

AMP Group Holdings Limited

ABN 88 079 804 676

**Directors' report and Financial report
for the half year ended
30 June 2021**

DIRECTORS' REPORT

For the half year ended 30 June 2021

The directors present their report on the consolidated entity consisting of AMP Group Holdings Limited and the entities it controlled at the end of or during the half year ended 30 June 2021.

Directors' details

The directors of AMP Group Holdings Limited during the half year ended 30 June 2021 and up to the date of this report are listed below. Directors were in office for this entire period except where stated otherwise:

James Georgeson (Chairman)
Jason Bounassif
Nicola Darnell
John O'Farrell

Operating and financial review

Principal activities

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

AMPGH is a leading wealth management company in Australia and New Zealand offering customers financial advice and superannuation, retirement income and investment products across a portfolio of businesses. The group also provides corporate superannuation products and services for workplace super and self-managed superannuation funds (SMSFs). AMP Capital Holdings Limited (AMP Capital), a subsidiary of AMPGH, manages investments across a number of major asset classes for domestic and international clients.

AMPGH holds several strategic partnerships including:

- 19.13% equity interest in Resolution Life NOHC Pty Ltd (Resolution Life Australasia)
- 14.97% equity interest in China Life AMP Asset Management Company Ltd (CLAMP), a fund management company which offers retail and institutional investors in China access to leading investment solutions
- 24.90% equity interest in US real estate investment manager, PCCP LLC

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

Description of business units

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

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

AMP Capital is a diversified investment manager across major asset classes including infrastructure debt, infrastructure equity and real estate which make up its *Private Markets* business, global equities and fixed income (GEFI), diversified, multi-manager and multi-asset funds which make up its *Public Markets* business. AMP Capital's aspiration is to build a leading global private markets platform, underpinned by real assets.

On 23 April 2021, following the conclusion of AMP Limited's portfolio review, the group announced the intention to demerge AMP Capital's private markets business to create two more focussed businesses in AMP and AMP Capital Private Markets, better equipped to pursue and allocate capital to distinct growth opportunities and realise efficiencies. As part of the demerger preparations, on 8 July 2021, AMP announced the sale of its GEFI business to Macquarie Asset Management for consideration of up to \$185 million, which is expected to complete by first quarter of 2022.

The remaining AMP Capital public markets business, the Multi-Asset Group (MAG), which is responsible for asset allocation on behalf of AMPGH's superannuation clients, will transition to AMP wealth management prior to demerger, creating an end-to-end superannuation and investment platform business.

DIRECTORS' REPORT

For the half year ended 30 June 2021

Client remediation

AMPGH confirms it has completed all file reviews for its client remediation program in line with the guided timeline. The total cost of the program will be \$823 million, of which approximately \$596 million represents payments to customers. This total program cost is within 6 per cent of original estimates made three years ago. These costs are now fully provisioned.

To date \$36 million has been paid to customers under the inappropriate advice program, with a further \$3.5 million offered, but not yet paid. Customers have so far received \$185 million in remediation under the fee for no service program, with payments accelerating in quarter 3 of 2021 and expected to be largely completed by early fourth quarter of 2021.

Portfolio review

In the second half of 2020, the AMP group initiated a portfolio review following increased interest in the assets and businesses of the group.

Extensive work was conducted on alternatives and a number of opportunities were explored throughout the review which concluded on 23 April 2021.

The review confirmed that AMPGH has two distinct businesses in retail wealth and institutional private markets, with different client bases and growth opportunities. In seeking to deliver the strongest value outcome for shareholders, at the conclusion of the review, AMP announced it would seek to demerge the two businesses given the significant benefits of operational and structural separation.

AMP Capital's private markets business operates in growing, global markets in which investment management talent and strong client relationships are critical. While AMP Australia and New Zealand Wealth Management share the same commitment to clients, they are predominantly domestic businesses focused on wealth and investment solutions for retail customers.

The demerger will be subject to final board approval, required regulatory approvals, applicable consents and approval from shareholders. A number of workstreams have been established to deliver operational separation of the private markets business by the end of financial year 2021, with the demerger and ASX listing expected to occur in first half of 2022.

AMP announces new contemporary advice service model

On 26 July 2021, AMP announced the introduction of a new service model with its aligned advice network marking a new era for financial advice at AMPGH.

The new model, developed in collaboration with AMPGH adviser associations, will be progressively introduced and further prioritises clients with AMPGH providing services to advisers which support the delivery of quality advice, improve practice efficiency and help advisers grow their businesses.

Treasury Laws Amendment (Your Future, Your Super) Bill 2021

In June 2021, the Federal Government passed the Treasury Laws Amendment (Your Future, Your Super) Bill 2021 ("YFYS") which commenced on 1 July 2021. YFYS aims to improve the superannuation system through various measures including increasing the transparency and accountability of trustees to act in members' best financial interests and introduce a new annual performance test to hold funds to account for underperformance.

Review of operations and results

The profit attributable to shareholders of AMPGH for the half-year ended 30 June 2021 was \$34.3 million (1H 20: profit of \$138.2 million).

Operating results by business area

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

Australian wealth management – NPAT (underlying) fell from \$58 million in 1H 20 to \$48 million in 1H 21. The decline in NPAT (underlying) was driven by impairments to the carrying value of equity investments in Advice, lower revenue predominantly from the impact of legislative and pricing changes, partly offset by lower variable and controllable costs from cost reduction initiatives.

New Zealand wealth management – 1H 21 NPAT (underlying) of \$20 million increased by \$2 million (11%) from 1H 20 from stronger investment markets and cost discipline offsetting the impact from compression associated with product repricing.

AMP Capital – 1H 21 NPAT (underlying) of \$61 million declined 19% from \$75 million in 1H 20 reflecting lower performance and transaction fees due to earnings variability as the business transitions to closed-end funds.

Capital management and dividend

Equity and reserves of the AMPGH group attributable to shareholders of AMP Group Holdings Limited was \$3.0 billion at 30 June 2021 (\$2.9 billion at 31 December 2020)

The board has resolved not to declare an interim 2021 dividend. The board continues to maintain a conservative approach to capital management to support the transformation of the business. The capital management strategy and payment of dividends will be reviewed following the completion of the demerger in the first half of 2022.

