AMP Limited

ABN 49 079 354 519

Directors' report and Financial report for the half year ended 30 June 2019

DIRECTORS' REPORT

For the half year ended 30 June 2019

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 2019.

Directors' details

The directors of AMP Limited during the half year ended 30 June 2019 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) – BBus, MBA
- John Fraser – BEc (Hons)
- Andrew Harmos – BCom, LLB (Hons)
- Debra Hazelton (appointed 15 June 2019) – BA (Hons), MCom
- Trevor Matthews – MA
- John O'Sullivan – BA, LLB, LLM
- Andrea Slattery (appointed 15 February 2019) – BAcc, MCom
- Peter Varghese AO – BA (Hons)
- Mike Wilkins AO – BCom, MBA

Executive:
- Francesco De Ferrari (Chief Executive Officer and Managing Director) (appointed 31 January 2019) – MBA, BS (Econ) (IntBus)

Operating and financial review

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

We provide retail customers with financial advice and superannuation, retirement income, banking, investment products and life insurance. These products and services are delivered directly from AMP and through a network of over 2,300 aligned and employed financial advisers and extensive relationships with independent financial advisers. AMP also provides corporate superannuation products and services for workplace super and self-managed superannuation funds (SMSFs).

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

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

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

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

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

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. AMP Bank also provides financing to AMP financial planning businesses. AMP Bank's products and services enable AMP to be relevant over a wider set of financial goals, earlier in the customer's life cycle and with higher customer interaction. AMP Bank distributes its solutions by leveraging AMP's advice network, brokers and directly.

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

Strategy
On 8 August 2019, AMP announced its three-year strategic plan to transform the business into a simpler, client-focused business that is higher growth and higher return. Under the strategy, AMP will:
- Divest majority ownership in Australian and New Zealand wealth protection and mature to release capital and further localise New Zealand wealth management, exploring options to divest.
- Reinvent wealth management in Australia, helping clients realise their ambitions.
  - Grow contemporary solutions in Australian wealth management including shifting focus to direct-to-client channels and digital solutions.
  - Further integrate AMP Bank solutions with wealth management, continuing strong growth; target double-digit earnings growth over medium term.
  - Fix legacy issues in Australian wealth management including reshaping aligned advice (buyback changes; fewer, more productive advisers), simplifying super.
- Grow AMP Capital through differentiated capabilities such as in real assets and public markets, pursue international growth opportunities.
  - Continue to expand global footprint in real assets, growing customised solutions.
  - Build on strong relationships in China, Japan, US; explore opportunities to expand real asset and global equity capabilities into international markets.
  - Double-digit earnings growth over the medium term through the cycle.
- Reinvigorate AMP culture to be client led, entrepreneurial, and accountable, with effective management of financial and non-financial risk.

The strategy will be supported by a focussed and disciplined $1.0 billion – $1.3 billion program to invest in transformation.
- Investing in growth ($350–$450 million investment).
- Realising cost improvement ($350–$450 million investment).
  - Delivery of $300 million annual run-rate cost savings by FY 22.
- Tackling legacy issues by de-risking the business ($300–$400 million investment).

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

The revised agreement delivers consideration of $3.0 billion comprising:
- $2.5 billion cash; and
- $500 million equity interest (expected to be around 20%) in Resolution Life NOHC Pty Ltd (Resolution Life Australia), a new Australian-domiciled, Resolution controlled holding company that will become the owner of the Australian and New Zealand WP and mature businesses.

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

The sale is now expected to complete in 1H 20. AMP will continue to report the results of the Australian and New Zealand WP and mature businesses through to completion of the transaction.

Resolution Life Australia represents a platform for continued growth and consolidation in the Australian and New Zealand in-force life insurance market. From completion, AMP's expected 20% interest will provide an ongoing entitlement to an equivalent share of the new company's earnings and distributions (including franking credits as appropriate). AMP has the right, but not the obligation, to subscribe additional capital in future to maintain its expected 20% holding.

Impairment
During 1H 19, AMP recognised a predominantly non-cash impairment of $2.35 billion (post tax) to write down goodwill in Australian wealth management and Australian and New Zealand wealth protection and mature, capitalised project costs, valuations of advice registers and associated practice finance loans. The impairment addresses legacy issues and positions AMP for the future, with an approximate capital impact of $139 million (post tax).

Review of operations and results
The loss attributable to shareholders of AMP Limited for the half year ended 30 June 2019 was $2,292 million (1H 18: profit of $115 million).

AMP's underlying profit for the half year ended 30 June 2019 was $309 million (1H 18: $495 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 loss per share for the half year ended 30 June 2019 on a statutory basis were 78.4 cents per share (1H 18: basic earnings per share of 4.0 cents per share). On an underlying basis, the earnings per share were 10.5 cents per share (1H 18: 17.0 cents per share).

Key performance measures were as follows:

- 1H 19 underlying profit of $309 million has reduced 38% from $495 million in 1H 18. This decrease largely reflects the impact of the Australian and New Zealand wealth protection and mature businesses and weaker Australian wealth management earnings (-50%), partly offset by growth in AMP Capital (+28%).
- 1H 19 loss attributable to shareholders of $2,292 million has been impacted by the write down of goodwill and capitalised costs, and reduction in the carrying value of advice registers held by AMP, including those currently in the buyback process.
- Australian wealth management earnings of $103 million declined 50% from 1H 18, driven by lower investment related revenue arising from margin compression, including MySuper price changes in Q3 18, and higher controllable costs in part driven by higher risk and compliance costs.
- Australian wealth management net cash outflows were $3,096 million in 1H 19, including $1,228 million of pension payments, in line with net cash outflows of $3,095 million in 2H 18 reflecting a range of factors including the impact of AMP's appearance at the Royal Commission in 2018.
- AMP Capital external net cashflows were $818 million, compared with $1,591 million in 1H 18, with $5.1 billion of committed capital available for deployment. External net cashflows were driven by strong flows into real asset classes (infrastructure and real estate), partly offset by lower cashflows from Asian based investors.
- AMP Bank's total loan book increased to $20.2 billion while deposits increased 4% to $13.9 billion from FY 18.
- Australian and New Zealand wealth protection and mature earnings of $31 million were down 69% on 1H 18 due to capitalised losses and other one-off experience items and the impact of best estimate assumptions post 'Protecting Your Super' legislative changes.
- Underlying return on equity decreased 4.3 percentage points to 9.5% in 1H 19 from 1H 18 reflecting reduced operating earnings in the Australian and New Zealand wealth protection and mature businesses and the Australian wealth management business.

AMP's total assets under management (AUM) and administration were $275 billion at 30 June 2019 ($258 billion at 31 December 2018).

Capital management and dividend
Equity and reserves of the AMP group attributable to shareholders of AMP Limited decreased to $4.3 billion at 30 June 2019 from $6.7 billion at 31 December 2018.

AMP remains adequately capitalised, with $1.7 billion in shareholder regulatory capital resources, above minimum regulatory requirements (MRR) at 30 June 2019 ($1.7 billion at 31 December 2018).

The AMP Board has resolved not to declare a first half 2019 dividend. The Board will maintain a consistent approach to capital management until the completion of the sale of Australian and New Zealand wealth protection and mature.

Events occurring after reporting date

Revised agreement for sale of Australian and New Zealand wealth protection and mature businesses
On 8 August 2019, AMP announced a revised agreement with Resolution, with updated terms, for the sale of its Australian and New Zealand wealth protection (WP) and mature businesses. The revised agreement delivers consideration of $2,500 million cash and a $500 million equity interest in Resolution Life NOHC Pty Ltd, a new Australian-domiciled Resolution controlled holding company that will become the owner of these businesses.

