AMP Limited

ABN 49 079 354 519

Directors' report and Financial report for the half year ended 30 June 2020

DIRECTORS' REPORT

For the half year ended 30 June 2020

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 2020.

Directors' details

The directors of AMP Limited during the half year ended 30 June 2020 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*
– Rahoul Chowdry (appointed 1 Jan 2020) – *BCom, FCA*
– John Fraser – *BEc (Hons)*
– Debra Hazelton – *BA (Hons), MCom*, *GAICD*
– John O'Sullivan – *BA, LLB, LLM*
– Michael Sammells (appointed 1 March 2020) – *BBus, FCPA, GAICD*
– Andrea Slattery – *BAcc, MCom, FCPA, CA, FSSA, FAICD*
– Andrew Harmos (retired 8 May 2020) – *BCom, LLB (Hons)*
– Trevor Matthews (retired 1 July 2020) – *MA*
– Peter Varghese AO (retired 8 May 2020) – *BA (Hons)*
– Mike Wilkins AO (retired 14 February 2020) – *BCom, MBA*

Executive:
– Francesco De Ferrari (Chief Executive Officer and Managing Director) – *MBA, BS (Econ) (IntBus)*

Operating and financial review

Principal activities

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

We provide retail clients with financial advice and superannuation, retirement income, banking and investment products. 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 infrastructure, real estate, equities, fixed interest, diversified and multi-manager and multi-asset funds, for domestic and international clients. AMP Capital also provides commercial, industrial and retail real estate management services.

AMP Capital holds a 24.9% stake in US real estate investment manager, PCCP LLC, and a 15.0% stake in China Life AMP, 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 (CLPC).

Post balance date, AMP entered into a binding agreement to repurchase Mitsubishi UFJ Trust and Banking Corporation's (MUTB) 15% shareholding in AMP Capital. The amount payable under the purchase agreement is total cash consideration of $460 million, comprising $451m cash and MUTB's $9m share of dividends declared by AMP Capital. The transaction will be funded from AMP Limited's existing capital reserves and is expected to complete in Q3 2020, subject to receipt of required approvals. At transaction completion, the existing business and capital alliances between MUTB, AMP Limited and AMP Capital will end. However, AMP Capital and MUTB will continue to cooperate strategically, building on their mutually beneficial business relationship in Japan with AMP Capital continuing to deliver its investment products through MUTB's network. MUTB will no longer have a representative on the AMP Capital Board.

Following the sale of Australian and New Zealand wealth protection and mature businesses, AMP now holds $500 million equity interest in Resolution Life NOHC Pty Ltd.

In November 2019, AMP brought together Australian wealth management and AMP Bank divisions under one leadership team.

For the purpose of this report, our business is divided into four areas: Australian wealth management, AMP Bank, AMP Capital and New Zealand wealth management.

Description of business units

Australian wealth management provides financial advice services (through aligned and owned advice businesses), platform administration (including SMSF), unit linked superannuation, retirement income and managed investment products.

AMP Bank offers residential mortgages, deposits and transaction banking. The business will continue to act in its clients best interests, while at the same time seek opportunities to integrate with Australian wealth management.

AMP Capital is a diversified investment manager across major asset classes including infrastructure, real estate, equities, fixed interest, diversified and multi-manager and multi-asset funds. AMP Capital's aspiration is to build the best global private markets platform in the world, underpinned by real assets while at the same time continue to grow in select differentiated capabilities in public markets.

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

COVID-19 Impacts

- AMP's earnings have been materially impacted by market volatility in Australian wealth management, AMP Capital and New Zealand wealth management and the impact of the economic downturn requiring credit loss provisioning in AMP Bank ($24 million) and the unrealised devaluation of equity and real asset sponsor investments in AMP Capital ($16 million).
- AMP has prioritised servicing clients throughout the pandemic, which has resulted in additional servicing costs as well as impacted the pace of investment spend, including the cost reduction program. AMP remains committed to delivering $300 million of annual run-rate cost savings and its transformation investment of $1.0 billion to $1.3 billion by FY 22.

Sale of Australian and New Zealand wealth protection and mature businesses

On 1 July 2020, AMP announced the completion of the sale of the Australian and New Zealand wealth protection and mature businesses to Resolution Life Australia Pty Ltd (Resolution).

The gross sale proceeds were $3.0 billion comprising:

- $2.5 billion cash; and
- $500 million equity interest in Resolution Life NOHC Pty Ltd (Resolution Life Australia), a new Australian-domiciled, Resolution-controlled holding company that is now the owner of the Australian and New Zealand wealth protection and mature businesses.

Resolution Life was on risk for all experience and lapse losses from 1 July 2018 until 30 June 2020 and is entitled to all Australian and New Zealand wealth protection and mature businesses net earnings during that period. The sale was completed on 30 June 2020. AMP has continued to report the results of Australian and New Zealand wealth protection and mature businesses through to 30 June 2020. Impacts to the capital position are broadly in line with estimates provided previously, other than an unexpected variation to Australian and New Zealand wealth protection and mature businesses' net asset position due to the unprecedented impacts of COVID-19 and the impact of additional provisions for contractual obligations, which reduced net proceeds by $87 million and $93 million, respectively.

In accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*, the results (but not the assets and liabilities) of the Australian and New Zealand wealth protection and mature businesses are consolidated in the 1H 20 AMP Limited half year financial report.

Client remediation

AMP remains on track to complete its client remediation program in 2021 with 80% of the program expected to be complete by the end of FY 20.

Total program spend to date is $328 million with $64 million paid in 1H 20[1]. An additional provision of $15 million in 1H 20 primarily relates to recognition of additional lost earnings. Overall remediation costs remain broadly in line with original estimate provided in November 2018.

Strategy and prospects

On 8 August 2019, AMP announced its three-year strategic plan. A progress update on its strategic priorities to transform the business into a simpler, client-led, growth-oriented business is as follows:

Simplify portfolio

- Sale of Australian and New Zealand wealth protection and mature businesses:
  - Successfully completed transaction on 30 June 2020.
  - AMP maintains 20% equity holding in Resolution Life Australia.

- New Zealand wealth management:
  - In May 2020, AMP announced its decision to retain New Zealand wealth management in order to preserve and maximise shareholder value.

Reinvent wealth management in Australia

- Reshape advice:
  - In 1H 20, progress continued on reshaping aligned adviser network to be more professional, compliant and productive.
  - Advice reshape delivered to plan in 1H 20 with rehoming of clients to new practices.
  - Ceased majority of grandfathered commissions in 1H 20 with all benefits returned to clients; remainder to cease in 2H 20 ahead of 1 January 2021 legislative requirement.

- Build best-in-class retail super business:
  - Completed phase one of simplification in parallel with completion of Australian and New Zealand wealth protection and mature businesses transaction; reduced approximately 70 superannuation products to 11 with further consolidation to six to be completed in FY 21.
  - Implemented a super executive accountability regime, improving governance and management responsibility.