DIRECTORS' REPORT

For the half year ended 30 June 2021

Strategy and prospects

AMP's transformation strategy was first outlined in 2019. Despite the challenges and disruptions faced in 2020 due to the COVID-19 pandemic and other factors, a large majority of market commitments were delivered. While the pandemic and associated lockdowns continued to affect business operations and customers in 1H 21, significant outcomes were achieved towards the group's transformation into a simpler, client-led, growth-oriented business.

Under the transformation strategy AMP has made the following progress:

Reinvent wealth management in Australia*Advice*

The reshape advice program is >95% complete at 30 June 2021. By reshaping advice, AMPGH will create a more productive, professional and compliant network.

Superannuation, Retirement & Platforms

With a primary objective to improve customer outcomes, the business has delivered phase one and two of its superannuation simplification delivering significant benefits to superannuation members. Phase three, MasterTrust simplification, has recently received approval from the superannuation trustee board which will further rationalise MasterTrust products from 11 to three. The move to three core products will enable greater scale and efficiency delivering further benefits to customers and reduce operational risk.

Functionality and products have continued to be enhanced on the North platform, with recent pricing changes delivering some of the lowest fees in the platforms market. New capabilities were also launched including equity managed portfolios and a re-branding of MyNorth assets has commenced to focus on the External Financial Advisors channel.

Grow New Zealand business

A decision to retain and focus on the growth of the New Zealand wealth management business was announced at AMP's 1H 20 results and significant progress has been made in laying the foundations of future growth including the localisation of technology to allow the business to standalone in its operation.

The business will complete the transfer to a new investment approach with Blackrock in 2H 21 and has implemented a new fee structure resulting in a significant reduction in fees for customers. Three small practice acquisitions were closed in 1H 21 and the business continues to seek further growth opportunities.

AMP Capital: Expand asset management footprint in private markets and explore partnership opportunities for public markets*Private markets*

In 1H 21, work commenced to demerge AMPGH and AMP Capital Private Markets. The business has continued to deliver strong outcomes for clients with more than 90% of capital in the Global Infrastructure Fund II committed in infrastructure assets around the world.

Public markets

On 8 July 2021, AMP announced it entered into a binding agreement with Macquarie Asset Management to sell AMP Capital's GEF public markets business for a consideration of up to \$185 million. This transaction delivers on the previously announced strategy for the AMP Capital public markets business to increase the scale of GEF through partnerships or sale and is an important step in preparing for the planned demerger.

Create a simpler, leaner business

Building on the positive momentum achieved in 2H 20, the group continues to progress commitments on its cost-base, capital management and culture. Disciplined cost management has reduced controllable costs through the simplification of organisational structures, rationalising our property footprint and other efficiencies.

The cultural transformation of the business is a core strategic priority for AMPGH and will continue to evolve in 2H 21. AMPGH progressed several initiatives to accelerate its cultural transformation during 1H 21 across the three pillars of inclusion, accountability and high performance as follows:

- Improving inclusion and diversity to drive performance
 - Implemented a new flexible work policy (WeFlex), to support an inclusive workplace
 - Met 40:40:20 target for gender diversity at Board, middle management and the broader workforce with work continuing at a senior management level
 - Introduced an Inclusion Index to group and leader scorecards to track progress
- Strengthening accountability across the company
 - Implemented a management action plan in response to a review of workplace conduct, initiatives have been implemented to date with remaining initiatives on track for completion in 2H 21
 - Uplifted governance to support best practice in prevention and response to harassment and discrimination in a systematic, proactive and positive manner
 - Increased transparency of reporting on conduct and culture
 - Improved and uplifted the range of channels for employees to raise concerns or seek advice on a confidential basis, formally and informally
- Creating a high-performance culture
 - Commenced a culture diagnostic, engaging with employees through workshops to identify values that matter most
 - Implemented an improved performance framework strengthening link between performance and reward, including risk, leadership and conduct
 - Delivered quarterly culture dashboard to track culture change progress
 - Implemented a quarterly 'all employee' communication on material misconduct cases that have arisen in our workplace

DIRECTORS' REPORT

For the half year ended 30 June 2021

Events occurring after the reporting date

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

Rounding

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



Director

Sydney, 13 September 2021

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

As lead auditor for the review of the half-year financial report of AMP Group Holdings Limited for the half-year ended 30 June 2021, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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

Ernst & Young

Ernst & Young

APR

Andrew Price
Partner
Sydney
13 September 2021

AMP GROUP HOLDINGS LIMITED
ABN 88 079 804 676
HALF YEAR FINANCIAL REPORT
30 JUNE 2021

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Directors' declaration

Independent auditor's report

Registered office:
33 Alfred Street
Sydney NSW 2000 Australia

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

Consolidated income statement

for the half year ended 30 June 2021

		30 Jun 2021 \$m	30 Jun ² 2020 \$m
	Note		
Fee revenue		1,126.1	1,331.9
Interest income using the effective interest method		1.1	2.1
Other investment gains		-	57.2
Share of profit or loss from associates	5.1	102.1	13.4
Movement in guarantee liabilities		40.6	(77.5)
Other income		132.5	77.6
Total revenue		1,402.4	1,404.7
Fee and commission expenses		(368.0)	(450.1)
Staff and related expenses		(563.5)	(564.8)
Finance costs		(24.7)	(5.2)
Other investment losses		(18.6)	-
Other operating expenses		(422.2)	(327.4)
Total expenses		(1,397.0)	(1,347.5)
Profit before tax		5.4	57.2
Income tax credit	2.1	27.7	18.1
Profit after tax from continuing operations		33.1	75.3
Profit from discontinued operations		-	83.1
Profit for the period		33.1	158.4
Profit (loss) attributable to:			
Shareholders of AMP Group Holdings Limited ¹		34.3	138.2
Non-controlling interests		(1.2)	20.2
Profit for the period		33.1	158.4

1 Profit attributable to shareholders of AMP Group Holdings Limited is comprised of \$34.3m (HY20: \$55.1m) from continuing operations and \$nil (HY20: \$83.1m) from discontinued operations.

2 Fee revenue and Fee and commission expenses have been represented. Prior year adjustment – Certain Investment management and related fees and Financial advisory fees were presented gross of related expenses of \$174.0m (\$51.2m and \$122.8m respectively), with no impact to net profit. These revenues and the related expenses have been adjusted and reported on a net basis in accordance with Australian Accounting Standards.