Resolution will be on risk for all experience and lapse losses from 1 July 2018 until completion and is entitled to all net earnings of the Australian and New Zealand WP and mature businesses during that period. The agreement remains subject to regulatory approvals in Australia, New Zealand and China.

Capital raising
On 8 August 2019, AMP announced a capital raising comprising a fully underwritten $650 million Institutional Placement (IP) to institutional investors and a separate non-underwritten Share Purchase Plan (SPP) for eligible shareholders in Australia and New Zealand.

New AMP shares issued under the IP and SPP will rank equally with existing AMP shares.

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

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 2019.

Building a better working world

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

As lead auditor for the review of the half-year financial report of AMP Limited for the half-year ended 30 June 2019, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the 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 during the financial period.

Ernst & Young

Ernst & Young

Andrew Price
Partner
Sydney
8 August 2019

Signed in accordance with a resolution of the directors.

David Murray
Chairman

Francesco De Ferrari
Chief Executive Officer and Managing Director

Sydney, 8 August 2019

AMP LIMITED
ABN 49 079 354 519
HALF YEAR FINANCIAL REPORT
30 JUNE 2019

Contents

Consolidated income statement

for the half year ended 30 June 2019

	Note	30 Jun 2019 $m	30 Jun 2018 $m
Income and expenses of shareholders, policyholders, external unitholders and non-controlling interests[1]			
Life insurance contract related revenue		**1,169**	1,210
Life insurance claims recovered from reinsurers		**247**	226
Fee revenue		**1,491**	1,548
Other revenue		**78**	85
Interest income, dividends and distributions and net gains or losses on financial assets and liabilities at fair value through profit or loss		**12,422**	3,664
Interest income earned using the effective interest method		**449**	437
Share of profit or loss of associates accounted for using the equity method		**39**	19
Life insurance contract claims expense		**(1,068)**	(1,083)
Life insurance contract premium ceded to reinsurers		**(533)**	(484)
Fees and commission expenses		**(789)**	(835)
Staff and related expenses		**(633)**	(553)
Impairment of goodwill and other intangibles	3.2	**(2,306)**	-
Other operating expenses		**(836)**	(942)
Finance costs		**(326)**	(294)
Movement in external unitholder liabilities		**(1,556)**	(485)
Change in policyholder liabilities			
- life insurance contracts		**(1,409)**	55
- investment contracts		**(7,900)**	(2,347)
Income tax expense	2.2	**(812)**	(93)
(Loss) profit for the period		**(2,273)**	128
(Loss) profit attributable to shareholders of AMP Limited		**(2,292)**	115
Profit attributable to non-controlling interests		**19**	13
(Loss) profit for the period		**(2,273)**	128
(Loss) earnings per share		**cents**	**cents**
Basic		**(78.4)**	4.0
Diluted[2]		**(78.4)**	3.9

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.

2 Diluted earnings per share as at 30 June 2018 includes the weighted average number of potential ordinary shares relating to certain performance rights and share rights awards.

Consolidated statement of comprehensive income

for the half year ended 30 June 2019

	30 Jun 2019 $m	30 Jun 2018 $m
(Loss) profit for the period	**(2,273)**	128
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Fair value reserve		
- net gain on fair value asset reserve	**73**	6
- tax effect on fair value asset reserve gain	**(22)**	(2)
- transferred to profit for the period	**(4)**	-
- tax effect on amount transferred to profit for the period	**1**	-
	48	4
Cash flow hedges		
- net loss on cash flow hedges	**(60)**	(12)
- tax effect on cash flow hedge loss	**18**	4
- amount transferred to profit for the period	**4**	6
- tax effect on amount transferred to profit for the period	**(1)**	(2)
	(39)	(4)
Translation of foreign operations and revaluation of hedge of net investments	**6**	22
	6	22
Items that will not be reclassified subsequently to profit or loss		
Fair value reserve - equity instruments held by AMP Foundation	**8**	-
	8	-
Defined benefit plans		
- actuarial (losses) gains	**(40)**	18
- tax effect on actuarial gains or losses	**12**	(5)
	(28)	13
Other comprehensive (loss) income for the period	**(5)**	35
Total comprehensive (loss) income for the period	**(2,278)**	163
Total comprehensive (loss) income attributable to shareholders of AMP Limited	**(2,297)**	150
Total comprehensive income attributable to non-controlling interests	**19**	13
Total comprehensive (loss) income for the period	**(2,278)**	163

Consolidated statement of financial position

as at 30 June 2019

	Note	30 Jun 2019 $m	31 Dec 2018 $m
Assets			
Cash and cash equivalents		**3,544**	3,932
Receivables		**3,746**	2,608
Current tax assets		**23**	213
Planner registers held for sale and prepayments		**86**	101
Investments in financial assets	3.1	**135,469**	132,103
Investment properties		**147**	145
Investments in associates accounted for using the equity method		**881**	924
Property, plant and equipment		**110**	95
Right of use assets		**238**	-
Deferred tax assets	2.2	**1,309**	966
Reinsurance asset - ceded life insurance contracts		**1,146**	1,073
Intangibles	3.2	**910**	3,208
Total assets of shareholders of AMP Limited, policyholders, external unitholders and non-controlling interests		**147,609**	145,368
Liabilities			
Payables		**3,526**	2,032
Current tax liabilities		**419**	73
Employee benefits		**280**	316
Other financial liabilities	3.1	**987**	1,389
Provisions	6.1	**939**	807
Interest-bearing liabilities	4.2	**22,041**	21,650
Lease liabilities		**251**	-
Deferred tax liabilities	2.2	**2,170**	1,723
External unitholder liabilities		**13,761**	17,059
Life insurance contract liabilities	5.1	**24,252**	23,257
Investment contract liabilities		**72,956**	68,742
Reinsurance liability - ceded life insurance contracts		**1,514**	1,452
Defined benefit plan liabilities		**118**	77
Total liabilities of shareholders of AMP Limited, policyholders, external unitholders and non-controlling interests		**143,214**	138,577
Net assets of shareholders of AMP Limited and non-controlling interests		**4,395**	6,791
Equity			
Contributed equity	4.1	**9,535**	9,502
Reserves		**(1,923)**	(1,931)
Retained earnings		**(3,335)**	(886)
Total equity of shareholders of AMP Limited		**4,277**	6,685
Non-controlling interests		**118**	106
Total equity of shareholders of AMP Limited and non-controlling interests		**4,395**	6,791

