

**AMP Life Limited
(New Zealand Branch)**
ABN: 84 079 300 379

**Financial Statements
for the year ended
31 December 2014**

AMP Life Limited (New Zealand Branch)

Financial Statements

31 December 2014

TABLE OF CONTENTS

INCOME STATEMENT.....	1
STATEMENT OF COMPREHENSIVE INCOME.....	2
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF CHANGES IN EQUITY.....	4
STATEMENT OF CASH FLOWS.....	5
NOTES TO THE FINANCIAL STATEMENTS.....	
1 CORPORATE INFORMATION.....	6
2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....	7
3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS	18
4 SEGMENT INFORMATION.....	19
5 REVENUE AND INVESTMENT INCOME.....	20
6 EXPENSES.....	21
7 INCOME TAX.....	21
8 RECEIVABLES	23
9 INVESTMENT IN FINANCIAL ASSETS.....	24
10 OTHER ASSETS	24
11 PLANT AND EQUIPMENT	25
12 INTANGIBLES	26
13 PAYABLES	26
14 PROVISIONS	27
15 SHARE BASED PAYMENTS.....	28
16 LIFE INSURANCE CONTRACTS.....	34
17 OTHER LIFE INSURANCE AND INVESTMENT CONTRACTS DISCLOSURES.....	43
18 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS DISCLOSURES.....	48
19 FAIR VALUE INFORMATION.....	54
20 CAPITAL MANAGEMENT.....	59
21 NOTES TO THE STATEMENT OF CASH FLOWS.....	60
22 DEFINED BENEFIT PLAN LIABILITY AND COMMITMENTS.....	60
23 INVESTMENTS IN CONTROLLED ENTITIES.....	63
24 ASSOCIATES.....	64
25 OPERATING LEASE COMMITMENTS.....	64
26 CONTINGENT LIABILITIES AND FORWARD INVESTMENTS.....	64
27 RELATED PARTY DISCLOSURES.....	65
28 AUDITORS' REMUNERATION.....	68
29 EVENTS OCCURRING AFTER REPORTING DATE.....	68
INDEPENDENT AUDITOR'S REPORT.....	69

Registered Office
33 Alfred Street, Sydney NSW 2000

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

AMP Life Limited (New Zealand Branch) Income statement for the year ended 31 December 2014

	Note	Consolidated		Parent	
		2014	2013	2014	2013
		NZ\$000	NZ\$000	NZ\$000	NZ\$000
Income and expenses of shareholder of AMP Life Limited and policyholders					
Life insurance premium and related revenue	16(a)	208,653	215,659	208,653	215,659
Fee revenue	5(a)	185,159	170,662	3,933	3,716
Other revenue	5(b)	5,001	6,245	-	-
Investment gains	5(c)	463,092	64,398	494,395	59,450
Life insurance claims and related expenses	16(b)	(198,547)	(216,341)	(198,547)	(216,341)
Operating expenses	6(a)	(241,423)	(225,027)	(61,851)	(63,635)
Finance costs	6(b)	(482)	(283)	(482)	(294)
Change in policyholder liabilities					
- Life insurance contracts	16(e)	(205,274)	(11,528)	(205,274)	(11,528)
- Investment contracts	17(g)	(14,054)	(17,080)	(14,054)	(17,080)
Profit (loss) for the year before income tax		202,125	(13,295)	226,773	(30,053)
Income tax credit (expense)	7(a)	(99,384)	53,142	(95,046)	58,195
Profit for the year		102,741	39,847	131,727	28,142
Profit for the year is attributable to:					
Shareholder of AMP Life Limited		102,741	39,847	131,727	28,142
Profit for the year		102,741	39,847	131,727	28,142

Note:
Income and expenses include amounts attributable to the shareholder's interests and policyholders' interests in the life statutory fund. Amounts included in respect of the life statutory fund have a substantial impact on most of the income statement lines, especially investment gains and losses and tax. In general, policyholders' interests in the transactions for the period are attributed to them in the lines Change in policyholder liabilities.

The accompanying notes form part of these financial statements

AMP Life Limited (New Zealand Branch)

Statement of comprehensive income for the year ended 31 December 2014

		Consolidated		Parent	
		2014	2013	2014	2013
		NZ\$000	NZ\$000	NZ\$000	NZ\$000
Profit for the year		102,741	39,847	131,727	28,142
Other comprehensive income - items that will not be reclassified subsequently to profit or loss:					
Recognised in retained earnings					
Defined benefit plans					
- actuarial gains and (losses)	22(b)	(1,388)	5,979	-	-
- income tax (expense) credit		388	(1,674)	-	-
		(1,000)	4,305	-	-
Recognised in reserves					
- share-based payments		86	944	-	-
		86	944	-	-
Total comprehensive income for the year		101,827	45,096	131,727	28,142
Total comprehensive income for the year is attributable to:					
Shareholder of AMP Life Limited		101,827	45,096	131,727	28,142
Total comprehensive income for the year		101,827	45,096	131,727	28,142

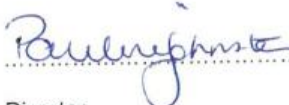
The accompanying notes form part of these financial statements

AMP Life Limited (New Zealand Branch)
Statement of financial position as at 31 December 2014

	Note	Consolidated		Parent	
		2014	2013	2014	2013
		NZ\$000	NZ\$000	NZ\$000	NZ\$000
Assets					
Cash and cash equivalents	21(b)	158,409	109,074	97,765	17,900
Receivables	8	101,172	199,792	70,289	171,407
Current tax assets		8,664	23,481	-	12,400
Other assets	10	3,971	1,740	-	-
Investment in financial assets	9	2,949,866	2,631,954	3,290,680	2,978,046
Plant and equipment	11	12,838	13,655	-	-
Intangibles	12	21,353	20,778	-	-
Deferred tax assets	7(c)	10,664	35,914	333	23,760
Total assets of shareholder of AMP Life Limited and policyholders		3,266,937	3,036,388	3,459,067	3,203,513
Liabilities					
Payables	13	178,711	84,066	422,874	340,647
Current tax liabilities		-	-	3,961	-
Provisions	14	40,966	38,973	-	-
Derivative financial liabilities	19	15,114	120,077	9,032	109,152
Deferred tax liabilities	7(d)	212,650	164,486	212,650	164,486
Life insurance contract liabilities	16(e)	2,125,851	1,936,508	2,125,851	1,936,508
Investment contract liabilities	17(g)(ii)	114,040	114,059	114,040	114,059
Defined benefit plan liabilities	22(e)	2,979	3,691	-	-
Total liabilities of shareholder of AMP Life Limited and policyholders		2,690,311	2,461,860	2,888,408	2,664,852
Net assets of shareholder of AMP Life Limited		576,626	574,528	570,659	538,661
Equity					
Share-based payment reserve		2,626	2,540	-	-
Retained earnings		574,000	571,988	570,659	538,661
Total equity of shareholder of AMP Life Limited		576,626	574,528	570,659	538,661

For and on behalf of the Board who authorised these financial statements for issue on 24 March 2015:


Director


Director

The accompanying notes form part of these financial statements

AMP Life Limited (New Zealand Branch)
Statement of changes in equity for the year ended 31 December 2014

Consolidated

	Equity attributable to shareholder of AMP Life Limited				
	Retained earnings	Share-based payments reserve	Total shareholder equity	Non-controlling interest	Total equity
	NZ\$000	NZ\$000	NZ\$000	NZ\$000	NZ\$000
31 December 2014					
Balance at the beginning of the year	571,988	2,540	574,528	-	574,528
Profit for the year	102,741	-	102,741	-	102,741
Other comprehensive income	(1,000)	86	(914)	-	(914)
Total comprehensive income	101,741	86	101,827	-	101,827
Transfer of profit to AMP Life Limited Shareholder Fund	(99,729)	-	(99,729)	-	(99,729)
Balance at the end of the year	574,000	2,626	576,626	-	576,626
31 December 2013					
Balance at the beginning of the year	558,492	1,596	560,088	3	560,091
Profit for the year	39,847	-	39,847	-	39,847
Other comprehensive income	4,305	944	5,249	-	5,249
Total comprehensive income	44,152	944	45,096	-	45,096
Transfer of profit to AMP Life Limited Shareholder Fund	(30,656)	-	(30,656)	-	(30,656)
Minority interest on sales	-	-	-	(3)	(3)
Balance at the end of the year	571,988	2,540	574,528	-	574,528

Parent

	Retained Earnings	Other reserves	Total shareholder equity
31 December 2014			
Balance at the beginning of the year	538,661	-	538,661
Profit for the year	131,727	-	131,727
Total comprehensive income	131,727	-	131,727
Transfer of profit to AMP Life Limited Shareholder Fund	(99,729)	-	(99,729)
Balance at the end of the year	570,659	-	570,659
31 December 2013			
Balance at the beginning of the year	541,175	-	541,175
Profit for the year	28,142	-	28,142
Total comprehensive income	28,142	-	28,142
Transfer of profit to AMP Life Limited Shareholder Fund	(30,656)	-	(30,656)
Balance at the end of the year	538,661	-	538,661

The accompanying notes form part of these financial statements

AMP Life Limited (New Zealand Branch)
Statement of cash flows for the year ended 31 December 2014

	Note	Consolidated		Parent	
		2014	2013	2014	2013
		NZ\$000	NZ\$000	NZ\$000	NZ\$000
Cash flows from operating activities					
Cash receipts in the course of operations		418,583	295,488	220,776	206,441
Interest received		104,485	112,898	38,419	51,712
Dividends and distributions received		4,708	64	37,502	35
Cash payments in the course of operations		(471,528)	(433,365)	(303,712)	(291,089)
Finance costs		(482)	(283)	(482)	(294)
Income tax paid		(11,152)	(26,421)	(7,094)	(23,688)
Cash flows from (used in) operating activities	21(a)	44,614	(51,619)	(14,591)	(56,883)
Cash flows from investing activities					
Net proceeds from sale of / (payments to acquire) ⁽¹⁾ :					
- investments in financial assets measured at fair value		71,335	13,611	155,714	63,230
- investments in financial assets measured at amortised cost		1,631	221	(581)	(5)
Purchase of plant and equipment		(2,505)	(5,262)	-	-
Purchase of intangibles		(5,063)	(5,530)	-	-
Cash flows from investing activities		65,398	3,040	155,133	63,225
Cash flows from financing activities					
Transfer of funds to AMP Life Limited Shareholder Fund		(60,677)	(23,782)	(60,677)	(23,782)
Cash flows used in financing activities		(60,677)	(23,782)	(60,677)	(23,782)
Net increase (decrease) in cash and cash equivalents		49,335	(72,361)	79,865	(17,440)
Cash and cash equivalents at the beginning of the year		109,074	181,435	17,900	35,340
Cash and cash equivalents at the end of the year	21(b)	158,409	109,074	97,765	17,900

The accompanying notes form part of these financial statements

⁽¹⁾ The amounts shown represent the net cash flows for the financial year.

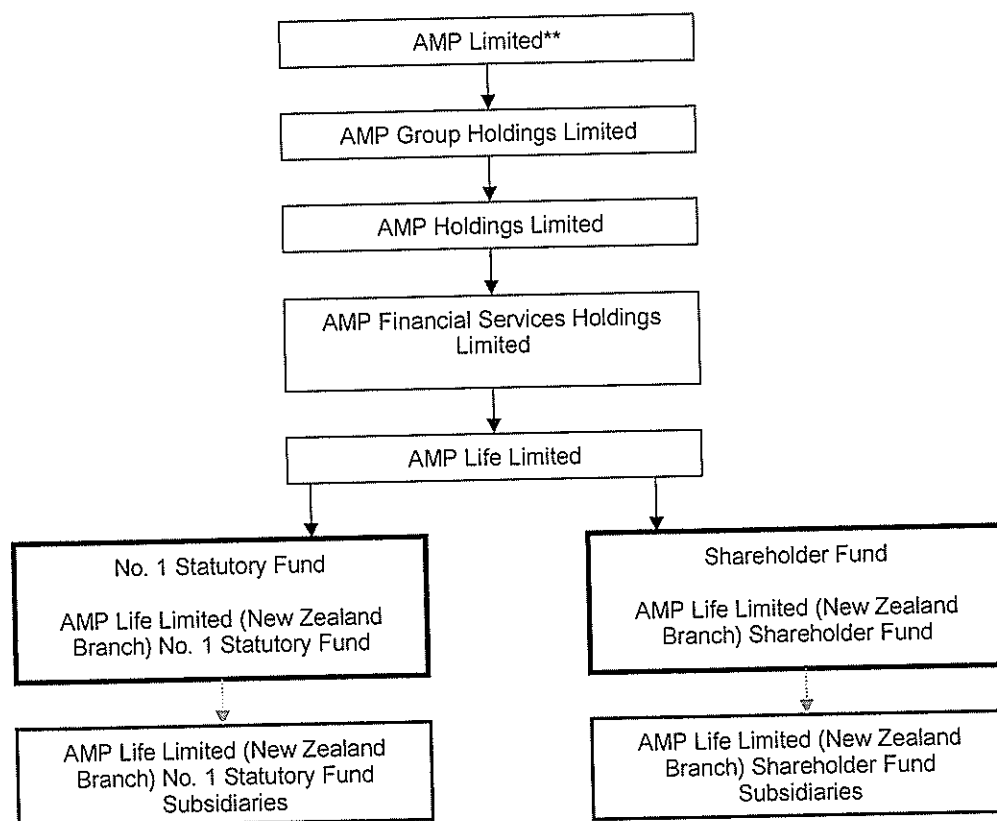
AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2014

1. CORPORATE INFORMATION

Reporting entity

In September 2013 the Reserve Bank of New Zealand ("RBNZ") granted AMP Life Limited ("AMP Life") a full licence to carry on insurance business under the Insurance (Prudential Supervision) Act 2010* ("IPSA"). AMP Life is incorporated in New South Wales, and registered under Australia's Life Insurance Act 1995 ("Life Act"). AMP Life carries on its life insurance business in New Zealand through a Branch establishment and is deemed to be an "issuer" as defined under the New Zealand Financial Reporting Act 1993. AMP Life is not a self-contained legal entity in New Zealand except to the extent that New Zealand incorporated subsidiaries carry out their business. A summarised group structure is as follows:



* As part of the grant of that licence, AMP Life was granted certain exemptions from IPSA by virtue of its status as an Australian regulated entity. This status requires AMP Life to ensure that it meets all standards and regulations applicable in Australia and enforced by the Australian Prudential Regulation Authority.

**AMP Limited is the ultimate holding company of the AMP Group and is dual listed on the Australian and New Zealand stock exchanges.

The life insurance operations of the AMP Life New Zealand branch (hereafter referred to as the 'Branch' or 'Parent') are conducted within a separate statutory fund as required by the Life Act, and are reported in aggregate in the Income statement, Statement of comprehensive income, Statement of financial position, Statement of changes in equity and the Statement of cash flows. Further information on the Statutory Fund and Shareholders' Fund is provided in Note 17.

For the purpose of these financial statements the Parent comprises AMP Life Limited (New Zealand Branch) No. 1 Statutory Fund (the "Statutory Fund") and AMP Life Limited (New Zealand Branch) Shareholder Fund ("Shareholder Fund"). The consolidated figures comprise the Parent and the subsidiaries of each of the Statutory Fund and the Shareholder Fund. These financial statements have been prepared as if this were a group formed and registered in New Zealand. In line with this approach the AMP Life interest in the Branch and its consolidated entities has been disclosed as equity in these financial statements. The financial statements are prepared in this way to comply with Sections 8 and 9 of the New Zealand Financial Reporting Act 1993.

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2014

1. CORPORATE INFORMATION (CONTINUED)

Reporting entity (continued)

AMP Life is the registered issuer of life insurance policies in New Zealand. The liability under New Zealand policies is limited to the AMP Life Limited No.1 Statutory Fund which forms part of AMP Life. As the assets included and policies issued in the Branch are a component of the AMP Life Limited No. 1 Statutory Fund, New Zealand life insurance policyholders should refer to the financial statements of AMP Life Limited No. 1 Statutory Fund to gain an understanding of the financial affairs of the AMP Life Limited No. 1 Statutory Fund.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to the current year and comparative period, unless otherwise stated. Where necessary, comparative information has been reclassified to be consistent with current period disclosures. The financial statements include separate financial statements for the Branch ('Parent'), and for the consolidated entity, which consists of the parent and all entities controlled by the parent during the year and at balance sheet date ('Consolidated').

(a) Basis of preparation

These financial statements for the year ended 31 December 2014 were authorised by the Directors of AMP Life on 24 March 2015. They have been prepared on a going concern basis and in accordance with generally accepted accounting practice in New Zealand and the requirements of the Companies Act 1993 and the Financial Reporting Act 1993.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$'000), unless otherwise stated.

The financial statements are also prepared in a manner consistent with the financial reporting requirements of:

- The Insurance (Prudential Supervision) Act 2010 ("Insurance Act")
- The Australian Life Insurance Act 1995 ("Life Act"), and
- Prudential Standards issued by Australian Prudential Regulation Authority (APRA) ("Prudential Standards")

The Branch is predominantly a life insurance and wealth management business. Where permitted under accounting standards, the assets and liabilities associated with life insurance and investment contracts are generally measured on a fair value basis and other assets and liabilities are generally measured on a historical cost basis.

Assets and liabilities have been presented on the face of the Statement of financial position in decreasing order of liquidity and do not distinguish between current and non-current items. The majority of the assets of the Branch are investment assets held to back investment contract and life insurance contract liabilities. Although the amount of those assets which may be realised and those liabilities which may be settled within twelve months of the reporting date are not always known, estimates of amounts expected to be recovered or settled (a) no more than 12 months after the reporting date, and (b) more than 12 months after the reporting date, have been provided in footnotes to the relevant notes.

Changes in accounting policies

Since 1 January 2014, the Branch has adopted all relevant New Zealand equivalents to International Financial Reporting Standards and Interpretations which have become effective for annual periods beginning on or after 1 January 2014:

- *NZ IAS 32 Amendments to New Zealand Accounting Standards – Offsetting Financial Assets and Financial Liabilities.* These amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'. Where financial assets and financial liabilities meet the criteria to offset, the net amount is presented in the Statement of financial position. This standard is applied retrospectively.

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2014

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

Changes in accounting policies (continued)

- *NZ IAS 36 Amendments to NZ IFRS 13 – Recoverable Amount Disclosures for Non-Financial Assets.* This standard makes amendments to NZ IAS 36 Impairment of Assets to address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. This standard is applied retrospectively.
- *NZ IAS 39 Amendments to New Zealand Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting.* These amendments to NZ IAS 39 Financial Instruments: Recognition and Measurement permit the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws and regulations. This standard is applied retrospectively.
- *Amendments to Appendix C of NZ IFRS 4 arising from NZ IFRS 10 in relation to Consolidation and Interests of Policyholders.* These amendments remove the specific consolidation requirements from NZ IFRS 4 Insurance Contracts, and thereby NZ IFRS 10 Consolidated Financial Statements becomes the sole source for consolidation requirements applicable to life insurer entities. This standard is applied retrospectively.

These Standards and Interpretations have not had any material effect on the financial position or performance of the Branch.

Issued standards that are not yet effective

A number of new accounting standards have been issued but are not yet effective. The Branch has not elected to early adopt any new standards and amendments in these financial statements. These new standards and amendments when applied to future periods are not expected to have a material impact on the financial position or performance of the Branch other than as set out below:

- *NZ IFRS 9 (2014) Financial Instruments.* This standard makes significant changes to the way financial assets are classified for the purpose of determining their measurement basis and also to the amounts relating to fair value changes which are to be taken directly to equity. This standard also makes significant changes to hedge accounting requirements and disclosures. This standard is mandatory for adoption by AMP Life for the year ending 31 December 2018, however early application is permitted in certain circumstances. The financial impact to AMP Life of adopting NZ IFRS 9 (2014) has not yet been quantified.

(b) Statement of compliance

The financial statements comply with New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS'). The financial statements also comply with International Financial Reporting Standards ('IFRS').

(c) Principles of consolidation

These financial statements consolidate the financial information of controlled entities. Control arises from exposure, or rights, to variable returns from involvement with an entity where the Branch has the ability to affect those returns through its power over the entity. The majority of the Branch's investments are held through controlling interests in unit trusts and companies.

