ASX Announcement

8 August 2018

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

Client and Market Services Team
NZX Limited
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PO Box 2959
Wellington, New Zealand

AMP Limited (ASX/NZX: AMP)

Half year financial results

RESULTS FOR ANNOUNCEMENT TO THE MARKET

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AMP Limited

ABN 49 079 354 519

Directors’ report and Financial report for the half year ended 30 June 2018

AMP Limited

DIRECTORS' REPORT

For the half year ended 30 June 2018

Your directors present their report on the consolidated entity consisting of AMP Limited and the entities it controlled at the end of or during the half year ended 30 June 2018.

Directors' details

The directors of AMP Limited during the half year ended 30 June 2018 and up to the date of this report are shown below. Directors were in office for this entire period except where stated otherwise:

Non-executive:
- David Murray AO (Chairman) (appointed 21 June 2018) – BBus, MBA
- Catherine Brenner (Chairman) (resigned 30 April 2018) – BEc, LLB, MBA
- Patricia Akopiantz – BA, MBA
- Andrew Harmos – BCom, LLB (Hons)
- Holly Kramer (resigned 8 May 2018) – BA (Hons), MBA
- Trevor Matthews – MA
- John O'Sullivan (appointed 20 June 2018) – BA, LLB, LLM
- Geoff Roberts – BCom, MBA
- Peter Varghese AO – BA (Hons)
- Vanessa Wallace (resigned 8 May 2018) – BCom, MBA

Executive:
- Mike Wilkins AO (Acting Chief Executive Officer and Managing Director) – BCom, MBA
- Craig Meller (Chief Executive Officer and Managing Director) (resigned 20 April 2018) – BSc (Hons)

Operating and financial review

Principal activities

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

We provide retail customers in Australia and New Zealand with financial advice and superannuation, retirement income and investment products. We also provide superannuation services for businesses, administration, banking and investment services for self-managed superannuation funds (SMSF), income protection, disability and life insurance, and selected banking products. These products and services are delivered directly from AMP and through a network of close to 3,100 aligned and employed financial advisers in Australia and New Zealand and extensive relationships with third-party distributors.

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

We have over 5,900 employees, around 750,000 shareholders and manage and administer $260 billion in assets.

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

In this report, our business is divided into six areas: Australian wealth management, AMP Capital, AMP Bank, Australian wealth protection, New Zealand financial services and Australian mature.

The *Australian wealth management* business provides customers with superannuation, retirement income, investment, SMSF software and administration and financial advice services (through aligned and owned advice businesses).

AMP Capital is a diversified investment manager, managing investments across major asset classes including equities, fixed interest, infrastructure, real estate, diversified, multi-manager and multi-asset funds.

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

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

New Zealand financial services provides tailored financial products and solutions to New Zealanders both directly and through a network of financial advisers. New Zealand financial services has a leading market position in both wealth protection and wealth management, in addition to being a market advocate for quality financial advice.

The *Australian mature* business is the largest closed life insurance business in Australia. Australian mature AUM comprises capital guaranteed products (77%) and market linked products (23%). Australian mature products include whole of life, endowment, investment linked, investment account, Retirement Savings Account, Eligible Rollover Fund, annuities, insurance bonds, personal superannuation and guaranteed savings accounts.

Resetting the business
On 27 July 2018, AMP outlined a series of actions to reset the business, prioritise customers and strengthen risk management systems and controls.

These actions include:
- *Accelerating advice remediation* – to ensure impacted advice customers are appropriately compensated. 1H 18 results include a provision of $290 million (post-tax) for potential advice remediation in relation to ASIC reports 499 and 515, which require an industry-wide 'look back' of advice provided from 1 July 2008 and 1 January 2009, respectively.
- *Delivering improved value for around 700,000 customers* – through fee reductions to AMP's flagship MySuper products in 3Q 18. See Events occurring after reporting date.
- *Investing to strengthen risk management systems and controls* – increased investment of approximately $35 million (post-tax) per annum to upgrade risk management controls and strengthen compliance systems across the business over the next two years.
- *Reprioritising the portfolio review* – to realise capital from the manage for value businesses. AMP remains in active discussions with a number of interested parties.

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 longest of which is between 10 May 2012 and 15 April 2018. The claims are yet to be quantified and participation has not been determined. AMP Limited has filed its defence in the action brought in the Supreme Court of NSW. The various other competing proceedings are receiving focus with a view to the consolidation of all of the competing class actions into one court. AMP Limited intends to vigorously defend these actions.

ASIC civil penalty proceedings
AMP Financial Planning Pty Limited (AMPFP), a wholly owned subsidiary of AMP Limited, is the subject of proceedings brought by ASIC on 27 June 2018. The proceedings allege contraventions of the Corporations Act 2001 (Cth) by AMPFP relating to the alleged conduct of certain of its authorised financial advisers in providing advice to customers in relation to the replacement of life insurance policies by cancellation and new application rather than by transfer. ASIC's claim is in respect of 6 advisers and 40 instances of advice. ASIC is seeking declarations that AMPFP contravened various sections of the Corporations Act and orders that AMPFP pay pecuniary penalties of an unspecified amount. AMPFP is currently considering, and will respond to, the statement of claim served on it on 25 July 2018.

Review of operations and results
The profit attributable to shareholders of AMP Limited for the half year ended 30 June 2018 was $115 million (1H 17: $445 million).

AMP's underlying profit for the half year ended 30 June 2018 was $495 million (1H 17: $533 million).

Underlying profit is AMP's key measure of business profitability, as it normalises investment market volatility stemming from shareholder assets invested in investment markets and aims to reflect the trends in the underlying business performance of the AMP group. Underlying profit excludes the impact of market volatility, accounting mismatches and other items.

Basic earnings per share for the half year ended 30 June 2018 on a statutory basis were 4.0 cents per share (1H 17: 15.3 cents per share). On an underlying basis, the earnings per share were 17.0 cents per share (1H 17: 18.1 cents per share).

Key performance measures were as follows:

- 1H 18 underlying profit of $495 million decreased 7% from $533 million in 1H 17, driven by a deterioration in experience and one-off capitalised losses in Australian wealth protection earnings partly offset by growth in AMP Bank (+20%), Australian wealth management (+6%) and AMP Capital (+2%).
- Australian wealth management earnings of $204 million increased 6% from 1H 17, largely due to growth in other revenue and lower controllable costs offsetting elevated margin compression driven by MySuper transitions in Q2 17.
- Australian wealth management net cash outflows were $873 million, down from net cashflows of $1,023 million in 1H 17, reflecting subdued cashflows in Q2 18. 1H 17 benefited from $521 million in Corporate Super mandate wins and higher member contributions in the lead up to the 1 July 2017 changes to contribution limits.
- AMP Capital external net cashflows were $1,591 million, down from $2,439 million in 1H 17. Net cashflows were driven by strong flows into real asset classes (infrastructure and real estate).
- Underlying return on equity decreased 0.7 percentage points to 13.8% in 1H 18 from 1H 17, reflecting reduced operating earnings in the Australian wealth protection business.

AMP's total assets under management (AUM) and administration were $260 billion at 30 June 2018 ($257 billion at 31 December 2017).

Capital management and dividend
Equity and reserves of the AMP group attributable to shareholders of AMP Limited decreased to $7.0 billion at 30 June 2018 from $7.2 billion at 31 December 2017.

AMP remains adequately capitalised, with $1.8 billion in shareholder regulatory capital resources, above Minimum Regulatory Requirements (MRR) at 30 June 2018 ($2.3 billion at 31 December 2017).

AMP's interim 2018 dividend is 10.0 cents per share, franked to 50%. AMP will continue to offer the dividend reinvestment plan (DRP) to eligible shareholders. For the 2018 interim dividend, no discount will apply to the DRP allocation price. AMP intends to issue new shares to participants in the DRP.

