolidated statement of cash flows are set out below, including comparative information.

	2020 $m	2019 $m
Net cash used in operating activities	**(5,410)**	(8,424)
Net cash from investing activities	**4,159**	7,694
Net cash outflows from discontinued operations	**(1,251)**	(730)

Other than the sale of WP and mature businesses there were no individually or collectively significant acquisitions or disposals of controlled operating entities during the year.

Critical accounting estimates and judgements:

The gain/(loss) recognised on the sale of the WP and mature businesses includes management's judgements in relation to assumptions used to determine of the fair value of AMP's initial 20% interest in Resolution Life Australasia as well as estimates of purchase price adjustments, estimated provisions for future separation costs, warranties and indemnities under the sale agreement and onerous contracts resulting from the separation.

5.3 Investments in associates

Investments in associates accounted for using the equity method

Associate	Principal activity	Place of business	Ownership interest 2020 %	Ownership interest 2019 %	Carrying amount[1] 2020 $m	Carrying amount[1] 2019 $m
Resolution Life NOHC Pty Ltd[2,3]	Life insurance company	Australia	**19.62**	n/a	**514**	–
China Life Pension Company[3]	Pension company	China	**19.99**	19.99	**348**	325
China Life AMP Asset Management Company Ltd	Investment management	China	**14.97**	14.97	**57**	53
Global Infrastructure Fund Sponsor[4]	Fund	Cayman Islands	**4.74**	4.74	**80**	101
Global Infrastructure Fund II[4]	Fund	Cayman Islands	**2.81**	5.02	**91**	124
AMP Capital Infrastructure Debt Fund IV	Fund	Luxembourg	**1.25**	1.25	**56**	31
AMP Capital Infrastructure Debt Fund V	Fund	Luxembourg	**3.08**	n/a	**66**	–
PCCP LLC	Investment management	United States	**24.90**	24.90	**137**	144
Other (individually immaterial associates)			**n/a**	n/a	**93**	73
Total investments in associates accounted for using the equity method					**1,442**	851

1 The carrying amount is after recognising $81m (2019: $72m) share of current period profit or loss of associates accounted for using the equity method.
2 On 22 January 2021 AMP's ownership interest in Resolution Life NOHC Pty Ltd was diluted to 19.13%.
3 The AMP group has significant influence through representation on the entity's board.
4 Entities within the AMP group have been appointed investment manager, therefore the group is considered to have significant influence.

Accounting Policy – recognition and measurement

Investments in associates

Investments in associates accounted for using the equity method

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

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

Investments in associates measured at fair value through profit or loss

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

5.4 Parent entity information

	2020 $m	2019 $m
(a) Statement of comprehensive income – AMP Limited entity		
Dividends and interest from controlled entities	**427**	153
Service fee revenue	**12**	17
Share of profit or loss of associates accounted for using the equity method	**33**	–
Operating expenses	**10**	(20)
Impairment of investments in controlled entities	**(2,295)**	(3,173)
Finance costs	**(39)**	(44)
Income tax credit[1]	**20**	58
Loss for the year	**(1,832)**	(3,009)
Total comprehensive loss for the year	**(1,832)**	(3,009)
(b) Statement of financial position – AMP Limited entity		
Current assets		
Cash and cash equivalents	**16**	9
Receivables and prepayments[2]	**141**	325
Current tax assets	**153**	392
Loans and advances to subsidiaries	**570**	253
Non-current assets		
Investments in controlled entities	**5,336**	6,838
Investments in associates	**358**	–
Loans and advances to subsidiaries	**250**	1,558
Deferred tax assets[3]	**52**	51
Total assets	**6,876**	9,426
Current liabilities		
Payables[2]	**395**	565
Current tax liabilities	**70**	–
Provisions	**2**	2
Subordinated debt[4]	**265**	277
Non-current liabilities		
Subordinated debt[4]	**772**	1,036
Deferred tax liabilities	**10**	–
Total liabilities	**1,514**	1,880
Net assets	**5,362**	7,546
Equity – AMP Limited entity		
Contributed equity	**10,402**	10,402
Share-based payment reserve	**27**	24
Other reserve	**(10)**	–
Retained earnings[5]	**(5,057)**	(2,880)
Total equity	**5,362**	7,546

1 Dividend income from controlled entities $413m (2019: $128m) is not assessable for tax purposes. Income tax credit includes $nil (2019: $45m) utilisation of previously unrecognised tax losses.
2 Receivables and payables include tax-related amounts receivable from subsidiaries $97m (2019: $125m) and payable to subsidiaries $359m (2019: $533m).
3 Deferred tax assets include amounts recognised for losses available for offset against future taxable income $43m (2019: $43m).
4 The AMP Limited entity is the issuer of: AMP Wholesale Capital Notes; AMP Capital Notes, AMP Capital Notes 2, AMP Subordinated Notes and AMP Notes 3. Further information on these is provided in note 3.2.
5 Changes in retained earnings comprise $1,832m loss (2019: $3,009m loss) for the year less dividends paid of $343m (2019: $117m).

(c) Contingent liabilities of the AMP Limited entity

The AMP Limited entity has entered into deeds to provide capital maintenance and liquidity support to AMP Bank Limited. At the reporting date, the likelihood of any outflow in settlement of these obligations is considered remote.

5.5 Related party disclosures

(a) Key management personnel

Compensation of key management personnel

	2020 $'000	2019 $'000
Short-term benefits	**12,537**	21,248
Post-employment benefits	**454**	510
Share-based payments	**10,767**	14,757
Other long-term benefits	**728**	718
Termination benefits	**3,143**	4,396
Total	**27,629**	41,629

Compensation of the group's key management personnel includes salaries, non-cash benefits and contributions to the post-employment defined benefit plans (refer to note 4.1). Executive officers also participate in share-based incentive programs (refer to note 4.2). The amounts disclosed in the table are recognised as an expense during the reporting period.