The financial information for controlled entities is prepared for the same reporting period as the parent entity, using consistent accounting policies. Where dissimilar accounting policies may exist, adjustments are made to bring these into line.

The Branch conducts its life insurance business (see note 2(d) below) through the Statutory Fund. Income, expenses, assets and liabilities attributable to policyholder activities within the Statutory Fund are consolidated into the Branch financial statements, along with those attributable to the Shareholder Fund.

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2014

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Principles of consolidation (continued)

Consolidation principles require the total amounts of each underlying asset, liability, income and expense of the controlled entities to be recognised in the consolidated financial statements. When a controlled unit trust is consolidated, the share of the unitholder's liability attributable to the Branch is eliminated but amounts due to external unitholders remain as liabilities in the consolidated Statement of financial position.

Controlled entities that are acquired are accounted for using the acquisition method of accounting. Information from the financial statements of controlled entities is included from the date the parent entity obtains control until such time as control ceases. Where the Branch ceases to control an entity, the consolidated financial statements include the results for the part of the reporting period during which the parent entity had control.

(d) Accounting for wealth management and life insurance business

The accounting treatment of certain transactions in these financial statements varies depending on the nature of the contract underlying the transactions. The two major contract classifications relevant to the wealth management and insurance business of AMP Life are investment contracts and life insurance contracts.

For the purpose of these financial statements holders of investment contracts or life insurance contracts are collectively and individually referred to as *policyholders*.

Life insurance contracts

AMP Life issues contracts that transfer significant insurance risk from the policyholder, covering death, disability or longevity of the insured. In addition, there are some policies known as discretionary participating contracts that are similar to investment contracts, but the timing of the vesting of the profit attributable to the policyholders is at the discretion of AMP Life.

Under accounting standards such contracts are defined as *life insurance contracts*.

Investment contracts

Part of the business of the Branch relates to wealth-management products such as savings, investment linked and retirement income policies. The nature of this business is that AMP Life receives deposits from policyholders and those funds are invested on behalf of the policyholders. The resulting liability to policyholders is linked to the performance and value of the assets that back those liabilities.

Under accounting standards such contracts are defined as *life investment contracts* and described as *investment contracts* throughout these financial statements.

Assets measurement basis

Investment contract liabilities are measured at fair value as described in note 2(r) and life insurance contract liabilities are measured as described in Note 2(q). Assets backing such liabilities are measured at fair value, to the extent permitted under accounting standards. Realised and unrealised gains and losses arising from changes in the fair value are recognised in profit or loss, to the extent permitted under accounting standards. The accounting policies for individual asset classes, and any restrictions on application of fair value, are described later in Note 2.

All assets that back investment contract and life insurance contract liabilities are included within the life statutory fund and, as such, are separately identifiable.

To ensure consistency across the Branch and, except where specifically stated otherwise, all financial assets, including those not backing investment or insurance contract liabilities, are also recognised at fair value through profit or loss to the extent permitted under accounting standards. Similarly, adjustments to the value of such assets are recognised in the Income statement when the corresponding accounting standards allow such treatment. The accounting policy for the parent entity's investments in controlled entities is set out in Note 2(g).

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2014

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) 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. For the purpose of the Statement of cash flows, cash and cash equivalents also includes 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 borrowings in the Statement of financial position.

(f) Receivables

Receivables that back investment contract and life insurance contract liabilities are financial assets measured at fair value through profit or loss. Reinsurance and other recoveries are discounted to present value. Receivables that do not back investment contract and life insurance contract liabilities are measured at amortised cost using the effective interest method, less any allowance for doubtful debts. An allowance for doubtful debts is recognised when collection of the full amount is no longer probable. Bad debts are written off as incurred. Given the short-term nature of most receivables, the carrying amount approximates fair value.

(g) Investments in financial assets

Investments in financial assets measured at fair value through profit or loss

Investments in financial assets designated 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 the Income statement in the period in which they arise.

Subsequent to initial recognition, the fair value of investments measured at fair value through profit or loss is determined as follows:

- The fair value of equity securities in an active market and listed managed investment schemes reflects the quoted bid price at the reporting date. In the case of equity securities and listed managed investment schemes where there is no active market, a fair value is established by 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.
- 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 investments in unlisted managed investment schemes is determined on the basis of published redemption prices of those managed investment schemes at the reporting date.
- The fair value of derivative financial assets is determined in accordance with the policy set out in Note 2(o).

Investments in financial assets measured at amortised cost

Investments in 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 measured at amortised cost using the effective interest rate method.

Investments in controlled entities

Investments by the Shareholder Fund in controlled entities (excluding managed investment schemes) are measured at cost less any accumulated impairment losses. Investments in controlled entities by the Statutory Fund that back investment contract and life insurance contract liabilities are treated as financial assets and are valued in the same manner as equity securities described in this note.

(h) Associates

Associated entities are defined as those entities over which the Branch has significant influence but there is no capacity to control. Investments in associates held to back investment contract liabilities and life insurance contract liabilities are exempt from the requirement to apply equity accounting and have been designated on initial recognition as financial assets measured at fair value through profit or loss. These are valued in the same manner as financial assets described in Note 2(g).

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2014

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Plant and equipment

Plant and equipment is initially measured at cost, including transaction costs. It is subsequently measured at cost less any subsequent accumulated depreciation and accumulated impairment losses. The written down amount approximates fair value.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Office fittings, furniture and equipment	3 – 13 years
Computer and communication equipment	2 – 4 years

Derecognition

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the Income statement.

(j) Intangible assets

Capitalised costs

Capitalised costs which primarily reflect software and software development costs, are capitalised only when the Branch can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Otherwise, all costs are recognised as expenses in the period in which they are incurred. Capitalised costs are amortised over the useful life of the asset, being a period not exceeding 5 years, commencing at the time the asset is first put into use or held ready for use (whichever is the earlier). Capitalised costs are initially recognised at cost and subsequently measured at cost less accumulated amortisation and any impairment in value.

(k) Impairment of assets

Assets measured at fair value including financial assets measured at fair value through profit or loss, where changes in value are reflected in the Income statement, are not subject to impairment testing. Other assets such as plant and equipment and intangible assets including goodwill are subject to impairment testing.

Assets that have an indefinite useful life, such as goodwill, are not subject to amortisation but are tested at least annually for impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Impairment is recognised in the Income statement, measured as the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use.

For the purposes of assessing impairment of goodwill, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates.

(l) Taxes

Income tax expense

Income tax expense/credit is the tax payable on taxable income for the current period, based on the income tax rate and adjusted for changes in deferred tax assets and liabilities attributable to:

- temporary differences between the tax bases of assets and liabilities and their 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.

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2014

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) Taxes (continued)

Adjustments to income tax expense / credit 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.

Income tax for investment contracts and life insurance contracts business

The income tax expense/credit recognised in the Income statement arising in the Branch reflects tax imposed on the shareholder as well as policyholders.

Investment contract liabilities and life insurance contract liabilities are established gross of the policyholders' share of any current tax payable and deferred tax balances of the Branch.

The policy liabilities (being the sum of the life insurance contract and investment contract liabilities, including any asset or liability arising in respect of the management services element of an investment contract) and solvency reserves are determined at the reporting date in accordance with the Life Act. Risk business policy liabilities for Life Act purposes is calculated on a before tax basis.

Deferred tax

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates which are expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantially enacted at the reporting date.

In New Zealand, the tax regime recognises a deduction for acquisition expenses as they are incurred rather than over the life of the policy. This results in a difference in the tax and accounting recognition and creates a deferred tax liability.

The relevant tax rate is applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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.

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. Deferred tax, including amounts in respect of investment contracts and life insurance contracts, is not discounted to present value.

Goods and services tax

All income, expenses and assets are recognised net of any GST paid, except where they relate to products and services that are input taxed for GST purposes or where the GST incurred is not recoverable from the Inland Revenue Department. In such circumstances, the GST paid is recognised as part of the cost of acquisition of the assets or as part of the particular expense.

Receivables and payables are recorded with the amount of GST included. The net amount of GST recoverable from or payable to the Inland Revenue Department is included as either receivable or payable in the Statement of financial position.

Cash flows are reported on a gross basis reflecting any GST paid or collected. The GST component of cash flows arising from investing or financing activities which are recoverable from, or payable to, the Inland Revenue Department are classified as Operating cash flows.

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2014

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Payables

Payables that back investment contract and life insurance contract liabilities are financial liabilities and are measured at fair value. Other payables are measured at amortised cost using the effective interest method. Given the short-term nature of most payables, the nominal amount approximates fair value.

(n) Provisions

Provisions are recognised when:

- the Branch 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.

Where the Branch expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Income statement net of any reimbursement.

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. The increase in the provision resulting from the passage of time is recognised in the Income statement.

Employee entitlements

Liabilities arising in respect of salaries and wages, annual leave and any other employee entitlements expected to be settled within 12 months of the reporting date are measured at their nominal amounts. All 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 used are based on the interest rates attaching to government securities that have terms to maturity approximating the terms of the related liability.

(o) Derivative financial assets and derivative financial liabilities

The Branch is exposed to changes in interest and foreign exchange rates. To mitigate the risks arising from these exposures, the Branch uses derivative financial instruments such as cross-currency and interest-rate swaps, forward rate agreements, futures, options and foreign currency contracts. Derivative financial instruments are also used to gain exposure to various markets for asset and liability management purposes.

Derivatives are initially recognised at fair value exclusive of any transaction costs on the date on which a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. All derivatives are recognised as assets when their fair value is positive, and as liabilities when their fair value is negative.

Derivatives held in the Branch are not designated as hedging instruments. As such, changes in the fair value of derivative financial instruments are recognised in the Income statement in the period in which they arise.

Fair value estimation

The fair value of financial instruments traded in active markets (such as publicly traded derivatives) is based on quoted market prices at the reporting date. The quoted market price for financial assets is the current bid price; the quoted market price for financial liabilities is the current offer price.

The fair value of financial instruments not traded in an active market (for example 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.

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2014

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Recognition and de-recognition of financial assets and liabilities

Financial assets are recognised at the date the Branch becomes a party to the contractual provisions of the instrument. 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.

(q) Life insurance contract liabilities

The financial reporting methodology used to determine the fair value of life insurance contract liabilities is referred to as Margin on Services (MoS).

Under MoS the excess of premium received over claims and expenses (the margin) is recognised over the life of the contract in a manner that reflects the pattern of risk accepted from the policyholder (the service). The planned release of this margin is included in the movement in life insurance contract liabilities recognised in the Income statement.

Life insurance contract liabilities are usually determined using a projection method, whereby estimates of policy cash flows (premiums, benefits, expenses and profit margins to be released in future periods) are projected using best-estimate assumptions about the future. The liability is calculated as the net present value of these projected cash flows. When the benefits under a life insurance contract are linked to the assets backing it, the discount rate applied is based on the expected future earnings rate of those assets. Where the benefits are not linked to the performance of the backing assets, a risk-free discount rate is used. The risk-free discount rate is based on the zero coupon government bond rate and a liquidity margin which depends on the nature, structure and term of the contract liabilities.

An accumulation method may be used if it produces results that are not materially different from those produced by a projection method. A modified accumulation method is used for some discretionary participating business, where the life insurance liability is the accumulation of amounts invested by policyholders, less fees specified in the policy, plus investment earnings and vested benefits, adjusted to allow for the fact that crediting rates are determined by reference to investment income over a period of greater than one year. The accumulation method may be adjusted to the extent that acquisition expenses are to be recovered from future margins between fees and expenses.

Allocation of operating profit and unvested policyholder benefits

The operating profit arising from discretionary participating contracts is allocated between shareholders and participating policyholders by applying the MoS principles in accordance with the Australian Life Insurance Act 1995 (the 'Life' Act).

Once profit is allocated to participating policyholders it can only be distributed to participating policyholders. Any distribution of this profit to the shareholder is only allowed with specific approval of the regulators.

Profit allocated to participating policyholders is recognised in the Income statement as an increase in policy liabilities. Both the element of this profit that has not yet been allocated to specific policyholders (i.e. unvested), and that which has been allocated to specific policyholders by way of bonus distributions (i.e. vested), are included within life insurance contract liabilities.

Bonus distributions to participating policyholders are merely a change in the nature of the liability from unvested to vested and, as such do not alter the amount of profit attributable to the shareholder.

The principles of allocation of the profit arising from discretionary participating business are as follows:

- (i) Investment income (net of tax and investment expenses) on retained earnings in respect of discretionary participating business is allocated between policyholders and the shareholder in proportion to the balances of policyholders' and the shareholder's retained earnings. This proportion is 80% to policyholders and 20% to the shareholder.
- (ii) Other MoS profits arising from discretionary participating business are allocated 80% to policyholders and 20% to the shareholder, except for the profit arising from corporate superannuation business, which is apportioned such that the shareholder is allocated 15% of the profit allocated to policyholders.

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2014

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Life insurance contract liabilities (continued)

- (iii) All profits arising from non-participating business, including net investment returns on shareholder capital and retained earnings in the statutory fund (excluding retained earnings dealt with in (i) above) are allocated to the shareholder.

Allocation of expenses within the life statutory fund

All operating expenses relating to the life insurance contract and investment contract activities are apportioned between acquisition, maintenance, and investment management expenses. Expenses which are directly attributable to an individual life insurance contract or investment contract are allocated directly to a particular expense category, class of business and product line as appropriate.

Where expenses are not directly attributable, they are appropriately apportioned, according to detailed expense analysis, with due regard for the objective in incurring that expense and the outcome achieved. The apportionment basis has been made in accordance with Australian Prudential Regulation Authority (APRA) Prudential Standards and on an equitable basis to the different classes of business in accordance with the Life Act.

The costs apportioned to life insurance contracts are included in the determination of margin described above.

Investment management expenses of the life statutory fund are classified as operating expenses (see note 2(x)).

(r) Investment contract liabilities

An investment contract consists of a financial instrument and an investment management services element, both of which are measured at fair value. With the exception of fixed retirement-income policies, the resulting liability to policyholders is closely linked to the performance and value of the assets (after tax) that back those liabilities. The fair value of such liabilities is therefore the same as the fair value of those assets (after tax charged to the policyholders) except where accounting standards prevent those assets from being measured at fair value.

For fixed retirement-income policies, the financial instrument element of the liability is the fair value of the fixed retirement-income payments, being their net present value using a fair value discount rate. The fair value of the associated management services element is the net present value, using a fair value discount rate, of all expenses associated with the provision of services and any profit margins thereon.

(s) Foreign currency transactions

Functional and presentation currency

Both the functional and presentation currency of the Branch is New Zealand dollars (NZ\$).

Transactions and balances

Income and expense items denominated in a currency other than the functional currency are translated at the spot exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date with exchange gains and losses recognised in the Income statement.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(t) Insurance premium and related revenue

Life insurance contracts

Life insurance contract premiums are separated into their revenue and deposit components. Premium amounts earned by bearing insurance risks are recognised as revenue. Other premium amounts received, which are in the nature of deposits, are recognised as an increase in life insurance contract liabilities.

Premiums with no due date or fixed amount are recognised on a cash-received basis. Premiums with a regular due date are recognised on an accruals basis. Unpaid premiums are only recognised during the days of grace or where secured by the surrender value of the life insurance contract and are reported as outstanding premiums and classified as receivables in the Statement of financial position.

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2014

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Insurance premium and related revenue (continued)

Investment contracts

There is no premium revenue in respect of investment contracts. Amounts received from policyholders in respect of investment contracts comprise:

- (i) origination fees and ongoing investment management fees. See note 2(u).
- (ii) amounts credited directly to investment contract liabilities. See note 2(r).

(u) Fee and other revenue

Fees are charged to customers in connection with investment contracts and other financial services contracts. Revenue is recognised as services are provided. In some cases services are provided at the inception of the contract while other services are performed over the life of the contract.

Investment contracts consist of a financial instrument and an investment-management services element. The payment by the policyholder includes the amount to fund the financial instrument and a fee for the origination of the contract. In many cases, that origination fee is based on amounts paid to financial planners for providing initial advice. The financial instrument is classified as an investment contract and is measured at fair value. See note 2(r).

The revenue that can be attributed to the origination service is recognised at inception. Any amounts paid to financial advisers is also recognised as an expense at that time. See note 2(x).

Fees for on-going investment management services and other services provided are charged on a regular basis, usually daily, and are recognised as the service is provided.

Fees charged for performing a significant act in relation to funds managed by the Branch are recognised as revenue when that act has been completed.

(v) Investment gains or losses

Dividend and interest income are recognised in the Income statement on an accruals basis when the Branch obtains control of the right to receive the revenue.

Net realised and unrealised gains and losses include realised gains and losses being the change in value between the previously reported value and the amount received on de-recognition of the asset or liability and unrealised gains and losses being changes in the fair value of financial assets recognised in the period.

(w) Insurance claims and related expense

Life insurance contracts

Life insurance contract claims are separated into their expense and withdrawal components. The component that relates to the bearing of risks is treated as an expense. Other claim amounts, which are in the nature of withdrawals, are recognised as a decrease in life insurance contract liabilities.

Claims are recognised when the liability to the policyholder under the life insurance contract has been established or upon notification of the insured event, depending on the type of claim.

Investment contracts

There is no claims expense in respect of investment contracts. Amounts paid to policyholders in respect of investment contracts are withdrawals and are recognised as a decrease in investment contract liabilities (see note 2(r)).

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2014

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(CONTINUED)

(x) Operating expenses

All operating expenses, other than those allocated to life insurance contracts (see note 2(q)), are expensed as incurred.

The majority of investment contracts issued result in payments to external service and advice providers. Where the amount paid equates to a fee charged to policyholders for the provision of advice, the amount is expensed either at inception or over the period of the contract consistent with the basis for recognising the fee revenue on the respective contracts (see note 2(u)).

Operating lease payment

Operating lease payments are recognised as an expense in the Income statement on a straight-line basis over the lease term or other systematic basis representative of the patterns of the benefits obtained. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases.

(y) Finance costs

Finance costs include:

- (i) Borrowing costs:
 - interest on bank overdrafts and borrowings
 - 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
- (iii) Foreign exchange gains and losses and other financing related amounts.

Borrowing costs are recognised as expenses when incurred.

(z) Superannuation funds

Certain controlled entities are participating employers in the AMP (New Zealand) Staff Superannuation Plan (the Plan) that provides benefits for employees and their dependants on resignation, retirement, disability or death of the employee. The Plan has both defined contribution and defined-benefit sections. The Plan is no longer open to new members.

For the defined contribution section, the Branch pays contributions to the Plan on a mandatory basis. The Branch has no further payment obligations once the contributions have been paid. The contributions are recognised in the Income statement as an operating expense when they fall due.

For the defined benefit sections, the Branch recognises the net deficit or surplus position in the Statement of financial position. The deficit or surplus is measured as the difference between the fair value of the fund's assets and the discounted defined-benefit obligation of the fund. The defined-benefit obligation is calculated annually, with half-yearly reviews, by independent actuaries.

After taking into account any contributions paid into the defined-benefit sections during the period, movements in the net surplus or deficit, except actuarial gains and losses, are recognised in the Income statement. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions over the period are recognised in full (net of tax), directly in other comprehensive income.

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

Contributions are also paid to other defined contribution schemes. The employer has no further payment obligations once the contributions have been paid and the contributions are recognised in the Income statement as an employment benefit expense when they fall due.

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The making of judgements, estimates and assumptions is a necessary part of the financial reporting process and these judgements, estimates and assumptions can have a significant effect on the reported amounts in the financial statements. Estimates and assumptions are determined based on information available to management at the time of preparing the financial statements and actual results may differ from these estimates and assumptions. Had different estimates and assumptions been adopted, this may have had a significant impact on the financial statements. Significant accounting judgements, estimates and assumptions are re-evaluated at each reporting date in the light of historical experience and changes to reasonable expectations of future events. Significant accounting judgements, estimates and assumptions include but are not limited to:

(a) Consolidation

Entities are included within the consolidated financial statements of the Branch where the Branch has control of these entities. Control arises from exposure, or rights, to variable returns from involvement with an entity, where the Branch has the ability to affect those returns through its power over the entity.

