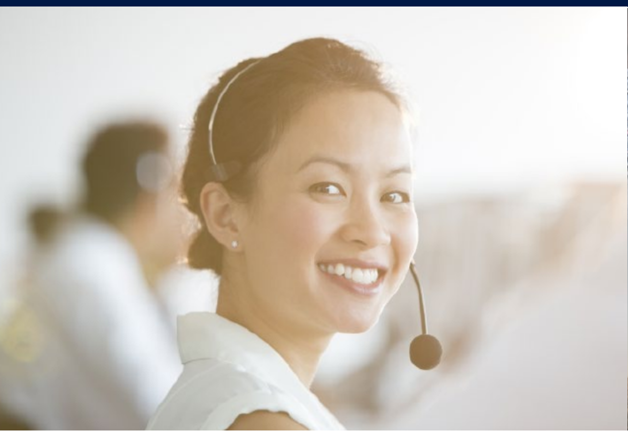
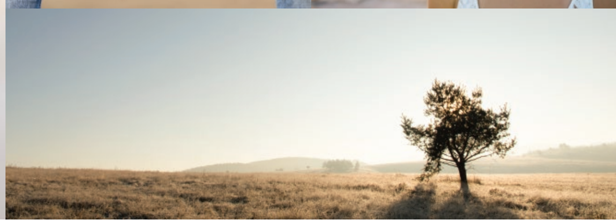
Investor report

Half year 2018




Management and contact details

Executive management team

Mike Wilkins	Acting Chief Executive Officer
David Akers	Acting Group Executive, Advice
Megan Beer	Group Executive, Insurance and Chief Strategy Officer
Sally Bruce	Group Executive, AMP Bank
David Cullen	Group General Counsel
Jenny Fagg	Chief Risk Officer
Gordon Lefevre	Chief Financial Officer
Helen Livesey	Group Executive, Public Affairs and Chief of Staff
Jack Regan	Group Executive, Advice and NZ[1]
Craig Ryman	Group Executive, Technology and Operations
Paul Sainsbury	Group Executive, Wealth Solutions and Customer
Adam Tindall	Chief Executive Officer, AMP Capital
Blair Vernon	Managing Director, AFS NZ
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1 On leave.

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Online reports

This Investor Report is available online at **amp.com.au/shares** along with other investor relations information.

Contents

Important note

This Investor Report provides financial information reflecting after income tax results for AMP shareholders. The principles of life insurance accounting are used in reporting the results of the Australian wealth protection, New Zealand financial services and Australian mature businesses. Information is provided on an operational basis (rather than a statutory basis) to reflect a management view of the businesses and existing structures. Content is prepared using external market data and internal management information useful for investors. This Investor Report is not audited.

Profit attributable to shareholders of AMP Limited has been prepared in accordance with Australian Accounting Standards.

Forward looking statements in this Investor 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.

This Investor Report is not an offer document and therefore has not been the subject of a full due diligence process typically used for an offer document. While AMP has sought to ensure that information in this Investor Report is accurate by undertaking a review process, it makes no representation or warranty as to the accuracy or completeness of any information or statement in this Investor Report. In particular, information and statements in this Investor Report do not constitute investment advice or a recommendation on any matter, and should not be relied upon.

AMP also provides statutory reporting prescribed under the Corporations Act 2001. Those accounts will be available from AMP's website amp.com.au and reflect policyholder and shareholder interests.

1H 18 performance summary

Key performance measures

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

Revenue measures

- Total AUM of A$260b[1] in 1H 18 increased 1% from FY 17 and 5% from 1H 17.
- Australian wealth management AUM increased 1% to A$132b in 1H 18 from FY 17. Investment related revenue decreased 1.7% from 1H 17, with margins declining 8 bps (7.7%) from 1H 17.
- AMP Capital AUM increased A$1.5b (1%) to A$189b in 1H 18 from FY 17 and up 6% from 1H 17. Fee income increased 3% to A$360m in 1H 18 from 1H 17, driven by growth in AUM based management fees.
- AMP Bank total loans increased 8% to A$20.2b from 1H 17. Net interest income increased 16% and margins increased 5 bps to 1.72% from 1H 17.
- Australian wealth protection individual risk API increased 0.3% from 1H 17 to A$1.5b in 1H 18 while group risk API fell 16% to A$371m, reflecting the loss of a large Group plan.

Cost measures

- AMP group cost to income ratio was 45.9% in 1H 18, up from 45.1% in 1H 17.
- AMP group controllable costs decreased A$29m (4%) to A$642m, largely due to cost savings from operating model changes and lower variable remuneration, partly offset by an increase in AMP Capital and AMP Bank costs.
- Total controllable costs to AUM decreased 5 bps to 50 bps in 1H 18.
- Excluding AMP Capital, 1H 18 controllable costs decreased A$46m (10%) on 1H 17 to A$427m.
- Australian wealth management cost to income ratio decreased 3.7 percentage points to 42.9% in 1H 18. Controllable costs decreased by A$23m from 1H 17 to A$223m, reflecting lower variable remuneration, cost efficiency initiatives undertaken during 2017, and lower project costs.
- AMP Capital cost to income ratio increased 1.7 percentage points from 1H 17 to 58.3% in 1H 18, reflecting increased costs to support international growth. Controllable costs increased by A$17m to A$215m in 1H 18.

Capital management and dividend

- 1H 18 Level 3 eligible capital resources were A$1,810m above minimum regulatory requirements, down from A$2,338m at 31 December 2017, mainly due to the advice remediation provision.
- 1H 18 interim dividend of 10.0 cents per share (cps) declared, franked at 50%. AMP is targeting a total FY 18 dividend payout at the lower end of its 70% to 90% guidance range.
- The dividend reinvestment plan (DRP) continues to operate and AMP intends to issue new shares to participants in the DRP.

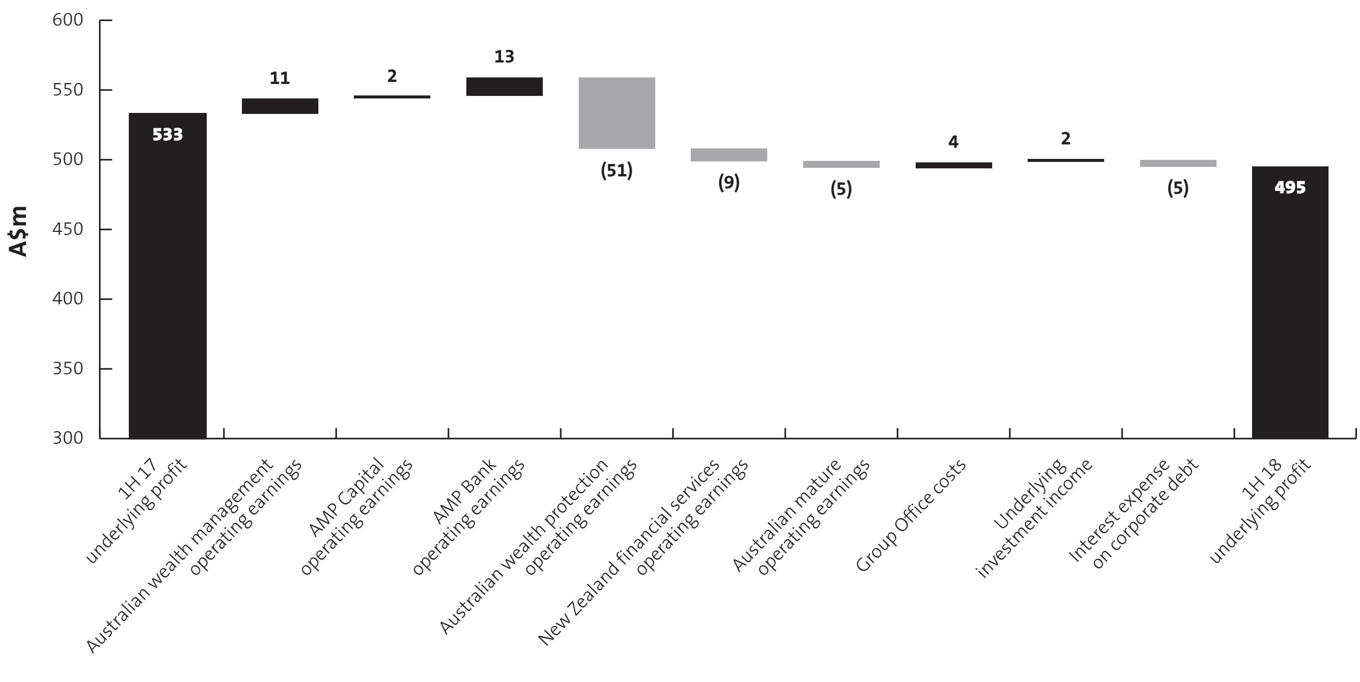
1 Includes SuperConcepts assets under administration, refer to page 9.

Financial summary

A$m	1H 18	1H 17	2H 17	FY 17	% 1H 18/ 1H 17
Profit and loss					
Australian wealth management	**204**	193	198	391	5.7
AMP Capital[1]	**94**	92	64	156	2.2
AMP Bank	**78**	65	75	140	20.0
Australian wealth protection	**1**	52	58	110	(98.1)
New Zealand financial services	**56**	65	60	125	(13.8)
Australian mature	**70**	75	75	150	(6.7)
BU operating earnings	**503**	542	530	1,072	(7.2)
Group Office costs	**(29)**	(33)	(41)	(74)	12.1
Total operating earnings	**474**	509	489	998	(6.9)
Underlying investment income[1]	**52**	50	45	95	4.0
Interest expense on corporate debt	**(31)**	(26)	(27)	(53)	(19.2)
Underlying profit	**495**	533	507	1,040	(7.1)
Advice remediation and related costs	**(312)**	-	-	-	n/a
Royal Commission	**(13)**	-	-	-	n/a
Portfolio review and related costs	**(19)**	-	(24)	(24)	n/a
Other items	**(41)**	(9)	(12)	(21)	n/a
Amortisation of acquired intangible assets[1]	**(40)**	(43)	(37)	(80)	7.0
Profit before market adjustments and accounting mismatches	**70**	481	434	915	(85.4)
Market adjustment – investment income[1]	**(10)**	(23)	(16)	(39)	56.5
Market adjustment – annuity fair value	**8**	1	3	4	n/a
Market adjustment – risk products	**15**	(8)	(10)	(18)	n/a
Accounting mismatches	**32**	(6)	(8)	(14)	n/a
Profit attributable to shareholders of AMP Limited	**115**	445	403	848	(74.2)

1 AMP Capital is 15% owned by Mitsubishi UFJ Trust and Banking Corporation (MUFG: Trust Bank). The AMP Capital business unit results and any other impacted line items are shown net of minority interests.

Movement in 1H 17 to 1H 18 underlying profit



Financial summary cont'd

		1H 18	1H 17	2H 17	FY 17
Earnings					
EPS – underlying (cps)[1]		**17.0**	18.1	17.4	35.5
EPS – actual (cps)		**4.0**	15.3	14.0	29.3
RoE – underlying		**13.8%**	14.5%	14.1%	14.3%
RoE – actual		**3.2%**	12.1%	11.2%	11.7%
Dividend					
Dividend per share (cps)		**10.0**	14.5	14.5	29.0
Dividend payout ratio – underlying		**59%**	79%	83%	81%
Franking rate[2]		**50%**	90%	90%	90%
Ordinary shares on issue (m)[1]		**2,918**	2,918	2,918	2,918
Weighted average number of shares on issue (m)	– basic[1]	**2,918**	2,941	2,918	2,930
	– fully diluted[1]	**2,939**	2,961	2,940	2,952
	– statutory	**2,889**	2,910	2,882	2,896
Market capitalisation – end period (A$m)		**10,390**	15,147	15,147	15,147
Capital management					
AMP shareholder equity (A$m)		**6,956**	7,296	7,276	7,276
Corporate debt (excluding AMP Bank debt) (A$m)		**1,995**	1,619	1,681	1,681
S&P gearing		**13%**	10%	9%	9%
Interest cover – underlying (times)[3]		**18.3**	10.7	20.6	20.6
Interest cover – actual (times)[3,4]		**9.9**	5.7	17.0	17.0
Margins					
Australian wealth management investment related revenue to AUM (bps)		**96**	104	99	101
AMP Capital AUM based management fees to AUM (bps) – external[5]		**44.9**	47.2	44.7	46.0
Australian wealth protection profit margins/annual premium		**4.8%**	5.1%	5.2%	5.1%
AMP Bank net interest margin (over average interest earning assets)		**1.72%**	1.67%	1.73%	1.70%
Cashflows and AUM					
Australian wealth management cash inflows (A$m)		**12,984**	17,807	14,741	32,548
Australian wealth management cash outflows (A$m)		**(13,857)**	(16,784)	(14,833)	(31,617)
Australian wealth management net cashflows (A$m)		**(873)**	1,023	(92)	931
Australian wealth management persistency[6]		**89.0%**	88.6%	90.1%	89.2%
AMP Capital net cashflows – external (A$m)		**1,591**	2,439	3,038	5,477
AMP Capital net cashflows – internal (A$m)		**(3,121)**	(1,413)	(1,178)	(2,591)
AMP Capital AUM (A$b)[5]		**189**	179	188	188
Non-AMP Capital managed AUM (A$b)		**71**	68	69	69
Total AUM (A$b)[7]		**260**	247	257	257
Controllable costs (pre-tax) and cost ratios					
Operating costs (A$m)		**577**	596	609	1,205
Project costs (A$m)		**65**	75	81	156
Total controllable costs (A$m)		**642**	671	690	1,361
Cost to income ratio		**45.9%**	45.1%	47.2%	46.2%
Controllable costs to average AUM (bps)		**50**	55	55	55

1 Number of shares has not been adjusted to remove treasury shares.
2 Interim franking rate is the franking applicable to the interim dividend for that year.
3 Calculated on a rolling 12 month basis. 1H 17 calculated including one-off experience losses of A$485m incurred in 2H 16.
4 Calculated on a rolling 12 month basis. 1H 17 calculated excluding A$668m goodwill impairment incurred in 2H 16.
5 1H 18 includes AMP Capital's 24.9% share of PCCP. AUM measured at net asset value (A$1b).
6 Excludes SuperConcepts AUA.
7 Includes SuperConcepts assets under administration, refer to page 9.

Business overview

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

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. While the company is pursuing a clear strategy for long-term growth, it is focusing on several near-term priorities. These include:

- prioritise customers and restore confidence
- transform advice delivery
- reprioritise review of manage for value businesses
- strengthen risk management, internal controls and governance, and
- maintain business momentum.

Delivering growth across core businesses

AMP remains committed to delivering growth across its portfolio by focusing investment in its high growth businesses, including Australian wealth management, AMP Bank and AMP Capital, while at the same time strengthening AMP's risk management systems and controls.

AMP will continue to focus on growth in the expanding A$3.4 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 advantage and to be more customer centric. 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 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 Bank continues to grow strongly and represents a significant opportunity for AMP by integrating debt and cashflow management strategies into our goals-based offers, particularly across its aligned advice network and broker proposition. AMP Bank offers an opportunity for the group to engage with customers earlier in their financial life cycle, with products and services that provide higher levels of interaction. Delivering on this strategy is expected to double the value of AMP Bank over five years.

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 December 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 and China Life Pension Company (CLPC) ranks first in trustee services with 33% market share and third in investment management with 12% market share[3]. CLPC is expected to benefit from the implementation of new regulations for Occupational Pensions (OP) in China in coming years. CLPC has been selected as a trustee manager for the OP plans for Xinjiang province, Shandong province and the central government. It is anticipated that there will be acceleration in tender activity in 2H 18. AMP is targeting earnings of A$50m 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.

Portfolio review

AMP is well progressed with a portfolio review of its manage for value businesses, Australian wealth protection, New Zealand and Australian mature. All alternatives are being considered as part of the review. As a result, AMP is in discussions with a number of interested parties and will update the market as appropriate.

Controllable cost discipline

AMP continues to deliver market-leading cost efficiency, and in 1H 18, operating model and organisational design changes delivered efficiency gains which reduced controllable costs by 4%. AMP (excluding AMP Capital) is expected to at least achieve its full year controllable cost guidance of A$950m. Run rate savings from initiatives in 2017 and benefits from other strategic cost initiatives will help deliver this outcome in 2018.

Royal Commission

AMP's 1H 18 financial performance was in part impacted by evidence provided in April 2018 at the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry. The Royal Commission is expected to impact on AMP's financial performance in the near term, primarily the Australian wealth management business through a combination of subdued cashflows and potential regulatory changes. AMP is determined to restore its reputation with a renewed and improved focus on its customers which is then expected to benefit its shareholders.

1 ABS Managed Funds Report, Managed Funds Industry, March 2018.
2 Fund Market Overview Retail – Marketer, Strategic Insight (Plan For Life), March 2018.
3 Ministry of Human Resources and Social Security (MOHRSS), March 2018.

Australian wealth management

Profit and loss (A$m)	1H 18	1H 17	2H 17	FY 17	% 1H 18/ 1H 17
Revenue					
Investment related[1]	**619**	630	633	1,263	(1.7)
Other[2]	**57**	51	57	108	11.8
Total revenue	**676**	681	690	1,371	(0.7)
Investment management expense	**(164)**	(161)	(164)	(325)	(1.9)
Controllable costs[3]	**(223)**	(246)	(244)	(490)	9.3
Tax expense	**(85)**	(81)	(84)	(165)	(4.9)
Operating earnings	**204**	193	198	391	5.7
Underlying investment income	**6**	6	6	12	-
Underlying operating profit after income tax	**210**	199	204	403	5.5
Ratios and other data					
RoBUE	**41.6%**	38.2%	40.1%	39.2%	n/a
End period tangible capital resources – after transfers (A$m)	**934**	987	982	982	(5.4)
Net cashflows (A$m)[4]	**(873)**	1,023	(92)	931	n/a
AUM (A$b)[4]	**132.0**	125.0	130.4	130.4	5.6
Average AUM (A$b)[4,5]	**130.3**	122.6	126.8	124.7	6.3
Persistency[4]	**89.0%**	88.6%	90.1%	89.2%	n/a
Cost to income ratio	**42.9%**	46.6%	45.6%	46.1%	n/a
Investment related revenue to AUM (bps)[1,4,5,6]	**96**	104	99	101	n/a
Investment management expense to AUM (bps)[1,4,5,6]	**25**	26	26	26	n/a
Investment related revenue less variable costs to AUM (bps)[1,4,5,6]	**71**	78	73	75	n/a
Controllable costs to AUM (bps)[5,6]	**35**	40	38	39	n/a
Operating earnings to AUM (bps)[4,5,6]	**31**	32	31	31	n/a

1 Investment related revenue refers to revenue on superannuation, retirement income and investment products.
2 Other revenue includes SuperConcepts revenues and product fees, platform fees and advice fees received by licensees on Australian wealth protection products and movements in the value of client registers purchased.
3 Includes SuperConcepts.
4 Excludes SuperConcepts AUA.
5 Based on average of monthly average AUM.
6 Ratio based on 181 days in 1H 18 and 181 days in 1H 17.