- Grow successful platform business:
  - Proactive focus on growing cashflows from external financial advisers.
  - Deployed updates in 1H 20 to deliver new benefits to advisers and clients, including the launch of a first-to-market sustainable investment portfolio.
  - In 2H 20, focus remains on continued improvement to platform features and capability, including new functionality to improve adviser efficiency.

- Maintain growth momentum in AMP Bank:
  - Modernisation of the bank's core system on track for completion in FY 20, including increased utilisation of automation for credit decisioning and opening of deposit accounts.

[1] Payments include client payments and program costs.

  - Launching 'whole of wealth' offer with integrated banking and superannuation propositions in 2H 20.

AMP Capital: grow successful asset management franchise

– New strategy launched to reposition AMP Capital for next phase of growth:
  - Build world-leading private markets business, leveraging strong expertise and track record in real assets.
  - Build distribution powerhouse to expand AMP Capital's capabilities in key international growth markets, develop client base in existing markets and increase cross-sell and wider platform partnerships.
  - Support continued success of global infrastructure and Australian real estate platform, and grow the business through new opportunities in adjacent private markets strategies.
  - Refocus public markets business to support strategic partners and explore opportunities to scale the business and accelerate growth.

– MUTB shareholding repurchase:
  - AMP has today announced it has entered into an agreement to repurchase MUTB's 15% shareholding in AMP Capital.
  - The transaction, expected to complete in Q3 20, provides AMP Capital with strategic flexibility and ability to drive growth.
  - AMP Capital and MUTB will continue to cooperate strategically, building on their mutually beneficial business relationship in Japan, with AMP Capital continuing to deliver its investment products through MUTB's network.

Review of operations and results

The profit attributable to shareholders of AMP Limited for the half year ended 30 June 2020 was $203 million (1H 19: loss of $2,292 million).

AMP's underlying profit for the half year ended 30 June 2020 was $149 million (1H 19: $256 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 earnings from discontinued Australian and New Zealand wealth protection and mature businesses, the impact of the sale, market adjustments and other items.

Basic profit per share for the half year ended 30 June 2020 on a statutory basis was 5.9 cents per share (1H 19: basic loss per share of 78.4 cents per share). On an underlying basis, the earnings per share were 4.3 cents per share (1H 19: 8.7 cents per share).

Key performance measures were as follows:

− 1H 20 retained businesses underlying profit of $149 million declined 42% from $256 million in 1H 19. This decrease largely reflects the impact of weaker Australian wealth management earnings (43%), AMP Capital earnings (40%), and AMP Bank earnings (30%).
− Australian wealth management earnings of $59 million declined 43% from 1H 19 primarily due to lower investment related revenue arising from weaker markets, Protecting Your Super (PYS) legislation changes, MyNorth pricing changes and product mix and volume changes, partly offset by lower investment management expense and lower controllable costs.
− Australian wealth management net cash outflows were $4.4 billion in 1H 20, including $1.2 billion of pension payments, versus net cash outflows of $3.1 billion in 1H 19. Previously announced mandate losses in corporate super and COVID-19 early release of super payments were offset by higher inflows into the North platform.
− AMP Bank earnings of $50 million declined $21 million from 1H 19 predominately from the recognition of a $24 million (post-tax) credit loss provision reflecting the uncertain and challenging economic outlook.
− AMP Bank's total loan book increased 1% to $20.9 billion in 1H 20 from $20.7 billion in FY 19, while deposits increased 18% to $17.0 billion from $14.4 billion in FY 19.
− AMP Capital earnings of $72 million fell 40% from 1H 19 reflecting lower performance and transaction fees and the unrealised devaluation of seed and sponsor capital losses which were adversely impacted by COVID-19.
− AMP Capital external net cashflows were $2.6 billion, up from $0.8 billion in 1H 19, reflecting the investment of real asset committed capital.
− New Zealand wealth management earnings of $18 million declined $4 million from 1H 19 due to the proactive closure of two legacy schemes in 2H 19 and the impact of COVID-19 on its ability to generate income.
− Sold businesses operating earnings (to the benefit of Resolution Life Australia) were $94 million in 1H 20.
− Underlying return on equity is 6.0% in 1H 20.

AMP's total assets under management (AUM) were $253 billion[2] at 30 June 2020 ($234 billion at 31 December 2019).

Capital management and dividend

Equity and reserves of the AMP group attributable to shareholders of AMP Limited increased to $5.0 billion at 30 June 2020 from $4.9 billion at 31 December 2019.

AMP remains well-capitalised, with $1,428 million surplus capital above total capital requirements at 30 June 2020 ($529 million at 31 December 2019).

AMP has announced the return of capital of up to $544 million to shareholders, comprising a $344 million fully franked special dividend and up to $200 million in the form of an on-market share buy-back during the course of the next 12 months, subject to market conditions. The ex-dividend date for the 2020 special dividend is 18 September 2020.

AMP's primary focus is on investing in and delivering the transformational strategy and navigating through the current uncertain economic environment. Following the payment of the special dividend AMP does not expect to declare a final FY 20 dividend.

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[2] Includes SuperConcepts assets under administration.

Events occurring after reporting date

On 13 August 2020, AMP announced a binding agreement to repurchase Mitsubishi UFJ Trust and Banking Corporation's (MUTB) 15% shareholding in AMP Capital. The amount payable under the purchase agreement is total cash consideration of $460 million, comprising $451m cash and MUTB's $9m share of dividends declared by AMP Capital on 5 August 2020. The transaction will be funded from AMP Limited's existing capital reserves and is expected to complete in Q3 2020, subject to receipt of required approvals. At transaction completion, the existing business and capital alliances between MUTB, AMP Limited and AMP Capital will end. MUTB will no longer have a representative on the AMP Capital Board.

Other than the matters within this report, 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 group's operations; the results of those operations; or the group's state of affairs in future periods.

Rounding

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

Auditor's independence declaration to the directors of AMP Limited

The directors have obtained an independence declaration from the company's auditor, Ernst & Young, for the half year ended 30 June 2020.

Building a better working world

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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 2020, 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
13 August 2020

Signed in accordance with a resolution of the directors.