Events occurring after reporting date

On 27 July 2018 AMP announced pricing reductions which will be implemented in the third quarter of 2018 and are expected to lower Australian wealth management investment related revenue (IRR) by an annualised $50 million from 2019. Australian wealth management IRR for the six months ended 31 December 2018 is expected to be reduced by $12 million. This announced pricing reduction has had no effect on the 30 June 2018 results of the AMP group or the carrying value of any goodwill or intangible assets as at the date of this report.

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

Rounding

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

Auditor's independence declaration to the directors of AMP Limited

The directors have obtained an independence declaration from the company's auditor, Ernst & Young, for the half year ended 30 June 2018.

Building a better working world

Ernst & Young
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Auditor's Independence Declaration to the Directors of AMP Limited

As lead auditor for the review of AMP Limited for the half-year ended 30 June 2018, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of AMP Limited and the entities it controlled at the end of or during the half-year.

Ernst & Young

Ernst & Young

Andrew Price
Partner
Sydney
8 August 2018

Signed in accordance with a resolution of the directors.

David Murray
Chairman

Mike Wilkins
Acting Chief Executive Officer

Sydney, 8 August 2018

AMP LIMITED
ABN 49 079 354 519
HALF YEAR FINANCIAL REPORT
30 JUNE 2018

Contents

Consolidated Income Statement

for the half year ended 30 June 2018

	Note	30 Jun 2018 $m	30 Jun 2017 $m
Income and expenses of shareholders, policyholders, external unitholders and non-controlling interests[1]			
Life insurance contract related revenue		**1,210**	1,212
Life insurance claims recovered from reinsurers		**226**	135
Fee revenue		**1,554**	1,577
Other revenue		**79**	40
Interest income, dividends and distributions and net gains on financial assets and liabilities at fair value through profit or loss		**3,648**	4,247
Interest income on assets not at fair value through profit or loss		**437**	388
Share of profit of associates accounted for using the equity method		**19**	11
Life insurance contract claims expense		**(1,083)**	(1,076)
Life insurance premiums ceded to reinsurers		**(484)**	(282)
Fees and commission expenses		**(835)**	(841)
Staff and related expenses		**(553)**	(530)
Other operating expenses		**(942)**	(496)
Finance costs		**(278)**	(285)
Movement in external unitholder liabilities		**(485)**	(438)
Change in policyholder liabilities			
- life insurance contracts		**55**	(166)
- investment contracts		**(2,347)**	(2,762)
Income tax expense	2.2	**(93)**	(274)
Profit for the period		**128**	460
Profit attributable to shareholders of AMP Limited		**115**	445
Profit attributable to non-controlling interests		**13**	15
Profit for the period		**128**	460
Earnings per share		**cents**	**cents**
Basic		**4.0**	15.3
Diluted		**3.9**	15.2

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

Consolidated Statement of Comprehensive Income

for the half year ended 30 June 2018

	30 Jun 2018 $m	30 Jun 2017 $m
Profit for the period	**128**	460
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Fair value reserve		
- net gain (loss) on fair value asset reserve	**6**	(1)
- tax effect on fair value asset reserve gain	**(2)**	-
- amount transferred to profit for the period	**-**	(2)
	4	(3)
Cash flow hedges		
- net loss on cash flow hedges	**(12)**	-
- tax effect on cash flow hedge loss	**4**	-
- amount transferred to profit for the period	**6**	6
- tax effect on amount transferred to profit for the period	**(2)**	(2)
	(4)	4
Translation of foreign operations and revaluation of hedge of net investments		
- exchange gains (losses) on translation of foreign operations and revaluation of hedge of net investments	**22**	(14)
	22	(14)
Items that will not be reclassified subsequently to profit or loss		
Defined benefit plans		
- actuarial gains	**18**	18
- tax effect on actuarial gains	**(5)**	(5)
	13	13
Other comprehensive income for the period	**35**	-
Total comprehensive income for the period	**163**	460
Total comprehensive income attributable to shareholders of AMP Limited	**150**	445
Total comprehensive income attributable to non-controlling interests	**13**	15
Total comprehensive income for the period	**163**	460

Consolidated Statement of Financial Position

as at 30 June 2018

	Note	30 Jun 2018 $m	31 Dec 2017 $m
Assets			
Cash and cash equivalents		**3,408**	3,602
Receivables		**2,543**	2,151
Current tax assets		**9**	7
Planner registers held for sale and prepayments		**147**	138
Investments in financial assets	3.1	**136,485**	136,675
Investment properties		**134**	134
Investments in associates accounted for using the equity method		**802**	749
Property, plant and equipment		**75**	75
Deferred tax assets	2.2	**887**	686
Reinsurance asset - ceded life insurance contracts		**963**	804
Intangibles	3.2	**3,216**	3,218
Total assets of shareholders of AMP Limited, policyholders, external unitholders and non-controlling interests		**148,669**	**148,239**
Liabilities			
Payables		**1,548**	1,752
Current tax liabilities		**577**	71
Provisions	6.1	**602**	153
Employee benefits		**241**	325
Other financial liabilities	3.1	**973**	591
Interest-bearing liabilities	4.2	**21,952**	21,009
Deferred tax liabilities	2.2	**1,683**	2,190
External unitholder liabilities		**14,209**	14,468
Life insurance contract liabilities	5.1	**23,484**	23,683
Investment contract liabilities		**74,957**	75,235
Reinsurance liabilitiy - ceded life insurance contracts		**1,377**	1,450
Defined benefit plan liabilities		**13**	29
Total liabilities of shareholders of AMP Limited, policyholders, external unitholders and non-controlling interests		**141,616**	140,956
Net assets of shareholders of AMP Limited and non-controlling interests		**7,053**	7,283
Equity			
Contributed equity	4.1	**9,408**	9,376
Reserves		**(1,993)**	(2,010)
Retained earnings		**(454)**	(164)
Total equity of shareholders of AMP Limited		**6,961**	7,202
Non-controlling interests		**92**	81
Total equity of shareholders of AMP Limited and non-controlling interests		**7,053**	7,283

Consolidated Statement of Changes in Equity

for the half year ended 30 June 2018

	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
30 June 2018												
Balance at 31 December 2017	9,376	(2,566)	100	329	7	26	94	(2,010)	(164)	7,202	81	7,283
Impact of adoption of new accounting standards	-	-	-	-	3	-	-	3	(1)	2	-	2
Balance at 1 January 2018	9,376	(2,566)	100	329	10	26	94	(2,007)	(165)	7,204	81	7,285
Profit	-	-	-	-	-	-	-	-	115	115	13	128
Other comprehensive income	-	-	-	-	4	(4)	22	22	13	35	-	35
Total comprehensive income	-	-	-	-	4	(4)	22	22	128	150	13	163
Share-based payment expense	-	-	12	-	-	-	-	12	-	12	1	13
Share purchases	-	-	(20)	-	-	-	-	(20)	-	(20)	(3)	(23)
Net sale of treasury shares	32	-	-	-	-	-	-	-	2	34	-	34
Dividends paid[4]	-	-	-	-	-	-	-	-	(423)	(423)	-	(423)
Dividends paid on treasury shares[4]	-	-	-	-	-	-	-	-	4	4	-	4
Sales and acquisitions of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-
Balance at 30 June 2018	9,408	(2,566)	92	329	14	22	116	(1,993)	(454)	6,961	92	7,053
30 June 2017												
Balance at 1 January 2017	9,619	(2,566)	93	329	8	16	148	(1,972)	(185)	7,462	79	7,541
Profit	-	-	-	-	-	-	-	-	445	445	15	460
Other comprehensive income	-	-	-	-	(3)	4	(14)	(13)	13	-	-	-
Total comprehensive income	-	-	-	-	(3)	4	(14)	(13)	458	445	15	460
Share-based payment expense	-	-	10	-	-	-	-	10	-	10	1	11
Share purchases	(200)	-	(19)	-	-	-	-	(19)	-	(219)	(2)	(221)
Net purchase of treasury shares	(78)	-	-	-	-	-	-	-	(5)	(83)	-	(83)
Dividends paid[4]	-	-	-	-	-	-	-	-	(414)	(414)	(8)	(422)
Dividends paid on treasury shares[4]	-	-	-	-	-	-	-	-	4	4	-	4
Sales and acquisitions of non-controlling interests	-	-	-	-	-	-	-	-	-	-	(2)	(2)
Balance at 30 June 2017	9,341	(2,566)	84	329	5	20	134	(1,994)	(142)	7,205	83	7,288

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

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

3 The Capital profits reserve represents gains attributable to shareholders of AMP on the sale of minority interests in controlled entities to entities outside the AMP group.