Business overview

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

WM'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 channel choice and deliver an integrated customer experience while remaining vigilant on cost control
- 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.

Operating earnings

Operating earnings increased by A$11m (6%) from 1H 17 to A$204m in 1H 18. The increase in operating earnings was largely due to higher Other revenue and lower controllable costs reflecting business efficiencies and lower variable remuneration, which was partly offset by lower investment related income arising from margin compression.

Other revenue increased by A$6m (12%) from 1H 17 to A$57m in 1H 18, driven by growth in advice and SMSF recurring revenues.

Investment related revenue to AUM

1H 18 investment related revenue to AUM was 96 bps, an 8 bps (7.7%) reduction from 1H 17. The higher margin decline from 1H 17 was attributable to the completion of MySuper transitions in Q2 17. Fee compression of 3.0% from 2H 17 was largely driven by product mix change from continuing strong growth of cashflows to North, with administration fee capping changes in 2H 17 strengthening the competitiveness of the platform. The investment related revenue to AUM for North was 59 bps in 1H 18 across both administration and multi-manager investment revenue.

MySuper price changes to be implemented in Q3 18 are expected to reduce investment related revenue by an annualised A$50m from FY 19. Excluding these pricing reductions, and subject to any further management initiatives, guidance for underlying margin compression is expected to average 3% to 4% over the long term, but may be volatile from period to period.

Australian wealth management cont'd

1H 18 investment management expenses to AUM of 25 bps decreased due to product mix changes with a lower proportion of AUM attracting investment fee expense.

SuperConcepts

SuperConcepts incorporates a range of SMSF services and products including fund administration, accounting software and education for individual members, intermediaries and accountants.

Across administration and software services, SuperConcepts added 7,520 funds during 1H 18 and now supports 66,643 funds, representing 11.2% of the SMSF market[1]. AMP currently provides professional administration services to 22,925 funds and software as a service to a further 43,718 funds. Total assets under administration in 1H 18 were A$24.2b. The growth in funds in 1H 18 was mainly due to the acquisition of the MORE Superannuation and SMSF Managers SMSF businesses as well as organic fund growth.

SuperConcepts revenue is reported as part of 'Other' revenue and forms part of WM's consolidated reporting. SuperConcepts contributed A$21m from business operations to 'Other' revenue in 1H 18, up A$1m on 1H 17.

As SuperConcepts continues to grow fund numbers and market share, it is expected to drive scale efficiencies to improve its operating profit contribution.

MySuper

From 1 January 2014, MySuper became the default super investment option for all superannuation customers who have not provided an investment choice to their superannuation provider.

AMP has developed three standard MySuper solutions and eight tailored MySuper solutions. These solutions, which have been approved by the Australian Prudential Regulation Authority (APRA) are fully operational, with all MySuper transitions completed in Q2 17. From FY 17, MySuper AUM increased A$0.6b to A$21.3b at 1H 18 and rose A$1.8b since 1H 17.

Controllable costs

WM controllable costs decreased A$23m (9%) in 1H 18 to A$223m. This was largely driven by cost efficiency initiatives, lower variable remuneration and lower project costs.

The 1H 18 cost to income ratio decreased by 3.7 percentage points to 42.9%, as a result of lower controllable costs. 1H 18 controllable costs to AUM fell 5 bps to 35 bps.

Embedded value and value of new business – at the 5% discount margin

1H 18 embedded value (EV) fell 8.9% before transfers at the 5% discount margin (dm) to A$4,581m. The decline in 1H 18 EV was largely due to the reduction in MySuper fee revenue, arising from flagged pricing changes. This was offset by the expected return which reflects the unwinding of the discount applied to the value of in-force business and the expected return on the adjusted net assets.

1H 18 value of new business (VNB) fell 48.8% to A$42m at the 5% discount margin. The decline in VNB in 1H 18 reflected the impact of reductions in MySuper fee revenue and lower sales volumes, partly offset by lower costs.

The determination of EV and VNB is a forward-looking process and is sensitive to the underlying assumptions of future possible outcomes. To enable investors to make an assessment of their appropriate level of risk, refer to the individual sensitivities on page 31 and the EV assumption section on page 32.

1 Self-managed Super Fund Quarterly Statistical Report, Australian Taxation Office, March 2018.

	5% dm
Australian wealth management embedded value and value of new business (A$m)	**1H 18**
Embedded value as at FY 17	5,028
Expected return	172
Investment markets, bond yields and currency	(48)
Claim and persistency assumptions, product and other	(613)
Value of new business (VNB)	42
Net transfers out	(306)
Embedded value as at 1H 18	**4,275**
Return on embedded value as at 1H 18	(8.9%)

Australian wealth management cont'd

1H 18 cashflows

	Cash inflows			Cash outflows			Net cashflows		
Cashflows by product (A$m)	**1H 18**	**1H 17**	**% 1H/1H**	**1H 18**	**1H 17**	**% 1H/1H**	**1H 18**	**1H 17**	**% 1H/1H**
North[1]	7,423	8,997	(17.5)	(4,950)	(6,118)	19.1	2,473	2,879	(14.1)
AMP Flexible Super[2]	1,279	2,547	(49.8)	(2,024)	(2,676)	24.4	(745)	(129)	(477.5)
Summit, Generations and iAccess[3]	412	1,014	(59.4)	(1,279)	(1,830)	30.1	(867)	(816)	(6.3)
Flexible Lifetime Super (superannuation and pension)[4]	857	1,090	(21.4)	(1,642)	(1,777)	7.6	(785)	(687)	(14.3)
Other retail investment and platforms[5]	189	137	38.0	(286)	(169)	(69.2)	(97)	(32)	(203.1)
Total retail on AMP platforms	**10,160**	**13,785**	(26.3)	**(10,181)**	**(12,570)**	19.0	**(21)**	**1,215**	n/a
SignatureSuper and AMP Flexible Super – Employer	1,446	2,250	(35.7)	(1,346)	(1,304)	(3.2)	100	946	(89.4)
Other corporate superannuation[6]	728	861	(15.4)	(995)	(1,135)	12.3	(267)	(274)	2.6
Total corporate superannuation	**2,174**	**3,111**	(30.1)	**(2,341)**	**(2,439)**	4.0	**(167)**	**672**	n/a
Total retail and corporate superannuation on AMP platforms	**12,334**	**16,896**	(27.0)	**(12,522)**	**(15,009)**	16.6	**(188)**	**1,887**	n/a
External platforms[7]	650	911	(28.6)	(1,335)	(1,775)	24.8	(685)	(864)	20.7
Total Australian wealth management	**12,984**	**17,807**	(27.1)	**(13,857)**	**(16,784)**	17.4	**(873)**	**1,023**	n/a

Australian wealth management cash inflow composition (A$m)			
Member contributions	1,987	2,963	(32.9)
Employer contributions	2,202	2,241	(1.7)
Total contributions	4,189	5,204	(19.5)
Transfers, rollovers in and other[8]	8,795	12,603	(30.2)
Total Australian wealth management	**12,984**	**17,807**	(27.1)

1 North is an award-winning fully functioning wrap platform which includes guaranteed and non-guaranteed options.
2 AMP Flexible Super is a flexible all in one superannuation and retirement account for individual retail business.
3 Summit and Generations are owned and developed platforms. iAccess is ipac's badge on Summit.
4 Flexible Lifetime Super (superannuation and pension) was closed to new business from 1 July 2010. A small component of corporate superannuation schemes are included.
5 Other retail investment and platforms include Flexible Lifetime – Investments and AMP Personalised Portfolio.
6 Other corporate superannuation comprises CustomSuper, SuperLeader and Business Super.
7 External platforms comprise Asgard, Macquarie, BT Wrap platforms and Challenger annuities.
8 Transfers, rollovers in and other includes the transfer of accumulated member balances into AMP from both internal (eg retail superannuation to allocated pension/annuities) and external products.

Cashflow overview

Australian wealth management (WM) net cash outflows were A$873m in 1H 18, compared to net cash inflows of A$1,023m in 1H 17. 1H 17 benefited from A$521m in Corporate Super mandate wins and higher member contributions in the lead up to the 1 July 2017 changes to contribution limits.

Cashflows in Q2 18 were impacted by weaker inflows and higher outflows in part reflecting the impact of the Royal Commission evidence in April 2018. In June the rate of inflows increased and outflows declined. Outflows remain at elevated levels.

Member contributions were A$2.0b in 1H 18, a decrease of A$1.0b (33%) from 1H 17 but up A$0.2b (11%) from 1H 16. 1H 17 reflected elevated non-concessional contributions prior to 1 July 2017 changes to contribution limits.

Pension payments to customers remained steady at A$1.2b in 1H 18. Net cashflows excluding pension payments decreased 84% to A$365m in 1H 18.

Internal inflows across WM products were A$6.3b in 1H 18 (A$9.6b in 1H 17), representing 48% (54% in 1H 17) of total WM cash inflow.

Retail on AMP platforms

AMP's retail platforms comprise platforms which are owned, developed, and operated by AMP in contrast to external platforms which are administered by other platform providers. Net cashflows on AMP retail platforms fell by A$1.2b in 1H 18 driven by lower member contributions.

North net cashflows of A$2.5b were down A$406m (14%) on 1H 17. Externally sourced inflows fell A$183m (6%) whilst external outflows increased A$177m (11%), substantially below the 24% increase in average AUM from 1H 17. 53% of North's net cashflows were externally sourced in 1H 18, down from 57% in 1H 17 with net cashflow from internal products steady at A$1.2b.

North AUM increased A$2.9b to A$37.9b in 1H 18, primarily driven by solid net cashflows. AUM held in North's capital guaranteed product remained steady at A$2.0b in 1H 18.

AMP Flexible Super net cash outflows were A$745m in 1H 18, driven by increasing preference for new and existing retirement customers to use North over AMP Flexible Super. Externally sourced inflows fell A$388m (43%), while external outflows increased A$17m (2%). AMP Flexible Super AUM fell A$0.2b (1%) to A$16.1b in 1H 18, driven by weak net cashflows.

Australian wealth management cont'd

Summit, Generations and iAccess net cash outflows were A$867m in 1H 18, driven by lower inflows due to adviser preference for North, partially offset by lower outflows as AUM declines.

Flexible Lifetime Super (superannuation and pension) was closed to new business from 1 July 2010. In 1H 18, net cash outflows increased by A$98m to A$785m driven by elevated outflows in Q2 18.

Other retail and investment platforms net cash outflows in 1H 18 increased by A$65m to A$97m, driven by higher outflows on the Personalised Portfolio Service platform.

Corporate superannuation

Total corporate superannuation reported net cash outflows of A$167m in 1H 18, relative to net cashflows of A$672m in 1H 17. The decline from 1H 17 was driven by lower mandate wins and elevated outflows in Q2 18.

1H 17 benefited from A$521m of large corporate super mandate wins. A small number of SME plans, representing in aggregate approximately A$64m of AUM have confirmed AMP's loss of default status, with outflows from these plans expected to occur from 2H 18.

AMP's corporate offerings, SignatureSuper and AMP Flexible Super – Employer, had net cashflows of A$100m, down A$846m on 1H 17. There were no large mandate wins within SignatureSuper in 1H 18 (1H 17 A$521m) with no plan transitions from CustomSuper (1H 17 A$116m).

Other corporate superannuation comprising CustomSuper, SuperLeader and Business Super, experienced net cash outflows of A$267m in 1H 18, a small improvement from a net outflow of A$274m in 1H 17, due to higher outflows, offset by lower transitions to Signature Super.

External platforms

External platforms represent superannuation, pension and investment products on the Asgard, Macquarie, BT Wrap platforms and Challenger annuities.

In 1H 18, external platform net cash outflows decreased by A$179m to A$685m, reflective of lower AUM on those platforms, with lower external outflows and internal flows to North.

1H 18 AUM

		1H 18 net cashflows					
AUM (A$m)	**FY 17 AUM**	**Super-annuation**	**Pension**	**Investment**	**Total net cashflows**	**Other movements[1]**	**1H 18 AUM**
North	34,926	1,274	581	618	2,473	474	37,873
AMP Flexible Super	16,342	(153)	(592)	-	(745)	520	16,117
Summit, Generations and iAccess	11,388	(245)	(498)	(124)	(867)	221	10,742
Flexible Lifetime Super (superannuation and pension)[2]	24,198	(538)	(247)	-	(785)	523	23,936
Other retail investment and platforms	2,545	-	-	(97)	(97)	37	2,485
Total retail on AMP platforms	**89,399**	**338**	**(756)**	**397**	**(21)**	**1,775**	**91,153**
SignatureSuper and AMP Flexible Super – Employer	18,510	128	(28)	-	100	328	18,938
Other corporate superannuation[3]	13,055	(267)	-	-	(267)	202	12,990
Total corporate superannuation	**31,565**	**(139)**	**(28)**	**-**	**(167)**	**530**	**31,928**
Total retail and corporate superannuation on AMP platforms	**120,964**	**199**	**(784)**	**397**	**(188)**	**2,305**	**123,081**
External platforms	9,425	(124)	(222)	(339)	(685)	182	8,922
Total Australian wealth management	**130,389**	**75**	**(1,006)**	**58**	**(873)**	**2,487**	**132,003**
Australian wealth management – SuperConcepts[4]							
Assets under administration	23,204					978	24,182
Total AUM	**153,593**	**75**	**(1,006)**	**58**	**(873)**	**3,465**	**156,185**

Australian wealth management – AUM by asset class		
Cash and fixed interest	30%	30%
Australian equities	31%	30%
International equities	27%	27%
Property	6%	6%
Other	6%	7%
Total	**100%**	**100%**

1 Other movements include fees, investment returns, distributions, taxes, and foreign exchange movements.

2 Flexible Lifetime Super (superannuation and pension) includes A$5.4b in MySuper (FY 17 A$5.2b).

3 Other corporate superannuation includes A$6.0b in MySuper (FY 17 A$5.9b).

4 SuperConcepts assets under administration includes AMP SMSF, Multiport, Cavendish, SuperIQ, yourSMSF, JustSuper and Ascend platforms, but does not include Multiport Annual, SuperConcepts Accountants Outsource, SMSF Managers and MORE Superannuation.

AMP Capital

Profit and loss (A$m)	1H 18	1H 17	2H 17	FY 17	% 1H 18/ 1H 17
Internal AUM based management fees	**121**	115	119	234	5.2
External AUM based management fees	**147**	132	134	266	11.4
Non-AUM based management fees	**40**	44	40	84	(9.1)
Performance and transaction fees	**52**	57	18	75	(8.8)
Fee income	**360**	348	311	659	3.4
Controllable costs	**(215)**	(198)	(214)	(412)	(8.6)
Tax expense	**(38)**	(42)	(25)	(67)	9.5
Operating earnings before net seed pool income	**107**	108	72	180	(0.9)
Net seed and sponsor capital income	**4**	-	3	3	n/a
Operating earnings including minority interests	**111**	108	75	183	2.8
Minority interests in operating earnings	**(17)**	(16)	(11)	(27)	(6.3)
Operating earnings	**94**	92	64	156	2.2
Underlying investment income	**2**	2	2	4	-
Underlying operating profit after income tax	**96**	94	66	160	2.1
Controllable costs					
Employee related	**147**	136	148	284	8.1
Investment operations and other	**62**	52	57	109	19.2
Total operating costs	**209**	188	205	393	11.2
Project costs	**6**	10	9	19	(40.0)
Total controllable costs	**215**	198	214	412	8.6
Ratios and other data					
Cost to income ratio	**58.3%**	56.6%	66.9%	61.5%	n/a
Controllable costs to average AUM (bps)[1,2]	**22.7**	22.4	23.5	22.9	n/a
AMP Capital staff numbers[3]	**1,183**	1,099	1,145	1,145	7.6
AUM (A$b)[2]	**189.3**	178.9	187.7	187.7	5.8
Average AUM (A$b) – total[1,2,4]	**189.2**	177.0	182.1	179.6	6.9
Average AUM (A$b) – internal[1]	**123.6**	120.9	122.7	121.8	2.2
Average AUM (A$b) – external[1,2,4]	**65.6**	56.1	59.4	57.8	16.9
AUM based management fees to AUM (bps) – internal[1]	**19.6**	18.9	19.6	19.2	n/a
AUM based management fees to AUM (bps) – external[1,2]	**44.9**	47.2	44.7	46.0	n/a
Performance and transaction fees to AUM (bps)[1,2]	**5.5**	6.4	2.0	4.2	n/a
End period tangible capital resources – after transfers (A$m)[5]	**415**	348	318	318	19.3
RoBUE	**63.8%**	75.5%	48.8%	61.6%	n/a

1 Based on average of monthly average AUM.
2 1H 18 includes AMP Capital's 24.9% share of PCCP. AUM measured at net asset value (A$1b).
3 1H 18 includes 296 FTEs (265 in 1H 17), primarily in shopping centres, for which the costs are recharged.
4 1H 18 Average AUM includes A$8.3b relating to joint ventures.
5 End period tangible capital resources are disclosed gross of minority interest.

Business overview

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. Mitsubishi UFJ Trust and Banking Corporation (MUFG: Trust Bank) holds a 15% ownership interest in AMP Capital.

