AMP Group Holdings Limited

ABN 88 079 804 676

Directors' report and Financial report for the year ended 31 December 2019

Directors' Report

for the year ended 31 December 2019

Your directors present their report on the consolidated entity consisting of AMP Group Holdings Limited ("the Company" or "AMPGH") and the entities it controlled at the end of or during the year ended 31 December 2019.

Directors

The directors of the Company during the year ended 31 December 2019 up to the date of this report are shown below.

James Georgeson (Chairman, appointed 1 Aug 2019)
Jason Bounassif (appointed 1 Aug 2019)
Gordon Lefevre (resigned as director and chairman 1 Aug 2019)
John O'Farrell

Operating and financial review

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

The AMPGH group is a wealth management company with an expanding international investment management business and a growing retail banking business.

We provide retail customers with financial advice and superannuation, retirement income, investment products and life insurance. The AMPGH group also provides corporate superannuation products and services for workplace super and self-managed superannuation funds (SMSFs).

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

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

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

The *Australian wealth management* (WM) business provides retail and corporate customers with superannuation, retirement income and investment products and services. WM includes AMP's aligned and owned advice businesses and SuperConcepts.

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

The *New Zealand wealth management* business encompasses the wealth management, financial advice and distribution business in New Zealand. It provides customers with a variety of wealth management solutions including KiwiSaver, corporate superannuation, retail investments and a wrap investment management program.

Australian and New Zealand wealth protection and mature comprises Australian wealth protection, Australian mature and New Zealand wealth protection and mature. The Australian wealth protection business includes individual and group term, disability and income protection insurance products. Products can be held within superannuation or independently of superannuation. The Australian mature business comprises products which are largely closed to new business and are in run-off. The New Zealand wealth protection and mature business includes a risk insurance and mature book, which is also largely closed to new business and in run-off.

Sale of wealth protection and mature businesses

On 8 August 2019, AMP announced a revised agreement with Resolution Life Australia Pty Ltd (Resolution), with updated terms, for the sale of its Australian and New Zealand wealth protection and mature businesses.

The revised agreement delivers consideration of $3.0 billion comprising:
– $2.5 billion cash; and
– $500 million equity interest (expected to be around 20%) in Resolution Life NOHC Pty Ltd (Resolution Life Australia), a new Australian-domiciled, Resolution- controlled holding company that will become the owner of the Australian and New Zealand wealth protection and mature businesses.

Resolution will be on risk for all experience and lapse losses from 1 July 2018 until completion and is entitled to all net earnings of the Australian and New Zealand wealth protection and mature businesses during that period.

The sale is expected to complete by 30 June 2020. AMP will continue to report the results of the Australian and New Zealand wealth protection and mature businesses through to completion of the transaction.

Client remediation

AMP remains on track to complete its client remediation program in 2021 with 80% of the program expected to be complete by the end of 2020.

Client remediation comprises the following components:
- Inappropriate advice: program is approximately 50% complete.
- Fee for no service:
  - Active advisers: program is approximately 20% complete.
  - Inactive advisers: pilot program for inactive advisers has commenced.
  - Overall fee for no service refund rate expected of 17% (29% including interest) of total ongoing service fees charged.
- Program costs are tracking to expectations.

Total program spend to date including program costs and money repaid to clients is $264 million with $190 million paid in 2H 19. Major policies now agreed with ASIC including active and inactive advisers. 2H 19 additional provision of $150 million primarily relates to finalisation of inactive adviser approach. Overall remediation costs remain broadly in line with original estimate provided in November 2018.

Impairment

As announced on 8 August 2019, AMP recognised a predominantly non-cash impairment of $2.35 billion (post-tax) in 1H 19 to write down goodwill in Australian wealth management and Australian and New Zealand wealth protection and mature, capitalised project costs and valuations of advice registers given changes to buy-back terms and associated practice finance loans.

An additional $55 million was recognised in 2H 19 reflecting additional reductions in value of client registers and associated practice finance loan impairments. Total 2019 impairment is $2.4 billion (post-tax).

2019 performance

The loss attributable to shareholders of AMP Group Holdings Limited for the year ended 31 December 2019 was $2,636million (2018: loss of $204million).

Operating results by business area

The operating results of each business area for 2019 were as follows:

- *Australian wealth management* – operating earnings fell from $363 million in 2018 to $182 million in 2019. The decline in operating earnings was largely due to:
  - the impact of the Resolution transaction due to the cessation of internal distribution arrangements between Advice and the Australian wealth protection and mature businesses in 2019 ($85 million post-tax);
  - higher controllable costs ($55 million pre-tax); and
  - lower investment-related revenue arising from margin compression, including MySuper price changes in Q3 18 ($38 million pre-tax).
- *AMP Capital* – the AMP group's 85% share of AMP Capital's 2019 operating earnings was $198 million, up 19% from $167 million in 2018. AMP Capital's operating earnings benefited from strong fee income growth of 13%, and seed and sponsor capital income of $17 million, partially offset by a 16% increase in controllable costs, largely reflecting investment in growth initiatives.
- *New Zealand wealth management* – Excluding the impact of product revenues transferring with the sale of Australian and New Zealand wealth protection and mature ($12 million), 2019 operating earnings would have increased $3 million (7%) from 2018 and remain resilient despite the industry headwinds of regulation and increased competition. The ongoing performance of the wealth management business, responsible for the manufacturing and sourcing business lines, has supported the positive 2019 result.

- *Australian and New Zealand wealth protection and mature* – operating earnings decreased by $18 million to a $21 million operating loss in 2019 reflecting ongoing challenges in wealth protection claims, low interest rates and the impact of regulatory change.

Capital management and dividend

Equity and reserves of the AMPGH group attributable to shareholders of AMPGH Limited decreased to $2.6 billion at 31 December 2019 from $5.3 billion at 31 December 2018.

Strategy and prospects

On 8 August 2019, AMP announced its three-year strategic plan to transform the business into a simpler, client-focused business that is higher growth and higher return. AMP will seek to achieve this through transformation to a client-focused culture, improving execution and simplifying the business model.

Under the strategy, AMP intends to:

- divest Australian and New Zealand wealth protection and mature to help fund the new strategy, simplify AMP and shift capital toward higher-growth businesses;
- further localise New Zealand wealth management, exploring options to divest the business;
- reinvent wealth management in Australia, helping clients realise their ambitions:
  - grow contemporary solutions in Australian wealth management including a focus on direct-to-client channels and digital solutions;
  - fix legacy issues in Australian wealth management including reshaping aligned advice (buy-back changes; fewer, more productive advisers), simplifying super;
- grow AMP Capital through differentiated capabilities in real assets and public markets:
  - continue to expand global footprint in real assets, growing customised solutions;
  - build on relationships in China, Japan, US;
  - explore opportunities to expand global equity capabilities into international markets; and
  - target double-digit earnings growth over the medium term; and
- reinvigorate AMP's culture to be client-led, entrepreneurial, and accountable, with effective management of financial and non-financial risk.

AMP has provided a progress update on its strategic priorities to transform the business into a simpler, client-led, growth-oriented business.

<u>Simplify portfolio</u>

- Sale of Australian and New Zealand wealth protection and mature:
  - Legal separation and sale of Australian and New Zealand wealth protection and mature is on track for completion by 30 June 2020.
  - Approval from China Banking and Insurance Regulatory Commission (CBIRC) received. AMP continues to work with other regulators on achieving conditions precedent.
- Divest New Zealand wealth management:
  - Significant progress on simplification of business in 2019 including consolidation of product offerings and removal of a number of legacy products.
  - Divestment process underway with mandate to maximise shareholder value. AMP is in discussions with a number of interested parties and expects to provide a further update at or before 1H 20 results.

<u>Reinvent wealth management in Australia</u>

- Reshape advice:
  - In 2019, action was taken to reshape the aligned adviser network to be compliant, professional and more productive.
  - Approximately 440 advisers exited the network in 2019; consolidated operations in employed channel to major metropolitan locations.
  - Improved adviser productivity with average AUM per adviser increasing to $52 million.
- Build best-in-class retail super business:
  - Simplification of products, including reducing around 70 products to six, in parallel with completion of Australian and New Zealand wealth protection and mature transaction to deliver better client outcomes.
  - Delivered fee reductions in MyNorth (May 2019) and super (February 2020) benefiting more than 585,000 clients and all new clients.
  - Majority of grandfathered commissions to be removed in 1H 20 as part of the separation of the Australian and New Zealand wealth protection and mature businesses.
- Grow successful platform business:
  - North cash inflows from external financial advisers increased 44% to $1.2 billion in 2019 due in part to launch of new platform features.
  - Strengthened managed portfolio and investment offers including ongoing platform enhancements.

Maintain growth momentum in AMP Capital

- Grow AMP Capital through differentiated capabilities:
  - Significant growth in infrastructure and real estate capabilities, including US$6.2 billion raised for fourth infrastructure debt strategy, US$3.4 billion for Global Infrastructure Fund II and further co-investment, and a $5 billion real estate development pipeline in Australia.
  - Global equities delivered top percentile performance vs peers, returning 27.8% annually since inception; top quartile performance for global listed real estate and global listed infrastructure strategies.
  - International growth building momentum. Direct international institutional clients grew to 358 in 2019, with AMP Capital managing $20.4 billion on their behalf, up 18% from $17.3 billion in 2018.

Key risks

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

The Enterprise Risk Management (ERM) framework provides the foundation for how risks are managed across AMP. There are five key elements of the ERM framework including governance, strategy and appetite, people and culture, management information systems and the risk management process (encompassing how AMP identifies, measures, controls and reports risk).

The guiding principles assist with effective risk management practices and enable AMP to meet its legislative and regulatory requirements, codes and ethical standards, as well as internal policies and procedures.

AMP's ERM framework includes a risk management strategy which establishes the principles, requirements, roles and responsibilities for management of risk across AMP. It supports AMP in achieving its business strategy by detailing how risks are to be managed to fulfil the obligations to key stakeholders, clients, shareholders, policyholders and regulators to achieve financial outcomes and non-financial outcomes.

Further information can be found in AMP's Enterprise Risk Management Policy, available on our website at: amp.com.au/corporategovernance.

Key business challenges

Given the nature of our business environment, we continue to face challenges that could have an adverse impact on the delivery of our strategy. Significant business challenges (in alphabetical order) include but are not limited to the following. More information about our approach to these challenges can be found in the 2019 Sustainability Report.

Business, employee and business partner conduct

The conduct of financial institutions continues to be an area of significant focus for the financial services industry both globally and in Australia and New Zealand. AMP business practices, management, staff or business partner behaviours may not adequately meet the expectations of regulators and customers resulting in an adverse impact to our reputation and value proposition to customers.

Our code of conduct outlines AMP's expectations in relation to minimum standards of behaviour and decision making, including how we treat our employees, customers, business partners and shareholders. We are committed to ensuring the right culture is embedded in our everyday practices. AMP has reviewed its internal policies on managing conduct with risk explicitly considered as part of the remuneration framework. Management is given an additional discretion to recommend adjustments to the bonus pool for significant failures in conduct or risk management.

AMP embraces a safe and respectful work environment that encourages our people to report issues or concerns in the workplace. Directors, employees (current and former), contractors, service providers or any relative or dependants of any of these people can utilise the Whistleblowing program to report conduct or unethical behaviours.

Climate change

AMP, its customers and its external suppliers may be adversely affected by the physical and transitional risks of climate change. These effects, whether acute or chronic in nature, may directly impact AMP and its customers through reputational damage, insurance risk and business disruption and may have an adverse impact on financial performance (including through an increase in defaults in credit exposures). Initiatives to mitigate or respond to adverse impacts of climate change may in turn impact market and asset prices, economic activity, and customer behaviour, particularly in geographic locations and industry sectors adversely affected by these changes.

AMP's corporate sustainability strategy includes a commitment to remain carbon neutral in its operations to address the direct impacts of our business activities. Management committees across the business consider climate-related financial risks and opportunities in investment management activities, operations and impacts to clients. AMP will continue to work with industry and regulators to overcome data and measurement challenges to respond to climate-related financial risks.

Competitor and customer environment
The financial services industry continues to increase its technological advancement as customer expectations are evolving, which is intensifying competition within wealth management. Failure of the AMP group to adapt its capabilities and operating model in order to remain relevant to customers may impact new business and retention of existing business. This could have a material adverse impact on the financial performance and position of AMP.

In 2019, AMP released several significant announcements to reposition AMP as a simpler, client-led, higher growth and higher return business. The new strategy to reinvent AMP as a contemporary wealth manager is a three-year investment program to fund growth, reduce costs and fix legacy issues. The strategy builds on core strengths and market positions with whole-of-wealth solutions.

Cyber security threats
Cyber risk continues to be a threat in a rapidly changing technological environment as the magnitude of the costs of cybercrime vary depending on the nature of the attack. We are committed to enhancing our cyber security capability as we recognise the current environment of cybercrime activity has increased across the industry.

To counter the evolving threat of cybercrime, AMP continues to invest in enhancing cyber security capabilities to uplift cyber defences. AMP's uplift in cyber security capability assesses and mitigates cybercrime and other internal and external vulnerabilities, and monitors for changes in its cyber threat profile that may impact the performance of business operations. AMP will continue to invest in a sustainable cyber security operating model that prevents, detects and responds to cyber incidents, in order to protect AMP's assets.

Operational risk environment
Operational risk exposures, relevant to the industry in which AMP operates, relate to losses resulting from inadequate or failed internal processes, people and systems or from external events. These include, but are not limited to, information technology, human resources, internal and external fraud, money laundering and counter-terrorism financing, bribery and corruption. High operational risks are driven by a complex operating environment associated with legacy products, systems and, in some cases, manual controls. This environment will be further stressed by the Key Business Challenges included in this section.

We continue to work towards remediating clients, simplifying our business, reducing operational complexity and strengthening risk management, internal controls and governance. A significant element of complexity will be addressed by the separation of the Australian and New Zealand wealth protection and mature businesses, reshaping of the Adviser network, and simplification of the Superannuation product and investment option set. The AMP operational risk profile reflects these exposures and the financial statements of AMP contain certain provisions and contingent liability disclosures for these risks in accordance with applicable accounting standards.

Organisational change
In 2019, AMP's investor presentation set out a clear ambition to become a client-led, simpler, and growth-oriented business. AMP committed to shifting to a leaner and simpler corporate centre, with activities being devolved from the central functions to the respective businesses. We commenced this organisational transition in late 2019 and will implement further changes in 2020 to fully establish our target operating model and to achieve further operating cost savings. There is a risk that business momentum is lost due to leader focus on organisational changes, and that talent critical for implementation of our strategy and transformation initiatives are impacted negatively. These risks will be mitigated by maintaining leadership and performance focus on the business and ensuring retention plans are in place for key talent.

AMP continues to invest in adopting new ways of working to drive efficiency and improve our practices to increase accountability and build on core strengths. We recognise that failure to execute appropriately on the implementation of these changes can increase the risks of disruption to AMP's business operations. To manage this, AMP has established a Transformation Office as part of the Transformation Program to ensure strategic alignment across the businesses and manage execution risk across multiple initiatives.

Regulatory environment
AMP operates in multiple jurisdictions across the globe, including Australia and New Zealand, and each one of these jurisdictions has its own legislative and regulatory requirements. The financial services industry both globally and in Australia and New Zealand continues to face challenges with a significant level of regulatory change impacting the business. AMP continues to respond and adjust its business model for these changes, however, failure to adequately anticipate and respond to future regulatory changes could have a material adverse impact on the performance of its businesses and achieving its strategic objectives.

AMP's commitment to uplift its risk management practices, and strengthen its control environment and compliance systems across the businesses, will address these legislative and regulatory requirements and embed effective risk management practices. AMP's internal policies, frameworks and procedures seek to ensure any changes in our domestic and international regulatory obligations are complied with in each jurisdiction. Regulatory and compliance risk that results in breaches is reported to AMP management committees and regulators are managed in accordance with internal policies.

Regulatory consultations and interactions are reported and monitored as part of AMP's internal risk and compliance reporting process. AMP actively participates in these interactions and co-operates with all regulators to resolve such matters.

The environment

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

Significant changes to the state of affairs

Apart from elsewhere disclosed in this report, there were no significant changes in the state of affairs during the year.

Events occurring after the reporting date

Following 31 December 2019, COVID-19 outbreak has caused disruption to the global economy including financial markets. The disruption does not impact the value of the assets as at 31 December 2019 as it is a non-adjusting event. However, it is expected to impact the future revenues of the AMPGH group as well as the assets. As at the date of this report, the impact cannot be quantified as the extent and duration of the economic disruption is unknown.

Following 31 December 2019, AMP Life Limited, a wholly owned subsidiary of the AMP Group Holdings Limited, completed the sale of its 19.99% interest in China Life Pension Company Limited (CLPC) to AMP Limited for a total cash consideration of $325m. The sale was approved by China Banking and Insurance Regulatory Commission (CBIRC) on 15 January 2020 and the transaction was completed subsequently. Upon completion of the sale transaction, the financial effects have been reflected in the accounting records in February 2020.

On 27 June 2018, ASIC brought civil penalty proceedings against AMP Financial Planning Pty Limited (AMPFP), a wholly-owned subsidiary of AMP Limited, alleging contraventions of the Corporations Act 2001 by AMPFP relating to the alleged conduct of certain of its authorised financial advisers over the period of 2013 to 2015 in providing advice to clients in relation to the replacement of life insurance policies by cancellation and new application rather than by transfer.

On 5 February 2020, the Federal Court of Australia determined there were six contraventions and that a civil penalty of $5.175 million should be imposed, with formal orders to give effect to the penalty to follow in due course. AMP acknowledges the Federal Court's decision and the penalty amount has been included as a provision within the financial report.