Loans to key management personnel

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

	2020 $'000	2019 $'000
Balance as at the beginning of the year	**9,212**	11,666
Net (repayments) advances	**(174)**	1,792
Balance as at the end of the year	**9,038**	13,458
Interest charged	**203**	368

Key management personnel access to AMP's products

From time to time, key management personnel or their related entities may have had access to certain AMP products and services such as investment products, personal banking and financial investment services. These products and services are offered to key management personnel on the same terms and conditions as those entered into by other group employees or customers.

5.5 Related party disclosures (continued)

(b) Transactions with related parties

Transactions with non-executive directors

Some of the non-executive directors hold directorships or positions in other companies or organisations. AMP may provide or receive services from these companies or organisations negotiated based on arm's length terms. None of the non-executive directors were, or are, involved in any procurement or board decision making regarding the companies or organisations with which they have an association.

Transactions with Resolution Life Australasia

Transactions during the period involve activities in conjunction with the sale of the WP and mature businesses to Resolution Life Australasia. Refer to note 5.2 Discontinued operations for further details of this sale. To facilitate the transition of these businesses to new ownership, the group provides operational services under a Transitional Services Agreement (TSA). Fees charged under the TSA are in accordance with negotiated terms equivalent to those that prevail in arm's length transactions.

The group also provides Resolution Life Australasia with investment management and advice-related services in the normal course of business.

Resolution Life Australasia currently has funds on deposit with AMP Bank for which interest expense has been incurred and accrued for by the group.

Transactions with other associates

The group provides investment management and banking services under general service level agreements with other associates as well as support to financial advice practices.

Dividends were received from associates.

Transactions with investment entities

In conjunction with the establishment of new investment funds managed by AMP Capital or other group associates, the group, from time to time, invests seed and sponsor capital. The structure of the fund or the group's level of ownership may result in the fund being treated as an associate of the group. See note 5.3 for details of the group's associates. Management fees are earned by AMP or its associates for managing and administering these investment funds.

All transactions between the group, its associates and the funds are on an arm's length basis.

Accounting policy – recognition and measurement

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

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

Share-based payments – Refer to note 4.2.

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

Section 6: Other disclosures

This section includes disclosures other than those covered in the previous sections, required for the AMP group to comply with the accounting standards and pronouncements.

6.1 Notes to Consolidated statement of cash flows
6.2 Commitments
6.3 Right of use assets and lease liabilities
6.4 Provisions and contingent liabilities
6.5 Auditors' remuneration
6.6 New accounting standards
6.7 Events occurring after reporting date

6.1 Notes to Consolidated statement of cash flows

	2020 $m	2019 $m
(a) Reconciliation of cash flow from operating activities		
Net profit (loss) after income tax	**194**	(2,434)
Depreciation of operating assets	**74**	74
Amortisation and impairment of intangibles	**144**	2,546
Investment gains and losses and movements in external unitholders' liabilities	**7,846**	(7,472)
Dividend and distribution income reinvested	**(1,223)**	(4,180)
Share-based payments	**9**	4
Decrease (increase) in receivables, intangibles and other assets	**281**	(567)
(Decrease) increase in net policy liabilities	**(10,476)**	3,315
(Decrease) increase in income tax balances	**(1,136)**	279
Increase in deposits, other payables and provisions	**1,545**	664
Cash flows used in operating activities	**(2,742)**	(7,771)
(b) Reconciliation of cash		
Comprises:		
Cash and cash equivalents	**2,428**	4,426
Short-term bills and notes (included in Debt securities)	**225**	3,643
Cash and cash equivalents for the purpose of the Statement of cash flows	**2,653**	8,069

Accounting policy – recognition and measurement

Cash and cash equivalents

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

6.2 Commitments

(a) Commitments for leases not yet commenced

The future lease payments for which the group is committed but the leases have not yet commenced as at 31 December 2020 are $735m (2019: $748m). Lease commitments do not include non-lease components per AMP's accounting policy based on AASB 16 *Leases*.

(b) Buy-back arrangements

AMP has contractual arrangements with financial advice businesses in the aligned AMP advice network to purchase their client registers at agreed multiples to revenue subject to certain conditions being met. These buy-back arrangements include arrangements known as Buyer of Last Resort (BOLR). Advice businesses must register their intention to invoke buy-back arrangements, which have six to 18-month lead times and are subject to audit prior to finalising the purchase price. The pipeline of buy-back arrangements where an intention to invoke has been registered is $89m (2019: $235m), all of which relates to arrangements expected to settle in the next 12 months. The commitment value has been disclosed as the unaudited value as advised by the advice businesses. AMP's experience is that the ultimate purchase price after audit is typically less than the initially advised value and not all of the buy-backs progress to completion. Over the 12 months ended 31 December 2020, $155m was paid for executed buy-back arrangements.

Where a notice of intention to invoke the buy-back arrangement has been received or is considered likely to be received in future periods and AMP has concluded that the purchase price of the register exceeds the value of the client register to AMP, or where ongoing service arrangements would be unable to be serviced or sold, a provision has been raised for the difference. Refer to note 6.4 for further details.

(c) Investment commitments

At 31 December 2020 AMP Capital Finance Limited, a controlled entity of AMP Limited, had uncalled investment commitments of $217m (2019: $417m) in relation to certain funds managed by AMP Capital. Subsequent to the reporting date, $nil of this committed capital was invested by AMP Capital Finance Limited into AMP Capital managed funds. These investment commitments will only be called when suitable investment opportunities arise, and the exact timeline could not be specified.