Judgement is applied by management in assessing whether control exists. Judgement is applied in determining the relevant activities of each entity and determining whether AMP Life has power over these activities. This involves assessment of the purpose and design of the entity, identification of the activities that significantly affect that entity's returns and how decisions are made about those activities. In assessing how decisions are made, management considers voting and veto rights, contractual arrangements with the entity or other parties and any rights or ability to appoint, remove or direct key management personnel or entities that have the ability to direct the relevant activities of the entity. Consideration is also given to the practical ability of other parties to exercise their rights.

Judgement is also applied in identifying the variable returns of each entity and assessing AMP Life's exposure to these returns. Variable returns include distributions, exposure to gains or losses and fees that may vary with the performance of an entity.

(b) Fair value of investments in financial assets

The Branch measures investments in financial assets at fair value through profit or loss. 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. Further detail on the determination of fair value of financial instruments is set out in note 19.

(c) Tax

The application of tax law to the specific circumstances and transactions of the Branch 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 determining the extent to which the recovery of deferred tax assets is probable for the purpose of meeting the criteria for recognition as deferred tax assets.

(d) Provisions

A provision is recognised for items where the Branch has a present obligation arising from a past event, it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The provision is measured as the best estimate of the expenditure required to settle the present obligation. Management apply judgement in assessing whether a particular item satisfies the above criteria and in determining the best estimate.

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

(e) Life Insurance contract liabilities

The measurement of life insurance contract liabilities is determined using the Margin on Services (MoS) methodology. The determination of the liability amounts involves judgement in selecting the valuation methods and profit carriers for each type of business and setting valuation assumptions. The determination is subjective and relatively small changes in assumptions may have a significant impact on the reported profit. The Board of AMP Life Limited is responsible for these judgements and assumptions, after taking advice from the Appointed Actuary. Further detail on the determination of life insurance contract liabilities is set out in Note 16.

(f) Investment contract liabilities

Investment contract liabilities are measured at fair value. For the majority of contracts, the fair value is determined based on published unit prices and the fair value of backing assets, and does not generally require the exercise of judgement. For fixed income products, fair value is determined using valuation models. Judgement is applied in selecting the valuation model and setting the valuation assumptions. Further details on investment contract liabilities are set out in Note 17.

(g) Defined benefit plan liabilities

A subsidiary of the Shareholder Fund operates a defined benefit pension plan which requires contributions to the Fund to be made to a separately administered fund. The fair value of the defined benefit plan liability of the Branch is measured using actuarial valuations. An actuarial valuation involved making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligations is highly sensitive to changes in the assumptions. All assumptions are reviewed at each valuation date. The discount rate is determined by reference to the Government bond rate.

Further detail about the defined benefit plan liabilities is set out in note 22.

(h) Intangible assets

Accounting standards require management to assess, at each reporting period, whether there are any indicators of impairment in relation to the carrying value in intangible assets. Where an impairment indicator is identified, and at least annually for assets with indefinite useful lives, the recoverable amount of the asset must be determined and compared to the carrying amount.

Judgement is applied by management in assessing whether there are any impairment indicators and, where required, determining the recoverable amount. Further detail about intangible assets is set out in note 12.

4. SEGMENT INFORMATION

The Branch is not required to present segment reporting under NZ IFRS 8 *Operating Segments*.

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2014

5. REVENUE AND INVESTMENT INCOME

	Note	Consolidated		Parent	
		2014	2013	2014	2013
		NZ\$000	NZ\$000	NZ\$000	NZ\$000
(a) Fee revenue					
Investment management fees		6,980	6,870	3,933	3,716
Service fees		57,747	57,361	-	-
- related parties		120,432	106,431	-	-
- other entities					
Total fee revenue		185,159	170,662	3,933	3,716
(b) Other revenue					
Other revenue		5,001	6,245	-	-
Total other revenue		5,001	6,245	-	-
(c) Investment gains and (losses)					
Interest ⁽¹⁾		104,889	114,383	38,337	51,996
- other entities					
Dividends and distributions		-	-	37,500	-
- subsidiaries		8,805	9,896	-	34
- associated entities		34,696	13,184	-	-
- related parties		7,354	710	2	1
- other entities		297,305	(73,376)	419,374	8,245
Net realised and unrealised gains and losses ⁽²⁾		10,043	(399)	(818)	(826)
Other investment income					
Total investment gains and (losses)		463,092	64,398	494,395	59,450
Investments in financial assets at fair value through profit or loss					
Equity securities and listed managed investment schemes		3,395	1,137	291,806	290,130
Debt securities		68,830	29,620	2,410	2,042
Investments in unlisted investment schemes		155,137	244,999	388	88
Derivative financial assets		215,877	(218,215)	196,320	(234,482)
Investments in financial assets at amortised cost					
Debt securities		3,570	3,586	-	-
Other investment gains					
Bank and other		6,241	3,670	4,289	2,498
Miscellaneous income		10,042	(399)	(818)	(826)
Total investment gains and (losses)		463,092	64,398	494,395	59,450

⁽¹⁾Interest includes interest income from financial assets measured at fair value through profit or loss, designated such upon initial recognition.

⁽²⁾Net realised and unrealised gains and losses include net gains and losses on financial assets and financial liabilities designated at fair value through profit or loss upon initial recognition.

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2014

6. EXPENSES

	Note	Consolidated		Parent	
		2014	2013	2014	2013
		NZ\$000	NZ\$000	NZ\$000	NZ\$000
(a) Operating expenses		68,685	66,722	16,997	18,164
Commission expense		22,884	17,986	1,875	1,824
Investment management expenses		91,569	84,708	18,872	19,988
Fee and commission expenses		57,694	57,305	-	-
Wages and salaries		5,545	5,013	-	-
Superannuation costs – defined contribution scheme		1,283	998	-	-
Other staff costs		64,522	63,316	-	-
Staff and related expenses		14,926	15,346	40,667	42,497
Service fee expense – related parties		-	(8,442)	-	-
Service fee expense recovery – related parties	28	838	643	277	290
Auditor's remuneration		3,908	3,998	-	-
Minimum lease payments - Operating lease		7,810	7,764	-	-
Depreciation and amortisation		13,431	15,819	1	1
IT and communication		9,883	6,874	136	2
IT consulting		34,536	35,001	1,898	857
Other expenses		85,332	77,003	42,979	43,647
Other operating expenses		241,423	225,027	61,851	63,635
Total operating expenses		482	283	482	294
(b) Finance costs		482	283	482	294
Other finance costs		482	283	482	294
Total finance costs		482	283	482	294

7. INCOME TAX

	Consolidated		Parent	
	2014	2013	2014	2013
	NZ\$000	NZ\$000	NZ\$000	NZ\$000
(a) Analysis of income tax (credit) expense	29,611	35,329	27,525	32,932
Current tax expense	25,684	(20,918)	23,428	(23,760)
(Increase) / decrease in deferred tax assets	47,939	(66,707)	47,939	(66,707)
Increase / (decrease) in deferred tax liabilities				
Under / (over) provided in previous years including amounts attributable to policyholders:	(3,866)	(7,681)	(4,069)	(3,497)
- current tax	15	6,835	224	2,837
- deferred tax	1	-	(1)	-
Other	99,384	(53,142)	95,046	(58,195)
Income tax (credit) expense	99,384	(53,142)	95,046	(58,195)

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2014

7. INCOME TAX (CONTINUED)

(b) Relationship between income tax expense and accounting profit

The following provides a reconciliation of differences between prima facie tax calculated at 28% (2013: 28%) of the profit before income tax for the year and the actual income tax expense recognised in the Income statement for the year. The income tax expense amount reflects the impact of both income tax attributable to the shareholders as well as income tax attributable to policyholders.

Income tax attributable to policyholders is based on investment income allocated to policyholders less expenses deductible against that investment income. The impact of the tax is charged against the policyholder liabilities. The rate applicable to New Zealand life insurance business during the period was 28% (2013: 28%).

	Consolidated		Parent	
	2014	2013	2014	2013
	NZ\$000	NZ\$000	NZ\$000	NZ\$000
Profit (loss) before income tax	202,125	(13,295)	226,773	(30,053)
Policyholder tax credit (expense) recognised as part of the change in policyholder liabilities in determining profit before income tax	(71,494)	35,207	(71,494)	35,207
Profit before income tax excluding policyholder tax	130,631	21,912	155,279	5,154
Prima facie shareholder tax at the rate of 28% (2013: 28%)	36,577	6,135	43,478	1,443
Tax effect of the differences between recognition of income statement items for accounting and those deductible / assessable in calculating taxable income:				
Shareholder impact of life tax treatment	(706)	(16,073)	(706)	(16,073)
Non-taxable or deductible items	135	172	-	-
Investment revenue related items	(4,247)	(9,947)	(15,396)	(10,501)
Other items	(20)	39	22	(4)
Over / (under) provided in previous years after excluding amounts attributable to policyholders	(3,849)	1,739	(3,846)	2,147
Income tax (credit) expense attributable to shareholder	27,890	(17,935)	23,552	(22,988)
Income tax (credit) expense attributable to policyholders	71,494	(35,207)	71,494	(35,207)
Income Tax (credit) expense	99,384	(53,142)	95,046	(58,195)
(c) Analysis of deferred tax asset				
Fair value adjustment on investments	261	23,677	261	23,677
Accruals and provisions	11,867	12,602	72	83
Plant and equipment and capitalised costs	(2,906)	(2,000)	-	-
Defined benefit superannuation scheme	834	1,033	-	-
Other	608	602	-	-
Total deferred tax assets	10,664	35,914	333	23,760
(d) Analysis of deferred tax liability				
Deferred acquisition cost within policy liabilities	155,588	143,931	155,588	143,931
Fair value adjustments on investments	21,537	-	21,537	-
Non-Life risk margins	3,028	2,477	3,028	2,477
Life risk margins	224	-	224	-
Portfolio Investment Entity allocated income	32,273	18,078	32,273	18,078
Total deferred tax liabilities	212,650	164,486	212,650	164,486

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2014

7. INCOME TAX (CONTINUED)

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

The Group has not recognised tax losses of NZ\$37.1 million (2013: NZ\$37.3 million). There are no unrecognised tax losses in the Parent. Both the Parent and the Branch have recognised all deductible temporary differences in 2014 and 2013.

(f) Dividend withholding payment account

The Branch has elected to maintain a dividend withholding payment account.

	Consolidated and Parent	
	2014	2013
	NZ\$000	NZ\$000
Opening balance brought forward	6,615	6,615
Closing balance	6,615	6,615

(g) Imputation credit account

Under the imputation system, the Branch may allocate or impute the tax it pays on its income attributable to its shareholder on the distributions it makes to its shareholder.

	Consolidated		Parent	
	2014	2013	2014	2013
	NZ\$000	NZ\$000	NZ\$000	NZ\$000
Closing balance	275,108	287,106	222,603	234,644

8. RECEIVABLES

	Consolidated		Parent	
	2014	2013	2014	2013
	NZ\$000	NZ\$000	NZ\$000	NZ\$000
Investment income receivable ⁽¹⁾	4,447	3,983	2,346	2,428
Investment sales and margins accounts receivable ⁽¹⁾	5,526	98,161	-	95,310
Life insurance contract premiums receivable	31,766	30,755	31,766	30,755
Reinsurance and other recoveries receivable	3,046	5,382	3,046	5,382
Reinsurers' share of life insurance contract liabilities	24,671	28,936	24,671	28,936
Other receivables	7,280	9,466	1,746	1,755
- related entities	24,436	23,109	6,714	6,841
- other entities				
Total receivables	101,172	199,792	70,289	171,407

For the Parent NZ\$11.1m (2013: NZ\$16m) and for the Group NZ\$11.5m (2013: NZ\$16.4m) of total receivables is expected to be recovered more than 12 months from reporting date.

Investment sales and margin accounts receivable of the Parent and the Group include NZ\$nil (2013: NZ\$95.3m) of collateral posted with counterparties to meet standard derivative trading obligations.

⁽¹⁾ Receivables backing insurance and investment liabilities and carried at fair value.

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2014

9. INVESTMENTS IN FINANCIAL ASSETS

	Consolidated		Parent	
	2014	2013	2014	2013
	NZ\$000	NZ\$000	NZ\$000	NZ\$000
Investments in financial assets measured at fair value through profit or loss				
Investments in controlled entities backing insurance contract liabilities and investment liabilities	-	-	2,060,132	1,805,826
Equity securities and listed managed investment schemes	14,677	11,469	-	-
Debt securities	1,438,484	1,095,176	48,827	51,488
Investments in unlisted managed investment schemes	1,291,030	1,381,882	11,396	15,482
Derivative financial assets	145,549	81,670	96,592	32,098
Total investment in financial assets measured at fair value through profit or loss	2,889,740	2,570,197	2,216,947	1,904,894
Investments in financial assets measured at amortised cost				
Investment in controlled entities by the Shareholder Fund	-	-	2,000	2,000
Loans	55,395	57,732	-	-
Loans to controlled entities	-	-	1,071,733	1,071,152
Loans to related parties	4,731	4,025	-	-
Total investments measured at amortised cost	60,126	61,757	1,073,733	1,073,152
Total investment in financial assets	2,949,866	2,631,954	3,290,680	2,978,046

10. OTHER ASSETS

	Consolidated		Parent	
	2014	2013	2014	2013
	NZ\$000	NZ\$000	NZ\$000	NZ\$000
Prepayments	3,971	1,740	-	-
Total other assets	3,971	1,740	-	-

For the Group other assets with a value of NZ\$1.9m will be recovered after 12 months.

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2014

11. PLANT AND EQUIPMENT

31 December 2014	Office fittings, furniture and equipment NZ\$000	Computer & communication equipment NZ\$000	Total NZ\$000
Consolidated			
Plant and equipment			
Gross carrying amount	13,693	19,836	33,529
Less: accumulated depreciation and impairment losses	(8,565)	(12,126)	(20,691)
Plant and equipment at written down value	5,128	7,710	12,838
Movements in plant and equipment			
Balance at the beginning of the year	6,052	7,603	13,655
Additions	358	2,147	2,505
Depreciation expense for the period	(1,282)	(2,040)	(3,322)
Balance at the end of the year	5,128	7,710	12,838
31 December 2013	Office fittings, furniture and equipment NZ\$000	Computer & communication equipment NZ\$000	Total NZ\$000
Consolidated			
Plant and equipment			
Gross carrying amount	13,335	17,689	31,024
Less: accumulated depreciation and impairment losses	(7,283)	(10,086)	(17,369)
Plant and equipment at written down value	6,052	7,603	13,655
Movements in plant and equipment			
Balance at the beginning of the year	4,895	6,594	11,489
Additions	2,493	2,788	5,281
Disposals	(19)	-	(19)
Depreciation expense for the period	(1,317)	(1,779)	(3,096)
Balance at the end of the year	6,052	7,603	13,655

There was no restriction on the title of any assets as at 31 December 2014 or 2013.

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2014

12. INTANGIBLES

31 December 2014 Consolidated	Capitalised Costs NZ\$000	Total NZ\$000
Intangibles	54,075	54,075
Gross carrying amount	(32,722)	(32,722)
Less: accumulated amortisation and impairment losses	21,353	21,353
Intangibles at written down value		
Movements in intangibles		
Balance at the beginning of the year	20,778	20,778
Additions	55	55
Amortisation expense	(4,488)	(4,488)
Additions – assets under construction	5,008	5,008
Balance at the end of the year	21,353	21,353
31 December 2013 Consolidated	Capitalised Costs NZ\$000	Total NZ\$000
Intangibles	49,012	49,012
Gross carrying amount	(28,234)	(28,234)
Less: accumulated amortisation and impairment losses	20,778	20,778
Intangibles at written down value		
Movements in intangibles		
Balance at the beginning of the year	19,916	19,916
Additions	168	168
Disposals	(4,668)	(4,668)
Additions – assets under construction	5,362	5,362
Balance at the end of the year	20,778	20,778

13. PAYABLES

	Consolidated		Parent	
	2014	2013	2014	2013
	NZ\$000	NZ\$000	NZ\$000	NZ\$000
Life insurance contracts in process of settlement	16,992	18,974	16,992	18,974
Other payables	66,269	38,981	331,162	312,079
- subsidiaries and related entities	5,369	2,297	5,369	2,297
- reinsurers	90,081	23,814	69,351	7,297
- other entities	178,711	84,066	422,874	340,647
Total payables				

For the Parent NZ\$nil (2013: NZ\$0.1m) and for the Group NZ\$25.6m (2013: NZ\$1.9m) of payables are expected to be settled more than 12 months from reporting date.
Payables to other entities of the Parent include NZ\$60.9m (2013: NZ\$nil) of collateral posted by counterparties to meet standard derivative trading obligations.
Payables to other entities of the Group include NZ\$70.2m (2013: NZ\$2.7m) of collateral posted by counterparties to meet standard derivative trading obligations.

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2014

14. PROVISIONS

	Consolidated		Parent	
	2014	2013	2014	2013
	NZ\$000	NZ\$000	NZ\$000	NZ\$000
(a) Provisions				
Employee entitlements	12,569	11,176	-	-
Loyalty bonuses	22,474	21,253	-	-
Rectification	3,920	4,385	-	-
Other	2,003	2,159	-	-
Total provisions	40,966	38,973	-	-

Consolidated	Employee entitlements	Loyalty bonuses	Rectification	Other	Total
	NZ\$000	NZ\$000	NZ\$000	NZ\$000	NZ\$000
(b) Movements in provision					
Balance at the beginning of the year	11,176	21,253	4,385	2,159	38,973
Additional provisions made during the year	8,890	5,217	3,826	1,445	19,378
Provisions used during the year	(6,188)	(1,496)	(1,147)	(1,601)	(10,432)
Reversal of unused provision	(1,309)	(2,500)	(3,144)	-	(6,953)
Balance at the end of the year	12,569	22,474	3,920	2,003	40,966

Employee entitlements

Employee entitlements include provision for holiday pay and long service leave.

Loyalty Bonuses

For some financial products managed by a subsidiary of the Shareholder Fund, an amount is payable to customers primarily depending upon the length of time those customers have remained within the product plan. This loyalty bonus has been calculated based on best estimate assumptions about future customer behaviour. Some bonuses are payable at set dates, however others will not be paid until the customer exits a product. As such it is not always possible to estimate when liabilities will fall due.

Rectification Provision

This provision primarily relates to the expected costs associated with fulfilling and rectifying certain service level obligations to some Branch managed entities and entities where the Branch provides, or has provided administration services. The liabilities are based on an average of the cost of historical unit pricing errors that have been made. This is deemed to be management's best estimate and the provision is expected to crystallise over the next year.

Other Provisions

Other provisions include restructuring and make good provisions. The restructuring provision relates to costs incurred in the process of significantly restructuring operational areas of the business. Prior to 31 December 2014 the Branch undertook action, incurred the obligation and was committed to this expenditure. The provision is determined based on the Branch's following policy:

- Eight times One Week's Salary for the employee's first year of current continuous service with the Company or part year thereof; plus
- Two times One Week's Salary for each subsequent year of service or part year thereof. The amount is based on their current salary determined at the date of termination.

The make good provision represents the future obligation for make good costs relating to two of the current premises occupied by members of the consolidated group. The provisions are expected to be utilised by 2019 and 2021 respectively.

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2014

14. PROVISIONS (CONTINUED)

Consolidated	Employee entitlements NZ\$000	Loyalty bonuses NZ\$000	Rectification NZ\$000	Other NZ\$000	Total NZ\$000
2014					
Current	12,023	1,573	3,920	1,414	18,930
Non-Current	546	20,901	-	589	22,036
	12,569	22,474	3,920	2,003	40,966

Consolidated	Employee entitlements NZ\$000	Loyalty bonuses NZ\$000	Rectification NZ\$000	Other NZ\$000	Total NZ\$000
2013					
Current	10,759	1,488	4,385	1,570	18,202
Non-Current	417	19,765	-	589	20,771
	11,176	21,253	4,385	2,159	38,973

15. SHARE BASED PAYMENTS

(a) Summary of AMP's share-based payment plans

A subsidiary of the Shareholder Fund is one of a number of participating employers within the AMP Limited share-based payments scheme.

The narrative below (with the exception of the first table) relates to the scheme as a whole, of which the Company's employees only represent a portion of participating employees.

AMP Limited (AMP) has a number of employee share-based payment plans. Share-based payments place employees participating in those plans (participants) in the position of the shareholder, and in doing so, reward employees for the generation of value to shareholders. Information on plans which AMP currently offers is provided below.

