AMP Group Holdings Limited

ABN 88 079 804 676

Directors' report and Financial report for the half year ended 30 June 2020

DIRECTORS' REPORT

For the half year ended 30 June 2020

Your directors present their report on the consolidated entity consisting of AMP Group Holdings Limited and the entities it controlled at the end of or during the half year ended 30 June 2020.

Directors' details

The directors of the AMP Group Holdings Limited during the half year ended 30 June 2020 and up to the date of this report are shown below. Directors were in office for this entire period except where stated otherwise:

- James Georgeson (Chairman)
- Jason Bounassif
- John O'Farrell

Operating and financial review

AMP Group Holdings Limited (AMPGH group or AMPGH) 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 Bank is wholly owned by AMP group and is not part of the AMPGH group. However, AMPGH provides an unconditional and irrevocable guarantee over AMP Bank Limited.

Principal activities

The AMPGH group is a wealth management company with an expanding international investment management business.

We provide retail clients with financial advice and superannuation, retirement income and investment products. AMPGH 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 infrastructure, real estate, equities, fixed interest, diversified and multi-manager and multi-asset funds, for domestic and international clients. AMP Capital also provides commercial, industrial and retail real estate management services.

AMP Capital holds a 24.9% stake in US real estate investment manager, PCCP LLC, and a 15.0% stake in China Life AMP, 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 (CLPC).

Post balance date, AMP entered into a binding agreement to repurchase Mitsubishi UFJ Trust and Banking Corporation's (MUTB) 15% shareholding in AMP Capital. The amount payable under the purchase agreement is total cash consideration of $460 million, comprising $451m cash and MUTB's $9m share of dividends declared by AMP Capital. The transaction will be funded from AMP Limited's existing capital reserves and is expected to complete in Q3 2020, subject to receipt of required approvals. At transaction completion, the existing business and capital alliances between MUTB, AMP Limited and AMP Capital will end. However, AMP Capital and MUTB will continue to cooperate strategically, building on their mutually beneficial business relationship in Japan with AMP Capital continuing to deliver its investment products through MUTB's network. MUTB will no longer have a representative on the AMP Capital Board.

Following the sale of Australian and New Zealand wealth protection and mature businesses, AMP now holds $500 million equity interest in Resolution Life NOHC Pty Ltd.

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

Australian wealth management provides financial advice services (through aligned and owned advice businesses), platform administration (including SMSF), unit linked superannuation, retirement income and managed investment products.

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.

AMP Capital is a diversified investment manager across major asset classes including infrastructure, real estate, equities, fixed interest, diversified and multi-manager and multi-asset funds. AMP Capital's aspiration is to build the best global private markets platform in the world, underpinned by real assets while at the same time continue to grow in select differentiated capabilities in public markets.

COVID-19 Impacts

- AMP's earnings have been materially impacted by market volatility in Australian wealth management, AMP Capital and New Zealand wealth management and the unrealised devaluation of equity and real asset sponsor investments in AMP Capital ($16 million).
- AMP has prioritised servicing clients throughout the pandemic, which has resulted in additional servicing costs as well as impacted the pace of investment spend, including the cost reduction program. AMP remains committed to delivering $300 million of annual run-rate cost savings and its transformation investment of $1.0 billion to $1.3 billion by FY 22.

Sale of Australian and New Zealand wealth protection and mature businesses

On 1 July 2020, AMP announced the completion of the sale of the Australian and New Zealand wealth protection and mature businesses to Resolution Life Australia Pty Ltd (Resolution).

The gross sale proceeds were $3.0 billion comprising:

- $2.5 billion cash; and
- $500 million equity interest in Resolution Life NOHC Pty Ltd (Resolution Life Australia), a new Australian-domiciled, Resolution-controlled holding company that is now the owner of the Australian and New Zealand wealth protection and mature businesses.

Resolution Life was on risk for all experience and lapse losses from 1 July 2018 until 30 June 2020 and is entitled to all Australian and New Zealand wealth protection and mature businesses net earnings during that period. The sale was completed on 30 June 2020. AMP has continued to report the results of Australian and New Zealand wealth protection and mature businesses through to 30 June 2020. Impacts to the capital position are broadly in line with estimates provided previously, other than an unexpected variation to Australian and New Zealand wealth protection and mature businesses' net asset position due to the unprecedented impacts of COVID-19 and the impact of additional provisions for contractual obligations, which reduced net proceeds by $87 million and $93 million, respectively.

In accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*, the results (but not the assets and liabilities) of the Australian and New Zealand wealth protection and mature businesses are consolidated in the 1H 20 AMP Limited half year financial report.

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 FY 20.

Total program spend to date is $328 million with $64 million paid in 1H 20[1]. An additional provision of $15 million in 1H 20 primarily relates to recognition of additional lost earnings. Overall remediation costs remain broadly in line with original estimate provided in November 2018.

Strategy and prospects

On 8 August 2019, AMP announced its three-year strategic plan. A progress update on its strategic priorities to transform the business into a simpler, client-led, growth-oriented business is as follows:

Simplify portfolio

- Sale of Australian and New Zealand wealth protection and mature businesses:
  - Successfully completed transaction on 30 June 2020.
  - AMP maintains 20% equity holding in Resolution Life Australia.
- New Zealand wealth management:
  - In May 2020, AMP announced its decision to retain New Zealand wealth management in order to preserve and maximise shareholder value.

Reinvent wealth management in Australia

- Reshape advice:
  - In 1H 20, progress continued on reshaping aligned adviser network to be more professional, compliant and productive.
  - Advice reshape delivered to plan in 1H 20 with rehoming of clients to new practices.
  - Ceased majority of grandfathered commissions in 1H 20 with all benefits returned to clients; remainder to cease in 2H 20 ahead of 1 January 2021 legislative requirement.
- Build best-in-class retail super business:
  - Completed phase one of simplification in parallel with completion of Australian and New Zealand wealth protection and mature businesses transaction; reduced approximately 70 superannuation products to 11 with further consolidation to six to be completed in FY 21.
  - Implemented a super executive accountability regime, improving governance and management responsibility.
- Grow successful platform business:
  - Proactive focus on growing cashflows from external financial advisers.
  - Deployed updates in 1H 20 to deliver new benefits to advisers and clients, including the launch of a first-to-market sustainable investment portfolio.
  - In 2H 20, focus remains on continued improvement to platform features and capability, including new functionality to improve adviser efficiency.

