Investor report

Full year 2017

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Jack Regan	Group Executive, Advice and NZ
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AMP Limited
ABN 49 079 354 519

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.

FY 17 performance summary

Key performance measures

- FY 17 underlying profit of A$1,040m increased 114% from A$486m in FY 16, driven by the recovery in Australian wealth protection earnings and strong operating earnings growth from AMP Bank (+17%) and AMP Capital (+8%).
- Australian wealth protection earnings of A$110m increased A$525m on FY 16, reflective of the steps taken to stabilise the business in 2H 16 and FY 17.
- Australian wealth management earnings declined 2.5% from FY 16, largely due to margin compression from MySuper transitions, increased variable remuneration and a reset of the investment management agreement with AMP Capital.
- Underlying investment income decreased A$27m to A$95m from FY 16, due to lower shareholder capital resources and a 50 bp reduction in the assumed underlying after-tax rate of return.
- Australian wealth management net cashflows were A$931m, up 177% from FY 16. AMP's retail and corporate super platform net cashflows were positively impacted by changes to superannuation contribution limits in 2017 and large mandate wins.
- AMP Capital external net cashflows were A$5,477m, up from A$967m in FY 16. Inflows were driven by strong flows into fixed income and real asset (infrastructure and real estate) asset classes.
- Underlying return on equity rose 8.7 percentage points to 14.3% in FY 17 from FY 16, reflecting significantly improved profitability and the impact of capital management programs.

Revenue measures

- Total AUM of A$257b[1] in FY 17 increased 7% from FY 16.
- Australian wealth management AUM increased 8% to A$130b in FY 17 from FY 16. Investment related revenue increased 2% from FY 16, with margins declining 6 bps (5.6%) from FY 16.
- AMP Capital AUM increased A$22b[2] (14%) to A$188b in FY 17 from FY 16 and up 5% from 1H 17. Fee income increased 7% to A$659m in FY 17 from FY 16, driven by growth in both AUM and non-AUM based management fees.
- AMP Bank total loans increased 14% to A$19.4b from FY 16. Net interest income increased 18% and margins increased 3 bps to 1.70% from FY 16.
- Australian wealth protection individual risk API was largely unchanged in FY 17 at A$1.5b and group risk API decreased A$66m due to the loss of a large group plan.

Cost measures

- AMP group cost to income ratio was 46.2% in FY 17.
- AMP group controllable costs decreased A$32m (2%) to A$1,361m, largely due to cost savings from operating model changes that were partly offset by an increase in AMP Capital costs, increased investment in growth businesses and enhanced capabilities.
- Total controllable costs to AUM decreased 7 bps to 55 bps in FY 17.
- Excluding AMP Capital, FY 17 controllable costs decreased A$52m (5%) on FY 16 to A$949m. This was equivalent to a 3% underlying cost reduction, excluding the net impact of one-off cost items incurred in FY 16.
- Australian wealth management cost to income ratio increased 1.1 percentage points to 46.1% in FY 17. Controllable costs increased by A$5m from FY 16 to A$490m, reflecting increased variable remuneration and investment in growth initiatives, partially offset by cost efficiency initiatives.
- AMP Capital cost to income ratio decreased 0.6 percentage points from FY 16 to 61.5% in FY 17, benefiting from the strength in fee income. Controllable costs increased to A$412m in FY 17 with significant investment in growth initiatives.

Capital management and dividend

- FY 17 Level 3 eligible capital resources were A$2,338m above minimum regulatory requirements, up from A$2,195m at 31 December 2016. The increase reflected the capital release associated with reinsurance transactions implemented on 1 November 2017 and improved profitability.
- Interest cover (underlying) remains strong at 20.6 times, and gearing on a S&P basis is 9%.
- FY 17 final dividend of 14.5 cents per share (cps) declared, franked at 90%, representing a full year 2017 dividend payout ratio of 81% of underlying profit, which is within the target payout range of 70% to 90% of underlying profit.
- The dividend reinvestment plan (DRP) continues to operate and no discount will apply to determine the DRP allocation price.
- AMP intends to neutralise the impact of the DRP through acquiring shares on market.

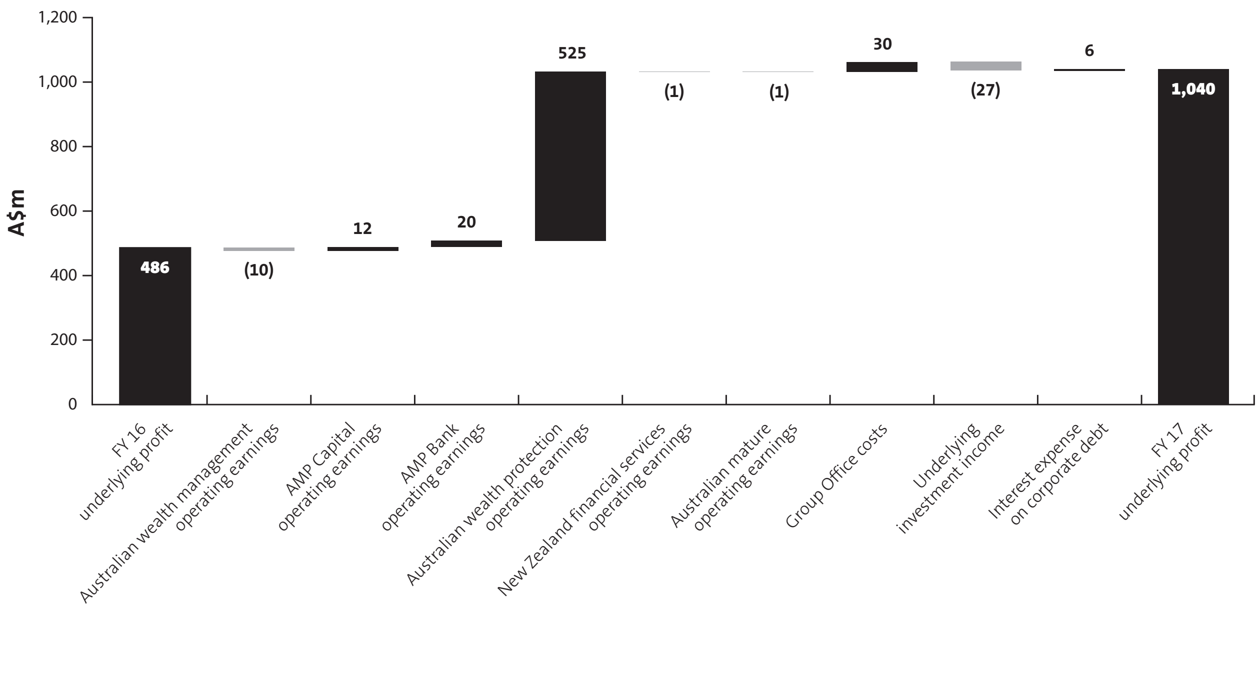
1 Includes SuperConcepts assets under administration, refer to page 9.
2 Includes A$10.3b of transitioned AUM.

Financial summary

A$m	FY 17	2H 17	1H 17	FY 16	% FY
Profit and loss					
Australian wealth management	**391**	198	193	401	(2.5)
AMP Capital[1]	**156**	64	92	144	8.3
AMP Bank	**140**	75	65	120	16.7
Australian wealth protection	**110**	58	52	(415)	n/a
New Zealand financial services	**125**	60	65	126	(0.8)
Australian mature	**150**	75	75	151	(0.7)
BU operating earnings	**1,072**	530	542	527	103.4
Group Office costs	**(74)**	(41)	(33)	(104)	28.8
Total operating earnings	**998**	489	509	423	135.9
Underlying investment income[1]	**95**	45	50	122	(22.1)
Interest expense on corporate debt	**(53)**	(27)	(26)	(59)	10.2
Underlying profit	**1,040**	507	533	486	114.0
Other items	**(21)**	(12)	(9)	(9)	(133.3)
Portfolio review and related costs	**(24)**	(24)	-	-	n/a
Business efficiency program costs	**-**	-	-	(19)	n/a
Amortisation of AXA acquired intangible assets[1]	**(80)**	(37)	(43)	(77)	(3.9)
Goodwill impairment	**-**	-	-	(668)	n/a
Profit before market adjustments and accounting mismatches	**915**	434	481	(287)	n/a
Market adjustment – investment income[1]	**(39)**	(16)	(23)	(46)	15.2
Market adjustment – annuity fair value	**4**	3	1	(8)	n/a
Market adjustment – risk products	**(18)**	(10)	(8)	11	n/a
Accounting mismatches	**(14)**	(8)	(6)	(14)	-
Profit attributable to shareholders of AMP Limited	**848**	403	445	(344)	n/a

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 FY 16 to FY 17 underlying profit



Financial summary cont'd

		FY 17	2H 17	1H 17	FY 16
Earnings					
EPS – underlying (cps)[1]		**35.5**	17.4	18.1	16.4
EPS – actual (cps)		**29.3**	14.0	15.3	(11.7)
RoE – underlying		**14.3%**	14.1%	14.5%	5.6%
RoE – actual		**11.7%**	11.2%	12.1%	(4.0%)
Dividend					
Dividend per share (cps)		**29.0**	14.5	14.5	28.0
Dividend payout ratio – underlying[2]		**81%**	83%	79%	85%
Franking rate[3]		**90%**	90%	90%	90%
Ordinary shares on issue (m)[1]		**2,918**	2,918	2,918	2,958
Weighted average number of shares on issue (m)	– basic[1]	**2,930**	2,918	2,941	2,958
	– fully diluted[1]	**2,952**	2,940	2,961	2,976
	– statutory	**2,896**	2,882	2,910	2,929
Market capitalisation – end period (A$m)		**15,147**	15,147	15,147	14,907
Capital management					
AMP shareholder equity (A$m)		**7,276**	7,276	7,296	7,489
Corporate debt (excluding AMP Bank debt) (A$m)		**1,681**	1,681	1,619	1,562
S&P gearing		**9%**	9%	10%	9%
Interest cover – underlying (times)[4]		**20.6**	20.6	10.7	9.2
Interest cover – actual (times)[4,5]		**17.0**	17.0	5.7	6.5
Margins					
Australian wealth management investment related revenue to AUM (bps)		**101**	99	104	107
AMP Capital AUM based management fees to AUM (bps) – external[6]		**46.0**	44.7	47.2	47.0
Australian wealth protection profit margins/annual premium		**5.1%**	5.2%	5.1%	8.9%
AMP Bank net interest margin (over average interest earning assets)		**1.70%**	1.73%	1.67%	1.67%
Cashflows and AUM					
Australian wealth management cash inflows (A$m)		**32,548**	14,741	17,807	28,071
Australian wealth management cash outflows (A$m)		**(31,617)**	(14,833)	(16,784)	(27,735)
Australian wealth management net cashflows (A$m)		**931**	(92)	1,023	336
Australian wealth management persistency		**89.2%**	90.1%	88.6%	90.2%
AMP Capital net cashflows – external (A$m)		**5,477**	3,038	2,439	967
AMP Capital net cashflows – internal (A$m)		**(2,591)**	(1,178)	(1,413)	(3,900)
AMP Capital AUM (A$b)[6,7]		**188**	188	179	165
Non-AMP Capital managed AUM (A$b)		**69**	69	68	75
Total AUM (A$b)[8]		**257**	257	247	240
Controllable costs (pre-tax) and cost ratios					
Operating costs (A$m)		**1,205**	609	596	1,248
Project costs (A$m)		**156**	81	75	145
Total controllable costs (A$m)		**1,361**	690	671	1,393
Cost to income ratio		**46.2%**	47.2%	45.1%	63.7%
Controllable costs to AUM (bps)		**55**	55	55	62

1 Number of shares has not been adjusted to remove treasury shares.
2 FY 16 calculated based on underlying profit excluding capitalised losses and other one-off experience items.
3 Full year franking rate is the franking applicable to the final dividend for that year.
4 Calculated on a rolling 12 month basis. 1H 17 and FY 16 calculated including one-off experience losses of A$485m incurred in 2H 16.
5 Calculated on a rolling 12 month basis. 1H 17 and FY 16 calculated excluding A$668m goodwill impairment incurred in 2H 16.
6 Excludes AMP Capital's share of PCCP.
7 Includes A$10.3b of transitioned AUM.
8 Includes SuperConcepts assets under administration, refer to page 9.

Strategic 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.