David Murray
Chairman

Francesco De Ferrari
Chief Executive Officer and Managing Director

Sydney, 13 August 2020

AMP LIMITED
ABN 49 079 354 519
HALF YEAR FINANCIAL REPORT
30 JUNE 2020

Contents

Consolidated income statement

for the half year ended 30 June 2020

	Note	30 Jun 2020[1] $m	30 Jun 2019[1] $m
Fee revenue		**1,475**	1,560
Other revenue		**54**	70
Interest income, dividends and distributions and net gains or losses on financial assets and liabilities at fair value through profit or loss		**39**	17
Interest income earned using the effective interest method		**373**	449
Share of profit or loss of associates accounted for using the equity method		**35**	39
Fees and commission expenses		**(633)**	(736)
Staff and related expenses		**(589)**	(572)
Impairment of goodwill and other intangibles	3.2	**(2)**	(1,813)
Other operating expenses		**(362)**	(758)
Finance costs		**(214)**	(307)
Movement in North Guarantee liabilities		**(78)**	(4)
Income tax (expense) credit	2.2	**(6)**	143
Profit (loss) for the period from continuing operations		**92**	(1,912)
Profit (loss) for the period from discontinued operations	5.2	**123**	(361)
Profit (loss) attributable to shareholders of AMP Limited[2]		**203**	(2,292)
Profit attributable to non-controlling interests		**12**	19
Profit (loss) for the period		**215**	(2,273)
Earnings (loss) per share		**cents**	**cents**
Basic		**5.9**	(78.4)
Diluted		**5.8**	(78.4)
Earnings (loss) per share from continuing operations			
Basic		**2.3**	(66.1)
Diluted		**2.3**	(66.1)

1 Information has been presented on a continuing operations basis, including the restatement of the results for the period ended 30 June 2019.

2 Profit (loss) attributable to shareholders of AMP Limited is comprised of $80m profit (HY19: $ 1,931m loss) from continuing operations and $123m profit (HY19: $361m loss) from discontinued operations.

Consolidated statement of comprehensive income

for the half year ended 30 June 2020

	30 Jun 2020[1] $m	30 Jun 2019[1] $m
Profit (loss) for the period from continuing operations	**92**	(1,912)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Fair value reserve		
- net gain on fair value asset reserve	**30**	73
- tax effect on fair value asset reserve gain	**(9)**	(22)
- net amount transferred to profit or loss for the period	**-**	(4)
- tax effect on amount transferred to profit or loss for the period	**-**	1
	21	48
Cash flow hedges		
- net loss on cash flow hedges	**(27)**	(60)
- tax effect on cash flow hedge loss	**8**	18
- net amount transferred to profit or loss for the period	**9**	4
- tax effect on amount transferred to profit or loss for the period	**(3)**	(1)
	(13)	(39)
Translation of foreign operations and revaluation of hedge of net investments	**(14)**	9
	(14)	9
Items that will not be reclassified subsequently to profit or loss		
Fair value reserve - equity instruments held by AMP Foundation	**(8)**	8
	(8)	8
Defined benefit plans		
- actuarial (losses) gains	**(35)**	(40)
- tax effect on actuarial gains or losses	**11**	12
	(24)	(28)
Other comprehensive loss for the period from continuing operations	**(38)**	(2)
Total comprehensive income (loss) for the period from continuing operations	**54**	(1,914)
Profit (loss) for the period from discontinued operations	**123**	(361)
Other comprehensive loss for the period from discontinued operations	**(96)**	(3)
Total comprehensive income (loss) for the period	**81**	(2,278)
Total comprehensive income (loss) attributable to shareholders of AMP Limited	**69**	(2,297)
Total comprehensive income attributable to non-controlling interests	**12**	19
Total comprehensive income (loss) for the period	**81**	(2,278)

1 Information has been presented on a continuing operations basis, including the restatement of the results for the period ended 30 June 2019.

Consolidated statement of financial position

as at 30 June 2020

	Note	30 Jun 2020 $m	31 Dec 2019 $m
Assets			
Cash and cash equivalents		**3,872**	4,539
Receivables		**720**	2,586
Current tax assets		**556**	465
Planner registers held for sale and prepayments		**93**	75
Investments in financial assets	3.1	**26,252**	135,304
Investment properties		**-**	161
Investments in associates accounted for using the equity method		**1,382**	851
Property, plant and equipment		**101**	98
Right of use assets		**205**	245
Deferred tax assets	2.2	**869**	1,261
Reinsurance asset - ceded life insurance contracts		**-**	1,222
Intangibles	3.2	**645**	877
Total assets of shareholders of AMP Limited, policyholders, external unitholders and non-controlling interests		**34,695**	147,684
Liabilities			
Payables		**649**	2,465
Current tax liabilities		**71**	123
Employee benefits		**287**	395
Other financial liabilities	3.1	**604**	1,050
Provisions	5.1	**1,164**	976
Interest-bearing liabilities	4.2	**26,007**	22,852
Lease liabilities		**240**	266
Deferred tax liabilities	2.2	**228**	2,492
External unitholder liabilities		**-**	15,295
Life insurance contract liabilities		**-**	23,505
North Guarantee liabilities		**199**	121
Investment contract liabilities		**-**	71,550
Reinsurance liability - ceded life insurance contracts		**-**	1,515
Defined benefit plan liabilities		**136**	101
Total liabilities of shareholders of AMP Limited, policyholders, external unitholders and non-controlling interests		**29,585**	142,706
Net assets of shareholders of AMP Limited and non-controlling interests		**5,110**	4,978
Equity			
Contributed equity	4.1	**10,349**	10,299
Reserves		**(2,031)**	(1,930)
Retained earnings		**(3,330)**	(3,509)
Total equity of shareholders of AMP Limited		**4,988**	4,860
Non-controlling interests		**122**	118
Total equity of shareholders of AMP Limited and non-controlling interests		**5,110**	4,978

Consolidated statement of changes in equity

for the half year ended 30 June 2020

	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
	Equity attributable to shareholders of AMP Limited											
30 June 2020												
Balance at 31 December 2019	**10,299**	**(2,566)**	**109**	**321**	**72**	**(34)**	**168**	**(1,930)**	**(3,509)**	**4,860**	**118**	**4,978**
Profit (loss) from continuing operations	-	-	-	-	-	-	-	-	80	80	12	92
Profit (loss) from discontinued operations[5]	-	-	-	-	-	-	-	-	123	123	-	123
Other comprehensive income (loss) from continuing operations	-	-	-	-	13	(13)	(14)	(14)	(24)	(38)	-	(38)
Foreign currency translation reserve recycled[5]	-	-	-	-	-	-	(96)	(96)	-	(96)	-	(96)
Total comprehensive income	-	-	-	-	13	(13)	(110)	(110)	179	69	12	81
Share-based payment expense	-	-	14	-	-	-	-	14	-	14	-	14
Share purchases	-	-	(5)	-	-	-	-	(5)	-	(5)	-	(5)
Deconsolidation of treasury shares[5]	50	-	-	-	-	-	-	-	-	50	-	50
Dividends paid[4]	-	-	-	-	-	-	-	-	-	-	(8)	(8)
Balance at 30 June 2020	**10,349**	**(2,566)**	**118**	**321**	**85**	**(47)**	**58**	**(2,031)**	**(3,330)**	**4,988**	**122**	**5,110**
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
Profit (loss) from continuing operations	-	-	-	-	-	-	-	-	(1,931)	(1,931)	19	(1,912)
Profit (loss) from discontinued operations[5]	-	-	-	-	-	-	-	-	(361)	(361)	-	(361)
Other comprehensive income (loss) from continuing operations	-	-	-	-	56	(39)	9	26	(28)	(2)	-	(2)
Other comprehensive income from discontinued operations[5]	-	-	-	-	-	-	(3)	(3)	-	(3)	-	(3)
Total comprehensive income	-	-	-	-	56	(39)	6	22	(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

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.

