Notes to the financial statements

for the year ended 31 December 2022

(d) Critical judgements and estimates

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

Accounting estimates and judgements	Note		Page
Taxes	1.4	Taxes	92
Impairment of financial assets	2.1	Expected credit losses (ECLs)	96
Fair value of financial assets and liabilities	2.2	Investments in other financial assets and liabilities	97
Goodwill and acquired intangible assets	2.3	Intangibles	100
Defined benefit plan	4.1	Defined benefit plan asset	126
Discontinued operations	5.2	Discontinued operations	134
Right of use assets and lease liabilities	6.3	Right of use asset and lease liabilities	141
Provisions and contingent liabilities	6.4	Provisions and contingent liabilities	144

1 SECTION

RESULTS FOR THE YEAR

This section provides insights into how the AMP group has performed in the current year and provides additional information about those individual line items in the financial statements that the directors consider most relevant in the context of the operations of the AMP group.

Statutory measures of performance disclosed in this report are:

– Statutory earnings per share (EPS) – basic and diluted, and
– Profit/(loss) after tax attributable to the shareholders of AMP.

NPAT (underlying) is AMP's key measure of business performance. This performance measure is disclosed for each AMP operating segment within Segment performance.

1.1 SEGMENT PERFORMANCE

The AMP group identifies its operating segments based on separate financial information that is regularly reviewed by the Chief Executive Officer and the executive 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, and their performance is evaluated based on a post-tax operating earnings basis.

Reportable segment	Segment description
Australian Wealth Management (AWM)	AWM comprises three business lines providing advice, superannuation, retirement income and managed investment products through: – Platforms – provides a wrap platform which includes superannuation, retirement and investment solutions. – Master Trust – provides a whole of wealth solution for both retail and corporate members. – Advice – provides financial advice services and equity investments in advisor practices.
AMP Bank	AMP Bank offers residential mortgages, deposits and transactional banking services.
AMP Capital continuing operations	AMP Capital continuing operations represents AMP's investment in CLAMP, PCCP and certain seed and sponsor investments.
New Zealand Wealth Management (NZWM)	New Zealand wealth management encompasses wealth management, financial advice and general insurance distribution businesses in New Zealand. It provides clients with a variety of wealth management solutions, including KiwiSaver, corporate superannuation, retail investments, a wrap investment management platform and general insurance.

1.1 SEGMENT PERFORMANCE *CONTINUED*

(a) Segment profit

2022	AMP Bank $m	AWM[1] $m	NZWM $m	AMP Capital continuing operations[2] $m	Group Office $m	Total[3] $m
Segment profit/(loss) after income tax	**103**	**50**	**32**	**41**	**(42)**	**184**
Segment revenue	**397**	**806**	**125**	**50**	**–**	**1,378**
Presentation adjustments[4]						**87**
Total statutory revenue from contracts with customers						**1,465**
Other segment information						
Income tax (expense)/credit	**(44)**	**(18)**	**(13)**	**(8)**	**31**	**(52)**
Depreciation and amortisation	**(10)**	**(23)**	**(1)**	**–**	**–**	**(34)**
Investment income/(loss)[5]	**–**	**(14)**	**–**	**–**	**85**	**71**

2021	AMP Bank $m	AWM[1] $m	NZWM $m	AMP Capital continuing operations[2] $m	Group Office $m	Total[3] $m
Segment profit/(loss) after income tax	153	89	39	37	(38)	280
Segment revenue	413	1,013	150	49	–	1,625
Presentation adjustments[4]						66
Total statutory revenue from contracts with customers						1,691
Other segment information						
Income tax (expense)/credit	(66)	(38)	(16)	(8)	34	(94)
Depreciation and amortisation	(16)	(28)	(4)	–	–	(48)
Investment income/(loss)[5]	–	15	–	–	87	102

1 AMP Investments (formerly reported as the Multi-Asset Group within AMP Capital) has, following its transition to AWM, been presented within Australian Wealth Management and the performance for the year ended 31 December 2021 has been restated accordingly.
2 Includes CLAMP, PCCP and certain seed and sponsor investments.
3 Information for the year ended 31 December 2021 has been restated to be on a continuing operations basis. Refer to note 5.2.
4 Presentation adjustments primarily reflect the difference between total segment revenue and statutory revenue from contracts with customers, as required by AASB 15 *Revenue from Contracts with Customers*. These adjustments include revenue from sources other than contracts with customers and expense items which are presented net in the segment results, but presented gross in the Consolidated income statement.
5 Investment income for group office includes income from investible capital, fair value movements from corporate hedging activity as well as equity accounted profits from AMP's 19.99% investment in CLPC and 19.13% investment in Resolution Life Australasia through 30 June 2021.

Notes to the financial statements

for the year ended 31 December 2022

1.1 SEGMENT PERFORMANCE *CONTINUED*

(b) The following table allocates the disaggregated segment revenue from contracts with customers to the group's operating segments (see note 1.1(a)):

2022	AMP Bank $m	AWM [1] $m	NZWM $m	AMP Capital continuing operations [2] $m	Group Office	Total [3] $m
Investment related	**–**	**719**	**92**	**32**	**–**	**843**
Management fees	**–**	**–**	**–**	**–**	**–**	**–**
Performance and transaction fees	**–**	**–**	**–**	**–**	**–**	**–**
Net interest income	**382**	**–**	**–**	**–**	**–**	**382**
Other revenue	**15**	**87**	**33**	**18**	**–**	**153**
Total segment revenue per segment note	**397**	**806**	**125**	**50**	**–**	**1,378**
Presentation adjustments [4]						**87**
Total statutory revenue from contracts with customers						**1,465**

2021	AMP Bank $m	AWM [1] $m	NZWM $m	AMP Capital continuing operations [2] $m	Group Office	Total [3] $m
Investment related	–	920	116	26	–	1,062
Management fees	–	–	–	6	–	6
Performance and transaction fees	–	–	–	2	–	2
Net interest income	399	–	–	–	–	399
Other revenue	14	93	34	15	–	156
Total segment revenue per segment note	413	1,013	150	49	–	1,625
Presentation adjustments [4]						66
Total statutory revenue from contracts with customers						1,691

1 AMP Investments (formerly reported as the Multi-Asset Group within AMP Capital) has, following its transition to AWM, been presented within Australian Wealth Management and the performance for the year ended 31 December 2021 has been restated accordingly.
2 Includes CLAMP, PCCP and certain seed and sponsor investments.
3 Information for the year ended 31 December 2021 has been restated to be on a continuing operations basis. Refer to note 5.2.
4 Presentation adjustments primarily reflect the difference between total segment revenue and statutory revenue from contracts with customers, as required by AASB *15 Revenue from Contracts with Customers*. These adjustments include revenue from sources other than contracts with customers and expense items which are presented net in the segment results, but presented gross in the Consolidated income statement.

(c) Statutory revenue:

Statutory revenue from contracts with customers	2022 $m	2021 [1] $m
Fee revenue		
– Investment management and related fees	**836**	999
– Financial advisory fees [2]	**596**	611
	1,432	1,610
Other revenue	**33**	81
Total statutory revenue from contracts with customers	**1,465**	1,691

1 Information for the year ended 31 December 2021 has been restated to be on a continuing operations basis. Refer to note 5.2.
2 A substantial majority of the financial advisory fees received are paid to advisers. For statutory reporting purposes, financial advisory fees are presented gross of the related cost which is presented in Fee and commission expenses in the Consolidated income statement.

1.1 SEGMENT PERFORMANCE *CONTINUED*

(d) Reconciliations

Segment profit after income tax differs from profit/(loss) attributable to shareholders of AMP Limited due to the exclusion of the following items:

	2022 $m	2021[1] $m
Total segment profit after income tax	**184**	280
Client remediation and related costs	**(25)**	(78)
Transformation cost out	**(61)**	(133)
Separation costs	**(90)**	(75)
Impairments	**(68)**	(312)
Other items[2]	**400**	11
Amortisation of acquired intangible assets	**(4)**	(21)
AMP Capital discontinued operations[3]	**51**	76
Net profit/(loss) after tax	**387**	(252)
Profit/(Loss) attributable to shareholders of AMP Limited	**387**	(252)
Profit/(Loss) attributable to non-controlling interests	**–**	(2)
Profit/(Loss) for the year	**387**	(254)

1 Information for the year ended 31 December 2021 has been restated to be on a continuing operations basis. Refer to note 5.2.
2 Other items largely comprise the gain on sale of the Infrastructure Debt platform, permanent tax differences and other one-off related impacts.
3 Includes the results of Infrastructure Debt, Global Equities and Fixed Income (GEFI), International Infrastructure Equity and Real Estate and Domestic Infrastructure Equity for the period that they have been controlled by AMP Capital.

Total segment revenue differs from Total revenue as follows:

	2022 $m	2021[1] $m
Total segment revenue	**1,378**	1,625
Add revenue excluded from segment revenue		
– Investment gains (excluding AMP Bank interest revenue)	**–**	39
– Other revenue	**33**	81
Add back expenses netted against segment revenue		
– Interest expense related to AMP Bank	**502**	276
– External investment manager and adviser fees paid in respect of certain assets under management	**435**	382
Movement in guarantee liabilities	**21**	66
Total revenue	**2,369**	2,469

1 Information for the year ended 31 December 2021 has been restated to be on a continuing operations basis. Refer to note 5.2.

(e) Segment assets

Segment asset information has not been disclosed because the balances are not used by the Chief Executive Officer or the executive team for evaluating segment performance, or in allocating resources to segments.

Notes to the financial statements

for the year ended 31 December 2022

1.1 SEGMENT PERFORMANCE *CONTINUED*

ACCOUNTING POLICY – RECOGNITION AND MEASUREMENT

Revenue from contracts with customers

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

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

Investment management and related fees

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

Financial advisory fees

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

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

1.2 OTHER OPERATING EXPENSES

	2022 $m	2021[1] $m
Impairment of intangibles	**(9)**	(25)
Movement in expected credit losses	**(11)**	(25)
Information technology and communication	**(188)**	(182)
Onerous lease contracts	**(52)**	(118)
Professional and consulting fees	**(87)**	(181)
Amortisation of intangibles	**(49)**	(202)
Depreciation of property, plant and equipment	**(49)**	(53)
Other expenses	**(92)**	(306)
Total other operating expenses	**(537)**	(1,092)

1 Information for the year ended 31 December 2021 has been restated to be on a continuing operations basis. Refer to note 5.2.

1.3 EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share is calculated based on Profit attributable to shareholders of AMP and the weighted average number of ordinary shares outstanding.

Diluted earnings per share

Diluted earnings per share is based on Profit attributable to shareholders of AMP and the weighted average number of ordinary shares outstanding after adjustments for the effects of all dilutive potential ordinary shares, such as options and performance rights.

	2022 $m	2021[1] $m
Profit/(Loss) attributable to shareholders of AMP		
Continuing operations	**(4)**	(279)
Discontinued operations	**391**	27
Profit/(Loss) attributable to shareholders of AMP	**387**	(252)

	2022 $m	2021 $m
Weighted average number of ordinary shares for basic EPS[2]	**3,213**	3,335
Add: potential ordinary shares considered dilutive	**51**	–
Weighted average number of ordinary shares used in the calculation of dilutive earnings/(loss) per share	**3,264**	3,335

	2022 cents	2021 cents
Earnings/(Loss) per share		
Basic	**12.0**	(7.6)
Diluted[3]	**11.9**	(7.6)
Loss per share for continuing operations		
Basic	**(0.1)**	(8.4)
Diluted[3]	**(0.1)**	(8.4)

1 Information for the year ended 31 December 2021 has been restated to be on a continuing operations basis. Refer to note 5.2.
2 The weighted average number of ordinary shares outstanding is calculated after deducting the weighted average number of treasury shares held during the period.
3 Where the results are a loss for the period, the weighted average number of shares used in the diluted Earnings Per Share calculation excludes potential ordinary shares as their inclusion is considered anti-dilutive.

Earnings per share for discontinued operations

Basic	**12.1**	0.8
Diluted	**12.0**	0.8

Notes to the financial statements

for the year ended 31 December 2022

1.4 TAXES

OUR TAXES

This sub-section outlines the impact of income taxes on the results and financial position of AMP. In particular:

- the impact of tax on the reported result;
- amounts owed to/receivable from the tax authorities; and
- deferred tax balances that arise due to differences in the tax and accounting treatment of balances recorded in the financial report.

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

(a) Income tax credit

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

	2022 $m	2021[1] $m
Loss before tax	**(64)**	(347)
Tax at the Australian tax rate of 30% (2021: 30%)	**19**	104
Non-deductible expenses	**(23)**	(159)
Non-taxable income	**41**	59
Other items	**2**	(30)
Over provided in previous years	**19**	90
Differences in overseas tax rates	**2**	2
Income tax credit per Consolidated income statement	**60**	66

(b) Analysis of income tax credit

	2022 $m	2021[1] $m
Current tax (expense)/credit	**–**	47
Increase/(Decrease) in deferred tax assets	**197**	(60)
(Increase)/Decrease in deferred tax liabilities	**(137)**	79
Income tax credit	**60**	66

1 Information for the year ended 31 December 2021 has been restated to be on a continuing operations basis. Refer to note 5.2.

