

18 August 2016

Manager
ASX Market Announcements
Australian Securities Exchange
Level 4, 20 Bridge Street
Sydney NSW 2000

Client and Market Services Team
NZX Limited
Level 1, NZX Centre, 11 Cable Street
PO Box 2959
Wellington, New Zealand

Announcement No: 20/2016
AMP Limited (ASX/NZX: AMP)

Half Year Financial Results

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Part One: Appendix 4D

Appendix 3A.1

Part Two: AMP reports A\$523 million net profit 1H 16

Part Three: Investor Presentation

Part Four: Investor Report

Part Five: Directors' Report and Financial Report 

AMP Limited
ABN 49 079 354 519
Directors' report
for the half year ended
30 June 2016

DIRECTORS' REPORT

for the half year ended 30 June 2016

Your directors present their report on the consolidated entity consisting of AMP Limited and the entities it controlled at the end of or during the half year ended 30 June 2016.

Directors' details

The directors of AMP Limited during the half year ended 30 June 2016 and up to the date of this report are shown below. Directors were in office for this entire period except where stated otherwise:

Non-executive:

- Catherine Brenner (Chairman) – *BEC, LLB, MBA*
- Patricia Akopiantz – *BA, MBA*
- Holly Kramer – *BA, MBA*
- Trevor Matthews – *MA*
- Geoff Roberts (appointed 1 July 2016) – *BCom, MBA*
- Professor Peter Shergold AC – *BA (Hons), MA, PhD*
- Vanessa Wallace (appointed 1 March 2016) – *BCom, MBA*
- Simon McKeon AO (Chairman, retired 12 May 2016) – *BCom, LLB*
- Brian Clark (retired 12 May 2016) – *BSc, MSc, DSc*
- John Palmer ONZM (retired 23 June 2016) – *BAgrSc, Hon DCom*

Executive:

- Craig Meller (Chief Executive Officer and Managing Director) – *BSc (Hons)*

Operating and financial review

Principal activities

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

AMP provides retail customers in Australia and New Zealand with financial advice, superannuation, retirement income and investment products. AMP has over 5,400 employees, more than 800,000 shareholders and manages over \$220 billion in assets.

AMP provides superannuation services for businesses, administration, banking and investment services for self-managed superannuation funds (SMSF), income protection, disability and life insurance, and selected banking products. These products and services are delivered directly from AMP and through a network of over 3,700 aligned and employed financial advisers in Australia and New Zealand and extensive relationships with independent financial advisers.

AMP Capital is a diversified investment manager with a growing international presence providing investment services for domestic and international customers.

Mitsubishi UFJ Trust and Banking Corporation holds a 15% ownership interest in AMP Capital. AMP Capital holds a 15% stake in the China Life AMP Asset Management Company Limited, a funds management company which offers retail and institutional investors in China access to leading investment solutions.

The AMP business reports its results against six key business areas: Australian wealth management, AMP Capital, Australian wealth protection, AMP Bank, New Zealand financial services and Australian mature.

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

DIRECTORS' REPORT

for the half year ended 30 June 2016

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

Australian wealth protection comprises individual and group term life, disability and income protection insurance products. Products can be offered within superannuation or held independently.

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

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

Australian mature is the largest closed life insurance business in Australia. Australian mature assets under management comprises capital guaranteed products (77%) and market linked products (23%). Australian mature products include whole of life, endowment, investment linked, investment account, Retirement Savings Account, Eligible Rollover Fund, annuities, insurance bonds, personal superannuation and guaranteed savings accounts.

Review of operations and results

We have delivered good performances in AMP Capital, AMP Bank and New Zealand and demonstrated resilience in our Australian wealth management business in challenging market conditions. These strong results have been overshadowed by the performance of our wealth protection business. We continue to control costs tightly, maintain a strong capital position and to focus on delivering better outcomes for customers and improved returns for shareholders over the long-term.

AMP's profit attributable to shareholders of AMP Limited for the half year ended 30 June 2016 was \$523 million (1H 15: \$507 million).

AMP's underlying profit for the half year ended 30 June 2016 was \$513 million (1H 15: \$570 million).

Underlying profit is AMP's key measure of business profitability, as it normalises investment market volatility stemming from shareholder assets invested in investment markets and aims to reflect the trends in the underlying business performance of the AMP group. Underlying profit excludes the impact of market volatility, accounting mismatches and other items.

Basic earnings per share for the half year ended 30 June 2016 on a statutory basis were 17.9 cents per share (1H 15: 17.4 cents per share). On an underlying basis, earnings were 17.3 cents per share (1H 15: 19.3 cents per share).

AMP's key performance measures were as follows:

- 1H 16 underlying profit of \$513 million declined 10% from \$570 million in 1H 15, driven by higher Australian wealth protection losses and challenging investment market conditions.
- 1H 16 AMP group cost to income ratio of 45.5% increased by 2.4 percentage points from 1H 15 as a result of lower income in 1H 16.
- Australian wealth management 1H 16 net cashflows were \$582 million, down from net cashflows of \$1,152 million in 1H 15.
- AMP's retail and corporate super platform net cashflows were impacted by ongoing market volatility, superannuation legislative uncertainty and advisers adjusting to an enhanced regulatory environment.

DIRECTORS' REPORT

for the half year ended 30 June 2016

- AMP Capital external net cash outflows were \$153 million in 1H 16, down from net cash inflows of \$3,025 million in 1H 15. Challenging domestic market conditions offset strong flows into infrastructure and property asset classes.
- Underlying return on equity fell 1.6 percentage points to 11.9% in 1H 16 from 1H 15, largely reflecting the decline in underlying profit.

Capital management

Equity and reserves of the AMP group attributable to shareholders of AMP Limited increased to \$8.6 billion at 30 June 2016 from \$8.5 billion at 31 December 2015.

AMP remains well capitalised, with \$1.9 billion in shareholder regulatory capital resources above minimum regulatory requirements at 30 June 2016 (\$2.5 billion at 31 December 2015).

Dividends

AMP's interim 2016 dividend is 14.0 cents per share, franked to 90%. This represents a first half 2016 dividend payout ratio of 81% of underlying profit. AMP will continue to offer the dividend reinvestment plan (DRP) to eligible shareholders. AMP intends to neutralise the impact of the DRP by acquiring shares on market to satisfy any entitlements under the DRP.

Rounding

In accordance with the Australian Securities and Investments Commission Class Order 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.

AMP Limited

DIRECTORS' REPORT

for the half year ended 30 June 2016

Auditor's independence declaration to the directors of AMP Limited

The directors have obtained an independence declaration from the company's auditor, Ernst & Young, for the half year ended 30 June 2016.



Ernst & Young
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Sydney NSW 2000 Australia
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Fax: +61 2 9248 5959
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Auditor's Independence Declaration to the Directors of AMP Limited

As lead auditor for the review of AMP Limited for the half-year ended 30 June 2016, 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 Limited and the entities it controlled during the financial period.