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

Consolidated Statement of Cash Flows

for the half year ended 30 June 2018

	30 Jun 2018 $m	30 Jun 2017 $m
Cash flows from operating activities[1]		
Cash receipts in the course of operations	**7,385**	9,413
Interest received	**1,056**	998
Dividends and distributions received[2]	**691**	554
Cash payments in the course of operations	**(10,796)**	(11,155)
Finance costs	**(382)**	(273)
Income tax paid	**(300)**	(216)
Cash flows used in operating activities	**(2,346)**	(679)
Cash flows from investing activities[1]		
Net proceeds from sale of (payments to acquire):		
- investments in financial assets[3]	**1,348**	(1,409)
- operating and intangible assets	**(13)**	-
Payments to acquire operating controlled entities and investments in associates accounted for using the equity method	**(19)**	(68)
Cash flows (used in) from investing activities	**1,316**	(1,477)
Cash flows from financing activities		
Net movement in deposits from customers	**629**	927
Proceeds from borrowings - non-banking operations[1]	**396**	163
Repayment of borrowings - non-banking operations[1]	**(83)**	-
Net movement in borrowings - banking operations	**99**	1,088
On-market share buy-back	**-**	(200)
Dividends paid[4]	**(418)**	(410)
Cash flows from financing activities	**623**	1,568
Net decrease in cash and cash equivalents	**(407)**	(588)
Cash and cash equivalents at the beginning of the half year	**7,222**	8,810
Effect of exchange rate changes on cash and cash equivalents	**(1)**	(4)
Cash and cash equivalents at the end of the period[1]	**6,814**	8,218

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

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

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

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

Section 1: About this report

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

1.1 Basis of preparation of the half year financial report

The consolidated economic entity (the AMP group or AMP) comprises AMP Limited (the parent entity), a company limited by shares, and incorporated and domiciled in Australia, and all the entities it controlled during the period (subsidiaries).

The consolidated entity prepares a general purpose financial report. This general purpose financial report has been prepared in accordance with the *Corporations Act 2001* and AASB134 *Interim Financial Reporting*. AMP group is a for-profit entity for the purposes of preparing financial statements.

This half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial position and financial performance of the AMP group as that given by the annual financial report. As a result, this report should be read in conjunction with the 2017 annual financial report of the AMP group and any public announcements made in the period by the AMP group in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the ASX Listing Rules.

Comparative information has been reclassified where required for consistency with the current half year's presentation. The principal accounting policies and methods of computation adopted in the preparation of the 2018 half year financial report are consistent with the accounting policies and methods of computation adopted in the preparation of the 2017 annual financial report; except for the impact of new accounting standards adopted at 1 January 2018 which are disclosed in note 6.2.

1.2 Understanding the AMP financial report

The consolidated financial statements of AMP Limited include the financial information of its controlled entities.

AMP business operations are carried out by a number of these controlled entities including AMP Life Limited (AMP Life) - a registered life insurance entity and its related controlled entities, AMP Bank Limited (AMP Bank) and AMP Capital investment management companies.

The business of AMP Life is conducted through statutory funds and relates to the provision of wealth management and life insurance products to investors, referred to as policyholders. The investment assets of the statutory funds represent the majority of the assets of the AMP group, a large proportion of which is held on behalf of policyholders. The corresponding liabilities to policyholders are classified as either life investment or life insurance contract liabilities. Under Australian Accounting Standards, some assets held on behalf of policyholders (and the related tax balances) are included in the financial statements at different values to those used in the calculation of the liability to policyholders in respect of the same assets. The impact of these differences flows through to shareholder profit and they are referred to as accounting mismatches in the segment disclosures in note 2.1(b).

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

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

Section 2: Results for the half year

This section provides insights into how the AMP group has performed in the current period 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:
- Interim dividend; and
- Profit after tax attributable to the shareholders of AMP

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

- 2.1 Segment performance
- 2.2 Taxes
- 2.3 Dividends

2.1 Segment performance

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

Reportable segment	Segment description
Australian wealth management (WM)	Financial advice services (through aligned and owned advice businesses), platform administration (including SMSF), unit-linked superannuation, retirement income and managed investment products business. Superannuation products include personal and employer sponsored plans.
AMP Capital	A diversified investment manager with a growing international presence, providing investment services for domestic and international customers. AMP Capital manages investments across major asset classes including equities, fixed interest, real estate, infrastructure and multi-manager and multi-asset funds. AMP Capital also provides commercial, industrial and retail real estate management services. AMP Capital and Mitsubishi UFJ Trust and Banking Corporation (MUFG: Trust Bank) have a strategic business and capital alliance, with MUFG: Trust Bank holding a 15% ownership interest in AMP Capital. In November 2013, AMP Capital established a funds management company in China with China Life called China Life AMP Asset Management Company Limited (CLAMP). AMP Capital is a founding shareholder, holding a 15% stake, with the balance held by China Life Asset Management Company, a subsidiary of China Life.
Australian wealth protection (WP)	Includes individual and group term, disability and income protection insurance products. Products can be bundled with a superannuation product or held independently of superannuation.
AMP Bank	Australian retail bank offering residential mortgages, deposits, transaction banking and SMSF products. It also has a portfolio of practice finance loans. AMP Bank distributes through AMP's aligned distribution network as well as third party brokers, and direct to retail customers via phone and online.
New Zealand financial services (NZFS)	Risk insurance, wealth management and mature book (traditional participating business), with growth in wealth management driven by KiwiSaver.
Australian mature (Mature)	A business comprising products which are largely closed to new business and are in run-off. Products within Australian mature include whole of life, endowment, investment-linked, investment account, Retirement Savings Account, Eligible Rollover Fund, annuities, insurance bonds, personal superannuation and guaranteed savings accounts.

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

Section 2: Results for the half year

2.1 Segment performance (continued)

(a) Segment profit

30 June 2018	WM $m	AMP Capital[1] $m	WP[2] $m	AMP Bank $m	NZFS[2] $m	Mature[2] $m	Total operating segments $m
Segment profit after income tax	**204**	**94**	**1**	**78**	**56**	**70**	**503**
External customer revenue	**716**	**234**	**1**	**201**	**56**	**70**	**1,278**
Intersegment revenue[4]	**56**	**126**	**-**	**-**	**-**	**-**	**182**
Segment revenue[3]	**772**	**360**	**1**	**201**	**56**	**70**	**1,460**
30 June 2017							
Segment profit after income tax	193	92	52	65	65	75	542
External customer revenue	736	228	52	172	65	75	1,328
Intersegment revenue[4]	57	120	-	-	-	-	177
Segment revenue[3]	793	348	52	172	65	75	1,505

1 AMP Capital segment revenue is reported net of external investment manager fees. Segment profit after income tax is reported net of 15% minority interest attributable to MUFG: Trust Bank.

2 Segment revenue is reported as Segment profit after income tax for WP, NZFS and Mature. This represents gross revenue less claims, expenses, movement in insurance contract liabilities and tax.

3 Segment revenue excludes revenue, expenses and tax relating to assets backing policyholder liabilities.

4 Intersegment revenue represents operating revenue between segments priced on an arm's-length basis and is eliminated on consolidation.