(d) AMP Bank credit-related commitments

At 31 December 2020 AMP Bank had credit-related commitments of $3,398m (2019: $3,522m), which include undrawn balances on customer approved limits as well as loan offers pending signing by customers and signed loan contracts pending settlement. The bank expects that not all of the credit-related commitments will be drawn before their contractual expiry.

6.3 Right of use assets and lease liabilities

The AMP group adopted AASB 16 *Leases* (AASB 16) from 1 January 2019. Per AASB 16, the group recognises leases on balance sheet as lease liabilities except for short-term leases and leases of low value, with corresponding right of use assets being recognised on balance sheet as well.

(a) Right of use assets

The main type of ROU asset recognised by the group is buildings. The following table details the carrying amount of the ROU assets at 31 December 2020 and the movements during the year.

	2020 $m	2019 $m
Opening balance	**245**	199
Additions (derecognitions) during the year	**(5)**	96
Impairment expense[1]	**(11)**	–
Depreciation expense	**(51)**	(50)
Foreign currency exchange rate changes and other	**(4)**	–
Closing balance	**174**	245

1 This relates to the impairment of ROU assets arising from the sale of WP and mature businesses. This expense has been recognised within the gain/loss from the discontinued operations.

6.3 Right of use assets and lease liabilities (continued)

(b) Lease liabilities

The following table details the carrying amount of lease liabilities at 31 December 2020 and the movements during the year.

	2020 $m	2019 $m
Opening balance	**266**	209
Additions (derecognitions) during the year	**(7)**	100
Interest expense	**10**	10
Payments made	**(54)**	(53)
Foreign currency exchange rate changes and other	**(4)**	–
Closing balance	**211**	266

The AMP group paid $8m (2019: $13m) in relation to short-term leases and $1m (2019: $1m) in relation to variable lease payments. The total cash outflow for leases in 2020 was $63m (2019: $67m).

Accounting policy – recognition and measurement

At inception, the AMP group assesses whether a contract is or contains a lease. Such assessment involves the application of judgement as to whether:

- the contract involves the use of an identified asset;
- the group obtains substantially all the economic benefits from the asset; and
- the group has the right to direct the use of the asset.

It is AMP's policy to separate non-lease components when recognising the lease liability.

The group recognises a right of use (ROU) asset and a lease liability at the lease commencement date. The ROU asset is initially measured as the present value of future lease payments, plus initial direct costs and restoration costs of the underlying asset, less any lease incentives received. The ROU asset is depreciated over the shorter of the lease term and the useful life of the underlying asset. The ROU asset is tested for impairment if there is an indicator, and is adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of future lease payments discounted using the group's incremental borrowing rate. Lease payments generally include fixed payments and variable payments that depend on an index, eg CPI. A lease liability is remeasured when there is a change in future lease payments from a change in an index, or if the group's assessment of whether an option will be exercised changes.

Interest expense on lease liabilities is recognised within finance costs in the Consolidated income statement.

The group has elected not to recognise ROU assets and lease liabilities for leases where the lease term is less than or equal to 12 months. Payments for such leases are recognised as an expense on a straight-line basis over the lease term.

6.4 Provisions and contingent liabilities

	2020 $m	2019 $m
(a) Provisions		
Restructuring[1]	**18**	27
Client remediation	**579**	652
Buy-back arrangements	**67**	116
Obligations relating to the sale of WP and mature	**258**	–
Other[2]	**134**	181
Total provisions	**1,056**	976

	Restructuring[1] $m	Client remediation $m	Buy-back arrangements $m	Obligations relating to the sale of WP and mature $m	Other[2] $m	Total $m
(b) Movements in provisions						
Balance at the beginning of the year	27	652	116	–	181	976
Additional provisions made during the year	28	68	22	294	166	578
Provisions used during the year	(37)	(141)	(71)	(36)	(120)	(405)
Provisions relating to discontinued operations	–	–	–	–	(93)	(93)
Balance at the end of the year	**18**	**579**	**67**	**258**	**134**	**1,056**

1 Restructuring provisions are recognised in respect of programs that materially change the scope of the business or the manner in which the business is conducted.
2 Other provisions are in respect of various other operational provisions. $16m (2019:$24m) is expected to be settled more than 12 months from the reporting date.

Accounting policy – recognition and measurement

Provisions

Provisions are recognised when:

– the AMP group has a present obligation (legal or constructive) as a result of a past event;
– it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
– a reliable estimate can be made of the amount of the obligation.

Critical accounting estimates and judgements:

The group recognises a provision where a legal or constructive obligation exists at the balance sheet date and a reliable estimate can be made of the likely outcome. Provisions are reviewed on a regular basis and adjusted for management's best estimates, however significant judgement is required to estimate likely outcomes and future cash flows. The judgemental nature of these items means that future amounts settled may be different from those provided for.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. For provisions other than employee entitlements, the discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

A contingent liability is disclosed where a legal or constructive obligation is possible, but not probable; or where the obligation is probable, but the financial impact of the event is unable to be reliably estimated.

From time to time, the AMP group may incur obligations or suffer financial loss arising from litigation or contracts entered into in the normal course of business, including guarantees issued by the parent for performance obligations of controlled entities within the AMP group. Legal proceedings threatened against AMP may also, if filed, result in AMP incurring obligations or suffering financial loss. A contingent liability exists in relation to actual and likely potential legal proceedings.

Where it is determined that the disclosure of information in relation to a contingent liability can be expected to seriously prejudice the position of the AMP group (or its insurers) in a dispute, accounting standards allow the AMP group not to disclose such information. It is AMP group's policy that such information is not disclosed in this note.