Ernst & Young

Tony Johnson
Partner
Sydney
18 August 2016

AMP Limited

DIRECTORS' REPORT

for the half year ended 30 June 2016

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read 'C. Brenner', written in a cursive style.

Catherine Brenner

Chairman

Sydney, 18 August 2016

A handwritten signature in black ink, appearing to read 'C. Meller', written in a cursive style.

Craig Meller

Chief Executive Officer and Managing Director

AMP Limited

ABN 49 079 354 519

**Financial report
for the half year ended
30 June 2016**

AMP LIMITED
ABN 49 079 354 519
HALF YEAR FINANCIAL REPORT
30 JUNE 2016

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Registered office:
33 Alfred Street
Sydney NSW 2000 Australia

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

Income statement

for the half year ended 30 June 2016

	Note	Consolidated	
		30 Jun	30 Jun
		2016	2015
		\$m	\$m
Income and expenses of shareholders, policyholders, external unitholders and non-controlling interests¹			
Life insurance premium and related revenue	3	1,225	1,208
Fee revenue	3	1,506	1,546
Other revenue	3	37	64
Investment gains and (losses)	4	3,314	5,796
Share of profit or (loss) of associates accounted for using the equity method		14	10
Life insurance claims and related expenses	5	(1,101)	(1,063)
Operating expenses	5	(1,867)	(1,953)
Finance costs	5	(337)	(343)
Movement in external unitholder liabilities		(313)	(610)
Change in policyholder liabilities			
- life insurance contracts		(510)	(176)
- investment contracts		(668)	(3,282)
Income tax (expense) credit	6	(250)	(306)
Profit for the period		1,050	891
Profit attributable to shareholders of AMP Limited		523	507
Profit attributable to non-controlling interests		527	384
Profit for the period		1,050	891

1 Income and expenses include amounts attributable to shareholders' interests, policyholders' interests in the AMP life insurance entities' statutory funds, external unitholders' interests and non-controlling interests. Amounts included in respect of the AMP life insurance entities' statutory funds have a substantial impact on most of the consolidated Income statement lines, especially Investment gains and losses and Income tax (expense) credit. In general, policyholders' interests in the transactions for the period are attributed to them in the lines Change in policyholder liabilities.

	Consolidated	
	30 Jun	30 Jun
	2016	2015
	cents	cents
Earnings per share for profit attributable to ordinary shareholders of AMP Limited		
Basic	17.9	17.4
Diluted	17.8	17.3

Statement of comprehensive income

for the half year ended 30 June 2016

	Consolidated	
	30 Jun	30 Jun
	2016	2015
	\$m	\$m
Profit for the period	1,050	891
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Available-for-sale financial assets		
- gains and (losses) in fair value of available-for-sale financial assets	-	-
Cash flow hedges ¹		
- gains and (losses) in fair value of cash flow hedges	(10)	(7)
- income tax (expense) credit	3	2
- transferred to profit for the period	9	8
- transferred to profit for the period - income tax (expense) credit	(3)	(2)
	(1)	1
Exchange difference on translation of foreign operations and revaluation of hedge of net investments		
- gains (losses)	(20)	(70)
- income tax (expense) credit	-	-
- transferred to profit for the period	-	-
	(20)	(70)
Items that will not be reclassified subsequently to profit or loss		
Defined benefit plans ²		
- actuarial gains and (losses)	(78)	154
- income tax (expense) credit	23	(46)
	(55)	108
Owner-occupied property revaluation		
- gains (losses) in valuation of owner-occupied property	1	17
- income tax (expense) credit	-	(1)
	1	16
Other comprehensive income for the period	(75)	55
Total comprehensive income for the period	975	946
Total comprehensive income attributable to shareholders of AMP Limited	483	562
Total comprehensive income (loss) attributable to non-controlling interests	492	384
Total comprehensive income for the period	975	946

1 Cash flow hedge movements includes interest rate swaps used to manage AMP Bank's interest rate risk on its mortgage portfolio.

2 Actuarial gains and (losses) are determined in accordance with AASB 119 *Employee Benefits*. This is not the same as the calculation methods used to determine the funding requirements for the plans.

Statement of financial position

As at 30 June 2016

		Consolidated	
	Note	30 Jun 2016 \$m	31 Dec 2015 \$m
Assets			
Cash and cash equivalents		3,818	3,955
Receivables		3,385	2,558
Current tax assets		-	11
Inventories and other assets		132	147
Investments in financial assets	7	127,876	127,221
Investment properties		263	386
Investments in associates accounted for using the equity method		501	467
Property, plant and equipment		426	423
Deferred tax assets	6	560	557
Intangibles	8	3,914	3,983
Total assets of shareholders of AMP Limited, policyholders, external unitholders and non-controlling interests		140,875	139,708
Liabilities			
Payables		3,128	2,031
Current tax liabilities		506	271
Provisions		360	487
Other financial liabilities	7	1,304	1,108
Borrowings	9	16,960	15,760
Subordinated debt	10	1,089	1,692
Deferred tax liabilities	6	1,780	2,076
External unitholder liabilities		12,932	13,571
Life insurance contract liabilities		24,139	23,871
Investment contract liabilities		69,282	69,848
Defined benefit plan liabilities		177	98
Total liabilities of shareholders of AMP Limited, policyholders, external unitholders and non-controlling interests		131,657	130,813
Net assets of shareholders of AMP Limited and non-controlling interests			
		9,218	8,895
Equity¹			
Contributed equity	12	9,590	9,566
Reserves		(1,860)	(1,866)
Retained earnings		883	819
Total equity of shareholders of AMP Limited		8,613	8,519
Non-controlling interests		605	376
Total equity of shareholders of AMP Limited and non-controlling interests		9,218	8,895