On 3 March 2020 the AMPGH group issued CHF175.0m Senior Unsecured Fixed Rate Bonds under its US Medium Term Note Programme. The bonds are listed on the SIX Swiss Exchange and mature 3 June 2024.

Other than the matters noted above, as at the date of this report, the directors are not aware of any matters or circumstances that have arisen since the reporting date that have significantly affected, or may significantly affect, the entity's operations; the results of those operations; or the entity's state of affairs in future periods.

Indemnification and insurance of directors and officers

Under its constitution, the Company indemnifies, to the extent permitted by law, all current and former officers of the Company (including the directors) against any liability (including reasonable costs and expenses of defending proceedings for an actual or alleged liability) incurred in their capacity as an officer of the Company. This indemnity is not extended to current or former employees of the AMP group against liability incurred in their capacity as an employee, unless approved by or on behalf of the AMP Limited Board.

During, and since the end of, the financial year ended 31 December 2019, AMP Limited (the Company's parent company) maintained, and paid the premium for, directors' and officers' and company reimbursement insurance for the benefit of all of the officers of the AMP group (including each director, secretary and senior manager of the company) against certain liabilities (including legal costs) as permitted by the Corporations Act 2001. The insurance policy prohibits disclosure of the nature of the liabilities covered, the amount of the premium payable and the limit of liability.

In addition, the Company has entered into deeds of indemnity, insurance and access with current and former directors and secretaries of the Company, directors of other subsidiaries of AMP Limited and secretaries of other AMP group companies. Those deeds provide that:

- those officers will have access to board papers and specified records of any AMP group company of which they are an officer (and of certain other companies) for their period of office and for at least ten (or, in some cases, seven) years after they cease to hold office (subject to certain conditions);
- the Company indemnifies the officers to the extent permitted by law, and to the extent and for the amount that the relevant officer is not otherwise entitled to be, and is not actually, indemnified by another person;
- the indemnity covers liabilities (including legal costs) incurred by the relevant officer in their capacity as a current or former director or secretary (and, in the case of directors, as a current or former officer or specified representative) of an AMP group company or, in certain cases, of an external company (where the person holds the relevant external position at the AMP group's request); and

- the AMP group will maintain directors' and officers' insurance cover for those officers, to the extent permitted by law, for the period of their office and for at least ten years after they cease to hold office.

During, and since the end of, the financial year ended 31 December 2019, in accordance with a deed of indemnity, insurance and access provided by the Company, the Company paid legal costs amounting to:

- $138,315.65 on behalf of a former Group General Counsel of AMP; and
- $38,159.48 on behalf of a former director of an AMP group company.

In relation to matters arising as a result of the findings of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry.

Indemnification of auditors

To the extent permitted by law, AMP Limited has agreed to indemnify its auditor, Ernst & Young, as part of the terms of its audit engagement agreement, against claims by third parties arising from the audit, other than where the claim is determined to have resulted from breach or any negligent, wrongful or wilful act or omission by or of Ernst & Young. No payment has been made to indemnify Ernst & Young during or since the financial year ended 31 December 2019.

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

We have obtained an independence declaration from our auditor, Ernst & Young, a copy of which is attached to this report and forms part of the Directors' Report for the financial year ended 31 December 2019.

Rounding

In accordance with the Australian Securities and Investments Commission Corporations Instrument 2016/191, amounts in this directors' report and the accompanying financial report have been rounded off to the nearest million Australian dollars, unless stated otherwise.

Signed in accordance with a resolution of the directors.

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Director

Sydney, 17 April 2020

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Building a better working world

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

As lead auditor for the audit of AMP Group Holdings Limited for the financial year ended 31 December 2019, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

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

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

Ernst & Young

Ernst & Young

Andrew Price
Partner
Sydney
17 April 2020

AMP GROUP HOLDINGS LIMITED
ABN 88 079 804 676
FULL YEAR FINANCIAL REPORT
31 DECEMBER 2019

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Registered office:
33 Alfred Street
Sydney NSW 2000 Australia

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

AMP Group Holdings Limited

Consolidated income statement

for the year ended 31 December 2019

	Note	2019 $m	2018 $m
Income and expenses of shareholders, policyholders, external unitholders and non-controlling interests[1]			
Life insurance contract related revenue	4.2(a)	**2,244**	2,653
Life insurance claims recovered from reinsurers	4.2(b)	**512**	487
Fee revenue		**2,904**	3,083
Other revenue		**215**	215
Interest income, dividends and distributions and net gains or losses on financial assets and liabilities at fair value through profit or loss		**17,001**	930
Interest income earned using the effective interest method		**21**	23
Share of profit or loss of associates accounted for using the equity method	6.3	**72**	42
Life insurance contract claims expense	4.2(b)	**(2,175)**	(2,254)
Life insurance contract premium ceded to reinsurers	4.2(a)	**(1,033)**	(989)
Fees and commission expenses		**(1,574)**	(1,689)
Staff and related expenses		**(1,271)**	(1,100)
Impairment of goodwill and other intangibles	2.2	**(2,307)**	(19)
Other operating expenses		**(1,614)**	(1,868)
Finance costs		**(114)**	(85)
Movement in external unitholder liabilities		**(2,146)**	(208)
Change in policyholder liabilities			
- life insurance contracts	4.2(e)	**(1,436)**	79
- investment contracts		**(11,133)**	55
Income tax (expense) credit	1.1	**(750)**	484
(Loss) profit for the year		**(2,584)**	(161)
(Loss) profit attributable to shareholders of AMP Group Holdings Limited		**(2,636)**	(204)
Profit attributable to non-controlling interests		**52**	43
(Loss) profit for the year		**(2,584)**	(161)

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

AMP Group Holdings Limited

Consolidated statement of comprehensive income

for the year ended 31 December 2019

	Note	2019 $m	2018 $m
(Loss) profit for the year		**(2,584)**	(161)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges			
- net gain (loss) on cash flow hedges		**1**	(5)
- tax effect on cash flow hedge gain or loss		**-**	1
		1	(4)
Translation of foreign operations and revaluation of hedge of net investments		**(3)**	79
		(3)	79
Items that will not be reclassified subsequently to profit or loss			
Defined benefit plans			
- actuarial (losses) gains	5.2	**(23)**	(43)
- tax effect on actuarial gains or losses		**7**	12
		(16)	(31)
Other comprehensive (loss) income for the year		**(18)**	44
Total comprehensive (loss) income for the year		**(2,602)**	(117)
Total comprehensive (loss) income attributable to shareholders of AMP Group Holdings Limited		**(2,654)**	(160)
Total comprehensive income attributable to non-controlling interests		**52**	43
Total comprehensive (loss) income for the year		**(2,602)**	(117)

AMP Group Holdings Limited

Consolidated statement of financial position

as at 31 December 2019

	Note	2019 $m	2018 $m
Assets			
Cash and cash equivalents	7.1	**5,709**	5,850
Receivables	2.3	**2,403**	2,613
Intercompany tax receivable		**637**	313
Current tax assets		**37**	43
Planner registers held for sale and prepayments		**72**	97
Investments in financial assets	2.1	**112,667**	109,635
Investment properties		**161**	145
Investments in associates accounted for using the equity method	6.3	**851**	924
Property, plant and equipment		**99**	95
Right of use assets	7.5	**245**	-
Deferred tax assets	1.1	**1,154**	888
Reinsurance asset - ceded life insurance contracts	4.2	**1,222**	1,073
Intangibles	2.2	**877**	3,208
Total assets of shareholders of AMP Group Holdings Limited, policyholders, external unitholders and non-controlling interests		**126,134**	124,884
Liabilities			
Payables	2.4	**3,734**	2,498
Intercompany tax payable		**205**	134
Current tax liabilities		**86**	32
Employee benefits		**387**	310
Other financial liabilities	2.1	**1,045**	1,365
Provisions	7.3	**972**	829
Interest-bearing liabilities	3.2	**1,855**	1,744
Lease liabilities	7.5	**266**	-
Deferred tax liabilities	1.1	**2,490**	1,722
External unitholder liabilities		**15,295**	17,059
Life insurance contract liabilities	4.2	**23,505**	23,257
Investment contract liabilities	4.5	**71,671**	68,742
Reinsurance liability - ceded life insurance contracts	4.2	**1,515**	1,452
Defined benefit plan liabilities	5.2	**101**	77
Total liabilities of shareholders of AMP Group Holdings Limited, policyholders, external unitholders and non-controlling interests		**123,127**	119,221
Net assets of shareholders of AMP Group Holdings Limited and non-controlling interests		**3,007**	5,663
Equity			
Contributed equity	3.1	**7,941**	7,941
Reserves		**(1,974)**	(1,965)
Retained earnings		**(3,383)**	(724)
Total equity of shareholders of AMP Group Holdings Limited		**2,584**	5,252
Non-controlling interests		**423**	411
Total equity of shareholders of AMP Group Holdings Limited and non-controlling interests		**3,007**	5,663

Consolidated statement of changes in equity

for the year ended 31 December 2019

	Equity attributable to shareholders of AMP Group Holdings Limited										
	Contributed equity $m	Demerger reserve[1] $m	Share-based payment reserve[2] $m	Capital profits reserve[3] $m	Cash flow hedge reserve $m	Foreign currency translation and hedge of net investments reserves $m	Total reserves $m	Retained earnings $m	Total shareholder equity $m	Non-controlling interest $m	Total equity $m
2019											
Balance at the beginning of the year	**7,941**	**(2,566)**	**83**	**329**	**17**	**172**	**(1,965)**	**(724)**	**5,252**	**411**	**5,663**
Impact of adoption new accounting standards	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(7)**	**(7)**	**-**	**(7)**
Balance at the beginning of the year - restated	**7,941**	**(2,566)**	**83**	**329**	**17**	**172**	**(1,965)**	**(731)**	**5,245**	**411**	**5,656**
Loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,636)**	**(2,636)**	**52**	**(2,584)**
Other comprehensive loss	**-**	**-**	**-**	**-**	**1**	**(3)**	**(2)**	**(16)**	**(18)**	**-**	**(18)**
Total comprehensive income	**-**	**-**	**-**	**-**	**1**	**(3)**	**(2)**	**(2,652)**	**(2,654)**	**52**	**(2,602)**
Share-based payment expense	**-**	**-**	**19**	**-**	**-**	**-**	**19**	**-**	**19**	**2**	**21**
Shares purchases	**-**	**-**	**(18)**	**-**	**-**	**-**	**(18)**	**-**	**(18)**	**-**	**(18)**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(40)**	**(40)**
Sales and acquisitions of non-controlling interests	**-**	**-**	**-**	**(8)**	**-**	**-**	**(8)**	**-**	**(8)**	**(2)**	**(10)**
Balance at the end of the year	**7,941**	**(2,566)**	**84**	**321**	**18**	**169**	**(1,974)**	**(3,383)**	**2,584**	**423**	**3,007**
2018											
Balance at the beginning of the year	7,941	(2,566)	78	329	21	93	(2,045)	(35)	5,861	387	6,248
Impact of adoption new accounting standards	-	-	-	-	-	-	-	7	7	-	7
Balance at the beginning of the year - restated	7,941	(2,566)	78	329	21	93	(2,045)	(28)	5,868	387	6,255
Profit	-	-	-	-	-	-	-	(204)	(204)	43	(161)
Other comprehensive income	-	-	-	-	(4)	79	75	(31)	44	-	44
Total comprehensive income	-	-	-	-	(4)	79	75	(235)	(160)	43	(117)
Share-based payment expense	-	-	26	-	-	-	26	-	26	2	28
Share purchases	-	-	(21)	-	-	-	(21)	-	(21)	(1)	(22)
Dividends paid	-	-	-	-	-	-	-	(461)	(461)	(20)	(481)
Balance at the end of the year	7,941	(2,566)	83	329	17	172	(1,965)	(724)	5,252	411	5,663

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

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

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

Consolidated statement of cash flows

for the year ended 31 December 2019

	Note	2019 $m	2018 $m
Cash flows from operating activities[1]			
Cash receipts in the course of operations		**13,631**	14,882
Interest received		**1,105**	1,300
Dividends and distributions received[2]		**2,105**	2,240
Cash payments in the course of operations		**(23,965)**	(22,765)
Finance costs		**(109)**	(96)
Income tax paid		**(435)**	(447)
Cash flows used in operating activities	7.1	**(7,668)**	(4,886)
Cash flows from investing activities[1]			
Net proceeds from sale of (payments to acquire):			
- investments in financial assets		**7,646**	5,217
- operating and intangible assets		**(55)**	(37)
Payments to acquire operating controlled entities and investments in associates accounted for using the equity method		**99**	(114)
Cash flows from investing activities		**7,690**	5,066
Cash flows from financing activities			
Net movement in deposits from customers		**35**	24
Proceeds from borrowings - non-banking operations[1]		**871**	289
Repayment of borrowings - non-banking operations[1]		**(791)**	(216)
Lease payments		**(67)**	-
Repayment of subordinated debt		**-**	(50)
Dividends paid[2]		**(21)**	(461)
Cash flows from (used in) financing activities		**27**	(414)
Net decrease in cash and cash equivalents		**49**	(234)
Cash and cash equivalents at the beginning of the year		**9,300**	9,536
Effect of exchange rate changes on cash and cash equivalents		**3**	(2)
Cash and cash equivalents at the end of the year[1]	7.1	**9,352**	9,300

1 Cash flows and cash and cash equivalents include amounts attributable to shareholders' interests, policyholders' interests in AMP Life's statutory funds and controlled entities of those statutory funds, external unitholders' interests and non-controlling interests. Cash equivalents for the purpose of the Consolidated statement of cash flows includes short-term bills and notes.

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

About this report

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

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

AMPGH business operations are carried out by a number of these controlled entities including AMP Life Limited (AMP Life) – a registered life insurance entity and its related controlled entities, AMP wealth management companies and AMP Capital investment management companies (AMP Capital).

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

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

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

Agreement to sell wealth protection and mature businesses
On 25 October 2018, AMP announced an agreement with Resolution Life Australia Pty Ltd (Resolution) to sell its Australian and New Zealand wealth protection (WP) and mature businesses. On 8 August 2019, AMP announced a revised agreement with updated terms for the sale of these businesses, subject to regulatory approvals, which is expected to complete in the first half of 2020.

Consideration for the sale payable on transaction completion comprises $2,500m cash and non-cash consideration of a $500m equity interest in Resolution Life NOHC Pty Ltd, a new Australian-domiciled Resolution controlled holding company that will become the owner of these businesses.

The fair value of the non-cash consideration will be determined by AMP on completion and, together with cash proceeds, will be treated as the accounting sale price. Under the terms of the agreement, Resolution assumes profit and loss from the WP and mature business from 1 July 2018. These profit impacts are transferred to Resolution as an adjustment to the purchase price upon completion. Adjustments to purchase price will affect the profit or loss recognised by AMP at completion.

The businesses subject to sale were controlled by the AMP group throughout the reporting period and as a result the income and expenses, assets and liabilities and cash flows of these businesses are consolidated within the financial report, including the profits which will form part of the completion purchase price adjustment.

The sale is subject to a number of conditions, including the separation of AMP's retained wealth management business from the WP and mature business being sold to Resolution. As the WP and mature businesses subject to the sale do not meet the AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* criteria, the results of those businesses have not been presented separately in the financial report.

The financial report:

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

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

The financial statements for the year ended 31 December 2019 were authorised for issue on 17 April 2020 in accordance with a resolution of the directors.

About this report

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

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

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

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

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

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

Fee revenue
Fee revenue represents revenue from contracts with customers which arises primarily from the provision of (i) investment management and (ii) financial advisory services. Revenue is recognised when control of services is transferred to the customer at an amount that reflects the consideration which AMPGH group is entitled to in exchange for the services provided. As the customer simultaneously receives and consumes the benefits as the service is provided, control is transferred over time. Accordingly, revenue is recognised over time.

Fee rebates provided to customers are recognised as a reduction in fee revenue.

(i) Investment management and related fees
Fees are charged to customers in connection with the provision of investment management and other related services. These performance obligations are satisfied on an ongoing basis, usually daily, and revenue is recognised as the service is provided.

(ii) Financial advisory fees
Financial advisory fees consist of commissions and fee-for-service revenue and are earned for providing customers with financial advice and performing related advisory services. These performance obligations are satisfied over time. Accordingly, revenue is recognised over time.

A substantial majority of the financial advisory fees received are paid to advisers. Financial advisory fees are presented gross of the related cost which is presented in Fees and commission expenses in the Consolidated income statement.