[1] Payments include client payments and program costs.

AMP Capital: grow successful asset management franchise

- New strategy launched to reposition AMP Capital for next phase of growth:
  - Build world-leading private markets business, leveraging strong expertise and track record in real assets.
  - Build distribution powerhouse to expand AMP Capital's capabilities in key international growth markets, develop client base in existing markets and increase cross-sell and wider platform partnerships.
  - Support continued success of global infrastructure and Australian real estate platform, and grow the business through new opportunities in adjacent private markets strategies.
  - Refocus public markets business to support strategic partners and explore opportunities to scale the business and accelerate growth.

- MUTB shareholding repurchase:
  - AMP have entered into an agreement to repurchase MUTB's 15% shareholding in AMP Capital.
  - The transaction, completed on 1 September 2020, provides AMP Capital with strategic flexibility and ability to drive growth.
  - AMP Capital and MUTB will continue to cooperate strategically, building on their mutually beneficial business relationship in Japan, with AMP Capital continuing to deliver its investment products through MUTB's network.

Review of operations and results

The profit attributable to shareholders of AMPGH for the half year ended 30 June 2020 was $138 million (1H 19: loss of $2,351 million).

Capital management

Equity and reserves of the AMPGH group attributable to shareholders of AMPGH increased to $3.7 billion at 30 June 2020 from $2.6 billion at 31 December 2019.

Events occurring after reporting date

On 11 August 2020, AMPGH has announced a payment of a dividend of $345m to its sole shareholder, AMP Limited.

On 13 August 2020, AMP announced a binding agreement to repurchase Mitsubishi UFJ Trust and Banking Corporation's (MUTB) 15% shareholding in AMP Capital. The amount payable under the purchase agreement is total cash consideration of $460 million, comprising $451m cash and MUTB's $9m share of dividends declared by AMP Capital on 5 August 2020. The transaction was completed on 1 September 2020 and was funded by AMP Limited's existing capital reserves. The business and capital alliances between MUTB, AMP Limited and AMP Capital have ended and MUTB no longer has a representative on the AMP Capital Board.

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

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 to the nearest million Australian dollars, unless stated otherwise.

Signed in accordance with a resolution of the directors.

Director

Sydney, 9 September 2020

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

As lead auditor for the review of the half-year financial report of AMP Group Holdings Limited for the half-year ended 30 June 2020, 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 review; and

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

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

Ernst & Young

Ernst & Young

Andrew Price
Partner
Sydney
9 September 2020

AMP GROUP HOLDINGS LIMITED
ABN 88 079 804 676
HALF YEAR FINANCIAL REPORT
30 JUNE 2020

Contents

Registered office:
33 Alfred Street
Sydney NSW 2000 Australia

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

Consolidated income statement

for the half year ended 30 June 2020

	Note	30 Jun 2020[1] $m	30 Jun 2019[1] $m
Fee revenue		**1,507**	1,528
Other revenue		**76**	65
Interest income, dividends and distributions and net gains or losses on financial assets and liabilities at fair value through profit or loss		**51**	(29)
Interest income earned using the effective interest method		**9**	10
Share of profit or loss of associates accounted for using the equity method		**13**	39
Fees and commission expenses		**(624)**	(661)
Staff and related expenses		**(565)**	(545)
Impairment of goodwill and other intangibles	3.2	**(2)**	(1,813)
Other operating expenses		**(325)**	(653)
Finance costs		**(5)**	(41)
Movement in North Guarantee liabilities		**(78)**	(4)
Income tax credit	2.1	**18**	143
Profit (loss) for the period from continuing operations		**75**	(1,961)
Profit (loss) for the period from discontinued operations	5.2	**83**	(361)
Profit (loss) attributable to shareholders of AMP Group Holdings Limited[2]		**138**	(2,351)
Profit attributable to non-controlling interests		**20**	29
Profit (loss) for the period		**158**	(2,322)

1 Information has been presented on a continuing operations basis, including the restatement of the results for the period ended 30 June 2019.

2 Profit (loss) attributable to shareholders of AMPGH is comprised of $55m (HY19: $1,990m loss) from continuing operations and $83m profit (HY19: $361m loss) from discontinued operations.

Consolidated statement of comprehensive income

for the half year ended 30 June 2020

	30 Jun 2020[1] $m	30 Jun 2019[1] $m
Profit (loss) for the period from continuing operations	75	(1,961)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges		
- net gain on cash flow hedges	6	-
- tax effect on cash flow hedge gain	(2)	-
- net amount transferred to profit or loss for the period	(30)	-
- tax effect on amount transferred to profit or loss for the period	9	-
	(17)	-
Translation of foreign operations and revaluation of hedge of net investments		
- losses recognised on translation of foreign operations and revaluation of hedge of net investments	(15)	9
- net amount transferred to profit or loss for the period	(9)	-
	(24)	9
Items that will not be reclassified subsequently to profit or loss		
Defined benefit plans		
- actuarial (losses) gains	(35)	(40)
- tax effect on actuarial gains or losses	11	12
	(24)	(28)
Other comprehensive loss for the period from continuing operations	(65)	(19)
Total comprehensive income (loss) for the period from continuing operations	10	(1,980)
Profit (loss) for the period from discontinued operations	83	(361)
Other comprehensive loss for the period from discontinued operations	(96)	(3)
Total comprehensive income (loss) for the period	(3)	(2,344)
Total comprehensive loss attributable to shareholders of AMP Group Holdings Limited	(23)	(2,373)
Total comprehensive income attributable to non-controlling interests	20	29
Total comprehensive income (loss) for the period	(3)	(2,344)

1 Information has been presented on a continuing operations basis, including the restatement of the results for the period ended 30 June 2019.