5 This relates to the deconsolidation of WP and mature businesses.

Consolidated statement of cash flows

for the half year ended 30 June 2020

	30 Jun 2020 $m	30 Jun 2019 $m
Cash flows from operating activities[1]		
Cash receipts in the course of operations	**5,348**	6,640
Interest received	**829**	970
Dividends and distributions received[2]	**659**	658
Cash payments in the course of operations	**(10,658)**	(12,353)
Finance costs	**(212)**	(331)
Income tax paid	**(875)**	(157)
Cash flows used in operating activities	**(4,909)**	(4,573)
Cash flows from investing activities[1]		
Net proceeds from sale of (payments to acquire):		
- investments in financial assets[3]	**803**	4,426
- operating and intangible assets	**12**	(32)
- operating controlled entities and investments in associates accounted for using the equity method	**(4)**	(70)
Proceeds from sale of the WP and mature businesses	**2,342**	-
Cash flows from investing activities	**3,153**	4,324
Cash flows from financing activities		
Net movement in deposits from customers	**2,671**	784
Proceeds from borrowings - non-banking operations[1]	**268**	810
Repayment of borrowings - non-banking operations[1]	**(395)**	(669)
Net movement in borrowings - banking operations	**(891)**	(564)
Lease payments	**(31)**	(32)
Repayment of subordinated debt	**(275)**	-
Dividends paid[4]	**-**	(100)
Cash flows from financing activities	**1,347**	229
Net decrease in cash and cash equivalents	**(409)**	(20)
Cash and cash equivalents at the beginning of the half year	**8,182**	7,382
Effect of exchange rate changes on cash and cash equivalents	**(5)**	2
Cash and cash equivalents prior to the deconsolidation of WP and mature businesses[1]	**7,768**	7,364
Cash and cash equivalents deconsolidated[5]	**(3,896)**	-
Cash and cash equivalents at the end of the period	**3,872**	7,364

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.

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

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 2019 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 2020 half year financial report are consistent with the accounting policies and methods of computation adopted in the preparation of the 2019 annual financial report.

Sale of wealth protection and mature businesses

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

COVID-19 impacts

The COVID-19 pandemic has resulted in significant disruptions to the global economy during the six months ended 30 June 2020 and there remains substantial uncertainty over the ultimate duration and extent of the pandemic as well as the corresponding economic impacts. These uncertainties have been incorporated into the judgements and estimates used by management in the preparation of this report, including the carrying values of the assets and liabilities. Where the judgements and estimates are considered significant they have been disclosed in the notes to this report.

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.
AMP Bank	Australian retail bank offering residential mortgages, deposits, transaction banking. 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.
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 (MUTB) formed a strategic business and capital alliance. As part of that alliance, MUTB acquired a 15% ownership interest in AMP Capital. The initial five-year agreement between AMP Capital and MUTB 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.
New Zealand wealth management (NZ WM)	Encompasses the wealth management and financial advice and distribution business in New Zealand. Customers are provided with a variety of wealth management solutions including KiwiSaver, corporate superannuation, retail investments and a wrap investment management platform.

Segment information is not reported for activities of the AMP group office companies as it is not the function of these 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 2020	WM $m	AMP Bank $m	AMP Capital[2] $m	NZ WM $m	Total[1] $m
Segment profit after income tax[1]	**59**	**50**	**72**	**18**	**199**
External customer revenue	**468**	**203**	**275**	**71**	**1,017**
Intersegment revenue[3]	**6**	**-**	**112**	**-**	**118**
Segment revenue[1]	**474**	**203**	**387**	**71**	**1,135**
30 June 2019					
Segment profit after income tax[1]	103	71	120	22	316
External customer revenue	549	202	276	76	1,103
Intersegment revenue[3]	8	-	126	-	134
Segment revenue[1]	557	202	402	76	1,237

1 AMP Life segment results have not been included in this note due to the sale of this business to Resolution.

2 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 MUTB.

3 Intersegment revenue represents operating revenue between segments priced on a market-related basis and is eliminated on consolidation.

Section 2: Results for the half year

2.1 Segment performance (continued)

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

	30 Jun 2020 $m	30 Jun 2019 $m
Segment profit after income tax	**199**	316
Group office costs	**(64)**	(59)
Total operating earnings	**135**	257
Underlying investment income[1]	**46**	33
Interest expense on corporate debt	**(32)**	(34)
Underlying profit	**149**	256
Gain on sale of AMP Life	**298**	-
AMP Life separation costs	**(208)**	(89)
Client remediation and related costs	**(19)**	(41)
Risk management, governance and controls	**(14)**	(17)
Transformation cost out	**(13)**	-
Impairments	**(32)**	(2,352)
Other items[2]	**(11)**	(5)
Market adjustment - investment income[1]	**(34)**	(44)
Amortisation of acquired intangible assets	**(42)**	(45)
Profit/(loss) attributable to shareholders of AMP Limited excluding AMP Life	**74**	(2,337)
AMP Life earnings[1,3]	**129**	50
Accounting mismatches[4]	**-**	(5)
Profit (loss) attributable to shareholders of AMP Limited	**203**	(2,292)
Profit attributable to non-controlling interests	**12**	19
Profit (loss) for the period	**215**	(2,273)

1 Underlying investment income consists of investment income on shareholder assets invested in income producing investment assets (as opposed to income producing operating assets) normalised in order to bring greater clarity to the results by eliminating the impact of short-term market volatility on underlying performance. Underlying returns are set based on long-term expected returns for each asset class. 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 AMP Life underlying profit includes operating earnings, underlying investment income, market adjustment - investment income, market adjustment - annuity fair value and market adjustment - risk products related to AMP Life. Market adjustment - annuity fair value relates to the net impact of investment markets on AMP's annuity portfolio. Market adjustment - risk products relates to the net impact of changes in market economic assumptions (bond yields and CPI) on the valuation of risk insurance liabilities.

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

(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.

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 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 2020[1] $m	30 Jun 2019[1] $m
Profit (loss) before income tax	**98**	(2,055)
Tax at the Australian tax rate of 30% (2019: 30%)	**(29)**	617
Tax concessions including research and development and offshore banking unit	**1**	-
Non-deductible expenses	**(11)**	(14)
Non-taxable income	**4**	8
Other items	**23**	(30)
Goodwill impairment	**-**	(453)
Over provided in previous years	**1**	1
Utilisation of previously unrecognised tax losses	**-**	9
Differences in overseas tax rates	**5**	5
Income tax (expense) credit per Consolidated income statement	**(6)**	143

1 Information has been presented on a continuing operations basis, including the restatement of the results for the period ended 30 June 2019.