1.4 TAXES CONTINUED

(c) Analysis of deferred tax balances

	2022 $m	2021 $m
Analysis of deferred tax assets		
Expenses deductible in the future years	**236**	277
Unrealised movements on borrowings and derivatives	**–**	32
Unrealised investment losses	**58**	11
Losses available for offset against future taxable income	**289**	177
Lease liabilities	**169**	29
Capitalised software expenses	**108**	131
Transferred to assets held for sale	**(37)**	(6)
Other	**1**	4
Total deferred tax asset	**824**	655
Offset to tax	**(268)**	(135)
Net deferred tax assets	**556**	520
Analysis of deferred tax liabilities		
Unrealised investment gains	**121**	30
Right of use assets	**118**	20
Intangible assets	**26**	35
Unearned revenue	**18**	28
Transferred to liabilities held for sale	**(14)**	–
Other	**4**	23
Total deferred tax liability	**273**	136
Offset to tax	**(268)**	(135)
Net deferred tax liabilities	**5**	1

(d) Amounts recognised directly in equity

	2022 $m	2021 $m
Deferred income tax expense related to items taken directly to equity during the year	**(28)**	(43)

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

	2022 $m	2021 $m
Revenue losses	**212**	155
Deductible temporary differences	**–**	57
Capital losses	**1,115**	1,053

Notes to the financial statements

for the year ended 31 December 2022

1.4 TAXES *CONTINUED*

ACCOUNTING POLICY – RECOGNITION AND MEASUREMENT

Income tax expense

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

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

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

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

Deferred tax

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

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

Tax consolidation

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

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Judgement is also applied by management in setting assumptions used to forecast future profitability in order to determine the extent to which the recovery of carried forward tax losses and deductible temporary differences are probable for the purpose of meeting the criteria for recognition as deferred tax assets (DTAs). Future profitability may differ from forecasts which could impact management's expectations in future periods with respect to the recoverability of DTAs and result in DTA impairments or reversals of prior DTA impairments.

2 SECTION

LOANS AND ADVANCES, INVESTMENTS, INTANGIBLES AND WORKING CAPITAL

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

2.1 LOANS AND ADVANCES

(a) Loans and advances

	2022 $m	2021 $m
Housing loans[1]	**23,929**	21,847
Practice finance loans	**252**	316
Total loans and advances[2]	**24,181**	22,163
Less: Provisions for impairment		
Individual provisions		
– Housing loans	**(2)**	(7)
– Practice finance loans	**(64)**	(83)
Collective provisions	**(35)**	(26)
Total provisions for impairment	**(101)**	(116)
Total net loans and advances	**24,080**	22,047
Movement in provisions:		
Individual provision		
Balance at the beginning of the year	**90**	107
Increase in provision – housing loans	**–**	1
Bad debts written off	**(1)**	(3)
Provision released	**(23)**	(15)
Balance at the end of the year	**66**	90
Collective provision		
Balance at the beginning of the year	**26**	47
Increase/(Decrease) in provision	**9**	(21)
Balance at the end of the year	**35**	26

1 Total housing loans include net capitalised costs of $114m (2021: $87m).
2 Total loans and advances of $18,691m (2021: $16,600m) is expected to be received more than 12 months after the reporting date.

Notes to the financial statements

for the year ended 31 December 2022

2.1 LOANS AND ADVANCES *CONTINUED*

(b) Expected credit losses

The following table provides the changes to expected credit losses (ECLs) relating to loans and advances during the year.

2022	Stage 1 collective $m	Stage 2 collective $m	Stage 3 collective and individual $m	Total $m
Balance at the beginning of the year	**18**	**8**	**90**	**116**
Transferred to Stage 1 (12-months ECL)	**12**	**(2)**	**(10)**	**–**
Transferred to Stage 2 (lifetime ECL credit impaired)	**(1)**	**2**	**(1)**	**–**
Transferred to Stage 3 (lifetime ECL credit impaired)	**–**	**(1)**	**1**	**–**
Increased/(Released) provisions during the period	**(11)**	**5**	**8**	**2**
Bad debts written off	**–**	**–**	**(1)**	**(1)**
Release of provision for practice finance loans	**–**	**–**	**(16)**	**(16)**
Balance at the end of the year	**18**	**12**	**71**	**101**

2021	Stage 1 collective $m	Stage 2 collective $m	Stage 3 collective and individual $m	Total $m
Balance at the beginning of the year	31	16	107	154
Transferred to Stage 1 (12-months ECL)	15	(8)	(7)	–
Transferred to Stage 2 (lifetime ECL credit impaired)	–	2	(2)	–
Transferred to Stage 3 (lifetime ECL credit impaired)	(1)	(1)	2	–
(Released)/increased provisions during the period	(27)	(1)	1	(27)
Bad debts written off	–	–	(3)	(3)
Release of provision for practice finance loans	–	–	(8)	(8)
Balance at the end of the year	18	8	90	116

2.1 LOANS AND ADVANCES *CONTINUED*

ACCOUNTING POLICY – RECOGNITION AND MEASUREMENT

Financial assets measured at amortised cost – loans and advances and debt securities

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

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

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

Loans and advances are financial assets with fixed or determinable payments that are not quoted in an active market. They arise when AMP Bank provides money directly to a customer, including loans and advances to advisers, and with no intention of trading the financial asset. Loans and advances are initially recognised at fair value, including direct and incremental transaction costs relating to loan origination. They are subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

IMPAIRMENT OF FINANCIAL ASSETS

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

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

The group estimates these elements using appropriate credit risk models taking into consideration a number of factors, including the internal and external credit ratings of the assets, nature and value of collateral and forward-looking macro-economic scenarios.

Other than ECL on trade receivables, where a simplified approach is taken, the group applies a three-stage approach to measure the ECLs as follows:

STAGE 1 (12-MONTH ECL)

The group collectively assesses and recognises a provision at an amount equal to 12-month ECL when financial assets are current and/or have had a good performance history and are of low credit risk. It includes financial assets where the credit risk has improved and the financial assets have been reclassified from Stage 2 or even Stage 3 based on improved performance observed over a predefined period of time. A financial asset is considered to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

STAGE 2 (LIFETIME ECL – NOT CREDIT IMPAIRED)

The group collectively assesses and recognises a provision at an amount equal to lifetime ECL on financial assets where there has been a significant increase in credit risk since initial recognition but the financial assets are not credit impaired.

The quantitative criteria used to determine a significant increase in credit risk is a series of relative and absolute thresholds. Financial assets that were 30 days past due at least once over the last six months are deemed to have significant increase in credit risk since initial recognition. For loans and advances, other risk factors like hardship, loan to value ratio (LVR) and loan to income ratio (LTI) are also considered in order to determine a significant increase in credit risk.

STAGE 3 (LIFETIME ECL – CREDIT IMPAIRED)

The group measures loss allowances at an amount equal to lifetime ECL on financial assets that are determined to be credit impaired based on objective evidence of impairment. Financial assets are classified as impaired when payment is 90 days past due or when there is no longer reasonable assurance that principal or interest will be collected in their entirety on a timely basis.

Notes to the financial statements

for the year ended 31 December 2022

2.1 LOANS AND ADVANCES *CONTINUED*

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Impairment

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

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

Future outcomes and macro-economic conditions which differ from management's assumptions and estimates could result in changes to the timing and amount of credit losses to be recognised.

2.2 INVESTMENTS IN OTHER FINANCIAL ASSETS AND LIABILITIES

	2022 $m	2021 $m
Financial assets measured at fair value through profit or loss		
Equity securities and listed managed investment schemes	**5**	13
Debt securities	**255**	751
Unlisted managed investment schemes [1]	**233**	314
Derivative financial assets	**552**	334
Total financial assets measured at fair value through profit or loss	**1,045**	1,412
Financial assets measured at fair value through other comprehensive income		
Debt securities [2]	**4,150**	2,184
Total financial assets measured at fair value through other comprehensive income	**4,150**	2,184
Other financial assets measured at amortised cost		
Debt securities	**599**	88
Total other financial assets measured at amortised cost	**599**	88
Total other financial assets	**5,794**	3,684
Other financial liabilities		
Derivative financial liabilities	**128**	185
Collateral deposits held	**133**	108
Total other financial liabilities	**261**	293

1 $53m of Unlisted managed investment schemes (FY21 $70m) are held by AMP Foundation for charitable purposes in accordance with the AMP Foundation Trust Deed.

2 Debt securities measured at fair value through other comprehensive income are assets of AMP Bank.

2.2 INVESTMENTS IN OTHER FINANCIAL ASSETS AND LIABILITIES *CONTINUED*

ACCOUNTING POLICY – RECOGNITION AND MEASUREMENT

Recognition and derecognition of financial assets and liabilities

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

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

Financial assets measured at fair value through profit or loss

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

Financial assets measured at fair value through profit or loss – debt securities

Debt securities can be irrevocably designated, at initial recognition, as measured at fair value through profit or loss where doing so would eliminate or significantly reduce a measurement or recognition inconsistency or otherwise results in more relevant information. Fair value on initial recognition is determined as the purchase cost of the asset, exclusive of any transaction costs. Transactions costs are expensed as incurred in profit or loss. Subsequent measurement is determined with reference to the bid price at the reporting date. Any realised and unrealised gains or losses arising from subsequent measurement at fair value are recognised in the Consolidated income statement in the period in which they arise.

Financial assets measured at fair value through OCI – debt securities

Debt securities are measured at fair value through OCI when both of the following conditions are met:

- the instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Fair value through OCI instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses and impairment losses or reversals are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. The accumulated gains or losses recognised in OCI are recycled to profit and loss upon derecognition of the assets.

The group classifies debt securities held by AMP Bank under this category.

Financial assets measured at amortised cost – debt securities

Refer to note 2.1 for details.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Financial assets and liabilities measured at fair value

Where available, quoted market prices for the same or similar instruments are used to determine fair value. Where there is no market price available for an instrument, a valuation technique is used. Management applies judgement in selecting valuation techniques and setting valuation assumptions and inputs. Further detail on the determination of fair value of financial instruments is set out in note 2.7.

Notes to the financial statements

for the year ended 31 December 2022

2.3 INTANGIBLES

	Goodwill $m	Capitalised costs $m	Value of in-force business $m	Distribution networks $m	Other intangibles $m	Total $m
2022						
Balance at the beginning of the year	**149**	**123**	**–**	**50**	**8**	**330**
Additions through separate acquisitions	**–**	**–**	**–**	**20**	**–**	**20**
Additions through internal development	**–**	**26**	**–**	**–**	**–**	**26**
Reductions through disposal	**–**	**–**	**–**	**(23)**	**(1)**	**(24)**
Transferred to inventories	**–**	**–**	**–**	**(5)**	**–**	**(5)**
Amortisation expense	**–**	**(43)**	**–**	**(6)**	**–**	**(49)**
Impairment loss	**–**	**(9)**	**–**	**–**	**–**	**(9)**
Transferred to assets held for sale	**(79)**	**(5)**	**–**	**–**	**(7)**	**(91)**
Balance at the end of the year	**70**	**92**	**–**	**36**	**–**	**198**

	Goodwill $m	Capitalised costs $m	Value of in-force business $m	Distribution networks $m	Other intangibles $m	Total $m
2021						
Balance at the beginning of the year	157	228	114	119	11	629
Additions through separate acquisitions	–	–	–	49	–	49
Additions through internal development	–	51	–	–	–	51
Reductions through disposal	–	(40)	(24)	(96)	–	(160)
Transferred from inventories	–	–	–	2	–	2
Amortisation expense	–	(93)	(90)	(18)	(1)	(202)
Impairment loss	–	(19)	–	(6)	–	(25)
Transferred to assets held for sale	(8)	(4)	–	–	(2)	(14)
Balance at the end of the year	149	123	–	50	8	330

2.3 INTANGIBLES *CONTINUED*

ACCOUNTING POLICY – RECOGNITION AND MEASUREMENT

Goodwill

Goodwill acquired in a business combination is recognised at cost and subsequently measured at cost less any accumulated impairment losses. The cost represents the excess of the cost of a business combination over the fair value of the identifiable assets acquired and liabilities assumed.

Capitalised costs

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

Value of in-force business

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

Distribution networks

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

Amortisation

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

Item	Useful life
Capitalised costs	Up to 10 years
Distribution networks	2 to 15 years

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

Impairment testing

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

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

2.3 INTANGIBLES *CONTINUED*

Composition of goodwill

The goodwill of $70m (2021: $149m) arose from historical acquisitions where the AMP group was the acquirer. Goodwill attributable to the relevant CGUs is presented in the table below.

	2022 $m	2021 $m
New Zealand Wealth Management (NZWM)	**70**	70
AMP Capital	**–**	79
	70	149

The annual impairment assessment for NZWM resulted in significant headroom and there was no reasonably possible change to a key assumption used in the assessment that would result in an impairment at 31 December 2022. AMP Capital goodwill was transferred to assets held for sale in the Consolidated statement of financial position at 31 December 2022 considering the sale of AMP Capital.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

2.4 OTHER ASSETS

	2022 $m	2021 $m
Planner registers held for sale	**9**	11
Prepayments	**30**	66
Property, plant and equipment	**26**	73
Total other assets	**65**	150
Current	***35***	*71*
Non-current	***30***	*79*

2.5 RECEIVABLES

	2022 $m	2021 $m
Investment related receivables	**52**	13
Client register receivables	**52**	41
Collateral receivables	**108**	47
Trade debtors and other receivables	**156**	471
Sublease receivables	**60**	–
Total receivables[1]	**428**	572
Current	***320***	*532*
Non-current	***108***	*40*

1 Receivables are presented net of ECL of $40m (2021: $34m).

ACCOUNTING POLICY – RECOGNITION AND MEASUREMENT

Receivables

Trade debtors, client register, sublease receivables, collateral and other receivables are measured at amortised cost, less an allowance for ECLs. Investment related receivables are financial assets measured at fair value through profit or loss.

