

Investor report

Half year 2017



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

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Important note

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

Profit attributable to shareholders of AMP Limited has been prepared in accordance with Australian accounting standards.

Forward looking statements in this Investor Report are based on management's current views and assumptions and involve known and unknown risks and uncertainties, many of which are beyond AMP's control and could cause actual results, performance or events to differ materially from those expressed. These forward looking statements are not guarantees or representations of future performance, and should not be relied upon.

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

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

1H 17 performance summary

Key performance measures

- 1H 17 underlying profit of A\$533m increased 4% from A\$513m in 1H 16, driven by strong operating earnings growth from AMP Capital (+11%), AMP Bank (+10%) and New Zealand financial services (+5%).
- Australian wealth protection earnings increased by 11% on 1H 16, reflective of the steps taken to stabilise the business in 2H 16.
- Australian wealth management earnings declined 1% from 1H 16, largely due to margin compression from MySuper transitions and a reset of the investment management agreement with AMP Capital.
- Underlying investment income decreased A\$11m to A\$50m from 1H 16, due to lower shareholder capital resources and a 50 bp reduction in the assumed underlying after-tax rate of return.
- Australian wealth management 1H 17 net cashflows were A\$1,023m, up 76% from 1H 16. AMP's retail and corporate super platform net cashflows were positively impacted by recent changes to superannuation contribution limits and large mandate wins.
- AMP Capital external net cash inflows were A\$2,439m, up from net outflows of A\$153m in 1H 16. Inflows were driven by strong flows into fixed income and real asset (infrastructure and real estate) capabilities.
- Underlying return on equity rose 2.6 percentage points to 14.5% in 1H 17 from 1H 16, largely reflecting the impact of capital management programs.

Revenue measures

- Total AUM of A\$247b¹ in 1H 17 increased 3% from FY 16 and 9% from 1H 16.
- Australian wealth management AUM increased 3% to A\$125b in 1H 17 from FY 16. Investment related revenue increased 3% from 1H 16, with margins declining 5 bps (4.6%) from 1H 16.
- AMP Capital AUM increased A\$14b² (8%) to A\$179b in 1H 17 from FY 16 and up 12% from 1H 16. Fee income increased 8% to A\$348m in 1H 17 from 1H 16, driven by growth in both AUM and non-AUM based management fees.
- AMP Bank total loans increased 17% to A\$18.8b from 1H 16. Net interest income increased 13% and margins decreased 4 bps to 1.67% from 1H 16.
- Australian wealth protection individual risk API and group risk API were largely unchanged in 1H 17 at A\$1.5b and A\$440m respectively.

Cost measures

- AMP group cost to income ratio decreased 0.4 percentage points to 45.1% in 1H 17.
- AMP group controllable costs increased A\$8m (1%) to A\$671m largely due to an increase in AMP Capital costs. Increased investment in growth businesses and enhanced capabilities was partly offset by cost savings from operating model changes.
- Total controllable costs to AUM decreased 4 bps to 55 bps in 1H 17.
- Excluding AMP Capital, 1H 17 controllable costs rose A\$2m (0.4%) on 1H 16 to A\$473m.
- Australian wealth management cost to income ratio increased 0.8 percentage points to 46.6% in 1H 17. Controllable costs increased by A\$1m from 1H 16 to A\$246m, reflecting investment in growth initiatives, partially offset by cost efficiency initiatives.
- AMP Capital cost to income ratio decreased 1.3 percentage points from 1H 16 to 56.6% in 1H 17, benefiting from the strength in fee income. Controllable costs increased to A\$198m in 1H 17 from A\$192m in 1H 16.

Capital management and dividend

- 1H 17 Level 3 eligible capital resources were A\$1,887m above minimum regulatory requirements, down from A\$2,195m at 31 December 2016. The decrease was mainly driven by the planned on market share buy back and investment in growth businesses.
- Interest cover (underlying) remains strong at 10.7 times, and gearing on a S&P basis is 10%.
- 1H 17 interim dividend of 14.5 cents per share (cps) declared, franked at 90%, representing a half year 2017 dividend payout ratio of 79% of underlying profit, which is within the target payout range of 70% to 90% of underlying profit.
- The dividend reinvestment plan (DRP) continues to operate and no discount will apply to determine the DRP allocation price.
- AMP intends to neutralise the impact of the DRP through acquiring shares on market.

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

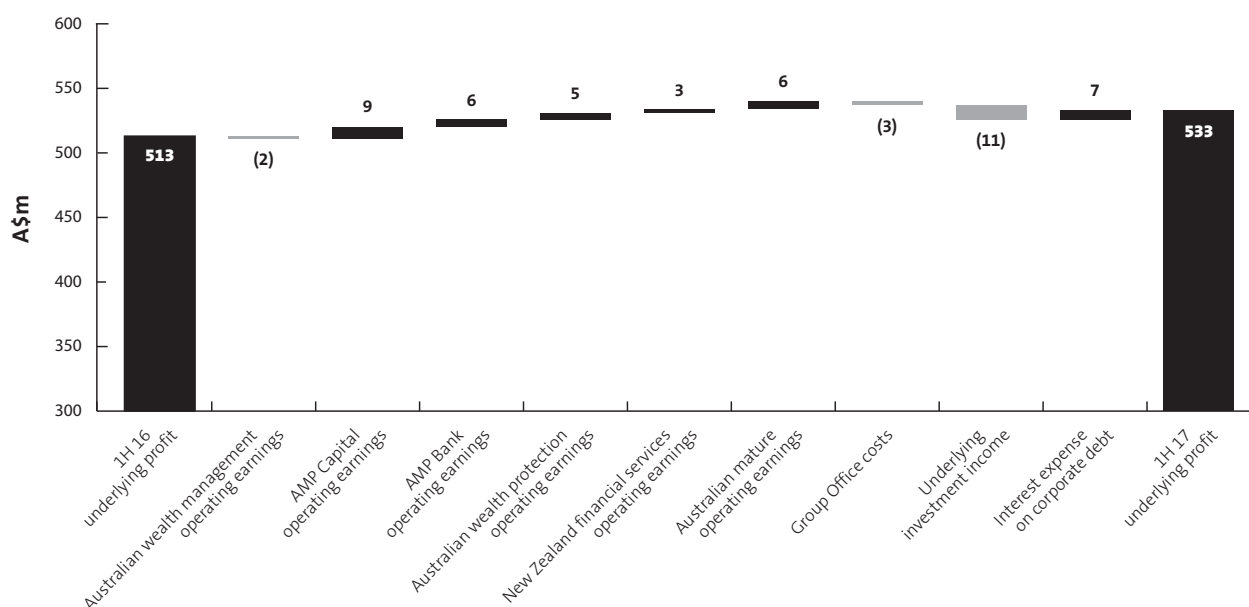
² Includes A\$10.3b of transitioned AUM.

Financial summary

A\$m	1H 17	1H 16	2H 16	FY 16	% 1H 17/ 1H 16
Profit and loss					
Australian wealth management	193	195	206	401	(1.0)
AMP Capital ¹	92	83	61	144	10.8
AMP Bank	65	59	61	120	10.2
Australian wealth protection	52	47	(462)	(415)	10.6
New Zealand financial services	65	62	64	126	4.8
Australian mature	75	69	82	151	8.7
BU operating earnings	542	515	12	527	5.2
Group Office costs	(33)	(30)	(74)	(104)	(10.0)
Total operating earnings	509	485	(62)	423	4.9
Underlying investment income ¹	50	61	61	122	(18.0)
Interest expense on corporate debt	(26)	(33)	(26)	(59)	21.2
Underlying profit	533	513	(27)	486	3.9
Other items	(9)	(6)	(3)	(9)	(50.0)
Business efficiency program costs	-	(12)	(7)	(19)	n/a
Amortisation of AXA acquired intangible assets ¹	(43)	(39)	(38)	(77)	(10.3)
Goodwill impairment	-	-	(668)	(668)	n/a
Profit before market adjustments and accounting mismatches	481	456	(743)	(287)	5.5
Market adjustment – investment income ¹	(23)	56	(102)	(46)	n/a
Market adjustment – annuity fair value	1	(18)	10	(8)	n/a
Market adjustment – risk products	(8)	25	(14)	11	n/a
Accounting mismatches	(6)	4	(18)	(14)	n/a
Profit attributable to shareholders of AMP Limited	445	523	(867)	(344)	(14.9)

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

Movement in 1H 16 to 1H 17 underlying profit



Financial summary cont'd

	1H 17	1H 16	2H 16	FY 16
Earnings				
EPS – underlying (cps) ¹	18.1	17.3	(0.9)	16.4
EPS – actual (cps)	15.3	17.9	(29.6)	(11.7)
RoE – underlying	14.5%	11.9%	(0.6%)	5.6%
RoE – actual	12.1%	12.1%	(20.1%)	(4.0%)
Dividend				
Dividend per share (cps)	14.5	14.0	14.0	28.0
Dividend payout ratio – underlying ²	79%	81%	91%	85%
Franking rate ³	90%	90%	90%	90%
Ordinary shares on issue (m) ¹	2,918	2,958	2,958	2,958
Weighted average number of shares on issue (m)	– basic ¹	2,958	2,958	2,958
	– fully diluted ¹	2,961	2,975	2,976
	– statutory	2,910	2,927	2,929
Market capitalisation – end period (A\$m)	15,147	15,262	14,907	14,907
Capital management				
AMP shareholder equity (A\$m)	7,296	8,678	7,489	7,489
Corporate debt (excluding AMP Bank debt) (A\$m)	1,619	1,589	1,562	1,562
S&P gearing	10%	9%	9%	9%
Interest cover – underlying (times) ⁴	10.7	17.6	9.2	9.2
Interest cover – actual (times) ^{4,5}	5.7	16.4	6.5	6.5
Margins				
Australian wealth management investment related revenue to AUM (bps)	104	109	106	107
AMP Capital AUM based management fees to AUM (bps) – external	47.2	47.3	46.6	47.0
Australian wealth protection profit margins/annual premium	5.1%	9.5%	8.5%	8.9%
AMP Bank net interest margin (over average interest earning assets)	1.67%	1.71%	1.63%	1.67%
Cashflows and AUM				
Australian wealth management cash inflows (A\$m)	17,807	13,947	14,124	28,071
Australian wealth management cash outflows (A\$m)	(16,784)	(13,365)	(14,370)	(27,735)
Australian wealth management net cashflows (A\$m)	1,023	582	(246)	336
Australian wealth management persistency	88.6%	90.4%	90.0%	90.2%
AMP Capital net cashflows – external (A\$m)	2,439	(153)	1,120	967
AMP Capital net cashflows – internal (A\$m)	(1,413)	(2,458)	(1,442)	(3,900)
AMP Capital AUM (A\$b) ⁶	179	160	165	165
Non-AMP Capital managed AUM (A\$b)	68	66	75	75
Total AUM (A\$b) ⁷	247	226	240	240
Controllable costs (pre-tax) and cost ratios				
Operating costs (A\$m)	596	593	655	1,248
Project costs (A\$m)	75	70	75	145
Total controllable costs (A\$m)	671	663	730	1,393
Cost to income ratio	45.1%	45.5%	100.2%	63.7%
Controllable costs to average AUM (bps)	55	59	64	62

1 Number of shares has not been adjusted to remove treasury shares.

2 2H 16 and FY 16 calculated based on underlying profit excluding capitalised losses and other one-off experience items.

3 Interim franking rate is the franking applicable to the interim dividend for that year.

4 Calculated on a rolling 12 month basis. 1H 17, 2H 16 and FY 16 calculated including one-off experience losses of A\$485m incurred in 2H 16.

5 Calculated on a rolling 12 month basis. 1H 17, 2H 16 and FY 16 calculated excluding A\$668m goodwill impairment incurred in 2H 16.

6 Includes A\$10.3b of transitioned AUM.

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

Strategic overview

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

Strategy

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

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

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

1. Tilt investment to higher growth businesses

AMP is focused on delivering growth across the portfolio by focusing its investment on higher growth, less capital intensive businesses.

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

A key priority is to grow in the expanding A\$2.9 trillion¹ Australian wealth management market, where AMP holds the number one² market share position in superannuation, advice, and SMSF and number two market share position in retirement incomes.

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

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

AMP Capital has demonstrated consistent and sustainable earnings growth and is focused on growing domestically while also extending its geographic reach and distribution capabilities across selected markets. By utilising its strengths in the management of real assets,

AMP Capital has further opportunity to capture attractive revenues and is targeting double-digit earnings growth through the cycle.

2. Transform

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

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

AMP is rolling out its technology-enabled, goals-based advice platform to AMP Advice. By the end of 1H 17, 25 practices with over 200 financial advisers were operating under the new AMP Advice model. They are expected to deliver greater adviser productivity and client experience, increased share of customer wallet and improved advice practice profitability.

3. Reduce costs

AMP continues to deliver market-leading cost efficiency and in 1H 17 operating model and organisational design changes delivered efficiency gains which will reduce controllable costs by 3%. Looking forward, AMP (excluding AMP Capital) has an ambition to keep controllable costs flat. Run rate savings from initiatives in 2017 and benefits from other strategic cost initiatives will help deliver this outcome in 2018.

4. Expand internationally

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

AMP's relationships with China Life continue to strengthen. China Life Asset Management Company Limited (CLAMP) is the fastest growing new asset management company in China while China Life Pension Company (CLPC) ranks first in trustee services with 31% market share and third in investment management with 12% market share.

In FY 17, 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 an estimated 40 million civil servant employees with 12% salary contribution and annual contributions expected to be in the order of RMB200 billion once fully implemented. CLPC is currently competing to win OP business across each region of China. AMP is targeting earnings of around A\$50m per annum from the China businesses within five years.