AMP Capital holds a 15% stake in the China Life AMP Asset Management Company Limited (CLAMP), a funds management company which offers retail and institutional investors in China access to leading investment solutions.

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.

AMP Capital cont'd

Delivery against the key priorities during the period saw a 2% increase in AMP Capital operating earnings.

Key operational and strategic highlights during 1H 18 include:

- Continued expansion of AMP Capital's global footprint, increasing AUM managed on behalf of direct international institutional clients to A$14.2b.
- Ongoing momentum in AMP Capital's global infrastructure platform.
- Commencement of Quay Quarter Tower construction.
- A$1.5b of real asset investments made on behalf of investors in 1H 18, including London Luton Airport.
- Strong commitments into real asset capabilities, with A$5.2b of uncalled committed capital at 1H 18.

Operating earnings

AMP group's 85% share of AMP Capital's 1H 18 operating earnings was A$94m, up 2% from A$92m in 1H 17. AMP Capital's operating earnings benefited from strong fee income growth of 3%, offset by a 9% increase in controllable costs.

Fee income

Fee income increased 3% in 1H 18 to A$360m from A$348m in 1H 17. This was driven by a A$21m (9%) increase in AUM based management fees, partly offset by a A$4m (9%) decrease in non-AUM based management fees and A$5m (9%) decrease in performance and transaction fees.

Average AUM increased 7% to A$189b from A$177b, driven by investment of real asset committed capital, positive investment returns, positive external net cashflows and the inclusion of AMP's 24.9% share of US-based real estate investment manager PCCP's net assets under management. Total AUM based management fees to AUM were 28.4 bps in 1H 18. The increase from 27.9 bps in 1H 17 reflects the ongoing portfolio shift to higher margin real asset businesses.

Internal AUM based management fees increased A$6m (5%) to A$121m in 1H 18. The average internal AUM margin was 19.6 bps, higher than 18.9 bps in 1H 17 and consistent with 2H 17.

External AUM based management fees increased A$15m (11%) from 1H 17, driven by 17% growth in average AUM. External AUM margins of 44.9 bps were lower than 47.2 bps in 1H 17 and slightly higher than 44.7 bps in 2H 17.

Non-AUM based management fees mainly comprise real estate management, development and leasing fees. Non-AUM based management fees were A$40m in 1H 18, down A$4m (9%) from 1H 17 as infrastructure commitment fees earned in 1H 17 were not repeated this period.

1H 18 performance and transaction fees were A$52m, down from A$57m in 1H 17. Performance fees reflect active asset management and strong market demand for infrastructure assets.

Performance and transaction fees remain variable from period to period and are typically materially lower in 2H as most infrastructure funds attract performance fees for annual periods ending 30 June. AMP Capital's new global infrastructure equity and debt fund series are closed end funds, meaning any performance fees will be recognised towards the end of the fund's lifetime rather than throughout the lifetime of the fund. This is likely to increase earnings variability over coming years.

Controllable costs

Controllable costs increased by A$17m (9%) in 1H 18 to A$215m from 1H 17. The increase in costs was due to higher employee costs reflecting investment in growth initiatives, including the expansion of AMP Capital's international business and delivery of the real estate development program domestically. Controllable costs are increasingly influenced by foreign exchange movements as the business grows internationally.

AMP Capital's cost to income ratio increased from 56.6% in 1H 17 to 58.3% in 1H 18, reflecting increased costs to support growth. AMP Capital continues to target a full year cost to income ratio between 60% and 65%, aiming towards the lower end of this range over the medium term.

Tax expense

AMP Capital's effective tax rate in 1H 18 was 26.5%, down from 27.4% in 1H 17. The effective tax rate is lower than the Australian corporate tax rate (30%), largely due to tax concessions on offshore activities and joint venture earnings which are recognised net of tax.

Net seed and sponsor capital income

1H 18 total seed and sponsor capital holdings were A$219m.

Sponsor capital investments include a stake in the Singapore Exchange listed AIMS AMP Capital Industrial REIT (AA REIT) and holdings in AMP Capital's Global Infrastructure Fund series.

Seed capital investments at 1H 18 are real asset related. Given the high level of client commitments within real asset funds there is currently limited requirement for seed pool funding.

The 1H 18 net seed and sponsor capital income of A$4m reflects positive returns on investments, partly offset by debt funding costs.

Given the variable mix of short-term asset holdings and longer-term cornerstone investments, as well as asset return fluctuations, income from seed and sponsor capital will vary from period to period.

Investment performance

AMP Capital's purpose is to be a trusted partner delivering an outstanding investment experience for its clients. A key component of this experience is the delivery of strong investment performance. As at June 2018, the proportion of AMP Capital's AUM performing at or above client goals was 59%, 57% and 62% over five, three and one year periods respectively. Our internal target is 75% over three years.

In addition, the proportion of AMP Capital's Infrastructure AUM performing at or above client goals over a three year period has been 100% for 37 consecutive months.

Assessed on the more conventional metric of performance versus market benchmarks, 66% of AUM has outperformed over a three year time period.

The table on page 34 shows investment performance across all asset classes over various timeframes to 30 June 2018.

AMP Capital cont'd

Cashflows and AUM

	Cash inflows			Cash outflows			Net cashflows		
Cashflows by asset class (A$m)	**1H 18**	**1H 17**	**% 1H/1H**	**1H 18**	**1H 17**	**% 1H/1H**	**1H 18**	**1H 17**	**% 1H/1H**
External									
Australian equities	104	67	55.2	(82)	(133)	38.3	22	(66)	n/a
International equities	460	662	(30.5)	(539)	(988)	45.4	(79)	(326)	75.8
Fixed interest	2,261	5,161	(56.2)	(2,179)	(3,931)	44.6	82	1,230	(93.3)
Infrastructure	1,524	1,470	3.7	(425)	(482)	11.8	1,099	988	11.2
Direct investments	-	-	n/a	-	-	n/a	-	-	n/a
Real estate	2,150	842	155.3	(1,701)	(262)	(549.2)	449	580	(22.6)
Alternative assets	45	47	(4.3)	(27)	(14)	(92.9)	18	33	(45.5)
Total external	**6,544**	**8,249**	(20.7)	**(4,953)**	**(5,810)**	14.8	**1,591**	**2,439**	(34.8)
Internal									
Australian equities	5,263	2,585	103.6	(6,009)	(3,501)	(71.6)	(746)	(916)	18.6
International equities	1,458	3,022	(51.8)	(2,434)	(3,444)	29.3	(976)	(422)	(131.3)
Fixed interest	7,148	16,496	(56.7)	(8,484)	(16,348)	48.1	(1,336)	148	n/a
Infrastructure	125	319	(60.8)	(159)	(451)	64.7	(34)	(132)	74.2
Direct investments	7	151	(95.4)	(49)	(98)	50.0	(42)	53	n/a
Real estate	78	295	(73.6)	(114)	(823)	86.1	(36)	(528)	93.2
Alternative assets	190	584	(67.5)	(141)	(200)	29.5	49	384	(87.2)
Total internal	**14,269**	**23,452**	(39.2)	**(17,390)**	**(24,865)**	30.1	**(3,121)**	**(1,413)**	(120.9)
Total	**20,813**	**31,701**	(34.3)	**(22,343)**	**(30,675)**	27.2	**(1,530)**	**1,026**	n/a

AUM by asset class (A$m)	**FY 17**	**%**	**Net cashflows 1H 18**	**Investment returns and other[1]**	**1H 18**	**%**
External						
Australian equities	965	2	22	(63)	924	1
International equities	6,720	11	(79)	71	6,712	10
Fixed interest	19,038	30	82	327	19,447	30
Infrastructure	12,295	20	1,099	1,492	14,886	22
Direct investments	10	-	-	-	10	-
Real estate[2]	22,878	36	449	1,126	24,453	36
Alternative assets[3]	612	1	18	34	664	1
Total external	**62,518**	**100**	**1,591**	**2,987**	**67,096**	**100**
Internal						
Australian equities	30,298	24	(746)	(353)	29,199	24
International equities	34,848	28	(976)	(243)	33,629	28
Fixed interest	50,258	40	(1,336)	853	49,775	41
Infrastructure	2,547	2	(34)	(51)	2,462	2
Direct investments	966	1	(42)	99	1,023	1
Real estate[2]	3,215	3	(36)	(144)	3,035	2
Alternative assets[3]	3,074	2	49	(86)	3,037	2
Total internal	**125,206**	**100**	**(3,121)**	**75**	**122,160**	**100**
Total						
Australian equities	31,263	16	(724)	(416)	30,123	15
International equities	41,568	22	(1,055)	(172)	40,341	21
Fixed interest	69,296	37	(1,254)	1,180	69,222	37
Infrastructure	14,842	8	1,065	1,441	17,348	9
Direct investments	976	1	(42)	99	1,033	1
Real estate[2]	26,093	14	413	982	27,488	15
Alternative assets[3]	3,686	2	67	(52)	3,701	2
Total	**187,724**	**100**	**(1,530)**	**3,062**	**189,256**	**100**
AUM by source of client (A$m)	**FY 17**	**%**			**1H 18**	**%**
Australia	146,101	79			144,594	76
New Zealand	19,608	10			19,274	10
Asia (including Middle East)	15,452	8			16,568	9
Rest of world	6,563	3			8,820	5
Total	**187,724**	**100**			**189,256**	**100**

1 Other includes fees, investment returns, distributions, taxes, foreign exchange movements and, within the external real estate category, AMP Capital's 24.9% share of PCCP's net asset value (A$1b).

2 Real estate AUM comprises Australian (A$24.7b), NZ (A$1.4b) and Global (A$1.4b) managed assets. Australian real estate AUM is invested in office (40%), retail (54%), industrial (4%) and other (2%).

3 Alternative assets refers to a range of investments that fall outside the traditional asset classes and includes investments in commodities and absolute return funds.

AMP Capital cont'd

Assets under management (AUM)

AUM increased by A$1.5b to A$189.3b in 1H 18, driven by investment of committed capital, positive external net cashflows, investment returns and the inclusion of AMP's 24.9% share of US-based real estate investment manager PCCP's AUM. In addition, AMP Capital has A$5.2b of uncalled committed real asset capital at 1H 18.

External AUM and cashflows

External AUM increased by A$4.6b (7%) over FY 17 to A$67.1b, with A$1.6b of net cashflows, positive investment returns of A$2.0b and the inclusion of 24.9% of US-based real estate investment manager PCCP's net assets under management (A$1.0b).

Investment of committed capital helped drive strong external net cashflows in infrastructure during 1H 18. Notable transactions include the acquisition of 49% of London Luton Airport on behalf of investors in the Global Infrastructure Equity series.

External net cashflows of A$1.6b were down on the A$2.4b of net cashflows achieved in 1H 17, reflecting reduced net cashflows from:

– domestic clients (-A$0.6b) primarily through fixed income capabilities which benefited from major mandate changes in 1H 17, and
– international investors (-A$0.2b), with lower cashflows from Asian based investors (particularly through CLAMP), partially offset by increased real asset cashflows from European and US clients.

International

AMP Capital continued to attract new international clients, with approximately 38% (A$25.4b) of external AUM now managed on behalf of clients outside Australia and New Zealand. AMP Capital grew its number of direct international institutional clients to 295 in 1H 18, managing A$14.2b on their behalf (up 18% from A$12b at FY 17).

Growth in 1H 18 was assisted by strong international investor interest in AMP Capital's infrastructure funds.

China

During 1H 18, the CLAMP joint venture launched 12 new products, including SMAs, diversified and equity funds. At 1H 18, the joint venture managed A$38.4b (RMB 188.1b) of AUM on behalf of Chinese retail and institutional investors. This was up 7% on A$36.0b at FY 17.

In 1H 18, AMP Capital's share of CLAMP net cashflows was A$0.2b compared with net cashflows of A$0.7b in 1H 17, reflecting local liquidity market practices over 30 June and restraints on active fund raising whilst in the transitional phase for new regulatory reforms.

AMP Capital reports its 15% share of the joint venture's AUM (A$5.8b) and cashflows within the 'External' AUM and cashflow disclosure.

Japan

AMP Capital's business alliance with MUFG: Trust Bank offers products covering Australian and global fixed interest, global infrastructure as well as hedged and unhedged listed real estate.

At 1H 18, AMP Capital's business alliance with MUFG: Trust Bank had 10 retail funds and three institutional funds in market with a combined AUM of A$1.3b.

In addition, MUFG: Trust Bank has raised commitments of A$1.5b across a large number of Japanese institutional clients since the launch of AMP Capital's Global Infrastructure Fund and Infrastructure Debt Fund series.

AMP Capital also continues to raise and manage funds through partnerships with other Japanese distributors. AMP Capital manages A$5.9b AUM on behalf of all Japanese retail and institutional clients.

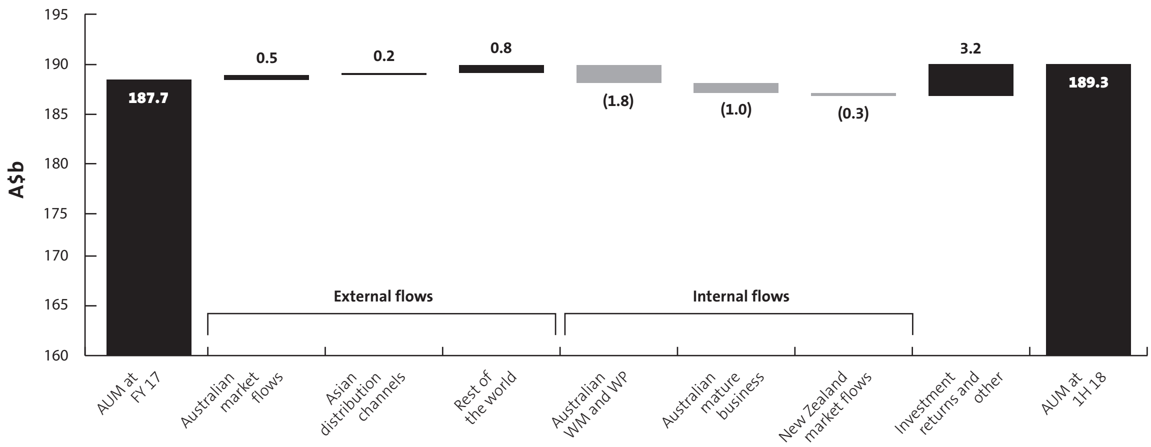
Internal AUM and cashflows

Internal AUM decreased 2% in 1H 18 to A$122.2b, reflecting net cash outflows (-A$3.1b) and investment returns (+A$0.1b).

Internal net cashflows include AMP group payments such as dividend payments to shareholders and net cashflows from WM and mature products including products in run-off. AMP Capital manages a significant portion of AMP Mature business AUM, which is expected to run off at around 5% per annum. Internal net cashflows are also impacted by flows to passive investment options managed outside AMP Capital and cash investment options managed by AMP Bank.

AMP Capital continues to partner across the AMP group to deliver tailored investment solutions for domestic retail clients, including goals-based solutions offered via AMP Advice.

Movement in AUM by channel FY 17 to 1H 18[1]



1 AMP Capital cash inflows reported net of fees and taxes.

AMP Bank

Profit and loss (A$m)	1H 18	1H 17	2H 17	FY 17	% 1H 18/ 1H 17
Net interest income	**194**	167	188	355	16.2
Fee and other income[1]	**7**	4	6	10	75.0
Total revenue	**201**	171	194	365	17.5
Bank variable costs	**(44)**	(40)	(45)	(85)	(10.0)
Controllable costs	**(45)**	(38)	(42)	(80)	(18.4)
Tax expense	**(34)**	(28)	(32)	(60)	(21.4)
Operating profit after income tax	**78**	65	75	140	20.0
Ratios and other data					
Return on capital	**16.7%**	16.3%	16.6%	16.5%	n/a
Total capital resources (A$m)[2]	**931**	801	872	872	16.2
Capital Adequacy Ratio	**15.8%**	12.7%	15.2%	15.2%	n/a
Common Equity Tier 1 Capital Ratio	**10.3%**	8.8%	9.7%	9.7%	n/a
Net Interest Margin (over average interest earning assets)	**1.72%**	1.67%	1.73%	1.70%	n/a
Loan Portfolio Growth – AMP aligned channel	**3%**	6%	2%	8%	n/a
Total loans (A$m)	**20,248**	18,777	19,445	19,445	7.8
Residential mortgages (A$m)	**19,680**	18,194	18,870	18,870	8.2
Practice finance loans to AMP aligned advisers (A$m)	**568**	583	575	575	(2.6)
Mortgages – existing business weighted average loan to value ratio (LVR)	**67%**	67%	67%	67%	n/a
Mortgages – 90+ days in arrears	**0.44%**	0.48%	0.36%	0.36%	n/a
Total deposits (A$m)	**12,707**	12,435	12,383	12,383	2.2
Deposit to loan ratio	**63%**	66%	64%	64%	n/a
Loan impairment expense to average gross loans and advances	**0.01%**	0.02%	0.03%	0.02%	n/a
Total loan provisions to gross loans and advances	**0.14%**	0.08%	0.08%	0.08%	n/a
Cost to income ratio	**28.7%**	29.0%	28.2%	28.6%	n/a

1 Fee and other income mainly comprises mortgage origination, servicing and discharge fees.
2 Total capital resources excludes A$140m of Additional Tier 1 capital and A$150m of Tier 2 capital. See page 28 (Debt overview) for further details.