Strategy

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

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

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

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

1. Tilt investment to higher growth businesses

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

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

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

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

2. Transform

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

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

AMP is rolling out its technology-enabled, goals-based advice platform to AMP Advice. In 2H 17, AMP formalised a partnership with US advice business United Capital to collaborate as AMP develops its new operating system. By the end of FY 17, 26 practices with over 200 financial advisers were operating under the new AMP Advice model. They will deliver a better and more relevant customer outcome and experience, greater adviser productivity and improved advice practice profitability.

3. Manage costs

AMP continues to deliver market-leading cost efficiency and in FY 17 operating model and organisational design changes delivered efficiency gains which reduced controllable costs by 3%. AMP (excluding AMP Capital) has an ambition to keep controllable costs flat in the medium term. Run rate savings from initiatives in 2017 and benefits from other strategic cost initiatives will help deliver this outcome in 2018.

4. Expand internationally

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

In 2H 17, AMP announced an agreement to purchase a minority stake in US-based real estate investment manager PCCP to provide commercial debt and equity capital for middle market investments throughout the US.

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

1 ABS Managed Funds Report, Managed Funds Industry, September 2017.
2 Fund Market Overview Retail – Marketer, Strategic Insight (Plan For Life), September 2017.

Australian wealth management

Profit and loss (A$m)	FY 17	2H 17	1H 17	FY 16	% FY
Revenue					
Investment related[1]	**1,263**	633	630	1,244	1.5
Other[2]	**108**	57	51	98	10.2
Total revenue	**1,371**	690	681	1,342	2.2
Investment management expense	**(325)**	(164)	(161)	(289)	(12.5)
Controllable costs[3]	**(490)**	(244)	(246)	(485)	(1.0)
Tax expense	**(165)**	(84)	(81)	(167)	1.2
Operating earnings	**391**	198	193	401	(2.5)
Underlying investment income	**12**	6	6	17	(29.4)
Underlying operating profit after income tax	**403**	204	199	418	(3.6)
Ratios and other data					
RoBUE	**39.2%**	40.1%	38.2%	42.5%	n/a
End period tangible capital resources – after transfers (A$m)	**982**	982	987	981	0.1
Net cashflows (A$m)[4]	**931**	(92)	1,023	336	177.1
AUM (A$b)[4,5]	**130.4**	130.4	125.0	120.8	7.9
Average AUM (A$b)[4,5,6]	**124.7**	126.8	122.6	115.6	7.9
Persistency[4]	**89.2%**	90.1%	88.6%	90.2%	n/a
Cost to income ratio	**46.1%**	45.6%	46.6%	45.0%	n/a
Investment related revenue to AUM (bps)[1,4,6,7]	**101**	99	104	107	n/a
Investment management expense to AUM (bps)[1,4,6,7]	**26**	26	26	25	n/a
Investment related revenue less variable costs to AUM (bps)[1,4,6,7]	**75**	73	78	82	n/a
Controllable costs to AUM (bps)[6,7]	**39**	38	40	42	n/a
Operating earnings to AUM (bps)[4,6,7]	**31**	31	32	35	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 FY 16 adjusted to remove assets under advice of A$382m on external platforms.
6 Based on average of monthly average AUM.
7 Ratio based on 184 days in 2H 17 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 revenues in Advice and SMSF while remaining vigilant on cost control
- increase channel choice and deliver an integrated customer experience
- use new capabilities to design customer centric offers covering advice, product and service, and
- develop a strong SMSF capability with a focus on building scale, efficiency and profitable growth over the medium term.

Operating earnings

Operating earnings dropped by A$10m (2.5%) from FY 16 to A$391m in FY 17. The decline in operating earnings was largely due to margin compression from MySuper transitions, increased variable remuneration associated with improved group performance plus a reset of the investment management agreement with AMP Capital.

'Other' revenue increased by A$10m (10%) from FY 16 to A$108m in FY 17, driven by growth in advice and SMSF revenues.

Investment related revenue to AUM

FY 17 investment related revenue to AUM was 101 bps, a 6 bps (5.6%) reduction from FY 16. The increased margin decline in FY 17 was attributable to the large MySuper transitions which occurred in Q4 16 and Q2 17 and the change in the product and fee mix associated with the strong growth on the North platform relative to other products and platforms.

With MySuper transitions completed in Q2 17, investment related revenue to AUM margin compression is expected to gradually trend back to its longer-term average of around 3% but may be volatile from period to period.

FY 17 investment management expenses to AUM of 26 bps increased due to a reset of the investment management agreement with AMP Capital. The new agreement increases existing base fees for WM in lieu of performance fees.

Australian wealth management cont'd

SuperConcepts

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

Across administration and software services, SuperConcepts added 5,553 funds during FY 17 and now supports 59,123 funds, representing 9.9% of the SMSF market. AMP currently provides professional administration services to 18,164 funds and software as a service to a further 40,959 funds. Total assets under administration in FY 17 were A$23.2b. The growth in funds in FY 17 was mainly due to the acquisition of SMSF Outsourcing Services (previously BPO Connect SMSF) as well as organic software fund growth.

SuperConcepts revenue is reported as part of 'Other' revenue and forms part of WM's consolidated reporting. SuperConcepts contributed A$37m from business operations to 'Other' revenue in FY 17, up A$2m on FY 16.

As SuperConcepts continues to grow its fund numbers and market share through organic growth and acquisitions, it is also expected to benefit from scale and efficiency.

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 seven 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. MySuper AUM increased to A$20.7b at FY 17, up from A$19.5b at 1H 17 and A$13.2b at FY 16.

Controllable costs

WM controllable costs increased A$5m (1.0%) in FY 17 to A$490m. This was largely driven by an increase in project costs associated with growth initiatives and higher variable remuneration, substantially offset by cost efficiency initiatives undertaken during FY 17.

The FY 17 cost to income ratio increased by 1.1 percentage points to 46.1%, as a result of higher controllable costs and the earnings impact from the reset of the investment management agreement with AMP Capital. FY 17 controllable costs to AUM fell 3 bps to 39 bps.

Embedded value – at the 5% discount margin

FY 17 embedded value (EV) increased 10.4% before transfers at the 5% discount margin (dm) to A$5,510m. Apart from the expected return which reflects the unwinding of the discount rate applied to the value of in-force business and the expected return on the adjusted net assets, the increase in FY 17 EV was largely due to additional new business volumes, positive equity market returns and lower bond yields.

Value of new business

FY 17 value of new business (VNB) was unchanged from FY 16 at A$150m at the 5% discount margin with lower costs, higher sales volumes and positive market returns offset by lower average margins.

	3% dm	4% dm	5% dm
Australian wealth management embedded value and value of new business (A$m)	**FY 17**	**FY 17**	**FY 17**
Embedded value as at FY 16	5,588	5,269	4,991
Expected return	306	334	359
Investment markets, bond yields and currency	130	118	109
Claim and persistency assumptions, product and other	(103)	(101)	(99)
Value of new business (VNB)	185	167	150
Net transfers out[1]	(482)	(482)	(482)
Embedded value as at FY 17	**5,624**	**5,305**	**5,028**
Return on embedded value as at FY 17	9.3%	9.8%	10.4%

1 Includes the capital release related to the amalgamation of AMP Life and NMLA.

Australian wealth management cont'd

FY 17 cashflows

Cashflows by product (A$m)	Cash inflows FY 17	Cash inflows FY 16	Cash inflows % FY	Cash outflows FY 17	Cash outflows FY 16	Cash outflows % FY	Net cashflows FY 17	Net cashflows FY 16	Net cashflows % FY
North[1]	17,375	13,286	30.8	(11,695)	(8,305)	(40.8)	5,680	4,981	14.0
AMP Flexible Super[2]	4,424	4,932	(10.3)	(5,105)	(4,840)	(5.5)	(681)	92	n/a
Summit, Generations and iAccess[3]	1,564	1,241	26.0	(3,288)	(2,736)	(20.2)	(1,724)	(1,495)	(15.3)
Flexible Lifetime Super (superannuation and pension)[4]	1,862	1,921	(3.1)	(3,382)	(3,309)	(2.2)	(1,520)	(1,388)	(9.5)
Other retail investment and platforms[5]	294	243	21.0	(363)	(936)	61.2	(69)	(693)	90.0
Total retail on AMP platforms	**25,519**	**21,623**	18.0	**(23,833)**	**(20,126)**	(18.4)	**1,686**	**1,497**	12.6
SignatureSuper and AMP Flexible Super – Employer	3,783	3,190	18.6	(2,589)	(2,515)	(2.9)	1,194	675	76.9
Other corporate superannuation[6]	1,599	1,847	(13.4)	(2,076)	(2,241)	7.4	(477)	(394)	(21.1)
Total corporate superannuation	**5,382**	**5,037**	6.8	**(4,665)**	**(4,756)**	1.9	**717**	**281**	155.2
Total retail and corporate superannuation on AMP platforms	**30,901**	**26,660**	15.9	**(28,498)**	**(24,882)**	(14.5)	**2,403**	**1,778**	35.2
External platforms[7]	1,647	1,411	16.7	(3,119)	(2,853)	(9.3)	(1,472)	(1,442)	(2.1)
Total Australian wealth management	**32,548**	**28,071**	15.9	**(31,617)**	**(27,735)**	(14.0)	**931**	**336**	177.1

Australian wealth management cash inflow composition (A$m)	FY 17	FY 16	% FY
Member contributions	4,864	3,442	41.3
Employer contributions	4,191	4,206	(0.4)
Total contributions	9,055	7,648	18.4
Transfers, rollovers in and other[8]	23,493	20,423	15.0
Total Australian wealth management	**32,548**	**28,071**	15.9

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, AMP Personalised Portfolio and Synergy. The Synergy platform was closed in Q2 2016, with customer accounts transferred to North.
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 cashflows were A$931m in FY 17, an increase of 177% from FY 16, driven by strong inflows into SignatureSuper and member contributions in the lead up to the 1 July 2017 changes to contribution limits, increased market activity from superannuation consolidation and MySuper transitions.

Pension payments to customers increased A$142m to A$2.4b in FY 17. Net cashflows excluding pension payments increased 29% to A$3.3b in FY 17.

Member contributions were A$4.9b in FY 17, an increase of A$1.4b (41%) from FY 16 as customers increased non-concessional contributions prior to both incoming rule changes through the introduction of new money and execution of pension refresh strategies. Investment customers were also more active leading to both higher member contributions and higher member withdrawals.

Superannuation outflows increased by A$523m (10%) on FY 16, driven by increased consolidation activity and higher lost superannuation payments to the Australian Taxation Office. In addition, there were also higher outflows to SMSF reflecting, in part, a customer preference for residential property and higher outflows as customers transitioned to MySuper.

Internal inflows across WM products were A$17.8b in FY 17 (A$15.7b in FY 16), representing 55% (56% in FY 16) of total WM cash inflows.

Retail on AMP platforms

AMP's retail platforms comprise platforms which are owned, developed, and operated by AMP as opposed to external platforms which are administered by other platform providers. Net cashflows on AMP retail platforms increased by 13% to A$1.7b in FY 17.

North net cashflows of A$5.7b were up 14% on FY 16 and up 28% excluding the transition of the A$559m of funds from Synergy in Q2 16. Externally sourced inflows grew 35% to A$6.3b, but were partially offset by higher outflows to customers reflective of the 30% increase in average AUM from FY 16 and increased market activity. 56% of North's net cashflows were externally sourced in FY 17, up from 49% in FY 16.

Australian wealth management cont'd

North AUM increased A$7.8b to A$34.9b in FY 17, primarily driven by strong net cashflows. AUM held in North's capital guaranteed product remained steady at A$2.0b in FY 17.

AMP Flexible Super net cash outflows were A$681m in FY 17, driven by increasing preference for retirement customers to use North over AMP Flexible Super and higher outflows to customers. AMP Flexible Super AUM increased A$0.4b (2%) to A$16.3b in FY 17, driven by positive investment returns.

Summit, Generations and iAccess net cash outflows were A$1.7b in FY 17, driven by higher outflows on iAccess personal injury business serviced through a third party distributor and higher internal flows to North.

Flexible Lifetime Super (superannuation and pension) was closed to new business from 1 July 2010. In FY 17, net cash outflows were A$1.5b, driven by increased competitor consolidation activity and higher outflows as customers transitioned to MySuper in 1H 17.

Other retail and investment platforms net cash outflows in FY 17 decreased by A$624m to A$69m, as FY 16 was impacted by the closure of the Synergy platform and transfer of customer balances of A$559m to North.

Corporate superannuation

Total corporate superannuation net cashflows were A$717m in FY 17, up from A$281m in FY 16.