Section 2: Results for the half year

2.2 Taxes (continued)

(b) Analysis of income tax expense

	30 Jun 2020[1] $m	30 Jun 2019[1] $m
Current tax expense	**(74)**	(77)
Increase in deferred tax assets	**98**	182
(Increase) decrease in deferred tax liabilities	**(30)**	38
Income tax (expense) credit	**(6)**	143

1 Information has been presented on a continuing operations basis, including the restatement of the results for the period ended 30 June 2019.

(c) Analysis of deferred tax balances

	30 Jun 2020 $m	31 Dec 2019 $m
Analysis of deferred tax assets		
Expenses deductible and income recognisable in future years	**625**	1,015
Unrealised movements on borrowings and derivatives	**57**	42
Unrealised investment losses	**-**	6
Losses available for offset against future taxable income	**43**	43
Other	**144**	155
Total deferred tax assets	**869**	1,261
Analysis of deferred tax liabilities		
Unrealised investment gains	**9**	1,995
Other	**219**	497
Total deferred tax liabilities	**228**	2,492

(d) Amounts recognised directly in equity

	30 Jun 2020 $m	30 Jun 2019 $m
Deferred income tax credit related to items taken directly to equity during the period	**7**	8

Significant accounting estimates and judgements:

Utilisation of deferred tax assets (DTAs) has been assessed by reference to management's expectations of future profitability. Future profitability is subject to a number of management judgements and estimates, including management's expectations of the extent and duration of economic impacts resulting from the COVID-19 pandemic. Should the extent or duration of these impacts be different to management's expectations, the timing of AMP's utilisation of DTAs could be impacted.

Section 2: Results for the half year

2.3 Dividends

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

	2020 Special dividend	**2019 Final**	**2019 Interim**	**2018 Final**
Dividend per share (cents)	**10.0**	-	-	4.0
Franking percentage	**100%**	-	-	90%
Dividend amount ($m)[2]	**343.4**	-	-	117
Payment date	**1 October 2020**	-	-	28 March 2019

	30 Jun 2020 $m	**30 Jun 2019 $m**
Dividends paid		
Previous year final dividend on ordinary shares	**-**	117
Total dividends paid[1]	**-**	117
Dividends proposed but not recognised	**343.4**	-

1 Total dividends paid includes dividends paid on Treasury shares $nil (30 June 2019: $1m).

2 Dividend amount is net of dividends on treasury shares held by AMP Foundation of $0.2m (30 June 2019: $nil)

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

(a) Investments in financial instruments

	30 Jun 2020 $m	31 Dec 2019 $m
Financial assets measured at fair value through profit or loss		
Equity securities and listed managed investment schemes	**49**	57,698
Debt securities	**1,562**	29,820
Unlisted managed investment schemes	**166**	23,358
Derivative financial assets	**493**	1,699
Total financial assets measured at fair value through profit or loss	**2,270**	112,575
Financial assets measured at fair value through other comprehensive income		
Debt securities[1]	**2,877**	1,960
Equity securities	**53**	63
Total financial assets measured at fair value through other comprehensive income	**2,930**	2,023
Financial assets measured at amortised cost[2]		
Loans and advances	**20,864**	20,661
Debt securities	**188**	45
Total financial assets measured at amortised cost	**21,052**	20,706
Total financial assets	**26,252**	135,304
Other financial liabilities		
Derivative financial liabilities	**360**	880
Collateral deposits held	**244**	170
Total other financial liabilities	**604**	1,050

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

2 Financial assets measured at amortised cost are presented net of expected credit losses (ECLs) of $167m (2019: $132m). Included in this balance are loans to advice practices of $433m (2019: $478m), net of ECLs of $107m (2019: $105m).

Section 3: Investments and intangibles

3.1 Investments in financial instruments (continued)

(b) The following table provides the changes to expected credit losses (ECLs) relating to loans and advances during the period. The new and increased provisions during the period are inclusive of assumptions on the impact of current and future macro-economic conditions as a result of the COVID-19 pandemic.

30 June 2020	Stage 1 collective $m	Stage 2 collective $m	Stage 3 $m	Total $m
Balance at the beginning of the year	11	9	112	132
Transferred to Stage 1 (12-months ECL - collective provision)	7	(2)	(5)	-
Transferred to Stage 2 (lifetime ECL credit impaired - collective provision)	-	1	(1)	-
Transferred to Stage 3 (lifetime ECL credit impaired - specific provision)	(1)	(2)	3	-
New and increased provisions during the year (net of collective provision released)	15	14	6	35
Provision release / bad debts write-offs	-	-	(2)	(2)
Provision for practice finance loans	-	-	2	2
Balance at 30 June 2020	**32**	**20**	**115**	**167**

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

Significant accounting estimates and judgements:

Expected Credit Losses (ECLs) are estimated using credit risk models which take into consideration a number of factors including the repayment capacity of customers, nature and value of collateral and forward looking macro-economic scenarios. At the reporting date, COVID-19 is the key driver of macro-economic outcomes and significant judgement has been exercised in the determination of the duration, impact and severity of the macro-economic impacts of COVID-19 for estimation of the ECL provision. Future macro-economic conditions which differ from management's assumptions and estimates could result in changes to the timing and amount of credit losses to be recognised.

Section 3: Investments and intangibles

3.2 Intangibles

30 June 2020	Goodwill[1] $m	Capitalised costs $m	Value of in-force business $m	Distribution networks $m	Other intangibles $m	Total $m
Balance at 1 January 2020	**172**	**223**	**341**	**127**	**14**	**877**
Additions through acquisitions of controlled entities	**-**	**-**	**-**	**8**	**-**	**8**
Additions through separate acquisitions	**-**	**-**	**-**	**27**	**-**	**27**
Additions through internal development	**-**	**45**	**-**	**-**	**-**	**45**
Reductions through disposal[2]	**(15)**	**(12)**	**(177)**	**(13)**	**-**	**(217)**
Transferred to inventories	**-**	**-**	**-**	**(3)**	**-**	**(3)**
Amortisation expense[4]	**-**	**(32)**	**(40)**	**(17)**	**(1)**	**(90)**
Impairment loss	**-**	**-**	**-**	**(2)**	**-**	**(2)**
Balance at 30 June 2020	**157**	**224**	**124**	**127**	**13**	**645**
31 December 2019						
Balance at 1 January 2019	2,130	505	420	138	15	3,208
Additions through acquisitions of controlled entities	10	2	-	55	-	67
Additions through separate acquisitions	-	-	-	33	-	33
Additions through internal development	-	112	-	-	-	112
Reductions through disposal	-	-	-	(8)	-	(8)
Transferred from inventories	-	-	-	1	-	1
Amortisation expense[4]	-	(94)	(79)	(55)	(1)	(229)
Impairment loss[3]	(1,968)	(302)	-	(37)	-	(2,307)
Balance at 31 December 2019	172	223	341	127	14	877

1 Total goodwill comprises amounts attributable to shareholders of $157m (2019: $157m) and amounts attributable to policyholders of nil (2019: $15m).