6.4 Provisions and contingent liabilities (continued)

Industry and regulatory compliance investigations

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

AMP is undertaking additional reviews concurrently with these regulatory investigations to determine, amongst other things, where clients or other stakeholders, including employees, may have been disadvantaged. In some instances, compensation has been paid and where the results of our reviews have reached the point that compensation is likely and can be reliably estimated then a provision has been raised.

Client remediation

AMP is progressing with its customer review and remediation programs which are seeking to identify and compensate clients who have suffered loss or detriment as a result of either:

- inappropriate advice from their adviser; or
- where clients have been charged an advice service fee without the provision of financial advice services (or insufficient evidence of the provision of financial services).

Provisions have been raised for both of these items, inclusive of the costs to perform the review and implement the remediation process. The measurement of provisions is based on assumptions used to estimate the customer remediation payments, including evidence failure rates and compensation amounts, which require significant judgement. As the review progresses, additional information may arise or further issues may be identified, which could have a significant impact on the final compensation and the costs of the programs. Consequently, the total costs associated with this matter remain uncertain.

Provisions for client remediation do not include amounts for potential recoveries from advisers and insurers.

Inappropriate advice

AMP continues to progress with the identification and compensation of clients who have suffered loss or detriment as a result of receiving inappropriate advice from their adviser. The scope of the review includes the period from 1 January 2009 to 30 June 2015 specified by ASIC in Report 515 Financial advice: Review of how large institutions oversee their advisers. AMP has extended its review to 30 June 2017. The provision also includes any instances of inappropriate advice identified through ongoing monitoring and supervision activities.

Compensation has been and continues to be paid and a provision exists for further compensation payable as the review progresses and client reviews are completed. AMP has adjusted its provision estimate for future compensation based on the actual experience of remediating clients and the expected future costs of operating the program. The provision includes a component for advisers for whom a remediation review has yet to be completed and the determination of compensation for any given client is not known with certainty until immediately prior to payment.

Advice service fee (fees for no service)

AMP has progressed on the identification and compensation of clients of advisers who have been charged an ongoing service fee without the provision of financial advice services (or where there is insufficient evidence of the provision of financial advice services). This involves a large-scale review of fee arrangements from 1 July 2008 as specified by ASIC in Report 499 Financial advice: Fees for no service. Sampling of customer files has been conducted across AMP licensees and has identified instances in the review period where clients have paid fees and there is insufficient evidence to support that the associated service had been performed. In such instances, clients have been remediated.

AMP has developed a process for client review and remediation, which is expected to finish mid-2021. AMP has made significant progress in the execution of the remediation program, including agreeing major policies with ASIC. Throughout the program AMP continues to engage with ASIC on its progress and approach.

The provision for advice service fee client compensation and the future costs of executing the remediation program is judgemental and has been estimated using multiple assumptions derived from the sampling conducted to date. Assumptions used include evidence failure rates, average fees to be refunded and compensation for lost earnings.

Other matters

In addition to the inappropriate advice and advice service fee reviews, other reviews in relation to fees charged to clients have been performed during the year. These reviews are ongoing and where the reviews have identified instances of clients having suffered loss or detriment, compensation has been paid. As at 31 December 2020, provisions of $55m have been recognised for the estimated remaining compensation due to clients, including lost earnings, for these matters. The provisions are judgemental and the actual compensation to clients could vary from the amounts provided.

6.4 Provisions and contingent liabilities (continued)

Buy-back arrangements

AMP has contractual arrangements with financial advice businesses in the aligned AMP advice network to purchase their client registers at agreed multiples to revenues subject to certain conditions being met. These buy-back arrangements include arrangements known as Buyer of Last Resort (BOLR). Advice businesses must register their intention to invoke buy-back arrangements, which have six to 18-month lead times and are subject to audit prior to finalising the purchase price. Client registers are either acquired outright by AMP or AMP facilitates a sale to an existing business within the aligned AMP advice network.

Where a notice of intention to invoke the buy-back arrangement has been received, or is considered likely to be received in future periods, and AMP has concluded that the purchase price of the register exceeds the value of the client register to AMP, or where ongoing service arrangements would be unable to be serviced or sold, a provision has been raised for the difference.

The provision is judgemental and the actual notices received and resulting loss incurred upon settlement of the arrangements may vary significantly from the provision.

Litigation

Shareholder class actions

During May and June 2018, AMP Limited was served with five competing shareholder class actions, one filed in the Supreme Court of NSW and the others filed in the Federal Court of Australia. The actions follow the financial advice hearing block in the Royal Commission in April 2018 and allege breaches by AMP Limited of its continuous disclosure obligations. Each action is on behalf of shareholders who acquired an interest in AMP Limited shares over a specified time period. The claims are yet to be quantified and participation has not been determined. Subsequently, the four proceedings commenced in the Federal Court of Australia were transferred to the Supreme Court of NSW. The Supreme Court of NSW determined that a consolidated class action (of two of the class actions) should continue, and the other three proceedings were permanently stayed. An appeal against that decision was filed by one of the unsuccessful plaintiffs. Whilst that appeal was subsequently dismissed, that decision was subject to an appeal to the High Court of Australia, which was heard in November 2020, with judgement reserved. AMP Limited has filed its defence to the proceedings. Currently it is not possible to determine the ultimate impact of these claims, if any, upon AMP. AMP Limited is defending these actions.

Superannuation class actions

During May and June 2019, certain subsidiaries of AMP Limited were served with two class actions in the Federal Court of Australia. The first of those class actions relates to the fees charged to members of certain of AMP superannuation funds. The second of those actions relates to the fees charged to members, and interest rates received and fees charged on cash-only fund options. The two proceedings were brought on behalf of certain superannuation clients and their beneficiaries. Subsequently, the Federal Court ordered that the two proceedings be consolidated into one class action, a consolidated claim was filed and defences were filed on behalf of the respondent AMP Limited subsidiaries. The claims are yet to be quantified and participation has not been determined. Currently, it is not possible to determine the ultimate impact of these claims, if any, upon AMP. The proceedings are being defended.