AMP's corporate offerings, SignatureSuper and AMP Flexible Super – Employer, had net cashflows of A$1.2b, up A$519m on FY 16. Large mandate wins within SignatureSuper contributed A$543m in FY 17 (FY 16 A$190m) with plan transitions from CustomSuper up A$83m to A$116m in FY 17.

Other corporate superannuation comprising CustomSuper, SuperLeader and Business Super, experienced net cash outflows of A$477m in FY 17, up from an outflow of A$394m in FY 16, due to higher 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 FY 17, external platform net cash outflows were A$1.5b, driven by higher outflows on investment products and subdued inflows as advisers continued to use North as the preferred platform.

FY 17 AUM

		FY 17 net cashflows					
AUM (A$m)	**FY 16 AUM**	**Super-annuation**	**Pension**	**Investment**	**Total net cashflows**	**Other movements[1]**	**FY 17 AUM**
North	27,092	2,664	1,596	1,420	5,680	2,154	34,926
AMP Flexible Super	15,948	223	(904)	-	(681)	1,075	16,342
Summit, Generations and iAccess	12,153	(217)	(1,246)	(261)	(1,724)	959	11,388
Flexible Lifetime Super (superannuation and pension)	23,836	(895)	(625)	-	(1,520)	1,882	24,198
Other retail investment and platforms	2,455	-	-	(69)	(69)	159	2,545
Total retail on AMP platforms	**81,484**	**1,775**	**(1,179)**	**1,090**	**1,686**	**6,229**	**89,399**
SignatureSuper and AMP Flexible Super – Employer	16,124	1,180	14	-	1,194	1,192	18,510
Other corporate superannuation	12,770	(477)	-	-	(477)	762	13,055
Total corporate superannuation	**28,894**	**703**	**14**	**-**	**717**	**1,954**	**31,565**
Total retail and corporate superannuation on AMP platforms	**110,378**	**2,478**	**(1,165)**	**1,090**	**2,403**	**8,183**	**120,964**
External platforms[2]	10,374	(275)	(698)	(499)	(1,472)	523	9,425
Total Australian wealth management	**120,752**	**2,203**	**(1,863)**	**591**	**931**	**8,706**	**130,389**
Australian wealth management – SuperConcepts[3]							
Assets under administration	22,361					843	23,204
Total AUM	**143,113**	**2,203**	**(1,863)**	**591**	**931**	**9,549**	**153,593**

Australian wealth management – AUM by asset class		
Cash and fixed interest	31%	30%
Australian equities	31%	31%
International equities	26%	27%
Property	6%	6%
Other	6%	6%
Total	**100%**	**100%**

1 Other movements include fees, investment returns, distributions, taxes, and foreign exchange movements.
2 FY 16 AUM adjusted to remove assets under advice of A$382m on external platforms.
3 SuperConcepts assets under administration includes AMP SMSF, Multiport, Cavendish, SuperIQ, yourSMSF and Ascend administration platforms, but does not include Multiport Annual and SuperConcepts Accountants Outsource. JustSuper reported in FY 17 closing AUA only.

AMP Capital

Profit and loss (A$m)	FY 17	2H 17	1H 17	FY 16	% FY
Internal AUM based management fees	**234**	119	115	214	9.3
External AUM based management fees	**266**	134	132	252	5.6
Non-AUM based management fees	**84**	40	44	75	12.0
Performance and transaction fees	**75**	18	57	73	2.7
Fee income	**659**	311	348	614	7.3
Controllable costs	**(412)**	(214)	(198)	(392)	(5.1)
Tax expense	**(67)**	(25)	(42)	(60)	(11.7)
Operating earnings before net seed and sponsor capital income	**180**	72	108	162	11.1
Net seed and sponsor capital income	**3**	3	-	7	(57.1)
Operating earnings including minority interests	**183**	75	108	169	8.3
Minority interests in operating earnings	**(27)**	(11)	(16)	(25)	(8.0)
Operating earnings	**156**	64	92	144	8.3
Underlying investment income	**4**	2	2	4	-
Underlying operating profit after income tax	**160**	66	94	148	8.1
Controllable costs					
Employee related	**284**	148	136	261	8.8
Investment operations and other	**109**	57	52	109	-
Total operating costs	**393**	205	188	370	6.2
Project costs	**19**	9	10	22	(13.6)
Total controllable costs	**412**	214	198	392	5.1
Ratios and other data					
Cost to income ratio	**61.5%**	66.9%	56.6%	62.1%	n/a
Controllable costs to average AUM (bps)[1,2,3]	**22.9**	23.5	22.4	24.5	n/a
AMP Capital staff numbers[4]	**1,145**	1,145	1,099	1,045	9.6
AUM (A$b)[2,3]	**187.7**	187.7	178.9	165.4	13.5
Average AUM (A$b) – total[1,2,3,5]	**179.6**	182.1	177.0	160.4	12.0
Average AUM (A$b) – internal[1,2]	**121.8**	122.7	120.9	106.6	14.3
Average AUM (A$b) – external[1,3,5]	**57.8**	59.4	56.1	53.8	7.4
AUM based management fees to AUM (bps) – internal[1,2,6]	**19.2**	19.6	18.9	20.1	n/a
AUM based management fees to AUM (bps) – external[1,3]	**46.0**	44.7	47.2	47.0	n/a
Performance and transaction fees to AUM (bps)[1,2,3]	**4.2**	2.0	6.4	4.6	n/a
End period tangible capital resources – after transfers (A$m)[7]	**318**	318	348	301	5.6
RoBUE	**61.6%**	48.8%	75.5%	62.2%	n/a

1 Based on average of monthly average AUM.
2 Includes transitioned AUM relating to two funds on which AMP Capital now earns investment management fees.
3 Excludes AMP Capital's share of PCCP.
4 FY 17 includes 268 FTEs (253 in FY 16), primarily in shopping centres, for which the costs are recharged.
5 FY 17 Average AUM includes A$5.7b relating to joint ventures.
6 Excluding transitioned AUM, FY 17 internal AUM based management fees to AUM (bps) are 21.0 bps (20.1 bps in FY 16).
7 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 drove 8% growth in AMP Capital's operating earnings.

Key operational and strategic highlights during 2017 include:

- The purchase of a minority stake in US-based real estate investment manager PCCP, matching AMP Capital's global distribution network and partnerships with PCCP's US real estate debt and equity investment capabilities.
- Continued expansion of AMP Capital's global footprint, increasing FUM managed on behalf of direct international institutional clients to A$12.0b.
- The ongoing growth of AMP Capital's global infrastructure platform, with Infrastructure Debt Fund (IDF) III completing its final close in Q3 17, raising US$2.5b and attracting significant investor commitments offshore.
- Setting foundations for the future with the launch of AMP Capital's first global equities fund and the repositioning of AMP Capital's Australian equities capability.
- Strong commitments into real asset capabilities, with A$4.2b of committed capital available for investment at FY 17.

Operating earnings

AMP group's 85% share of AMP Capital's FY 17 operating earnings was A$156m, up 8% from A$144m in FY 16. AMP Capital's operating earnings benefited from strong fee income growth of 7%, partially offset by a 5% increase in controllable costs.

Fee income

Fee income increased 7% in FY 17 to A$659m from A$614m in FY 16. This was driven by a A$34m (7%) rise in AUM based management fees and a A$9m (12%) increase in non-AUM based management fees.

Average AUM increased 12% to A$180b from A$160b, driven by investment of real asset committed capital, positive investment market movements, net cash inflows and the 1H 17 one-off A$10.3b transition of low margin AUM on which AMP Capital now earns investment management fees. Total AUM based management fees to AUM were 27.8 bps in FY 17. The reduction from 29.1 bps in FY 16 reflects the dilutive margin impact of the transitioned AUM. Excluding the transitioned AUM, AUM based management fees to AUM were 29.5 bps.

Internal AUM based management fees increased A$20m (9%) to A$234m in FY 17. The average internal AUM margin was 19.2 bps, lower than 20.1 bps in FY 16 because of the dilutive impact of the low margin AUM transitioned in FY 17. Excluding the transitioned AUM, internal AUM margins were 21.0 bps.

External AUM based management fees increased A$14m (6%) from FY 16, driven by 7% growth in average AUM. External AUM margins of 46.0 bps were lower than 47.0 bps in FY 16 with the shift towards high margin real assets largely compensating for the loss of China Growth Fund AUM since FY 16.

Non-AUM based management fees mainly comprise real estate management, development and leasing fees. Non-AUM based management fees were A$84m in FY 17, up A$9m (12%) from FY 16, benefiting from increased real estate management fee revenue and infrastructure commitment fees. FY 17 non-AUM based fees also included a fee for services relating to China Life Pension Company (CLPC), similar to that received in FY 16.

FY 17 performance and transaction fees were A$75m, up from A$73m in FY 16. Performance fees reflect strong infrastructure fund valuations which benefited from active asset management and strong market demand for infrastructure assets.

Performance and transaction fees remain volatile from period to period and are generally materially lower in 2H as most infrastructure funds attract performance fees for annual periods ending 30 June. AMP Capital's new global infrastructure 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.

Controllable costs

Controllable costs increased by A$20m (5%) in FY 17 to A$412m from FY 16. The increase in costs was due to higher employee costs reflecting investment in growth initiatives, including the expansion of AMP Capital's international business. Controllable costs are increasingly influenced by foreign exchange movements as the business grows internationally.

AMP Capital's cost to income ratio improved 0.6 percentage points from FY 16 to 61.5% in FY 17 due to the strong growth in fee income. 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 FY 17 was 27.1%, up from 26.8% in FY 16. 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

FY 17 total seed and sponsor capital holdings were A$198m.

Sponsor capital investments include a 5.2% stake in the Singapore Exchange listed AIMS AMP Capital Industrial REIT (AA REIT) and holdings in AMP Capital's Global Infrastructure Fund and IDF III.

Seed capital investments at FY 17 are infrastructure related. Given the high level of client commitments within real asset funds there has been limited requirement for seed pool funding.

The FY 17 net seed and sponsor capital income of A$3m reflects positive returns on infrastructure sponsor capital investments, partly offset by the devaluation of Singaporean commercial properties within AA REIT and debt funding costs.

Given the variable mix of short-term asset holdings and longer- term cornerstone investments, 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 December 2017, the proportion of AMP Capital's AUM performing at or above client goals was 72%, 60% and 70% over five, three and one year periods respectively. Our internal target is 75% over three years.

Assessed on the more conventional metric of performance versus market benchmarks, 71% of AUM has outperformed over a three year time period. 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 31 consecutive months.

The table on page 34 shows investment performance across all asset classes over various timeframes to 31 December 2017.

AMP Capital cont'd

Cashflows and AUM

Cashflows by asset class (A$m)	Cash inflows FY 17	Cash inflows FY 16	Cash inflows % FY	Cash outflows FY 17	Cash outflows FY 16	Cash outflows % FY	Net cashflows FY 17	Net cashflows FY 16	Net cashflows % FY
External									
Australian equities	250	260	(3.8)	(600)	(2,094)	71.3	(350)	(1,834)	80.9
International equities	1,078	2,066	(47.8)	(1,695)	(2,453)	30.9	(617)	(387)	(59.4)
Fixed interest	8,340	5,916	41.0	(6,690)	(5,537)	(20.8)	1,650	379	335.4
Infrastructure	3,445	2,024	70.2	(947)	(628)	(50.8)	2,498	1,396	78.9
Direct investments	-	1	n/a	(1)	(7)	85.7	(1)	(6)	83.3
Real estate	3,417	3,428	(0.3)	(1,056)	(2,102)	49.8	2,361	1,326	78.1
Alternative assets	88	126	(30.2)	(152)	(33)	(360.6)	(64)	93	n/a
Total external	**16,618**	**13,821**	20.2	**(11,141)**	**(12,854)**	13.3	**5,477**	**967**	466.4
Internal									
Australian equities	7,478	4,048	84.7	(8,779)	(5,530)	(58.8)	(1,301)	(1,482)	12.2
International equities	4,954	5,793	(14.5)	(5,630)	(5,870)	4.1	(676)	(77)	(777.9)
Fixed interest	22,342	11,278	98.1	(23,071)	(12,897)	(78.9)	(729)	(1,619)	55.0
Infrastructure	515	493	4.5	(588)	(421)	(39.7)	(73)	72	n/a
Direct investments	165	95	73.7	(120)	(141)	14.9	45	(46)	n/a
Real estate	421	468	(10.0)	(977)	(1,362)	28.3	(556)	(894)	37.8
Alternative assets	1,060	416	154.8	(361)	(270)	(33.7)	699	146	378.8
Total internal	**36,935**	**22,591**	63.5	**(39,526)**	**(26,491)**	(49.2)	**(2,591)**	**(3,900)**	33.6
Total	**53,553**	**36,412**	47.1	**(50,667)**	**(39,345)**	(28.8)	**2,886**	**(2,933)**	n/a