Consolidated statement of financial position

as at 30 June 2020

	Note	Consolidated 30 Jun 2020 $m	Consolidated 31 Dec 2019 $m
Assets			
Cash and cash equivalents		**2,641**	5,709
Receivables		**684**	2,403
Intercompany tax receivable		**390**	637
Current tax assets		**17**	37
Planner registers held for sale and prepayments		**91**	72
Investments in financial assets	3.1	**2,453**	112,667
Investment properties		**-**	161
Investments in associates accounted for using the equity method		**1,035**	851
Property, plant and equipment		**101**	99
Right of use assets		**205**	245
Deferred tax assets	2.1	**704**	1,154
Reinsurance asset - ceded life insurance contracts		**-**	1,222
Intangibles	3.2	**645**	877
Total assets of shareholders of AMP Group Holdings Limited, policyholders, external unitholders and non-controlling interests		**8,966**	126,134
Liabilities			
Payables		**862**	3,734
Intercompany tax payable		**53**	205
Current tax liabilities		**12**	86
Employee benefits		**280**	387
Other financial liabilities	3.1	**573**	1,045
Provisions	5.1	**1,161**	972
Interest-bearing liabilities	4.2	**1,456**	1,855
Lease liabilities		**240**	266
Deferred tax liabilities	2.1	**191**	2,490
External unitholder liabilities		**-**	15,295
Life insurance contract liabilities		**-**	23,505
North Guarantee liabilities		**199**	121
Investment contract liabilities		**-**	71,550
Reinsurance liability - ceded life insurance contracts		**-**	1,515
Defined benefit plan liabilities		**136**	101
Total liabilities of shareholders of AMP Group Holdings Limited, policyholders, external unitholders and non-controlling interests		**5,163**	123,127
Net assets of shareholders of AMP Group Holdings Limited and non-controlling interests		**3,803**	3,007
Equity			
Contributed equity	4.1	**9,055**	7,941
Reserves		**(2,105)**	(1,974)
Retained earnings		**(3,269)**	(3,383)
Total equity of shareholders of AMP Group Holdings Limited		**3,681**	2,584
Non-controlling interests		**122**	423
Total equity of shareholders of AMP Group Holdings Limited and non-controlling interests		**3,803**	3,007

Consolidated statement of changes in equity

for the half year ended 30 June 2020

	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
30 June 2020											
Balance at 31 December 2019	7,941	(2,566)	84	321	18	169	(1,974)	(3,383)	2,584	423	3,007
Profit (loss) from continuing operations	-	-	-	-	-	-	-	55	55	20	75
Profit (loss) from discontinued operations[4]	-	-	-	-	-	-	-	83	83	-	83
Other comprehensive income (loss) from continuing operations	-	-	-	-	(17)	(15)	(32)	(24)	(56)	-	(56)
Foreign currency translation reserve recycled[4]						(105)	(105)		(105)	-	(105)
Total comprehensive income	-	-	-	-	(17)	(120)	(137)	114	(23)	20	(3)
Share-based payment expense	-	-	11	-	-	-	11	-	11	1	12
Share purchases	-	-	(5)	-	-	-	(5)	-	(5)	-	(5)
Shares issued	1,114	-	-	-	-	-	-	-	1,114	-	1,114
Disposal of WP and mature businesses	-	-	-	-	-	-	-	-	-	(305)	(305)
Dividends paid	-	-	-	-	-	-	-	-	-	(17)	(17)
Balance at 30 June 2020	9,055	(2,566)	90	321	1	49	(2,105)	(3,269)	3,681	122	3,803

30 June 2019											
Balance at 31 December 2018	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 1 January 2019	7,941	(2,566)	83	329	17	172	(1,965)	(731)	5,245	411	5,656
Profit (loss) from continuing operations	-	-	-	-	-	-	-	(1,990)	(1,990)	29	(1,961)
Profit (loss) from discontinued operations[4]	-	-	-	-	-	-	-	(361)	(361)		(361)
Other comprehensive income (loss) from continuing operations	-	-	-	-	-	9	9	(28)	(19)	-	(19)
Other comprehensive income from discontinued operations[4]	-	-	-	-	-	(3)	(3)		(3)	-	(3)
Total comprehensive income	-	-	-	-	-	6	6	(2,379)	(2,373)	29	(2,344)
Share-based payment expense	-	-	10	-	-	-	10	-	10	1	11
Share purchases	-	-	(17)	-	-	-	(17)	-	(17)	(1)	(18)
Shares issued	-	-	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	(14)	(14)
Sales and acquisitions of non-controlling interests	-	-	-	(8)	-	-	(8)	-	(8)	(3)	(11)
Balance at 30 June 2019	7,941	(2,566)	76	321	17	178	(1,974)	(3,110)	2,857	423	3,280

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 was the difference between 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 and losses attributable to shareholders of AMPGH on the sale or acquisition of minority interests in controlled entities to or from entities outside the AMPGH

4 $96m relates to the deconsolidation of the WP and mature businesses.