	Deposits (super and platform)		Deposits (retail)		Deposits (other)		Loans	
Movement in deposits and loans (A$m)	**1H 18**	**1H 17**	**1H 18**	**1H 17**	**1H 18**	**1H 17**	**1H 18**	**1H 17**
Balance at beginning of period	5,178	5,173	6,379	5,594	826	782	19,445	17,120
Net movement	(77)	(4)	560	885	(159)	5	803	1,657
Balance at end of period	**5,101**	**5,169**	**6,939**	**6,479**	**667**	**787**	**20,248**	**18,777**
% 1H 18/1H 17	(1.3%)		7.1%		(15.2%)		7.8%	

AMP Bank funding composition (A$b)	1H 18		FY 17		1H 17	
Customer deposits	12.7	56%	12.4	56%	12.4	59%
Securitisation	4.9	21%	4.4	20%	3.8	18%
Wholesale funding	4.0	18%	4.3	19%	3.7	18%
Subordinated debt	0.3	1%	0.3	1%	0.2	1%
Equity and reserves	0.9	4%	0.9	4%	0.9	4%
Total funding	**22.8**	**100%**	**22.3**	**100%**	**21.0**	**100%**

AMP Bank cont'd

Business overview

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

AMP Bank distributes its solutions by leveraging AMP's advice network, brokers and directly. To deliver on these strategic imperatives, AMP Bank priorities are to:

- deliver compelling customer-centric banking propositions to AMP group target segments
- build a superior advice and broker support network and proposition via direct and digital platforms
- maintain targeted banking value propositions
- invest in technology and service excellence, building an efficient and effective operations and technology infrastructure
- leverage AMP group investments to build out capabilities in direct, digital, and data.

AMP Bank will achieve its strategy whilst maintaining a conservative risk appetite, continuing to optimise funding, liquidity and capital and delivering through a customer oriented culture.

Operating earnings

Operating earnings increased A$13m (20%) to A$78m in 1H 18 from 1H 17. The 1H 18 operating earnings was driven by residential mortgage book growth, as well as a reduction in deposit costs related to the North investment platform, partly offset by additional allocation of shared and indirect Group costs.

Total revenue increased 18% in 1H 18 on 1H 17, driven by growth in the loan portfolio and increased investment in liquid assets. Net interest margin was 1.72% for 1H 18, which is 5 basis points above 1H 17 and down 1 bp from 2H 17. Net interest margin remains under pressure from the competitive lending environment, the regulatory landscape, and from increased funding costs.

AMP Bank's return on capital was 16.7%, an increase of 0.4 percentage points from 1H 17, benefitting from the strong operating earnings growth.

Lending

AMP Bank maintained a competitive lending position, with the total loan book growing by A$0.8b to A$20.2b in 1H 18. This represents an increase of 4% from FY 17 and 8% on 1H 17. Loan growth slowed in 1H 18 compared to 1H 17 due mainly to macro prudential impacts.

Residential mortgage competition, particularly in the owner-occupied principal and interest market, remains intense. Within this environment, AMP Bank's residential mortgage book grew A$0.8b in 1H 18 to A$19.7b (an increase of 4% from FY 17 and 8% from 1H 17), driven by growth in owner-occupied principal and interest lending. Growth in AMP Bank's investment property and interest only lending segments was constrained, in response to regulatory requirements.

Above system loan growth was delivered through both the broker and AMP aligned adviser channels.

AMP Bank continues to target total lending growth at or above system, subject to risk appetite, regulatory growth caps, return on capital hurdles, and funding availability.

The practice finance loan portfolio remained fairly flat during the half closing at A$568m which is 3% lower than 1H 17.

AMP Bank's credit policy is conservative and has remained so during 1H 18. Asset quality remains strong, with mortgages in arrears (90+ days) at 0.44% as at June 2018. Loan impairment expense to average gross loans and advances was 0.01% in 1H 18, reflecting conservative underwriting standards which ensure that the portfolio of AMP Bank is well positioned for the future.

Variable and controllable costs

The Bank's variable costs increased by A$4m from 1H 17 to A$44m, mainly driven by residential loan growth.

AMP Bank's controllable costs increased A$7m (18%) from 1H 17 to A$45m in 1H 18 as the Bank continues to invest in technology, product development and operating capability to support the growth in lending and improvements to customer service. AMP Bank controllable costs in 1H 18 also included additional costs following the reallocating of group shared and indirect costs.

The cost to income ratio decreased by 0.3 percentage points from 1H 17 to 28.7% in 1H 18, with considered levels of investment in the Bank.

Funding, liquidity and capital management

The Bank maintains a diversified funding base and conservative liquidity profile. AMP Bank's total debt and equity funding was A$22.8b at 1H 18 (A$21.0b at 1H 17).

Customer deposits increased in 1H 18 by A$0.3b (3%) from FY 17, from growth in retail deposits. Deposit to loan ratio was 63% for 1H 18, compared with 66% for 1H 17.

AMP Bank maintains a diversified liquidity portfolio and has adequate high quality liquid assets, in accordance with Basel III liquidity requirements. As at 1H 18, AMP Bank's liquidity coverage ratio was 133% (126% at FY 17). The Net Stable Funding Ratio (effective since 1 January 2018) was 121%, which is above both internal and regulatory requirements.

The Capital Adequacy Ratio was 15.8% as at 1H 18 (12.7% at 1H 17). The Common Equity Tier 1 Capital Ratio (CET1) for 1H 18 was 10.3% (8.8% at 1H 17). The increase in our CET1 Capital ratio has been largely driven by a strengthening of the capital position given the regulatory landscape, and a securitisation undertaken in June. Both ratios remain well above APRA and internal thresholds.

Australian wealth protection

Profit and loss (A$m)	1H 18	1H 17	2H 17	FY 17	% 1H 18/ 1H 17
Profit margins	**46**	49	50	99	(6.1)
Experience profits/(losses)	**(16)**	-	4	4	n/a
Capitalised (losses)/reversals and other one-off experience items	**(29)**	3	4	7	n/a
Operating earnings	**1**	52	58	110	(98.1)
Underlying investment income	**8**	13	14	27	(38.5)
Underlying operating profit after income tax	**9**	65	72	137	(86.2)

Ratios and other data					
RoBUE	**2.4%**	9.4%	10.0%	9.7%	n/a
End period tangible capital resources – after transfers (A$m)	**873**	1,418	782	782	(38.4)
VNB (5% dm) (A$m)	**(19)**	1	(19)	(18)	n/a
EV – after transfers (5% dm) (A$m)	**1,270**	2,165	1,376	1,376	(41.3)
Return on EV before transfers (5% dm)[1]	**(12.6%)**	1.1%	(8.0%)	(6.9%)	n/a
Individual risk API (A$m)	**1,495**	1,490	1,535	1,535	0.3
Group risk API (A$m)	**371**	440	376	376	(15.7)
Total WP cash inflows (A$m)	**933**	954	916	1,870	(2.2)
Total WP cash outflows (A$m)	**(518)**	(445)	(457)	(902)	(16.4)
Individual risk lapse rate	**14.7%**	13.4%	14.9%	14.2%	n/a
Profit margins/annual premium	**4.8%**	5.1%	5.2%	5.1%	n/a
Operating earnings/annual premium	**0.1%**	5.4%	6.0%	5.7%	n/a
Controllable costs (A$m)	**61**	80	70	150	(23.8)
Cost to income ratio	**82.0%**	46.3%	40.2%	43.2%	n/a
Controllable costs/annual premium	**6.5%**	8.3%	7.2%	7.8%	n/a

1 Return on EV before transfers is not annualised for half year periods.

Australian wealth protection embedded value and value of new business (A$m)	5% dm 1H 18
Embedded value as at FY 17	1,376
Expected return	40
Investment markets, bond yields and currency	7
Claim and persistency assumptions, product and other	(201)
Value of new business (VNB)	(19)
Net transfers out	67
Embedded value as at 1H 18	**1,270**
Return on embedded value as at 1H 18	(12.6%)

Australian wealth protection cont'd

Business overview

Australian wealth protection (WP) 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.

WP's key priorities are to:
– focus on pricing, claims and lapse management to improve margins, and
– provide a high quality customer experience.

Operating earnings

Operating earnings decreased by A$51m to A$1m in 1H 18 from 1H 17, due to negative experience and capitalised losses.

Profit margins

Profit margins fell by A$3m (6%) from 1H 17 to A$46m in 1H 18, largely due to the implementation of a second tranche of reinsurance on 1 November 2017 with General Reinsurance Life Australia Limited (Gen Re) and Munich Reinsurance Company of Australasia Limited (Munich Re). The reinsurance impact was partly offset by a reduction in controllable costs.

1H 18 profit margins as a percentage of average API decreased 0.3 percentage points from 1H 17 to 4.8% in 1H 18.

Experience

The WP business recorded experience losses of A$16m in 1H 18, largely due to higher than expected claims, particularly in relation to Total and Permanent Disability (TPD).

Capitalised (losses)/reversals and other one-off experience

Capitalised losses and other one-off experience of A$29m in 1H 18 were largely due to negative one-off experience arising from reserve strengthening on a large Group plan which terminated on 1 July 2018 and capitalised losses on new business due to lower than planned sales volumes. Changes to best estimate assumptions at 30 June 2018 were largely offset by planned pricing changes.

The accumulated capitalised loss position at 30 June 2018 was A$422m which primarily relates to AMP's retail income protection business. Amortisation of previously recognised losses more than offset the net losses recorded during the period. Future reversals of capitalised losses can be driven by future premium rate increases, changes in claims and lapse assumptions, reductions in unit costs and growth in profitable new business, net of any reinsurance impact.

Annual premium in-force (API)

Individual risk API increased by A$5m from 1H 17 to A$1,495m at 1H 18. The small increase in API relative to 1H 17 was largely due to repricing and the annual benefit from Consumer Price Index (CPI) and age premium increases on risk policies.

In 1H 18, 44% of in-force and 57% of new business was written within superannuation platforms.

1H 18 individual risk API comprised lump sum insurance (73%) and income protection (27%). Lump sum insurance was 71% term life and 29% disability (trauma and TPD).

Group risk API decreased A$69m to A$371m in 1H 18 from 1H 17 largely due to the loss of a large Group plan at 1 July 2017. The loss of another large Group plan from 1 July 2018 is expected to reduce API by a further A$100m. The WP business continues to target actions delivering value over volume.

Lapse rates

1H 18 lapse rates of 14.7% increased 1.3 percentage points from 1H 17 in part reflecting the impact of the Royal Commission evidence in April 2018. Second half lapse rates are typically higher, due to the greater volume of annual CPI and age premium increases on risk policies occurring in that half.

Controllable costs

WP controllable costs were A$61m in 1H 18, down A$19m (24%) from 1H 17, reflecting savings from ongoing business efficiencies and reallocation of shared and indirect costs associated with WP's reduced contribution to group earnings.

Controllable costs to annual premium decreased 1.8 percentage points from 1H 17 to 6.5% in 1H 18, reflecting the lower controllable costs.

Embedded value and value of new business – at the 5% discount margin

1H 18 EV declined by 12.6% before transfers at the 5% discount margin to A$1,203m. The decrease in 1H 18 EV was largely due to the strengthening of reserves across Total and Permanent Disability and on a large Group plan which terminated on 1 July 2018.

1H 18 VNB decreased A$20m from 1H 17 to -A$19m, largely due to lower sales volumes, the implementation of reinsurance agreements with Gen Re and Munich Re and reserve strengthening over 12 months.

The determination of EV and VNB is a forward-looking process and is sensitive to the underlying assumptions of future possible outcomes. To enable investors to make an assessment of their appropriate level of risk, refer to the individual sensitivities on page 31 and the EV assumption section on page 32.

New Zealand financial services

Profit and loss (A$m)	1H 18	1H 17	2H 17	FY 17	% 1H 18/ 1H 17
Wealth protection	**19**	20	20	40	(5.0)
Wealth management	**22**	22	22	44	-
Mature	**7**	10	11	21	(30.0)
General insurance	**6**	5	5	10	20.0
Total profit margins	**54**	57	58	115	(5.3)
Experience profits/(losses)	**2**	8	2	10	(75.0)
Operating earnings[1]	**56**	65	60	125	(13.8)
Underlying investment income	**7**	7	7	14	-
Underlying operating profit after income tax	**63**	72	67	139	(12.5)
Ratios and other data					
RoBUE	**14.6%**	17.7%	16.3%	17.0%	n/a
End period tangible capital resources – after transfers (A$m)	**855**	809	817	817	5.7
VNB (5% dm) (A$m)	**1**	(1)	5	4	n/a
EV – after transfers (5% dm) (A$m)	**1,431**	1,396	1,399	1,399	2.5
Return on EV before transfers (5% dm) (A$m)[2]	**4.1%**	3.5%	0.3%	3.8%	n/a
Individual risk API (A$m)	**272**	285	271	271	(4.6)
Individual risk API (NZ$m)	**297**	299	298	298	(0.7)
Group risk API (A$m)	**42**	38	41	41	10.5
Group risk API (NZ$m)	**46**	40	45	45	15.0
Individual risk lapse rate	**10.8%**	10.6%	11.9%	11.3%	n/a
Controllable costs (A$m)	**36**	38	36	74	(5.3)
Cost to income ratio	**29.1%**	27.2%	28.5%	27.8%	n/a
Controllable costs/annual premium[3]	**22.6%**	23.3%	23.6%	23.8%	n/a

1 NZ dollar terms, operating earnings in 1H 18 was NZ$60m (1H 17 NZ$69m).
2 Return on EV before transfers is not annualised for half year periods.
3 Based on monthly individual and group risk API.

	KiwiSaver		Other[1]		Total	
Cashflows and movements in AUM (A$m)	**1H 18**	**1H 17**	**1H 18**	**1H 17**	**1H 18**	**1H 17**
AUM at beginning of period	4,623	4,215	11,094	10,895	15,717	15,110
Cash inflows	299	308	441	465	740	773
Cash outflows	(218)	(194)	(473)	(525)	(691)	(719)
Net cashflow	**81**	**114**	**(32)**	**(60)**	**49**	**54**
Other movements in AUM	79	108	147	272	226	380
AUM at end of period	**4,783**	**4,437**	**11,209**	**11,107**	**15,992**	**15,544**
Composition of net cashflows by product						
Superannuation	81	114	(16)	(7)	65	107
Pension	-	-	(3)	(2)	(3)	(2)
Investment	-	-	(32)	(70)	(32)	(70)
Other	-	-	19	19	19	19

1 Other New Zealand financial services cashflows and AUM includes New Zealand wealth protection, mature and non-KiwiSaver wealth management products.

	5% dm
New Zealand financial services embedded value and value of new business (A$m)	**1H 18**
Embedded value as at FY 17	1,399
Expected return	44
Investment markets, bond yields and currency	11
Claim and persistency assumptions, product and other	1
Value of new business (VNB)	1
Net transfers out	(25)
Embedded value as at 1H 18	**1,431**
Return on embedded value as at 1H 18	4.1%

New Zealand financial services cont'd

Business overview

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

NZFS continues to grow its revenue base across the business, closely manages costs and is evolving its distribution channels to increase the reach of the direct business.

NZFS has the following key priorities to grow shareholder value:
- deepen its customer relationships
- grow scale and capture margin in wealth management, including leveraging the KiwiSaver opportunity
- evolve advice and distribution capability
- build on its general insurance partnership
- continue its focus on cost control.

Operating earnings

Operating earnings decreased by A$9m (14%) in 1H 18 primarily due to lower profit margins and lower experience contribution.

Profit margins

1H 18 profit margins reduced by A$3m (5%) from 1H 17 driven by lower mature and wealth protection earnings, partially offset by higher general insurance profit share and lower controllable costs.

Experience

1H 18 experience profits of A$2m, were down A$6m from 1H 17. This was due to an increase in the number of income protection claims in 1H 18 and increased term and income protection lapses during the period.

Controllable costs

1H 18 controllable costs decreased by A$2m (5%) to A$36m from 1H 17. NZFS remains focused on cost control, taking opportunities to reduce costs across the business, including business reorganisation and process simplification.

The cost to income ratio increased by 1.9% from 1H 17 to 29.1% in 1H 18 as a result of lower profit margins and experience profits.

Cashflows and AUM

1H 18 NZFS net cashflows decreased by A$5m (9%) to A$49m from 1H 17, primarily driven by lower regular contributions in wealth management.

In NZ$ terms, 1H 18 AUM of NZ$17.5b increased NZ$1.2b (7%) from 1H 17 reflecting positive market performance and net cashflows. In A$ terms, 1H 18 AUM increased A$448m to A$16.0b, impacted by the depreciation of the closing NZ$ against the A$ (FX impact is A$667m).

KiwiSaver is a key growth engine for the wealth management business. NZFS is a large KiwiSaver provider with 11%[1] of the total KiwiSaver market as at 31 March 2018 and had approximately 228,000 KiwiSaver customers. At 1H 18, KiwiSaver reached NZ$5.2b in AUM, an increase of 12% from 1H 17.

Annual premium in-force (API)

In NZ$ terms, total API in 1H 18 increased by NZ$4m from 1H 17 to NZ$343m reflecting higher new premium income particularly from strong growth in group risk new business. In A$ terms, total API decreased by A$9m to A$314m due to the NZ$ depreciation (FX impact is A$11m).

Lapse rates

1H 18 lapse rates were 10.8%, up slightly from 10.6% in 1H 17.

Embedded value and value of new business – at the 5% discount margin

1H 18 EV increased 4.1% (in A$) before transfers to A$1,456m at the 5% discount margin. Driving this increase was the expected return, and the appreciation of the NZD relative to the AUD during the period.

1 Measured by AUM. Source: FundSource Limited March 2018.

Australian mature

Profit and loss (A$m)	1H 18	1H 17	2H 17	FY 17	% 1H 18/ 1H 17
Profit margins	**71**	73	70	143	(2.7)
Experience profits/(losses)	**(1)**	2	5	7	n/a
Operating earnings	**70**	75	75	150	(6.7)
Underlying investment income	**6**	6	7	13	-
Underlying operating profit after income tax	**76**	81	82	163	(6.2)

Ratios and other data					
RoBUE	**30.0%**	33.0%	30.5%	31.7%	n/a
End period tangible capital resources – after transfers (A$m)	**492**	504	488	488	(2.4)
VNB (5% dm) (A$m)	**2**	3	4	7	(33.3)
EV – after transfers (5% dm) (A$m)	**1,794**	1,801	1,790	1,790	(0.4)
Return on EV before transfers (5% dm)[1]	**5.1%**	4.3%	6.5%	11.1%	n/a
Profit margins to AUM (bps)[2]	**70**	70	67	68	-
Persistency	**89.7%**	90.1%	89.7%	89.9%	n/a
Controllable costs (A$m)	**21**	24	25	49	(12.5)
Cost to income ratio	**16.0%**	17.1%	17.6%	17.4%	n/a
Controllable costs to AUM (bps)[2]	**21**	23	24	23	(8.7)

1 Return on EV before transfers is not annualised for half year periods.
2 Based on monthly average AUM.

Cashflows and movements in AUM (A$m)	1H 18	1H 17
AUM at beginning of period	20,698	21,182
Cash inflows	281	317
Cash outflows	(1,069)	(1,053)
Net cashflow	**(788)**	**(736)**
Other movements in AUM	319	634
AUM at end of period	**20,229**	**21,080**
Composition of net cashflows by product		
Superannuation	(426)	(368)
Pension	(85)	(91)
Investment	(41)	(40)
Other	(236)	(237)

Australian mature embedded value and value of new business (A$m)	5% dm 1H 18
Embedded value as at FY 17	1,790
Expected return	54
Investment markets, bond yields and currency	29
Claim and persistency assumptions, product and other	6
Value of new business (VNB)	2
Net transfers out	(87)
Embedded value as at 1H 18	**1,794**
Return on embedded value as at 1H 18	5.1%

Australian mature cont'd

Business overview

The Australian mature business is the largest closed life insurance business in Australia. Australian mature AUM comprises capital guaranteed products (77%) and market linked products (23%).