AUM by asset class (A$m)	FY 16	%	Net cashflows 1H 17	Net cashflows 2H 17	Investment returns and other[1]	Transitioned AUM[2] 1H 17	FY 17	%
External								
Australian equities	1,307	2	(66)	(284)	8	-	965	2
International equities	7,773	14	(326)	(291)	(436)	-	6,720	11
Fixed interest	16,755	30	1,230	420	633	-	19,038	30
Infrastructure	9,715	18	988	1,510	82	-	12,295	20
Direct investments	11	-	-	(1)	-	-	10	-
Real estate[3]	19,464	35	580	1,781	1,053	-	22,878	36
Alternative assets[4]	624	1	33	(97)	52	-	612	1
Total external	**55,649**	**100**	**2,439**	**3,038**	**1,392**	**-**	**62,518**	**100**
Internal								
Australian equities	27,107	25	(916)	(385)	1,747	2,745	30,298	24
International equities	27,608	25	(422)	(254)	4,617	3,299	34,848	28
Fixed interest	45,953	42	148	(877)	768	4,266	50,258	40
Infrastructure	2,546	2	(132)	59	74	-	2,547	2
Direct investments	968	1	53	(8)	(47)	-	966	1
Real estate[3]	3,277	3	(528)	(28)	494	-	3,215	3
Alternative assets[4]	2,292	2	384	315	54	29	3,074	2
Total internal	**109,751**	**100**	**(1,413)**	**(1,178)**	**7,707**	**10,339**	**125,206**	**100**
Total								
Australian equities	28,414	17	(982)	(669)	1,755	2,745	31,263	16
International equities	35,381	21	(748)	(545)	4,181	3,299	41,568	22
Fixed interest	62,708	38	1,378	(457)	1,401	4,266	69,296	37
Infrastructure	12,261	7	856	1,569	156	-	14,842	8
Direct investments	979	1	53	(9)	(47)	-	976	1
Real estate[3]	22,741	14	52	1,753	1,547	-	26,093	14
Alternative assets[4]	2,916	2	417	218	106	29	3,686	2
Total	**165,400**	**100**	**1,026**	**1,860**	**9,099**	**10,339**	**187,724**	**100**

AUM by source of client (A$m)	FY 16	%	1H 17	FY 17	%
Australia	127,360	77	10,339	146,101	79
New Zealand	19,594	12	-	19,608	10
Asia (including Middle East)	13,750	8	-	15,452	8
Rest of world	4,696	3	-	6,563	3
Total	**165,400**	**100**	**10,339**	**187,724**	**100**

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

2 Transitioned AUM relates to two fund ranges on which AMP Capital now earns investment management fees.

3 Real estate AUM comprises Australian (A$24.4b), NZ (A$1.4b) and Global (A$0.3b) managed assets. Australian real estate AUM is invested in office (39%), retail (55%), industrial (4%) and other (2%).

4 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$22.3b to A$187.7b in FY 17, driven by investment of committed capital, positive net cashflows, investment returns and the one-off A$10.3b transition of low margin AUM on which AMP Capital now earns investment management fees. In addition to AUM of A$187.7b at FY 17, AMP Capital has A$4.2b of committed real asset capital available for investment.

External AUM and cashflows

External AUM increased by A$6.9b (12%) over FY 17 to A$62.5b, with A$5.5b of net cashflows and positive investment returns of A$1.4b. Investment of real asset committed capital helped drive strong external net cashflows in both infrastructure and real estate during FY 17. Notable investments included Endeavour Energy, Leeds Bradford Airport and Indooroopilly Shopping Centre.

External net cashflows of A$5.5b were well up on the A$1.0b of net cashflows achieved in FY 16, reflecting:

- net cash inflows from domestic clients (A$1.8b) primarily into fixed income, infrastructure and real estate capabilities, and
- strong international investor interest (A$3.7b), particularly into fixed income and infrastructure capabilities.

Good cash inflows to infrastructure funds in FY 17 were reduced by the return of A$0.4b capital to investors following the sale of assets.

International

AMP Capital continued to attract new international clients, with approximately 35% (A$22.0b) of external AUM now managed on behalf of clients outside Australia and New Zealand. AMP Capital grew its number of direct international institutional clients by 92 to 291 in FY 17, managing A$12.0b on their behalf.

Growth in FY 17 was assisted by strong international investor interest in AMP Capital's infrastructure platform, with IDF III closing in 2H 17 at its self-imposed fundraising limit of US$2.5b.

China

During FY 17, the CLAMP joint venture launched 25 new products, including SMAs, diversified, equity and fixed interest funds. At FY 17, the joint venture managed A$36.0b (RMB 183.3b) of AUM on behalf of Chinese retail and institutional investors. This was up 57% on A$22.9b at FY 16.

AMP Capital reports its 15% share of the joint venture's AUM (A$5.4b) and cashflows within the 'External' AUM and cashflow disclosures.

In FY 17, AMP Capital's share of CLAMP net cashflows was A$1.9b compared with net cashflows of A$1.3b in FY 16. Strong cashflows were supported by new product launches and institutional cash inflows.

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 FY 17, AMP Capital's business alliance with MUFG: Trust Bank had 11 retail funds and three institutional funds in market with a combined AUM of A$1.2b.

In addition, MUFG: Trust Bank has also 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. This includes A$0.6b raised for IDF III in FY 17.

AMP Capital also continues to raise and manage funds through partnerships with other Japanese distributors. AMP Capital manages A$6.0b AUM on behalf of all Japanese retail and institutional clients.

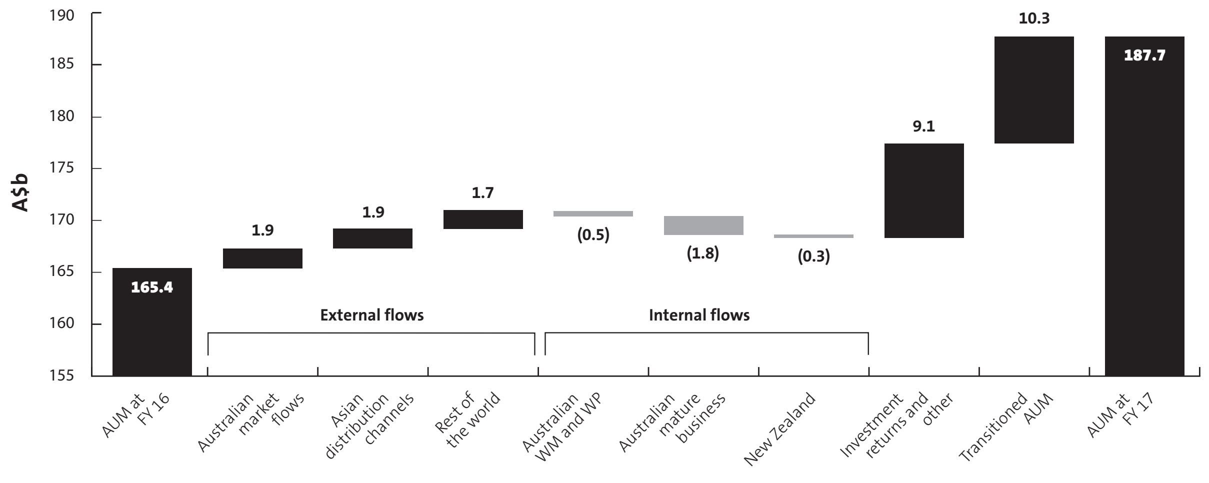
Internal AUM and cashflows

Internal AUM increased 14% in FY 17 to A$125.2b, as investment returns (+A$7.7b) and A$10.3b transitioned AUM were partially offset by net cash outflows (-A$2.6b). A significant increase in internal cash inflows and outflows was driven by the merger of AMP Life and the legacy-NMLA portfolio on 1 January 2017, along with MySuper transitions; the impact on internal net cashflows was largely neutral.

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 16 to FY 17[1]



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

AMP Bank

Profit and loss (A$m)	FY 17	2H 17	1H 17	FY 16	% FY
Net interest income	**355**	188	167	302	17.5
Fee and other income[1]	**10**	6	4	9	11.1
Total revenue	**365**	194	171	311	17.4
Bank variable costs	**(85)**	(45)	(40)	(70)	(21.4)
Controllable costs	**(80)**	(42)	(38)	(69)	(15.9)
Tax expense	**(60)**	(32)	(28)	(52)	(15.4)
Operating profit after income tax	**140**	75	65	120	16.7
Ratios and other data					
Return on capital	**16.5%**	16.6%	16.3%	16.7%	n/a
Total capital resources (A$m)[2]	**872**	872	801	722	20.8
Capital Adequacy Ratio	**15.2%**	15.2%	12.7%	12.6%	n/a
Common Equity Tier 1 Capital Ratio	**9.7%**	9.7%	8.8%	8.3%	n/a
Net Interest Margin (over average interest earning assets)	**1.70%**	1.73%	1.67%	1.67%	n/a
Loan Portfolio Growth – AMP aligned channel	**8%**	2%	6%	11%	n/a
Total loans (A$m)	**19,445**	19,445	18,777	17,120	13.6
Residential mortgages (A$m)	**18,870**	18,870	18,194	16,539	14.1
Practice finance loans to AMP aligned advisers (A$m)	**575**	575	583	581	(1.0)
Mortgages – existing business weighted average loan to value ratio (LVR)	**67%**	67%	67%	68%	n/a
Mortgages – 90+ days in arrears	**0.36%**	0.36%	0.48%	0.43%	n/a
Total deposits (A$m)	**12,383**	12,383	12,435	11,549	7.2
Deposit to loan ratio	**64%**	64%	66%	67%	n/a
Loan impairment expense to average gross loans and advances	**0.02%**	0.03%	0.02%	0.04%	n/a
Total loan provisions to gross loans and advances	**0.08%**	0.08%	0.08%	0.08%	n/a
Cost to income ratio	**28.6%**	28.2%	29.0%	28.5%	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$250m of eligible 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)	**FY 17**	**FY 16**	**FY 17**	**FY 16**	**FY 17**	**FY 16**	**FY 17**	**FY 16**
Balance at beginning of period	5,173	4,106	5,594	4,791	782	721	17,120	15,193
Net movement	5	1,067	785	803	44	61	2,325	1,927
Balance at end of period	**5,178**	**5,173**	**6,379**	**5,594**	**826**	**782**	**19,445**	**17,120**
% FY 17/FY 16	0.1%		14.0%		5.6%		13.6%	

AMP Bank funding composition (A$b)	2H 17		1H 17		FY 16	
Customer deposits	12.4	56%	12.4	59%	11.5	61%
Securitisation	4.4	20%	3.8	18%	3.1	17%
Wholesale funding	4.3	19%	3.7	18%	3.3	17%
Subordinated debt	0.3	1%	0.2	1%	0.2	1%
Equity and reserves	0.9	4%	0.9	4%	0.8	4%
Total funding	**22.3**	**100%**	**21.0**	**100%**	**18.9**	**100%**

AMP Bank cont'd

Business overview

AMP Bank is an Australian retail bank offering residential mortgages, deposits, transactional banking, and SMSF products for around 100,000 customers. It also has a small portfolio of practice finance loans supporting AMP's adviser network. AMP Bank distributes through brokers, AMP advisers, and direct to retail customers via phone and internet banking.

As the banking arm of a wealth manager, AMP Bank's role is to leverage and grow the group's customer base and support customer goals through providing banking solutions to both advised and non-advised customers as well as providing finance to AMP Advice businesses. In aligning with this strategic imperative, AMP Bank's priorities are to:

- build a superior advice and broker support network and proposition
- deliver compelling customer-centric banking propositions to AMP group target customer segments
- make banking easier for customers by investing in technology and service excellence
- leverage AMP group investments to build out capabilities in direct and digital
- maintain a conservative risk appetite and continue to invest in risk management capabilities
- continue to optimise AMP Bank's funding sources.

Operating earnings

Operating earnings increased A$20m (17%) to A$140m in FY 17 from FY 16.

Total revenue increased 17% in FY 17 from FY 16, primarily driven by growth in the loan portfolio. Net interest margin was 1.70% for FY 17, which was 3 basis points higher than in FY 16 due to repricing initiatives.

AMP Bank's Return on Capital was 16.5% in FY 17, a decrease of 0.2 percentage points from FY 16. This was largely due to the strengthening of the Bank's capital position to support strong loan growth.