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

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

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

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

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

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

About this report

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

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

Accounting judgements and estimates	Note		Page
Tax	1.1	Taxes	10
Fair value of financial assets	2.1	Investments in financial instruments	14
Impairment	2.1	Expected credit losses (ECLs)	15
Goodwill and acquired intangible assets	2.2	Intangibles	16
Life insurance and investment contract liabilities	4.1	Accounting for life insurance and investment contracts	35
Consolidation	6.1	Controlled entities	66
Provisions and contingent liabilities	7.3	Provisions and contingent liabilities	71

Section 1: Results for the year

- 1.1 Taxes
- 1.2 Dividends

1.1 Taxes

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

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

(a) Income tax expense

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

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

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

	2019 $m	2018 $m
(Loss) profit before income tax	**(1,834)**	(645)
Policyholder tax credit (expense) recognised as part of the change in policyholder liabilities in determining profit before tax	**(990)**	399
(Loss) profit before income tax excluding tax charged to policyholders	**(2,824)**	(246)
Tax at the Australian tax rate of 30% (2018: 30%)	**847**	74
Shareholder impact of life insurance tax treatment	**(52)**	(2)
Tax concessions including research and development and offshore banking unit	**2**	7
Non-deductible expenses	**(26)**	(14)
Non-taxable income	**41**	6
Other items	**3**	(3)
Goodwill impairment	**(590)**	-
Over provided in previous years	**4**	8
Differences in overseas tax rates	**11**	9
Income tax credit (expense) attributable to shareholders and non-controlling interest	**240**	85
Income tax credit (expense) attributable to policyholders	**(990)**	399
Income tax credit (expense) per Income statement	**(750)**	484

Section 1: Results for the year

1.1 Taxes (continued)

(b) Analysis of income tax expense

	2019 $m	2018 $m
Current tax expense	**(248)**	(313)
Increase in deferred tax assets	**266**	239
(Increase) decrease in deferred tax liabilities	**(768)**	558
Income tax (expense) credit	**(750)**	484

(c) Analysis of deferred tax balances

	2019 $m	2018 $m
Analysis of deferred tax assets		
Expenses deductible and income recognisable in future years	**1,002**	792
Unrealised movements on borrow ings and derivatives	**-**	3
Unrealised investment losses	**6**	41
Losses available for offset against future taxable income	**-**	1
Other	**146**	51
Total deferred tax assets	**1,154**	888
Analysis of deferred tax liabilities		
Unrealised investment gains	**1,995**	1,174
Other	**495**	548
Total deferred tax liabilities	**2,490**	1,722

(d) Amounts recognised directly in equity

	2019 $m	2018 $m
Deferred income tax credit (expense) related to items taken directly to equity during the current year	**7**	13

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

	2019 $m	2018 $m
Revenue losses	**-**	-

Section 1: Results for the year

1.1 Taxes (continued)

Accounting policy – recognition and measurement

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

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

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

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

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

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

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

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

Critical accounting estimates and judgements:

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

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

Section 1: Results for the year

1.2 Dividends

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

	2019	2018
Dividend per share (cents)		
Interim	-	1.5
Final	-	2.9
Cost (in $m)		
Interim	-	155
Final	-	306

Section 2: Investments, intangibles and working capital

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

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

2.1 Investments in financial instruments

	2019 $m	2018 $m
Financial assets measured at fair value through profit or loss[1]		
Equity securities and listed managed investment schemes	**57,746**	55,940
Debt securities	**29,821**	32,577
Unlisted managed investment schemes	**23,358**	19,838
Derivative financial assets	**1,694**	1,048
Other financial assets	**-**	-
Total financial assets measured at fair value through profit or loss	**112,619**	109,403
Financial assets measured at amortised cost[2]		
Loans and advances	**3**	10
Debt securities	**45**	222
Total financial assets measured at amortised cost	**48**	232
Total financial assets	**112,667**	109,635
Other financial liabilities		
Derivative financial liabilities	**789**	1,201
AMP Bank indemnity[3]	**86**	-
Collateral deposits held	**170**	164
Total other financial liabilities	**1,045**	1,365

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

2 Financial assets measured at amortised cost are presented net of immaterial expected credit losses.

3 On 4 February 2019, AMP Group Holdings Limited (AMPGH) entered into a deed of indemnity with AMP Bank under which AMPGH agreed to indemnify AMP Bank for up to $546m for credit losses in excess of those provided for as at 31 January 2019 suffered in connection with loans provided to an authorised representative of an AMP licensee.

Section 2: Investments, intangibles and working capital

2.1 Investments in financial instruments (continued)

Accounting policy – recognition and measurement

Recognition and derecognition of financial assets and liabilities
Financial assets and financial liabilities are recognised at the date the AMPGH group becomes a party to the contractual provisions of the instrument. At initial recognition, financial assets are classified as subsequently measured at fair value through profit or loss, and amortised cost. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the AMPGH group's business model for managing them.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire, or are transferred. A transfer occurs when substantially all the risks and rewards of ownership of the financial asset are passed to an unrelated third party. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

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

Financial assets measured at amortised cost – loans and advances and debt securities
Loans and advances and debt securities are measured at amortised cost when both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortised cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. These assets are subsequently recognised at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Impairment of financial assets
An allowance for expected credit losses (ECLs) is recognised for financial assets not held at fair value through profit or loss. ECLs are probability weighted estimates of credit losses and are measured as the present value of all cash shortfalls discounted at the effective interest rate of the financial instrument. The key elements in the measurement of ECLs are as follows:

- PD - The probability of default is an estimate of the likelihood of default over a given time horizon.
- EAD - The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date.
- LGD - Loss given default is an estimate of the loss arising in the case where default occurs at a given time. It is based on the difference between cash flows due to the group in accordance with the contract and the cash flows that the group expects to receive, including from the realisation of any collateral.

The AMPGH group estimates these elements using appropriate credit risk models taking into consideration the internal and external credit ratings of the assets, nature and value of collaterals, forward-looking macro-economic scenarios, etc.

Depending on the nature of the financial asset, the AMPGH group applies either a three-stage approach or a simplified approach to measure ECLs.

Critical accounting estimates and judgements:
Financial assets measured at fair value
Where available, quoted market prices for the same or similar instruments are used to determine fair value. Where there is no market price available for an instrument, a valuation technique is used. Management applies judgement in selecting valuation techniques and setting valuation assumptions and inputs. Further detail on the determination of fair value of financial instruments is set out in note 2.5.

Impairment
The impairment provisions (individual and collective) are outputs of ECL models with a number of underlying assumptions regarding the choice of variable inputs and their independencies. Elements of the ECL models that are considered accounting estimates and judgements include:

- the AMPGH group's internal grading which assigns PDs to the individual grades;
- the AMPGH group's estimates of LGDs arising in the event of default;
- the AMPGH group's criteria for assessing if there has been a significant increase in credit risk;
- development of ECL models, including the various formulas, choice of inputs and assumptions; and
- determination of associations between macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

Section 2: Investments, intangibles and working capital

2.2 Intangibles

	Goodwill[1] $m	Capitalised costs[2] $m	Value of in-force business $m	Distribution networks $m	Other intangibles $m	Total $m
2019						
Balance at the beginning of the year	**2,130**	**505**	**420**	**138**	**15**	**3,208**
Additions through acquisitions of controlled entities	**10**	**2**	**-**	**55**	**-**	**67**
Additions through separate acquisitions	**-**	**-**	**-**	**33**	**-**	**33**
Additions through internal development	**-**	**112**	**-**	**-**	**-**	**112**
Reductions through disposal	**-**	**-**	**-**	**(8)**	**-**	**(8)**
Transferred from inventories	**-**	**-**	**-**	**1**	**-**	**1**
Amortisation expense	**-**	**(94)**	**(79)**	**(55)**	**(1)**	**(229)**
Impairment loss	**(1,968)**	**(302)**	**-**	**(37)**	**-**	**(2,307)**
Balance at the end of the year	**172**	**223**	**341**	**127**	**14**	**877**
Cost	***2,916***	***1,760***	***1,191***	***474***	***110***	***6,451***
Accumulated amortisation and impairment	***(2,744)***	***(1,537)***	***(850)***	***(347)***	***(96)***	***(5,574)***
2018						
Balance at the beginning of the year	2,123	434	498	147	16	3,218
Additions through acquisitions of controlled entities	7	-	-	11	-	18
Additions through separate acquisitions	-	-	-	36	-	36
Additions through internal development	-	189	-	-	-	189
Reductions through disposal	-	-	-	(11)	-	(11)
Transferred to inventories	-	-	-	(3)	-	(3)
Amortisation expense	-	(118)	(78)	(23)	(1)	(220)
Impairment loss	-	-	-	(19)	-	(19)
Balance at the end of the year	2,130	505	420	138	15	3,208
Cost	*2,906*	*1,646*	*1,191*	*393*	*110*	*6,246*
Accumulated amortisation and impairment	*(776)*	*(1,141)*	*(771)*	*(255)*	*(95)*	*(3,038)*

1 Total goodwill comprises amounts attributable to shareholders of $157m (2018: $2,115m) and amounts attributable to policyholders of $15m (2018: $15m).

2 AMP's new strategy has resulted in a review of the expected future economic benefits and useful life of Capitalised costs. This has resulted in impairment during the year.

Section 2: Investments, intangibles and working capital

2.2 Intangibles (continued)

Accounting policy – recognition and measurement

Goodwill
Goodwill acquired in a business combination is recognised at cost and subsequently measured at cost less any accumulated impairment losses. The cost represents the excess of the cost of a business combination over the fair value of the identifiable assets acquired and liabilities assumed. Goodwill includes balances attributable to shareholders and balances attributable to policyholders in investment entities controlled by the AMP Life's statutory funds. Goodwill is not amortised.

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

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

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

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

Item	Useful life
Capitalised costs	Up to 10 years
Value of in-force business – wealth management and distribution businesses	10 years
Value of in-force business – wealth protection and mature business	20 years
Distribution networks	2 to 15 years

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

Section 2: Investments, intangibles and working capital

2.2 Intangibles (continued)

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

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs). An impairment loss is recognised when the goodwill carrying amount exceeds the CGU's recoverable amount. When applicable, an impairment loss is first allocated to goodwill and any remainder is then allocated to the other assets on a pro-rata basis.

Goodwill attributable to shareholders
The goodwill attributable to shareholders of $157m (2018: $2,115m) primarily arose from the acquisition of AMP AAPH Limited group in 2011, a previous Life Act Part 9 transfer of life insurance business into the statutory funds of AMP Life as well as other business combinations where the AMP group was the acquirer.

The composition of the group's CGUs has not changed since December 2018. Goodwill attributable to shareholders allocated to each CGU is presented in the table below.

$m	2019 $m	2018 $m
Australian wealth management (WM)	**-**	1,499
New Zealand wealth management (NZ WM)	**70**	70
Australian and New Zealand wealth protection (WP) and mature	**-**	459
AMP Capital	**87**	87
	157	2,115

The recoverable amounts for Australian wealth management and New Zealand wealth management have been determined by fair value less costs of disposal using a discounted cash flow (DCF) method. The DCF method is based on management's forecast cash flows and reflects management's long-term view of the business and market conditions. For Australian wealth management the forecast cash flows include the impact of significant strategic changes to the business including reshaping the aligned advice network. The forecast cash flows have been further risk adjusted to reflect likely adjustments a market participant would make. These cash flows are discounted to net present values to arrive at the recoverable amounts.

The key assumptions in determining the recoverable amounts for Australian wealth management and New Zealand wealth management are:

- Risk adjusted discount rates of 14% and 12% have been applied to Australian wealth management and New Zealand wealth management respectively. This reflects a discount rate that is adjusted for risks specific to the CGUs.
- Growth of funds under management (FUM) has been projected based on a long-term view of investment market returns at approximately 3% to 6% per annum, and takes into account the recent experience of FUM outflows.

The recoverable amount of Australian and New Zealand WP and mature has been determined by reference to the expected sale proceeds from Resolution, less an allowance for costs of disposal.

The recoverable amount of AMP Capital has been determined based on a multiple between 13 and 14 times adjusted current year annualised earnings (31 December 2018: 14 and 15 times), which approximates the fair value of the business, less an allowance for costs of disposal.

Goodwill attributable to policyholders
Policyholder cash-generating units were allocated $15m goodwill at 31 December 2019 (31 December 2018: $15m).

Impairment loss
Goodwill attributed to the Australian wealth management CGU has been fully impaired as at 31 December 2019 resulting in a non-cash impairment expense of $1,509m during the year, recognised in the Impairment of goodwill and other intangibles line in the Consolidated income statement. The impairment was the result of a number of factors including impacts from the new AMP strategy, challenging market conditions impacting margins and funds under management, regulatory and legislative changes such as Protecting Your Super (PYS) legislation, and continued migration to lower margin contemporary products.

Goodwill attributed to the Australian and New Zealand WP and mature CGU has been fully impaired resulting in a further non-cash impairment expense of $459m. This was caused primarily by changes in best estimate assumptions and impacts from Protecting Your Super (PYS) legislation.

For other CGUs, there are no reasonably possible alternative assumptions which would result in an impairment of any goodwill amounts.

Critical accounting estimates and judgements:

Management applies judgement in selecting valuation techniques and setting valuation assumptions to determine the:

- acquisition date fair value and estimated useful life of acquired intangible assets;
- allocation of goodwill to CGUs and determining the recoverable amount of CGUs; and
- assessment of whether there are any impairment indicators for acquired intangibles and, where required, in determining the recoverable amount.

Section 2: Investments, intangibles and working capital

2.3 Receivables

	2019 $m	2018 $m
Investment-related receivables	**1,404**	1,664
Life insurance contract premiums receivable	**311**	330
Reinsurance receivables	**220**	186
Trade debtors and other receivables	**468**	433
Total receivables[1]	**2,403**	2,613
Current	***2,397***	*2,608*
Non-current	***6***	*5*

1 Receivables are presented net of ECL of $5m (2018: $6m).

Accounting policy – recognition and measurement

Receivables
Investment-related receivables and Life insurance contract premium receivables backing investment contract liabilities and life insurance contract liabilities are financial assets measured at fair value through profit or loss. Reinsurance receivables and Trade debtors and other receivables are measured at amortised cost, less any allowance for ECLs.

The AMPGH group applies a simplified approach in calculating ECLs for receivables. Therefore, the AMPGH group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The AMPGH group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.4 Payables

	2019 $m	2018 $m
Investment-related payables	**1,108**	762
Life insurance and investment contracts in process of settlement	**341**	302
Accrued expenses, trade creditors and other payables	**935**	925
Parent entity	**1,311**	506
Reinsurance payables	**39**	3
Total payables	**3,734**	2,498
Current	***3,601***	*2,374*
Non-current	***133***	*124*

Accounting policy – recognition and measurement

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

Section 2: Investments, intangibles and working capital

2.5 Fair value information

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

2019	Carrying amount $m	Level 1 $m	Level 2 $m	Level 3 $m	Total fair value $m
Financial assets measured at fair value					
Equity securities and listed managed investment schemes	**57,746**	**54,537**	**694**	**2,515**	**57,746**
Debt securities	**29,821**	**1,770**	**27,924**	**127**	**29,821**
Unlisted managed investment schemes	**23,358**	**-**	**20,687**	**2,671**	**23,358**
Derivative financial assets	**1,694**	**71**	**1,623**	**-**	**1,694**
Investment properties	**161**	**-**	**-**	**161**	**161**
Total financial assets measured at fair value	**112,780**	**56,378**	**50,928**	**5,474**	**112,780**
Financial assets not measured at fair value					
Loans and advances	**3**	**-**	**-**	**3**	**3**
Debt securities	**45**	**-**	**45**	**-**	**45**
Total financial assets not measured at fair value	**48**	**-**	**45**	**3**	**48**
Financial liabilities measured at fair value					
Derivative financial liabilities	**789**	**186**	**603**	**-**	**789**
AMP Bank indemnity	**86**	**-**	**-**	**86**	**86**
Collateral deposits held	**170**	**-**	**170**	**-**	**170**
Investment contract liabilities	**71,671**	**-**	**1,484**	**70,187**	**71,671**
Total financial liabilities measured at fair value	**72,716**	**186**	**2,257**	**70,273**	**72,716**
Financial liabilities not measured at fair value					
AMP Corporate entity borrowings	**1,382**	**-**	**1,390**	**-**	**1,390**
Borrowings within investment entities controlled by AMP Life's statutory funds	**473**	**-**	**473**	**-**	**473**
Total financial liabilities not measured at fair value	**1,855**	**-**	**1,863**	**-**	**1,863**
2018					
Financial assets measured at fair value					
Equity securities and listed managed investment schemes	55,940	52,807	769	2,364	55,940
Debt securities	32,577	1,978	30,482	117	32,577
Unlisted managed investment schemes	19,838	-	17,940	1,898	19,838
Derivative financial assets	1,048	393	655	-	1,048
Investment properties	145	-	-	145	145
Total financial assets measured at fair value	109,548	55,178	49,846	4,524	109,548
Financial assets not measured at fair value					
Loans and advances	10	-	-	10	10
Debt securities - held to maturity	222	-	225	-	225
Total financial assets not measured at fair value	232	-	225	10	235
Financial liabilities measured at fair value					
Derivative financial liabilities	1,201	225	976	-	1,201
Collateral deposits held	164	-	164	-	164
Investment contract liabilities	68,742	-	1,810	66,932	68,742
Total financial liabilities measured at fair value	70,107	225	2,950	66,932	70,107
Financial liabilities not measured at fair value					
AMP Corporate entity borrowings	1,363	-	1,378	-	1,378
Borrowings within investment entities controlled by AMP Life's statutory funds	381	-	381	-	381
Total financial liabilities not measured at fair value	1,744	-	1,759	-	1,759

Section 2: Investments, intangibles and working capital

2.5 Fair value information (continued)

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

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

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

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

There have been no significant transfers of financial assets or liabilities measured at fair value between Level 1 and Level 2 during the 2019 and 2018 financial years. Loans and advances, previously categorised as Level 2, has been transferred to Level 3 as the valuation methodology has updated to include unobservable inputs. Transfers to/from Level 3 for financial assets measured at fair value on a recurring basis are shown in the Reconciliation of Level 3 values table later in this note.

Section 2: Investments, intangibles and working capital

2.5 Fair value information (continued)

Level 3 fair values

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

The following table shows the valuation techniques used in measuring Level 3 fair values of financial assets measured at fair value on a recurring basis, as well as the significant unobservable inputs used.

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

Sensitivity analysis

Reasonably possible alternative assumptions could have been used in determining the fair values of financial instruments measured at fair value on a recurring basis and categorised as Level 3 in the fair value hierarchy. These include assumptions such as credit risk and discount rates for determining the valuation range on an individual investment. However, the impact to AMP of any reasonable possible alternative assumptions is not significant as any movement in the value of these financial assets is substantially offset by a corresponding increase or decrease in the value of investment contract liabilities.