Australian mature products include whole of life, endowment, investment linked, investment account, Retirement Savings Account (RSA), Eligible Rollover Fund (ERF), annuities, insurance bonds, personal superannuation and guaranteed savings accounts (GSA). The GSA product is treated as a wholesale product and cashflows are not reported in Australian mature cashflows.

All products in Australian mature are closed to new business with the exception of the AMP Growth Bond Fund and AMP branded ERF.

The key priority for AMP is to manage Australian mature for the benefit of AMP's customers as well as for yield and capital efficiency.

Operating earnings

1H 18 operating earnings of A$70m decreased A$5m from 1H 17 due to:
– expected portfolio run-off (-A$4m)
– lower experience (-A$3m)
– investment markets (-A$1m)
offset by
– lower controllable costs (A$3m).

AUM

1H 18 Australian mature AUM was A$20.2b, down from A$21.1b in 1H 17 due to the natural run-off of the business, partly offset by investment gains.

Australian mature net cash outflows increased by A$52m in 1H 18 to A$788m. 1H 18 persistency declined 0.4 percentage points to 89.7% from 1H 17 and is in line with long-term expectations.

Controllable costs

Controllable costs decreased A$3m to A$21m in 1H 18, reflecting the run-off of the book and ongoing business efficiencies. Relative to 1H 17, controllable costs to AUM reduced 2 bps to 21 bps at 1H 18.

Embedded value and value of new business – at the 5% discount margin

1H 18 EV before transfers at the 5% discount margin increased 5.1% to A$1,881m. Apart from the expected return, the increase was primarily due to favourable investment returns on growth assets.

1H 18 VNB of A$2m was A$1m lower than in 1H 17 due to lower sales.

The determination of EV and VNB is a forward-looking process and is sensitive to the underlying assumptions of future possible outcomes. To enable investors to make an assessment of their appropriate level of risk, refer to the individual sensitivities on page 31 and the EV assumption section on page 32.

Business run-off profile

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 mirrors policy liabilities, although there is potential for profit margins to be impacted differently. The run-off of Australian mature AUM is anticipated to have an average duration of approximately 13 years, but will be impacted by investment markets.

Managing Australian mature for investment market movements

The Australian mature capital guaranteed products are held within AMP Life Statutory Fund No. 1. Asset allocations supporting these products are set for the long-term and have a bias toward capital stable over growth assets. The long-term assumed asset mix for the participating business is set out on page 32.

AMP actively manages the equity exposure supporting capital guaranteed products (including relevant parts of WM and NZFS). AMP uses derivative strategies to provide protection from equity market declines. As at 30 June 2018, AMP had in place derivative strategies against the A$5.7b of equities held across AMP Life Statutory Fund No. 1, including long-term derivative strategies in AMP Life that use options and futures to provide a variable level of protection depending on market conditions.

There were no additional tactical equity protection positions in the form of futures contracts against market falls. Some tactical protection may be used from time to time to reduce exposure to equity market declines.

AMP also employs the following strategy designed to protect against changes in long-term interest rates:
– Long-term derivative strategies using interest rate swaps and bond futures to alter the duration of the assets supporting this business.
– Some tactical protection may be used from time to time to reduce exposure to falls in long-term interest rates.

The shareholder bears 20% of the cost when tactical derivative protection is used within the participating sub-fund and 100% when used outside the participating sub-fund. In 1H 18, there was no tactical derivative protection used.

Group Office

A$m	1H 18	1H 17	2H 17	FY 17	% 1H 18/ 1H 17
Group Office costs not recovered from business units	**(29)**	(33)	(41)	(74)	12.1
Underlying investment income on Group Office capital	**23**	16	9	25	43.8
Interest expense on corporate debt	**(31)**	(26)	(27)	(53)	(19.2)
Advice remediation and related costs	**(312)**	-	-	-	n/a
Royal Commission	**(13)**	-	-	-	n/a
Portfolio review and related costs	**(19)**	-	(24)	(24)	n/a
Other items	**(41)**	(9)	(12)	(21)	n/a
Amortisation of acquired intangible assets	**(40)**	(43)	(37)	(80)	7.0
Market adjustment – investment income	**(10)**	(23)	(16)	(39)	56.5
Market adjustment – annuity fair value	**8**	1	3	4	n/a
Market adjustment – risk products	**15**	(8)	(10)	(18)	n/a
Accounting mismatches	**32**	(6)	(8)	(14)	n/a
Interest expense summary					
Average volume of corporate debt	**1,762**	1,599	1,636	1,617	
Weighted average cost of corporate debt	**4.94%**	4.54%	4.62%	4.58%	
Tax rate	**29%**	28%	29%	29%	
Interest expense on corporate debt[1]	**31**	26	27	53	
Franking credits					
AMP dividend franking credits at face value at end of period[2]	**159**	356	275	275	
Staff numbers	**1,005**	954	924	924	5.3

1 Includes fees associated with undrawn liquidity facilities.

2 Balance of franking account adjusted for franking credits which will arise from the payment of income tax provided for in the financial statements. After franking the interim dividend (50%), the balance of franking credits will be A$97m.

Group Office costs not recovered from business units

1H 18 Group Office costs not recovered from business units were A$29m, down from A$33m in 1H 17, reflecting lower variable remuneration.

Most Group Office related synergies and ongoing business efficiency benefits are passed on to the business units through lower overhead allocations.

Underlying investment income on Group Office capital

Underlying investment income on Group Office capital was A$23m in 1H 18, up from A$16m in 1H 17, reflecting an increased contribution from CLPC.

Underlying investment income reflects assumed after-tax returns of 2.5% on Group Office capital.

Following the completion of AMP's acquisition of 19.99% of China Life Pension Company (CLPC) in January 2015, AMP's equity accounted share of CLPC's net profit is reported through underlying investment income in Group Office capital. This made a small positive contribution to the Group net profit in 1H 18.

Interest expense on corporate debt

1H 18 interest expense on corporate debt was A$31m, up from A$26m in 1H 17. This increase resulted from both higher weighted average cost of debt and a higher average volume of debt throughout 1H 18.

The average volume of corporate debt increased to A$1,762m in 1H 18 (A$1,599m in 1H 17).

The weighted average cost of debt in 1H 18 was 4.94%, up from 4.54% in 1H 17. This was mainly due to higher average interest rates during the period.

Interest expense is expected to be higher in 2H 18 due to the lower dividend franking percentage, which reduces the effective tax rate on AMP Wholesale Capital Notes and AMP Capital Notes.

For further information on corporate debt, refer to page 28.

Advice remediation and related costs

1H 18 Advice remediation and related costs of A$312m, including a A$290m provision for potential advice remediation, relate to AMP's review of the advice delivered and fees charged across its entire advice network since 2008 in response to ASIC reports 499 and 515. 1H 18 also includes program costs and other payments.

Royal Commission

The 1H 18 Royal Commission costs of A$13m relate primarily to preparation undertaken during the period.

Portfolio review and related costs

Portfolio review and related costs were A$19m and relate to progress of a portfolio review of the Australian wealth protection, Australian mature and New Zealand financial services businesses.

Group Office cont'd

Other items

Other items largely comprise the net of one-off and non-recurring revenues and costs. In 1H 18, Other items included non-advice customer remediation charges of A$16m (1H 17 nil) and costs of significant regulatory and compliance projects of A$14m (1H 17 A$16m).

Amortisation of acquired intangible assets

1H 18 amortisation of acquired intangible assets was A$40m. Amortisation of acquired intangibles for FY 18 is expected to be approximately A$80m.

The difference between the purchase consideration for AXA (A$4.3b) and AXA net tangible assets (A$0.8b) represents AXA intangible assets (A$1.4b) and goodwill (A$2.1b). AXA intangible assets primarily comprise rights to future income.

AXA intangible assets are required to be amortised over their expected useful life; goodwill is not required to be amortised. The amortised balance of AXA acquired intangibles as at 1H 18 was A$0.5b.

In addition to the AXA acquired intangibles, amortisation of the Advice equity purchases, PCCP and SMSF business acquisitions are now included in this line item.

Market adjustment – investment income

Market adjustment – investment income represents the excess (or shortfall) between underlying investment income and actual return on shareholder assets invested in income producing assets.

The 1H 18 market adjustment – investment income was -A$10m (1H 17 -A$23m), reflecting lower short-term interest rates relative to the long-term assumed earning rate of 2.5% post-tax.

AMP uses interest rate derivatives to manage the impact of falling interest rates on its capital position experienced through the life insurance business and defined benefit funds. The impact of these derivatives was immaterial in 1H 18.

Market adjustment – annuity fair value

1H 18 market adjustment – annuity fair value was A$8m (1H 17 A$1m).

Market adjustment – annuity fair value relates to the net impact of investment markets on AMP's annuity portfolio. AMP's annuity portfolio comprises fixed term and lifetime annuity products, with Australian fixed term liabilities of A$0.1b and Australian lifetime annuity liabilities of A$1.1b. The Australian annuity portfolio is managed on a matched basis, with fixed interest assets matched to expected annuity cash outflows. Equities are not used by AMP to match its Australian annuity book.

The assets that support AMP's Australian annuity book comprise a mixture of government bonds and cash (10%), semi-government bonds (39%) and corporate bonds and other (51%). These assets are principally exposed to Australian credit markets. The asset mix is managed to achieve close matching of assets to expected cash annuity outflows. Interest rate risk from any cashflow mismatch is managed by closely matching duration and convexity, but credit risk remains. The average duration of the portfolio is seven years.

For fixed term annuities, accounting standards require the liabilities and the assets that back them both to be valued consistently on a fair value basis.

For lifetime annuities, accounting standards require the liabilities to be valued based on the risk-free rate of return and the assets to be valued on a fair value basis. Therefore, in the absence of any defaults, changes in credit spreads and deterioration in the quality of individual assets can lead to timing differences.

As the assets are predominantly held to maturity, gains/losses due to changes in credit spreads or credit deterioration should reverse over time, to the extent that there are no asset defaults. In 1H 18, there were no asset defaults.

The portfolio credit rating composition is AAA (36%), AA (26%), A (27%) and BBB (11%). Corporate bond exposures are AA (23%), A (62%) and BBB (15%).

Market adjustment – risk products

1H 18 market adjustment – risk products was A$15m (1H 17 -A$8m) due to decreasing bond yields and changes in yield curves.

Market adjustment – risk products relates to the net impact of changes in market economic assumptions (bond yields and CPI) on the valuation of risk insurance liabilities. Under Australian Accounting Standards, life insurance business is accounted for using Margin on Services (MoS).

Under MoS, the profits that are expected to be earned on life insurance contracts emerge over the life of the business as services are provided and income received. MoS involves projecting future cashflows (premiums, benefits and costs after allowing for inflation), and discounting future cashflows to their present value using the appropriate risk-free discount rate. Changes to market related economic assumptions affect policyholder liabilities and current year profit. The impact of movements in bond yields can vary from period to period depending on the level of claims reserves. For information on changes in market economic assumptions in 1H 18, refer to page 32.

Accounting mismatches

Under Australian Accounting Standards, some assets held on behalf of policyholders (and related tax balances) are included in the financial statements at different values to the value used in the calculation of policyholder liabilities in respect of the same asset. Movements in these policyholder assets flow through to shareholder profit. These differences have no impact on the true economic profits and losses of the AMP group.

Mismatch items that may impact the profit and loss arise from policyholder interests in the following:

- treasury shares (AMP Limited shares held by the statutory funds on behalf of policyholders) (1H 18 +A$33m, 1H 17 -A$7m)
- investments in controlled entities (1H 18 -A$1m, 1H 17 +A$0.4m)
- superannuation products invested with AMP Bank (1H 18 nil, 1H 17 +A$0.4m).

Capital management

30 June 2018

A$m	Total AMP group[1]	AMP Life[2,3]	AMP Bank	AMP Capital	Group Office[3,4]	Other
Total capital resources[5]	**8,951**	2,546	931	547	2,484	2,443
Intangibles[6]	**(3,516)**	(517)	(98)	(316)	(661)	(1,924)
Tangible capital resources	**5,435**	2,029	833	231	1,823	519
Senior debt[7]	**(1,044)**				(1,044)	
Subordinated debt not eligible as regulatory capital in AMP group[8]	**(868)**				(868)	
Other deductions[9]	**(285)**	(234)	(51)	-	-	-
Level 3 eligible capital	**3,238**	1,795	782	231	(89)	519
Shareholder minimum regulatory capital requirements (MRR)[10]	**1,428**	722	421	100	73	112
Level 3 eligible capital above MRR	**1,810**	1,073	361	131	(162)	407

31 December 2017

A$m	Total AMP group[1]	AMP Life	AMP Bank	AMP Capital	Group Office	Other
Total capital resources[5]	**8,957**	2,430	872	472	2,684	2,499
Intangibles[6]	**(3,475)**	(517)	(96)	(306)	(607)	(1,949)
Tangible capital resources	**5,482**	1,913	776	166	2,077	550
Senior debt[7]	**(730)**				(730)	
Subordinated debt not eligible as regulatory capital in AMP group[8]	**(868)**				(868)	
Other deductions[9]	**(173)**	(123)	(50)	-	-	-
Level 3 eligible capital	**3,711**	1,790	726	166	479	550
Shareholder minimum regulatory capital requirements (MRR)[10]	**1,373**	707	414	79	65	108
Level 3 eligible capital above MRR	**2,338**	1,083	312	87	414	442

1 Excludes minority interest.

2 AMP Life includes statutory funds and shareholder funds.

3 Whilst the 19.99% share of China Life Pension Company is owned by AMP Life, the capital resources and associated MRR related to the investment have been included in Group Office.

4 Level 3 eligible capital above MRR may be negative for Group Office reflecting corporate debt and diversification benefits that are not attributed across business units.

5 Shown after accounting mismatches, cashflow hedge resources and other adjustments. Refer to page 23.

6 Refer to page 37 for definition of intangibles. Intangibles includes capitalised costs and associate equity investment in financial institutions. AXA acquired intangibles have been allocated between AMP Capital and Other.

7 Refer to debt overview page 28 for more details.

8 Of the A$951m of AMP group subordinated debt, A$868m is not recognised as Level 3 eligible capital of the AMP group for APRA purposes. A$745m of this subordinated debt is on-lent to AMP Bank (A$140m) and AMP Life (A$605m), where it is recognised as eligible regulatory capital for those businesses.

9 For AMP Life, other deductions include policy liability adjustments, deferred tax assets and regulatory requirements for AMP's superannuation trustees, which are subsidiaries of the life insurers. For AMP Bank, other deductions relate to securitisation, deferred tax assets and other provisions.

10 For the purposes of determining AMP group capital, the A$745m of subordinated debt lent to AMP Bank and AMP Life is recognised as a reduction in MRR, subject to regulatory limits for Additional Tier 1 and Tier 2 capital. At 30 June 2018, A$614m of this contributed to meeting the regulatory capital requirements of AMP Bank and AMP Life.

Capital management cont'd

Capital management framework

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

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

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

A number of the operating entities within the AMP group of companies are regulated. These include an authorised deposit taking institution (ADI), life insurance companies, superannuation entities and a number of companies that hold Australian Financial Services Licences (AFSLs). These companies are regulated by APRA, the Reserve Bank of New Zealand and/or the Australian Securities and Investments Commission (ASIC) and are required to hold minimum levels of regulatory capital, as set by the relevant regulator.

Level 3 eligible capital above MRR may vary throughout the year due to a range of factors including profits, dividend payments, capital for business growth and other one-off items, including market movements.

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

AMP's current dividend policy, as approved by the AMP Limited Board, is to pay future dividends based on a target payout ratio in the range of 70% to 90% of underlying profit and franked to the maximum extent possible. While the interim 2018 dividend is below this range, AMP is targeting a total FY 18 dividend payout within the 70% to 90% guidance range, at the lower end.

Capital position

At 30 June 2018, Level 3 eligible capital above MRR was A$1,810m (A$2,338m at 31 December 2017), representing a ratio of 2.3x MRR (compared to 2.7x MRR at 31 December 2017). After allowing for the declared dividend, Level 3 eligible capital above MRR reduces to A$1,518m, representing a ratio of 2.1x MRR.

The decrease in Level 3 eligible capital above MRR was driven predominantly by the impact of the advice remediation provision, changes to best estimate assumptions in Australian wealth protection and other one-off costs.

The Level 3 eligible capital above MRR of A$1,518m (after allowing for the 1H 18 dividend) consists of A$792m related to the life insurance participating business and A$726m for the AMP group's other businesses.