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

2.6 PAYABLES

	2022 $m	2021 $m
Accrued expenses	**99**	177
Trade creditors and other payables	**135**	172
Total payables	**234**	349
Current	***234***	*349*
Non-current	**–**	–

ACCOUNTING POLICY – RECOGNITION AND MEASUREMENT

Payables

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

Notes to the financial statements

for the year ended 31 December 2022

2.7 FAIR VALUE INFORMATION

The following table shows the carrying amount and estimated fair values of financial instruments, including their levels in the fair value hierarchy.

2022	Carrying amount $m	Level 1 $m	Level 2 $m	Level 3 $m	Total fair value $m
Financial assets measured at fair value					
Equity securities	**5**	**–**	**–**	**5**	**5**
Debt securities	**4,405**	**3,260**	**1,145**	**–**	**4,405**
Unlisted managed investment schemes	**233**	**–**	**100**	**133**	**233**
Derivative financial assets	**552**	**–**	**552**	**–**	**552**
Total financial assets measured at fair value	**5,195**	**3,260**	**1,797**	**138**	**5,195**
Financial assets not measured at fair value					
Loans and advances	**24,080**	**–**	**–**	**23,963**	**23,963**
Debt securities	**599**	**–**	**600**	**–**	**600**
Total financial assets not measured at fair value	**24,679**	**–**	**600**	**23,963**	**24,563**
Financial liabilities measured at fair value					
Derivative financial liabilities	**128**	**–**	**128**	**–**	**128**
Collateral deposits held	**133**	**–**	**133**	**–**	**133**
Guarantee liabilities	**64**	**–**	**–**	**64**	**64**
Total financial liabilities measured at fair value	**325**	**–**	**261**	**64**	**325**
Financial liabilities not measured at fair value					
AMP Bank					
– Deposits	**20,737**	**–**	**20,778**	**–**	**20,778**
– Other	**6,769**	**–**	**6,752**	**–**	**6,752**
– Subordinated Debt	**201**	**–**	**209**	**–**	**209**
Corporate borrowings	**1,255**	**–**	**1,274**	**–**	**1,274**
Total financial liabilities not measured at fair value	**28,962**	**–**	**29,013**	**–**	**29,013**

2.7 FAIR VALUE INFORMATION *CONTINUED*

2021	Carrying amount $m	Level 1 $m	Level 2 $m	Level 3 $m	Total fair value $m
Financial assets measured at fair value					
Equity securities	13	–	–	13	13
Debt securities	2,935	2,134	801	–	2,935
Unlisted managed investment schemes	314	–	263	51	314
Derivative financial assets	334	–	334	–	334
Total financial assets measured at fair value	3,596	2,134	1,398	64	3,596
Financial assets not measured at fair value					
Loans and advances	22,047	–	–	22,227	22,227
Debt securities	88	–	88	–	88
Total financial assets not measured at fair value	22,135	–	88	22,227	22,315
Financial liabilities measured at fair value					
Derivative financial liabilities	185	–	185	–	185
Collateral deposits held	108	–	108	–	108
Guarantee liabilities	85	–	–	85	85
Total financial liabilities measured at fair value	378	–	293	85	378
Financial liabilities not measured at fair value					
AMP Bank					
– Deposits	17,791	–	17,808	–	17,808
– Other	6,631	–	6,663	–	6,663
Corporate borrowings	1,695	–	1,716	–	1,716
Total financial liabilities not measured at fair value	26,117	–	26,187	–	26,187

Notes to the financial statements

for the year ended 31 December 2022

2.7 FAIR VALUE INFORMATION *CONTINUED*

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

Equity securities	The fair value of equity securities is established using valuation techniques, including the use of recent arm's length transactions, references to other instruments that are substantially the same, discounted cash flow analysis and option pricing models.
Debt securities	The fair value of listed debt securities reflects the bid price at the reporting date. Listed debt securities that are not frequently traded are valued by discounting estimated recoverable amounts. The fair value of unlisted debt securities is estimated using interest rate yields obtainable on comparable listed investments. For debt securities with a maturity of less than 12 months, par value is considered a reasonable approximation of fair value.
Loans	The estimated fair value of loans represents the discounted amount of estimated future cash flows expected to be received, based on the maturity profile of the loans. As the loans are unlisted, the discount rates applied are based on the yield curve appropriate to the remaining term of the loans. The loans may, from time to time, be measured at an amount in excess of fair value due to fluctuations on fixed rate loans. In these situations, as the fluctuations in fair value would not represent a permanent diminution and the carrying amounts of the loans are recorded at recoverable amounts after assessing impairment, it would not be appropriate to restate their carrying amount.
Unlisted managed investment schemes	The fair value of investments in unlisted managed investment schemes is determined on the basis of published redemption prices of those managed investment schemes at the reporting date.
Derivative financial assets and liabilities	The fair value of financial instruments traded in active markets (such as publicly traded derivatives) is based on quoted market prices (current bid price or current offer price) at the reporting date. The fair value of financial instruments not traded in an active market (eg over-the-counter derivatives) is determined using valuation techniques. Valuation techniques include net present value techniques, option pricing models, discounted cash flow methods and comparison to quoted market prices or dealer quotes for similar instruments. The models use a number of inputs, including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate curves and forward rate curves of the underlying instruments. Some derivatives contracts are significantly cash collateralised, thereby minimising both counterparty risk and the group's own non-performance risk.
Corporate borrowings	Borrowings comprise commercial paper, drawn liquidity facilities, various floating-rate and medium-term notes and subordinated debt. The estimated fair value of borrowings is determined with reference to quoted market prices. For borrowings where quoted market prices are not available, a discounted cash flow model is used, based on a current yield curve appropriate for the remaining term to maturity. For short-term borrowings, the par value is considered a reasonable approximation of the fair value.
AMP Bank deposits and other borrowings	The estimated fair value of deposits and other borrowings represents the discounted amount of estimated future cash flows expected to be paid based on the residual maturity of these liabilities. The discount rate applied is based on a current yield curve appropriate for similar types of deposits and borrowings at the reporting date.
Guarantee liabilities	The fair value of the guarantee liabilities is determined as the net present value of future cash flows discounted using market rates. The future cash flows are determined using risk neutral stochastic projections based on assumptions such as mortality rate, lapse rate and asset class allocation/correlation. The future cash flows comprise expected guarantee claims and hedging expenses net of expected fee revenue.

2.7 FAIR VALUE INFORMATION *CONTINUED*

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

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

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

There have been no significant transfers between Level 1 and Level 2 during the 2022 financial year. Transfers to and from Level 3 are shown in the Reconciliation of Level 3 values table later in this note.

Level 3 fair values

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

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

Type	Valuation technique	Significant unobservable inputs
Equity securities	Discounted cash flow approach utilising cost of equity as the discount rate	Discount rate Terminal value growth rate Cash flow forecasts
Unlisted managed investment schemes	Published redemption prices	Judgement made in determining unit prices
Guarantee liabilities	Discounted cash flow approach	Discount rate Hedging costs

Sensitivity

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

	2022		2021	
	(+) $m	(-) $m	(+) $m	(-) $m
Financial assets [1]				
Equity securities	**1**	**(1)**	1	(1)
Unlisted managed investment schemes	**23**	**(23)**	5	(5)
Financial liabilities				
Guarantee liabilities [2]	**(3)**	**(2)**	(2)	(3)

1 Reasonably possible changes in price movements of 10% (2021: 10%) have been applied in determining the impact on profit after tax and equity.
2 Reasonably possible changes in equity market movements of 20% (2021: 20%) and bond yield movements of 100bps (2021: 50 bps) have been applied in determining the impact on profit after tax and equity. The sensitivities disclosed are shown net of the offsetting impacts of derivatives held as economic hedges of the Guarantee liabilities.

Notes to the financial statements

for the year ended 31 December 2022

2.7 FAIR VALUE INFORMATION *CONTINUED*

Reconciliation of Level 3 values

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

2022	Balance at the beginning of the year $m	FX gains/ (losses) $m	Total gains/ (losses) $m	Purchases/ (deposits) $m	Sales/ (withdrawals) $m	Net transfers in/(out)[1] $m	Balance at the end of the year $m	Total gains/ (losses) on assets and liabilities held at reporting date $m
Assets classified as Level 3								
Equity securities	**13**	**–**	**(8)**	**–**	**–**	**–**	**5**	**(8)**
Unlisted managed investment schemes	**51**	**–**	**18**	**–**	**–**	**64**	**133**	**18**
Liabilities classified as Level 3								
Guarantee liabilities	**(85)**	**–**	**13**	**–**	**8**	**–**	**(64)**	**13**

2021								
Assets classified as Level 3								
Equity securities	7	–	(1)	8	(1)	–	13	–
Unlisted managed investment schemes	41	1	3	7	–	–	51	3
Liabilities classified as Level 3								
Guarantee liabilities	(151)	–	33	–	33	–	(85)	33

1 Net transfers in of $64m relates to investments in AMP Capital Infrastructure Debt Fund III USD LP and AMP Capital Infrastructure Debt Fund IV USD LP which were transferred from investments in associates as AMP no longer has significant influence following the sale of the infrastructure debt platform.

3
SECTION

CAPITAL STRUCTURE AND FINANCIAL RISK MANAGEMENT

This section provides information relating to:
- the AMP group's capital management and equity and debt structure; and
- exposure to financial risks – how the risks affect financial position and performance and how the risks are managed, including the use of derivative financial instruments

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

3.1 CONTRIBUTED EQUITY

	2022 $m	2021 $m
Issued capital		
3,043,140,026 (2021: 3,266,105,853) ordinary shares fully paid	**5,008**	10,206
Treasury shares [1]		
2,126,387 (2021: 2,126,387) treasury shares	**(6)**	(6)
Total contributed equity		
3,041,013,639 (2021: 3,263,979,466) ordinary shares fully paid	**5,002**	10,200
Issued capital		
Balance at the beginning of the year	**10,206**	10,402
222,965,827 (2021: 170,493,388) shares purchased on-market	**(267)**	(196)
Capital reduction [2]	**(4,931)**	–
Balance at the end of the year	**5,008**	10,206

1 Held by AMP Foundation.
2 In December of 2022, in accordance with section 258F of the *Corporations Act 2001*, the Board of Directors resolved to reduce AMP's share capital by $4,931m, representing historic permanent losses recognised by the AMP group in prior reporting periods. Those losses arose from businesses in which AMP no longer operates, including UK demerger losses and losses relating to AMP's wealth protection and mature businesses which were sold to Resolution Life in 2020. The adjustment to share capital has the effect of reducing AMP's contributed equity and retained losses as disclosed on the Consolidated statement of changes in equity. The adjustment has no impact on the net assets, financial results, cash flows, and regulatory capital of the consolidated group or the company's number of shares issued.

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 year ended 31 December 2022

3.1 CONTRIBUTED EQUITY *CONTINUED*

ACCOUNTING POLICY – RECOGNITION AND MEASUREMENT

Issued capital

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

Treasury shares

AMP Foundation holds AMP Limited shares (treasury shares). These shares, plus any corresponding Consolidated income statement fair value movement on the shares and any dividend income, are eliminated on consolidation.

3.2 INTEREST-BEARING LIABILITIES

(a) Interest-bearing liabilities

	2022			2021		
	Current $m	Non-current $m	Total $m	Current $m	Non-current $m	Total $m
Interest-bearing liabilities						
AMP Bank						
– Deposits[1]	**19,983**	**754**	**20,737**	17,656	135	17,791
– Other	**3,229**	**3,540**	**6,769**	3,200	3,431	6,631
– Subordinated debt[2,3]	**–**	**201**	**201**	–	–	–
Corporate entity borrowings[3]						
– 6.875% GBP Subordinated Guaranteed Bonds (maturity 2022)	**–**	**–**	**–**	60	–	60
– AMP Notes 3 (first call 2023, maturity 2028)[4]	**252**	**–**	**252**	–	250	250
– AMP Subordinated Notes	**–**	**–**	**–**	250	–	250
– AMP Capital Notes 2[5]	**–**	**273**	**273**	–	272	272
– CHF Medium Term Notes[6]	**332**	**252**	**584**	238	625	863
– Other	**146**	**–**	**146**	–	–	–
Total interest-bearing liabilities	**23,942**	**5,020**	**28,962**	21,404	4,713	26,117

1 Deposits comprise at call customer deposits and customer term deposits at variable interest rates with the AMP Bank.
2 AMP Bank subordinated debt was issued on 7 October 2022 and matures on 7 October 2032.
3 The current/non-current classification of corporate entity borrowings and AMP Bank subordinated debt are based on the maturity of the underlying debt instrument and related principal repayment obligations. The carrying value of corporate entity borrowings and AMP Bank subordinated debt include interest payable of $8m (2021: $5m) which is expected to be settled within the next 12 months.
4 AMP Note 3 are floating rate subordinated unsecured notes issued on 15 November 2018 and mature on 15 November 2028. Subject to APRA approval, AMP has the right, but not the obligation, to redeem all or some of the Notes on 15 November 2023, or, subject to certain conditions, at a later date. In certain circumstances, AMP may be required to convert some or all of the Notes into AMP ordinary shares.
5 AMP Capital Notes 2 (ASX:AMPPB) were issued on 23 December 2019. Subject to APRA approval, AMP has the right, but not the obligation, to redeem all or some of the notes on 16 December 2025, or, subject to certain conditions, at a later date. These Notes are perpetual with no maturity date. In certain circumstances, AMP may be required to convert some or all of the Notes into AMP ordinary shares.
6 CHF 140m Senior Unsecured Fixed Rate Bond was issued on 18 April 2019 and was subsequently increased by CHF 100m on 3 December 2019. On 31 August 2022, CHF 30m of this note was repaid. The remaining balance matures on 18 July 2023. CHF 175m Senior Unsecured Fixed Rate Bond was issued on 3 March 2020 of which CHF 10m was repaid on 31 August 2022. The remaining balance matures on 3 June 2024.