The AMPGH group is insignificantly exposed to impacts from potential changes in the fair value of Debt securities, Unlisted managed investment schemes and Investment properties which are categorised as Level 3 as these assets predominately back investment linked policy liabilities. There is an immaterial exposure to changes in the fair value of Equity securities and listed managed investment schemes categorised as Level 3. The AMPGH group's sensitivity to changes in the fair value of these Level 3 assets is disclosed in the following table:

	2019		2018	
	(+)	(-)	(+)	(-)
	$m	$m	$m	$m
Financial assets				
Equity securities and listed managed investment schemes[1,2]	**86**	**(86)**	92	(91)
Financial liabilities				
Investment contract liabilities[2]	**90**	**(90)**	94	(92)
AMP Bank indemnity[3]	**4**	**(4)**	-	-
Net sensitivity	**(8)**	**8**	(2)	1

1 The discount rates used to value the assets range from 7.10% to 17.2%. Sensitivities have been determined by up to +/- 100 basis point change in the discount rates.

2 Investments in equity securities and listed managed investment schemes are predominantly policyholder assets. Accordingly, any movements in the value of the assets are largely offset by a corresponding movement in investment contract liabilities.

3 The value of the AMP Bank indemnity is derived from AMP Bank's assessment of expected credit losses on loans subject to the indemnity. The sensitivity has been determined by increasing and decreasing the year 1 loss given default by 5%.

Section 2: Investments, intangibles and working capital

2.5 Fair value information (continued)

Level 3 fair values (continued)

Reconciliation of Level 3 values
The following table shows movements in the fair values of financial instruments measured at fair value on a recurring basis and categorised as Level 3 in the fair value hierarchy:

	Balance at the beginning of the period $m	FX gains or losses[1] $m	Total gains/ losses[1] $m	Purchases/ deposits $m	Sales/ withdrawals $m	Net transfers in/(out)[2] $m	Balance at the end of the period $m	Total gains and losses on assets and liabilities held at reporting date $m
2019								
Assets classified as Level 3								
Equity securities and listed managed investment schemes	**2,364**	**-**	**145**	**11**	**(5)**	**-**	**2,515**	**164**
Debt securities	**117**	**-**	**10**	**4**	**(2)**	**(2)**	**127**	**10**
Unlisted managed investment schemes	**1,898**	**-**	**61**	**567**	**(19)**	**164**	**2,671**	**95**
Investment properties	**145**	**-**	**16**	**-**	**-**	**-**	**161**	**16**
Liabilities classified as Level 3								
Investment contract liabilities	**66,932**	**2**	**10,260**	**7,044**	**(14,051)**	**-**	**70,187**	**10,258**
AMP Bank indemnity	**-**	**-**	**86**	**-**	**-**	**-**	**86**	**86**
2018								
Assets classified as Level 3								
Equity securities and listed managed investment schemes	1,936	-	179	388	(150)	11	2,364	123
Debt securities	112	-	1	21	(15)	(2)	117	2
Unlisted managed investment schemes	1,434	-	55	623	(268)	54	1,898	99
Investment properties	134	-	11	-	-	-	145	11
Liabilities classified as Level 3								
Investment contract liabilities	73,207	13	(1,172)	7,720	(12,836)	-	66,932	(1,172)

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

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

Section 3: Capital structure and financial risk management

This section provides information relating to:

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

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

3.1 Contributed equity

	2019 $m	2018 $m
Issued capital		
10,373,884,652 (2018: 10,373,884,652) ordinary shares fully paid	**7,941**	7,941
Total contributed equity		
10,373,884,652 (2018: 10,373,884,652) ordinary shares fully paid	**7,941**	7,941
Issued capital		
Balance at the beginning of the year	**7,941**	7,941
Balance at the end of the year	**7,941**	7,941

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

Accounting policy – recognition and measurement

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

Section 3: Capital structure and financial risk management

3.2 Interest-bearing liabilities

(a) Interest-bearing liabilities

	2019			2018		
	Current $m	Non-current $m	Total $m	Current $m	Non-current $m	Total $m
Interest-bearing liabilities						
Corporate entity borrowings[1]						
- 6.875% GBP Subordinated Guaranteed Bonds (maturity 2022)	**-**	**69**	**69**	-	68	68
- AMP Notes 3 (first call 2023, maturity 2028)[2]	**-**	**250**	**250**	-	251	251
- Syndicated loan facility	**-**	**-**	**-**	488	-	488
- Commercial paper	**-**	**-**	**-**	259	-	259
- USD Medium Term Notes[3]	**-**	**437**	**437**	-	-	-
- CHF Medium Term Notes[3]	**-**	**592**	**592**	-	233	233
- Other	**34**	**-**	**34**	-	64	64
Borrowings within investment entities controlled by AMP Life statutory funds	**464**	**9**	**473**	79	302	381
Total interest-bearing liabilities	**498**	**1,357**	**1,855**	826	918	1,744

1 The current/non-current classification of corporate entity borrowings is based on the maturity of the underlying debt instrument and related principal repayment obligations. The carrying value of corporate entity borrowings includes interest payable of $9m (2018: $4m) which is expected to settle within the next 12 months.

2 AMP Notes 3 are floating rate subordinated unsecured notes. These were issued 15 November 2018, and mature 15 November 2028. Subject to APRA approval, AMP has the right, but not the obligation, to redeem all or some of the Notes 15 November 2023, or, subject to certain conditions, at a later date. In certain circumstances, AMP may be required to convert some or all of the Notes into AMP ordinary shares.

3 USD 300m 4 per cent Bond was issued 14 March 2019 and matures 14 September 2021. CHF 110m Senior Unsecured Fixed Rate Bond was issued 19 June 2018 and matures 19 December 2022. This Bond was subsequently increased by CHF 50m on 19 September 2018. CHF 140m Senior Unsecured Fixed Rate Bonds was issued 18 April 2019 and matures 18 July 2023. This Bonds was subsequently increased by CHF 100m on 3 December 2019.

(b) Financing arrangements

Loan facilities and note programs
Loan facilities and note programs comprise facilities arranged through bond and note issues, as well as financing facilities provided through bank loans under normal commercial terms and conditions.

	2019 $m	2018 $m
Available loan facilities[1]	**2,015**	2,764
Note program capacity	**14,993**	14,914
Used[2]	**(4,316)**	(4,627)
Unused facilities and note programs at the end of the year	**12,692**	13,051

1 Available loan facilities include bilateral facilities of $750m which mature on 31 December 2020.

2 Financing is available under funding programs in place for the entities in the AMPGH group and another company in the AMP group. The amount of the funding programs used by the entities within AMPGH group is $1,039m (2018: $480m). The remainder of the used amount relates to the other company in the AMP group.

Section 3: Capital structure and financial risk management

3.2 Interest-bearing liabilities (continued)

(c) Changes in liabilities arising from financing activities

	2019 $m	2018 $m
1 January	**1,744**	**1,721**
Cash flows	**80**	**23**
Other	**31**	**-**
31 December	**1,855**	**1,744**

Accounting policy – recognition and measurement

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

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

It is AMPGH's policy to hedge currency and interest rate risk arising on issued bonds and subordinated debt. When hedge accounting is applied, the carrying amounts of borrowings and subordinated debt are adjusted for changes in fair value for the period that the hedge relationship remains effective. Any changes in fair value for the period are recognised in the Consolidated income statement. In cash flow hedge relationships the borrowings are not revalued.

Finance costs include:

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

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

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

Borrowing costs are recognised as expenses when incurred.

Section 3: Capital structure and financial risk management

3.3 Financial risk management

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

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

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

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

(a) Market risk

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

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

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

Section 3: Capital structure and financial risk management

3.3 Financial risk management (continued)

(a) Market risk (continued)

Sensitivity analysis

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

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

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

		2019		2018	
Sensitivity analysis	**Change in variables**	**Impact on profit after tax Increase (decrease) $m**	**Impact on equity[1] Increase (decrease) $m**	**Impact on profit after tax Increase (decrease) $m**	**Impact on equity[1] Increase (decrease) $m**
Interest rate risk Impact of a 100 basis point (bp) change in Australian and international interest rates.	- 100bp	(3)	(3)	(14)	(14)
	+100bp	(13)	(13)	2	2
Currency risk Impact of a 10% movement of exchange rates against the Australian dollar on currency sensitive monetary assets and liabilities.	10% depreciation of AUD	4	138	3	119
	10% appreciation of AUD	(4)	(114)	(4)	(99)
Equity price risk Impact of a 10% movement in Australian and international equities. Any potential impact on fees from the AMPGH group's investment-linked business in is not included.	10% increase in:				
	Australian equities	8	8	8	8
	International equities	7	7	6	6
	10% decrease in:				
	Australian equities	(9)	(9)	(10)	(10)
	International equities	(8)	(8)	(8)	(8)

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

(b) Liquidity and refinancing risk

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

Section 3: Capital structure and financial risk management

3.3 Financial risk management (continued)

(b) Liquidity and refinancing risk (continued)

Maturity analysis

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

2019	Up to 1 year or no term $m	1-5 years $m	Over 5 years $m	Not specified $m	Total $m
Non-derivative financial liabilities					
Payables	**3,601**	**133**	**-**	**-**	**3,734**
Borrowings	**529**	**1,072**	**-**	**-**	**1,601**
Subordinated debt	**14**	**112**	**287**	**-**	**413**
Investment contract liabilities[1]	**350**	**834**	**849**	**69,705**	**71,738**
External unitholders' liabilities	**-**	**-**	**-**	**15,295**	**15,295**
Derivative financial instruments					
Interest rate and cross-currency swaps	**7**	**15**	**-**	**-**	**22**
Total undiscounted financial liabilities[2]	**4,501**	**2,166**	**1,136**	**85,000**	**92,803**
2018					
Non-derivative financial liabilities					
Payables	2,374	119	-	5	2,498
Borrowings	398	1,048	-	-	1,446
Subordinated debt	16	122	309	-	447
Investment contract liabilities[1]	372	1,021	1,092	66,466	68,951
External unitholders' liabilities	-	-	-	17,059	17,059
Derivative financial instruments					
Interest rate and cross-currency swaps	8	23	-	-	31
Foreign currency forward contract	10	-	-	-	10
Total undiscounted financial liabilities[2]	3,178	2,333	1,401	83,530	90,442

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

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

Section 3: Capital structure and financial risk management

3.3 Financial risk management (continued)

(c) Credit risk

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

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

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

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

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

Collateral and master netting or similar agreements

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

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

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

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

If these netting arrangements were applied to the derivative portfolio, the derivative assets of $1,694m would be reduced by $192m to the net amount of $1,502m and derivative liabilities of $789m would be reduced by $192m to the net amount of $597m (2018: derivative assets of $1,048m would be reduced by $180m to the net amount of $868m and derivative liabilities of $1,201m would be reduced by $180m to the net amount of $1,021m).

(ii) Repurchase agreements
Included within debt securities are assets held to back the liability for collateral deposits held in respect of debt security repurchase arrangements entered into by the AMP Life's statutory funds and controlled entities. As at 31 December 2019, if repurchase arrangements were netted, debt securities of $29,821m would be reduced by $nil to the net amount of $29.821m and collateral deposits held of $170m would be reduced by $nil to the net amount of $170m (2018: debt securities of $32,577m would be reduced by $9m to the net amount of $32,568m and collateral deposits held of $164m would be reduced by $9m to the net amount of $155m).

Section 3: Capital structure and financial risk management

3.3 Financial risk management (continued)

(c) Credit risk (continued)

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

Collateral generally consists of 11am loans and deposits and is exchanged between the counterparties to reduce the exposure from the net fair value of derivative assets and liabilities between the counterparties. As at 31 December 2019 there was $170m (2018:$164m) of collateral deposits (due to other counterparties) and $68m (2018: $34m) of collateral loans (due from other counterparties) relating to derivative assets and liabilities.

3.4 Derivatives and hedge accounting

The AMPGH group is exposed to certain risks relating to its ongoing business operations. To mitigate the risks the AMPGH group uses derivative financial instruments such as cross-currency swaps and interest rate swaps. When the group designates certain derivatives to be part of a hedging relationship, and they meet the criteria for hedge accounting, the hedges are classified as:

- Cash flow hedges;
- Fair value hedges; or
- Net investment hedges.

Derivative financial instruments are held for risk and asset management purposes only and not for the purpose of speculation. Not all derivatives held are designated as hedging instruments. The AMPGH group's risk management strategy and how it is applied to manage risk is explained further in note 3.3.

a) Hedging Instruments
The following table sets out the notional amount of derivative instruments designated in a hedge relationship by relationship type as well as the related carrying amounts.

2019		Notional amount $m	Fair value Assets $m	Fair value Liabilities $m
Hedge type	**Hedging instrument**			
Fair value	Cross-currency swaps	**83**	**-**	**19**
Fair value	Interest rate swaps	**67**	**7**	**-**
Fair value and cash flow	Cross-currency interest rate swaps	**988**	**37**	**-**
Net investment	Foreign currency forward contract	**366**	**9**	**2**
Total		**1,504**	**53**	**21**

2018		Notional amount $m	Fair value Assets $m	Fair value Liabilities $m
Hedge type	**Hedging instrument**			
Fair value	Cross-currency swaps	83	-	22
Fair value	Interest rate swaps	64	9	-
Fair value and cash flow	Cross-currency interest rate swaps	218	14	-
Net investment	Foreign currency forward contract	343	-	7
Total		708	23	29

Section 3: Capital structure and financial risk management

3.4 Derivatives and hedge accounting (continued)

b) Hedged items

The following table sets out the carrying amount of hedged items in fair value hedge relationships, and the accumulated amount of fair value hedge adjustments in these carrying amounts. The AMPGH group does not hedge its entire exposure to a class of financial instruments, therefore the carrying amounts below do not equal the total carrying amounts disclosed in other notes.

2019	Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged items	
	Assets	Liabilities	Assets	Liabilities
	$m	$m	$m	$m
6.875% GBP Subordinated Guaranteed Bonds (maturity 2022)	**-**	**69**	**11**	**-**
Medium Term Notes	**-**	**1,029**	**-**	**35**

2018	Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged items	
	Assets	Liabilities	Assets	Liabilities
	$m	$m	$m	$m
6.875% GBP Subordinated Guaranteed Bonds (maturity 2022)	-	68	13	-
Medium Term Notes	-	233	-	17

Fair value hedge relationships resulted in the following changes in the values used to recognise hedge ineffectiveness for the year:

	2019	2018
	$m	$m
Gain on hedging instrument	**37**	19
Loss on hedged items attributable to the hedged risk	**(35)**	(17)
Hedge ineffectiveness recognised in the income statement	**2**	2

Derivative instruments accounted for as cash flow hedges

The AMPGH group is exposed to variability in future interest cash flows on non-trading assets and liabilities which bear interest at fixed and variable rates. The AMPGH group uses interest rate swaps to manage interest rate risks and many of the swaps are cash flow hedges for accounting purposes.

Methods used to test hedge effectiveness and establish the hedge ratio include regression analysis, and for some portfolio hedge relationships, a comparison to ensure the expected interest cash flows from the portfolio exceed those of the hedging instruments. The main potential source of hedge ineffectiveness from cash flow hedges is mismatches in the terms of hedged items and hedging instruments, for example the frequency and timing of when interest rates are reset.

During the year the AMPGH group recognised $nil (2018: $nil) due to ineffectiveness on derivative instruments designated as cash flow hedges.

Derivative instruments accounted for as fair value hedges

Fair value hedges are used to protect against changes in the fair value of financial assets and financial liabilities due to movements in exchange rates and interest rates.

Hedge effectiveness is assessed by comparing the overall changes in the fair value of the hedging instrument against the changes in the fair value of the hedged items attributable to the hedged risks. The main potential source of ineffectiveness on fair value hedges is currency basis spread, which is included in the valuation of the hedging instrument, but excluded from the value of the hedged item.

Hedges of net investments in foreign operations

The AMPGH group hedges its exposure to changes in exchange rates on the value of its foreign currency denominated seed pool investments. Hedge effectiveness is assessed based on the overall changes in the fair value of the forward contract, primarily using the cumulative dollar offset method.

The AMPGH group recognised $nil (2018: $nil) due to the ineffective portion of hedges relating to investments in seed pool foreign operations.

Section 3: Capital structure and financial risk management

3.4 Derivatives and hedge accounting (continued)

The following table sets out the maturity profile of the notional amount of derivative instruments in a hedge relationship.

2019	0 to 3 months $m	3 to 12 months $m	1 to 5 years $m	Over 5 years $m	Total $m
Interest rate swaps	-	-	**67**	-	**67**
Cross-currency swaps	-	-	**83**	-	**83**
Cross-currency interest rate swaps	-	-	**988**	-	**988**
Foreign currency forward contract	**366**	-	-	-	**366**

2018	0 to 3 months $m	3 to 12 months $m	1 to 5 years $m	Over 5 years $m	Total $m
Interest rate swaps	-	-	64	-	64
Cross-currency swaps	-	-	83	-	83
Cross-currency interest rate swaps	-	-	218	-	218
Foreign currency forward contract	327	16	-	-	343

Accounting policy – recognition and measurement

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

Hedge accounting
AMP continues to apply the hedge accounting requirements under AASB 139 Financial instruments: Recognition and Measurement.

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

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

Net investment hedges
The effective portion of changes in the fair value of net investment hedges is recognised (including related tax impacts) through Other comprehensive income in the Hedge of net investment reserve in equity. Any ineffective portion is recognised immediately in the Consolidated income statement. The cumulative gain or loss existing in equity remains in equity until the foreign investment is disposed.

