AMP Group Holdings Limited

ABN 88 079 804 676

Directors' report and Financial report for the year ended 31 December 2017

Directors' Report

for the year ended 31 December 2017

Your directors present their report on the consolidated entity consisting of AMP Group Holdings Limited and the entities it controlled at the end of or during the year ended 31 December 2017.

Directors

The directors of the Company during the year ended 31 December 2017 up to the date of this report are shown below.

Gordon Lefevre (Chairman)
David Rowe (resigned 4 April 2017)
James Georgeson
John O'Farrell (appointed 4 April 2017)

Operating and financial review

AMP Group Holdings Limited (AMPGH group) is a wholly owned controlled entity of AMP Limited and is the holding company of the majority of the controlled entities of the AMP Limited group (AMP group). AMP Bank is wholly owned by AMP Limited and is not part of the AMPGH group. However, AMP Group Holdings Limited provides an unconditional and irrevocable guarantee over AMP Bank Limited.

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

We provide retail customers in Australia and New Zealand with financial advice and superannuation, retirement income and investment products. We also provide superannuation services for businesses, administration, banking and investment services for self-managed superannuation funds (SMSF), income protection, disability and life insurance, and selected banking products. These products and services are delivered directly from AMP and through a network of close to 3,300 aligned and employed financial advisers in Australia and New Zealand and extensive relationships with independent financial advisers.

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

We have over 5,600 employees, around 750,000 shareholders and manage and administer $257 billion in assets.

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

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

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

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

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

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

Australian mature is the largest closed life insurance business in Australia. Australian mature assets under management comprises capital guaranteed products (76%) and market linked products (24%). Australian mature products include whole of life, endowment, investment linked, investment account, Retirement Savings Account, Eligible Rollover Fund, annuities, insurance bonds, personal superannuation and guaranteed savings accounts.

2017 performance

The profit attributable to shareholders of AMP Group Holdings Limited for the year ended 31 December 2017 was $675million (2016: loss of $530million).

Operating results by business area

The operating results of each business area for 2017 were as follows:

- *Australian wealth management* – operating earnings dropped by $10 million (2.5%) from 2016 to $391 million in 2017. The decline in operating earnings was largely due to margin compression from MySuper transitions, increased variable remuneration associated with improved group performance plus a reset of the investment management agreement with AMP Capital.

- *AMP Capital* – AMP group's 85% share of AMP Capital's 2017 operating earnings was $156 million, up 8% from $144 million in 2016. AMP Capital's operating earnings benefited from strong fee income growth of 7%, partially offset by a 5% increase in controllable costs.

- *Australian wealth protection* – Operating earnings improved by $525 million to $110 million in 2017 from 2016, with improved experience more than offsetting lower profit margins. Profit margins fell by $76 million (43%) from 2016 to $99 million in 2017, largely due to the strengthening of assumptions at 2016, the implementation of a 50% quota share reinsurance arrangement with Munich Reinsurance Company of Australasia (Munich Re) on 1 November 2016 and the implementation of a second tranche of reinsurance transactions on 1 November 2017 with General Reinsurance Life Australia Limited (Gen Re) and Munich Re. Total reinsurance cover on AMP's retail book is now equivalent to 65% of individual risk API. The impact of assumption changes and reinsurance arrangements were partially offset by a reduction in controllable costs.

- *New Zealand financial services* – In New Zealand Dollar terms, operating earnings increased by $1 million (1%) to $135 million as a result of higher profit margins, partially offset by lower experience profits. In Australian Dollar terms, operating earnings decreased by $1 million (1%) following the depreciation of the New Zealand Dollar relative to the Australian Dollar.

- *Australian mature* – 2017 operating earnings of $150 million decreased $1 million from 2016 due to the expected portfolio run-off ($9 million decrease) offset by improved experience ($5 million increase), investment markets ($2 million increase) and lower controllable costs ($1 million increase)

Capital management and dividend

Equity and reserves of the AMPGH group attributable to shareholders of AMPGH Limited increased to $5.9 billion at 31 December 2017 from $5.0 billion at 31 December 2016.

Strategy and prospects

AMP is positioned to take advantage of positive long-term demographic and market trends, operating in large and growing markets where competition is rational and where AMP has a distinct competitive advantage. The company is pursuing a clear strategy for long-term growth with four key priorities:

- tilting investment to higher growth businesses with strong market positions, while releasing and recycling capital from lower growth businesses
- transforming the core Australian business to focus on helping customers achieve their goals
- managing costs to continue growing profitably in a margin compressed world, and
- expanding internationally by leveraging AMP's key strengths into new markets, specifically Europe, North America, China and Japan.

This strategy is expected to drive improved business performance and growth with the expectation that AMP will meet its 15% return on equity hurdle in 2018.

AMP is well progressed with a portfolio review of the manage for value businesses with all alternatives being considered. As a result, AMP is in discussions with a number of interested parties. While the portfolio review is yet to be concluded, AMP expects to be in a position to provide a further update at or before AMP's 2018 AGM.

1. Tilt investment to higher growth businesses
AMP is focused on delivering growth across the portfolio by focusing investment in its high growth businesses, including Australian wealth management and AMP Capital.

A key priority is to grow in the expanding $3.3 trillion[1] Australian wealth management market, where AMP holds the number one[2] market share position in superannuation, advice, and SMSF and the number two market share position in retirement incomes.

AMP is investing in Australian wealth management to grow its distinctive competitive advantages. In 2018, AMP is targeting additional revenue equivalent to 2% of AUM fees from its Advice and SMSF businesses. This investment will also help Australians get more advice, more often through our goals-based operating system which will also improve productivity and drive new revenue streams.

AMP Capital has demonstrated consistent and sustainable earnings growth and is focused on growing domestically while also extending its geographic reach and investment in distribution capabilities across selected markets. By utilising its strengths in the management of real assets, AMP Capital has further opportunity to capture attractive revenues and is targeting double-digit earnings growth through the cycle.

2. Transform
AMP is transforming its core Australian businesses to be more customer centric, based on helping more people achieve their life goals.

AMP is aiming to make its goals-based approach to financial advice more relevant, accessible and affordable for its customers, and at the same time, more efficient and profitable for AMP and its strong network of aligned advisers. AMP is also giving customers more ways to interact with the company by creating an omni-channel experience with new digital and direct channels that complement its existing multi-branded face-to-face advice experience.

AMP is rolling out its technology-enabled, goals-based advice platform to AMP Advice. In second half 2017, AMP formalised a partnership with US advice business United Capital to collaborate as AMP develops its new operating system. By the end of 2017, 26 practices with over 200 financial advisers were operating under the new AMP Advice model. They will deliver a better and more relevant customer outcome and experience, greater adviser productivity and improved advice practice profitability.

3. Manage costs
AMP continues to deliver market-leading cost efficiency and in 2017 operating model and organisational design changes delivered efficiency gains which reduced controllable costs by 3%. AMP (excluding AMP Capital) has an ambition to keep controllable costs flat in the medium term. Run rate savings from initiatives in 2017 and benefits from other strategic cost initiatives will help deliver this outcome in 2018.

4. Expand internationally
AMP is expanding internationally, primarily through AMP Capital, in high-growth regions where its expertise and capabilities are in demand. AMP has built strong partnerships with national champion companies in China and Japan and is capitalising on demand for its infrastructure, real estate and fixed income capabilities across Asia, Europe and North America.

In the second half of 2017, AMP announced an agreement to purchase a minority stake in US-based real estate investment manager PCCP to provide commercial debt and equity capital for middle market investments throughout the US.

AMP's relationships with China Life continue to strengthen. China Life Asset Management Company Limited (CLAMP) is the fastest growing new asset management company in China while China Life Pension Company (CLPC) ranks first in trustee services with 31% market share and third in investment management with 11% market share. CLPC is expected to benefit from the implementation of new regulations for Occupational Pensions in China in coming years. AMP is targeting earnings of around $50 million per annum from the China businesses within five years.

AMP Capital's relationship with its Japanese strategic partner MUFG: Trust Bank also remains strong with the alliance enhanced and renewed during the first quarter of 2017.

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1 ABS Managed Funds Report, Managed Funds Industry, September 2017.

2 Fund Market Overview Retail – Marketer, Strategic Insight (Plan for Life), September 2017.

Strategies and prospects by business area[3]

Australian wealth management

Australian wealth management's key priorities are to:

- build the goals-based advice model of the future and improve the quality of the advice experience
- maintain competitive platforms to access the retail and corporate superannuation markets
- increase revenues in Advice and SMSF while remaining vigilant on cost control
- increase channel choice and deliver an integrated customer experience
- use new capabilities to design customer centric offers covering advice, product and service, and
- develop a strong SMSF capability with a focus on building scale, efficiency and profitable growth over the medium term.

AMP Capital

Working as a trusted partner to clients, AMP Capital's key priorities are to deliver an outstanding investment experience for clients and to generate revenue growth through:

- delivering investment outcomes to clients specific to their goals
- building a differentiated client experience driving strong client engagement
- partnering effectively across the AMP group to deliver investment solutions for retail, SMSF and corporate super customers
- expanding the global pension fund client base via enhanced distribution of real asset funds, and
- building preferential distribution partnerships in select Asian markets, particularly Japan and China.

Australian wealth protection

Australian wealth protection's key priorities are to:

- focus on pricing, claims and lapse management to improve margins, and
- provide a high-quality customer experience.

New Zealand financial services

New Zealand financial services has the following key priorities to grow shareholder value:

- deepen its customer relationships
- re-engineer wealth protection to increase product attractiveness
- grow scale and capture margin in wealth management
- evolve advice and distribution capability
- leverage the KiwiSaver opportunity
- build on our general insurance partnership
- continue its focus on cost control.

Australian mature

Key priorities for management are to continue to manage Australian Mature for yield and capital efficiency.

The Australian mature business remains in slow decline but is expected to remain profitable for many years. It is expected to run off at around 5% per annum. However, in volatile investment markets, this run-off rate can vary substantially. The run-off of AUM is anticipated to have an average duration of approximately 13 years, but will be impacted by investment markets.

3 Forward looking statements in the strategies and prospects by business area section of the Director's report are based on management's current views and assumptions and involve known and unknown risks and uncertainties, many of which are beyond AMP's control and could cause actual results, performance or events to differ materially from those expressed. These forward looking statements are not guarantees or representations of future performance, and should not be relied upon.

Key risks

Risk is inherent to our business and AMP takes measured risks to achieve our strategic objectives. We have a clear strategic plan to drive our business forward and Enterprise Risk Management framework to identify, understand and manage risks.

The Enterprise Risk Management (ERM) framework is designed to enable AMP to identify, assess, respond, monitor and review current and emerging risks that can affect our business. We recognise that effective risk management is supported by appropriate behaviour by our employees and we are committed to driving a risk aware culture.

AMP's ERM framework includes a risk management strategy which establishes the principles, requirements, roles and responsibilities for the management of risk across AMP. It also includes a risk appetite statement which articulates the nature and level of risk the board is willing to accept in the pursuit of strategic objectives. Alignment between AMP's corporate strategy and the risk appetite of the AMP Limited Board ensures that risks taken are consistent with the nature and level of risk the board is willing to accept.

Key business challenges

Given the nature of our business environment we continue to face challenges that could have an adverse impact on the delivery of our strategy. The most significant business challenges (in no particular order of importance) include, but are not limited to:

Competitor and customer environment
Our strategy is set based on existing and expected business environmental factors including business cycle, technology, customer preferences and competitive landscape. Significant changes in these environmental factors may disrupt AMP's business operations. For example, a significant change in customer preferences may impact sales volumes, revenue and customer satisfaction.

AMP has programs in place aimed at anticipating and responding to threats and opportunities that arise from changing customer preferences and competitor strategies and capabilities.

Cyber security threats
Cyber risk continues to be a focus area across all industries. We recognise that cyber risk will continue to be a threat in a rapidly changing technological environment and that the magnitude and costs of cybercrime vary depending on the nature of the attack.

AMP is committed to investing in enhancing our cyber security network and we have several detective, preventative and responsive controls to protect our assets and networks. While we are committed to enhancing our cyber security network, we recognise it is inevitable that cyber-attacks will occur. In assessing and mitigating cybercrime, we regularly consider vulnerabilities and potential ways to mitigate failures of people, processes and technology.

Organisational change
AMP's promise to help people 'own tomorrow' requires continuous updating of products, services and customer experiences. Managing continuous change can place significant pressure on employees.

AMP has invested heavily into developing new approaches, models and ways of working to drive efficiency. We recognise that failure to appropriately manage the implementation of these changes can cause disruption to AMP's business operations. To manage this, AMP has dedicated resources with appropriate skills and expertise who establish change programs and manage the transition.

Business, employee and business partner conduct
The conduct of financial institutions is an area of significant focus. There is a risk that business practices and management, staff or business partner behaviours may not deliver the outcomes desired by AMP or meet the expectations of regulators and customers. An actual or perceived shortcoming in conduct by AMP or its business partners may undermine our reputation and draw increased attention from regulators.

AMP is committed to establishing a culture of help, integrity and performance. Our code of conduct outlines the minimum standards of behaviour and decision making and our expectations for how we treat our employees, customers, business partners and shareholders.

AMP also works to provide a safe and respectful environment that encourages all staff to be confident and speak out about any potential conduct issues. All employees, contractors and third parties can use the Your Call program to raise concerns including regarding unethical behaviours as a whistleblower. The Group Chief Risk Officer (CRO) is AMP's designated Whistleblower Protection Officer, and has direct access to the CEO and board.

Further to this, we are committed to ensuring the right culture is embedded in our everyday practices, with risk explicitly considered as part of the remuneration framework. The Group CRO is also given an additional discretion to adjust the bonus pool for significant failures in conduct or risk management.

Regulatory environment

AMP operates in multiple jurisdictions across the globe. Each one of these jurisdictions has legislative and regulatory requirements that AMP is committed to meeting. These requirements are also subject to reform.

AMP has established internal policies, frameworks and procedures to seek to ensure our domestic and international regulatory obligations are met in each jurisdiction. Processes are also in place to manage the implications of regulatory change on our business performance. AMP has developed a curriculum of mandatory compliance training that all employees must undertake to ensure awareness of their general compliance obligations.

Regulatory and compliance risks, breaches, consultations and general interactions are reported as part of our internal risk and compliance reporting process, and to the relevant regulators as and when required. At any point in time, a number of investigations, consultations and general interactions may be in progress with our key regulators. We actively participate in these interactions and fully cooperate with regulators on such matters.

The Australian financial services industry is currently responding to a Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, established on 14 December 2017. The outcomes of this Royal Commission for AMP and the industry are uncertain at this time. AMP has welcomed the opportunity to contribute to the Royal Commission and supports its intent to provide certainty to the financial system and help restore the community's trust and confidence in the industry.

Material risk types

AMP has categorised risk in seven material risk types which are monitored, assessed and reported to the board and relevant committees to ensure that risk is managed appropriately. The risk types and definitions are noted below. The section should be read in conjunction with the corporate governance statement relevant to risk management.

Risk type	Definition
Strategic risk	Risk of loss or foregone value associated with strategic decisions and competitive positioning of the business and our ability to respond in a timely manner to changes in the regulatory, customer or competitive landscape.
Credit risk	The risk of loss or foregone value due to non-payment of a contractually required payment by a counterparty.
Market risk	The risk of loss or foregone value due to adverse movements in market prices and investment values. This may be due to economic changes or events that have an impact on large portions of the market.
Insurance risk	The risk of loss due to adverse developments in morbidity/mortality rates, longevity, expense, and changes to policyholder behaviour.
Liquidity risk	The risk of loss due to an inability to fund or trade liquidity risk at a given period to meet debt obligations at a reasonable price.
Concentration risk	The risk of loss due to a series of exposures with the potential to produce large enough losses. It may arise in the form of credit concentration, market correlation, cross risk types, pandemic, which may have been accumulated over time.
Operational risk	Risk of loss resulting from inadequate or failed internal processes and systems or from external events.

The environment

In the normal course of its business operations, AMP is subject to a range of environmental regulations of which there have been no material breaches during the year. You can find further information about AMP's environment policy and activities at amp.com.au/corporate sustainability.

Significant changes to the state of affairs

Details of changes in AMP's strategic priorities are set out earlier in this report.

Events occurring after the reporting date

On 28 March 2018, the Company declared a dividend to its parent, AMP Limited of $306m. The dividend was funded by a $306m capital return from AMP Group Services Holdings Limited.

Other than the matter noted above, as at the date of this report, the directors are not aware of any matter or circumstance that has arisen since the reporting date that has significantly affected or may significantly affect the entity's operations in future years; the results of those operations in future years; or the entity's state of affairs in future years which is not already reflected in this report.

Indemnification and insurance of directors and officers

Under our constitution, the company indemnifies, to the extent permitted by law, all current and former officers of the company (including the non-executive directors) against any liability (including the costs and expenses of defending actions for an actual or alleged liability) incurred in their capacity as an officer of the company.

This indemnity is not extended to current or former employees of the AMP group against liability incurred in their capacity as an employee, unless approved by the AMP Limited Board. No such indemnities have been provided during or since the end of the financial year.

During the financial year, the company agreed to insure all of the officers (including all directors) of the AMP group against certain liabilities as permitted by the *Corporations Act 2001*. The insurance policy prohibits disclosure of the nature of the cover, the amount of the premium, the limit of liability and other terms.

The company has entered into a deed of indemnity and access with each director and secretary of the company. Each deed of indemnity and access provides that:

- these officers will have access to the books of the company for their period of office and for ten (or in certain cases, seven) years after they cease to hold office (subject to certain conditions); and

- the company agrees to indemnify the officer, to the extent permitted by law, against any liability incurred by the officer in his or her capacity as a director or secretary of the company and of other AMP group companies.

Auditor's independence declaration to the directors of AMP Group Holdings Limited

We have obtained an independence declaration from our auditor, Ernst & Young, a copy of which is attached to this report and forms part of the Directors' Report for the year ended 31 December 2017.

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.

Signed in accordance with a resolution of the directors.