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

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

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

Australian wealth management

Profit and loss (A\$m)	1H 17	1H 16	2H 16	FY 16	% 1H 17/ 1H 16
Revenue					
Investment related ¹	630	613	631	1,244	2.8
Other ²	51	52	46	98	(1.9)
Total revenue	681	665	677	1,342	2.4
Investment management expense	(161)	(142)	(147)	(289)	(13.4)
Controllable costs ³	(246)	(245)	(240)	(485)	(0.4)
Tax expense	(81)	(83)	(84)	(167)	2.4
Operating earnings	193	195	206	401	(1.0)
Underlying investment income	6	9	8	17	(33.3)
Underlying operating profit after income tax	199	204	214	418	(2.5)
Ratios and other data					
RoBUE	38.2%	42.6%	42.3%	42.5%	n/a
End period tangible capital resources – after transfers (A\$m)	987	967	981	981	2.1
Net cashflows (A\$m) ⁴	1,023	582	(246)	336	75.8
AUM (A\$b) ^{4,5}	125.0	115.0	120.8	120.8	8.7
Average AUM (A\$b) ^{4,5,6}	122.6	113.5	117.4	115.6	8.0
Persistency ⁴	88.6%	90.4%	90.0%	90.2%	n/a
Cost to income ratio	46.6%	45.8%	44.3%	45.0%	n/a
Investment related revenue to AUM (bps) ^{1,4,6,7}	104	109	106	107	n/a
Investment management expense to AUM (bps) ^{1,4,6,7}	26	25	25	25	n/a
Investment related revenue less variable costs to AUM (bps) ^{1,4,6,7}	78	84	81	82	n/a
Controllable costs to AUM (bps) ^{6,7}	40	43	40	42	n/a
Operating earnings to AUM (bps) ^{4,6,7}	32	34	35	35	n/a

1 Investment related revenue refers to revenue on superannuation, retirement income and investment products.

2 Other revenue includes SuperConcepts revenues and product fees, platform fees and advice fees received by licensees on Australian wealth protection products and movements in the value of client registers purchased.

3 Includes SuperConcepts.

4 Excludes SuperConcepts AUA.

5 2H 16 and FY 16 adjusted to remove assets under advice of A\$382m on external platforms.

6 Based on average of monthly average AUM.

7 Ratio based on 181 days in 1H 17 and 182 days in 1H 16.

Business overview

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

WM's key priorities are to:

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

Operating earnings

Operating earnings dropped by A\$2m (1%) from 1H 16 to A\$193m in 1H 17. The decline in operating earnings was largely due to margin compression from MySuper transitions and a reset of the investment management agreement with AMP Capital.

'Other' revenue of A\$51m in 1H 17 fell A\$1m from 1H 16. The decline was driven, in part, by negative one-off impacts associated with the purchase of client registers in 1H 17 on previously agreed terms.

Investment related revenue to AUM

1H 17 investment related revenue to AUM was 104 bps, a 5 bps (4.6%) reduction from 1H 16. The margin decline in 1H 17 was attributable to the large MySuper transitions which occurred in Q4 16 and Q2 17 and the change in the product and fee mix associated with the strong growth on the North platform relative to older products and platforms.

With MySuper transitions completed in Q2 17, investment related revenue to AUM margin compression is unchanged, and is expected to average around 5.0% per annum to December 2017. Post the MySuper transition period, margin compression is expected to trend back to the longer-term average but may be volatile from period to period.

1H 17 investment management expenses to AUM of 26 bps increased due to the reset of the investment management agreement with AMP Capital. The new agreement increases existing base fees in lieu of performance fees.

Australian wealth management cont'd

SuperConcepts

In January 2016, AMP announced a new business name and operating structure for its SMSF business unit. The name, SuperConcepts, incorporates the range of services and products the business offers across SMSF administration, software and education.

Across administration and software services, SuperConcepts added 2,734 funds during 1H 17 and now supports 56,304¹ funds, representing 9.5% of the SMSF market. AMP currently provides professional administration services to 17,723 funds and software as a service to a further 38,581 funds. Total assets under administration in 1H 17 were A\$22.6b. The growth in funds in 1H 17 is mainly attributed to the acquisition of BPO Connect's SMSF business.

SuperConcepts revenue is reported as part of 'Other' revenue and forms part of WM's consolidated reporting. SuperConcepts contributed A\$20m from business operations to 'Other' revenue in 1H 17, up A\$2m on 1H 16.

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

MySuper

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

AMP has developed three standard MySuper solutions and seven tailored MySuper solutions. They have been approved by the Australian Prudential Regulation Authority (APRA) and are now fully operational, with all MySuper transitions completed in Q2 17. MySuper AUM increased to A\$19.5b at 1H 17, up from A\$13.2b at FY 16 and A\$10.7b at 1H 16.

¹ Due to a reporting error with respect to the BPO Connect SMSF business in Q1, the Q1 17 administration funds reported by SuperConcepts should have been 55,189 funds, of which 32% are funds under administration.

Controllable costs

WM controllable costs increased A\$1m (0.4%) in 1H 17 to A\$246m from 1H 16. This was largely driven by an increase in project costs associated with growth initiatives, substantially offset by cost efficiency initiatives undertaken during 1H 17.

The 1H 17 cost to income ratio increased by 0.8 percentage points to 46.6%, largely as a result of the earnings impact from the reset of the investment management agreement with AMP Capital. 1H 17 controllable costs to AUM fell 3 bps to 40 bps.

Embedded value – at the 5% discount margin

1H 17 embedded value (EV) increased 4.6% before transfers at the 5% discount margin (dm) to A\$5,221m. Apart from the expected return which reflects the unwinding of the discount applied to the value of in-force business and the expected return on the adjusted net assets, the increase in 1H 17 EV was largely due to additional new business volumes.

Value of new business

1H 17 value of new business (VNB) increased by 13.9% to A\$82m at the 5% discount margin. The increase in VNB in 1H 17 reflected higher sales volumes, partly offset by higher costs.

Australian wealth management embedded value and value of new business (A\$m)	3% dm	4% dm	5% dm
	1H 17	1H 17	1H 17
Embedded value as at FY 16	5,588	5,269	4,991
Expected return	156	170	182
Investment markets, bond yields and currency	14	11	8
Claim and persistency assumptions, product and other	(45)	(43)	(42)
Value of new business (VNB)	101	91	82
Net transfers out ¹	(250)	(250)	(250)
Embedded value as at 1H 17	5,564	5,248	4,971
Return on embedded value as at 1H 17	4.0%	4.3%	4.6%

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

Australian wealth management cont'd

1H 17 cashflows

Cashflows by product (A\$m)	Cash inflows			Cash outflows			Net cashflows		
	1H 17	1H 16	% 1H/1H	1H 17	1H 16	% 1H/1H	1H 17	1H 16	% 1H/1H
North ¹	8,997	6,312	42.5	(6,118)	(3,648)	(67.7)	2,879	2,664	8.1
AMP Flexible Super ²	2,547	2,506	1.6	(2,676)	(2,286)	(17.1)	(129)	220	n/a
Summit, Generations and iAccess ³	1,014	741	36.8	(1,830)	(1,425)	(28.4)	(816)	(684)	(19.3)
Flexible Lifetime Super (superannuation and pension) ⁴	1,090	1,065	2.3	(1,777)	(1,632)	(8.9)	(687)	(567)	(21.2)
Other retail investment and platforms ⁵	137	111	23.4	(169)	(773)	78.1	(32)	(662)	95.2
Total retail on AMP platforms	13,785	10,735	28.4	(12,570)	(9,764)	(28.7)	1,215	971	25.1
SignatureSuper and AMP Flexible Super – Employer	2,250	1,569	43.4	(1,304)	(1,151)	(13.3)	946	418	126.3
Other corporate superannuation ⁶	861	891	(3.4)	(1,135)	(1,055)	(7.6)	(274)	(164)	(67.1)
Total corporate superannuation	3,111	2,460	26.5	(2,439)	(2,206)	(10.6)	672	254	164.6
Total retail and corporate superannuation on AMP platforms	16,896	13,195	28.0	(15,009)	(11,970)	(25.4)	1,887	1,225	54.0
External platforms ⁷	911	752	21.1	(1,775)	(1,395)	(27.2)	(864)	(643)	(34.4)
Total Australian wealth management	17,807	13,947	27.7	(16,784)	(13,365)	(25.6)	1,023	582	75.8
Australian wealth management cash inflow composition (A\$m)									
Member contributions	2,963	1,787	65.8						
Employer contributions	2,241	2,262	(0.9)						
Total contributions	5,204	4,049	28.5						
Transfers, rollovers in and other ⁸	12,603	9,898	27.3						
Total Australian wealth management	17,807	13,947	27.7						

- North is a market leading fully functioning wrap platform which includes guaranteed and non-guaranteed options.
- AMP Flexible Super is a flexible all in one superannuation and retirement account for individual retail business.
- Summit and Generations are owned and developed platforms. iAccess is ipac's badge on Summit.
- Flexible Lifetime Super (superannuation and pension) was closed to new business from 1 July 2010. A small component of corporate superannuation schemes are included.

- Other retail investment and platforms include Flexible Lifetime – Investments, AMP Personalised Portfolio and Synergy. The Synergy platform was closed in Q2 2016, with customer accounts transferred to North.
- Other corporate superannuation comprises CustomSuper, SuperLeader and Business Super.
- External platforms comprise Asgard, Macquarie and BT Wrap platforms.
- Transfers, rollovers in and other includes the transfer of accumulated member balances into AMP from both internal (eg retail superannuation to allocated pension/annuities) and external products.

Cashflow overview

Australian wealth management (WM) net cashflows were A\$1.0b in 1H 17, an increase of 76% from 1H 16, driven by strong inflows into corporate superannuation and member contributions in the lead up to the 1 July 2017 changes to contribution limits, increased market activity from superannuation consolidation and MySuper transitions.

Member contributions were A\$3.0b in 1H 17, an increase of A\$1.2b (66%) from 1H 16 as customers increased non-concessional contributions prior to both incoming rule changes through the introduction of new money and execution of pension refresh strategies. Investment customers were also more active leading to both higher member contributions and higher member withdrawals.

Superannuation outflows increased by A\$421m (17%) on 1H 16, driven by increased consolidation activity and higher lost superannuation payments to the Australian Taxation Office. In addition, there were also higher outflows to SMSF reflecting, in part, a customer preference for residential property and higher outflows as customers transitioned to MySuper.

Internal inflows across WM products were A\$9.6b in 1H 17 (A\$7.5b in 1H 16), representing approximately 54% (54% in 1H 16) of total WM cash inflows. 1H 16 was impacted by the closure of the Synergy platform in Q2 16 with A\$559m of customer balances transferred to North.

Retail on AMP platforms

AMP's retail platforms comprise platforms which are owned, developed, and operated by AMP as opposed to external platforms which are administered by other platform providers. Net cashflows on AMP retail platforms increased by 25% to A\$1.2b in 1H 17.

North net cashflows of A\$2.9b were up 8% on 1H 16 and up 37% excluding the transition of the A\$559m of funds from Synergy in Q2 16. Externally sourced inflows grew 47% to A\$3.3b, but were partially offset by higher outflows to customers reflective of the 32% increase in average AUM from 1H 16 and increased market activity. 57% of North's net cashflows were externally sourced, up from 44% in 1H 16, benefiting from the contribution limit changes.

Australian wealth management cont'd

North AUM increased A\$3.4b to A\$30.5b in 1H 17, primarily driven by strong net cashflows. AUM held in North's capital guaranteed product remained steady at A\$2.0b in 1H 17.

AMP Flexible Super net cashflows declined A\$349m to a net outflow of A\$129m in 1H 17, driven by increasing preference for retirement customers to use North over AMP Flexible Super and higher outflows to customers. AMP Flexible Super AUM increased A\$0.4b (2%) to A\$16.3b in 1H 17 and increased A\$0.9b (6%) from 1H 16, driven by positive investment returns.

Summit, Generations and iAccess net cash outflows increased by A\$132m in 1H 17 to a net outflow of A\$816m, driven by higher outflows in the lead up to the 1 July 2017 changes to contribution limits and higher internal flows to North.

Flexible Lifetime Super (superannuation and pension) was closed to new business from 1 July 2010. In 1H 17, net cash outflows increased by A\$120m to a net outflow of A\$687m, driven by increased competitor consolidation activity and higher outflows as customers transitioned to MySuper.

Other retail and investment platforms net cash outflows in 1H 17 decreased by A\$630m to A\$32m, as 1H 16 was impacted by the closure of the Synergy platform and transfer of customer balances of A\$559m to North.

Corporate superannuation

Total corporate superannuation net cashflows were A\$672m in 1H 17, up from A\$254m in 1H 16.

AMP's corporate offerings, SignatureSuper and AMP Flexible Super – Employer, had net cashflows of A\$946m, up A\$528m on 1H 16. Large mandate wins within SignatureSuper contributed A\$521m in 1H 17 (1H 16 A\$137m) with plan transitions from CustomSuper up A\$94m to A\$116m in 1H 17.

Other corporate superannuation comprising CustomSuper, SuperLeader and Business Super, experienced net cash outflows of A\$274m in 1H 17, up from an outflow of A\$164m in 1H 16, due to higher transitions to Signature Super and outflows arising from the loss of default status on three small CustomSuper plans in 2H 16.

External platforms

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

In 1H 17, external platform net outflows increased by A\$221m to A\$864m, driven by higher outflows on investment products and subdued inflows as advisers continued to use North as the preferred platform.

1H 17 AUM

AUM (A\$m)	FY 16 AUM	1H 17 net cashflows				Total net cashflows	Other movements ¹	1H 17 AUM
		Super-annuation	Pension	Investment				
North	27,092	1,642	701	536	2,879	553	30,524	
AMP Flexible Super	15,948	319	(448)	-	(129)	510	16,329	
Summit, Generations and iAccess	12,153	32	(692)	(156)	(816)	379	11,716	
Flexible Lifetime Super (superannuation and pension)	23,836	(327)	(360)	-	(687)	721	23,870	
Other retail investment and platforms	2,455	-	-	(32)	(32)	57	2,480	
Total retail on AMP platforms	81,484	1,666	(799)	348	1,215	2,220	84,919	
SignatureSuper and AMP Flexible Super – Employer	16,124	906	40	-	946	452	17,522	
Other corporate superannuation	12,770	(274)	-	-	(274)	273	12,769	
Total corporate superannuation	28,894	632	40	-	672	725	30,291	
Total retail and corporate superannuation on AMP platforms	110,378	2,298	(759)	348	1,887	2,945	115,210	
External platforms ²	10,374	(86)	(467)	(311)	(864)	325	9,835	
Total Australian wealth management	120,752	2,212	(1,226)	37	1,023	3,270	125,045	
Australian wealth management – SuperConcepts³								
Assets under administration	22,361					203	22,564	
Total AUM	143,113	2,212	(1,226)	37	1,023	3,473	147,609	

Australian wealth management – AUM by asset class

Cash and fixed interest	31%	31%
Australian equities	31%	31%
International equities	26%	26%
Property	6%	6%
Other	6%	6%
Total	100%	100%

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

2 FY 16 AUM adjusted to remove assets under advice of A\$382m on external platforms.

3 SuperConcepts assets under administration includes AMP SMSF, Multiport, Cavendish, SuperIQ, yourSMSF and Ascend administration platforms, but does not include Multiport Annual, BPO Connect and JustSuper.