Section 2: Results for the half year

2.1 Segment performance (continued)

(b) Reconciliations

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

	30 Jun 2018 $m	30 Jun 2017 $m
Segment profit after income tax	**503**	542
Group office costs	**(29)**	(33)
Total operating earnings	**474**	509
Underlying investment income[1]	**52**	50
Interest expense on corporate debt	**(31)**	(26)
Underlying profit	**495**	533
Royal Commission	**(13)**	-
Advice remediation and related costs	**(312)**	-
Portfolio review and related costs	**(19)**	-
Other items[2]	**(41)**	(9)
Amortisation of acquired intangible assets[3]	**(40)**	(43)
Profit before market adjustments and accounting mismatches	**70**	481
Market adjustment - investment income[1]	**(10)**	(23)
Market adjustment - annuity fair value[4]	**8**	1
Market adjustment - risk products[5]	**15**	(8)
Accounting mismatches[6]	**32**	(6)
Profit attributable to shareholders of AMP Limited	**115**	445
Profit attributable to non-controlling interests	**13**	15
Profit for the period	**128**	460

1 Underlying investment income consists of investment income on shareholder assets invested in income producing investment assets (as opposed to income producing operating assets) normalised in order to bring greater clarity to the results by eliminating the impact of short-term market volatility on underlying performance. Underlying returns are set based on long-term expected returns for each asset class, except for a short-term return, equivalent to a one-year government bond, set annually for the implicit deferred acquisition costs (DAC) component of shareholder assets. Market adjustment - investment income is the excess (shortfall) between the underlying investment income and the actual return on shareholder assets invested in income producing investment assets.

2 Other items largely comprise the net of one-off and non-recurring revenues and costs. 30 June 2018 includes non-advice remediation charges of $16m (HY17: nil) and cost of significant regulatory and compliance projects of $14m (HY17: $16m).

3 Amortisation of acquired intangibles includes amortisation of intangibles acquired through business combinations, notional intangibles included within the carrying value of equity accounted associates and acquired client registers.

4 Market adjustment - annuity fair value relates to the net impact of investment markets on AMP's annuity portfolio.

5 Market adjustment - risk products relates to the net impact of changes in market economic assumptions (bond yields and CPI) on the valuation of risk insurance liabilities.

6 Under Australian Accounting Standards, some assets held on behalf of the policyholders (and related tax balances) are recognised in the financial statements at different values to the values used in the calculation of the liability to policyholders in respect of the same assets. Therefore, movements in these policyholder assets result in accounting mismatches which impact profit attributable to shareholders. These differences have no impact on the operating earnings of the AMP group.

(c) Segment assets

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

Section 2: Results for the half year

2.2 Taxes

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

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

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

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

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

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

	30 Jun 2018 $m	30 Jun 2017 $m
Profit before income tax	**221**	734
Policyholder tax expense recognised as part of the change in policyholder liabilities in determining profit before tax	**(51)**	(141)
Profit before income tax attributable to shareholders and non-controlling interest	**170**	593
Tax at the Australian tax rate of 30% (2017: 30%)	**(51)**	(178)
Shareholder impact of life insurance tax treatment	**(6)**	(11)
Tax concessions including research and development and offshore banking unit	**4**	3
Non-deductible expenses	**(13)**	(19)
Non-taxable income	**8**	34
Other items	**9**	(14)
Over (under) provided in previous years	**3**	(3)
Utilisation of previously unrecognised tax losses	**-**	49
Differences in overseas tax rates	**4**	6
Income tax expense attributable to shareholders and non-controlling interest	**(42)**	(133)
Income tax expense attributable to policyholders	**(51)**	(141)
Income tax expense per Income statement	**(93)**	(274)

Section 2: Results for the half year

2.2 Taxes (continued)

(b) Analysis of income tax expense

	30 Jun 2018 $m	30 Jun 2017 $m
Current tax expense	**(821)**	(832)
Increase in deferred tax assets	**227**	202
Decrease in deferred tax liabilities	**498**	360
Over (under) provided in previous years including amounts attributable to policyholders	**3**	(4)
Income tax expense	**(93)**	(274)

(c) Analysis of deferred tax balances

	30 Jun 2018 $m	31 Dec 2017 $m
Analysis of deferred tax assets		
Expenses deductible and income recognisable in future years	**737**	470
Unrealised movements on borrowings and derivatives	**24**	32
Unrealised investment losses	**40**	40
Losses available for offset against future taxable income	**60**	87
Other	**26**	57
Total deferred tax assets	**887**	686
Analysis of deferred tax liabilities		
Unrealised investment gains	**1,280**	1,736
Other	**403**	454
Total deferred tax liabilities	**1,683**	2,190

(d) Amounts recognised directly in equity

	30 Jun 2018 $m	30 Jun 2017 $m
Deferred income tax expense related to items taken directly to equity during the period	**(5)**	(7)

Section 2: Results for the half year

2.3 Dividends

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

	2018 Interim	2017 Final	2017 Interim	2016 Final
Dividend per share (cents)	10.0	14.5	14.5	14.0
Franking percentage	50%	90%	90%	90%
Cost (in $m)	292	423	423	414
Payment date	28 September 2018	28 March 2018	29 September 2017	31 March 2017

	30 Jun 2018 $m	30 Jun 2017 $m
Dividends paid		
Previous year final dividend on ordinary shares	423	414
Total dividends paid[1]	423	414
Interim dividends proposed but not recognised	292	423

1 Total dividends paid includes dividends paid on treasury shares $4m (30 June 2017: $4m).

Section 3: Investments and intangibles

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

- 3.1 Investments in financial instruments
- 3.2 Intangibles
- 3.3 Fair value information

3.1 Investments in financial instruments

	30 Jun 2018 $m	31 Dec 2017 $m
Financial assets measured at fair value through profit or loss[1]		
Equity securities and listed managed investment schemes	**54,980**	58,538
Debt securities[2]	**32,789**	32,457
Investments in unlisted managed investment schemes	**24,781**	22,398
Derivative financial assets	**751**	1,092
Other financial assets	**-**	5
Total financial assets measured at fair value through profit or loss	**113,301**	114,490
Financial assets measured at fair value through other comprehensive income		
Equity securities and managed investment schemes	**64**	68
Debt securities[3]	**2,301**	-
Total financial assets measured at fair value through other comprehensive income	**2,365**	68
Financial assets measured at amortised cost		
Loans and advances	**20,338**	19,554
Debt securities	**481**	2,563
Total financial assets measured at amortised cost	**20,819**	22,117
Total financial assets	**136,485**	136,675
Other financial liabilities		
Derivative financial liabilities	**830**	489
Collateral deposits held[2]	**143**	102
Total other financial liabilities	**973**	591

1 Financial assets measured at fair value through profit or loss are mainly assets of AMP Life's statutory funds and their controlled entities.

2 Included within debt securities are assets held to back the liability for collateral deposits.

3 Debt securities measured at fair value through other comprehensive income are assets of AMP Bank and were previously measured at amortised cost. Refer to note 6.2 for details of the classification change resulting from the adoption of AASB 9 *Financial Instruments* .