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Director

Sydney, 13 April 2018

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Auditor's Independence Declaration to the Directors of AMP Group Holdings Limited

As lead auditor for the audit of AMP Group Holdings Limited for the financial year ended 31 December 2017, 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 audit; and

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

This declaration is in respect of AMP Group Holdings Limited and the entities it controlled during the financial year.

Ernst & Young

Tony Johnson
Partner
Sydney
13 April 2018

AMP GROUP HOLDINGS LIMITED
ABN 88 079 804 676
FULL YEAR FINANCIAL REPORT
31 DECEMBER 2017

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Registered office:
33 Alfred Street
Sydney NSW 2000 Australia

AMP Group Holdings Limited, a company limited by shares, is incorporated and domiciled in Australia.

AMP Group Holdings Limited

Consolidated income statement

for the year ended 31 December 2017

	Note	2017 $m	2016 $m
Income and expenses of shareholders, policyholders, external unitholders and non-controlling interests[1]			
Life insurance contract related revenue	4.2	**2,997**	2,883
Life insurance claims recovered from reinsurers	4.2	**234**	150
Fee revenue		**3,137**	3,033
Other revenue		**133**	178
Interest income, dividends and distributions and net gains on financial assets and liabilities at fair value through profit or loss		**11,130**	7,865
Share of profit or loss of associates accounted for using the equity method	6.3	**29**	28
Life insurance contract claims expense	4.2	**(2,046)**	(2,038)
Life insurance contract premium ceded to reinsurers	4.2	**(635)**	(243)
Fees and commission expenses		**(1,687)**	(1,663)
Staff and related expenses		**(1,012)**	(1,024)
Goodwill impairment	2.2	**-**	(668)
Other operating expenses		**(992)**	(1,149)
Finance costs		**(108)**	(101)
Movement in external unitholder liabilities		**(1,481)**	(979)
Change in policyholder liabilities			
- life insurance contracts	4.2	**(1,069)**	(1,471)
- investment contracts		**(7,158)**	(4,608)
Income tax expense	1.1	**(752)**	(164)
Profit for the year		**720**	29
Profit (loss) attributable to shareholders of AMP Group Holdings Limited		**675**	(530)
Profit attributable to non-controlling interests		**45**	559
Profit for the year		**720**	29

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

Consolidated statement of comprehensive income

for the year ended 31 December 2017

	Note	2017 $m	2016 $m
Profit for the year		**720**	29
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange (losses) and gains on translation of foreign operations and revaluation of hedge of net investments		**(54)**	12
		(54)	12
Items that will not be reclassified subsequently to profit or loss			
Defined benefit plans			
- actuarial gains	5.2	**7**	48
- income tax expense		**(2)**	(14)
		5	34
Other comprehensive (loss) income for the year		**(49)**	46
Total comprehensive income for the year		**671**	75
Total comprehensive income (loss) attributable to shareholders of AMP Group Holdings Limited		**626**	(484)
Total comprehensive income attributable to non-controlling interests		**45**	559
Total comprehensive income for the year		**671**	75

AMP Group Holdings Limited

Consolidated statement of financial position

as at 31 December 2017

	Note	2017 $m	2016 $m
Assets			
Cash and cash equivalents	7.1	**5,916**	5,904
Receivables	2.3	**2,126**	1,983
Intercompany tax receivable		**88**	111
Current tax assets		**8**	24
Planner registers held for sale and prepayments		**135**	119
Investments in financial assets	2.1	**114,669**	110,820
Investment properties		**134**	127
Investments in associates accounted for using the equity method	6.3	**749**	449
Property, plant and equipment		**75**	66
Deferred tax assets	1.1	**559**	617
Reinsurance asset - ceded life insurance contracts	4.2	**650**	546
Intangibles	2.2	**3,218**	3,199
Total assets of shareholders of AMP Group Holdings Limited, policyholders, external unitholders and non-controlling interests		**128,327**	123,965
Liabilities			
Payables	2.4	**2,363**	3,706
Intercompany tax payable		**32**	201
Current tax liabilities		**25**	25
Provisions	7.3	**151**	201
Employee benefits		**316**	265
Other financial liabilities	2.1	**570**	1,222
Interest-bearing liabilities	3.2	**1,721**	1,342
Deferred tax liabilities	1.1	**2,190**	1,945
External unitholder liabilities		**14,468**	13,252
Life insurance contract liabilities	4.2	**23,683**	24,225
Investment contract liabilities	4.5	**75,235**	71,579
Reinsurance liabilitiy - ceded life insurance contracts	4.2	**1,296**	530
Defined benefit plan liabilities	5.2	**29**	44
Total liabilities of shareholders of AMP Group Holdings Limited, policyholders, external unitholders and non-controlling interests		**122,079**	118,537
Net assets of shareholders of AMP Group Holdings Limited and non-controlling interests		**6,248**	5,428
Equity			
Contributed equity	3.1	**7,941**	6,926
Reserves		**(2,045)**	(1,998)
Retained earnings		**(35)**	115
Total equity of shareholders of AMP Group Holdings Limited		**5,861**	5,043
Non-controlling interests		**387**	385
Total equity of shareholders of AMP Group Holdings Limited and non-controlling interests		**6,248**	5,428

Consolidated statement of changes in equity

for the year ended 31 December 2017

	Equity attributable to shareholders of AMP Group Holdings Limited												
	Contributed equity $m	Demerger reserve[1] $m	Share-based payment reserve[2] $m	Capital profits reserve[3] $m	Cash flow hedge reserve $m	Foreign currency translation and hedge of net investments reserves $m	Owner-occupied property revaluation reserve $m	**Total reserves $m**	**Retained earnings $m**	**Total shareholder equity $m**	**Non-controlling interest $m**	**Total equity $m**
2017												
Balance at the beginning of the year	**6,926**	**(2,566)**	**71**	**329**	**21**	**147**	**-**	**(1,998)**	**115**	**5,043**	**385**	**5,428**
Profit	**-**	-	-	-	-	-	-	**-**	**675**	**675**	**45**	**720**
Other comprehensive income	**-**	-	-	-		(54)	-	**(54)**	**5**	**(49)**	**-**	**(49)**
Total comprehensive income	**-**	-	-	-	-	(54)	-	**(54)**	**680**	**626**	**45**	**671**
Share-based payment expense	**-**	-	25	-	-	-	-	**25**	**-**	**25**	**1**	**26**
Shares purchases	**-**	-	(18)	-	-	-	-	**(18)**	**-**	**(18)**	**(1)**	**(19)**
Shares issued	**1,015**	-	-	-	-	-	-	**-**	**-**	**1,015**	**-**	**1,015**
Dividends paid	**-**	-	-	-	-	-	-	**-**	**(830)**	**(830)**	**(42)**	**(872)**
Sales and acquisitions of non-controlling interests	**-**	-	-	-	-	-	-	**-**	**-**	**-**	**(1)**	**(1)**
Balance at the end of the year	**7,941**	**(2,566)**	**78**	**329**	**21**	**93**	**-**	**(2,045)**	**(35)**	**5,861**	**387**	**6,248**
2016												
Balance at the beginning of the year	**6,926**	(2,566)	71	329	21	135	122	**(1,888)**	**1,061**	**6,099**	**681**	**6,780**
Profit (loss)	**-**	-	-	-	-	-	-	**-**	**(530)**	**(530)**	**559**	**29**
Other comprehensive income	**-**	-	-	-	-	12	-	**12**	**34**	**46**	**-**	**46**
Total comprehensive income	**-**	-	-	-	-	12	-	**12**	**(496)**	**(484)**	**559**	**75**
Share-based payment expense	**-**	-	22	-	-	-	-	**22**	**-**	**22**	**2**	**24**
Share purchases	**-**	-	(22)	-	-	-	-	**(22)**	**-**	**(22)**	**(2)**	**(24)**
Dividends paid	**-**	-	-	-	-	-	-	**-**	**(572)**	**(572)**	**(536)**	**(1,108)**
Sale of owner-occupied property	**-**	-	-	-	-	-	(122)	**(122)**	**122**	**-**	**-**	**-**
Sales and acquisitions of non-controlling interests	**-**	-	-	-	-	-	-	**-**	**-**	**-**	**(319)**	**(319)**
Balance at the end of the year	**6,926**	(2,566)	71	329	21	147	-	**(1,998)**	**115**	**5,043**	**385**	**5,428**

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.

Consolidated statement of cash flows

for the year ended 31 December 2017

	Note	2017 $m	2016 $m
Cash flows from operating activities[1]			
Cash receipts in the course of operations		**18,174**	19,108
Interest received		**1,282**	1,439
Dividends and distributions received[2]		**2,142**	2,322
Cash payments in the course of operations		**(23,708)**	(22,138)
Finance costs		**(118)**	(111)
Income tax paid		**(581)**	(618)
Cash flows from (used in) operating activities	7.1	**(2,809)**	2
Cash flows from investing activities[1]			
Net proceeds from sale of (payments to acquire):			
- investment property		**-**	279
- investments in financial assets		**879**	2,821
- operating and intangible assets		**(46)**	(11)
(Payments to acquire) proceeds from disposal of operating controlled entities and investments in associates accounted for using the equity method		**(293)**	10
Cash flows from (used in) investing activities		**540**	3,099
Cash flows from financing activities			
Net movement in deposits from customers		**(1)**	(4)
Proceeds from borrowings - non-banking operations[1]		**391**	361
Repayment of borrowings - non-banking operations[1]		**-**	(827)
On market share buy-back		**1,015**	-
Dividends paid[2]		**(830)**	(572)
Cash flows from (used in) financing activities		**575**	(1,042)
Net increase (decrease) in cash and cash equivalents		**(1,694)**	2,059
Cash and cash equivalents at the beginning of the year		**11,238**	9,174
Effect of exchange rate changes on cash and cash equivalents		**(8)**	5
Cash and cash equivalents at the end of the year[1]	7.1	**9,536**	11,238

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.

About this report

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

(a) Understanding the AMPGH financial report

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

AMPGH business operations are carried out by a number of these controlled entities including AMP Life Limited and National Mutual Life Association of Australasia Limited, collectively "AMP Life" – both registered life insurance entities and their related controlled entities, AMP Bank Limited (AMP Bank) and AMP Capital investment management companies.

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

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

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

The financial report:

- is a general purpose financial report;
- has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards including Australian Accounting Interpretations adopted by the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board;
- is presented in Australian dollars with all values rounded to the nearest million dollars ($m), unless otherwise stated;
- has been prepared on a going concern basis generally using an historical cost basis; however where permitted under accounting standards a different basis may be used, including the fair value basis for:
  - assets and liabilities associated with life insurance contracts
  - assets and liabilities associated with investment contracts
- presents assets and liabilities on the face of the Consolidated statement of financial position in decreasing order of liquidity and therefore does not distinguish between current and non-current items; and
- presents reclassified comparative information where required for consistency with the current year's presentation within the annual report.

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

The financial statements for the year ended 31 December 2017 were authorised for issue on 13 April 2018 in accordance with a resolution of the directors.

About this report

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

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

When a controlled managed investment scheme is consolidated, the share of the unitholder liability attributable to the AMPGH group is eliminated but amounts due to external unitholders remain as liabilities in the Consolidated statement of financial position. The share of the net assets of controlled entities attributable to non-controlling interests is disclosed as a separate line item on the Consolidated statement of financial position.

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

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

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

Fee revenue
Fees are charged to customers in connection with investment contracts and other financial services contracts. Fee revenue is recognised as services are provided either at inception of the contract or as they are performed over the life of the contract. For example, fees for ongoing investment management services and other services provided are charged on a regular basis, usually daily, and are recognised as the service is provided.

Interest, dividends and distributions income
Interest income is recognised when the AMPGH group obtains control of the right to receive the interest. Revenue from dividends is recognised when the AMPGH group's right to receive payment is established.

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

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

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

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

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

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

About this report

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

Accounting judgements and estimates	Note		Page
Tax	1.1	Taxes	10
Fair value of financial assets	2.1	Investments in financial instruments	14
Goodwill and acquired intangible assets	2.2	Intangibles	16
Life insurance and investment contract liabilities	4.1	Accounting for life insurance and investment contracts	34
Consolidation	6.1	Controlled entities	64
Provisions	7.3	Provisions	70

Section 1: Results for the year

- 1.1 Taxes
- 1.2 Dividends

1.1 Taxes

This sub-section outlines the impact of income taxes on the results and financial position of AMPGH. In particular:
- the impact of tax on the reported result;
- amounts owed to/receivable from the tax authorities;
- deferred tax balances that arise due to differences in the tax and accounting treatment of balances recorded in the financial report; and
- discussion of the impacts of life insurance policyholder tax.

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

(a) Income tax expense

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

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

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

	2017 $m	2016 $m
Profit before income tax	**1,472**	193
Policyholder tax expense recognised as part of the change in policyholder liabilities in determining profit before tax	**(472)**	(121)
Profit before income tax excluding tax charged to policyholders	**1,000**	72
Tax at the Australian tax rate of 30% (2016: 30%)	**(300)**	(22)
Shareholder impact of life insurance tax treatment	**(33)**	(16)
Tax concessions including research and development and offshore banking unit	**8**	5
Non-deductible expenses	**(18)**	(11)
Non-taxable income	**15**	4
Other items	**28**	16
Non-controlling interests[1]	**-**	154
Goodwill impairment	**-**	(200)
Over provided in previous years after excluding amounts attributable to policyholders	**3**	14
Utilisation of previously unrecognised tax losses	**3**	4
Differences in overseas tax rates	**14**	9
Income tax expense attributable to shareholders and non-controlling interest	**(280)**	(43)
Income tax expense attributable to policyholders	**(472)**	(121)
Income tax expense per Income statement	**(752)**	(164)

1 $Nil (2016: $513m) profit attributable to non-controlling interests in investment entities controlled by the AMP life insurance entities' statutory funds is not subject to tax.

Section 1: Results for the year

1.1 Taxes (continued)

(b) Analysis of income tax expense

	2017 $m	2016 $m
Current tax expense	**(475)**	(424)
Increase in deferred tax assets	**(26)**	103
(Increase) decrease in deferred tax liabilities	**(244)**	142
(Under) over provided in previous years including amounts attributable to policyholders	**(7)**	15
Income tax expense	**(752)**	(164)

(c) Analysis of deferred tax balances

	2017 $m	2016 $m
Analysis of deferred tax assets		
Expenses deductible and income recognisable in future years	**461**	484
Unrealised movements on borrowings and derivatives	**1**	21
Unrealised investment losses	**40**	28
Losses available for offset against future taxable income	**-**	42
Other	**57**	42
Total deferred tax assets	**559**	617
Analysis of deferred tax liabilities		
Unrealised investment gains	**1,736**	1,498
Other	**454**	446
Total deferred tax liabilities	**2,190**	1,945

(d) Amounts recognised directly in equity

	2017 $m	2016 $m
Deferred income tax expense related to items taken directly to equity during the current year	**(2)**	(14)

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

	2017 $m	2016 $m
Revenue losses	**-**	2

Section 1: Results for the year

1.1 Taxes (continued)

Accounting policy – recognition and measurement

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

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

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

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

Income tax for investment contracts business and life insurance contracts business
The income tax expense recognised in the Consolidated income statement of the AMPGH group, which arises in respect of AMP Life, reflects tax imposed on shareholders as well as policyholders. Investment contracts liabilities and life insurance contracts liabilities are established in Australia net, and in New Zealand gross, of the policyholders' share of any current tax payable and deferred tax balances of the AMP group. Arrangements made with some superannuation funds result in AMP Life making payments to the Australian Taxation Office in relation to contributions tax arising in those funds. The amounts paid are recognised as a decrease in investment contract liabilities and not included in income tax expense.

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

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

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

Critical accounting estimates and judgements:

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

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

Section 1: Results for the year

1.2 Dividends

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

	2017	2016
Dividend per share (cents)		
Interim	**3.5**	-
Final	**4.5**	5.5
Cost (in $m)		
Interim	**362**	-
Final	**468**	572

Section 2: Investments, intangibles and working capital

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

- 2.1 Investments in financial instruments
- 2.2 Intangibles
- 2.3 Receivables
- 2.4 Payables
- 2.5 Fair value information

2.1 Investments in financial instruments

	2017 $m	2016 $m
Financial assets measured at fair value through profit or loss[1]		
Equity securities and listed managed investment schemes	**58,698**	53,627
Debt securities[2]	**32,457**	34,513
Investments in unlisted managed investment schemes	**22,398**	21,358
Derivative financial assets	**1,071**	1,176
Other financial assets	**5**	5
Total financial assets measured at fair value through profit or loss	**114,629**	110,679
Financial assets measured at amortised cost		
Loans and advances	**5**	5
Debt securities - held to maturity	**35**	136
Total financial assets measured at amortised cost	**40**	141
Total financial assets	**114,669**	110,820
Other financial liabilities		
Derivative financial liabilities	**467**	1,130
Collateral deposits held	**103**	92
Total other financial liabilities	**570**	1,222

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

Section 2: Investments, intangibles and working capital

2.1 Investments in financial instruments (continued)

Accounting policy – recognition and measurement

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

Available-for-sale financial assets
Financial assets which are neither designated as fair value through profit or loss nor measured at amortised cost are classified as available-for sale. Measurement is in accordance with financial assets measured at fair value through profit or loss but any unrealised gains or losses arising from subsequent measurement at fair value are taken to other comprehensive income and only transferred to profit and loss when they are realised.

Details on how the fair values for financial assets are determined following initial recognition are disclosed in note 2.5.

Financial assets measured at amortised cost
Financial assets measured at amortised cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. These assets are subsequently recognised at amortised cost using the effective interest rate method.

Recognition and de-recognition of financial assets and liabilities
Financial assets and financial liabilities are recognised at the date the AMPGH group becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised when the contractual rights to the cash flows from the financial assets expire, or are transferred. A transfer occurs when substantially all the risks and rewards of ownership of the financial asset are passed to an unrelated third party. Financial liabilities are de-recognised when the obligation specified in the contract is discharged, cancelled or expires.

Impairment of financial assets
Assets measured at fair value, where changes in fair value are reflected in the Consolidated income statement, are not subject to impairment testing.