3.2 INTEREST-BEARING LIABILITIES *CONTINUED*

(b) Changes in liabilities arising from operating and financing activities

	2022 $m	2021 $m
1 January	**26,117**	24,916
Cash flows	**2,753**	1,185
Other	**92**	16
31 December	**28,962**	26,117

ACCOUNTING POLICY – RECOGNITION AND MEASUREMENT

Interest-bearing liabilities are initially recognised at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest rate method.

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

Finance costs include:

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

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

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

Finance costs are recognised as expenses when incurred.

Notes to the financial statements

for the year ended 31 December 2022

3.3 FINANCIAL RISK MANAGEMENT

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

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

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

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

(a) Market risk

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

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

Market risk	Exposures	Management of exposures and use of derivatives
Interest rate risk The risk of an impact on the AMP group's profit after tax and equity arising from fluctuations in the fair value or future cash flows of financial instruments due to changes in market interest rates. Interest rate movements could result from changes in the absolute levels of interest rates, the shape of the yield curve, the margin between yield curves and the volatility of interest rates.	The AMP group's long-term borrowings and subordinated debt.	Interest rate risk is managed by entering into interest rate swaps, which have the effect of converting borrowings from fixed to floating rate.
	AMP Bank interest rate risk from mismatches in the repricing terms of assets and liabilities (term risk) and variable rate short-term repricing bases (basis risk).	AMP Bank uses natural offsets, interest rate swaps and basis swaps to hedge the mismatches within exposure limits. Group Treasury manages the exposure in AMP Bank by maintaining a net interest rate risk position within the limits delegated and approved by the AMP Bank Board.
Currency risk The risk of an impact on the AMP group's profit after tax and equity arising from fluctuations of the fair value of a financial asset, liability or commitment due to changes in foreign exchange rates.	Foreign currency denominated assets and liabilities. Foreign equity accounted associates and capital invested in overseas operations. Foreign exchange rate movements on specific cash flow transactions.	The AMP group uses swaps to hedge the interest rate risk and foreign currency risk on foreign currency denominated borrowings. The AMP group utilises various hedging instruments to hedge foreign currency risk arising from certain investments denominated in a foreign currency. The AMP group hedges material foreign currency risk originated by receipts and payments once the value and timing of the expected cash flow is known. In addition, the AMP group will at times pre-hedge any future (but not expected) foreign currency receipts and payments, subject to market conditions.
Equity price risk The risk of an impact on the AMP group's profit after tax and equity arising from fluctuations in the fair value or future cash flows of a financial instrument due to changes in equity prices.	Exposure for shareholders includes listed and unlisted shares, guarantee liabilities and participation in equity unit trusts.	Group Treasury may, with Group ALCO approval, use equity exposures or equity futures or options to hedge other enterprise-wide equity exposures.

3.3 FINANCIAL RISK MANAGEMENT *CONTINUED*

(a) Market risk *continued*

Sensitivity analysis

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

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

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

		2022		2021	
Sensitivity analysis	Change in variables	Impact on profit after tax increase (decrease) $m	Impact on equity[1] increase (decrease) $m	Impact on profit after tax increase (decrease) $m	Impact on equity[1] increase (decrease) $m
Interest rate risk					
Impact of a 100 basis point (bp) change in Australian and international interest rates.	- 100bp	**1.0**	**8.1**	2.7	10.4
	+100bp	**(5.0)**	**(11.5)**	(4.0)	(10.9)
Currency risk					
Impact of a 10% movement of exchange rates against the Australian dollar on currency sensitive monetary assets and liabilities.	10% depreciation of AUD	**(63.5)**	**9.5**	0.1	99.1
	10% appreciation of AUD	**27.5**	**(34.3)**	(0.5)	(81.5)
Equity price risk					
Impact of a 10% movement in Australian and international equities. Any potential impact on fees from the AMP group's investment-linked business is not included.	10% increase in:				
	Australian equities	**0.3**	**0.3**	0.1	0.1
	International equities	**0.6**	**0.6**	0.0	0.0
	10% decrease in:				
	Australian equities	**(0.5)**	**(0.5)**	(0.7)	(0.7)
	International equities	**(0.5)**	**(0.5)**	(0.9)	(0.9)

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

Notes to the financial statements

for the year ended 31 December 2022

3.3 FINANCIAL RISK MANAGEMENT *CONTINUED*

(b) Liquidity and refinancing risk

Risk	Exposures	Management of exposures
Liquidity risk The risk that the AMP group is not able to meet its obligations as they fall due because of an inability to liquidate assets or obtain adequate funding when required. **Refinancing risk** The risk that the AMP group is not able to refinance the full quantum of its ongoing debt requirements on appropriate terms and pricing.	The AMP group corporate debt portfolio, AMP Bank and AMP Capital through various investment funds, entities or mandates that AMP manages or controls within the AMP group.	Group Treasury maintains a defined surplus of cash to mitigate refinancing risk, satisfy regulatory requirements and protect against liquidity shocks in accordance with the requirements of the AMP Group Liquidity Risk Management Policy. This policy is reviewed and endorsed by the AMP Group ALCO and approved by the AMP Limited Board.

Maturity analysis

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

2022	Up to 1 year $m	1 to 5 years $m	Over 5 years $m	Not specified $m	Total $m
Non-derivative financial liabilities					
Payables	**234**	**–**	**–**	**–**	**234**
Borrowings[1]	**23,681**	**4,292**	**44**	**–**	**28,017**
Lease liabilities	**68**	**277**	**438**	**–**	**783**
Subordinated debt	**51**	**432**	**535**	**–**	**1,018**
Guarantee liabilities	**–**	**–**	**–**	**64**	**64**
Derivative financial instruments					
Interest rate and cross-currency swaps	**302**	**251**	**–**	**–**	**553**
Off-balance sheet items					
Credit-related commitments – AMP Bank[2]	**3,464**	**–**	**–**	**–**	**3,464**
Buyback arrangement commitments	**83**	**–**	**–**	**–**	**83**
Investment commitments	**–**	**–**	**–**	**81**	**81**
Total undiscounted financial liabilities and off-balance sheet items	**27,883**	**5,252**	**1,017**	**145**	**34,297**

1 Borrowings include AMP Bank deposits.
2 Credit-related loan commitments are off-balance sheet as they relate to unexercised commitments to lend to customers of AMP Bank.

3.3 FINANCIAL RISK MANAGEMENT *CONTINUED*

(b) Liquidity and refinancing risk *continued*

2021	Up to 1 year $m	1 to 5 years $m	Over 5 years $m	Not specified $m	Total $m
Non-derivative financial liabilities					
Payables	349	–	–	–	349
Borrowings[1]	20,079	5,129	312	–	25,520
Lease liabilities	33	86	41	–	160
Subordinated debt	89	96	807	–	992
Guarantee liabilities	–	–	–	85	85
Derivative financial instruments					
Interest rate and cross-currency swaps	125	102	29	–	256
Off-balance sheet items					
Credit-related commitments – AMP Bank[2]	3,702	–	–	–	3,702
Lease commitments	37	214	483	–	734
Investment commitments	–	–	–	452	452
Total undiscounted financial liabilities and off-balance sheet items	**24,414**	**5,627**	**1,672**	**537**	**32,250**

1 Borrowings include AMP Bank deposits.
2 Credit-related loan commitments are off-balance sheet as they relate to unexercised commitments to lend to customers of AMP Bank.

(c) Credit risk

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

Risk	Exposures	Management of exposures and use of derivatives
Credit risk Credit default risk is the risk of financial or reputational loss due to a counterparty failing to meet their contractual commitments in full and on time. Concentration of credit risk arises when a number of financial instruments or contracts are entered into with the same counterparty or where a number of counterparties are engaged in similar business activities that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.	Wholesale credit risk, arising from corporate investments held in relation to the management of liquidity.	Wholesale credit risk exposures arising from corporate investments made in relation to the management of liquidity (and related activities, including hedging financial risks) are managed by Group Treasury in accordance with the AMP Group Wholesale Counterparty Credit Risk Policy. This policy is reviewed and endorsed by the AMP Group ALCO and approved by the AMP Limited Board.
	Credit risk arising from its Australian banking activities which are limited to residential mortgage lending and practice finance loans to AMP advisers.	Wholesale credit risk exposures arising from investments made in relation to the management of liquidity within AMP Bank (and related activities, including hedging financial risks) are managed by Group Treasury in accordance with the AMP Bank Wholesale Counterparty Credit Risk Policy. This policy is reviewed and endorsed by the AMP Bank ALCO and approved by the AMP Bank Limited Board. Specific detail relating to the credit risk management of the AMP Bank loan portfolio is outlined below.

Notes to the financial statements

for the year ended 31 December 2022

3.3 FINANCIAL RISK MANAGEMENT *CONTINUED*

(c) Credit risk *continued*

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

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

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

Impairment assessment

DEFINITION OF DEFAULT

AMP Bank considers a financial asset defaulted and hence Stage 3 impaired when payment is 90 days past due or when there is no longer reasonable assurance that principal or interest will be collected in their entirety on a timely basis.

AMP BANK'S INTERNAL RISK GRADING AND PD ESTIMATION PROCESS

AMP Bank's credit risk management department runs expected credit loss models for the residential mortgage book as well as the practice finance loans. The Bank's residential mortgage book is a portfolio with a low number of defaults. In recent times, the Bank's residential mortgage book has grown significantly, and a larger history of default data has been captured. This has enabled the Bank to successfully develop its internal behavioural scorecards which have been used to replace the benchmark PDs in an endeavour to better risk rank order the portfolio by credit risk worthiness.

Internal risk grades for the residential mortgage book are as follows:

Internal credit rating grade	Internal credit rating grade description
Performing	Not in arrears in the past six months
Past due but not impaired	Accounts in arrears but have not been past 90 days in the last six months
Impaired	90 days past due over the last six months

For practice finance loans a Probability of Default risk grade model is applied that includes weighted risk factors such as Interest Coverage Ratio, revenue growth, licence compliance rating, experience in business and arrears levels. Practices on watch-list are also downgraded. Credit judgement may be applied to arrive at the final risk grade.

Internal risk grades for practice finance book are as follows:

Internal risk grade	Internal risk grade description	Broadly corresponds with Standard & Poor ratings of
A to H	Sub-investment grade	BB+ to CCC
I	Impaired	D

The Bank's interbank and financial institutions exposures as well as exposures to interest-bearing securities are based on external credit rating of the counterparties as follows:

Internal risk grade description	Broadly corresponds with Standard & Poor ratings of
Senior investment grade	AAA to A-
Investment grade	BBB+ to BBB-
Sub-investment grade	BB+ up to but not including defaulted or impaired

EXPOSURE AT DEFAULT (EAD)

EAD is modelled by applying assumptions in relation to the amortisation of the loans based on scheduled principal and interest repayments except for Stage 3 loans.

LOSS GIVEN DEFAULT (LGD)

For the residential mortgage portfolio the key driver for the LGD calculation is the value of the underlying property, as in a foreclosure scenario the proceeds from the sale of a property are secured by the Bank to repay the loan. The value of the underlying residential property is captured via the LVR which factors both changes in loan balance and estimated value of the collateral using market data and indices. Both floor and haircuts are applied to provide for model risk.

3.3 FINANCIAL RISK MANAGEMENT *CONTINUED*

(c) Credit risk *continued*

For practice finance loans, the LGD is calculated via assumptions to the reduction in valuations of practices (being a multiple of their recurring cash flows) in the event of default, such as client run-off or deterioration in valuation due to compliance issues. In addition, haircuts are applied to cater for the volatility observed in the register values in the event of default but also general volatility in valuations over time.

GROUPING OF FINANCIAL ASSETS FOR EXPECTED CREDIT LOSSES (ECL) CALCULATION

Asset classes where the bank calculates ECL on an individual basis include all Stage 3 assets, and interbank and debt securities at FVOCI.

For all other asset classes ECL is calculated on a collective basis, taking into account risk factors for each loan and arriving at the ECL estimate and then aggregating the number for the relevant portfolio.

FORWARD-LOOKING INFORMATION

The Bank's ECL model incorporates a number of forward-looking macroeconomic factors (MEF) that are reviewed on a quarterly basis and approved by the Credit Risk Committee (CRC). The MEF include unemployment, property prices, ASX Index and Cash Rate.

At least three different scenarios with fixed weightings are used in the model. The weightings are reviewed on an annual basis.

The ECL is calculated as the probability weighted average of the provision calculated for each economic scenario.

MANAGEMENT OVERLAY

Management overlay is required to mitigate model risk and any systemic risk that is not recognised by the model.

The management overlays are reviewed on an annual basis or more frequently if required and presented to the CRC and Board Audit Committee (BAC) for sign off.