Section 3: Investments and intangibles

3.2 Intangibles

	Goodwill[1] $m	Capitalised costs $m	Value of in-force business $m	Distribution networks $m	Other intangibles $m	Total $m
30 June 2018						
Balance at 1 January 2018	**2,123**	**434**	**498**	**147**	**16**	**3,218**
Additions through acquisitions of controlled entities	**5**	**-**	**-**	**5**	**-**	**10**
Additions through separate acquisitions	**-**	**-**	**-**	**20**	**-**	**20**
Additions through internal development	**-**	**97**	**-**	**-**	**-**	**97**
Transferred to inventories	**-**	**-**	**-**	**(9)**	**-**	**(9)**
Transferred through disposal	**-**	**-**	**-**	**(6)**	**-**	**(6)**
Amortisation expense	**-**	**(61)**	**(39)**	**(13)**	**(1)**	**(114)**
Impairment loss	**-**	**-**	**-**	**-**	**-**	**-**
Balance at 30 June 2018	**2,128**	**470**	**459**	**144**	**15**	**3,216**
Cost	***2,904***	***1,554***	***1,191***	***370***	***110***	***6,129***
Accumulated amortisation and impairment	***(776)***	***(1,084)***	***(732)***	***(226)***	***(95)***	***(2,913)***
31 December 2017						
Balance at 1 January 2017	2,117	382	600	99	1	3,199
Additions through acquisitions of controlled entities	6	-	-	24	-	30
Additions through separate acquisitions	-	-	-	26	15	41
Additions through internal development	-	191	-	-	-	191
Reductions through disposal	-	-	-	(13)	-	(13)
Transferred from inventories	-	-	-	46	-	46
Amortisation expense	-	(138)	(102)	(31)	-	(271)
Impairment loss	-	(1)	-	(4)	-	(5)
Balance at 31 December 2017	2,123	434	498	147	16	3,218
Cost	*2,899*	*1,457*	*1,191*	*360*	*110*	*6,017*
Accumulated amortisation and impairment	*(776)*	*(1,023)*	*(693)*	*(213)*	*(94)*	*(2,799)*

1 Total goodwill comprises amounts attributable to shareholders of $2,113m (2017: $2,108m) and amounts attributable to policyholders of $15m (2017: $15m).

Section 3: Investments and intangibles

3.3 Fair value information

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

30 June 2018	Carrying amount $m	Level 1 $m	Level 2 $m	Level 3 $m	Total fair value $m
Financial assets measured at fair value					
Equity securities and listed managed investment schemes	**55,044**	**51,496**	**1,100**	**2,448**	**55,044**
Debt securities	**35,090**	**1**	**34,962**	**127**	**35,090**
Investments in unlisted managed investment schemes	**24,781**	**-**	**23,168**	**1,613**	**24,781**
Derivative financial assets	**751**	**296**	**455**	**-**	**751**
Investment properties	**134**	**-**	**-**	**134**	**134**
Other financial assets	**-**	**-**	**-**	**-**	**-**
Total financial assets measured at fair value	**115,800**	**51,793**	**59,685**	**4,322**	**115,800**
Financial assets not measured at fair value					
Loans and advances	**20,338**	**-**	**20,332**	**-**	**20,332**
Debt securities	**481**	**-**	**481**	**-**	**481**
Total financial assets not measured at fair value	**20,819**	**-**	**20,813**	**-**	**20,813**
Financial liabilities measured at fair value					
Derivative financial liabilities	**830**	**207**	**623**	**-**	**830**
Collateral deposits held	**143**	**-**	**143**	**-**	**143**
Investment contract liabilities	**74,957**	**-**	**1,878**	**73,079**	**74,957**
Total financial liabilities measured at fair value	**75,930**	**207**	**2,644**	**73,079**	**75,930**
Financial liabilities not measured at fair value					
AMP Bank					
- Deposits	**10,285**	**-**	**10,322**	**-**	**10,322**
- Other	**8,922**	**-**	**8,940**	**-**	**8,940**
AMP Corporate entities - bonds and notes	**2,257**	**-**	**2,276**	**-**	**2,276**
Borrowings within investment entities controlled by AMP Life statutory funds	**488**	**-**	**488**	**-**	**488**
Total financial liabilities not measured at fair value	**21,952**	**-**	**22,026**	**-**	**22,026**
31 December 2017					
Financial assets measured at fair value					
Equity securities and listed managed investment schemes	58,606	55,942	728	1,936	58,606
Debt securities	32,457	1	32,344	112	32,457
Investments in unlisted managed investment schemes	22,398	-	20,964	1,434	22,398
Derivative financial assets	1,092	210	882	-	1,092
Investment properties	134	-	-	134	134
Other financial assets	5	-	5	-	5
Total financial assets measured at fair value	114,692	56,153	54,923	3,616	114,692
Financial assets not measured at fair value					
Loans and advances	19,554	-	19,549	-	19,549
Debt securities - held to maturity	2,563	-	2,567	-	2,567
Total financial assets not measured at fair value	22,117	-	22,116	-	22,116
Financial liabilities measured at fair value					
Derivative financial liabilities	489	148	341	-	489
Collateral deposits held	102	-	102	-	102
Investment contract liabilities	75,235	-	2,028	73,207	75,235
Total financial liabilities measured at fair value	75,826	148	2,471	73,207	75,826
Financial liabilities not measured at fair value					
AMP Bank					
- Deposits	9,655	-	9,653	-	9,653
- Other	8,819	-	8,867	-	8,867
Corporate entity borrowings	1,938	-	1,992	-	1,992
Borrowings within investment entities controlled by AMP Life statutory funds	597	-	597	-	597
Total financial liabilities not measured at fair value	21,009	-	21,109	-	21,109

Section 3: Investments and intangibles

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

Section 3: Investments and intangibles

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

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company 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 2018 financial half year. Transfers to and from Level 3 are shown in the Reconciliation of Level 3 values table later in this note.

Section 3: Investments and intangibles

3.3 Fair value information (continued)

Level 3 fair values

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

The following table shows the valuation techniques used in measuring Level 3 fair values, as well as the significant unobservable inputs used.

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

Sensitivity analysis

Reasonably possible alternative assumptions could have been used in determining the fair values of financial instruments categorised as Level 3. The following table shows the sensitivity to changes in key assumptions, calculated by changing one or more of the significant unobservable inputs for individual assets. This included assumptions such as credit risk and discount rates for determining the valuation range on an individual estimate.

	30 June 2018		31 December 2017	
	(+) $m	(-) $m	(+) $m	(-) $m
Financial assets				
Equity securities and listed managed investment schemes[1]	**92**	**(90)**	111	(103)
Financial liabilities				
Investment contract liabilities[2]	**4**	**(3)**	4	(3)

1 The discounts rate used to value the assets range from 7.30% to 14.00%. Sensitivities have been determined by up to +/- 100 basis point change in the discount rates.

2 Sensitivities disclosed illustrate the impact of a +/- 50 basis point change in discount rate for term annuity business and a +/- 100 basis point change in equities volatility for the North Guarantee.

Section 3: Investments and intangibles

3.3 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 categorised as Level 3 in the fair value hierarchy:

	Balance at the beginning of the period $m	FX gains or losses[1] $m	Total gains/ losses[1] $m	Purchases/ deposits $m	Sales/ withdrawals $m	Net transfers in/(out)[2] $m	Balance at the end of the period $m	Total gains and losses on assets and liabilities held at reporting date $m
30 June 2018								
Assets classified as Level 3								
Equity securities and listed managed investment schemes	**1,936**	**-**	**158**	**98**	**(20)**	**276**	**2,448**	**158**
Debt securities	**112**	**-**	**3**	**13**	**(1)**	**-**	**127**	**3**
Investments in unlisted managed investment schemes	**1,434**	**-**	**76**	**68**	**(18)**	**53**	**1,613**	**76**
Investment properties	**134**	**-**	**-**	**-**	**-**	**-**	**134**	**-**
Other financial assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Liabilities classified as Level 3								
Investment contract liabilities	**73,207**	**2**	**1,786**	**3,957**	**(5,873)**	**-**	**73,079**	**1,786**
31 December 2017								
Assets classified as Level 3								
Equity securities and listed managed investment schemes	2,499	-	268	439	(1,088)	(182)	1,936	271
Debt securities	19	-	(20)	174	(50)	(11)	112	(20)
Investments in unlisted managed investment schemes	942	-	(159)	1,392	(955)	214	1,434	(163)
Investment properties	127	-	-	7	-	-	134	-
Other financial assets	5	-	(1)	(1)	-	(3)	-	(1)
Liabilities classified as Level 3								
Investment contract liabilities	69,327	(17)	6,010	10,150	(12,263)	-	73,207	6,006

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

2 The AMP group recognises transfers as at the end of the reporting period during which the transfer has occurred. Transfers are recognised when there are changes in the observability of the pricing of the relevant securities or where the AMP group cease to consolidate a controlled entity.