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

	Consolidated and Parent	
	2014 NZ\$000	2013 NZ\$000
Plans currently offered	482	368
Performance rights	787	619
Share rights	-	15
Restricted shares	1	1
Employee share acquisition plan - matching shares	1,270	1,003
Total share-based payments expense		

(b) Performance rights

Plan description

The CEO and his direct reports, as well as selected senior executives, are required to take their long-term incentive (LTI) awards in the form of performance rights. This is to ensure that those executives, who are most directly able to influence company performance, are appropriately aligned with the interests of shareholders. The LTI awards of other participants are comprised of either a mix of performance rights and share rights, or share rights only.

A performance right is a right to acquire one fully paid ordinary share in AMP Limited after a three-year performance period at no cost to the participant (i.e. effectively a share option with a zero exercise price), provided a specific performance hurdle is met. Prior to conversion into shares (vesting), performance rights holders do not receive dividends or have other shareholder benefits (including any voting rights). From September 2011, performance rights may be settled through a cash payment in lieu of shares, at the discretion of the board.

AMP has, from time to time historically, offered share bonus rights to employees in overseas domiciles when it is not possible or tax-efficient to grant performance rights. The terms and conditions of the share bonus rights are identical to the terms and conditions of the performance rights, except settlement is in cash rather than equity instruments. These share bonus rights were last granted to employees in 2010.

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2014

15. SHARE BASED PAYMENTS (CONTINUED)

(b) Performance rights (continued)

The performance hurdle

Historically, LTI awards in the form of performance rights were subject to a single relative total shareholder return (TSR) performance hurdle. After an extensive review of market practices, conducted in 2012, the board determined that AMP should introduce a return on equity (RoE) performance measure, in addition to a TSR measure.

The vesting of performance rights granted since the 2013 LTI award are now based on two performance hurdles as follows:

- 50 per cent of the fair LTI award value, granted as performance rights, will be subject to AMP's TSR performance relative to the top industrial companies in the S&P/ASX 100 Index (TSR tranche), and
- 50 per cent of the fair LTI award value, granted as performance rights, will be subject to a RoE measure (RoE tranche).

The number of performance rights that vest is determined as follows:

TSR tranche: Vesting of these performance rights is dependent on AMP's TSR performance relative to a comparator group of Australian listed companies over a three-year performance period. TSR measures the benefit delivered to shareholders over the given period, which includes dividend payments, capital returns and movement in the share price. The performance hurdle was chosen because it requires participants to outperform major ASX listed companies before the awards generate any value.

RoE tranche: Vesting of these performance rights is based on AMP's RoE performance for the year ending 31 December 2016. Prior to the 2014 grant being awarded, the board determined the threshold and maximum RoE performance targets (expressed as percentage outcomes) to be achieved for the year ending 31 December 2016. A RoE hurdle was chosen as it drives a strong capital discipline which is a key contributor to creating sustainable shareholder value.

Conversion to shares

If the awards vest, they are automatically converted to shares on behalf of participants. Upon conversion, participants become entitled to shareholder benefits, including dividends and voting rights. The board has the discretion to satisfy vested rights by either acquiring shares on-market or through the issuance of shares. AMP's practice has been, and intention is to continue, to source the shares to satisfy LTI awards on-market, so that the issue of LTI's does not dilute the value of AMP Limited shares. In the case of the CEO, the vesting of shares may only be provided by AMP procuring the transfer of shares purchased on-market.

Treatment of performance rights on ceasing employment and change of control

Typically, unvested LTI awards lapse at the end of the employee's notice period if the participant resigns from AMP or their employment is terminated for misconduct or inadequate performance. In other cases, such as retirement and redundancy, LTI awards may be retained by the participant, with vesting continuing to be subject to the same vesting conditions as if they had remained in AMP employment. In the event that AMP is subject to a takeover or change of control, unvested performance rights, granted prior to September 2011, typically vest.

Commencing from the performance rights granted in September 2011, the board has the discretion to determine an alternative treatment on cessation of employment and change of control (i.e. to determine that the LTI awards would lapse, are retained or vest when they would not have otherwise), if deemed appropriate in the light of specific circumstances.

Plan valuation

The allocation values for the performance rights with the TSR hurdle and the RoE hurdle are based on valuations prepared by an independent external consultant. The valuations are based on the 10-day average daily closing share price prior to the offer being made, discounted for foregone dividends and the risk of performance conditions not being met. RoE is a non-market based performance hurdle and therefore, in accordance with NZ IFRS 2, allowance cannot be made for the impact of this hurdle in determining the award's fair value. 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.

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2014

15. SHARE BASED PAYMENTS (CONTINUED)

(b) Performance rights (continued)

For the purposes of the valuation it is assumed performance rights are exercised as soon they have vested. Assumptions regarding the dividend yield and volatility have been estimated based on AMP's actual historic dividend yield and volatility over an appropriate period.

The following table shows the factors which were considered in determining the independent fair value of the performance rights granted during 2014 and the comparative period (2013):

Grant Date	Share Price AUD	Contractual Life	Dividend Yield	Volatility ¹	Risk- free rate ¹	TSR Performance hurdle discount	RoE Performance hurdle discount ²	TSR performance rights fair value AUD	RoE performance rights fair value AUD
5/06/2014	AU\$5.28	3.0 years	4.8%	25%	2.9%	45%	0%	AU\$2.89	AU\$4.57
6/06/2013	AU\$4.97	3.0 years	5.6%	23%	2.5%	60%	0%	AU\$2.00	AU\$4.21

¹ Applies to performance rights subject to a relative TSR performance hurdle only. These factors do not apply to performance rights subject to an RoE performance hurdle.

² In accordance with the accounting standard NZ IFRS 2, allowance cannot be made for the impact of a non-market based performance hurdle in determining fair value.

The following table shows the movement in performance rights (and share bonus rights with performance conditions) outstanding during the period:

Grant Date	Exercise Period	Exercise price AUD	Balance at 1 Jan 2014	Exercised during the year	Granted during the year	Other changes ³	Lapsed during the year	Balance at 31 Dec 2014 ¹
9/09/2011	n/a ²	Nil	159,355	-	-	21,564	(180,919)	-
7/06/2012	n/a ²	Nil	223,218	-	-	13,959	-	237,177
6/06/2013	n/a ²	Nil	168,454	-	-	9,511	(8,990)	168,975
5/06/2014	n/a ²	Nil	-	-	159,736	(9,310)	-	150,426
Total			551,027	-	159,736	35,724	(189,909)	556,578

¹ The weighted average remaining contractual life of performance rights outstanding at the end of the period is 1.2 years.

² The performance rights granted from 2011 have no exercise period as they are automatically exercised upon vesting.

³ Other changes include employees transferred between AMP Services (NZ) Limited and other entities within the AMP Limited group.

From the end of the financial year and up to the date of this report, no performance rights have been issued, no performance rights have been exercised, and no performance rights have lapsed. Of the performance rights outstanding at the end of the period, none have vested or become exercisable.

(c) Share rights

Plan description

As described above, LTI participants below the CEO and his direct reports may be awarded share rights as part of their overall LTI award.

A share right is a right to acquire one fully paid ordinary share in AMP Limited after a specified service period at no cost to the participant, provided a specific service condition is met. The service period is typically three years, but may vary where the share rights are awarded to retain an employee for a critical period. Prior to conversion into shares (vesting), share rights holders do not receive dividends or have other shareholder benefits (including any voting rights).

As this program is designed as a means of recognising and retaining employees, no performance hurdles apply, other than continued service for the duration of the three-year period.

AMP has, from time to time historically, offered share bonus rights without performance conditions to employees in overseas domiciles when it is not possible or tax-efficient to grant share rights or restricted shares. The terms and conditions of the share bonus rights are identical to the terms and conditions of the share rights, except settlement is in cash rather than equity instruments. These share bonus rights were last granted to employees in 2010.

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2014

15. SHARE BASED PAYMENTS (CONTINUED)

(c) Share rights (continued)

Treatment of share rights on ceasing employment and change of control

Typically, unvested share rights lapse if the participant resigns from AMP or is terminated for misconduct or inadequate performance. In other cases, such as retirement and redundancy, the participant typically retains their share rights at the board's discretion. In the event that AMP is subject to a takeover change of control, treatment of unvested share rights is subject to the board's discretion.

Plan valuation

The fair value of share rights has been calculated as at the grant date, by external consultants using a 'discounted cash flow' methodology. 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.

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.

For the purposes of the valuation it is assumed share rights are exercised as soon they have vested. Assumptions regarding the dividend yield have been estimated based on AMP's actual historic dividend yield over an appropriate period.

STI deferral plan

The nominated executives and selected other senior leaders who have the ability to impact AMP's financial soundness, participate in the AMP STI deferral plan. The plan requires that 40 per cent of a participant's STI award be delivered in rights to AMP shares (share rights). The share rights convert to AMP Limited shares (i.e. vest) after a two-year deferral period. Vesting is subject to on-going employment, compliance with AMP policies and the board's discretion.

STI match plan

For each given year, high potential employees at a senior leader level are eligible for nomination to participate in the STI match plan, which provides an award of share rights to the value of 50 per cent of the individual's STI. The STI match award is provided in addition to the STI cash opportunity. Employees at this level are not eligible to participate in AMP's long-term incentive plan. As the STI match is based on the STI plan, the number of share rights awarded to the participant depends on the individual's contribution to company performance during the financial year.

STI match share rights convert to AMP Limited shares (i.e. vest) after a two-year deferral period. Vesting is subject to on-going employment, compliance with AMP policies and the board's discretion.

Conversion to shares

If the awards vest, they are automatically converted to shares on behalf of participants. Upon conversion, participants become entitled to shareholder benefits, including dividends and voting rights. The board has the discretion to satisfy vested rights by either acquiring shares on-market or through the issuance of shares. AMP's practice has been, and intention is to continue, to source the shares to satisfy LTI awards on-market, so that the issue of LTIs does not dilute the value of AMP Limited shares.

The following table shows the factors which were considered in determining the independent fair value of the share rights granted during 2014 and the comparative period (2013):

Grant Date	Share Price AUD	Contractual Life	Dividend Yield	Dividend discount	Fair value AUD
5/06/2014	AU\$5.28	3.0 years	4.8%	13%	AU\$4.57
29/04/2014	AU\$5.07	1.8 years	4.8%	8%	AU\$4.64
6/06/2013	AU\$4.97	3.0 years	5.6%	15%	AU\$4.21
30/04/2013	AU\$5.40	1.8 years	5.6%	10%	AU\$4.87

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2014

15. SHARE BASED PAYMENTS (CONTINUED)

(c) Share rights (continued)

The following table shows the movement in share rights (and share bonus rights without performance conditions) outstanding during the period.

Grant Date	Exercise Period	Exercise price AUD	Balance at 1 Jan 2014	Exercised during the year	Granted during the year	Other changes ³	Lapsed during the year	Balance at 31 Dec 2014 ¹
09/09/2011	n/a ²	Nil	53,307	(59,303)	-	5,996	-	-
27/04/2012	n/a ²	Nil	79,239	(98,033)	-	18,794	-	-
27/04/2012	n/a ²	Nil	35,892	(35,892)	-	-	-	-
07/06/2012	n/a ²	Nil	69,087	-	-	7,925	-	77,012
30/04/2013	n/a ²	Nil	46,356	-	-	-	-	46,356
30/04/2013	n/a ²	Nil	41,927	-	-	9,472	-	51,399
06/06/2013	n/a ²	Nil	62,149	-	-	5,952	(5,627)	62,474
29/04/2014	n/a ²	Nil	-	-	28,502	-	-	28,502
05/06/2014	n/a ²	Nil	-	-	55,947	-	-	55,947
05/06/2014	n/a ²	Nil	-	-	63,096	(6,360)	-	56,736
Total			387,957	(193,228)	147,545	41,779	(5,627)	378,426

¹ The weighted average remaining contractual life of share rights (and share bonus rights without performance conditions) outstanding at the end of the period is 0.9 years.

² The share rights granted from 2011 have no exercise period as they are automatically exercised upon vesting.

³ Other changes include employees transferred between AMP Services (NZ) Limited and other entities within the AMP Limited group.

From the end of the financial year and up to the date of this report, no share rights have been issued, no share rights have been exercised, and no share rights have lapsed. Of the share rights outstanding at the end of the period, none have vested or become exercisable.

(d) Restricted shares

Plan description

Historically, AMP awards restricted shares to retain critical employees. Additionally, prior to 2011, Australian LTI participants were eligible to take some of their award in restricted shares (rather than share rights). In overseas domiciles, including New Zealand, when it is not possible or tax-efficient to grant share rights or restricted shares, AMP has from time to time historically offered share bonus rights without performance conditions. The terms and conditions of the share bonus rights are identical to the terms and conditions of the restricted shares, except settlement is in cash rather than equity instruments. These share bonus rights were last granted to employees in 2010.

A 'restricted share' is an ordinary AMP share that has a holding lock in place until the specified vesting period ends. The vesting period is typically three years, but may vary where the restricted shares are awarded to retain an employee for a critical period. During this time, the holder is eligible for dividends, but is unable to sell, transfer or hedge their award.

As this program is designed as a means of recognising and retaining employees, no performance hurdles apply, other than continued service for the duration of the three-year holding lock. If the individual resigns from AMP (or employment is terminated for misconduct or inadequate performance) during the holding period, the shares are forfeited.

In cases such as retirement and redundancy, the individual retains their restricted shares; however the holding lock remains in place until the end of the three-year vesting period. Restricted shares are bought on market and granted at no cost to employees.

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2014

15. SHARE BASED PAYMENTS (CONTINUED)

(d) Restricted shares (continued)

Plan valuation

The fair value of restricted shares has been determined as the market price of AMP ordinary shares on the grant date. As employees holding restricted shares are entitled to dividend payments, no adjustment has been made to the fair value in respect of future dividend payments. In determining the share-based payments expense for the period, 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 vesting period.

No restricted shares were granted during 2013 and 2014.

(e) Employee Share Acquisition Plan

Plan description

From time to time, AMP has provided employees and executives with the opportunity to become shareholders in AMP through the employee share acquisition plan (ESAP), typically by way of salary sacrificing their fixed remuneration or short-term incentive to acquire shares. Depending on the terms of the particular award, participants may be entitled to receive matching shares for shares acquired under the ESAP (e.g. the most recent awards provided one free share for every 10 shares acquired via salary sacrifice). Additionally, AMP can provide employees with free shares under the ESAP. Where the awards are acquired at no cost to the participant, service-based conditions must be met for the participant to receive their full entitlement. There are no performance hurdles applying to the plan as it is primarily designed to encourage employee share ownership.

The plan was suspended mid-way through 2009 in Australia due to the changes to the taxation treatment of employee share plan awards. Consequently, no shares have been acquired by Australian employees under the ESAP plan since mid-2009. The plan continues to operate in New Zealand.

If applicable, matching shares are bought on market through an independent third party.

Participants who cease to be employed within the AMP group within the three-year holding period may lose their entitlement to some or all of their matching shares or free shares, depending on the reason for leaving the company. To receive the maximum entitlement, participants must be employed by AMP for the whole three-year period.

Plan valuation

All awards made during 2014, and the comparative year (2013), were offers to salary sacrifice to acquire shares, with matching shares awarded on a one-for-ten basis after a three-year vesting period. Each matching share has been valued by external consultants as the face value of an AMP ordinary share at the date the salary sacrifice shares were acquired, less the present value of the expected dividends (to which the participant is not entitled until the end of the vesting period). The number of matching shares expected to be granted is estimated based on the average number of shares held in the ESAP by each employee at the beginning of each year. In determining the share-based payments expense for the period, the number of matching shares expected to be granted has been adjusted to reflect the number of employees expected to remain with AMP until the end of the three-year vesting period.

The following table shows the number of matching shares expected to be granted based on the shares purchased by employees under the ESAP during the current period and the comparative period, and the fair value.

Grant Date	Estimated number of matching shares to be granted	Weighted average fair value AUD
2015 - various	369	AUS\$4.41
2014 - various	421	AUS\$4.14

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2014

16. LIFE INSURANCE CONTRACTS

	Consolidated and Parent	
	2014	2013
	NZ\$000	NZ\$000
(a) Analysis of life insurance contract premium and related revenue		
Total life insurance contract premiums received and receivable	209,537	216,879
Less: component recognised as change in life insurance contract liabilities	(12,399)	(13,044)
Life insurance contract premium revenue ⁽¹⁾	197,138	203,835
Reinsurance recoveries	11,515	11,824
Total life insurance contract premium and related revenue	208,653	215,659
(b) Analysis of life insurance contract claims and related expenses		
Total life insurance contract claims paid and payable	208,584	223,584
Less: component recognised as a change in life insurance contract liabilities	(24,065)	(21,406)
Life insurance contract claims expense	184,519	202,178
Outwards reinsurance expense	14,028	14,163
Total life insurance contract claims and related expenses	198,547	216,341
(c) Analysis of life insurance operating expenses		
Life insurance contract acquisition expenses	3,296	4,021
- Commission	17,039	17,659
- Other expenses		
Life insurance contract maintenance expenses	13,557	13,987
- Commission	24,206	25,121
- Other expenses	5,323	6,565
Investment management expenses		
(d) Life insurance contract liabilities		
Life insurance contract liabilities determined using projection method		
Best estimate liability	2,155,741	1,964,472
- Value of future life insurance contract benefits	399,538	395,709
- Value of future expenses	(1,960,024)	(1,941,433)
- Value of future premiums		
Value of future profits	508,057	476,387
- Life insurance contract holder bonuses	338,691	384,837
- shareholders' profit margins		
Total life insurance contract liabilities determined using projection method	1,442,003	1,279,972
Life insurance contract liabilities determined using accumulation method		
Best estimate liability	111,601	117,840
- Value of future life insurance contract benefits		
Total life insurance contract liabilities determined using accumulation method	111,601	117,840
Value of declared bonus	29,014	20,110
Unvested policyholder benefits liabilities ⁽²⁾	518,562	489,650
Total life insurance contract liabilities before reinsurance	2,101,180	1,907,572
Add: Reinsurers share of life insurance contract liabilities	24,671	28,936
Total life insurance contract liabilities per the Statement of financial position	2,125,851	1,936,508

⁽¹⁾ Life insurance contract premium revenue consists entirely of direct insurance premiums, there is no inward reinsurance component.

⁽²⁾ For participating business in the Branch, part of the assets in excess of the life insurance contract and other liabilities calculated under MoS are attributed to policyholders. Under the Life Act, this is referred to as policyholder retained profits. For the purpose of reporting under accounting standards, this amount is referred to as unvested policyholder benefits liabilities and is included within life insurance contract liabilities even though it is yet to be vested as specific policyholder entitlements.

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2014

16. LIFE INSURANCE CONTRACTS (CONTINUED)

	Consolidated and Parent	
	2014	2013
	NZ\$000	NZ\$000
(e) Reconciliation of changes in life insurance contract liabilities		
Total life insurance contract liabilities at the beginning of the year	1,936,508	1,917,075
Change in life insurance contract liabilities recognised in the Income statement	205,274	11,528
Changes in reinsurers' share of life insurance contract liabilities	(4,265)	16,267
Premiums recognised as an increase in life insurance contract liabilities	16(a) 12,399	13,044
Claims recognised as a decrease in life insurance contract liabilities	16(b) (24,065)	(21,406)
Total life insurance contract liabilities at the end of the year	2,125,851	1,936,508

(f) Assumptions and methodology applied in the valuation of life insurance contract liabilities

Life insurance contract liabilities, and hence the net profit from life insurance contracts, are calculated by applying the principles of Margin on Services (MoS). Refer to note 2(q) for a description of MoS and the methods for calculating life insurance contract liabilities.