Consolidated statement of cash flows

for the half year ended 30 June 2020

	30 Jun 2020 $m	30 Jun 2019 $m
Cash flows from operating activities[1]		
Cash receipts in the course of operations	**5,286**	6,594
Interest and other items of a similar nature received	**830**	585
Dividends and distributions received[2]	**659**	652
Cash payments in the course of operations	**(10,473)**	(11,559)
Finance costs	**(76)**	(65)
Income tax paid	**(715)**	(167)
Cash flows used in operating activities	**(4,489)**	(3,960)
Cash flows from investing activities[1]		
Net proceeds from sale of (payments to acquire):		
- investments in financial assets	**(296)**	3,475
- operating and intangible assets	**15**	(32)
- operating controlled entities and investments in associates accounted for using the equity method	**334**	(70)
Proceeds from sale of the WP and mature businesses	**2,034**	-
Cash flows from investing activities	**2,087**	3,373
Cash flows from financing activities		
Proceeds from borrowings	**268**	810
Repayment of borrowings	**(395)**	(669)
Lease payments	**(31)**	(32)
Repayment of subordinated debt	**(250)**	-
Dividends paid	**-**	(4)
Cash flows from (used in) financing activities	**(408)**	105
Net decrease in cash and cash equivalents	**(2,810)**	(482)
Cash and cash equivalents at the beginning of the half year	**9,352**	9,300
Effect of exchange rate changes on cash and cash equivalents	**(5)**	2
Cash and cash equivalents prior to the deconsolidation of WP and mature businesses[1]	**6,537**	8,820
Cash and cash equivalents deconsolidated[3]	**(3,896)**	-
Cash and cash equivalents at the end of the period	**2,641**	8,820

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's statutory funds and controlled entities of those statutory funds. Dividends and distributions reinvested have been treated as non-cash items.

3 The sale of the WP and mature businesses was completed on 30 June 2020, resulting in the deconsolidation of cash and cash equivalents held by these businesses as at 30 June 2020.

Section 1: 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 half year financial report has been prepared.

1.1 Basis of preparation of the half year 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 comprise majority of the controlled entities in the AMP Limited consolidated economic entity (the AMP group).

The consolidated entity prepares a general purpose financial report. This general purpose financial report has been prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting.* AMPGH Limited is a for-profit entity for the purposes of preparing financial statements.

This half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial position and financial performance of the AMPGH group as that given by the annual financial report. As a result, this report should be read in conjunction with the 2019 annual financial report of the AMPGH group.

Comparative information has been reclassified where required for consistency with the current half year's presentation. The principal accounting policies and methods of computation adopted in the preparation of the 2020 half year financial report are consistent with the accounting policies and methods of computation adopted in preparation of the 2019 annual financial report.

Sale of wealth protection and mature businesses

The sale of the Australian and New Zealand Wealth Protection (WP) and mature businesses to Resolution Life Australia Pty Ltd completed on 30 June 2020 and these businesses have been deconsolidated from the AMPGH group at that date. The results of these businesses are presented as discontinued operations in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations.* The comparative Income statement and Statement of comprehensive income have been restated in order to present the results of the sold business as discontinued operations. Further details are provided in note 5.2 Discontinued operations.

COVID-19 impacts

The COVID-19 pandemic has resulted in significant disruptions to the global economy during the six months ended 30 June 2020 and there remains substantial uncertainty over the ultimate duration and extent of the pandemic as well as the corresponding economic impacts. These uncertainties have been incorporated into the judgements and estimates used by management in the preparation of this report, including the carrying values of the assets and liabilities. Where the judgements and estimates are considered significant they have been disclosed in the notes to this report.

Section 2: Results for the half year

- 2.1 Taxes

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

	30 Jun 2020[1] $m	30 Jun 2019[1] $m
Profit (loss) before income tax attributable to shareholders and non-controlling interest	**57**	(2,104)
Tax at the Australian tax rate of 30% (2019: 30%)	**(17)**	631
Tax concessions including research and development and offshore banking unit	**1**	-
Non-deductible expenses	**(2)**	(9)
Non-taxable income	**4**	8
Other items	**26**	(35)
Goodwill impairment	**-**	(453)
(Under) over provided in previous years	**1**	(4)
Differences in overseas tax rates	**5**	5
Income tax credit per Consolidated income statement	**18**	**143**

1 Information has been presented on a continuing operations basis, including the restatement of the results for the period ended 30 June 2019.

Section 2: Results for the half year

2.1 Taxes (continued)

(b) Analysis of income tax expense

	30 Jun 2020[1] $m	30 Jun 2019[1] $m
Current tax expense	(27)	(41)
Increase in deferred tax assets	40	146
Decrease in deferred tax liabilities	5	38
Income tax expense	18	143

1 Information has been presented on a continuing operations basis, including the restatement of the results for the period ended 30 June 2019.

(c) Analysis of deferred tax balances

	30 Jun 2020 $m	31 Dec 2019 $m
Analysis of deferred tax assets		
Expenses deductible and income recognisable in future years	577	1,002
Unrealised movements on borrowings and derivatives	1	-
Unrealised investment losses	-	6
Other	126	146
Total deferred tax assets	704	1,154
Analysis of deferred tax liabilities		
Unrealised investment gains	9	1,995
Other	182	495
Total deferred tax liabilities	191	2,490

Significant accounting estimates and judgements:

Utilisation of deferred tax assets (DTAs) has been assessed by reference to management's expectations of future profitability. Future profitability is subject to a number of management judgements and estimates, including management's expectations of the extent and duration of economic impacts resulting from the COVID-19 pandemic. Should the extent or duration of these impacts be different to management's expectations, the timing of AMP's utilisation of DTAs could be impacted.

Section 3: Investments and intangibles

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

- 3.1 Investments in financial instruments
- 3.2 Intangibles
- 3.3 Fair value information

3.1 Investments in financial instruments

	30 Jun 2020 $m	31 Dec 2019 $m
Financial assets measured at fair value through profit or loss		
Equity securities and listed managed investment schemes	**47**	57,746
Debt securities	**941**	29,821
Unlisted managed investment schemes	**165**	23,358
Derivative financial assets	**489**	1,694
Total financial assets measured at fair value through profit or loss	**1,642**	112,619
Financial assets measured at amortised cost[1]		
Loans and advances	**4**	3
Debt securities	**807**	45
Total financial assets measured at amortised cost	**811**	48
Total financial assets	**2,453**	112,667
Other financial liabilities		
Derivative financial liabilities	**241**	789
AMP Bank indemnity[2]	**88**	86
Collateral deposits held	**244**	170
Total other financial liabilities	**573**	1,045

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

2 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 reporting date suffered in connection with loans provided to an authorised representative of an AMP licensee.