Consolidated statement of changes in equity

for the half year ended 30 June 2019

	Equity attributable to shareholders of AMP Limited											
	Contributed equity $m	Demerger reserve[1] $m	Share-based payment reserve[2] $m	Capital profits reserve[3] $m	Fair value reserve $m	Cash flow hedge reserve $m	Foreign currency translation and hedge of net investments reserves $m	Total reserves $m	Retained earnings $m	Total shareholder equity $m	Non-controlling interest $m	Total equity $m
30 June 2019												
Balance at 31 December 2018	**9,502**	**(2,566)**	**105**	**329**	**21**	**8**	**172**	**(1,931)**	**(886)**	**6,685**	**106**	**6,791**
Impact of adoption of new accounting standards	-	-	-	-	-	-	-	-	**(7)**	**(7)**	-	**(7)**
Balance at 1 January 2019	**9,502**	**(2,566)**	**105**	**329**	**21**	**8**	**172**	**(1,931)**	**(893)**	**6,678**	**106**	**6,784**
Loss	-	-	-	-	-	-	-	-	**(2,292)**	**(2,292)**	**19**	**(2,273)**
Other comprehensive loss	-	-	-	-	**56**	**(39)**	**6**	**23**	**(28)**	**(5)**	-	**(5)**
Total comprehensive income	-	-	-	-	**56**	**(39)**	**6**	**23**	**(2,320)**	**(2,297)**	**19**	**(2,278)**
Share-based payment expense	-	-	**14**	-	-	-	-	**14**	-	**14**	**2**	**16**
Share purchases	-	-	**(21)**	-	-	-	-	**(21)**	-	**(21)**	**(1)**	**(22)**
Net sale (purchase) of treasury shares	**12**	-	-	-	-	-	-	-	**(6)**	**6**	-	**6**
Dividends paid[4]	-	-	-	-	-	-	-	-	**(117)**	**(117)**	**(5)**	**(122)**
Dividends paid on treasury shares[4]	-	-	-	-	-	-	-	-	**1**	**1**	-	**1**
New capital from shares issued under dividend reinvestment plan	**21**	-	-	-	-	-	-	-	-	**21**	-	**21**
Sales and acquisitions of non-controlling interests	-	-	-	**(8)**	-	-	-	**(8)**	-	**(8)**	**(3)**	**(11)**
Balance at 30 June 2019	**9,535**	**(2,566)**	**98**	**321**	**77**	**(31)**	**178**	**(1,923)**	**(3,335)**	**4,277**	**118**	**4,395**
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 (purchase) 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

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

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

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

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

Consolidated statement of cash flows

for the half year ended 30 June 2019

	30 Jun 2019 $m	30 Jun 2018 $m
Cash flows from operating activities[1]		
Cash receipts in the course of operations	**6,640**	7,385
Interest received	**970**	1,056
Dividends and distributions received[2]	**658**	691
Cash payments in the course of operations	**(12,353)**	(10,796)
Finance costs	**(331)**	(382)
Income tax paid	**(157)**	(300)
Cash flows used in operating activities	**(4,573)**	(2,346)
Cash flows from investing activities[1]		
Net proceeds from sale of (payments to acquire):		
- investments in financial assets[3]	**4,394**	1,348
- operating and intangible assets	**(32)**	(13)
- operating controlled entities and investments in associates accounted for using the equity method	**(70)**	(19)
Cash flows from investing activities	**4,292**	1,316
Cash flows from financing activities		
Net movement in deposits from customers	**784**	629
Proceeds from borrowings - non-banking operations[1]	**810**	396
Repayment of borrowings - non-banking operations[1]	**(669)**	(83)
Net movement in borrowings - banking operations	**(564)**	99
Dividends paid[4]	**(100)**	(418)
Cash flows from financing activities	**261**	623
Net decrease in cash and cash equivalents	**(20)**	(407)
Cash and cash equivalents at the beginning of the half year	**7,382**	7,222
Effect of exchange rate changes on cash and cash equivalents	**2**	(1)
Cash and cash equivalents at the end of the period[1]	**7,364**	6,814

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

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

3 Net proceeds from sale of (payments to acquire) investments in financial assets also 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 AMP group is comprised of AMP Limited (the parent), a holding company incorporated and domiciled in Australia, and the entities it controls (subsidiaries or controlled entities). The consolidated financial statements of AMP Limited include the financial information of its controlled entities.

The consolidated entity prepares a general purpose financial report. This general purpose financial report has been prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. AMP Limited 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 2018 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 2019 half year financial report are consistent with the accounting policies and methods of computation adopted in the preparation of the 2018 annual financial report; except for the impact of new accounting standards adopted at 1 January 2019 which are disclosed in note 6.2.

Agreement to sell wealth protection and mature business

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

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

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

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

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

Section 1: About this report

1.2 Understanding the AMP financial report

AMP business operations are carried out by a number of 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, disclosed as External unitholder liabilities on the Consolidated statement of financial position.

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

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.

Underlying profit is AMP's key measure of business performance. This performance measure is disclosed by 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 Chief Executive Officer and his immediate team in assessing performance and determining the allocation of resources. The operating segments are identified according to the nature of profit generated and services provided, and their performance is evaluated based on a post-tax operating earnings basis.

Reportable segment	Segment description
Australian wealth management (WM)	Financial advice services (through aligned and owned advice businesses), platform and software administration (including SMSF), unit linked superannuation, retirement income and managed investment products business in Australia. Superannuation products include personal and employer sponsored plans with insurance.
New Zealand wealth management (NZWM)	Encompasses the wealth management and financial advice and distribution business in New Zealand. Customers are provided with a variety of wealth management solutions including KiwiSaver, corporate superannuation, retail investments and a wrap investment management platform.
AMP Capital	A diversified investment manager with a growing international presence providing investment services for domestic and international customers. AMP Capital manages investments across major asset classes including equities, fixed interest, real estate, infrastructure and multi-manager and multi-asset funds. AMP Capital also provides commercial, industrial and retail real estate management services. On 1 March 2012, AMP Capital and Mitsubishi UFJ Trust and Banking Corporation (MUFG: Trust Bank) formed a strategic business and capital alliance. As part of that alliance, MUFG: Trust Bank acquired a 15% ownership interest in AMP Capital. The initial five year agreement between AMP Capital and MUFG: Trust Bank was renewed in the first quarter of 2017. In November 2013, AMP Capital established a funds management company in China with China Life called China Life AMP Asset Management Company Limited (CLAMP). AMP Capital is a founding shareholder, holding a 15% stake, with the balance held by China Life Asset Management Company, a subsidiary of China Life.
AMP Bank	Australian retail bank offering residential mortgages, deposits, transaction banking and SMSF products. It also has a portfolio of practice finance loans. AMP Bank distributes through AMP's aligned distribution network as well as third party brokers, and direct to retail customers via phone and online.
Australian and New Zealand wealth protection (WP) and mature	Australian WP includes individual and group term, disability and income protection insurance products. Products can be held within a superannuation product or held independently of superannuation. Australian mature is a business comprising products which are largely closed to new business and are in run-off. Products within Australian mature include whole of life, endowment, investment linked, investment account, Retirement Savings Account (RSA), Eligible Rollover Fund (ERF), annuities, insurance bonds, personal superannuation and guaranteed savings accounts (GSAs). New Zealand WP and mature includes risk insurance and mature book (traditional participating business).

Segment information is not reported for activities of the AMP group office companies as it is not the function of these 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 2019	WM $m	NZWM $m	AMP Capital[1] $m	AMP Bank $m	Aus & NZ WP & mature $m	Total $m
Segment profit after income tax	**103**	**22**	**120**	**71**	**31**	**347**
External customer revenue	**549**	**76**	**276**	**202**	**31**	**1,134**
Intersegment revenue[2]	**8**	**-**	**126**	**-**	**-**	**134**
Segment revenue[3]	**557**	**76**	**402**	**202**	**31**	**1,268**
30 June 2018						
Segment profit after income tax	204	28	94	78	99	503
External customer revenue	620	73	234	201	99	1,227
Intersegment revenue[2]	56	9	126	-	-	191
Segment revenue[3]	676	82	360	201	99	1,418

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

2 Intersegment revenue represents operating revenue betw een segments priced on a market related basis and is eliminated on consolidation.