Consolidated statement of comprehensive income

for the half year ended 30 June 2021

	30 Jun 2021 \$m	30 Jun 2020 \$m
Profit for the period from continuing operations	33.1	75.3
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges		
- net gain on cash flow hedges	1.4	6.3
- tax effect on cash flow hedge gain	(0.4)	(1.9)
- net amount transferred to profit or loss for the period	-	(30.4)
- tax effect on amount transferred to profit or loss for the period	-	8.8
	1.0	(17.2)
Translation of foreign operations and revaluation of hedge of net investments		
- gains (losses) recognised on translation of foreign operations and revaluation of hedge of net investments	10.7	(15.1)
- net amount transferred to profit or loss for the period	-	(8.9)
	10.7	(24.0)
Items that will not be reclassified subsequently to profit or loss		
Defined benefit plans		
- actuarial gains (losses)	72.0	(35.1)
- tax effect on actuarial gains or losses	(21.3)	11.1
	50.7	(24.0)
Other comprehensive income (loss) for the period from continuing operations	62.4	(65.2)
Total comprehensive income for the period from continuing operations	95.5	10.1
Profit for the period from discontinued operations	-	83.1
Other comprehensive loss for the period from discontinued operations	-	(96.2)
Total comprehensive income (loss) for the period	95.5	(3.0)
Total comprehensive income (loss) attributable to shareholders of AMP Group Holdings Limited	96.7	(23.2)
Total comprehensive (loss) income attributable to non-controlling interests	(1.2)	20.2
Total comprehensive income (loss) for the period	95.5	(3.0)

Consolidated statement of financial position

as at 30 June 2021

		Consolidated	
		30 Jun	31 Dec
		2021	2020
	Note	\$m	\$m
Assets			
Cash and cash equivalents		1,756.1	1,676.1
Receivables		811.2	566.9
Intercompany tax receivable		507.2	357.5
Current tax assets		23.8	11.1
Investments in financial assets	3.1	1,696.4	2,240.9
Investments in associates accounted for using the equity method	5.1	1,121.2	1,094.2
Right of use assets		135.1	174.3
Deferred tax assets	2.1	541.4	669.2
Intangibles	3.2	553.5	640.3
Other assets		211.1	173.9
Total assets of shareholders of AMP Group Holdings Limited and non-controlling interests		7,357.0	7,604.4
Liabilities			
Payables		900.8	825.9
Intercompany tax payable		100.5	65.4
Current tax liabilities		1.5	2.3
Employee benefits		317.0	348.7
Other financial liabilities	3.1	414.8	473.1
Provisions	5.2	872.3	1,053.7
Interest-bearing liabilities	4.2	1,299.6	1,306.3
Lease liabilities		165.5	210.6
Deferred tax liabilities	2.1	168.3	183.5
Guarantee liabilities		110.1	150.7
Defined benefit plan liabilities		25.7	97.5
Total liabilities of shareholders of AMP Group Holdings Limited and non-controlling interests		4,376.1	4,717.7
Net assets of shareholders of AMP Group Holdings Limited and non-controlling interests		2,980.9	2,886.7
Equity			
Contributed equity	4.1	9,054.5	9,054.5
Reserves		(2,477.6)	(2,488.0)
Retained earnings		(3,602.8)	(3,687.8)
Total equity of shareholders of AMP Group Holdings Limited		2,974.1	2,878.7
Non-controlling interests		6.8	8.0
Total equity of shareholders of AMP Group Holdings Limited and non-controlling interests		2,980.9	2,886.7

Consolidated statement of changes in equity

for the half year ended 30 June 2021

	Equity attributable to shareholders of AMP Group Holdings Limited									
	Contributed equity	Demerger reserve ¹	Share-based payment reserve ²	Capital profits reserve ³	Cash flow hedge reserve	Foreign currency translation and hedge of net investments reserves	Total reserves	Retained earnings	shareholder equity	Non-controlling interest
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
30 June 2021										
Balance at 1 January 2021	9,054.5	(2,565.5)	91.2	(39.8)	(3.1)	29.2	(2,488.0)	(3,687.8)	2,878.7	8.0
Profit from continuing operations	-	-	-	-	-	-	-	34.3	34.3	(1.2)
Other comprehensive income from continuing operations	-	-	-	-	1.0	10.7	11.7	50.7	62.4	-
Total comprehensive income	-	-	-	-	1.0	10.7	11.7	85.0	96.7	(1.2)
Share-based payment expense	-	-	6.9	-	-	-	6.9	-	6.9	-
Share purchases	-	-	(8.2)	-	-	-	(8.2)	-	(8.2)	-
Balance at 30 June 2021	9,054.5	(2,565.5)	89.9	(39.8)	(2.1)	39.9	(2,477.6)	(3,602.8)	2,974.1	6.8
30 June 2020										
Balance at 1 January 2020	7,941.0	(2,565.6)	84.0	320.5	18.1	169.4	(1,973.6)	(3,383.0)	2,584.4	423.0
Profit from continuing operations	-	-	-	-	-	-	-	55.1	55.1	20.2
Profit from discontinued operations ⁴	-	-	-	-	-	-	-	83.1	83.1	-
Other comprehensive loss from continuing operations	-	-	-	-	(17.2)	(15.1)	(32.3)	(24.0)	(56.3)	-
Foreign currency translation reserve recycled ⁴	-	-	-	-	-	(105.1)	(105.1)	-	(105.1)	-
Total comprehensive income	-	-	-	-	(17.2)	(120.2)	(137.4)	114.2	(23.2)	20.2
Share-based payment expense	-	-	11.3	-	-	-	11.3	-	11.3	0.7
Share purchases	-	-	(5.3)	-	-	-	(5.3)	-	(5.3)	-
Shares issued	1,113.5	-	-	-	-	-	-	-	1,113.5	-
Disposal of WP and mature businesses	-	-	-	-	-	-	-	-	-	(305.0)
Dividends paid	-	-	-	-	-	-	-	-	-	(16.5)
Balance at 30 June 2020	9,054.5	(2,565.6)	90.0	320.5	0.9	49.2	(2,105.0)	(3,268.8)	3,680.7	122.4