Financial adviser class action

In July 2020, a subsidiary of AMP Limited was served with a class action in the Federal Court of Australia, namely, AMP Financial Planning Pty Limited (AMPFP). The proceeding is brought on behalf of certain financial advisers who are or have been authorised by AMPFP. The claim relates to changes made by AMPFP to its Buyer of Last Resort policy in 2019. The claim is yet to be quantified and participation has not been determined. Currently it is not possible to determine the ultimate impact of this claim, if any, upon AMP. AMPFP is confident in the actions it took in 2019 and will defend the proceeding accordingly.

Insurance advice class action

In July 2020, certain subsidiaries of AMP Limited were served with a class action in the Federal Court of Australia, namely, AMPFP and Hillross Financial Services Limited (Hillross). The class action relates to advice provided by some aligned financial advisers in respect of certain life and other insurance products. The claim is yet to be quantified and participation has not been determined. Currently, it is not possible to determine the ultimate impact of this claim, if any, upon AMP. AMPFP and Hillross will defend the proceedings. In December 2020, the Federal Court ordered that this class action and the subsequent noted commissions for advice class action be consolidated. A statement of claim which consolidates the two class actions has not been served.

Commissions for advice class action

In August 2020, AMP Limited, and certain subsidiaries of AMP Limited, were served with a class action in the Federal Court of Australia, namely, AMPFP, Hillross and Charter Financial Planning Limited (Charter). The class action primarily relates to the payment of commissions to some aligned financial advisers in respect of certain life insurance and other products and in respect of allegations of charging of fees where advice services were not provided. The claim is yet to be quantified and participation has not been determined. Currently, it is not possible to determine the ultimate impact of this claim, if any, upon AMP. AMP Limited, AMPFP, Hillross and Charter will defend the proceedings. In December 2020, the Federal Court ordered that this class action and the immediately preceding noted insurance advice class action be consolidated. A statement of claim which consolidates the two class actions has not been served.

6.4 Provisions and contingent liabilities (continued)

Indemnities and warranties to Resolution Life

Under the terms of the sale agreement for the sale of the WP and mature businesses to Resolution Life, AMP has given certain covenants, warranties and indemnities in favour of Resolution Life in connection with the transaction. A breach of these covenants or warranties or the triggering of an indemnity, may result in AMP being liable for some future payments to Resolution Life. Management's best estimate of future payments for these indemnities and warranties has been recognised within these financial statements where these can be reliably estimated. There remain other indemnities and warranties for which no provision has been recognised and a contingent liability exists should such indemnities and warranties be called upon or where actual outcomes differ from management's expectations.

6.5 Auditors' remuneration

	2020 $'000	2019[2] $'000
Audit and review services		
– Group	**1,444**	1,767
– Controlled entities	**3,901**	4,964
Total audit and review services remuneration	**5,345**	6,731
Statutory assurance services	**351**	444
Other assurance services	**1,253**	1,861
Total assurance services remuneration	**1,604**	2,305
Total audit, review and assurance services remuneration	**6,949**	9,036
Other non-audit services		
Taxation and compliance services	**84**	499
Other services	**425**	354
Total other non-audit services remuneration	**509**	853
Total auditors' remuneration[1]	**7,458**	9,889

1 Total amount excludes fees paid or payable for Trust and Fund audit/non-audit and/or review services for entities not consolidated into the group. Total fees excluded are $10,520k (2019: $8,675k) of which $572k (2019: $218k) is for non-audit services.
2 Amounts for 2019 include $1,289k related to WP and mature businesses audit and non-audit services.

Statutory assurance services relate to AFSL audits and certain APRA reporting assurance required to be performed by the statutory auditor. Other assurance services primarily relate to other compliance reporting, derivative risk statement assurance and internal controls reviews. Other services include transaction support and benchmarking services.

6.6 New accounting standards

(a) New and amended accounting standards adopted by the AMP group

A number of new accounting standards amendments have been adopted effective 1 January 2020. These have not had a material effect on the financial position or performance of the AMP group other than as described below.

Interest Rate Benchmark Reform

Background

Transition from Interbank Offered Rates (IBORs), primarily but not exclusively the London Interbank Offered Rate (LIBOR), to Alternative Reference Rates (ARR) is an area of ongoing industry focus with regulators signalling the need to use alternative benchmark rates. As a result, existing benchmark rates are expected to be discontinued or the basis on which they are calculated may change. Some such developments have occurred in certain jurisdictions already such as the adoption of European Short-Term Rate (ESTR) by the European Central Bank as the regulated Risk-Free Rate which replaced European Overnight Index Average (EONIA) in 2019.

The transition to new interest rate benchmarks, given the extent of these changes, may affect the value of a broad array of financial products, including any IBOR-based securities, loans and other financial products and may impact the availability and cost of hedging such products in the future. Forthcoming changes will require amendments to existing financial contracts and investments with a substitution to a revised, replacement benchmark rate.

6.6 New accounting standards (continued)

(a) New and amended accounting standards adopted by the AMP group (continued)

Group Approach to IBOR Transition

In response to the significant future changes that interest rate benchmark reforms pose, the group has undertaken the following actions;

– the group is monitoring local and international regulatory guidance and requests to prepare for transition from IBORs to Risk Free Rate benchmarks;
– the group has maintained continuous engagement with regulators on the group's transition plans and potential impacts;
– the group is working closely with industry bodies to understand and manage the impact of transition on our businesses and the markets in which we operate;
– the group has established and resourced transition projects and a program of work to plan for, monitor and resource future transition needs; and
– the group has undertaken a detailed assessment to prepare for any potential customer, business or operational impacts.