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

Section 2: Results for the half year

2.1 Segment performance (continued)

(b) Reconciliations

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

	30 Jun 2019 $m	30 Jun 2018 $m
Segment profit after income tax	**347**	503
Group office costs	**(59)**	(29)
Total operating earnings	**288**	474
Underlying investment income[1]	**55**	52
Interest expense on corporate debt	**(34)**	(31)
Underlying profit	**309**	495
Client remediation and related costs	**(41)**	(312)
Royal Commission	**-**	(13)
Portfolio review	**-**	(19)
Separation costs	**(89)**	-
Risk management, governance and controls	**(17)**	-
Other items[2]	**(5)**	(41)
Impairments	**(2,352)**	-
Amortisation of acquired intangible assets[3]	**(45)**	(40)
(Loss) profit before market adjustments and accounting mismatches	**(2,240)**	70
Market adjustment - investment income[1]	**(16)**	(10)
Market adjustment - annuity fair value[4]	**(5)**	8
Market adjustment - risk products[5]	**(26)**	15
Accounting mismatches[6]	**(5)**	32
(Loss) profit attributable to shareholders of AMP Limited	**(2,292)**	115
Profit attributable to non-controlling interests	**19**	13
(Loss) profit for the period	**(2,273)**	128

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

2 Other items largely comprise the net of one-off and non-recurring revenues and costs, including the cost of implementing significant regulatory changes.

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

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

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

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

(c) Segment assets

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

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 or loss before income tax for the half year and the income tax expense recognised in the Consolidated income statement for the half year.

	30 Jun 2019 $m	**30 Jun 2018 $m**
(Loss) profit before income tax	**(1,461)**	221
Policyholder tax expense recognised as part of the change in policyholder liabilities in determining profit before tax	**(918)**	(51)
(Loss) profit before income tax excluding tax charged to policyholders	**(2,379)**	170
Tax at the Australian tax rate of 30% (2018: 30%)	**714**	(51)
Shareholder impact of life insurance tax treatment	**(59)**	(6)
Tax concessions including research and development and offshore banking unit	**-**	4
Non-deductible expenses	**(17)**	(13)
Non-taxable income	**40**	8
Other items	**2**	9
Goodwill impairment	**(590)**	-
Over provided in previous years	**1**	3
Utilisation of previously unrecognised tax losses	**9**	-
Differences in overseas tax rates	**6**	4
Income tax credit (expense) attributable to shareholders and non-controlling interest	**106**	(42)
Income tax expense attributable to policyholders	**(918)**	(51)
Income tax expense per Consolidated income statement	**(812)**	(93)

Section 2: Results for the half year

2.2 Taxes (continued)

(b) Analysis of income tax expense

	30 Jun 2019 $m	30 Jun 2018 $m
Current tax expense	**(710)**	(821)
Increase in deferred tax assets	**343**	227
(Increase) decrease in deferred tax liabilities	**(447)**	498
Over provided in previous years including amounts attributable to policyholders	**2**	3
Income tax expense	**(812)**	(93)

(c) Analysis of deferred tax balances

	30 Jun 2019 $m	31 Dec 2018 $m
Analysis of deferred tax assets		
Expenses deductible and income recognisable in future years	**995**	792
Unrealised movements on borrowings and derivatives	**48**	30
Unrealised investment losses	**40**	41
Losses available for offset against future taxable income	**52**	45
Other	**174**	58
Total deferred tax assets	**1,309**	966
Analysis of deferred tax liabilities		
Unrealised investment gains	**1,700**	1,174
Other	**470**	549
Total deferred tax liabilities	**2,170**	1,723

(d) Amounts recognised directly in equity

	30 Jun 2019 $m	30 Jun 2018 $m
Deferred income tax credit (expense) related to items taken directly to equity during the period	**8**	(5)

Section 2: Results for the half year

2.3 Dividends

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

	2019 Interim	2018 Final	2018 Interim	2017 Final
Dividend per share (cents)	-	4.0	10.0	14.5
Franking percentage	-	90%	50%	90%
Cost (in $m)	-	117	292	423
Payment date	-	28 March 2019	28 September 2018	28 March 2018

	30 Jun 2019 $m	30 Jun 2018 $m
Dividends paid		
Previous year final dividend on ordinary shares	**117**	423
Total dividends paid[1]	**117**	423
Interim dividends proposed but not recognised	**-**	292

1 Total dividends paid includes dividends paid on Treasury shares $1m (30 June 2018: $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 2019 $m	31 Dec 2018 $m
Financial assets measured at fair value through profit or loss[1]		
Equity securities and listed managed investment schemes	**57,499**	55,894
Debt securities	**30,471**	32,577
Unlisted managed investment schemes	**23,793**	19,838
Derivative financial assets	**1,352**	1,059
Total financial assets measured at fair value through profit or loss	**113,115**	109,368
Financial assets measured at fair value through other comprehensive income		
Debt securities[2]	**2,001**	2,355
Equity securities	**65**	60
Total financial assets measured at fair value through other comprehensive income	**2,066**	2,415
Financial assets measured at amortised cost[3]		
Loans and advances	**20,193**	20,098
Debt securities	**95**	222
Total financial assets measured at amortised cost	**20,288**	20,320
Total financial assets	**135,469**	132,103
Other financial liabilities		
Derivative financial liabilities	**809**	1,225
Collateral deposits held	**178**	164
Total other financial liabilities	**987**	1,389

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

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

3 Financial assets measured at amortised cost are presented net of expected credit losses (ECLs) of $117m (2018: $38m). Included in this balance are loans to aligned advice practices of $418m (2018: $529m), net of ECLs of $93m (2018: $20m). Due to the operation of an intragroup indemnity, the impact of the movement in ECL provisions relating to aligned advice practice loans is not borne by AMP Bank.

Section 3: Investments and intangibles

3.2 Intangibles

30 June 2019	Goodwill[1] $m	Capitalised costs[2] $m	Value of in-force business $m	Distribution networks $m	Other intangibles $m	Total $m
Balance at 1 January 2019	**2,130**	**505**	**420**	**138**	**15**	**3,208**
Additions through acquisitions of controlled entities	**10**	**-**	**-**	**44**	**-**	**54**
Additions through separate acquisitions	**-**	**-**	**-**	**25**	**-**	**25**
Additions through internal development	**-**	**61**	**-**	**-**	**-**	**61**
Reductions through disposal	**-**	**-**	**-**	**-**	**-**	**-**
Transferred to inventories	**-**	**-**	**-**	**(1)**	**-**	**(1)**
Amortisation expense	**-**	**(66)**	**(39)**	**(25)**	**(1)**	**(131)**
Impairment loss	**(1,968)**	**(301)**	**-**	**(37)**	**-**	**(2,306)**
Balance at 30 June 2019	**172**	**199**	**381**	**144**	**14**	**910**
Cost	***2,916***	***1,707***	***1,191***	***461***	***110***	***6,385***
Accumulated amortisation and impairment	***(2,744)***	***(1,508)***	***(810)***	***(317)***	***(96)***	***(5,475)***
31 December 2018						
Balance at 1 January 2018	2,123	434	498	147	16	3,218
Additions through acquisitions of controlled entities	7	-	-	11	-	18
Additions through separate acquisitions	-	-	-	36	-	36
Additions through internal development	-	189	-	-	-	189
Reductions through disposal	-	-	-	(11)	-	(11)
Transferred to inventories	-	-	-	(3)	-	(3)
Amortisation expense	-	(118)	(78)	(23)	(1)	(220)
Impairment loss	-	-	-	(19)	-	(19)
Balance at 31 December 2018	2,130	505	420	138	15	3,208
Cost	*2,906*	*1,646*	*1,191*	*393*	*110*	*6,246*
Accumulated amortisation and impairment	*(776)*	*(1,141)*	*(771)*	*(255)*	*(95)*	*(3,038)*

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

2 AMP's new strategy has resulted in a review of the expected future economic benefits and useful life of Capitalised costs. This has resulted in impairment in the half year ended 30 June 2019.