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

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

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

4 Relates to the deconsolidation of the WP and mature businesses.

Consolidated statement of cash flows

for the half year ended 30 June 2021

	30 Jun 2021 \$m	30 Jun 2020 ¹ \$m
Cash flows from operating activities		
Cash receipts in the course of operations	1,012.7	5,286.4
Interest and other items of a similar nature received	7.3	830.0
Dividends and distributions received	2.9	659.4
Cash payments in the course of operations	(1,413.4)	(10,472.9)
Finance costs	(18.7)	(76.0)
Income tax paid	(9.2)	(715.4)
Cash flows used in operating activities	(418.4)	(4,488.5)
Cash flows from investing activities		
Net proceeds from sale of (payments to acquire):		
- investments in financial assets	444.2	(295.7)
- operating and intangible assets	(4.5)	15.0
- operating controlled entities and investments in associates accounted for using the equity method	74.7	333.9
Proceeds from sale of the WP and mature businesses	-	2,034.0
Cash flows from investing activities	514.4	2,087.2
Cash flows from financing activities		
Proceeds from borrowings	-	267.9
Repayment of borrowings	-	(395.1)
Lease payments	(22.3)	(31.1)
Repayment of subordinated debt	(4.4)	(250.0)
Cash flows used in financing activities	(26.7)	(408.3)
Net increase (decrease) in cash and cash equivalents	69.3	(2,809.6)
Cash and cash equivalents at the beginning of the period	1,901.2	9,352.0
Effect of exchange rate changes on cash and cash equivalents	(0.2)	(5.4)
Cash and cash equivalents prior to the deconsolidation of WP and mature businesses	1,970.3	6,537.0
Cash and cash equivalents deconsolidated	-	(3,896.4)
Cash and cash equivalents at the end of the period²	1,970.3	2,640.6

1 Cash flows for the period ended 30 June 2020 include amounts attributable to shareholders' interests, policyholders' interests in the WP and mature business' statutory funds and controlled entities of those statutory funds. The sale of the WP and mature businesses was completed on 30 June 2020, resulting in the deconsolidation of cash and cash equivalents held by these businesses as at 30 June 2020.

2 Cash equivalents for the purpose of the Consolidated statement of cash flows includes short-term bills and notes.

Section 1: About this report

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

- 1.1 Basis of preparation of the half year financial report

1.1 Basis of preparation of the half year financial report

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

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

This half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial position and financial performance of the AMPGH group as that given by the annual financial report. As a result, this report should be read in conjunction with the 2020 annual financial report of the AMPGH group.

Comparative information has been reclassified where required for consistency with the current half year's presentation. The principal accounting policies and methods of computation adopted in the preparation of the 2021 half year financial report are consistent with those adopted in preparation of the 2020 annual financial report.

AMP Capital demerger

On 23 April 2021, AMP announced its intention to pursue a demerger of AMP Capital's private markets business (private markets) comprising infrastructure equity, infrastructure debt and real estate with a targeted completion in the first half of 2022.

As part of the proposed demerger, AMP Group Holdings Limited:

- Will retain AMP Capital's multi-asset group, which is responsible for asset allocation on behalf of AMP's superannuation clients; and
- May retain a minority stake in private markets of up to 20 percent.

The demerger is subject to a number of conditions including regulatory and shareholder approvals. As the demerger of private markets does not meet the criteria set out in AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* for separate presentation of its results as a discontinued operation, the results of that business has not been presented separately in the financial report.

COVID-19 impacts

The COVID-19 pandemic has continued to disrupt the global economy during the six months ended 30 June 2021 and there remains uncertainty over the ultimate duration and extent of the pandemic as well as the corresponding economic impacts. These uncertainties have been incorporated into the judgements and estimates used by management in the preparation of this report, including the carrying values of the assets and liabilities. Where the judgements and estimates are considered significant they have been disclosed in the notes to this report.

Section 2: Results for the half year

- 2.1 Taxes
- 2.2 Dividends

2.1 Taxes

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

- the impact of tax on the reported result;
- amounts owed to/receivable from the tax authorities; 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 half year and the income tax expense recognised in the Consolidated income statement.

	30 Jun 2021 \$m	30 Jun 2020 \$m
Profit before income tax attributable to shareholders and non-controlling interest	5.4	57.2
Tax at the Australian tax rate of 30% (2020: 30%)	(1.6)	(17.0)
Tax concessions including research and development and offshore banking unit	0.8	0.6
Non-deductible expenses	(13.3)	(1.7)
Non-taxable income	33.3	4.0
Other items	3.5	26.2
Over provided in previous years	0.4	1.0
Differences in overseas tax rates	4.6	5.0
Income tax credit per Consolidated income statement	27.7	18.1

Section 2: Results for the half year

2.1 Taxes (continued)

(b) Analysis of income tax credit

	30 Jun 2021 \$m	30 Jun 2020 \$m
Current tax credit (expense)	119.4	(26.9)
(Decrease) increase in deferred tax assets	(106.9)	40.0
Decrease in deferred tax liabilities	15.2	5.0
Income tax credit	27.7	18.1

(c) Analysis of deferred tax balances

	30 Jun 2021 \$m	31 Dec 2020 \$m
Analysis of deferred tax assets		
Expenses deductible in the future years	395.6	482.6
Unrealised movements on borrowings and derivatives	0.6	0.6
Lease liability	36.3	50.2
Capitalised software expenses	92.6	126.9
Other	16.3	8.9
Total deferred tax assets	541.4	669.2
Analysis of deferred tax liabilities		
Unrealised investment gains	9.9	7.5
Right of use assets	30.1	41.4
Intangible asset	102.7	115.2
Other	25.6	19.4
Total deferred tax liabilities	168.3	183.5

(d) Amounts recognised directly in equity

	30 Jun 2021 \$m	30 Jun 2020 \$m
Deferred income tax (expense) credit related to items taken directly to equity during the period	(21.7)	18.0

Significant accounting estimates and judgements:

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

Section 2: Results for the half year

2.2 Dividends

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

	2021 \$m	2020 \$m
Dividend per share (cents)		
Interim	-	3.3
Final	-	-
Cost (in \$m)		
Interim	-	345.0
Final	-	-

Section 3: Investments and intangibles

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

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

3.1 Investments in financial instruments

	30 Jun 2021 \$m	31 Dec 2020 \$m
Financial assets measured at fair value through profit or loss		
Equity securities and listed managed investment schemes	28.5	25.9
Debt securities	1,051.8	1,131.6
Unlisted managed investment schemes	119.4	148.2
Derivative financial assets	280.5	353.6
Total financial assets measured at fair value through profit or loss	1,480.2	1,659.3
Financial assets measured at amortised cost¹		
Debt securities	216.2	581.6
Total financial assets measured at amortised cost	216.2	581.6
Total financial assets	1,696.4	2,240.9
Other financial liabilities		
Derivative financial liabilities	243.6	264.6
AMP Bank indemnity ²	75.7	81.4
Collateral deposits held	95.5	127.1
Total other financial liabilities	414.8	473.1