The methods and profit carriers used to calculate life insurance contract liabilities for particular policy types are as follows:

Business Type	Method	Profit carriers (for business valued using projection method)
Conventional	Projection	Bonuses
Investment account	Modified accumulation	N/A
Retail Risk (lump sum)	Projection	Expected premiums
Retail Risk (income protection)	Projection	Expected premiums
Group Risk (lump sum)	Accumulation	N/A
Group Risk (income benefits)	Accumulation	N/A
Life annuities	Projection	Annuity payments

Key assumptions used in the calculation of life insurance contract liabilities are as follows:

(i) Risk free discount rates

Except where benefits are contractually linked to the performance of the assets held, a risk-free discount rate based on current observable, objective rates that relate to the nature, structure and term of the future obligations is used. The rates are determined as shown in the following table⁽¹⁾:

Business Type	Basis	31 December 2014	31 December 2013
Retail risk (other than income benefit open claims)	Zero coupon government bond yield curve	3.6% - 4.1%	3.2% - 5.4%
Retail risk and group risk (income benefit open claims)	Zero coupon government bond yield curve (including liquidity premium)	3.8% - 4.3%	3.5% - 5.7%
Life annuities (non-CPI)	Zero coupon government bond yield curve (including liquidity premium)	3.9% - 4.4%	3.6% - 5.7%
Life annuities (CPI)	Government indexed bond yield curve (including liquidity premium)	2.1% - 2.9%	2.2% - 3.8%

⁽¹⁾The discount rates vary by duration in the range shown above.

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2014

16. LIFE INSURANCE CONTRACTS (CONTINUED)

(f) Assumptions and methodology applied in the valuation of life insurance contract liabilities (continued)

(ii) Participating business discount rates

Where benefits are contractually linked to the performance of the assets held, as is the case for participating business, a discount rate based on the expected market return on backing assets is used. The assumed earning rates for backing assets for participating business are largely driven by long-term (eg 10 year) government bond yields. The 10 year government bond yields used at the relevant valuation dates are as shown below.

Assumed earning rates for each asset sector are determined by adding to the bond yield various risk premiums which reflect the relative differences in expected future earning rates for different asset sectors. For products backed by mixed portfolio assets, the assumption varies with the proportion of each asset sector backing the product. The risk premiums applicable at the valuation date are shown in the table below:

	10 Year Government Bonds	Local equities	International equities	Property & Infrastructure ⁽¹⁾	Fixed interest	Cash
31 December 2014	3.7%	4.5%	3.5%	2.5%	0.6%	(0.5%)
31 December 2013	4.8%	4.5%	3.5%	2.5%	0.6%	(0.5%)

⁽¹⁾The change in asset classes between 2014 and 2013 reflects a new approach to managing asset allocations for participating business. In 2013, Infrastructure was included in Equities.

The risk premium for local equities includes allowance for imputation credits. The risk premium for fixed interest reflects credit ratings of the portfolio held.

The averages of the asset mixes assumed for the purpose of setting future investment assumptions for participating business at the valuation date are as shown in the table below. These asset mixes are not necessarily the same as the actual asset mix at the valuation date as they reflect long term assumptions.

Average asset mix ⁽¹⁾	Equities	Property & Infrastructure ⁽²⁾	Fixed interest	Cash
31 December 2014	34%	17%	42%	7%
31 December 2013	40%	17%	37%	6%

⁽¹⁾ The asset mix in the table above includes both conventional and investment account business.

⁽²⁾ The change in asset classes between 2014 and 2013 reflects a new approach to managing asset allocations for participating business. In 2013, Infrastructure was included in Equities.

Where an assumption used is net of tax, then tax on investment income is allowed for at rates appropriate to the class of business and asset sector, including any allowance for imputation credits on equity income. For this purpose, the total return for each asset sector is split between income and capital gains. The actual split has varied at each valuation date as the total return has varied.

(iii) Future participating benefits

For participating business, the total value of future bonuses (and the associated shareholders' profit margin) included in life insurance contract liabilities is the amount supported by the value of the supporting assets, after allowing for the assumed future experience. The pattern of bonuses and shareholder profit margin assumed to emerge in each future year depends on the assumed relationship between reversionary bonuses (or interest credits) and terminal bonuses. This relationship is set to reflect the philosophy underlying actual bonus declarations.

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2014

16. LIFE INSURANCE CONTRACTS (CONTINUED)

(f) Assumptions and methodology applied in the valuation of life insurance contract liabilities (continued)

(iii) Future participating benefits (continued)

Actual bonus declarations are determined to reflect, over time, the investment returns of the particular fund and other factors in the emerging experience and management of the business. These factors include:

- allowance for an appropriate degree of benefit smoothing,
- reasonable expectations of policyholders,
- equity between generations of policyholders applied across different classes and types of business, and
- on going capital adequacy.

Given the many factors involved, the range of bonus structures and rates for participating business is extremely diverse.

Typical supportable bonus rates on major product lines are as follows (31 December 2013 in parentheses):

Reversionary Bonus	
Bonus on sum insured	0.6%-0.9% (0.9%-1.3%)
Bonus on existing bonuses	0.6%-0.9% (0.9%-1.3%)

Terminal Bonus

The terminal bonus scales are complex and vary by duration, product lines and class of business.

Crediting Rates (Investment account)	3.4%-6.6% (3.9%-5.2%)
---------------------------------------------	-----------------------

(iv) Future maintenance and investment expenses

Unit maintenance costs are based on budgeted expenses in the year following the reporting date (including GST, as appropriate and excluding one-off expenses). For future years, these are increased for inflation as described in (v) below. These expenses include fees charged to the life statutory fund by the service company. Unit costs vary by product line and class of business based on an apportionment which is supported by expense analyses.

Future investment expenses are based on the fees currently charged by the asset managers.

(v) Inflation and indexation

Benefits and premiums under many regular premium policies are automatically indexed by the published consumer price index (CPI). Assumed future take-up of these indexation options is based on AMP Life's own experience with the annual future CPI rates derived from the difference between long-term government bonds and indexed government bonds.

The assumptions for expense inflation have regard to these rates, recent expense performance, AMP Life's current plans and the terms of the relevant service company agreement, as appropriate.

The assumed annual inflation and indexation rates at 31 December 2014 are 2.5% for CPI and 3.0% for expenses (31 December 2013: 2.5% for CPI and 3.0% for expenses).

(vi) Bases of taxation

The bases of taxation (including deductibility of expenses) are assumed to continue in accordance with legislation current at the valuation date.

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2014

16. LIFE INSURANCE CONTRACTS (CONTINUED)

(f) Assumptions and methodology applied in the valuation of life insurance contract liabilities (continued)

(vii) Voluntary discontinuance

Assumptions for the incidence of withdrawals, paid ups and premium dormancy are primarily based on investigations of AMP Life's own historical experience. These rates are based upon the assessed global rate for each of the individual products (or product groups) and then, where appropriate, further adjusted for duration premium structure, smoker status, age attained or short-term market and business effects. Given the variety of influences affecting discontinuance for different product groups the range of voluntary discontinuance rates across AMP Life is extremely diverse.

The assumptions for future rates of discontinuance for the major classes of life insurance contracts are shown in the following table.

Business Type	31 December 2014	31 December 2013
Conventional	1.1 % - 1.9 %	1.1 % - 1.9 %
Retail risk (lump sum)	12.0 % - 14.0 %	12.0 % - 13.0 %
Retail risk (income benefit) ⁽¹⁾	11.4%	11.4% - 15.7%

⁽¹⁾The 2013 ranges have been restated to reflect the approach used to calculate the 2014 ranges.

(viii) Surrender values

The surrender bases assumed for calculating surrender values are those current at the reporting date. There have been no changes to the bases during the year (or the prior year) that would materially affect the valuation results.

(ix) Mortality and morbidity

Standard mortality tables, based on national or industry wide data, are used. These are then adjusted by factors that take account of AMP Life's own experiences.

Rates of mortality assumed at 31 December 2014 are as follows:

- Conventional are unchanged from those assumed at 31 December 2013. The rates are based on IA95-97 with an allowance for future mortality improvements for Conventional business.
- Retail Risk mortality rates have changed to be based on the new industry standard IA04-08 Death Without Riders table modified based on our aggregated experience with overall product specific adjustment factors.
- For TPD and Trauma business the Retail Risk products assumptions have been changed to use the latest industry table IA04-08 modified based on our aggregated experience with overall product specific adjustment factors.
- For Income Protection business the assumptions are based on the IAD89-93 standard table with overall product specific adjustment factors. The adjustment factors include age, gender, occupation, waiting period, duration on claim, benefit band and benefit period. There have been no changes made to the assumptions adopted at 31 December 2013.

Typical mortality assumptions in aggregate, are as follows:

Conventional	73% (M/F) % of IA95 – 97 ⁽¹⁾
Risk Products	100% (M) / 82% (F) Retail Lump Sum % of IA04-08 ⁽²⁾
Annuities	95% IML00* / 80% IFL00* ⁽³⁾

⁽¹⁾ Base IA 95-97 table modified for future mortality improvements

⁽²⁾ Base IA 04-08 death without riders table modified based on our aggregated experience but with overall product specific adjustment factors

⁽³⁾ Annuities table modified for future mortality improvements

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2014

16. LIFE INSURANCE CONTRACTS (CONTINUED)

(f) Assumptions and methodology applied in the valuation of life insurance contract liabilities (continued)

(ix) Mortality and morbidity (continued)

Typical morbidity assumptions in aggregate are as follows:

	Incidence rates - % of IAD89-93	Termination rates(ultimate) - % of IAD89-93
Income protection	45%-67%	57%-67%
Retail Lump Sum	Male % of IA04-08	Female % of IA04-08
TPD ⁽⁴⁾	150%	190%
Trauma ⁽⁵⁾	91%	91%

⁽⁴⁾ Base IA04-08 TPD table modified based on our aggregated experience but with overall product specific adjustment factors.

⁽⁵⁾ Base IA04-08 Trauma table modified based on our aggregated experience but with overall product specific adjustment factors.

The actuarial tables used were as follows:

IA95-97	A mortality table developed by the Institute of Actuaries of Australia based on Australian insured lives experience from 1995 to 1997. The table has been modified to allow for future mortality improvement.
IML00* / IFL00*	IML00 and IFL00 are mortality tables developed by the Institute and Faculty of Actuaries based on United Kingdom annuitant lives experience from 1999 to 2002. The tables refer to male and female lives respectively and incorporate factors that allow for mortality improvements since the date of the investigation. IML00 * and IFL00* are these published tables amended for some specific AMP experience.
IA04-08 DTH	This was published by the Institute of Actuaries of Australia under the name "A graduation of the 2004-2008 Lump Sum Investigation Data". We refer to this table as IA04-08. The table contains separate graduations for Smoker, Non Smokers, Males and Females and Death With and Without Riders.
IA04-08 TPD	This is the TPD graduation published in the same paper as above.
IA04-08 Trauma	This is the Trauma graduation published in the same paper as above.
IAD89-93	A disability table developed by the Institute of Actuaries of Australia based on the Australian disability income experience for the period 1989 - 1993. The table has been extensively modified based on our aggregate experience.

(x) Impact of changes in assumptions

Under MoS, for life insurance contracts valuations using the projection method, changes in assumptions are recognised by adjusting the value of future profit margins in life insurance contract liabilities. Future profit margins are released over future periods.

Changes in actuarial assumptions do not include market related changes in discount rates such as changes in benchmark market yields caused by changes in investment markets and economic conditions. These are reflected in both life insurance contract liabilities and asset values at the reporting date.

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2014

16. LIFE INSURANCE CONTRACTS (CONTINUED)

(f) Assumptions and methodology applied in the valuation of life insurance contract liabilities (continued)

(x) Impact of changes in assumptions (continued)

The impact on future profit margins of changes in actuarial assumptions from 31 December 2013 to 31 December 2014 in respect of life insurance contracts (excluding new business contracts which are measured using assumptions at reporting date) is as shown in the table below:

Assumption change	Change in future profit margins (NZ\$000)	Change in life insurance contract liabilities (NZ\$000)	Change in shareholder profit and equity (NZ\$000)
Non-market related changes to discount rates	(8,385)	-	-
Mortality and morbidity	(1,093)	-	-
Discontinuance rates	872	-	-
Maintenance expenses	8,094	(328)	328
Other assumptions ⁽¹⁾	(32,032)	-	-

⁽¹⁾ Other assumption changes include the impact of product and premium rate changes.

In most cases, the overall amount of life insurance contract liabilities and the current period profit are not affected by changes in assumptions. However, where in the case of a particular related product group, the changes in assumptions at the end of a period eliminate any future profit margins for the related product group, and results in negative future profit margins, this negative balance is recognised as a loss in the current period. If the changes in assumptions in a period are favourable for a product group currently in loss recognition, then the previously recognised losses are reversed in the period.

(g) Insurance risk sensitivity analysis - life insurance contracts

For life insurance contracts which are accounted for under MoS, amounts of liabilities, income or expense recognised in the period are unlikely to be sensitive to changes in variables even if those changes may have an impact on future profit margins

This table shows information about the sensitivity of life insurance contract liabilities, current year shareholder profit after income tax, and equity, to a number of possible changes in assumptions relating to insurance risk:

Variable		Change in life insurance contract liabilities		Change in shareholder profit after income tax and equity	
		Gross of reinsurance (NZ\$000)	Net of reinsurance (NZ\$000)	Gross of reinsurance (NZ\$000)	Net of reinsurance (NZ\$000)
Mortality	10 % increase in mortality rates	(1,387)	(1,387)	1,387	1,387
Annuitant mortality	50 % increase in the rate of mortality improvement	610	610	(610)	(610)
Morbidity – lump sum disablement	20 % increase in lump sum disablement rates	-	-	-	-
Morbidity – disability income	10 % increase in incidence rates	-	-	-	-
Morbidity – disability income	10 % decrease in recovery rates	-	-	-	-
Discontinuance rates	10 % increase in discontinuance rates	-	-	-	-
Maintenance expenses	10 % increase in maintenance expenses	32	32	(32)	(32)

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2014

16. LIFE INSURANCE CONTRACTS (CONTINUED)

(h) Life insurance risk

The life insurance activities of AMP Life involve a number of non-financial risks concerned with the pricing, acceptance and management of the mortality, morbidity and longevity risks accepted from policyholders, often in conjunction with the provision of wealth-management products.

The design of products carrying insurance risk is managed to ensure that policy wording and promotional materials are clear, unambiguous and do not leave AMP Life open to claims from causes that were not anticipated. Product prices are set through a process of financial analysis, including review of previous AMP Life and industry experience and specific product design features. The variability inherent in insurance risk, including concentration risks, is managed by having a large portfolio of individual risks, underwriting and use of reinsurance.

Underwriting is managed through a dedicated underwriting department, with formal underwriting limits and appropriate training and development of underwriting staff. Individual policies carrying insurance risk are underwritten on their merits and are generally not issued without having been examined and underwritten individually. Individual policies that are transferred from a group scheme are generally issued without underwriting. Group risk insurance policies meeting certain criteria are underwritten on the merits of the employee group as a whole.

Claims are managed through a dedicated claims management team, with formal claims acceptance limits and appropriate training and development of staff to ensure payment of all genuine claims. Claims experience is assessed regularly and appropriate actuarial reserves are established to reflect up-to-date experience and any anticipated future events. This includes reserves for claims incurred but not yet reported.

AMP Life reinsure (cede) to specialist reinsurance companies a proportion of their portfolio or certain types of insurance risk, including catastrophe. This serves primarily to:

- reduce the net liability on large individual risks
- obtain greater diversification of insurance risks
- provide protection against large losses

The specialist reinsurance companies are regulated by APRA or industry regulators in other jurisdictions and have strong credit ratings from AA- to AA+.

Terms and conditions of life insurance contracts

The nature of the terms of the life insurance contracts written by AMP Life is such that certain external variables can be identified on which related cash flows for claim payments depend. The table below provides an overview of the key variables upon which the timing and uncertainty of future cash flows of the various life insurance contracts issued by AMP Life depend.

Type of contract	Detail of contract workings	Nature of compensation for claims	Key variables affecting future cash flows
<i>Non-participating life insurance contracts with fixed and guaranteed terms (term life and disability)</i>	These policies provide guaranteed benefits, which are paid on death or ill-health, that are fixed and not at the discretion of AMP Life. Premium rates for yearly renewable business are not guaranteed and may be changed at AMP Life's discretion for the portfolio as a whole.	Benefits, defined by the insurance contract, are not directly affected by the performance of any underlying assets or the performance of any associated investment contracts as a whole.	Mortality, morbidity, lapses, expenses and market earning rates on assets backing the liabilities.
<i>Life annuity contracts</i>	In exchange for an initial single premium, these policies provide a guaranteed regular income for the life of the insured.	The amount of the guaranteed regular income is set at inception of the policy including any indexation.	Longevity, expenses, inflation and market earning rates on assets backing the liabilities.

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2014

16. LIFE INSURANCE CONTRACTS (CONTINUED)

(h) Life insurance risk (continued)

Terms and conditions of life insurance contracts (continued)

Type of contract	Detail of contract workings	Nature of compensation for claims	Key variables affecting future cash flows
<i>Conventional life insurance contracts with discretionary participating benefits (endowment and whole of life)</i>	These policies combine life insurance and savings. The policyholder pays a regular premium and receives the specified sum assured plus any accruing bonuses on death or maturity. The sum insured is specified at inception and guaranteed. Reversionary bonuses are added annually, which once added (vested) are guaranteed. A further terminal bonus may be added on surrender, death or maturity.	Benefits arising from the discretionary bonuses are based on the performance of a specified pool of contracts and the assets supporting these contracts.	Market earning rates on assets backing the liabilities, lapses, expenses, and mortality.
<i>Investment account contracts with discretionary participating features</i>	The gross value of premiums received is invested in the investment account with fees and premiums for any associated insurance cover being deducted from the account balance when due. Interest is credited regularly.	The payment of the account balance is generally guaranteed, although it may be subject to certain penalties on early surrender or limited adjustment in adverse markets. Operating profit arising from these contracts is allocated between the policyholders and shareholders with not less than 80% allocated to policyholders. Distribution of policyholder profit is through an interest rate mechanism.	Fees, lapses, expenses and market earning rates on the assets backing the liabilities, interest rates.

(i) Liquidity risk and future net cash outflows

The table below shows the estimated timing of future net cash outflows resulting from insurance contract liabilities. This includes estimated future surrenders, death/disability claims and maturity benefits, offset by expected future premiums or contributions and reinsurance recoveries. All values are discounted to the reporting date using the assumed future investment earning rate for each product.

	Up to 1 year NZ\$000	1 to 5 years NZ\$000	Over 5 years NZ\$000	Total NZ\$000
31 December 2014	19,000	48,000	730,000	797,000
31 December 2013	8,000	17,000	620,000	645,000

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2014

17. OTHER LIFE INSURANCE AND INVESTMENT CONTRACTS DISCLOSURES

	Consolidated and Parent	
	2014	2013
	NZ\$000	NZ\$000
(a) Analysis of life insurance and investment contract profit		
Components of profit related to life insurance and investment contract liabilities:		
- Planned margins of revenues over expenses released	44,704	46,004
- Profits (losses) arising from difference between actual and assumed experience	(12,464)	(5,185)
- Profits (losses) arising from changes in assumptions	28,945	(27,350)
- Capitalised (losses) reversals	328	134
Profit related to life insurance and investment contract liabilities	61,513	13,603
Attributable to:		
- Life insurance contracts	60,543	12,718
- Investment contracts	970	885
Investment earnings on assets in excess of life insurance and investment contract liabilities	32,716	14,539

(b) Restrictions on assets in statutory fund

AMP Life conducts investment linked and non-investment linked business. For investment linked business, deposits are received from policyholders, the funds are invested on behalf of the policyholders and the resulting liability to policyholders is linked to the performance and value of the assets that back those liabilities.

The Life Act requires the life insurance business of AMP Life to be conducted within life statutory funds.

AMP Life has three statutory funds. All of the business of the Branch is held in the No.1 statutory fund. The business includes whole of life, endowment, investment account, retail and group risk, investment linked and immediate annuities.

Investments held in the life statutory fund can only be used in accordance with the relevant regulatory restrictions imposed under the Life Act and associated rules and regulations. The main restrictions are that the assets in a statutory fund can only be used to meet the liabilities and expenses of that fund, to acquire investments to further the business of the fund or as distributions provided solvency, capital adequacy and other regulatory requirements are met. See further details about solvency and capital adequacy in Note 17(d).

(c) Capital guarantees

	Consolidated and Parent	
	2014	2013
	NZ\$000	NZ\$000
Life insurance contracts with a discretionary participating feature		
- Amount of the liabilities that relate to guarantees	1,467,297	1,472,550
Investment linked contracts		
- Amount of the liabilities subject to investment performance guarantees	1,151	1,445

(d) Capital requirements

The RBNZ has granted AMP Life a full licence to carry on insurance business in New Zealand under IPISA. As part of the grant of that license, AMP Life was granted certain exemptions from IPISA by virtue of its status as an Australian regulated entity. This status requires AMP Life to ensure that it meets all standards and regulations applicable in Australia and enforced by the Australian Prudential Regulation Authority.