Section 3: Investments and intangibles

3.2 Intangibles

30 June 2020	Goodwill[1] $m	Capitalised costs $m	Value of in-force business $m	Distribution networks $m	Other intangibles $m	Total $m
Balance at 1 January 2020	172	223	341	127	14	877
Additions through acquisitions of controlled entities	-	-	-	8	-	8
Additions through separate acquisitions	-	-	-	27	-	27
Additions through internal development	-	45	-	-	-	45
Reductions through disposal[2]	(15)	(12)	(177)	(13)	-	(217)
Transferred to inventories	-	-	-	(3)	-	(3)
Amortisation expense[4]	-	(32)	(40)	(17)	(1)	(90)
Impairment loss	-	-	-	(2)	-	(2)
Balance at 30 June 2020	157	224	124	127	13	645

31 December 2019	Goodwill $m	Capitalised costs $m	Value of in-force business $m	Distribution networks $m	Other intangibles $m	Total $m
Balance at 1 January 2019	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 to inventories	-	-	-	1	-	1
Amortisation expense[4]	-	(94)	(79)	(55)	(1)	(229)
Impairment loss[3]	(1,968)	(302)	-	(37)	-	(2,307)
Balance at 31 December 2019	172	223	341	127	14	877

1 Total goodwill comprises amounts attributable to shareholders of $157m (2019: $157m) and amounts attributable to policyholders of nil (2019: $15m).

2 This includes intangible assets derecognised as part of sale of the WP and mature businesses.

3 This includes $468m of impairment loss relating to the WP and mature businesses.

4 Amortisation expense includes amortisation related to the WP and mature businesses of $17m (2019: $41m).

Section 3: Investments and intangibles

3.3 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.

30 June 2020	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	**47**	**39**	**8**	**-**	**47**
Debt securities	**941**	**-**	**941**	**-**	**941**
Unlisted managed investment schemes	**165**	**-**	**165**	**-**	**165**
Derivative financial assets	**489**	**-**	**489**	**-**	**489**
Total financial assets measured at fair value	**1,642**	**39**	**1,603**	**-**	**1,642**
Financial assets not measured at fair value					
Loans and advances	**4**	**-**	**-**	**4**	**4**
Debt securities	**807**	**-**	**807**	**-**	**807**
Total financial assets not measured at fair value	**811**	**-**	**807**	**4**	**811**
Financial liabilities measured at fair value					
Derivative financial liabilities	**241**	**-**	**241**	**-**	**241**
AMP Bank indemnity	**88**	**-**	**-**	**88**	**88**
Collateral deposits held	**244**	**-**	**244**	**-**	**244**
North Guarantee liabilities	**199**	**-**	**-**	**199**	**199**
Total financial liabilities measured at fair value	**772**	**-**	**485**	**287**	**772**
Financial liabilities not measured at fair value					
AMP Corporate entity borrowings	**1,456**	**-**	**1,456**	**-**	**1,456**
Total financial liabilities not measured at fair value	**1,456**	**-**	**1,456**	**-**	**1,456**
31 December 2019					
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
North Guarantee liabilities	121	-	-	121	121
Investment contract liabilities	71,550	-	1,484	70,066	71,550
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

Section 3: Investments and intangibles

3.3 Fair value information (continued)

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

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 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, from time to time, be measured at an amount in excess of fair value due to fluctuations on fixed rate loans. In these situations, as the fluctuations in fair value would not represent a permanent diminution and the carrying amounts of the loans are recorded at recoverable amounts after assessing impairment, it would not be appropriate to restate their carrying amount.
Unlisted managed investment schemes	The fair value of investments in unlisted managed investment schemes is determined on the basis of published redemption prices of those managed investment schemes at the reporting date.
Derivative financial assets and liabilities	The fair value of financial instruments traded in active markets (such as publicly traded derivatives) is based on quoted market prices (current bid price or current offer price) at the reporting date. The fair value of financial instruments not traded in an active market (e.g. 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.
North Guarantee liabilities	The fair value of the North Guarantee liability is determined as the net present value of future cash flows discounted using market rates. The future cash flows are determined using risk neutral stochastic projections based on assumptions such as mortality rate, lapse rate and asset class allocation/correlation. The future cash flows comprise expected guarantee claims and hedging expenses net of expected fee revenue.

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);
- Level 3: the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the AMPGH group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

There have been no significant transfers between Level 1 and Level 2 during the 2020 financial half year. Transfers to and from Level 3 are shown in the Reconciliation of Level 3 values table later in this note.

Section 3: Investments and intangibles

3.3 Fair value information (continued)

Level 3 fair values

Upon sale of the WP and mature businesses, the assets and liabilities measured at fair value through profit or loss (FVTPL) in AMPGH group which are classified as level 3 assets and liabilities have changed significantly. There are no Level 3 FVTPL assets at 30 June 2020. There remain some Level 3 FVTLP liabilities which relate to the North Guarantee products and indemnity with AMP Bank.

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 was governed by the AMP Capital asset valuation policy. This policy outlined 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 were referred to the appropriate valuation committee who met 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 Credit risk
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
North Guarantee liabilities	Discounted cash flow approach.	Discount rate Hedging costs
AMP Bank indemnity	Assessment of expected credit losses	Cash flow forecasts Credit Risk Collateral value

Sensitivity analysis

The following table illustrates the impacts to profit after tax and equity, resulting from reasonably possible changes in key assumptions.

	30 June 2020		31 December 2019	
	(+) $m	(-) $m	(+) $m	(-) $m
Financial assets				
Equity securities and listed managed investment schemes	n/a	n/a	86	(86)
Financial liabilities				
Investment contract liabilities	n/a	n/a	90	(83)
AMP Bank indemnity[1]	3	(2)	4	(4)
North Guarantee liabilities[2]	(5)	(4)	-	(7)

1 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%.

