AMP Limited

ABN 49 079 354 519

Appendix 4E – Preliminary final report

Year ended 31 December 2016

Contents

Results for announcement to the market

for the year ended 31 December 2016

Financial results	31 Dec 2016 $m	31 Dec 2015 $m	% movement
Revenue from ordinary activities[1]	**14,799**	14,049	5%
(Loss) profit from ordinary activities after tax attributable to members	**(344)**	972	-135%
Net (loss) profit for the period attributable to members	**(344)**	972	-135%

1 Revenue from ordinary activities includes amounts attributable to shareholders, policyholders and external unitholders. The amount is the aggregate of life insurance contract related revenue including life insurance claims recovered from reinsurers of $3,033m (2015: $2,465m), fee revenue of $3,031m (2015: $2,941m), other revenue of $140m (2015: $133m), net investment gains of $8,567m (2015: $8,483m gain) and share of profit or (loss) of associates accounted for using the equity method $28m (2015: $27m).

Dividends	Amount per security (cents)	Franked amount per security (cents)
- Final dividend (payable) (franked to 90% at a tax rate of 30%)[1,2]	14.00	12.60
- Interim dividend (paid) (franked to 90% at a tax rate of 30%)	14.00	12.60
The record date to determine entitlements to the final dividend	23-Feb-2017	
The date the final dividend is payable	31-Mar-2017	

1 The unfranked component of the 2016 final dividend will be declared to be conduit foreign income.

2 AMP has a dividend reinvestment plan (DRP) under which shareholders who have a registered address in, and are residents of, Australia and New Zealand are invited to reinvest all or part of any dividends receivable in additional shares. The price of the shares under the plan will be the arithmetic average of the daily volume weighted average price per share of all shares sold in the ordinary course of trading on the ASX for the 10 trading days from 28 February 2017 to 13 March 2017, rounded to the nearest one cent. For the 2016 final dividend, no discount to the price will apply. AMP intends to acquire shares on-market to satisfy any entitlements under the DRP. Shares provided under the DRP will rank equally in all respects with existing fully paid AMP ordinary shares. The last date for receipt of election notes from shareholders wanting to commence, cease or vary their participation in the DRP for the 2016 final dividend is by 5:00pm (Australian Eastern Daylight Savings Time) on 24 February 2017.

Net tangible assets per ordinary share	31 Dec 2016 $	31 Dec 2015 $
Net tangible assets per ordinary share	1.45	1.55

This Appendix 4E - Preliminary final report has not been subject to audit and there is no audit report provided. However, a substantial part of the financial information in the preliminary final report has been extracted from the AMP 2016 financial report which has been audited by Ernst & Young, who have issued an unqualified audit report. The audit report forms part of the AMP 2016 annual report. The presentation of the AMP 2016 annual report will be finalised for lodgement with ASX on 20 March 2017.

Commentary on the results

for the year ended 31 December 2016

This commentary provides information on the structure and progress of our business, our 2016 financial performance, our strategies and prospects for the future and the key risks we face. It covers AMP Limited and the entities it controlled during the year ended 31 December 2016.

Operating and financial review

Principal activities

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

We provide retail customers in Australia and New Zealand with financial advice and superannuation, retirement income and investment products. We also provide superannuation services for businesses, administration, banking and investment services for self-managed superannuation funds (SMSF), income protection, disability and life insurance, and selected banking products. These products and services are delivered directly from AMP and through a network of over 3,500 aligned and employed financial advisers in Australia and New Zealand and extensive relationships with independent financial advisers.

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

We have over 5,400 employees, around 795,000 shareholders and manage and administer $240 billion in assets.

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

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

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

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

Australian wealth protection comprises individual and group term life, trauma, disability and income protection insurance products. Products can be bundled with a superannuation product or held independently.

AMP Bank is an Australian retail bank offering residential mortgages, deposits, transactional banking, and SMSF products with 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.

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

Commentary on the results

for the year ended 31 December 2016

The *Australian mature* business is the largest closed life insurance business in Australia. Australian mature assets under management (AUM) comprises capital guaranteed products (77%) and market linked products (23%). Australian mature products include whole of life, endowment, investment linked, investment account, retirement savings account, eligible rollover fund, annuities, insurance bonds, personal superannuation and guaranteed savings accounts.

2016 performance

The loss attributable to shareholders of AMP Limited for the year ended 31 December 2016 was $344 million (2015: profit of $972 million).

Basic losses per share for the year ended 31 December 2016 on a statutory basis were 11.7 cents per share (2015: earnings of 33.3 cents per share). On an underlying basis, the earnings per share were 16.4 cents per share (2015: 37.9 cents per share).

Key performance measures were as follows:

- 2016 underlying profit[1] of $486 million fell from $1,120 million in 2015 largely due to Australian wealth protection losses of $415 million. 2016 underlying profit was also impacted by challenging investment market conditions that resulted in lower operating earnings in Australian wealth management (-2%) and expected portfolio run-off which reduced the earnings of Australian mature (-4%).
- 2016 Australian wealth protection operating losses were driven by experience losses of $105 million and capitalised losses and other one-off experience items of $485 million.
- Partial offsets to these falls in 2016 came from strong operating earnings growth from AMP Bank (+15%), New Zealand financial services (+5%) and AMP Capital (+4%).
- 2016 underlying investment income fell $3 million to $122 million from 2015.
- AMP group total controllable costs increased $64 million (5%) on 2015 to $1,393 million. Underlying cost growth, increased investment in growth initiatives and business restructuring costs were only partly offset by business efficiency program benefits.
- Australian wealth management net cashflows were $336 million in 2016, down from $2,213 million in 2015. Net cashflows were impacted by ongoing market volatility, superannuation legislative uncertainty and advisers adjusting to an enhanced regulatory environment.
- AMP Capital external net cashflows were $967 million in 2016, down from $4,434 million in 2015. Strong flows into infrastructure and real estate asset classes were offset by challenging domestic and Japanese retail market conditions.
- Underlying return on equity decreased 7.6 percentage points to 5.6% in 2016 from 2015, largely reflecting the impact of Australian wealth protection experience and capitalised losses.

AMP's total assets under management (AUM) and administration were $240 billion at 31 December 2016 (2015: $226 billion).

Differences between underlying profit and statutory profit

The 31 December 2016 underlying profit of $486 million excludes the impact (net of any tax effect) of:

- goodwill impairment of $668 million
- net loss from one-off and non-recurring items of $9 million
- business efficiency program costs of $19 million
- amortisation of AXA acquired intangible assets of $77 million
- market adjustment losses of $43 million
- accounting mismatch losses of $14 million.

A reconciliation between underlying profit and statutory profit is provided in Note 1.1 of the financial information in the preliminary final report.

1 Underlying profit is our key measure of business profitability, as it normalises investment market volatility that stem from shareholder assets invested in investment markets and aims to reflect the trends in the underlying business performance of the AMP group.

Commentary on the results

for the year ended 31 December 2016

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 those used in the calculation of the liability to policyholders in respect of the same assets. These accounting valuation differences between policyholder assets and liabilities flow through to shareholder profit, but have no impact on the true economic profits and losses of the AMP group.

Operating results by business area

The operating results of each business area for 2016 were as follows:

- *Australian wealth management* – operating earnings fell by $9 million (2%) to $401 million in 2016 from $410 million in 2015, largely due to the challenging investment market conditions which impacted investor sentiment and earnings, primarily in the first half of 2016. Operating earnings benefited from strong cost control, including lower variable remuneration in the second half of 2016.

- *AMP Capital* – AMP group's 85% share of AMP Capital's 2016 operating earnings was $144 million, up 4% from $138 million in 2015. Despite volatile equity markets in 2016, AMP Capital's operating earnings benefited from positive fee income growth of 5%, assisted by strong performance fees in the first half of 2016. Fee income growth was partially offset by an 8% increase in controllable costs.

- *Australian wealth protection* – 2016 operating losses of $415 million (2015: operating earnings of $185 million) were impacted by experience losses of $105 million and capitalised losses and other one off experience items of $485 million. Profit margins fell by $21 million (11%) to $175 million in 2016, largely due to the impact of strengthened assumptions adopted for lump sum products in the second half of 2015 and the implementation of a 50% quota share reinsurance arrangement of $750 million of annual premium income of the AMP Life retail portfolio, with Munich Reinsurance Company of Australasia Limited effective from 1 November.

- *AMP Bank* – operating earnings increased $16 million (15%) to $120 million in 2016 from $104 million in 2015. Total revenue increased 11% in 2016 on 2015, driven by improved net interest margin and growth in the loan portfolio.

- *New Zealand financial services* – operating earnings increased by $6 million (5%) to $126 million in 2016 from 2015 largely as a result of higher profit margins, partially offset by the reduction in transitional tax relief.

- *Australian mature* – operating earnings fell $7 million to $151 million in 2016 from $158 million in 2015. Operating earnings were impacted by the expected portfolio run-off ($9 million decrease), investment markets ($1 million) and other items ($1 million). These were partially offset by lower controllable costs ($3 million) and experience profits ($1 million).

Capital management and dividend

Equity and reserves of the AMP group attributable to shareholders of AMP Limited decreased to $7.5 billion at 31 December 2016 from $8.5 billion at 31 December 2015.

AMP remains well capitalised, with $2.2 billion in shareholder regulatory capital resources, above minimum regulatory requirements (MRR) at 31 December 2016 ($2.5 billion at 31 December 2015).

AMP's final 2016 dividend is 14.0 cents per share, franked to 90%. This represents a full year 2016 dividend payout ratio of 85% of underlying profit[2]. AMP will continue to offer the dividend reinvestment plan (DRP) to eligible shareholders. For the 2016 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.

---

2 The underlying payout ratio for 2016 is calculated based on underlying profit excluding capitalised losses and other one-off experience items.

The strength of AMP's capital position, following the execution of the reinsurance deal and the life company merger, has facilitated the announcement of an on-market buyback of up to $500 million to begin in the first quarter of 2017.

Strategy and prospects

Our vision is to be Australia's and New Zealand's favourite financial services company.

AMP is well positioned to take advantage of positive long-term demographic and market trends and mitigate potential threats with a growth strategy that leverages its competitive advantages in its chosen markets. The company is pursuing a clear strategy for long-term growth with four key objectives:

- tilting investment to higher growth, less capital intensive businesses with strong positions in growing markets
- transforming the core Australian business to centre on the customer
- reducing costs to continue growing profitably in a margin compressed world, and
- expanding selectively in Asia and internationally to capture new growth opportunities.

In the second half of 2016, AMP realigned the business with a new management structure to strengthen accountability for driving short-term business performance while delivering longer-term growth. This alignment across business units is supportive of the four key objectives, with a sharpened focus on effective cost and capital management to underpin short term performance.

1. Tilt investment to higher growth businesses
AMP is focused on delivering growth across the portfolio by focusing investment on higher growth, less capital intensive businesses to build on their market-leading positions.

The growth investment is being deliberately tilted towards Australian wealth management, AMP Bank and AMP Capital, the business lines with the greatest opportunities. Australian wealth protection, New Zealand financial services and Mature are being managed for value and efficiency.

A key priority is to grow in the expanding $2.8 trillion[3] Australian wealth management market, where it holds the number one[4] market share position in superannuation.

AMP is investing in Australian wealth management to maintain and enhance a sustainable and competitive advantage in distribution and increase its channel capacity by activating new digital and direct channels to complement our face to face advice capabilities. AMP's leading corporate superannuation business is expected to assist in driving Australian wealth management cashflows in the short and long term.

AMP Bank continues to grow strongly and represents a significant opportunity for AMP, particularly across its aligned advice network where debt and cashflow management strategies can be embedded as a core part of AMP's advice value proposition.

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

3 ABS Managed Funds Report, Managed Funds Industry, September 2016.

4 Fund Market Overview Retail – Marketer, Plan for Life, September 2016.

2. Transform

AMP is transforming its core Australian businesses to help our customers own tomorrow. While this transformation is being driven from Australian wealth management, it also encompasses AMP Bank, AMP Capital and Australian wealth protection, as AMP packages the right solutions for its customers to help them meet their goals.

Differentiate via integrated goals-based model

AMP has launched an experiential goals-based approach designed to engage existing customers and activate AMP's customer base of more than 3.7 million, particularly unadvised customers.

Deliver goals-based advice model of the future

AMP is aiming to make financial advice more relevant, accessible and affordable for consumers, and at the same time, more efficient and profitable for AMP and its strong network of aligned advisers. The company is rolling out its technology-enabled, goals-based advice platform to both AMP Advice and its broader adviser network. By the end of 2016, 24 practices were operating under the new AMP Advice model and are expected to deliver greater adviser productivity, increased share of customer wallet and improved advice practice profitability.

Increase channel choice

AMP is giving consumers more ways to interact with the company. It is creating an omni-channel experience with new digital and direct channels that complement its existing multi-branded face-to-face advice experience. New data and analytics infrastructure is driving customer engagement and new business across all channels.

Deliver a superior customer experience

Net promoter score (NPS) is now used across the company to objectively measure and drive ongoing improvement of customer experiences. 25% of variable employee remuneration is now based on NPS.

3. Reduce costs

AMP completed its three-year business efficiency program at the end of 2016 (delivering $200 million in pre-tax recurring run rate cost savings). The company is sustaining its business efficiency benefits by embedding more effective processes and project management, process automation and activity-based working. Operating model and organisational design changes will deliver a further round of business efficiency gains in 2017, with the aim of reducing controllable costs.

4. Expand internationally

AMP is expanding internationally, primarily through AMP Capital, in high-growth potential regions where its expertise and capabilities are in demand. It is doing this by building 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. AMP's relationships with China Life are going from strength to strength. China Life Asset Management Company Limited is the fastest growing new asset management company in China while China Life Pension Company (CLPC) ranks first in trustee services with 29% market share and third in investment management with 12% market share.

In 2017, CLPC is set to benefit from the implementation of new regulations for Occupational Pensions (OP) in China. OP represents a significant growth opportunity for CLPC, covering around 40 million civil servant employees with 12% salary contribution and annual contributions expected to reach up to RMB200 billion. CLPC is currently competing to win this OP business across each region of China.

AMP's relationship with its Japanese partner MUTB is also being strengthened.

Commentary on the results

for the year ended 31 December 2016

Strategies and prospects by business area[5]

Australian wealth management

Australian wealth management's key priorities are to:

- build customer goals-oriented business whilst remaining vigilant on cost control
- build the goals based advice model of the future and improve the quality of the advice experience
- increase channel choice
- use new capabilities to design customer centric offers covering advice, product and service
- develop a strong SMSF capability with a focus on building scale and efficiency.

AMP Capital

Working as a unified investment house, AMP Capital's key priorities are to generate revenue growth through:

- delivering outstanding investment outcomes to clients
- 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
- building preferential distribution partnerships in select Asian markets, particularly Japan and China.

Australian wealth protection

The key priorities for management are to:

- stabilise earnings and release capital via reinsurance
- sustain business efficiencies
- promote the new insurance offer.

AMP Bank

As the banking arm of a wealth manager, AMP Bank's role is to leverage and grow the group's customer base to provide core banking solutions to help meet the goals of customers. In aligning with this strategic imperative, AMP Bank's priorities are to:

- deliver compelling customer-centric banking propositions to AMP group target customer segments
- make banking easier for customers by investing in technology and service excellence
- maintain focus and growth in both the aligned adviser and mortgage broker channels
- leverage AMP group investments to build out capabilities in direct and digital
- continue to optimise AMP Bank's funding sources and invest in operating capacity.

New Zealand financial services

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

- deepen its customer relationships
- re-engineer wealth protection to increase product attractiveness
- maximise wealth management market opportunities created by regulatory change
- evolve advice and distribution capability
- leverage the KiwiSaver opportunity
- build on our general insurance partnership
- continue its focus on cost control.

Australian mature

Key priorities for management are to:

- maintain high persistency
- prudently manage asset and liability risk
- achieve greater cost efficiency
- maintain capital efficiency.

5 Forward looking statements in the strategies and prospects by business area section of the commentary on the results 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.

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 6% 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 12 years, but will be impacted by investment markets and regulatory changes.

Key risks

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

The Enterprise Risk Management (ERM) framework is designed to enable AMP to identify, assess, respond, monitor and review current and emerging risks that can affect our business. We recognise that effective risk management is supported by appropriate behaviour by our employees and we are committed to driving a risk aware culture. AMP's ERM framework includes a risk management strategy which establishes the principles, requirements, roles and responsibilities for the management of risk across AMP and the risk appetite statement which articulates the nature and level of risk the board is willing to accept in the pursuit of strategic objectives.