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2014

17. OTHER LIFE INSURANCE AND INVESTMENT CONTRACTS DISCLOSURES (CONTINUED)

(d) Capital requirements (continued)

Registered life insurance entities are required to hold prudential reserves, over and above their life insurance contract and investment contract liabilities, as a buffer against adverse experience and poor investment returns. These reserving requirements are specified by APRA prudential capital standards. The standards are intended to take account of the full range of risks to which a regulated institution is exposed and introduces the Prescribed Capital Amount (PCA) requirement. The PCA is the minimum level of capital that the regulator deems must be held to meet policyholder obligations.

In addition to the regulatory capital requirements, AMP Life maintains a target surplus providing an additional capital buffer against adverse events. AMP Life uses internal capital models to determine its target surplus, with the models reflecting the risks of the business, principally the risk of adverse asset movements relative to the liabilities and of worse than expected claims costs.

The excess of AMP Life's capital base over the PCA as at 31 December 2014 for the entire AMP Life Limited No 1 Statutory Fund was AUD 819m (2013: AUD535m).

The Appointed Actuary of AMP Life has confirmed that the capital base of the AMP Life Limited No. 1 Statutory Fund has exceeded PCA at all times during 2013 and 2014.

	2014 AUD \$m	2013 AUD \$m
2014 Prescribed Capital Amount (PCA)		
Capital base		
Net assets as per Life Insurance Act	2,127	1,817
Total regulatory adjustments to net assets	(754)	(741)
Common equity Tier 1 Capital	1,373	1,076
Total regulatory adjustments to Tier 1 Capital	-	-
Tier 2 Capital	170	170
Total regulatory adjustments to Tier 2 Capital	-	-
Total capital base	1,543	1,246
Prescribed capital		
Insurance risk charge	32	-
Asset risk charge	479	396
Asset concentration risk charge	-	-
Operational risk charge	87	84
Less aggregation benefit	(25)	-
Combined stress scenario adjustment	151	231
Total Prescribed Capital Amount (PCA)	724	711
Capital adequacy multiple	A/B	213%
		175%

(e) Actuarial information

Mr Rocco Mangano (BA, FIA, FIAA), as the Appointed Actuary of AMP Life, is satisfied as to the accuracy of the data used in the valuations in the Financial Statements and in the tables in this Note and Note 16.

The liabilities to policyholders (being the sum of the life insurance contract and investment contract liabilities, including any asset or liability arising in respect of the management services element of an investment contract), capital base and prescribed capital amounts have been determined at the reporting date in accordance with the Life Act.

(f) Amounts which may be recovered or settled within 12 months after the reporting date

Based on assumptions as to likely withdrawal patterns of the various product groups, it is estimated that approximately NZ\$219m (2013: NZ\$210m) of policy liabilities may be settled within 12 months from the reporting date.

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2014

17. OTHER LIFE INSURANCE AND INVESTMENT CONTRACTS DISCLOSURES (CONTINUED)

(g) Disaggregated information

The Life Act requires the life insurance business of AMP Life to be conducted within a life statutory fund that is separate to the AMP Life Limited Shareholder Fund. Information for all major components of the financial statements disaggregated between the Statutory Fund and the Shareholder Fund is provided within this note.

(i) Income statement by non-investment linked and investment linked

	Investment Linked 2014 NZ\$000	Non Investment Linked 2014 NZ\$000	Elimination 2014 NZ\$000	Total Statutory Fund 2014 NZ\$000	Shareholder Fund 2014 NZ\$000	Total Parent 2014 NZ\$000
Income and expenses of policyholders and the shareholder						
Life insurance premium and related revenue	-	208,653	-	208,653	-	208,653
Fee revenue	3,933	-	-	3,933	-	3,933
Investment gains and (losses)	14,133	442,762	-	456,895	37,500	494,395
Life insurance claims and related expenses	-	(198,547)	-	(198,547)	-	(198,547)
Operating expenses	(1,281)	(60,570)	-	(61,851)	-	(61,851)
Finance costs	(122)	(360)	-	(482)	-	(482)
Change in policyholder liabilities	-	(205,274)	-	(205,274)	-	(205,274)
-Life insurance contracts	-	-	-	-	-	-
-Investment contracts	(14,054)	-	-	(14,054)	-	(14,054)
Profit (loss) before income tax	2,609	186,664	-	189,273	37,500	226,773
Income tax credit (expense)	(1,641)	(93,405)	-	(95,046)	-	(95,046)
Net profit for the year	968	93,259	-	94,227	37,500	131,727

	Investment Linked 2013 NZ\$000	Non Investment Linked 2013 NZ\$000	Elimination 2013 NZ\$000	Total Statutory Fund 2013 NZ\$000	Shareholder Fund 2013 NZ\$000	Total Parent 2013 NZ\$000
Income and expenses of policyholders and the shareholder						
Life insurance premium and related revenue	-	215,659	-	215,659	-	215,659
Fee revenue	3,716	-	-	3,716	-	3,716
Investment gains and (losses)	16,634	42,816	-	59,450	-	59,450
Life insurance claims and related expenses	-	(216,341)	-	(216,341)	-	(216,341)
Operating expenses	(1,428)	(62,207)	-	(63,635)	-	(63,635)
Finance costs	(5)	(289)	-	(294)	-	(294)
Change in policyholder liabilities	-	(11,528)	-	(11,528)	-	(11,528)
-Life insurance contracts	-	-	-	-	-	-
-Investment contracts	(17,080)	-	-	(17,080)	-	(17,080)
Profit (loss) before income tax	1,837	(31,890)	-	(30,053)	-	(30,053)
Income tax credit (expense)	(952)	59,147	-	58,195	-	58,195
Net profit for the year	885	27,257	-	28,142	-	28,142

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2014

17. OTHER LIFE INSURANCE AND INVESTMENT CONTRACTS DISCLOSURES (CONTINUED)

(g) Disaggregated information (continued)

(ii) Statement of financial position by non-investment linked and investment linked

	Investment Linked 2014 NZ\$000	Non Investment Linked 2014 NZ\$000	Elimination 2014 NZ\$000	Total Statutory Fund 2014 NZ\$000	Shareholder Fund 2014 NZ\$000	Total Parent 2014 NZ\$000
Assets						
Investments in financial assets	243,934	3,094,803	(50,057)	3,288,680	2,000	3,290,680
Other assets	(83,254)	251,641	-	168,387	-	168,387
Total assets of policyholders and the shareholder	160,680	3,346,444	(50,057)	3,457,067	2,000	3,459,067
Liabilities						
Life insurance contract liabilities	-	2,125,851	-	2,125,851	-	2,125,851
Investment contract liabilities	114,040	-	-	114,040	-	114,040
Other liabilities	45,672	652,902	(50,057)	648,517	-	648,517
Total liabilities of policyholders and the shareholder	159,712	2,778,753	(50,057)	2,888,408	-	2,888,408
Net assets	968	567,691	-	568,659	2,000	570,659
Equity						
Retained earnings	968	567,691	-	568,659	2,000	570,659
Total equity	968	567,691	-	568,659	2,000	570,659
	Investment Linked 2013 NZ\$000	Non Investment Linked 2013 NZ\$000	Elimination 2013 NZ\$000	Total Statutory Fund 2013 NZ\$000	Shareholder Fund 2013 NZ\$000	Total Parent 2013 NZ\$000
Assets						
Investments in financial assets	231,857	2,792,954	(48,765)	2,976,046	2,000	2,978,046
Other assets	(58,450)	283,917	-	225,467	-	225,467
Total assets of policyholders and the shareholder	173,407	3,076,871	(48,765)	3,201,513	2,000	3,203,513
Liabilities						
Life insurance contract liabilities	-	1,936,508	-	1,936,508	-	1,936,508
Investment contract liabilities	114,059	-	-	114,059	-	114,059
Other liabilities	58,463	604,587	(48,765)	614,285	-	614,285
Total liabilities of policyholders and the shareholder	172,522	2,541,095	(48,765)	2,664,852	-	2,664,852
Net assets	885	535,776	-	536,661	2,000	538,661
Equity						
Retained earnings	885	535,776	-	536,661	2,000	538,661
Total equity	885	535,776	-	536,661	2,000	538,661

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2014

17. OTHER LIFE INSURANCE AND INVESTMENT CONTRACTS DISCLOSURES (CONTINUED)

(g) Disaggregated information (continued)

(iii) Retained earnings by non-investment linked and investment linked

	Investment Linked 2014 NZ\$000	Non Investment Linked 2014 NZ\$000	Total Statutory Fund 2014 NZ\$000	Shareholder Fund 2014 NZ\$000	Total Parent 2014 NZ\$000
Opening retained earnings	885	535,776	536,661	2,000	538,661
Profit for the year	968	93,259	94,227	37,500	131,727
Transfer of profit to parent branch	-	(62,229)	(62,229)	(37,500)	(99,729)
Transfer	(885)	885	-	-	-
Closing retained earnings	968	567,691	568,659	2,000	570,659

	Investment Linked 2013 NZ\$000	Non Investment Linked 2013 NZ\$000	Total Statutory Fund 2013 NZ\$000	Shareholder Fund 2013 NZ\$000	Total Parent 2013 NZ\$000
Opening retained earnings	642	538,533	539,175	2,000	541,175
Profit for the year	885	27,257	28,142	-	28,142
Transfer of profit to parent branch	-	(30,656)	(30,656)	-	(30,656)
Transfer	(642)	642	-	-	-
Closing retained earnings	885	535,776	536,661	2,000	538,661

	Consolidated and Parent	
	2014	2013
	NZ\$000	NZ\$000

(h) Analysis of other life insurance and investment contract operating expenses

Other life insurance and investment contract acquisition expenses	9	6
- Commission	171	226
- Other expenses		
Other life insurance and investment contract maintenance expenses	135	151
- Commission	815	630
- Other expenses	499	496
Investment management expenses		

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2014

18. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS DISCLOSURES

Financial Risk Management

Financial risk management (FRM) in AMP Life is conducted as part of the AMP Limited group's enterprise risk management framework. The Risk Committee, supported by the AMP Limited Group Asset and Liability Committee ("Group ALCO"), is responsible for ensuring financial risks are appropriately managed.

(a) Risks and mitigation

Financial risks arising in the Branch include market risk; liquidity and refinancing risk; and credit risk. These risks are managed according to the Enterprise Risk Management Policy and individual policies for each risk category. This financial risk management includes the use of derivative financial instruments such as cross-currency and interest rate swaps, forward rate agreements, futures, options and foreign currency contracts to hedge risk exposures arising from changes in interest rates and foreign exchange rates.

Financial risk management includes decisions made about the allocation of investment assets across asset classes and/or markets and the management of risks within these asset classes. Financial risk for investments in the AMP Limited group is managed by reference to the probability of loss relative to expected income over a one-year time horizon at a 90 per cent confidence level (profit at risk). In respect of investments held in the Shareholder Fund and Statutory Fund, the loss tolerance over the discretionary investments is set at a low level because the Branch has equity market exposure in its businesses (for example through fees on assets under management).

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to movements in market prices. These movements include foreign exchange rates, interest rates, credit spreads, equity prices or property prices. Market risk in AMP Life, including the Branch, arises from the management of insurance contracts and investment of shareholder capital including investments in equities, property, interest bearing investments and borrowings.

(b) Market risk sensitivity analysis

The paragraphs below include sensitivity analysis tables showing how the profit after tax, and equity, would have been impacted by changes in market risk variables including interest rate risk and currency risk as defined in NZ IFRS 7 *Financial Instruments: Disclosures*. They show the direct impact on the profit after tax, and equity, of a reasonably possible change in factors which affect the carrying value of financial assets and financial liabilities held at the end of the reporting period.

The sensitivity is required to show the impact of a reasonably possible change in market rate. It is not intended to illustrate a remote, worst case, stress test scenario nor does it represent a forecast. In addition it 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.

(i) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of movements in market interest rates, including changes in the absolute levels of interest rates, the shape of the yield curve, the margin between different yield curves and the volatility of interest rates.

Interest rate risk arises from interest bearing financial assets and financial liabilities in various activities of the Branch. Details are as follows:

- Investment assets of the Statutory Fund including interest-bearing financial assets are held to back investment contract liabilities, life insurance contract liabilities, retained profits and capital.
- The interest rate risk of the Branch which impacts shareholders arises in respect of financial assets and liabilities held in the Shareholder Fund and in the Statutory Fund. A risk arises to the extent that there is an economic mismatch between the timing of payments to life policyholders and the duration of the assets held in the Statutory Fund to back the policyholder liabilities. Where a liability in respect of investment contracts is directly linked to the value of the assets (where applicable, net of related liabilities) held to back that liability (investment-linked business), there is no residual interest rate exposure which would impact the shareholder.
- Management of various risks associated with investments undertaken by the Statutory Fund and the Shareholder Fund, including interest rate risk, is subject to the relevant regulatory requirements governed by the Life Act. AMP Life is required to satisfy capital adequacy requirements, including holding statutory reserves to cater for interest rate risk to the extent that assets are not matched against liabilities.

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2014

18. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS DISCLOSURES (CONTINUED)

(b) Market risk sensitivity analysis (continued)

(i) Interest rate risk (continued)

AMP Life manages interest rate and other market risks pursuant to an asset and liability management policy that has regard to policyholder expectations, and risks to the AMP Life Board's target surplus philosophy for capital as advised by the Appointed Actuary.

Interest rate risk sensitivity analysis

This analysis demonstrates the impact on profit after tax and equity of a 100 basis points change in New Zealand and international interest rates, with all other variables held constant. It is assumed that all underlying exposures and related hedges are included in the sensitivity analysis, that the 100 basis point change occurs as at the reporting date and that there are concurrent movements in interest rates and parallel shifts in the yield curves. The impact on equity includes 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 for hedge accounting.

Consolidated

	2014		2013	
	Impact on profit after tax Increase (decrease) NZ\$000	Impact on equity Increase (decrease) NZ\$000	Impact on profit after tax Increase (decrease) NZ\$000	Impact on equity Increase (decrease) NZ\$000
Change in variables				
+ 100 basis points	(5,946)	(3,779)	(4,016)	(1,947)
- 100 basis points	4,899	2,376	9,549	7,145

Parent

	2014		2013	
	Impact on profit after tax Increase (decrease) NZ\$000	Impact on equity Increase (decrease) NZ\$000	Impact on profit after tax Increase (decrease) NZ\$000	Impact on equity Increase (decrease) NZ\$000
Change in variables				
+ 100 basis points	(7,150)	(7,150)	(5,312)	(5,312)
- 100 basis points	6,202	6,202	10,931	10,931

(ii) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of movements in foreign exchange rates.

Currency risk sensitivity analysis

The analysis demonstrates the impact of a 10% movement of currency rates against the New Zealand dollar with all other variables held constant, on the profit after tax, and equity, due to changes in fair value of currency sensitive monetary assets and liabilities at the reporting date. It is assumed that the 10% change occurs as at the reporting date.

Consolidated & Parent

	2014		2013	
	Impact on profit after tax Increase (decrease) NZ\$000	Impact on equity Increase (decrease) NZ\$000	Impact on profit after tax Increase (decrease) NZ\$000	Impact on equity Increase (decrease) NZ\$000
Change in variables				
10 % depreciation of NZD	2,346	2,346	2,509	2,509
10 % appreciation of NZD	(2,455)	(2,455)	(2,608)	(2,608)

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2014

18. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS DISCLOSURES (CONTINUED)

(b) Market risk sensitivity analysis (continued)

(iii) Equity price risk

Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of movements in equity prices. The Branch measures equity securities at fair value.

Equity price sensitivity analysis

The analysis demonstrates the impact of a 10% movement in New Zealand and international equities held at the reporting date. This sensitivity analysis has been performed to assess the direct risk of holding equity instruments. Any potential indirect impact on fees from the Branch's investment linked business is not included.

Consolidated & Parent	2014		2013	
	Impact on profit after tax Increase (decrease) NZ\$000	Impact on equity Increase (decrease) NZ\$000	Impact on profit after tax Increase (decrease) NZ\$000	Impact on equity Increase (decrease) NZ\$000
Change in variables				
10 % increase in New Zealand equities	1,692	1,692	1,499	1,499
10 % increase in international equities	2,346	2,346	2,509	2,509
10 % decrease in New Zealand equities	(1,799)	(1,799)	(1,595)	(1,595)
10 % decrease in international equities	(2,455)	(2,455)	(2,608)	(2,608)

(c) Liquidity risk

Liquidity risk is the risk that the Branch will not be able to meet its obligations or other cash outflows as they fall due because of an inability to liquidate assets or obtain adequate funding when required

The following table summarises the maturity profile of the Branch's undiscounted financial liabilities at the reporting date. The maturity profile is based on contractual undiscounted repayment obligations. Repayments that are subject to notice are treated as if notice were to be given immediately.

Maturity profile of undiscounted financial liabilities⁽¹⁾

2014 - Consolidated	Up to 1 year or no term NZ\$000	1 to 5 years NZ\$000	More than 5 years NZ\$000	Other ⁽²⁾ NZ\$000	Total NZ\$000
Payables	159,995	16,113	196	2,407	178,711
Derivative financial liabilities	2,386	1,863	10,865	-	15,114
Investment contract liabilities ⁽²⁾	-	-	-	114,040	114,040
Total undiscounted financial liabilities	162,381	17,976	11,061	116,447	307,865
2013 - Consolidated	Up to 1 year or no term NZ\$000	1 to 5 years NZ\$000	More than 5 years NZ\$000	Other NZ\$000	Total NZ\$000
Payables	80,167	1,634	313	1,952	84,066
Derivative financial liabilities	3,029	2,956	114,092	-	120,077
Investment contract liabilities	-	-	-	114,059	114,059
Total undiscounted financial liabilities	83,196	4,590	114,405	116,011	318,202

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2014

18. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS DISCLOSURES (CONTINUED)

(c) Liquidity risk (continued)

Maturity profile of undiscounted financial liabilities (continued)

2014 – Parent	Up to 1 year or no term NZ\$000	1 to 5 years NZ\$000	More than 5 years NZ\$000	Other ⁽²⁾ NZ\$000	Total NZ\$000
Payables	420,260	-	-	2,614	422,874
Derivative financial liabilities	-	-	9,032	-	9,032
Investment contract liabilities ⁽²⁾	-	-	-	114,040	114,040
Total undiscounted financial liabilities	420,260	-	9,032	116,654	545,946

2013 - Parent	Up to 1 year or no term NZ\$000	1 to 5 years NZ\$000	More than 5 years NZ\$000	Other NZ\$000	Total NZ\$000
Payables	338,561	134	-	1,952	340,647
Derivative financial liabilities	-	-	109,152	-	109,152
Investment contract liabilities	-	-	-	114,059	114,059
Total undiscounted financial liabilities	338,561	134	109,152	116,011	563,858

⁽¹⁾ The table provides maturity analysis of the Branch's financial liabilities and non-investment linked contracts including term annuities.

⁽²⁾ Investment contract liabilities of NZ\$114.0m (2013: NZ\$114.0m) are liabilities to policyholders for investment linked business linked to the performance and value of assets that back those liabilities. If all those policyholders claimed their funds, there may be some delays in settling the liability as assets are liquidated, but the shareholder has no direct exposure to any liquidity risk.

(d) Credit risk

Credit risk includes both settlement credit exposures and traded credit exposures. Credit default risk is the risk of an adverse impact on results and asset values relative to expectations due to a counterparty failing to meet their contractual commitments in full and on time (obligator's non-payment of a debt). Traded credit risk is the risk of an adverse impact on results and asset values relative to expectations due to changes in value of a traded financial instrument as a result of changes in credit risk on that instrument.

The AMP Concentration Risk Policy sets out the assessment and determination of what constitutes credit risk. The policy has set exposure limits for each counterparty and credit rating. Compliance with this policy is monitored and exposures and breaches are reported to senior management and NZ ALCO.

Credit risk management is decentralised in business units within the AMP group. However, credit risk directly and indirectly (i.e. in the participating business) impacting shareholder capital is measured and managed by AMP Group Treasury on a Group basis, by aggregating risk from credit exposures taken in business units.