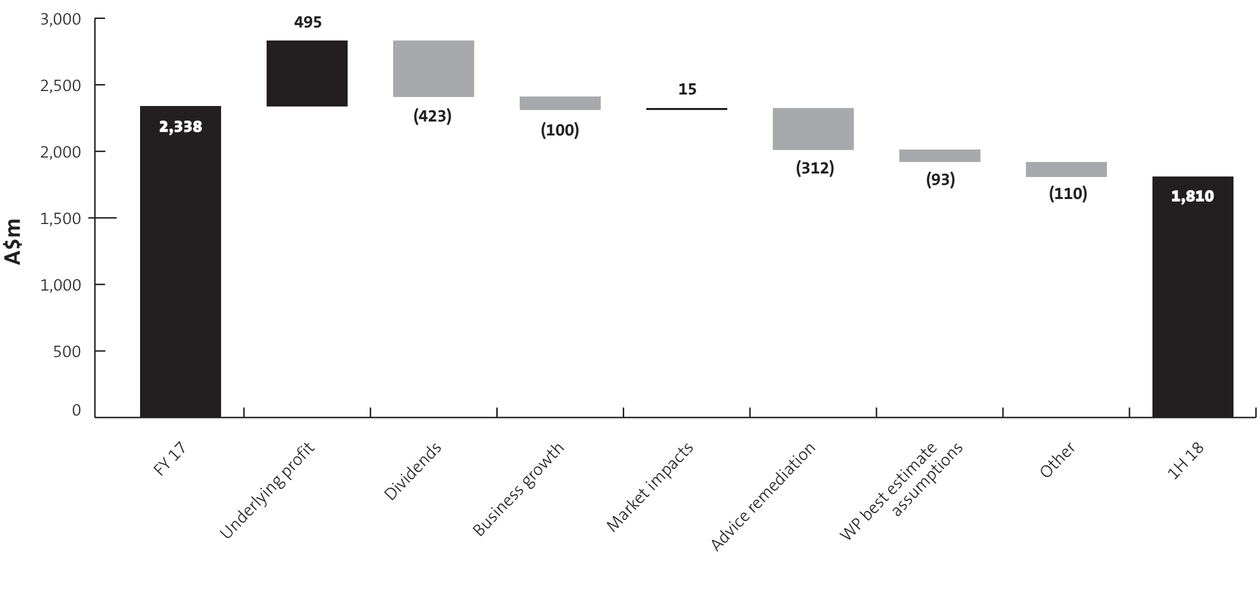
The Level 3 eligible capital above MRR supporting the life insurance participating business varies over time depending on the risk exposures and strategies used in managing the participating business. The Level 3 eligible capital currently held within that business (including the A$792m above MRR) is consistent with the target of providing a very high level of confidence that the business is self-supporting and that there are sufficient assets to support policyholder liabilities.

Capital usage for business growth includes increased regulatory capital requirements, growth in intangibles and growth in capital deductions. In 1H 18, business growth capital usage is primarily from growth in capitalised costs, AMP Bank's loan portfolio growth, the purchase of adviser registers and risk insurance acquisition costs.

Market movements includes reported profit impacts, foreign exchange movements and changes in discount rates used to value liabilities in defined benefit funds and AMP Life (net of hedging).

Other movements in the eligible capital above MRR include the impact of other profit items and tax adjustments related to the netting of deferred tax balances.

Movement from FY 17 to 1H 18 Level 3 eligible capital above MRR



Capital management cont'd

Policyholder retained profits continue to be resources supporting the participating business. The total policyholder retained profits of AMP Life were A$2,346m at 30 June 2018 (A$2,312m at 31 December 2017).

AMP uses a number of long-term strategies involving derivatives in place within AMP Life to manage market risks. Refer to page 21 for more details.

Minimum regulatory capital requirements

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

- AMP Life – capital adequacy requirements as specified under the APRA Life Insurance Prudential Standards
- AMP Bank – capital requirements as specified under the APRA ADI Prudential Standards
- AMP Superannuation Limited and N.M. Superannuation Proprietary Limited – Operational Risk Financial Requirements in accordance with APRA Superannuation Prudential Standards
- AMP Capital and other ASIC regulated businesses – capital requirements under AFSL requirements and for risks relating to North.

APRA announced the deferral of its proposed capital requirements for conglomerate groups (Level 3 institutions) in March 2016. There are no current plans to introduce these standards and APRA has not yet started industry consultations. The transition arrangements provided by APRA in 2013 allow the A$83m subordinated bond maturing in 2022 to be recognised as Level 3 eligible capital until the implementation of conglomerate capital standards.

Capital target

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

In addition, the participating business of AMP Life is managed to target a very high level of confidence that the business is self-supporting and that there are sufficient assets to support policyholder liabilities.

Interim 2018 dividend

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

Nominal versus effective exposure

The asset allocations on page 27 reflect the effective exposure of shareholder funds after consideration of the effects of equity derivative positions. Interest rate derivatives are not converted to effective exposure in the asset allocations on page 27. The exposure in shareholder investments to movements in interest rates is shown in the profit sensitivities for investment income on page 29.

Management of market risks in the shareholder funds

Total shareholder funds (A$4,425m) comprise direct shareholder funds (A$3,838m) where the shareholder can determine the asset mix and co-mingled shareholder funds (A$587m) that are invested in the same asset mix as participating policyholder funds.

The investment of shareholder funds provides management with the ability to manage the overall market risk within AMP. Changes are made to the asset mix of shareholder funds to achieve the desired level of overall market risk exposure across AMP. AMP continues to review the asset mix of shareholder funds to maximise shareholder returns within the constraints of AMP's risk appetite.

The shareholder fixed interest portfolio is split 24% in government exposures and 76% in corporate exposures. Corporate exposures are invested in AAA (17%), AA (35%), A (34%), BBB (13%) and sub-investment grade and unrated (1%). At 30 June 2018, 4% of AMP shareholder funds were invested in equities.

AMP uses interest rate derivatives in the shareholder funds to manage its exposure to movements in long-term interest rates. The impact of these derivatives on AMP's profit and capital sensitivities is shown in the profit sensitivities for investment income on page 29 and regulatory capital sensitivities on page 30.

Implicit DAC

The implicit DAC relates to the Australian and New Zealand wealth protection businesses, and is similar to a loan from shareholder capital to the wealth protection business (A$0.2b in Australia and A$0.5b in New Zealand) to fund the upfront costs associated with acquiring new risk insurance business. The implicit DAC asset generates an investment return equivalent to a one year government bond.

Capital management cont'd

Capital resources (A$m)	30 June 2018	31 December 2017
Contributed equity	**9,408**	9,376
Equity contribution reserve	**1,019**	1,019
Other reserves	**573**	556
Retained earnings	**(454)**	(164)
Demerger loss reserve	**(3,585)**	(3,585)
Total equity of shareholders of AMP Limited	**6,961**	7,202
Accounting mismatches, cashflow hedge reserve and other adjustments	**(5)**	74
AMP shareholder equity	**6,956**	7,276
Less: goodwill and other intangibles[1]	**(3,516)**	(3,475)
Less: other deductions[2]	**(285)**	(173)
Plus: subordinated debt eligible as Level 3 capital[3]	**83**	83
Level 3 eligible capital	**3,238**	3,711

Total capital resources by asset class (A$m)	30 June 2018	31 December 2017
International equities	**63**	79
Australian equities	**93**	104
Property	**45**	43
International fixed interest	**96**	89
Australian fixed interest	**310**	672
Cash[4]	**3,099**	2,717
Implicit DAC	**719**	610
Total shareholder funds	**4,425**	4,314
Other[5]	**1,010**	1,168
Tangible capital resources	**5,435**	5,482
Intangibles	**3,516**	3,475
Total capital resources	**8,951**	8,957

1 Refer to page 37 for definition of intangibles.

2 For life insurers, other deductions include policy liability adjustments, deferred tax assets and regulatory requirements for AMP's superannuation trustees, which are subsidiaries of the life insurers. For AMP Bank, other deductions relate to securitisation, deferred tax assets and other provisions.

3 A$745m of subordinated debt has been lent to AMP Bank and AMP Life. These instruments are recognised as regulatory capital within those businesses, although for the purposes of determining AMP group capital, this is a reduction in MRR, subject to regulatory limits for Tier 1 and Tier 2 capital.

4 Cash includes cash balances held as bank deposits, short-term fixed interest securities and floating rate securities.

5 Other includes tangible capital of AMP Bank of A$833m, corporate subordinated debt on-lent to AMP Bank of A$140m, A$186m of seed and sponsor capital assets less A$149m of other assets and liabilities.

Underlying investment income

AMP calculates the underlying investment income that is allocated to the BUs and Group Office by applying an underlying rate of return to shareholder assets held by the BU and Group Office and invested in income producing investment assets (as opposed to operating assets).

The underlying after-tax rate of return used for 1H 18 is 2.5% pa (unchanged from FY 17) and is based on the long-term target asset mix and assumed long-term rates of return. The investment return equivalent to a one year government bond of 1.3% pa after tax is being applied to the implicit DAC for 1H 18 (1.3% in 2017).

Shareholder funds invested in income producing assets may be higher or lower than BU capital due to the working capital requirements of the business unit.

Debt overview

	30 June 2018			31 December 2017		
A$m	**Corporate debt**	**AMP Bank**[1]	**Total**	**Corporate debt**	**AMP Bank**[1]	**Total**
Subordinated bonds	83	-	**83**	83	-	**83**
AMP Notes 2[2]	325	-	**325**	325	-	**325**
AMP Wholesale Capital Notes[3]	275	-	**275**	275	-	**275**
AMP Capital Notes[4]	268	-	**268**	268	-	**268**
AMP Subordinated Notes[5]	-	250	**250**	-	250	**250**
Total subordinated debt	951	250	**1,201**	951	250	**1,201**
Commercial paper, NCDs and repos	148	1,658	**1,806**	230	2,058	**2,288**
Medium-term notes	146	2,305	**2,451**	-	2,200	**2,200**
Drawn syndicated loan	750	-	**750**	500	-	**500**
Total senior debt	1,044	3,963	**5,007**	730	4,258	**4,988**
Deposits	-	12,707	**12,707**	-	12,383	**12,383**
Total debt	1,995	16,920	**18,915**	1,681	16,891	**18,572**
Corporate gearing ratios						
S&P gearing	**13%**			**9%**		
Interest cover – underlying (times)	**18.3**			**20.6**		
Interest cover – actual (times)	**9.9**			**17.0**		

	Corporate debt by year of repayment[6]					
A$m	**0–1 year**	**1–2 years**	**2–5 years**	**5–10 years**	**10+ years**	**Total**
Total corporate debt at 30 June 2018	**473**	**575**	**947**	**-**	**-**	**1,995**
Total corporate debt at 31 December 2017	555	-	1,126	-	-	1,681

1 This excludes the AMP Wholesale Capital Notes and AMP Capital Notes that were lent to AMP Bank and the AMP Bank debt held within securitisation vehicles.

2 AMP Notes 2 are not recognised as Level 3 eligible capital of AMP group for APRA purposes. A$300m of AMP Notes has been loaned to AMP Life, where it is recognised as allowable Tier 2 capital.

3 AMP Wholesale Capital Notes are not recognised as Level 3 eligible capital of AMP group for APRA purposes. The A$275m of Wholesale Capital Notes are on-lent to AMP Bank (A$100m) and AMP Life (A$175m), where they are recognised as Additional Tier 1 capital for those businesses.

4 AMP Capital Notes are not recognised as Level 3 eligible capital of AMP group for APRA purposes. The AMP Capital Notes are on-lent to AMP Bank (A$40m) and AMP Life (A$130m), where they are recognised as Additional Tier 1 capital for those businesses.

5 AMP Subordinated Notes are issued by AMP Limited and on-lent to AMP Bank, where they are recognised as allowable Tier 2 capital. The debt and interest expense on these notes is included in AMP Bank's balance sheet and operating results and not in AMP corporate debt and interest expense.

6 Based on the earlier of the maturity date and the first call date.

Corporate debt

Corporate debt increased by A$314m during 1H 18 due to a A$250m increase in the drawn syndicated loan and a CHF 110m (A$146m) MTN issuance, partly offset by an A$82m reduction in short-term funding. The increase in AMP's corporate debt in 1H 18 provides a liquidity cushion and appropriate flexibility in the current environment. At 30 June 2018, approximately 18% of corporate debt was effectively at fixed rates.

All foreign currency denominated corporate debt is hedged back to AUD at the time of issuance for the life of the security. Foreign currency denominated debt is reported above in AUD based on hedged face value.

At 30 June 2018, AMP's liquidity comprised A$965m of group cash (including short-term investments) and undrawn loan facilities of A$750m.

AMP Bank

AMP Bank utilises a diverse range of funding sources including securitisation, customer deposits and short and long-term wholesale borrowings. The securitisation of mortgages via the issuance of residential mortgage backed securities (RMBS) is a source of funding and capital relief for AMP Bank.

As at 30 June 2018, total securitised funds were A$4.9b. AMP Bank has access to a A$1b warehouse facility with MUFG Bank Ltd.

Sensitivities – profit, capital and embedded value

1H 18 profit sensitivities (A$m)

	Operating earnings (post-tax)								
	WM	AMP Bank	WP	Australian mature	NZ financial services	AMP Capital	Group Office	Total	Investment income
Market variables									
10% increase in Australian equities	9	-	-	3	-	2		**14**	**7**
10% decrease in Australian equities	(9)	-	-	(3)	-	(2)		**(14)**	**(7)**
10% increase in international equities	8	-	-	1	3	3		**15**	**6**
10% decrease in international equities	(8)	-	-	(1)	(3)	(3)		**(15)**	**(6)**
10% increase in property	2	-	-	1	-	3		**6**	**4**
10% decrease in property	(2)	-	-	(1)	-	(3)		**(6)**	**(4)**
1% (100 bps) increase in 10 year Australian bond yields	(1)	-	-	3	-	(1)		**1**	**(24)**
1% (100 bps) decrease in 10 year Australian bond yields	1	-	-	(4)	-	1		**(2)**	**21**
1% increase in cash rate	-	-	-	-	-	-		**-**	**27**
1% decrease in cash rate	-	-	-	-	-	-		**-**	**(27)**
Business variables									
5% increase in AUM/AMP Bank total mortgage balances	15	5	-	5	4			**29**	
5% increase in sales volumes	2	2	-	-	-			**4**	
1% increase in persistency	5	-	3	(2)	4			**10**	
1 bp increase in AMP Bank net interest margin	-	1	-	-	-			**1**	
5% increase in (AMP Capital) external AUM						5		**5**	
5% increase in (AMP Capital) internal AUM						3		**3**	
5% reduction in controllable costs	16	3	4	2	3	13	3	**44**	

All profit sensitivities above show a full year impact.

The profit and capital sensitivities are only indicative, because:

– they are not always linear or symmetrical, because of the asymmetric nature of risks facing insurance companies, including the scope for policyholders to exercise options against the company or to benefit from guarantees
– they assume that the particular variable moves independently of all others
– they are based on the 1H 18 position, ie not 'forward looking', and make no allowances for events subsequent to 30 June 2018, and
– in general, for profit sensitivities, they assume the movement occurs evenly over the year; for capital sensitivities, they assume the movement occurs at 30 June 2018.

Other assumptions include:

– Parent company shareholders' equity is fully invested, and there are no adjustments for investments which are outside index weightings.
– Currency movements in investments in self-sustaining operations do not impact profit.
– Sales sensitivity assumes the same product mix as in underlying sales during 1H 18.
– Investment income sensitivity is based on the amount of investments held at 30 June 2018.
– Property sensitivities relate to unlisted property; listed property trusts are included in equities.
– Bond yield sensitivities relate to both government and corporate bond yields for both Australian and international bonds.
– Profit sensitivities exclude the impact of movements in credit spreads in corporate and semi-government debt.
– AMP Bank net interest margin is assumed to be insensitive to changes in cash rate.
– AMP Bank's increase in sales volume assumes a 5% change in total loans growth with no change in net interest margin and costs.

Profit sensitivities

The sensitivities set out above apply to 1H 18 operating earnings and investment income, assuming changes in a range of hypothetical economic or business variables.

Important considerations when using these sensitivities

Operating earnings – investment linked business

For investment linked business, fee income is largely based on the level of AUM, which in turn is directly impacted by investment markets.

For changes in market variables which impact AUM levels, it is assumed that the change in the variable occurs evenly across the entire year. That is, the analysis is point to point, assuming the movement from one point (eg beginning of the year equity markets) to another point (eg end of the year equity markets) occurs evenly over the year. It is similar to assuming a one-off movement in the variable halfway through the year. For large movements that do not occur halfway through the year, the profit sensitivities need to be extrapolated. For example, a 10% increase/decrease in equity markets at the start of the year would have double the impact on 1H 18 operating earnings than set out in the table above.

The sensitivities are based on the 1H 18 position and are not forward looking. If using the sensitivities as forward looking (eg applying 1H 18 profit sensitivities for 2H 18 or FY 18), an allowance for changes in AUM levels should be made. Refer to page 6 (WM) and page 10 (AMP Capital) for average AUM levels that were applied in 1H 18.

The AMP Capital operating earning sensitivities are net of minority interests and assume no change to performance and transaction fees and do not include seed and sponsor capital investments.

Sensitivities – profit, capital and embedded value cont'd

Operating earnings – risk insurance and annuity business

For risk insurance and annuity business, movements in economic variables (bond yields, CPI) impact to the extent that the valuations of assets and liabilities are mismatched. These impacts are included in market adjustment – annuity fair value and market adjustment – risk products and have no effect on BU operating earnings but are included in EV sensitivities.

Operating earnings – participating business

For participating business, profit margins are dependent on the level of future bonuses supported by both the value of available assets and the assumed future investment earnings (largely driven by prevailing bond yields). As the effect of movements in investment markets is absorbed by bonuses over a number of years, only a portion of the impact is recognised in the current reporting period and is allocated between policyholders and shareholders.

Investment income

The analysis is based on a point in time and indicates the impact a change in the market variable would have on AMP's 1H 18 total investment income (ie underlying investment income plus market adjustment – investment income).

The sensitivities are based on 30 June 2018 equity markets, bond yields and property values and correspond to the disclosure in the capital management section (refer to page 24).

Sensitivities include the profit/loss impact from changes in investment market variables on total shareholder funds. Changes in BU operating earnings are not reflected.

The cash rate sensitivities show the full year impact of a different cash rate on total investment income. The impact assumes that the change in the cash rate applies over the entire year.