2 This includes intangible assets derecognised as part of sale of the WP and mature businesses.

3 This includes $468m of impairment loss relating to the WP and mature businesses.

4 Amortisation expense includes amortisation related to the WP and mature businesses of $17m (2019: $41m).

Section 3: Investments and intangibles

3.3 Fair value information

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

30 June 2020	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	**102**	**92**	**10**	**-**	**102**
Debt securities	**4,439**	**2,262**	**2,177**	**-**	**4,439**
Unlisted managed investment schemes	**166**	**-**	**166**	**-**	**166**
Derivative financial assets	**493**	**-**	**493**	**-**	**493**
Total financial assets measured at fair value	**5,200**	**2,354**	**2,846**	**-**	**5,200**
Financial assets not measured at fair value					
Loans and advances	**20,864**	**-**	**-**	**20,869**	**20,869**
Debt securities	**188**	**-**	**188**	**-**	**188**
Total financial assets not measured at fair value	**21,052**	**-**	**188**	**20,869**	**21,057**
Financial liabilities measured at fair value					
Derivative financial liabilities	**360**	**-**	**360**	**-**	**360**
Collateral deposits held	**244**	**-**	**244**	**-**	**244**
North Guarantee liabilities	**199**	**-**	**-**	**199**	**199**
Total financial liabilities measured at fair value	**803**	**-**	**604**	**199**	**803**
Financial liabilities not measured at fair value					
AMP Bank					
- Deposits	**16,913**	**-**	**16,913**	**-**	**16,913**
- Other	**6,601**	**-**	**6,603**	**-**	**6,603**
Corporate borrowings	**2,492**	**-**	**2,440**	**-**	**2,440**
Total financial liabilities not measured at fair value	**26,006**	**-**	**25,956**	**-**	**25,956**
31 December 2019					
Financial assets measured at fair value					
Equity securities and listed managed investment schemes	57,761	54,552	694	2,515	57,761
Debt securities	31,780	1,770	29,883	127	31,780
Unlisted managed investment schemes	23,358	-	20,687	2,671	23,358
Derivative financial assets	1,699	71	1,628	-	1,699
Investment properties	161	-	-	161	161
Total financial assets measured at fair value	114,759	56,393	52,892	5,474	114,759
Financial assets not measured at fair value					
Loans and advances	20,661	-	-	20,664	20,664
Debt securities	45	-	45	-	45
Total financial assets not measured at fair value	20,706	-	45	20,664	20,709
Financial liabilities measured at fair value					
Derivative financial liabilities	880	186	694	-	880
Collateral deposits held	170	-	170	-	170
Investment contract liabilities	71,550	-	1,484	70,066	71,550
North Guarantee liabilities	121	-	-	121	121
Total financial liabilities measured at fair value	72,721	186	2,348	70,187	72,721
Financial liabilities not measured at fair value					
AMP Bank					
- Deposits	12,442	-	12,442	-	12,442
- Other	7,492	-	7,504	-	7,504
Corporate borrowings	2,445	-	2,461	-	2,461
Borrowings within investment entities controlled by AMP Life's statutory funds	473	-	473	-	473
Total financial liabilities not measured at fair value	22,852	-	22,880	-	22,880

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.
North Guarantee liabilities	The fair value of the North Guarantee liability is determined as the net present value of future cash flows discounted using market rates. The future cash flows are determined using risk neutral stochastic projections based on assumptions such as mortality rate, lapse rate and asset class allocation/correlation. The future cash flows comprise expected guarantee claims and hedging expenses net of expected fee revenue.

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 2020 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

Upon sale of the WP and mature businesses, the assets and liabilities measured at fair value through profit or loss (FVTPL) in AMP group which are classified as level 3 assets and liabilities have changed significantly. There are no Level 3 FVTPL assets at 30 June 2020. There remain some Level 3 FVTLP liabilities which relate to the North Guarantee products.

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

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

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

Sensitivity

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

	30 June 2020		**31 December 2019**	
	(+)	**(-)**	**(+)**	**(-)**
	$m	**$m**	**$m**	**$m**
Financial liabilities				
North Guarantee liabilities[1]	**(5)**	**(4)**	-	(7)
Investment contract liabilities	**n/a**	**n/a**	90	(83)

1 Reasonably possible increases and decreases in equity market movements and bond yield movements have been applied in determining the impact on profit after tax and equity.

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:

	Balance at the beginning of the period	FX gains or losses[1]	Total gains/ losses[1]	Purchases/ deposits	Sales/ withdrawals	Net transfers in/(out)	Balance at the end of the period	Total gains and losses on assets and liabilities held at reporting date
30 June 2020	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Assets classified as Level 3								
Equity securities and listed managed investment schemes	**2,515**	**-**	**(11)**	**63**	**(2,567)**	**-**	**-**	**-**
Debt securities	**127**	**-**	**-**	**-**	**(127)**	**-**	**-**	**-**
Unlisted managed investment schemes	**2,671**	**-**	**2**	**158**	**(2,831)**	**-**	**-**	**-**
Investment properties	**161**	**-**	**3**	**-**	**(164)**	**-**	**-**	**-**
Liabilities classified as Level 3								
North Guarantee liabilities	**121**	**-**	**78**	**-**	**-**		**199**	**78**
Investment contract liabilities	**70,066**	**(7)**	**(6,201)**	**2,008**	**(65,866)**	**-**	**-**	**-**
31 December 2019								
Assets classified as Level 3								
Equity securities and listed managed investment schemes	2,364	-	145	11	(5)	-	2,515	164
Debt securities	117	-	10	4	(2)	(2)	127	10
Unlisted managed investment schemes	1,898	-	61	567	(19)	164	2,671	95
Investment properties	145	-	16	-	-	-	161	16
Liabilities classified as Level 3								
North Guarantee liabilities	115	-	6	-	-		121	6
Investment contract liabilities	66,817	2	10,252	7,044	(14,049)	-	70,066	10,252

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

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 2020 $m	31 Dec 2019 $m
Issued capital [1]		
3,436,599,241 (2019: 3,436,599,241) ordinary shares fully paid	**10,355**	10,402
Treasury shares [2]		
2,126,387 (2019: 29,342,125) treasury shares	**(6)**	(103)
Total contributed equity		
3,434,472,854 (2019: 3,407,257,116) ordinary shares fully paid	**10,349**	10,299
Issued capital		
Balance at the beginning of the period	**10,402**	9,610
Nil (2019: 9,064,722) shares issued under dividend reinvestment plan [1]	**-**	21
Nil (2019: 406,250,000) shares issued under institutional placement	**-**	638
Nil (2019: 83,856,183) shares issued under share purchase plan	**-**	133
Deconsolidation of discontinued operations	**(47)**	-
Balance at the end of the period	**10,355**	10,402
Treasury shares		
Balance at the beginning of the period	**(103)**	(108)
Decrease due to deconsolidation of discontinued operations	**97**	-
Decrease due to purchases less sales during the period	**-**	5
Balance at the end of the period	**(6)**	(103)

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

1 Under the terms of the dividend reinvestment plan (DRP), shareholders may elect to have all or part of their dividend entitlements satisfied in shares rather than being paid cash.

