

20 August 2015

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: 19/2015
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\$507 million net profit 1H 15

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 2015**

DIRECTORS' REPORT

for the half year ended 30 June 2015

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 2015.

Directors' details

The directors of AMP Limited during the half year ended 30 June 2015 and up to the date of this report are shown below. Directors were in office for this entire period except where stated otherwise:

- Simon McKeon AO (Chairman) – *BCom, LLB*
- Craig Meller (Chief Executive Officer and Managing Director) – *BSc (Hons)*
- Patricia Akopiantz – *BA, MBA*
- Catherine Brenner – *BEC, LLB, MBA*
- Brian Clark – *BSc, MSc, DSc*
- Paul Fegan – *MBA*
- Trevor Matthews – *MA*
- John Palmer ONZM – *BAgrSc, Hon DCom*
- Professor Peter Shergold AC – *BA (Hons), MA, PhD*

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.

The company serves customers in Australia and New Zealand and clients in Asia, Europe, the Middle East and North America. AMP has over 5,300 employees, around 810,000 shareholders and \$222 billion of assets under management (AUM).

AMP provides customers in Australia and New Zealand with financial advice, superannuation, retirement income and other investment products for individuals. It also provides superannuation services for businesses, administration, banking and investment services for self-managed super funds (SMSF), income protection, disability and life insurance, and selected banking products.

AMP's business consists of Australian wealth management, AMP Capital, Australian wealth protection, AMP Bank, New Zealand financial services and Australian mature.

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

AMP Capital is a diversified investment manager, managing investments across major asset classes including equities, fixed interest, infrastructure, property, diversified funds, multi-manager and multi-asset funds. Mitsubishi UFJ Trust and Banking Corporation (MUTB) 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.

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

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

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.

DIRECTORS' REPORT

for the half year ended 30 June 2015

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

AMP's profit attributable to shareholders of AMP Limited for the half year ended 30 June 2015 was \$507 million (1H 14: \$382 million).

Basic earnings per share for the half year ended 30 June 2015 on a statutory basis were 17.4 cents per share (1H 14: 13.1 cents per share).

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. Other items largely comprise the net of one-off and non-recurring revenues and costs, including the cost of implementing significant regulatory changes. AMP's underlying profit for the half year ended 30 June 2015 was \$570 million (1H 14: \$510 million). On an underlying basis, earnings were 19.3 cents per share (1H 14: 17.2 cents per share).

AMP's key performance measures were as follows:

- 1H 15 underlying profit of \$570 million, up 11.8% on 1H 14 with strong growth across all contemporary businesses.
- 1H 15 AMP group cost to income ratio of 43.1%, an improvement of 1.9 percentage points on 1H 14.
- Australian wealth management 1H 15 net cashflows were \$1,152 million, up \$36 million from net cashflows of \$1,116 million in 1H 14. Strong growth in AMP's retail and corporate super platforms of \$1,926 million were partially offset by external platform net cash outflows of \$774 million, in part driven by the announced closure of Genesys wealth advisers in November 2014.
- AMP Capital external net cashflows were \$3,025 million, up \$1,383 million from net cashflows of \$1,642 million in 1H 14, driven by stronger inflows generated through the China Life AMP Asset Management joint venture and both institutional and retail domestic clients.
- Underlying return on equity increased 1.0 percentage points to 13.5 % in 1H 15 from 1H 14, largely reflecting the increase in underlying profit.

AMP's total AUM was \$222 billion at 30 June 2015 (\$214 billion at 31 December 2014).

Differences between underlying profit and statutory profit

The 30 June 2015 underlying profit of \$570 million excludes the impact (net of any tax effect) of:

- net loss of \$2 million which largely comprises the net of one-off and non-recurring revenues and costs, including the cost of implementing significant regulatory changes
- amortisation of AXA acquired intangible assets of \$42 million
- business efficiency program costs of \$33 million
- market adjustment gains of \$24 million, and
- accounting mismatches loss of \$10 million.

A reconciliation between underlying profit and statutory profit is provided in note 2 of the financial report.

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

DIRECTORS' REPORT

for the half year ended 30 June 2015

The impact of accounting mismatches on profit after tax arising from policyholder assets is as follows:

	1H 15	1H 14
Accounting mismatches profit/(loss)	\$m	\$m
Treasury shares	(25)	(37)
Investments in controlled entities	18	3
Superannuation products invested with AMP Bank	1	3
Owner occupied property	(4)	-
Net accounting mismatches profit/(loss)	(10)	(31)

Capital management

Equity and reserves of the AMP group attributable to shareholders of AMP Limited increased to \$8.3 billion at 30 June 2015 from \$8.2 billion at 31 December 2014.