The investment income sensitivities (refer to page 29 for details) do not include any allowance for investment gains/losses on assets that back AMP's annuity book or the impact of changes in economic variables (such as bond yields or CPI) on wealth protection products. The impacts of investment market variables are not always symmetrical, as they are inclusive of the impacts of long-term and tactical protection strategies.

The sensitivities assume that the guarantees on the North products are effectively hedged under current hedging procedures.

The investment income sensitivities to bond yields include the use of derivatives to reduce the impact on regulatory capital resources above MRR from bond yields movements. Gains and losses on these derivatives are reported in the market adjustment – investment income.

AMP regulatory capital sensitivities

Capital sensitivities – regulatory capital resources above MRR (A$m)[1]		**AMP Life**	**AMP group**[2]
Actual 30 June 2018 (ASX 200 @ 6,195; Australian bond yields @ 2.6%)		1,073	1,810
Equity sensitivity	– 20% increase (ASX 200 @ 7,434)	80	90
	– 10% increase (ASX 200 @ 6,814)	40	50
	– 10% decrease (ASX 200 @ 5,575)	(45)	(60)
	– 20% decrease (ASX 200 @ 4,956)	(85)	(110)
Australian bond yields sensitivity	– 100 bps increase (Australian bond yields @ 3.6%)	10	30
	– 50 bps increase (Australian bond yields @ 3.1%)	10	20
	– 50 bps decrease (Australian bond yields @ 2.1%)	(25)	(35)
	– 100 bps decrease (Australian bond yields @ 1.6%)	(80)	(100)
Property sensitivity[3]	– 10% increase in unlisted property values	15	15
	– 10% decrease in unlisted property values	(20)	(20)

1 These sensitivities are based on a point in time and do not make any allowance for subsequent management actions.
2 AMP group sensitivities include AMP Life and impacts outside AMP Life.
3 Property sensitivity relates to unlisted property. Listed property is included in the equity sensitivity.

The sensitivities shown above reflect the impact of market movements on AMP's capital position.

The analysis is a point in time view of the capital impact of movements in equity markets, bond yields and property values on AMP's capital position inclusive of long-term and tactical protection.

The capital sensitivities for AMP Life include guaranteed products (the majority of which are contained within the Australian mature business), risk insurance products, unit linked products and shareholders' funds.

AMP group sensitivities are movements in AMP Life plus movements in AMP group shareholder capital held outside the Life companies, and include the effect on capital from defined benefit funds and North guarantee products.

AMP's capital management policies include market related trigger points at which management will take action to reduce the impact of market movements on AMP's capital position.

AMP actively manages both the asset mix and the associated capital. Market movements and trends are carefully monitored and adjustments made accordingly.

The sensitivities contained in the table above do not make any allowance for management actions subsequent to 30 June 2018, which may have a significant impact on these sensitivities.

Sensitivities – profit, capital and embedded value cont'd

EV and VNB sensitivities

1H 18 change in embedded value (A$m)	WM	WP	Australian mature	New Zealand financial services	Total
1% decrease in discount margin	213	52	89	74	**428**
1% increase in discount margin	(189)	(48)	(78)	(65)	**(380)**
5% reduction in controllable costs	115	28	13	9	**165**
10% reduction in discontinuance rates	276	128	44	83	**531**
10% increase in discontinuance rates	(249)	(106)	(38)	(75)	**(468)**
1% (100 bps) decrease in long-term bond yields	47	67	(59)	26	**81**
1% (100 bps) increase in long-term bond yields	(50)	(75)	46	(26)	**(105)**
10% increase in Australian equities	99	-	39	-	**138**
10% increase in international equities	67	-	22	18	**107**
1% reduction in investment fees	(89)	-	(5)	(5)	**(99)**
10% decrease in insured claims	n/a	415	7	68	**490**
10 % increase in insured claims	n/a	(408)	(6)	(68)	**(482)**

1H 18 change in value of new business (A$m)	WM	WP	Australian mature	New Zealand financial services	Total
1% decrease in discount margin	5	-	-	1	**6**
1% increase in discount margin	(4)	(1)	-	(1)	**(6)**
5% reduction in controllable costs	7	2	-	1	**10**
10% reduction in discontinuance rates	9	2	-	1	**12**
10% increase in discontinuance rates	(9)	(1)	-	(1)	**(11)**
1% (100 bps) decrease in long-term bond yields	2	-	-	1	**3**
1% (100 bps) increase in long-term bond yields	(2)	-	-	-	**(2)**
5% increase in sales (all costs variable)	2	(1)	-	-	**1**
5% increase in sales (acquisition controllable costs fixed)	5	-	-	1	**6**
1% reduction in investment fees	(3)	-	-	-	**(3)**
10% decrease in insured claims	n/a	5	-	1	**6**
10% increase in insured claims	n/a	(5)	-	(1)	**(6)**

Key assumptions

The tables illustrate the sensitivity of the embedded and new business values to various economic and business variables.

The sensitivities can at best be only indicative because:

- they are not always linear or symmetrical, due to the asymmetric nature of risks facing insurance companies, including the scope for policyholders to exercise options against the company or to benefit from guarantees
- they assume that the movement in a particular variable is independent of all others; for the change in discontinuance rates, unit costs are assumed unchanged; for the 5% increase in sales (all costs variable), unit costs are assumed unchanged; for the 5% increase in sales (acquisition controllable costs fixed), unit costs are assumed to reduce because of the increase in business volumes
- they show the average movement for the risk discount margin range, ie 5%
- they are based on the 1H 18 position, ie not 'forward looking', and make no allowance for events subsequent to 30 June 2018
- they are based on the 1H 18 sales and product mix.

The 1% increase in long-term government bond yields is assumed to be accompanied by a 0.5% increase in CPI and other associated changes in economic assumptions, bonus rates, risk discount rates and bond values. For equities, the assumed future earnings rate is assumed to increase by 1% (ie the equity risk premium is unchanged).

The 5% reduction in costs is based on controllable costs only, ie it excludes adviser payments, investment management fees and claims management expenses.

The benefit of any expense improvements has only been reflected to the extent that it appears as a cost reduction in the 2018 budget. To determine the impact of further synergies on EV and VNB, the most appropriate sensitivity to use is the reduction in controllable costs.

The 10% reduction in discontinuance rates is based on a uniform reduction in lapses in all future years (eg a 15% lapse rate changes to 13.5%).

The 10% increase in Australian equities assumes all Australian shares increase in value by 10%.

The 10% reduction in insured claims (net of reinsurance) is based on a 10% reduction in new insured claims and, for current open claims only, a 10% reduction in future recurring claim payments.

Investment fees are defined as all ongoing fees (including member fees and rebates) on investment products with explicit fees. The investment fee sensitivity assumes no corresponding reduction in funds management costs or adviser payments.

For WP, lower discount rates due to lower long-term bond yields increase the present value of the margins in future WP premiums and EV. For Australian mature, the benefit of lower discount rates due to lower long-term bond yields is more than offset by the associated decrease in future participating business investment returns.

Embedded value assumptions

Economic assumptions

Risk discount rates are based on the yield on long-term government bonds plus a discount margin.

Annualised 10 year government bond yields	1H 18	FY 17
Australia	**2.6%**	2.6%
New Zealand	**2.9%**	2.8%

In Australia, assumed investment returns gross of income tax (% pa) are set at risk premiums over long-term government bond rates:

Risk premiums	1H 18	FY 17
Local equities[1]	**4.5%**	4.5%
International equities	**3.5%**	3.5%
Property and infrastructure[2]	**2.5%**	2.4%
Fixed interest[3]	**0.6%**	0.5%
Cash (where significant)	**(0.5%)**	(0.5%)

1 Includes allowance for franking credits on equity income.
2 The risk premium varies between property and infrastructure and between listed and unlisted. The premium shown is the average across the Australian participating portfolios.
3 The risk premium varies depending on the duration and credit rating of the underlying bond portfolios. The premium shown is the average across the Australian participating portfolios.

For the purpose of setting future investment assumptions, the broad asset mixes assumed for participating business (A$15.8b) in Australia are:

Australian participating	1H 18	FY 17
Equities	**26%**	25%
Property and infrastructure	**13%**	13%
Fixed interest	**40%**	40%
Cash	**21%**	22%

These asset mixes are not necessarily the same as the actual asset mix at the valuation date, as they reflect long-term future assumptions. The mixes shown are the weighted average across all Australian participating business, which is mostly in the Australian mature business.

Annual inflation rates assumed are:

Inflation rate		1H 18	FY 17
Australia	– CPI	**2.0%**	1.9%
Australia	– Expenses	**3.0%**	3.0%
New Zealand	– CPI	**1.7%**	1.7%
New Zealand	– Expenses	**2.0%**	2.0%

These inflation rates are used for indexation of premiums and benefits, where appropriate, and for expense inflation.

Operating assumptions

Future mortality, morbidity and discontinuance rates are based on an analysis of recent experience, general industry experience and, in some cases, population experience.

Changes since 31 December 2017 include:

- strengthening TPD claims assumptions for Australian retail lump sum products
- increased allowance for incurred but not yet reported claims on a large Group plan which terminated on 1 July 2018
- strengthening termination assumptions for Australian retail income protection products
- allowance for future planned WP price increases.

Maintenance unit costs are derived from 2018 budgets. Allowance is made for future inflation, but potential unit cost improvements arising after 2018 are ignored. Note that only expense improvements captured in 2018 have been allowed for.

Future rates of bonus for participating business were set at levels that were supportable by the assets backing the respective product sub-funds as at 30 June 2018.

Acquisition costs for VNB are the actual costs incurred in 1H 18.

Franking credits are valued at 70% of face value for Australia.

The continuation of the existing tax and regulatory framework is assumed. No further allowance for regulatory change is made in the embedded value.

Under the current EV and VNB methodology, implicit allowance for all sources of risks are made through the use of risk discount margin. Typically, the higher the risk discount rate, the larger the allowance for the uncertainty of future earnings. Current uncertainties and external events potentially impacting the business has resulted in a higher central discount margin and additional sensitivities being disclosed relative to prior periods. This will enable investors to make individual assessments of the level of risk discount margin which is most appropriate to use. It is important for investors to note that a different level of risk discount margin could lead to a materially different EV and VNB.

Capital assumptions

Value of in-force business includes the discounted value of the future release to shareholders of the regulatory capital requirements as the business in force runs off.

Adjusted net assets are shareholder assets in excess of the regulatory capital requirements and are valued at face value.

	5% dm
Embedded value as at 1H 18 (A$m)[1]	**8,770**
Embedded value comprises (A$m)	
Adjusted net assets[2]	1,529
Value of in-force business[3,4]	7,241

1 Includes embedded value of WM, WP, Australian mature and NZFS. No embedded value is included for AMP Bank, AMP Capital and Group Office.
2 Adjusted net assets are assets in excess of regulatory capital requirements (allocated at product level), at face value.
3 Value of in-force business discounts the value of shareholder net assets (A$1,625m at face value) to reflect expected time of release.
4 Shareholder net assets include A$300m of allowable Tier 2 Capital arising from AMP Notes 2 and A$305m of allowable Additional Tier 1 Capital arising from AMP Wholesale Capital Notes and AMP Capital Notes on-lent to AMP Life.

Further details

Otherwise assumptions are generally consistent with the best estimate assumptions used in calculating policy liabilities for AMP Life. A more detailed description of these assumptions and their 31 December 2017 values can be found in the notes to the 2017 AMP Limited Appendix 4E. As all relevant business is projected for the embedded value, the description of the assumptions in the notes applies even where that business is not valued by projection methods for profit reporting.

Market share and channel analysis

Market share

	March 2018			March 2017		
	Total market size	Market position (rank)	Market share %	Total market size	Market position (rank)	Market share %
Market share – Australia (AUM) A$b						
Superannuation including rollovers[1,2]	416.3	1	25.4	386.5	1	25.9
Corporate superannuation master funds[3]	158.7	2	20.2	150.9	1	20.0
Retirement income[1]	204.7	2	17.8	207.2	2	18.1
Unit trusts (excluding cash management trusts)[1,2]	259.1	5	6.1	223.9	5	6.5
Total retail managed funds (excluding cash management trusts)[1,2]	887.6	1	17.9	825.0	1	18.5
Total in-force annual premiums – Australia (AUM) A$b[4]						
Individual risk	9.8	1	15.4	9.5	1	15.8
Group risk	6.4	6	5.8	6.3	6	7.0
Market share – New Zealand financial services (AUM) NZ$b						
Retail superannuation[5]	3.0	1	43.5	3.4	1	44.9
Unit trusts[5]	36.8	11	2.5	30.7	9	3.8
Insurance bonds[5]	0.6	1	50.4	0.5	3	23.2
Total retail funds[5]	88.1	4	8.6	73.8	4	10.0
Corporate superannuation[6]	7.6	1	41.4	7.1	1	42.3
KiwiSaver[5]	47.4	4	10.7	39.0	4	11.7
Total in-force annual premiums – New Zealand financial services (AUM) NZ$b[7]						
Individual risk	2.1	2	13.9	2.0	2	14.6
Conventional	0.1	1	79.7	0.1	1	79.4

1 Source: Fund Market Overview Retail – Marketer, Strategic Insight (Plan For Life), March 2018.
2 These figures include SuperConcepts products in the superannuation and unit trust categories.
3 Source: Australian Retail and Wholesale Investments, Market Share and Dynamics Report, Strategic Insight (Plan For Life), 31 March 2018.
4 Source: Risk Statistics, Risk Market Statistics, Strategic Insight (Plan For Life), March 2018.
5 Measured by AUM. Source: FundSource Limited March 2018 and March 2017.
6 Measured by AUM. Source: Eriksens Master Trust Survey March 2018 and March 2017.
7 Measured by in-force premium. Source: FSC Statistics March 2018 and March 2017.

Channel analysis

	Net cashflows			AUM			Adviser numbers		
Channel analysis (A$m)	1H 18	1H 17	% 1H/1H	1H 18	1H 17	% 1H/1H	1H 18	1H 17	% 1H/1H
AMP Financial Planning	(328)	432	n/a	61,107	59,056	3.5	1,405	1,493	(5.9)
AMP Horizons Academy and Practice	(20)	(11)	(81.8)	905	859	5.4	7	26	(73.1)
Hillross	(83)	114	n/a	14,941	14,061	6.3	309	319	(3.1)
Charter Financial Planning	134	355	(62.3)	22,768	22,337	1.9	686	763	(10.1)
ipac	(208)	(88)	(136.4)	7,157	7,602	(5.9)	142	163	(12.9)
Genesys Wealth Advisers	(1)	(2)	50.0	13	17	(23.5)	-	-	n/a
AMP Direct	(147)	(42)	(250.0)	5,562	5,481	1.5	17	7	142.9
Total (core licensees)	**(653)**	**758**	n/a	**112,453**	**109,413**	2.8	**2,566**	**2,771**	(7.4)
Jigsaw Support Services	-	(5)	n/a	1,162	1,066	9.0	136	134	1.5
SMSF Advice							16	55	(70.9)
Total (licensee services)	**-**	**(5)**	n/a	**1,162**	**1,066**	9.0	**152**	**189**	(19.6)
Corporate Super Direct	13	700	(98.1)	15,340	14,210	8.0			
Other	(65)	(52)	(25.0)	3,279	3,327	(1.4)			
Third-party distributors	(566)	(629)	10.0	19,810	17,975	10.2			
Digital	25	24	4.2	188	134	40.3			
Total Australia[1]	**(1,246)**	**796**	n/a	**152,232**	**146,125**	4.2	**2,718**	**2,960**	(8.2)
New Zealand financial services[2]	49	54	(9.3)	15,992	15,544	2.9	405	410	(1.2)
Total	**(1,197)**	**850**	n/a	**168,224**	**161,669**	4.1	**3,123**	**3,370**	(7.3)

1 Net cashflows and AUM include all WM, WP and Australian mature products and exclude SuperConcepts.
2 NZFS includes AMP licensed advisers, AMP owned advisers and advisers that subscribe to AMP's advice processes offered under the Quality Advice Network brand.

AMP Capital investment performance

Fund/style name	AUM (A$m)	1 Year Absolute return[1] %	1 Year Excess return[2] %	3 Year Absolute return[1] %	3 Year Excess return[2] %	5 Year Absolute return[1] %	5 Year Excess return[2] %
Equities							
Small Caps	199	25.7	(1.1)	15.6	(1.9)	15.9	1.9
Enhanced Index	11,037	13.2	-	9.0	(0.3)	10.1	(0.2)
FD Australian Shares[3]	3,883	14.2	1.0	11.1	2.0	11.4	1.4
Fixed interest							
Wholesale Australian Bond Fund	3,119	3.3	(0.3)	3.8	(0.2)	4.8	(0.1)
Managed Treasury Fund	2,734	2.1	0.1	2.3	0.2	2.6	0.2
International							
Specialist International Shares Fund[3]	2,441	13.7	(1.6)	11.2	1.3	16.3	1.5
Enhanced Index International Shares	12,046	16.0	0.6	10.6	0.7	15.6	0.7
Global Listed Property[4]	6,121	8.2	1.0	6.8	(2.5)	9.6	(1.1)
Global Listed Infrastructure[4]	2,298	6.8	(0.3)	3.8	(2.9)	12.2	(0.4)
FD International Bonds	1,546	1.6	(0.3)	3.2	(0.6)	4.5	(0.5)
Real Estate (direct)[5]							
Wholesale Office[6]	5,677	11.9	(3.2)	13.5	(2.0)	11.5	(1.8)
Shopping Centres[6]	4,363	8.2	(1.5)	10.5	0.7	9.8	0.4
Diversified Property Fund[6]	6,274	9.6	(1.6)	10.1	(1.6)	n/a	n/a
Infrastructure (direct)							
Diversified Infrastructure Trust	1,425	16.6	9.4	15.8	8.7	15.4	7.9
Australia Pacific Airports Fund[7]	415	19.8	7.8	22.8	10.8	21.8	9.8
Diversified							
Balanced Growth Option[8]	6,156	10.6	Yes	7.0	No	9.7	Yes
FD Balanced Fund[8]	5,462	9.1	No	7.8	No	10.1	No
MySuper 1970's[9]	5,751	11.1	0.6	8.9	0.9	n/a	n/a
Goal based							
Corporate Bond	1,619	3.1	(0.7)	3.6	(0.4)	4.5	0.1
Multi Asset Fund	1,510	5.5	(2.0)	5.9	(1.4)	7.9	0.2
Dynamic Markets Fund	1,598	6.0	(0.4)	3.0	(3.3)	7.0	0.3
Income Generator	1,896	5.9	(2.0)	6.1	0.1	7.7	0.7
Equity Income[10]	383	8.9	1.0	10.4	2.3	9.6	1.5

1 Absolute returns are annualised for periods greater than one year.
2 Excess return is measured against the client goal or market benchmark.
3 For this fund, two fund returns have been joined due to historical fund restructures.
4 AUM provided is the asset under management of the entire capability.
5 Calculated in accordance with the Mercer/IPD Pooled Property Fund Index methodology.
6 For this fund, AUM disclosed is the gross asset value.
7 Australia Pacific Airports Fund (APAF) is representative of the APAF fund range (total AUM A$1.5b) – it is disclosed as it is the initial fund in the APAF range.
8 For this fund, the client goal is to perform Q2 or better.
9 MySuper 1970's is representative of the MySuper range of funds – it is disclosed as it is the largest fund in the MySuper range.
10 For this fund, the client goal is an income yield measure.