AMP Capital

Profit and loss (A\$m)	1H 17	1H 16	2H 16	FY 16	% 1H 17/ 1H 16
Internal AUM based management fees	115	106	108	214	8.5
External AUM based management fees	132	125	127	252	5.6
Non-AUM based management fees	44	30	45	75	46.7
Performance and transaction fees	57	61	12	73	(6.6)
Fee income	348	322	292	614	8.1
Controllable costs	(198)	(192)	(200)	(392)	(3.1)
Tax expense	(42)	(36)	(24)	(60)	(16.7)
Operating earnings before net seed and sponsor capital income	108	94	68	162	14.9
Net seed and sponsor capital income	-	4	3	7	n/a
Operating earnings including minority interests	108	98	71	169	10.2
Minority interests in operating earnings	(16)	(15)	(10)	(25)	(6.7)
Operating earnings	92	83	61	144	10.8
Underlying investment income	2	2	2	4	-
Underlying operating profit after income tax	94	85	63	148	10.6
Controllable costs					
Employee related	136	127	134	261	7.1
Investment operations and other	52	55	54	109	(5.5)
Total operating costs	188	182	188	370	3.3
Project costs	10	10	12	22	-
Total controllable costs	198	192	200	392	3.1
Ratios and other data					
Cost to income ratio	56.6%	57.9%	66.8%	62.1%	n/a
Controllable costs to average AUM (bps) ^{1,3}	22.4	24.2	24.6	24.5	n/a
AMP Capital staff numbers ²	1,099	1,043	1,045	1,045	5.4
AUM (A\$b)	178.9	160.4	165.4	165.4	11.5
Average AUM (A\$b) – total ^{1,3}	177.0	158.4	162.4	160.4	11.7
Average AUM (A\$b) – internal ^{1,3}	120.9	105.4	107.9	106.6	14.7
Average AUM (A\$b) – external ¹	56.1	53.0	54.5	53.8	5.8
AUM based management fees to AUM (bps) – internal ^{1,3,4}	18.9	20.0	20.1	20.1	n/a
AUM based management fees to AUM (bps) – external ¹	47.2	47.3	46.6	47.0	n/a
Performance and transaction fees to AUM (bps) ^{1,3}	6.4	7.7	1.5	4.6	n/a
End period tangible capital resources – after transfers (A\$m) ⁵	348	320	301	301	8.8
RoBUE	75.5%	71.8%	52.7%	62.2%	n/a

1 Based on average of monthly average AUM.

2 1H 17 includes 265 FTEs (246 in 1H 16), primarily in shopping centres, for which the costs are recharged.

3 Includes transitioned AUM relating to two funds on which AMP Capital now earns investment management fees.

4 Excluding transitioned AUM, 1H 17 internal AUM based management fees to AUM (bps) are 20.3 bps (20.0 bps in 1H 16).

5 End period tangible capital resources are disclosed gross of minority interest.

Business overview

AMP Capital is a diversified investment manager, managing investments across major asset classes including equities, fixed interest, infrastructure, real estate, diversified funds, multi-manager and multi-asset funds. Mitsubishi UFJ Trust and Banking Corporation (MUFG: Trust Bank) holds a 15% ownership interest in AMP Capital.

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

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

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

AMP Capital cont'd

Delivery against the key priorities during the period drove 11% growth in AMP Capital's operating earnings.

Key operational and strategic highlights during 1H 17 include:

- Continued expansion of AMP Capital's global footprint, increasing FUM managed on behalf of direct international institutional clients to A\$10.0b.
- Setting foundations for the future with the launch of AMP Capital's first global equities fund.
- The CLAMP joint venture with China Life successfully launched nine new products in 1H 17, including separately managed accounts, equity and fixed interest funds.
- The ongoing growth of AMP Capital's global infrastructure platform, with Infrastructure Debt Fund (IDF) III attracting significant investor commitments offshore.
- Strong commitments into real asset capabilities, with A\$3.5b of committed capital available for investment at 1H 17.

Operating earnings

AMP group's 85% share of AMP Capital's 1H 17 operating earnings was A\$92m, up 11% from A\$83m in 1H 16. AMP Capital's operating earnings benefited from strong fee income growth of 8%, partially offset by a 3% increase in controllable costs.

Fee income

Fee income increased 8% in 1H 17 to A\$348m from A\$322m in 1H 16. This was driven by a A\$16m (7%) increase in AUM based management fees and a A\$14m (47%) lift in non-AUM based management fees.

Average AUM increased 12% to A\$177b from A\$158b, driven by positive investment market movements, net cash inflows and a one-off A\$10.3b transition of low margin AUM on which AMP Capital now earns investment management fees. Total AUM based management fees to AUM were 27.9 bps in 1H 17. The reduction from 29.2 bps in 1H 16 reflects the dilutive margin impact of the transitioned AUM. Excluding the transitioned AUM, AUM based management fees to AUM were 29.3 bps.

Internal AUM based management fees increased A\$9m (8%) to \$115m in 1H 17. The average internal AUM margin was 18.9 bps, lower than 20.0 bps in 1H 16 because of the dilutive impact of the low margin AUM transitioned in 1H 17. Excluding the transitioned AUM, internal AUM margins were 20.3 bps.

External AUM based management fees increased A\$7m (6%) from 1H 16, driven by 6% growth in average AUM. External AUM margins of 47.2 bps were broadly in line with 1H 16, with the shift towards high margin real assets compensating for the loss of China Growth Fund AUM since 1H 16.

Non-AUM based management fees mainly comprise real estate management, development and leasing fees. Non-AUM based management fees were A\$44m in 1H 17, up A\$14m (47%) from 1H 16, benefiting from increased real estate development fee revenue and infrastructure commitment fees. 1H 17 non-AUM based fees also included a fee for services relating to China Life Pension Company (CLPC), similar to that received in 1H 16.

1H 17 performance and transaction fees were A\$57m, down from A\$61m in 1H 16. Performance fees reflect strong infrastructure fund valuations which benefited from active asset management and strong market demand for infrastructure assets.

Performance and transaction fees remain volatile from period to period. AMP Capital expects materially lower performance fees in 2H 17 as most infrastructure funds attract performance fees for annual periods ending 30 June.

Controllable costs

Controllable costs increased by A\$6m (3%) in 1H 17 to A\$198m from 1H 16. The increase in costs was due to higher employee costs reflecting investment in growth initiatives, including the expansion of AMP Capital's international business. Controllable costs are increasingly influenced by foreign exchange movements, as the business continues to grow internationally.

AMP Capital's cost to income ratio improved 1.3 percentage points from 1H 16 to 56.6% in 1H 17. This ratio benefited from the strength in fee income, which included significant performance and transaction fees. AMP Capital continues to target a full year cost to income ratio between 60% and 65%, aiming towards the lower end of this range over the medium term.

Tax expense

AMP Capital's effective tax rate in 1H 17 was 27.4%, down from 28.1% in 1H 16, reflecting an increasing proportion of offshore earnings as the business grows internationally. The effective tax rate is lower than the Australian corporate tax rate (30%), largely due to tax concessions on offshore activities and joint venture earnings which are recognised net of tax.

Net seed and sponsor capital income

1H 17 total seed and sponsor capital holdings were A\$164m.

Sponsor capital investments include a 5.4% stake in the Singapore Exchange listed AIMS AMP Capital Industrial REIT (AA REIT) and holdings in AMP Capital's Global Infrastructure Fund and IDF III.

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

The 1H 17 net seed and sponsor capital income is a breakeven outcome; reflecting positive returns on infrastructure sponsor capital investments, offset by the devaluation of Singaporean commercial properties within AA REIT and debt funding costs.

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

Investment performance

AMP Capital measures investment performance against client goals rather than against market indices or competitor performance alone. These goals aim to capture a more meaningful measure of investment performance and align with AMP Capital's clients' expectations and actual investment outcomes.

AMP Capital's target is for 75% of assets under management to meet or exceed client goals on a rolling three year basis. Over three years to 30 June 2017, 62% of assets under management met or exceeded client goals (69% in December 2016).

The table on page 34 shows investment performance across all asset classes over various timeframes to 30 June 2017.

AMP Capital cont'd

Cashflows and AUM

Cashflows by asset class (A\$m)	Cash inflows			Cash outflows			Net cashflows		
	1H 17	1H 16	% 1H/1H	1H 17	1H 16	% 1H/1H	1H 17	1H 16	% 1H/1H
External									
Australian equities	67	208	(67.8)	(133)	(1,275)	89.6	(66)	(1,067)	93.8
International equities	662	737	(10.2)	(988)	(740)	(33.5)	(326)	(3)	n/a
Fixed interest	5,161	1,385	272.6	(3,931)	(1,970)	(99.5)	1,230	(585)	n/a
Infrastructure	1,470	947	55.2	(482)	(176)	(173.9)	988	771	28.1
Direct investments	-	1	n/a	-	(1)	n/a	-	-	n/a
Real estate	842	2,242	(62.4)	(262)	(1,499)	82.5	580	743	(21.9)
Alternative assets	47	15	213.3	(14)	(27)	48.1	33	(12)	n/a
Total external	8,249	5,535	49.0	(5,810)	(5,688)	(2.1)	2,439	(153)	n/a
Internal									
Australian equities	2,585	1,011	155.7	(3,501)	(1,551)	(125.7)	(916)	(540)	(69.6)
International equities	3,022	1,034	192.3	(3,444)	(1,434)	(140.2)	(422)	(400)	(5.5)
Fixed interest	16,496	3,912	321.7	(16,348)	(4,978)	(228.4)	148	(1,066)	n/a
Infrastructure	319	177	80.2	(451)	(93)	(384.9)	(132)	84	n/a
Direct investments	151	52	190.4	(98)	(70)	(40.0)	53	(18)	n/a
Real estate	295	86	243.0	(823)	(650)	(26.6)	(528)	(564)	6.4
Alternative assets	584	227	157.3	(200)	(181)	(10.5)	384	46	n/a
Total internal	23,452	6,499	260.9	(24,865)	(8,957)	(177.6)	(1,413)	(2,458)	42.5
Total	31,701	12,034	163.4	(30,675)	(14,645)	(109.5)	1,026	(2,611)	n/a

AUM by asset class (A\$m)	FY 16	%	Net cashflows 1H 17	Investment returns and other ¹	Transitioned AUM ² 1H 17	1H 17	%
External							
Australian equities	1,307	2	(66)	(16)	-	1,225	2
International equities	7,773	14	(326)	(590)	-	6,857	12
Fixed interest	16,755	30	1,230	570	-	18,555	32
Infrastructure	9,715	18	988	113	-	10,816	18
Direct investments	11	-	-	(1)	-	10	-
Real estate ³	19,464	35	580	172	-	20,216	35
Alternative assets ⁴	624	1	33	(123)	-	534	1
Total external	55,649	100	2,439	125	-	58,213	100
Internal							
Australian equities	27,107	25	(916)	(129)	2,745	28,807	24
International equities	27,608	25	(422)	405	3,299	30,890	25
Fixed interest	45,953	42	148	1,834	4,266	52,201	43
Infrastructure	2,546	2	(132)	(29)	-	2,385	2
Direct investments	968	1	53	(58)	-	963	1
Real estate ³	3,277	3	(528)	326	-	3,075	3
Alternative assets ⁴	2,292	2	384	(348)	29	2,357	2
Total internal	109,751	100	(1,413)	2,001	10,339	120,678	100
Total							
Australian equities	28,414	17	(982)	(145)	2,745	30,032	17
International equities	35,381	21	(748)	(185)	3,299	37,747	21
Fixed interest	62,708	38	1,378	2,404	4,266	70,756	39
Infrastructure	12,261	7	856	84	-	13,201	7
Direct investments	979	1	53	(59)	-	973	1
Real estate ³	22,741	14	52	498	-	23,291	13
Alternative assets ⁴	2,916	2	417	(471)	29	2,891	2
Total	165,400	100	1,026	2,126	10,339	178,891	100
AUM by source of client (A\$m)	FY 16	%			1H 17	1H 17	%
Australia	127,360	77			10,339	140,101	78
New Zealand	19,594	12			-	19,479	11
Asia (including Middle East)	13,750	8			-	14,320	8
Rest of world	4,696	3			-	4,991	3
Total	165,400	100			10,339	178,891	100

1 Other includes distributions, taxes and foreign exchange movements.

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

3 Real estate AUM comprises Australian (A\$19.7b), NZ (A\$0.8b) and Global (A\$1.1b) managed assets. Australian real estate AUM is invested in office (40%), retail (53%), industrial (5%) and other (2%).

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

AMP Capital cont'd

Assets under management (AUM)

AUM increased by A\$13.5b to A\$178.9b in 1H 17, driven by investment returns, positive net cashflows and the one-off A\$10.3b transition of low margin AUM on which AMP Capital now earns investment management fees. In addition to AUM of A\$178.9b at 1H 17, AMP Capital has A\$3.5b of committed real asset capital available for investment.

External AUM and cashflows

External AUM increased by A\$2.6b (5%) over 1H 17 to A\$58.2b, with A\$2.4b of net cashflows and positive investment returns of A\$0.1b.

External net cashflows of A\$2.4b were well up on the A\$0.2b of negative flows achieved in 1H 16, reflecting:

- net cash inflows from domestic clients (A\$1.2b) primarily into fixed income, infrastructure and real estate capabilities, and
- strong international investor interest (A\$1.3b), particularly into fixed income and infrastructure capabilities.

Good cash inflows to infrastructure funds in 1H 17 were reduced by the return of \$0.4b capital to investors following the sale of assets.

International

AMP Capital continued to attract new international clients, with approximately 33% (A\$19.3b) of external AUM now managed on behalf of clients outside Australia and New Zealand. AMP Capital grew its number of direct international institutional clients by 53 to 252 in 1H 17, managing A\$10.0b on their behalf.

Growth in 1H 17 was assisted by strong international investor interest in AMP Capital's infrastructure platform, with Infrastructure Debt Fund III receiving strong commitments from global investors since its launch.