AMP remains well capitalised, with \$2.3 billion in shareholder regulatory capital resources above minimum regulatory requirements at 30 June 2015 (\$2.0 billion at 31 December 2014).

AMP's interim 2015 dividend is 14.0 cents per share, franked to 85%. This represents a first half 2015 dividend payout ratio of 72.7% 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 98/0100, 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 2015

Auditor's independence declaration to the directors of AMP Limited

The directors have obtained an independence declaration from the company's auditor, EY, for the half year ended 30 June 2015.



Ernst & Young
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Auditor's independence declaration to the directors of AMP Limited

In relation to our review of the financial report of AMP Limited for the half-year ended 30 June 2015, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A handwritten signature in black ink, appearing to read 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink, appearing to read 'Tony Johnson'.

Tony Johnson
Partner
20 August 2015

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation

AMP Limited

DIRECTORS' REPORT

for the half year ended 30 June 2015

Signed in accordance with a resolution of the directors.



Simon McKeon
Chairman



Craig Meller
Chief Executive Officer and Managing Director

Sydney, 20 August 2015

AMP Limited

ABN 49 079 354 519

**Financial report
for the half year ended
30 June 2015**

AMP LIMITED
ABN 49 079 354 519
HALF YEAR FINANCIAL REPORT
30 JUNE 2015

TABLE OF CONTENTS

INCOME STATEMENT	1
STATEMENT OF COMPREHENSIVE INCOME.....	2
STATEMENT OF FINANCIAL POSITION.....	3
STATEMENT OF CHANGES IN EQUITY.....	4
STATEMENT OF CASH FLOWS	6
NOTES TO THE FINANCIAL STATEMENTS.....	7
1. BASIS OF PREPARATION.....	7
2. SEGMENT INFORMATION	8
3. INCOME	11
4. INVESTMENT GAINS AND (LOSSES).....	12
5. EXPENSES	13
6. INCOME TAX	14
7. INVESTMENTS IN FINANCIAL ASSETS AND OTHER FINANCIAL LIABILITIES	16
8. INTANGIBLES.....	17
9. BORROWINGS	18
10. SUBORDINATED DEBT	19
11. DIVIDENDS.....	20
12. CONTRIBUTED EQUITY.....	21
13. FAIR VALUE INFORMATION	22
14. CHANGES IN COMPOSITION OF THE AMP GROUP	26
15. CONTINGENT LIABILITIES.....	27
16. EVENTS OCCURRING AFTER REPORTING DATE.....	28
DIRECTORS' DECLARATION	29
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AMP LIMITED	30

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 2015

	Note	Consolidated	
		30 Jun	30 Jun
		2015	2014
		\$m	\$m
Income and expenses of shareholders, policyholders, external unitholders and non-controlling interests¹			
Life insurance premium and related revenue	3	1,208	1,173
Fee revenue	3	1,546	1,335
Other revenue	3	64	60
Investment gains and (losses)	4	5,796	4,670
Share of profit or (loss) of associates accounted for using the equity method		10	7
Life insurance claims and related expenses	5	(1,063)	(1,053)
Operating expenses	5	(1,953)	(1,886)
Finance costs	5	(343)	(379)
Movement in external unitholder liabilities		(610)	(383)
Change in policyholder liabilities			
- life insurance contracts		(176)	(560)
- investment contracts		(3,282)	(2,244)
Income tax (expense) credit	6	(306)	(333)
Profit for the period		891	407
Profit attributable to shareholders of AMP Limited		507	382
Profit attributable to non-controlling interests		384	25
Profit for the period		891	407

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
	2015	2014
	cents	cents
Earnings per share for profit attributable to ordinary shareholders of AMP Limited		
Basic	17.4	13.1
Diluted	17.3	13.0

Statement of comprehensive income

for the half year ended 30 June 2015

	Consolidated	
	30 Jun 2015 \$m	30 Jun 2014 \$m
Profit for the period	891	407
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges ¹		
- gains and (losses) in fair value of cash flow hedges	(7)	(12)
- income tax (expense) credit	2	4
- transferred to profit for the period	8	17
- transferred to profit for the period - income tax (expense) credit	(2)	(5)
	1	4
Exchange difference on translation of foreign operations and revaluation of hedge of net investments		
- gains (losses)	(70)	8
- income tax (expense) credit	-	(1)
- transferred to profit for the year	-	-
	(70)	7
Items that will not be reclassified subsequently to profit or loss		
Defined benefit plans ²		
- actuarial gains and (losses)	154	(74)
- income tax (expense) credit	(46)	22
	108	(52)
Owner-occupied property revaluation		
- gains (losses) in valuation of owner-occupied property	17	5
- income tax (expense) credit	(1)	(1)
	16	4
Other comprehensive income for the period	55	(37)
Total comprehensive income for the period	946	370
Total comprehensive income attributable to shareholders of AMP Limited	562	345
Total comprehensive income (loss) attributable to non-controlling interests	384	25
Total comprehensive income for the period	946	370