1 Further information on Equity is provided in the Statement of changes in equity on the following page and note 12.

Statement of changes in equity

for the half year ended 30 June 2016

Consolidated

	Equity attributable to shareholders of AMP Limited												
	Contributed equity	Equity contribution reserve ¹	Share-based payment reserve ²	Capital profits reserve ³	Demerger loss reserve ⁴	Available-for-sale financial assets reserve ⁵	Cash flow hedge reserve ⁶	Foreign currency translation and hedge of net investments reserves ^{7,8}	Owner-occupied property revaluation reserve ⁹	Retained earnings	Total shareholder equity	Non-controlling interest	Total equity
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
30 June 2016													
Balance at 1 January 2016	9,566	1,019	93	329	(3,585)	8	12	136	122	819	8,519	376	8,895
Profit (loss)	-	-	-	-	-	-	-	-	-	523	523	527	1,050
Other comprehensive income	-	-	-	-	-	-	(1)	15	1	(55)	(40)	(35)	(75)
Total comprehensive income	-	-	-	-	-	-	(1)	15	1	468	483	492	975
Share-based payment expense	-	-	17	-	-	-	-	-	-	-	17	1	18
Share purchases	-	-	(26)	-	-	-	-	-	-	-	(26)	(2)	(28)
Net sale/(purchase) of treasury shares	24	-	-	-	-	-	-	-	-	5	29	-	29
Dividends paid ¹⁰	-	-	-	-	-	-	-	-	-	(414)	(414)	(501)	(915)
Dividends paid on treasury shares ¹⁰	-	-	-	-	-	-	-	-	-	5	5	-	5
Sales and acquisitions of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	239	239
Balance at 30 June 2016	9,590	1,019	84	329	(3,585)	8	11	151	123	883	8,613	605	9,218
30 June 2015													
Balance at 1 January 2015	9,508	1,019	97	329	(3,585)	8	6	136	102	566	8,186	199	8,385
Profit (loss)	-	-	-	-	-	-	-	-	-	507	507	384	891
Other comprehensive income	-	-	-	-	-	-	1	(70)	16	108	55	-	55
Total comprehensive income	-	-	-	-	-	-	1	(70)	16	615	562	384	946
Share-based payment expense	-	-	15	-	-	-	-	-	-	-	15	1	16
Share purchases	-	-	(37)	-	-	-	-	-	-	-	(37)	(2)	(39)
Net sale/(purchase) of treasury shares	(25)	-	-	-	-	-	-	-	-	10	(15)	-	(15)
Dividends paid ¹⁰	-	-	-	-	-	-	-	-	-	(399)	(399)	(9)	(408)
Dividends paid on treasury shares ¹⁰	-	-	-	-	-	-	-	-	-	6	6	-	6
Sales and acquisitions of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(52)	(52)
Balance at 30 June 2015	9,483	1,019	75	329	(3,585)	8	7	66	118	798	8,318	521	8,839

Statement of changes in equity (continued)

for the half year ended 30 June 2016

- 1 There has been no movement in the Equity contribution reserve established in 2003 to recognise the additional loss on the demerger of AMP's UK operations in December 2003. This loss was the difference between the pro-forma loss on demerger (based upon directors' valuation of the UK operations and the estimated net assets to be demerged) and the market-based fair value of the UK operations (based upon the share price of the restructured UK operations on listing and the actual net assets of the UK operations on demerger).
- 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 and transferred to share-based payments recipients upon vesting.
- 3 The Capital profits reserve represents gains attributable to shareholders of AMP on the sale of minority interests in controlled entities to entities outside the AMP group.
- 4 There has been no movement in the Demerger loss reserve established in 2003 to recognise the transfer from shareholders' retained earnings of the total loss on the demerger of AMP's UK operations in December 2003.
- 5 Unrealised gains or losses on available-for-sale financial assets are recognised in Other comprehensive income and accumulated in a separate reserve within equity. Upon impairment or disposal, the accumulated change in fair value within the Available-for-sale financial assets reserve is recognised within profit or loss in the Income statement.
- 6 The Cash flow hedge reserve represents the cumulative impact of changes in the fair value of derivatives designated as cash flow hedges which are effective for hedge accounting. Hedge gains and losses are transferred to the Income statement when they are deemed ineffective or upon realisation of the cash flow.
- 7 Exchange differences arising on translation of foreign controlled entities and foreign investments accounted for using the equity method are recognised in Foreign currency translation reserve. Exchange gains and losses are transferred to the Income statement upon realisation of the investment in the foreign controlled entity.
- 8 The Hedge of net investment reserve reflects gains and losses on effective hedges of net investments in foreign operations. Hedge gains and losses are transferred to the Income statement when they are deemed ineffective or upon realisation of the investment in the foreign controlled entity.
- 9 The Owner-occupied property revaluation reserve represents cumulative valuation gains and losses on owner-occupied property required to be recognised in equity.
- 10 Dividends paid includes the dividends paid on treasury shares. Dividends paid on treasury shares are required to be excluded from the consolidated financial statements by adjusting retained earnings.

Statement of cash flows

for the half year ended 30 June 2016

	Consolidated	
	30 Jun	30 Jun
	2016	2015
	\$m	\$m
Cash flows from operating activities¹		
Cash receipts in the course of operations	8,586	9,861
Interest and other items of a similar nature received	1,044	1,166
Dividends and distributions received ²	367	984
Cash payments in the course of operations	(9,863)	(10,905)
Finance costs	(322)	(339)
Income tax refunded (paid)	(280)	(248)
Cash flows from (used in) operating activities	(468)	519
Cash flows from investing activities¹		
Net proceeds from sale of (payments to acquire):		
- investment property	147	-
- investments in financial assets ³	2,409	508
- operating and intangible assets	(66)	(50)
(Payments to acquire) proceeds from disposal of operating controlled entities and investments in associates accounted for using the equity method	(28)	(322)
Cash flows from (used in) investing activities	2,462	136
Cash flows from financing activities		
Net movement in deposits from customers	1,112	(346)
Proceeds from borrowings - non-banking operations ¹	384	148
Repayment of borrowings - non-banking operations ¹	(284)	(222)
Net movement in borrowings - banking operations	(226)	355
Proceeds from issue of subordinated debt	-	275
Repayment of subordinated debt	(600)	-
Dividends paid ⁴	(409)	(393)
Cash flows from (used in) financing activities	(23)	(183)
Net increase (decrease) in cash and cash equivalents	1,971	472
Cash and cash equivalents at the beginning of the half year	6,601	11,232
Effect of exchange rate changes on cash and cash equivalents	2	(15)
Cash and cash equivalents at the end of the half year¹	8,574	11,689

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

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

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

4 The Dividends paid amount is presented net of dividends on treasury shares. See Statement of changes in equity for further information.

Notes to the financial statements

for the half year ended 30 June 2016

1. Basis of preparation

The consolidated economic entity (the AMP group) comprises AMP Limited (the parent entity), a company limited by shares, and incorporated and domiciled in Australia, and all the entities it controlled during the period and at the reporting date.

(a) Basis of preparation

The consolidated entity prepares general purpose financial statements. These general purpose financial statements have been prepared in accordance with the Corporations Act 2001 and AASB134 *Interim Financial Reporting*. AMP group is a for-profit entity for the purposes of preparing financial statements.

These half year financial statements do not include all notes of the type normally included within the annual financial statements and therefore cannot be expected to provide as full an understanding of the financial position and financial performance of the AMP group as that given by the annual financial statements. As a result, these statements should be read in conjunction with the 2015 annual financial statements of the AMP group and any public announcements made in the period by the AMP group in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the ASX Listing Rules.

The principal accounting policies and methods of computation adopted in the preparation of the 2016 half year financial statements are consistent with the accounting policies and methods of computation adopted in the preparation of the 2015 annual financial statements with the exception of the application of new standards and changes in estimates as set out below.