WRITE-OFFS

Financial assets are written off either partially or in their entirety only when there is no reasonable expectation of recovery. Recovery actions can cease if they are determined as being no longer cost effective or in some situations, where the customers have filed for bankruptcy.

CREDIT RISK OF THE LOAN PORTFOLIO IN AMP BANK (THE BANK)

The Bank is predominantly a lender for residential properties – both owner occupied and for investment. In every case the Bank completes a credit assessment, which includes cost of living allowance and requires valuation of the proposed security property.

The Bank's CRC and Board Risk Committee (BRC) oversee trends in lending exposures and compliance with the Risk Appetite Statement. The Bank secures its housing loans with mortgages over relevant properties and as a result, manages credit risk on its loans with conservative lending policies and particular focus on the LVR. The LVR is calculated by dividing the total loan amount outstanding by the lower of the Bank's approved valuation amount or the purchase price. Loans with LVR greater than 80% are fully mortgage insured. Mortgage insurance is provided by Genworth Mortgage Insurance Australia Ltd and QBE Lenders Mortgage Insurance Ltd who are both regulated by APRA. The Bank has strong relationships with both insurers and experienced minimal levels of historic claim rejections and reductions.

The average LVR at origination of AMP Bank's loan portfolio for existing and new business is set out in the following table:

LVR %	Existing business 2022 %	New business 2022 %	Existing business 2021 %	New business 2021 %
0 – 50	**18**	**14**	17	8
51 – 60	**13**	**11**	12	8
61 – 70	**20**	**15**	19	15
71 – 80	**37**	**49**	36	51
81 – 90	**10**	**8**	13	12
91 – 95	**1**	**3**	2	6
> 95	**1**	**–**	1	–

RENEGOTIATED LOANS

Where possible, the Bank seeks to restructure loans for borrowers seeking hardship relief rather than take possession of collateral. This may involve capitalising interest repayments for a period and increasing the repayment arrangement for the remaining term of the loan. Once the terms has been renegotiated, the loan is no longer considered past due or an impaired asset unless it was greater than 90 days in arrears in the previous six months or a specific provision has been raised for the loan. The Bank assisted customers by renegotiating $81m (2021: $239m) of loans during the year, of which none (2021: $150m) relates to hardship granted due to COVID-19, that otherwise would be past due or impaired.

Notes to the financial statements

for the year ended 31 December 2022

3.3 FINANCIAL RISK MANAGEMENT *CONTINUED*

(c) Credit risk *continued*

COLLATERAL AND MASTER NETTING OR SIMILAR AGREEMENTS

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

(i) Derivative financial assets and liabilities

The credit risk of derivatives is managed in the context of the AMP group's overall credit risk policies and includes the use of Credit Support Annexes to derivative agreements which facilitate the bilateral posting of collateral as well as the clearing of derivative positions on the London Clearing House.

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

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

If these netting arrangements were applied to the derivative portfolio, the derivative assets of $552m would be reduced by $87m to the net amount of $465m and derivative liabilities of $128m would be reduced by $87m to the net amount of $41m (2021: derivative assets of $334m would be reduced by $143m to the net amount of $191m and derivative liabilities of $185m would be reduced by $143m to the net amount of $42m).

(ii) Other collateral

The AMP group has collateral arrangements in place with some counterparties in addition to collateral deposits held with respect to repurchase agreements. The amount and type of collateral required by AMP Bank on housing loans depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral.

AMP Bank holds collateral against its loans and advances primarily in the form of mortgage interests over property, other registered securities over assets and guarantees.

Management monitors the market value of collateral and will request additional collateral in accordance with the underlying agreement. In the event of customer default, AMP Bank can enforce any security held as collateral against the outstanding claim. Any loan security is usually held as mortgagee in possession while AMP Bank seeks to realise its value through the sale of property. Therefore, AMP Bank does not hold any real estate or other assets acquired through the repossession of collateral.

Collateral generally consists of 11am loans and deposits and is exchanged between the counterparties to reduce the exposure from the net fair value of derivative assets and liabilities between the counterparties. As at 31 December 2022 there was $133m (2021: $108m) of collateral deposits (due to other counterparties) and $108m (2021: $47m) of collateral loans (due from other counterparties) relating to derivative assets and liabilities.

3.4 DERIVATIVES AND HEDGE ACCOUNTING

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

- cash flow hedges;
- fair value hedges; or
- net investment hedges.

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

(a) Hedging instruments

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

2022		Notional amount $m	Fair value assets $m	Fair value liabilities $m
Hedge type	**Hedging instrument**			
Cash flow	Interest rate swaps	**18,050**	**337**	**–**
Fair value	Cross-currency swaps	**–**	**–**	**–**
Fair value	Interest rate swaps	**–**	**–**	**–**
Fair value and cash flow	Cross-currency interest rate swaps	**553**	**31**	**–**
Net investment	Foreign currency forward contract	**634**	**3**	**6**
Total		**19,237**	**371**	**6**

2021		Notional amount $m	Fair value assets $m	Fair value liabilities $m
Hedge type	**Hedging instrument**			
Cash flow	Interest rate swaps	13,123	25	–
Fair value	Cross-currency swaps	78	–	16
Fair value	Interest rate swaps	62	–	1
Fair value and cash flow	Cross-currency interest rate swaps	828	36	–
Net investment	Foreign currency forward contract	405	–	1
Total		14,496	61	18

Notes to the financial statements

for the year ended 31 December 2022

3.4 DERIVATIVES AND HEDGE ACCOUNTING *CONTINUED*

(b) Hedged items

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

	Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged items	
2022	**Assets $m**	**Liabilities $m**	**Assets $m**	**Liabilities $m**
6.875% GBP Subordinated Guaranteed Bonds (maturity 2022)	**–**	**–**	**–**	**–**
Medium Term Notes	**–**	**584**	**–**	**31**

	Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged items	
2021	**Assets $m**	**Liabilities $m**	**Assets $m**	**Liabilities $m**
6.875% GBP Subordinated Guaranteed Bonds (maturity 2022)	–	60	17	–
Medium Term Notes	–	787	–	34

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

	2022 $m	**2021 $m**
Gain on hedging instrument	**11**	53
Loss on hedged items attributable to the hedged risk	**(14)**	(48)
(Loss)/Gain after ineffectiveness	**(3)**	5

Derivative instruments accounted for as cash flow hedges

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

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

During the year the AMP group recognised $nil (2021: $nil) due to ineffectiveness on derivative instruments designated as cash flow hedges.

Derivative instruments accounted for as fair value hedges

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

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

Hedges of net investments in foreign operations

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

The AMP group recognised $nil (2021: $nil) due to the ineffective portion of hedges relating to strategic investments in foreign operations.

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

3.4 DERIVATIVES AND HEDGE ACCOUNTING *CONTINUED*

2022	0 to 3 months $m	3 to 12 months $m	1 to 5 years $m	Over 5 years $m	Total $m
Interest rate swaps	**1,547**	**8,141**	**6,455**	**1,907**	**18,050**
Cross-currency swaps	**–**	**–**	**–**	**–**	**–**
Cross-currency interest rate swaps	**–**	**302**	**251**	**–**	**553**
Foreign currency forward contract	**256**	**378**	**–**	**–**	**634**

2021	0 to 3 months $m	3 to 12 months $m	1 to 5 years $m	Over 5 years $m	Total $m
Interest rate swaps	1,096	4,010	7,474	605	13,185
Cross-currency swaps	–	78	–	–	78
Cross-currency interest rate swaps	–	218	610	–	828
Foreign currency forward contract	405	–	–	–	405

ACCOUNTING POLICY – RECOGNITION AND MEASUREMENT

Derivative financial instruments

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

Hedge accounting

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

Cash flow hedges

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

Fair value hedges

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

Net investment hedges

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

Notes to the financial statements

for the year ended 31 December 2022

3.5 CAPITAL MANAGEMENT

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

- maintain a sufficient surplus above minimum regulatory capital requirements (MRR) to reduce the risk of breaching MRR; and
- maintain the AMP group's credit rating.

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

Calculation of capital resources

The AMP group's eligible capital resources include ordinary equity and certain hybrid capital instruments. Adjustments to these amounts are made for intangibles, associate equity investments and other assets required to be removed by regulation.

The table below shows the AMP group's capital resources at reporting date:

	2022 $m	2021 $m
AMP statutory equity attributable to shareholders of AMP Limited	**4,171**	3,980
Accounting mismatch and other adjustments [1]	**(94)**	(106)
AMP shareholder equity	**4,077**	3,874
Goodwill and other intangibles [2]	**(289)**	(344)
Equity investments [3]	**(1,012)**	(1,607)
Other regulatory adjustments [4]	**(138)**	(6)
Subordinated bonds eligible as Level 3 capital	**–**	16
Level 3 eligible capital	**2,638**	1,933
Eligible hybrid capital resources [5]	**350**	579
Total eligible capital resources	**2,988**	2,512
Minimum regulatory requirements (MRR)	**1,366**	1,316
Target capital requirements	**699**	813
Total capital requirements	**2,065**	2,129
Surplus capital above target requirements	**923**	383

1 Accounting mismatches and other adjustments primarily relate to the net assets of the AMP Foundation and surpluses recognised on any defined benefit plans.
2 Includes $91m of intangibles classified as Assets held for sale on the Consolidated statement of financial position (2021: $14m).
3 Equity investments relate to holdings of associate equity investment where AMP holds a minority interest. As at 31 December 2022, Global Infrastructure Fund Sponsor ($76m), Global Infrastructure Fund II ($122m), AMP Capital Core Property Fund ($30m) and other equity investments ($14m) are classified as assets held for sale (2021: Resolution Life NOHC ($509m) and AMP Capital Infrastructure Debt Fund V USD LP ($8m)).
4 Other regulatory adjustments relate to securitisation, deferred tax assets and other provisions for AMP Bank, deferred tax assets for Australian Wealth Management and include an adjustment for eligible seed and sponsor investment classified as equity investments in AMP Capital.
5 Eligible hybrid capital instruments are subordinated debt which is able to be included as eligible capital for the purpose of meeting minimum regulatory requirements.

3.5 CAPITAL MANAGEMENT *CONTINUED*

Capital requirements

A number of the operating entities within the AMP group of companies are regulated and are required to meet MRR. In certain circumstances, APRA or other regulators may require AMP and other entities of the AMP group to hold a greater level of capital to support its business and/or restrict the amount of dividends that can be paid by them. Any such adjustments would be incorporated into the minimum regulatory requirements and monitored as part of the capital management policy.

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

Operating entity	Minimum regulatory capital requirement
AMP Bank Limited (AMP Bank)	Capital requirements as specified under the APRA ADI Prudential Standards
N. M. Superannuation Proprietary Limited	Operational Risk Financial Requirements as specified under the APRA Superannuation Prudential Standards
Other ASIC regulated businesses	Capital requirements under AFSL requirements

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

AMP Limited and AMP Bank have Board-approved minimum capital levels above APRA requirements, with additional capital targets held above these amounts. Capital targets are also set for AMP Capital to cover risk associated with seed and sponsor capital investments and operational risk. Other components of AMP group's capital targets include amounts relating to Group Office investments, defined benefit funds and other operational risks.

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

Notes to the financial statements

for the year ended 31 December 2022

4
SECTION

EMPLOYEE DISCLOSURES

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

4.1 DEFINED BENEFIT PLANS

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

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

Plan details	Australia	New Zealand
Plan names	AMP Australia Plan I and AMP Australia Plan II.	AMP New Zealand Plan I and AMP New Zealand Plan II.
Entitlements of active members	A lump sum or pension on retirement. Pensions provided are lifetime indexed pensions with a reversionary spouse pension.	Accumulation benefits and a lump sum payment on retirement.
Governance of the plans	The plans' trustees – this includes administration of the plan, management and investment of the plan assets, and compliance with superannuation laws and other applicable regulations.	The plans' trustees – this includes administration of the plan, management and investment of the plan assets, and looking after the interests of all beneficiaries.
Valuations required	Every year.	Every three years.
Key risks	The risk of actual outcomes being different to the actuarial assumptions used to estimate the defined benefit obligation, investment risk and legislative risk.	
Date of valuation	31 March 2022.	31 December 2020.
Additional recommended contributions	10% to 15% of members' salaries plus plan expenses.	No additional contributions are required until 31 December 2023, at which point the requirement will be reassessed.

4.1 DEFINED BENEFIT PLANS *CONTINUED*

(a) Defined benefit asset

	2022 $m	2021 $m
Present value of wholly-funded defined benefit obligations	**(645)**	(782)
Less: Fair value of plan assets	**657**	785
Defined benefit asset recognised in the Consolidated statement of financial position	**12**	3
Movement in defined benefit asset		
Surplus/(deficit) at the beginning of the year	**3**	(98)
Plus: Total expenses recognised in the Consolidated income statement	**(1)**	(2)
Plus: Employer contributions	**10**	1
Plus: Foreign currency exchange rate changes	**1**	1
Plus: Actuarial (losses)/gains recognised in Other comprehensive income[1]	**(1)**	101
Defined benefit asset recognised at the end of the year	**12**	3

1 The cumulative net actuarial gains and losses recognised in the Statement of comprehensive income is a $198m gain (2021: $199m gain).