1 Cash flow hedge movements includes interest rate swaps used to manage AMP Bank's interest rate risk on its mortgage portfolio and hedging of a highly probable future payment for an investment by AMP denominated in foreign currency.

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 2015

	Note	Consolidated	
		30 Jun 2015 \$m	31 Dec 2014 \$m
Assets			
Cash and cash equivalents		3,506	3,581
Receivables		2,768	2,518
Current tax assets		27	35
Inventories and other assets		170	189
Investments in financial assets	7	127,581	122,836
Investment properties		347	340
Investments in associates accounted for using the equity method		449	116
Property, plant and equipment		412	401
Deferred tax assets	6	588	697
Intangibles	8	3,963	4,042
Assets of disposal groups		-	100
Total assets of shareholders of AMP Limited, policyholders, external unitholders and non-controlling interests		139,811	134,855
Liabilities			
Payables		2,476	1,951
Current tax liabilities		418	247
Provisions		391	442
Other financial liabilities	7	1,985	2,015
Borrowings	9	15,354	15,352
Subordinated debt	10	1,432	1,150
Deferred tax liabilities	6	2,154	2,336
External unitholder liabilities		13,452	11,335
Life insurance contract liabilities		23,913	24,403
Investment contract liabilities		69,364	66,980
Defined benefit plan liabilities		33	190
Liabilities of disposal groups		-	69
Total liabilities of shareholders of AMP Limited, policyholders, external unitholders and non-controlling interests		130,972	126,470
Net assets of shareholders of AMP Limited and non-controlling interests		8,839	8,385
Equity¹			
Contributed equity	12	9,483	9,508
Reserves		(1,963)	(1,888)
Retained earnings		798	566
Total equity of shareholders of AMP Limited		8,318	8,186
Non-controlling interests		521	199
Total equity of shareholders of AMP Limited and non-controlling interests		8,839	8,385

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 2015

Consolidated

	Equity attributable to shareholders of AMP Limited												
	Contributed equity \$ m	Equity contribution reserve ¹ \$ m	Share-based payment reserve ² \$ m	Capital profits reserve ³ \$ m	Demerger loss reserve ⁴ \$ m	Available-for-sale financial assets reserve ⁵ \$ m	Cash flow hedge reserve ⁶ \$ m	Foreign currency translation and hedge of net investments reserves ^{7,8} \$ m	Owner-occupied property revaluation reserve ⁹ \$ m	Retained earnings \$ m	Total shareholder equity \$ m	Non-controlling interest \$ m	Total equity \$ m
30 June 2015													
Balance at the beginning of the period	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 interest	-	-	-	-	-	-	-	-	-	-	-	(52)	(52)
Balance at the end of the period	9,483	1,019	75	329	(3,585)	8	7	66	118	798	8,318	521	8,839
30 June 2014													
Balance at the beginning of the period	9,602	1,019	89	329	(3,585)	6	(17)	91	95	461	8,090	110	8,200
Profit (loss)	-	-	-	-	-	-	-	-	-	382	382	25	407
Other comprehensive income	-	-	-	-	-	-	4	7	4	(52)	(37)	-	(37)
Total comprehensive income	-	-	-	-	-	-	4	7	4	330	345	25	370
Share-based payment expense	-	-	19	-	-	-	-	-	-	-	19	1	20
Share purchases	-	-	(14)	-	-	-	-	-	-	-	(14)	-	(14)
Net sale/(purchase) of 'treasury shares'	(77)	-	-	-	-	-	-	-	-	-	(77)	-	(77)
Dividends paid ¹⁰	-	-	-	-	-	-	-	-	-	(340)	(340)	(8)	(348)
Dividends paid on 'treasury shares' ¹⁰	-	-	-	-	-	-	-	-	-	5	5	-	5
Sales and acquisitions of non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	14	14
Balance at the end of the period	9,525	1,019	94	329	(3,585)	6	(13)	98	99	456	8,028	142	8,170

Statement of changes in equity (continued)

for the half year ended 30 June 2015

- 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 within the AMP group 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 2015