2 Reasonably possible increases and decreases in equity market movements and bond yield movements have been applied in determining the impact on profit after tax and equity.

Section 3: Investments and intangibles

3.3 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
30 June 2020								
Assets classified as Level 3								
Equity securities and listed managed investment schemes	2,515	-	(11)	63	(2,567)	-	-	-
Debt securities	127	-	-	-	(127)	-	-	-
Unlisted managed investment schemes	2,671	-	2	158	(2,831)	-	-	-
Investment properties	161	-	3	-	(164)	-	-	-
Liabilities classified as Level 3								
Investment contract liabilities	70,066	(7)	(6,201)	2,008	(65,866)	-	-	-
North Guarantee liabilities	121	-	78	-	-	-	199	78
AMP Bank indemnity	86	-	2	-	-	-	88	2
31 December 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	66,817	2	10,254	7,044	(14,051)	-	70,066	10,252
North Guarantee liabilities	115	-	6	-	-	-	121	6
AMP Bank indemnity	-	-	86	-	-	-	86	86

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 cease to consolidate a controlled entity.

Section 4: Capital structure

This section provides information relating to AMPGH group's capital management, equity and debt structure.

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.

- 4.1 Contributed equity
- 4.2 Interest-bearing liabilities
- 4.3 Capital management

4.1 Contributed equity

	30 Jun 2020 $m	31 Dec 2019 $m
Issued capital		
10,373,884,662 (2019: 10,373,884,652) ordinary shares fully paid	**9,055**	7,941
Total contributed equity		
10,373,884,662 (2019: 10,373,884,652) ordinary shares fully paid	**9,055**	7,941
Issued capital		
Balance at the beginning of the period	**7,941**	7,941
Issue of share capital[1]	1,114	-
Balance at the end of the period	**9,055**	7,941

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

1 On 26 June 2020 AMPGH issued 10 ordinary shares to its parent, AMP Limited.

Section 4: Capital structure

4.2 Interest-bearing liabilities

(a) Interest-bearing liabilities

	30 June 2020			31 December 2019		
	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)	-	67	67	-	69	69
- AMP Notes 3 (first call 2023, maturity 2028)[2]	-	-	-	-	250	250
- USD Medium Term Notes[3]	-	457	457	-	437	437
- CHF Medium Term Notes[3]	-	882	882	-	592	592
- Other	51	-	51	34	-	34
Borrowings within investment entities controlled by AMP Life's statutory funds	-	-	-	464	9	473
Total interest-bearing liabilities	51	1,406	1,456	498	1,357	1,855

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 $14m (2019: $9m) which is expected to settle within the next 12 months.

2 AMP Notes 3 are floating rate subordinated unsecured notes issued on 15 November 2018. These funds were on-lent to AMP Life as Tier 2 capital in FY19. During the half-year ended 30 June 2020 AMP Life has repaid the full amount outstanding to AMP Limited.

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 Bond was subsequently increased by CHF 100m on 3 December 2019. CHF 175m Senior Unsecured Fixed Rate Bonds was issued 3 March 2020 and matures 3 June 2024.

(b) Financing arrangements

Loan facilities and note programs
AMPGH group maintain facilities arranged through bond and note issues. Additional financing facilities are also provided through bank loans under normal commercial terms and conditions.

	30 June 2020 $m	31 Dec 2019 $m
Available loan facilities[1]	1,650	2,015
Note program capacity	15,224	14,993
Used[2]	(3,134)	(4,316)
Unused facilities at the end of the period	13,740	12,692

1 Available loan facilities include bilateral facilities of $650m of which $250m matures on 31 December 2020, $250m matures on 31 August 2021, and $150m matures on 31 December 2021. Subsequent to 30 June 2020, the credit rating of the Company was downgraded which triggered an automatic review of these facilities. The review has not yet concluded.

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 $1,319m (2019: $1,039m). The remainder of the used amount relates to the other company in the AMP group.

Section 4: Capital structure

4.3 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; 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 AMPGH and other entities of the AMPGH group to hold a greater level of capital to support its business 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 are required.

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

Operating entity	Minimum regulatory capital requirement
N. M. 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

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

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

Section 5: 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.

- 5.1 Provisions and contingent liabilities
- 5.2 Discontinued operations
- 5.3 New accounting standards
- 5.4 Events occurring after reporting date

5.1 Provisions and contingent liabilities

	30 Jun 2020 $m	31 Dec 2019 $m
(a) Provisions		
Restructuring[1]	18	27
Client remediation	603	652
Buy-back arrangements	103	116
Obligations relating to the sale of WP and mature	290	-
Other	147	177
Total provisions	1,161	972

	Restructuring[1] $m	Client remediation $m	Buy-back arrangements $m	Obligations relating to the sale of WP and mature $m	Other $m	Total $m
(b) Movements in provisions						
Balance at the beginning of the period	27	652	116	-	177	972
Additional provisions made during this period	6	15	22	290	112	445
Provisions used during the period	(15)	(64)	(35)	-	(49)	(163)
Provisions relating to discontinued operations	-	-	-	-	(93)	(93)
Balance at the end of the period	18	603	103	290	147	1,161

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.

Accounting policy – recognition and measurement

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.

Critical accounting estimates and judgements
Provisions are reviewed on a regular basis and adjusted for management's best estimates, however significant judgement is required to estimate likely outcomes and future cash flows. The nature of these judgements means that future amounts settled may be different from those provided.

Section 5: Other disclosures

5.1 Provisions and contingent liabilities (continued)

From time to time, the AMPGH group may incur obligations or suffer financial loss arising from litigation or contracts entered into in the normal course of business, including guarantees issued by the parent for performance obligations of controlled entities in the AMPGH group. Legal proceedings threatened against AMPGH group may also, if filed, result in 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 or other stakeholders, including employees, may have been disadvantaged. In some instances, compensation has been paid and where the results of our reviews have reached the point that 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. AMP 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 AMPGH 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.