The AMP group is predominantly a wealth management business conducting operations through registered life insurance companies (AMP life insurance entities' statutory funds) and other entities. Where permitted under accounting standards, the assets and liabilities associated with life insurance contracts and investment contracts are generally measured on a fair value basis and other assets and liabilities are generally measured on a historical cost basis.

Assets and liabilities have been presented on the face of the Statement of financial position in decreasing order of liquidity and do not distinguish between current and non-current items. The majority of the assets of the AMP group are investment assets held to back investment contract and life insurance contract liabilities.

Changes in accounting policy

A number of new accounting standards and amendments have been adopted effective 1 January 2016, but have not had any material effect on the financial position or performance of the AMP group.

Australian Accounting Standards issued but not yet effective

A number of new accounting standards and amendments have been issued but are not yet effective. The AMP group has not elected to early adopt any of these new standards or amendments 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 AMP group, other than as set out below.

- **AASB 9 *Financial Instruments*:** This standard makes significant changes to the classification and measurement of financial instruments and introduces a new expected loss model when recognising expected credit losses on financial assets. It also introduces new general hedge accounting requirements. This standard is mandatory for adoption by the AMP group for the year ending 31 December 2018. The financial impact to the AMP group of adopting AASB 9 *Financial Instruments* has not yet been quantified.
- **AASB 15 *Revenue from Contracts with Customers*:** This standard makes significant changes to revenue recognition requirements and also introduces new disclosure requirements. This standard is mandatory for adoption by the AMP group for the year ending 31 December 2018. The financial impact to the AMP group of adopting AASB 15 *Revenue from Contracts with Customers* has not yet been quantified.

Notes to the financial statements

for the half year ended 30 June 2016

2. Segment information

(a) Segments – background

Operating segments have been identified based on separate financial information that is regularly reviewed by the chief operating decision maker (CODM). The term *CODM* refers to the function performed by the chief executive officer and his immediate team, as a team, in assessing performance and determining the allocation of resources. The operating segments are identified according to the nature of profit generated and services provided. Segment information in this note is reported separately for each operating segment. The AMP group evaluates the performance of segments on a post-tax operating earnings basis.

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

Asset segment information has not been disclosed because the balances are not provided to the CODM for the purposes of evaluating segment performance and deciding the allocation of resources to segments.

(b) Description of segments

AMP comprises the following business units:

- *Australian wealth management (WM)* – financial advice services (through aligned and owned advice businesses), platform administration (including SMSF), unit-linked superannuation, retirement income and managed investment products business. Superannuation products include personal and employer sponsored plans.
- *AMP Capital* – a diversified investment manager with a growing international presence, providing investment services for domestic and international customers. AMP Capital manages investments across major asset classes including equities, fixed interest, property, infrastructure and multi-manager and multi-asset funds. AMP Capital also provides commercial, industrial and retail property management services.

AMP Capital and Mitsubishi UFJ Trust and Banking Corporation (MUTB) have a strategic business and capital alliance, with MUTB holding a 15% ownership interest in AMP Capital.

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

- *Australian wealth protection (WP)* – includes individual and group term, disability and income protection insurance products. Products can be bundled with a superannuation product or held independently of superannuation.
- *AMP Bank* – Australian retail bank offering residential mortgages, deposits, transaction banking and SMSF products. It also has a portfolio of practice finance loans. AMP Bank distributes through AMP's aligned distribution network as well as third party brokers, and direct to retail customers via phone and online.
- *New Zealand financial services (NZFS)* – a risk insurance, wealth management and mature book (traditional participating business), with growth in wealth management driven by KiwiSaver.
- *Australian mature (Mature)* – a business comprising products which are largely closed to new business and are in run-off. Products within Australian mature include whole of life, endowment, investment-linked, investment account, Retirement Savings Account, Eligible Rollover Fund, annuities, insurance bonds, personal superannuation and guaranteed savings accounts.

Notes to the financial statements

for the half year ended 30 June 2016

2. Segment information (continued)

(c) Segment profit

	WM \$m	AMP Capital ² \$m	WP ³ \$m	AMP Bank \$m	NZFS ³ \$m	Mature ³ \$m	Total operating segments \$m
30 June 2016							
Segment profit after income tax¹	195	83	47	59	62	69	515
Other segment information⁴							
External customer revenue	730	209	47	153	62	69	1,270
Intersegment revenue ⁵	59	114	-	-	-	-	173
30 June 2015							
Segment profit after income tax¹	207	72	99	50	61	80	569
Other segment information⁴							
External customer revenue	777	162	99	134	61	80	1,313
Intersegment revenue ⁵	60	127	-	-	-	-	187

- 1 Segment profit after income tax differs from Profit attributable to shareholders of AMP Limited due to the exclusion of the following items:
 - i) group office costs
 - ii) investment return on shareholder assets invested in income producing investment assets
 - iii) interest expense on corporate debt
 - iv) AMP AAPH integration costs, business efficiency program costs and other items (refer to note 2(d) for further details). These items do not reflect the underlying operating performance of the operating segments, and
 - v) accounting mismatches, market adjustments (annuity fair value and risk products) and amortisation of AMP AAPH acquired intangible assets.
- 2 AMP Capital segment revenue is reported net of external investment manager fees paid in respect of certain assets under management. AMP Capital segment profit is reported net of 15% attributable to MUTB. Other AMP Capital segment information is reported before deductions of minority interests.
- 3 Statutory reporting revenue for WP, NZFS and Mature includes premium and investment gains and losses. However, for segment reporting, external customer revenue is operating earnings which represents gross revenue less claims, expenses, movement in insurance contract liabilities and tax relating to those segments.
- 4 Other segment information excludes revenue, expenses and tax relating to assets backing policyholder liabilities.
- 5 Intersegment revenue represents operating revenue between segments priced on an arm's-length basis.

Notes to the financial statements

for the half year ended 30 June 2016

2 . Segment information (continued)

	Consolidated	
	30 Jun	30 Jun
	2016	2015
	\$m	\$m
(d) Reconciliation of segment profit after tax		
Australian wealth management	195	207
AMP Capital	83	72
Australian wealth protection	47	99
AMP Bank	59	50
New Zealand financial services	62	61
Australian mature	69	80
Business unit operating earnings	515	569
Group office costs	(30)	(31)
Total operating earnings	485	538
Underlying investment income ¹	61	60
Interest expense on corporate debt	(33)	(28)
Underlying profit	513	570
Other items ²	(6)	(2)
Business efficiency program costs	(12)	(33)
Amortisation of AMP AAPH acquired intangible assets	(39)	(42)
Profit before market adjustments and accounting mismatches	456	493
Market adjustment - investment income ¹	56	2
Market adjustment - annuity fair value ³	(18)	12
Market adjustment - risk products ⁴	25	10
Accounting mismatches ⁵	4	(10)
Profit attributable to shareholders of AMP Limited	523	507
Profit attributable to non-controlling interests	527	384
Profit for the period	1,050	891

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

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

3 Market adjustment - annuity fair value relates to the net impact of investment markets on AMP's annuity portfolio.

4 Market adjustment - risk products relates to the net impact of changes in market economic assumptions (bond yields and CPI) on the valuation of risk insurance liabilities.