Lending

AMP Bank maintained a competitive lending position, with the total loan book growing by A$2.3b (14%) to A$19.4b in FY 17. Loan growth was slowed during the second half in response to regulatory requirements.

Residential mortgage competition, particularly in the owner occupied market, remained intense. Within this environment, AMP Bank delivered residential mortgage book growth of A$2.3b in FY 17 to A$18.9b (an increase of 14% from FY 16), driven by growth in owner occupied 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.

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

The practice finance loan portfolio remained relatively steady during the year, at A$575m for FY 17, reflecting the maturity of this book and a shift to a higher portion of principal and interest business. The practice finance loan portfolio reflects the Bank's commitment to supporting the growth and development of the financial planning businesses of the AMP group.

AMP Bank's credit policy is conservative and has remained so during the year. Asset quality remains strong, with mortgages in arrears (90+ days) at 0.36% as at December 2017. Loan impairment expense to average gross loans and advances was 0.02% in FY 17, reflecting the conservative underwriting standards and ensuring that the portfolio of AMP Bank is well positioned for the future.

Variable and controllable costs

The Bank's variable costs increased by A$15m in FY 17 to A$85m, reflecting strong residential loan growth.

AMP Bank's controllable costs increased A$11m (16%) from FY 16 to A$80m in FY 17 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 FY 17 also include additional costs following the reallocation of shared and indirect costs associated with Australian wealth protection's reduced contribution to Group earnings. This change was implemented in 2H 17.

The cost to income ratio increased by 0.1 percentage points from FY 16 to 28.6% in FY 17, reflecting increased residential loan growth and further investment in the business.

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$22.3b at FY 17 (A$18.9b at FY 16).

Customer deposits increased in FY 17 by A$0.8b (7%) from FY 16, primarily from retail deposits. Deposit to loan ratio was 64% for FY 17, compared with 67% for FY 16.

AMP Bank maintains a diversified liquidity portfolio and has adequate high quality liquid assets, in accordance with Basel III liquidity requirements. As at FY 17, AMP Bank's liquidity coverage ratio was 126% (144% at FY 16). AMP Bank is now operating under the Net Stable Funding Ratio (NSFR) requirements effective from 1 January 2018.

The Capital Adequacy Ratio was 15.2% as at FY 17 (12.6% at FY 16). The Common Equity Tier 1 Capital Ratio (CET1) for FY 17 was 9.7% (8.3% at FY 16). The increase in AMP Bank's CET1 Capital ratio has been largely driven by its desire to strengthen its capital position given the regulatory landscape.

AMP Bank capital ratios were elevated at FY 17 due to the completion of a A$1.1b securitisation in December 2017.

Australian wealth protection

Profit and loss (A$m)	FY 17	2H 17	1H 17	FY 16	% FY
Profit margins	**99**	50	49	175	(43.4)
Experience profits/(losses)	**4**	4	-	(105)	n/a
Capitalised (losses)/reversals and other one-off experience items	**7**	4	3	(485)	n/a
Operating earnings	**110**	58	52	(415)	n/a
Underlying investment income	**27**	14	13	44	(38.6)
Underlying operating profit after income tax	**137**	72	65	(371)	n/a
Ratios and other data					
RoBUE	**9.7%**	10.0%	9.4%	(16.6%)	n/a
End period tangible capital resources – after transfers (A$m)	**782**	782	1,418	1,501	(47.9)
VNB (5% dm) (A$m)	**(18)**	(19)	1	12	n/a
EV – after transfers (5% dm) (A$m)	**1,376**	1,376	2,165	2,284	(39.8)
Return on EV before transfers (5% dm)[1]	**(6.9%)**	(8.0%)	1.1%	(22.9%)	n/a
Individual risk API (A$m)	**1,535**	1,535	1,490	1,522	0.9
Group risk API (A$m)	**376**	376	440	442	(14.9)
Total WP cash inflows (A$m)	**1,870**	916	954	1,895	(1.3)
Total WP cash outflows (A$m)	**(902)**	(457)	(445)	(970)	7.0
Individual risk lapse rate	**14.2%**	14.9%	13.4%	13.9%	n/a
Profit margins/annual premium	**5.1%**	5.2%	5.1%	8.9%	n/a
Operating earnings/annual premium	**5.7%**	6.0%	5.4%	n/a	n/a
Controllable costs (A$m)	**150**	70	80	165	(9.1)
Cost to income ratio	**43.2%**	40.2%	46.3%	n/a	n/a
Controllable costs/annual premium	**7.8%**	7.2%	8.3%	8.4%	n/a

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

	3% dm	**4% dm**	**5% dm**
Australian wealth protection embedded value and value of new business (A$m)	**FY 17**	**FY 17**	**FY 17**
Embedded value as at FY 16	2,484	2,379	2,284
Expected return	139	152	164
Investment markets, bond yields and currency	(49)	(48)	(48)
Claim and persistency assumptions, product and other	(316)	(285)	(256)
Value of new business (VNB)	(10)	(14)	(18)
Net transfers out[1]	(750)	(750)	(750)
Embedded value as at FY 17	**1,498**	**1,434**	**1,376**
Return on embedded value as at FY 17	(9.5%)	(8.2%)	(6.9%)

1 Includes the capital release related to the amalgamation of AMP Life and NMLA.

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 improved by A$525m to A$110m in FY 17 from FY 16, with improved experience more than offsetting lower profit margins.

Profit margins

Profit margins fell by A$76m (43%) from FY 16 to A$99m in FY 17, largely due to the strengthening of assumptions at FY 16, the implementation of a 50% quota share reinsurance arrangement with Munich Reinsurance Company of Australasia (Munich Re) on 1 November 2016 and the implementation of a second tranche of reinsurance transactions on 1 November 2017 with General Reinsurance Life Australia Limited (Gen Re) and Munich Re. Total reinsurance cover on AMP's retail book is now equivalent to 65% of individual risk API.

The impact of assumption changes and reinsurance arrangements were partially offset by a reduction in controllable costs.

FY 17 profit margins as a percentage of average API decreased 3.8 percentage points from FY 16 to 5.1% in FY 17.

FY 18 profit margins are expected to reduce to approximately A$70m mainly due to the new reinsurance agreements.

Experience

The WP business recorded experience profits of A$4m in FY 17, compared with experience losses of A$105m in FY 16. This FY 17 outcome represented a performance largely in line with expectations.

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

Capitalised loss reversals and other one-off experience items of A$7m in FY 17 were due to repricing initiatives and lower expenses, partly offset by increased reinsurance costs and minor capitalised losses following the loss of a large group plan.

The accumulated capitalised loss position at 31 December 2017 was A$491m. 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 A$13m from FY 16 to A$1,535m at FY 17. The small increase in API relative to FY 16 was largely due to repricing and the annual benefit from Consumer Price Index (CPI) and age premium increases on risk policies.

In FY 17, 48% of in-force and 56% of new business was written within superannuation platforms.

FY 17 individual risk API comprised lump sum insurance (73%) and income protection (27%). Lump sum insurance was 64% term life and 36% disability (trauma and TPD).

Group risk API decreased A$66m to A$376m in FY 17 from FY 16 and decreased A$64m from 1H 17 largely due to the loss of a large Group plan. The impact of losing this plan on profit margins was immaterial.

Lapse rates

FY 17 lapse rates of 14.2% increased 0.3 percentage points from FY 16. 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$150m in FY 17, down A$15m (9%) from FY 16, 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 0.6 percentage points from FY 16 to 7.8% in FY 17, reflecting the lower controllable costs.

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

FY 17 EV fell by 6.9% before transfers at the 5% discount margin to A$2,126m. The decline in FY 17 was largely the result of the implementation of the second reinsurance agreement with Gen Re and Munich Re which took effect from 1 November and economic and other impacts.

FY 17 VNB decreased A$30m to -A$18m, largely due to lower sales volumes and the implementation of reinsurance agreements with Gen Re and Munich Re.

New Zealand financial services

Profit and loss (A$m)	FY 17	2H 17	1H 17	FY 16	% FY
Wealth protection	**40**	20	20	42	(4.8)
Wealth management	**44**	22	22	40	10.0
Mature	**21**	11	10	20	5.0
General insurance	**10**	5	5	10	-
Total profit margins	**115**	58	57	112	2.7
Experience profits/(losses)	**10**	2	8	14	(28.6)
Operating earnings[1]	**125**	60	65	126	(0.8)
Underlying investment income	**14**	7	7	19	(26.3)
Underlying operating profit after income tax	**139**	67	72	145	(4.1)
Ratios and other data					
RoBUE	**17.0%**	16.3%	17.7%	16.9%	n/a
End period tangible capital resources – after transfers (A$m)	**817**	817	809	818	(0.1)
VNB (5% dm) (A$m)	**4**	5	(1)	(2)	n/a
EV – after transfers (5% dm) (A$m)	**1,399**	1,399	1,396	1,419	(1.4)
Return on EV before transfers (5% dm) (A$m)[2]	**3.8%**	0.3%	3.5%	15.6%	n/a
Individual risk API (A$m)	**271**	271	285	288	(5.9)
Individual risk API (NZ$m)	**298**	298	299	299	(0.3)
Group risk API (A$m)	**41**	41	38	39	5.1
Group risk API (NZ$m)	**45**	45	40	40	12.5
Individual risk lapse rate	**11.3%**	11.9%	10.6%	11.1%	n/a
Controllable costs (A$m)	**74**	36	38	80	(7.5)
Cost to income ratio	**27.8%**	28.5%	27.2%	28.4%	n/a
Controllable costs/annual premium[3]	**23.8%**	23.6%	23.3%	24.5%	n/a

1 In NZ dollar terms, operating earnings in FY 17 was NZ$135m (FY 16 NZ$134m).
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)	**FY 17**	**FY 16**	**FY 17**	**FY 16**	**FY 17**	**FY 16**
AUM at beginning of period	4,215	3,650	10,895	10,256	15,110	13,906
Cash inflows	679	644	978	1,084	1,657	1,728
Cash outflows	(403)	(370)	(1,049)	(986)	(1,452)	(1,356)
Net cashflows	**276**	**274**	**(71)**	**98**	**205**	**372**
Other movements in AUM	132	291	270	541	402	832
AUM at end of period	**4,623**	**4,215**	**11,094**	**10,895**	**15,717**	**15,110**
Composition of net cashflows by product						
Superannuation	276	274	(10)	181	266	455
Pension	-	-	(4)	(4)	(4)	(4)
Investment	-	-	(82)	(129)	(82)	(129)
Other	-	-	25	50	25	50

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

	3% dm	4% dm	5% dm
New Zealand financial services embedded value and value of new business (A$m)	**FY 17**	**FY 17**	**FY 17**
Embedded value as at FY 16	1,576	1,492	1,419
Expected return	79	85	90
Investment markets, bond yields and currency	(25)	(30)	(35)
Claim and persistency assumptions, product and other	(9)	(7)	(5)
Value of new business (VNB)	9	6	4
Net transfers out[1]	(74)	(74)	(74)
Embedded value as at FY 17	**1,556**	**1,472**	**1,399**
Return on embedded value as at FY 17	3.4%	3.6%	3.8%

1 Includes the capital release related to the amalgamation of AMP Life and NMLA.

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 leader in advice and in providing support to advisers.

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

Operating earnings

In NZ$ terms, operating earnings increased by NZ$1m (1%) to NZ$135m as a result of higher profit margins, partially offset by lower experience profits. In A$ terms, operating earnings decreased by A$1m (1%) following the depreciation of the NZ$ relative to the A$.

Profit margins

FY 17 profit margins improved by A$3m (3%) from FY 16, reflecting lower controllable costs, improved wealth management profit margins driven by higher AUM and lower variable costs, partially offset by lower wealth protection profit margins.

Experience profits

FY 17 experience profits were A$10m, a reduction of A$4m from FY 16.

The A$10m of experience profits achieved in FY 17 included positive claims experience from continued focus on helping customers return to work.

2H 17 experience profits were impacted by a small number of higher value term life claims.

Controllable costs

FY 17 controllable costs decreased by A$6m (8%) to A$74m from FY 16. In NZ$ terms, FY 17 controllable costs decreased by NZ$5m (6%) from FY 16. NZFS remains focused on cost control, taking opportunities to reduce costs across the business, including business reorganisation and product simplification.

The cost to income ratio improved by 0.6 percentage points from FY 16 to 27.8% in FY 17 as a result of lower controllable costs.