2 Of the AMP Limited ordinary shares on issue 2,126,387 (2019: 2,126,387) are held by AMP Foundation Limited as trustee for AMP Foundation. At 31 December 2019, 27,215,738 shares were held by AMP Life on behalf of policyholders.

Section 4: Capital structure

4.2 Interest-bearing liabilities

(a) Interest-bearing liabilities

	30 June 2020			31 December 2019		
	Current $m	Non-current $m	Total $m	Current $m	Non-current $m	Total $m
Interest-bearing liabilities						
AMP Bank						
- Deposits[1]	**16,775**	**138**	**16,913**	12,291	151	12,442
- Other	**1,314**	**5,287**	**6,601**	2,811	4,681	7,492
Corporate entity borrowings[2]						
- 6.875% GBP Subordinated Guaranteed Bonds (maturity 2022)	**-**	**67**	**67**	-	69	69
- AMP Notes 3 (first call 2023, maturity 2028)[3]	**-**	**250**	**250**	-	250	250
- AMP Subordinated Notes[3]	-	**250**	**250**	-	250	250
- AMP Wholesale Capital Notes[4]	**-**	**-**	**-**	277	-	277
- AMP Capital Notes[4]	**-**	**265**	**265**	-	265	265
- AMP Capital Notes 2[4]	**-**	**271**	**271**	-	271	271
- USD Medium Term Notes[5]	**-**	**457**	**457**	-	437	437
- CHF Medium Term Notes[5]	**-**	**882**	**882**	-	592	592
- Other	**51**	**-**	**51**	34	-	34
Borrowings within investment entities controlled by AMP Life statutory funds	**-**	**-**	**-**	464	9	473
Total interest-bearing liabilities	**18,140**	**7,867**	**26,007**	15,877	6,975	22,852

1 Deposits comprise at call customer deposits and customer term deposits at variable interest rates with 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 $15m (2019: $13m) 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. These were issued 15 November 2018 and 1 September 2017 respectively, and mature 15 November 2028 and 1 December 2027 respectively. Subject to APRA approval, AMP has the right but not the obligation, to redeem all or some of the Notes 15 November 2023 and 1 December 2022 respectively, or, subject to certain conditions, at a later date. In certain circumstances, AMP may be required to convert some or all of the Notes into AMP ordinary shares.

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

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

(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 2020 $m	31 Dec 2019 $m
Available loan facilities[1]	**1,750**	2,265
Note program capacity	**15,224**	14,993
Used	**(4,002)**	(4,316)
Unused facilities and note programs at the end of the period	**12,972**	12,942

1 Available loan facilities include bilateral facilities of $750m which mature on 31 December 2020.

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; and
- maintain the AMP group's credit rating.

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

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

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

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

	30 Jun 2020 $m	31 Dec 2019 $m
AMP statutory equity attributable to shareholders of AMP Limited	**4,988**	4,860
Accounting mismatch, cash flow hedge resources and other adjustments	**19**	50
AMP shareholder equity	**5,007**	4,910
Subordinated debt[1]	**876**	1,151
Senior debt[1]	**1,254**	988
Total AMP capital resources	**7,137**	7,049

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

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

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

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

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

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

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

Section 5: 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.

5.1 Provisions and contingent liabilities

	30 Jun 2020 $m	31 Dec 2019 $m
(a) Provisions		
Restructuring[1]	**18**	27
Client remediation	**603**	652
Buy-back arrangements	**103**	116
Obligations relating to the sale of WP and mature	**290**	-
Other	**150**	181
Total provisions	**1,164**	976

	Restructuring[1] $m	Client remediation $m	Buy-back arrangements $m	Obligations relating to the sale of WP and mature $m	Other $m	Total $m
(b) Movements in provisions						
Balance at the beginning of the period	**27**	**652**	**116**	**-**	**181**	**976**
Additional provisions made during the period	**6**	**15**	**22**	**290**	**113**	**446**
Provisions used during the period	**(15)**	**(64)**	**(35)**	**-**	**(51)**	**(165)**
Provisions relating to discontinued operations	**-**	**-**	**-**	**-**	**(93)**	**(93)**
Balance at the end of the period	**18**	**603**	**103**	**290**	**150**	**1,164**

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

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.

Significant 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 5: Other disclosure

5.1 Provisions and contingent liabilities (continued)

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

Where it is determined that the disclosure of information in relation to a contingent liability can be expected to seriously prejudice the position of the AMP group (or its insurers) in a dispute, accounting standards allow the AMP group not to disclose such information. It is 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, although other government agencies may have jurisdiction depending on the circumstances. The reviews and investigations conducted by regulators may be industry-wide or specific to AMP and the outcomes of those reviews and investigations can vary and may lead, for example, to the imposition of penalties, variations or restrictions to licences, the compensation of clients, enforceable undertakings or recommendations and directions for AMP to enhance its control framework, governance and systems.

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

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

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

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

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

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

Compensation has been and continues to be paid and a provision exists for further compensation payable as the review progresses and client reviews are completed. AMP has adjusted its provision estimate for future compensation based on the actual experience of remediating clients and the expected future costs of operating the program. The provision includes a component for advisers for whom a remediation review has 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 progressed on the identification and compensation of clients of advisers who have been charged an ongoing service fee without the provision of financial advice services (or where there is insufficient evidence of the provision of financial advice services). This involves a large-scale review of fee arrangements from 1 July 2008 as specified by ASIC in Report 499 Financial advice: Fees for no service. Sampling of customer files has been conducted across AMP licensees and has identified instances in the review period where clients have paid fees and there is insufficient evidence to support that the associated service had been performed. In such instances, clients have been remediated.

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

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

Section 5: Other disclosure

5.1 Provisions and contingent liabilities (continued)

Other matters
In addition to the above items, other reviews in relation to fees charged to clients have been performed during the year, including corporate plan service fees, fees charged to clients without an active adviser and deceased estates. Those reviews are largely complete. Where the reviews have identified instances of clients having suffered loss or detriment, compensation has been paid. As at 30 June 2020, provisions of $26m have been raised for the estimated remaining compensation due to clients, including lost earnings, for these matters. The provisions are judgemental and the actual compensation to clients could vary from the amounts provided.

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. The BOLR Master Terms and other buyback arrangements were modified on 8 August 2019.

Where a notice of intention to invoke the buy-back arrangement has been received as or is considered likely to be received in future periods and AMP has concluded that the purchase price of the register exceeds the value of the client register to AMP, or where on-going service arrangements would be unable to be serviced or sold, a provision has been raised for the difference. The provision is judgemental and the actual notices received and resulting loss incurred upon settlement of the arrangements may vary significantly from the provision.