Section 4: Capital structure

This section provides information relating to AMP group's capital management and equity and debt structure.

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

- 4.1 Contributed equity
- 4.2 Interest-bearing liabilities

4.1 Contributed equity

	30 Jun 2018 $m	31 Dec 2017 $m
Issued capital [1,3]		
2,918,469,137 (2017: 2,918,469,137) ordinary shares fully paid	**9,547**	9,547
Treasury shares [2]		
26,811,459 (2017: 32,887,493) treasury shares	**(139)**	(171)
Total contributed equity		
2,891,657,678 (2017: 2,885,581,644) ordinary shares fully paid	**9,408**	9,376
Issued capital		
Balance at the beginning of the period	**9,547**	9,747
Nil (2017: 39,268,827) on-market share buy-back	**-**	(200)
Balance at the end of the period	**9,547**	9,547
Treasury shares		
Balance at the beginning of the period	**(171)**	(128)
Net sales (purchases) during the period	**32**	(43)
Balance at the end of the period	**(139)**	(171)

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

1 Under the terms of the dividend reinvestment plan (DRP), shareholders may elect to have all or part of their dividend entitlements satisfied in shares rather than being paid cash. The DRP applied for the 2017 final dividend (paid in March 2018) at 14.5 cents per share. AMP settled the DRP for the 2017 final dividend by acquiring shares on market and, accordingly, no new shares were issued.

2 Of the AMP Limited ordinary shares on issue 24,685,072 (2017: 30,761,106) are held by AMP Life on behalf of policyholders. ASIC has granted relief from restrictions in the *Corporations Act 2001* to allow AMP Life to hold and trade shares in AMP Limited as part of the policyholder funds' investment activities. The cost of the investment in these treasury shares is reflected as a deduction from total contributed equity. The remaining balance is held by AMP Foundation Limited as trustee for the AMP Foundation.

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

Section 4: Capital structure

4.2 Interest-bearing liabilities

	30 June 2018			31 December 2017		
	Current $m	Non-current $m	Total $m	Current $m	Non-current $m	Total $m
Interest-bearing liabilities						
AMP Bank						
- Deposits[1]	**10,241**	**44**	**10,285**	9,627	28	9,655
- Other	**2,251**	**6,671**	**8,922**	3,382	5,437	8,819
Corporate entity borrowings[2]						
- 6.875% GBP Subordinated Guaranteed Bonds (maturity 2022)	**-**	**71**	**71**	-	69	69
- AMP Subordinated Notes 2 (first call 2018, maturity 2023)[3]	**-**	**325**	**325**	-	324	324
- AMP Wholesale Capital Notes[4]	**-**	**277**	**277**	-	276	276
- AMP Capital Notes- 2015[3]	**-**	**264**	**264**	-	264	264
- AMP Capital Notes- 2017[5]	**-**	**250**	**250**	-	250	250
- Syndicated loan facility[6]	**-**	**737**	**737**	-	497	497
- Commercial paper	**148**	**-**	**148**	229	-	229
- Medium Term Notes[7]	**-**	**154**	**154**	-	-	-
- Other	**31**	**-**	**31**	28	1	29
Borrowings within investment entities controlled by AMP Life statutory funds	**74**	**414**	**488**	89	508	597
Total interest-bearing liabilities	**12,745**	**9,207**	**21,952**	13,355	7,654	21,009

1 Deposits comprise at call retail cash on deposit and retail term deposits at variable interest rates within the AMP Bank.

2 The current / non-current classification of corporate entity borrowings is based on the maturity of the underlying debt instrument. The carrying value of corporate entity borrowings includes interest payable of $11m (2017: $8m) which is expected to be settled within the next 12 months.

3 AMP Subordinated Notes 2 were issued on 18 December 2013 and are listed on the ASX. In certain circumstances, AMP may be required to convert some or all of AMP Subordinated Notes 2 into AMP ordinary shares.

4 AMP Wholesale Capital Notes and AMP Capital Notes were issued on 27 March and 30 November 2015, respectively. They are perpetual notes with no maturity date. In certain circumstances, AMP may be required to convert some or all of the Notes into AMP ordinary shares.

5 Floating Rate Subordinated Unsecured Notes were issued on 1 September 2017 and mature 1 December 2027. AMP has the right, but not the obligation, to redeem all or some of the notes on 1 December 2022 or, subject to certain conditions, at a later date. In certain circumstances, AMP may be required to convert some or all of the Notes into AMP ordinary shares.

6 The facility was renegotiated effective 14 December 2017 and includes tranches of $300m, $300m and $150m, maturing 22 March 2020, 22 March 2022 and 22 March 2023 respectively. On adoption of AASB 9 *Financial Instruments,* a gain on modification of $15m was recognised as an adjustment to 1 January 2018 retained earnings, as a result of the change in the terms negotiated in 2017. This gain is also recognised as an offset to the carrying value of the syndicated loan facility and will amortise over the life of the facility. The amortisation of the gain is recognised as an increase to Finance costs on the Income statement. During the six months ended 30 June 2018, $3m of finance costs were attributable to the amortisation of the gain on the modification of the syndicated loan facility.

7 CHF110m Senior Unsecured Fixed Rate Bonds were issued on 19 June 2018 and mature 19 December 2022.

Section 5: Life insurance and investment contracts

This section summarises the key financial results of AMP's liabilities in respect of life insurance and investment contracts. It also details the key components of the profits that are recognised in respect of life insurance contracts and the sensitivity of those profits to variations in assumptions.

- 5.1 Life insurance contract liabilities
- 5.2 Impact of changes in assumptions
- 5.3 Life insurance contracts – Insurance risk sensitivity analysis
- 5.4 Analysis of life insurance and investment contract profit

5.1 Life insurance contract liabilities

	30 June 2018 $m	31 Dec 2017 $m
Life insurance contract liabilities determined using projection method		
Best estimate liability		
- value of future life insurance contract benefits	**15,012**	15,007
- value of future expenses	**4,542**	4,616
- value of future premiums	**(12,018)**	(12,078)
Value of future profits		
- life insurance contract holder bonuses	**3,392**	3,354
- shareholders' profit margins	**2,064**	2,183
Total life insurance contract liabilities determined using the projection method[1]	**12,992**	13,082
Life insurance contract liabilities determined using accumulation method		
Best estimate liability		
- value of future life insurance contract benefits	**8,460**	8,703
- value of future acquisition expenses	**(54)**	(58)
Total life insurance contract liabilities determined using the accumulation method	**8,406**	8,645
Value of declared bonus	**154**	290
Unvested policyholder benefits liabilities[1]	**2,346**	2,312
Total life insurance contract liabilities net of reinsurance	**23,898**	24,329
Reinsurance asset- ceded life insurance contracts	**963**	804
Reinsurance liability - ceded life insurance contracts[2]	**(1,377)**	(1,450)
Total life insurance contract liabilities gross of reinsurance	**23,484**	23,683

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

2 Reinsurance liability - ceded life insurance contracts reflects the present value of the net obligation from the active lives portfolio to transfer cashflows under the 60% quota share reinsurance arrangement with Gen Re and Munich Re, in return for upfront commission received. It also reflects the reinsurance position of the surplus reinsurance arrangement with Gen Re.

Section 5: Life insurance and investment contracts

5.2 Impact of changes in assumptions

Key assumptions are regularly reviewed and updated where required. For the half year ended 30 June 2018, certain key assumptions have been strengthened as follows:

- TPD claims assumptions for certain lump sum portfolios;
- IBNR reserves for components of group risk business; and
- Termination rates for certain income protection portfolios.