China

During 1H 17, the CLAMP joint venture launched nine new products, including SMAs, fixed interest and Chinese equities funds. At 1H 17, the joint venture managed A\$27.1b (RMB 141.0b) of AUM on behalf of Chinese retail and institutional investors. This was up 70% on A\$15.9b at 1H 16 and 19% on the A\$22.9b managed at 2H 16.

AMP Capital reports its 15% share of the joint venture's AUM (A\$4.1b) and cashflows within the 'External' AUM and cashflow disclosures.

In 1H 17, AMP Capital's share of CLAMP net cashflows was A\$0.7b compared with net cash outflows of A\$0.3b in 1H 16. Strong cashflows were supported by new product launches and institutional cash inflows.

Japan

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

At 1H 17, AMP Capital's business alliance with MUFG: Trust Bank had 12 retail funds and three institutional funds in market with a combined AUM of A\$1.3b.

In addition, MUFG: Trust Bank has also raised commitments of A\$1.4b across a large number of Japanese institutional clients since the launch of AMP Capital's Global Infrastructure Fund and Infrastructure Debt Fund series. This includes A\$0.4b raised for IDF III in 1H 17.

AMP Capital also continues to raise and manage funds through partnerships with other Japanese distributors. AMP Capital manages A\$6.4b AUM on behalf of all Japanese retail and institutional clients.

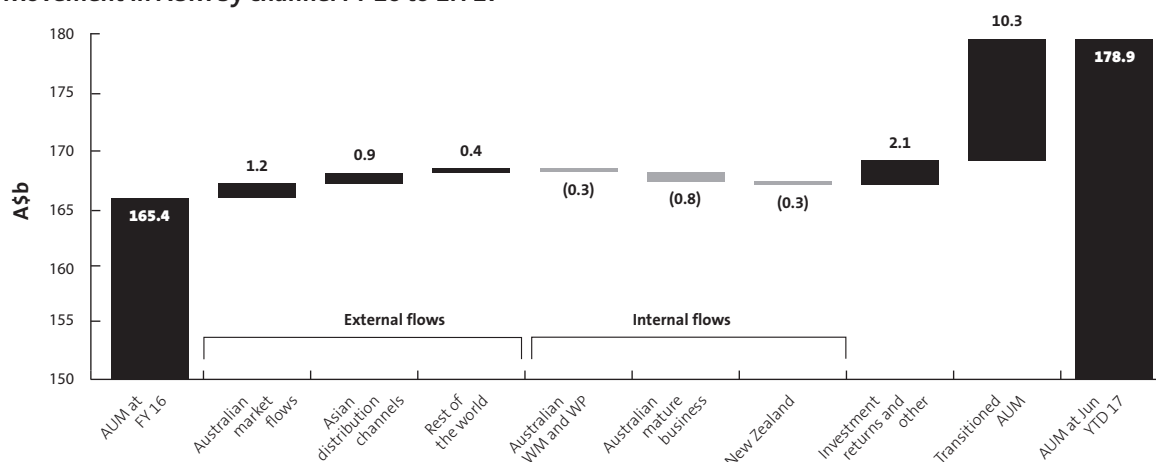
Internal AUM and cashflows

Internal AUM increased 10% in 1H 17 to A\$120.7b, as investment returns (+A\$2.0b) and A\$10.3b transitioned AUM were partially offset by net cash outflows (-A\$1.4b). A significant increase in internal cash inflows and outflows was driven by the merger of AMP Life and the legacy-NMLA portfolio on 1 January 2017, along with MySuper transitions; the impact on internal net cashflows was largely neutral.

Internal net cashflows include AMP group payments such as dividend payments to shareholders and net cashflows from WM and mature products including products in run-off. AMP Capital manages a significant portion of the Mature businesses AUM, which is expected to run off at around 6% per annum. Internal net cashflows are also impacted by flows to passive investment options managed outside AMP Capital and cash investment options managed by AMP Bank.

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

Movement in AUM by channel FY 16 to 1H 17¹



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

AMP Bank

Profit and loss (A\$m)	1H 17	1H 16	2H 16	FY 16	% 1H 17/ 1H 16
Net interest income	167	148	154	302	12.8
Fee and other income ¹	4	4	5	9	-
Total revenue	171	152	159	311	12.5
Bank variable costs	(40)	(34)	(36)	(70)	(17.6)
Controllable costs	(38)	(34)	(35)	(69)	(11.8)
Tax expense	(28)	(25)	(27)	(52)	(12.0)
Operating profit after income tax	65	59	61	120	10.2
Ratios and other data					
Return on capital	16.3%	17.2%	16.2%	16.7%	n/a
Total capital resources (A\$m) ²	801	666	722	722	20.3
Capital Adequacy Ratio	12.7%	12.4%	12.6%	12.6%	n/a
Common Equity Tier 1 Capital Ratio	8.8%	7.9%	8.3%	8.3%	n/a
Net Interest Margin (over average interest earning assets)	1.67%	1.71%	1.63%	1.67%	n/a
Loan Portfolio Growth – AMP aligned channel	6%	2%	8%	11%	n/a
Total loans (A\$m)	18,777	16,009	17,120	17,120	17.3
Residential mortgages (A\$m)	18,194	15,439	16,539	16,539	17.8
Practice finance loans to AMP aligned advisers (A\$m)	583	570	581	581	2.3
Mortgages – existing business weighted average loan to value ratio (LVR)	67%	68%	68%	68%	n/a
Mortgages – 90+ days in arrears	0.48%	0.51%	0.43%	0.43%	n/a
Total deposits (A\$m)	12,435	10,713	11,549	11,549	16.1
Deposit to loan ratio	66%	67%	67%	67%	n/a
Loan impairment expense to average gross loans and advances	0.02%	0.04%	0.04%	0.04%	n/a
Total loan provisions to gross loans and advances	0.08%	0.07%	0.08%	0.08%	n/a
Cost to income ratio	29.0%	28.5%	28.5%	28.5%	n/a

1 Fee and other income mainly comprises mortgage origination, servicing and discharge fees.

2 Total capital resources excludes A\$140m of Additional Tier 1 capital and A\$150m of Tier 2 capital. See page 28 (Debt overview) for further details.

Movement in deposits and loans (A\$m)	Deposits (super and platform)		Deposits (retail)		Deposits (other)		Loans	
	1H 17	1H 16	1H 17	1H 16	1H 17	1H 16	1H 17	1H 16
Balance at beginning of period	5,173	4,106	5,594	4,791	782	721	17,120	15,193
Net movement	(4)	661	885	369	5	65	1,657	816
Balance at end of period	5,169	4,767	6,479	5,160	787	786	18,777	16,009
% 1H 17/1H 16	8.4%		25.6%		0.1%		17.3%	

AMP Bank funding composition (A\$b)	1H 17		FY 16		1H 16	
Customer deposits	12.4	59%	11.5	61%	10.7	59%
Securitisation	3.8	18%	3.1	17%	2.8	16%
Wholesale funding	3.7	18%	3.3	17%	3.6	20%
Subordinated debt	0.2	1%	0.2	1%	0.2	1%
Equity and reserves	0.9	4%	0.8	4%	0.8	4%
Total funding	21.0	100%	18.9	100%	18.1	100%

AMP Bank cont'd

Business overview

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

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

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

Operating earnings

Operating earnings increased A\$6m (10%) to A\$65m in 1H 17 from 1H 16.

Total revenue increased 13% in 1H 17 on 1H 16, primarily driven by growth in the loan portfolio. Net interest margin was 1.67% for 1H 17, which is 4 basis points above 2H 16 due to repricing, and down 4 basis points from 1H 16. Net interest margin remains under pressure from the competitive lending environment, strong competition for term deposits and the shift in the regulatory landscape.

AMP Bank's Return on Capital was 16.3%, down 0.9 percentage points from 1H 16. This was largely due to continued strengthening of the Bank's capital position to support strong loan growth.

Lending

AMP Bank maintained a competitive lending position, with the total loan book growing by A\$1.7b to A\$18.8b in 1H 17. This represents an increase of 17% on 1H 16 and 10% on 2H 16.

Residential mortgage competition, particularly in the owner occupied market, remained intense. Within this environment, AMP Bank delivered residential mortgage book growth of A\$1.7b in 1H 17 to A\$18.2b (an increase of 18% from 1H 16 and 10% from 2H 16), driven by strong growth in owner occupied lending. Growth in AMP Bank's investment property and interest only lending segments was constrained, in response to regulatory requirements. We expect this trend to continue in 2H 17.

Above system loan growth was delivered through both the broker and AMP aligned adviser channels. Sales through the AMP aligned channel in 1H 17 were up 49% on 1H 16.

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

Practice finance loans grew A\$13m (2%) on 1H 16 to A\$583m. The practice finance loan portfolio reflects the Bank's commitment to supporting the growth and development of the financial planning businesses of the AMP group.

AMP Bank's credit policy is conservative and has remained so during 1H 17. Asset quality remains strong, with mortgages in arrears (90+ days) at 0.48% as at June 2017. Loan impairment expense to average gross loans and advances was 0.02% in 1H 17, reflecting the conservative underwriting standards and ensuring that the portfolio of AMP Bank is well positioned for the future.

Variable and controllable costs

The Bank's variable costs increased by A\$6m in 1H 17 to A\$40m, reflecting residential loan growth.

AMP Bank's controllable costs increased A\$4m (12%) from 1H 16 to A\$38m in 1H 17 as the Bank continues to invest in technology, product development and operating capability to support the growth in lending and improvements to customer service.

The cost to income ratio rose by 0.5 percentage points from 1H 16 to 29.0% in 1H 17, reflecting increased residential loan growth and further investment in the business.

Funding, liquidity, and capital management

The Bank maintains a diversified funding base and conservative liquidity profile. AMP Bank's total debt and equity funding was A\$21.0b at 1H 17 (A\$18.1b at 1H 16).

Customer deposits increased in 1H 17 by A\$0.9b (8%) from 2H 16, primarily from retail deposits. Deposit to loan ratio was 66% for 1H 17, compared with 67% for 1H 16.

AMP Bank maintains a diversified liquidity portfolio and has adequate high quality liquid assets, in accordance with Basel III liquidity requirements. As at 1H 17, AMP Bank's liquidity coverage ratio was 140% (144% at FY 16). AMP Bank is well progressed for the Net Stable Funding Ratio (NSFR) requirements effective 1 January 2018.

The Capital Adequacy Ratio was 12.7% as at 1H 17 (12.4% at 1H 16). The Common Equity Tier 1 Capital Ratio (CET1) for 1H 17 was 8.8% (7.9% at 1H 16). The increase in our CET1 Capital Ratio has been largely driven by our strong loan growth and desire to strengthen our capital position given the regulatory landscape. Both ratios remain well above APRA and internal thresholds.

Australian wealth protection

Profit and loss (A\$m)	1H 17	1H 16	2H 16	FY 16	% 1H 17/ 1H 16
Profit margins	49	90	85	175	(45.6)
Capitalised (losses)/reversals and other one-off experience items	3	(1)	(484)	(485)	n/a
Experience profits/(losses)	-	(42)	(63)	(105)	n/a
Operating earnings	52	47	(462)	(415)	10.6
Underlying investment income	13	21	23	44	(38.1)
Underlying operating profit after income tax	65	68	(439)	(371)	(4.4)
Ratios and other data					
RoBUE	9.4%	6.0%	(37.9%)	(16.6%)	n/a
End period tangible capital resources – after transfers (A\$m)	1,418	2,170	1,501	1,501	(34.7)
VNB (5% dm) (A\$m)	1	18	(6)	12	(94.4)
EV – after transfers (5% dm) (A\$m)	2,165	3,251	2,284	2,284	(33.4)
Return on EV before transfers (5% dm) ¹	1.1%	4.2%	(26.0%)	(22.9%)	n/a
Individual risk API (A\$m)	1,490	1,487	1,522	1,522	0.2
Group risk API (A\$m)	440	440	442	442	-
Total WP cash inflows (A\$m)	954	954	941	1,895	-
Total WP cash outflows (A\$m)	(445)	(512)	(458)	(970)	13.1
Individual risk lapse rate	13.4%	13.4%	14.5%	13.9%	n/a
Profit margins/annual premium	5.1%	9.5%	8.5%	8.9%	n/a
Operating earnings/annual premium	5.4%	5.0%	n/a	n/a	n/a
Controllable costs (A\$m)	80	83	82	165	(3.6)
Cost to income ratio	46.3%	46.1%	n/a	n/a	n/a
Controllable costs/annual premium	8.3%	8.8%	8.2%	8.4%	n/a

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

Australian wealth protection embedded value and value of new business (A\$m)	3% dm	4% dm	5% dm
	1H 17	1H 17	1H 17
Embedded value as at FY 16	2,484	2,379	2,284
Expected return	54	61	67
Investment markets, bond yields and currency	(14)	(14)	(14)
Claim and persistency assumptions, product and other	(30)	(28)	(28)
Value of new business (VNB)	4	2	1
Net transfers out ¹	(145)	(145)	(145)
Embedded value as at 1H 17	2,353	2,255	2,165
Return on embedded value as at 1H 17	0.6%	0.9%	1.1%

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

Australian wealth protection cont'd

Business overview

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

WP's key priorities are to:

- continue progressive reinsurance to release capital
- focus on pricing, claims and lapse management to improve margins, and
- provide a high quality customer experience.

Operating earnings and profit margins

Profit margins fell by A\$41m (46%) from 1H 16 to A\$49m in 1H 17, largely due to the strengthening of assumptions at FY 16 and the implementation of a 50% quota share reinsurance arrangement with Munich Reinsurance Company of Australasia over a substantial portion of the retail book on 1 November 2016.

Accordingly, 1H 17 profit margins as a percentage of average API decreased 4.4 percentage points from 1H 16 to 5.1% in 1H 17.

Operating earnings improved by A\$5m (11%) to A\$52m in 1H 17 from 1H 16, with improved experience more than offsetting lower profit margins.

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

Capitalised loss reversals and other one-off experience items of A\$3m in 1H 17 were due to repricing on some parts of the inforce book partly offset by minor variances to assumed pricing, sales and reinsurance costs for retail income protection products which are in a capitalised loss position.

The accumulated capitalised loss position of AMP's income protection book at 30 June 2017 was A\$500m. Future reversals of capitalised losses can be driven by future premium rate increases, changes in claims and lapse assumptions, reductions in unit costs and growth in profitable new business.