	Consolidated	
	30 Jun	30 Jun
	2015	2014
	\$m	\$m
Cash flows from operating activities¹		
Cash receipts in the course of operations	9,861	8,906
Interest and other items of a similar nature received	1,166	1,220
Dividends and distributions received ²	984	1,133
Cash payments in the course of operations	(10,905)	(10,575)
Finance costs	(339)	(385)
Income tax refunded (paid)	(248)	143
Cash flows from (used in) operating activities	519	442
Cash flows from investing activities¹		
Net proceeds from sale of (payments to acquire):		
- investment property	-	(86)
- investments in financial assets ³	508	5,067
- operating and intangible assets	(50)	(75)
(Payments to acquire) proceeds from disposal of operating controlled entities and investments in associates accounted for using the equity method	(322)	3
Cash flows from (used in) investing activities	136	4,909
Cash flows from financing activities		
Net movement in deposits from customers	(346)	319
Proceeds from borrowings - non-banking operations ¹	148	150
Repayment of borrowings - non-banking operations ¹	(222)	(100)
Net movement in borrowings - banking operations	355	(120)
Proceeds from issue of subordinated debt	275	-
Repayment of subordinated debt	-	(280)
Dividends paid ⁴	(393)	(336)
Cash flows from (used in) financing activities	(183)	(367)
Net increase (decrease) in cash and cash equivalents	472	4,984
Cash and cash equivalents at the beginning of the year	11,232	7,157
Effect of exchange rate changes on cash and cash equivalents	(15)	2
Cash and cash equivalents at the end of the period¹	11,689	12,143

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 borrowing - 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 2015

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 entities that it controlled during the period and at the reporting date.

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 2014 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 2015 half year financial statements are consistent with the accounting policies and methods of computation adopted in the preparation of the 2014 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 2015, but have not had any material effect on the financial position or performance of the AMP group.

The AMP group has elected to early adopt the following new accounting standards from 1 January 2015:

- AASB 2015-5 *Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception*.
- AASB 2014-9 *Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements*.

There is no material impact to the financial position or performance of the AMP group as a result of the early adoption of these amendments.

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 way financial assets are classified for the purpose of determining their measurement basis and also to the amounts relating to fair value changes which are to be taken directly to equity. This standard also makes significant changes to hedge accounting requirements and disclosures and introduces a new expected loss model when recognising expected credit losses on financial assets. 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.

Changes in estimates

AASB 119 *Employee Benefits* requires employee benefit provisions and defined benefit plan liabilities to be determined by discounting future cash flows using discount rates determined with reference to market yields at the end of the reporting period on high quality corporate bonds or, in countries where there is no deep market in such bonds, using market yields at the end of the period on government bonds.

In re-estimating Australian employee benefit provisions and defined benefit plan liabilities for financial reporting purposes at 30 June 2015, AMP group has changed from using a blend of market yields on Commonwealth government and state government bonds to a blend of high quality corporate bonds. This change is required as a consequence of it being determined that there is a deep market in high quality corporate bonds in Australia. This has resulted in a decrease in the Australian defined benefit plan liabilities of \$69m after tax effect. The impact of changes in discount rates on employee benefit provisions was not material.

Notes to the financial statements

for the half year ended 30 June 2015

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 business and mature book (traditional participating business), with a growing wealth management business 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 2015

2. Segment information (continued)**(c) Segment profit**

	WM	AMP Capital ²	WP ³	Bank	NZFS ³	Mature ³	Total operating segments
30 June 2015	\$m	\$m	\$m	\$m	\$m	\$m	\$m
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
30 June 2014							
Segment profit after income tax¹	183	57	91	42	55	87	515
Other segment information⁴							
External customer revenue	750	125	91	115	55	87	1,223
Intersegment revenue ⁵	58	124	-	-	-	-	182

- 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 tangible 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 2015

2. Segment information (continued)

	Consolidated	
	30 Jun	30 Jun
	2015	2014
	\$m	\$m
(d) Reconciliation of segment profit after tax		
Australian wealth management	207	183
AMP Capital	72	57
Australian wealth protection	99	91
AMP Bank	50	42
New Zealand financial services	61	55
Australian mature	80	87
Business unit operating earnings	569	515
Group office costs	(31)	(32)
Total operating earnings	538	483
Underlying investment income ¹	60	69
Interest expense on corporate debt	(28)	(42)
Underlying profit	570	510
Other items ²	(2)	(3)
AMP AAPH integration costs	-	(11)
Business efficiency program costs	(33)	(49)
Amortisation of AMP AAPH acquired intangible assets	(42)	(44)
Profit before market adjustments and accounting mismatches	493	403
Market adjustment - investment income ¹	2	8
Market adjustment - annuity fair value ³	12	6
Market adjustment - risk products ⁴	10	(4)
Accounting mismatches ⁵	(10)	(31)
Profit attributable to shareholders of AMP Limited	507	382
Profit attributable to non-controlling interests	384	25
Profit for the period	891	407