Amendments to hedge accounting requirements

The Australian Accounting Standards Board issued amendments to hedge accounting requirements within Standards AASB 7, 9 and 139 in October 2019 (IBOR reform Phase I) to address Interest Rate Benchmark Reforms. The amendments to hedge accounting requirements provide relief from the potential effects of the uncertainty caused by the transition associated with interest rate benchmark reform and are effective for annual periods on or after 1 January 2020. Management has considered the impacts of IBOR Transition on existing hedge accounting arrangements and other than as described below the changes have not had a material financial impact on the group.

The most significant interest rate benchmark to which the group is exposed is Bank Bill Swap Rate (BBSW). Locally, there has been no regulatory announcement indicating the discontinuation of BBSW similar to that from the Financial Conduct Authority concerning LIBOR and therefore the group does not expect the current IBOR reforms to have a direct impact on its hedge accounting arrangements, apart from those discussed below.

Interest rate benchmarks to which the group's hedging relationships are impacted by IBOR transition arise via the usage of interest rates swaps and cross currency swaps for both fair value and cash flow hedges. The most significant IBOR exposure for the group's hedge accounting arrangements are for interest rate and cross-currency swaps which reference the GBP LIBOR benchmark. As at 31 December 2020, the notional amounts of the group's interest rate swap exposures designated in hedge accounting relationships are $146.1m representing $83.4m of cross-currency swaps denominated in GBP and AUD and $62.7m of interest rate swaps denominated in GBP, relating to the hedging of debt issuance activities. The carrying value of foreign currency denominated debt liabilities for which with interest rate hedging relationships apply is $68.5m.

IBOR reform Phase I provides reliefs which require the group to assume that hedging relationships are unaffected by the uncertainties caused by IBOR reform. This includes assuming that hedged cash flows are not altered as a result of IBOR reform. Also, the reliefs allow the group to not discontinue hedging relationships as a result of retrospective or prospective ineffectiveness.

Phase II

Additional amendments have been issued by the Australian Accounting Standards Board in relation to interest rate benchmark reform for AASB 7, 9, 16 and 139. These amendments will come into effect for reporting periods beginning on or after 1 January 2021 and have not been early adopted by the group. These amendments are in addition to the Phase I amendments that were announced in October 2019. The Phase II amendments focus on the effect of applying accounting standards when changes are made to contractual cash flows or hedging relationships because of the interest rate benchmark reform. The group is currently assessing the impact of these amendments.

These amendments will impact the group's financial instruments that reference an IBOR rate. The group's financial instruments are mainly exposed to BBSW, which, as indicated above, is expected to remain a benchmark rate for the foreseeable future.

The group has begun to manage the transition to alternative benchmark rates for the affected financial instruments and expects to apply the amendments and reliefs provided under Phase II.

(b) New accounting standards issued but not yet effective

A number of new accounting standards and amendments have been issued but are not yet effective, none of which have been early adopted by the AMP group in this Preliminary final report. These new standards and amendments, when applied in future periods, are not expected to have a material impact on the financial position or performance of the AMP group, other than the potential impact from Phase II of interest rate benchmark reforms as discussed in note 6.6(a).

6.7 Events occurring after reporting date

As at the date of this report, the directors are not aware of any other matters or circumstances that have arisen since the end of the financial year that have significantly affected, or may significantly affect:

– the AMP group's operation in future years;
– the results of those operations in future years; or
– the AMP group's state of affairs in future financial years.

6.8 Details of movements in controlled entities

for the year ended 31 December 2020

Changes in controlled entities comprise entities acquired during the year and disposed as part of the deconsolidation of the wealth protection (WP) and mature businesses and deregistration of minor operating controlled entities. The profit or loss relating to the disposal of the WP and mature businesses is disclosed in note 5.2 Discontinued operations.

Changes in controlled entities during the full year ended 31 December 2020	Date control	
Name of the entity	Gained over entity	Lost over entity
AMP Capital Equity Volatility Premium Fund	1-Sep-20	
AMP Capital Global Companies Hedged Fund	20-Feb-20	
AMP Capital Global Long Term Alpha Fund	18-Dec-20	
AMP Capital Global Long Term Alpha GP Limited	18-Dec-20	
AMP Capital Infrastructure Debt Asia (ELP No 2) LP	1-Jul-20	
AMP Capital Infrastructure Debt Fund V (GBP Hedged), L.P.	29-Jun-20	
AMP Capital Infrastructure Debt Fund V (JPY), L.P.	29-Jun-20	
AMP Capital Investors (IDA) Pty Limited	12-Jun-20	
AMP Capital Investors (IDF V GBP Hedged No. 1) S.à r.l.	18-Sep-20	
AMP Capital Investors (IDF V GP) S.à r.l.	28-May-20	
AMP Capital Investors (IDF V JPY No. 1) S.à r.l.	18-Sep-20	
AMP Capital Investors Infra Debt Asia No.1 (GP) S.à r.l.	28-Apr-20	
APFS Melbourne 1 Pty Limited	5-Mar-20	
ASCF I Finance Company Pty Ltd	26-Aug-20	
AWM Payments Administrator Pty Ltd	7-Apr-20	
Evergen Pty Limited	3-Aug-20	
Intelligent Property Services Pty Ltd	2-Jan-20	
PSK Financial Services 25 Pty Limited	2-Jan-20	
Strategic Wealth Solutions Pty Limited	2-Jan-20	
255 George Street Investment B Pty Ltd		13-Feb-20
ACPP Holding Trust		2-Jan-20
AFS Alternative Fund 1		15-May-20
AFS Alternative Fund 2		15-May-20
AFS Australian Equity Enhanced Index Fund 1		15-May-20
AFS Australian Share Fund 8		15-May-20
Aggressive Enhanced Index Fund		15-May-20
AMP AAPH Limited		30-Jun-20
AMP Australian Equity Index Fund		15-May-20
AMP Australian Property Index Fund		15-May-20
AMP Capital 1950s Fund		15-May-20
AMP Capital 1960s Fund		15-May-20
AMP Capital 1970s Fund		15-May-20
AMP Capital 1980s Fund		15-May-20
AMP Capital 1990s Fund		15-May-20
AMP Capital Absolute Return – Passive Fund		15-May-20
AMP Capital Alternative Defensive Fund		15-May-20
AMP Capital Alternative Defensive Fund – Delayed Redemption Portfolio		15-May-20
AMP Capital Australasian Shares Multi-manager Fund 2		15-May-20
AMP Capital Australian Equity Income Focus Trust		15-May-20
AMP Capital Australian Equity Income Fund		15-May-20
AMP Capital Australian Shares Fund		15-May-20
AMP Capital Australian Small Companies Fund		15-May-20
AMP Capital Balanced Growth Fund		15-May-20
AMP Capital Capital Stable Fund		15-May-20
AMP Capital China Strategic Growth Fund		15-May-20
AMP Capital Direct Property Fund		30-Jun-20
AMP Capital Diversified Balanced Fund		15-May-20
AMP Capital Diversified Infrastructure Trust A		15-May-20