Experience

The WP business recorded nil net experience profits or losses in 1H 17, compared with experience losses of A\$42m in 1H 16. This outcome represented a performance which is in line with expectations.

Annual premium in-force (API)

Individual risk API increased A\$3m from 1H 16 to A\$1,490m at 1H 17 but decreased A\$32m from 2H 16. The small increase in API relative to 1H 16 was largely due to the annual benefit from Consumer Price Index (CPI) and age premium increases on risk policies offset by lower sales volumes.

In 1H 17, 47% of in-force and 56% of new business was written within superannuation platforms.

1H 17 individual risk API comprised lump sum insurance (73%) and income protection (27%). Lump sum insurance was 64% term life and 36% disability (trauma and TPD).

Group risk API was unchanged from 1H 16 at A\$440m in 1H 17 and decreased A\$2m from 2H 16.

Lapse rates

1H 17 lapse rates of 13.4% were unchanged from 1H 16. Second half lapse rates are typically higher, due to the greater volume of annual CPI and age premium increases on risk policies occurring in that half.

Controllable costs

WP controllable costs were A\$80m in 1H 17, down A\$3m (3.6%) from 1H 16, reflecting savings from ongoing business efficiencies.

The cost to income ratio increased 0.2 percentage points from 1H 16 to 46.3% in 1H 17, reflecting lower underlying investment income. Controllable costs to annual premium decreased 0.5 percentage points from 1H 16 to 8.3% in 1H 17, reflecting the lower controllable costs.

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

1H 17 EV increased by 1.1% before transfers at the 5% discount margin to A\$2,310m. The increase from the expected return was largely offset by economic and other impacts.

1H 17 VNB decreased A\$17m to A\$1m, largely due to the impact of strengthened assumptions in 2H 16, the reinsurance agreement with Munich Re which took effect on 1 November 2016 and lower sales volumes.

Post balance-date development

AMP's focus has been to reposition the wealth protection business in Australia as significantly less capital intensive. In August 2017, AMP Life executed a comprehensive program of reinsurance arrangements effective 1 November 2017 that is expected to release approximately A\$500m of capital (subject to regulatory approval) and will result in the AMP Life retail portfolio being effectively 65% reinsured. This substantively completes the reinsurance program to release capital from the Australian WP business.

The new reinsurance arrangements apply to claims incurred from 1 November 2017. AMP will retain its current level of exposure to any claims incurred prior to that date, so the full benefit of the reduction in profit volatility will arise over time as all earlier claims are reported and settled.

New Zealand financial services

Profit and loss (A\$m)	1H 17	1H 16	2H 16	FY 16	% 1H 17/ 1H 16
Wealth protection	20	21	21	42	(4.8)
Wealth management	22	21	19	40	4.8
Mature	10	9	11	20	11.1
General insurance	5	6	4	10	(16.7)
Total profit margins	57	57	55	112	-
Experience profits/(losses)	8	5	9	14	60.0
Operating earnings ¹	65	62	64	126	4.8
Underlying investment income	7	9	10	19	(22.2)
Underlying operating profit after income tax	72	71	74	145	1.4

Ratios and other data

RoBUE	17.7%	17.5%	16.3%	16.9%	n/a
End period tangible capital resources – after transfers (A\$m) ²	809	881	818	818	(8.2)
VNB (5% dm) (A\$m)	(1)	(2)	-	(2)	50.0
EV – after transfers (5% dm) (A\$m)	1,396	1,420	1,419	1,419	(1.7)
Return on EV before transfers (5% dm) (A\$m) ³	3.5%	7.0%	8.1%	15.6%	n/a
Individual risk API (A\$m)	285	286	288	288	(0.3)
Individual risk API (NZ\$m)	299	299	299	299	-
Group risk API (A\$m)	38	38	39	39	-
Group risk API (NZ\$m)	40	40	40	40	-
Individual risk lapse rate	10.6%	11.1%	11.1%	11.1%	n/a
Controllable costs (A\$m)	38	39	41	80	(2.6)
Cost to income ratio	27.2%	28.6%	28.2%	28.4%	n/a
Controllable costs/annual premium ⁴	23.3%	24.3%	24.9%	24.5%	n/a

1 In NZ dollar terms, operating earnings in 1H 17 was NZ\$69m (1H 16 NZ\$66m).

2 Increase in capital in 1H 17 from prior periods is largely due to lower bond yields and currency movements.

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

4 Based on monthly individual and group risk API.

Cashflows and movements in AUM (A\$m)	Kiwisaver		Other ¹		Total	
	1H 17	1H 16	1H 17	1H 16	1H 17	1H 16
AUM at beginning of period	4,215	3,650	10,895	10,256	15,110	13,906
Cash inflows	308	282	465	405	773	687
Cash outflows	(194)	(161)	(525)	(453)	(719)	(614)
Net cashflow	114	121	(60)	(48)	54	73
Other movements in AUM	108	147	272	417	380	564
AUM at end of period	4,437	3,918	11,107	10,625	15,544	14,543

Composition of net cashflows by product

Superannuation	114	121	(7)	(19)	107	102
Pension	-	-	(2)	(2)	(2)	(2)
Investment	-	-	(70)	(45)	(70)	(45)
Other	-	-	19	18	19	18

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

New Zealand financial services embedded value and value of new business (A\$m)	3% dm	4% dm	5% dm
	1H 17	1H 17	1H 17
Embedded value as at FY 16	1,576	1,492	1,419
Expected return	42	45	48
Investment markets, bond yields and currency	15	12	9
Claim and persistency assumptions, product and other	(3)	(5)	(6)
Value of new business (VNB)	1	-	(1)
Net transfers out ¹	(73)	(73)	(73)
Embedded value as at 1H 17	1,558	1,471	1,396
Return on embedded value as at 1H 17	3.5%	3.5%	3.5%

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

New Zealand financial services cont'd

Business overview

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

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

NZFS has the following key priorities to grow shareholder value:

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

Operating earnings

Operating earnings increased by A\$3m (5%) from 1H 16 to A\$65m in 1H 17 as a result of higher experience profits.

Profit margins

1H 17 profit margins were unchanged from 1H 16, reflecting lower controllable costs and improved profit margins from mature and wealth management, offset by lower general insurance profit share due to higher natural hazard claims.

Experience profits

1H 17 experience profits were A\$8m, an improvement of A\$3m from 1H 16.

The A\$8m of experience profits achieved in 1H 17 reflected improved management of claims with an increased focus on helping customers return to work and better lapse experience.

Controllable costs

1H 17 controllable costs decreased by A\$1m (3%) to A\$38m from 1H 16. In NZ\$ terms, 1H 17 controllable costs decreased by NZ\$3m (6%) from 1H 16. NZFS remains focused on cost control, taking opportunities to reduce costs across the business including business reorganisation and product rationalisation.

The cost to income ratio improved by 1.4 percentage points from 1H 16 to 27.2% in 1H 17 as a result of higher underlying operating profit and lower controllable costs.

Cashflows and AUM

1H 17 NZFS net cashflows decreased by A\$19m (26%) to A\$54m from 1H 16. A 13% increase in cash inflows versus 1H 16 was offset by a 17% rise in cash outflows.

In NZ\$ terms, 1H 17 AUM increased NZ\$1,080m (7%) from 1H 16, reflecting positive market performance and net cashflows. In A\$ terms, 1H 17 AUM increased A\$1,001m to A15.5b, impacted partly by the depreciation of the closing NZ\$ against the A\$ (FX impact is A\$137m).

KiwiSaver is a key growth engine for the wealth management business. NZFS is one of the largest KiwiSaver providers with 12%¹ of the total KiwiSaver market as at 31 March 2017 and had approximately 236,000 KiwiSaver customers. At 1H 17, KiwiSaver reached NZ\$4.6b in AUM, an increase of 13% from 1H 16.

Annual premium in-force (API)

In NZ\$ terms, total API in 1H 17 was unchanged from 1H 16 of NZ\$339m. In A\$ terms, total API decreased by A\$1m to A\$323m due to the NZ\$ depreciation.

Lapse rates

1H 17 lapse rates were 10.6%, down from 11.1% in 1H 16 as a result of strong focus on, and investment in, lapse management.

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

1H 17 EV increased 3.5% (in A\$) before transfers at the 5% discount margin to A\$1,469m. Apart from the expected return, the increase was primarily due to lower bond yields.

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

Australian mature

Profit and loss (A\$m)	1H 17	1H 16	2H 16	FY 16	% 1H 17/ 1H 16
Profit margins	73	70	79	149	4.3
Experience profits/(losses)	2	(1)	3	2	n/a
Operating earnings	75	69	82	151	8.7
Underlying investment income	6	8	8	16	(25.0)
Underlying operating profit after income tax	81	77	90	167	5.2

Ratios and other data

RoBUE	33.0%	32.6%	39.3%	35.9%	n/a
End period tangible capital resources – after transfers (A\$m)	504	413	452	452	22.0
VNB (5% dm) (A\$m)	3	2	2	4	50.0
EV – after transfers (5% dm) (A\$m)	1,801	1,725	1,788	1,788	4.4
Return on EV before transfers (5% dm) ¹	4.3%	0.6%	7.7%	8.4%	n/a
Profit margins to AUM (bps) ²	70	65	73	69	7.7
Persistency	90.1%	91.0%	90.7%	91.0%	n/a
Controllable costs (A\$m)	24	27	27	54	(11.1)
Cost to income ratio	17.1%	19.5%	17.5%	18.4%	n/a
Controllable costs to AUM (bps) ²	23	25	25	25	(8.0)

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

2 Based on monthly average AUM.

Cashflows and movements in AUM (A\$m)	1H 17	1H 16
AUM at beginning of period	21,182	21,856
Cash inflows	317	292
Cash outflows	(1,053)	(979)
Net cashflow	(736)	(687)
Other movements in AUM	634	358
AUM at end of period	21,080	21,527

Composition of net cashflows by product

Superannuation	(368)	(323)
Pension	(91)	(95)
Investment	(40)	(33)
Other	(237)	(236)

Australian mature embedded value and value of new business (A\$m)	3% dm	4% dm	5% dm
	1H 17	1H 17	1H 17
Embedded value as at FY 16	1,977	1,876	1,788
Expected return	52	54	57
Investment markets, bond yields and currency	19	18	17
Claim and persistency assumptions, product and other	2	1	-
Value of new business (VNB)	3	3	3
Net transfers out ¹	(64)	(64)	(64)
Embedded value as at 1H 17	1,989	1,888	1,801
Return on embedded value as at 1H 17	3.8%	4.1%	4.3%

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

Australian mature cont'd

Business overview

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

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

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

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

Operating earnings

1H 17 operating earnings of A\$75m increased A\$6m from 1H 16 due to:

- investment markets (A\$8m)
- lower controllable costs (A\$2m)
- experience profits (A\$3m)

offset by

- the expected portfolio run-off (-A\$6m)
- other items (-A\$1m).

AUM

1H 17 Australian mature AUM was A\$21.1b, down from A\$21.5b in 1H 16 due to the natural run-off of the business, partly offset by investment gains.

Australian mature net cash outflows increased by A\$49m in 1H 17 to A\$736m due to a fall in persistency. 1H 17 persistency declined 0.9 percentage points to 90.1% from 1H 16.

Controllable costs

Controllable costs decreased A\$3m to A\$24m in 1H 17, reflecting the run-off of the book and ongoing business efficiencies. Relative to 1H 16, controllable costs to AUM improved 2 bps to 23 bps at 1H 17.

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

1H 17 EV before transfers at the 5% discount margin increased 4.3% to A\$1,865m. Apart from the expected return, the increase was primarily due to lower bond yields.

1H 17 VNB of A\$3m was A\$1m higher than in 1H 16 due to lower costs.

Business run-off profile

The Australian mature business remains in slow decline but is expected to remain profitable for many years. It is expected to run off at around 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.

Managing Australian mature for investment market movements

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

AMP actively manages the equity exposure supporting capital guaranteed products (including relevant parts of WM and NZFS). AMP uses derivative strategies to provide protection from equity market declines. As at 30 June 2017, AMP had in place derivative strategies against the A\$5.6b of equities held across the AMP Life Statutory Fund No. 1, including long-term derivative strategies in AMP Life that use options and futures to provide a variable level of protection depending on market conditions.

There were no additional tactical equity protection positions in the form of futures contracts against market falls.

AMP also employs the following strategy designed to protect against changes in long-term interest rates:

- Long-term derivative strategies using interest rate swaps and bond futures to alter the duration of the assets supporting this business.
- Some tactical protection may be used from time to time to reduce exposure to falls in long-term interest rates.

The shareholder bears 20% of the cost when tactical derivative protection is used within the participating sub-fund and 100% when used outside the participating sub-fund. In 1H 17, the impact of this was immaterial.

Group Office

A\$m	1H 17	1H 16	2H 16	FY 16	% 1H 17/ 1H 16
Group Office costs not recovered from business units	(33)	(30)	(74)	(104)	(10.0)
Underlying investment income on Group Office capital	16	12	10	22	33.3
Interest expense on corporate debt	(26)	(33)	(26)	(59)	21.2
Other items	(9)	(6)	(3)	(9)	(50.0)
Business efficiency program costs	-	(12)	(7)	(19)	n/a
Amortisation of AXA acquired intangible assets	(43)	(39)	(38)	(77)	(10.3)
Goodwill impairment	-	-	(668)	(668)	n/a
Market adjustment – investment income	(23)	56	(102)	(46)	n/a
Market adjustment – annuity fair value	1	(18)	10	(8)	n/a
Market adjustment – risk products	(8)	25	(14)	11	n/a
Accounting mismatches	(6)	4	(18)	(14)	n/a
Interest expense summary					
Average volume of corporate debt	1,599	1,689	1,552	1,620	
Weighted average cost of corporate debt	4.54%	5.49%	4.71%	5.11%	
Tax rate	28%	29%	29%	29%	
Interest expense on corporate debt ¹	26	33	26	59	
Franking credits					
AMP dividend franking credits at face value at end of period ²	356	382	342	342	
Staff numbers					
	954	908	920	920	5.1

1 Includes fees associated with undrawn liquidity facilities.

2 Balance of franking account adjusted for franking credits which will arise from the payment of income tax provided for in the financial statements. After franking the interim dividend (90%), the balance of franking credits will be A\$193m.

Group Office costs not recovered from business units

1H 17 Group Office costs not recovered from business units were A\$33m, up from A\$30m in 1H 16, reflecting business restructure costs.