Cashflows and AUM

FY 17 NZFS net cashflows decreased by A$167m (45%) to A$205m from FY 16, primarily driven by the non-recurrence of net cashflows of A$215m in FY 16 related to managers choosing to transfer balances to NZFS rather than enter the updated regulatory regime required by changes to the Financial Markets Conduct Act.

In NZ$ terms, FY 17 AUM of NZ$17.3b increased NZ$1,594m (10%) from FY 16, reflecting positive market performance and net cashflows. In A$ terms, FY 17 AUM increased A$607m to A15.7b, impacted partly by the depreciation of the closing NZ$ against the A$ (FX impact is A$1,020m).

KiwiSaver is a key growth engine for the wealth management business. NZFS is one of the largest KiwiSaver providers with 11%[1] of the total KiwiSaver market as at 30 September 2017 and had approximately 231,000 KiwiSaver customers. At FY 17, KiwiSaver reached NZ$5.1b in AUM, an increase of 16% from FY 16.

Annual premium in-force (API)

In NZ$ terms, total API in FY 17 increased by NZ$4m from FY 16 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$15m to A$312m due to the NZ$ depreciation (FX impact is A$18m).

Lapse rates

FY 17 lapse rates were 11.3%, up slightly from 11.1% in FY 16.

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

FY 17 EV increased 3.8% (in A$) before transfers at the 5% discount margin to A$1,473m. The increase in the expected return was partly offset by the impact of a depreciating NZ$ against the A$.

1 Measured by AUM. Source: FundSource Limited September 2017.

Australian mature

Profit and loss (A$m)	FY 17	2H 17	1H 17	FY 16	% FY
Profit margins	**143**	70	73	149	(4.0)
Experience profits/(losses)	**7**	5	2	2	250.0
Operating earnings	**150**	75	75	151	(0.7)
Underlying investment income	**13**	7	6	16	(18.8)
Underlying operating profit after income tax	**163**	82	81	167	(2.4)
Ratios and other data					
RoBUE	**31.7%**	30.5%	33.0%	35.9%	n/a
End period tangible capital resources – after transfers (A$m)	**488**	488	504	452	8.0
VNB (5% dm) (A$m)	**7**	4	3	4	75.0
EV – after transfers (5% dm) (A$m)	**1,790**	1,790	1,801	1,788	0.1
Return on EV before transfers (5% dm)[1]	**11.1%**	6.5%	4.3%	8.4%	n/a
Profit margins to AUM (bps)[2]	**68**	67	70	69	(1.4)
Persistency	**89.9%**	89.7%	90.1%	91.0%	n/a
Controllable costs (A$m)	**49**	25	24	54	(9.3)
Cost to income ratio	**17.4%**	17.6%	17.1%	18.4%	n/a
Controllable costs to AUM (bps)[2]	**23**	24	23	25	(8.0)

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)	FY 17	FY 16
AUM at beginning of period	21,182	21,856
Cash inflows	584	564
Cash outflows	(2,134)	(1,977)
Net cashflow	**(1,550)**	**(1,413)**
Other movements in AUM	1,066	739
AUM at end of period	**20,698**	**21,182**
Composition of net cashflows by product		
Superannuation	(832)	(664)
Pension	(177)	(189)
Investment	(81)	(80)
Other	(460)	(480)

	3% dm	4% dm	5% dm
Australian mature embedded value and value of new business (A$m)	**FY 17**	**FY 17**	**FY 17**
Embedded value as at FY 16	1,977	1,876	1,788
Expected return	97	106	113
Investment markets, bond yields and currency	90	84	79
Claim and persistency assumptions, product and other	6	3	-
Value of new business (VNB)	8	7	7
Net transfers out[1]	(197)	(197)	(197)
Embedded value as at FY 17	**1,981**	**1,879**	**1,790**
Return on embedded value as at FY 17	10.2%	10.7%	11.1%

1 Includes the capital release related to the amalgamation of AMP Life and NMLA.

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 (76%) and market linked products (24%).

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.

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

Operating earnings

FY 17 operating earnings of A$150m decreased A$1m from FY 16 due to:
– the expected portfolio run-off (-A$9m)
offset by
– improved experience (A$5m)
– investment markets (A$2m)
– lower controllable costs (A$1m)

AUM

FY 17 Australian mature AUM was A$20.7b, down from A$21.2b in FY 16 due to the natural run-off of the business, partly offset by investment gains.

Australian mature net cash outflows increased by A$137m in FY 17 to A$1,550m. FY 17 persistency declined 1.1 percentage points to 89.9% from FY 16, reverting to long-term levels.

Controllable costs

Controllable costs decreased A$5m to A$49m in FY 17, reflecting the run-off of the book and ongoing business efficiencies. Relative to FY 16, controllable costs to AUM improved 2 bps to 23 bps at FY 17.

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

FY 17 EV before transfers at the 5% discount margin increased 11.1% to A$1,987m. Apart from the expected return, the increase was primarily due to positive investment markets.

FY 17 VNB of A$7m was A$3m higher than in FY 16 due to lower costs.

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 31 December 2017, AMP had in place derivative strategies against the A$5.9b 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 FY 17, the impact of this was immaterial.

Group Office

A$m	FY 17	2H 17	1H 17	FY 16	% FY
Group Office costs not recovered from business units	**(74)**	(41)	(33)	(104)	28.8
Underlying investment income on Group Office capital	**25**	9	16	22	13.6
Interest expense on corporate debt	**(53)**	(27)	(26)	(59)	10.2
Other items	**(21)**	(12)	(9)	(9)	(133.3)
Portfolio review and related costs	**(24)**	(24)	-	-	n/a
Business efficiency program costs	**-**	-	-	(19)	n/a
Amortisation of AXA acquired intangible assets	**(80)**	(37)	(43)	(77)	(3.9)
Goodwill impairment	**-**	-	-	(668)	n/a
Market adjustment – investment income	**(39)**	(16)	(23)	(46)	15.2
Market adjustment – annuity fair value	**4**	3	1	(8)	n/a
Market adjustment – risk products	**(18)**	(10)	(8)	11	n/a
Accounting mismatches	**(14)**	(8)	(6)	(14)	-
Interest expense summary					
Average volume of corporate debt	**1,617**	1,636	1,599	1,620	
Weighted average cost of corporate debt	**4.58%**	4.62%	4.54%	5.11%	
Tax rate	**29%**	29%	28%	29%	
Interest expense on corporate debt[1]	**53**	27	26	59	
Franking credits					
AMP dividend franking credits at face value at end of period[2]	**275**	275	356	342	
Staff numbers	**924**	924	954	920	0.4

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 final dividend (90%), the balance of franking credits will be A$112m.

Group Office costs not recovered from business units

FY 17 Group Office costs not recovered from business units were A$74m, down from A$104m in FY 16, reflecting lower business restructure costs. Group Office costs in FY 17 also include the reallocation of shared and indirect costs associated with WP's reduced contribution to Group earnings. This change was implemented in 2H 17.

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$25m in FY 17, up from A$22m in FY 16, reflecting higher average levels of Group Office shareholder assets in 1H 17, including the contribution from the capital released from Australian wealth protection to Group Office after the reinsurance agreement with Munich Re, which took effect on 1 November 2016.

Underlying investment income reflects assumed after-tax returns of 2.5% on Group Office capital, which was reduced from 3.0% in 2016.

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 contribution was immaterial to the Group net profit in FY 17.

Interest expense on corporate debt

FY 17 interest expense on corporate debt was A$53m, down from A$59m in FY 16. This reduction resulted predominantly from a lower weighted average cost of debt.

The average volume of corporate debt decreased to A$1,617m in FY 17 (A$1,620m in FY 16).

The weighted average cost of debt in FY 17 was 4.58%, down from 5.11% in FY 16. This was primarily due to lower interest rates and a reduction in subordinated debt following redemption of the AXA Notes in FY 16.

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

Other items

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.

Portfolio review and related costs

FY 17 portfolio review and related costs were A$24m and relate to progress of a portfolio review of the Australian wealth protection, Mature and New Zealand financial services businesses.

Group Office cont'd

Amortisation of AXA acquired intangible assets

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 FY 17 was A$0.5b.

FY 17 amortisation of AXA acquired intangible assets was A$80m. Amortisation of AXA acquired intangibles for FY 18 is expected to be approximately A$79m.

In addition to the AXA acquired intangibles, amortisation of the Advice equity purchases and SMSF business acquisitions will also be included in this line item from FY 18 onwards. The FY 18 amortisation is expected to be approximately A$15m.

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 FY 17 market adjustment – investment income was -A$39m (FY 16 -A$46m), 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 FY 17.

Market adjustment – annuity fair value

FY 17 market adjustment – annuity fair value was A$4m (FY 16 -A$8m). The impact of movements in credit spreads and liquidity margins over FY 17 was immaterial.

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 (11%), semi-government bonds (39%) and corporate bonds (50%). 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 FY 17, there were no asset defaults.

The portfolio credit rating composition is AAA (35%), AA (28%), A (26%) and BBB (11%). Corporate bond exposures are AA (20%), A (63%) and BBB (17%).

Market adjustment – risk products

FY 17 market adjustment – risk products was -A$18m (FY 16 A$11m) due to decreasing bond yields.

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 FY 17, 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) (FY 17 -A$13m, FY 16 +A$8m)
- investments in controlled entities (FY 17 -A$2m, FY 16 -A$22m)
- superannuation products invested with AMP Bank (FY 17 A$1m, FY 16 nil).

Capital management

31 December 2017

A$m	Total AMP group[1]	AMP Life[2,3]	AMP Bank	AMP Capital	Group Office[3,4]	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

31 December 2016

A$m	Total AMP group[1]	AMP Life & NMLA[11]	AMP Bank	AMP Capital	Group Office	Other
Total capital resources[5]	**9,051**	3,167	722	450	2,265	2,447
Intangibles[6]	**(3,231)**	(517)	(83)	(193)	(490)	(1,948)
Tangible capital resources	**5,820**	2,650	639	257	1,775	499
Senior debt[7]	**(611)**				(611)	
Subordinated debt not eligible as regulatory capital in AMP group[8]	**(868)**				(868)	
Other deductions[9]	**(738)**	(698)	(40)	-	-	-
Level 3 eligible capital	**3,603**	1,952	599	257	296	499
Shareholder minimum regulatory capital requirements (MRR)[10]	**1,408**	796	327	89	66	130
Level 3 eligible capital above MRR	**2,195**	1,156	272	168	230	369

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 31 December 2017, A$600m of this contributed to meeting the regulatory capital requirements of AMP Bank and AMP Life.

11 31 December 2016 shows a combined AMP Life and NMLA position before completion of the Life Company merger on 1 January 2017.

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. AMP aims to maintain and steadily grow dividends over time.

Capital position

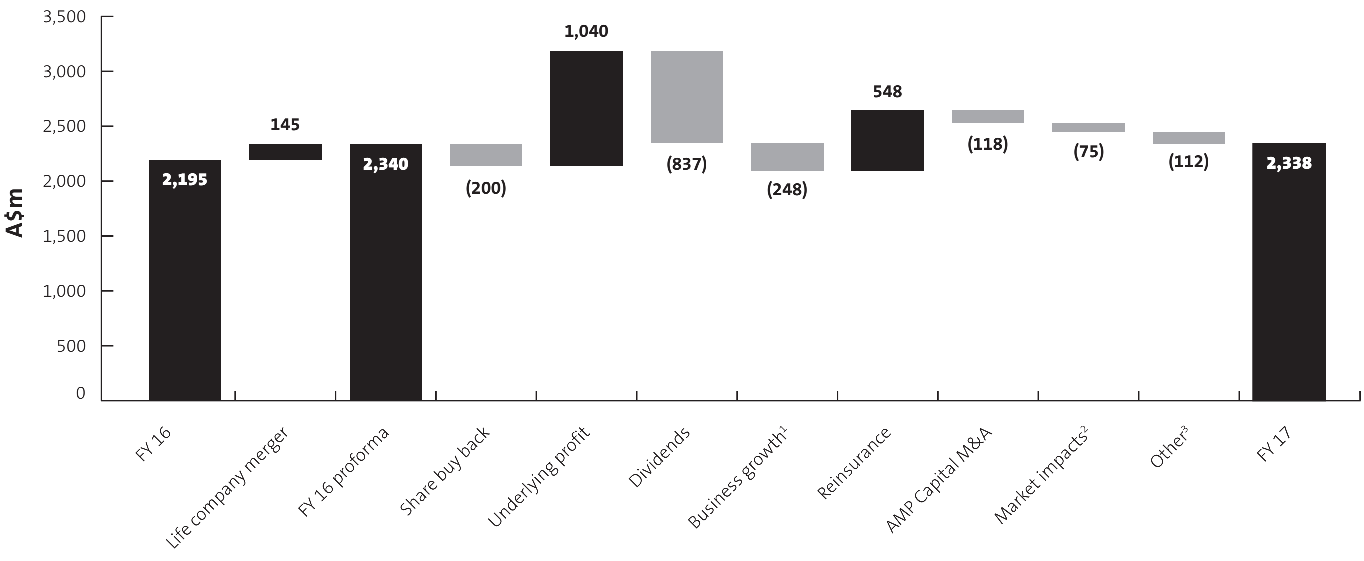
At 31 December 2017, Level 3 eligible capital above MRR was A$2,338m (A$2,195m at 31 December 2016), representing a ratio of 2.7x MRR (compared to 2.6x MRR at 31 December 2016). After allowing for the declared dividend, Level 3 eligible capital above MRR reduces to A$1,915m, representing a ratio of 2.4x MRR.