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

	Defined benefit obligation		Fair value of plan assets	
	2022 $m	2021 $m	2022 $m	2021 $m
Balance at the beginning of the year	**(782)**	(882)	**785**	784
Current service cost	**(1)**	(2)	**–**	–
Interest (cost)/income	**(5)**	(2)	**5**	2
Net actuarial gains/(losses)	**89**	62	**(90)**	39
Employer contributions	**–**	–	**10**	1
Foreign currency exchange rate changes	**3**	(2)	**(2)**	3
Benefits paid	**51**	44	**(51)**	(44)
Balance at the end of the year	**(645)**	(782)	**657**	785

Notes to the financial statements

for the year ended 31 December 2022

4.1 DEFINED BENEFIT PLANS *CONTINUED*

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

	Fair value of plan assets		Present value of plan obligation		Net recognised surplus/(deficit)		Actuarial gains/(losses)	
	2022 $m	2021 $m	2022 $m	2021 $m	2022 $m	2021 $m	2022 $m	2021 $m
AMP Australia Plan I	**240**	283	**(248)**	(296)	**(8)**	(13)	**–**	40
AMP Australia Plan II	**331**	397	**(294)**	(356)	**37**	41	**(7)**	27
AMP New Zealand Plan I	**13**	17	**(16)**	(20)	**(3)**	(3)	**–**	4
AMP New Zealand Plan II	**73**	88	**(87)**	(110)	**(14)**	(22)	**6**	30
Total	**657**	785	**(645)**	(782)	**12**	3	**(1)**	101

(d) Principal actuarial assumptions

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

	AMP Plan I				AMP Plan II			
	Australia		New Zealand		Australia		New Zealand	
	2022 %	2021 %	2022 %	2021 %	2022 %	2021 %	2022 %	2021 %
Weighted average discount rate	**5.7**	3.0	**4.6**	2.7	**5.8**	3.3	**4.6**	2.7
Expected rate of salary increases	**n/a**	n/a	**n/a**	n/a	**2.8**	2.8	**3.0**	3.0

(e) Allocation of assets

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

	AMP Plan I				AMP Plan II			
	Australia		New Zealand		Australia		New Zealand	
	2022 %	2021 %	2022 %	2021 %	2022 %	2021 %	2022 %	2021 %
Equity	**43**	42	**47**	52	**19**	18	**47**	52
Fixed interest	**37**	38	**38**	37	**51**	54	**38**	37
Property	**9**	9	**–**	–	**7**	6	**–**	–
Cash	**4**	4	**15**	11	**9**	9	**15**	11
Other	**7**	7	**–**	–	**14**	13	**–**	–

4.1 DEFINED BENEFIT PLANS *CONTINUED*

(f) Sensitivity analysis

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

2022	AMP Plan I				AMP Plan II			
	Australia		New Zealand		Australia		New Zealand	
Assumption	(+) $m	(-) $m	(+) $m	(-) $m	(+) $m	(-) $m	(+) $m	(-) $m
Discount rate (+/- 0.5%)[1]	**(11)**	**12**	**n/a**	**1**	**(14)**	**15**	**n/a**	**9**
Expected salary increase rate (0.5%)	**n/a**	**n/a**	**n/a**	**n/a**	**–**	**n/a**	**n/a**	**n/a**
Expected deferred benefit crediting rate (0.5%)	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
Pensioner indexation assumption (0.5%)[2]	**12**	**(11)**	**1**	**n/a**	**14**	**(13)**	**8**	**n/a**
Pensioner mortality assumption (10%)	**n/a**	**8**	**n/a**	**n/a**	**n/a**	**6**	**n/a**	**n/a**
Life expectancy (additional 1 year)	**n/a**	**n/a**	**1**	**n/a**	**n/a**	**n/a**	**2**	**n/a**

2021	AMP Plan I				AMP Plan II			
	Australia		New Zealand		Australia		New Zealand	
Assumption	(+) $m	(-) $m	(+) $m	(-) $m	(+) $m	(-) $m	(+) $m	(-) $m
Discount rate (+/- 0.5%)[1]	(15)	16	n/a	2	(19)	21	n/a	13
Expected salary increase rate (0.5%)	n/a	n/a	n/a	n/a	–	n/a	n/a	n/a
Expected deferred benefit crediting rate (0.5%)	n/a	n/a	n/a	n/a	–	n/a	n/a	n/a
Pensioner indexation assumption (0.5%)[2]	16	(15)	1	n/a	19	(17)	11	n/a
Pensioner mortality assumption (10%)	n/a	11	n/a	n/a	n/a	8	n/a	n/a
Life expectancy (additional 1 year)	n/a	n/a	1	n/a	n/a	n/a	4	n/a

1 (1%) discount rate applied to AMP New Zealand Plan I and II.
2 1% indexation increase applied to AMP New Zealand Plan I and II.

Notes to the financial statements

for the year ended 31 December 2022

4.1 DEFINED BENEFIT PLANS *CONTINUED*

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

	AMP Plan I		AMP Plan II	
	Australia	New Zealand	Australia	New Zealand
	$m	$m	$m	$m
Expected employer contributions	6	–	2	–
Weighted average duration of the defined benefit obligation (years)	8	7	10	10

ACCOUNTING POLICY – RECOGNITION AND MEASUREMENT

Defined benefit plans

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

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

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

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Defined benefit asset

The value of the group's defined benefit obligations are outputs of actuarial models dependent on a number of underlying assumptions. Management applies judgement in selecting the assumptions used. Key assumptions include:

- discount rate;
- expected future salary increases;
- pension indexation;
- mortality; and
- life expectancy.

4.2 SHARE-BASED PAYMENTS

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

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

	2022 $'000	2021 $'000
Plans currently offered		
Performance rights[1]	**6,457**	7,854
Share rights and restricted shares - equity settled	**4,259**	9,143
Share rights – cash settled	**680**	2,759
Total share-based payments expense	**11,396**	19,756

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

ACCOUNTING POLICY – RECOGNITION AND MEASUREMENT

Equity-settled share-based payments

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

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

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

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

Cash-settled share-based payments

Cash-settled share-based payments are recognised when the terms of the arrangement provide AMP group with the discretion to settle in cash or by issuing equity instruments and it has a present obligation to settle the arrangement in cash. A present obligation may occur where the past practice has set a precedence for future settlements in cash.

Cash-settled share-based payments are recognised, over the vesting period of the award, in the Consolidated income statement, together with a corresponding liability. The fair value is measured on initial recognition and re-measured at each reporting date up to and including the settlement date, with any changes in fair value recognised in the Consolidated income statement. Similar to equity-settled awards, number of instruments expected to vest are reviewed at each reporting date and any changes are recognised in the Consolidated income statement and corresponding liability. The fair value is determined using appropriate valuation techniques.

Notes to the financial statements

for the year ended 31 December 2022

4.2 SHARE-BASED PAYMENTS *CONTINUED*

(a) Performance rights

The Chief Executive Officer (CEO) and Executive Committee members receive their long-term incentive (LTI) award in the form of performance rights. This is intended to ensure the interests of those executives, who are able to most directly influence company performance, are appropriately aligned with the interests of shareholders.

Plan	Long-term Incentive Awards	CEO Sign-on Performance Rights Award
Overview	Performance rights give the participant the right to acquire one fully paid ordinary share in AMP Limited upon meeting specific performance hurdles. They are granted at no cost to the participant and carry no dividend or voting rights until they vest. This award may be settled through an equivalent cash payment, at the discretion of the board.	As part of the CEO's incentive package, performance rights were awarded on appointment. The performance rights give the CEO the right to acquire one fully paid ordinary share in AMP Limited (per right) upon meeting specific performance conditions, including hurdles that are subject to an absolute and relative Total Shareholder Return (TSR) measure. The award was granted at no cost to the CEO and carries no dividend or voting rights. This award may be settled through an equivalent cash payment, at the discretion of the board.
Years granted	2019, 2021 and 2022.	2021.
Vesting conditions/period	The vesting of performance rights is subject to the following gateways: 1. Risk and Conduct Gateway – if a participant's performance and conduct is not in line with AMP's expectations, the board has discretion to amend the vesting outcome. 2. Performance Gateway and Hurdle – The number of rights that vest under the award will be determined based on the Compound Annual Growth Rate (CAGR) or CAGR in the Company's TSR relative to CAGR in TSR to the peer group of ASX100 financial companies (excluding A-REITs). The vesting period is typically between three and three-and-a-half years. A one year restriction period (holding lock) applies for LTI awards granted in 2021 and 2022.	The vesting of the CEO's sign-on performance rights is subject to the following gateways: 1. Absolute TSR – measures the CAGR in the Company's TSR over the relevant Performance Period. 2. Relative TSR – measures the Company's TSR performance relative to a peer group over the relevant Performance Period. The comparator group for the relative TSR performance hurdle will be an adjusted ASX100 Financials index. Each component was awarded in three tranches, of which one has already vested. The board will test the performance hurdles for the remaining two tranches on or around the 22 November 2023 and 22 November 2024, respectively. If the performance hurdles are met, the rights vest and become exercisable.
Unvested awards	If a participant is terminated for cause or gives notice of resignation before the vesting date, all unvested rights will lapse or be forfeited, unless the Board determines otherwise. If a participant's employment ends for any other reason, the unvested awards will remain on foot. For the 2019 and 2022 LTI awards, a pro rata portion of rights are retained. All unreleased restricted shares allocated to the participant on vesting will remain on foot until the end of the restriction period, unless the participant is terminated for cause, in which case the awards are forfeited.	Unvested awards are forfeited if the CEO voluntarily ceases employment or is dismissed for misconduct.

4.2 SHARE-BASED PAYMENTS *CONTINUED*

(a) Performance rights *continued*

Valuation of performance rights

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

In determining the share-based payments expense, the number of instruments expected to vest has been adjusted to reflect the number of employees expected to remain with AMP until the end of the performance period; this is revisited each reporting date. The following table shows the factors and range considered in determining the value of the performance rights granted during the last two years.

PERFORMANCE RIGHTS

	2022	2021
Closing share price on grant date	**$1.01**	$1.075–$1.65
Contractual life (years)	**4.1**	0.3–4.0
Dividend yield (per annum)	**0% – 5%**	0%–5%
Expected volatility of share price	**39%**	42%–44%
Risk-free interest rate (per annum)	**0.1%**	0.1%–0.8%
TSR performance hurdle discount	**42%**	41%–51%
TSR performance rights and share rights fair value	**$0.59**	$0.55–$0.81
Fair value of performance rights (weighted average)	**$0.59**	$0.68
Expected time to vesting (years)	**3.1**	1.9-3.0

PERFORMANCE RIGHTS MOVEMENTS

Number of performance rights	2022	2021
Opening balance as at 1 January	**29,754,528**	32,237,828
Granted during the year	**7,592,943**	5,608,588
Exercised during the year	**–**	(638,168)
Lapsed during the year	**(4,937,153)**	(7,453,720)
Closing balance as at 31 December	**32,410,318**	29,754,528

Notes to the financial statements

for the year ended 31 December 2022

4.2 SHARE-BASED PAYMENTS *CONTINUED*

(b) Share rights

The Chief Executive Officer (CEO), Executive Committee members, and certain executives and employees are provided share rights as a part of their remuneration arrangements. These arrangements are summarised as follows:

<table>
<tr><th></th><th colspan="4">Share rights</th></tr>
<tr><th></th><th>Long-term Incentive Plan</th><th>Short-term Incentive Plan</th><th>Salary Sacrifice Plan</th><th>CEO Sign-on Share Rights Award</th></tr>
<tr><td>Overview</td><td colspan="3">Share rights give the participant the right to acquire one fully paid ordinary share in AMP Limited after a specified service period. They are granted at no cost to the participant and carry no dividend or voting rights until they vest. All awards are subject to ongoing employment, compliance with AMP policies and the board's discretion.

In 2021, AMP offered the opportunity to salary sacrifice between $1,000–$5,000 over a 12-month period to acquire shares in AMP which includes a matching contribution on a 2:5 basis.</td><td>The sign-on share rights give the CEO the right to acquire one fully paid ordinary share in AMP Limited (per right) after a specified service period. They were granted at no cost to the CEO and carry no dividend or voting rights until they vest. This award may be settled through an equivalent cash payment at the discretion of the board.</td></tr>
<tr><td>Vesting conditions/ period</td><td>LTI awards are subject to continued service periods of three to four years and typically carry voting and dividend rights equivalent to ordinary shares.