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

Underlying investment income on Group Office capital

Underlying investment income on Group Office capital was A\$16m in 1H 17, up from A\$12m in 1H 16, reflecting higher average levels of Group Office shareholder assets, following the capital released from Australian wealth protection to Group Office after the reinsurance agreement with Munich Re, which took effect on 1 November 2016.

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

Following the completion of AMP's acquisition of 19.99% of China Life Pension Company (CLPC) in January 2015, AMP's equity accounted share of CLPC's net profit is reported through underlying investment income in Group Office capital. This contribution was immaterial to the Group net profit in 1H 17.

Interest expense on corporate debt

1H 17 interest expense on corporate debt was A\$26m, down from A\$33m in 1H 16. This reduction resulted from a combination of lower levels of corporate debt and a lower weighted average cost of debt.

The average volume of corporate debt decreased to A\$1,599m in 1H 17 (A\$1,689m in 1H 16), primarily relating to the timing of debt issuances and redemption of the AXA Notes in 1H 16.

The weighted average cost of debt in 1H 17 was 4.54%, down from 5.49% in 1H 16. This was primarily due to lower interest rates and a reduction in subordinated debt following redemption of the AXA Notes in 1H 16.

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

Other items

Other items largely comprise the net of one-off and non-recurring revenues and costs, including the cost of implementing significant regulatory changes.

Group Office cont'd

Amortisation of AXA acquired intangible assets

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

AXA intangible assets are required to be amortised over their expected useful life; goodwill is not required to be amortised. The amortised balance of AXA acquired intangibles as at 1H 17 was A\$0.6b.

1H 17 amortisation of AXA acquired intangible assets was A\$43m. Amortisation of AXA acquired intangibles for FY 17 is expected to be approximately A\$81m.

Market adjustment – investment income

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

The 1H 17 market adjustment – investment income was -A\$23m (1H 16 A\$56m), reflecting lower short-term interest rates relative to the long-term assumed earning rate of 2.5% post-tax.

AMP uses interest rate derivatives to manage the impact of falling interest rates on its capital position experienced through the life insurance business and defined benefit funds. The impact of these derivatives was immaterial in 1H 17, versus significant gains generated in 1H 16.

Market adjustment – annuity fair value

1H 17 market adjustment – annuity fair value was A\$1m (1H 16 -A\$18m). The impact of movements in credit spreads and liquidity margins over 1H 17 was marginal.

Market adjustment – annuity fair value relates to the net impact of investment markets on AMP's annuity portfolio. AMP's annuity portfolio comprises fixed term and lifetime annuity products, with Australian fixed term liabilities of A\$0.2b and Australian lifetime annuity liabilities of A\$1.2b. The Australian annuity portfolio is managed on a matched basis, with fixed interest assets matched to expected annuity cash outflows. Equities are not used by AMP to match its Australian annuity book.

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

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

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

As the assets are predominantly held to maturity, gains/losses due to changes in credit spreads or credit deterioration should reverse over time, to the extent that there are no asset defaults. In 1H 17 there were no asset defaults.

The portfolio credit rating composition is AAA (36%), AA (26%), A (26%) and BBB (12%). Corporate bond exposures are AA (22%), A (61%) and BBB (17%).

Market adjustment – risk products

1H 17 market adjustment – risk products was -A\$8m (1H 16 A\$25m) due to increasing bond yields.

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

Under MoS, the profits that are expected to be earned on life insurance contracts emerge over the life of the business as services are provided and income received. MoS involves projecting future cashflows (premiums, benefits and costs after allowing for inflation), and discounting future cashflows to their present value using the appropriate risk-free discount rate. Changes to market related economic assumptions affect policyholder liabilities and current year profit. The impact of movements in bond yields can vary from period to period depending on the level of claims reserves. For information on changes in market economic assumptions in 1H 17, refer to page 32.

Accounting mismatches

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

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

- treasury shares (AMP Limited shares held by the statutory funds on behalf of policyholders) (1H 17 -A\$7m, 1H 16 +A\$10m)
- investments in controlled entities (1H +A\$0.4m, 1H 16 -A\$5m)
- superannuation products invested with AMP Bank (1H 17 +A\$0.4m, 1H 16 -A\$1m).

Capital management

30 June 2017

A\$m	Total AMP group ¹	AMP Life ^{2,3}	AMP Bank	AMP Capital	Group Office ^{3,4}	Other
Total capital resources ⁵	8,915	3,074	801	483	2,048	2,509
Intangibles ⁶	(3,239)	(517)	(93)	(186)	(488)	(1,955)
Tangible capital resources	5,676	2,557	708	297	1,560	554
Senior debt ⁷	(668)				(668)	
Subordinated debt not eligible as regulatory capital in AMP group ⁸	(868)				(868)	
Other deductions ⁹	(782)	(736)	(44)	-	-	(2)
Level 3 eligible capital	3,358	1,821	664	297	24	552
Shareholder minimum regulatory capital requirements (MRR) ¹⁰	1,471	758	415	80	61	157
Level 3 eligible capital above MRR	1,887	1,063	249	217	(37)	395

31 December 2016

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

1 Excludes minority interest.

2 AMP Life includes statutory funds and shareholder funds.

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

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

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

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

7 Refer to debt overview page 28 for more details.

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

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

10 For the purposes of determining AMP group capital, the A\$745m of subordinated debt lent to AMP Bank and AMP Life is recognised as a reduction in MRR, subject to regulatory limits for Additional Tier 1 and Tier 2 capital. At 30 June 2017, A\$633m of this contributed to meeting the regulatory capital requirements of AMP Bank and AMP Life.

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

Capital management cont'd

Capital management framework

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

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

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

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

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

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

AMP's current dividend policy, as approved by the AMP Limited Board, is to pay future dividends based on a target payout ratio in the range of 70% to 90% of underlying profit and franked to the maximum extent possible. AMP aims to maintain and steadily grow dividends over time.

Capital position

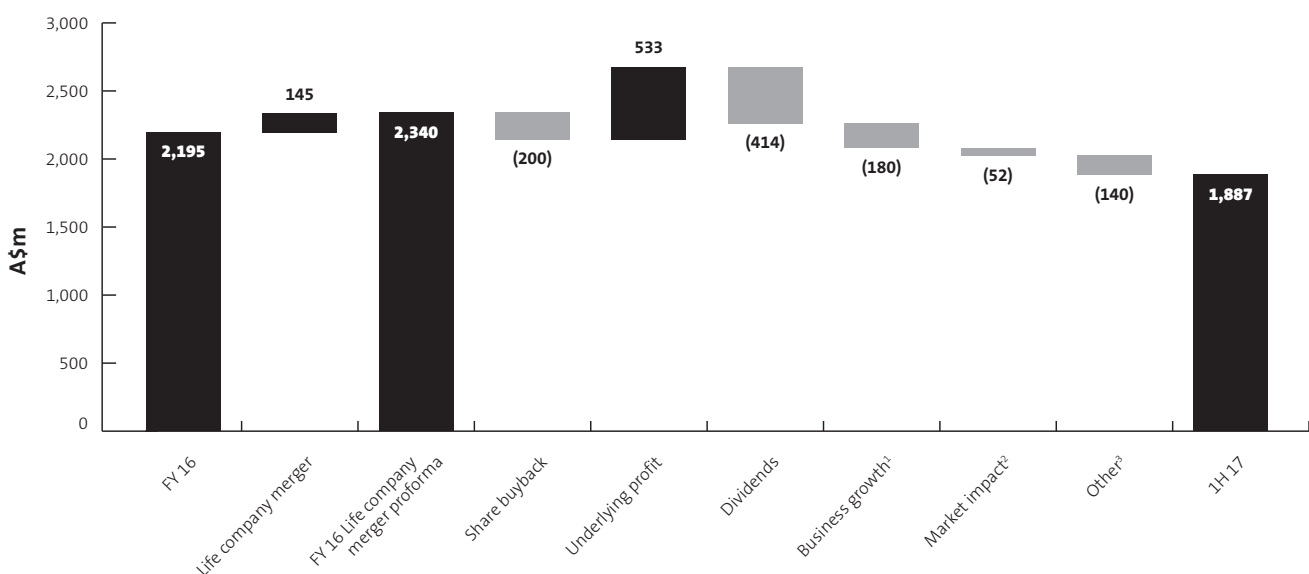
At 30 June 2017, Level 3 eligible capital above MRR was A\$1,887m (A\$2,195m at 31 December 2016), representing a ratio of 2.3x MRR (compared to 2.6x MRR at 31 December 2016). After allowing for the declared dividend, Level 3 eligible capital above MRR reduces to A\$1,464m, representing a ratio of 2.0x MRR.

The decrease in Level 3 eligible capital above MRR was driven by capital used to support business growth and the capital returned to shareholders through the on market share buy back undertaken during 1H 17. This was partially offset by the merger of NMLA's insurance business into AMP Life on 1 January 2017.

The Level 3 eligible capital above MRR of A\$1,464m (after allowing for the 1H 17 dividend) consists of A\$802m related to the life insurance participating business and A\$662m for the AMP group's other businesses.

The Level 3 eligible capital above MRR supporting the life insurance participating business varies over time depending on the risk exposures and strategies used in managing the participating business. The Level 3 eligible capital currently held within that business (including the A\$802m above MRR) is consistent with the target of providing a very high level of confidence that the business is self-supporting and that there are sufficient assets to support policyholder liabilities.

Movement from FY 16 to 1H 17 Level 3 eligible capital above MRR



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

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

3 Includes the impact of tax adjustments related to the netting of deferred tax balances.

Capital management cont'd

Policyholder retained profits continue to be resources supporting the participating business. The total policyholder retained profits of AMP Life were A\$2,261m at 30 June 2017 (A\$2,248m at 31 December 2016).

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

Minimum regulatory capital requirements

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

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

In March 2016, APRA announced the deferral of its proposed capital requirements for conglomerate groups (Level 3 institutions) and has indicated that implementation will be no earlier than 2019. The transition arrangements provided by APRA in 2013 allow the A\$83m subordinated bond maturing in 2022 to be recognised as Level 3 eligible capital until the implementation of conglomerate capital standards.

Capital target

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

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

Interim 2017 dividend

AMP's interim 2017 dividend is 14.5cents per share, franked to 90%. This represents an interim 2017 dividend payout ratio of 79% of underlying profit. AMP will continue to offer the DRP to eligible shareholders. For the 2017 interim dividend, no discount will apply to the DRP allocation price. AMP intends to neutralise the impact of the DRP by acquiring shares on-market to satisfy any entitlements under the DRP.

Nominal versus effective exposure

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

Management of market risks in the shareholder funds

Total shareholder funds (A\$4,592m) comprise direct shareholder funds (A\$4,027) where the shareholder can determine the asset mix and co-mingled shareholder funds (A\$565m) that are invested in the same asset mix as participating policyholder funds.

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

The shareholder fixed interest portfolio is split approximately 40% in government exposures and 60% in corporate exposures. Corporate exposures are invested in AAA (20%), AA (34%), A (32%), BBB (13%) and sub-investment grade and unrated (1%). At 30 June 2017, 4% of AMP shareholder funds were invested in equities.

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

Implicit DAC

The implicit DAC relates to the wealth protection businesses, and is similar to a loan from shareholder capital to the wealth protection business (A\$0.7b in Australia and A\$0.5b in New Zealand) to fund the upfront costs associated with acquiring new risk insurance business. The implicit DAC asset generates an investment return equivalent to a one year government bond.

Capital management cont'd

Capital resources (A\$m)	30 June 2017	31 December 2016
Contributed equity	9,341	9,619
Equity contribution reserve	1,019	1,019
Other reserves	572	595
Retained earnings	(142)	(186)
Demerger loss reserve	(3,585)	(3,585)
Total equity of shareholders of AMP Limited	7,205	7,462
Accounting mismatches, cashflow hedge reserve and other adjustments	91	27
AMP shareholder equity	7,296	7,489
Less: goodwill and other intangibles ¹	(3,239)	(3,231)
Less: other deductions ²	(782)	(738)
Plus: subordinated debt eligible as Level 3 capital ³	83	83
Level 3 eligible capital	3,358	3,603
Total capital resources by asset class (A\$m)	30 June 2017	31 December 2016
International equities	77	45
Australian equities	104	73
Property	33	79
International fixed interest	125	21
Australian fixed interest	635	477
Cash ⁴	2,453	3,155
Implicit DAC	1,165	1,211
Total shareholder funds	4,592	5,061
Other ⁵	1,084	759
Tangible capital resources	5,676	5,820
Intangibles	3,239	3,231
Total capital resources	8,915	9,051

1 Refer to page 37 for definition of intangibles.

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

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

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

5 Other includes tangible capital of AMP Bank of A\$708m, corporate subordinated debt on-lent to AMP Bank of A\$140m, A\$164m of seed and sponsor capital assets plus A\$72m of other assets and liabilities.

Underlying investment income

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

The underlying after-tax rate of return used for 1H 17 is 2.5% pa and is based on the long-term target asset mix and assumed

long-term rates of return. This rate has been reduced from 3.0% in 2016 following a reduction in the growth asset mix of shareholder assets during 2016 (mainly direct property). The investment return equivalent to a one year government bond of 1.3% pa after tax is being applied to the implicit DAC for 1H 17 (1.5% in 2016).

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

Debt overview

A\$m	30 June 2017			31 December 2016		
	Corporate debt	AMP Bank ¹	Total	Corporate debt	AMP Bank ¹	Total
Subordinated bonds	83	-	83	83	-	83
AMP Notes 2 ²	325	-	325	325	-	325
AMP Wholesale Capital Notes ³	275	-	275	275	-	275
AMP Capital Notes ⁴	268	-	268	268	-	268
AMP Bank subordinated debt	-	150	150	-	150	150
Total subordinated debt	951	150	1,101	951	150	1,101
Commercial paper, NCDs and repos	168	1,872	2,040	111	1,358	1,469
Domestic medium-term notes	-	1,800	1,800	-	1,900	1,900
Drawn syndicated loan	500	-	500	500	-	500
Total senior debt	668	3,672	4,340	611	3,258	3,869
Deposits ⁵	-	12,435	12,435	-	11,549	11,549
Total debt	1,619	16,257	17,876	1,562	14,957	16,519
Corporate gearing ratios						
S&P gearing	10%			9%		
Interest cover – underlying (times) ⁶	10.7			9.2		
Interest cover – actual (times) ^{6,7}	5.7			6.5		

A\$m	Corporate debt by year of repayment ⁸					
	0–1 year	1–2 years	2–5 years	5–10 years	10+ years	Total
Total corporate debt at 30 June 2017	418	325	793	83	-	1,619
Total corporate debt at 31 December 2016	111	575	793	83	-	1,562

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

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

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

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

5 At 30 June 2017, deposits include AMP Bank retail deposits (A\$6.5b), AMP Supercash and Super TDs (A\$2.1b), North and platform deposits (A\$3.1b), internal deposits (A\$0.6b) and other wholesale deposits (A\$0.1b).