Changes in controlled entities during the full year ended 31 December 2020 Name of the entity	Date control Gained over entity	Lost over entity
AMP Capital Diversified Infrastructure Trust B		15-May-20
AMP Capital Dynamic Markets Fund		2-Jan-20
AMP Capital Dynamic Markets Fund TCorp-STC		2-Jan-20
AMP Capital Equity Fund		15-May-20
AMP Capital Equity Volatility Premium Fund		2-Jan-20
AMP Capital Extended Multi-Asset Fund		15-May-20
AMP Capital FD Infrastructure Trust		15-May-20
AMP Capital Future Cash Flow 12 Fund, Series 1		2-Jan-20
AMP Capital Future Cash Flow 9 Fund, Series 1		2-Jan-20
AMP Capital Global Companies Hedged Fund		1-Sep-20
AMP Capital Global Dynamic Markets Fund		30-Jun-20
AMP Capital Global Equities Concentrated Fund		15-May-20
AMP Capital Global Equities Concentrated Hedged Fund		15-May-20
AMP Capital Global Equities Fund		15-May-20
AMP Capital Global Infrastructure Securities Fund (Hedged)		15-May-20
AMP Capital Global Infrastructure Securities Fund (Unhedged)		15-May-20
AMP Capital Global Long Term Alpha Fund		30-Jun-20
AMP Capital Global Property Securities Fund		15-May-20
AMP Capital Global Resources Fund		2-Jan-20
AMP Capital Greater China Equity Growth Fund		15-May-20
AMP Capital Macro Quant Fund		30-Jun-20
AMP Capital Macro Strategies Fund		15-May-20
AMP Capital NZ Shares Fund		2-Jan-20
AMP Capital Real Assets Equity Fund		30-Jun-20
AMP Capital Shell Fund 3		15-May-20
AMP Capital Single Asset Property Fund Number 1		15-May-20
AMP Capital Specialist Australian Share Fund		15-May-20
AMP Capital Specialist Australian Small Companies Fund		15-May-20
AMP Capital Specialist Geared Australian Share Fund		15-May-20
AMP Capital Specialist International Share (Hedged) Fund		15-May-20
AMP Capital Specialist International Share Fund		15-May-20
AMP Capital Specialist Property and Infrastructure Fund		15-May-20
AMP Custodian Services (N.Z.) No. 2 Limited		7-Aug-20
AMP Emerging Markets Index Fund		15-May-20
AMP Financial Services Holdings Limited		30-Jun-20
AMP Global Infrastructure Index Fund Hedged		15-May-20
AMP Global Listed Infrastructure Market Index Fund Hedged		15-May-20
AMP Global Property Investments Pty Ltd		15-May-20
AMP Henderson Martineau Fund		15-May-20
AMP Henderson Martineau Galleries Fund		15-May-20
AMP International Equity Index Fund Hedged		15-May-20
AMP International Fixed Interest Index Fund Hedged		15-May-20
AMP International Property Index Fund Hedged		15-May-20
AMP Life (NZ) Investments Holdings Limited		30-Jun-20
AMP Life (NZ) Investments Limited		30-Jun-20
AMP Life Australian Small Companies Fund		30-Jun-20
AMP Life Cash Management Trust		30-Jun-20
AMP Life Core Fixed Income Fund VPST		30-Jun-20
AMP Life Core Long Dated Fixed Income Fund ORD		30-Jun-20
AMP Life Core Long Dated Fixed Income Fund VPST		30-Jun-20
AMP Life International Equities Fund		30-Jun-20
AMP Life Limited		30-Jun-20
AMP Life Non Par Bond Fund ORD		15-May-20