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

Section 5: Other disclosures

5.1 Provisions and contingent liabilities (continued)

30 June 2020, provisions of $26m 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
AMP 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 AMP or AMP 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 or is considered likely to be received in future periods and AMP 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 notices received and resulting loss incurred upon settlement of the arrangements may vary significantly from the provision.

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. Whilst that appeal was subsequently dismissed, an application for leave to appeal was filed in and granted by the High Court of Australia (a date for the hearing in the High Court has yet to be set). 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 the AMPGH group were served with two class actions 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 relates 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 clients 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 AMPGH-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 AMPGH. The proceedings are being vigorously defended.

Financial adviser class action
In July 2020, a subsidiary of the AMPGH group was served with a class action in the Federal Court of Australia, namely, AMP Financial Planning Pty Limited (AMPFP). The proceeding is brought on behalf of certain financial advisers who are or have been authorised by AMPFP. The claim relates to changes made by AMPFP to its Buyer of Last Resort policy in 2019. The claim is yet to be quantified and participation has not been determined. Currently it is not possible to determine the ultimate impact of this claim, if any, upon AMPGH. AMPFP is confident in the actions it took in 2019 and will defend the proceeding accordingly.

Insurance advice class action
In July 2020, certain subsidiaries of the AMPGH group were served with a class action in the Federal Court of Australia, namely, AMPFP and Hillross Financial Services Limited (Hillross). The class action relates to advice provided by some aligned financial advisers in respect of certain life and other insurance products. The claim is yet to be quantified and participation has not been determined. Currently, it is not possible to determine the ultimate impact of this claim, if any, upon AMPGH. AMPFP and Hillross will defend the proceedings. The proceedings were also commenced against AMP Life Limited.

Commissions for advice class action
In August 2020, AMPGH's ultimate holding company, AMP Limited, and certain subsidiaries of the AMPGH group were served with a class action in the Federal Court of Australia, namely, AMPFP, Hillross and Charter Financial Planning Limited (Charter). The class action primarily relates to the payment of commissions to some aligned financial advisers in respect of certain life insurance and other products and in respect of allegations of charging of fees where advice services were not provided. The claim is yet to be quantified and participation has not been determined. Currently, it is not possible to determine the ultimate impact of this claim, if any, upon AMPGH. AMP Limited, AMPFP, Hillross and Charter will defend the proceedings.

Indemnities and warranties to Resolution
Under the terms of the sale agreement, the AMPGH group has given certain covenants, warranties and indemnities in favour of Resolution in connection with the transaction. A breach of these covenants or warranties or the triggering of an indemnity may result in the AMPGH group being liable for some future payments to Resolution. Management's best estimate of future payments for these indemnities and warranties has been recognised within these financial statements where these can be reliably estimated. There remain other indemnities and warranties for which no provision has been recognised and a contingent liability exists should such indemnities and warranties be called upon or where actual outcomes differ from management's expectations. On 11 August 2020, AMPGH received a notification from Resolution pursuant to the sale agreement of certain matters that Resolution considers may give rise to a claim against AMPGH under these provisions and in respect of the insurance advice class action, in respect of which we are yet to complete our assessment of validity.

Section 5: Other disclosures

5.2 Discontinued operations

(a) Sale of wealth protection and mature business

Consideration for the sale comprised of $2,500m cash and non-cash consideration of 20% equity interest in Resolution Life NOHC Pty Ltd (Resolution NOHC), a new Australian-domiciled Resolution controlled holding company that became the owner of WP and mature businesses upon completion. The accounting fair value of AMP's 20% equity interest in Resolution NOHC at 30 June 2020 has been determined to be $500m.

Under the terms of the sale agreement, certain purchase price adjustments are made to the cash consideration to determine the completion payment from Resolution. The adjustments include profits earned by WP and mature businesses since 1 July 2018, profits emerging within AMP Life from businesses other than WP and mature, dividends paid by AMP Life since 1 July 2018, capital contributions made by AMP since 1 July 2018 up to the completion date and some other adjustments, which in accordance with the sale agreement are subject to finalisation in 2H 2020.

The sale of the WP and mature businesses resulted in an after-tax gain of $95m (net of transaction cost and separation costs) recognised within the financial report for the period ended 30 June 2020. The gain includes estimates of purchase price adjustments as well as estimated provisions for future separations costs, warranties and indemnities under the sale agreement and onerous contracts resulting from the separation where reliable estimates can be made.

(b) Treatment of 20% equity interest in Resolution NOHC

AMP's 20% equity interest in Resolution NOHC is accounted for as investment in associate using the equity method in accordance with AASB 128 *Investments in Associates and Joint Ventures*. The investment has been recognised at its initial fair value of $500m.

From 1 July 2020, the AMPGH group will recognise its share of profit associated with the investment in associate within continuing operations.

Section 5: Other disclosures

5.2 Discontinued operations (continued)

(c) Profit or loss for the period from discontinued operations

The results of the WP and mature businesses included within the AMP's income statement, are set out below, including comparative information.

Following the sale of the WP and mature businesses, certain service arrangements will continue between AMP and those businesses, for example, investment management services. Where relevant, revenues and expenses attributable to continuing operations from such arrangements have been presented within continuing operations to reflect the ongoing nature of such arrangements. The results of the discontinued operations presented below have been adjusted for these arrangements.

	30 Jun 2020 $m	30 Jun 2019 $m
Total revenue of WP and mature businesses[1]	(23,391)	13,828
Total expense of WP and mature businesses[2]	22,823	(13,234)
(Loss) profit before tax from WP and mature businesses	(568)	594
Income tax credit (expense)	556	(955)
Loss for the period from discontinued operations before disposal of WP and mature	(12)	(361)
Gain or loss on disposal of WP and mature before tax	-	-
Income tax credit resulting from the disposal of WP and mature	95	-
Gain on disposal of WP and mature after tax	95	-
Profit (loss) for the period from discontinued operations	83	(361)

1 Total revenue of WP and mature businesses includes investment losses of $24.7b (30 June 2019: gains of $12.4b).

2 Total expense of WP and mature businesses includes decreases in external unitholder liabilities of $18.4b (30 June 2019: increases of $1.6b) and decreases in investment contract liabilities of $5.9b (30 June 2019: increases of $7.9b).