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

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

Section 3: Investments and intangibles

3.2 Intangibles

	Goodwill \$m	Capitalised costs \$m	Value of in-force business \$m	Distribution networks \$m	Other intangibles \$m	Total \$m
30 June 2021						
Balance at 1 January 2021	156.8	238.6	114.2	119.3	11.4	640.3
Additions through separate acquisitions	-	-	-	26.5	-	26.5
Additions through internal development	-	13.8	-	-	-	13.8
Reductions through disposal	-	-	-	(32.4)	-	(32.4)
Transferred (to) from other assets	-	(40.0)	-	0.6	-	(39.4)
Amortisation expense	-	(34.1)	(5.7)	(10.4)	(0.7)	(50.9)
Impairment loss	-	(0.8)	-	(3.6)	-	(4.4)
Balance at 30 June 2021	156.8	177.5	108.5	100.0	10.7	553.5
31 December 2020						
Balance at 1 January 2020	172.0	223.3	341.2	126.3	13.9	876.7
Additions through acquisitions of controlled entities	-	-	-	8.4	-	8.4
Additions through separate acquisitions	-	-	-	83.7	-	83.7
Additions through internal development	-	92.6	-	-	-	92.6
Reductions through disposal ¹	(15.2)	(11.7)	(177.4)	(65.5)	-	(269.8)
Transferred to inventories	-	-	-	(2.7)	-	(2.7)
Amortisation expense ²	-	(64.2)	(49.6)	(26.5)	(2.5)	(142.8)
Impairment loss	-	(1.4)	-	(4.4)	-	(5.8)
Balance at 31 December 2020	156.8	238.6	114.2	119.3	11.4	640.3

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

2 Amortisation expense includes amortisation related to the WP and mature businesses of \$17.2m.

Section 3: Investments and intangibles

3.3 Fair value information

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

	Carrying amount \$m	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total fair value \$m
30 June 2021					
Financial assets measured at fair value					
Equity securities and listed managed investment schemes	28.5	22.4	-	6.1	28.5
Debt securities	1,051.8	-	1,051.8	-	1,051.8
Unlisted managed investment schemes	119.4	-	71.6	47.8	119.4
Derivative financial assets	280.5	-	280.5	-	280.5
Total financial assets measured at fair value	1,480.2	22.4	1,403.9	53.9	1,480.2
Financial assets not measured at fair value					
Debt securities	216.2	-	216.2	-	216.2
Total financial assets not measured at fair value	216.2	-	216.2	-	216.2
Financial liabilities measured at fair value					
Derivative financial liabilities	243.6	-	243.6	-	243.6
AMP Bank indemnity	75.7	-	-	75.7	75.7
Collateral deposits held	95.5	-	95.5	-	95.5
Guarantee liabilities	110.1	-	-	110.1	110.1
Total financial liabilities measured at fair value	524.9	-	339.1	185.8	524.9
Financial liabilities not measured at fair value					
AMP Corporate entity borrowings	1,299.6	-	1,299.6	-	1,299.6
Total financial liabilities not measured at fair value	1,299.6	-	1,299.6	-	1,299.6
31 December 2020					
Financial assets measured at fair value					
Equity securities and listed managed investment schemes	25.9	18.9	-	7.0	25.9
Debt securities	1,131.6	-	1,131.6	-	1,131.6
Unlisted managed investment schemes	148.2	-	106.9	41.3	148.2
Derivative financial assets	353.6	-	353.6	-	353.6
Total financial assets measured at fair value	1,659.3	18.9	1,592.1	48.3	1,659.3
Financial assets not measured at fair value					
Debt securities	581.6	-	581.6	-	581.6
Total financial assets not measured at fair value	581.6	-	581.6	-	581.6
Financial liabilities measured at fair value					
Derivative financial liabilities	264.6	-	264.6	-	264.6
AMP Bank indemnity	81.4	-	-	81.4	81.4
Collateral deposits held	127.1	-	127.1	-	127.1
Guarantee liabilities	150.7	-	-	150.7	150.7
Total financial liabilities measured at fair value	623.8	-	391.7	232.1	623.8
Financial liabilities not measured at fair value					
AMP Corporate entity borrowings	1,306.3	-	1,326.2	-	1,326.2
Total financial liabilities not measured at fair value	1,306.3	-	1,326.2	-	1,326.2

Section 3: Investments and intangibles

3.3 Fair value information (continued)

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

<i>Equity securities and listed managed investment schemes</i>	The fair value of listed equity securities traded in an active market and listed managed investment schemes reflects the quoted bid price at the reporting date. In the case of equity securities where there is no active market, fair value is established using valuation techniques including the use of recent arm's length transactions, references to other instruments that are substantially the same, discounted cash flow analysis and option pricing models.
<i>Debt securities</i>	The fair value of listed debt securities reflects the bid price at the reporting date. Listed debt securities that are not frequently traded are valued by discounting estimated recoverable amounts. The fair value of unlisted debt securities is estimated using interest rate yields obtainable on comparable listed investments. The fair value of loans is determined by discounting the estimated recoverable amount using prevailing interest rates.
<i>Unlisted managed investment schemes</i>	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.
<i>Derivative financial assets and liabilities</i>	The fair value of financial instruments traded in active markets (such as publicly traded derivatives) is based on quoted market prices (current bid price or current offer price) at the reporting date. The fair value of financial instruments not traded in an active market (e.g. over-the-counter derivatives) is determined using valuation techniques. Valuation techniques include net present value techniques, option pricing models, discounted cash flow methods and comparison to quoted market prices or dealer quotes for similar instruments. The models use a number of inputs, including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate curves and forward rate curves of the underlying instruments. Some derivatives contracts are significantly cash collateralised, thereby minimising both counterparty risk and the group's own non-performance risk.
<i>Corporate borrowings</i>	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.
<i>Guarantee liabilities</i>	The fair value of the Guarantee liability is determined as the net present value of future cash flows discounted using market rates. The future cash flows are determined using risk neutral stochastic projections based on assumptions such as mortality rate, lapse rate and asset class allocation/correlation. The future cash flows comprise expected guarantee claims and hedging expenses net of expected fee revenue.