Section 3: Investments and intangibles

3.2 Intangibles (continued)

Impairment testing

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

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs). An impairment loss is recognised when the CGU's carrying amount exceeds the recoverable amount.

Goodwill attributable to shareholders
The goodwill attributable to shareholders of $157m (2018: $2,115m) arose primarily from the acquisition of AMP AAPH Limited group in 2011, a previous Life Act Part 9 transfer of a life insurance business into the statutory funds of AMP Life as well as other business combinations where the AMP group was the acquirer.

The composition of the group's CGUs has not changed since December 2018 and is consistent with the composition of the group's operating segments as disclosed in note 2.1. Goodwill attributable to shareholders allocated to each CGU is presented in the table below.

	30 Jun 2019 $m	**31 Dec 2018 $m**
Australian wealth management (WM)	-	1,499
New Zealand wealth management (NZWM)	70	70
Australian and New Zealand wealth protection (WP) and mature	-	459
AMP Capital	87	87
	157	2,115

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

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

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

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

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

Section 3: Investments and intangibles

3.2 Intangibles (continued)

Goodwill attributable to policyholders
Policyholder CGUs were allocated $15m goodwill at 30 June 2019 (31 December 2018: $15m).

Impairment loss
Goodwill attributed to the Australian wealth management CGU has been fully impaired as at 30 June 2019 resulting in a non-cash impairment expense of $1,509m during the period, recognised in the Impairment of goodwill and other intangibles line in the Consolidated income statement. The impairment was the result of a number of factors including impacts from the new AMP strategy, challenging market conditions impacting margins and funds under management, regulatory and legislative changes such as Protecting Your Super (PYS) legislation, and continued migration to lower margin contemporary products.

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

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

Critical accounting estimates and judgements:

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

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

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 2019	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	**57,564**	**54,314**	**799**	**2,451**	**57,564**
Debt securities	**32,472**	**1,848**	**30,501**	**123**	**32,472**
Unlisted managed investment schemes	**23,793**	**-**	**21,394**	**2,399**	**23,793**
Derivative financial assets	**1,352**	**166**	**1,186**	**-**	**1,352**
Investment properties	**147**	**-**	**-**	**147**	**147**
Total financial assets measured at fair value	**115,328**	**56,328**	**53,880**	**5,120**	**115,328**
Financial assets not measured at fair value					
Loans and advances	**20,193**	**-**	**-**	**20,211**	**20,211**
Debt securities	**95**	**-**	**95**	**-**	**95**
Total financial assets not measured at fair value	**20,288**	**-**	**95**	**20,211**	**20,306**
Financial liabilities measured at fair value					
Derivative financial liabilities	**809**	**100**	**709**	**-**	**809**
Collateral deposits held	**178**	**-**	**178**	**-**	**178**
Investment contract liabilities	**72,956**	**-**	**1,664**	**71,292**	**72,956**
Total financial liabilities measured at fair value	**73,943**	**100**	**2,551**	**71,292**	**73,943**
Financial liabilities not measured at fair value					
AMP Bank					
- Deposits	**11,796**	**-**	**11,796**	**-**	**11,796**
- Other	**7,535**	**-**	**7,558**	**-**	**7,558**
Corporate borrowings	**2,234**	**-**	**2,242**	**-**	**2,242**
Borrowings within investment entities controlled by AMP Life's statutory funds	**477**	**-**	**477**	**-**	**477**
Total financial liabilities not measured at fair value	**22,042**	**-**	**22,073**	**-**	**22,073**
31 December 2018					
Financial assets measured at fair value					
Equity securities and listed managed investment schemes	55,954	52,821	769	2,364	55,954
Debt securities	34,932	1,978	32,837	117	34,932
Unlisted managed investment schemes	19,838	-	17,940	1,898	19,838
Derivative financial assets	1,059	393	666	-	1,059
Investment properties	145	-	-	145	145
Total financial assets measured at fair value	111,928	55,192	52,212	4,524	111,928
Financial assets not measured at fair value					
Loans and advances	20,098	-	-	20,101	20,101
Debt securities	222	-	225	-	225
Total financial assets not measured at fair value	20,320	-	225	20,101	20,326
Financial liabilities measured at fair value					
Derivative financial liabilities	1,225	225	1,000	-	1,225
Collateral deposits held	164	-	164	-	164
Investment contract liabilities	68,742	-	1,810	66,932	68,742
Total financial liabilities measured at fair value	70,131	225	2,974	66,932	70,131
Financial liabilities not measured at fair value					
AMP Bank					
- Deposits	11,012	-	11,012	-	11,012
- Other	8,103	-	8,062	-	8,062
Corporate borrowings	2,154	-	2,177	-	2,177
Borrowings within investment entities controlled by AMP Life's statutory funds	381	-	381	-	381
Total financial liabilities not measured at fair value	21,650	-	21,632	-	21,632

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 listed equity securities traded in an active market and listed managed investment schemes reflects the quoted bid price at the reporting date. In the case of equity securities where there is no active market, fair value is established using valuation techniques including the use of recent arm's length transactions, references to other instruments that are substantially the same, discounted cash flow analysis and option pricing models.
Debt securities	The fair value of listed debt securities reflects the bid price at the reporting date. Listed debt securities that are not frequently traded are valued by discounting estimated recoverable amounts. The fair value of unlisted debt securities is estimated using interest rate yields obtainable on comparable listed investments. The fair value of loans is determined by discounting the estimated recoverable amount using prevailing interest rates.
Loans	The estimated fair value of loans represents the discounted amount of estimated future cash flows expected to be received, based on the maturity profile of the loans. As the loans are unlisted, the discount rates applied are based on the yield curve appropriate to the remaining term of the loans. The loans may, from time to time, be measured at an amount in excess of fair value due to fluctuations on fixed rate loans. In these situations, as the fluctuations in fair value would not represent a permanent diminution and the carrying amounts of the loans are recorded at recoverable amounts after assessing impairment, it would not be appropriate to restate their carrying amount.
Unlisted managed investment schemes	The fair value of investments in unlisted managed investment schemes is determined on the basis of published redemption prices of those managed investment schemes at the reporting date.
Derivative financial assets and liabilities	The fair value of financial instruments traded in active markets (such as publicly traded derivatives) is based on quoted market prices (current bid price or current offer price) at the reporting date. The fair value of financial instruments not traded in an active market (e.g. over-the-counter derivatives) is determined using valuation techniques. Valuation techniques include net present value techniques, option pricing models, discounted cash flow methods and comparison to quoted market prices or dealer quotes for similar instruments. The models use a number of inputs, including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate curves and forward rate curves of the underlying instruments. Some derivatives contracts are significantly cash collateralised, thereby minimising both counterparty risk and the group's own non-performance risk.
Corporate borrowings	Borrowings comprise commercial paper, drawn liquidity facilities, various floating-rate and medium-term notes and subordinated debt. The estimated fair value of borrowings is determined with reference to quoted market prices. For borrowings where quoted market prices are not available, a discounted cash flow model is used, based on a current yield curve appropriate for the remaining term to maturity. For short term borrowings, the par value is considered a reasonable approximation of the fair value.
AMP Bank deposits and other borrowings	The estimated fair value of deposits and other borrowings represents the discounted amount of estimated future cash flows expected to be paid based on the residual maturity of these liabilities. The discount rate applied is based on a current yield curve appropriate for similar types of deposits and borrowings at the reporting date.
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 or liabilities;
- Level 2: the fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3: the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

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

There have been no significant transfers between Level 1 and Level 2 during the 2019 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 measured at fair value on a recurring basis and categorised within Level 3 of the fair value hierarchy, the valuation processes applied in valuing such assets is governed by the AMP Capital asset valuation policy. This policy outlines the asset valuation methodologies and processes applied to measure non-exchange traded assets which have no regular market price, including investment property, infrastructure, private equity, alternative assets, and illiquid debt securities. All significant Level 3 assets are referred to the appropriate valuation committee who meet at least every six months, or more frequently if required.