For financial assets measured at amortised cost, including loans, advances, held to maturity investments and other receivables, impairment is recognised in the Consolidated income statement when there is objective evidence a loss has been incurred. It is measured as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Critical accounting estimates and judgements:

Financial assets measured at fair value
Where available, quoted market prices for the same or similar instruments are used to determine fair value. Where there is no market price available for an instrument, a valuation technique is used. Management applies judgement in selecting valuation techniques and setting valuation assumptions and inputs.

Section 2: Investments, intangibles and working capital

2.2 Intangibles

	Goodwill[1] $m	Capitalised costs $m	Value of in-force business $m	Distribution networks $m	Other intangibles $m	Total $m
2017						
Balance at the beginning of the year	2,117	382	600	99	1	3,199
Additions through acquisitions of controlled entities	6	-	-	24	-	30
Additions through separate acquisitions	-	-	-	26	15	41
Additions through internal development	-	191	-	-	-	191
Reductions through disposal	-	-	-	(13)	-	(13)
Transferred from inventories	-	-	-	46	-	46
Amortisation expense	-	(138)	(102)	(31)	-	(271)
Impairment loss	-	(1)	-	(4)	-	(5)
Balance at the end of the year	2,123	434	498	147	16	3,218
Cost	*2,899*	*1,457*	*1,191*	*360*	*110*	*6,017*
Accumulated amortisation and impairment	*(776)*	*(1,023)*	*(693)*	*(213)*	*(94)*	*(2,799)*
2016						
Balance at the beginning of the year	2,782	374	703	123	1	3,983
Additions through acquisitions of controlled entities	3	4	-	4	-	11
Additions through internal development	-	133	-	-	-	133
Transferred from inventories	-	-	-	9	-	9
Amortisation expense	-	(129)	(103)	(37)	-	(269)
Impairment loss	(668)	-	-	-	-	(668)
Balance at the end of the year	2,117	382	600	99	1	3,199
Cost	*2,893*	*1,226*	*1,191*	*264*	*95*	*5,669*
Accumulated amortisation and impairment	*(776)*	*(844)*	*(591)*	*(165)*	*(94)*	*(2,470)*

1 Total goodwill comprises amounts attributable to shareholders of $2,108m (2016: $2,102m) and amounts attributable to policyholders of $15m (2016: $15m).

Section 2: Investments, intangibles and working capital

2.2 Intangibles (continued)

Accounting policy – recognition and measurement

Goodwill
Goodwill acquired in a business combination is recognised at cost and subsequently measured at cost less any accumulated impairment losses. The cost represents the excess of the cost of a business combination over the fair value of the identifiable assets acquired and liabilities assumed. Goodwill includes balances attributable to shareholders and balances attributable to policyholders in investment entities controlled by the AMP Life's statutory funds.

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

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

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

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

Item	Useful life
Capitalised costs	Up to 10 years
Value in-force business – wealth management and distribution businesses	10 years
Value in-force business – wealth protection and mature business	20 years
Distribution networks	3 – 15 years

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

Section 2: Investments, intangibles and working capital

2.2 Intangibles (continued)

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

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

Goodwill attributable to shareholders
The goodwill attributable to shareholders of $2,108m (2016: $2,102m) primarily arose from the acquisition of AMP AAPH Limited group in 2011, a previous Life Act Part 9 transfer of life insurance business into the statutory funds of AMP Life as well as other business combinations where the AMP group was the acquirer.

Based on their activities, each of the acquired businesses has been allocated to a CGU for the purpose of assessing goodwill as follows:

$m	2017	2016
Australian wealth management	**1,494**	1,488
Australian mature	**350**	350
AMP Financial Services New Zealand	**177**	177
AMP Capital	**87**	87
	2,108	2,102

The recoverable amount for each CGU (excluding AMP Capital) has been determined by the fair value less costs of disposal based on the estimated embedded value plus the value of one year's new business times a multiplier of 10 to 15.

The estimated embedded value is a calculation that represents the economic value of the shareholder capital in the business and the future profits expected to emerge from the business currently in-force expressed in today's dollars.

The estimated embedded value and value of one year's new business has been calculated based on the following key assumptions and estimates:
- mortality, morbidity, discontinuance rates, maintenance unit costs, future rates of supportable bonus for participating business, franking credits, risk discount rates, investment returns and inflation rates;
- premium and claim amounts, estimated over the expected life of the in-force policies which varies depending on the nature of the product;
- future maintenance and investment expenses based on unit costs derived from budgeted amounts for the following year and increased in future years for expected rates of inflation;
- risk discount rate based on an annualised 10 year government bond yield plus a discount margin of 5% (2016: 5%-7%) for Australia and 5% for New Zealand (2016: 5%): Australia 7.6% (2016: 7.8%-9.8%), New Zealand 7.8% (2016: 8.4%), for calculating the value of in-force and new business.

Assumptions applied in this valuation are consistent with the best estimate assumptions used in calculating the policy liabilities for AMP Life (excluding the risk discount rate).

Note 4.3 provides further details of the assumptions, management's approach to determining the values assigned to each key assumption and their consistency with past experience and external sources of information.

The recoverable amount for the AMP Capital CGU has been determined by using the fair value less costs of disposal based on a multiple of 17 times current period earnings (2016: 19 times), which approximates the fair value of this business, less an allowance for disposal costs.

There are no reasonably possible alternative assumptions which would result in an impairment of any goodwill amounts.

Goodwill attributable to policyholders
Policyholder cash-generating units were allocated $15m goodwill at 31 December 2017 (31 December 2016: $15m).

Impairment loss
The conclusion from the goodwill impairment testing is that there has been no impairment to the amount of the goodwill recognised for all CGUs for the year.

Critical accounting estimates and judgements:

Management applies judgement in selecting valuation techniques and setting valuation assumptions to determine the:
- acquisition date fair value and estimated useful life of acquired intangible assets;
- allocation of goodwill to CGUs and determining the recoverable amount of goodwill; and
- assessment of whether there are any impairment indicators for acquired intangibles and, where required, in determining the recoverable amount.

Section 2: Investments, intangibles and working capital

2.3 Receivables

	2017 $m	2016 $m
Investment related receivables	**1,376**	1,164
Life insurance contract premiums receivable	**333**	345
Reinsurance receivables	**81**	70
Trade debtors and other receivables	**336**	404
Total receivables	**2,126**	1,983
Current	*2,078*	*1,865*
Non-current	*48*	*118*

Accounting policy – recognition and measurement

Receivables
Receivables that back investment contract liabilities and life insurance contract liabilities are designated as financial assets measured at fair value through profit or loss. Reinsurance and other recoveries are discounted to present value. Receivables that do not back investment contract and life insurance contract liabilities are measured at nominal amounts due, less any allowance for doubtful debts. An allowance for doubtful debts is recognised when collection of the full amount is no longer probable. Bad debts are written off as incurred. Given the short-term nature of most receivables, the recoverable amount approximates fair value.

2.4 Payables

	2017 $m	2016 $m
Investment related payables	**746**	801
Life insurance and investment contracts in process of settlement	**311**	350
Accrued expenses, trade creditors and other payables	**666**	705
Parent entity	**640**	1,778
Reinsurance payables	**-**	72
Total payables	**2,363**	3,706
Current	*2,246*	*3,594*
Non-current	*117*	*112*

Accounting policy – recognition and measurement

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

Section 2: Investments, intangibles and working capital

2.5 Fair value information

The following table shows the carrying amount and estimated fair values of financial instruments and investment properties, including their levels in the fair value hierarchy. It does not include fair value information for financial instruments not measured at fair value if the carrying amount is a reasonable approximation of fair value.

2017	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	58,698	56,034	728	1,936	58,698
Debt securities	32,457	1	32,344	112	32,457
Investments in unlisted managed investment schemes	22,398	-	20,964	1,434	22,398
Derivative financial assets	1,071	210	861	-	1,071
Investment properties	134	-	-	134	134
Other financial assets	5	-	5	-	5
Total financial assets measured at fair value	114,763	56,245	54,902	3,616	114,763
Financial assets not measured at fair value					
Loans and advances	5	-	5	-	5
Debt securities - held to maturity	35	-	35	-	35
Total financial assets not measured at fair value	40	-	40	-	40
Financial liabilities measured at fair value					
Derivative financial liabilities	467	148	319	-	467
Collateral deposits held	103	-	103	-	103
Investment contract liabilities	75,235	-	2,028	73,207	75,235
Total financial liabilities measured at fair value	75,805	148	2,450	73,207	75,805
Financial liabilities not measured at fair value					
AMP Corporate entity borrowings	1,124	-	1,133	-	1,133
Borrowings within investment entities controlled by AMP Life statutory funds	597	-	597	-	597
Total financial liabilities not measured at fair value	1,721	-	1,730	-	1,730
2016					
Financial assets measured at fair value					
Equity securities and listed managed investment schemes	53,627	51,057	71	2,499	53,627
Debt securities	34,513	68	34,426	19	34,513
Investments in unlisted managed investment schemes	21,358	-	20,416	942	21,358
Derivative financial assets	1,176	219	957	-	1,176
Investment properties	127	-	-	127	127
Other financial assets	5	-	-	5	5
Total financial assets measured at fair value	110,806	51,344	55,870	3,592	110,806
Financial assets not measured at fair value					
Loans and advances	5	-	4	-	4
Debt securities - held to maturity	136	-	136	-	136
Total financial assets not measured at fair value	141	-	140	-	140
Financial liabilities measured at fair value					
Derivative financial liabilities	1,130	97	1,033	-	1,130
Collateral deposits held	92	-	92	-	92
Investment contract liabilities	71,579	-	2,252	69,327	71,579
Total financial liabilities measured at fair value	72,801	97	3,377	69,327	72,801
Financial liabilities not measured at fair value					
AMP Corporate entity borrowings	991	-	994	-	994
Borrowings within investment entities controlled by AMP Life statutory funds	351	-	351	-	351
Total financial liabilities not measured at fair value	1,342	-	1,345	-	1,345

Section 2: Investments, intangibles and working capital

2.5 Fair value information (continued)

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

Listed 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 and listed managed investment schemes where there is no active market, fair value is established using valuation techniques including the use of recent arm's length transactions, references to other instruments that are substantially the same, discounted cash flow analysis and option pricing models.
Debt securities	The fair value of listed debt securities reflects the bid price at the reporting date. Listed debt securities that are not frequently traded are valued by discounting estimated recoverable amounts. The fair value of unlisted debt securities is estimated using interest rate yields obtainable on comparable listed investments. The fair value of loans is determined by discounting the estimated recoverable amount using prevailing interest rates.
Loans	The estimated fair value of loans represents the discounted amount of estimated future cash flows expected to be received, based on the maturity profile of the loans. As the loans are unlisted, the discount rates applied are based on the yield curve appropriate to the remaining term of the loans. The loans may be measured at an amount in excess of fair value due to fluctuations on fixed rate loans. As the fluctuations in fair value do not represent a permanent diminution and the carrying amounts of the loans are recorded at recoverable amounts after assessing impairment, it is not appropriate to restate their carrying amount.
Unlisted managed investment schemes	The fair value of investments in unlisted managed investment schemes is determined on the basis of published redemption prices of those managed investment schemes at the reporting date.
Derivative financial assets and liabilities	The fair value of financial instruments traded in active markets (such as publicly traded derivatives) is based on quoted market prices (current bid price or current offer price) at the reporting date. The fair value of financial instruments not traded in an active market (eg over-the-counter derivatives) is determined using valuation techniques. Valuation techniques include net present value techniques, option pricing models, forward pricing, swap models, discounted cash flow methods and comparison to quoted market prices or dealer quotes for similar instruments. The models use a number of inputs, including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate curves and forward rate curves of the underlying commodity. Some derivative contracts are significantly cash collateralised, thereby minimising both counterparty risk and the Group's own non-performance risk..
Borrowings	The fair value of borrowings is determined with reference to quoted market prices where possible. For borrowings where quoted market prices are not available, a discounted cash flow model is used, based on current yield curve appropriate for the remaining term to maturity.
Investment properties	The fair value of investment properties is determined by independent valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the properties being valued. The valuers apply 'comparable sales analysis' and the 'capitalised income approach' by reference to annual net market income, comparable capitalisation rates and other property-specific adjustments as well as 'discounted cash flow analysis', where the expected net cash flows are discounted to their present value using a market-determined risk adjusted discount rate.
Investment contract liabilities	See note 4.1.

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

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

There have been no significant transfers of financial assets or liabilities measured at fair value between Level 1 and Level 2 during the 2017 and 2016 financial years. Transfers to/from Level 3 are shown in the Reconciliation of level 3 values table later in this note.

Section 2: Investments, intangibles and working capital

2.5 Fair value information (continued)

Level 3 fair values

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

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

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

Sensitivity analysis

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

	2017		2016	
	(+)	(-)	(+)	(-)
	$m	$m	$m	$m
Financial assets				
Equity securities and listed managed investment schemes	111	(103)	146	(153)
Financial liabilities				
Investment contract liabilities	4	(3)	6	(5)

Section 2: Investments, intangibles and working capital

2.5 Fair value information (continued)

Level 3 fair values (continued)

Reconciliation of level 3 values
The following table shows movements in the fair values of financial instruments categorised as level 3 in the fair value hierarchy:

	Balance at the beginning of the period $m	FX gains or losses[1] $m	Total gains/ losses[1] $m	Purchases/ deposits $m	Sales/ withdrawals $m	Net transfers in/(out)[2] $m	Balance at the end of the period $m	Total gains and losses on assets and liabilities held at reporting date $m
2017								
Assets classified as level 3								
Equity securities and listed managed investment schemes	**2,499**	**-**	**268**	**439**	**(1,088)**	**(182)**	**1,936**	**271**
Debt securities	**19**	**-**	**(20)**	**174**	**(50)**	**(11)**	**112**	**(20)**
Investments in unlisted managed investment schemes	**942**	**-**	**(159)**	**1,392**	**(955)**	**214**	**1,434**	**(163)**
Investment properties	**127**	**-**	**-**	**7**	**-**	**-**	**134**	**-**
Other financial assets	**5**	**-**	**(1)**	**(1)**	**-**	**(3)**	**-**	**(1)**
Liabilities classified as level 3								
Investment contract liabilities	**69,327**	**(17)**	**6,010**	**10,150**	**(12,263)**	**-**	**73,207**	**6,006**
2016								
Assets classified as level 3								
Equity securities and listed managed investment schemes	3,410	-	191	271	(1,580)	207	2,499	190
Debt securities	1,534	-	(3)	2	(1,329)	(185)	19	(2)
Investments in unlisted managed investment schemes	1,130	3	10	96	(25)	(272)	942	8
Investment properties	386	-	105	6	(370)	-	127	105
Other financial assets	8	-	(1)	-	(2)	-	5	(1)
Liabilities classified as level 3								
Investment contract liabilities	67,484	7	3,413	10,785	(12,362)	-	69,327	3,333

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

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

Section 3: Capital structure and financial risk management

This section provides information relating to:
- AMPGH group's capital management and equity and debt structure; and
- exposure to financial risks – how the risks affect financial position and performance and how the risks are managed, including the use of derivative financial instruments.

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

Section 3: Capital structure and financial risk management

3.1 Contributed equity

	2017 $m	2016 $m
Issued capital		
10,373,884,652 (2016: 10,373,884,649) ordinary shares fully paid	**7,941**	6,926
Total contributed equity		
10,373,884,652 (2016: 10,373,884,649) ordinary shares fully paid	**7,941**	6,926

Issued capital		
Balance at the beginning of the year	**6,926**	6,926
3 (2016: nil) shares issued	**1,015**	-
Balance at the end of the year	**7,941**	6,926

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.

Accounting policy – recognition and measurement

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

Section 3: Capital structure and financial risk management

3.2 Interest-bearing liabilities

(a) Interest-bearing liabilities

	2017			2016		
	Current $m	**Non-current $m**	**Total $m**	**Current $m**	**Non-current $m**	**Total $m**
Interest-bearing liabilities						
Corporate entity borrowings						
- 6.875% GBP Subordinated Guaranteed Bonds (maturity 2022)	-	69	**69**	-	71	71
- Subordinated Notes (first call 2018, maturity 2023) - parent entity	-	300	**300**	-	300	300
- Syndicated loan facility[1]	-	497	**497**		500	500
- Commercial paper	229		**229**	114	-	114
- Other	28	1	**29**	6	-	6
Borrowings within investment entities controlled by AMP Life statutory funds	89	508	**597**	98	253	351
Total interest-bearing liabilities	346	1,375	**1,721**	218	1,124	1,342

1 The facility was renegotiated effective 14 December 2017 and includes tranches of $300m and $200m, maturing 22 March 2020 and 22 March 2022 respectively.

(b) Financing arrangements

Loan facilities and note programs
In addition to the facilities arranged through bond and note issues, financing facilities are provided through bank loans under normal commercial terms and conditions.

	2017 $m	**2016 $m**
Available	**14,845**	13,029
Used	**(3,020)**	(2,369)
Unused facilities at the end of the year	**11,825**	10,660

Overdraft facilities
The AMPGH group has access to a bank overdraft facility to help manage short-term cash flow needs. At year-end the available facility was $415m (2016: $766m).

(c) Changes in liabilities arising from financing activities

	Interest bearing liabilities $m
1 January 2017	**1,342**
Cashflows	391
Other	(12)
31 December 2017	**1,721**

Section 3: Capital structure and financial risk management

3.2 Interest-bearing liabilities (continued)

Accounting policy – recognition and measurement

Interest-bearing liabilities, other than those held by controlled entities of the AMP Life's statutory funds, are initially recognised at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest rate method.

Borrowings of certain controlled managed investment schemes of the AMP Life's statutory funds are measured at amortised cost for the purpose of determining the unit price of those schemes. All other borrowings of the controlled entities of the AMP Life's statutory funds are subsequently measured at fair value with movements recognised in the Consolidated income statement.