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

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

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

There have been no significant transfers between Level 1 and Level 2 during the 2021 financial half year. Transfers to and from Level 3 are shown in the Reconciliation of Level 3 values table later in this note.

Section 3: Investments and intangibles

3.3 Fair value information (continued)

Level 3 fair values

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

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

Type	Valuation technique	Significant unobservable inputs
Equity securities and listed managed investment schemes	Discounted cash flow approach utilising cost of equity as the discount rate.	Discount rate Terminal value growth rate Cash flow forecasts
Debt securities	Discounted cash flow approach.	Discount rate Cash flow forecasts Credit risk
Unlisted managed investment schemes	Published redemption prices.	Judgement made in determining unit prices
Investment contract liabilities	Published unit prices and the fair value of backing assets.	Fair value of financial instruments Cash flow forecasts Credit risk
Guarantee liabilities	Discounted cash flow approach.	Discount rate Hedging costs
AMP Bank indemnity	Assessment of expected credit losses	Cash flow forecasts Credit Risk Collateral value

Sensitivity analysis

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

	30 June 2021		31 December 2020	
	(+) \$m	(-) \$m	(+) \$m	(-) \$m
Financial assets¹				
Equity securities and listed managed investment schemes	0.6	(0.6)	0.6	(0.6)
Unlisted managed investment schemes	4.8	(4.8)	4.1	(4.1)
Financial liabilities				
Guarantee liabilities ²	(0.2)	(2.7)	1.2	(2.6)
AMP Bank indemnity ³	3.8	(3.8)	4.1	(4.1)

1 Reasonably possible changes in price movements of 10% (2020: 10%) have been applied in determining the impact on profit after tax and equity.

2 Reasonably possible changes in equity market movements of 20% (2020: 20%) and bond yield movements of 50bps (2020: 50bps) have been applied in determining the impact on profit after tax and equity.

3 The value of the AMP Bank indemnity is derived from AMP Bank's assessment of expected credit losses on loans subject to the indemnity. The sensitivity has been determined by increasing and decreasing the expected credit loss by 5% (2020: 5%).

Section 3: Investments and intangibles

3.3 Fair value information (continued)

Level 3 fair values (continued)

Reconciliation of Level 3 values

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

	Balance at the beginning of the period \$m	FX gains or losses \$m	Total gains/ losses \$m	Purchases/ deposits \$m	Sales/ withdrawals \$m	Net transfers in/(out) \$m	Balance at the end of the period \$m	Total gains and losses on assets and liabilities held at reporting date \$m
30 June 2021								
Assets classified as Level 3								
Equity securities and listed managed investment schemes	7.0	-	-	-	(0.9)	-	6.1	-
Unlisted managed investment schemes	41.3	1.3	0.1	12.9	(7.8)	-	47.8	1.4
Liabilities classified as Level 3								
Guarantee liabilities	150.7	-	(33.0)	-	(7.6)	-	110.1	(33.0)
AMP Bank indemnity	81.4	-	(5.7)	-	-	-	75.7	(5.7)
31 December 2020								
Assets classified as Level 3								
Equity securities and listed managed investment schemes	2,515.3	-	(11.0)	63.0	(2,567.3)	7.0	7.0	-
Debt securities	126.8	-	-	-	(126.8)	-	-	-
Unlisted managed investment schemes	2,671.2	-	2.0	158.0	(2,831.2)	41.3	41.3	3.9
Investment properties	161.1	-	3.0	-	(164.1)	-	-	-
Liabilities classified as Level 3								
Guarantee liabilities	121.3	-	34.9	3.9	(9.4)	-	150.7	34.9
Investment contract liabilities	70,065.7	(7.0)	(6,200.7)	2,008.0	(65,866.0)	-	-	-
AMP Bank indemnity	86.3	-	(4.9)	-	-	-	81.4	81.4

Section 4: Capital structure

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

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

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

4.1 Contributed equity

	30 Jun 2021 \$m	31 Dec 2020 \$m
Issued capital		
10,373,884,662 (2020: 10,373,884,662) ordinary shares fully paid	9,054.5	9,054.5
Total contributed equity		
10,373,884,662 (2020: 10,373,884,662) ordinary shares fully paid	9,054.5	9,054.5
Issued capital		
Balance at the beginning of the period	9,054.5	7,941.0
Nil (2020: 10) shares issued	-	1,113.5
Balance at the end of the period	9,054.5	9,054.5

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.

Section 4: Capital structure

4.2 Interest-bearing liabilities

(a) Interest-bearing liabilities

	30 June 2021			31 December 2020		
	Current	Non-current	Total	Current	Non-current	Total
	\$m	\$m	\$m	\$m	\$m	\$m
Interest-bearing liabilities						
Corporate entity borrowings ¹						
- 6.875% GBP Subordinated Guaranteed Bonds (maturity 2022)	-	60.6	60.6	-	62.6	62.6
- USD Medium Term Notes ²	406.4	-	406.4	397.9	-	397.9
- CHF Medium Term Notes ²	-	831.7	831.7	-	845.8	845.8
- Other	0.9	-	0.9	-	-	-
Total interest-bearing liabilities	407.3	892.3	1,299.6	397.9	908.4	1,306.3

1 The current / non-current classification of corporate entity borrowings is based on the maturity of the underlying debt instrument and related principal repayment obligations. The carrying value of corporate entity borrowings includes interest payable of \$11.9m (2020: 7.9m) which is expected to be settled within the next 12 months.

2 USD 300m 4 per cent Bond was issued 14 March 2019 and matures 14 September 2021. CHF 110m Senior Unsecured Fixed Rate Bond was issued 19 June 2018 and matures 19 December 2022. This Bond was subsequently increased by CHF 50m on 19 September 2018. CHF 140m Senior Unsecured Fixed Rate Bond was issued 18 April 2019 and matures 18 July 2023. This Bond was subsequently increased by CHF 100m on 3 December 2019. CHF 175m Senior Unsecured Fixed Rate Bond was issued 3 March 2020 and matures 3 June 2024.