AMP's corporate strategy reflects the types of risks the board is willing to accept. The strategic risks and their impacts are identified as part of the strategic planning process.

Key risks which may impact AMP's ability to achieve its strategic objectives include:

Strategic risk

- ***Changes to the business environment:*** Our strategy is set based on existing and expected business environmental factors including business cycle, technology, customer preferences and competitive landscape. Significant changes in these environmental factors may disrupt AMP's business operations. For example, a significant change in customer preferences may impact sales volumes, revenue and customer satisfaction. AMP focuses on implementing programs to better anticipate and respond to threats and opportunities that arise from changing customer preferences and competitor strategies and capabilities.

- ***Changes in the regulatory environment:*** The financial services industry is going through a period of significant change. These changes, combined with increased attention from the media and public, have placed additional pressures on governments to make changes to existing regulations. We recognise that failure to effectively anticipate and respond to regulatory changes could adversely impact AMP's reputation and ability to achieve its strategic objectives. We manage this risk by having dedicated resources to implement required change programs and actively engage with government, regulators and industry bodies to effectively monitor and anticipate regulatory changes. We also place significant focus on our risk culture to ensure we are keeping our legal, regulatory and social responsibilities front of mind in our daily activities.

- ***Sufficient investment in operating environment:*** AMP's promise to help people own tomorrow requires changes to products, services and customer experiences. The promise has driven new approaches, models and ways of working within our business which requires modification and capability uplift to existing system infrastructure, processes and people skills and capabilities. Inadequate investment into core functions can limit our ability to achieve our strategic objectives to meet customer expectations. To manage this, we continually review, invest and monitor the adequacy of core functions of systems, processes and people to ensure that these are sufficient to support the strategic objectives.

Market risk

- ***Inadequate monitoring and management of exposure to market volatility:*** Volatility in market factors such as interest rates, equity markets or foreign exchange rates could have a negative impact on the profitability of AMP. Uncertainty in investment returns can impact on customer sentiment and may result in a reduction in capital invested and increased product switching by investors. Cash inflows to wealth management products such as superannuation and investment products may be impacted if customer appetite for discretionary savings and investment products reduces. We monitor market conditions and continually review our product offerings to ensure they are appropriately balanced to account for market volatility and changing customer needs.

Insurance risk

- ***Greater than expected insurance claims and lapse rates:*** Conditions in the Australian life insurance market have proven challenging over the past few years. AMP has experienced unfavourable insurance claims and lapse rates which impacts on earnings. This is driven by poor terminations, increasing income protection claims, a higher volume of lump sum claims and unfavourable group salary continuance claims. We are managing the volatility in insurance claims and lapse rates by redesigning insurance products and the claims processes, reducing exposure through reinsuring part of the life insurance business and strengthening our best estimate assumptions. We are also looking to manage volatility across the group by focussing on growing our business in areas where the industry has invested heavily in developing methods to measure and manage volatility such as wealth management, asset management and the banking industry.

Operational risk

- ***Effective management and implementation of change:*** AMP has invested heavily into developing new approaches, models and ways of working within the business to drive efficiency. This has resulted in significant modification or uplift to existing system infrastructure, processes and people role requirements. We recognise that failure to appropriately manage the implementation of these changes can cause disruption to AMP's business operations. To manage this, AMP has dedicated resources with appropriate skills and expertise who work with the business to establish change programs and manage the transition.

- ***Cyber risk:*** Cyber risk continues to be a focus area across all financial industries. We recognise that cyber risk will continue to increase significantly in a rapidly changing technological environment and that the magnitude and costs of a cyber-crime varies depending on the nature of the attack. We are committed to investing in enhancing our cyber security network and we have a number of detective, preventative and responsive controls to protect our assets and networks. Whilst we are committed to enhancing our cyber security network, we recognise it is inevitable that cyber-attacks will occur. In assessing and mitigating cybercrime, we regularly consider vulnerabilities and potential controls failures across people, processes and technology.

- ***Outsourcing risk:*** AMP has outsourcing arrangements with external service providers to support business functions. We recognise that poor management of outsourced services will directly impact AMP's ability to service customers and achieve strategic objectives. We are committed to ensuring that outsourced arrangements are appropriately managed and policies and processes are in place to ensure appropriate governance, management and oversight of external service providers. AMP has dedicated resources to monitor contracts, service level agreements and performance targets to ensure service deliverables are met.

- **Conduct risk*:*** AMP is committed to establishing a culture of help that reflects our values of professionalism, honesty and integrity. We see conduct risk as the risk of inappropriate, unethical or unlawful behaviour on the part of our employees. Our code of conduct outlines the minimum standards for behaviours, decision-making and our expectation for how we treat our employees, customers, business partners and shareholders. We are committed to doing the right thing and our code of conduct supports driving a strong risk aware culture. We recognise that culture drives the right behaviour and conduct within AMP and influences outcomes and the achievement of strategic objectives. AMP's approach to managing conduct risk is to educate and support staff to recognise the risk implications of their decisions, and empower our employees to speak out against instances of bad conduct.

These risks are constantly monitored, assessed and reported to the relevant committees and the board to ensure that any mitigating actions are taken appropriately.

TABLE OF CONTENTS

Consolidated income statement

for the year ended 31 December 2016

	Note	2016 $m	2015 $m
Income and expenses of shareholders, policyholders, external unitholders and non-controlling interests[1]			
Life insurance contract related revenue	4.2	**2,883**	2,337
Life insurance claims recovered from reinsurers	4.2	**150**	128
Fee revenue		**3,031**	2,941
Other revenue		**140**	133
Interest income, dividends and distributions and net gains on financial assets and liabilities at fair value through profit or loss		**7,817**	7,725
Interest income on assets not at fair value through profit or loss		**750**	758
Share of profit or loss of associates accounted for using the equity method	6.3	**28**	27
Life insurance contract claims expense	4.2	**(2,038)**	(1,988)
Life insurance contract premium ceded to reinsurers	4.2	**(243)**	(176)
Fees and commission expenses		**(1,671)**	(1,563)
Staff and related expenses		**(1,047)**	(1,018)
Goodwill impairment	2.2	**(668)**	-
Other operating expenses		**(1,165)**	(1,110)
Finance costs		**(551)**	(732)
Movement in external unitholder liabilities		**(979)**	(855)
Change in policyholder liabilities			
- life insurance contracts	4.2	**(1,471)**	(240)
- investment contracts		**(4,608)**	(4,374)
Income tax expense	1.3	**(166)**	(280)
Profit for the year		**192**	1,713
Profit (loss) attributable to shareholders of AMP Limited		**(344)**	972
Profit attributable to non-controlling interests		**536**	741
Profit for the year		**192**	1,713
Earnings (loss) per share		**cents**	**cents**
Basic	1.2	**(11.7)**	33.3
Diluted	1.2	**(11.7)**	33.1

1 Income and expenses include amounts attributable to shareholders' interests, policyholders' interests in the AMP life insurance entities' statutory funds, external unitholders' interests and non-controlling interests. Amounts included in respect of the AMP life insurance entities' statutory funds have a substantial impact on most of the consolidated Income statement lines, especially Interest income, dividends and distributions and net gains on financial assets and liabilities at fair value through profit or loss, Interest income on assets not at fair value through profit or loss, and Income tax expense. In general, policyholders' interests in the transactions for the period are included in the lines Change in policyholder liabilities.

Consolidated statement of comprehensive income

for the year ended 31 December 2016

	Note	2016 $m	2015 $m
Profit for the year		**192**	1,713
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges			
- losses in fair value of cash flow hedges		**(13)**	(10)
- income tax credit		**4**	3
- losses recognised in previous years transferred to profit for the year		**19**	18
- transferred to profit for the year - income tax expense		**(6)**	(5)
		4	6
Exchange gains on translation of foreign operations and revaluation of hedge of net investments		**12**	7
		12	7
Items that will not be reclassified subsequently to profit or loss			
Defined benefit plans			
- actuarial gains	5.1	**48**	94
- income tax expense		**(14)**	(29)
		34	65
Owner-occupied property revaluation			
- gains in valuation of owner-occupied property		**-**	22
- income tax expense		**-**	(2)
		-	20
Other comprehensive income for the year		**50**	98
Total comprehensive income for the year		**242**	1,811
Total comprehensive income (loss) attributable to shareholders of AMP Limited		**(294)**	1,063
Total comprehensive income attributable to non-controlling interests		**536**	748
Total comprehensive income for the year		**242**	1,811

Consolidated statement of financial position

as at 31 December 2016

	Note	2016 $m	2015 $m
Assets			
Cash and cash equivalents	7.1	**3,476**	3,955
Receivables	2.3	**1,975**	2,067
Current tax assets		**24**	11
Planner registers held for sale and prepayments		**123**	147
Investments in financial assets	2.1	**129,419**	127,221
Investment properties		**127**	386
Investments in associates accounted for using the equity method	6.3	**449**	467
Property, plant and equipment		**66**	423
Deferred tax assets	1.3	**656**	557
Reinsurance asset - ceded life insurance contracts	4.2	**546**	491
Intangibles	2.2	**3,199**	3,983
Total assets of shareholders of AMP Limited, policyholders, external unitholders and non-controlling interests		**140,060**	139,708
Liabilities			
Payables	2.4	**1,952**	2,031
Current tax liabilities		**55**	271
Provisions	7.3	**205**	197
Employee benefits		**271**	290
Other financial liabilities	2.1	**1,242**	1,108
Interest-bearing liabilities	3.2	**17,218**	17,452
Deferred tax liabilities	1.3	**1,946**	2,076
External unitholder liabilities		**13,252**	13,571
Life insurance contract liabilities	4.2	**24,225**	23,871
Investment contract liabilities	4.5	**71,579**	69,848
Reinsurance liabilitiy - ceded life insurance contracts	4.2	**530**	-
Defined benefit plan liabilities	5.1	**44**	98
Total liabilities of shareholders of AMP Limited, policyholders, external unitholders and non-controlling interests		**132,519**	130,813
Net assets of shareholders of AMP Limited and non-controlling interests		**7,541**	8,895
Equity			
Contributed equity	3.1	**9,619**	9,566
Reserves		**(1,972)**	(1,866)
Retained earnings		**(185)**	819
Total equity of shareholders of AMP Limited		**7,462**	8,519
Non-controlling interests		**79**	376
Total equity of shareholders of AMP Limited and non-controlling interests		**7,541**	8,895

Consolidated statement of changes in equity

for the year ended 31 December 2016

	Equity attributable to shareholders of AMP Limited												
	Contributed equity $m	Demerger reserve[1] $m	Share-based payment reserve[2] $m	Capital profits reserve[3] $m	Available-for-sale financial assets reserve $m	Cash flow hedge reserve $m	Foreign currency translation and hedge of net investments reserves $m	Owner-occupied property revaluation reserve $m	**Total reserves $m**	**Retained earnings $m**	**Total shareholder equity $m**	**Non-controlling interest $m**	**Total equity $m**
2016													
Balance at the beginning of the year	**9,566**	(2,566)	93	329	8	12	136	122	**(1,866)**	**819**	**8,519**	**376**	**8,895**
Profit (loss)	**-**	-	-	-	-	-	-	-	**-**	**(344)**	**(344)**	**536**	**192**
Other comprehensive income	**-**	-	-	-	-	4	12	-	**16**	**34**	**50**	**-**	**50**
Total comprehensive income	**-**	-	-	-	-	4	12	-	**16**	**(310)**	**(294)**	**536**	**242**
Share-based payment expense	**-**	-	23	-	-	-	-	-	**23**	**-**	**23**	**2**	**25**
Share purchases	**-**	-	(23)	-	-	-	-	-	**(23)**	**-**	**(23)**	**(2)**	**(25)**
Net sale/(purchase) of treasury shares	**53**	-	-	-	-	-	-	-	**-**	**4**	**57**	**-**	**57**
Dividends paid[4]	**-**	-	-	-	-	-	-	-	**-**	**(828)**	**(828)**	**(514)**	**(1,342)**
Dividends paid on treasury shares[4]	**-**	-	-	-	-	-	-	-	**-**	**8**	**8**	**-**	**8**
Sale of owner-occupied property	**-**	-	-	-	-	-	-	(122)	**(122)**	**122**	**-**	**-**	**-**
Sales and acquisitions of non-controlling interests	**-**	-	-	-	-	-	-	-	**-**	**-**	**-**	**(319)**	**(319)**
Balance at the end of the year	**9,619**	(2,566)	93	329	8	16	148	-	**(1,972)**	**(185)**	**7,462**	**79**	**7,541**
2015													
Balance at the beginning of the year	**9,508**	(2,566)	97	329	8	6	136	102	**(1,888)**	**566**	**8,186**	**199**	**8,385**
Profit (loss)	**-**	-	-	-	-	-	-	-	**-**	**972**	**972**	**741**	**1,713**
Other comprehensive income	**-**	-	-	-	-	6	-	20	**26**	**65**	**91**	**7**	**98**
Total comprehensive income	**-**	-	-	-	-	6	-	20	**26**	**1,037**	**1,063**	**748**	**1,811**
Share-based payment expense	**-**	-	32	-	-	-	-	-	**32**	**-**	**32**	**2**	**34**
Share purchases	**-**	-	(36)	-	-	-	-	-	**(36)**	**-**	**(36)**	**(2)**	**(38)**
Net sale/(purchase) of treasury shares	**58**	-	-	-	-	-	-	-	**-**	**16**	**74**	**-**	**74**
Dividends paid[4]	**-**	-	-	-	-	-	-	-	**-**	**(813)**	**(813)**	**(582)**	**(1,395)**
Dividends paid on treasury shares[4]	**-**	-	-	-	-	-	-	-	**-**	**13**	**13**	**-**	**13**
Sales and acquisitions of non-controlling interests	**-**	-	-	-	-	-	-	-	**-**	**-**	**-**	**11**	**11**
Balance at the end of the year	**9,566**	(2,566)	93	329	8	12	136	122	**(1,866)**	**819**	**8,519**	**376**	**8,895**

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

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

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

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

Consolidated statement of cash flows

for the year ended 31 December 2016

	Note	2016 $m	2015 $m
Cash flows from operating activities[1]			
Cash receipts in the course of operations		**19,072**	19,773
Interest and other items of a similar nature received		**2,123**	2,287
Dividends and distributions received[2]		**2,319**	2,130
Cash payments in the course of operations		**(22,166)**	(21,663)
Finance costs		**(534)**	(806)
Income tax paid		**(639)**	(379)
Cash flows from (used in) operating activities	7.1	**175**	1,342
Cash flows from investing activities[1]			
Net proceeds from sale of (payments to acquire):			
- investment property		**279**	26
- investments in financial assets[3]		**1,174**	(5,622)
- operating and intangible assets		**(11)**	(198)
(Payments to acquire) proceeds from disposal of operating controlled entities and investments in associates accounted for using the equity method		**10**	(348)
Cash flows from (used in) investing activities		**1,452**	(6,142)
Cash flows from financing activities			
Net movement in deposits from customers		**1,972**	567
Proceeds from borrowings - non-banking operations[1]		**361**	1,212
Repayment of borrowings - non-banking operations[1]		**(653)**	(250)
Net movement in borrowings - banking operations		**(282)**	(562)
Dividends paid[4]		**(821)**	(800)
Cash flows from (used in) financing activities		**577**	167
Net increase (decrease) in cash and cash equivalents		**2,204**	(4,633)
Cash and cash equivalents at the beginning of the year		**6,601**	11,232
Effect of exchange rate changes on cash and cash equivalents		**5**	2
Cash and cash equivalents at the end of the year[1]	7.1	**8,810**	6,601

1 Cash flows and cash and cash equivalents include amounts attributable to shareholders' interests, policyholders' interests in AMP life insurance entities' statutory funds and controlled entities of those statutory funds, external unitholders' interests and non-controlling interests. Amounts included in respect of AMP life insurance entities' statutory funds and controlled entities of those statutory funds have a substantial impact on cash flows from operating activities and investing activities and proceeds from and repayments of borrowings - non-banking operations.

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

3 Net proceeds from sale of (payments to acquire) investments in financial assets also includes loans and advances made (net of payments) and purchases of financial assets (net of maturities) during the period by AMP Bank.

4 The Dividends paid amount is presented net of dividends on treasury shares.

About this financial information

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

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

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

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

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

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

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

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

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

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

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

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

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

Accounting judgements and estimates	Note	
Consolidation	(a) above	Basis of consolidation
Tax	1.3	Taxes
Fair value of financial assets	2.1	Financial assets and other financial liabilities
Goodwill and acquired intangible assets	2.2	Intangibles
Life insurance and investment contract liabilities	4.1	Accounting for life insurance and investment contracts
Consolidation	6.1	Controlled entities
Provisions	7.3	Provisions

Section 1: Results for the year

This section provides insights into how the AMP group has performed in the current year and provides additional information about those individual line items in the financial statements that AMP considers most relevant in the context of the operations of the AMP group.