Section 3: Capital structure and financial risk management

3.5 Capital management

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

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

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

Capital requirements
A number of the operating entities within the AMPGH group of companies are regulated and are required to meet minimum regulatory capital requirements (MRR). In certain circumstances, APRA or other regulators may require AMP and other entities of the AMP group to hold a greater level of capital to support its business and and/or require those entities not to pay dividends on their shares or restrict the amount of dividends that can be paid by them. Any such adjustments would be incorporated into the minimum regulatory requirements and/or capital policies as required.

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

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

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

Section 4: Life insurance and investment contracts

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

4.1 Accounting for life insurance and investment contracts

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

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

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

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

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

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

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

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

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

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

Section 4: Life insurance and investment contracts

4.1 Accounting for life insurance and investment contracts (continued)

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

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

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

Bonus distributions to participating policyholders do not alter the amount of profit attributable to shareholders. They change the nature of the liability from unvested to vested.

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

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

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

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

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

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

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

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

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

Section 4: Life insurance and investment contracts

4.1 Accounting for life insurance and investment contracts (continued)

Critical accounting estimates and judgements

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

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

Section 4: Life insurance and investment contracts

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

	2019 $m	2018 $m
(a) Analysis of life insurance contract related revenue - net of reinsurance		
Total life insurance contract premiums received and receivable	**2,351**	2,549
Less: component recognised as a change in life insurance contract liabilities	**(369)**	(367)
Life insurance contract premium revenue[1]	**1,982**	2,182
Commission received from reinsurers	**262**	471
Life insurance contract related revenue	**2,244**	2,653
Life insurance contract premium ceded to reinsurers	**(1,033)**	(989)
Life insurance contract related revenue - net of reinsurance	**1,211**	1,664
(b) Analysis of life insurance contract claims expenses - net of reinsurance		
Total life insurance contract claims paid and payable	**(3,854)**	(3,412)
Less: component recognised as a change in life insurance contract liabilities	**1,679**	1,158
Life insurance contract claims expense	**(2,175)**	(2,254)
Life insurance claims recovered from reinsurers	**512**	487
Life insurance contract claims expenses - net of reinsurance	**(1,663)**	(1,767)
(c) Analysis of life insurance contract operating expenses		
Life insurance contract acquisition expenses		
- commission	**(12)**	(27)
- other expenses	**(4)**	(108)
Life insurance contract maintenance expenses		
- commission	**(164)**	(172)
- other expenses	**(350)**	(416)
Investment management expenses	**(52)**	(53)

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

Section 4: Life insurance and investment contracts

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

	2019 $m	2018 $m
(d) Life insurance contract liabilities		
Life insurance contract liabilities determined using projection method		
Best estimate liability		
- value of future life insurance contract benefits	**14,401**	14,469
- value of future expenses	**3,785**	4,377
- value of future premiums	**(8,986)**	(10,435)
Value of future profits		
- life insurance contract holder bonuses	**3,420**	3,136
- shareholders' profit margins	**1,479**	1,565
Total life insurance contract liabilities determined using the projection method[1]	**14,099**	13,112
Life insurance contract liabilities determined using the accumulation method		
Best estimate liability		
- value of future life insurance contract benefits	**7,029**	7,951
- value of future acquisition expenses	**(44)**	(50)
Total life insurance contract liabilities determined using the accumulation method	**6,985**	7,901
Value of declared bonus	**262**	304
Unvested policyholder benefits liabilities[1]	**2,452**	2,319
Total life insurance contract liabilities net of reinsurance	**23,798**	23,636
Reinsurance asset- ceded life insurance contracts	**1,222**	1,073
Reinsurance liability - ceded life insurance contracts[2]	**(1,515)**	(1,452)
Total life insurance contract liabilities gross of reinsurance	**23,505**	23,257

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

2 Reinsurance liability - ceded life insurance contracts reflects the present value of the net obligation to transfer cash flows under the 60% quota share reinsurance arrangement with Gen Re, Munich Re and Swiss Re, in return for upfront commission received. It also reflects the reinsurance position of the surplus reinsurance arrangement with Gen Re and Swiss Re.

	2019 $m	2018 $m
(e) Reconciliation of changes in life insurance contract liabilities		
Total life insurance contract liabilities at the beginning of the year	**23,257**	23,683
Change in life insurance contract liabilities recognised in the Consolidated income statement	**1,436**	(79)
Premiums recognised as an increase in life insurance contract liabilities	**369**	367
Claims recognised as a decrease in life insurance contract liabilities	**(1,679)**	(1,158)
Change in reinsurance asset - ceded life insurance contracts	**149**	269
Change in reinsurance liability - ceded life insurance contracts	**(63)**	(2)
Foreign exchange adjustment	**36**	177
Total life insurance contract liabilities at the end of the year	**23,505**	23,257

Section 4: Life insurance and investment contracts

4.3 Life insurance contracts - assumptions and valuation methodology

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

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

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

(a) Risk-free discount rates

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

			31 December 2019		31 December 2018	
Business type		Basis[1]	Australia	New Zealand	Australia	New Zealand
			%	%	%	%
Retail risk (other than income benefit open claims)[1]		Zero coupon government bond yield curve	**0.9 - 2.2**	**1.1 - 2.5**	1.8 - 3.0	1.7 - 3.0
Retail risk and group risk (income benefit open claims)[1]		Zero coupon government bond yield curve (including liquidity premium)	**1.1 - 2.4**	**1.3 - 2.7**	2.1 - 3.2	2.0 - 3.3
Life annuities	Non-CPI	Zero coupon government bond yield curve (including liquidity premium)	**1.2 - 2.4**	**1.4 - 2.8**	2.2 - 3.3	2.0 - 3.4
Life annuities	CPI	Commonwealth indexed bond yield curve (including liquidity premium)	**-0.2 - 0.6**	**0.4 - 1.4**	0.8 - 1.3	1.1 - 2.3

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

(b) Future maintenance and investment expenses

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

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

Section 4: Life insurance and investment contracts

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

(c) Inflation and indexation

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

The expense inflation assumptions have been set based on the inflation rates, recent expense performance, AMP Life's current plans and the terms of the relevant service company agreement, as appropriate. In addition, lower expense inflation has been assumed for Australia and New Zealand wealth protection portfolios compared to that assumed at 31 December 2018. The lower expense inflation assumptions reflect the implementation of new service company agreements, which extend fixed fee arrangements to a wider pool of business, increasing the proportion of costs that are fully variable and will run-off with policies following the closure to new business.

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

	Australia %		New Zealand %	
	CPI	Expense Inflation	CPI	Expense Inflation
31 December 2019	**1.4**	**3.0**	**1.6**	**2.0**
31 December 2018	1.6	3.0 - 8.0	1.7	2.0 - 6.0

(d) Bases of taxation

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

(e) Voluntary discontinuance

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

The assumptions for future rates of discontinuance of the major classes of life insurance contracts have been reviewed. Discontinuance assumptions were changed from those assumed at 31 December 2018 for Australian retail risk and Flexible Lifetime Super, and New Zealand retail risk.

Note that the wealth protection discontinuance rate ranges are calculated based on current business mix and various assumption rating factors. Discontinuance rates for conventional products (Australia and New Zealand) are calculated based on average expected for the next five years.

	31 December 2019		31 December 2018	
Business type	**Australia**	**New Zealand**	**Australia**	**New Zealand**
	%	%	%	%
Conventional	**2.2 - 7.4**	**1.1 - 2.2**	2.3 - 9.3	1.5 - 2.7
Retail risk (lump sum)	**13.7 - 20.5**	**4.7 - 16.1**	13.1 - 18.0	4.9 - 15.2
Retail risk (income benefit)	**7.8 - 22.0**	**8.7 - 15.5**	7.5 - 20.1	5.0 - 14.7
Flexible Lifetime Super (FLS) risk business	**17.5 - 19.3**	**n/a**	14.4 - 16.6	n/a

(f) Surrender values

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

Section 4: Life insurance and investment contracts

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

(g) Mortality and morbidity

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

The following assumptions have changed from those assumed at 31 December 2018:

- an allowance for possible anti-selection on retained business for 12 months following 1 July 2019 due to the opt-in related to Protecting Your Super ('PYS') legislation;
- an allowance for additional historical claims resulting from increased member communications due to PYS;
- Australian and New Zealand retail death rates;
- Australian and New Zealand Income Protection termination rates; and
- Australian TPD rates.

The assumptions are summarised in the following table.

	Conventional - % of IA95-97	
Conventional	**Male**	**Female**
31 December 2019		
Australia	**60.8**	**60.8**
New Zealand	**73.0**	**73.0**
31 December 2018		
Australia	60.8	60.8
New Zealand	73.0	73.0

	Retail Lump Sum - % of table	
Risk products	**Male**	**Female**
31 December 2019		
Australia[1]	**90 - 141**	**90 - 141**
New Zealand	**104 - 120**	**85 - 98**
31 December 2018		
Australia[1]	94 - 148	94 - 148
New Zealand	104 - 120	86 - 98

1 Base IA04-08 Death Without Riders table modified based on aggregated experience but with overall product-specific adjustment factors (estimated methodology used).

Annuities	**Male - % of IML00***	**Female - % of IFL00***
31 December 2019		
Australia and New Zealand[1]	**95.0**	**80.0**
31 December 2018		
Australia and New Zealand[1]	95.0	80.0

1 Annuities tables modified for future mortality improvements.

Section 4: Life insurance and investment contracts

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

(g) Mortality and morbidity (continued)

Typical morbidity assumptions, in aggregate, are as follows:

Income protection	Incidence rates % of ADI 07-11	Termination rates (ultimate) % of ADI 07-11
31 December 2019		
Australia	**45 - 179**	**53 - 89**
New Zealand	**83 - 149**	**69 - 144**
31 December 2018		
Australia	45 - 179	53 - 80
New Zealand	83 - 149	82 - 105

Retail lump sum	Male % of IA04-08	Female % of IA04-08
31 December 2019		
Australia TPD[1]	**132 - 277**	**150 - 351**
Australia Trauma[2]	**102 - 193**	**102 - 193**
New Zealand TPD[1]	**120**	**120**
New Zealand Trauma[2]	**110 - 114**	**110 - 114**
31 December 2018		
Australia TPD[1]	132 - 241	150 - 305
Australia Trauma[2]	102 - 193	102 - 193
New Zealand TPD[1]	120	120
New Zealand Trauma[2]	110 - 114	110 - 114

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

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

Section 4: Life insurance and investment contracts

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

(g) Mortality and morbidity (continued)

The actuarial tables used were as follows:

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

Section 4: Life insurance and investment contracts

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

(h) Other participating business assumptions

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

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

	10 year government bonds	Risk premiums				
		Local equities	International equities	Property and Infrastructure	Fixed interest	Cash
	%	%	%	%	%	%
31 December 2019						
Australia	**1.4**	**4.5**	**3.5**	**2.5**	**0.5**	**(0.5)**
New Zealand	**1.7**	**4.5**	**3.5**	**2.5**	**0.4**	**(0.5)**
31 December 2018						
Australia	2.3	4.5	3.5	2.5	0.6	(0.5)
New Zealand	2.4	4.5	3.5	2.5	0.5	(0.5)

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

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

Average asset mix[1]	Equities	Property and Infrastructure	Fixed interest	Cash
	%	%	%	%
31 December 2019				
Australia	**29**	**14**	**39**	**18**
New Zealand	**35**	**17**	**39**	**9**
31 December 2018				
Australia	28	14	39	19
New Zealand	35	17	38	10

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

Section 4: Life insurance and investment contracts

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

(h) Other participating business assumptions (continued)

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

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

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

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

Typical supportable bonus rates on major product lines are as follows for AMP Life (31 December 2018 in parentheses).

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

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

Crediting rates (investment account)	**%**
Australia	**1.8 - 3.3** (0.6 - 3.3)
New Zealand	**2.1 - 2.5** (1.7 - 2.3)

Section 4: Life insurance and investment contracts

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

(i) Impact of changes in assumptions

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

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

The impact on future profit margins of actual changes in assumptions from 31 December 2018 to 31 December 2019 in respect of life insurance contracts (excluding new business contracts which are measured using assumptions at reporting date) is as shown in the table below.

Assumption change	Change in future profit margins	Change in life insurance contract liabilities[2]	Change in shareholders' profit & equity[3]
	$m	$m	$m
Non-market related changes to discount rates	1	-	-
Mortality and morbidity	(15)	149	(104)
Discontinuance rates	(75)	59	(42)
Maintenance expenses	162	85	(36)
Other assumptions[1]	(53)	(35)	24

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

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

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

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

Section 4: Life insurance and investment contracts

4.4 Life insurance contracts - risk

(a) Life insurance risk

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

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

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

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

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

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

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

Section 4: Life insurance and investment contracts

4.4 Life insurance contracts - risk (continued)

(b) Key terms and conditions of life insurance contracts

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

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

Section 4: Life insurance and investment contracts

4.4 Life insurance contracts - risk (continued)

(c) Insurance risk sensitivity analysis – life insurance contracts

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

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

		Change in life insurance contract liabilities		Change in shareholder profit after income tax and equity	
Variable	**Change in variable**	**Gross of reinsurance $m**	**Net of reinsurance $m**	**Gross of reinsurance $m**	**Net of reinsurance $m**
Mortality	10% increase in mortality rates	51	19	(37)	(13)
Annuitant mortality	50% increase in the rate of mortality improvement	15	15	(11)	(11)
Morbidity - lump sum disablement	20% increase in lump sum disablement rates	39	16	(28)	(11)
Morbidity - disability income	10% increase in incidence rates	220	91	(154)	(64)
Morbidity - disability income	10% decrease in termination rates	385	175	(270)	(122)
Discontinuance rates	10% increase in discontinuance rates	103	28	(74)	(20)
Maintenance expenses	10% increase in maintenance expenses	35	35	(25)	(25)

(d) Liquidity risk and future net cash outflows

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

	Up to 1 year $m	1-5 years $m	Over 5 years $m	Total $m
2019	**1,589**	**3,628**	**10,336**	**15,553**
2018	1,264	3,039	8,243	12,546

Section 4: Life insurance and investment contracts

4.5 Other disclosure - life insurance and investment contracts

	2019 $m	2018 $m
(a) Analysis of life insurance and investment contract profit		
Components of profit related to life insurance and investment contract liabilities:		
- planned margins of revenues over expenses released	**327**	437
- losses arising from difference between actual and assumed experience	**(26)**	(86)
- losses arising from changes in assumptions	**(135)**	(29)
- capitalised losses	**(166)**	(174)
Profit related to life insurance and investment contract liabilities	**-**	148
Attributable to:		
- life insurance contracts	**(87)**	(31)
- investment contracts	**87**	179
Profit related to life insurance and investment contract liabilities	**-**	148
Investment earnings on assets in excess of life insurance and investment contract liabilities	**80**	38

Section 4: Life insurance and investment contracts

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

(b) Restrictions on assets in statutory funds

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

AMP Life has three statutory funds as set out below:

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

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

Further details about capital management are provided in note 3.5.

	2019			2018		
	Non-investment-linked $m	**Investment-linked $m**	**Total statutory funds $m**	**Non-investment-linked $m**	**Investment-linked $m**	**Total statutory funds $m**
Net assets of statutory funds attributable to policyholders and shareholders	**27,240**	**69,977**	**97,217**	27,324	66,659	93,983
Attributable to policyholders[2]						
Life insurance contract liabilities	**23,505**	**-**	**23,505**	23,257	-	23,257
Investment contract liabilities[1]	**1,845**	**69,705**	**71,550**	2,173	66,454	68,627
	25,350	**69,705**	**95,055**	25,430	66,454	91,884
Attributable to shareholders	**1,890**	**272**	**2,162**	1,894	205	2,099

1 Investment contract liabilities in this table do not include $121m (2018: $115m) being the investment contract liability for the North capital guarantee w hich is held outside the life insurance entities.

2 Based on assumptions as to likely w ithdraw al patterns of the various product groups, it is estimated that approximately $12,336m (2018: $13,679m) of policy liabilities may be settled w ithin 12 months of the reporting date.