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2014

18. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS DISCLOSURES (CONTINUED)

(d) Credit risk (continued)

(i) Exposure to credit risk

The exposures on interest bearing securities and cash equivalents which impact the AMP Limited group's capital position are managed by AMP Group Treasury within limits set by the AMP Concentration Risk Policy. The following table provides information regarding the credit risk exposures for items monitored by AMP Group Treasury according to the credit rating of the counter parties.

	2014 NZ\$000	2013 NZ\$000
AAA	111,932	49,534
AA	1,146,008	984,653
A	315,623	219,896
BBB	42,377	42,991
Below BBB	2,606	305
Unrated	4,731	2,648
Total financial assets measured at fair value through profit or loss with credit risk exposure managed by AMP Group Treasury ⁽¹⁾	1,623,277	1,300,027
Other assets ⁽²⁾	1,643,660	1,736,361
Total assets	3,266,937	3,036,388

⁽¹⁾ Balance mainly comprises interest bearing securities and cash equivalents
The unrated securities relate to an amount due from a related entity.

⁽²⁾ Balance includes all other financial and non financial assets with no credit risk exposure

(ii) Past due but not impaired financial assets

The following table provides an aging analysis of financial assets that are past due as at reporting date but not impaired:

2014 - Consolidated	Past due but not impaired				Total NZ\$000
	Less than 30 days NZ\$000	31 to 60 days NZ\$000	61 – 90 days NZ\$000	More than 91 days NZ\$000	
Other receivables – other entities	-	-	-	323	323
Reinsurance and other recoveries	226	15	2,034	771	3,046
Total ⁽¹⁾	226	15	2,034	1,094	3,369

2013 - Consolidated	Past due but not impaired				Total NZ\$000
	Less than 30 days NZ\$000	31 to 60 days NZ\$000	61 – 90 days NZ\$000	More than 91 days NZ\$000	
Other receivables – other entities	1,107	486	74	400	2,067
Reinsurance and other recoveries	3,610	385	-	1,387	5,382
Total ⁽¹⁾	4,717	871	74	1,787	7,449

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2014

18. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS DISCLOSURES (CONTINUED)

(d) Credit risk (continued)

(ii) Past due but not impaired financial assets (continued)

2014 - Parent	Past due but not impaired				Total NZ\$000
	Less than 30 days	31 to 60 days	61 – 90 days	More than 91 days	
	NZ\$000	NZ\$000	NZ\$000	NZ\$000	
Reinsurance and other recoveries	226	15	2,034	771	3,046
Total ⁽¹⁾	226	15	2,034	771	3,046

2013 - Parent	Past due but not impaired				Total NZ\$000
	Less than 30 days	31 to 60 days	61 – 90 days	More than 91 days	
	NZ\$000	NZ\$000	NZ\$000	NZ\$000	
Other receivables – other entities	3,610	385	-	1,387	5,382
Total ⁽¹⁾	3,610	385	-	1,387	5,382

⁽¹⁾ For investment linked business, the liability to policyholders is linked to the performance and value of the assets that back those liabilities. The shareholder has no direct exposure to any credit risk in those assets. Therefore, the tables above do not show any past due financial assets that back investment linked business.

(e) Derivative financial instruments

Derivative financial instruments are measured at fair value in the Statement of financial position. Asset and liability values on individual transactions are only netted if the transactions are with the same counterparty and the cash flows will be settled on a net basis. Changes in values of derivative financial instruments are recognised in the Income statement.

(i) Derivative transactions undertaken as part of life insurance operations

The Branch uses derivative financial instruments including financial futures, forward foreign exchange contracts, exchange traded and other options and forward rate agreements to hedge the impact of market movements on the value of assets in the investment portfolios, and to effect a change in the asset mix of investment portfolios.

In respect of the risks associated with the use of derivative financial instruments, price risk is controlled by exposure limits, which are subject to monitoring and review. Foreign exchange hedges are monitored on a regular basis to ensure they are effective in the reduction of price risk.

(ii) Risk relating to derivative financial instruments

The market risk of derivatives of the Branch is managed and controlled as an integral part of the financial risk of the AMP group. The credit risk of derivatives is also managed in the context of the AMP group's overall credit risk policies.

(f) Master netting or similar arrangements

Derivative financial assets and liabilities

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 meet the criteria for offsetting in the Statement of financial position as the Branch does not have any currently legally enforceable right to offset recognised amounts, as the right to offset is enforceable only on the occurrence of future events such as a default.

Consolidated:

As at 31 December 2014, if these netting arrangements were applied to the derivative portfolio, the derivative assets of NZ\$143.6m would be reduced by NZ\$12.7m to the net amount of NZ\$130.9m and derivative liabilities of NZ\$13.1m would be reduced by NZ\$12.7m to the net amount of NZ\$0.4m (31 December 2013: derivative assets of NZ\$81.6m reduced by NZ\$23.8m to the net amount of NZ\$57.8m and derivative liabilities of NZ\$120.0m reduced by NZ\$23.8m to the net amount of NZ\$96.2m).

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2014

18. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS DISCLOSURES (CONTINUED)

(f) Master netting or similar arrangements (continued)

Parent:

As at 31 December 2014, if these netting arrangements were applied to the derivative portfolio, the derivative assets of NZ\$96.5m would be reduced by NZ\$9.0m to the net amount of NZ\$87.5m and derivative liabilities of NZ\$9.0m would be reduced by NZ\$9.0m to the net amount of NZ\$nil (31 December 2013: derivative assets of NZ\$32.0m reduced by NZ\$19.0m to the net amount of NZ\$13.0m and derivative liabilities of NZ\$109.1m reduced by NZ\$19.0m to the net amount of NZ\$90.1m).

(g) Other collateral

AMP Life has collateral arrangements in place with some counterparties. Collateral generally consists of 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.

Consolidated:

As at 31 December 2014 there was NZ\$70.2m of collateral posted by counterparties to meet standard derivative trading obligations (2013: NZ\$2.7m) and NZ\$nil of collateral posted with counterparties to meet standard derivative trading obligations (2013: NZ\$95.3m).

Parent:

As at 31 December 2014 there was NZ\$60.9m of collateral deposits posted by counterparties to meet standard derivative trading obligations (2013: NZ\$nil) and NZ\$nil of collateral posted with counterparties to meet standard derivative trading obligations (2013: NZ\$95.3m)

19. FAIR VALUE INFORMATION

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

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

Level 2: Valued using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices), including: quoted prices in active markets for similar assets or liabilities, quoted prices in markets in which there are few transactions for identical or similar assets or liabilities, and other inputs that are not quoted prices but are observable for the asset or liability, for example interest rate yield curves observable at commonly quoted intervals, currency rates, option volatilities, credit risks, and default rates.

The fair value of listed debt securities that are not frequently traded are obtained using discounted cash flow models. The fair value of unlisted debt securities is estimated using interest rate yields obtainable on comparable listed investments.

The fair value of securities including equities, fixed interest securities, cash and properties that are held through unlisted managed investment schemes are valued at published redemption prices of those managed investment schemes at the reporting date.

The fair value of financial instruments not traded in an active market (for example 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.

Equity investments of the parent represent investments in controlled entities and fair value is determined using the net asset value of those investments.

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2014

19. FAIR VALUE INFORMATION (CONTINUED)

Level 3: Valued in whole or in part using valuation techniques or models that are based on inputs that are neither supported by prices from observable current market transactions in the same instrument nor based on available observable market data. Unobservable inputs are determined based on the best information available, which might include the Branch's own data, reflecting the Branch's own estimates about the assumptions that market participants would use in pricing the asset or liability. Valuation techniques are used to the extent that observable inputs are not available, and include estimates about the timing of cash flows, discount rates, earnings multiples and other inputs.

The following table shows an analysis of financial instruments measured at fair value by each level of the fair value hierarchy:

2014 - Consolidated	Level 1 NZ\$000	Level 2 NZ\$000	Level 3 NZ\$000	Total fair value NZ\$000
Assets				
Measured at fair value on a recurring basis				
Equity securities and listed managed investment schemes	14,677	-	-	14,677
Debt securities	-	1,438,484	-	1,438,484
Investment in unlisted managed investment schemes	-	1,287,536	3,494	1,291,030
Derivative financial assets	26,226	119,323	-	145,549
Total financial assets measured at fair value on a recurring basis	40,903	2,845,343	3,494	2,889,740
Liabilities				
Measured at fair value on a recurring basis				
Derivative financial liabilities	2,386	12,728	-	15,114
Investment contract liabilities	-	11,109	102,931	114,040
Total financial liabilities measured at fair value on a recurring basis	2,386	23,837	102,931	129,154
<hr/>				
2013 - Consolidated	Level 1 NZ\$000	Level 2 NZ\$000	Level 3 NZ\$000	Total fair value NZ\$000
Assets				
Measured at fair value on a recurring basis				
Equity securities and listed managed investment schemes	11,469	-	-	11,469
Debt securities	-	1,095,176	-	1,095,176
Investment in unlisted managed investment schemes	-	1,377,457	4,425	1,381,882
Derivative financial assets	41,018	40,652	-	81,670
Total financial assets measured at fair value on a recurring basis	52,487	2,513,285	4,425	2,570,197
Liabilities				
Measured at fair value on a recurring basis				
Derivative financial liabilities	2,932	117,145	-	120,077
Investment contract liabilities	-	11,251	102,808	114,059
Total financial liabilities measured at fair value on a recurring basis	2,932	128,396	102,808	234,136

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2014

19. FAIR VALUE INFORMATION (CONTINUED)

2014 - Parent	Level 1 NZ\$000	Level 2 NZ\$000	Level 3 NZ\$000	Total fair value NZ\$000
Assets				
Measured at fair value on a recurring basis				
Equity securities and listed managed investment schemes	-	2,060,132	-	2,060,132
Debt securities	-	48,827	-	48,827
Investment in unlisted managed investment schemes	-	7,902	3,494	11,396
Derivative financial assets	-	96,592	-	96,592
Total financial assets measured at fair value on a recurring basis	-	2,213,453	3,494	2,216,947
Liabilities				
Measured at fair value on a recurring basis				
Derivative financial liabilities	-	9,032	-	9,032
Investment contract liabilities	-	11,109	102,931	114,040
Total financial liabilities measured at fair value on a recurring basis	-	20,141	102,931	123,072
<hr/>				
2013 - Parent	Level 1 NZ\$000	Level 2 NZ\$000	Level 3 NZ\$000	Total fair value NZ\$000
Assets				
Measured at fair value on a recurring basis				
Equity securities and listed managed investment schemes	-	1,805,826	-	1,805,826
Debt securities	-	51,488	-	51,488
Investment in unlisted managed investment schemes	-	11,057	4,425	15,482
Derivative financial assets	-	32,098	-	32,098
Total financial assets measured at fair value on a recurring basis	-	1,900,469	4,425	1,904,894
Liabilities				
Measured at fair value on a recurring basis				
Derivative financial liabilities	-	109,152	-	109,152
Investment contract liabilities	-	11,251	102,808	114,059
Total financial liabilities measured at fair value on a recurring basis	-	120,403	102,808	223,211

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2014

19. FAIR VALUE INFORMATION (CONTINUED)

The following table shows a reconciliation of the movement in the fair value of financial instruments categorised within Level 3 between the beginning and the end of the reporting date:

2014 – Consolidated & Parent	Balance at the beginning of the year NZ\$000	Total gains / (losses) (2) (4) NZ\$000	Purchases / deposits NZ\$000	Sales / withdrawals NZ\$000	Net transfer in / (out) (1) (3) NZ\$000	Balance at the end of the year NZ\$000	Total gains and losses on assets and liabilities held at reporting date NZ\$000
Assets							
Investment in unlisted managed investment schemes	4,425	617	-	(1,548)	-	3,494	617
Total financial assets	4,425	617	-	(1,548)	-	3,494	617
Liabilities							
Investment contract liabilities	102,808	10,319	2,397	(12,593)	-	102,931	10,319
Total financial liabilities	102,808	10,319	2,397	(12,593)	-	102,931	10,319

2013 – Consolidated & Parent	Balance at the beginning of the year NZ\$000	Total gains / (losses) NZ\$000	Purchases / deposits NZ\$000	Sales / withdrawals NZ\$000	Net transfer in / (out) NZ\$000	Balance at the end of the year NZ\$000	Total gains and losses on assets and liabilities held at reporting date NZ\$000
Assets							
Investment in unlisted managed investment schemes	2,918	(210)	-	-	1,717	4,425	(210)
Total financial assets	2,918	(210)	-	-	1,717	4,425	(210)
Liabilities							
Investment contract liabilities	99,033	13,383	2,693	(12,301)	-	102,808	13,383
Total financial liabilities	99,033	13,383	2,693	(12,301)	-	102,808	13,383

(1) The Branch recognises transfers as at the end of the reporting period during which the transfer has occurred. Transfers are recognised when there are changes in the observability of the pricing of the relevant securities.

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

(3) There have been no significant transfers from Level 1 to Level 2 or vice versa.

(4) As at 31 December 2014, the full amount of Total gains / (losses) relating to financial assets was unrealised.

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2014

19. FAIR VALUE INFORMATION (CONTINUED)

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

Consolidated & Parent	Carrying amount NZ\$000	2014 Effect of reasonably possible alternative assumptions		Valuation Technique	Key Unobservable Inputs
		(+10%) NZ\$000	(-10%) NZ\$000		
Assets					
Investments in unlisted managed investment schemes	3,494	191	(160)	Net Asset Value, Multiple of Earnings	Earnings Multiple of 5
Total financial assets	3,494	191	(160)		

Consolidated & Parent	Carrying amount NZ\$000	2013 Effect of reasonably possible alternative assumptions		Valuation Technique	Key Unobservable Inputs
		(+10%) NZ\$000	(-10%) NZ\$000		
Assets					
Investments in unlisted managed investment schemes	4,425	130	(130)	Net Asset Value, Multiple of Earnings	Earnings Multiple of 5
Total financial assets	4,425	130	(130)		

The fair value of the assets increase/decrease as the inputs increase/decrease. Each individual asset and industry profile will determine the appropriate valuation to be utilised in each specific valuation and vary from asset to asset. Reasonably possible alternative assumptions have been calculated by changing one or more of significant unobservable inputs for individual assets to reasonably possible alternative assumptions. On financial assets this included adjusting the earnings multiple up or down by 0.5 times.

Financial asset valuation process

For financial assets categorised within Level 3 of the fair value hierarchy, the valuation processes applied in valuing such assets is governed by the AMP Capital Asset Valuation Policy. This policy outlines the asset valuation methodologies and processes applied to measure non-exchange traded assets which have no regular market price, including investment property, infrastructure, private equity, alternative assets, and Illiquid Debt Securities. All significant Level 3 assets are referred to the appropriate valuation committee who meet at least every 6 months, or more frequently if required.

The Branch recognises loans against policies with a carrying value of NZ\$50.1m (2013: NZ\$49.9m) on the amortised cost basis. These loans attract interest at a rate of 7.0 % p.a. (2013: 6.0 % p.a.) Because the loans are 100 % secured against policies no impairment is expected to occur and the fair value of the loans approximates the carrying value.

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2014

20. CAPITAL MANAGEMENT

AMP Life and its subsidiaries hold capital to protect customers, creditors and shareholders against unexpected losses to a level that is consistent with the AMP group's risk appetite.

AMP Life and its subsidiaries assess the adequacy of their capital requirements against regulatory capital requirements. AMP Life Limited (New Zealand Branch) is a branch of AMP Life and is an operating entity within the AMP Life group. AMP Life is an APRA regulated company.

The Branch's capital management strategy forms part of the AMP group's broader strategic planning process. In addition to managing the level of capital resources, the AMP group also aims to optimise the mix of capital resources to minimise the cost of capital and maximise shareholder value.

The Minimum Regulatory Capital Requirement (MRCR) is the amount of shareholder capital required by each of AMP's regulated businesses to meet their capital requirements as set by the appropriate regulator. These requirements are as follows:

- AMP Life Limited No.1 Statutory Fund – Capital adequacy requirements as specified under the Life Act and APRA Life Insurance Prudential Standards. This applies to AMP Life as a whole, and the AMP Life Limited No. 1 Statutory Fund.

AMP Life and its subsidiaries have at all times during the current and prior financial year complied with the externally imposed capital requirements to which it is subject.

AMP Life has a Board approved minimum capital target above APRA requirements, with additional capital targets held above this amount. The capital target above the Board minimum has been set to a less than 10% probability of capital resources falling below the Board minimum over a 12 month period. In addition, the participating business is managed to target a very high level of confidence that the business is self-supporting and that there are sufficient assets to support policyholder liabilities.

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2014

21. NOTES TO THE STATEMENT OF CASH FLOWS

	Consolidated		Parent	
	2014	2013	2014	2013
	NZ\$000	NZ\$000	NZ\$000	NZ\$000
(a) Reconciliation of the net profit after income tax attributable to the shareholder to cash flows from operating activities				
Net profit after income tax	102,741	39,847	131,727	28,142
Depreciation, amortisation, impairment and loss on disposals	7,810	7,764	-	-
Other non-cash items	638	3,483	-	-
Net realised and unrealised gains and losses on investment assets	(297,306)	73,376	(419,374)	(8,245)
Dividends and distributions reinvested	(46,087)	(23,726)	-	-
Defined benefit expense	(2,264)	(962)	-	-
Increase / (decrease) in life insurance contract liabilities	189,343	19,433	189,343	19,433
Decrease in investment contract liabilities	(19)	3,428	(19)	3,428
Decrease in income tax balances	88,231	(79,563)	87,952	(81,883)
(Increase) / decrease in other operating assets and liabilities	1,527	(94,699)	(4,220)	(17,758)
Cash flows from / (used in) operating activities	44,614	(51,619)	(14,591)	(56,883)

	Consolidated		Parent	
	2014	2013	2014	2013
	NZ\$000	NZ\$000	NZ\$000	NZ\$000
(b) Reconciliation of cash and cash equivalents				
Comprises:				
Cash on hand	130,909	76,574	96,765	16,900
Cash on deposit	27,500	32,500	1,000	1,000
Balance at the end of the year	158,409	109,074	97,765	17,900

For the purposes of the cash flow statement, cash and cash equivalents comprise the above. Cash and cash equivalents earn interest at floating rates predominantly based on overnight cash rates.

22. DEFINED BENEFIT PLAN LIABILITY AND COMMITMENTS

The following tables summarise the components of the net amounts recognised in the Income statement, Statement of comprehensive income and Statement of financial position for the staff superannuation plan of a controlled entity. As noted in note 2(z), certain controlled entities are participating employers within the AMP New Zealand Staff Superannuation Plan and the figures below represent the Branch's share of the total plan.

The Branch's share is determined using information on the actual liability owed to individual members of the plan. As a result, the Branch recognises 96% of the total plan.

AMP Life Limited (New Zealand Branch)
Notes to the Financial Statements for the year ended 31 December 2014

22. DEFINED BENEFIT PLAN LIABILITY AND COMMITMENTS (CONTINUED)

	Consolidated	
	2014	2013
	NZ\$000	NZ\$000
(a) Defined benefit expense	(31)	(27)
Current service cost	(82)	(262)
Interest cost	(56)	(137)
Contributions tax	(169)	(426)
Total defined benefit expense		
(b) Amounts recognised in the Statement of comprehensive income (SOC)	1,855	(2,979)
Actuarial (gains) / losses	(925)	(1,359)
Actual return on plan assets less interest income	458	(1,641)
Tax	1,388	(5,979)
Total (gains) / losses recognised via the SOC		
(c) Movement in defined benefit obligation	26,295	30,487
Balance at the beginning of the year	31	27
Current service cost	1,205	1,054
Interest cost	14	20
Contributions by plan participants	1,855	(2,979)
Actuarial gains / (losses) *	(2,327)	(2,290)
Benefits paid	(16)	(24)
Taxes, premium and expenses paid	27,057	26,295
Balance at the end of the year		
(d) Movement in fair value of plan assets	23,822	22,439
Balance at beginning of the year	1,123	792
Interest income	925	1,359
Expected return on plan assets	1,521	1,526
Contributions by the employer	14	20
Contributions by plan participants	(2,327)	(2,290)
Benefit paid	(17)	(24)
Taxes, premium and expenses paid	25,061	23,822
Balance at the end of the year		
(e) Defined benefit deficit (deficit)	(27,057)	(26,295)
Defined benefit obligations	25,061	23,822
Less fair value of plan assets	(983)	(1,218)
Contributions tax	(2,979)	(3,691)
Net liability recognised in the Statement of financial position		

*Actuarial gains and losses

These can be broken down further into losses arising from changes in demographic assumptions NZ\$0.0m (2013: NZ\$0.1m), changes in financial assumptions NZ\$1.6m (2013: gain of NZ\$2.7m) and changes in liability experience NZ\$0.3m (2013: gain of NZ\$0.3m).