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 2015

3. Income

	Consolidated	
	30 Jun	30 Jun
	2015	2014
	\$m	\$m
(a) Life insurance premium and related revenue		
Life insurance contract premium revenue	1,151	1,107
Reinsurance recoveries	57	66
Total life insurance premium and related revenue	1,208	1,173
(b) Fee revenue		
Investment management and origination fees	1,091	984
Financial advisory fees	455	351
Total fee revenue	1,546	1,335
(c) Other revenue		
Investment entities controlled by the AMP life insurance entities' statutory funds ¹	35	31
Other entities	29	29
Total other revenue	64	60

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

Notes to the financial statements

for the half year ended 30 June 2015

4. Investment gains and (losses)

	Consolidated	
	30 Jun 2015 \$m	30 Jun 2014 \$m
Investment gains and (losses)		
Interest ¹		
- other entities	1,208	1,223
Dividends and distributions		
- associated entities not equity accounted	207	268
- other entities	1,963	2,084
Rental income	24	306
Net realised and unrealised gains and (losses) ²	2,394	789
Total investment gains and (losses)³	5,796	4,670

- 1 Interest includes interest income from financial assets designated at fair value through profit or loss upon initial recognition, with the exception of \$381m (2014: \$386m) 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 2015

5. Expenses

	Consolidated	
	30 Jun 2015 \$m	30 Jun 2014 \$m
(a) Life insurance claims and related expenses		
Life insurance contract claims and related expenses	(982)	(996)
Outwards reinsurance expense	(81)	(57)
Total life insurance claims and related expenses	(1,063)	(1,053)
(b) Operating expenses¹		
Commission and advisory fee-for-service expense	(620)	(584)
Investment management expenses	(231)	(173)
Fee and commission expenses	(851)	(757)
Wages and salaries	(408)	(439)
Contributions to defined contribution plans	(42)	(42)
Defined benefit fund expense	(1)	(4)
Share-based payments expense	(16)	(20)
Other staff costs	(32)	(36)
Staff and related expenses	(499)	(541)
Occupancy and other property related expenses	(52)	(52)
Direct property expenses ²	(6)	(82)
Information technology and communication	(121)	(128)
Professional and consulting fees	(44)	(37)
Advertising and marketing	(13)	(14)
Travel and entertainment	(17)	(16)
Impairment of intangibles	(1)	-
Amortisation of intangibles	(133)	(130)
Depreciation of property, plant and equipment	(16)	(9)
Other expenses		
- investment entities controlled by the AMP life insurance entities' statutory funds	(81)	(11)
- other entities	(119)	(109)
Other operating expenses	(603)	(588)
Total operating expenses	(1,953)	(1,886)
(c) Finance costs		
Interest expense on borrowings and subordinated debt	(306)	(340)
Other finance costs	(37)	(39)
Total finance costs	(343)	(379)

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 wealth management 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 2015

6. Income tax

	Consolidated	
	30 Jun	30 Jun
	2015	2014
	\$m	\$m
(a) Analysis of income tax (expense) credit		
Current tax (expense) credit	(441)	(373)
Increase (decrease) in deferred tax assets	(28)	65
(Increase) decrease in deferred tax liabilities	162	(31)
Over (under) provided in previous years including amounts attributable to policyholders	1	6
Income tax (expense) credit	(306)	(333)

(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 year and the actual income tax expense recognised in the Income statement for the year. 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 during the year is 28%.

	Consolidated	
	30 Jun	30 Jun
	2015	2014
	\$m	\$m
Profit before income tax	1,197	740
Policyholder tax (expense) credit recognised as part of the change in policyholder liabilities in determining profit before tax	(119)	(191)
Profit before income tax excluding tax charged to policyholders	1,078	549
Tax at the Australian tax rate of 30% (2014: 30%)	(323)	(165)
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	(3)	(9)
- tax concessions including research and development and offshore banking unit	6	1
- non-deductible expenses	(6)	(1)
- non-taxable income	11	2
- other items	-	(3)
- non-controlling interests ¹	113	4
Over (under) provided in previous years after excluding amounts attributable to policyholders	13	21
Utilisation of previously unrecognised tax losses	-	2
Differences in overseas tax rates	2	6
Income tax (expense) credit attributable to shareholders and non-controlling interest	(187)	(142)
Income tax (expense) credit attributable to policyholders	(119)	(191)
Income tax (expense) credit per Income statement	(306)	(333)