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

Type	Valuation technique	Significant unobservable inputs
Equity securities and listed managed investment schemes	Discounted cash flow approach utilising cost of equity as the discount rate.	Discount rate Terminal value growth rate Cash flow forecasts
Debt securities	Discounted cash flow approach.	Discount rate Cash flow forecasts Credit risk
Unlisted managed investment schemes	Published redemption prices.	Judgement made in determining unit prices
Investment contract liabilities	Published unit prices and the fair value of backing assets.	Fair value of financial instruments Cash flow forecasts Credit risk
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 measured at fair value on a recurring basis and categorised as Level 3 in the fair value hierarchy. These include assumptions such as credit risk and discount rates for determining the valuation range on an individual investment. However, the impact to AMP of any reasonable possible alternative assumptions is not significant as any movement in the value of these financial assets is substantially offset by a corresponding increase or decrease in the value of investment contract liabilities.

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

	30 June 2019		31 December 2018	
	(+)	(-)	(+)	(-)
	$m	$m	$m	$m
Financial assets				
Equity securities and listed managed investment schemes[1,2]	**92**	**(79)**	92	(91)
Financial liabilities				
Investment contract liabilities[2]	**99**	**(87)**	94	(92)
Net sensitivity	**(7)**	**8**	(2)	1

1 The discount rates used to value the assets range from 7.25% to 16.3%. Sensitivities have been determined by up to +/- 100 basis point change in the discount rates.

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

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 measured at fair value on a recurring basis and categorised as Level 3 in the fair value hierarchy:

30 June 2019	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
Assets classified as Level 3								
Equity securities and listed managed investment schemes	**2,364**	**-**	**47**	**11**	**(8)**	**37**	**2,451**	**52**
Debt securities	**117**	**-**	**7**	**1**	**(1)**	**(1)**	**123**	**7**
Unlisted managed investment schemes	**1,898**	**-**	**29**	**167**	**(1)**	**306**	**2,399**	**9**
Investment properties	**145**	**-**	**2**	**-**	**-**	**-**	**147**	**2**
Liabilities classified as Level 3								
Investment contract liabilities	**66,932**	**1**	**7,441**	**3,426**	**(6,508)**	**-**	**71,292**	**7,441**
31 December 2018								
Assets classified as Level 3								
Equity securities and listed managed investment schemes	1,936	-	179	388	(150)	11	2,364	123
Debt securities	112	-	1	21	(15)	(2)	117	2
Unlisted managed investment schemes	1,434	-	55	623	(268)	54	1,898	99
Investment properties	134	-	11	-	-	-	145	11
Liabilities classified as Level 3								
Investment contract liabilities	73,207	13	(1,172)	7,720	(12,836)	-	66,932	(1,172)

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

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

Section 4: Capital structure

This section provides information relating to AMP group's capital management, 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 policyholders.

- 4.1 Contributed equity
- 4.2 Interest-bearing liabilities
- 4.3 Capital management

4.1 Contributed equity

	30 Jun 2019 $m	31 Dec 2018 $m
Issued capital [1,3]		
2,946,493,058 (2018: 2,937,428,336) ordinary shares fully paid	**9,631**	9,610
Treasury shares [2]		
18,834,850 (2018: 21,102,496) treasury shares	**(96)**	(108)
Total contributed equity		
2,927,658,208 (2018: 2,916,325,840) ordinary shares fully paid	**9,535**	9,502
Issued capital		
Balance at the beginning of the period	**9,610**	9,547
9,064,722 (2018: 18,959,199) shares issued under dividend reinvestment plan[1]	**21**	63
Balance at the end of the period	**9,631**	9,610
Treasury shares		
Balance at the beginning of the period	**(108)**	(171)
Decrease due to purchases less sales during the period	**12**	63
Balance at the end of the period	**(96)**	(108)

1 Under the terms of the dividend reinvestment plan (DRP), shareholders may elect to have all or part of their dividend entitlements satisfied in shares rather than being paid cash. The DRP applied for the 2018 final dividend (paid in March 2019) at 4 cents per share. AMP settled the DRP for the 2018 final dividend by issuing shares at $2.33 per share.

2 Of the AMP Limited ordinary shares on issue 16,708,463 (2018: 18,976,109) are held by AMP Life on behalf of policyholders. ASIC has granted relief from restrictions in the *Corporations Act 2001* to allow AMP Life to hold and trade shares in AMP Limited as part of the policyholder funds' investment activities. The cost of the investment in these treasury shares is reflected as a deduction from total contributed equity. The remaining balance is held by AMP Foundation Limited as trustee for the AMP Foundation.

3 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).

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.

Section 4: Capital structure

4.2 Interest-bearing liabilities

(a) Interest-bearing liabilities

	30 June 2019			31 December 2018		
	Current $m	Non-current $m	Total $m	Current $m	Non-current $m	Total $m
Interest-bearing liabilities						
AMP Bank						
- Deposits[1]	**11,700**	**96**	**11,796**	10,942	70	11,012
- Other	**957**	**6,578**	**7,535**	2,255	5,848	8,103
Corporate entity borrowings[2]						
- 6.875% GBP Subordinated Guaranteed Bonds (maturity 2022)	**-**	**70**	**70**	-	68	68
- AMP Notes 3 (first call 2023, maturity 2028)[3]	**-**	**251**	**251**	-	251	251
- AMP Subordinated Notes[3]	-	**250**	**250**	-	250	250
- AMP Wholesale Capital Notes[4]	**-**	**277**	**277**	-	277	277
- AMP Capital Notes[4]	**-**	**264**	**264**	-	264	264
- Syndicated loan facility	**-**	**-**	**-**	488	-	488
- Commercial paper	**192**	**-**	**192**	259	-	259
- USD Medium Term Notes[5]	**-**	**438**	**438**	-	-	-
- CHF Medium Term Notes[5]	**-**	**445**	**445**	-	233	233
- Other	**46**	**-**	**46**	-	64	64
Borrowings within investment entities controlled by AMP Life statutory funds	**77**	**400**	**477**	79	302	381
Total interest-bearing liabilities	**12,972**	**9,069**	**22,041**	14,023	7,627	21,650

1 Deposits comprise at call customer cash on deposit and customer 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 and related principal repayment obligations. The carrying value of corporate entity borrowings includes interest payable of $16m (2018: $9m) which is expected to be settled within the next 12 months.

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

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

5 USD 300m 4 per cent Notes were issued on 14 March 2019 and mature 14 September 2021. CHF 110m and CHF 50m Senior Unsecured Fixed Rate Bonds were issued on 19 June 2018 and 19 September 2018 respectively, and mature 19 December 2022. CHF 140m Senior Unsecured Fixed Rate Bonds were issued on 18 April 2019 and mature 18 July 2023.

Section 4: Capital structure

4.2 Interest-bearing liabilities (continued)

(b) Financing arrangements

Loan facilities and note programs
AMP maintain facilities arranged through bond and note issues. Additional financing facilities are also provided through bank loans under normal commercial terms and conditions.