5 Under Australian Accounting Standards, some assets held on behalf of the policyholders (and related tax balances) are recognised in the financial statements at different values to the values used in the calculation of the liability to policyholders in respect of the same assets. Therefore, movements in these policyholder assets result in accounting mismatches which impact profit attributable to shareholders. These differences have no impact on the operating earnings of the AMP group.

Notes to the financial statements

for the half year ended 30 June 2016

3. Income

	Consolidated	
	30 Jun	30 Jun
	2016	2015
	\$m	\$m
(a) Life insurance premium and related revenue		
Life insurance contract premium revenue	1,148	1,151
Reinsurance recoveries	77	57
Total life insurance premium and related revenue	1,225	1,208
(b) Fee revenue		
Investment management and origination fees	1,111	1,161
Financial advisory fees	395	385
Total fee revenue	1,506	1,546
(c) Other revenue		
Investment entities controlled by the AMP life insurance entities' statutory funds ¹	3	35
Other entities	34	29
Total other revenue	37	64

1 Other revenue of investment entities controlled by the AMP life insurance entities' statutory funds which carry out business operations unrelated to the core operations of the AMP group.

Notes to the financial statements

for the half year ended 30 June 2016

4. Investment gains and (losses)

	Consolidated	
	30 Jun	30 Jun
	2016	2015
	\$m	\$m
Investment gains and (losses)		
Interest ¹		
- other entities	1,072	1,208
Dividends and distributions		
- associated entities not equity accounted	287	207
- other entities	1,543	1,963
Rental income	22	24
Net realised and unrealised gains and (losses) ²	390	2,394
Total investment gains and (losses)³	3,314	5,796

1 Interest includes interest income from financial assets designated at fair value through profit or loss upon initial recognition, with the exception of \$375m (2015: \$381m) interest income from held to maturity investments and loans and advances in banking operations, which are measured at amortised cost.

2 Net realised and unrealised gains and losses for the consolidated group predominantly consist of gains and losses on financial assets and financial liabilities designated at fair value through profit or loss upon initial recognition.

3 Investment gains and losses include amounts attributable to shareholders' interests, policyholders' interests in the AMP life insurance entities' statutory funds, external unitholders' interests and non-controlling interests.

Notes to the financial statements

for the half year ended 30 June 2016

5. Expenses

	Consolidated	
	30 Jun	30 Jun
	2016	2015
	\$m	\$m
(a) Life insurance claims and related expenses		
Life insurance contract claims and related expenses	(1,009)	(982)
Outwards reinsurance expense	(92)	(81)
Total life insurance claims and related expenses	(1,101)	(1,063)
(b) Operating expenses¹		
Commission and advisory fee-for-service expense	(627)	(620)
Investment management expenses	(198)	(231)
Fee and commission expenses	(825)	(851)
Wages and salaries	(432)	(408)
Contributions to defined contribution plans	(43)	(42)
Defined benefit fund expense	(4)	(1)
Share-based payments expense	(18)	(16)
Other staff costs	(27)	(32)
Staff and related expenses	(524)	(499)
Occupancy and other property related expenses	(53)	(52)
Direct property expenses ²	(2)	(6)
Information technology and communication	(112)	(121)
Professional and consulting fees	(37)	(44)
Advertising and marketing	(10)	(13)
Travel and entertainment	(15)	(17)
Impairment of intangibles	-	(1)
Amortisation of intangibles	(135)	(133)
Depreciation of property, plant and equipment	(10)	(16)
Other expenses		
- investment entities controlled by the AMP life insurance entities' statutory funds	(13)	(81)
- other entities	(131)	(119)
Other operating expenses	(518)	(603)
Total operating expenses	(1,867)	(1,953)
(c) Finance costs		
Interest expense on borrowings and subordinated debt	(302)	(306)
Other finance costs	(35)	(37)
Total finance costs	(337)	(343)

1 Operating expenses includes certain trading expenses of investment entities controlled by the AMP life insurance entities' statutory funds which carry out business operations unrelated to the core operations of the AMP group.

2 Direct property expenses relate to investment properties which generate rental income.

Notes to the financial statements

for the half year ended 30 June 2016

6. Income tax

	Consolidated	
	30 Jun	30 Jun
	2016	2015
	\$m	\$m
(a) Analysis of income tax (expense) credit		
Current tax (expense) credit	(417)	(441)
Increase (decrease) in deferred tax assets	34	(28)
(Increase) decrease in deferred tax liabilities	106	162
Over (under) provided in previous years including amounts attributable to policyholders	27	1
Income tax (expense) credit	(250)	(306)

(b) Relationship between income tax expense and accounting profit

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

	Consolidated	
	30 Jun	30 Jun
	2016	2015
	\$m	\$m
Profit before income tax	1,300	1,197
Policyholder tax (expense) credit recognised as part of the change in policyholder liabilities in determining profit before tax	(39)	(119)
Profit before income tax excluding tax charged to policyholders	1,261	1,078
Tax at the Australian tax rate of 30% (2015: 30%)	(378)	(323)
Tax effect of differences between amounts of income and expenses recognised for accounting and the amounts assessable/deductible in calculating taxable income:		
- shareholder impact of life insurance tax treatment	(26)	(3)
- tax concessions including research and development and offshore banking unit	4	6
- non-deductible expenses	(11)	(6)
- non-taxable income	4	11
- other items	1	-
- non-controlling interests ¹	154	113
Over (under) provided in previous years after excluding amounts attributable to policyholders	5	13
Utilisation of previously unrecognised tax losses	31	-
Differences in overseas tax rates	5	2
Income tax (expense) credit attributable to shareholders and non-controlling interest	(211)	(187)
Income tax (expense) credit attributable to policyholders	(39)	(119)
Income tax (expense) credit per Income statement	(250)	(306)

1 \$513m (HY15: \$377m) profit attributable to non-controlling interests in investment entities controlled by the AMP life insurance entities' statutory funds is not subject to tax.