Awards granted under the Deferred Bonus Equity Plan are split into two tranches with continued service conditions of two and three years respectively.</td><td>The Short-term Incentive (STI) awards typically have 40% to 60% of the award deferred in equity. The vesting period is between one to four years of continued service.</td><td>Shares granted under the share matching component of the salary sacrifice plan are subject to continued service for two years from grant date.</td><td>The first and second tranches, representing 82% of the award, were vested and released to the CEO. The remaining rights may vest in accordance with the schedule below:
– 14% on 22 November 2023
– 4% on 22 November 2024</td></tr>
<tr><td>Unvested awards</td><td colspan="4">Unvested awards are forfeited if the participant voluntarily ceases employment or is dismissed for misconduct.</td></tr>
</table>

4.2 SHARE-BASED PAYMENTS *CONTINUED*

(b) Share rights *continued*

Valuation of share rights

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

In determining the share-based payments expense, the number of instruments expected to vest has been adjusted to reflect the number of employees expected to remain with AMP until the end of the performance period. The following table shows the factors and range considered in determining the independent fair value of the share rights granted during the last two years:

SHARE RIGHTS

	2022	2021
Closing share price on grant date	**$0.96**	$1.07–$1.35
Contractual life (years)	**0.9–3.9**	0.3–4.0
Dividend yield (per annum)	**0%– 5%**	0%–5%
Dividend discount	**0%–13%**	0%–13%
Fair value of performance rights (weighted average)	**$0.88**	$1.10
Expected time to vesting (years)	**0.0 – 3.1**	0.9 – 3.25

SHARE RIGHTS MOVEMENTS

Number of share rights	2022	2021
Opening balance as at 1 January	**15,003,196**	16,247,076
Granted during the year	**7,243,680**	5,511,901
Exercised during the year	**(3,296,779)**	(5,829,217)
Lapsed during the year	**(1,223,618)**	(926,564)
Closing balance as at 31 December	**17,726,479**	15,003,196

Notes to the financial statements

for the year ended 31 December 2022

5
SECTION

GROUP ENTITIES

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

5.1 CONTROLLED ENTITIES

Significant investments in controlled operating entities are as follows:

Operating entities Name of entity	Country of registration	Share type	% holdings 2022	 2021
AMP Advice Holdings Pty Ltd	Australia	Ord	**100**	100
AMP Bank Limited	Australia	Ord	**100**	100
AMP Capital Funds Management Limited	Australia	Ord	**100**	100
Collimate Capital Limited	Australia	Ord	**100**	100
AMP Capital Investors (New Zealand) Limited	New Zealand	Ord	**100**	100
AMP Capital Investors Limited	Australia	Ord	**100**	100
AMP Capital Office and Industrial Pty Limited	Australia	Ord	**100**	100
AMP Capital Shopping Centres Pty Limited	Australia	Ord	**100**	100
AMP Financial Planning Pty Limited	Australia	Ord	**100**	100
AMP Group Finance Services Limited	Australia	Ord	**100**	100
AMP Group Holdings Limited	Australia	Ord A	**100**	100
AMP Services (NZ) Limited	New Zealand	Ord	**100**	100
AMP Services Limited	Australia	Ord A	**100**	100
AWM Services Pty Ltd	Australia	Ord	**100**	100
ipac Asset Management Limited	Australia	Ord	**100**	100
AMP Wealth Management New Zealand Limited	New Zealand	Ord	**100**	100
Hillross Financial Services Limited	Australia	Ord	**100**	100
Ipac Group Services Pty Ltd	Australia	Ord	**100**	100
National Mutual Funds Management Ltd	Australia	Ord	**100**	100
N.M. Superannuation Pty Ltd	Australia	Ord	**100**	100
NMMT Limited	Australia	Ord	**100**	100

5.2 DISCONTINUED OPERATIONS

(a) Sale of AMP Capital

AMP has announced a series of sales transactions which will result in AMP's divestment of its AMP Capital businesses. AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* (AASB 5) requires the income, expenses and cash flows of these businesses to be separately disclosed as discontinued operations. For the year ended 31 December 2022, discontinued operations represents the income, expenses and cash flows of:

- AMP Capital's infrastructure debt platform from 1 January 2022 to 11 February 2022;
- AMP Capital's GEFI business from 1 January 2022 to 28 March 2022;
- AMP Capital's real estate and domestic infrastructure equity business through to 31 December 2022; and
- AMP Capital's international infrastructure equity business through to 31 December 2022.

In accordance with AASB 5, the comparative period results have been restated.

The residual assets of AMP Capital, principally its investments in CLAMP, PCCP and related seed and sponsor investments will remain a part of the AMP group. Accordingly, the related income, expenses and cash flows of these investments are included within continuing operations.

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

The results of AMP Capital's discontinued businesses included within AMP group's Consolidated income statement are set out below, including comparative information.

Following the sale of AMP Capital, certain service arrangements will continue between AMP and those businesses. Where relevant, revenue and expenses attributable to continuing operations from such arrangements have been presented within continuing operations to reflect the ongoing nature of such arrangements. The result of the discontinued operations presented below have been adjusted for these arrangements.

	2022 $m	2021 $m
Total revenue of discontinued operations	**422**	829
Total expense of discontinued operations	**(423)**	(808)
(Loss)/Profit before tax from discontinued operations	**(1)**	21
Income tax (expense)/credit	**(11)**	6
(Loss)/Profit for the period from discontinued operations before disposals	**(12)**	27
Gain on disposal of businesses sold	**413**	–
Income tax expense resulting from the gain on disposal of businesses sold[1]	**(10)**	–
Gain on disposal of businesses sold after tax	**403**	–
Profit for the period from discontinued operations	**391**	27
Other comprehensive (loss)/profit for the period from discontinued operations	**(12)**	27
Total comprehensive income for the period	**379**	54

1 Income tax expense is net of the utilisation of previously unrecognised capital losses.

(c) Cash flows from/(used in) discontinued operations

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

	2022 $m	2021 $m
Net cash (used in)/from operating activities	**(82)**	79
Net cash from/(used in) investing activities	**488**	(75)
Net cash inflows from discontinued operations	**406**	4

Notes to the financial statements

for the year ended 31 December 2022

5.2 DISCONTINUED OPERATIONS *CONTINUED*

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS:

The presentation of discontinued operations includes gains or losses recognised on the sale of AMP Capital businesses and incorporates management's judgements in relation to:

- determining whether the relevant group of assets meet the held for sale classification, including judgements applied in estimating the likely satisfaction of key condition precedents and estimating the timeframe transactions will complete within from the balance date,
- determining the fair value of the assets and liabilities held for sale, including the related impairment considerations, and
- assumptions used to estimate purchase price adjustments, earn-outs, the allocation of goodwill, provisions for directly attributable separation costs yet to be incurred, warranties and indemnities under sale agreements and potential onerous contracts resulting from the separation.

5.3 INVESTMENTS IN ASSOCIATES

Investments in associates accounted for using the equity method:

			Ownership interest		Carrying amount[1]	
Associate	**Principal activity**	**Place of business**	**2022 %**	**2021 %**	**2022 $m**	**2021 $m**
China Life Pension Company[2]	Pension Company	China	**19.99**	19.99	**447**	416
China Life AMP Asset Management Company Ltd[3]	Investment Management	China	**14.97**	14.97	**81**	74
Global Infrastructure Fund Sponsor[4]	Fund	Cayman Island	**–**	4.74	**–**	71
Global Infrastructure Fund II[4]	Fund	Cayman Island	**–**	2.81	**–**	119
AMP Capital Infrastructure Debt Fund IV USD LP[5]	Fund	Luxembourg	**–**	1.25	**–**	64
ACRT Finance Pty Limited[6]	Investment Management	Australia	**–**	7.72	**–**	106
PCCP, LLC (Pacific Coast Capital Partners)	Investment Management	United States	**23.87**	24.90	**170**	157
Other			**n/a**	n/a	**73**	83
Total investments in associates					**771**	1,090

1 The carrying amount is after recognising $80m (2021: $66m) share of current period profit or loss from its associates accounted for using the equity method.
2 AMP's 31 December 2021 financial report was qualified with respect to the external auditor's ability to obtain sufficient, appropriate, third-party audit evidence about AMP's share of the net income and consequently the carrying amount of its investment in China Life Pension Company (CLPC) for the year ended 31 December 2021. On 23 March 2022, subsequent to the issuance of AMP's 31 December 2021 financial report, CLPC's audited financial statements were issued which evidenced that AMP's share of CLPC's net income for the year ended 31 December 2021 and consequently the carrying amount of AMP's investment in CLPC at that date were supported.
3 The AMP group has significant influence through representation on the entity's board.
4 Global Infrastructure Fund Sponsor and Global Infrastructure Fund II are classified as assets held for sale as at 31 December 2022.
5 This fund has been reclassified to investments in managed investments schemes as AMP no longer has significant influence following the sale of the infrastructure debt platform.
6 ACRT Finance Pty Limited was sold on 9 December 2022.

5.3 INVESTMENTS IN ASSOCIATES *CONTINUED*

ACCOUNTING POLICY – RECOGNITION AND MEASUREMENT

Investments in associates

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

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

5.4 PARENT ENTITY INFORMATION

(a) Statement of comprehensive income – AMP Limited entity

	2022 $m	2021 $m
Dividends and distributions from controlled entities and net gains or losses on financial assets [1]	**27**	185
Interest revenue	**1**	–
Service fee revenue	**5**	14
Share of profit from associates accounted for using the equity method	**47**	52
Other income	**87**	–
Operating expenses	**(9)**	(109)
Impairment of investments in controlled entities	**(100)**	(450)
Finance costs	**(36)**	(37)
Income tax credit [2]	**76**	43
Profit/(Loss) for the year	**98**	(302)
Total comprehensive income/(loss) for the year	**98**	(302)

1 Dividends and distributions from controlled entities $13m (2021: $169m) is not assessable for tax purposes.
2 Income tax credit includes $nil (2021: $nil) utilisation of previously unrecognised tax losses.

Notes to the financial statements

for the year ended 31 December 2022

5.4 PARENT ENTITY INFORMATION *CONTINUED*

(b) Statement of financial position – AMP Limited entity

	2022 $m	2021 $m
Current assets		
Cash and cash equivalents	**1**	64
Receivables and prepayments [1]	**172**	160
Current tax assets	**69**	201
Loans and advances to subsidiaries	**350**	–
Investments in other financial assets	**65**	63
Non-current assets		
Investments in controlled entities	**4,909**	5,359
Investments in associates	**457**	427
Loans and advances to subsidiaries	**500**	500
Deferred tax assets [2]	**289**	177
Total assets	**6,812**	6,951
Current liabilities		
Payables [1]	**874**	1,129
Interest-bearing liabilities	**632**	–
Current tax liabilities	**58**	66
Provisions	**2**	90
Other financial liabilities	**3**	–
Subordinated debt [3]	**252**	250
Non-current liabilities		
Subordinated debt [3]	**272**	523
Deferred tax liabilities	**–**	–
Total liabilities	**2,093**	2,058
Net assets	**4,719**	4,893
Equity – AMP Limited entity		
Contributed equity	**5,008**	10,206
Share-based payment reserve	**29**	32
Other reserve	**12**	14
Retained earnings [4]	**(330)**	(5,359)
Total equity	**4,719**	4,893

1 Receivables and payables include tax-related amounts receivable from subsidiaries $168m (2021: $155m) and payable to subsidiaries $434m (2021: $614m).
2 Deferred tax assets include amounts recognised for losses available for offset against future taxable income $nil (2021: $nil).
3 The AMP Limited entity is the issuer of AMP Capital Notes 2 and AMP Notes 3. Further information on these is provided in note 3.2.
4 Changes in retained earnings comprise $98m profit (2021: $302m loss) for the year less share capital reduction of $4,931m pursuant to section 258F of the *Corporations Act 2001*.

(c) Contingent liabilities of the AMP Limited entity

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

5.5 RELATED PARTY DISCLOSURES

(a) Key management personnel

Compensation of key management personnel

	2022 $'000	2021 $'000
Short-term benefits	**10,069**	12,671
Post-employment benefits	**378**	339
Share-based payments	**3,577**	11,947
Other long-term benefits	**55**	217
Termination benefits	**291**	2,777
Total	**14,370**	27,951

Compensation of the group's key management personnel includes salaries, non-cash benefits and contributions to the post-employment benefits. Executive officers also participate in share-based incentive programs (refer to note 4.2). The amounts disclosed in the table are recognised as an expense during the reporting period.

Loans to key management personnel

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

	2022 $'000	2021 $'000
Balance as at the beginning of the year	**3,605**	3,751
Net advances	**560**	1,474
Balance as at the end of the year	**4,165**	5,225
Interest charged	**114**	69

Key management personnel access to AMP's products

From time to time, key management personnel or their related entities may have had access to certain AMP products and services such as investment products, personal banking and financial investment services. These products and services are offered to key management personnel on the same terms and conditions as those entered into by other group employees or customers.

Notes to the financial statements

for the year ended 31 December 2022

5.5 RELATED PARTY DISCLOSURES *CONTINUED*

(b) Transactions with related parties

Transactions with non-executive directors

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

Transactions with other associates

The group provides investment management and banking services under general service level agreements with other associates as well as support to financial advice practices.

Dividends were received from associates.

Transactions with investment entities

In conjunction with the establishment of new investment funds managed by AMP Capital or other group associates, the group, from time to time, invests seed and sponsor capital. The structure of the fund or the group's level of ownership may result in the fund being treated as an associate of the group. See note 5.3 for details of the group's associates. Management fees are earned by AMP or its associates for managing and administering these investment funds.

All transactions between the group, its associates and the funds are on an arm's length basis.

ACCOUNTING POLICY – RECOGNITION AND MEASUREMENT

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

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

Share-based payments – Refer to note 4.2.