Statutory measures of performance disclosed in this report are:
- Statutory earnings per share (EPS) - basic and diluted
- Annual dividend
- Profit after tax attributable to the shareholders of AMP

Underlying profit is AMP's key measure of business performance. This performance measure is disclosed by the AMP operating segment within Segment performance.

1.1 Segment performance

The AMP group identifies its operating segments based on separate financial information that is regularly reviewed by the chief executive officer and his immediate team in assessing performance and determining the allocation of resources. The operating segments are identified according to the nature of profit generated and services provided, and their performance is evaluated based on a post-tax operating earnings basis.

Reportable segment	Segment description
Australian wealth management (WM)	Financial advice services (through aligned and owned advice businesses), platform 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. AMP Capital and Mitsubishi UFJ Trust and Banking Corporation (MUTB) have a strategic business and capital alliance, with MUTB holding a 15% ownership interest in AMP Capital. 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.
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.
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.
New Zealand financial services (NZFS)	Risk insurance, wealth management and mature book (traditional participating business), with growth in wealth management driven by KiwiSaver.
Australian mature (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, Eligible Rollover Fund, annuities, insurance bonds, personal superannuation and guaranteed savings accounts.

Segment information is not reported for activities of the AMP group office companies as it is not the function of these departments to earn revenue and any revenues earned are only incidental to the activities of the AMP group.

Section 1: Results for the year

1.1 Segment performance (continued)

(a) Segment profit

2016	WM $m	AMP Capital[1] $m	WP[2] $m	AMP Bank $m	NZFS[2] $m	Mature[2] $m	Total operating segments $m
Segment profit (loss) after income tax	**401**	**144**	**(415)**	**120**	**126**	**151**	**527**
External customer revenue	1,499	387	(415)	311	126	151	2,059
Intersegment revenue[4]	109	226	-	-	-	-	335
Segment revenue[3]	**1,608**	**613**	**(415)**	**311**	**126**	**151**	**2,394**
Other segment information[3]							
Income tax expense	168	59	(178)	52	49	65	215
Depreciation and amortisation	78	11	26	-	6	9	130
2015							
Segment profit after income tax	410	138	185	104	120	158	1,115
External customer revenue	1,396	322	185	281	120	158	2,462
Intersegment revenue[4]	120	254	-	-	-	-	374
Segment revenue[3]	1,516	576	185	281	120	158	2,836
Other segment information[3]							
Income tax expense	173	61	79	44	47	68	472
Depreciation and amortisation	68	11	20	-	7	6	112

1 AMP Capital segment revenue is reported net of external investment manager fees paid in respect of certain assets under management. Segment profit is reported net of 15% attributable to MUTB. Other AMP Capital segment information is reported before deductions of minority interests.

2 For segment reporting, revenue for WP, NZFS and Mature is presented as the amount of operating earnings of those segments, which is also the segment profit after tax. The differences between those amounts and total revenue for statutory reporting, are included in the reconciliation of segment revenue in note 1.1(b).

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

4 Intersegment revenue represents operating revenue between segments priced on an arm's-length basis and is eliminated on consolidation.

Section 1: Results for the year

1.1 Segment performance (continued)

(b) Reconciliations

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

	2016 $m	2015 $m
Segment profit after income tax	**527**	1,115
Group office costs	**(104)**	(61)
Total operating earnings	**423**	1,054
Underlying investment income[1]	**122**	125
Interest expense on corporate debt	**(59)**	(59)
Underlying profit	**486**	1,120
Other items	**(9)**	(3)
Business efficiency program costs	**(19)**	(66)
Amortisation of AMP AAPH acquired intangible assets	**(77)**	(80)
Goodwill impairment	**(668)**	-
Profit (loss) before market adjustments and accounting mismatches	**(287)**	971
Market adjustment - investment income[1]	**(46)**	9
Market adjustment - annuity fair value	**(8)**	34
Market adjustment - risk products	**11**	2
Accounting mismatches	**(14)**	(44)
Profit (loss) attributable to shareholders of AMP Limited	**(344)**	972
Profit attributable to non-controlling interests	**536**	741
Profit for the year	**192**	1,713

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

Total segment revenue differs from Total revenue as follows:

	2016 $m	2015 $m
Total segment revenue	**2,394**	2,836
Add revenue excluded from segment revenue		
- Investment gains and losses - shareholders and policyholders (excluding AMP Bank interest revenue)	**7,775**	7,733
- Revenue of investment entities controlled by the life entities' statutory funds which carry out business operations unrelated to the core wealth management operations of the AMP group	**19**	35
- Other revenue	**121**	52
Add back expenses netted against segment revenue		
- Claims, expenses, movement in insurance contract liabilities and tax relating to Australian wealth protection, Australian mature and New Zealand financial services	**3,171**	2,002
- Interest expense related to AMP Bank	**490**	525
- External investment manager and adviser fees paid in respect of certain assets under management	**1,164**	1,240
Remove intersegment revenue	**(335)**	(374)
Total revenue	**14,799**	14,049

(c) Segment assets

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

Section 1: Results for the year

1.2 Earnings (loss) per share

Basic earnings (loss) per share
Basic earnings (loss) per share is calculated based on profit (loss) attributable to shareholders of AMP Limited (AMP) and the weighted-average number of ordinary shares outstanding.

	2016	2015
Profit (loss) attributable to shareholders of AMP ($m)	**(344)**	972
Weighted average number of ordinary shares (millions)[1]	**2,929**	2,918
Basic earnings (loss) per share (cents per share)	**(11.7)**	33.3

Diluted earnings (loss) per share
Diluted earnings (loss) per share is based on profit attributable to shareholders of AMP Limited (AMP) and the weighted-average number of ordinary shares outstanding after adjustments for the effects of all dilutive potential ordinary shares, such as options and performance rights.

	2016	2015
Profit (loss) attributable to shareholders of AMP ($m)	**(344)**	972
Weighted average number of ordinary shares (millions) – diluted:		
- Weighted average number of ordinary shares[1]	**2,929**	2,918
- Add: potential ordinary shares considered dilutive[2]	**19**	20
Weighted average number of ordinary shares used in the calculation of dilutive earnings (loss) per share	**2,948**	2,938
Diluted earnings (loss) per share (cents per share)	**(11.7)**	33.1

1 The weighted average number of ordinary shares outstanding is calculated after deducting the weighted average number of treasury shares held during the period.
2 Performance rights have been determined to be dilutive, however, if these instruments vest and are exercised, it is AMP's policy to buy AMP shares on market so there will be no dilutive effect on the value of AMP shares.

Section 1: Results for the year

1.3 Taxes

Our taxes

This sub-section outlines the impact of income taxes on the results and financial position of AMP. In particular:

- the impact of tax on the reported result;
- amounts owed to/receivable from the tax authorities;
- deferred tax balances that arise due to differences in the tax and accounting treatment of balances recorded in the preliminary financial report; and
- discussion of the impacts of life insurance policyholder tax.

These financial statements include the disclosures relating to tax required under accounting standards.

(a) Income tax expense

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

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

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

	2016 $m	**2015 $m**
Profit before income tax	**358**	1,993
Policyholder tax (expense) credit recognised as part of the change in policyholder liabilities in determining profit before tax	**(121)**	48
Profit before income tax excluding tax charged to policyholders	**237**	2,041
Tax at the Australian tax rate of 30% (2015: 30%)	**(71)**	(612)
Shareholder impact of life insurance tax treatment	**(16)**	(11)
Tax concessions including research and development and offshore banking unit	**5**	11
Non-deductible expenses	**(19)**	(10)
Non-taxable income	**5**	14
Other items	**5**	(12)
Non-controlling interests[1]	**154**	217
Goodwill impairment	**(200)**	-
Over provided in previous years after excluding amounts attributable to policyholders	**14**	25
Utilisation of previously unrecognised tax losses	**69**	43
Differences in overseas tax rates	**9**	7
Income tax expense attributable to shareholders and non-controlling interest	**(45)**	(328)
Income tax (expense) credit attributable to policyholders	**(121)**	48
Income tax expense per Income statement	**(166)**	(280)

1 $513m (2015: $723m) profit attributable to non-controlling interests in investment entities controlled by the AMP life insurance entities' statutory funds is not subject to tax.

Section 1: Results for the year

1.3 Taxes (continued)

(b) Analysis of income tax expense

	2016 $m	2015 $m
Current tax expense	**(486)**	(523)
Increase (decrease) in deferred tax assets	**163**	(78)
Decrease in deferred tax liabilities	**142**	280
Over provided in previous years including amounts attributable to policyholders	**15**	41
Income tax expense	**(166)**	(280)

(c) Analysis of deferred tax balances

	2016 $m	2015 $m
Analysis of deferred tax assets		
Expenses deductible and income recognisable in future years	**491**	234
Unrealised movements on borrowings and derivatives	**40**	24
Unrealised investment losses	**27**	29
Losses available for offset against future taxable income	**49**	175
Other	**49**	95
Total deferred tax assets	**656**	557
Analysis of deferred tax liabilities		
Unrealised investment gains	**1,498**	1,596
Unrealised movements on borrowings and derivatives	**1**	17
Other	**447**	463
Total deferred tax liabilities	**1,946**	2,076

(d) Amounts recognised directly in equity

	2016 $m	2015 $m
Deferred income tax expense related to items taken directly to equity during the current year	**(16)**	(28)

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

	2016 $m	2015 $m
Revenue losses	**110**	109
Capital losses	**170**	239

Section 1: Results for the year

1.3 Taxes (continued)

Accounting policy – recognition and measurement

Income tax expense
Income tax expense is the tax payable on taxable income for the current period based on the income tax rate for each jurisdiction and adjusted for changes in deferred tax assets and liabilities. These changes are attributable to:
- temporary differences between the tax bases of assets and liabilities and their Statement of financial position carrying amounts;
- unused tax losses;
- the impact of changes in the amounts of deferred tax assets and liabilities arising from changes in tax rates or in the manner in which these balances are expected to be realised.

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

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

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

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

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

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

Critical accounting estimates and judgements:

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

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

Section 1: Results for the year

1.4 Dividends

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

	2016 Final	2016 Interim	2015 Final	2015 Interim
Dividend per share (cents)	14.0	14.0	14.0	14.0
Franking percentage	90%	90%	90%	85%
Cost (in $m)	414	414	414	414
Payment date	31 March 2017	7 October 2016	8 April 2016	9 October 2015

	2016 $m	2015 $m
Dividends paid		
Previous year final dividend on ordinary shares	414	399
Interim dividend on ordinary shares	414	414
Total dividends paid[1]	828	813

1 Total dividends paid includes dividends paid on Treasury shares $8m (2015: $13m).

Dividend franking credits

Franking credits available to shareholders are $342m (2015: $396m), based on a tax rate of 30%. This amount is calculated from the balance of the franking account as at the end of the reporting period, adjusted for franking credits that will arise from the settlement, after the end of the reporting date, of liabilities for income tax and receivables for dividends.

The company's ability to utilise the franking account credits depends on meeting Corporations Act 2001 requirements to declare dividends. The impact of the proposed dividend will be to reduce the balance of the franking credit account by $160m.

All dividends are franked at a tax rate of 30%.

Section 2: Investments, intangibles and working capital

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

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

2.1 Investments in financial instruments

	2016 $m	2015 $m
Financial assets measured at fair value through profit or loss[1]		
Equity securities and listed managed investment schemes	**53,520**	53,173
Debt securities[2]	**34,512**	35,743
Investments in unlisted managed investment schemes	**21,359**	19,421
Derivative financial assets	**1,195**	1,790
Other financial assets	**5**	8
Total financial assets measured at fair value through profit or loss	**110,591**	110,135
Available-for-sale financial assets		
Equity securities and managed investment schemes	**67**	66
Total available-for-sale financial assets	**67**	66
Financial assets measured at amortised cost[3]		
Loans and advances	**17,204**	15,281
Debt securities - held to maturity	**1,557**	1,739
Total financial assets measured at amortised cost	**18,761**	17,020
Total financial assets	**129,419**	127,221
Other financial liabilities		
Derivative financial liabilities	**1,150**	883
Collateral deposits held[2]	**92**	225
Total other financial liabilities	**1,242**	1,108

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

2 Included within debt securities are assets held to back the liability for collateral deposits for debt security repurchase arrangements entered into by the AMP life insurance entities' statutory funds and their controlled entities. Collateral deposits held are mostly in respect of the obligation to repay collateral for the debt security repurchase arrangements.

3 Financial assets measured at amortised cost are mainly assets of AMP Bank.

Section 2: Investments, intangibles and working capital

2.1 Investments in financial instruments (continued)

Accounting policy – recognition and measurement

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

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

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

Financial assets measured at amortised cost
Loans, advances and other receivables which arise when AMP Bank provides money directly to a customer, including loans and advances to advisers, with no intention of trading the financial assets, are measured at amortised cost. All other debt securities held by AMP Bank are classified as held to maturity investments. Held to maturity investments are non-derivative assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity.

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

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

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

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

Critical accounting estimates and judgements:

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

Section 2: Investments, intangibles and working capital

2.2 Intangibles

	Goodwill[1] $m	Capitalised costs $m	Value of in-force business $m	Distribution networks $m	Other intangibles $m	Total $m
2016						
Balance at the beginning of the year	**2,782**	**374**	**703**	**123**	**1**	**3,983**
Additions through acquisitions of controlled entities	**3**	**4**	**-**	**4**	**-**	**11**
Additions through internal development	**-**	**133**	**-**	**-**	**-**	**133**
Transferred from inventories	**-**	**-**	**-**	**9**	**-**	**9**
Amortisation expense	**-**	**(129)**	**(103)**	**(37)**	**-**	**(269)**
Impairment loss	**(668)**	**-**	**-**	**-**	**-**	**(668)**
Balance at the end of the year	**2,117**	**382**	**600**	**99**	**1**	**3,199**
Cost	***2,893***	***1,266***	***1,191***	***264***	***95***	***5,709***
Accumulated amortisation and impairment	***(776)***	***(884)***	***(591)***	***(165)***	***(94)***	***(2,510)***
2015						
Balance at the beginning of the year	2,717	378	806	136	5	4,042
Additions through acquisitions of controlled entities	59	7	-	16	-	82
Additions through separate acquisitions	-	-	-	2	-	2
Additions through internal development	-	114	-	-	-	114
Transferred from inventories	-	-	-	17	-	17
Amortisation expense	-	(117)	(103)	(37)	(4)	(261)
Impairment loss	-	(8)	-	(10)	-	(18)
Other movements	6	-	-	(1)	-	5
Balance at the end of the year	2,782	374	703	123	1	3,983
Cost	*2,890*	*1,129*	*1,191*	*251*	*95*	*5,556*
Accumulated amortisation and impairment	*(108)*	*(755)*	*(488)*	*(128)*	*(94)*	*(1,573)*

1 Total goodwill comprises amounts attributable to shareholders of $2,102m (2015: $2,767m) and amounts attributable to policyholders of $15m (2015: $15m).

Section 2: Investments, intangibles and working capital

2.2 Intangibles (continued)

Accounting policy – recognition and measurement

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

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

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

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

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

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

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

Section 2: Investments, intangibles and working capital

2.2 Intangibles (continued)

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

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

Goodwill attributable to shareholders
The goodwill attributable to shareholders of $2,102m (2015: $2,767m) primarily arose from the acquisition of AMP AAPH Limited group in 2011, a previous Life Act Part 9 transfer of life insurance business into the statutory funds of AMP Life as well as other business combinations where the AMP group was the acquirer.

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

$m	2016	2015
Australian wealth management	**1,488**	1,485
Australian wealth protection	**-**	668
Australian mature	**350**	350
AMP Financial Services New Zealand	**177**	177
AMP Capital	**87**	87
	2,102	2,767

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

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

The estimated embedded value and value of one year's new business has been calculated based on the following key assumptions and estimates:
- mortality, morbidity, discontinuance rates, maintenance unit costs, future rates of supportable bonus for participating business, franking credits, risk discount rates, investment returns and inflation rates;
- premium and claim amounts, estimated over the expected life of the in-force policies which varies depending on the nature of the product;
- future maintenance and investment expenses based on unit costs derived from budgeted amounts for the following year and increased in future years for expected rates of inflation;
- risk discount rate based on an annualised 10 year government bond yield plus a discount margin of 5%-7% for Australia and 5% for New Zealand (2015: 4%): Australia 7.8%-9.8% (2015: 6.9%), New Zealand 8.4% (2015: 7.6%), for calculating the value of in-force and new business.