Notes to the financial statements

for the half year ended 30 June 2016

6. Income tax (continued)

	Consolidated	
	30 Jun	31 Dec
	2016	2015
	\$m	\$m
(c) Analysis of deferred tax assets		
Expenses deductible and income recognisable in future years	383	234
Unrealised movements on borrow ings and derivatives	17	24
Unrealised investment losses	28	29
Losses available for offset against future taxable income	50	175
Other	82	95
Total deferred tax assets	560	557
(d) Analysis of deferred tax liabilities		
Unrealised investment gains	1,240	1,596
Unrealised movements on borrow ings and derivatives	29	17
Other	511	463
Total deferred tax liabilities	1,780	2,076
(e) Amounts recognised directly in equity		
Deferred income tax (expense) credit related to items taken directly to equity during the current period	23	(28)

Notes to the financial statements

for the half year ended 30 June 2016

7. Investments in financial assets and other financial liabilities

	Consolidated	
	30 Jun	31 Dec
	2016	2015
	\$m	\$m
Investments in financial assets		
Financial assets measured at fair value through profit or loss¹		
Equity securities and listed managed investment schemes	52,161	53,173
Debt securities ²	34,752	35,743
Investments in unlisted managed investment schemes	20,006	19,421
Derivative financial assets	2,671	1,790
Other financial assets	5	8
Total financial assets measured at fair value through profit or loss	109,595	110,135
Available-for-sale financial assets		
Equity securities and managed investment schemes	66	66
Total available-for-sale financial assets	66	66
Financial assets measured at amortised cost		
Loans and advances	16,088	15,281
Debt securities - held to maturity	2,127	1,739
Total financial assets measured at amortised cost	18,215	17,020
Total investments in financial assets	127,876	127,221
Other financial liabilities		
Derivative financial liabilities	1,107	883
Collateral deposits held ³	197	225
Total other financial liabilities	1,304	1,108

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

2 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 insurance entities' statutory funds and the controlled entities of the AMP life insurance entities' statutory funds.

3 Collateral deposits held are mostly in respect of the obligation to repay collateral held in respect of debt security repurchase arrangements entered into by the AMP life insurance entities' statutory funds and the controlled entities of the AMP life insurance entities' statutory funds.

Notes to the financial statements

for the half year ended 30 June 2016

8. Intangibles

	Goodwill ¹ \$m	Capital- ised costs \$m	Value of in-force business \$m	Distrib- ution networks \$m	Other intangibles \$m	Total \$m
30 June 2016 - Consolidated						
Intangibles						
Gross carrying amount	2,892	1,193	1,191	251	95	5,622
Less: accumulated amortisation and/or impairment losses	(108)	(819)	(539)	(148)	(94)	(1,708)
Intangibles at written down value	2,784	374	652	103	1	3,914
Movements in intangibles						
Balance at 1 January 2016	2,782	374	703	123	1	3,983
Additions (reductions) through acquisitions (disposal) of controlled entities	2	3	-	-	-	5
Additions through separate acquisition	-	-	-	-	-	-
Additions through internal development	-	61	-	-	-	61
Transferred from inventories	-	-	-	-	-	-
Transferred to disposal groups	-	-	-	-	-	-
Amortisation expense ²	-	(64)	(51)	(20)	-	(135)
Impairment losses	-	-	-	-	-	-
Other movements	-	-	-	-	-	-
Balance at 30 June 2016	2,784	374	652	103	1	3,914

31 December 2015 - Consolidated

Intangibles						
Gross carrying amount	2,890	1,129	1,191	251	95	5,556
Less: accumulated amortisation and/or impairment losses	(108)	(755)	(488)	(128)	(94)	(1,573)
Intangibles at written down value	2,782	374	703	123	1	3,983
Movements in intangibles						
Balance at 1 January 2015	2,717	378	806	136	5	4,042
Additions (reductions) through acquisitions (disposal) of controlled entities	59	7	-	16	-	82
Additions through separate acquisition	-	-	-	2	-	2
Additions through internal development	-	114	-	-	-	114
Transferred from inventories	-	-	-	17	-	17
Transferred to disposal groups	-	-	-	-	-	-
Amortisation expense ²	-	(117)	(103)	(37)	(4)	(261)
Impairment losses	-	(8)	-	(10)	-	(18)
Other movements	6	-	-	(1)	-	5
Balance at 31 December 2015	2,782	374	703	123	1	3,983

1 Total goodwill comprises amounts attributable to shareholders of \$2,769m (2015: \$2,767m) and amounts attributable to policyholders of \$15m (2015: \$15m).

2 Amortisation expense for the period is included in Operating expenses in the Income statement.

Notes to the financial statements

for the half year ended 30 June 2016

9. Borrowings

	Consolidated	
	30 Jun	31 Dec
	2016	2015
	\$m	\$m
Deposits ¹	7,850	6,772
Borrowings and interest bearing liabilities		
- AMP Bank and securitisation vehicles	6,600	6,774
- Corporate borrowings	648	271
- Investment entities controlled by AMP life insurance entities' statutory funds	1,862	1,943
Total borrowings²	16,960	15,760

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

2 Total borrowings comprise amounts to fund:

i) Corporate borrowings of AMP group \$648m (2015: \$271m).

ii) AMP Bank and securitisation trusts borrowings \$14,355m (2015: \$13,452m).

iii) AMP life insurance entities' statutory funds borrowings and controlled entities of the AMP life insurance entities' statutory funds borrowings \$1,957m (2015: \$2,037m).

Notes to the financial statements

for the half year ended 30 June 2016

10. Subordinated debt

	Consolidated	
	30 Jun	31 Dec
	2016	2015
	\$m	\$m
AMP Bank		
- Floating Rate Subordinated Unsecured Notes (first call date 2017, maturity 2022) ¹	150	150
Corporate subordinated debt ²		
- 6.875% GBP Subordinated Guaranteed Bonds (maturity 2022)	79	82
- Floating Rate Subordinated Unsecured Notes (first call date 2016, maturity 2021) ³	-	601
- AMP Subordinated Notes 2 (first call date 2018, maturity 2023) ⁴	322	321
- AMP Wholesale Capital Notes ⁵	275	276
- AMP Capital Notes ⁶	263	262
Total subordinated debt	1,089	1,692

1 Floating rate subordinated unsecured notes are to fund AMP Bank's capital requirements.

2 Subordinated debt amounts are to fund corporate activities of AMP group.

3 The subordinated debt was redeemed on 29 March 2016.

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

5 AMP Wholesale Capital Notes were issued on 27 March 2015. They are perpetual notes with no maturity date. In certain circumstances, AMP may be required to convert some or all of AMP Wholesale Capital Notes into AMP ordinary shares.

6 AMP Capital Notes were issued on 30 November 2015 and are listed on the ASX. They are perpetual notes with no maturity date. In certain circumstances, AMP may be required to convert some or all of AMP Capital Notes into AMP ordinary shares.

Notes to the financial statements

for the half year ended 30 June 2016

11. Dividends

	Consolidated	
	30 Jun	30 June
	2016	2015
	\$m	\$m
Final dividends paid		
2015 final dividend paid in 2016: 14.0 cents per ordinary share franked to 90%		
(2014 final dividend paid in 2015: 13.5 cents per ordinary share franked to 80%)	414	399
Total dividends paid^{1,2}	414	399
Interim dividends proposed but not recognised		
2016: 14.0 cents per ordinary share franked to 90%	414	414

1 Total dividends paid includes dividends paid on treasury shares \$5m (HY15: \$6m). See Statement of changes in equity for further information regarding the impact of treasury shares on dividends paid and retained earnings.