The increase in Level 3 eligible capital above MRR was predominantly driven by the capital released within the Australian wealth protection business from the reinsurance agreements with Gen Re and Munich Re which commenced on 1 November 2017, partly offset by capital used for business growth, M&A, and the on market share buy back undertaken during 1H 17.

The Level 3 eligible capital above MRR of A$1,915m (after allowing for the FY 17 dividend) consists of A$828m related to the life insurance participating business and A$1,087m 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$828m 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.

Movement from FY 16 to FY 17 Level 3 eligible capital above MRR



1 Primarily capital requirements for growth in AMP Bank and adviser register purchases and AUM growth.

2 Includes the impact of markets on reported profits, foreign exchange movements, defined benefit funds and AMP Life (net of hedging).

3 Includes the impact of other profit items and tax adjustments related to the netting of deferred tax balances.

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$2,312m at 31 December 2017 (A$2,248m at 31 December 2016).

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.

Final 2017 dividend

AMP's final 2017 dividend is 14.5 cents per share, franked to 90%. This results in a FY 17 dividend payout ratio of 81% of underlying profit. AMP will continue to offer the DRP to eligible shareholders. For the 2017 final dividend, no discount will apply to the DRP allocation price. AMP intends to neutralise the impact of the DRP by acquiring shares on-market to satisfy any entitlements under 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$4,314m) comprise direct shareholder funds (A$3,736m) where the shareholder can determine the asset mix and co-mingled shareholder funds (A$578m) 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 approximately 25% in government exposures and 75% in corporate exposures. Corporate exposures are invested in AAA (20%), AA (26%), A (40%), BBB (14%) and sub-investment grade and unrated (less than 1%). At 31 December 2017, 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. Implicit DAC at FY 17 fell to A$0.6b (A$0.1b in Australia and A$0.5b in New Zealand) from A$1.2b at FY 16, largely due to the implementation of the reinsurance deals with Munich Re and Gen Re. Implicit DAC funds the upfront costs associated with acquiring new risk insurance business. The implicit DAC generates an investment return equivalent to a one year government bond.

Capital management cont'd

Capital resources (A$m)	31 December 2017	31 December 2016
Contributed equity	**9,376**	9,619
Equity contribution reserve	**1,019**	1,019
Other reserves	**557**	595
Retained earnings	**(165)**	(186)
Demerger loss reserve	**(3,585)**	(3,585)
Total equity of shareholders of AMP Limited	**7,202**	7,462
Accounting mismatches, cashflow hedge reserve and other adjustments	**74**	27
AMP shareholder equity	**7,276**	7,489
Less: goodwill and other intangibles[1]	**(3,475)**	(3,231)
Less: other deductions[2]	**(173)**	(738)
Plus: subordinated debt eligible as Level 3 capital[3]	**83**	83
Level 3 eligible capital	**3,711**	3,603

Total capital resources by asset class (A$m)	31 December 2017	31 December 2016
International equities	**79**	45
Australian equities	**104**	73
Property	**43**	79
International fixed interest	**89**	21
Australian fixed interest	**672**	477
Cash[4]	**2,717**	3,155
Implicit DAC	**610**	1,211
Total shareholder funds	**4,314**	5,061
Other[5]	**1,168**	759
Tangible capital resources	**5,482**	5,820
Intangibles	**3,475**	3,231
Total capital resources	**8,957**	9,051

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$776m, corporate subordinated debt on-lent to AMP Bank of A$140m, A$198m of seed and sponsor capital assets plus A$54m 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 FY 17 is 2.5% pa (reduced from 3.0% in FY 16) and is based on the long-term target asset mix and assumed long-term rates of return. A rate of 2.5% will also apply in 2018. The investment return equivalent to a one year government bond of 1.3% pa after tax is being applied to the implicit DAC for 2018 (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

	31 December 2017			31 December 2016		
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**	-	-	**-**
AMP Bank subordinated debt	-	-	**-**	-	150	**150**
Total subordinated debt	951	250	**1,201**	951	150	**1,101**
Commercial paper, NCDs and repos	230	2,058	**2,288**	111	1,358	**1,469**
Domestic medium-term notes	-	2,200	**2,200**	-	1,900	**1,900**
Drawn syndicated loan	500	-	**500**	500	-	**500**
Total senior debt	730	4,258	**4,988**	611	3,258	**3,869**
Deposits	-	12,383	**12,383**	-	11,549	**11,549**
Total debt	1,681	16,891	**18,572**	1,562	14,957	**16,519**
Corporate gearing ratios						
S&P gearing	**9%**			9%		
Interest cover – underlying (times)[6]	**20.6**			9.2		
Interest cover – actual (times)[6,7]	**17.0**			6.5		

	Corporate debt by year of repayment[8]					
A$m	**0–1 year**	**1–2 years**	**2–5 years**	**5–10 years**	**10+ years**	**Total**
Total corporate debt at 31 December 2017	**555**	**-**	**1,126**	**-**	**-**	**1,681**
Total corporate debt at 31 December 2016	111	575	793	83	-	1,562

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 Calculated on a rolling 12 month basis. The 31 December 2016 comparative includes one-off experience losses of A$485m incurred in 2H 16.

7 Calculated on a rolling 12 month basis. The 31 December 2016 comparative excludes A$668m goodwill impairment incurred in 2H 16.

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

Corporate debt

Corporate debt increased by A$119m to A$1,681m during FY 17 due to higher commercial paper and euro-commercial paper. At 31 December 2017, 20% of corporate debt was effectively at fixed rates.

At 31 December 2017, AMP's liquidity comprised A$455m of group cash (including short-term investments) and an undrawn syndicated loan of A$400m.

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 31 December 2017, total securitised funds were A$4.4b. AMP Bank has access to a A$750m warehouse facility with Bank of Tokyo-Mitsubishi UFJ, Ltd (MUFG: Bank).

Sensitivities – profit, capital and embedded value

FY 17 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)**	**(8)**
10% increase in international equities	8	-	-	2	3	3		**16**	**6**
10% decrease in international equities	(8)	-	-	(2)	(3)	(3)		**(16)**	**(7)**
10% increase in property	2	-	-	1	1	3		**7**	**3**
10% decrease in property	(2)	-	-	(1)	(1)	(3)		**(7)**	**(4)**
1% (100 bps) increase in 10 year Australian bond yields	(1)	-	-	4	-	(1)		**2**	**(37)**
1% (100 bps) decrease in 10 year Australian bond yields	1	-	-	(4)	-	1		**(2)**	**34**
1% increase in cash rate	-	-	-	-	-	-		**-**	**23**
1% decrease in cash rate	-	-	-	-	-	-		**-**	**(23)**
Business variables									
5% increase in AUM/AMP Bank total mortgage balances	15	5	-	5	4			**29**	
5% increase in sales volumes	3	2	-	-	-			**5**	
1% increase in persistency	4	-	6	(2)	4			**12**	
1 bp increase in AMP Bank net interest margin	-	2	-	-	-			**2**	
5% increase in (AMP Capital) external AUM						4		**4**	
5% increase in (AMP Capital) internal AUM						4		**4**	
5% reduction in controllable costs	17	3	5	2	3	12	4	**46**	

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 FY 17 position, ie not 'forward looking', and make no allowances for events subsequent to 31 December 2017, and
- in general, for profit sensitivities, they assume the movement occurs evenly over the year; for capital sensitivities, they assume the movement occurs at 31 December 2017.

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 FY 17.
- Investment income sensitivity is based on the amount of investments held at 31 December 2017.
- 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 FY 17 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 FY 17 operating earnings than set out in the table above.

The sensitivities are based on the FY 17 position and are not forward looking. If using the sensitivities as forward looking (eg applying FY 17 profit sensitivities for FY 17 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 FY 17.

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 FY 17 total investment income (ie underlying investment income plus market adjustment – investment income).

The sensitivities are based on 31 December 2017 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 31 December 2017 (ASX 200 @ 6,065; Australian bond yields @ 2.6%)		1,083	2,338
Equity sensitivity	– 20% increase (ASX 200 @ 7,278)	75	95
	– 10% increase (ASX 200 @ 6,672)	40	50
	– 10% decrease (ASX 200 @ 5,459)	(45)	(60)
	– 20% decrease (ASX 200 @ 4,852)	(85)	(115)
Australian bond yields sensitivity	– 100 bps increase (Australian bond yields @ 3.6%)	20	40
	– 50 bps increase (Australian bond yields @ 3.1%)	15	25
	– 50 bps decrease (Australian bond yields @ 2.1%)	(25)	(40)
	– 100 bps decrease (Australian bond yields @ 1.6%)	(65)	(90)
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 31 December 2017, which may have a significant impact on these sensitivities.

Sensitivities – profit, capital and embedded value cont'd

EV and VNB sensitivities

FY 17 change in embedded value (A$m)	WM	WP	Australian mature	New Zealand financial services	Total
5% reduction in controllable costs	119	29	17	11	**176**
10% reduction in discontinuance rates	341	155	52	98	**646**
1% (100 bps) decrease in long-term bond yields	66	54	(61)	31	**90**
1% (100 bps) increase in long-term bond yields	(68)	(59)	51	(29)	**(105)**
10% increase in Australian equities	112	-	44	-	**156**
10% increase in international equities	75	-	26	21	**122**
1% reduction in investment fees	(98)	-	(5)	(6)	**(109)**
10% reduction in insured non-death claims	n/a	285	-	24	**309**
5% reduction in insured death claims	n/a	64	3	23	**90**

FY 17 change in value of new business (A$m)	WM	WP	Australian mature	New Zealand financial services	Total
5% reduction in controllable costs	15	5	-	2	**22**
10% reduction in discontinuance rates	25	11	1	3	**40**
1% (100 bps) decrease in long-term bond yields	6	1	-	1	**8**
1% (100 bps) increase in long-term bond yields	(6)	(1)	-	(1)	**(8)**
5% increase in sales (all costs variable)	8	(1)	-	-	**7**
5% increase in sales (acquisition controllable costs fixed)	15	2	-	2	**19**
1% reduction in investment fees	(4)	-	-	(1)	**(5)**
10% reduction in insured non-death claims	n/a	14	-	2	**16**
5% reduction in insured death claims	n/a	5	-	-	**5**

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 4%
- they are based on the FY 17 position, ie not 'forward looking', and make no allowance for events subsequent to 31 December 2017
- they are based on the FY 17 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 5% reduction in insured death claims is based on a 5% reduction in new insured death claims.

The 10% reduction in insured non-death claims 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	FY 17	FY 16
Australia	**2.6%**	2.8%
New Zealand	**2.8%**	3.4%

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

Risk premiums	FY 17	FY 16
Local equities[1]	**4.5%**	4.5%
International equities	**3.5%**	3.5%
Property and infrastructure[2]	**2.4%**	2.5%
Fixed interest[3]	**0.5%**	0.6%
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$16.0b) in Australia are:

Australian participating	FY 17	FY 16
Equities	**25%**	25%
Property and infrastructure	**13%**	13%
Fixed interest	**40%**	40%
Cash	**22%**	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		FY 17	FY 16
Australia	– CPI	**1.9%**	2.0%
Australia	– Expenses	**3.0%**	3.0%
New Zealand	– CPI	**1.7%**	1.5%
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 2016 include:

- strengthening persistency assumptions for legacy-NMLA Australian Retail Lump Sum products
- strengthening claims assumptions for legacy-NMLA Australian group risk products
- allowance for future planned WP price increases
- rebasing of New Zealand Retail and Group Income Protection business assumptions at the granular level on the new FSC Australian Disability Income Table.