1 \$377m (HY14: \$13m) 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 2015

6. Income tax (continued)

	Consolidated	
	30 Jun	31 Dec
	2015	2014
	\$m	\$m
(c) Analysis of deferred tax assets		
Expenses deductible and income recognisable in future years	314	253
Unrealised movements on borrowings and derivatives	21	19
Unrealised investment losses	40	25
Losses available for offset against future taxable income	181	310
Other	32	90
Total deferred tax assets	588	697
(d) Analysis of deferred tax liabilities		
Unrealised investment gains	1,619	1,759
Unrealised movements on borrowings and derivatives	24	20
Other	511	557
Total deferred tax liabilities	2,154	2,336
(e) Amounts recognised directly in equity		
Deferred income tax (expense) credit related to items taken directly to equity during the current period	(47)	34

Notes to the financial statements

for the half year ended 30 June 2015

7. Investments in financial assets and other financial liabilities

	Consolidated	
	30 Jun	31 Dec
	2015	2014
	\$m	\$m
Investments in financial assets		
Financial assets measured at fair value through profit or loss¹		
Equity securities and listed managed investment schemes	48,854	46,830
Debt securities ²	40,885	38,440
Investments in unlisted managed investment schemes	19,255	18,556
Derivative financial assets	1,593	1,982
Other financial assets	8	40
Total financial assets measured at fair value through profit or loss	110,595	105,848
Available-for-sale financial assets		
Equity securities and managed investment schemes	65	63
Total available-for-sale financial assets	65	63
Financial assets measured at amortised cost		
Loans and advances	15,215	14,590
Debt securities - held to maturity	1,706	2,335
Total financial assets measured at amortised cost	16,921	16,925
Total investments in financial assets	127,581	122,836
Other financial liabilities		
Derivative financial liabilities	833	1,150
Collateral deposits held ³	1,152	865
Total other financial liabilities	1,985	2,015

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 purchase 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 2015

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 2015 - Consolidated						
Intangibles						
Gross carrying amount	2,829	1,056	1,191	220	95	5,391
Less: accumulated amortisation and/or impairment losses	(108)	(689)	(436)	(101)	(94)	(1,428)
Intangibles at written down value	2,721	367	755	119	1	3,963
Movements in intangibles						
Balance at the beginning of the period	2,717	378	806	136	5	4,042
Additions (reductions) through acquisitions (disposal) of controlled entities	-	-	-	-	-	-
Additions through separate acquisition	-	-	-	-	-	-
Additions through internal development	-	48	-	-	-	48
Transferred from inventories	-	-	-	5	-	5
Transferred to disposal groups	-	-	-	-	-	-
Amortisation expense ²	-	(58)	(51)	(20)	(4)	(133)
Impairment losses	-	(1)	-	-	-	(1)
Other movements	4	-	-	(2)	-	2
Balance at the end of the period	2,721	367	755	119	1	3,963

31 December 2014 - Consolidated

Intangibles						
Gross carrying amount	2,825	1,008	1,191	217	95	5,336
Less: accumulated amortisation and/or impairment losses	(108)	(630)	(385)	(81)	(90)	(1,294)
Intangibles at written down value	2,717	378	806	136	5	4,042
Movements in intangibles						
Balance at the beginning of the period	2,711	355	909	140	21	4,136
Additions (reductions) through acquisitions (disposal) of controlled entities and other businesses	19	-	-	5	-	24
Additions through separate acquisition	-	-	-	34	-	34
Additions through internal development	-	127	-	-	-	127
Disposals	-	-	-	-	-	-
Transferred to disposal groups	(13)	-	-	-	-	(13)
Amortisation expense ²	-	(104)	(103)	(35)	(16)	(258)
Impairment losses	-	-	-	-	-	-
Other movements	-	-	-	(8)	-	(8)
Balance at the end of the period	2,717	378	806	136	5	4,042

1 Total goodwill comprises amounts attributable to shareholders of \$2,706m (2014: \$2,702m) and amounts attributable to policyholders of \$15m (2014: \$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 2015

9. Borrowings

	Consolidated	
	30 Jun	31 Dec
	2015	2014
	\$m	\$m
Deposits ¹	6,046	6,392
Borrowings and interest bearing liabilities		
- AMP Bank and securitisation vehicles	7,579	7,224
- Corporate borrowings	262	463
- Investment entities controlled by AMP life insurance entities' statutory funds	1,467	1,273
Total borrowings²	15,354	15,352

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 \$262m (2014: \$463m).

ii) AMP Bank and securitisation trusts borrowings \$13,526m (2014: \$13,514m).

iii) AMP life insurance entities' statutory funds borrowings and controlled entities of the AMP life insurance entities' statutory funds borrowings \$1,566m (2014: \$1,375m).