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

Section 4: Life insurance and investment contracts

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

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

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

Income statement	Life entities' statutory funds consolidated	
	2019	2018
	$m	$m
Assets		
Cash and cash equivalents	**5,605**	7,230
Investments in financial assets measured at fair value through profit or loss	**111,973**	109,364
Investment property	**161**	145
Other assets	**2,189**	1,580
Total assets of policyholders, shareholders and non-controlling interests	**119,928**	118,319
Liabilities		
Life insurance contract liabilities	**23,505**	23,257
Investment contract liabilities	**71,550**	68,627
Other liabilities	**7,484**	7,084
External unitholders' liabilities	**15,295**	17,059
Total liabilities of policyholders, shareholders and non-controlling interests	**117,834**	116,027
Net assets	**2,094**	2,292

Section 4: Life insurance and investment contracts

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

(c) Capital guarantees

	2019 $m	2018 $m
Life insurance contracts with a discretionary participating feature - amount of the liabilities that relate to guarantees	**13,327**	14,152
Investment-linked contracts - amount of the liabilities subject to investment performance guarantees	**762**	847
Other life insurance contracts with a guaranteed termination value - current termination value	**68**	127

(d) Capital requirements

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

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

The Appointed Actuary of AMP Life Limited and NMLA has confirmed that the capital base of each life statutory fund and shareholders' fund have exceeded PCA at all times during 2019 and 2018. The combined capital position of AMP Life Limited and NMLA is as follows:

	2019 $m	2018 $m
Common Equity Tier 1 Capital	2,059	2,430
Adjustments to Common Equity Tier 1 Capital	34	(374)
Additional Tier 1 Capital	305	305
Adjustments to Additional Tier 1 Capital	-	-
Tier 2 Capital	200	250
Adjustments to Tier 2 Capital	-	-
Total capital base	**2,598**	**2,611**
Total Prescribed Capital Amount (PCA)	**1,102**	**1,190**
Capital adequacy amount	**1,496**	**1,421**
Capital adequacy multiple[1]	**236%**	**219%**

1 The capital adequacy multiples were 236% and 263% for AMP Life Limited and NMLA respectively (2018: 219% and 226%).

(e) Actuarial information

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

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

Section 5: Employee disclosures

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

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

5.1 Key management personnel

(a) Compensation of key management personnel

	2019 $000	2018 $000
Short-term benefits	**2,246**	2,177
Post-employment benefits	**70**	69
Share-based payments	**312**	1,135
Other long-term benefits	**32**	33
Total	**2,660**	3,414

(b) Loans to key management personnel

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

	2019 $'000	2018 $'000
Balance as at the beginning of the year	**2,364**	2,402
Net advances	**(69)**	(38)
Balance as at the end of the year	**2,295**	2,364
Interest charged	**66**	78

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

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

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

(d) Transactions with related parties

Some of the non-executive directors hold directorships or positions in other companies or organisations. From time to time, the AMPGH group may provide or receive services from these companies or organisations on arm's length terms. None of the non-executive directors were, or are, involved in any procurement or board decision making regarding the companies or organisations with which they have an association.

Accounting policy – recognition and measurement

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

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

Share-based payments – refer to note 5.3.

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

Section 5: Employee disclosures

5.2 Defined benefit plans

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

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

Plan details	Australia	New Zealand
Plan names	AMP Australia and AMP AAPH Australia defined benefit plans.	AMP New Zealand and AMP AAPH New Zealand defined benefit plans .
Entitlements of active members	A lump sum or pension on retirement. Pensions provided are lifetime indexed pensions with a reversionary spouse pension.	Accumulation benefits and a lump sum payment on retirement.
Governance of the plans	The trustees of the AMP Superannuation Savings Trust, of which the Australian plans are sub-funds – this includes administration of the plan, management and investment of the plan assets, and compliance with superannuation laws and other applicable regulations.	The plan's trustees - this includes administration of the plan, management and investment of the plan assets, and looking after the interests of all beneficiaries.
Valuations required	Every year.	Every three years.
Key risks	The risk of actual outcomes being different to the actuarial assumptions used to estimate the defined benefit obligation, investment risk and legislative risk.	
Date of valuation	31 March 2019.	31 December 2017.
Additional contributions required	10% to 15% of member's salaries plus plan expenses.	No additional contributions are required until 30 June 2021, at which point the requirement will be reassessed.

(a) Defined benefit liability

	2019 $m	2018 $m
Present value of w holly-funded defined benefit obligations	**(919)**	(833)
Less: Fair value of plan assets	**818**	756
Defined benefit liability recognised in the Consolidated statement of financial position	**(101)**	(77)
Movement in defined benefit liability		
Deficit at the beginning of the year	**(77)**	(29)
Plus: Total expenses recognised in income	**(2)**	(7)
Plus: Employer contributions	**1**	2
Plus: Actuarial gains recognised in Other comprehensive income	**(23)**	(43)
Defined benefit liability recognised at the end of the year	**(101)**	(77)

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

	Defined benefit obligation		Fair value of plan assets	
	2019 $m	2018 $m	2019 $m	2018 $m
Balance at the beginning of the year	**(833)**	(821)	**756**	792
Current service cost	**(3)**	(3)	**-**	-
Interest (cost) income	**(19)**	(18)	**17**	17
Net actuarial gains and losses	**(118)**	(38)	**94**	(5)
Employer contributions	**-**	-	**1**	2
Contributions by plan participants	**-**	-	**-**	-
Foreign currency exchange rate changes	**2**	(5)	**2**	2
Benefits paid	**52**	52	**(52)**	(52)
Balance at the end of the year	**(919)**	(833)	**818**	756

Section 5: Employee disclosures

5.2 Defined benefit plans (continued)

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

	Fair value of plan assets		Present value of plan obligation		Net recognised surplus (deficit)		Actuarial gains	
	2019	2018	2019	2018	2019	2018	2019	2018
	$m	$m	$m	$m	$m	$m	$m	$m
AMP Australia	**291**	263	**(339)**	(307)	**(48)**	(44)	**(3)**	(15)
AMP AAPH Australia	**415**	388	**(427)**	(378)	**(12)**	10	**(21)**	(20)
AMP New Zealand	**20**	19	**(25)**	(25)	**(5)**	(6)	**1**	(2)
AMP AAPH New Zealand	**92**	86	**(128)**	(123)	**(36)**	(37)	**-**	(6)
Total	**818**	756	**(919)**	(833)	**(101)**	(77)	**(23)**	(43)

(d) Principal actuarial assumptions

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

	AMP				AMP AAPH			
	Australia		New Zealand		Australia		New Zealand	
	2019	2018	2019	2018	2019	2018	2019	2018
	%	%	%	%	%	%	%	%
Weighted average discount rate	**2.8**	4.0	**1.5**	2.3	**3.0**	4.1	**2.2**	2.7
Expected rate of salary increases	**n/a**	n/a	**n/a**	n/a	**3.5**	3.5	**3.0**	3.0

(e) Allocation of assets

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

	AMP				AMP AAPH			
	Australia		New Zealand		Australia		New Zealand	
	2019	2018	2019	2018	2019	2018	2019	2018
	%	%	%	%	%	%	%	%
Equity	**46**	50	**38**	38	**25**	30	**46**	40
Fixed interest	**38**	34	**38**	38	**57**	51	**34**	39
Property	**10**	8	**4**	4	**7**	5	**4**	4
Cash	**1**	3	**14**	14	**1**	1	**14**	14
Other	**5**	5	**6**	6	**10**	13	**2**	3

Section 5: Employee disclosures

5.2 Defined benefit plans (continued)

(f) Sensitivity analysis

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

2019	AMP				AMP AAPH			
	Australia		New Zealand		Australia		New Zealand	
	(+)	(-)	(+)	(-)	(+)	(-)	(+)	(-)
Assumption	$m	$m	$m	$m	$m	$m	$m	$m
Discount rate (+/- 0.5%)	**(20)**	**22**	**n/a**	**2**	**(32)**	**35**	**n/a**	**16**
Expected salary increase rate (0.5%)	**n/a**	**n/a**	**n/a**	**n/a**	**1**	**n/a**	**n/a**	**n/a**
Expected deferred benefit crediting rate (0.5%)	**n/a**	**n/a**	**n/a**	**n/a**	**3**	**n/a**	**n/a**	**n/a**
Pensioner indexation assumption (0.5%)	**22**	**(20)**	**1**	**n/a**	**30**	**(28)**	**13**	**n/a**
Pensioner mortality assumption (0.5%)	**n/a**	**13**	**n/a**	**n/a**	**n/a**	**12**	**n/a**	**n/a**
Life expectancy (additional 1 year)	**n/a**	**n/a**	**1**	**n/a**	**n/a**	**n/a**	**4**	**n/a**

2018	AMP				AMP AAPH			
	Australia		New Zealand		Australia		New Zealand	
	(+)	(-)	(+)	(-)	(+)	(-)	(+)	(-)
Assumption	$m	$m	$m	$m	$m	$m	$m	$m
Discount rate (+/- 0.5%)	(17)	19	n/a	2	(27)	30	n/a	24
Expected salary increase rate (0.5%)	n/a	n/a	n/a	n/a	1	n/a	n/a	n/a
Expected deferred benefit crediting rate (0.5%)	n/a	n/a	n/a	n/a	3	n/a	n/a	n/a
Pensioner indexation assumption (0.5%)	19	(18)	1	n/a	25	(23)	13	n/a
Pensioner mortality assumption (0.5%)	n/a	10	n/a	n/a	n/a	9	n/a	n/a
Life expectancy (additional 1 year)	n/a	n/a	1	n/a	n/a	n/a	4	n/a

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

	AMP		AMP AAPH	
	Australia	New Zealand	Australia	New Zealand
Expected employer contributions ($m)	-	-	1	-
Weighted average duration of the defined benefit obligation (years)	11	9	14	13

Accounting policy – recognition and measurement

Defined benefit plans

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

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

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

Section 5: Employee disclosures

5.3 Share-based payments

AMP has multiple employee share-based payment plans. Share-based payment plans help create alignment between employees participating in those plans (participants) and shareholders. Information on plans which AMP currently offers is provided below.

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

	2019 $'000	2018 $'000
Performance rights[1]	**4,196**	(680)
Share rights and restricted shares	**16,404**	28,750
Total share-based payments expense	**20,600**	28,070

1 Non-market performance rights which were forfeited or where the performance conditions were not met were reversed during 2018.

(a) Performance rights

The AMP Group Leadership Team, as well as selected senior executives, receive their long-term incentive (LTI) awards in the form of performance rights. This is intended to align the interests of those executives, who are able to most directly influence company performance with the interests of shareholders.

Plan	LTI award plan
Overview	Performance rights give the participant the right to acquire one fully paid ordinary share in AMP Limited upon meeting specific performance hurdles. They are granted at no cost to the participant and carry no dividend or voting rights until they vest. This award may be settled through an equivalent cash payment, at the discretion of the board.
Vesting conditions	2016 LTI award The performance hurdles for rights granted in 2016 are: • 60% subject to AMP's total shareholder return (TSR) performance relative to that of the entities in the Comparator Group^ (being the top 50 industrial companies in the S&P/ASX 100 Index, based on market capitalisation rank at the start of the applicable performance period) over three years. • 40% subject to a Return on Equity (RoE) measure. 2017 LTI award The performance hurdles for rights granted in 2017 are: • 100% subject to AMP's TSR performance relative to entities in the Comparator Group^ (being the top 50 industrial companies in the S&P/ASX 100 Index, based on market capitalisation rank at the start of the applicable performance period) over four years. 2018 LTI award No performance rights were granted under an LTI plan in 2018. 2019 LTI award (Transformation Incentive Award) The vesting of the performance rights is subject to two separate gateways: a. Risk and Conduct Gateway - if a participant's performance and conduct is not in line with AMP's expectations, the board has discretion to amend the vesting outcome (including to zero). b. Performance Gateway and Hurdle – a performance gateway is included so that no awards will vest if both the Compound Annual Growth Rate (CAGR) is negative and the CAGR is below the benchmark index*. For risk and control roles i.e. Chief Risk Officer - the vesting outcome in relation to 25% of the award will be determined by the Remuneration Committee at its sole discretion. The other 75% of the award will be subject to the performance hurdle. ^ In determining the Comparator Group, all entities other than those in the global industry classification standard (GICS) energy sector and GICS metals and mining industry are classified as industrial companies. * The benchmark index is constructed from an equal weighted index of ASX 100 financial services companies (excluding A-REITs).
Vesting period	• 2016 LTI award – 3 years for rights granted in 2016. • 2017 LTI award – 4 years for rights granted in 2017. • 2019 LTI award – 3.5 years for rights granted in 2019.
Vested awards	Vested performance rights are automatically converted to shares on behalf of participants.
Unvested awards	Unvested awards are forfeited if the participant voluntarily ceases employment or is dismissed for misconduct.

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

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

Section 5: Employee disclosures

5.3 Share-based payments (continued)

(a) Performance rights (continued)

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

Grant date	Share price	Contractual life (years)	Dividend yield	Volatility[1]	Risk-free rate[1]	TSR performance hurdle discount	RoE performance hurdle discount[2]	TSR performance rights fair value	RoE performance rights fair value
02/06/2016	$5.54	3.0	4.7%	24%	1.6%	57%	0%	$2.37	$4.81
13/01/2017	$5.15	2.4	5.0%	23%	1.9%	71%	0%	$1.47	$4.57
19/05/2017	$5.08	4.0	5.2%	23%	1.8%	56%	n/a	$2.24	n/a
12/09/2019	$1.85	3.4	4.0%	33%	0.9%	35%	n/a	$1.21	n/a

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

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

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

Grant date	Exercise price	Balance at 1 Jan 2019	Exercised during the year	Granted during the year	Lapsed during the year	Balance at 31 Dec 2019
02/06/2016	Nil	2,258,355	-	-	2,258,355	-
13/01/2017	Nil	12,820	-	-	12,820	-
19/05/2017	Nil	1,816,500	-	-	115,800	1,700,700
12/09/2019	Nil	-	-	29,613,245	-	29,613,245
Total		**4,087,675**	**-**	**29,613,245**	**2,386,975**	**31,313,945**

(b) Share rights

- LTI participants below the AMP Group Leadership Team may be awarded share rights as part of their overall LTI award.
- Short-term Incentive Deferral participants are nominated executives and selected senior leaders who have the ability to impact AMP's financial soundness. This requires a portion of the participant's annual short-term incentive outcome to be deferred and awarded as share rights.
- Short-term Incentive Match Plan participants were high potential employees at a senior leader level who were eligible for participation in the plan. This plan provided an award of share rights to the value of 50% of the individual's short-term incentive outcome (the plan ceased in 2017).
- Transition Incentive award was made to select participants of AMP's Group Leadership Team in the form of share rights as a transitionary award between remuneration arrangements and the finalisation of strategy.
- Enterprise Profit Share Plan supports AMP Capital's remuneration framework by aligning its strategic intent and rewarding behaviour that leads to sustainably increased profit and shareholder value. The participants are the AMP Capital Group Leadership Team whereby a portion of their annual profit share outcome is deferred into share rights.
- Deferred Bonus Equity Plan applies to selected AMP Capital participants whereby a portion of their annual short-term incentive outcome (above a specified threshold) is deferred into share rights.

Section 5: Employee disclosures

5.3 Share-based payments (continued)

(b) Share rights (continued)

Plan	Long-term Incentive Plan	Short-term incentive Deferral Plan, Short-term Incentive Match Plan and Transition Incentive award	Enterprise Profit Share Plan and Deferred Bonus Equity Plan
Overview	Share rights give the participant the right to acquire one fully paid ordinary share in AMP Limited after a specified service period. They are granted at no cost to the participant and carry no dividend or voting rights until they vest. This award may be settled through an equivalent cash payment at the discretion of the board.		
Vesting conditions/ period	AMP Group participants Continued service for three years for the 2016 grant and four years for the 2017 grant. No LTI grant was made in 2018. AMP Capital participants Continued service for three years. Some awards may also vary where the share rights are awarded as a sign-on equity award or to retain an employee for a critical period. All awards are also subject to ongoing employment, compliance with AMP policies and the board's discretion.	Short-term Incentive Deferral / Short-term Incentive Match Plan – Continued service for two years and subject to ongoing employment, compliance with AMP policies and the board's discretion. Transition Incentive award – This 2019 grant is split into two tranches with continued service for approximately one and two years respectively. These are also subject to ongoing employment, compliance with AMP policies and the board's discretion.	Enterprise Profit Share Plan For awards relating to the 2016 and 2017 performance year, the grant is split into two tranches with continued service for two and three years respectively. These are also subject to ongoing employment, compliance with AMP policies and the board's discretion. For awards relating to the 2018 performance year, share rights were granted to select participants. The award was subject to a one-year service condition, ongoing compliance with AMP policies and the board's discretion. After this period, an additional three-year non-vesting holding period is applicable to participants except for the AMP Capital Chief Executive Officer where the non-vesting holding period is a further four years. Deferred Bonus Equity Plan The grant is split into two tranches with continued service for two and three years respectively. These are also subject to ongoing employment, compliance with AMP policies and the board's discretion.
Vested awards	Vested share rights are automatically converted to shares on behalf of participants.		
Unvested awards	Unvested awards are forfeited if the participant voluntarily ceases employment or is dismissed for misconduct.		