Assumptions applied in this valuation are consistent with the best estimate assumptions used in calculating the policy liabilities of AMP's life insurance entities (excluding the risk discount rate).

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

The recoverable amount for the AMP Capital CGU has been determined by using the fair value less costs of disposal based on a multiple of 19 times current period earnings (2015: 19 times), which approximates the fair value of this business, less an allowance for disposal costs.

With the exception of the Australian Wealth Protection CGU, there are no reasonably possible alternative assumptions which would result in an impairment of any goodwill amounts.

Goodwill attributable to policyholders
Policyholder cash-generating units were allocated $15m goodwill at 31 December 2016 (31 December 2015: $15m).

Impairment loss
The conclusion from the goodwill impairment testing is that there has been no impairment to the amount of the goodwill recognised for all CGUs, except for the Australian Wealth Protection CGU, which is fully impaired resulting in an expense of $668m in the period. The impairment was caused by the strengthening of the best estimate assumptions for AMP Life and NMLA (including retail and group income protection, claims and lapses).

Critical accounting estimates and judgements:

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

Section 2: Investments, intangibles and working capital

2.3 Receivables

	2016 $m	2015 $m
Investment related receivables	**1,163**	1,290
Life insurance contract premiums receivable	**345**	363
Reinsurance receivables	**70**	37
Trade debtors and other receivables	**397**	377
Total receivables	**1,975**	2,067
Current	*1,857*	*2,061*
Non-current	*118*	*6*

Accounting policy – recognition and measurement

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

2.4 Payables

	2016 $m	2015 $m
Investment related payables	**801**	694
Life insurance and investment contracts in process of settlement	**350**	394
Accrued expenses, trade creditors and other payables	**729**	941
Reinsurance payables	**72**	2
Total payables	**1,952**	2,031
Current	*1,840*	*1,940*
Non-current	*112*	*91*

Accounting policy – recognition and measurement

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

Section 2: Investments, intangibles and working capital

2.5 Fair value information

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

2016	Carrying amount $m	Level 1 $m	Level 2 $m	Level 3 $m	Total fair value $m
Financial assets measured at fair value					
Equity securities and listed managed investment schemes	53,587	51,066	22	2,499	53,587
Debt securities	34,512	68	34,425	19	34,512
Investments in unlisted managed investment schemes	21,359	-	20,417	942	21,359
Derivative financial assets	1,195	219	976	-	1,195
Investment properties	127	-	-	127	127
Other financial assets	5	-	-	5	5
Total financial assets measured at fair value	110,785	51,353	55,840	3,592	110,785
Financial assets not measured at fair value					
Loans and advances	17,204	-	17,104	-	17,104
Debt securities - held to maturity	1,557	-	1,560	-	1,560
Total financial assets not measured at fair value	18,761	-	18,664	-	18,664
Financial liabilities measured at fair value					
Derivative financial liabilities	1,150	97	1,053	-	1,150
Collateral deposits held	92	-	92	-	92
Investment contract liabilities	71,579	-	2,252	69,327	71,579
Total financial liabilities measured at fair value	72,821	97	3,397	69,327	72,821
Financial liabilities not measured at fair value					
AMP Bank					
- Deposits	8,652	-	8,639	-	8,639
- Other	6,661	-	6,676	-	6,676
AMP Corporate entities	1,552	618	977	-	1,595
AMP's life insurance entities and investment entities controlled by AMP life insurance entities' statutory funds	353	-	353	-	353
Total financial liabilities not measured at fair value	17,218	618	16,645	-	17,263
2015					
Financial assets measured at fair value					
Equity securities and listed managed investment schemes	53,239	49,811	18	3,410	53,239
Debt securities	35,743	-	34,209	1,534	35,743
Investments in unlisted managed investment schemes	19,421	-	18,291	1,130	19,421
Derivative financial assets	1,790	161	1,629	-	1,790
Investment properties	386	-	-	386	386
Other financial assets	8	-	-	8	8
Total financial assets measured at fair value	110,587	49,972	54,147	6,468	110,587
Financial assets not measured at fair value					
Loans and advances	15,281	-	15,281	-	15,281
Debt securities - held to maturity	1,739	-	1,745	-	1,745
Total financial assets not measured at fair value	17,020	-	17,026	-	17,026
Financial liabilities measured at fair value					
Derivative financial liabilities	883	117	766	-	883
Collateral deposits held	225	136	89	-	225
Investment contract liabilities	69,848	-	2,364	67,484	69,848
Total financial liabilities measured at fair value	70,956	253	3,219	67,484	70,956
Financial liabilities not measured at fair value					
AMP Bank:					
- Deposits	6,678	-	6,798	-	6,798
- Other	6,924	-	6,824	-	6,824
AMP Corporate entities	1,813	609	1,226	-	1,835
AMP's life insurance entities and investment entities controlled by AMP life insurance entities' statutory funds	2,037	-	2,037	-	2,037
Total financial liabilities not measured at fair value	17,452	609	16,885	-	17,494

Section 2: Investments, intangibles and working capital

2.5 Fair value information (continued)

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

Listed equity securities and listed managed investment schemes	The fair value of listed equity securities traded in an active market and listed managed investment schemes reflects the quoted bid price at the reporting date. In the case of equity securities and listed managed investment schemes where there is no active market, fair value is established using valuation techniques including the use of recent arm's length transactions, references to other instruments that are substantially the same, discounted cash flow analysis and option pricing models.
Debt securities	The fair value of listed debt securities reflects the bid price at the reporting date. Listed debt securities that are not frequently traded are valued by discounting estimated recoverable amounts. The fair value of unlisted debt securities is estimated using interest rate yields obtainable on comparable listed investments. The fair value of loans is determined by discounting the estimated recoverable amount using prevailing interest rates.
Loans	The estimated fair value of loans represents the discounted amount of estimated future cash flows expected to be received, based on the maturity profile of the loans. As the loans are unlisted, the discount rates applied are based on the yield curve appropriate to the remaining term of the loans. The loans may be measured at an amount in excess of fair value due to fluctuations on fixed rate loans. As the fluctuations in fair value do not represent a permanent diminution and the carrying amounts of the loans are recorded at recoverable amounts after assessing impairment, it is not appropriate to restate their carrying amount.
Unlisted managed investment schemes	The fair value of investments in unlisted managed investment schemes is determined on the basis of published redemption prices of those managed investment schemes at the reporting date.
Derivative financial assets and liabilities	The fair value of financial instruments traded in active markets (such as publicly traded derivatives) is based on quoted market prices (current bid price or current offer price) at the reporting date. The fair value of financial instruments not traded in an active market (eg over-the-counter derivatives) is determined using valuation techniques. Valuation techniques include net present value techniques, option pricing models, discounted cash flow methods and comparison to quoted market prices or dealer quotes for similar instruments.
Subordinated debt	The fair value of subordinated debt is determined with reference to quoted market prices at the reporting date.

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

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

There have been no significant transfers between Level 1 and Level 2 during the 2016 and 2015 financial years. Transfers to/from Level 3 are shown in the Reconciliation of level 3 values table later in this note.

Section 2: Investments, intangibles and working capital

2.5 Fair value information (continued)

Level 3 fair values

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

Type	**Valuation technique**	**Significant unobservable inputs**
Equity securities and listed managed investment schemes	Discounted cash flow approach utilising cost of equity as the discount rate.	Discount rate. Terminal value growth rate. Cash flow forecasts.
Debt securities	Discounted cash flow approach.	Discount rate. Cash flow forecasts.
Investments in unlisted managed investment schemes	Published redemption prices.	Judgement made in determining unit prices
Investment contract liabilities	Valuation model based on published unit prices and the fair value of backing assets. Fixed retirement income policies - discounted cash flow.	Fair value of financial instruments. Cash flow forecasts. Credit risk.

Sensitivity analysis

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

	2016		2015	
$m	**(+)**	**(-)**	**(+)**	**(-)**
Financial assets				
Equity securities and listed managed investment schemes	146	(153)	206	(206)
Financial liabilities				
Investment contract liabilities	6	(5)	8	(7)

Financial assets valuation process

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

Section 2: Investments, intangibles and working capital

2.5 Fair value information (continued)

Level 3 fair values (continued)

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

	Balance at the beginning of the period $m	FX gains or losses[1] $m	Total gains/ losses[1] $m	Purchases/ deposits $m	Sales/ withdrawals $m	Net transfers in/(out)[2] $m	Balance at the end of the period $m	Total gains and losses on assets and liabilities held at reporting date $m
2016								
Assets classified as level 3								
Equity securities and listed managed investment schemes	**3,410**	**-**	**191**	**271**	**(1,580)**	**207**	**2,499**	**190**
Debt securities	**1,534**	**-**	**(3)**	**2**	**(1,329)**	**(185)**	**19**	**(2)**
Investments in unlisted managed investment schemes	**1,130**	**3**	**10**	**96**	**(25)**	**(272)**	**942**	**8**
Investment properties	**386**	**-**	**105**	**6**	**(370)**	**-**	**127**	**105**
Other financial assets	**8**	**-**	**(1)**	**-**	**(2)**	**-**	**5**	**(1)**
Liabilities classified as level 3								
Investment contract liabilities	**67,484**	**7**	**3,413**	**10,785**	**(12,362)**	**-**	**69,327**	**3,333**
2015								
Assets classified as level 3								
Equity securities and listed managed investment schemes	2,354	48	378	942	(435)	123	3,410	379
Debt securities	599	55	210	764	(93)	(1)	1,534	209
Investments in unlisted managed investment schemes	850	-	44	383	(21)	(127)	1,130	52
Investment properties	340	-	71	1	(26)	-	386	71
Other financial assets	9	-	-	-	(1)	-	8	-
Liabilities classified as level 3								
Investment contract liabilities	64,448	(5)	3,100	11,743	(11,802)	-	67,484	2,755

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

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

Section 3: Capital structure and financial risk management

This section provides information relating to:

- AMP group's capital management and equity and debt structure; and
- exposure to financial risks – how the risks affect financial position and performance and how the risks are managed, including the use of derivative financial instruments

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

- 3.1 Contributed equity
- 3.2 Interest-bearing liabilities
- 3.3 Financial risk management
- 3.4 Other derivative information
- 3.5 Capital management

Section 3: Capital structure and financial risk management

3.1 Contributed equity

	2016 $m	2015 $m
Issued capital [1]		
2,957,737,964 (2015: 2,957,737,964) ordinary shares fully paid	**9,747**	9,747
Treasury shares [2]		
23,539,463 (2015: 33,390,553) Treasury shares	**(128)**	(181)
Total contributed equity		
2,934,198,501 (2015: 2,924,347,411) ordinary shares fully paid	**9,619**	9,566
Issued capital		
Balance at the beginning of the year	**9,747**	9,747
Balance at the end of the year	**9,747**	9,747
Treasury shares		
Balance at the beginning of the year	**(181)**	(239)
Decrease due to purchases less sales during the year	**53**	58
Balance at the end of the year	**(128)**	(181)

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

1 Under the terms of the dividend reinvestment plan (DRP), shareholders may elect to have all or part of their dividend entitlements satisfied in shares rather than being paid cash. The DRP applied for the 2015 final dividend (paid in April 2016) at 14.0 cents per share and 2016 interim dividend (paid in October 2016) at 14.0 cents per share. AMP settled the DRP for the 2015 final dividend and 2016 interim dividend by acquiring shares on market and, accordingly, no new shares w ere issued.

2 Of the AMP Limited ordinary shares on issue 21,413,076 (2015: 31,264,166) are held by AMP's life insurance entities on behalf of policyholders. ASIC has granted relief from restrictions in the *Corporations Act 2001* to allow AMP's life insurance entities to hold and trade shares in AMP Limited as part of the policyholder funds' investment activities. The cost of the investment in these treasury shares is reflected as a deduction from total contributed equity. The remaining balance is held by AMP Foundation Limited as trustee for the AMP Foundation.

3 Mitsubishi UFJ Trust and Banking Corporation (MUTB) has an option to require AMP Limited to purchase MUTB's interest in AMP Capital Holdings Limited (AMPCH) in certain circumstances. As consideration for the acquisition of AMPCH shares, AMP w ould be required to issue ordinary shares in AMP Limited to MUTB (or its nominee).

Accounting policy – recognition and measurement

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

Treasury shares
The AMP group is not permitted to recognise Treasury shares in the Consolidated statement of financial position. These assets, plus any corresponding Income statement fair value movement on the assets and dividend income, are eliminated on consolidation. However, the corresponding investment contract and life insurance contract liabilities, and related Income statement change in the liabilities, remain on consolidation. At the AMP group consolidated level, the mismatch results in policyholder asset movements impacting the profit attributable to shareholders of AMP Limited.

The AMP Foundation also holds AMP Limited shares. These assets, plus any corresponding Income statement fair value amount on the assets and any dividend income, are also eliminated on consolidation. As the net assets and profit of the AMP Foundation Trust are fully attributable to non-controlling interests, this has no impact on the net assets or profit attributable to the shareholders of AMP Limited.

Section 3: Capital structure and financial risk management

3.2 Interest-bearing liabilities

(a) Interest-bearing liabilities

	2016			2015		
	Current $m	Non-current $m	Total $m	Current $m	Non-current $m	Total $m
Interest-bearing liabilities						
AMP Bank						
- Deposits[1]	8,614	38	**8,652**	6,499	179	6,678
- Other[2]	3,145	3,516	**6,661**	3,123	3,801	6,924
AMP Corporate entities						
- 6.875% GBP Subordinated Guaranteed Bonds (maturity 2022)	-	71	**71**	-	82	82
- Floating Rate Subordinated Unsecured Notes (first call date 2016, maturity 2021)[3]			**-**	601	-	601
- AMP Subordinated Notes 2 (first call 2018, maturity 2023)[3]	-	322	**322**	-	321	321
- AMP Wholesale Capital Notes[4]	-	276	**276**	-	276	276
- AMP Capital Notes[4]	-	263	**263**	-	262	262
- Other	120	500	**620**	-	271	271
AMP's life insurance entities and investment entities controlled by AMP life insurance entities' statutory funds	98	255	**353**	565	1,472	2,037
Total interest-bearing liabilities	11,977	5,241	**17,218**	10,788	6,664	17,452

1 Deposits comprise at call retail cash on deposit and retail term deposits at variable interest rates w ithin the AMP Bank.

2 Includes $150m (2015: $150m) Floating rate subordinated unsecured notes to fund AMP Bank's capital requirements (first call date 2017, maturity 2022).

3 Issued on 18 December 2013 and are listed on the ASX. In certain circumstances, AMP may be required to convert some or all of AMP Notes 2 into AMP ordinary shares.

4 AMP Wholesale Capital Notes and AMP Capital Notes w ere issued on 27 March and 30 November 2015, respectively. They are perpetual notes w ith no maturity date. In certain circumstances, AMP may be required to convert some or all of the Notes into AMP ordinary shares.

(b) Financing arrangements

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

	2016 $m	2015 $m
Available	**13,529**	15,256
Used	**(2,579)**	(4,316)
Unused facilities at the end of the year	**10,950**	10,940

Overdraft facilities
The AMP group has access to a bank overdraft facility to help manage short-term cash flow needs. At year-end the available facility was $838m (2015: $779m).

Section 3: Capital structure and financial risk management

3.2 Interest-bearing liabilities (continued)

Accounting policy – recognition and measurement

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

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

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

Finance costs include:

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

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

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

Borrowing costs are recognised as expenses when incurred.