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

Notes to the financial statements

for the half year ended 30 June 2016

12. Contributed equity

	Consolidated	
	30 Jun	31 Dec
	2016	2015
	\$m	\$m
Movements in issued capital		
Balance at the beginning of the period	9,747	9,747
Balance at the end of the period	9,747	9,747
Total issued capital		
2,957,737,964 (2015: 2,957,737,964) ordinary shares fully paid	9,747	9,747
Movements in treasury shares		
Balance at the beginning of the period	(181)	(239)
(Increase) decrease due to purchases less sales during the period	24	58
Balance at the end of the period	(157)	(181)
Total treasury shares		
28,922,281 (2015: 33,390,553) treasury shares	(157)	(181)
Total contributed equity		
2,928,815,683 (2015: 2,924,347,411) ordinary shares fully paid	9,590	9,566

- 1 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.
- 2 Mitsubishi UFJ Trust and Banking Corporation (MUTB) has an option to require AMP Limited to purchase MUTB's interest in AMP Capital Holdings Limited (AMPCH) in certain circumstances. As consideration for the acquisition of AMPCH shares, AMP would be required to issue ordinary shares in AMP Limited to MUTB (or its nominee).

Notes to the financial statements

for the half year ended 30 June 2016

13. Fair value information

(a) Fair values

The following table summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Statement of financial position at fair value. Bid prices are used to estimate the fair value of assets, whereas offer prices are applied for liabilities.

	Carrying amount 30 Jun 2016 \$m	Aggregate fair value 30 Jun 2016 \$m	Carrying amount 31 Dec 2015 \$m	Aggregate fair value 31 Dec 2015 \$m
Financial assets				
Loans and advances	16,088	16,081	15,281	15,281
Debt securities - held to maturity	2,127	2,131	1,739	1,745
Total financial assets not measured at fair value	18,215	18,212	17,020	17,026
Financial liabilities				
Deposits	7,850	7,850	6,772	6,892
Borrowings and interest bearing liabilities				
- AMP Bank and securitisation vehicles	6,600	6,598	6,774	6,669
- Corporate and other shareholder activities	648	648	271	272
- Investment entities controlled by AMP life insurance entities' statutory funds	1,862	1,862	1,943	1,943
Subordinated debt	1,089	1,118	1,692	1,718
Total financial liabilities not measured at fair value	18,049	18,076	17,452	17,494

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following table shows an analysis of the AMP group's financial assets and liabilities not presented on the Statement of financial position at fair value by each level of the fair value hierarchy.

	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total fair value \$m
30 June 2016				
Financial assets				
Loans and advances	-	16,081	-	16,081
Debt securities - held to maturity	-	2,131	-	2,131
Total financial assets not measured at fair value	-	18,212	-	18,212
Financial liabilities				
Deposits	-	7,850	-	7,850
Borrowings and interest bearing liabilities				
- AMP Bank and securitisation vehicles	-	6,598	-	6,598
- Corporate and other shareholder activities	-	648	-	648
- Investment entities controlled by AMP life insurance entities' statutory funds	-	1,862	-	1,862
Subordinated debt	613	505	-	1,118
Total financial liabilities not measured at fair value	613	17,463	-	18,076
31 December 2015				
Financial assets				
Loans and advances	-	15,281	-	15,281
Debt securities - held to maturity	-	1,745	-	1,745
Total financial assets not measured at fair value	-	17,026	-	17,026
Financial liabilities				
Deposits	-	6,892	-	6,892
Borrowings and interest bearing liabilities				
- AMP Bank and securitisation vehicles	-	6,669	-	6,669
- Corporate and other shareholder activities	-	272	-	272
- Investment entities controlled by AMP life insurance entities' statutory funds	-	1,943	-	1,943
Subordinated debt	609	1,109	-	1,718
Total financial liabilities not measured at fair value	609	16,885	-	17,494

Notes to the financial statements

for the half year ended 30 June 2016

13. Fair value information (continued)

(i) Debt securities

The estimated fair value of loans and interest bearing securities represents the discounted amount of estimated future cash flows expected to be received, based on the maturity profile of the loans and interest bearing securities. As the loans are unlisted, the discount rates applied are based on the yield curve appropriate to the remaining term of the loans.

The loans may be measured at an amount in excess of fair value due to fluctuations on fixed rate loans. As the fluctuations in fair value do not represent a permanent diminution and the carrying amounts of the loans are recorded at recoverable amounts after assessing impairment, it is not appropriate to restate their carrying amount.

(ii) Borrowings

Borrowings comprise domestic commercial paper, drawn liquidity facilities and various floating-rate and medium-term notes. The fair values of borrowings are predominantly hedged by derivative instruments – mainly cross-currency and interest rate swaps. 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.

(iii) Subordinated debt

The fair value of subordinated debt is determined with reference to quoted market prices at the reporting date.

(b) Fair value measures

The AMP group's assets and liabilities measured at fair value are categorised under a three-level hierarchy, reflecting the availability of observable market inputs when estimating the fair value. If different levels of inputs are used to measure a financial instrument's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. The three levels are:

Level 1: valued by reference to quoted prices in active markets for identical assets or liabilities. These quoted prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2: valued 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), including: quoted prices in active markets for similar assets or liabilities, quoted prices in markets in which there are few transactions for identical or similar assets or liabilities, and other inputs that are not quoted prices but are observable for the asset or liability, eg interest rate yield curves observable at commonly quoted intervals, currency rates, option volatilities, credit risks, and default rates.

Level 3: valued in whole or in part using valuation techniques or models that are based on unobservable inputs that are neither supported by prices from observable current market transactions in the same instrument nor based on available market data. Unobservable inputs are determined based on the best information available, which might include the AMP group's own data, reflecting the AMP group's own estimates about the assumptions that market participants would use in pricing the asset or liability.

Valuation techniques are used to the extent that observable inputs are not available, and include estimates about the timing of cash flows, discount rates, earnings multiples and other inputs.

Notes to the financial statements

for the half year ended 30 June 2016

13. Fair value information (continued)

The following table shows an analysis of the AMP group's assets and liabilities measured at fair value by each level of the fair value hierarchy.