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

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

Section 5: Employee disclosures

5.3 Share-based payments (continued)

(b) Share rights (continued)

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

Grant date	Share price	Contractual life (years)	Dividend yield	Dividend discount	Fair value
04/06/2015	$6.20	3.0	4.7%	13%	$5.39
02/06/2016	$5.54	3.0	4.7%	13%	$4.81
13/01/2017	$5.15	2.4	5.0%	11%	$4.57
13/01/2017	$5.15	1.6	5.0%	8%	$4.75
27/04/2017	$5.30	2.8	5.2%	14%	$4.57
27/04/2017	$5.30	1.8	5.2%	9%	$4.82
19/05/2017	$5.08	3.0	5.2%	13%	$4.43
19/05/2017	$5.08	4.0	5.2%	17%	$4.21
03/07/2017	$5.19	2.0	5.2%	10%	$4.68
02/04/2018	$4.99	3.0	5.7%	14%	$4.27
02/04/2018	$4.99	1.9	5.7%	10%	$4.49
02/04/2018	$4.99	2.9	5.7%	15%	$4.25
16/07/2018	$3.60	0.4	6.0%	2%	$3.52
16/07/2018	$3.60	1.1	6.0%	6%	$3.38
13/08/2018	$3.39	0.5	5.3%	3%	$3.30
13/08/2018	$3.39	1.0	5.3%	5%	$3.21
13/08/2018	$3.39	2.0	5.3%	10%	$3.05
13/08/2018	$3.39	3.0	5.3%	15%	$2.89
03/12/2018	$2.49	1.2	5.3%	6%	$2.34
03/12/2018	$2.49	2.2	5.3%	11%	$2.22
08/03/2019	$2.31	1.0	4.2%	3%	$2.24
25/03/2019	$2.15	1.0	4.2%	4%	$2.06
10/05/2019	$2.20	1.0	4.2%	-1%	$2.22
10/05/2019	$2.20	2.0	4.2%	-1%	$2.22
17/05/2019	$2.20	1.0	4.2%	0%	$2.20
17/05/2019	$2.20	1.0	4.2%	0%	$2.20
17/05/2019	$2.20	4.0	4.2%	0%	$2.19
17/05/2019	$2.20	5.0	4.2%	0%	$2.19
24/05/2019	$2.17	1.0	4.2%	3%	$2.10
13/08/2019	$1.81	1.0	4.0%	2%	$1.77
13/08/2019	$1.81	2.0	4.0%	6%	$1.70
13/08/2019	$1.81	3.0	4.0%	9%	$1.64
19/07/2019	$1.80	1.0	4.2%	2%	$1.75
19/07/2019	$1.80	2.0	4.2%	6%	$1.68
19/07/2019	$1.80	3.0	4.2%	10%	$1.61
29/07/2019	$1.83	1.0	4.2%	1%	$1.82
20/09/2019	$1.86	1.0	4.0%	4%	$1.79
20/09/2019	$1.86	2.0	4.0%	7%	$1.72

Section 5: Employee disclosures

5.3 Share-based payments (continued)

(b) Share rights (continued)

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

Grant date	Exercise price	Balance at 1 Jan 2019	Exercised during the year	Granted during the year	Lapsed during the year	Balance at 31 Dec 2019
04/06/2015	Nil	132,357	132,357	-	-	-
02/06/2016	Nil	1,549,900	1,511,782	-	38,118	-
13/01/2017	Nil	12,821	12,821		-	-
13/01/2017	Nil	8,818	8,818	-	-	-
27/04/2017	Nil	1,462,797	-	-	423,084	1,039,713
27/04/2017	Nil	1,047,811	-	-	8,907	1,038,904
19/05/2017	Nil	561,000	-	-	30,000	531,000
19/05/2017	Nil	1,066,263	-	-	26,550	1,039,713
03/07/2017	Nil	9,671	-	-	9,671	-
02/04/2018	Nil	652,546	-	-	43,182	609,364
02/04/2018	Nil	1,733,374	-	-	832,041	901,333
02/04/2018	Nil	1,076,057	-	-	12,298	1,063,759
16/07/2018	Nil	40,650	40,650	-	-	-
16/07/2018	Nil	40,650	40,650	-	-	-
13/08/2018	Nil	39,895	39,895	-	-	-
13/08/2018	Nil	53,191	53,191	-	-	-
13/08/2018	Nil	53,191	-	-	-	53,191
13/08/2018	Nil	53,191	-	-	-	53,191
03/12/2018	Nil	142,856	-	-	-	142,856
03/12/2018	Nil	142,857	-	-	-	142,857
08/03/2019	Nil	-	-	23,166	-	23,166
25/03/2019	Nil	-	-	24,261	-	24,261
01/04/2019	Nil	-	-	1,896,149	-	1,896,149
01/04/2019	Nil	-	-	485,476	-	485,476
10/05/2019	Nil	-	-	1,702,120	-	1,702,120
17/05/2019	Nil	-	-	773,997	-	773,997
24/05/2019	Nil	-	-	33,039	-	33,039
19/07/2019	Nil	-	-	144,927	-	144,927
29/07/2019	Nil	-	-	22,012	22,012	-
20/09/2019	Nil	-	-	22,099	-	22,099
Total		**9,879,896**	**1,840,164**	**5,127,246**	**1,445,863**	**11,721,115**

Section 5: Employee disclosures

5.3 Share-based payments (continued)

(c) Restricted shares

AMP Capital Enterprise Profit Share Plan
The AMP Capital Group Leadership Team is comprised of a select group of senior executives who are eligible to participate in the Enterprise Profit Share Plan. This plan was designed to support AMP Capital's remuneration framework by aligning its strategic intent and rewarding behaviour that leads to sustainably increased profit and shareholder value. It is required that 40% of the participants' profit share outcomes be deferred. From 2018, 50% of the deferred component is awarded in the form of restricted shares for participants who reside in Australia with the exception of the AMP Capital Chief Executive Officer. The objective of this was to create greater alignment with our shareholders. The equity component of this plan was granted in 2019.

Plan	Enterprise Profit Share Plan
Overview	The deferred component of the 2018 Enterprise Profit Share award was granted in the form of restricted shares. Restricted shares are fully paid ordinary shares in AMP Limited that are held in the AMP Employee Share Trust on behalf of the participant until the specified service/holding period has been met. They were granted at no cost to participants and carry the same dividend or voting rights as other fully paid ordinary shares. Any dividends paid on shares are received in the ordinary course on the dividend payment date(s).
Vesting conditions / period	The restricted shares will vest after one year and continue to be subject to a disposal restriction for an additional three-year period. Prior to each of the vesting date and the release date, the board will undertake a conduct/risk review to confirm that vesting and release of the award aligns with the conduct and risk outcomes of the AMP group.
Vested awards	On the relevant release dates, the restriction on the shares is released.
Unvested awards	Unvested awards are forfeited if the participant voluntarily ceases employment or is dismissed for misconduct.

AMP Executive Performance Incentive Plan
The Executive Performance Incentive (EPI) Plan was newly introduced for the 2018 performance year and takes a combined incentive approach, whereby a portion of the participant's annual EPI outcome is paid out in cash and the other part deferred into restricted shares. The objective of this plan is to create equity ownership across a select group of senior executives if performance objectives are met. The equity component of this plan was granted in 2019.

Plan	Executive Performance Incentive Plan
Overview	The deferred component of the Executive Performance Incentive Plan was granted in the form of restricted shares. Restricted shares are fully paid ordinary shares in AMP Limited that are held in the AMP Employee Share Trust on behalf of the participant until the specified service/holding period has been met. They were granted at no cost to participants and carry the same dividend or voting rights as other fully paid ordinary shares. Any dividends paid on shares are received in the ordinary course on the dividend payment date(s).
Vesting conditions / period	The restricted shares will vest after one year and continue to be subject to a disposal restriction for an additional three-year period. Prior to each of the vesting date and the release date, the board will undertake a conduct/risk review to confirm that vesting and release of the award aligns with the conduct and risk outcomes of the AMP group.
Vested awards	On the relevant release dates, the restriction on the shares is released. Some shares may be released early for participants who ceased employment to assist participants in managing their tax liability.
Unvested awards	Unvested awards are forfeited if the participant voluntarily ceases employment or is dismissed for misconduct.

AMP Employee Share Plan – $1,000 Share Plan
AMP has given permanent employees the opportunity to become shareholders in AMP through the launch of the AMP Employee Share Plan (AESP). All permanent employee's as at 12 December 2018 were offered a $1,000 gift of shares subject to employment on the allocation date in March 2019. These shares are subject to a restriction on sale and transfer for up to three years from the date they are allocated. Any shares acquired as a gift will be released to the participant at the end of the three-year period or when they leave employment with AMP (whichever is earlier).

For the period 1 April 2020, eligible participants may acquire $1,000 fully paid ordinary shares in AMP by sacrificing $1,000 of their 2019 short-term incentive award.

AMP Employee Share Plan - $5,000 Salary Sacrifice Plan
AMP has given permanent employees the opportunity to become shareholders in AMP through the launch of the AMP Salary Sacrifice Share Plan (SSP). All permanent employees in Australia were offered the opportunity to salary sacrifice between $2,500 to $5,000 over a 12-month period to acquire shares in AMP. AMP offered a matching contribution on a 1:5 basis, meaning that employees who opted to salary sacrifice $5,000 would receive an upfront matched allocation of $1,000 in AMP shares. The salary sacrifice and matching shares are both held in an employee share plan trust on behalf of the employees and are subject to a restriction on sale and transfer for up to three years from the date they are allocated.

Any purchased and matching shares acquired during 2019 will be released to the participant at the end of the three-year period. Any purchased shares acquired during 2020 will be released at the end of the three-year period and matching shares will be released at the end of the two-year period or when they leave employment with AMP (whichever is earlier). Matching shares are forfeited if a participant voluntarily ceases employment before the end of the three-year holding period.

Section 5: Employee disclosures

5.3 Share-based payments (continued)

(c) Restricted shares (continued)

Valuation of restricted shares and AMP Employee Share Plan
The restricted share awards are based on valuations prepared by an independent external consultant. The valuations are based on the 10-day volume weighted average share price over the 10-day trading period prior to the start of the award's valuation period. Assumptions regarding the dividend yield and volatility have been estimated based on AMP's dividend yield and volatility over an appropriate period.

For the AMP Employee Share Plan $1,000 Share Plan and $5,000 Salary Sacrifice Plan, the fair value of the shares was determined as the market price of AMP ordinary shares on the grant date. As employees holding restricted shares are entitled to dividend payments, no adjustment has been made to the fair value in respect of future dividend payments.

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

Grant date	Share price	Contractual life (years)	Vesting Date	Dividend yield	Fair value
17/05/2019	$2.20	0.8	15/02/2020	4.2%	$2.20
17/05/2019	$2.20	1.0	15/05/2020	4.2%	$2.20

The following table shows the movement in restricted shares outstanding for the period:

Grant date	Exercise price	Balance at 1 Jan 2019	Granted during the year	Released during the year	Lapsed during the year	Balance at 31 Dec 2019
14/03/2019	Nil	-	122,245	17,247	-	104,998
26/04/2019	Nil	-	29,852	3,024	864	25,964
17/05/2019	Nil	-	1,567,297	7,013	-	1,560,284
Total		**-**	**1,719,394**	**27,284**	**864**	**1,691,246**

(d) Employee share acquisition plan

The employee share acquisition plan was suspended mid-way through 2009 in Australia but continued to operate in New Zealand until September 2019. This legacy share plan was subsequently closed in September 2019 after all participation ceased and no further tax deferrals were available to employees.

Accounting policy – recognition and measurement

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

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

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

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

Section 6: Group entities

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

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

6.1 Controlled entities

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

Operating entities	Country of		%holdings	
Name of entity	registration	Share type	2019	2018
AMP AAPH Limited	Australia	Ord	100	100
AMP Advice Holdings Pty Ltd	Australia	Ord	100	100
AMP Capital Funds Management Limited	Australia	Ord	85	85
AMP Capital Holdings Limited	Australia	Ord	85	85
AMP Capital Investors (New Zealand) Limited	New Zealand	Ord	85	85
AMP Capital Investors Limited	Australia	Ord	85	85
AMP Capital Office and Industrial Pty Limited	Australia	Ord	85	85
AMP Capital Shopping Centres Pty Limited	Australia	Ord	85	85
AMP Financial Planning Pty Limited	Australia	Ord	100	100
AMP Group Finance Services Limited	Australia	Ord	100	100
AMP Group Holdings Limited	Australia	Ord A	100	100
AMP Life Limited	Australia	Ord	100	100
AMP Services (NZ) Limited	New Zealand	Ord	100	100
AMP Services Limited	Australia	Ord A	100	100
AMP Superannuation Limited	Australia	Ord	100	100
AMP Wealth Management New Zealand Limited	New Zealand	Ord	100	100
Hillross Financial Services Limited	Australia	Ord	100	100
ipac Group Services Pty Ltd	Australia	Ord	100	100
AMP Life Services Pty Ltd	Australia	Ord	100	n/a
AMP Wealth Management Holdings Pty Ltd	Australia	Ord	100	n/a
NM Superannuation Pty Ltd	Australia	Ord	100	100
National Mutual Funds Management (Global) Limited	Australia	Ord	100	100
National Mutual Funds Management Ltd	Australia	Ord	100	100
National Mutual Life Nominees Pty Limited	Australia	Ord	100	100
NMMT Limited	Australia	Ord	100	100
The National Mutual Life Association of Australasia Limited	Australia	Ord	100	100

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

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

Section 6: Group entities

6.1 Controlled entities (continued)

Critical accounting estimates and judgements:

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

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

6.2 Acquisitions and disposals of controlled entities

(a) Acquisitions and disposals of controlled operating entities

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

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

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

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

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

Section 6: Group entities

6.3 Investments in associates

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

Associate	Principal activity	Place of business	Ownership interest 2019 %	Ownership interest 2018 %	Carrying amount[1] 2019 $m	Carrying amount[1] 2018 $m
China Life Pension Company[2]	Pension company	China	**19.99**	19.99	**325**	305
AIMS AMP Capital Industrial REIT[3]	Industrial property trust	Singapore	**-**	10	**-**	101
China Life AMP Asset Management Company Ltd	Investment management	China	**15**	15	**53**	49
Global Infrastructure Fund Sponsor[4]	Fund	Cayman Islands	**5**	5	**101**	98
Global Infrastructure Fund II[4]	Fund	Cayman Islands	**5**	5	**124**	81
PCCP LLC[2]	Investment management	United States	**24.9**	24.9	**144**	145
Other (individually immaterial associates)			**n/a**	n/a	**104**	145
Total investments in associates accounted for using the equity method					**851**	924

1 The carrying amount is after recognising $72m (2018: $42m) share of current period profit or loss of associates accounted for using the equity method.

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

3 This has been disposed during the year and all proceeds w ere received.

4 Entities w ithin the AMPGH group have been appointed investment manager, therefore the group is considered to have significant influence.

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

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

Accounting Policy – recognition and measurement

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

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

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

Section 6: Group entities

6.4 Parent entity information

	2019 $m	2018 $m
(a) Statement of comprehensive income - AMP Group Holdings Limited entity		
Dividends and interest from controlled entities[1]	**49**	155
Other operating income	**2**	-
Other operating expense	**(86)**	-
Impairment of investments in controlled entities	**(2,302)**	-
Income tax credit	**25**	-
Loss for the year	**(2,312)**	155
Total comprehensive loss for the year	**(2,312)**	155
(b) Statement of financial position - AMP Group Holdings Limited entity		
Current assets		
Receivables	**49**	-
Non-current assets		
Investments in controlled entities	**6,619**	8,821
Deferred tax assets	**26**	-
Total assets	**6,694**	8,821
Current liabilities		
Payables	**824**	725
AMP Bank indemnity	**86**	-
Total liabilities	**910**	725
Net assets	**5,784**	8,096
Equity		
Contributed equity	**7,941**	7,941
Retained earnings	**(2,157)**	155
Total equity	**5,784**	8,096

1 Dividend income from controlled entities $49m (2018: $155m) is not assessable for tax purposes.

(c) Contingent liabilities of the AMP Group Holdings Limited entity

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

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

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

Section 7: Other disclosures

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

- 7.1 Notes to Consolidated statement of cash flows
- 7.2 Commitments
- 7.3 Provisions and contingent liabilities
- 7.4 Auditors' remuneration
- 7.5 New accounting standards
- 7.6 Events occurring after reporting date

7.1 Notes to Consolidated statement of cash flows

(a) Reconciliation of cash flow from operating activities

	2019 $m	2018 $m
Net (loss) profit after income tax	**(2,584)**	(161)
Depreciation of operating assets	**74**	22
Amortisation and impairment of intangibles	**2,546**	239
Investment gains and losses and movements in external unitholders' liabilities	**(7,480)**	8,299
Dividend and distribution income reinvested	**(4,179)**	(5,502)
Share-based payments	**1**	6
Increase in receivables, intangibles and other assets	**(560)**	(572)
Increase (decrease) in net policy liabilities	**3,315**	(6,769)
Increase (decrease) in income tax balances	**315**	(930)
Increase in other payables and provisions	**884**	482
Cash flows used in operating activities	**(7,668)**	(4,886)

(b) Reconciliation of cash

	2019 $m	2018 $m
Comprises:		
Cash and cash equivalents	**5,709**	5,850
Short-term bills and notes (included in Debt securities)	**3,643**	3,450
Cash and cash equivalents for the purpose of the Statement of cash flows	**9,352**	9,300

Accounting policy – recognition and measurement

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

Section 7: Other disclosures

7.2 Commitments

(a) Commitments for leases not yet commenced

The future lease payments for which the group is committed but the leases have not yet commenced as at 31 December 2019 are $748m (2018: $819m). Lease commitments do not include non-lease components per AMP's accounting policy based on AASB 16 Leases.

(b) Buy-back arrangements

AMPGH has contractual arrangements with financial advice businesses in the AMP advice network to purchase their client registers at agreed values subject to certain conditions being met. These buy-back arrangements include arrangements known as Buyer of Last Resort (BOLR). Advice businesses must register their intention to invoke buy-back arrangements, which have six to 18-month lead times and are subject to audit prior to finalising the purchase price. The pipeline of buy-back arrangements where an intention to invoke has been registered is $235m (2018: $163m), $228m of which relates to arrangements expected to settle in the next 12 months. The commitment value has been disclosed as the unaudited value as advised by the advice businesses. AMPGH's experience is that the ultimate purchase price after audit is typically less than the initially advised value and not all of the buy-backs progress to completion. Over the 12 months ended 31 December 2019, $98m was paid for executed buy-back arrangements.

Where a notice of intention to invoke the buy-back arrangement has been received as at 31 December 2019 and AMPGH has concluded that the purchase price of the register exceeds the value of the client register to AMPGH, or where on-going service arrangements would be unable to be serviced or sold, a provision has been raised for the difference. Refer to note 7.3 for further details.

(c) Investment commitment

At 31 December 2019 AMP Capital Finance Limited, a controlled entity of AMPGH group, had uncalled investment commitments of $417m (2018: $265m) in relation to certain funds managed by AMP Capital. Subsequent to the reporting date, $103m of this committed capital was invested by AMP Capital Finance Limited into AMP Capital managed funds.