Section 3: Capital structure and financial risk management

3.3 Financial risk management

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

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

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

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

(a) Market risk

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

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

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

Section 3: Capital structure and financial risk management

3.3 Financial risk management (continued)

(a) Market risk (continued)

Sensitivity analysis

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

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

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

		2016		2015	
Sensitivity analysis	**Change in variables**	**Impact on profit after tax Increase (decrease) $m**	**Impact on equity[1] Increase (decrease) $m**	**Impact on profit after tax Increase (decrease) $m**	**Impact on equity[1] Increase (decrease) $m**
Interest rate risk Impact of a 100 basis point (bp) change in Australian and international interest rates.	- 100bp	82	83	47	32
	+100bp	(65)	(66)	(49)	(34)
Currency risk Impact of a 10% movement of exchange rates against the Australian dollar on currency sensitive monetary assets and liabilities.	10% depreciation of AUD	5	37	6	38
	10% appreciation of AUD	(6)	(32)	(7)	(33)
Equity price risk Impact of a 10% movement in Australian and international equities. Any potential impact on fees from the AMP group's investment linked business in is not included.	10% increase in:				
	Australian equities	12	12	10	10
	International equities	4	4	10	10
	10% decrease in:				
	Australian equities	(11)	(11)	(11)	(11)
	International equities	(6)	(6)	(11)	(11)

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

(b) Liquidity and refinancing risk

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

Section 3: Capital structure and financial risk management

3.3 Financial risk management (continued)

(b) Liquidity and refinancing risk (continued)

Maturity analysis

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

2016	Up to 1 year or no term $m	1-5 years $m	Over 5 years $m	Other[2] $m	Total $m
Non-derivative financial liabilities					
Payables	**1,840**	**112**	**-**	**-**	**1,952**
Borrowings	**12,124**	**4,413**	**21**	**-**	**16,558**
Subordinated debt	**210**	**1,006**	**63**	**-**	**1,279**
Investment contract liabilities[1]	**880**	**802**	**1,434**	**68,858**	**71,974**
External unitholders' liabilities	**-**	**-**	**-**	**13,252**	**13,252**
Derivative financial instruments					
Interest rate swaps	**16**	**12**	**-**	**-**	**28**
Off-balance sheet items					
Credit-related commitments - AMP Bank[3]	**3,653**	**-**	**-**	**-**	**3,653**
Total undiscounted financial liabilities and off-balance sheet items[2]	**18,723**	**6,345**	**1,518**	**82,110**	**108,696**
2015					
Non-derivative financial liabilities					
Payables	1,940	91	-	-	2,031
Borrowings	10,454	4,470	1,689	-	16,613
Subordinated debt	675	953	370	-	1,998
Investment contract liabilities[1]	927	905	1,473	66,952	70,257
External unitholders' liabilities	-	-	-	13,571	13,571
Derivative financial instruments					
Interest rate swaps	27	89	-	-	116
Off-balance sheet items					
Credit-related commitments - AMP Bank[3]	2,897	-	-	-	2,897
Total undiscounted financial liabilities and off-balance sheet items[2]	16,920	6,508	3,532	80,523	107,483

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

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

3 Loan commitments are off-balance sheet as they relate to unexercised commitments to lend to customers of AMP Bank.

Section 3: Capital structure and financial risk management

3.3 Financial risk management (continued)

(c) Credit risk

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

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

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

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

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

Credit risk of the loan portfolio in AMP Bank

AMP Bank is predominantly a lender for residential properties, both owner occupied and for investment. In every case, AMP Bank completes a credit assessment, which includes cost of living allowance and requires valuation of the proposed security property.

AMP Bank's Credit Committee and Board oversee trends in lending exposures and compliance with concentration limits. AMP Bank secures its loan with first registered mortgages over relevant properties and as a result manages credit risk on its loan with conservative lending policies and particular focus on the loan to value ratio (LVR). The LVR is calculated by dividing the total loan amount outstanding by the lower of AMP Bank's approved valuation amount or the purchase price. Loans with LVR greater than 80% are fully mortgage insured. Mortgage insurance is provided by Genworth Mortgage Insurance Australia Ltd and QBE Lenders Mortgage Insurance Ltd who are both regulated by APRA. The potential credit exposure to the loan mortgage insurers has been assessed to be low due to the stable historical relationship with the Bank and minimal level of historic claims rejections and reductions

The average LVR at origination of AMP Bank's loan portfolio for existing and new business is set out in the following table:

LVR	Existing business 2016 %	New business 2016 %	Existing business 2015 %	New business 2015 %
0 - 50	**17**	**9**	16	8
51 - 60	**11**	**9**	10	7
61 - 70	**17**	**16**	15	12
71 - 80	**38**	**50**	40	50
81 - 90	**13**	**8**	14	11
91 - 95	**4**	**8**	5	12
> 95	**-**	**-**	-	-

Section 3: Capital structure and financial risk management

3.3 Financial risk management (continued)

(c) Credit risk (continued)

Past due but not impaired financial assets

Ageing of past due but not impaired financial assets is used by the AMP group to measure and manage emerging credit risks. The following table provides an ageing analysis of debt securities that are past due as at reporting date but not impaired.

	Not past due nor impaired	Past due but not impaired				Total
		Less than 31 days	31-60 days	61-90 days	More than 91 days	
2016	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Debt securities - loans and advances	**16,668**	**373**	**66**	**25**	**72**	**17,204**
2015						
Debt securities - loans and advances	14,818	341	46	18	58	15,281

AMP Bank maintains individual provisions and collective loan impairment provisions against impaired loans.

Collateral and master netting or similar agreements

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

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

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

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

If these netting arrangements were applied to the derivative portfolio, the derivative assets of $1,195m would be reduced by $86m to the net amount of $1,109m and derivative liabilities of $1,150m would be reduced by $86m to the net amount of $1,064m (2015: derivative assets of $1,790m would be reduced by $285m to the net amount of $1,505m and derivative liabilities of $883m would be reduced by $285m to the net amount of $598m).

(ii) Repurchase agreements
Included within debt securities are assets held to back the liability for collateral deposits held in respect of debt security repurchase arrangements entered into by the life entities' statutory funds and controlled entities of the life entities' statutory funds. As at 31 December 2016, if repurchase arrangements were netted, debt securities of $34,512m would be reduced by $25m to the net amount of $34,487m and collateral deposits held of $92m would be reduced by $25m to the net amount of $67m (2015: debt securities of $35,743m would be reduced by $162m to the net amount of $35,581m and collateral deposits held of $225m would be reduced by $162m to the net amount of $63m).

(iii) Other collateral
The AMP group has collateral arrangements in place with some counterparties in addition to collateral deposits held with respect to repurchase agreements. The amount and type of collateral required by AMP Bank on housing loans depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral.

AMP Bank holds collateral against its loans and advances primarily in the form of mortgage interests over property, other registered securities over assets and guarantees.

Management monitors the market value of collateral and will request additional collateral in accordance with the underlying agreement. In the event of customer default, AMP Bank can enforce any security held as collateral against the outstanding claim. Any loan security is usually held as mortgagee in possession while AMP Bank seeks to realise its value through the sale of property. Therefore, AMP Bank does not hold any real estate or other assets acquired through the repossession of collateral.

Collateral generally consists of 11am loans and deposits and is exchanged between the counterparties to reduce the exposure from the net fair value of derivative assets and liabilities between the counterparties. As at 31 December 2016 there was $2m of collateral deposits due to other financial institutions (2015: $63m).

Section 3: Capital structure and financial risk management

3.4 Other derivative information

(a) Derivatives which are hedge accounted

Derivative instruments accounted for as fair value hedges
Fair value hedges are used to protect against changes in the fair value of financial assets and financial liabilities due to movements in exchange rates and interest rates. During the year the AMP group recognised a net loss of $1m (2015: $4m gain) on derivative instruments designated as fair value hedges. The net gain on the hedged interest-bearing liabilities amounted to $1m (2015: $4m loss).

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

The following schedule shows, as at reporting date, the periods when the hedged cash flows are expected to occur and when they are expected to affect profit and loss. During the year nil (2015: nil) was recognised in the Income statement due to hedge ineffectiveness from cash flow hedges.

	0-1 year $m	1-2 years $m	2-3 years $m	3-4 years $m	4-5 years $m
2016					
Cash inflows	**98**	**40**	**15**	**6**	**3**
Cash outflows	**(104)**	**(38)**	**(14)**	**(8)**	**(4)**
Net cash inflow/(outflow)	**(6)**	**2**	**1**	**(2)**	**(1)**
2015					
Cash inflows	155	58	27	13	4
Cash outflows	(179)	(43)	(16)	(5)	(1)
Net cash inflow/(outflow)	(24)	15	11	8	3

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

The AMP group recognised a profit of nil (2015: nil) due to the ineffective portion of hedges relating to investments in seed pool foreign operations.

Accounting policy – recognition and measurement

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

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

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

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

Section 3: Capital structure and financial risk management

3.5 Capital management

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

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

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

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

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

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

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

	2016 $m	2015 $m
AMP statutory equity attributable to shareholders of AMP Limited	**7,462**	8,519
Accounting mismatch, cash flow hedge resources and other adjustments	**27**	104
AMP shareholder equity	**7,489**	8,623
Subordinated debt[1]	**951**	1,551
Senior debt[1]	**611**	250
Total AMP capital resources	**9,051**	10,424

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

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

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

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

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

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

Section 4: Life insurance and investment contracts

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

4.1 Accounting for life insurance contracts and investment contracts

The AMP group's life insurance related activities were conducted through two registered life insurance companies, AMP Life Limited (AMP Life) and The National Mutual Life Association of Australasia Limited (NMLA), collectively, "the AMP life insurance entities".

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

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

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

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

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

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

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

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

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

Section 4: Life insurance and investment contracts

4.1 Accounting for life insurance contracts and investment contracts (continued)

Allocation of operating profit and unvested policyholder benefits
The operating profit arising from discretionary participating contracts is allocated between shareholders and participating policyholders by applying the MoS principles in accordance with the *Life Insurance Act 1995* (Cth) (Life Act) and the Participating Business Management Framework applying to NMLA.

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

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

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

The principles of allocation of the profit arising from discretionary participating business are as follows:

(i) investment income (net of tax and investment expenses) on retained earnings in respect of discretionary participating business is allocated between policyholders and shareholders in proportion to the balances of policyholders' and shareholders' retained earnings. This proportion is, mostly, 80% to policyholders and 20% to shareholders;

(ii) other MoS profits arising from discretionary participating business are allocated 80% to policyholders and 20% to shareholders, with the following exceptions:

- the profit arising from New Zealand corporate superannuation business is apportioned such that shareholders are allocated 15% of the profit allocated to policyholders;
- the profit arising in respect of preservation superannuation account business is allocated 92.5% to policyholders and 7.5% to shareholders;
- the profits arising from NMLA's discretionary participating investment account business where 100% of investment profit is allocated to policyholders and 100% of any other profit or loss is allocated to shareholders, with the over-riding provision being that at least 80% of any profit and not more than 80% of any loss be allocated to policyholders' retained profits of the relevant statutory fund;
- the underwriting profit arising in respect of NMLA's participating business super risk business is allocated 90% to policyholders and 10% to shareholders.

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

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

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

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

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

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

The present value of AMP's net contractual rights and obligations under reinsurance contracts is presented as a reinsurance asset or a reinsurance liability.

Changes in the reinsurance asset and the reinsurance liability during the period are recognised as Changes in policyholder liabilities.

On-going commission from reinsurers is recognised as revenue at the time the commission is received or receivable.

Section 4: Life insurance and investment contracts

4.1 Accounting for life insurance contracts and investment contracts (continued)

Critical accounting judgments and estimates

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

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

Section 4: Life insurance and investment contracts

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

	2016 $m	2015 $m
(a) Analysis of life insurance contract related revenue - net of reinsurance		
Life insurance contract premium revenue[1]	**2,333**	2,337
Commission received from reinsurers	**550**	-
Life insurance contract related revenue	**2,883**	2,337
Life insurance contract premium ceded to reinsurers	**(243)**	(176)
Life insurance contract related revenue - net of reinsurance	**2,640**	2,161
(b) Analysis of life insurance contract claims expenses - net of reinsurance		
Life insurance contract claims expense	**(2,038)**	(1,988)
Life insurance claims recovered from reinsurers	**150**	128
Life insurance contract claims expenses - net of reinsurance	**(1,888)**	(1,860)
(c) Analysis of life insurance contract operating expenses		
Life insurance contract acquisition expenses		
- commission	**(52)**	(58)
- other expenses	**(141)**	(150)
Life insurance contract maintenance expenses		
- commission	**(191)**	(192)
- other expenses	**(389)**	(386)
Investment management expenses	**(51)**	(53)

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

Section 4: Life insurance and investment contracts

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

	2016 $m	2015 $m
(d) Life insurance contract liabilities		
Life insurance contract liabilities determined using projection method		
Best estimate liability		
- value of future life insurance contract benefits	**18,120**	19,333
- value of future expenses	**4,789**	4,964
- value of future premiums	**(16,209)**	(19,447)
Value of future profits		
- life insurance contract holder bonuses	**3,188**	3,129
- shareholders' profit margins	**2,606**	3,338
Total life insurance contract liabilities determined using the projection method[1]	**12,494**	11,317
Life insurance contract liabilities determined using accumulation method		
Best estimate liability		
- value of future life insurance contract benefits	**9,181**	9,549
- value of future acquisition expenses	**(65)**	(87)
Total life insurance contract liabilities determined using the accumulation method	**9,116**	9,462
Value of declared bonus	**351**	384
Unvested policyholder benefits liabilities[1]	**2,248**	2,217
Total life insurance contract liabilities net of reinsurance	**24,209**	23,380
Reinsurance asset- ceded life insurance contracts	**546**	491
Reinsurance liability - ceded life insurance contracts[2]	**(530)**	-
Total life insurance contract liabilities gross of reinsurance	**24,225**	23,871

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

2 Reinsurance liability - ceded life insurance contracts reflects the present value of the net obligation to transfer cash flow s under the new 50% quota share reinsurance arrangement effective from 1 November 2016 in return for the upfront commission received.

	2016 $m	2015 $m
(e) Reconciliation of changes in life insurance contract liabilities		
Total life insurance contract liabilities at the beginning of the year	**23,871**	24,403
Change in life insurance contract liabilities recognised in the Income statement	**1,471**	240
Premiums recognised as an increase in life insurance contract liabilities	**415**	467
Claims recognised as a decrease in life insurance contract liabilities	**(1,140)**	(1,153)
Change in reinsurance asset - ceded life insurance contracts	**55**	(38)
Change in reinsurance liability - ceded life insurance contracts	**(530)**	-
Foreign exchange adjustment	**83**	(48)
Total life insurance contract liabilities at the end of the year	**24,225**	23,871

Section 4: Life insurance and investment contracts

4.3 Life insurance contracts - assumptions and valuation methodology

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

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

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

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

Business type		Basis[1]	31 December 2016 Australia	31 December 2016 New Zealand	31 December 2015 Australia	31 December 2015 New Zealand
			%	%	%	%
Retail risk (other than income benefit open claims)[1]		Zero coupon government bond yield curve	1.7 - 4.1	1.9 - 4.8	2.0 - 3.7	2.7 - 4.5
Retail risk and group risk (income benefit open claims)[1]		Zero coupon government bond yield curve (including liquidity premium)	2.1 - 4.4	2.2 - 5.1	2.5 - 4.2	3.1 - 5.0
Life annuities[2]	Non-CPI	Zero coupon government bond yield curve (including liquidity premium)	2.2 - 4.5	2.3 - 5.2	2.6 - 4.3	3.3 - 5.1
	CPI	Commonwealth indexed bond yield curve (including liquidity premium)	0.7 - 1.6	0.9 - 3.4	0.8 - 1.8	2.0 - 3.5

1 The discount rates vary by duration in the range shown above.
2 Australian non-CPI annuities and all CPI annuities are AMP Life only.

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

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

Section 4: Life insurance and investment contracts

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

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

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

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

		Australia	New Zealand
		%	%
31 December 2016	AMP Life and NMLA	2.0 CPI, 3.0 expenses	1.5 CPI, 2.0 expenses
31 December 2015	AMP Life and NMLA	2.2 CPI, 3.0 expenses	2.5 CPI, 3.0 expenses

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

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

The assumptions for future rates of discontinuance for the major classes of life insurance contracts have been reviewed and strengthened for some business lines from those assumed at 31 December 2015, as shown in the following table.

		31 December 2016		31 December 2015	
Business type	**Life company**	**Australia**	**New Zealand**	**Australia**	**New Zealand**
		%	%	%	%
Conventional	AMP Life	**1.7 - 4.1**	**1.1 - 1.6**	1.7 - 4.1	1.1 - 1.7
	NMLA	**2.0 - 9.4**	**1.9 - 2.5**	2.1 - 9.4	1.9 - 2.5
Retail risk (lump sum)	AMP Life	**14.2 - 18.3**	**12.0**	12.1 - 16.4	12.0 - 13.0
	NMLA	**12.7 - 13.5**	**11.6**	13.3 - 15.1	11.6
Retail risk (income benefit)	AMP Life	**11.2 - 19.1**	**11.4**	9.1 - 19.1	11.4
	NMLA	**8.0 - 13.5**	**9.5**	12.0 - 13.3	9.5
Flexible Lifetime Super (FLS) risk business	AMP Life	**13.3 - 16.5**	**n/a**	10.2 - 18.9	n/a
Investment account	AMP Life	**n/a**	**n/a**	n/a	n/a
	NMLA	**n/a**	**n/a**	n/a	n/a

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

Section 4: Life insurance and investment contracts

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

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

Rates of mortality assumed at 31 December 2016 for AMP Life and NMLA are as follows:

- Retail risk mortality rates for AMP Life Australia and NMLA Australia have been reviewed and strengthened for some business lines from those assumed at 31 December 2015, as indicated in the tables below. Retail risk mortality rates for AMP Life and NMLA New Zealand are unchanged from those assumed at 31 December 2015.The rates are based on the Industry standard IA04-08 Death Without Riders;
- Conventional business mortality rates are unchanged from those assumed at 31 December 2015;
- Annuitant mortality rates are unchanged from those assumed at 31 December 2015.