It is AMPGH's policy to hedge currency and interest rate risk arising on issued bonds and subordinated debt. When hedge accounting is applied, the carrying amounts of borrowings and subordinated debt are adjusted for changes in fair value for the period that the hedge relationship remains effective. Any changes in fair value for the period are recognised in the Consolidated income statement.

Finance costs include:

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

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

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

Borrowing costs are recognised as expenses when incurred.

Section 3: Capital structure and financial risk management

3.3 Financial risk management

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

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

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

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

(a) Market risk

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

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

Market risk	Exposures	Management of exposures and use of derivatives
Interest rate risk The risk of an impact on the AMP group's profit after tax and equity arising from fluctuations of the fair value or future cash flows of financial instruments due to changes in market interest rates.	AMP group's long-term borrowings and subordinated debt.	Interest rate risk is managed by entering into floating-to-fixed interest rate swaps, which have the effect of converting borrowings from floating rate to fixed rate.
Interest rate movements could result from changes in the absolute levels of interest rates, the shape of the yield curve, the margin between yield curves and the volatility of interest rates.	Interest bearing investment assets of the shareholder and statutory funds of AMP Life.	AMP Life manages interest rate and other market risks pursuant to an asset and liability management policy and are also subject to the relevant regulatory requirements governed by the Life Act.
Currency risk The risk of an impact on the AMP group's profit after tax and equity arising from fluctuations of the fair value of a financial asset, liability or commitment due to changes in foreign exchange rates.	Foreign currency denominated assets and liabilities. Capital invested in overseas operations. Foreign exchange rate movements on specific cash flow transactions.	The AMPGH group uses swaps to hedge the interest rate risk and foreign currency risk on foreign currency denominated borrowings but does not hedge the capital invested in overseas operations. The AMPGH group hedges material foreign currency risk originated by receipts and payments once the value and timing of the expected cash flow is known excluding the international equities portfolio attributable to shareholders within the AMP Life Statutory Fund No.1. Bank Treasury executes foreign currency forwards on behalf of AMP Capital to hedge expected management fees income and operation costs outflows originated outside of Australia.
Equity price risk The risk of an impact on the AMPGH group's profit after tax and equity arising from fluctuations of the fair value or future cash flows of a financial instrument due to changes in equity prices.	Exposure for shareholder includes listed and unlisted shares and participation in equity unit trusts.	Bank Treasury may, with Group ALCO approval, use equity exposures or equity futures or options to hedge other enterprise-wide equity exposures.

Section 3: Capital structure and financial risk management

3.3 Financial risk management (continued)

(a) Market risk (continued)

Sensitivity analysis

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

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

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

		2017		2016	
Sensitivity analysis	**Change in variables**	**Impact on profit after tax Increase (decrease) $m**	**Impact on equity[1] Increase (decrease) $m**	**Impact on profit after tax Increase (decrease) $m**	**Impact on equity[1] Increase (decrease) $m**
Interest rate risk Impact of a 100 basis point (bp) change in Australian and international interest rates.	- 100bp	(3)	(3)	82	82
	+100bp	(15)	(15)	(65)	(65)
Currency risk Impact of a 10% movement of exchange rates against the Australian dollar on currency sensitive monetary assets and liabilities.	10% depreciation of AUD	4	130	5	37
	10% appreciation of AUD	(5)	(107)	(6)	(32)
Equity price risk Impact of a 10% movement in Australian and international equities. Any potential impact on fees from the AMP group's investment linked business in is not included.	10% increase in:				
	Australian equities	10	10	12	12
	International equities	7	7	4	4
	10% decrease in:				
	Australian equities	(10)	(10)	(11)	(11)
	International equities	(9)	(9)	(6)	(6)

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

(b) Liquidity and refinancing risk

Risk	Exposures	Management of exposures
Liquidity risk The risk that the AMPGH group is not able to meet its obligations as they fall due because of an inability to liquidate assets or obtain adequate funding when required. **Refinancing risk** The risk that the AMPGH group is not able to refinance the full quantum of its ongoing debt requirements on appropriate terms and pricing.	AMPGH group corporate debt portfolio and AMP Capital through various investment funds, entities or mandates that AMPGH manages or controls within the AMPGH group.	Bank Treasury maintains a defined surplus of cash to mitigate refinancing risk, satisfy regulatory requirements and protect against liquidity shocks in accordance with the liquidity risk management policy approved by the Group ALCO. Financiers of loans lending to controlled entities of the life statutory funds do not have legal recourse beyond the operating subsidiary borrower and there is no direct effect on any other AMPGH group debt.

Section 3: Capital structure and financial risk management

3.3 Financial risk management (continued)

(b) Liquidity and refinancing risk (continued)

Maturity analysis

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

2017	Up to 1 year or no term $m	1-5 years $m	Over 5 years $m	Not specified $m	Total $m
Non-derivative financial liabilities					
Payables	**2,246**	**4**	**15**	**98**	**2,363**
Borrowings	**708**	**660**	**29**	**-**	**1,397**
Subordinated debt	**17**	**129**	**313**	**-**	**459**
Investment contract liabilities[1]	**743**	**703**	**1,289**	**72,691**	**75,426**
External unitholders' liabilities	**-**	**-**	**-**	**14,468**	**14,468**
Total undiscounted financial liabilities and off-balance sheet items[2]	**3,714**	**1,496**	**1,646**	**87,257**	**94,113**
2016					
Non-derivative financial liabilities					
Payables	3,594	112	-	-	3,706
Borrowings	256	743	21	-	1,020
Subordinated debt	17	70	390	-	477
Investment contract liabilities[1]	880	802	1,434	68,858	71,974
External unitholders' liabilities	-	-	-	13,252	13,252
Total undiscounted financial liabilities and off-balance sheet items[2]	4,747	1,727	1,845	82,110	90,429

1 Investment contract liabilities are liabilities to policyholders for investment linked business linked to the performance and value of assets that back those liabilities. If all these policyholders claimed their funds, there may be some delay in settling the liability as assets are liquidated, but the shareholder has no direct exposure to any liquidity risk. External unitholders' liabilities all relate to controlled entities of the AMP Life statutory funds and would only be paid when corresponding assets are realised.

2 Estimated net cash outflow profile of life insurance contract liabilities, disclosed in note 4.4(d), is excluded from the above table.

Section 3: Capital structure and financial risk management

3.3 Financial risk management (continued)

(c) Credit risk

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

Risk	Exposures	Management of exposures and use of derivatives
Credit risk Credit default risk is the risk of financial or reputational loss due to a counterparty failing to meet their contractual commitments in full and on time.	Wholesale credit risk on the invested fixed income portfolios in the AMP Life's statutory funds.	Managed by the AMP Capital Risk and Compliance Committee and reported to the fund managers, within specified credit criteria in the mandate approved by the AMP Life Board.
Concentration of credit risk arises when a number of financial instruments or contracts are entered into with the same counterparty or where a number of counterparties are engaged in similar business activities that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.	Wholesale credit risk, including portfolio construction, in the fixed income portfolios managed by AMP Capital.	Responsibility of the individual investment teams. There is also a dedicated credit research team and a specific credit investment committee. The investment risk and performance team provides reports to the AMP Capital Investment Committee.

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

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

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

Collateral and master netting or similar agreements

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

(i) Derivative financial assets and liabilities
The credit risk of derivatives is managed in the context of the AMPGH group's overall credit risk policies and includes the use of Credit Support Annexes to derivative agreements which facilitate the bi-lateral posting of collateral.

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

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

If these netting arrangements were applied to the derivative portfolio, the derivative assets of $1,071m would be reduced by $171m to the net amount of $900m and derivative liabilities of $467m would be reduced by $171m to the net amount of $296m (2016: derivative assets of $1,176m would be reduced by $57m to the net amount of $1,119m and derivative liabilities of $1,130m would be reduced by $57m to the net amount of $1,073m).

(ii) Repurchase agreements
Included within debt securities are assets held to back the liability for collateral deposits held in respect of debt security repurchase arrangements entered into by the AMP Life's statutory funds and controlled entities. As at 31 December 2017, if repurchase arrangements were netted, debt securities of $32,457m would be reduced by $8m to the net amount of $32,449m and collateral deposits held of $103m would be reduced by $8m to the net amount of $96m (2016: debt securities of $34,512m would be reduced by $27m to the net amount of $34,485m and collateral deposits held of $92m would be reduced by $27m to the net amount of $65m).

Section 3: Capital structure and financial risk management

3.3 Financial risk management (continued)

(c) Credit risk (continued)

(iii) Other collateral
The AMPGH group has collateral arrangements in place with some counterparties in addition to collateral deposits held with respect to repurchase agreements.

Collateral generally consists of 11am loans and deposits and is exchanged between the counterparties to reduce the exposure from the net fair value of derivative assets and liabilities between the counterparties. As at 31 December 2017 there was $91m (2016: $165m) of collateral deposits (due to other counterparties) and $41m (2016: $23m) of collateral loans (due from other counterparties) relating to derivative assets and liabilities.

3.4 Other derivative information

(a) Derivatives which are hedge accounted

Derivative instruments accounted for as fair value hedges
Fair value hedges are used to protect against changes in the fair value of financial assets and financial liabilities due to movements in exchange rates and interest rates. During the year the AMPGH group recognised $nil (2016: $1m loss) on derivative instruments designated as fair value hedges. The net gain on the hedged interest-bearing liabilities amounted to $nil (2016: $1m gain).

Derivative instruments accounted for as cash flow hedges
The AMPGH group is exposed to variability in future cash flows on interest-bearing liabilities which can be at fixed and variable interest rates. The AMPGH group uses interest rate swaps designated as a cash flow hedge to manage these risks.

Hedges of net investments in foreign operations
The AMPGH group hedges its exposure to changes in exchange rates on the value of its foreign currency denominated seed pool investments. Gains or losses on effective seed pool hedges are transferred to equity to offset any gains or losses on translation of the net investment in foreign operations.

The AMPGH group recognised a profit of $nil (2016: $nil) due to the ineffective portion of hedges relating to investments in seed pool foreign operations.

Accounting policy – recognition and measurement

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

Hedge accounting
When the AMPGH group designates certain derivatives to be part of a hedging relationship, and they meet the criteria for hedge accounting, the hedges are classified as:

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

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

Section 3: Capital structure and financial risk management

3.5 Capital management

AMPGH holds capital to protect customers, creditors and shareholders against unexpected losses. There are a number of ways AMP assesses the adequacy of its capital position. Primarily, AMP aims to:
- maintain a sufficient surplus above minimum regulatory capital requirements (MRR) to reduce the risk of breaching MRR;
- hold sufficient liquidity to ensure that AMP has sufficient access to liquid funds, even under stress situations;
- maintain the AMP group's credit rating.

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

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

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

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

Section 4: Life insurance and investment contracts

This section explains how AMPGH's liabilities in respect of life insurance and investment contracts are measured, including the methodologies and key assumptions that are applied. It also details the key components of the profits that are recognised in respect of life insurance contracts and the sensitivity of those profits to variations in assumptions.

4.1 Accounting for life insurance and investment contracts

Prior to January 1 2017, the AMPGH group's life insurance related activities were conducted through two registered life insurance companies, AMP Life Limited and the National Mutual Life Association of Australasia Limited (NMLA). On 1 January 2017, the Australian and New Zealand life insurance business of NMLA was transferred to AMP Life Limited, both wholly owned controlled entities of the AMP group, pursuant to a scheme under part 9 of the *Life Insurance Act 1995* (Cth) (Life Act). This represents the substantial majority of operations of NMLA up to 31 December 2016. Because NMLA and AMP Life Limited are both wholly owned subsidiaries within the AMPGH group, there was no impact on profit and loss from the transfer transaction.

The two major contract classifications are investment contracts and life insurance contracts.

For the purposes of this financial report, holders of investment contracts or life insurance contracts are collectively and individually referred to as *policyholders*.

Investment contracts
The investment contracts of AMP Life relate to wealth management products such as savings, investment-linked and retirement income policies. The nature of this business is that AMP Life receives deposits from policyholders and those funds are invested on behalf of the policyholders. Fees and other charges are passed to the shareholder and reported as revenue.

The liability to policyholders, other than for fixed retirement income policies, is linked to the performance and value of the assets that back those liabilities. The fair value of such liabilities is therefore the same as the fair value of those assets. For fixed retirement income policies, the liability is linked to the fair value of the fixed retirement income payments and associated management services element.

The fair value of the fixed retirement income payments is calculated as their net present value using a fair value discount rate. The fair value of the associated management services element is the net present value, using a fair value discount rate, of all expenses associated with the provision of services and any profit margins thereon.

Life insurance contracts
AMP Life issues contracts that transfer significant insurance risk from the policyholder, covering death, disability or longevity of the insured. In addition, there are some policies known as discretionary participating contracts that are similar to investment contracts, but the timing of the vesting of the profit attributable to the policyholders is at the discretion of the AMP Life. Such contracts are defined as *life insurance contracts* and accounted for using *Margin on Services (MoS)*.

Under MoS, the excess of premium received over claims and expenses (the margin) is recognised over the life of the contract in a manner that reflects the pattern of risk accepted from the policyholder (the service). The planned release of this margin is included in the movement in life insurance contract liabilities recognised in the Consolidated income statement.

Life insurance contract liabilities are usually determined using a projection method, whereby estimates of policy cash flows (premiums, benefits, expenses and profit margins to be released in future periods) are projected using best-estimate assumptions about the future. The liability is calculated as the net present value of these projected cash flows. When the benefits under a life insurance contract are linked to the assets backing it, the discount rate applied is based on the expected future investment earnings rate of those assets. Where the benefits are not linked to the performance of the backing assets, a risk-free discount rate is used. The risk-free discount rate is based on the zero coupon government bond rate and a liquidity margin, which depend on the nature, structure and terms of the contract liabilities.

An accumulation method may be used if it produces results that are not materially different from those produced by a projection method. A modified accumulation method is used for some discretionary participating business, where the life insurance liability is the accumulation of amounts invested by policyholders, less fees specified in the policy, plus investment earnings and vested benefits, adjusted to allow for the fact that crediting rates are determined by reference to investment income over a period of greater than one year. The accumulation method may be adjusted to the extent that acquisition expenses are to be recovered from future margins between fees and expenses.

Section 4: Life insurance and investment contracts

4.1 Accounting for life insurance and investment contracts (continued)

Allocation of operating profit and unvested policyholder benefits
The operating profit arising from discretionary participating contracts is allocated between shareholders and participating policyholders by applying the MoS principles in accordance with the Life Act and the Participating Business Management Framework.

Once profit is allocated to participating policyholders it can only be distributed to these policyholders.

Profit allocated to participating policyholders is recognised in the Consolidated income statement as an increase in policy liabilities. The policy liabilities include profit that has not yet been allocated to specific policyholders (ie unvested) and that which has been allocated to specific policyholders by way of bonus distributions (ie vested).

Bonus distributions to participating policyholders do not alter the amount of profit attributable to shareholders. There are merely changes the nature of the liability from unvested to vested.

The principles of allocation of the profit arising from discretionary participating business are as follows:
(i) investment income (net of tax and investment expenses) on retained earnings in respect of discretionary participating business is allocated between policyholders and shareholders in proportion to the balances of policyholders' and shareholders' retained earnings. This proportion is, mostly, 80% to policyholders and 20% to shareholders;
(ii) other MoS profits arising from discretionary participating business are allocated 80% to policyholders and 20% to shareholders, with the following exceptions:
- the profit arising from New Zealand corporate superannuation business is apportioned such that shareholders are allocated 15% of the profit allocated to policyholders;
- the profit arising in respect of Australian preservation superannuation account business is allocated 92.5% to policyholders and 7.5% to shareholders;
- the profits arising from discretionary participating investment account business where 100% of investment profit is allocated to policyholders and 100% of any other profit or loss is allocated to shareholders, with the over-riding provision being that at least 80% of any profit and not more than 80% of any loss be allocated to policyholders' retained profits of the relevant statutory fund; and
- the underwriting profit arising in respect of participating Business Super risk business is allocated 90% to policyholders and 10% to shareholders.

Allocation of expenses within the life insurance entity's statutory funds
All operating expenses relating to the life insurance contract and investment contract activities are apportioned between acquisition, maintenance and investment management expenses. Expenses which are directly attributable to an individual life insurance contract or investment contract or product are allocated directly to a particular expense category, fund, class of business and product line as appropriate.

Where expenses are not directly attributable, they are appropriately apportioned, according to detailed expense analysis, with due regard to the activities to which that expense relates to. The apportionment basis has been made in accordance with Actuarial Standards and on an equitable basis to the different classes of business in accordance with the Life Act.

The costs apportioned to life insurance contracts are included in the determination of the margin described in note 4.1.

Investment management expenses of the life statutory funds are classified as operating expenses.

Reinsurance
Life insurance contract premium ceded to reinsurers is recognised as an expense and Life insurance contract claims recovered from reinsurers is recognised as income.

Upfront commission received on quota share reinsurance contracts is recognised as commission revenue and a corresponding reinsurance liability is recognised representing the obligation to pay future premiums to the reinsurer. The establishment of the reinsurance liability is reflected in Change in policyholder liabilities. The liability will be released in line with the release of the profit margin on the underlying insurance contracts.

Changes in the reinsurance asset and the reinsurance liability during the period are recognised as Changes in policyholder liabilities. On-going commission from reinsurers is recognised as revenue at the time the commission is received or receivable.

Section 4: Life insurance and investment contracts

4.1 Accounting for life insurance and investment contracts (continued)

Critical accounting judgments and estimates

Life insurance contract liabilities
The measurement of insurance contract liabilities is determined using the MoS methodology. The determination of the liability amounts involves judgement in selecting the valuation methods, profit carriers and valuation assumptions for each type of business. The determination is subjective and relatively small changes in assumptions may have a significant impact on the reported profit. The Board of AMP Life is responsible for these judgements and assumptions, after taking advice from the Appointed Actuary.

Investment contract liabilities
Investment contract liabilities are measured at fair value. For the majority of contracts, the fair value is determined based on published unit prices and the fair value of backing assets, and does not generally require the exercise of judgement. For fixed income products and the North capital guarantee, fair value is determined using valuation models. Judgement is applied in selecting the valuation model and setting the valuation assumptions.