(b) Financing arrangements

Loan facilities and note programs

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

	30 June 2021 \$m	31 Dec 2020 \$m
Available loan facilities ¹	1,450.0	1,450.0
Note program capacity	15,345.9	14,086.8
Used ²	(2,152.9)	(3,033.5)
Unused facilities at the end of the period	14,643.0	12,503.3

1 During August 2021, the maturity of the bilateral facilities of \$450.0m was extended to 30 April 2022.

2 Financing is available under funding programs in place for the entities in the AMPGH group and another company in the AMP group. The amount of the funding programs used by the entities within AMPGH group is \$1,229.1m (2020: \$1,235.7m). The remainder of the used amount relates to the other company in the AMP group.

Section 4: Capital structure

4.3 Capital management

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

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

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

Capital requirements

A number of the operating entities within the AMPGH group of companies are regulated and are required to meet minimum regulatory capital requirements (MRR). In certain circumstances, APRA or other regulators may require AMPGH and other entities of the AMPGH group to hold a greater level of capital to support its business and/or 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 main minimum regulatory capital requirements for AMPGH's businesses are:

Operating entity	Minimum regulatory capital requirement
N. M. Superannuation Proprietary Limited	Operational Risk Financial Requirements as specified under the APRA Superannuation Prudential Standards
AMP Capital Investors Limited and other ASIC regulated businesses	Capital requirements under AFSL requirements

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

Capital targets are also set for AMP Capital to cover risk associated with seed and sponsor capital investments and operational risk. Other components of AMPGH group's capital targets include amounts relating to group office investments, defined benefit funds and other operational risks.

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

Section 5: Other disclosures

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

- 5.1 Investment in associates
- 5.2 Provisions and contingent liabilities
- 5.3 New accounting standards
- 5.4 Events occurring after reporting date

5.1 Investment in associates

Associate	Principal activity	Place of business	Ownership interest		Carrying amount	
			30 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
			%	%	\$m	\$m
Resolution Life NOHC Pty Ltd ¹	Life insurance company	Australia	19.13	19.62	524.2	514.1
China Life AMP Asset Management Company Ltd ¹	Investment management	China	14.97	14.97	65.6	57.3
Global Infrastructure Fund Sponsor ²	Fund	Cayman Islands	4.74	4.74	73.7	79.6
Global Infrastructure Fund II ²	Fund	Cayman Islands	2.81	2.81	98.3	91.2
AMP Capital Infrastructure Debt Fund IV	Fund	Luxembourg	1.25	1.25	58.8	56.2
AMP Capital Infrastructure Debt Fund V	Fund	Luxembourg	2.04	3.08	4.8	65.8
AMP Haumi Management Ltd ³	Property manager	New Zealand	50.00	50.00	85.0	7.0
PCCP LLC	Investment management	United States	24.90	24.90	143.9	137.0
Other (individually immaterial associates)			n/a	n/a	66.9	86.0
Total investments in associates accounted for using the equity method					1,121.2	1,094.2

- 1 The AMPGH group has significant influence through representation on the entity's board.
- 2 Entities within the AMPGH group have been appointed investment manager, therefore the group is considered to have significant influence.
- 3 During the period, AMP Haumi Management Limited sold the management rights of Precinct Properties New Zealand Limited resulting in a one-off net gain of \$82.6m to AMPGH recognised within Share of profit or loss from associates.

Section 5: Other disclosures

5.2 Provisions and contingent liabilities

	30 Jun 2021	31 Dec 2020
	\$m	\$m
(a) Provisions		
Restructuring ¹	23.4	18.0
Client remediation	477.8	579.2
Buy-back arrangements	50.7	66.7
Obligations relating to the sale of WP and mature	237.3	258.3
Other	83.1	131.5
Total provisions	872.3	1,053.7

	Restructuring ¹ \$m	Client remediation \$m	Buy-back arrangements \$m	Obligations relating to the sale of WP and mature \$m	Other \$m	Total \$m
(b) Movements in provisions						
Balance at the beginning of the period	18.0	579.2	66.7	258.3	131.5	1,053.7
Additional provisions made during this period	18.4	34.8	-	15.0	15.4	83.6
Provisions used during the period	(13.0)	(136.2)	(16.0)	(36.0)	(63.8)	(265.0)
Balance at the end of the period	23.4	477.8	50.7	237.3	83.1	872.3

1 Restructuring provisions are recognised in respect of programs that materially change the scope of the business or the manner in which the business is conducted.

Significant accounting estimates and judgements:

The AMPGH group recognises a provision where a legal or constructive obligation exists at the balance sheet date and a reliable estimate can be made of the likely outcome. 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.

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

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

Industry and regulatory compliance investigations

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

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

Section 5: Other disclosures

5.2 Provisions and contingent liabilities (continued)

Client remediation

AMPGH's customer review and remediation programs are in the final stages of completion. These programs were established to identify and compensate clients who have suffered loss or detriment as a result of either:

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

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

Inappropriate advice

AMPGH has completed the identification of clients who have suffered loss or detriment as a result of receiving inappropriate advice from their advisers and is progressing with compensation. The scope of the review included the period from 1 January 2009 to 30 June 2015 specified by ASIC in Report 515 Financial advice: Review of how large institutions oversee their advisers. AMPGH extended its review to 30 June 2017.

Compensation has been and continues to be paid and a provision remains for compensation payments yet to be made. Payments are expected to be substantially complete by 31 October 2021.

Advice service fee (fees for no service)

AMPGH has completed the identification of clients of advisers who have been charged an ongoing service fee without the provision of financial advice services (or where there is insufficient evidence of the provision of financial advice services). This involved a large-scale review of fee arrangements from 1 July 2008 as specified by ASIC in Report 499 Financial advice: Fees for no service. Customer file reviews, conducted across AMP licensees, have been completed and compensation has been and continues to be paid. A provision remains for compensation payments yet to be made. Payments are expected to be substantially complete by 31 October 2021.

Other matters

In addition to the inappropriate advice and advice service fee reviews for the periods mentioned above, other reviews, as part of ongoing monitoring and supervision activities, have been performed during the period. These reviews are ongoing and where the reviews have identified instances of clients having suffered loss or detriment, compensation has been paid. As at 30 June 2021, provisions and project costs of \$52m have been recognised for the estimated remaining compensation due to clients, including lost earnings, for these matters. The provisions are judgemental and the actual compensation to clients could vary from the amounts provided.

Buy-back arrangements

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

Where a notice of intention to invoke the buy-back arrangement has been received, or is considered likely to be received in future periods, and AMPGH has concluded that the purchase price of the register exceeds the value of the client register to AMPGH, or where ongoing service arrangements would be unable to be serviced or sold, a provision has been raised for the difference.