For Australian income protection business, the assumptions have been updated and based on the recently released ADI07-11 standard table modified for AMP Life and NMLA with overall product specific adjustment factors. For New Zealand income protection business, the assumptions are unchanged from those assumed at 31 December 2015. These assumptions are based on the IAD89-93 standard table.

For Australian TPD and Trauma business, the AMP Life and NMLA retail risk products assumptions have been strengthened for some business lines from those assumed at 31 December 2015. For New Zealand TPD and Trauma business, the retail risk products assumptions are unchanged from those assumed at 31 December 2015. These assumptions are based on the latest industry table IA04-08.

Section 4: Life insurance and investment contracts

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

(g) Mortality and morbidity (continued)

The assumptions are summarised in the following table.

	Conventional - % of IA95-97 (AMP Life)		Conventional - % of IA95-97 (NMLA)	
Conventional	**Male**	**Female**	**Male**	**Female**
31 December 2016				
Australia	**67.5**	**67.5**	**67.5**	**67.5**
New Zealand	**73.0**	**73.0**	**73.0**	**73.0**
31 December 2015				
Australia	67.5	67.5	67.5	67.5
New Zealand	73.0	73.0	73.0	73.0

	Retail Lump Sum % of table (AMP Life)		Retail Lump Sum % of table (NMLA)	
Risk products	**Male**	**Female**	**Male**	**Female**
31 December 2016				
Australia[1]	**94 - 148**	**94 - 148**	**100 - 106**	**100 - 106**
New Zealand	**100**	**82**	**120**	**98**
31 December 2015				
Australia[1]	86 - 118	86 - 118	88 - 104	88 - 104
New Zealand	100	82	120	98

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

	Male - % of IML00* (AMP Life)	Female - % of IFL00* (AMP Life)	Male - % of IML00* (NMLA)	Female - % of IFL00* (NMLA)
Annuities				
31 December 2016				
Australia and New Zealand[1]	**95.0**	**80.0**	**95.0**	**80.0**
31 December 2015				
Australia and New Zealand[1]	95.0	80.0	95.0	80.0

1 Annuities tables modified for future mortality improvements.

Section 4: Life insurance and investment contracts

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

(g) Mortality and morbidity (continued)

Typical morbidity assumptions, in aggregate, are as follows:

Income protection	Incidence rates 2016 - % of ADI 07-11 2015 - % of IAD 89-93 (AMP Life)	Incidence rates 2016 - % of ADI 07-11 2015 - % of IAD 89-93 (NMLA)	Termination rates (ultimate) 2016 - % of ADI 07-11 2015 - % of IAD 89-93 (AMP Life)	Termination rates (ultimate) 2016 - % of ADI 07-11 2015 - % of IAD 89-93 (NMLA)
31 December 2016				
Australia	**45 - 143**	**70 - 146**	**86 - 99**	**70 - 95**
31 December 2015				
Australia	49 - 138	60 - 125	44 - 75	41 - 72

Income protection	Incidence rates % of IAD 89-93 (AMP Life)	Incidence rates % of IAD 89-93 (NMLA)	Termination rates (ultimate) % of IAD 89-93 (AMP Life)	Termination rates (ultimate) % of IAD 89-93 (NMLA)
31 December 2016				
New Zealand	**45 - 67**	**53 - 80**	**57 - 78**	**41 - 57**
31 December 2015				
New Zealand	45 - 67	53 - 80	57 - 78	41 - 57

Retail lump sum	Male % of IA04-08 (AMP Life)	Male % of IA04-08 (NMLA)	Female % of IA04-08 (AMP Life)	Female % of IA04-08 (NMLA)
31 December 2016				
Australia TPD[1]	**150 - 173**	**132 - 143**	**170 - 196**	**150 - 162**
Australia Trauma[2]	**102 - 168**	**120 - 134**	**102 - 168**	**120 - 134**
New Zealand TPD[1]	**150**	**194**	**190**	**194**
New Zealand Trauma[2]	**114**	**101**	**114**	**101**
31 December 2015				
Australia TPD[1]	140 - 155	125 - 138	177 - 196	158 - 175
Australia Trauma[2]	105 - 110	96 - 116	105 - 121	96 - 111
New Zealand TPD[1]	150	194	190	194
New Zealand Trauma[2]	114	101	114	101

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

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

Section 4: Life insurance and investment contracts

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

(g) Mortality and morbidity (continued)

The actuarial tables used were as follows:

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

Section 4: Life insurance and investment contracts

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

(h) Other participating business assumptions

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

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

	10 year government bonds	Risk premiums				
		Local equities	International equities	Property and Infrastructure	Fixed interest	Cash
	%	%	%	%	%	%
31 December 2016						
Australia	2.8	4.5	3.5	2.5	AMP Life: 0.6 NMLA: 0.7	(0.5)
New Zealand	3.4	4.5	3.5	2.5	AMP Life: 0.6 NMLA: 0.1	(0.5)
31 December 2015						
Australia	2.9	4.5	3.5	2.5	AMP Life: 0.7 NMLA: 0.8	(0.5)
New Zealand	3.6	4.5	3.5	2.5	AMP Life: 0.7 NMLA: 0.0	(0.5)

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

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

Average asset mix[1]		Equities	Property and Infrastructure	Fixed interest	Cash
		%	%	%	%
31 December 2016					
Australia	AMP Life	26	13	39	22
	NMLA	36	18	32	14
New Zealand	AMP Life	34	17	41	8
	NMLA	38	19	34	9
31 December 2015					
Australia	AMP Life	26	13	39	22
	NMLA	36	18	32	14
New Zealand	AMP Life	34	17	42	7
	NMLA	38	19	34	9

1 The asset mix in the table above includes both conventional and investment account business for AMP Life, but only conventional business for NMLA. As described in note 4.1, 100% of investment profits on NMLA's investment account business are allocated to policyholders.

Section 4: Life insurance and investment contracts

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

(h) Other participating business assumptions (continued)

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

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

Actual bonus declarations are determined to reflect, over time, the investment returns of the particular fund and other factors in the emerging experience and management of the business. These factors include:

- allowance for an appropriate degree of benefit smoothing;
- reasonable expectations of policyholders;
- equity between generations of policyholders applied across different classes and types of business;
- ongoing capital adequacy.

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

Typical supportable bonus rates on major product lines are as follows for AMP Life and NMLA (31 December 2015 in parentheses).

Reversionary bonus		Bonus on sum insured %	Bonus on existing bonuses %
Australia	AMP Life	**0.8 - 1.0** (0.9 - 1.0)	**1.0 - 1.5** (1.0 - 1.6)
	NMLA	**0.4 - 1.0** (0.5 - 1.0)	**0.8 - 1.5** (0.9 - 1.4)
New Zealand	AMP Life	**0.7 - 1.0** (0.8 - 1.2)	**0.7 - 1.0** (0.8 - 1.2)
	NMLA	**0.8** (0.8)	**1.1** (1.1)

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

Crediting rates (investment account)		%
Australia	AMP Life	**1.3 - 3.7** (0.3 - 5.5)
	NMLA	**2.2 - 5.2** (3.1 - 7.9)
New Zealand	AMP Life	**2.0 - 3.3** (3.1 - 7.1)
	NMLA	**5.4 - 6.4** (5.9 - 7.4)

Section 4: Life insurance and investment contracts

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

(i) Impact of changes in assumptions

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

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

The impact on future profit margins of actual changes in assumptions from 31 December 2015 to 31 December 2016 in respect of life insurance contracts (excluding new business contracts which are measured using assumptions at reporting date) is as shown in the table below for the two life companies.

	AMP Life			NMLA		
Assumption change	**Change in future profit margins**	**Change in life insurance contract liabilities[2]**	**Change in shareholders' profit & equity[3]**	**Change in future profit margins**	**Change in life insurance contract liabilities[2]**	**Change in shareholders' profit & equity[3]**
	$m	**$m**	**$m**	**$m**	**$m**	**$m**
Non-market related changes to discount rates	(8)	-	-	11	2	(1)
Mortality and morbidity	(247)	212	(149)	(66)	240	(168)
Discontinuance rates	(85)	23	(16)	(121)	19	(13)
Maintenance expenses	138	88	(62)	(55)	157	(110)
Other assumptions[1]	(209)	(48)	33	44	(84)	59

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

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

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

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

Section 4: Life insurance and investment contracts

4.4 Life insurance contracts - risk

(a) Life insurance risk

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

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

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

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

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

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

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

Section 4: Life insurance and investment contracts

4.4 Life insurance contracts - risk (continued)

(b) Key terms and conditions of life insurance contracts

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

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

Section 4: Life insurance and investment contracts

4.4 Life insurance contracts - risk (continued)

(c) Insurance risk sensitivity analysis – life insurance contracts

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

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

		Change in life insurance contract liabilities		Change in shareholder profit after income tax and equity	
Variable	Change in variable	Gross of reinsurance $m	Net of reinsurance $m	Gross of reinsurance $m	Net of reinsurance $m
AMP Life					
Mortality	10% increase in mortality rates	(1)	(1)	1	1
Annuitant mortality	50% increase in the rate of mortality improvement	1	1	(1)	(1)
Morbidity - lump sum disablement	20% increase in lump sum disablement rates	-	-	-	-
Morbidity - disability income	10% increase in incidence rates	80	43	(56)	(30)
Morbidity - disability income	10% decrease in recovery rates	123	73	(86)	(51)
Discontinuance rates	10% increase in discontinuance rates	19	14	(14)	(10)
Maintenance expenses	10% increase in maintenance expenses	6	6	(4)	(4)
NMLA					
Mortality[1]	10% increase in mortality rates	11	8	(8)	(6)
Annuitant mortality	50% increase in the rate of mortality improvement	-	-	-	-
Morbidity - lump sum disablement	20% increase in lump sum disablement rates	77	63	(54)	(44)
Morbidity - disability income	10% increase in incidence rates	118	97	(83)	(68)
Morbidity - disability income	10% decrease in recovery rates	224	178	(157)	(125)
Discontinuance rates	10% increase in discontinuance rates	23	20	(16)	(14)
Maintenance expenses	10% increase in maintenance expenses	5	5	(3)	(3)

1 This includes the impact on death benefits that are payable on some disability income products.

(d) Liquidity risk and future net cash outflows

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

	Up to 1 year $m	1-5 years $m	Over 5 years $m	Total $m
2016	**1,479**	**3,270**	**8,958**	**13,707**
2015	1,116	2,769	8,342	12,227

Section 4: Life insurance and investment contracts

4.5 Other disclosure - life insurance contracts and investment contracts

	2016 $m	2015 $m
(a) Analysis of life insurance and investment contract profit		
Components of profit (loss) related to life insurance and investment contract liabilities:		
- planned margins of revenues over expenses released	**580**	559
- profits (losses) arising from difference between actual and assumed experience	**(137)**	71
- profits (losses) arising from changes in assumptions	**(49)**	29
- capitalised (losses) reversals	**(426)**	-
Profit (loss) related to life insurance and investment contract liabilities	**(32)**	659
Attributable to:		
- life insurance contracts	**(250)**	437
- investment contracts	**218**	222
Profit (loss) related to life insurance and investment contract liabilities	**(32)**	659
Investment earnings on assets in excess of life insurance and investment contract liabilities	**157**	115

Section 4: Life insurance and investment contracts

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

(b) Restrictions on assets in statutory funds

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

AMP Life has three statutory funds as set out below:

No. 1 fund	Australia	Capital guaranteed business (w hole of life, endow ment, investment account, retail and group risk and immediate annuities)
	New Zealand	All business (w hole of life, endow ment, investment account, retail and group risk, investment-linked and immediate annuities)
No. 2 fund	Australia	Investment-linked superannuation business (retail and group investment-linked and deferred annuities)
No. 3 fund	Australia	Investment-linked ordinary business

NMLA has six statutory funds as set out below:

No. 1 fund	Australia	Capital guaranteed ordinary business (w hole of life, endow ment, investment account and retail and group risk)
	New Zealand	All business (w hole of life, endow ment, investment account, retail and group risk, retail investment-linked and immediate annuities)
No. 2 fund	Australia	Investment-linked superannuation business (retail and group investment-linked and deferred annuities)
No. 3 fund	Taiw an	All business (individual w hole of life, endow ment and term and group life)
No. 4 fund	Australia	Capital guaranteed superannuation business (w hole of life, endow ment, investment account and retail (lump sum only) and group risk)
No. 5 fund	Australia	Investment-linked ordinary business
No. 6 fund	Australia	North longevity guarantee

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

Further details about capital management are provided in note 3.5.

	2016			2015		
	AMP Life and NMLA			AMP Life and NMLA		
	Non-investment linked	Investment-linked	Total life entities' statutory funds	Non-investment linked	Investment-linked	Total life entities' statutory funds
	$m	$m	$m	$m	$m	$m
Net assets of life entities' statutory funds attributable to policyholders and shareholders	29,747	68,956	98,703	30,254	67,096	97,350
Attributable to policyholders[2]						
Life insurance contract liabilities	24,225	-	24,225	23,871	-	23,871
Investment contract liabilities[1]	2,739	68,760	71,499	2,912	66,849	69,761
	26,964	68,760	95,724	26,783	66,849	93,632
Attributable to shareholders	2,783	196	2,979	3,471	247	3,718

1 Investment contract liabilities in this table do not include $80m (2015: $87m) being the investment contract liability for the North capital guarantee w hich is held outside the life insurance entities.

2 Based on assumptions as to likely w ithdraw al patterns of the various product groups, it is estimated that approximately $14,268m (2015: $13,740m) of policy liabilities may be settled w ithin 12 months of the reporting date.

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

Section 4: Life insurance and investment contracts

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

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

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

Income statement	Life entities' statutory funds consolidated	
	2016	2015
	$m	$m
Insurance related revenue - net of reinsurance	**3,032**	2,465
Fee revenue	**1,485**	1,592
Other revenue	**5**	38
Investment gains and losses	**8,214**	8,016
Insurance contract claims expenses - net of reinsurance	**(2,280)**	(2,164)
Operating expenses including finance costs	**(2,339)**	(2,596)
Movement in external unitholders' liabilities	**(1,263)**	(1,006)
Change in life insurance contract liabilities	**(1,471)**	(240)
Change in investment contract liabilities	**(4,614)**	(4,384)
Income tax expense	**(154)**	(249)
Profit for the year	**615**	1,472
Assets		
Cash and cash equivalents	**7,086**	7,755
Investments in financial assets measured at fair value through profit or loss	**100,681**	107,061
Investment property	**127**	746
Other assets	**11,550**	4,546
Total assets of policyholders, shareholders and non-controlling interests	**119,444**	120,108
Liabilities		
Life insurance contract liabilities	**24,225**	23,871
Investment contract liabilities	**71,499**	69,761
Other liabilities	**6,682**	8,551
External unitholders' liabilities	**14,056**	13,893
Total liabilities of policyholders, shareholders and non-controlling interests	**116,462**	116,076
Net assets	**2,982**	4,032

Section 4: Life insurance and investment contracts

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

(c) Capital guarantees

	2016 $m	2015 $m
Life insurance contracts with a discretionary participating feature - amount of the liabilities that relate to guarantees	**15,440**	15,991
Investment-linked contracts - amount of the liabilities subject to investment performance guarantees	**925**	973
Other life insurance contracts with a guaranteed termination value - current termination value	**169**	178

(d) Capital requirements

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

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

The Appointed Actuary of AMP Life and NMLA has confirmed that the capital base of each life statutory fund and shareholders' fund have exceeded PCA at all times during 2016 and 2015.

	2016		2015	
	AMP Life $m	NMLA $m	AMP Life $m	NMLA $m
Common Equity Tier 1 Capital	2,810	1,344	3,091	1,450
Adjustments to Common Equity Tier 1 Capital	(854)	(530)	(1,424)	(713)
Additional Tier 1 Capital	205	100	205	100
Adjustments to Additional Tier 1 Capital	-	-	-	-
Tier 2 Capital	215	85	215	85
Adjustments to Tier 2 Capital	-	-	-	-
Total capital base	**2,376**	**999**	**2,087**	**922**
Total Prescribed Capital Amount (PCA)	**825**	**498**	**860**	**424**
Capital adequacy amount	**1,551**	**501**	**1,227**	**498**
Capital adequacy multiple	**288%**	**201%**	**243%**	**217%**

(e) Actuarial information

Mr Anton Kapel, the appointed actuary of AMP Life and NMLA, is satisfied as to the accuracy of the data used in the valuations in the preliminary financial report and in the tables in note 4.2 and note 4.5.