Section 4: Life insurance and investment contracts

4.2 Life insurance contracts – premiums, claims, expenses and liabilities

	2017 $m	2016 $m
(a) Analysis of life insurance contract related revenue - net of reinsurance		
Total life insurance contract premiums received and receivable	**2,696**	2,748
Less: component recognised as a change in life insurance contract liabilities	**(402)**	(415)
Life insurance contract premium revenue[1]	**2,294**	2,333
Commission received from reinsurers	703	550
Life insurance contract related revenue	**2,997**	2,883
Life insurance contract premium ceded to reinsurers	**(635)**	(243)
Life insurance contract related revenue - net of reinsurance	**2,362**	2,640
(b) Analysis of life insurance contract claims expenses - net of reinsurance		
Total life insurance contract claims paid and payable	**(3,192)**	(3,178)
Less: component recognised as a change in life insurance contract liabilities	**1,146**	1,140
Life insurance contract claims expense	**(2,046)**	(2,038)
Life insurance claims recovered from reinsurers	**234**	150
Life insurance contract claims expenses - net of reinsurance	**(1,812)**	(1,888)
(c) Analysis of life insurance contract operating expenses		
Life insurance contract acquisition expenses		
- commission	**(41)**	(52)
- other expenses	**(130)**	(141)
Life insurance contract maintenance expenses		
- commission	**(178)**	(191)
- other expenses	**(404)**	(389)
Investment management expenses	**(55)**	(51)

1 Life insurance contract premium revenue consists entirely of direct insurance premiums; there is no inward reinsurance component.

Section 4: Life insurance and investment contracts

4.2 Life insurance contracts - premiums, claims, expenses and liabilities (continued)

	2017 $m	2016 $m
(d) Life insurance contract liabilities		
Life insurance contract liabilities determined using projection method		
Best estimate liability		
- value of future life insurance contract benefits	**15,007**	18,120
- value of future expenses	**4,616**	4,789
- value of future premiums	**(12,078)**	(16,209)
Value of future profits		
- life insurance contract holder bonuses	**3,354**	3,188
- shareholders' profit margins	**2,183**	2,606
Total life insurance contract liabilities determined using the projection method[1]	**13,082**	12,494
Life insurance contract liabilities determined using accumulation method		
Best estimate liability		
- value of future life insurance contract benefits	**8,703**	9,181
- value of future acquisition expenses	**(58)**	(65)
Total life insurance contract liabilities determined using the accumulation method	**8,645**	9,116
Value of declared bonus	**290**	351
Unvested policyholder benefits liabilities[1]	**2,312**	2,248
Total life insurance contract liabilities net of reinsurance	**24,329**	24,209
Reinsurance asset- ceded life insurance contracts	**650**	546
Reinsurance liability - ceded life insurance contracts[2]	**(1,296)**	(530)
Total life insurance contract liabilities gross of reinsurance	**23,683**	24,225

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

2 Reinsurance liability - ceded life insurance contracts reflects the present value of the net obligation to transfer cashflows under the 60% quota share reinsurance arrangement (Gen Re), effective 1 November 2017, and increase to 60% quota share reinsurance arrangement (Munich Re), in return for upfront commission received.

	2017 $m	2016 $m
(e) Reconciliation of changes in life insurance contract liabilities		
Total life insurance contract liabilities at the beginning of the year	**24,225**	23,871
Change in life insurance contract liabilities recognised in the Consolidated income statement	**1,069**	1,471
Premiums recognised as an increase in life insurance contract liabilities	**402**	415
Claims recognised as a decrease in life insurance contract liabilities	**(1,146)**	(1,140)
Change in reinsurance asset - ceded life insurance contracts	**104**	55
Change in reinsurance liability - ceded life insurance contracts	**(766)**	(530)
Foreign exchange adjustment	**(205)**	83
Total life insurance contract liabilities at the end of the year	**23,683**	24,225

Section 4: Life insurance and investment contracts

4.3 Life insurance contracts - assumptions and valuation methodology

Life insurance contract liabilities, and hence the net profit from life insurance contracts, are calculated by applying the principles of MoS described in note 4.1. The key assumptions and methods used in the calculation of life insurance contract liabilities are outlined below.

The methods and profit carriers used to calculate life insurance contract liabilities for particular policy types are as follows:

Business type	Method	Profit carriers (for business valued using projection method)
Conventional	Projection	Bonuses
Investment account	Modified accumulation	n/a
Retail risk (lump sum)	Projection	Expected premiums
Retail risk (income protection)	Projection	Expected premiums
Group risk (lump sum)	Accumulation	n/a
Group risk (income benefits)	Accumulation	n/a
Participating allocated annuities	Modified accumulation	n/a
Life annuities	Projection	Annuity payments

(a) Risk-free discount rates

Except where benefits are contractually linked to the performance of the assets held, a risk-free discount rate based on current observable, objective rates that relate to the nature, structure and term of the future obligations is used. The rates are determined as shown in the following table:

			31 December 2017		31 December 2016	
Business type		**Basis**[1]	**Australia**	**New Zealand**	**Australia**	**New Zealand**
			%	**%**	**%**	**%**
Retail risk (other than income benefit open claims)[1]		Zero coupon government bond yield curve	**1.8 - 3.6**	**1.8 - 3.6**	1.7 - 4.1	1.9 - 4.8
Retail risk and group risk (income benefit open claims)[1]		Zero coupon government bond yield curve (including liquidity premium)	**2.0 - 3.7**	**2.0 - 3.9**	2.1 - 4.4	2.2 - 5.1
Life annuities	Non-CPI	Zero coupon government bond yield curve (including liquidity premium)	**2.1 - 3.8**	**1.8 - 3.6**	2.2 - 4.5	2.3 - 5.2
	CPI	Commonwealth indexed bond yield curve (including liquidity premium)	**0.5 - 1.2**	**0.5 - 2.2**	0.7 - 1.6	0.9 - 3.4

1 The discount rates vary by duration in the range shown above.

(b) Future maintenance and investment expenses

Unit maintenance costs are based on budgeted expenses in the year following the reporting date (including GST, as appropriate, and excluding one-off expenses). For future years, these are increased for inflation as described in (c) below. These expenses include fees charged to the life statutory funds by service companies in the AMPGH group. Unit costs vary by product line and class of business based on an apportionment that is supported by expense analyses.

Future investment expenses are based on the fees currently charged by the asset managers.

Section 4: Life insurance and investment contracts

4.3 Life insurance contracts - assumptions and valuation methodology (continued)

(c) Inflation and indexation

Benefits and premiums of many regular premium policies are automatically indexed by the published consumer price index (CPI). Assumed future take-up of these indexation options is based on AMP Life's own experience. The annual future CPI rates are derived from the difference between long-term government bonds and indexed government bonds.

The expense inflation assumptions have been set based on the inflation rates, recent expense performance, AMP Life's current plans and the terms of the relevant service company agreement, as appropriate.

The assumed CPI and expense inflation rates at the valuation date are:

	Australia %	New Zealand %
31 December 2017	**1.9 CPI, 3.0 expenses**	**1.7 CPI, 2.0 expenses**
31 December 2016	2.0 CPI, 3.0 expenses	1.5 CPI, 2.0 expenses

(d) Bases of taxation

The bases of taxation (including deductibility of expenses) are assumed to continue in accordance with legislation current at the valuation date.

(e) Voluntary discontinuance

Assumptions for the incidence of withdrawals, paid ups and premium dormancy are primarily based on investigations of AMP Life's own historical experience. These rates are based upon the assessed global rate for each of the individual products (or product groups) and then, where appropriate, further adjusted for factors like duration, premium structure, smoker status, age attained or short-term market and business effects etc. Given the variety of influences affecting discontinuance for different product groups, the range of voluntary discontinuance rates across AMP Life is extremely diverse.

The assumptions for future rates of discontinuance of the major classes of life insurance contracts have been reviewed. Discontinuance assumptions were strengthened for the legacy-NMLA Australian retail lump sum business from those assumed at 31 December 2016, as shown in the following table.

Note that the wealth protection discontinuance rate ranges are calculated based on current business mix and various assumption rating factors. Discontinuance rate ranges for conventional products (Australia and New Zealand) are calculated based on average expected lapse rates for the next five years. The 2016 reported discontinuance rates were calculated with average expected lapse rates for the next ten years and have been revised to reflect the current methodology.

	31 December 2017		31 December 2016	
Business type	**Australia**	**New Zealand**	**Australia**	**New Zealand**
	%	%	%	%
Conventional	**2.4 - 8.4**	**1.5 - 2.8**	2.4 - 8.6	1.5 - 2.8
Retail risk (lump sum)	**12.8 - 16.9**	**11.6 - 12**	12.7 - 18.3	11.6 - 12
Retail risk (income benefit)	**8.1 - 18.8**	**9.5 - 11.4**	8 - 19.1	9.5 - 11.4
Flexible Lifetime Super (FLS) risk business	**14.0 - 16.4**	**n/a**	13.3 - 16.5	n/a
Investment account	**n/a**	**n/a**	n/a	n/a

(f) Surrender values

The surrender bases assumed for calculating surrender values are those current at the reporting date. There have been no changes to the bases during the year (or the prior year) that would materially affect the valuation results.

Section 4: Life insurance and investment contracts

4.3 Life insurance contracts - assumptions and valuation methodology (continued)

(g) Mortality and morbidity

Standard mortality and morbidity tables, based on national or industry wide data, are used.

The following assumptions remain unchanged from those assumed at 31 December 2016:

- Mortality rates for the retail risk, conventional and annuity business.
- Trauma rates for the retail risk business.
- Australian income protection business incidence and termination rates.

TPD assumptions have been strengthened for the legacy-AMPL Australian lump sum business from those assumed at 31 December 2016.

For New Zealand income protection business, the assumptions have been updated and based on the recently released ADI 07-11 standard table modified for AMP Life with overall product specific adjustment factors.

The assumptions are summarised in the following table.

	Conventional - % of IA95-97	
Conventional	**Male**	**Female**
31 December 2017		
Australia	**67.5**	**67.5**
New Zealand	**73.0**	**73.0**
31 December 2016		
Australia	67.5	67.5
New Zealand	73.0	73.0

	Retail Lump Sum % of table	
Risk products	**Male**	**Female**
31 December 2017		
Australia[1]	**94 - 148**	**94 - 148**
New Zealand	**100-120**	**82-98**
31 December 2016		
Australia[1]	94 - 148	94 - 148
New Zealand	100-120	82-98

1 Base IA04-08 Death Without Riders table modified based on aggregated experience but with overall product specific adjustment

	Male - % of IML00*	Female - % of IFL00*
Annuities		
31 December 2017		
Australia and New Zealand[1]	**95.0**	**80.0**
31 December 2016		
Australia and New Zealand[1]	95.0	80.0

1 Annuities tables modified for future mortality improvements.

Section 4: Life insurance and investment contracts

4.3 Life insurance contracts - assumptions and valuation methodology (continued)

(g) Mortality and morbidity (continued)

Typical morbidity assumptions, in aggregate, are as follows:

Income protection	Incidence rates % of ADI 07-11	Termination rates (ultimate) % of ADI 07-11
31 December 2017		
Australia	**45-146**	**70-99**
31 December 2016		
Australia	45-146	70 - 99

Income protection	Incidence rates 2017 - % of ADI 07-11 2016 - % of IAD89-93	Termination rates (ultimate) 2017 - % of ADI 07-11 2016 - % of IAD 89-93
31 December 2017		
New Zealand	**83-149**	**82-105**
31 December 2016		
New Zealand	45-80	41-78

Retail lump sum	Male % of IA04-08	Female % of IA04-08
31 December 2017		
Australia TPD[1]	**150-185**	**150-210**
Australia Trauma[2]	**102-168**	**102-168**
New Zealand TPD[1]	**150-194**	**190-194**
New Zealand Trauma[2]	**101-114**	**101-114**
31 December 2016		
Australia TPD[1]	150 - 173	150 - 196
Australia Trauma[2]	102 - 168	102-168
New Zealand TPD[1]	150-194	190-194
New Zealand Trauma[2]	101-114	101-114

1 Base IA04-08 TPD table modified based on our aggregated experience but with overall product specific adjustment factors.

2 Base IA04-08 Trauma table modified based on our aggregated experience but with overall product specific adjustment factors.

Section 4: Life insurance and investment contracts

4.3 Life insurance contracts - assumptions and valuation methodology (continued)

(g) Mortality and morbidity (continued)

The actuarial tables used were as follows:

IA95-97	A mortality table developed by the Institute of Actuaries of Australia based on Australian insured lives experience from 1995–1997. The table has been modified to allow for future mortality improvement.
IML00*/IFL00*	IML00 and IFL00 are mortality tables developed by the Institute and Faculty of Actuaries based on United Kingdom annuitant lives experience from 1999-2002. The tables refer to male and female lives respectively and incorporate factors that allow for mortality improvements since the date of the investigation. IML00* and IFL00* are these published tables amended for some specific AMP Life experience.
IA04-08 DTH	This was published by the Institute of Actuaries of Australia under the name *Graduation of the 2004-2008 Lump Sum Investigation Data.* The table has been modified based on aggregated experience with overall product specific adjustment factors.
IA04-08 TPD	This is the TPD graduation published in the same paper as above.
IA04-08 Trauma	This is the Trauma graduation published in the same paper as above.
IAD 89-93	A disability table developed by the Institute of Actuaries of Australia based on Australian disability income experience for the period 1989-1993 The table has been adjusted to take account of AMP Life's own experience.
ADI 07-11	A disability table developed by KPMG at the request of the Financial Services Council (FSC) based on Australian disability income experience for the period 2007-2011. This table has been modified for AMP Life with overall product specific adjustment factors.

Section 4: Life insurance and investment contracts

4.3 Life insurance contracts - assumptions and valuation methodology (continued)

(h) Other participating business assumptions

Where benefits are contractually linked to the performance of the assets held, as is the case for participating business, a discount rate based on the expected market return on backing assets is used. The assumed earning rates for backing assets for participating business are largely driven by long-term (eg 10 year) government bond yields. The 10 year government bond yields used at the relevant valuation dates are as shown in the following table.

Assumed earning rates for each asset sector are determined by adding to the bond yield various risk premiums which reflect the relative differences in expected future earning rates for different asset sectors. For products backed by mixed portfolio assets, the assumption varies with the proportion of each asset sector backing the product. The risk premiums applicable at the valuation date are shown in the table below.

	10 year government bonds	Risk premiums				
		Local equities	International equities	Property and Infrastructure	Fixed interest	Cash
	%	%	%	%	%	%
31 December 2017						
Australia	**2.6**	**4.5**	**3.5**	**2.4**	**0.5**	**(0.5)**
New Zealand	**2.8**	**4.5**	**3.5**	**2.5**	**0.4**	**(0.5)**
31 December 2016						
Australia	2.8	4.5	3.5	2.5	0.6	(0.5)
New Zealand	3.4	4.5	3.5	2.5	0.6	(0.5)

The risk premiums for local equities include allowance for imputation credits. The risk premiums for fixed interest reflect credit ratings of the portfolio held.

The averages of the asset mixes assumed for the purpose of setting future investment assumptions for participating business at the valuation date are as shown in the table below for each life company. These asset mixes are not necessarily the same as the actual asset mix at the valuation date as they reflect long-term assumptions.

Average asset mix[1]	Equities	Property and Infrastructure	Fixed interest	Cash
	%	%	%	%
31 December 2017				
Australia	**26**	**13**	**39**	**22**
New Zealand	**34**	**17**	**41**	**8**
31 December 2016				
Australia	26	13	39	22
New Zealand	34	17	41	8

1 The asset mix includes both conventional and investment account business. As described in note 4.1, 100% of investment profits on discretionary participating investment account business are allocated to policyholders.

Section 4: Life insurance and investment contracts

4.3 Life insurance contracts - assumptions and valuation methodology (continued)

(h) Other participating business assumptions (continued)

Where an assumption used is net of tax, the tax on investment income is allowed for at rates appropriate to the class of business and asset sector, including any allowance for imputation credits on equity income. For this purpose, the total return for each asset sector is split between income and capital gains. The actual split has varied at each valuation date as the total return has varied.

For participating business, the total value of future bonuses (and the associated shareholders' profit margins) included in life insurance contract liabilities is the amount supported by the value of the supporting assets, after allowing for the assumed future experience. The pattern of bonuses and shareholders' profit margins assumed to emerge in each future year depends on the assumed relationship between reversionary bonuses (or interest credits) and terminal bonuses. This relationship is set to reflect the philosophy underlying actual bonus declarations.

Actual bonus declarations are determined to reflect, over time, the investment returns of the particular fund and other factors in the emerging experience and management of the business. These factors include:
- allowance for an appropriate degree of benefit smoothing;
- reasonable expectations of policyholders;
- equity between generations of policyholders applied across different classes and types of business; and
- ongoing capital adequacy.

Given the many factors involved, the range of bonus structures and rates for participating business is extremely diverse.

Typical supportable bonus rates on major product lines are as follows for AMP Life (31 December 2016 in parentheses).

Reversionary bonus	Bonus on sum insured %	Bonus on existing bonuses %
Australia	**0.4 - 1.0** (0.4 - 1.0)	**0.8 - 1.5** (0.8 - 1.5)
New Zealand	**0.7 - 1.0** (0.7 - 1.0)	**0.7 - 1.1** (0.7 - 1.1)

Terminal bonus
The terminal bonus scales are complex and vary by duration, product line, class of business and country for AMP Life.

Crediting rates (investment account)	%
Australia	**0.8 - 4.5** (1.3 - 5.2)
New Zealand	**2.7 - 5.8** (2.0 - 6.4)

Section 4: Life insurance and investment contracts

4.3 Life insurance contracts - assumptions and valuation methodology (continued)

(i) Impact of changes in assumptions

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

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

The impact on future profit margins of actual changes in assumptions from 31 December 2016 to 31 December 2017 in respect of life insurance contracts (excluding new business contracts which are measured using assumptions at reporting date) is as shown in the table below.