Changes in controlled entities during the full year ended 31 December 2020	Date control	
Name of the entity	Gained over entity	Lost over entity
AMP Life Property Fund		15-May-20
AMP Life Services NZ Limited		30-Jun-20
AMP Life Services Pty Ltd		30-Jun-20
AMP Personal Investment Services Pty Ltd		30-Jun-20
AMP Private Capital Trust No. 9		15-May-20
AMP Remuneration Reward Plans Nominees Pty Limited		30-Jun-20
AMP/ERGO Mortgage and Savings Limited		30-Jun-20
AMPN NZ Cash Management Pool		15-May-20
Australia Pacific Airports Fund		15-May-20
Australia Pacific Airports Fund No.3		15-May-20
Australian Equity EFM Building Block 1		15-May-20
Balanced Enhanced Index Fund		15-May-20
Cautious Enhanced Index Fund		15-May-20
Click SMSF Pty Ltd		2-Dec-20
Collins Place No. 2 Pty Ltd		30-Jun-20
Collins Place Pty Limited		30-Jun-20
Conservative Enhanced Index Fund		15-May-20
EFM Australian Share Fund 1		15-May-20
EFM Australian Share Fund 10		15-May-20
EFM Australian Share Fund 2		15-May-20
EFM Australian Share Fund 3		15-May-20
EFM Australian Share Fund 4		15-May-20
EFM Australian Share Fund 6		15-May-20
EFM Australian Share Fund 7		15-May-20
EFM Australian Share Fund 8		15-May-20
EFM Australian Share Fund 9		15-May-20
EFM Fixed Interest Fund 10		15-May-20
EFM Fixed Interest Fund 3		15-May-20
EFM Fixed Interest Fund 7		15-May-20
EFM Fixed Interest Fund 9		15-May-20
EFM Infrastructure Fund 2		15-May-20
EFM International Share Fund 10		15-May-20
EFM International Share Fund 3		15-May-20
EFM International Share Fund 5		15-May-20
EFM International Share Fund 8		15-May-20
EFM Listed Property Fund 1		15-May-20
EFM Listed Property Fund 2		15-May-20
Enhanced Index International Share Fund		15-May-20
Enhanced Index Share Fund		15-May-20
FD Australian Share Fund 1		15-May-20
FD Australian Share Fund 3		15-May-20
FD International Share Fund 1		15-May-20
FD International Share Fund 3		15-May-20
Future Directions Asia Ex-Japan Fund		15-May-20
Future Directions Australian Bond Fund		15-May-20
Future Directions Australian Equity Fund		15-May-20
Future Directions Balanced Fund		15-May-20
Future Directions Conservative Fund		15-May-20
Future Directions Credit Opportunities Fund		15-May-20
Future Directions Diversified Alternatives Fund		15-May-20
Future Directions Emerging Markets Share Fund		15-May-20
Future Directions Enhanced Index Australian Share Fund		15-May-20
Future Directions Global Credit Fund		15-May-20

Changes in controlled entities during the full year ended 31 December 2020 Name of the entity	Date control Gained over entity	Lost over entity
Future Directions Global Government Bond Fund		15-May-20
Future Directions Growth Fund		15-May-20
Future Directions High Growth Fund		15-May-20
Future Directions Infrastructure Fund		15-May-20
Future Directions International Bond Fund		15-May-20
Future Directions International Share Fund		15-May-20
Future Directions Moderately Conservative Fund		2-Jan-20
Future Directions Opportunistic Fund		15-May-20
Future Directions Private Equity Fund 3A		15-May-20
Future Directions Private Equity Fund 4		15-May-20
Future Directions Private Equity Fund 5		15-May-20
Future Directions Real Property Fund		15-May-20
Glendenning Pty Limited		30-Jun-20
Global Growth Opportunities Fund		15-May-20
GWM Spicers Limited		28-May-20
Infrastructure Trust No. 1		15-May-20
International Bond Fund		15-May-20
ipac Specialist Investment Strategies – Global Emerging Markets Strategy No.1		30-Jun-20
Knox City Shopping Centre Investments (No. 2) Pty Limited		13-Feb-20
Macquarie Balanced Growth		15-May-20
Managed Treasury Fund		15-May-20
Moderately Aggressive Enhanced Index Fund		15-May-20
Moderately Conservative Enhanced Index Fund		15-May-20
Mowla Pty. Ltd.		28-Feb-20
Multi Manager Portfolio International Shares – Hedged		30-Jun-20
Multi Manager Portfolio Property Sector		15-May-20
Multi-Manager Portfolio – Australian Equities Sector		30-Jun-20
Multi-Manager Portfolio – Balanced		30-Jun-20
Multi-Manager Portfolio – Growth		30-Jun-20
Multi-Manager Portfolio – High Growth		30-Jun-20
Multi-Manager Portfolio – International Equities Sector		30-Jun-20
Multi-Manager Portfolio – Secure		30-Jun-20
Multi-Manager Portfolio – Secure Growth		30-Jun-20
MySuper Australian Equities Fund		15-May-20
MySuper Enhanced Index Australian Equities Fund		15-May-20
NMLA Cash Management Trust		30-Jun-20
NZ Core Fixed Income Fund		30-Jun-20
NZ Core Fixed Income Fund Non Par		30-Jun-20
PPS Administration Solutions Pty Ltd		18-Nov-20
PPS UT Acquisitions Pty Ltd		18-Nov-20
Principal Healthcare Holding Pty Limited		30-Jun-20
Principal Healthcare Holding Trust		30-Jun-20
Responsible Investment Leaders Conservative Fund		15-May-20
Responsible Investment Leaders Growth Fund		15-May-20
Responsible Investment Leaders High Growth Fund		15-May-20
Select Property Portfolio No 1B		15-May-20
Spinnaker Sound Development Company Pty Limited		10-May-20
SPP No.2 (Mickleham) Pty Ltd		19-Jan-20
Sunshine West Development Pty Limited		14-Apr-20
The National Mutual Life Association of Australasia Limited		30-Jun-20
Wholesale Australian Bond Fund		15-May-20
Wholesale Unit Trust Direct Property Fund		15-May-20
WOW Future Directions Balanced Fund		15-May-20