Under MoS, for life insurance contracts valuations using the projection method, changes in assumptions are recognised by adjusting the value of future profit margins in life insurance contract liabilities. Future profit margins are released over future periods.

Changes in assumptions do not include market related changes in discount rates such as changes in benchmark market yields caused by changes in investment markets and economic conditions. These are reflected in both life insurance contract liabilities and asset values at the reporting date.

The impact on future profit margins of actual changes in assumptions from 31 December 2017 to 30 June 2018 in respect of life insurance contracts (excluding new business contracts which are measured using assumptions at reporting date) is as shown in the table below.

Assumption change	Change in future profit margins $m	Change in life insurance contract liabilities $m	Change in shareholders' profit & equity $m
Mortality and morbidity	**(110)**	**33**	**(23)**
Other assumptions[1]	**15**	**(33)**	**23**

1 Other assumption changes include premium changes.

In most cases, the overall amount of life insurance contract liabilities and the current period profit are not affected by changes in assumptions. However, where in the case of a particular related product group, the changes in assumptions at the end of a period eliminate any future profit margins for the related product group, and results in negative future profit margins, this negative balance for all forecasted future periods is recognised as a loss in the current period. If the changes in assumptions in a period are favourable for a product group currently in loss recognition, then the previously recognised losses are reversed in the period.

Critical accounting estimates and judgements
The measurement of insurance contract liabilities is determined using the MoS methodology. The determination of the liability amounts involves judgement in selecting the valuation methods, profit carriers and valuation assumptions for each type of business. The determination is subjective and relatively small changes in assumptions may have a significant impact on the reported profit. The Board of AMP Life is responsible for these judgements and assumptions, after taking advice from the Appointed Actuary. Insurance risk sensitivities updated for assumption changes in the period ending 30 June 2018 are disclosed in note 5.3.

Section 5: Life insurance and investment contracts

5.3 Life insurance contracts – Insurance risk sensitivity analysis

Following the assumption changes, sensitivity results have been updated.

This table shows information about the sensitivity of Australian Wealth Protection life insurance contract liabilities and current period shareholder profit after income tax and equity, to a number of possible changes in assumptions. The expected impacts on other lines of business from these possible changes in assumptions are not material.

		Change in life insurance contract liabilities		Change in shareholder profit after income tax and equity	
		Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance
Variable	**Change in variable**	**$m**	**$m**	**$m**	**$m**
Mortality	10% increase in Australian Wealth Protection mortality rates	86	14	(60)	(10)
Morbidity - lump sum disablement	20% increase in Australian Wealth Protection lump sum disablement rates	197	57	(138)	(40)
Morbidity - disability income	10% increase in Australian Wealth Protection incidence rates	202	85	(142)	(59)
Morbidity - disability income	10% decrease in Australian Wealth Protection recovery rates	355	168	(248)	(117)
Discontinuance rates	10% increase in Australian Wealth Protection discontinuance rates	101	29	(71)	(20)

Section 5: Life insurance and investment contracts

5.4 Analysis of life insurance and investment contract profit

	30 June 2018 $m	30 June 2017 $m
Components of profit related to life insurance and investment contract liabilities:		
- planned margins of revenues over expenses released	**211**	243
- profits (losses) arising from difference between actual and assumed experience	**1**	(3)
- losses arising from changes in assumptions	**(23)**	(40)
- capitalised (losses) reversals	**(9)**	3
Profit related to life insurance and investment contract liabilities	**180**	203
Attributable to:		
- life insurance contracts	**89**	103
- investment contracts	**91**	100
Profit related to life insurance and investment contract liabilities	**180**	203
Investment earnings on assets in excess of life insurance and investment contract liabilities	**28**	52

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 Provisions and contingent liabilities
- 6.2 New accounting standards
- 6.3 Events occurring after reporting date

6.1 Provisions and contingent liabilities

	Consolidated	
	30 Jun 2018 $m	31 Dec 2017 $m
(a) Provisions		
Restructuring[1]	**16**	22
Advice remediation	**460**	51
Other	**126**	80
Total provisions	**602**	153

	Restructuring[1] $m	Advice remediation $m	Other $m	Total $m
(b) Movements in provisions - consolidation				
Balance at the beginning of the period	22	51	80	153
Additional provisions made during the period	5	415	69	489
Provisions used during the period	(11)	(6)	(23)	(40)
Balance at the end of the period	16	460	126	602

1 Restructuring provisions are recognised in respect of programs that materially change the scope of the business or the manner in w hich the business is conducted.

Accounting policy – recognition and measurement

Provisions are recognised when:

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

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

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

Critical accounting estimates and judgements
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 nature of these judgements means that future amounts settled may be different from those provided.

Section 6: Other disclosures

6.1 Provisions and contingent liabilities (continued)

From time to time, the AMP group may incur obligations arising from litigation or various types of contracts entered into in the normal course of business, including guarantees issued by the parent for performance obligations to controlled entities in the AMP group. Where it is determined that the disclosure of information in relation to a contingent liability can be expected to seriously prejudice the position of the AMP group (or its insurers) in a dispute, accounting standards allow the AMP group not to disclose such information and it is the AMP group's policy that such information is not to be disclosed in this note. A contingent liability exists in relation to actual and potential legal proceedings.

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

More recently, the Australian financial services industry is responding to a Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry. The Royal Commission is currently investigating conduct, practices, behaviour or business activities by financial services entities including AMP that may amount to potential misconduct or that may fall below community standards and expectations.

The Royal Commission may make findings that AMP (including persons or entities acting on its behalf) has engaged in misconduct including breaches of law or conduct that falls below community standards and expectations. AMP will continue to respond to those matters in its written submissions. Findings made by the Royal Commission may result in litigation, fines, penalties, revocation, suspension or variation of conditions of relevant regulatory licences or other regulatory action.

There are currently a number of investigations being undertaken by ASIC, some of which are industry wide. These investigations cover a range of matters, including adviser conduct, customer fees, the quality of advice and the monitoring and supervision by AMP of its advisers. AMP is also undertaking reviews concurrently with these regulatory investigations to determine, amongst other things, where customers may have been disadvantaged. In some instances compensation has been paid and where the results of our reviews have reached the point that customer compensation is likely and can be reliably estimated then a provision has been raised.

Advice remediation
Inappropriate advice
AMP continues to progress with a customer review and remediation program to identify and compensate customers 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* and extended to 30 June 2017, as well as including any instances of inappropriate advice identified through ongoing supervision and monitoring activities.

In some instances compensation has been 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 this has resulted in an increase in the provision at 30 June 2018. The provision includes a component for advisers for which a remediation review has not yet commenced and the determination of compensation for any given client is not known with certainty until immediately prior to payment.

Advice service fee (fees for no service)
An AMP program has been established in response to the ASIC project to review the extent of failure to deliver ongoing advice services to financial advice customers who were paying fees to receive those services. This issue, also known as fee for no service, is industry-wide and for AMP covers:

- fees charged by advisers without the provision of service; and
- fees charged by licensees without the provision of service when customers were without an advisor.

Remediation is largely complete for fees charged by licensees without the provision of service. Compensation of $5m has been paid to affected customers.

The program is focussed on the identification and compensation of customers of advisers who have been charged an ongoing service fee without the provision of service. 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 customers have paid fees and there is insufficient evidence to support that the associated service had been performed.

AMP is developing a process for customer review and remediation within a reasonable timeframe, which on current estimates is three years. AMP has been engaging with ASIC on this process and will seek to reach agreement on principles to be applied when remediating customers but agreement is outstanding at the date of this report. The principles to be applied could have a considerable impact on the amount of compensation payable and the variability in outcomes could be significant.