6 Calculated on a rolling 12 month basis and includes one-off experience losses of A\$485m incurred in 2H 16.

7 Calculated on a rolling 12 month basis and excludes A\$668m goodwill impairment incurred in 2H 16.

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

Corporate debt

Corporate debt increased by A\$57m during 1H 17 due to higher commercial paper and euro-commercial paper. At 30 June 2017, 23% of corporate debt was effectively at fixed rates.

At 30 June 2017, AMP's liquidity comprised A\$516m of group cash (including short-term investments) and an undrawn syndicated loan of A\$250m.

AMP Bank

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

As at 30 June 2017, total securitised funds were A\$3.8b, and the A\$750m warehouse facility with Bank of Tokyo-Mitsubishi UFJ, Ltd (MUFG: Bank) was undrawn.

AMP group continues to provide a guarantee covering AMP Bank's liabilities, with the exception of the A\$150m subordinated debt.

Sensitivities – profit, capital and embedded value

1H 17 profit sensitivities (A\$m)

	Operating earnings (post-tax)							Investment income	
	WM	AMP Bank	WP	Australian mature	NZ financial services	AMP Capital	Group Office		Total
Market variables									
10% increase in Australian equities	10	-	-	3	-	2		15	9
10% decrease in Australian equities	(10)	-	-	(3)	-	(2)		(15)	(8)
10% increase in international equities	8	-	-	2	3	3		16	6
10% decrease in international equities	(8)	-	-	(2)	(3)	(3)		(16)	(7)
10% increase in property	2	-	-	1	1	3		7	3
10% decrease in property	(2)	-	-	(1)	(1)	(3)		(7)	(3)
1% (100 bps) increase in 10 year Australian bond yields	(1)	-	-	4	-	(2)		1	(34)
1% (100 bps) decrease in 10 year Australian bond yields	1	-	-	(4)	-	2		(1)	33
1% increase in cash rate	-	-	-	-	-	-		-	25
1% decrease in cash rate	-	-	-	-	-	-		-	(25)
Business variables									
5% increase in AUM/AMP Bank total mortgage balances	16	5	-	5	4			30	
5% increase in sales volumes	2	2	-	-	-			4	
1% increase in persistency	4	-	5	(2)	4			11	
1 bp increase in AMP Bank net interest margin	-	1	-	-	-			1	
5% increase in (AMP Capital) external AUM						4		4	
5% increase in (AMP Capital) internal AUM						3		3	
5% reduction in controllable costs	17	3	5	2	3	12	3	45	

All profit sensitivities above show a full year impact.

The profit and capital sensitivities are only indicative, because:

- they are not always linear or symmetrical, because of the asymmetric nature of risks facing insurance companies, including the scope for policyholders to exercise options against the company or to benefit from guarantees
- they assume that the particular variable moves independently of all others
- they are based on the 1H 17 position, ie not ‘forward looking’, and make no allowances for events subsequent to 30 June 2017, and
- in general, for profit sensitivities, they assume the movement occurs evenly over the year; for capital sensitivities, they assume the movement occurs at 30 June 2017.

Other assumptions include:

- Parent company shareholders’ equity is fully invested, and there are no adjustments for investments which are outside index weightings.
- Currency movements in investments in self-sustaining operations do not impact profit.
- Sales sensitivity assumes the same product mix as in underlying sales during 1H 17.
- Investment income sensitivity is based on the amount of investments held at 30 June 2017.
- Property sensitivities relate to unlisted property; listed property trusts are included in equities.
- Bond yield sensitivities relate to both government and corporate bond yields for both Australian and international bonds.
- Profit sensitivities exclude the impact of movements in credit spreads in corporate and semi-government debt.
- AMP Bank net interest margin is assumed to be insensitive to changes in cash rate.
- AMP Bank’s increase in sales volume assumes a 5% change in total loans growth with no change in net interest margin and costs.

Profit sensitivities

The sensitivities set out above apply to 1H 17 operating earnings and investment income, assuming changes in a range of hypothetical economic or business variables.

Important considerations when using these sensitivities

Operating earnings – investment linked business

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

For changes in market variables which impact AUM levels, it is assumed that the change in the variable occurs evenly across the entire year. That is, the analysis is point to point, assuming the movement from one point (eg beginning of the year equity markets) to another point (eg end of the year equity markets) occurs evenly over the year. It is similar to assuming a one-off movement in the variable halfway through the year. For large movements that do not occur halfway through the year, the profit sensitivities need to be extrapolated. For example, a 10% increase/decrease in equity markets at the start of the year would have double the impact on 1H 17 operating earnings than set out in the table above.

The sensitivities are based on the 1H 17 position and are not forward looking. If using the sensitivities as forward looking (eg applying 1H 17 profit sensitivities for 2H 17 or FY 17), an allowance for changes in AUM levels should be made. Refer to page 6 (WM) and page 10 (AMP Capital) for average AUM levels that were applied in 1H 17.

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

Sensitivities – profit, capital and embedded value cont'd

Operating earnings – risk insurance and annuity business

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

Operating earnings – participating business

For participating business, profit margins are dependent on the level of future bonuses supported by both the value of available

assets and the assumed future investment earnings (largely driven by prevailing bond yields). As the effect of movements in investment markets is absorbed by bonuses over a number of years, only a portion of the impact is recognised in the current reporting period and is allocated between policyholders and shareholders.

Investment income

The analysis is based on a point in time and indicates the impact a change in the market variable would have on AMP's 1H 17 total investment income (ie underlying investment income plus market adjustment – investment income).

AMP regulatory capital sensitivities

Capital sensitivities – regulatory capital resources above MRR (A\$m) ¹		AMP Life	AMP group ²
Actual 30 June 2017 (ASX 200 @ 5,721; Australian bond yields @ 2.6%)		1,063	1,887
Equity sensitivity	– 20% increase (ASX 200 @ 6,865)	85	95
	– 10% increase (ASX 200 @ 6,293)	45	50
	– 10% decrease (ASX 200 @ 5,149)	(55)	(65)
	– 20% decrease (ASX 200 @ 4,577)	(110)	(130)
Australian bond yields sensitivity	– 100 bps increase (Australian bond yields @ 3.6%)	15	35
	– 50 bps increase (Australian bond yields @ 3.1%)	10	25
	– 50 bps decrease (Australian bond yields @ 2.1%)	(25)	(40)
	– 100 bps decrease (Australian bond yields @ 1.6%)	(55)	(95)
Property sensitivity ³	– 10% increase in unlisted property values	15	15
	– 10% decrease in unlisted property values	(20)	(20)

1 These sensitivities are based on a point in time and do not make any allowance for subsequent management actions.

2 AMP group sensitivities include AMP Life and impacts outside AMP Life.

3 Property sensitivity relates to unlisted property. Listed property is included in the equity sensitivity.

The regulatory capital sensitivities above are based on 30 June 2017 equity markets, bond yields and property values and correspond to the disclosure in the capital management section (refer to page 24).

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

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

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

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

The investment income sensitivities to bond yields reflect decreased use of interest rate derivatives in 1H 17 to reduce the impact on regulatory capital resources above MRR from bond yields movements. Gains and losses on these derivatives are reported in the market adjustment – investment income.

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

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

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

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

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

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

The sensitivities contained in the table above do not make any allowance for management actions subsequent to 30 June 2017, which may have a significant impact on these sensitivities.

Sensitivities – profit, capital and embedded value cont'd

EV and VNB sensitivities

1H 17 change in embedded value (A\$m)	WM	WP	Australian mature	New Zealand financial services	Total
5% reduction in controllable costs	119	28	16	12	175
10% reduction in discontinuance rates	334	247	52	99	732
1% (100 bps) decrease in long-term bond yields	74	94	(71)	33	130
1% (100 bps) increase in long-term bond yields	(74)	(93)	54	(32)	(145)
10% increase in Australian equities	108	-	39	-	147
10% increase in international equities	72	-	22	18	112
1% reduction in investment fees	(97)	-	(5)	(6)	(108)
10% reduction in insured non-death claims	n/a	422	-	29	451
5% reduction in insured death claims	n/a	104	4	23	131

1H 17 change in value of new business (A\$m)	WM	WP	Australian mature	New Zealand financial services	Total
5% reduction in controllable costs	7	2	-	1	10
10% reduction in discontinuance rates	15	5	-	1	21
1% (100 bps) decrease in long-term bond yields	4	1	-	1	6
1% (100 bps) increase in long-term bond yields	(4)	(1)	-	(1)	(6)
5% increase in sales (all costs variable)	4	-	-	-	4
5% increase in sales (acquisition controllable costs fixed)	8	1	-	1	10
1% reduction in investment fees	(3)	-	-	-	(3)
10% reduction in insured non-death claims	n/a	7	-	1	8
5% reduction in insured death claims	n/a	3	-	-	3

Key assumptions

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

The sensitivities can at best be only indicative because:

- they are not always linear or symmetrical, due to the asymmetric nature of risks facing insurance companies, including the scope for policyholders to exercise options against the company or to benefit from guarantees
- they assume that the movement in a particular variable is independent of all others; for the change in discontinuance rates, unit costs are assumed unchanged; for the 5% increase in sales (all costs variable), unit costs are assumed unchanged; for the 5% increase in sales (controllable costs fixed), unit costs are assumed to reduce because of the increase in business volumes
- they show the average movement for the risk discount margin range, ie 4%
- they are based on the 1H 17 position, ie not 'forward looking', and make no allowance for events subsequent to 30 June 2017
- they are based on the 1H 17 sales and product mix.

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

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

The benefit of any expense improvements has only been reflected to the extent that it appears as a cost reduction in the 2017 budget. To determine the impact of further synergies on EV and VNB, the most appropriate sensitivity to use is the reduction in controllable costs.

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

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

The 5% reduction in insured death claims is based on a 5% reduction in new insured death claims.

The 10% reduction in insured non-death claims is based on a 10% reduction in new insured claims and, for current open claims only, a 10% reduction in future recurring claim payments.

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

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

Embedded value assumptions

Economic assumptions

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

Annualised 10 year government bond yields	1H 17	FY 16
Australia	2.6%	2.8%
New Zealand	3.0%	3.4%

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

Risk premiums	1H 17	FY 16
Local equities ¹	4.5%	4.5%
International equities	3.5%	3.5%
Property and infrastructure ²	2.5%	2.5%
Fixed interest ³	0.7%	0.6%
Cash (where significant)	(0.5%)	(0.5%)

1 Includes allowance for franking credits on equity income.

2 The risk premium varies between property and infrastructure and between listed and unlisted. The premium shown is the average across the Australian participating portfolios.

3 The risk premium depends on the duration and credit rating of the underlying bond portfolios. The premium shown is the average across the Australian participating portfolios.

For the purpose of setting future investment assumptions, the broad asset mixes assumed for participating business (A\$16.2b) in Australia are:

Australian participating	1H 17	FY 16
Equities	25%	25%
Property and infrastructure	13%	13%
Fixed interest	40%	40%
Cash	22%	22%

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

Annual inflation rates assumed are:

Inflation rate		1H 17	FY 16
Australia	– CPI	1.9%	2.0%
Australia	– Expenses	3.0%	3.0%
New Zealand	– CPI	1.6%	1.5%
New Zealand	– Expenses	2.0%	2.0%

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

Operating assumptions

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

No changes have been made since 31 December 2016.

Maintenance unit costs are derived from 2017 budgets. Allowance is made for future inflation, but potential cost improvements arising after 2017 are ignored. Note that only expense improvements captured in 2017 have been allowed for.

Future rates of bonus for participating business were set at levels that were supportable by the assets backing the respective product sub-funds as at 30 June 2017.

Acquisition costs for VNB are the actual costs incurred in 1H 17.

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

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

Capital assumptions

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

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

	3% dm	4% dm	5% dm
Embedded value as at 1H 17 (A\$m)¹	11,464	10,862	10,333
Embedded value comprises (A\$m)			
Adjusted net assets ²	1,522	1,522	1,522
Value of in-force business ^{3,4}	9,942	9,340	8,811

1 Includes embedded value of WM, WP, Australian mature and NZFS. No embedded value is included for AMP Bank, AMP Capital and Group Office.

2 Adjusted net assets are assets in excess of regulatory capital requirements (allocated at product level), at face value.

3 Value of in-force business discounts the value of shareholder net assets (A\$2,193m at face value) to reflect expected time of release.

4 Shareholder net assets include A\$300m of allowable Tier 2 Capital arising from AMP Notes 2 and A\$305m of allowable Additional Tier 1 Capital arising from AMP Wholesale Capital Notes and AMP Capital Notes on-lent to AMP Life.

Further details

Otherwise, assumptions are generally consistent with the best estimate assumptions used in calculating policy liabilities for AMP Life. A more detailed description of these assumptions and their 31 December 2016 values can be found in the notes to the 2016 AMP Limited Appendix 4E. As all relevant business is projected for the embedded value, the description of the assumptions in the notes applies even where that business is not valued by projection methods for profit reporting.