Maintenance unit costs are derived from 2018 budgets. Allowance is made for future inflation, but potential 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 31 December 2017.

Acquisition costs for VNB are the actual costs incurred in FY 17.

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.

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.

	3% dm	4% dm	5% dm
Embedded value as at FY 17 (A$m)[1]	**10,659**	**10,090**	**9,593**
Embedded value comprises (A$m)			
Adjusted net assets[2]	1,587	1,587	1,587
Value of in-force business[3,4]	9,072	8,503	8,006

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 net assets (A$1,482m 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

	September 2017			September 2016		
	Total market size	Market position (rank)	Market share %	Total market size	Market position (rank)	Market share %
Market share – Australia (AUM) A$b						
Superannuation including rollovers[1,2]	405.5	1	25.5	366.9	1	25.5
Corporate superannuation master funds[3]	155.7	2	20.1	144.8	2	20.0
Retirement income[1]	202.2	2	18.0	200.4	2	18.2
Unit trusts (excluding cash management trusts)[1,2]	234.3	5	6.4	210.4	5	6.7
Total retail managed funds (excluding cash management trusts)[1,2]	849.3	1	18.3	784.9	1	18.4
Total in-force annual premiums – Australia (AUM) A$b[4]						
Individual risk	9.7	1	15.8	9.4	1	16.3
Group risk	6.4	7	6.9	6.2	6	7.1
Market share – New Zealand financial services (AUM) NZ$b						
Retail superannuation[5]	3.4	1	45.9	3.6	1	42.0
Unit trusts[5]	34.2	11	2.9	28.5	8	4.4
Insurance bonds[5]	0.6	3	22.1	0.5	3	23.7
Total retail funds[5]	82.4	4	9.1	69.2	4	10.4
Corporate superannuation[6]	7.4	1	41.9	6.7	1	40.7
KiwiSaver[5]	44.1	4	10.9	35.9	4	12.0
Total in-force annual premiums – New Zealand financial services (AUM) NZ$b[7]						
Individual risk	2.1	2	14.2	2.0	2	15.0
Conventional	0.1	1	79.6	0.1	1	79.2

1 Source: Fund Market Overview Retail – Marketer, Strategic Insight (Plan For Life), September 2017.
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), 30 September 2017.
4 Source: Risk Statistics, Risk Market Statistics, Strategic Insight (Plan For Life), September 2017.
5 Measured by AUM. Source: FundSource Limited September 2017 and September 2016.
6 Measured by AUM. Source: Eriksens Master Trust Survey September 2017 and September 2016.
7 Measured by in-force premium. Source: FSC Statistics September 2017 and September 2016.

Channel analysis

	Net cashflows			AUM			Adviser numbers		
Channel analysis (A$m)	FY 17	FY 16	% FY	FY 17	FY 16	% FY	FY 17	FY 16	% FY
AMP Financial Planning	462	477	(3.1)	60,535	57,294	5.7	1,454	1,534	(5.2)
AMP Horizons Academy and Practice	(25)	(31)	19.4	858	851	0.8	42	24	75.0
Hillross	218	150	45.3	14,756	13,769	7.2	317	337	(5.9)
Charter Financial Planning	680	281	142.0	23,024	21,541	6.9	715	791	(9.6)
ipac	(250)	(205)	(22.0)	7,496	7,646	(2.0)	159	153	3.9
Genesys Wealth Advisers	(3)	(7)	57.1	13	19	(31.6)	-	-	n/a
AMP Direct	(170)	(100)	(70.0)	5,633	5,348	5.3	5	9	(44.4)
Total (core licensees)	**912**	**565**	61.4	**112,315**	**106,468**	5.5	**2,692**	**2,848**	(5.5)
Jigsaw Support Services	4	(6)	n/a	1,115	1,028	8.5	134	109	22.9
SMSF Advice							41	130	(68.5)
Total (licensee services)	**4**	**(6)**	n/a	**1,115**	**1,028**	8.5	**175**	**239**	(26.8)
Corporate Super Direct	859	285	201.4	14,866	13,018	14.2			
Other	(159)	49	n/a	3,323	3,418	(2.8)			
Third-party distributors	(1,316)	(1,045)	(25.9)	19,305	18,383	5.0			
Digital	49	-	n/a	163	-	n/a			
Total Australia[1]	**349**	**(152)**	n/a	**151,087**	**142,315**	6.2	**2,867**	**3,087**	(7.1)
New Zealand financial services[2]	205	372	(44.9)	15,717	15,110	4.0	410	432	(5.1)
Total	**554**	**220**	151.8	**166,804**	**157,425**	6.0	**3,277**	**3,519**	(6.9)

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	363	17.5	(2.6)	15.9	1.5	n/a	n/a
Enhanced Index[3]	12,976	11.4	(0.7)	8.8	(0.1)	10.4	(0.1)
FD Australian Shares[4]	3,873	13.5	0.5	10.3	0.5	11.6	0.4
Fixed interest							
Wholesale Australian Bond Fund	3,105	4.1	-	3.4	(0.1)	4.7	-
Managed Treasury Fund	2,366	2.2	0.3	2.4	0.1	2.7	0.2
International							
Specialist International Shares Fund[4]	2,386	14.9	0.1	13.0	0.6	20.4	0.6
Enhanced Index International Shares	11,682	14.6	0.7	11.8	0.3	19.3	0.4
Global Listed Property[5]	5,856	9.1	0.1	6.4	(1.7)	10.8	(0.8)
Global Listed Infrastructure[5]	2,382	9.3	1.3	5.0	(1.1)	15.2	(0.5)
FD International Bonds	1,495	4.1	(0.4)	3.5	(1.4)	4.6	(1.2)
Real Estate (direct)[6]							
Wholesale Office[7]	5,458	13.9	(1.1)	13.7	(1.2)	11.4	(1.4)
Shopping Centres[7]	4,315	11.5	(0.8)	10.9	0.4	10.0	0.3
Diversified Property Fund[7]	6,022	10.6	(1.6)	9.8	(2.0)	n/a	n/a
Infrastructure (direct)							
Diversified Infrastructure Trust	1,155	14.7	7.6	13.8	6.7	14.1	6.6
Australia Pacific Airports Fund	381	21.5	9.5	21.2	9.2	21.7	9.7
Diversified							
Balanced Growth Option[8]	6,237	10.4	No	7.7	No	10.7	Yes
FD Balanced Fund[8]	5,540	11.0	No	8.6	No	11.4	Yes
MySuper 1970's[9]	5,542	12.8	1.2	9.6	1.2	n/a	n/a
Goal based							
Corporate Bond	1,666	4.0	0.3	3.8	(0.3)	4.8	0.3
Multi Asset Fund	1,386	8.9	1.5	7.2	(0.3)	8.6	0.9
Dynamic Markets Fund	1,611	6.3	(0.1)	4.5	(2.0)	8.0	1.3
Income Generator	1,927	6.4	(1.0)	6.4	0.5	8.8	1.4
Equity Income[10]	713	9.7	0.8	10.3	1.9	9.6	1.4

1 Absolute returns are annualised for periods greater than one year.
2 Excess return is measured against the client goal.
3 Following the announced repositioning of AMP Capital's equities business in October 2017, AUM previously managed within Core equities capabilities transitioned to Enhanced Index capabilities.
4 For this fund, two fund returns have been joined due to historical fund restructures.
5 AUM provided is the asset under management of the entire capability.
6 Calculated in accordance with the Mercer/IPD Pooled Property Fund Index methodology.
7 For this fund, AUM disclosed is the gross asset value.
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

		AMP FY 17	AMP FY 16	AMP FY 15	AMP FY 14	AMP FY 13
Earnings[1]						
Total operating earnings (A$m)		**998**	423	1,054	990	789
Underlying profit (A$m)		**1,040**	486	1,120	1,045	849
Profit attributable to shareholders of AMP Limited (A$m)		**848**	(344)	972	884	672
EPS – underlying (cps)[1]		**35.5**	16.4	37.9	35.3	28.8
EPS – actual (cps)		**29.3**	(11.7)	33.3	30.3	23.2
RoE – underlying		**14.3%**	5.6%	13.2%	12.7%	10.7%
RoE – actual		**11.7%**	(4.0%)	11.5%	10.8%	8.5%
Dividend						
Dividend per share (cps)		**29.0**	28.0	28.0	26.0	23.0
Dividend payout ratio – underlying[2]		**81%**	85%	74%	74%	80%
Franking rate[3]		**90%**	90%	90%	80%	70%
Ordinary shares on issue (m)[1]		**2,918**	2,958	2,958	2,958	2,958
Weighted average number of shares on issue (m)	– basic[1]	**2,930**	2,958	2,958	2,958	2,944
	– fully diluted[1]	**2,952**	2,976	2,978	2,983	2,973
	– statutory	**2,896**	2,929	2,918	2,920	2,900
Share price for the period (A$)	– low	**4.75**	4.42	5.30	4.12	4.21
	– high	**5.47**	5.96	6.79	5.93	5.67
Margins						
Australian wealth management investment related revenue to AUM (bps)		**101**	107	112	117	121
AMP Capital AUM based management fees to AUM (bps) – external[4]		**46.0**	47.0	45.4	45.2	48.0
Australian wealth protection profit margins/annual premium		**5.1%**	8.9%	10.1%	10.0%	11.2%
AMP Bank net interest margin (over average interest earning assets)		**1.70%**	1.67%	1.59%	1.41%	1.39%
Financial position						
AMP shareholder equity (A$m)		**7,276**	7,489	8,623	8,346	8,154
Corporate debt (excluding AMP Bank debt) (A$m)		**1,681**	1,562	1,801	1,458	1,974
S&P gearing		**9%**	9%	10%	10%	13%
Interest cover – underlying (times)[5]		**20.6**	9.2	20.0	14.6	12.3
Interest cover – actual (times)[5,6]		**17.0**	6.5	17.5	12.5	10.0
Cashflows and AUM						
Australian wealth management net cashflows (A$m)		**931**	336	2,213	2,281	2,166
Australian wealth management persistency		**89.2%**	90.2%	89.9%	89.1%	88.0%
AMP Capital net cashflows – external (A$m)		**5,477**	967	4,434	3,723	(1,039)
AMP Capital AUM (A$b)[4,7]		**188**	165	160	151	140
Non-AMP Capital managed AUM (A$b)[8]		**69**	75	66	63	57
Total AUM (A$b)[9]		**257**	240	226	214	197
Controllable costs (pre-tax) and cost ratios[10]						
Controllable costs (pre-tax) – AMP (A$m)		**1,361**	1,393	1,329	1,315	1,301
Cost to income ratio – AMP		**46.2%**	63.7%	43.8%	44.8%	49.4%
Controllable costs to average AUM (bps)		**55**	62	59	64	70
Staff numbers						
Total staff numbers[11]		**5,697**	5,464	5,420	5,407	5,913

1 The number of shares has not been adjusted to remove treasury shares.
2 FY 16 calculated based on underlying profit excluding capitalised losses and other one-off experience items.
3 Full year franking rate is the franking applicable to the final dividend for that year.
4 Excludes AMP Capital's share of PCCP.
5 Calculated on a rolling 12 month basis. FY 16 calculated including one-off experience losses of A$485m incurred in 2H 16.
6 Calculated on a rolling 12 month basis. FY 16 calculated excluding A$668m goodwill impairment incurred in 2H 16.
7 FY 17 includes A$10.3b of transitioned AUM.
8 FY 14 AUM adjusted for SuperConcepts AUA account consolidation.
9 Includes SuperConcepts assets under administration, refer to page 9.
10 2013 comparatives have been revised to reflect a reclassification of controllable costs to variable costs.
11 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

In January 2016, AMP announced a new business name and operating structure for its SMSF business unit. The name, 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, Multiport, JustSuper, 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
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
2016	FY 16	– closing	1.0384
		– average	1.0647

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

21 February 2018	Ex-dividend date for full year 2017 dividend (Australia and New Zealand)
22 February 2018	Record date for full year 2017 dividend
23 February 2018	Dividend reinvestment plan record date for full year 2017 dividend
27 February 2018 – 9 March 2018	Pricing period for full year 2017 dividend reinvestment plan
28 March 2018	Payment date for full year 2017 dividend
10 May 2018	First quarter 2018 cashflow and AUM announcement
10 May 2018	2018 Annual General Meeting
9 August 2018	Interim 2018 results
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 September 2018	Payment date for interim 2018 dividend
26 October 2018	Third quarter 2018 cashflow and AUM announcement

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Website

For additional 2017 full 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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