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

6 SECTION

OTHER DISCLOSURES

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

6.1 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of cash flow from operating activities

	2022 $m	2021 $m
Net profit/(loss) after income tax	**387**	(254)
Depreciation of operating assets	**57**	62
Amortisation and impairment of intangibles	**52**	227
Investment gains	**(466)**	(187)
Dividend and distribution income received	**71**	121
Share-based payments	**(16)**	14
Decrease in receivables, intangibles and other assets	**60**	174
Decrease in guarantee liabilities	**(21)**	(66)
Increase/(Decrease) in income tax balances	**88**	(18)
Increase in deposits, other payables and provisions	**2,354**	1,605
Net cash provided by operating activities	**2,566**	1,678

(b) Reconciliation of cash

	2022 $m	2021 $m
Comprises:		
Cash and cash equivalents	**1,816**	2,916
Cash included in assets held for sale	**215**	21
Short-term bills and notes (included in Debt securities)	**133**	107
Cash and cash equivalents for the purpose of the Statement of cash flows	**2,164**	3,044

ACCOUNTING POLICY – RECOGNITION AND MEASUREMENT

Cash and cash equivalents

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

Notes to the financial statements

for the year ended 31 December 2022

6.2 COMMITMENTS

(a) Investment commitments

At 31 December 2022, AMP Capital Finance Limited, a controlled entity of AMP Limited, had uncalled investment commitments of $81m (2021: $452m) in relation to certain funds managed by AMP Capital. Subsequent to the reporting date, $nil of this committed capital was invested by AMP Capital Finance Limited into AMP Capital managed funds. These investment commitments will only be called when suitable investment opportunities arise, and the exact timeline remain unspecified. On 3 February 2023, investment commitments of $55m were transferred to DigitalBridge (DB) with the completion of the sale transaction to DB.

(b) AMP Bank credit-related commitments

At 31 December 2022, AMP Bank had credit-related commitments of $3,464m (2021: $3,702m), which include undrawn balances on customer approved limits as well as loan offers pending signing by customers and signed loan contracts pending settlement. The bank expects that not all of the credit-related commitments will be drawn before their contractual expiry.

6.3 RIGHT OF USE ASSETS AND LEASE LIABILITIES

The AMP group adopted AASB 16 *Leases* (AASB 16) from 1 January 2019. Per AASB 16, the group recognises leases on balance sheet as lease liabilities except for short-term leases and leases of low value, with corresponding right of use assets being recognised on balance sheet as well.

(a) Right of use assets

The main type of ROU asset recognised by the group is buildings. The following table details the carrying amount of the ROU assets at 31 December 2022 and the movements during the year.

	2022 $m	2021 $m
Balance at the beginning of the year	**96**	174
Additions [1]	**469**	1
Derecognitions and transfers to sublease receivables [2]	**(90)**	(21)
Impairment expense	**(30)**	(12)
Depreciation expense	**(47)**	(45)
Foreign currency exchange rate changes and other	**1**	2
Transferred to assets held for sale	**(3)**	(3)
Balance at the end of the year	**396**	96

1 The additions primarily represent the commencement of AMP's Quay Quarter Tower (QQT) lease offset by $58m of onerous lease provisions recognised during 2021.
2 This includes a sublease receivable of $60m transferred to receivables as disclosed in note 2.5.

(b) Lease liabilities

The following table details the carrying amount of lease liabilities at 31 December 2022 and the movements during the year.

	2022 $m	2021 $m
Balance at the beginning of the year	**135**	211
Additions [1]	**517**	–
Derecognitions	**(40)**	(26)
Interest expense	**25**	7
Payments made	**(65)**	(56)
Foreign currency exchange rate changes and other	**–**	2
Transferred to liabilities held for sale	**(3)**	(3)
Balance at the end of the year	**569**	135

1 Additions during the period are primarily related to Quay Quarter Tower lease agreement.

The AMP group paid $8m (2021: $4m) in relation to short-term leases and $nil (2021: $nil) in relation to variable lease payments. The total cash outflow for leases in 2022 was $73m (2021: $60m).

6.3 RIGHT OF USE ASSETS AND LEASE LIABILITIES *CONTINUED*

ACCOUNTING POLICY – RECOGNITION AND MEASUREMENT

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

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

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

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

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

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

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

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The group recognises lease liabilities and corresponding ROU assets for all leases where the group is a lessee, except for short-term leases and leases where the underlying asset is of low value. Management applies judgement in identifying and measuring lease liabilities and assessing impairment indicators for ROU assets which includes:

– assessing whether a contract contains a lease;
– determining lease term and incremental borrowing rate;
– separating lease and non-lease components;
– assessing lease modification vis-a-vis new lease;
– assessing the usage of ROU assets and the associated benefits.

Notes to the financial statements

for the year ended 31 December 2022

6.4 PROVISIONS AND CONTINGENT LIABILITIES

	2022 $m	2021 $m
(a) Provisions		
Client remediation	**14**	87
Buyback arrangements	**7**	20
Compliance and regulatory[1]	**41**	57
Obligations relating to corporate reorganisation	**91**	138
Other[2]	**144**	286
Total provisions	**297**	588

	Client remediation $m	Buyback arrangements $m	Compliance and regulatory[1] $m	Obligations relating to corporate reorganisation $m	Other[2] $m	Total $m
(b) Movements in provisions						
Balance at the beginning of the year	87	20	57	138	286	588
Additional provisions made/(released) during the year	9	(8)	84	40	(84)	41
Provisions used during the year	(82)	(5)	(100)	(84)	(58)	(329)
Transferred to liabilities held for sale	–	–	–	(3)	–	(3)
Balance at the end of the year	**14**	**7**	**41**	**91**	**144**	**297**

1 Includes provisions related to APRA enforceable undertaking.
2 Other provisions include provisions for onerous lease arrangements, deferred payments relating to purchase of client registers, make-good provisions relating to rental premises and other operational provisions. $nil (2021:$8m) is expected to be settled more than 12 months from the reporting date.

ACCOUNTING POLICY – RECOGNITION AND MEASUREMENT

Provisions

Provisions are recognised when:

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

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

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

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

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

6.4 PROVISIONS AND CONTINGENT LIABILITIES *CONTINUED*

Industry and regulatory compliance investigations

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

AMP regularly undertakes internal reviews, as part of ongoing monitoring and supervision activities, to determine, amongst other things, where clients or other stakeholders, including employees, may have been disadvantaged. In some instances, compensation has been paid and where the results of our reviews have reached the point that compensation is likely and can be reliably estimated then a provision has been raised. These provisions are judgemental and the actual compensation could vary from the amounts provided.

Litigation

SHAREHOLDER CLASS ACTIONS

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

SUPERANNUATION CLASS ACTIONS

During May and June 2019, certain subsidiaries of AMP Limited, namely, N.M. Superannuation Proprietary Limited (NM Super), AMP Superannuation Limited (AMP Super), NMMT Limited and AMP Services Limited (AMP Services), were served with two class actions in the Federal Court of Australia. The first of those class actions relates to the fees charged to members of certain of AMP superannuation funds. The second of those actions relates to the fees charged to members, and interest rates received and fees charged on cash-only fund options. The two proceedings were brought on behalf of certain superannuation clients and their beneficiaries. Subsequently, the Federal Court ordered that the two proceedings be consolidated into one class action. The AMP respondents have filed defences to the proceedings. The claims are yet to be quantified and participation has not been determined. Currently, it is not possible to determine the ultimate impact of these claims, if any, upon AMP. The proceedings are being defended.

FINANCIAL ADVISER CLASS ACTION

In July 2020, a subsidiary of AMP Limited, namely, AMP Financial Planning Pty Limited (AMPFP), was served with a class action in the Federal Court of Australia. The proceeding is brought on behalf of certain financial advisers who are or have been authorised by AMPFP. The claim relates to changes made by AMPFP to its Buyer of Last Resort policy in 2019. The claim is yet to be quantified and participation has not been determined. Currently, it is not possible to determine the ultimate impact of this claim, if any, upon AMP. AMPFP has filed its defence to the proceedings, and AMPFP is confident in the actions it took in 2019 and is defending the proceeding accordingly. The trial of the proceeding was held during the course of October and November 2022, and the Court has reserved its decision.

COMMISSIONS FOR ADVICE AND INSURANCE ADVICE CLASS ACTION

In July 2020, certain subsidiaries of AMP Limited, namely, AMPFP and Hillross Financial Services Limited (Hillross), were served with a class action in the Federal Court of Australia. The class action related to advice provided by some aligned financial advisers in respect of certain life and other insurance products. Subsequently, in August 2020, AMP Limited, and certain subsidiaries of AMP Limited, namely, AMPFP, Hillross and Charter Financial Planning Limited (Charter), were served with a class action in the Federal Court of Australia. The class action primarily related to the payment of commissions to some aligned financial advisers in respect of certain life insurance and other products and in respect of allegations of charging of fees where advice services were not provided. In December 2020, the Federal Court ordered that these two class actions be consolidated. The AMP respondents have filed a defence to the proceedings. The claim is yet to be quantified and participation has not been determined. Currently, it is not possible to determine the ultimate impact of this claim, if any, upon AMP. The proceedings are being defended.

Notes to the financial statements

for the year ended 31 December 2022

6.4 PROVISIONS AND CONTINGENT LIABILITIES *CONTINUED*

ASIC CIVIL PENALTY PROCEEDINGS IN RESPECT OF DECEASED CUSTOMERS

Certain subsidiaries of AMP Limited, namely, AMPFP, NM Super, AMP Super and AMP Services, are the subject of proceedings brought by ASIC on 26 May 2021. The proceedings allege contraventions of the *Corporations Act 2001* (Cth) (Corporations Act) and the *Australian Securities and Investments Commission Act 2001* (Cth) (ASIC Act) relating to the alleged charging and retention of insurance premiums and advice service fees following the death of members of superannuation funds in the period between 26 May 2015 and 31 August 2019. ASIC's claim is in respect of 2,069 deceased members affected by the retention of premiums, and 27 deceased members affected by the retention of advice fees. AMP has completed remediation for customers identified as being affected by such instances.

ASIC is seeking declarations of contraventions of various sections of the Corporations Act and ASIC Act and orders for the payment of pecuniary penalties and other consequential orders. The AMP respondents filed a defence to the proceedings. A hearing to determine the quantum of penalties to be paid by the AMP defendants was held in December 2022, and the Court has reserved its decision. AMP's best estimate of the likely penalties to be paid has been provided for as at 31 December 2022. The provision is judgemental and the actual penalty could vary from the amount provided.

ADDRESSING HISTORICAL MATTERS THROUGH REGULATOR ACTIONS

AMP has been working through a number of historical matters raised at the Royal Commission and elsewhere, and since 2018, has been taking action to strengthen assurance and operational controls, accountability and processes, improve compliance and risk management, and remediate impacted customers.

In 2021, AMP's Superannuation Trustees (AMP Superannuation Limited and N.M. Superannuation Proprietary Limited) entered into an enforceable undertaking (EU) with APRA for historical matters in the Superannuation business. APRA has acknowledged that AMP has addressed and completed remediation for several matters, and at the completion of this EU, AMP envisages that all outstanding matters referred to APRA by the Financial Services Royal Commission will be concluded.

INDEMNITIES AND WARRANTIES TO RESOLUTION LIFE

Under the terms of the sale agreement for the sale of the wealth protection and mature businesses to Resolution Life Australia Pty Ltd (Resolution Life), AMP has given certain covenants, warranties and indemnities in favour of Resolution Life in connection with the transaction. Resolution Life has notified a number of potential breaches of these covenants. A breach of these covenants or warranties, or the triggering of an indemnity, may result in AMP being liable for some future payments to Resolution Life. Management's best estimate of future payments for these indemnities and warranties has been recognised within these financial statements where they can be reliably estimated. There remain other indemnities and warranties for which no provision has been recognised and a contingent liability exists should such indemnities and warranties be called upon or where actual outcomes differ from management's expectations.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The group recognises a provision where a legal or constructive obligation exists at the balance sheet date and a reliable estimate can be made of the likely outcome. Provisions are reviewed on a regular basis and adjusted for management's best estimates, however significant judgement is required to estimate likely outcomes and future cash flows.
The judgemental nature of these items means that future amounts settled may be different from those provided for.

6.5 AUDITOR'S REMUNERATION

	2022 $'000	2021 $'000
Audit services		
– Group	**2,426**	1,691
– Controlled entities	**2,455**	3,074
Audit related services		
Statutory assurance services [1]	**607**	285
Other assurance services – audit related [2]	**1,384**	1,219
Total audit related services remuneration	**6,872**	6,269
Non-audit services		
– Other assurance services – non-audit related [3]	**1,234**	1,602
– Taxation compliance services	**367**	503
– Other services [4]	**746**	1,109
Total non-audit services remuneration	**2,347**	3,214
Total auditor's remuneration [5]	**9,219**	9,483

1 Statutory assurance services relate to AFSL audits and certain APRA reporting assurance required to be performed by the statutory auditor.
2 Other assurance services – audit related primarily relate to compliance plan audits, sustainability audit, other APRA compliance reporting, derivative risk statement assurance, internal control reviews.
3 Other assurance services – non-audit related primarily relates to the services associated with the demerger and sale of AMP Capital businesses.
4 Other services include transaction support, risk management reviews, benchmarking services.
5 Total amount excludes audit related fees and non-audit fees paid or payable for Trusts and Funds not consolidated into the group. Total fees excluded are $6,320k (2021: $7,872k) of which $226k (2021: $346k) is for non-audit services.

Notes to the financial statements

for the year ended 31 December 2022

6.6 NEW ACCOUNTING STANDARDS

(a) New and amended accounting standards adopted by the AMP group

A number of new accounting standards amendments have been adopted effective 1 January 2022. These have not had a material effect on the financial position or performance of the AMP group.

(b) New accounting standards issued but not yet effective

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

6.7 EVENTS OCCURRING AFTER REPORTING DATE

On 3 February 2022, AMP announced the completion of the sale of AMP Capital's international infrastructure equity business to DigitalBridge Investment Holdco, LLC.

On 16 February 2023, AMP declared a final dividend of 2.5 cents per share, representing $76m based on the number of shares outstanding as at 31 December 2022.

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

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