	Level 1	Level 2	Level 3	Total fair value
	\$m	\$m	\$m	\$m
30 June 2016				
Assets				
Measured at fair value on a recurring basis				
Equity securities and listed managed investment schemes ¹	48,315	3	3,909	52,227
Debt securities	-	33,424	1,328	34,752
Investments in unlisted managed investment schemes	-	18,874	1,132	20,006
Derivative financial assets	214	2,457	-	2,671
Investment properties	-	-	263	263
Other financial assets	-	-	5	5
Total financial assets measured at fair value on a recurring basis	48,529	54,758	6,637	109,924
Other assets measured at fair value on a non-recurring basis				
Assets of disposal groups	-	-	-	-
Total other assets measured at fair value on a non-recurring basis	-	-	-	-
Total assets measured at fair value	48,529	54,758	6,637	109,924
Liabilities				
Measured at fair value on a recurring basis				
Derivative financial liabilities	111	996	-	1,107
Collateral deposits held	38	159	-	197
Investment contract liabilities	-	2,316	66,966	69,282
Total financial liabilities measured at fair value on a recurring basis	149	3,471	66,966	70,586
Other liabilities measured at fair value on a non-recurring basis				
Liabilities of disposal groups	-	-	-	-
Total other liabilities measured at fair value on a non-recurring basis	-	-	-	-
Total liabilities measured at fair value	149	3,471	66,966	70,586
31 December 2015				
Assets				
Measured at fair value on a recurring basis				
Equity securities and listed managed investment schemes ¹	49,811	18	3,410	53,239
Debt securities	-	34,209	1,534	35,743
Investments in unlisted managed investment schemes	-	18,291	1,130	19,421
Derivative financial assets	161	1,629	-	1,790
Investment properties	-	-	386	386
Other financial assets	-	-	8	8
Total financial assets measured at fair value on a recurring basis	49,972	54,147	6,468	110,587
Other assets measured at fair value on a non-recurring basis				
Assets of disposal groups	-	-	-	-
Total other assets measured at fair value on a non-recurring basis	-	-	-	-
Total assets measured at fair value	49,972	54,147	6,468	110,587
Liabilities				
Measured at fair value on a recurring basis				
Derivative financial liabilities	117	766	-	883
Collateral deposits held	136	89	-	225
Investment contract liabilities	-	2,364	67,484	69,848
Total financial liabilities measured at fair value on a recurring basis	253	3,219	67,484	70,956
Other liabilities measured at fair value on a non-recurring basis				
Liabilities of disposal groups	-	-	-	-
Total other liabilities measured at fair value on a non-recurring basis	-	-	-	-
Total liabilities measured at fair value	253	3,219	67,484	70,956

¹ Equity securities and listed managed investment schemes include financial assets available for sale measured at fair value.

Notes to the financial statements

for the half year ended 30 June 2016

13. Fair value information (continued)

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

	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 2016								
Assets classified as level 3								
Equity securities and listed managed investment schemes	3,410	(188)	463	514	(290)	-	3,909	464
Debt securities	1,534	(150)	182	6	(244)	-	1,328	182
Investments in unlisted managed investment schemes	1,130	(2)	(9)	28	(15)	-	1,132	(9)
Other financial assets	8	-	(1)	-	(2)	-	5	(1)
Liabilities classified as level 3								
Investment contract liabilities	67,484	5	65	5,011	(5,599)	-	66,966	72
31 December 2015								
Assets classified as level 3								
Equity securities and listed managed investment schemes	2,354	48	378	942	(435)	123	3,410	379
Debt securities	599	55	210	764	(93)	(1)	1,534	209
Investments in unlisted managed investment schemes	850	-	44	383	(21)	(127)	1,130	52
Other financial assets	9	-	-	-	(1)	-	8	-
Liabilities classified as level 3								
Investment contract liabilities	64,448	(5)	3,100	11,743	(11,802)	-	67,484	2,755

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

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

Notes to the financial statements

for the half year ended 30 June 2016

13. Fair value information (continued)

The following table shows the sensitivity of the fair value of level 3 instruments to changes in key assumptions:

		Effect of reasonably possible alternative assumptions ³			
	Carrying amount ^{1 2} \$m	(+) \$m	(-) \$m	Valuation technique	Key unobservable inputs
30 June 2016					
Assets					
Equity securities and listed managed investment schemes	3,909	237	(235)	Discounted cash flow approach utilising cost of equity as the discount rate.	Discount rate. Terminal value growth rate. Cash flow forecasts.
Debt securities	1,328	-	-	Discounted cash flow approach.	Discount rate. Cash flow forecasts.
Investments in unlisted managed investment schemes	1,132	-	-	Published redemption prices.	Valuation of the unlisted managed investment schemes. Suspension of redemptions of the managed investment schemes.
Liabilities					
Investment contract liabilities	66,966	6	(6)	Valuation model based on published unit prices and the fair value of backing assets. Fixed retirement-income policies - discounted cash flow .	Fair value of financial instruments. Cash flow forecasts. Credit risk.
31 December 2015					
Assets					
Equity securities and listed managed investment schemes	3,410	206	(206)		
Debt securities	1,534	-	-		
Investments in unlisted managed investment schemes	1,130	-	-		
Liabilities					
Investment contract liabilities	67,484	8	(7)		

- 1 The fair value of the asset or liability would increase/decrease if the discount rate decreases/increases. The fair value of the asset or liability would increase/decrease if the other inputs increase/decrease.
- 2 Each individual asset and industry profile will determine the appropriate valuation inputs to be utilised in each specific valuation and can vary from asset to asset.
- 3 Reasonably possible alternative assumptions have been calculated by changing one or more of significant unobservable inputs for individual assets to reasonably possible alternative assumptions. On financial assets this included adjusting the discount rate by 25bps - 100bps. On investment contract liabilities this included adjustments to credit risk by 50bps.

Financial asset valuation process

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

Notes to the financial statements

for the half year ended 30 June 2016

14. Contingent liabilities

As at the date of this report there have been no material changes in contingent liabilities since those reported in the 2015 annual financial report.

Notes to the financial statements

for the half year ended 30 June 2016

15. Events occurring after reporting date

As at the date of this report, the directors are not aware of any matter or circumstance that has arisen since the reporting date that has significantly affected or may significantly affect the entity's operations in future years; the results of those operations in future years; or the entity's state of affairs in future years which is not already reflected in this report, other than the following:

- On 18 August 2016, AMP announced an interim dividend on ordinary shares of 14.0 cents per share. Details of the announced dividend and dividends paid and declared during the year are disclosed in note 11 of the financial report.

Directors' declaration

for the half year ended 30 June 2016

In accordance with a resolution of the directors of AMP 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 the company will be able to pay its debts as and when they become due and payable; and
- (b) the financial statements and notes are in accordance with the *Corporations Act 2001*, including Section 304 (compliance with accounting standards) and Section 305 (true and fair view).



Catherine Brenner
Chairman



Craig Meller
Chief Executive Officer and Managing Director

Sydney, 18 August 2016

To the members of AMP Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of AMP Limited, which comprises the statement of financial position as at 30 June 2016, income statement and 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 of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

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 controls as the directors determine are 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, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and its 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 AMP Limited and the entities it controlled during the half-year, 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 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*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of AMP Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its 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*.



Ernst & Young



Tony Johnson
Partner
Sydney
18 August 2016