A provision for advice service fee customer compensation has been raised as at 30 June 2018. This provision is judgemental and has been estimated using multiple assumptions derived from the sampling conducted to date. Assumptions used include evidence failure incidence rates, average fees to be refunded and compensation for lost interest or earnings. The actual compensation to customers could be significantly higher or lower than the amount provided.

Section 6: Other disclosures

6.1 Provisions and contingent liabilities (continued)

The final agreement on program and remediation principles with ASIC and the pattern and timing of individual customer compensation could also have a significant impact on the final expenditure.

Provisions for advice remediation do not include amounts for the future costs of executing the program or for potential recoveries from advisers and insurers.

Buy-back arrangements
AMP has a number of contractual arrangements with financial advice businesses in the AMP advice network to purchase their client registers at agreed values subject to certain conditions being met. These buy-back arrangements include arrangements known as Buyer of Last Resort (BOLR). Advice businesses must register their intention to invoke buy-back arrangements, which have six to twelve month lead times and are subject to audit prior to finalising the purchase price. The pipeline of buy-back arrangements over the twelve months to 30 June 2019, where notice of intent has been submitted, is $90m. Client registers are either acquired outright by AMP or AMP facilitates a sale to an existing business within the AMP advice network. AMP's experience and expectation is that the value of the client registers to AMP is greater than the potential purchase price. Accordingly, these arrangements are not considered onerous under current regulatory settings and AMP has not recognised any liability related to the notified and potential acquisitions of client registers.

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 longest of which is between 10 May 2012 and 15 April 2018. The claims are yet to be quantified and participation has not been determined. AMP Limited has filed its defence in the action brought in the Supreme Court of NSW. The various other competing proceedings are receiving focus with a view to the consolidation of all of the competing class actions into one court. AMP Limited intends to vigorously defend these actions.

ASIC civil penalty proceedings
AMP Financial Planning Pty Limited (AMPFP), a wholly owned subsidiary of AMP Limited, is the subject of proceedings brought by ASIC on 27 June 2018. The proceedings allege contraventions of the Corporations Act 2001 (Cth) by AMPFP relating to the alleged conduct of certain of its authorised financial advisers in providing advice to customers in relation to the replacement of life insurance policies by cancellation and new application rather than by transfer. ASIC's claim is in respect of 6 advisers and 40 instances of advice. ASIC is seeking declarations that AMPFP contravened various sections of the Corporations Act and orders that AMPFP pay pecuniary penalties of an unspecified amount. AMPFP is currently considering, and will respond to, the statement of claim served on it on 25 July 2018.

Section 6: Other disclosures

6.2 New accounting standards

a) New and amended accounting standards adopted by the AMP group
A number of new accounting standards and amendments have been adopted effective 1 January 2018. These have not had a material effect on the financial position or performance of the AMP group.

AASB 15 Revenue from Contracts with Customers
AASB 15 *Revenue from Contracts with Customers* (AASB 15) became effective for periods beginning on 1 January 2018. AASB 15 defines principles for recognising revenue and introduces new disclosure requirements. Under AASB 15, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled to in exchange for transferring goods or services to a customer. Revenue from contracts with customers, as defined by AASB 15, is disclosed as Fee revenue and Other revenue on the Consolidated Income Statement.

AMP has applied the 'cumulative effect' method in adopting AASB 15 which requires an adjustment to the retained earnings at 1 January 2018 for contracts that remained open as at that date. The cumulative effect at 1 January 2018 was less than $1m as the primary impact on the AMP group was the change in presentation of some revenue from gross to net or vice versa which did not have any profit impact. AASB 15 also changes the timing of the recognition of performance fees for certain closed end funds, the impact of which will emerge in future years.

AASB 9 Financial Instruments
AASB 9 *Financial Instruments* (AASB 9) became effective for periods beginning on 1 January 2018. AASB 9 makes changes to the classification and measurement of financial instruments, introduces a new expected loss model when recognising expected credit losses (ECL) on financial assets, and also introduces new general hedge accounting requirements.

AMP has applied AASB 9 retrospectively without restating the comparative information for 2017 as permitted by the transitional provisions of the standard. The difference between the previous carrying amount of financial instruments and the carrying amount of those instruments at 1 January 2018 measured in accordance with AASB 9 has been recorded as an adjustment to retained earnings at 1 January 2018. As permitted by AASB 9 the group has chosen to continue to apply the hedge accounting requirements of AASB 139 *Financial Instruments: Recognition and Measurements.*

From a classification perspective, the impact to the group was minimal as the majority of the groups financial instruments continue to be classified as measured at fair value through profit or loss. We note the following classification changes as a result of the adoption of AASB 9:

- Financial instruments which were previously classified as loans and receivables are now classified as amortised cost.
- Equity instruments which were previously classified as available-for-sale are now classified as fair value through other comprehensive income (FVOCI). FVOCI movements are recognised in the Fair value reserve within the Consolidated statement of changes in equity.
- Debt securities held by AMP Bank were previously classified as held-to-maturity and measured at amortised cost. AMP has reclassified these financial instruments as FVOCI as the debt instruments meet the contractual cash flow characteristics and will be held both to collect cash flows and to manage liquidity needs. This has resulted in a $4m increase in value at 1 January 2018. This increase in value has been recorded as an adjustment to the Fair value reserve at 1 January 2018.

The following table identifies the impacts the adoption of AASB 9 on the reserves and retained earnings balances at 1 January 2018:

	Retained earnings $m	Fair value reserve $m	Total equity $m
Balance at 31 December 2017	**(164)**	**7**	**7,283**
Expected credit losses - AMP Bank loans and advances	**(12)**	**-**	**(12)**
Expected credit losses - trade receivables	**(5)**	**-**	**(5)**
Gain on modification of syndicated loan	**15**	**-**	**15**
Reclassification of Debt securities from amortised cost to FVOCI	**-**	**4**	**4**
Tax impact	**1**	**(1)**	**-**
Balance at 1 January 2018	**(165)**	**10**	**7,285**

Section 6: Other disclosures

6.2 New accounting standards (continued)

b) New accounting standards issued but not yet effective
A number of new accounting standards and amendments have been issued but are not yet effective, none of which have been early adopted by the AMP group in this financial report. These new standards and amendments, when applied in future periods, are not expected to have a material impact on the financial position or performance of the AMP group, other than as set out below.

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

Impact assessment for the adoption of AASB 16 is ongoing.

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

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

The detailed requirements of the standard are complex, and in some cases, the final impact of these requirements will not be determined until interpretations and regulatory responses to the new standard are developed. The AMP group is continuing to develop its implementation plan for the adoption of AASB 17.

Section 6: Other disclosures

6.3 Events occurring after reporting date

On 27 July 2018 AMP announced pricing reductions which will be implemented in the third quarter of 2018 and are expected to lower Australian wealth management investment related revenue (IRR) by an annualised $50m from 2019. Australian wealth management IRR for the six months ended 31 December 2018 is expected to be reduced by $12m. This announced pricing reduction has had no effect on the 30 June 2018 results of the AMP group or the carrying value of any goodwill or intangible assets as at the date of this report.

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

Directors' declaration

for the half year ended 30 June 2018

In accordance with a resolution of the directors of AMP Limited, we state for the purposes of section 303(4) of the *Corporations Act 2001* that, in the opinion of the directors:

(a) there are reasonable grounds to believe that AMP Limited will be able to pay its debts as and when they become due and payable; and

(b) the financial statements and the notes of AMP Limited and the consolidated entity for the financial half year ended 30 June 2018 are in accordance with the *Corporations Act 2001*, including section 304 (compliance with accounting standards) and section 305 (true and fair view).

David Murray
Chairman

Mike Wilkins
Acting Chief Executive Officer

Sydney, 8 August 2018

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Independent Auditor's Review Report to the Members of AMP Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of AMP Limited (the Company) and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 30 June 2018, income statement and statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2018 and of its consolidated financial performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410), in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 30 June 2018 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Andrew Price
Partner
Sydney
8 August 2018