Market share and channel analysis

Market share

	March 2017			March 2016		
	Total market size	Market position (rank)	Market share %	Total market size	Market position (rank)	Market share %
Market share – Australia (AUM) A\$^b						
Superannuation including rollovers ^{1,4}	386.1	1	25.9	351.5	1	25.6
Corporate superannuation master funds ²	137.2	1	22.0	136.1	2	20.5
Retirement income ¹	207.2	2	18.1	190.4	2	18.2
Unit trusts (excluding cash management trusts) ^{1,4}	221.9	5	6.6	196.8	5	6.7
Total retail managed funds (excluding cash management trusts) ^{1,4}	822.6	1	18.6	745.7	1	18.6
Total in-force annual premiums – Australia (AUM) A\$^b³						
Individual risk	9.5	1	15.7	9.2	1	16.4
Group risk	6.3	6	7.0	6.3	6	7.1
Market share – New Zealand financial services (AUM) NZ\$^b						
Retail superannuation ⁵	3.4	1	44.9	3.7	1	40.8
Unit trusts ⁵	30.7	9	3.8	25.1	6	5.2
Insurance bonds ⁵	0.5	3	23.2	0.9	4	14.1
Total retail funds ⁵	73.8	4	10.0	62.8	4	11.1
Corporate superannuation ⁶	7.1	1	42.3	6.2	1	41.4
KiwiSaver ⁵	39.0	4	11.7	32.4	3	12.4
Total in-force annual premiums – New Zealand financial services (AUM) NZ\$^b⁷						
Individual risk	2.0	2	14.6	1.9	2	15.5
Conventional	0.1	1	79.4	0.1	1	78.9

1 Source: Fund Market Overview Retail – Marketer, Strategic Insight (Plan For Life), March 2017.

2 Source: Australian Retail and Wholesale Investments, Market Share and Dynamics Report, Strategic Insight (Plan For Life), 31 March 2017.

3 Source: Life Insurance Industry Report, Strategic Insight (Plan For Life), March 2017.

4 These figures include SuperConcepts products in the superannuation and unit trust categories.

5 Measured by AUM. Source: FundSource Limited March 2017 and March 2016.

6 Measured by AUM. Source: Eriksens Master Trust Survey March 2017 and March 2016.

7 Measured by in-force premium. Source: FSC Statistics March 2017 and March 2016.

Channel analysis

Channel analysis (A\$m)	Net cashflows			AUM			Adviser numbers		
	1H 17	1H 16	% 1H/1H	1H 17	1H 16	% 1H/1H	1H 17	1H 16	% 1H/1H
AMP Financial Planning	432	384	12.5	59,056	54,815	7.7	1,493	1,611	(7.3)
AMP Horizons Academy and Practice	(11)	(10)	(10.0)	859	826	4.0	26	35	(25.7)
Hillross	114	115	(0.9)	14,061	13,323	5.5	319	357	(10.6)
Charter Financial Planning	355	184	92.9	22,337	20,729	7.8	763	854	(10.7)
ipac	(88)	(105)	16.2	7,602	7,307	4.0	163	165	(1.2)
Genesys Wealth Advisers	(2)	(5)	60.0	17	39	(56.4)	-	2	n/a
AMP Direct	(42)	(31)	(35.5)	5,481	5,443	0.7	7	-	n/a
Total (core licensees)	758	532	42.5	109,413	102,482	6.8	2,771	3,024	(8.4)
Jigsaw Support Services	(5)	(5)	-	1,066	1,099	(3.0)	134	122	9.8
SMSF Advice							55	221	(75.1)
Total (licensee services)	(5)	(5)	-	1,066	1,099	(3.0)	189	343	(44.9)
Corporate Super Direct	700	297	135.7	14,210	12,439	14.2			n/a
Other	(52)	24	n/a	3,327	3,397	(2.1)			n/a
Third-party distributors	(629)	(511)	(23.1)	17,975	17,061	5.4			n/a
Digital	24	-	n/a	134	-	n/a			n/a
Total Australia¹	796	337	136.2	146,125	136,478	7.1	2,960	3,367	(12.1)
New Zealand financial services²	54	73	(26.0)	15,544	14,543	6.9	410	429	(4.4)
Total	850	410	107.3	161,669	151,021	7.1	3,370	3,796	(11.2)

1 Net cashflows and AUM include all WM, WP and Australian mature products and exclude SuperConcepts.

2 NZFS includes AMP licensed advisers, AMP owned advisers and advisers that subscribe to AMP's advice processes offered under the Quality Advice Network brand.

AMP Capital investment performance

Fund/style name	AUM (A\$m)	1 Year			3 Year			5 Year		
		Absolute return ¹ %	Excess return ² %	Competitor quartile ranking ³	Absolute return ¹ %	Excess return ² %	Competitor quartile ranking ³	Absolute return ¹ %	Excess return ² %	Competitor quartile ranking ³
Equities										
Core	3,550	9.8	(6.3)	Q4	5.6	(3.0)	Q4	12.0	(1.8)	Q4
Sustainable	1,840	10.7	(4.9)	Q4	5.4	(2.7)	Q4	11.3	(2.0)	Q4
Concentrated ⁴	305	9.6	No	Q4	5.1	No	Q4	n/a	n/a	n/a
Small Caps	322	2.1	(4.9)	n/a	11.0	3.9	n/a	n/a	n/a	n/a
Enhanced Index	7,545	13.9	(0.5)	Q4	6.8	(0.1)	Q4	12.1	(0.1)	Q4
FD Australian Shares ⁵	3,708	15.8	1.0	Q2	8.7	1.1	Q1	13.2	0.6	Q2
Fixed interest										
Wholesale Australian Bond Fund ⁶	3,127	1.1	0.3	Q2	4.5	(0.3)	Q3	5.1	0.3%	Q2
Managed Treasury Fund	2,827	2.3	0.3	n/a	2.6	0.1	n/a	2.9	0.2%	n/a
International										
Specialist International Shares Fund ⁵	2,186	15.1	(1.1)	n/a	15.1	0.9	n/a	20.3	0.7	n/a
Enhanced Index International Shares	10,614	15.2	-	Q2	13.6	0.1	Q1	19.1	0.4	Q1
Global Listed Property ^{6,7}	5,918	0.8	(1.2)	Q4	7.5	(2.5)	Q4	11.4	(0.9)	Q4
Global Listed Infrastructure ⁷	2,362	6.9	1.2	n/a	9.0	(1.6)	n/a	16.2	(0.7)	n/a
FD International Bonds	1,515	1.1	(0.1)	n/a	4.4	(1.5)	n/a	5.4	(1.0)	n/a
Property (direct)⁸										
Wholesale Office ⁹	4,916	11.9	(1.7)	n/a	12.4	(1.6)	n/a	10.4	(1.5)	n/a
Shopping Centres ⁹	3,478	10.5	(0.1)	n/a	10.9	1.1	n/a	9.6	0.5	n/a
Diversified Property Fund ⁹	5,366	10.4	(1.6)	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Infrastructure (direct)										
Diversified Infrastructure Fund	1,070	10.6	3.6	Q2	16.7	9.5	Q1	14.1	6.5	Q1
Australia Pacific Airports Fund	355	15.1	3.1	n/a	22.9	10.9	n/a	22.3	10.3	n/a
Diversified										
Balanced Growth Option ¹⁰	6,163	9.6	No	Q4	7.9	Yes	Q2	11.5	Yes	Q2
FD Balanced Fund ¹⁰	5,434	12.0	Yes	Q2	9.0	Yes	Q2	12.0	Yes	Q2
MySuper 1970's ¹¹	5,148	13.5	1.5	n/a	9.4	1.5	n/a	n/a	n/a	n/a
Goal based										
Corporate Bond	1,608	4.5	0.7	n/a	4.0	(0.3)	n/a	5.5	0.5	n/a
Multi Asset Fund	1,173	10.1	2.8	n/a	7.9	0.3	n/a	9.2	1.4	n/a
Dynamic Markets Fund	1,767	10.3	4.0	n/a	6.4	(0.2)	n/a	9.0	2.2	n/a
Income Generator	1,778	7.4	(0.3)	n/a	7.0	1.4	n/a	9.6	1.6	n/a
Equity Income ¹²	659	11.3	3.5	n/a	10.5	2.3	n/a	n/a	n/a	n/a

1 Absolute returns are annualised for periods greater than one year.

2 Excess return is measured against the client goal.

3 Quartile ranking determined using the latest available competitor survey.

4 For this fund, the client goal is to perform Q1 or better.

5 For this fund, two fund returns have been joined due to historical fund restructures.

6 For this fund's competitor quartile ranking, a composite return was used.

7 AUM provided is the asset under management of the entire capability.

8 Calculated in accordance with the Mercer/IPD Pooled Property Fund Index methodology.

9 For this fund, AUM disclosed is the gross asset value.

10 For this fund, the client goal is to perform Q2 or better.

11 My Super 1970's is representative of the MySuper range of funds – it is disclosed as it is the largest fund in the MySuper range.

12 For this fund, the client goal is an income yield measure.

Five year summary

	1H 17	1H 16	1H 15	1H 14	1H 13
Earnings					
Total operating earnings (A\$m)	509	485	538	483	410
Underlying profit (A\$m)	533	513	570	510	440
Profit attributable to shareholders of AMP Limited (A\$m)	445	523	507	382	393
EPS – underlying (cps) ¹	18.1	17.3	19.3	17.2	15.0
EPS – actual (cps)	15.3	17.9	17.4	13.1	13.6
RoE – underlying	14.5%	11.9%	13.5%	12.5%	11.2%
RoE – actual	12.1%	12.1%	12.0%	9.3%	10.0%
Dividend					
Dividend per share (cps)	14.5	14.0	14.0	12.5	11.5
Dividend payout ratio – underlying	79%	81%	73%	73%	77%
Franking rate ²	90%	90%	85%	70%	70%
Ordinary shares on issue (m) ¹	2,918	2,958	2,958	2,958	2,945
Weighted average number of shares on issue (m)					
– basic ¹	2,941	2,958	2,958	2,958	2,937
– fully diluted ¹	2,961	2,975	2,978	2,984	2,961
– statutory	2,910	2,927	2,910	2,921	2,888
Share price for the period (A\$)					
– low	4.75	5.02	5.30	4.12	4.25
– high	5.42	5.92	6.79	5.39	5.67
Margins					
Australian wealth management investment related revenue to AUM (bps)	104	109	113	118	122
AMP Capital AUM based management fees to AUM (bps) – external	47.2	47.3	44.5	45.5	48.1
Australian wealth protection profit margins/annual premium	5.1%	9.5%	10.1%	9.9%	11.2%
AMP Bank net interest margin (over average interest earning assets)	1.67%	1.71%	1.53%	1.35%	1.39%
Financial position					
AMP shareholder equity (A\$m)	7,296	8,678	8,475	8,190	7,955
Corporate debt (excluding AMP Bank debt) (A\$m)	1,619	1,589	1,533	1,708	1,679
S&P gearing	10%	9%	10%	12%	12%
Interest cover – underlying (times) ³	10.7	17.6	18.5	12.3	13.2
Interest cover – actual (times) ^{3,4}	5.7	16.4	17.0	9.2	10.6
Cashflows and AUM					
Australian wealth management net cashflows (A\$m)	1,023	582	1,152	1,116	1,383
Australian wealth management persistency	88.6%	90.4%	89.9%	89.4%	88.2%
AMP Capital net cashflows – external (A\$m)	2,439	(153)	3,025	1,642	(2,070)
AMP Capital AUM (A\$b)	179	160	156	144	131
AUM non-AMP Capital managed (A\$b) ⁵	68	66	66	61	48
Total AUM (A\$b) ⁶	247	226	222	205	179
Controllable costs (pre-tax) and cost ratios⁷					
Controllable costs (pre-tax) – AMP (A\$m)	671	663	657	650	646
Cost to income ratio – AMP	45.1%	45.5%	43.1%	45.0%	48.4%
Controllable costs to average AUM (bps)	55	59	58	64	72
Staff numbers					
Total staff numbers ⁸	5,572	5,448	5,344	5,697	5,749

- The number of shares has not been adjusted to remove treasury shares.
- Interim franking rate is the franking applicable to the interim dividend for that year.
- Calculated on a rolling 12 month basis. 1H 17 calculated including one-off experience losses of A\$485m incurred in 2H 16.
- Calculated on a rolling 12 month basis. 1H 17 calculated excluding A\$668m goodwill impairment incurred in 2H 16.

- 1H 14 AUM adjusted for SuperConcepts AUA account consolidation.
- Includes SuperConcepts assets under administration, refer to page 9.
- 2013 comparatives have been revised to reflect a reclassification of controllable costs to variable costs.
- Excludes advisers.

Definitions of business units and exchange rates

AMP

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

AMP comprises the following business units.

Australian wealth management (WM)

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

AMP Capital

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

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

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

AMP Bank

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

Australian wealth protection (WP)

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

New Zealand financial services

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

Australian mature

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

SuperConcepts

In January 2016, AMP announced a new business name and operating structure for its SMSF business unit. The name, SuperConcepts, incorporates the range of services and products the business offers across SMSF administration, software and education.

SuperConcepts comprises a number of sub-brands including AMP SMSF, Ascend, BPO Connect SMSF, Cavendish, Desktop Super, Multiport, Justsuper, SuperIQ, superMate and yourSMSF.

SuperConcepts forms part of WM's reported results.

Group Office

Group Office comprises:

- Group Office operations
- Corporate debt.

AMP's acquisition of 19.99% of China Life Pension Company (CLPC) was completed in January 2015 and, from 1H 15, AMP's share of CLPC's net profit is reported through underlying investment income in Group Office capital.

Exchange rates			AUD/NZD
2017	1H 17	– closing	1.0476
		– average	1.0591
2016	FY 16	– closing	1.0384
		– average	1.0647
	2H 16	– closing	1.0384
		– average	1.0474
	1H 16	– closing	1.0455
		– average	1.0793

Accounting treatment and definitions

Accounting mismatches – Refer to page 23.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Intangibles – Represents acquired goodwill, acquired identifiable intangibles on merging with AXA, acquired asset management mandates and capitalised costs.

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

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

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

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

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

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

Accounting treatment and definitions cont'd

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

Market adjustment – investment income – Refer to page 23.

Market adjustment – risk products – Refer to page 23.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Key dates for shareholders

23 August 2017	Ex-dividend date for interim 2017 dividend (Australia and New Zealand)
24 August 2017	Record date for interim 2017 dividend
25 August 2017	Dividend reinvestment plan record date for interim 2017 dividend
29 August – 7 September 2017	Pricing period for interim 2017 dividend reinvestment plan
29 September 2017	Payment date for interim 2017 dividend
27 October 2017	Third quarter 2017 cashflow and AUM announcement
8 February 2018	Full year 2017 results
22 February 2018	Record date for full year 2017 dividend
23 February 2018	Dividend reinvestment plan record date for full year 2017 dividend
28 March 2018	Payment date for full year 2017 dividend
10 May 2018	First quarter 2018 cashflow and AUM announcement
10 May 2018	2018 Annual General Meeting

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Website

For additional 2017 half year results information, visit AMP's website at
amp.com.au/shareholdercentre

You will find:

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