Assumption change	Change in future profit margins	Change in life insurance contract liabilities[2]	Change in shareholders' profit & equity[3]
	$m	$m	$m
Non-market related changes to discount rates	1	-	-
Mortality and morbidity	(35)	-	-
Discontinuance rates	(14)	-	-
Maintenance expenses	(202)	(252)	177
Other assumptions[1]	(81)	217	(152)

1 Other assumption changes include the impact of modelling, reinsurance, product and premium changes.

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

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

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

Section 4: Life insurance and investment contracts

4.4 Life insurance contracts - risk

(a) Life insurance risk

AMP Life issues contracts that transfer significant insurance risk from the policyholder, covering death, disability or longevity of the insured, often in conjunction with the provision of wealth management products.

The products carrying insurance risk are designed to ensure that policy wording and promotional materials are clear, unambiguous and do not leave AMP Life open to claims from causes that were not anticipated. The variability inherent in insurance risk, including concentration risk, is managed by having a large geographically diverse portfolio of individual risks, underwriting and the use of reinsurance.

Underwriting is managed through a dedicated underwriting department, with formal underwriting limits and appropriate training and development of underwriting staff. Individual policies carrying insurance risk are generally underwritten individually on their merits. Individual policies which are transferred from a group scheme are generally issued without underwriting. Group risk insurance policies meeting certain criteria are underwritten on the merits of the employee group as a whole.

Claims are managed through a dedicated claims management team, with formal claims acceptance limits and appropriate training and development of staff with an objective to ensure payment of all genuine claims. Claims experience is assessed regularly and appropriate actuarial reserves are established to reflect up-to-date experience and any anticipated future events. This includes reserves for claims incurred but not yet reported.

AMP Life reinsure (cedes) to reinsurance companies a proportion of their portfolio or certain types of insurance risk, including catastrophe. This serves primarily to:

- reduce the net liability on large individual risks;
- obtain greater diversification of insurance risks;
- provide protection against large losses;
- reduce overall exposure to risk; and
- reduce the amount of capital required to support the business.

The reinsurance companies are regulated by the Australian Prudential Regulation Authority (APRA); or industry regulators in other jurisdictions and have strong credit ratings from A+ to AA+.

Section 4: Life insurance and investment contracts

4.4 Life insurance contracts - risk (continued)

(b) Key terms and conditions of life insurance contracts

The nature of the terms of the life insurance contracts written by AMP Life is such that certain external variables can be identified on which related cash flows for claim payments depend. The following table provides an overview of the key variables upon which the timing and uncertainty of future cash flows of the various life insurance contracts issued by AMP Life depend.

Type of contract	Detail of contract workings	Nature of compensation for claims	Key variables affecting future cash flows
Non-participating life insurance contracts with fixed and guaranteed terms (term life and disability)	These policies provide guaranteed benefits, which are paid on death or ill-health, that are fixed and not at the discretion of the Life Companies. Premium rates for yearly renewable business are not guaranteed and may be changed at the discretion of the Life Companies for the portfolio as a whole.	Benefits are defined by the insurance contract and are not directly affected by the investment performance of any underlying assets.	Mortality, morbidity, lapses, expenses and investment market earning rates on assets backing the liabilities.
Life annuity contracts	These policies provide a guaranteed regular income for the life of the insured in exchange for an initial single premium.	The amount of the guaranteed regular income is set at inception of the policy allowing for any indexation.	Longevity, expenses, inflation and investment market earning rates on assets backing the liabilities.
Conventional life insurance contracts with discretionary participating benefits (endowment and whole of life)	The policyholder pays a regular premium and receives the specified sum insured plus any accruing bonuses on death or maturity. The sum insured is specified at inception and guaranteed. Bonuses are added annually, which once added are guaranteed. A further bonus may be added on surrender, death or maturity.	Benefits arising from the discretionary bonuses are based on the performance of a specified pool of contracts and the assets supporting these contracts.	Investment market earning rates on assets backing the liabilities, lapses, expenses and mortality.
Investment account contracts with discretionary participating features	The gross value of premiums received is invested in the investment account with fees and premiums for any associated insurance cover being deducted from the account balance when due. Interest is credited regularly.	Payment of the account balance is generally guaranteed, although it may be subject to certain penalties on early surrender or limited adjustment in adverse investment markets. Operating profit arising from these contracts is allocated between the policyholders and shareholders with not less than 80% allocated to policyholders. Distribution of policyholder profit is through an interest rate mechanism.	Fees, lapses, expenses and investment market earning rates on the assets backing the liabilities.

Section 4: Life insurance and investment contracts

4.4 Life insurance contracts - risk (continued)

(c) Insurance risk sensitivity analysis – life insurance contracts

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

This table shows information about the sensitivity of life insurance contract liabilities and current period shareholder profit after income tax and equity, to a number of possible changes in assumptions relating to insurance risk.

		Change in life insurance contract liabilities		Change in shareholder profit after income tax and equity	
Variable	Change in variable	Gross of reinsurance $m	Net of reinsurance $m	Gross of reinsurance $m	Net of reinsurance $m
Mortality	10% increase in mortality rates	18	6	(13)	(4)
Annuitant mortality	50% increase in the rate of mortality improvement	1	1	(1)	(1)
Morbidity - lump sum disablement	20% increase in lump sum disablement rates	49	15	(34)	(10)
Morbidity - disability income	10% increase in incidence rates	203	86	(142)	(60)
Morbidity - disability income	10% decrease in recovery rates	356	172	(249)	(120)
Discontinuance rates	10% increase in discontinuance rates	65	24	(46)	(17)
Maintenance expenses	10% increase in maintenance expenses	13	13	(9)	(9)

(d) Liquidity risk and future net cash outflows

The following table shows the estimated timing of future net cash outflows resulting from insurance contract liabilities. This includes estimated future surrenders, death/disability claims and maturity benefits, offset by expected future premiums or contributions and reinsurance recoveries. All values are discounted to the reporting date using the assumed future investment earning rate for each product.

	Up to 1 year $m	1-5 years $m	Over 5 years $m	Total $m
2017	**1,463**	**3,456**	**8,796**	**13,715**
2016	1,479	3,270	8,958	13,707

Section 4: Life insurance and investment contracts

4.5 Other disclosure - life insurance and investment contracts

	2017 $m	2016 $m
(a) Analysis of life insurance and investment contract profit		
Components of profit (loss) related to life insurance and investment contract liabilities:		
- planned margins of revenues over expenses released	**432**	580
- profits (losses) arising from difference between actual and assumed experience	**34**	(137)
- Losses arising from changes in assumptions	**(71)**	(49)
- capitalised (losses) reversals	**12**	(426)
Profit (loss) related to life insurance and investment contract liabilities	**407**	(32)
Attributable to:		
- life insurance contracts	**217**	(250)
- investment contracts	**190**	218
Profit (loss) related to life insurance and investment contract liabilities	**407**	(32)
Investment earnings on assets in excess of life insurance and investment contract liabilities	**107**	157

Section 4: Life insurance and investment contracts

4.5 Other disclosure - life insurance and investment contracts (continued)

(b) Restrictions on assets in statutory funds

AMP Life conducts investment-linked and non-investment linked business. For investment-linked business, deposits are received from policyholders, the funds are invested on behalf of the policyholders and the resulting liability to policyholders is linked to the performance and value of the assets that back those liabilities.

AMP Life has three statutory funds as set out below:

No. 1 fund	Australia	All business (whole of life, endowment, investment account, retail and group risk and immediate annuities) and North longevity guarantee.
	New Zealand	All business (whole of life, endowment, investment account, retail and group risk, investment-linked and immediate annuities)
No. 2 fund	Australia	Investment-linked superannuation business (retail and group investment-linked and deferred annuities)
No. 3 fund	Australia	Investment-linked ordinary business

Investments held in the life statutory funds can only be used in accordance with the relevant regulatory restrictions imposed under the Life Act and associated rules and regulations. The main restrictions are that the assets in a life statutory fund can only be used to meet the liabilities and expenses of that life statutory fund, to acquire investments to further the business of the life statutory fund or as distributions provided solvency, capital adequacy and other regulatory requirements are met.

Further details about capital management are provided in note 3.5.

	2017			2016		
	Non-investment linked	**Investment-linked**	**Total statutory funds**	**Non-investment linked**	**Investment-linked**	**Total statutory funds**
	$m	**$m**	**$m**	**$m**	**$m**	**$m**
Net assets of statutory funds attributable to policyholders and shareholders	28,133	72,884	**101,017**	29,747	68,956	98,703
Attributable to policyholders[2]						
Life insurance contract liabilities	23,683	-	**23,683**	24,225	-	24,225
Investment contract liabilities[1]	2,464	72,690	**75,154**	2,739	68,760	71,499
	26,147	72,690	**98,837**	26,964	68,760	95,724
Attributable to shareholders	1,986	194	**2,180**	2,783	196	2,979

1 Investment contract liabilities in this table do not include $81m (2016: $80m) being the investment contract liability for the North capital guarantee which is held outside the life insurance entities.

2 Based on assumptions as to likely withdrawal patterns of the various product groups, it is estimated that approximately $14,266m (2016: $14,268m) of policy liabilities may be settled within 12 months of the reporting date.

The net assets of life statutory funds attributable to shareholders represent the interests of shareholders including funds required to meet regulatory requirements as well as further amounts of shareholder funds in excess of regulatory requirements.

Section 4: Life insurance and investment contracts

4.5 Other disclosure - life insurance and investment contracts (continued)

(b) Restrictions on assets in statutory funds (continued)

The following table shows a summary of the consolidated balances of AMP Life's statutory funds and the entities controlled by AMP Life's statutory funds.

Income statement	Life entities' statutory funds consolidated	
	2017	2016
	$m	$m
Life insurance contract related revenue - net of reinsurance	**2,362**	2,640
Fee revenue	**1,087**	1,485
Other revenue	**8**	5
Investment gains and losses	**11,277**	8,214
Life insurance contract claims expenses - net of reinsurance	**(1,812)**	(1,888)
Operating expenses including finance costs	**(1,904)**	(2,339)
Movement in external unitholders' liabilities	**(1,615)**	(1,263)
Change in policy holder liabilities		
- Life insurance contract liabilities	**(1,069)**	(1,471)
- Investment contract liabilities	**(7,159)**	(4,614)
Income tax expense	**(666)**	(154)
Profit for the year	**509**	615
Assets		
Cash and cash equivalents	**6,206**	7,086
Investments in financial assets measured at fair value through profit or loss	**110,540**	100,681
Investment property	**134**	127
Other assets	**5,682**	11,550
Total assets of policyholders, shareholders and non-controlling interests	**122,562**	119,444
Liabilities		
Life insurance contract liabilities	**23,683**	24,225
Investment contract liabilities	**75,154**	71,499
Other liabilities	**6,624**	6,682
External unitholders' liabilities	**14,911**	14,056
Total liabilities of policyholders, shareholders and non-controlling interests	**120,372**	116,462
Net assets	**2,190**	2,982

Section 4: Life insurance and investment contracts

4.5 Other disclosure - life insurance and investment contracts (continued)

(c) Capital guarantees

	2017 $m	2016 $m
Life insurance contracts with a discretionary participating feature - amount of the liabilities that relate to guarantees	**14,759**	15,440
Investment-linked contracts - amount of the liabilities subject to investment performance guarantees	**878**	925
Other life insurance contracts with a guaranteed termination value - current termination value	**152**	169

(d) Capital requirements

Registered life insurance entities are required to hold prudential reserves, over and above their life insurance contract and investment contract liabilities, as a buffer against adverse experience and poor investment returns. These reserving requirements are specified by the APRA prudential capital standards. The standards are intended to take account of the full range of risks to which a regulated institution is exposed and introduces the prescribed capital amount (PCA) requirement. The PCA is the minimum level of capital that the regulator deems must be held to meet policyholder obligations.

In addition to the regulatory capital requirements, AMP Life maintains a target surplus providing an additional capital buffer against adverse events. AMP Life uses internal capital models to determine target surplus, with the models reflecting the risks of the business, principally the risk of adverse asset movements relative to the liabilities and of worse than expected claims costs.

The Appointed Actuary of AMP Life has confirmed that the capital base of each life statutory fund and shareholders' fund have exceeded PCA at all times during 2017 and 2016. The combined capital position of AMP Life Limited and NMLA is as follows:

	2017 $m	2016 $m
Common Equity Tier 1 Capital	3,529	4,154
Adjustments to Common Equity Tier 1 Capital	(803)	(1,384)
Additional Tier 1 Capital	305	305
Adjustments to Additional Tier 1 Capital	-	-
Tier 2 Capital	300	300
Adjustments to Tier 2 Capital	-	-
Total capital base	**3,331**	**3,375**
Total Prescribed Capital Amount (PCA)	**1,228**	**1,323**
Capital adequacy amount	**2,103**	**2,052**
Capital adequacy multiple[1]	**271%**	**255%**

1 The capital adequacy multiples were 272% and 218% for AMP Life Limited and NMLA respectively (2016: 288% and 201%).

(e) Actuarial information

Mr Greg Bird, the Appointed Actuary of AMP Life, is satisfied as to the accuracy of the data used in the valuations in the financial report and in the tables in note 4.2 to note 4.5.

The liabilities to policyholders (being the sum of the life insurance contract and investment contract liabilities, including any asset or liability arising in respect of the management services element of an investment contract), capital base and prescribed capital amounts have been determined at the reporting date in accordance with the Life Act.

Section 5: Employee disclosures

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

- 5.1 Key management personnel
- 5.2 Defined benefit plans
- 5.3 Share-based payments

5.1 Key management personnel

(a) Compensation of key management personnel

	2017 $000	2016 $000
Short term benefits	**2,837**	1,901
Post-employment benefits	**81**	71
Share-based payments	**1,095**	702
Other long term benefits	**61**	14
Termination benefits	**342**	-
Total	**4,416**	2,688

(b) Loans to key management personnel

Loans to key management personnel and their related parties are provided by AMP Bank and are on similar terms and conditions generally available to other employees within the group. No guarantees are given or received in relation to these loans. Loans have currently been made to 10 key management personnel and their related parties. Details of these loans are:

	2017 $'000	2016 $'000
Balance as at the beginning of the year[1]	2,463	1,085
Net advances	(61)	1,378
Balance as at the end of the year	**2,402**	**2,463**
Interest charged	80	77

(c) Key management personnel access to AMP's products

During the year, key management personnel and their personally related entities may also have had access to the following AMP products. They are provided to key management personnel within normal employee terms and conditions. The products include, personal banking with AMP Bank Limited, the purchase of AMP insurance and investment products and financial investment services.

Information about such transactions does not have the potential to affect adversely decisions about the allocation of scarce resources made by users of this financial report, or the discharge of accountability by the specified executives or specified directors.

Accounting policy – recognition and measurement

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

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

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

Section 5: Employee disclosures

5.2 Defined benefit plans

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

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

Plan details	Australia	New Zealand
Plan names	AMP Australia and AMP AAPH Australia defined benefit plans	AMP New Zealand and AMP AAPH New Zealand defined benefit plans
Entitlements of active members	A lump sum or pension on retirement. Pensions provided are lifetime indexed pensions with a reversionary spouse pension.	Accumulation benefits and a lump sum payment on retirement.
Governance of the plans	The trustees of the AMP Superannuation Savings Trust, of which the Australian plans are sub-funds – this includes administration of the plan, management and investment of the plan assets, and compliance with superannuation laws and other applicable regulations.	The plan's trustees - this includes administration of the plan, management and investment of the plan assets, and looking after the interests of all beneficiaries.
Valuations required	Every year	Every three years
Key risks	The risk of actual outcomes being different to the actuarial assumptions used to estimate the defined benefit obligation, investment risk and legislative risk.	
Date of valuation	31 March 2017	31 December 2017
Additional contributions required	Additional contributions of $7m per annum until 31 March 2019.	Additional contributions of $6m per annum until 31 December 2017.

(a) Defined benefit liability

	2017 $m	2016 $m
Present value of wholly funded defined benefit obligations	**(821)**	(804)
Less: Fair value of plan assets	**792**	760
Defined benefit liability recognised in the Consolidated statement of financial position	**(29)**	(44)
Movement in defined benefit liability		
Deficit at the beginning of the year	**(44)**	(98)
Plus: Total expenses recognised in income	**(2)**	(3)
Plus: Employer contributions	**10**	9
Plus: Actuarial gains recognised in Other comprehensive income[1]	**7**	48
Defined benefit liability recognised at the end of the year	**(29)**	(44)

1 The cumulative net actuarial gains and losses recognised in the Statement of comprehensive income is a $159m gain (2016: $152m gain).