7.3 Provisions and contingent liabilities

	2019 $m	2018 $m
(a) Provisions		
Restructuring[1]	**27**	19
Customer remediation	**652**	656
Buy-back arrangements	**116**	27
Other[2]	**177**	127
Total provisions	**972**	829

	Restructuring[1] $m	Customer remediation $m	Buy-back arrangements	Other[2] $m	Total $m
(b) Movements in provisions					
Balance at the beginning of the year	**19**	**656**	**27**	**127**	**829**
Additional provisions made during the year	**19**	**217**	**118**	**137**	**491**
Provisions used during the year	**(11)**	**(221)**	**(29)**	**(87)**	**(348)**
Balance at the end of the year	**27**	**652**	**116**	**177**	**972**

1 Restructuring provisions are recognised in respect of programs that materially change the scope of the business or the manner in which the business is conducted.
2 Other provisions are in respect of probable outgoings on client remediation projects and various other operational provisions. $24m (2018: $25m) is expected to be settled more than 12 months from the reporting date.

Accounting policy – recognition and measurement

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

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

A contingent liability is disclosed where a legal or constructive obligation is possible, but not probable or where the obligation is probable, but the financial impact of the event is unable to be reliably estimated.

Section 7: Other disclosures

7.3 Provisions and contingent liabilities (continued)

Critical accounting estimates and judgements:

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

From time to time, the AMPGH group may incur obligations arising from litigation or various types of contracts entered into in the normal course of business, including guarantees issued by the parent for performance obligations to controlled entities in the AMPGH group. Legal proceedings threatened against the AMPGH group may also, if filed, result in the AMPGH group incurring obligations or suffering financial loss. A contingent liability exists in relation to actual and likely potential legal proceedings.

Where it is determined that the disclosure of information in relation to a contingent liability can be expected to seriously prejudice the position of the AMPGH group (or its insurers) in a dispute, accounting standards allow the AMPGH group not to disclose such information. It is the AMPGH group's policy that such information is not disclosed in this note.

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

AMPGH is undertaking additional reviews concurrently with these regulatory investigations to determine, amongst other things, where clients may have been disadvantaged. In some instances, compensation has been paid and where the results of our reviews have reached the point that customer compensation is likely and can be reliably estimated then a provision has been raised.

Client remediation
AMPGH is progressing with its customer review and remediation programs which are seeking to identify and compensate clients who have suffered loss or detriment as a result of either:

- inappropriate advice from their adviser; or
- where clients have been charged an advice service fee without the provision of financial advice services (or insufficient evidence of the provision of financial services.

Provisions have been raised for both of these items, inclusive of the costs to perform the review and implement the remediation process. The measurement of provisions is based on assumptions used to estimate the customer remediation payments, including evidence failure rates and compensation amounts, which require significant judgement. As the review progresses, additional information may arise or further issues may be identified, which could have a significant impact on the final compensation and the costs of the programs. Consequently, the total costs associated with this matter remain uncertain.

Provisions for client remediation do not include amounts for potential recoveries from advisers and insurers.

Inappropriate advice
AMPGH continues to progress with the identification and compensation of clients who have suffered loss or detriment as a result of receiving inappropriate advice from their adviser. The scope of the review includes the period from 1 January 2009 to 30 June 2015 specified by ASIC in Report 515 Financial advice: Review of how large institutions oversee their advisers. AMPGH has extended its review to 30 June 2017. The provision also includes any instances of inappropriate advice identified through ongoing monitoring and supervision activities.

Compensation has been and continues to be paid and a provision exists for further compensation payable as the review progresses and client reviews are completed. AMPGH has adjusted its provision estimate for future compensation based on the actual experience of remediating clients and the expected future costs of operating the program. The provision includes a component for advisers for whom a remediation review has not yet commenced and the determination of compensation for any given client is not known with certainty until immediately prior to payment.

Advice service fee (fees for no service)
AMPGH has progressed on the identification and compensation of clients of advisers who have been charged an ongoing service fee without the provision of financial advice services (or where there is insufficient evidence of the provision of financial advice services). This involves a large-scale review of fee arrangements from 1 July 2008 as specified by ASIC in Report 499 Financial advice: Fees for no service. Sampling of customer files has been conducted across AMP licensees and has identified instances in the review period where clients have paid fees and there is insufficient evidence to support that the associated service had been performed. In such instances, clients have been remediated.

AMPGH has developed a process for client review and remediation, which on current estimates is expected to finish mid-2021. AMPGH has made significant progress in the execution of the remediation program, including agreeing major policies with ASIC. Throughout the program AMPGH continues to engage with ASIC on its progress and approach.

Section 7: Other disclosures

7.3 Provisions and contingent liabilities (continued)

The provision for advice service fee client compensation and the future costs of executing the remediation program is judgemental and has been estimated using multiple assumptions derived from the sampling conducted to date. Assumptions used include evidence failure rates, average fees to be refunded and compensation for lost earnings.

Other matters
In addition to the above items, other reviews in relation to fees charged to clients have been performed during the year, including corporate plan service fees, fees charged to clients without an active adviser and deceased estates. Those reviews are largely complete. Where the reviews have identified instances of clients having suffered loss or detriment, compensation has been paid. As at 31 December 2019, provisions of $22m have been raised for the estimated remaining compensation due to clients, including lost earnings, for these matters. The provisions are judgemental and the actual compensation to clients could vary from the amounts provided.

Buy-back arrangements

AMPGH has contractual arrangements with financial advice businesses in the aligned AMP advice network to purchase their client registers at agreed multiples to revenues subject to certain conditions being met. These buy-back arrangements include arrangements known as Buyer of Last Resort (BOLR). Advice businesses must register their intention to invoke buy-back arrangements, which have six to 18-month lead times and are subject to audit prior to finalising the purchase price. Client registers are either acquired outright by AMPGH or AMPGH facilitates a sale to an existing business within the aligned AMP advice network. The BOLR Master Terms and other buyback arrangements were modified on 8 August 2019.

Where a notice of intention to invoke the buy-back arrangement has been received as at 31 December 2019 and AMPGH has concluded that the purchase price of the register exceeds the value of the client register to AMPGH, or where on going service arrangements would be unable to be serviced or sold, a provision has been raised for the difference. The provision is judgemental and the actual loss incurred upon settlement of the arrangement may vary significantly from the provision.

A contingent liability exists in relation to buy-back arrangements where a notice of intention could occur in future periods.

Litigation

Shareholder class actions
During May and June 2018, AMP Limited was served with five competing shareholder class actions, one filed in the Supreme Court of NSW and the others filed in the Federal Court of Australia. The actions follow the financial advice hearing block in the Royal Commission in April 2018 and allege breaches by AMP Limited of its continuous disclosure obligations. Each action is on behalf of shareholders who acquired an interest in AMP Limited shares over a specified time period. The claims are yet to be quantified and participation has not been determined. Subsequently, the four proceedings commenced in the Federal Court of Australia were transferred to the Supreme Court of NSW. The Supreme Court of NSW determined that a consolidated class action (of two of the class actions) should continue, and the other three proceedings were permanently stayed. An appeal against that decision was filed by one of the unsuccessful plaintiffs, and that appeal was subsequently dismissed (a further application for leave to appeal has been filed in the High Court of Australia). AMP Limited has filed its defence to the proceedings. Currently it is not possible to determine the ultimate impact of these claims, if any, upon AMP. AMP Limited is vigorously defending these actions.

Superannuation class actions
During May and June 2019, certain subsidiaries of AMPGH group were served with two class actions, both filed in the Federal Court of Australia. The first of those class actions relates to the fees charged to members of certain of AMP superannuation funds. The second of those actions relate to the fees charged to members, and interest rates received and fees charged on cash-only fund options. The two proceedings were brought on behalf of certain superannuation members and their beneficiaries. Subsequently, the Federal Court ordered that the two proceedings be consolidated into one class action, a consolidated claim was filed and defences were filed on behalf of the respondent subsidiaries. The claims are yet to be quantified and participation has not been determined. Currently, it is not possible to determine the ultimate impact of these claims, if any, upon AMP. The proceedings are being vigorously defended.

Section 7: Other disclosures

7.4 Auditors' remuneration

	2019 $'000	2018 $'000
AMP Group Holdings Limited and other corporate entities in the consolidated group		
Audit services		
Audit or review of financial statements	**6,484**	5,950
Other audit services[1]	**1,276**	1,034
Total audit service fees	**7,760**	6,984
Non-audit services		
Taxation services	**499**	766
Other services[2]	**1,063**	976
Total non-audit services fees	**1,562**	1,742
Total auditors' remuneration for AMP Group Holdings Limited and other corporate entities	**9,322**	8,726
Managed Investment Schemes and Superannuation Funds		
Audit services		
Audit or review of financial statements	**8,005**	7,696
Other audit services[1]	**452**	371
Total audit service fees	**8,457**	8,067
Non-audit services		
Taxation services	**45**	274
Other services[3]	**173**	280
Total non-audit services fees	**218**	554
Total auditors' remuneration for managed investment schemes and superannuation funds	**8,675**	8,621
Total auditors' remuneration	**17,997**	17,347

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

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

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

Section 7: Other disclosures

7.5 New accounting standards

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

A number of new accounting standards and amendments have been adopted effective 1 January 2019. These have not had a material effect on the financial position or performance of the AMPGH group other than as described below.

AASB 16 *Leases*
AASB 16 *Leases* (AASB 16) became effective for periods beginning on 1 January 2019. AASB 16 requires lessees to recognise most leases on balance sheet as lease liabilities, with corresponding right of use assets being recognised. Lessees have the option not to recognise certain type of leases such as 'short-term' leases.

The AMPGH group has applied the 'modified retrospective' method in adopting AASB 16 without restating the comparative information for 2018 as permitted by the transitional provisions of the standard. The adoption of the modified retrospective approach resulted in recognition of the cumulative effect of the initial adjustment to retained earnings, for certain leases, as at 1 January 2019.

The following table identifies the impacts of the adoption of AASB 16 on the Consolidated statement of financial position and equity balances as at 1 January 2019:

	Right of use assets	Lease liabilities[1]	Retained earnings (net of tax)	Tax impact	Total equity
	$m	$m	$m	$m	$m
Balance at 31 December 2018	-	-	(724)	-	**5,663**
Adoption of AASB 16	199	(209)	(7)	3	**(7)**
Balance at 1 January 2019	**199**	**(209)**	**(731)**	**3**	**5,656**

1 These do not include commitments to enter leases which have not yet commenced.

Opening balance reconciliation:
The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

	$m
Lease commitments at 31 December 2018 (undiscounted)	1,241
Lease commitments not commenced at 1 January 2019	(966)
Short-term leases	(13)
Discounting impact	(27)
Non-lease components and other items[1]	(26)
Opening lease liabilities at 1 January 2019	**209**

1 Non-lease components are incorporated within the opening lease commitments but are excluded from lease liabilities.

Accounting policy – recognition and measurement

At inception, the AMPGH group assesses whether a contract is or contains a lease. Such assessment involves the application of judgement as to whether:

- the contract involves the use of an identified asset;
- the AMPGH group obtains substantially all the economic benefits from the asset; and
- the AMPGH group has the right to direct the use of the asset.

It is AMPGH's policy to separate non-lease components when recognising the lease liability.

The group recognises a right of use (ROU) asset and a lease liability at the lease commencement date. The ROU asset is initially measured as the present value of future lease payments, plus initial direct costs and restoration costs of the underlying asset, less any lease incentives received. The ROU asset is depreciated over the shorter of the lease term and the useful life of the underlying asset. The ROU asset is tested for impairment if there is an indicator, and is adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of future lease payments discounted using the group's incremental borrowing rate. Lease payments generally include fixed payments and variable payments that depend on an index, e.g. CPI. A lease liability is remeasured when there is a change in future lease payments from a change in an index, or if the group's assessment of whether an option will be exercised changes.

Interest expense on lease liabilities is recognised within finance costs in the Consolidated income statement.

Section 7: Other disclosures

7.5 New accounting standards (continued)

The AMPGH group has elected not to recognise ROU assets and lease liabilities for leases where the lease term is less than or equal to 12 months. Payments for such leases are recognised as an expense on a straight-line basis over the lease term.

Right of use assets:
The main type of ROU asset recognised by the AMPGH group is buildings. The following table details the carrying amount of the ROU assets at 31 December 2019 and the movements during the year.

	Buildings $m	Total $m
Upon adoption of AASB 16 at 1 January 2019	199	199
Net additions during the year	96	96
Depreciation expense	(50)	(50)
Closing balance at 31 December 2019	**245**	**245**

Lease liabilities:
The following table details the carrying amount of lease liabilities at 1 January 2019 and the movements during the year.

	$m
Upon adoption of AASB 16 at 1 January 2019	209
Net additions during the year	100
Interest expense	10
Payments made	(53)
Closing balance at 31 December 2019	**266**

The AMPGH group paid an amount of $13m in relation to short-term leases and $1m in relation to variable lease payments. The total cash outflow for leases in 2019 was $67m.

AASB Interpretation 23 *Uncertainty over Income Tax Treatments*
AASB Interpretation 23 *Uncertainty over Income Tax Treatments* clarifies the application of the recognition and measurement criteria in AASB 112 *Income Taxes* when there is uncertainty over income tax treatments. The Interpretation specifically addresses whether an entity considers uncertain tax treatments separately, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and how an entity considers changes in facts and circumstances.

The AMPGH group adopted the interpretation on 1 January 2019. Upon adoption, the AMPGH group assessed whether it has any uncertain tax positions. The adoption of this interpretation did not have a material impact on the AMPGH group.

b) New accounting standards issued but not yet effective

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

AASB 17 *Insurance Contracts*
AASB 17 *Insurance Contracts* (AASB 17) introduces significant changes to accounting for life insurance contracts and the reporting and disclosures in relation to those contracts. AASB 17 does not change the underlying economics or cash flows of the life insurance business, however, there will be significant changes to the measurement of insurance contract liabilities including the amount of deferred acquisition costs and the profit emergence profiles from life insurance contracts.

Since the standard was issued, various implementation matters have been raised by stakeholders and the International Accounting Standards Board (IASB) is currently considering certain targeted amendments to the standard. The IASB proposes to announce resolution of any amendments later in 2020.

As it currently stands, the mandatory adoption date is 1 January 2021. However, However, the IASB has agreed to a defer the effective date for adoption of the new standard to financial reporting periods beginning on 1 January 2023.

In addition to the financial reporting impacts, regulators are considering their response to the new standard which may lead to changes in the determination of capital requirements, income tax and prudential reporting.

Due to the complexities of the requirements, evolving interpretations and the potential changes to the original standard, it is not yet practicable to quantify the financial impact on the AMPGH group's life insurance business. In some cases, the final impact of the new requirements will not be determined until any amendments, interpretations and regulatory responses to the new standard are determined. The AMPGH group is continuing to develop its implementation plans for the adoption of AASB 17.

Section 7: Other disclosures

7.6 Events occurring after reporting date

Following 31 December 2019, COVID-19 outbreak has caused disruption to the global economy including financial markets. The disruption does not impact the value of the assets as at 31 December 2019 as it is a non-adjusting event. However, it is expected to impact the future revenues of the AMPGH group as well as the assets. As at the date of this report, the impact cannot be quantified as the extent and duration of the economic disruption is unknown.

Following 31 December 2019, AMP Life Limited, a wholly owned subsidiary of the AMP Group Holdings Limited, completed the sale of its 19.99% interest in China Life Pension Company Limited (CLPC) to AMP Limited for a total cash consideration of $325m. The sale was approved by China Banking and Insurance Regulatory Commission (CBIRC) on 15 January 2020 and the transaction was completed subsequently. Upon completion of the sale transaction, the financial effects have been reflected in the accounting records in February 2020.

On 27 June 2018, ASIC brought civil penalty proceedings against AMP Financial Planning Pty Limited (AMPFP), a wholly owned subsidiary of AMP Limited, alleging contraventions of the *Corporations Act 2001* by AMPFP relating to the alleged conduct of certain of its authorised financial advisers over the period of 2013 to 2015 in providing advice to clients in relation to the replacement of life insurance policies by cancellation and new application rather than by transfer.

On 5 February 2020, the Federal Court of Australia determined there were six contraventions and that a civil penalty of $5.175 million should be imposed, with formal orders to give effect to the penalty to follow in due course. AMP acknowledges the Federal Court's decision and the penalty amount has been included as a provision within the financial statements.

On 3 March 2020 the AMPGH group issued CHF175.0m Senior Unsecured Fixed Rate Bonds under its US Medium Term Note Programme. The bonds are listed on the SIX Swiss Exchange and mature 3 June 2024.

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

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

Directors' declaration

for the year ended 31 December 2019

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

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

(b) in the opinion of the directors, the financial statements and notes of AMP Group Holdings Limited and the consolidated entity for the financial year ended 31 December 2019 are in accordance with the *Corporations Act 2001*, including section 296 (compliance with accounting standards) and section 297 (true and fair view); and

(c) the notes to the financial statements of AMP Group Holdings Limited and the consolidated entity for the financial year ended 31 December 2019 include an explicit and unreserved statement of compliance with the International Financial Reporting Standards.

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Director

Sydney, 17 April 2020

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

Opinion

We have audited the financial report of AMP Group Holdings Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance for the year ended on that date; and

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Emphasis of Matter: Subsequent Event – Impact of COVID-19

We draw attention to Note 7.6 of the financial report which notes the World Health Organisation's declaration of the outbreak of COVID-19 as a global pandemic subsequent to 31 December 2019 and how this has been considered by the Directors in the preparation of the financial report. As set out in Note 7.6, no adjustments have been made to financial statements as at 31 December 2019 for the impacts of COVID-19. Our opinion is not modified in respect of this matter.

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

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

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

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

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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

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

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

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

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

Ernst & Young

Ernst & Young

Andrew Price
Partner
Sydney
17 April 2020