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

Section 5: Employee disclosures

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

- 5.1 Defined benefit plans
- 5.2 Share-based payments

5.1 Defined benefit plans

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

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

Plan details	Australia	New Zealand
Plan names	AMP Australia and AMP AAPH Australia defined benefit plans	AMP New Zealand and AMP AAPH New Zealand defined benefit plans
Entitlements of active members	A lump sum or pension on retirement. Pensions provided are lifetime indexed pensions with a reversionary spouse pension.	Accumulation benefits and a lump sum payment on retirement.
Governance of the plans	The trustees of the AMP Superannuation Savings Trust, of which the Australian plans are sub-funds – this includes administration of the plan, management and investment of the plan assets, and compliance with superannuation laws and other applicable regulations.	The plan's trustees - this includes administration of the plan, management and investment of the plan assets, and looking after the interests of all beneficiaries.
Valuations required	Every year	Every three years
Key risks	The risk of actual outcomes being different to the actuarial assumptions used to estimate the defined benefit obligation, investment risk and legislative risk.	
Date of last valuation	31 March 2016	31 December 2014
Additional contributions required	Additional contributions of $7m per annum until 31 March 2019.	Additional contributions of $6m per annum until 31 December 2017.

(a) Defined benefit liability

	2016 $m	2015 $m
Present value of wholly funded defined benefit obligations	**(804)**	(860)
Less: Fair value of plan assets	**760**	762
Defined benefit liability recognised in the Statement of financial position	**(44)**	(98)
Movement in defined benefit liability		
Deficit at the beginning of the year	**(98)**	(190)
Plus: Total expenses recognised in income	**(3)**	(8)
Plus: Employer contributions	**9**	6
Plus: Actuarial gains recognised in Other comprehensive income[1]	**48**	94
Defined benefit liability recognised at the end of the year	**(44)**	(98)

1 The cumulative net actuarial gains and losses recognised in the Statement of comprehensive income is a $152m gain (2015: $104m gain).

Section 5: Employee disclosures

5.1 Defined benefit plans (continued)

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

	Defined benefit obligation		Fair value of plan assets	
	2016	2015	2016	2015
	$m	$m	$m	$m
Balance at the beginning of the year	**(860)**	(962)	**762**	772
Current service cost	**(4)**	(6)	**-**	-
Interest (cost) income	**(23)**	(22)	**24**	18
Net actuarial gains and losses	**37**	82	**11**	12
Employer contributions	**-**	-	**9**	6
Foreign currency exchange rate changes	**(3)**	3	**3**	(1)
Benefits paid	**49**	45	**(49)**	(45)
Balance at the end of the year	**(804)**	(860)	**760**	762

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

	Fair value of plan assets		Present value of plan obligation		Net recognised surplus (deficit)		Actuarial gains	
	2016	2015	2016	2015	2016	2015	2016	2015
	$m	$m	$m	$m	$m	$m	$m	$m
AMP Australian	265	274	(302)	(324)	(37)	(50)	14	33
AMP AAPH Australian	384	380	(359)	(389)	25	(9)	29	54
AMP New Zealand	22	23	(26)	(27)	(4)	(4)	-	-
AMP AAPH New Zealand	89	85	(117)	(120)	(28)	(35)	5	7
Total	760	762	(804)	(860)	(44)	(98)	48	94

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

	AMP				AMP AAPH			
	Australia		New Zealand		Australia		New Zealand	
	2016	2015	2016	2015	2016	2015	2016	2015
	%	%	%	%	%	%	%	%
Weighted average discount rate	**4.5**	4.5	**3.3**	3.5	**4.6**	4.6	**4.1**	4.1
Expected rate of salary increases	**n/a**	3.5	**4.0**	4.0	**3.5**	3.5	**4.0**	4.0

(e) Allocation of assets
The asset allocations of the defined benefit funds are shown in the following table:

	AMP				AMP AAPH			
	Australia		New Zealand		Australia		New Zealand	
	2016	2015	2016	2015	2016	2015	2016	2015
	%	%	%	%	%	%	%	%
Equity	**46**	39	**34**	35	**29**	28	**38**	34
Fixed interest	**32**	36	**36**	35	**45**	41	**36**	36
Property	**9**	9	**7**	10	**5**	4	**6**	6
Cash	**6**	6	**14**	14	**7**	16	**14**	14
Other	**7**	10	**10**	6	**14**	11	**6**	10

Section 5: Employee disclosures

5.1 Defined benefit plans (continued)

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

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

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

	AMP		AMP AAPH	
	Australia	New Zealand	Australia	New Zealand
	$m	$m	$m	$m
Expected employer contributions	1	-	4	4
Weighted average duration of the defined benefit obligation	11 years	8 years	13 years	13 years

Accounting policy – recognition and measurement

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

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

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

Section 5: Employee disclosures

5.2 Share-based payments

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

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

	2016 $'000	2015 $'000
Performance rights	**12,377**	11,433
Share rights	**24,109**	22,596
Restricted shares	**-**	16
Employee share acquisition plan - matching shares	**-**	1
Total share-based payments expense	**36,486**	34,046

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

Plan	LTI award plan
Overview	Performance rights give the participant the right to acquire one fully paid ordinary share in AMP Limited upon meeting specific performance hurdles. They are granted at no cost to the participant and carry no dividend or voting rights until they vest. Performance rights may be settled through a cash payment in lieu of shares, at the discretion of the board.
Vesting conditions	The performance hurdles for rights granted in 2014 and 2013 are: • 50% subject to AMP's total shareholder return (TSR) performance relative to the top industrial companies in the S&P/ASX 100 Index over a three-year performance period; • 50% subject to a return on equity (RoE) measure. The performance hurdles for rights granted in 2016 and 2015 are: • 60% subject to AMP's TSR performance relative to the top industrial companies in the S&P/ASX 100 Index over a three-year performance period; • 40% subject to a RoE measure.
Vesting period	3 years.
Vested awards	Vested performance rights are automatically converted to shares on behalf of participants.
Unvested awards	Unvested awards are forfeited if the participant voluntarily ceases employment or is dismissed for misconduct or poor performance.

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

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

Section 5: Employee disclosures

5.2 Share-based payments (continued)

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

Grant date	Share price	Contractual life (years)	Dividend yield	Volatility[1]	Risk-free rate[1]	TSR performance hurdle discount	RoE performance hurdle discount[2]	TSR performance rights fair value	RoE performance rights fair value
02/06/2016	$5.54	3.0	4.7%	24%	1.6%	57%	0%	$2.37	$4.81
15/04/2016	$5.79	2.1	4.7%	23%	2.0%	69%	0%	$1.80	$5.24
15/04/2016	$5.79	1.1	4.7%	25%	2.0%	36%	0%	$3.68	$5.49
18/09/2015	$5.79	2.7	4.6%	23%	1.9%	58%	0%	$2.43	$5.11
04/06/2015	$6.20	3.0	4.7%	23%	2.1%	55%	0%	$2.82	$5.39
13/04/2015	$6.69	2.1	4.8%	23%	1.8%	34%	0%	$4.44	$6.05
05/06/2014	$5.28	3.0	4.8%	25%	2.9%	45%	0%	$2.89	$4.57
06/06/2013	$4.97	3.0	5.6%	23%	2.5%	60%	0%	$2.00	$4.21

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

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

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

Grant date	Exercise period[1]	Exercise price	Balance at 1 Jan 2016	Excercised during the year	Granted during the year	Lapsed during the year	Balance at 31 Dec 2016
06/06/2013	n/a	Nil	4,646,382	1,034,932	-	3,611,450	-
05/06/2014	n/a	Nil	3,902,891	-	-	10,291	3,892,600
13/04/2015	n/a	Nil	8,004	-	-	-	8,004
04/06/2015	n/a	Nil	3,449,078	-	-	7,269	3,441,809
18/09/2015	n/a	Nil	61,038	-	-	-	61,038
15/04/2016	n/a	Nil	-	-	44,263	-	44,263
15/04/2016	n/a	Nil	-	-	21,788	-	21,788
02/06/2016	n/a	Nil	-	-	3,749,418	17,251	3,732,167
Total			**12,067,393**	**1,034,932**	**3,815,469**	**3,646,261**	**11,201,669**

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

From the end of the financial year and up to the date of this report, 12,820 performance rights have been issued, no performance rights have been exercised, and no performance rights have lapsed. Of the performance rights outstanding at the end of the period, none have vested or become exercisable.

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

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

Plan	LTI award plan	STI deferral plan	STI match plan
Overview	Share rights give the participant the right to acquire one fully paid ordinary share in AMP Limited after a specified service period. They are granted at no cost to the participant and carry no dividend or voting rights until they vest.		
Vesting conditions/ period	Continued service for three years, but may vary where the share rights are awarded to retain an employee for a critical period.	Continued service for two years and subject to ongoing employment, compliance with AMP policies and the board's discretion.	Continued service for two years and subject to ongoing employment, compliance with AMP policies and the board's discretion.
Vested awards	Vested share rights are automatically converted to shares on behalf of participants.		
Unvested awards	Unvested awards are forfeited if the participant voluntarily ceases employment or is dismissed for misconduct or poor performance.		

Section 5: Employee disclosures

5.2 Share-based payments (continued)

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

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

The following table shows the factors which were considered in determining the independent fair value of the share rights granted during 2016 and the comparative period (2015):

Grant date	Share price	Contractual life (years)	Dividend yield	Dividend discount	Fair value
02/06/2016	$5.54	3.0	4.7%	13%	$4.81
28/04/2016	$5.84	1.8	4.7%	8%	$5.36
15/04/2016	$5.79	0.9	4.7%	4%	$5.56
29/02/2016	$5.32	1.1	4.7%	5%	$5.06
22/02/2016	$5.54	1.5	4.6%	7%	$5.17
22/02/2016	$5.54	0.5	4.6%	2%	$5.41
22/02/2016	$5.54	2.6	4.6%	11%	$4.91
22/02/2016	$5.54	1.6	4.6%	7%	$5.15
22/02/2016	$5.54	0.6	4.6%	3%	$5.39
18/09/2015	$5.79	2.7	4.6%	12%	$5.11
18/09/2015	$5.79	1.8	4.6%	7%	$5.41
18/09/2015	$5.79	2.0	4.6%	6%	$5.42
04/06/2015	$6.20	3.0	4.7%	13%	$5.39
29/05/2015	$6.66	0.8	4.8%	4%	$6.41
29/05/2015	$6.66	1.8	4.8%	8%	$6.11
30/04/2015	$6.44	1.8	4.8%	8%	$5.90
13/04/2015	$6.69	2.1	4.8%	10%	$6.05
05/06/2014	$5.28	3.0	4.8%	13%	$4.57
29/04/2014	$5.07	1.8	4.8%	8%	$4.64
14/03/2014	$4.92	1.0	4.8%	4%	$4.70
14/03/2014	$4.92	2.0	4.8%	9%	$4.48

Section 5: Employee disclosures

5.2 Share-based payments (continued)

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

Grant date	Exercise period[1]	Exercise price	Balance at 1 Jan 2016	Exercised during the year	Granted during the year	Lapsed during the year	Balance at 31 Dec 2016
06/06/2013	n/a	Nil	1,430,780	1,374,504	-	56,276	-
09/09/2013	n/a	Nil	35,726	35,726	-	-	-
14/03/2014	n/a	Nil	37,500	37,500	-	-	-
29/04/2014	n/a	Nil	654,982	644,077	-	10,905	-
29/04/2014	n/a	Nil	2,492,491	2,492,491	-	-	-
05/06/2014	n/a	Nil	1,441,351	-	-	62,831	1,378,520
13/04/2015	n/a	Nil	5,468	-	-	-	5,468
30/04/2015	n/a	Nil	852,176	-	-	-	852,176
30/04/2015	n/a	Nil	1,357,234	-	-	-	1,357,234
30/04/2015	n/a	Nil	714,837	-	-	67,518	647,319
30/04/2015	n/a	Nil	166,944	-	-	-	166,944
29/05/2015	n/a	Nil	11,848	11,848	-	-	-
29/05/2015	n/a	Nil	12,437	-	-	-	12,437
04/06/2015	n/a	Nil	1,587,055	-	-	54,180	1,532,875
18/09/2015	n/a	Nil	61,037	-	-	-	61,037
18/09/2015	n/a	Nil	24,469	8,156	-	-	16,313
18/09/2015	n/a	Nil	83,333	41,666	-	-	41,667
22/02/2016	n/a	Nil	-	16,100	16,100	-	-
22/02/2016	n/a	Nil	-	-	10,733	-	10,733
22/02/2016	n/a	Nil	-	-	10,733	-	10,733
22/02/2016	n/a	Nil	-	27,522	27,522	-	-
22/02/2016	n/a	Nil	-	-	27,522	-	27,522
29/02/2016	n/a	Nil	-	-	52,739	-	52,739
15/04/2016	n/a	Nil	-	-	8,932	-	8,932
28/04/2016	n/a	Nil	-	-	3,625,934	45,341	3,580,593
02/06/2016	n/a	Nil	-	-	1,792,604	26,655	1,765,949
Total			**10,969,668**	**4,689,590**	**5,572,819**	**323,706**	**11,529,191**

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

From the end of the financial year and up to the date of this report, 30,457 share rights have been issued, no share rights have been exercised, and no share rights have lapsed due to resignation. Of the share rights outstanding at the end of the period, none have vested or become exercisable.

(c) Restricted shares
No restricted shares were granted during 2016 and 2015.

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

Accounting policy – recognition and measurement

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

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

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

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

Section 6: Group entities

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

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

6.1 Controlled entities

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

Operating entities Name of entity	Country of registration	Share type	%holdings 2016	 2015
AMP AAPH Limited	Australia	Ord	100	100
AMP Advice Holdings Pty Ltd	Australia	Ord	100	100
AMP Bank Limited	Australia	Ord	100	100
AMP Capital Funds Management Limited	Australia	Ord	85	85
AMP Capital Holdings Limited	Australia	Ord	85	85
AMP Capital Investors (New Zealand) Limited	New Zealand	Ord	85	85
AMP Capital Investors Limited	Australia	Ord	85	85
AMP Capital Office and Industrial Pty Limited	Australia	Ord	85	85
AMP Capital Shopping Centres Pty Limited	Australia	Ord	85	85
AMP Financial Planning Pty Limited	Australia	Ord	100	100
AMP Group Finance Services Limited	Australia	Ord	100	100
AMP Group Holdings Limited	Australia	Ord A	100	100
AMP Life Limited	Australia	Ord	100	100
AMP Services (NZ) Limited	New Zealand	Ord	100	100
AMP Services Limited	Australia	Ord A	100	100
AMP Superannuation Limited	Australia	Ord	100	100
AMP Wealth Management New Zealand Limited	New Zealand	Ord	100	100
Hillross Financial Services Limited	Australia	Ord	100	100
ipac Group Services Pty Ltd	Australia	Ord	100	100
National Mutual Funds Management Ltd	Australia	Ord	100	100
National Mutual Life Nominees Pty Limited	Australia	Ord	100	100
NMMT Limited	Australia	Ord	100	100
The National Mutual Life Association of Australasia Limited	Australia	Ord	100	100

(b) Investments in investment entities controlled by the AMP life insurance entities' statutory funds

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

Critical accounting estimates and judgements:

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

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

Section 6: Group entities

6.2 Acquisitions and disposals of controlled entities

(a) Acquisitions and disposals of controlled operating entities
During the year ended 31 December 2016, AMP acquired (disposed) of its control in the following entities:

- Money Brilliant Pty Ltd (acquired)
- Hillross Alliances Pty Ltd (disposed)

During the year ended 31 December 2015, AMP acquired all the issued share capital of the following entities:

- Justsuper Pty Ltd
- Supercorp Pty Ltd
- SuperIQ Pty Ltd
- Wealth Vision Financial Services Pty Ltd

The net impact of these acquisitions and disposals are as follows:

	Impact in 2016 $m	Impact in 2015 $m
Assets		
Cash and cash equivalents	**4**	(34)
Investments in associates accounted for using the equity method	**(1)**	(16)
Intangible assets	**3**	82
Other assets	**(9)**	(8)
Total assets	**(3)**	24
Liabilities		
Payables and provisions	**-**	(11)
Deferred tax liabilities	**2**	(8)
Other liabilities	**(1)**	(5)
Total liabilities	**1**	(24)

(b) Acquisition and disposals of controlled entities of AMP life insurance entities' statutory funds
In the course of normal operating investment activities, the AMP life insurance entities' statutory funds acquire equity interests in entities which, in some cases, result in AMP holding a controlling interest in the investee entity.