	30 Jun 2019 $m	31 Dec 2018 $m
Available	**17,497**	17,928
Used	**(3,843)**	(4,627)
Unused facilities at the end of the period	**13,654**	13,301

Section 4: Capital structure

4.3 Capital management

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

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

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

Calculation of capital resources

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

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

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

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

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

	30 Jun 2019 $m	**31 Dec 2018 $m**
AMP statutory equity attributable to shareholders of AMP Limited	**4,277**	**6,685**
Accounting mismatch, cash flow hedge resources and other adjustments	**30**	**(2)**
AMP shareholder equity	**4,307**	**6,683**
Subordinated debt[1]	**876**	**876**
Senior debt[1]	**1,033**	**973**
Total AMP capital resources	**6,216**	**8,532**

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

Capital requirements

A number of the operating entities within the AMP group of companies are regulated and are required to meet minimum regulatory capital requirements (MRR). The main minimum regulatory capital requirements for AMP's businesses are:

Operating entity	**Minimum regulatory capital requirement**
AMP Life Limited (AMP Life)	Capital adequacy requirements as specified under the APRA Life Insurance Prudential Standards
AMP Bank Limited (AMP Bank)	Capital requirements as specified under the APRA ADI Prudential Standards
AMP Superannuation Limited and National Mutual Superannuation Pty Limited	Operational Risk Financial Requirements as specified under the APRA Superannuation Prudential Standards
AMP Capital Investors Limited and other ASIC regulated businesses	Capital requirements under AFSL requirements and for risks relating to North guarantees

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

AMP Limited, AMP Life and AMP Bank have Board approved minimum capital levels above APRA requirements, with additional capital targets held above these amounts. Within the life insurance business, the capital targets above Board minimums have been set to a less than 10% probability of capital resources falling below the Board minimum over a 12 month period. Capital targets are also set for AMP Capital to cover risk associated with seed and sponsor capital investments and operational risk. Other components of AMP group's capital targets include amounts relating to Group Office investments, defined benefit funds and other operational risks.

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

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

	30 Jun 2019 $m	31 Dec 2018 $m
Life insurance contract liabilities determined using the projection method		
Best estimate liability		
- value of future life insurance contract benefits	**15,116**	14,469
- value of future expenses	**4,291**	4,377
- value of future premiums	**(10,082)**	(10,435)
Value of future profits		
- life insurance contract holder bonuses	**3,361**	3,136
- shareholders' profit margins	**1,464**	1,565
Total life insurance contract liabilities determined using the projection method	**14,150**	13,112
Life insurance contract liabilities determined using the accumulation method		
Best estimate liability		
- value of future life insurance contract benefits	**7,963**	7,951
- value of future acquisition expenses	**(47)**	(50)
Total life insurance contract liabilities determined using the accumulation method	**7,916**	7,901
Value of declared bonus	**135**	304
Unvested policyholder benefits liabilities[1]	**2,419**	2,319
Total life insurance contract liabilities net of reinsurance	**24,620**	23,636
Reinsurance asset- ceded life insurance contracts	**1,146**	1,073
Reinsurance liability - ceded life insurance contracts[2]	**(1,514)**	(1,452)
Total life insurance contract liabilities gross of reinsurance	**24,252**	23,257

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

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

Section 5: Life insurance and investment contracts

5.2 Impact of changes in assumptions

Key assumptions are reviewed regularly throughout the year. On 18 February 2019, the Protecting Your Super (PYS) legislation has been passed. The main impact on Australian wealth protection business is the insurance opt-in rates of customers due to inactive accounts.

Assumptions have been updated to reflect a view of the immediate and ongoing impact of the legislation changes. This includes:

- Discontinuance of policies on 1 July 2019;
- Possible anti-selection on retained business for 12 months following 1 July 2019; and
- An allowance for additional historical claims resulting from increased member communications.

In addition to the above PYS related changes, certain key assumptions have been updated due to recent experience and heightened uncertainty in emerging trends in the Australian wealth protection business:

- An overall strengthening of retail income protection assumptions;
- Changes to projected costs, largely driven by changes in the mix of business following the implementation of PYS; and
- A weakening of retail lump sum lapse assumptions at higher ages.

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

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

The impact on future profit margins of actual changes in assumptions from 31 December 2018 to 30 June 2019 in respect of life insurance contracts (excluding new business contracts which are measured using assumptions at reporting date) is as shown in the table below.

Assumption change (Australian wealth protection)	Change in future profit margins	Change in life insurance contract liabilities[2]	Change in shareholders' profit & equity[3]
	$m	$m	$m
Mortality and morbidity	(28)	75	(53)
Discontinuance rates	(166)	12	(8)
Maintenance expenses	(37)	(13)	9
Other assumptions[1]	-	(21)	15

1 Other assumption changes include an Income Protection (IP) assumption change w hich relates to a w eakening of the benefit payment factors.

2 Change in life insurance contract liabilities is net of reinsurance, gross of tax.

3 Change in shareholders' profit and equity is net of reinsurance, net of tax.

In most cases, the overall amount of life insurance contract liabilities and the current period profit are not affected by changes in assumptions. However, where in the case of a particular related product group, the changes in assumptions at the end of 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 2019 are disclosed in note 5.3.

Section 5: Life insurance and investment contracts

5.3 Life insurance contracts – insurance risk sensitivity analysis

Following assumption changes in the Australian wealth protection business due to recent experience and PYS legislation, heightened uncertainty in emerging trends and the impact of discontinuing policies on the Australian wealth protection portfolio following the PYS legislation, sensitivity results have been updated.

For life insurance contracts that are accounted for under MoS, amounts of liabilities, income or expenses recognised in the periods are unlikely to be sensitive to changes in variables even if those changes may have an impact on future profit margins, unless the products are in or close to loss recognition.

This table shows information about the sensitivity of life insurance contract liabilities and current period shareholder profit after income tax and equity (for Australian wealth protection business), to a number of possible changes in assumptions relating to insurance risk. Sensitivity results for other lines of business are expected to be materially unchanged and have not been updated from the published results at 31 December 2018.

		Change in life insurance contract liabilities		Change in shareholder profit after income tax and equity	
Variable	**Change in variable**	**Gross of reinsurance $m**	**Net of reinsurance $m**	**Gross of reinsurance $m**	**Net of reinsurance $m**
Mortality	10% increase in Australian wealth protection mortality rates	81	32	(57)	(23)
Morbidity - lump sum disablement	20% increase in Australian wealth protection lump sum disablement rates	190	76	(133)	(53)
Morbidity - disability income	10% increase in Australian wealth protection incidence rates	216	89	(151)	(62)
Morbidity - disability income	10% decrease in Australian wealth protection recovery rates	376	169	(263)	(118)
Discontinuance rates	10% increase in Australian wealth protection discontinuance rates	69	21	(48)	(15)
Maintenance expenses	10% increase in Australian wealth protection maintenance expenses	47	31	(33)	(22)

5.4 Analysis of life insurance and investment contract profit

	30 Jun 2019 $m	**30 Jun 2018 $m**
Components of profit related to life insurance and investment contract liabilities:		
- planned margins of revenues over expenses released	**191**	211
- (losses) profits arising from difference between actual and assumed experience	**(2)**	1
- losses arising from changes in assumptions	**(151)**	(23)
- capitalised losses	**(17)**	(9)
Profit related to life insurance and investment contract liabilities	**21**	180
Attributable to:		
- life insurance contracts	**(29)**	89
- investment contracts	**50**	91
Profit related to life insurance and investment contract liabilities	**21**	180
Investment earnings on assets in excess of life insurance and investment contract liabilities	**51**	28

Section 6: Other disclosure

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

	30 Jun 2019 $m	31 Dec 2018 $m
(a) Provisions		
Restructuring[1]	**29**	19
Client remediation	**672**	656
Buy-back arrangements	**93**	-
Other	**145**	132
Total provisions	**939**	807

	Restructuring[1] $m	Client remediation $m	Buy-back arrangements $m	Other $m	Total $m
(b) Movements in provisions					
Balance at the beginning of the period	**19**	**656**	**-**	**132**	**807**
Additional provisions made during the period	**16**	**47**	**93**	**43**	**199**
Provisions used during the period	**(6)**	**(31)**	**-**	**(30)**	**(67)**
Balance at the end of the period	**29**	**672**	**93**	**145**	**939**

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 disclosure

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. Legal proceedings threatened against AMP may also, if filed, result in AMP incurring obligations. A contingent liability exists in relation to actual and likely potential legal proceedings.