Five year summary

		1H 18	1H 17	1H 16	1H 15	1H 14
Earnings						
Total operating earnings (A$m)		**474**	509	485	538	483
Underlying profit (A$m)		**495**	533	513	570	510
Profit attributable to shareholders of AMP Limited (A$m)		**115**	445	523	507	382
EPS – underlying (cps)[1]		**17.0**	18.1	17.3	19.3	17.2
EPS – actual (cps)		**4.0**	15.3	17.9	17.4	13.1
RoE – underlying		**13.8%**	14.5%	11.9%	13.5%	12.5%
RoE – actual		**3.2%**	12.1%	12.1%	12.0%	9.3%
Dividend						
Dividend per share (cps)		**10.0**	14.5	14.0	14.0	12.5
Dividend payout ratio – underlying		**59%**	79%	81%	73%	73%
Franking rate[2]		**50%**	90%	90%	85%	70%
Ordinary shares on issue (m)[1]		**2,918**	2,918	2,958	2,958	2,958
Weighted average number of shares on issue (m)	– basic[1]	**2,918**	2,941	2,958	2,958	2,958
	– fully diluted[1]	**2,939**	2,961	2,975	2,978	2,984
	– statutory	**2,889**	2,910	2,927	2,910	2,921
Share price for the period (A$)	– low	**3.56**	4.75	5.02	5.30	4.12
	– high	**5.47**	5.42	5.92	6.79	5.39
Margins						
Australian wealth management investment related revenue to AUM (bps)		**96**	104	109	113	118
AMP Capital AUM based management fees to AUM (bps) – external[3]		**44.9**	47.2	47.3	44.5	45.5
Australian wealth protection profit margins/annual premium		**4.8%**	5.1%	9.5%	10.1%	9.9%
AMP Bank net interest margin (over average interest earning assets)		**1.72%**	1.67%	1.71%	1.53%	1.35%
Financial position						
AMP shareholder equity (A$m)		**6,956**	7,296	8,678	8,475	8,190
Corporate debt (excluding AMP Bank debt) (A$m)		**1,995**	1,619	1,589	1,533	1,708
S&P gearing		**13%**	10%	9%	10%	12%
Interest cover – underlying (times)[4]		**18.3**	10.7	17.6	18.5	12.3
Interest cover – actual (times)[4,5]		**9.9**	5.7	16.4	17.0	9.2
Cashflows and AUM						
Australian wealth management net cashflows (A$m)		**(873)**	1,023	582	1,152	1,116
Australian wealth management persistency[6]		**89.0%**	88.6%	90.4%	89.9%	89.4%
AMP Capital net cashflows – external (A$m)		**1,591**	2,439	(153)	3,025	1,642
AMP Capital AUM (A$b)[3]		**189**	179	160	156	144
Non-AMP Capital managed AUM (A$b)[7]		**71**	68	66	66	61
Total AUM (A$b)[8]		**260**	247	226	222	205
Controllable costs (pre-tax) and cost ratios						
Controllable costs (pre-tax) – AMP (A$m)		**642**	671	663	657	650
Cost to income ratio – AMP		**45.9%**	45.1%	45.5%	43.1%	45.0%
Controllable costs to average AUM (bps)		**50**	55	59	58	64
Staff numbers						
Total staff numbers[9]		**5,977**	5,572	5,448	5,344	5,697

1 The number of shares has not been adjusted to remove treasury shares.
2 Interim franking rate is the franking applicable to the interim dividend for that year.
3 1H 18 includes AMP Capital's 24.9% share of PCCP. AUM measured at net asset value (A$1b).
4 Calculated on a rolling 12 month basis. 1H 17 calculated including one-off experience losses of A$485m incurred in 2H 16.
5 Calculated on a rolling 12 month basis. 1H 17 calculated excluding A$668m goodwill impairment incurred in 2H 16.
6 Excludes SuperConcepts AUA.
7 1H 14 AUM adjusted for SuperConcepts AUA account consolidation.
8 Includes SuperConcepts assets under administration, refer to page 9.
9 Excludes advisers.

Definitions of business units and exchange rates

AMP

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. AMP has helped people and organisations build financial security since 1849 by providing financial advice, products and services which are primarily distributed through self-employed financial advisers and investment opportunities through AMP Capital.

AMP comprises the following business units.

Australian wealth management (WM)

Financial advice services (through aligned and owned advice businesses), platform and software administration (including SMSF), unit linked superannuation, retirement income and managed investment products business. Superannuation products include personal and employer sponsored plans.

AMP Capital

A diversified investment manager with a growing international presence providing investment services for domestic and international customers. AMP Capital manages investments across major asset classes including equities, fixed interest, real estate, infrastructure, and multi-manager and multi-asset funds. AMP Capital also provides commercial, industrial and retail real estate management services.

On 1 March 2012, AMP Capital and Mitsubishi UFJ Trust and Banking Corporation (MUFG: Trust Bank) formed a strategic business and capital alliance. As part of that alliance, MUFG: Trust Bank acquired a 15% ownership interest in AMP Capital. The initial five year agreement between AMP Capital and MUFG: Trust Bank was renewed in the first quarter of 2017.

In November 2013, AMP Capital established a funds management company in China with China Life called China Life AMP Asset Management Company Limited (CLAMP). AMP Capital is a founding shareholder, holding a 15% stake, with the balance held by China Life Asset Management Company, a subsidiary of China Life.

AMP Bank

Australian retail bank offering residential mortgages, deposits, transaction banking and SMSF products. It also has a portfolio of practice finance loans. AMP Bank distributes through AMP's aligned distribution network as well as third-party brokers, and direct to retail customers via phone and online.

Australian wealth protection (WP)

Includes individual and group term, disability and income protection insurance products. Products can be bundled with a superannuation product or held independently of superannuation.

New Zealand financial services

A risk insurance, wealth management and mature book (traditional participating business), with growth in wealth management driven by KiwiSaver.

Australian mature

A business comprising products which are largely closed to new business and are in run-off. Products within Australian mature include whole of life, endowment, investment linked, investment account, Retirement Savings Account (RSA), Eligible Rollover Fund (ERF), annuities, insurance bonds, personal superannuation and guaranteed savings accounts (GSAs).

SuperConcepts

SuperConcepts incorporates the range of services and products the business offers across SMSF administration, software and education.

SuperConcepts comprises a number of sub-brands including AMP SMSF, Ascend, Cavendish, Desktop Super, JustSuper, MORE Superannuation, Multiport, SMSF Managers, SuperIQ, superMate and yourSMSF.

SuperConcepts forms part of WM's reported results.

Group Office

Group Office comprises:
- Group Office operations
- Corporate debt.

AMP's acquisition of 19.99% of China Life Pension Company (CLPC) was completed in January 2015. AMP's share of CLPC's net profit is reported through underlying investment income in Group Office capital.

Exchange rates			AUD/NZD
2018	1H 18	– closing	1.0913
		– average	1.0824
2017	FY 17	– closing	1.0998
		– average	1.0767
	2H 17	– closing	1.0998
		– average	1.0901
	1H 17	– closing	1.0476
		– average	1.0591

Accounting treatment and definitions

Accounting mismatches – Refer to page 23.

Additional Tier 1 capital – Includes components of capital for insurers and ADIs that are higher quality than Tier 2 capital, but do not meet the requirements for Common Equity Tier 1 capital.

Capital Adequacy Ratio (AMP Bank) – Total capital divided by total risk weighted assets calculated using the standardised approach. Total capital is comprised of Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital.

Common Equity Tier 1 capital – Comprises the highest quality components of capital that fully satisfy all of the following essential characteristics:

a) provide a permanent and unrestricted commitment of funds
b) are freely available to absorb losses
c) do not impose any unavoidable servicing charge against earnings, and
d) rank behind the claims of depositors, policyholders and other creditors in the event of winding up.

Controllable costs – Include operational and project costs and exclude variable costs, provision for bad and doubtful debts and interest on corporate debt.

Controllable costs to AUM – Calculated as controllable costs divided by the average of monthly average AUM.

Corporate debt – Borrowings used to fund shareholder activities of the AMP group including the impact of any cross-currency swaps entered into to convert the debt into A$, but excluding limited recourse debt in investment entities controlled by AMP Life policyholder funds and debt used to fund AMP Bank activities. Refer to page 28 for more detail.

Cost to income ratio – Calculated as controllable costs divided by gross margin. Gross margin is calculated as total operating earnings and underlying investment income before tax expense plus controllable costs.

Deferred acquisition costs (DAC) – Margin on Services (MoS) is the financial reporting methodology developed to report life insurance business in Australia. Under MoS, the profits that are expected to be earned on life insurance contracts emerge over the life of the business as services are provided and income received. Under MoS, all costs associated with acquiring new business (including adviser payments, controllable costs and stamp duty) are allowed for in determining profit margins and policy liabilities. For wealth protection business, this normally results in negative policy liabilities for new business. The amount of this negative policy liability is often referred to as DAC or implicit DAC.

Defined benefit fund – A scheme that provides a retirement benefit, usually based on salary and/or a predetermined formula for calculating that benefit. Unlike an accumulation scheme, the retirement benefit and method of calculation is known to the member at all times.

Discontinuance rates – The assumed future rates for voluntary discontinuance (lapse) of contracts for the purposes of determining embedded value. These rates vary by individual product or product groups and, where appropriate, by other factors such as duration in-force or age attained.

Dividend payout ratio – Calculated as dividend per share times ordinary shares on issue at the time of dividend payment divided by underlying profit.

Embedded value (EV) – A calculation of the economic value of the shareholder capital in AMP's businesses for WM, WP, Australian mature and NZFS and the shareholder profits expected to emerge from those businesses in-force.

EPS (actual) – Earnings per share calculated as profit attributable to shareholders of AMP Limited divided by the statutory weighted average number of ordinary shares.

EPS (underlying) – Calculated as underlying profit divided by the basic weighted average number of ordinary shares.

External AUM (AMP Capital) – Assets managed by AMP Capital sourced from institutional clients (including corporate, public sector and industry superannuation funds, and large non-superannuation funds), non-AMP dealer groups, private clients and international clients and partnerships.

Group cash – Cash and cash equivalents held outside business units.

Group risk API – Contractual annual premiums payable on all in-force group risk policies.

Individual risk API – Contractual annual premiums payable on all in-force individual risk policies.

Individual risk lapse rate – Calculated as annualised voluntary cancellations as a percentage of average annual premium in-force prior to cancellations. Policies expiring due to maturities, death or disablement and conversions are excluded from the calculation.

Intangibles – Represents acquired goodwill, acquired identifiable intangibles on merging with AXA, acquired asset management mandates, capitalised costs and associate equity investments in financial institutions.

Interest cover (actual) – Calculated on a rolling 12 month after-tax basis as profit attributable to shareholders of AMP Limited before interest expense on corporate debt for the year divided by interest expense on corporate debt for the same period.

Interest cover (underlying) – Calculated on a rolling 12 month after-tax basis as underlying profit before interest expense on corporate debt for the year divided by interest expense on corporate debt for the same period.

Internal AUM (AMP Capital) – Assets managed by AMP Capital sourced from AMP's business units.

Investment performance (AMP Capital) – The percentage of AUM meeting or exceeding their client goals.

Level 3 eligible capital – Comprises the highest quality components of capital for AMP Limited as the head of a Level 3 group. Level 3 eligible capital has similar characteristics to Common Equity Tier 1 capital for insurers and ADIs.

Liquidity Coverage Ratio (LCR) – A requirement to maintain an adequate level of liquid assets to meet liquidity needs for a 30 calendar day period under a stress scenario. Absent a situation of financial stress, the value of the LCR may not be less than 100%.

Accounting treatment and definitions cont'd

Market adjustment – annuity fair value – Refer to page 23.

Market adjustment – investment income – Refer to page 23.

Market adjustment – risk products – Refer to page 23.

Minimum regulatory capital requirements (MRR) – Refer to page 26.

Net interest margin (AMP Bank) – Net interest income over average interest earning assets.

Net seed and sponsor capital income (AMP Capital) – Income on seed and sponsor capital assets, including normal valuation movements and net profit/loss on sales, offset by funding costs.

Net Stable Funding Ratio (NSFR) – The Net Stable Funding Ratio seeks to promote the stable funding of a bank's balance sheet based on the liquidity characteristics of its assets and off-balance sheet activities over a one year time horizon. The measure aims to ensure that long-term assets are financed with at least a minimum amount of stable funding.

Operating earnings – Represent shareholder attributable profits or losses that relate to the performance of the BU. The principles of life insurance accounting are used in reporting the results of WP, Australian mature and NZFS. Operating earnings exclude investment earnings on shareholder capital and one-off items.

Persistency – Calculated as opening AUM less cash outflows during the period divided by opening AUM. WM total cash outflows are adjusted to exclude internal flows so as to reflect external cash outflows only.

Practice finance loans – Business loans provided to AMP aligned financial advisers, which are secured by a General Security Agreement over the adviser's business assets, including the client servicing rights, or other assets. Commercial lending credit policy, process and rates apply to these loans.

Return on capital (AMP Bank) – Return on capital is calculated as operating profit after income tax, less distributions on Additional Tier 1 capital divided by average total capital resources (for the purpose of this calculation, total capital resources is balance sheet equity, less Additional Tier 1 capital) for the period.

Return on embedded value – Calculated as the increase in embedded value in the period before transfers, divided by embedded value at the beginning of the period.

RoBUE – Return on BU equity is calculated as BU underlying operating profit after income tax (including underlying investment income) divided by the BU's average of monthly average tangible capital resources. No allowance is made for the benefit of gearing, which occurs at the AMP group level.

RoE (actual) – Calculated as annualised profit attributable to shareholders of AMP Limited divided by the average of the monthly average shareholder equity for the period.

RoE (underlying) – Calculated as annualised underlying profit divided by the average of the monthly average shareholder equity for the period.

S&P gearing – Senior debt plus non-allowable hybrids divided by economic capital available plus hybrids plus senior debt. Economic capital available is as defined by Standard & Poor's and includes AMP shareholders' equity (including goodwill and acquired AXA intangibles, but excluding acquired asset management mandates and capitalised costs) and 100% of future AMP Life shareholder profits.

Tier 2 capital – Includes components of capital for insurers and ADIs that, to varying degrees, fall short of the quality of Common Equity Tier 1 capital and Additional Tier 1 capital but nonetheless contribute to the overall strength of an insurer or ADI.

Total capital resources – Total capital invested in BUs and Group Office including both tangible and intangible capital.

Underlying investment income – The investment income on shareholder assets invested in income producing investment assets (as opposed to income producing operating assets) attributed to the BUs (including Group Office) has been normalised in order to bring greater clarity to the results by eliminating the impact of short-term market volatility on underlying performance. The excess (or shortfall) between the underlying return and the actual return is disclosed separately as market adjustment – investment income. Underlying returns are set based on long-term expected returns for each asset class, except for a short-term return, equivalent to a one year government bond, set annually for the implicit DAC component of shareholder assets. The return on AMP Bank income producing investment assets is included in AMP Bank operating earnings.

Underlying profit – AMP's key measure of business profitability, as it normalises investment market volatility stemming from shareholder assets invested in investment markets and aims to reflect the trends in the underlying business performance of the AMP group. Underlying profit excludes all items listed below the 'underlying profit' line on page 3. Other items largely comprise net one-off and non-recurring revenues and costs. This includes the cost of implementing significant regulatory and compliance changes, and remediation of prior year matters.

Value of new business (VNB) – A calculation of the economic value of the shareholder profits expected to emerge from the new business written over a particular period for WM, WP, Australian mature and NZFS, net of the cost of providing supporting capital.

Variable costs – Include costs that vary directly with the level of related business (eg investment management fees and banking commissions and securitisation costs).

Key dates for shareholders

22 August 2018	Ex-dividend date for interim 2018 dividend (Australia and New Zealand)
23 August 2018	Record date for interim 2018 dividend
24 August 2018	Dividend reinvestment plan record date for interim 2018 dividend
28 August – 6 September 2018	Pricing period for interim 2018 dividend reinvestment plan
28 September 2018	Payment date for interim 2018 dividend
26 October 2018	Third quarter 2018 cashflow and AUM announcement
7 February 2019	Full year 2018 results
21 February 2019	Record date for full year 2018 dividend
22 February 2019	Dividend reinvestment plan record date for full year 2018 dividend
28 March 2019	Payment date for full year 2018 dividend
2 May 2019	First quarter 2019 cashflow and AUM announcement
2 May 2019	2019 Annual General Meeting

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Website

For additional 2018 half year results information, visit AMP's website at **amp.com.au/shares**

You will find:

- background information on AMP, business units, management and policies
- statutory reporting at the AMP Limited level (incorporating shareholder, policyholder and non-controlling interests)
- archived webcasts of presentations to investors and analysts
- archived ASX announcements and historical information
- definitions and details of assumptions.

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