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

	Defined benefit obligation		Fair value of plan assets	
	2017 $m	2016 $m	2017 $m	2016 $m
Balance at the beginning of the year	**(804)**	(860)	**760**	762
Current service cost	**(3)**	(4)	**-**	-
Interest (cost) income	**(18)**	(23)	**18**	24
Net actuarial gains and losses	**(55)**	37	**62**	11
Employer contributions	**-**	-	**10**	9
Contributions by plan participants	**(1)**	-	**1**	-
Foreign currency exchange rate changes	**8**	(3)	**(7)**	3
Benefits paid	**52**	49	**(52)**	(49)
Balance at the end of the year	**(821)**	(804)	**792**	760

Section 5: Employee disclosures

5.2 Defined benefit plans (continued)

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

	Fair value of plan assets		Present value of plan obligation		Net recognised surplus (deficit)		Actuarial gains	
	2017	2016	2017	2016	2017	2016	2017	2016
	$m	$m	$m	$m	$m	$m	$m	$m
AMP Australia	279	265	(307)	(302)	(28)	(37)	8	14
AMP AAPH Australia	403	384	(373)	(359)	30	25	2	29
AMP New Zealand	20	22	(24)	(26)	(4)	(4)	-	-
AMP AAPH New Zealand	90	89	(117)	(117)	(27)	(28)	(3)	5
Total	792	760	(821)	(804)	(29)	(44)	7	48

(d) Principal actuarial assumptions

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

	AMP				AMP AAPH			
	Australia		New Zealand		Australia		New Zealand	
	2017	2016	2017	2016	2017	2016	2017	2016
	%	%	%	%	%	%	%	%
Weighted average discount rate	**4.5**	4.5	**2.8**	3.3	**4.6**	4.6	**3.3**	4.1
Expected rate of salary increases	**n/a**	n/a	**4.0**	4.0	**3.5**	3.5	**4.0**	4.0

(e) Allocation of assets

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

	AMP				AMP AAPH			
	Australia		New Zealand		Australia		New Zealand	
	2017	2016	2017	2016	2017	2016	2017	2016
	%	%	%	%	%	%	%	%
Equity	**51**	46	**38**	34	**31**	29	**40**	38
Fixed interest	**31**	32	**38**	36	**42**	45	**39**	36
Property	**10**	9	**4**	7	**5**	5	**4**	6
Cash	**4**	6	**14**	14	**14**	7	**14**	14
Other	**4**	7	**6**	10	**8**	14	**4**	6

Section 5: Employee disclosures

5.2 Defined benefit plans (continued)

(f) Sensitivity analysis

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

	AMP				AMP AAPH			
2017	**Australia**		**New Zealand**		**Australia**		**New Zealand**	
	(+)	(-)	(+)	(-)	(+)	(-)	(+)	(-)
Assumption	$m	$m	$m	$m	$m	$m	$m	$m
Discount rate (+/- 0.5%)	(17)	19	n/a	2	(27)	30	n/a	17
Expected salary increase rate (0.5%)	n/a	n/a	n/a	n/a	1	n/a	n/a	n/a
Expected deferred benefit crediting rate (0.5%)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Pensioner indexation assumption (0.5%)	19	(18)	n/a	n/a	25	(23)	14	n/a
Pensioner mortality assumption (0.5%)	n/a	10	n/a	n/a	n/a	9	n/a	n/a
Life expectancy (additional 1 year)	n/a	n/a	2	n/a	n/a	n/a	4	n/a

	AMP				AMP AAPH			
2016	**Australia**		**New Zealand**		**Australia**		**New Zealand**	
	(+)	(-)	(+)	(-)	(+)	(-)	(+)	(-)
Assumption	$m	$m	$m	$m	$m	$m	$m	$m
Discount rate (+/- 0.5%)	(17)	18	n/a	1	(26)	29	n/a	7
Expected salary increase rate (0.5%)	n/a	n/a	n/a	n/a	1	n/a	n/a	n/a
Expected deferred benefit crediting rate (0.5%)	n/a	n/a	n/a	n/a	-	n/a	n/a	n/a
Pensioner indexation assumption (0.5%)	19	(17)	n/a	n/a	23	(21)	6	n/a
Pensioner mortality assumption (0.5%)	n/a	(10)	n/a	n/a	n/a	(4)	n/a	n/a
Life expectancy (additional 1 year)	n/a	n/a	1	n/a	n/a	n/a	3	n/a

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

	AMP		AMP AAPH	
	Australia	**New Zealand**	**Australia**	**New Zealand**
Expected employer contributions ($m)	-	-	2	4
Weighted average duration of the defined benefit obligation (years)	11	8	13	14

Accounting policy – recognition and measurement

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

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

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

Section 5: Employee disclosures

5.3 Share-based payments

AMP has a number of employee share-based payment plans. Share-based payments place employees participating in those plans (participants) in the position of the shareholder, and in doing so, reward employees for the generation of value for shareholders. Information on plans which AMP currently offers is provided below.

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

	2017 $'000	2016 $'000
Performance rights	4,661	1,519
Share rights	20,919	22,314
Total share-based payments expense	25,580	23,833

(a) Performance rights

The CEO and his direct reports, as well as selected senior executives, are required to take their long-term incentive (LTI) awards in the form of performance rights. This is to ensure that the interests of those executives, who are most directly able to influence company performance, are appropriately aligned with the interests of shareholders.

Plan	LTI award plan
Overview	Performance rights give the participant the right to acquire one fully paid ordinary share in AMP Limited upon meeting specific performance hurdles. They are granted at no cost to the participant and carry no dividend or voting rights until they vest. Performance rights may be settled through a cash payment in lieu of shares, at the discretion of the board.
Vesting conditions	The performance hurdles for rights granted in 2014 are: • 50% subject to AMP's total shareholder return (TSR) performance relative to the top 50 industrial companies in the S&P/ASX 100 Index excluding those companies in the GICS Energy Sector and GICS Metals and Mining industry groups over a three-year performance period. • 50% subject to a return on equity (RoE) measure. The performance hurdles for rights granted in 2015 and 2016 are: • 60% subject to AMP's TSR performance relative to the top 50 industrial companies in the S&P/ASX 100 Index excluding those companies in the GICS Energy Sector and GICS Metals and Mining industry groups over a three-year performance period. • 40% subject to a RoE measure. The performance hurdles for rights granted in 2017 are: • 100% subject to AMP's TSR performance relative to the top 50 industrial companies in the S&P/ASX 100 Index excluding those companies in the GICS Energy Sector and GICS Metals and Mining industry groups over a four-year performance period.
Vesting period	• 3 years for rights granted in 2014, 2015 and 2016. • 4 years for rights granted in 2017.
Vested awards	Vested performance rights are automatically converted to shares on behalf of participants.
Unvested awards	Unvested awards are forfeited if the participant voluntarily ceases employment or is dismissed for misconduct or poor performance.

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

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

Section 5: Employee disclosures

5.3 Share-based payments (continued)

(a) Performance rights (continued)

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

Grant date	Share price	Contractual life (years)	Dividend yield	Volatility[1]	Risk-free rate[1]	TSR performance hurdle discount	RoE performance hurdle discount[2]	TSR performance rights fair value	RoE performance rights fair value
19/05/2017	$5.08	4.0	5.2%	23%	1.8%	56%	N/A	$2.24	N/A
13/01/2017	$5.15	2.4	5.0%	23%	1.9%	71%	0%	$1.47	$4.57
02/06/2016	$5.54	3.0	4.7%	24%	1.6%	57%	0%	$2.37	$4.81
15/04/2016	$5.79	2.1	4.7%	23%	2.0%	69%	0%	$1.80	$5.24
15/04/2016	$5.79	1.1	4.7%	25%	2.0%	36%	0%	$3.68	$5.49
18/09/2015	$5.79	2.7	4.6%	23%	1.9%	58%	0%	$2.43	$5.11
04/06/2015	$6.20	3.0	4.7%	23%	2.1%	55%	0%	$2.82	$5.39
13/04/2015	$6.69	2.1	4.8%	23%	1.8%	34%	0%	$4.44	$6.05
05/06/2014	$5.28	3.0	4.8%	25%	2.9%	45%	0%	$2.89	$4.57

1 Applies to performance rights subject to a relative TSR performance hurdle only. These factors do not apply to performance rights subject to a RoE performance hurdle.

2 In accordance with the accounting standard AASB 2 *Share-based Payment*, allowance cannot be made for the impact of a non-market based performance hurdle in determining fair value.

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

Movements during the period of all performance rights

Grant date	Exercise period	Exercise price[1]	Balance at 1 Jan 2017	Exercised during the year	Granted during the year	Other changes[2]	Lapsed during the year	Balance at 31 Dec 2017
05/06/2014	n/a	Nil	3,045,882	-	-	-	3,045,882	-
13/04/2015	n/a	Nil	8,004	-	-	-	8,004	-
04/06/2015	n/a	Nil	2,675,561	-	-	(11,538)	25,763	2,638,260
18/09/2015	n/a	Nil	34,615	-	-	-	-	34,615
15/04/2016	n/a	Nil	44,263	-	-	-	44,263	-
15/04/2016	n/a	Nil	21,788	-	-	-	-	21,788
02/06/2016	n/a	Nil	2,830,460	-	-	(11,769)	43,745	2,774,946
13/01/2017	n/a	Nil	-	-	12,820	-	-	12,820
19/05/2017	n/a	Nil	-	-	2,232,000	-	-	2,232,000
Total			**8,660,573**	**-**	**2,244,820**	**(23,307)**	**3,167,657**	**7,714,429**

1 Performance rights have no exercise period; they are exercised in the first trading window following the approval of vesting by the board.

2 Other changes include transfers between other entities and new employees.

From the end of the financial year and up to the date of this report, no performance rights have been issued, no performance rights have been exercised, and 280,825 performance rights have lapsed. Of the performance rights outstanding at the end of the period, none have vested or become exercisable.

Section 5: Employee disclosures

5.3 Share-based payments (continued)

(b) Share rights

The LTI participants below the CEO and his direct reports may be awarded share rights as part of their overall LTI award.

Nominated executives and selected other senior leaders who have the ability to impact AMP's financial soundness participate in the short-term incentive (STI) deferral plan, this plan requires that 40% of the participants STI be awarded as share rights. Additionally, each year, up until 2017, high potential employees at a senior leader level were eligible for nomination to participate in the STI match plan, which provided an award of share rights to the value of 50% of the individual's STI (plan ceased in 2017).

Plan	LTI award plan	STI deferral plan	STI match plan
Overview	Share rights give the participant the right to acquire one fully paid ordinary share in AMP Limited after a specified service period. They are granted at no cost to the participant and carry no dividend or voting rights until they vest.		
Vesting conditions/ period	Continued service for three years (2014, 2015 and 2016 grants) and four years for the 2017 grant made to AMP Group employees. The 2017 LTI grant made to AMP Capital employees has a three-year service period. These may also vary where the share rights are awarded to retain an employee for a critical period.	Continued service for two years and subject to ongoing employment, compliance with AMP policies and the board's discretion. For AMP Capital employees participating in the Enterprise Profit Share scheme and the Deferred Bonus Equity Plan, the grant is split into two tranches with continued service for two and three years respectively. These are also subject to ongoing employment, compliance with AMP policies and the board's discretion.	Continued service for two years and subject to ongoing employment, compliance with AMP policies and the board's discretion.
Vested awards	Vested share rights are automatically converted to shares on behalf of participants.		
Unvested awards	Unvested awards are forfeited if the participant voluntarily ceases employment or is dismissed for misconduct or poor performance.		

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

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

Section 5: Employee disclosures

5.3 Share-based payments (continued)

(b) Share rights (continued)

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

Grant date	Share price	Contractual life (years)	Dividend yield	Dividend discount	Fair value
05/06/2014	$5.28	3.0	4.8%	13%	$4.57
13/04/2015	$6.69	2.1	4.8%	10%	$6.05
30/04/2015	$6.44	1.8	4.8%	8%	$5.90
29/05/2015	$6.66	1.8	4.8%	8%	$6.11
04/06/2015	$6.20	3.0	4.7%	13%	$5.39
18/09/2015	$5.79	1.8	4.6%	7%	$5.41
18/09/2015	$5.79	2.7	4.6%	12%	$5.11
22/02/2016	$5.54	1.6	4.6%	7%	$5.15
22/02/2016	$5.54	2.6	4.6%	11%	$4.91
22/02/2016	$5.54	1.5	4.6%	7%	$5.17
29/02/2016	$5.32	1.1	4.7%	5%	$5.06
15/04/2016	$5.79	0.9	4.7%	4%	$5.56
28/04/2016	$5.84	1.8	4.7%	8%	$5.36
02/06/2016	$5.54	3.0	4.7%	13%	$4.81
13/01/2017	$5.15	0.6	5.0%	3%	$5.00
13/01/2017	$5.15	1.6	5.0%	8%	$4.75
13/01/2017	$5.15	2.4	5.0%	11%	$4.57
27/04/2017	$5.12	1.8	5.2%	9%	$4.65
27/04/2017	$5.12	2.8	5.2%	14%	$4.42
19/05/2017	$5.08	4.0	5.2%	17%	$4.21
19/05/2017	$5.08	3.0	5.2%	13%	$4.43
03/07/2017	$5.19	2.0	5.2%	10%	$4.68

Section 5: Employee disclosures

5.3 Share-based payments (continued)

(b) Share rights (continued)

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

Grant date	Exercise period[1]	Exercise price	Balance at 1 Jan 2017	Exercised during the year	Granted during the year	Other changes[2]	Lapsed during the year	Balance at 31 Dec 2017
05/06/2014	N/A	Nil	1,357,510	1,350,814	-	-	6,696	-
13/04/2015	N/A	Nil	5,468	5,468	-	-	-	-
30/04/2015	N/A	Nil	2,758,025	2,758,025	-	-	-	-
29/05/2015	N/A	Nil	12,437	12,437	-	-	-	-
04/06/2015	N/A	Nil	1,510,856	-	-	(11,538)	31,026	1,468,292
18/09/2015	N/A	Nil	34,615	-	-	-	-	34,615
18/09/2015	N/A	Nil	16,313	16,313	-	-	-	-
22/02/2016	N/A	Nil	10,733	-	-	-	10,733	-
22/02/2016	N/A	Nil	10,733	-	-	-	10,733	-
22/02/2016	N/A	Nil	27,522	27,522	-	-	-	-
29/02/2016	N/A	Nil	52,739	52,739	-	-	-	-
15/04/2016	N/A	Nil	8,932	8,932	-	-	-	-
28/04/2016	N/A	Nil	3,320,809	-	-	(1,527)	5,343	3,313,939
02/06/2016	N/A	Nil	1,748,854	-	-	(11,769)	65,114	1,671,971
13/01/2017	N/A	Nil	-	-	12,821	-	-	12,821
13/01/2017	N/A	Nil	-	8,818	8,818	-	-	-
13/01/2017	N/A	Nil	-	-	8,818	-	-	8,818
27/04/2017	N/A	Nil	-	-	1,549,276	-	8,256	1,541,020
27/04/2017	N/A	Nil	-	-	1,086,272	-	-	1,086,272
19/05/2017	N/A	Nil	-	-	566,000	-	-	566,000
19/05/2017	N/A	Nil	-	-	1,346,727	-	82,330	1,264,397
03/07/2017	N/A	Nil	-	-	9,671	-	-	9,671
Total			**10,875,546**	**4,241,068**	**4,588,403**	**(24,834)**	**220,231**	**10,977,816**

1 The share rights granted have no exercise period; they are exercised in the first trading window following the approval of the vesting by the board.

2 Other changes include transfers between other entities and new starters.

From the end of the financial year and up to the date of this report, 3,553,017 share rights have been issued, 3,229,512 share rights have been exercised, and 164,533 share rights have lapsed due to resignation. Of the share rights outstanding at the end of the period, none have vested or become exercisable.

(c) Restricted shares

No restricted shares were granted during 2016 and 2017.

(d) Employee share acquisition plan

The employee share acquisition plan was suspended mid-way through 2009 in Australia but continues to operate in New Zealand.

Section 5: Employee disclosures

5.3 Share-based payments (continued)

Accounting policy – recognition and measurement

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

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

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

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

Section 6: Group entities

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

- 6.1 Controlled entities
- 6.2 Acquisitions and disposals of controlled entities
- 6.3 Investments in associates
- 6.4 Parent entity information

6.1 Controlled entities

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

Operating entities	Country of		%holdings	
Name of entity	**registration**	**Share type**	**2017**	**2016**
AMP AAPH Limited	Australia	Ord	100	100
AMP Advice Holdings Pty Ltd	Australia	Ord	100	100
AMP Capital Funds Management Limited	Australia	Ord	85	85
AMP Capital Holdings Limited	Australia	Ord	85	85
AMP Capital Investors (New Zealand) Limited	New Zealand	Ord	85	85
AMP Capital Investors Limited	Australia	Ord	85	85
AMP Capital Office and Industrial Pty Limited	Australia	Ord	85	85
AMP Capital Shopping Centres Pty Limited	Australia	Ord	85	85
AMP Financial Planning Pty Limited	Australia	Ord	100	100
AMP Group Finance Services Limited	Australia	Ord	100	100
AMP Group Holdings Limited	Australia	Ord A	100	100
AMP Life Limited	Australia	Ord	100	100
AMP Services (NZ) Limited	New Zealand	Ord	100	100
AMP Services Limited	Australia	Ord A	100	100
AMP Superannuation Limited	Australia	Ord	100	100
AMP Wealth Management New Zealand Limited	New Zealand	Ord	100	100
Hillross Financial Services Limited	Australia	Ord	100	100
ipac Group Services Pty Ltd	Australia	Ord	100	100
National Mutual Funds Management Ltd	Australia	Ord	100	100
National Mutual Life Nominees Pty Limited	Australia	Ord	100	100
NMMT Limited	Australia	Ord	100	100
The National Mutual Life Association of Australasia Limited	Australia	Ord	100	100

(b) Investments in investment entities controlled by the AMP Life's statutory funds

The life insurance statutory funds hold investments in various investment vehicles/funds backing policyholder liabilities as well as shareholder attributable assets in the life insurance statutory funds. The policyholder attributable investments are not part of the core wealth management business of AMP and do not have a material impact on the financial performance or net financial position of the company. The investments are measured at fair value through profit and loss reflecting the fair value movements in these investments in the financial statements.

Critical accounting estimates and judgements:

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

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

Section 6: Group entities

6.2 Acquisitions and disposals of controlled entities

(a) Acquisitions and disposals of controlled operating entities

There were no individually or collectively significant acquisitions or disposals of controlled operating entities during the year.

(b) Acquisition and disposals of controlled entities of AMP Life's statutory funds

In the course of normal operating investment activities, the AMP Life's statutory funds acquire equity interests in entities which, in some cases, result in AMPGH holding a controlling interest in the investee entity.

Most acquisitions and disposals of controlled entities are in relation to managed investment schemes with underlying net assets typically comprising investment assets including cash. The consideration for acquisitions or disposals reflects the fair value of the investment assets at the date of the transactions after taking into account minority interests.

Certain controlled entities of AMP life entity's statutory funds are operating companies which carry out business operations unrelated to the core wealth management operations of the AMPGH group.