Notes to the financial statements

for the half year ended 30 June 2015

10. Subordinated debt

	Consolidated	
	30 Jun	31 Dec
	2015	2014
	\$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)	83	79
- Floating Rate Subordinated Unsecured Notes (first call date 2016, maturity 2021) ³	604	602
- AMP Notes 2 (first call date 2018, maturity 2023) ⁴	320	319
- AMP Wholesale Capital Notes ⁵	275	-
Total subordinated debt	1,432	1,150

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 In the event that AMP does not call the subordinated debt at the first call date the note holders have the right to exchange the notes for AMP shares at a small discount to volume weighted average price at that time.

4 AMP Notes 2 unsecured notes 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. In certain circumstances, AMP may be required to convert some or all of AMP Wholesale Capital Notes into AMP ordinary shares.

Notes to the financial statements

for the half year ended 30 June 2015

11. Dividends

	Consolidated	
	30 Jun	30 June
	2015	2014
	\$m	\$m
<hr/>		
Final dividends paid		
2014 final dividend paid in 2015: 13.5 cents per ordinary share franked to 80% (2013 final dividend paid in 2014: 11.5 cents per ordinary share franked to 70%)	399	340
Total dividends paid^{1,2}	399	340
<hr/>		
Interim dividends proposed but not recognised		
2015: 14.0 cents per ordinary share franked to 85%	414	370
<hr/>		

1 Total dividends paid includes dividends paid on 'treasury shares' \$6m (2014: \$5m). 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 2015

12. Contributed equity

	Consolidated	
	30 Jun	31 Dec
	2015	2014
	\$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 (2014: 2,957,737,964) ordinary shares fully paid	9,747	9,747
Movements in 'treasury shares'		
Balance at the beginning of the period	(239)	(145)
(Increase) decrease due to purchases less sales during the period	(25)	(94)
Balance at the end of the period	(264)	(239)
Total treasury shares		
48,884,491 (2014: 46,961,490) treasury shares	(264)	(239)
Total contributed equity		
2,908,853,473 (2014: 2,910,776,474) ordinary shares fully paid	9,483	9,508

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.

Notes to the financial statements

for the half year ended 30 June 2015

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	Aggregate fair value	Carrying amount	Aggregate fair value
	30 Jun	30 Jun	31 Dec	31 Dec
	2015	2015	2014	2014
	\$m	\$m	\$m	\$m
Financial assets				
Loans and advances	15,215	15,240	14,590	14,623
Debt securities - held to maturity	1,706	1,715	2,335	2,347
Total financial assets	16,921	16,955	16,925	16,970
Financial liabilities				
Deposits	6,046	6,046	6,392	6,392
Borrowings and interest bearing liabilities				
- AMP Bank and securitisation vehicles	7,579	7,622	7,224	7,208
- Corporate and other shareholder activities	262	263	463	465
- Investment entities controlled by AMP life insurance entities' statutory funds	1,467	1,467	1,273	1,273
Subordinated debt	1,432	1,456	1,150	1,173
Total financial liabilities	16,786	16,854	16,502	16,511

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.

(i) Debt securities

The estimated fair value of loans and interest bearing securities represents the discounted amount of estimated future cashflows 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 cashflow 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, for example 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 cashflows, discount rates, earnings multiples and other inputs.