The provision is judgemental and the actual notices received and resulting loss incurred upon settlement of the arrangements may vary significantly from the provision.

Litigation

Shareholder class actions

During May and June 2018, AMP Limited was served with five competing shareholder class actions, one filed in the Supreme Court of NSW and the others filed in the Federal Court of Australia. The actions follow the financial advice hearing block in the Royal Commission in April 2018 and allege breaches by AMP Limited of its continuous disclosure obligations. Each action is on behalf of shareholders who acquired an interest in AMP Limited shares over a specified time period. Subsequently, the four proceedings commenced in the Federal Court of Australia were transferred to the Supreme Court of NSW. The Supreme Court of NSW determined that a consolidated class action (of two of the class actions) should continue, and the other three proceedings were permanently stayed. An appeal against that decision was filed by one of the unsuccessful plaintiffs. Whilst that appeal was subsequently dismissed, that decision was subject to a further appeal to the High Court of Australia, which was heard in November 2020 and judgement was handed down on 10 March 2021. The High Court of Australia dismissed that appeal and, as result, the consolidated class action continues (as originally determined by the Supreme Court of New South Wales). 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 AMPGH. AMP Limited is defending these actions.

Section 5: Other disclosures

5.2 Provisions and contingent liabilities (continued)

Superannuation class actions

During May and June 2019, certain subsidiaries of AMPGH, 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, a consolidated claim was filed and defences were filed on behalf of the respondent AMP Limited subsidiaries. The claims are yet to be quantified and participation has not been determined. Currently, it is not possible to determine the ultimate impact of these claims, if any, upon AMPGH. The proceedings are being defended.

Financial adviser class action

In July 2020, a subsidiary of AMPGH, 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 as currently brought, and AMPFP is confident in the actions it took in 2019 and is defending the proceeding accordingly.

Commissions for advice and insurance advice class action

In July 2020, certain subsidiaries of AMPGH, 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 AMPGH, 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 consolidated claim was served in March 2021, and the AMP respondents filed a defence in May 2021. The claim is yet to be quantified and participation has not been determined. Currently, it is not possible to determine the ultimate impact of this claim, if any, upon AMPGH. The proceedings are being defended.

ASIC civil penalty proceedings in respect of deceased customers

Certain subsidiaries of AMPGH, 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 are yet to file their defence in the proceedings. Currently, it is not possible to determine the ultimate impact of this claim upon AMPGH.

ASIC civil penalty proceedings in respect of plan service fees

Certain subsidiaries of AMPGH, namely, AMPFP, Hillross, Charter, AMP Super and AMP Services, are the subject of proceedings brought by ASIC on 29 July 2021. The proceedings allege contraventions of the Corporations Act and the ASIC Act relating to the alleged charging and retention of plan service fees following members of superannuation funds delinking from their corporate super plan into a retail account in the period between 31 July 2015 and 30 June 2019. ASIC's claim is in respect of around 1500 members affected by the retention of plan service 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 are yet to file their defence in the proceedings. Currently, it is not possible to determine the ultimate impact of this claim upon AMPGH.

Indemnities and warranties to Resolution Life

Under the terms of the sale agreement for the sale of the WP 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. 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.

Section 5: Other disclosures

5.3 New accounting standards

New and amended accounting standards adopted by the AMPGH group

A number of new accounting standards' amendments have been adopted effective 1 January 2021. These have not had a material effect on the financial position or performance of the AMPGH other than as described below.

a) Interest Rate Benchmark Reform

In September 2020, the AASB issued AASB 2020-8 Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform - Phase II. This standard offers a number of practical expedients and addresses issues that may affect the group at the point of transition from an existing Interbank Offer Rate (IBOR rate) to an Alternative Reference Rates (ARR), including the effects of changes to contractual cash flows or hedging relationships.

The group has exposure to IBOR rates that are subject to reform through its issuance of GBP debt and associated hedging instruments which reference GBP LIBOR. The group is continuing to monitor market developments in relation to the removal of GBP LIBOR as a reference rate, is actively progressing its transition plan for hedging instruments exposed to GBP LIBOR and assessing whether the transition, which is expected to occur later this year, has an impact on the group's financial position.

In managing the transition to ARR for the affected financial instruments the group expects to apply the practical expedients provided under Phase II.

b) New accounting standards issued but not yet effective

A number of new accounting standards and amendments have been issued but are not yet effective, none of which have been early adopted by the AMPGH group in this financial report. These new standards and amendments, when applied in future periods, are not expected to have a material impact on the financial position or performance of the AMPGH group, other than the potential impact from Phase II of interest rate benchmark reforms as discussed in note 5.3(a).

5.4 Events occurring after reporting date

On 8 July 2021, AMP announced entering into a binding agreement with Macquarie Asset Management to sell AMP Capital's global equities and fixed income business for a consideration of up to \$185 million. This sale is subject to customary closing conditions being met and is expected to close in the first quarter of 2022.

On 26 July 2021, AMP announced the introduction of a new service model with its aligned advice network, marking a new era for financial advice at AMP.

The contemporary approach includes three key components:

- A new service proposition and fee model for advice practices, which has been competitively benchmarked against the industry and reflects the services offered. It includes a set of core services as well as user pay services. The new fee model will be phased in from 1 January 2022 to 1 January 2023.
- The release of institutional ownership of clients from AMP Financial Planning to advisers, with the ability to transfer clients out of the AMP network. This change will take effect from 1 January 2022.
- The conclusion of client register buy back arrangements from 31 December 2021, with practice principals able to take advantage of current terms remaining in place until this date.

Further advice practice exits are anticipated before the conclusion of buy back arrangements and the impact of these exits has been considered and incorporated into the buy-back arrangements provision as at 30 June 2021.

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

Directors' declaration

for the half year ended 30 June 2021

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

- (a) there are reasonable grounds to believe that AMP Group Holdings Limited will be able to pay its debts as and when they become due and payable; and
- (b) the financial statements and the notes of AMP Group Holdings Limited for the financial half year ended 30 June 2021 are in accordance with the *Corporations Act 2001*, including section 304 (compliance with accounting standards) and section 305 (true and fair view).



Director

Sydney, 13 September 2021

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of AMP Group Holdings Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2021 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 30 June 2021 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is

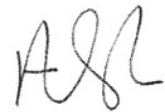
substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code).



Ernst & Young



Andrew Price
Partner
Sydney
13 September 2021