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

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

AMP is 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.

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

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

Provisions have been raised for both of these items, inclusive of program costs. The actual compensation to customers and related program costs could vary significantly from the amounts provided. In particular, the application of the program and remediation principles and the pattern and timing of individual customer compensation could have a significant impact on the final compensation and the costs of the programs.

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

Inappropriate advice
AMP continues to progress with the identification and compensation of 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, has been extended to 30 June 2017 and includes any instances of inappropriate advice identified through ongoing supervision and monitoring activities.

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

Advice service fee (fees for no service)
AMP has established a program to focus on the identification and compensation of customers of advisers who have been charged an ongoing service fee without the provision of service (or where there is insufficient evidence of 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 has developed a process for customer review and remediation within a reasonable timeframe, which on current estimates is expected to finish mid-2021. AMP has made strong progress in the execution of the program. As part of the program AMP continues to engage with ASIC on its progress and any process developments.

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

Other matters
In addition to the above items, other reviews in relation to fees charged to customers have been performed, including corporate plan service fees, fees charged to customers without an active adviser and deceased estates. Provisions have been raised for the estimated compensation due to customers, including lost earnings to 30 June 2019. The provisions are judgemental and the actual compensation to customers could vary significantly from the amounts provided.

Section 6: Other disclosure

6.1 Provisions and contingent liabilities (continued)

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

Where a notice of intention to invoke the buy-back arrangement has been received as at 30 June 2019 and AMP has concluded that the purchase price of the register exceeds the value of the client register to AMP, a provision has been raised for the difference. The provision is judgemental and the actual loss incurred upon settlement of the arrangement may vary significantly from the provision.

A contingent liability exists in relation to buy-back arrangements where a notice of intention could occur in future periods.

Litigation
Shareholder class actions
During May and June 2018, AMP Limited was served with five competing shareholder class actions, one filed in the Supreme Court of NSW and the others filed in the Federal Court of Australia. The actions follow the financial advice hearing block in the Royal Commission in April 2018 and allege breaches by AMP Limited of its continuous disclosure obligations. Each action is on behalf of shareholders who acquired an interest in AMP Limited shares over a specified time period. The claims are yet to be quantified and participation has not been determined. AMP Limited has filed its defence in the action initially brought in the Supreme Court of NSW. Subsequently, the four proceedings commenced in the Federal Court of Australia were transferred to the Supreme Court of NSW. The Supreme Court of NSW has determined that a consolidated class action (of two of the class actions) should continue, and the other three proceedings were permanently stayed. An appeal against that decision has been filed by one of the unsuccessful plaintiffs. Currently it is not possible to determine the ultimate impact of these claims, if any, upon AMP. 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 six 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 and other consequential orders. AMPFP filed its defence in September 2018, making admissions in respect of the conduct of one of the advisers (constituting 30 instances of advice). In May 2019, AMPFP made admissions in respect of the conduct of the other five advisers. ASIC's primary argument is that there have been 120 contraventions by AMPFP. If the Court does not accept there have been 120 contraventions, ASIC's alternative submission is that there have been six contraventions by AMPFP. AMP's primary submission is that there were two contraventions and a provision has been raised on this basis.

A hearing before the Federal Court to determine a penalty and any other orders was heard on 19 and 20 June, and 26 July 2019, with the Court proposing to reserve its decision pending any further evidence as to remediation of affected customers. The penalty will ultimately be determined based principally on what the Court determines is the number of contraventions and a contingent liability exists in relation to this matter.

Superannuation class actions
During May and June 2019, certain subsidiaries of AMP Limited were served with two class actions in the Federal Court of Australia. The first of those class actions relates to the fees charged to members of certain of AMP superannuation funds. The second of those actions relate to the fees charged to members, and interest rates received and fees charged on cash-only fund options. The two proceedings are on behalf of certain superannuation customers and their beneficiaries. The claims are yet to be quantified and participation has not been determined. Currently, it is not possible to determine the ultimate impact of these claims, if any, upon AMP. The proceedings will be vigorously defended.

Section 6: Other disclosure

6.2 New accounting standards

AASB 16 Leases
AASB 16 *Leases* (AASB 16) became effective for periods beginning on 1 January 2019. AASB 16 requires lessees to recognise most leases on balance sheet as lease liabilities, with the corresponding right of use assets being recognised. Lessees have the option not to recognise certain type of leases such as ‘short-term’ leases.

AMP has applied the ‘modified retrospective’ method in adopting AASB 16 without restating the comparative information for 2018 as permitted by the transitional provisions of the standard. The adoption of modified retrospective approach resulted in recognition of the cumulative effect of initial adjustment to retained earnings, for certain leases, as at 1 January 2019.

The following table identifies the impacts of the adoption of AASB 16 on the Consolidated statement of financial position and retained earnings balances as at 1 January 2019:

	Right of use assets	Lease liabilities[1]	Retained earnings (net of tax)	Tax impact	Total equity
	$m	$m	$m	$m	$m
Balance at 31 December 2018	-	-	(886)	-	**6,791**
Adoption of AASB 16	199	(209)	(7)	3	**(7)**
Balance at 1 January 2019	**199**	**(209)**	**(893)**	**3**	**6,784**

1 This does not include commitments to enter leases which have not commenced.

Accounting policy – recognition and measurement

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

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

The group has elected not to separate the lease and non-lease components.

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

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

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

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

6.3 Events occurring after reporting date

Revised agreement for sale of Australian and New Zealand wealth protection and mature businesses
On 8 August 2019, AMP announced a revised agreement with Resolution, with updated terms, for the sale of its Australian and New Zealand wealth protection (WP) and mature businesses. The revised agreement delivers consideration of $2,500 million cash and a $500 million equity interest in Resolution Life NOHC Pty Ltd, a new Australian-domiciled Resolution controlled holding company that will become the owner of these businesses.

Resolution will be on risk for all experience and lapse losses from 1 July 2018 until completion and is entitled to all net earnings of the Australian and New Zealand WP and mature businesses during that period. The agreement remains subject to regulatory approvals in Australia, New Zealand and China.

Capital raising
On 8 August 2019, AMP announced a capital raising comprising a fully underwritten $650 million Institutional Placement (IP) to institutional investors and a separate non-underwritten Share Purchase Plan (SPP) for eligible shareholders in Australia and New Zealand.

New AMP shares issued under the IP and SPP will rank equally with existing AMP shares.

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

Directors' declaration

for the half year ended 30 June 2019

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 2019 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

Francesco De Ferrari
Chief Executive Officer and Managing Director

Sydney, 8 August 2019

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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 2019, income statement, 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 2019 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*, 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 2019 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 2019