(d) Cash flow from/(used in) discontinued operations

The cash flows from/(used in) discontinued operations for the period up to the loss of control (30 June 2020) included within the Consolidated statement of cash flows, are set out below, including comparative information.

	30 Jun 2020 $m	30 Jun 2019 $m
Net cash used in operating activities	(5,410)	(4,119)
Net cash from investing activities	4,159	3,614
Net cash outflows from discontinued operations	(1,251)	(505)

Significant accounting estimates and judgements:

The gain/(loss) recognised on the sale of the WP and mature businesses includes management's judgements in relation to assumptions used to determine of the fair value of AMP's 20% interest in Resolution NOHC as well as estimates of purchase price adjustments which will be finalised in 2H 2020, estimated provisions for future separation costs, warranties and indemnities under the sale agreement and onerous contracts resulting from the separation.

Section 5: Other disclosures

5.3 New accounting standards

New and amended accounting standards adopted by the AMP group

A number of new accounting standards' amendments have been adopted effective 1 January 2020. These have not had a material effect on the financial position or performance of the AMPGH other than as described below.

Interest Rate Benchmark Reform

Background
Transition from Interbank Offered Rates (IBORs), primarily but not exclusively the London Interbank Offered Rate (LIBOR), to Alternative Reference Rates is an area of ongoing industry focus with regulators signalling the need to use alternative benchmark rates. As a result, existing benchmark rates are expected to be discontinued or the basis on which they are calculated may change. Some such developments have occurred in certain jurisdictions already such as the adoption of ESTR by the European Central Bank as the regulated Risk-Free Rate which replaced EONIA in 2019.

The transition to new interest rate benchmarks, given the extent of these changes, may affect the value of a broad array of financial products, including any IBOR-based securities, loans and other financial products and may impact the availability and cost of hedging such products in the future. Forthcoming changes will require amendments to existing financial contracts and investments with a substitution to a revised, replacement benchmark rate.

Group Approach to IBOR Transition
In response to the significant future changes that interest rate benchmark reforms pose, the Group has undertaken the following actions;

- The Group is monitoring local and international regulatory guidance and requests to prepare for transition from IBORs to Risk Free Rate benchmarks
- Maintaining continuous engagement with regulators on the Group's transition plans and potential impacts
- Working closely with industry bodies to understand and manage the impact of transition on our businesses and the markets in which we operate.
- The Group has established and resourced transition projects and a program of work to plan for, monitor and resource future transition needs
- Undertaken a detailed assessment to prepare for any potential customer, business, or operational impacts

Amendments to hedge accounting requirements
The Australian Accounting Standards Board issued amendments to hedge accounting requirements within Standards AASB 7, 9 and 139 in October 2019 to address Interest Rate Benchmark Reforms. The amendments to hedge accounting requirements provide relief from the potential effects of the uncertainty caused by the transition associated with interest rate benchmark reform and are effective for annual periods on or after 1 January 2020. Management have considered the impacts of IBOR Transition on existing hedge accounting arrangements and do not expect the changes to have a material financial impact on the Group.

Interest rate benchmarks to which the Group's hedging relationships are impacted by IBOR transition arise via the usage of interest rates swaps and cross currency swaps for both fair value and cash flow hedges. The most significant IBOR exposure for the group's hedge accounting arrangements are for interest rate and cross currency swaps which reference the GBP LIBOR benchmark. As at 30 June 2020, the notional amounts of these interest rate swaps designated in hedge accounting relationships are $149m representing $83.4m of cross currency swaps denominated in GBP and AUD and $65.6m of interest rate swaps denominated in GBP, relating to the hedging of debt issuance activities. The carrying value of foreign currency denominated debt liabilities for which with interest rate hedging relationships apply are $67m.

Additional amendments have been prepared by the International Accounting Standards Board for IFRS 7, 9 and 139 which are expected to come into effect from 1 January 2021 subject to finalisation by the IASB in the later part of 2020. These amendments are in addition to the phase 1 amendments that were announced in October 2019. The Group will assess and reflect any impacts when the changes to IFRS are finalised.

5.4 Events occurring after reporting date

On 11 August 2020, AMPGH has announced a payment of a dividend of $345m to its sole shareholder, AMP Limited.

On 13 August 2020, AMP announced a binding agreement to repurchase Mitsubishi UFJ Trust and Banking Corporation's (MUTB) 15% shareholding in AMP Capital. The amount payable under the purchase agreement is total cash consideration of $460 million, comprising $451m cash and MUTB's $9m share of dividends declared by AMP Capital on 5 August 2020. The transaction was completed on 1 September 2020 and was funded by AMP Limited's existing capital reserves. The business and capital alliances between MUTB, AMP Limited and AMP Capital have ended and MUTB no longer has a representative on the AMP Capital Board.

As at the date of this report, the directors are not aware of any other 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.

Directors' declaration

for the half year ended 30 June 2020

In accordance with a resolution of the directors of AMP Group Holdings Limited, we state for the purposes of section 303(4) of the *Corporations Act 2001* that, in the opinion of the directors:

(a) 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; and

(b) the financial statements and the notes of AMP Group Holdings Limited for the financial half year ended 30 June 2020 are in accordance with the *Corporations Act 2001*, including section 304 (compliance with accounting standards) and section 305 (true and fair view).

Director

Sydney, 9 September 2020

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of AMP Group Holdings Limited (the Company) and its subsidiaries (collectively the Group), which comprises statement of financial position as at 30 June 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not 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 30 June 2020 and of its consolidated financial performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 30 June 2020 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards

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and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Andrew Price
Partner
Sydney
9 September 2020