Section 6: Group entities

6.3 Investments in associates

(a) Investments in associates accounted for using the equity method

Associate	Principal activity	Place of business	Ownership interest 2017 %	Ownership interest 2016 %	Carrying amount[1] 2017 $m	Carrying amount[1] 2016 $m
China Life Pension Company[2]	Pension company	China	**19.99**	19.99	**281**	283
AIMS AMP Capital Industrial REIT[3]	Industrial property trust	Singapore	**5**	5	**47**	49
China Life AMP Asset Management Company Ltd[2]	Investment management	China	**15**	15	**23**	21
Global Infrastructure Fund[3]	Fund	Cayman Island	**8**	5	**151**	38
PCCP LLC[2]	Investment management	United States	**24.9**	-	**127**	-
Other (individually immaterial associates)			**n/a**	n/a	**120**	58
Total investments in associates accounted for using the equity method					**749**	449

1 The carrying amount is after recognising $29m (2016: $28m) share of current period profit or loss of associates accounted for using the equity method.

2 The AMPGH group has significant influence through representation on the entity's Board.

3 Entities within the AMPGH group have been appointed investment manager, therefore the group is considered to have significant influence.

(b) Investments in significant associates held by AMP Life's statutory funds measured at fair value through profit or loss

The life insurance statutory funds hold investments in various investment vehicles/funds on behalf of policyholders. These investments are not part of the core wealth management business of AMPGH and do not have a material impact on the financial performance or net financial position of the AMPGH group.

Accounting Policy – recognition and measurement

Investments in associates

Investments in associates accounted for using the equity method

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

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

Investments in associates measured at fair value through profit or loss

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

Section 6: Group entities

6.4 Parent entity information

	2017 $m	2016 $m
(a) Statement of comprehensive income - AMP Group Holdings Limited entity		
Dividends and interest from controlled entities[1]	**830**	572
Other operating income	**-**	2
Profit for the year	**830**	574
Total comprehensive income for the year	**830**	574
(b) Statement of financial position - AMP Group Holdings Limited entity		
Current assets		
Loans and advances to subsidiaries	**-**	835
Non-current assets		
Investments in controlled entities	**8,412**	7,106
Deferred tax assets	**-**	1
Total assets	**8,412**	7,942
Current liabilities		
Payables[2]	**10**	555
Total liabilities	**10**	555
Net assets	**8,402**	7,387
Equity		
Contributed equity	**7,941**	6,926
Retained earnings[3]	**1,291**	461
Total equity	**9,232**	7,387

1 Dividend income from controlled entities $830m (2016: $572m) is not assessable for tax purposes.

(c) Contingent liabilities of AMP Group Holdings Limited entity

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

(d) Parent entity and ultimate parent entity of AMP Group Holdings Limited

The parent entity and the ultimate parent entity of AMP Group Holdings Limited is AMP Limited.

Section 7: Other disclosures

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

7.1 Notes to Consolidated statement of cash flows

(a) Reconciliation of cash flow from operating activities

	2017 $m	2016 $m
Net profit after income tax	**719**	29
Depreciation of operating assets	**17**	18
Amortisation and impairment of intangibles	**276**	937
Investment gains and losses and movements in external unitholders liabilities	**(1,554)**	527
Dividend and distribution income reinvested	**(4,686)**	(3,515)
Share-based payments	**6**	-
(Increase) decrease in receivables, intangibles and other assets	**(151)**	82
Increase in net policy liabilities	**3,769**	2,615
Increase (decrease) in income tax balances	**171**	(455)
(Decrease) in other payables and provisions	**(1,376)**	(236)
Cash flows from (used in) operating activities	**(2,809)**	2

(b) Reconciliation of cash

	2017 $m	2016 $m
Comprises:		
Cash and cash equivalents	**5,916**	5,904
Short-term bills and notes (included in Debt securities)	**3,620**	5,334
Cash and cash equivalents for the purpose of the Statement of cash flows	**9,536**	11,238

Accounting policy – recognition and measurement

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

Section 7: Other disclosures

7.2 Leases

	2017 $m	2016 $m
Due within one year	**81**	89
Due within one year to five years	**279**	222
Due later than five years	**951**	16
Total operating lease commitments	**1,311**	327

Non-cancellable operating leases are in relation to the AMP group's offices in various locations. AMP generally pays rent on a periodic basis at rates agreed at the inception of the lease.

At 31 December 2017, the total of future minimum sublease payments expected to be received under non-cancellable subleases was $15m (2016: $37m).

Accounting policy – recognition and measurement

Operating lease payments
Operating lease payments are recognised as an expense in the Consolidated income statement on a straight-line basis over the lease term or other systematic basis representative of the patterns of the benefits obtained. Operating incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

Section 7: Other disclosures

7.3 Provisions

	2017 $m	2016 $m
(a) Provisions		
Restructuring[1]	**22**	67
Other[2]	**129**	134
Total provisions	**151**	201

	Restructuring[1] $m	Other[2] $m	Total $m
(b) Movements in provisions - consolidated			
Balance at the beginning of the year	**67**	**134**	**201**
Additional provisions made during the year	**15**	**73**	**88**
Provisions used during the year	**(60)**	**(78)**	**(138)**
Balance at the end of the year	**22**	**129**	**151**

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

2 Other provisions are in respect of probable outgoings on client remediation projects and various other operational provisions. $25m (2016: $17m) is expected to be settled more than 12 months from the reporting date.

Accounting policy – recognition and measurement

Provisions
Provisions are recognised when:

- the AMPGH 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.

Critical accounting estimates and judgements:

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

Section 7: Other disclosures

7.4 Contingent liabilities

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

Industry and regulatory compliance investigations

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

There are currently a number of investigations being undertaken by ASIC, some of which are industry wide. These cover a range of matters, including adviser conduct, customer fees, the quality of advice and the monitoring and supervision by AMPGH group of its advisers. These investigations have not been completed and the associated outcomes and costs are uncertain.

AMPGH group is also undertaking reviews concurrently with these regulatory investigations to determine, amongst other things, where customers may have been disadvantaged. In some instances compensation has been paid and, as these reviews are ongoing, further compensation may be required to be paid to customers. Where the results of our reviews have reached the point that customer compensation is likely, specific provisions have been raised, however, a contingency remains in relation to the regulatory investigations.

More recently, the Australian financial services industry is responding to a Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, established on 14 December 2017. The outcomes of this Royal Commission for AMPGH group and the industry are uncertain at this time. AMP group has welcomed the opportunity to contribute to the Royal Commission and supports its intent to provide certainty to the financial system and help restore the community's trust and confidence in the industry.

Section 7: Other disclosures

7.5 Auditors' remuneration

	2017	2016
	$'000	$'000
AMP Group Holdings Limited and other corporate entities in the consolidated group		
Audit services		
Audit or review of financial statements	**5,380**	5,081
Other audit services[1]	**1,044**	969
Total audit service fees	**6,424**	6,050
Non-audit services		
Taxation services	**419**	681
Other services[2]	**788**	863
Total non-audit services fees	**1,207**	1,544
Total auditors' remuneration for AMP Group Holdings Limited and other corporate entities	**7,631**	7,594
Managed Investment Schemes and Superannuation Funds		
Audit services		
Audit or review of financial statements	**6,977**	6,753
Other audit services[1]	**303**	288
Total audit service fees	**7,280**	7,041
Non-audit services		
Taxation services	**305**	277
Other services[3]	**-**	119
Total non-audit services fees	**305**	396
Total auditors' remuneration for managed investment schemes and superannuation funds	**7,585**	7,437
Total auditors' remuneration	**15,216**	15,031

1 Other audit services includes regulatory compliance and reviews of controls and procedures.

2 Other non-audit services for AMP Group Holdings Limited and other corporate entities relate to compliance related review.

3 Other non-audit services for managed investment schemes and superannuation funds are comprised primarily with transaction related advice.

Section 7: Other disclosures

7.6 New accounting standards

a) New and amended accounting standards adopted by the AMPGH group

A number of new accounting standards and amendments have been adopted effective 1 January 2017. These have not had a material effect on the financial position or performance of the AMPGH group.

b) New Accounting Standards issued but not yet effective

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

AASB 15 Revenue from Contracts with Customers
AASB 15 Revenue from Contracts with Customers (AASB 15) is effective for periods beginning on 1 January 2018. AASB 15 defines principles for recognising revenue and introduces new disclosure requirements. Under AASB 15, revenue will be recognised at an amount that reflects the consideration which an entity expects to be entitled to in exchange for transferring goods or services to a customer.

From an AMPGH group perspective, AASB 15 will primarily apply to fee revenue as life insurance contract related revenue will continue to fall outside the scope of AASB 15 and will be accounted for under other applicable standards. Based on the impact assessment undertaken by the AMPGH group, there is no material impact to the group upon adoption of AASB 15.

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

Based on the impact assessment undertaken by the AMPGH group, there is no material impact to the group upon adoption of AASB 9 classification and measurement, and ECL requirements. As permitted by AASB 9 the group has chosen to continue to apply the hedge accounting requirements of AASB 139 *Financial Instruments: Recognition and Measurement.*

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

Impact assessment for the adoption of AASB 16 is ongoing. The AMPGH group is not considering early adopting AASB 16.

AAASB 17 Insurance Contracts
AASB 17 Insurance Contracts (AASB 17) is effective for periods beginning on 1 January 2021. The new standard will introduce

significant change to the accounting for life insurance contracts and the reporting and disclosures in relation to those contracts.

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

The detailed requirements of the standard are complex and, in some cases, the final impact of these requirements will not be determined until interpretations and regulatory responses to the new standard are developed. The AMPGH group is currently undertaking an assessment of the potential impact of this standard.

7.7 Events occurring after reporting date

On 28 March 2018, the Company declared a dividend to its parent, AMP Limited of $306m. The dividend was funded by a $306m capital return from AMP Group Services Holdings Limited.

Other than the matter noted above, as at the date of this report, the directors are not aware of any matters or circumstances that have arisen since the end of the financial year that have significantly affected, or may significantly affect:

- the AMPGH group’s operations in future years;
- the results of those operations in future years; or
- AMPGH group’s state of affairs in future financial years.

Directors' declaration

for the year ended 31 December 2017

In accordance with a resolution of the directors of AMP Group Holdings Limited, for the purposes of section 295(4) of the *Corporations Act 2001*, the directors declare that:

(a) in the opinion of the directors there are reasonable grounds to believe that AMP Group Holdings Limited will be able to pay its debts as and when they become due and payable;

(b) in the opinion of the directors the financial statements and the notes of AMP Group Holdings Limited and the consolidated entity for the financial year ended 31 December 2017 are in accordance with the *Corporations Act 2001*, including section 296 (compliance with accounting standards) and section 297 (true and fair view); and

(c) the notes to the financial statements of AMP Group Holdings Limited and the consolidated entity for the financial year ended 31 December 2017 include an explicit and unreserved statement of compliance with the International Financial Reporting Standards.

....

Director

Sydney, 13 April 2018

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Independent Auditor's Report to the Shareholders of AMP Group Holdings Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of AMP Group Holdings Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is 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 31 December 2017 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor 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) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Valuation of life insurance contract liabilities

Why significant	How our audit addressed the key audit matter
Life insurance contract liabilities total $23,683 million and represent 19% of total liabilities. The valuation of the provisions for the settlement of future claims involves complex and subjective judgments about future events, both internal and external to the business. Small changes in assumptions can have a material impact on the valuation of these liabilities. Key assumptions involved in the valuation of the policy liabilities include: ‣ Discount rates ‣ Inflation and indexation ‣ Forecast lapse rates, particularly for the wealth protection book of business ‣ Future maintenance and investment expenses ‣ Taxation ‣ Surrender values ‣ Mortality and morbidity	Our audit procedures included the following: ‣ We assessed the Group's controls over the recording of new business, policy administration and claims processes. ‣ We assessed the policy liability valuation process including the key reconciliations supporting the data used in the valuation process. ‣ We evaluated the associated IT systems and the design and operating effectiveness of IT system controls relating to the policy valuations. ‣ We assessed the competence and objectivity of the AMP life entities' Appointed Actuary. ‣ Our actuarial specialists assessed the reasonableness of the valuation methodology, key assumptions, including the impact of the recent reinsurance transactions, and the interpretation of prudential standards that affect the policy liability valuation. ‣ Where adjustments were made to the valuation model outputs outside the standard processes, our actuarial specialists performed testing necessary, on a sample basis, to validate the nature and accuracy of the adjustments. ‣ Our actuarial specialists independently developed expectations regarding the valuation results based on their understanding of the business, external industry trends and experience and AMP life entities' historic business activity. These expectations were compared to the policy liability valuation results and significant differences were subject to further testing. ‣ We assessed the adequacy and completeness of policy liability disclosures included in the financial report against the requirements of Australian Accounting Standards.

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Valuation of investment contract liabilities

Why significant	How our audit addressed the key audit matter
Investment contract liabilities total $75,235 million and represent 62% of total liabilities. They consist of a financial instrument and an investment management services element, both of which are measured at fair value. With the exception of fixed retirement income policies, the resulting liability to policy holders is closely linked to the performance and value of the assets (after tax) that support those liabilities. For the majority of investment contracts, the fair value is determined based on external third party published unit prices and the fair value of backing assets, and does not generally require the exercise of judgment. The valuation of investment contract liabilities was considered a key audit matter given the significance of this account to the overall financial statements.	Our audit procedures included the following: ‣ We assessed the Group's controls over the recording of new business, renewals and benefits processes. ‣ We evaluated the associated IT systems and the design and operating effectiveness of IT system controls relating to investment contract liabilities valuation. ‣ We examined the unit pricing process, which included assessing the design and testing controls associated with the process. ‣ We considered the unqualified assurance report from an audit firm addressing the controls at the custodian. ‣ We evaluated the process and tested controls of the Group that support the valuation of investment contract liabilities. ‣ For the investment linked policies, we recalculated the total investment contract liability via system extractions of units held per product and the prices as at 31 December 2017. We performed testing over this extraction process, reconciled the investment contract liabilities to the fair value of underlying assets and evaluated the reasonableness of reconciliation differences.

Valuation of complex and illiquid financial investments

Why significant	How our audit addressed the key audit matter
Investments in financial assets total $114,669 million and represent 89% of total assets. As set out in Note 2.5, the portfolio of investments is categorised in accordance with the fair value hierarchy, as required by accounting standards. The complex and illiquid investments are typically classified as Level 3 investments, where there is a lack of observable market transactions and available market data. The Group exercised judgment to arrive at their best estimates of fair value of these assets. There is complexity in this process, as well as risk associated with the valuation and modelling methodologies and the assumptions adopted.	Our audit procedures included the following: ‣ We assessed the Group's controls over the valuation of illiquid financial investments. ‣ For all level 3 investments, where relevant, our valuation specialists assessed the valuation and modelling methodologies and the key assumptions used, including the prevailing local market conditions for offshore assets, for the year end valuations. ‣ For assets recorded within controlled unit trusts where there are no specific local reporting requirements, we assessed the valuations of investments on a sample basis as provided by external investment managers, including an assessment of the reliability of the information provided by the investment managers.

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Recoverability of Goodwill and intangible assets

Why significant	How our audit addressed the key audit matter
Goodwill and intangible assets total $3,218 million and represent 3% of total assets. Goodwill has been recognised as a result of AMP Group Holdinds Limited's historical acquisitions, representing the excess of the purchase consideration over the fair value of assets acquired. On acquisition this goodwill has been allocated to the applicable Cash Generating Unit's (CGUs). An impairment assessment is performed at each reporting period, comparing the carrying value of the CGU with its recoverable amount. The recoverable amount of each CGU is determined by calculating the CGU's fair value. This is calculated as the embedded value plus the value of new business. The calculation of embedded value is dependent on the assumptions that drive the valuation of life insurance contract liabilities. Intangible assets for in-force contracts and distribution networks were acquired during historical acquisitions. These intangible assets are amortised and are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The determination of the recoverable amounts of these assets are complex and typically requires a high level of judgement. The most significant judgements arise over the assumptions applied in the embedded value calculation.	Our audit procedures included the following: ▸ Assessed whether the methodology used by the Group for impairment assessment purposes was in line with the requirements of Australian Accounting Standards, including an assessment of the adequacy of the embedded value model for goodwill impairment assessment purposes. ▸ Assessed the underlying assumptions for consistency with those used in the valuation of the life insurance contract liabilities. ▸ Assessed the methodology and assumptions used in the calculation of the discount rate, including comparison of the rate to market benchmarks. ▸ Performed sensitivity analysis on key assumptions, including components of the discount rate. ▸ Assessed the value of one year's new business and the multiple applied to calculate the value of the new business. ▸ Assessed the Group's determination of the CGUs to which goodwill is allocated and the adequacy of the disclosures in the financial statements for compliance with applicable accounting standards. ▸ Tested the mathematical accuracy of the impairment assessment performed by the Group. For amortising intangible assets, we assessed the methodology used by the Group for impairment assessment purposes to evaluate whether events or changes in circumstances indicated that the carrying amount may not be recoverable. ▸ Our consideration of the impairment assessment undertaken by the Group required valuation and actuarial expertise to assist in the testing of the recoverable amount models and assumptions. Accordingly, we involved our specialists where necessary in conducting these procedures.

Information technology (IT) environment

Why significant	How our audit addressed the key audit matter
The operations of AMP Group Holdings Limited are heavily dependent on information technology systems and their associated IT controls.	Our audit procedures included the following: ▸ We assessed the Group's overall IT environment and the controls in place over access to systems and data, as well as system changes. We tailored our audit approach based on the financial

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A fundamental component of IT controls is ensuring appropriate user access management, program change management and IT operational protocols exist and are being adhered to.

significance of the system and whether there were automated procedures supported by that system.

- The procedures performed included testing the Group's controls over appropriate access rights for the relevant applications.
- We assessed the Group's controls relating to system development and program changes to establish that system changes were appropriately authorised.
- Where deficiencies were identified, we performed additional procedures to test the information produced from affected systems.
- These procedures included:
    - Identifying whether there had been unauthorised or inappropriate changes made to critical IT systems and databases.
    - Assessing the design and operating effectiveness of compensating controls.
- Where required, we performed testing to validate the integrity and reliability of the specific information.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2017 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report (including the remuneration report) that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ernst & Young

Tony Johnson
Partner
Sydney
13 April 2018