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

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

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

Insurance advice class action
In July 2020, certain subsidiaries of AMP Limited were served with a class action in the Federal Court of Australia, namely, AMPFP and Hillross Financial Services Limited (Hillross). The class action relates to advice provided by some aligned financial advisers in respect of certain life and other insurance products. The claim is yet to be quantified and participation has not been determined. Currently, it is not possible to determine the ultimate impact of this claim, if any, upon AMP. AMPFP and Hillross will defend the proceedings. The proceedings are also commenced against AMP Life Limited.

Indemnities and warranties to Resolution
Under the terms of the sale agreement, AMP has given certain covenants, warranties and indemnities in favour of Resolution in connection with the transaction. A breach of these covenants or warranties or the triggering of an indemnity may result in AMP being liable for some future payments to Resolution. Management's best estimate of future payments for these indemnities and warranties has been recognised within these financial statements where these can be reliably estimated. There remain other indemnities and warranties for which no provision has been recognised and a contingent liability exists should such indemnities and warranties be called upon or where actual outcomes differ from management's expectations. On 11 August 2020, AMP received a notification from Resolution pursuant to the sale agreement of certain matters that Resolution considers may give rise to a claim against AMP under these provisions, in respect of which we are yet to complete our assessment of validity.

Section 5: Other disclosure

5.2 Discontinued operations

(a) Sale of wealth protection and mature business

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

Under the terms of the sale agreement, certain purchase price adjustments are made to the cash consideration to determine the completion payment from Resolution. The adjustments include profits earned by WP and mature businesses since 1 July 2018, profits emerging within AMP Life from businesses other than WP and mature, dividends paid by AMP Life since 1 July 2018, capital contributions made by AMP since 1 July 2018 up to the completion date and some other adjustments, which in accordance with the sale agreement are subject to finalisation in 2H 2020.

The sale of the WP and mature businesses resulted in an after-tax gain of $90m (net of transaction cost and separation costs) recognised within the financial report for the period ended 30 June 2020. The gain includes estimates of purchase price adjustments as well as estimated provisions for future separations costs, warranties and indemnities under the sale agreement and onerous contracts resulting from the separation where reliable estimates can be made.

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

(b) Treatment of 20% equity interest in Resolution NOHC

AMP's 20% equity interest in Resolution NOHC is accounted for as investment in associate using the equity method in accordance with AASB 128 *Investments in Associates and Joint Ventures*. The investment has been recognised at its initial fair value of $500m.

From 1 July 2020, the AMP group will recognise its share of profit associated with the investment in associate within continuing operations.

Section 5: Other disclosure

5.2 Discontinued operations (continued)

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

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

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

	30 Jun 2020 $m	30 Jun 2019 $m
Total revenue of WP and mature businesses[1]	**(23,391)**	13,828
Total expense of WP and mature businesses[2]	**22,823**	(13,234)
(Loss) profit before tax from WP and mature businesses	**(568)**	594
Income tax credit (expense)	**601**	(955)
Profit (loss) for the period from discontinued operations before disposal of WP and mature	**33**	(361)
Loss on disposal of WP and mature before tax	**(4)**	-
Income tax credit resulting from the loss on disposal of WP and mature	**94**	-
Gain on disposal of WP and mature after tax[3]	**90**	-
Profit (loss) for the period from discontinued operations	**123**	(361)

1 Total revenue of WP and mature businesses includes investment losses of $24.7b (30 June 2019: gains of $12.4b).

2 Total expense of WP and mature businesses includes decreases in external unitholder liabilities of $18.4b (30 June 2019: increases of $1.6b) and decreases in investment contract liabilities of $5.9b (30 June 2019: increases of $7.9b).

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

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

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

	30 Jun 2020 $m	30 Jun 2019 $m
Net cash used in operating activities	**(5,410)**	(4,119)
Net cash from investing activities	**4,159**	3,614
Net cash outflows from discontinued operations	**(1,251)**	(505)

(e) Earnings per share for profit from discontinued operations

The earnings per share for profit from discontinued operations for the period ended 30 June 2020 are set out below, including comparative information.

	30 Jun 2020 $m	30 Jun 2019 $m
Earnings per share from discontinued operations		
Basic	**3.6**	(12.3)
Diluted	**3.5**	(12.3)

Significant accounting estimates and judgements:

The gain/(loss) recognised on the sale of the WP and mature businesses includes management's judgements in relation to assumptions used to determine of the fair value of AMP's 20% interest in Resolution NOHC as well as estimates of purchase price adjustments which will be finalised in 2H 2020, estimated provisions for future separation costs, warranties and indemnities under the sale agreement and onerous contracts resulting from the separation.

Section 5: Other disclosure

5.3 New accounting standards

New and amended accounting standards adopted by the AMP group

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

Interest Rate Benchmark Reform

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

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

Group Approach to IBOR Transition
In response to the significant future changes that interest rate benchmark reforms pose, the Group has undertaken the following actions;

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

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

Interest rate benchmarks to which the Group's hedging relationships are impacted by IBOR transition arise via the usage of interest rates swaps and cross currency swaps for both fair value and cash flow hedges. The most significant IBOR exposure for the group's hedge accounting arrangements are for interest rate and cross currency swaps which reference the GBP LIBOR benchmark. As at 30 June 2020, the notional amounts of the Group's interest rate swap exposures designated in hedge accounting relationships are $149m representing $83.4m of cross currency swaps denominated in GBP and AUD and $65.6m of interest rate swaps denominated in GBP, relating to the hedging of debt issuance activities. The carrying value of foreign currency denominated debt liabilities for which with interest rate hedging relationships apply are $67m.

Additional amendments have been prepared by the International Accounting Standards Board for IFRS 7, 9 and 139 which are expected to come into effect from 1 January 2021 subject to finalisation by the IASB in the later part of 2020. These amendments are in addition to the phase 1 amendments that were announced in October 2019. The Group will assess and reflect any impacts when the changes to IFRS are finalised.

5.4 Events occurring after reporting date

On 13 August 2020, AMP announced a binding agreement to repurchase Mitsubishi UFJ Trust and Banking Corporation's (MUTB) 15% shareholding in AMP Capital. The amount payable under the purchase agreement is total cash consideration of $460 million, comprising $451m cash and MUTB's $9m share of dividends declared by AMP Capital on 5 August 2020. The transaction will be funded from AMP Limited's existing capital reserves and is expected to complete in Q3 2020, subject to receipt of required approvals. At transaction completion, the existing business and capital alliances between MUTB, AMP Limited and AMP Capital will end. MUTB will no longer have a representative on the AMP Capital Board.

On 13 August 2020, AMP announced the return of capital of up to $544 million to shareholders, comprising a $344 million fully franked special dividend and up to $200 million in the form of an on-market share buy-back during the course of the next 12 months, subject to market conditions.

Other than the matters above, 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 group's operations; the results of those operations; or the group's state of affairs in future periods.

Directors' declaration

for the half year ended 30 June 2020

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 2020 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, 13 August 2020

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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 statement of financial position as at 30 June 2020, the 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 2020 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 2020 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* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code).

Ernst & Young

Ernst & Young

Andrew Price
Partner
Sydney
13 August 2020