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

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

Section 6: Group entities

6.3 Investments in associates

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

Associate	Principal activity	Place of business	Ownership interest 2016 %	Ownership interest 2015 %	Carrying amount[1] 2016 $m	Carrying amount[1] 2015 $m
China Life Pension Company	Pension company	China	**19.99**	19.99	**283**	282
AIMS AMP Capital Industrial REIT	Industrial property trust	Singapore	**5**	5	**49**	49
Infrashore Group	Community health service provider	Australia	**-**	29	**-**	45
China Life AMP Asset Management Company Ltd	Investment management	China	**15**	15	**21**	20
Global Infrastructure Fund	Fund	Cayman Island	**5**	5	**38**	19
AMP Capital Infrastructure Debt Fund III USD LP	Fund	Cayman Island	**8**	-	**11**	-
Other (individually immaterial associates)					**47**	52
Total investments in associates accounted for using the equity method					**449**	467

1. The carrying amount is after recognising $28m (2015: $27m) share of current period profit or loss of associates accounted for using the equity method

(b) Investments in significant associates held by the life entities' statutory funds measured at fair value through profit or loss

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

Accounting Policy – recognition and measurement

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

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

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

Section 6: Group entities

6.4 Parent entity information

	2016 $m	2015 $m
(a) Statement of comprehensive income - AMP Limited entity		
Dividends and interest from controlled entities	**634**	892
Interest revenue - other entities	**1**	1
Service fee revenue	**11**	11
Operating expenses	**(8)**	(11)
Finance costs	**(44)**	(28)
Income tax credit[1]	**52**	48
Profit for the year	**646**	913
Total comprehensive income for the year	**646**	913

	2016 $m	2015 $m
(b) Statement of financial position - AMP Limited entity		
Current assets		
Cash and cash equivalents	**32**	21
Receivables and prepayments[2]	**107**	293
Loans and advances to subsidiaries	**2,078**	2,247
Non-current assets		
Investments in controlled entities	**11,355**	11,355
Deferred tax assets[3]	**53**	54
Total assets	**13,625**	13,970
Current liabilities		
Payables[2]	**77**	44
Current tax liabilities	**29**	222
Provisions	**3**	5
Non-current liabilities		
Subordinated debt[4]	**864**	864
Total liabilities	**973**	1,135
Net assets	**12,652**	12,835
Equity - AMP Limited entity		
Contributed equity	**9,747**	9,747
Share based-payment reserve	**21**	22
Retained earnings[5]	**2,884**	3,066
Total Equity	**12,652**	12,835

1 Dividend income from controlled entities $611m (2015: $876m) is not assessable for tax purposes. Income tax credit includes $65m (2015: $43m) utilisation of previously unrecognised tax losses.
2 Receivables and payables include tax-related amounts receivable from subsidiaries $99m (2015: $287m) and payable to subsidiaries $42m (2015: $42m).
3 Deferred tax assets include amounts recognised for losses available for offset against future taxable income $49m (2015: $50m)
4 AMP Limited entity is the issuer of: AMP Subordinated Notes $326m (2015: $326m); AMP Wholesale Capital Notes $276m (2015: $276) and AMP Capital Notes $262m (2015: $262m). Further information on these are provided in note 3.2.
5 Changes in retained earnings comprise $646m (2015: $913m) profit for the year less dividends paid of $828m (2015: $813m).

(c) Contingent liabilities of AMP Limited entity

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

Section 7: Other disclosures

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

- 7.1 Notes to Statement of cash flows
- 7.2 Leases
- 7.3 Provisions
- 7.4 Contingent liabilities
- 7.5 Auditors' remuneration
- 7.6 New accounting standards
- 7.7 Events occurring after reporting date

7.1 Notes to Statement of cash flows

(a) Reconciliation of cash flow from operating activities

	2016 $m	2015 $m
Net profit after income tax	**192**	1,713
Depreciation of operating assets	**18**	23
Amortisation and impairment of intangibles	**937**	279
Investment gains and losses and movements in external unitholders liabilities	**506**	788
Dividend and distribution income reinvested	**(3,515)**	(4,041)
Share-based payments	**-**	(4)
Decrease (increase) in receivables, intangibles and other assets	**83**	36
(Decrease) increase in net policy liabilities	**2,615**	2,336
(Decrease) increase in income tax balances	**(473)**	(100)
(Decrease) increase in other payables and provisions	**(188)**	312
Cash flows from (used in) operating activities	**175**	1,342

(b) Reconciliation of cash

	2016 $m	2015 $m
Comprises:		
Cash and cash equivalents	**3,476**	3,955
Short-term bills and notes (included in Debt securities)	**5,334**	2,646
Cash and cash equivalents for the purpose of the Statement of cash flows	**8,810**	6,601

Accounting policy – recognition and measurement

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

Section 7: Other disclosures

7.2 Leases

	2016 $m	2015 $m
Due within one year	**89**	87
Due within one year to five years	**222**	279
Due later than five years	**16**	13
Total operating lease commitments	**327**	379

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

At 31 December 2016, the total of future minimum sublease payments expected to be received under non-cancellable subleases was $37m (2015: $37m).

Accounting policy – recognition and measurement

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

Section 7: Other disclosures

7.3 Provisions

	Consolidated 2016 $m	Consolidated 2015 $m
(a) Provisions		
Restructuring[1]	**67**	8
Other[2]	**138**	189
Total provisions	**205**	197

	Restructuring[1] $m	Other[2] $m	Total $m
(b) Movements in provisions - consolidated			
Balance at the beginning of the year	**8**	**189**	**197**
Additional provisions made during the year	**69**	**94**	**163**
Provisions used during the year	**(10)**	**(145)**	**(155)**
Balance at the end of the year	**67**	**138**	**205**

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

2 Other provisions are in respect of probable outgoings on client remediation projects and various other operational provisions. $17m (2015: $17m) is expected to be settled more than 12 months from the reporting date.

Accounting policy – recognition and measurement

Provisions

Provisions are recognised when:

- the AMP group has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. For provisions other than employee entitlements, the discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

Critical accounting estimates and judgements:

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

Section 7: Other disclosures

7.4 Contingent liabilities

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

At the reporting date there were no other material contingent liabilities where the probability of any outflow in settlement was greater than remote.

7.5 Auditors' remuneration

	2016 $'000	2015 $'000
Audit services for AMP Limited and any other entity in the consolidated group		
- Audit or review of the financial statements	**12,130**	10,762
- Other audit services[1]	**1,527**	1,422
Total audit service fees	**13,657**	12,184
Non-audit services		
In relation to other taxation, compliance and project advice, and other non-audit services	**2,089**	3,421
Total non-audit services[2]	**2,089**	3,421
Total auditors' remuneration	**15,746**	15,605

1 Includes fees paid to EY affiliates overseas

2 When the AMP group gains control of an entity whose incumbent auditor is not EY, immaterial audit fees are paid to the non-EY audit firm for the audit of the controlled entity. The non-EY audit firm is also independently contracted to provide services unrelated to their audit work.

Section 7: Other disclosures

7.6 New accounting standards

a) New and amended accounting standards adopted by the AMP group
A number of new accounting standards and amendments have been adopted effective 1 January 2016. These have not had a material effect on the financial position or performance of the AMP group.

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

AASB 15 *Revenue from Contracts with Customers*
AASB 15 *Revenue from Contracts with Customers* (AASB 15) is effective for periods beginning on 1 January 2018. AASB 15 defines principles for recognising revenue and introduces new disclosure requirements. From an AMP group perspective, AASB 15 will primarily apply to fee revenue as life insurance premium and related revenue will continue to fall outside the scope of AASB 15 and will be accounted for under other applicable standards.

Under AASB 15, revenue will be recognised at an amount that reflects the consideration to which an entity expects to be entitled to in exchange for transferring goods or services to a customer. The AMP group is currently undertaking an assessment of the potential impact of this standard, and is not considering early adopting AASB 15.

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

The AMP group is currently undertaking an assessment of the potential impact of this standard. The potential impact to the AMP group is unlikely to be material and the AMP group is not considering early adopting AASB 9.

AASB 16 *Leases*
AASB 16 *Leases* (AASB 16) is effective for periods beginning on 1 January 2019. AASB 16 requires lessees to recognise most leases on balance sheets as lease liabilities, with the corresponding right-of-use assets. Lessees must apply a single model for all recognised leases, but will have the option not to recognise ‘short-term’ leases and leases of ‘low-value’ assets.

The AMP group is currently undertaking an assessment of the potential impact of this standard. The potential impact to the AMP group is unlikely to be material and the AMP group is not considering early adopting AASB 16.

7.7 Events occurring after reporting date

On 9 February 2017, the Board announced an on-market share buyback of up to $500m to begin in the first quarter of 2017.

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

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

Details of movements in controlled entities

for the year ended 31 December 2016

Changes in controlled entities comprise entities acquired and disposed through (a) activities in respect of investment entities controlled by the AMP life insurance entities' statutory funds and (b) purchase, sale, formation, and deregistration of minor operating controlled entities.

Changes in controlled entities during the full year ended 31 December 2016	**Date control**	
Name of entity	**gained over entity**	**lost over entity**
AMP Capital Advisors India Pvt Ltd	1-Jan-16	
AMP Capital Core Retirement Fund	14-Oct-16	
AMP Capital Diversified Infrastructure Trust	16-May-16	
AMP Capital Diversified Retirement Fund	16-May-16	
AMP Capital Dynamic Markets Hedge Fund	12-Aug-16	
AMP Capital Future Cash Flow 12 Fund Series 1	14-Oct-16	
AMP Capital Future Cash Flow 6 Fund Series 1	14-Oct-16	
AMP Capital Future Cash Flow 9 Fund Series 1	14-Oct-16	
AMP Capital Global Infrastructure Securities Fund	16-May-16	
AMP Capital Global Listed Infrastructure Long Short Fund	15-Feb-16	
AMP Capital Global Property Securities Unhedged Fund	16-May-16	
AMP Capital Outstanding Claims Fund	16-Dec-16	
AMP Custodian Services (NZ) No. 2 Limited	21-Sep-16	
AMP Life Property Fund	14-Mar-16	
AMPCI Australian Share Fund	15-Feb-16	
IMAS Transition Trust No.1	15-Feb-16	
MoneyBrilliant Pty Ltd	29-Feb-16	
My Super Enhanced Index Australian Equities Fund	16-May-16	
New Zealand Core Fixed Income Fund	28-Oct-16	
New Zealand Core Fixed Income Non Par Fund	28-Oct-16	
Wholesale Unit Trust Direct Property fund	11-Jul-16	
140 St Georges Terrace Pty Limited		6-Jul-16
140 St Georges Terrace Trust		1-Jan-16
AAPH Hong Kong Finance Limited		29-Jan-16
ACPP Industrial Trust		29-Jun-16
AMP (UK) Finance Services Plc		6-Apr-16
AMP Capital AB Holdings Limited		19-Apr-16
AMP Capital Asia Quant Fund		31-Jan-16
AMP Capital China Growth Fund		30-Dec-16
AMP Capital Core Infrastructure Pty Ltd		19-Apr-16
AMP Capital Corporate Bond Fund		16-May-16
AMP Capital Dynamic Balanced Fund		16-May-16
AMP Capital Investment Management Pty Limited		19-Apr-16
AMP Crossroads Pty Limited		24-Aug-16
AMP Davidson Road Pty Limited		6-Jul-16
AMP Private Capital New Zealand Limited		6-May-16
AMP Riverside Plaza Pty Limited		24-Aug-16
Crossroads Trust		16-May-16
Davidson Road Trust		1-Jan-16
EFM Fixed Interest Fund 5		7-Dec-16
Future Directions Global Credit Fund		18-Aug-16
Future Directions Global Government Bond Fund		18-Aug-16
Glendenning Trust		15-Jul-16
Hillross Alliances Pty Ltd		7-Oct-16
Hindmarsh Square Financial Services Pty Limited		5-Apr-16
Kent Street Investment Trust		1-Jan-16
MAFS Transition Trust No 10		16-May-16
MAFS Transition Trust No 2		16-May-16

Details of movements in controlled entities (continued)

for the year ended 31 December 2016

Changes in controlled entities during the full year ended 31 December 2016	**Date control**	
Name of entity	**gained over entity**	**lost over entity**
MAFS Transition Trust No 4		16-May-16
MAFS Transition Trust No 5		16-May-16
MAFS Transition Trust No 6		16-May-16
MAFS Transition Trust No 7		16-May-16
MAFS Transition Trust No 8		16-May-16
MAFS Transition Trust No 9		16-May-16
Monash House Trust		16-May-16
Mortgage Backed Bonds Limited		17-Feb-16
Northstar Lending Pty Limited		5-Apr-16
Omega (Australia) Pty Limited		19-Apr-16
Riverside Plaza Trust		12-May-16
SouthPeak Real Diversification Fund		16-Dec-16
SPP No. 1 (Alexandra Canal) Pty Limited		12-Oct-16
SPP No. 1 (Cowes) Pty Limited		12-Oct-16
SPP No. 1 (H) Pty Limited		12-Oct-16
SPP No. 1 (Hawthorn) Pty Limited		12-Oct-16
SPP No. 1 (Mona Vale) Pty Limited		12-Oct-16
SPP No. 1 (North Melbourne) Pty Limited		12-Oct-16
SPP No. 1 (Point Cook) Pty Limited		12-Oct-16
SPP No. 1 (Port Melbourne) Pty Limited		12-Oct-16
SPP No. 1 (Q Stores) Pty Limited		12-Oct-16
SPP No. 2 (Altona) Pty Limited		12-Oct-16
SPP No. 2 (Bourke Street) Pty Limited		12-Oct-16
SPP No. 2 (Caroline Spring) Pty Limited		12-Oct-16
SPP No. 2 (Parramatta) Pty Limited		12-Oct-16
SPP No. 2 (Rippleside) Pty Limited		12-Oct-16
SPP No. 2 (Toorak) Pty Limited		12-Oct-16
SPP No. 2 (Townsville) Pty Limited		12-Oct-16
Sugarland Shopping Centre Pty Limited		6-Jul-16
Sunshine West Income Pty Limited		24-Aug-16
Tynan MacKenzie Holdings Pty Ltd		12-Apr-16

Details of investments in associated entities and joint venture entities

as at 31 December 2016

The majority of investment assets held by AMP are in the Australian life insurance statutory funds and measured at fair value through profit or loss. At any one time, the life insurance statutory funds hold investments in various vehicles, including associated entities, on behalf of policyholders. These investments are not part of the core wealth management business of AMP and did not have a material impact on the financial performance of the group. Investments in other associated entities which are accounted for using the equity method comprise a number of minor operating entities.

Significant associates and joint ventures of the Group as at 31 December 2016	Ownership interest 31 Dec 2016 %	31 Dec 2015 %
AMP Capital Balanced Growth Fund	**44**	35
AMP Capital Diversified Property Fund	**25**	25
AMP Capital Dynamic Markets Fund	**22**	24
AMP Capital Global Property Securities Fund	**44**	41
AMP Capital Multi-Asset Fund	**26**	28
AMP Capital NZ Shares Fund	**30**	44
AMP Capital Pacific Fair and Macquarie Shopping Centre Fund	**-**	26
AMP Capital Shopping Centre Fund	**-**	30
AMP Capital Strategic NZ Shares Fund	**-**	42
AMP Capital Wholesale Office Fund	**-**	23
Australian Corporate Bond Fund	**29**	-
Enhanced Index Share Fund	**47**	48
EFM Fixed Interest Fund 10	**-**	49
Gove Aluminium Finance Limited	**30**	30
K2 Australian Absolute Return Fund	**24**	26
Legg Mason Martin Currie Real Income Fund	**24**	-
Listed Property Trust Fund	**27**	29
Responsible Investments Leader Balanced Fund	**24**	24
Value Plus Australia Share Fund	**-**	33
Wholesale Cash Management Trust	**46**	49
Wholesale Unit Trust MSCI Global Index Share Fund	**42**	-
China Life Pension Company	**19.99**	19.99
AIMS AMP Capital Industrial REIT	**5**	5
Infrashore Group	**-**	29
China Life AMP Asset Management Company Ltd	**15**	15
Global Infrastructure Fund	**5**	5
AMP Capital Infrastructure Debt Fund III USD LP	**8**	-