Notes to the financial statements

for the half year ended 30 June 2015

13. Fair value information (continued)

The following table shows an analysis of the AMP group's financial 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 2015				
Assets				
Measured at fair value on a recurring basis				
Equity securities and listed managed investment schemes ¹	45,857	10	3,052	48,919
Debt securities	-	39,742	1,143	40,885
Investments in unlisted managed investment schemes	-	17,632	1,623	19,255
Derivative financial assets	142	1,451	-	1,593
Other financial assets	-	-	8	8
Total financial assets measured at fair value on a recurring basis	45,999	58,835	5,826	110,660
Total financial assets measured at fair value	45,999	58,835	5,826	110,660
Liabilities				
Measured at fair value on a recurring basis				
Derivative financial liabilities	20	813	-	833
Collateral deposits held	493	659	-	1,152
Investment contract liabilities	-	2,450	66,914	69,364
Total financial liabilities measured at fair value on a recurring basis	513	3,922	66,914	71,349
Total financial liabilities measured at fair value	513	3,922	66,914	71,349
31 December 2014				
Assets				
Measured at fair value on a recurring basis				
Equity securities and listed managed investment schemes ¹	44,496	43	2,354	46,893
Debt securities	-	37,841	599	38,440
Investments in unlisted managed investment schemes	-	17,589	967	18,556
Derivative financial assets	131	1,851	-	1,982
Other financial assets	-	31	9	40
Total financial assets measured at fair value on a recurring basis	44,627	57,355	3,929	105,911
Total financial assets measured at fair value	44,627	57,355	3,929	105,911
Liabilities				
Measured at fair value on a recurring basis				
Derivative financial liabilities	96	1,054	-	1,150
Collateral deposits held	792	73	-	865
Investment contract liabilities	-	2,532	64,448	66,980
Total financial liabilities measured at fair value on a recurring basis	888	3,659	64,448	68,995
Total financial liabilities measured at fair value	888	3,659	64,448	68,995

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 2015

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 ² \$m	Total gains/ losses ^{2,3} \$m	Purchases/ deposits \$m	Sales/ withdrawals \$m	Net transfers in/(out) ¹ \$m	Balance at the end of the period \$m	Total gains and losses on assets and liabilities held at reporting date \$m
30 June 2015								
Assets classified as level 3								
Equity securities and listed managed investment schemes	2,354	59	108	15	(21)	537	3,052	108
Debt securities	599	57	48	435	(10)	14	1,143	48
Investments in unlisted managed investment schemes	967	-	6	247	(41)	444	1,623	15
Other financial assets	9	-	(6)	-	-	5	8	(6)
Liabilities classified as level 3								
Investment contract liabilities	64,448	(26)	2,634	5,727	(5,869)	-	66,914	2,472
31 December 2014								
Assets classified as level 3								
Equity securities and listed managed investment schemes	2,480	29	223	29	(19)	(388)	2,354	223
Debt securities	556	13	65	9	(32)	(12)	599	65
Investments in unlisted managed investment schemes	612	-	128	321	(251)	157	967	128
Other financial assets	-	-	-	-	-	9	9	-
Liabilities classified as level 3								
Investment contract liabilities	63,148	12	4,956	11,608	(15,276)	-	64,448	4,572

1 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.

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

3 Total gains/losses includes net unrealised gains and losses relating to financial assets of \$156m (2014: \$416m).

Notes to the financial statements

for the half year ended 30 June 2015

13. Fair value information (continued)

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

30 June 2015	Carrying amount ^{1 2} \$m	Effect of reasonably possible alternative assumptions ³		Valuation technique	Key unobservable inputs
		(+) \$m	(-) \$m		
Assets					
Equity securities and listed managed investment schemes	3,052	233	(219)	Discounted cash flow approach utilising cost of equity as the discount rate.	Discount rate. Terminal value growth rate. Cash flow forecasts.
Debt securities	1,143	-	-	Discounted cash flow approach.	Discount rate. Cash flow forecasts.
Investments in unlisted managed investment schemes	1,623	-	-	Published redemption prices.	Valuation of the unlisted managed investment schemes. Suspension of redemptions of the managed investment schemes.
Liabilities					
Investment contract liabilities	66,914	8	(7)	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 2014					
Assets					
Equity securities and listed managed investment schemes	2,354	164	(163)		
Debt securities	599	-	-		
Investments in unlisted managed investment schemes	967	-	-		
Liabilities					
Investment contract liabilities	64,448	9	(9)		

- 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.
- 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.
- 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 2015

14. Changes in composition of the AMP group

(a) Operating entities

There were no material acquisition or disposals of operating entities during the half-year ended 30 June 2015.

On 20 January 2015, AMP acquired 19.99% of China Life Pension Company, one of the largest pension companies in China, for \$268m. This investment has been accounted for as an associate using the equity method from that date.

(b) Investment controlled entities of the AMP life insurance entities' statutory funds

At 31 December 2014, AMP group classified certain operations of investment entities controlled by AMP life entities' statutory funds as disposal groups. Each of those operations were sold during the period .

Notes to the financial statements

for the half year ended 30 June 2015

15. Contingent liabilities

As at the date of this report there have been no material changes in contingent liabilities since those reported in the 2014 annual financial report.

Notes to the financial statements

for the half year ended 30 June 2015

16. 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 20 August 2015, 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 2015

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).



Simon McKeon
Chairman



Craig Meller
Chief Executive Officer and Managing Director

Sydney, 20 August 2015

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 2015, 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 2015 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 2015 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
20 August 2015