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2014

22. DEFINED BENEFIT PLAN LIABILITY AND COMMITMENTS (CONTINUED)

	Consolidated	
	2014	2013
	NZ\$000	NZ\$000
(f) Movement in net defined benefit (deficit)	(3,691)	(11,497)
Opening liability at the beginning of the year	(169)	(426)
Plus total expense recognised in income	2,269	2,253
Plus employer contributions	(1,388)	5,979
Less actuarial gains / (losses) recognised in other comprehensive income	(2,979)	(3,691)
Deficit at the end of the year		

Expected contributions for the financial year ending 31 December 2015 are NZ\$1,521,000. This expectation is based on the latest information from the external actuaries, Mercer (N.Z.) Limited in their report of 11 December 2014.

Fair Value of Plan Assets

The fair value of Plan assets includes no amounts relating to:

- any of the Employer's own financial instruments ⁽¹⁾
- any property occupied by, or other assets used by, the Employer

The expected return on assets assumption is determined by weighting the expected long term return for each class by the target allocation of assets to each asset class. The returns used for each asset class are net of investment tax and investment fees.

(g) Sensitivity analysis

The defined benefit obligation under different scenarios is as follows:

	2014	2013
	NZ\$000	NZ\$000
Base Case	28,238	26,295
Scenario A: 1% lower discount rate assumption	30,688	28,532
Scenario B: 1 year additional life expectancy	29,521	27,399
Scenario C: 1% higher pension increase rate assumption	29,934	27,841

The sensitivity analysis has been determined based on a method that extrapolates the impact on net defined benefit obligations as a result of reasonable changes in key assumptions occurring at the end of the reporting period

(h) Principal actuarial assumptions at reporting date

The following table sets out the principal actuarial assumptions used as at the reporting date in measuring the defined-benefit obligations of the defined-benefit fund:

	2014	2013
	%	%
Discount rate	3.90	4.80
Inflation increase	2.30	2.50
Future pension increases	1.75	1.90

The decrease in the liability totals NZ\$0.7m (2013: NZ\$7.8m). The change in the discount rate is based on an annualised 10 year Government bond yield.
Pensioner mortality is based on the NZ Life table 2010-2012 rated down one year.

⁽¹⁾ Almost 100% of the Plan assets are invested in investment products issued by AMP Capital. The asset category of the plan assets consists of investment funds in balanced funds and aggressive funds all available in an active market.

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2014

22. DEFINED BENEFIT PLAN LIABILITY AND COMMITMENTS (CONTINUED)

(i) Arrangements for employer contributions for funding defined benefit funds

At the dates of the most recent financial reports of the plan, the deficit measured as the difference between the fair value of plan assets and the accrued benefits of the plan was NZ\$1.9m (2013: NZ\$2.5m) for the defined benefit fund.

Funding methods and current recommendations

The defined benefit fund funding policy is intended to fully cover benefits by the time they become payable. The main group of benefits is the pension rights of retired members and their spouses. The retirement benefits of active members are valued on a simplified actuarial projection basis as they are not material to the valuation of the defined benefit fund.

(j) Maturity profile of defined benefit obligations

	NZ\$000
The following are the expected benefit payment obligations for the financial year ending on:	
31 December 2015	2,496
31 December 2016	2,466
31 December 2017	2,424
31 December 2018	2,370
31 December 2019	2,307
Following 5 years	10,297

The weighted average duration of the defined benefit obligation is 9 years.

(k) Allocation of assets

Shown in the following table are the asset allocations of the defined benefit funds.

	2014	2013
The percentage invested in each asset class at the balance date:		
Equity	37 %	47 %
Fixed income	35 %	25 %
Property	10 %	10 %
Other	4 %	4 %
Cash	14 %	14 %

23. INVESTMENTS IN CONTROLLED ENTITIES

Details of significant investments in controlled entities are as follows:

NAME OF ENTITY	INCORPORATION	Share type	% Holdings	
			2014	2013
Allmarg Corporation Limited ⁽¹⁾	New Zealand	Ordinary, Preference	100.0	100.0
AMP Capital Investments No. 2 Limited ⁽¹⁾	New Zealand	Ordinary A & B, Preference	99.9	99.9
AMP Capital Investments No. 8 Limited ⁽¹⁾	New Zealand	Ordinary A & B, Preference	99.9	99.9
AMP Capital Investments No. 14 Limited ⁽¹⁾	New Zealand	Ordinary A & B	99.9	99.9
Kiwi Kat Limited	New Zealand	Ordinary	70.0	70.0
AMP Life (NZ) Investments Holdings Limited ⁽¹⁾	New Zealand	Ordinary	100.0	100.0
AMP Life (NZ) Investments Limited ⁽¹⁾	New Zealand	Ordinary	100.0	100.0
AMP Services (NZ) Limited ⁽²⁾	New Zealand	Ordinary	100.0	100.0
AMP/ERGO Mortgage and Savings Limited ⁽¹⁾	New Zealand	Ordinary	100.0	100.0

⁽¹⁾ Controlled entities of AMP Life Limited (New Zealand Branch) No. 1 Statutory Fund

⁽²⁾ Controlled entities of AMP Life Limited (New Zealand Branch) Shareholder Fund

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2014

24. ASSOCIATES

Investments in associates held by the Statutory Fund measured at fair value through profit or loss⁽¹⁾

NAME OF UNIT TRUSTS AND OTHER ENTITIES	PRINCIPAL ACTIVITY	Ownership interest		Carrying amount	
		2014 %	2013 %	2014 NZ\$000	2013 NZ\$000
Consolidated					
AMP Pencarrow Private Capital Joint Venture Fund	Investment vehicle	34	34	2,600	2,709
	Passive Equity				
	Investment	33	35	120,635	102,694
AMP Capital NZ Shares Index Fund	Equity Investment	40	20	200,164	91,796
AMP Capital NZ Shares Fund	Equity Investment	45	38	71,533	145,659
AMP Capital Strategic NZ Shares Fund	Passive International				
	Equities	28	27	41,628	44,742
AMP Capital Global Shares Fund	Property Investment	42	43	48,392	343,039
AMP Capital Property Portfolio					
Total investments held by the life statutory fund in associated unit trusts and other entities				484,952	730,639

⁽¹⁾ Investment in associated entities that back investment contract and life insurance contract liabilities are treated as financial assets and are measured at fair value. Refer to Note 1(h). The balance date for all associated entities is 31 March.

In the course of normal investment activities the Statutory Fund holds investments in various operating businesses. Investments in associated entities reflect investments where the Statutory Fund holds between a 20% and 50% equity interest.

25. OPERATING LEASE COMMITMENTS

	Note	Consolidated		Parent	
		2014 NZ\$000	2013 NZ\$000	2014 NZ\$000	2013 NZ\$000
Operating lease commitments (non-cancellable)					
Due within one year		3,927	3,590	-	-
Due within one year to five years		11,275	12,310	-	-
Due later than five years		1,162	2,621	-	-
Total operating lease commitments		16,364	18,521	-	-

The above leases are primarily in respect of properties from which the Branch and its controlled entities operate.

26. CONTINGENT LIABILITIES

The Branch from time to time may incur obligations arising from litigation or various types of contracts entered into in the normal course of business including guarantees issued for performance obligations to controlled entities of the Branch.

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

At reporting date there were no material contingent liabilities where the probability of any outflow in settlement was greater than remote.

The Branch has an investment in an associated entity for which it may have a commitment to make further capital contributions if called. The amount that may be called at any time is NZ\$4.2m (2013: NZ\$4.2m).

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2014

27. RELATED PARTY DISCLOSURES

The Branch transacts with other entities within the AMP Group of companies and other related parties in the normal course of its business.

(a) Key management personnel details

The following individuals were the key management personnel of AMP Life Limited (being those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise)) of AMP Life for the whole or part of the reporting period as indicated:

Name	Position	
Catherine Brenner	Chairman, Non-Executive Director	
Craig Meller	Executive Director	Appointed: 1 March 2014
Pauline Blight-Johnston	Executive Director	
Anthony Coleman	Non-Executive Director	
Diana Eilert	Non-Executive Director	Resigned: 11 June 2014
John Palmer	Non-Executive Director	
Andrew Harmos	Non-Executive Director	
Peter Shergold	Non-Executive Director	Appointed: 11 June 2014
Trevor Matthews	Non-Executive Director	

(b) Remuneration of key management personnel

The following table provides aggregate details of the compensation of key management personnel of AMP Life Limited (in thousands of Australian dollars).

	Short Term Benefits	Post Employment Benefits	Share-Based Payments	Other Long Term Benefits ⁽²⁾	Total ⁽¹⁾
2014	5,880	193	2,044	154	8,271
2013	5,697	112	3,815	49	9,673

⁽¹⁾The fees paid to non-executive directors of AMP Life are the fees for AMP Limited.

⁽²⁾Presentation has been enhanced to include long service leave accruals.

The fees paid to non-executive directors of AMP Life are the combined fees for AMP Life Limited and the National Mutual Life Association of Australasia Limited.

(c) Transactions with key management personnel

During the year, key management personnel and their personally related entities have entered into transactions with the disclosing entity or its subsidiaries. All such transactions have occurred within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those that it is reasonable to expect AMP Life would have adopted if dealing at arm's length with an unrelated individual. These transactions include:

- Purchase of insurance products available to other employees and policy owners;
- Purchase of superannuation products available to other employees and policy owners;
- Placement of funds on deposit; and
- Acquisition and disposal of units in controlled managed investment scheme and receipts of trust distributions.

Information about such transactions does not have the potential to affect adversely decisions about the allocation of scarce resources made by users of this Financial Report, or the discharge of accountability by the specified executives or specified directors.

No Director or Director-related entities had loans with AMP Life in 2014 (2013: nil).

A number of Directors of the company are also Directors of public companies and/or are a Partner of a professional service partnership which have transactions with AMP Life. The Directors do not believe that they have the capacity to control or significantly influence the financial or operating policies of either company in their dealings with each other. Those companies are therefore not considered to be Director-related entities.

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2014

27. RELATED PARTY DISCLOSURES (CONTINUED)

(d) Transactions with key related parties

Transactions with related parties are made at arms length and on normal commercial terms. Outstanding balances at 31 December 2014 and 31 December 2013 are unsecured, non interest bearing and settlement occurs in cash or through inter-company accounts as necessary.

(i) Parent

The Parent purchases administrative services from AMP Services (NZ) Limited on a fee service basis. Services purchased include product distribution, marketing, payroll, personnel, computing and accounting services.

The Parent receives administrative services from AMP Capital Investors Limited in Australia and investment services from AMP Capital Investors (New Zealand) Limited (AMP Capital) on a normal commercial basis. AMP Capital manages the investment assets of the policyholder fund and the shareholder fund. AMP Capital is also the responsible entity of a number of the controlled entities and associated unit trusts detailed in notes 23 and 24. Investment management services provided by AMP Capital to AMP Life are charged at normal commercial rates.

The Parent sold tax losses of NZ\$11.6 million (2013: NZ\$3.2) to other companies within the Branch and NZ\$nil (2013: NZ\$15.9m) to other related parties in the current year. Consideration of NZ\$3.2 million (2013: NZ\$5.3 million) was received for these losses. AMP Services (NZ) Limited acquired all these tax losses in the current year. In the previous year, significant acquirers of these tax losses included Spicers Portfolio Management Consolidated Group: NZ\$9.2 million, Mortgage Backed Bonds Limited: NZ\$3.3 million and NMLA Australasia Limited: NZ\$2.2 million.

The parent received a dividend of NZ\$37.5 million from AMP Services (NZ) Limited.

The following table provides the amount of significant transactions which the Parent has entered into with related parties for the relevant financial year:

		For the year ended 31 December		As at 31 December	
		Service, management and other fee revenue from related parties NZ\$000	Service, management and other fee expense to related parties NZ\$000	Amounts owed by related parties NZ\$000	Amounts owed to related parties NZ\$000
Fellow subsidiaries of AMP					
AMP Life Limited Australia Shareholder Fund	2014	-	-	-	39,052
	2013	-	-	-	6,874
AMP Services (NZ) Limited	2014	-	40,345	-	72
	2013	-	41,864	-	971
AMP Services Limited	2014	-	322	-	50
	2013	-	584	-	560
AMP Capital Investors (New Zealand) Limited	2014	-	408	-	-
	2013	-	413	-	-
AMP Capital Investors Limited	2014	-	1,467	-	1,604
	2013	-	1,411	-	474
AMP / ERGO Mortgage and Savings Limited	2014	-	-	1,678	-
	2013	-	-	1,678	-
AMP Life (NZ) Investments Holdings Limited	2014	-	-	1,071,152	-
	2013	-	-	1,071,152	-
AMP Life (NZ) Investments Limited	2014	-	-	-	290,383
	2013	-	-	-	303,200
BNP Paribas Unit Trusts (various)	2014	-	-	846	-
	2013	-	-	846	-

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2014

27. RELATED PARTY DISCLOSURES (CONTINUED)

(d) Transactions with key related parties (continued)

(ii) Consolidated

The Branch provides administrative services to AMP Wealth Management New Zealand Limited, The National Mutual Life Association of Australasia and Spicers Portfolio Management Limited. The Branch also receives administrative services from AMP Services Limited (Australia) and investment services from AMP Capital Investors Limited and AMP Capital Investors (New Zealand) Limited.

The following table provides the amount of significant transactions which the Branch has entered into with related parties for the relevant financial year:

The following table provides information about the parties for the relevant financial year:					
		For the year ended 31 December		As at 31 December	
		Service, management and other fee revenue from related parties NZ\$000	Service, management and other fee expense to related parties NZ\$000	Amounts owed by related parties NZ\$000	Amounts owed to related parties NZ\$000
Fellow subsidiaries of AMP					
AMP Life Limited Australia Shareholder Fund	2014	-	-	-	39,052
	2013	-	-	-	6,874
AMP Services Limited (Australia)	2014	-	20,976	-	4,348
	2013	8,442	20,038	-	6,213
AMP Capital Investors (New Zealand) Limited	2014	400	15,902	-	3,338
	2013	372	11,557	-	8,507
AMP Capital Investors Limited	2014	-	6,982	-	3,612
	2013	-	6,428	-	1,438
AMP Wealth Management New Zealand Limited	2014	15,173	-	3,812	15,000
	2013	16,419	-	-	15,950
AMP AAPH Limited	2014	-	2,000	-	101
	2013	-	2,000	1,897	-
The National Mutual Life Association of Australasia Limited (NMLA) – New Zealand Branch	2014	32,520	-	1,151	818
	2013	33,948	-	3,827	-
Spicers Portfolio Management Limited	2014	9,629	-	6,968	-
	2013	6,600	-	6,656	-
BNP Paribas Unit Trusts (various)	2014	36,259	-	846	-
	2013	12,677	-	846	-

AMP Life Limited (New Zealand Branch)

Notes to the Financial Statements for the year ended 31 December 2014

28. AUDITOR'S REMUNERATION

Amounts paid to the Auditor of the Branch for:

	Consolidated		Parent	
	2014	2013	2014	2013
	NZ\$000	NZ\$000	NZ\$000	NZ\$000
Audit of the financial statements	540	540	277	275
Audit of investment funds not recovered	288	88	-	-
Other assurance-related services	10	-	-	-
Tax compliance services	-	15	-	15

The above amounts are inclusive of non-recoverable GST.

29. EVENTS OCCURRING AFTER REPORTING DATE

At the date of this report, the directors are not aware of any matter or circumstance that has arisen since the reporting date which has significantly affected or may significantly affect the operations of the Branch, the results of its operations or its state of affairs, which is not already reflected in this report.

Independent Auditor's Report To the Shareholder of AMP Life Limited

Report on the Financial Statements

We have audited the financial statements of the New Zealand branch of AMP Life Limited and its subsidiaries on pages 1 to 68, which comprise the statement of financial position of the New Zealand branch of AMP Life Limited and the group as at 31 December 2014, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended of the New Zealand branch of AMP Life Limited and the group, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the company's shareholder in accordance with Section 19(3) of the Financial Reporting Act 1993. Our audit has been undertaken so that we might state to the company's shareholder those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the New Zealand branch of the company and the company's shareholder, for our audit work, for this report, or for the opinions we have formed.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of the financial statements, in accordance with generally accepted accounting practice in New Zealand, and that give a true and fair view of the matters to which they relate and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). These auditing standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected, depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we have considered the internal control relevant to the New Zealand branch of the company's preparation of the financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the New Zealand branch of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Ernst & Young has provided tax compliance services to the New Zealand branch of AMP Life Limited and its subsidiaries during the year. We have no other relationship with or interest in the New Zealand branch of AMP Life Limited and the group.

Partners and employees of our firm may deal with the New Zealand branch of the company on normal terms within the ordinary course of trading activities of the business of the New Zealand branch of the company.

Opinion

In our opinion, the financial statements on pages 1 to 68:

- ▶ comply with generally accepted accounting practice in New Zealand;
- ▶ comply with International Financial Reporting Standards; and
- ▶ give a true and fair view of the financial position of the New Zealand branch of AMP Life Limited and the group as at 31 December 2014 and the financial performance and cash flows of the New Zealand branch of AMP Life Limited for the year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the Financial Reporting Act 1993, we report that:

- ▶ We have obtained all the information and explanations that we have required.
- ▶ In our opinion proper accounting records have been kept by the New Zealand branch of AMP Life Limited as far as appears from our examination of those records.

Ernst & Young

24 March 2015
Auckland

Appointed Actuary's Report for AMP Life Limited ("AMP Life") (New Zealand Branch)

To the Directors of AMP Life

This report has been prepared for AMP Life in accordance with Section 78 of the Insurance (Prudential Supervision) Act 2010 ("the Act").

In terms of Section 77(1) of the Act, I have reviewed the actuarial information contained in, or used in the preparation of the Financial Statements for AMP Life (New Zealand Branch) for the year ended 31 December 2014. ("the Financial Statements")

For the purposes of this report, "actuarial information" is as defined in Section 77(4) of the Act, together with paragraph 4.1.1 of the Attachment to the "Section 59 Exemption from Compliance with Solvency Standard" granted to AMP Life by the Reserve Bank of New Zealand under the Act.

I certify that in my opinion:

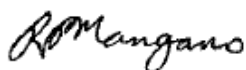
- a) The value of the policy liabilities of AMP Life and the regulatory capital requirements of AMP Life have been determined using methods and assumptions consistent with the actuarial prudential standards issued by the Australian Prudential Regulation Authority ("APRA").
- b) The allocation and distribution of the profits of Statutory Fund No 1 of AMP Life have been made in accordance with Divisions 5 and 6 of Part 4 of the Australian Life Insurance Act 1995 (Life Act).
- c) Proper records have been kept by AMP Life from which its policy liabilities and regulatory capital requirements have been able to be properly determined.
- d) The apportionment of income and outgo used in preparing the AMP Life accounts at 31 December 2014, as required under sections 78 and 79 of the Life Act, is appropriate.
- e) I have obtained all of the information and explanations that I require from AMP Life.

In addition, I certify that in my opinion, and from an actuarial perspective:

- f) The actuarial information contained in the Financial Statements has been appropriately included in those statements.
- g) The actuarial information used in the preparation of the Financial Statements has been used appropriately.
- h) AMP Life has fully complied with the APRA regulatory capital requirements throughout the year ended 31 December 2014 in relation to the New Zealand Branch. Note that the APRA regulatory capital requirements are the applicable standard that applies under the Section 59 exemption granted by the Reserve Bank of New Zealand.

Other than my relationship as Appointed Actuary of AMP Life, I am an employee of the AMP Group, of which AMP Life forms part, and a member of the AMP Employees' Superannuation Plan. I hold shares and options in AMP Limited, the ultimate holding company of AMP Life. I am a customer of AMP Bank Limited, which is also part of the AMP Group.

This report is provided solely in my capacity as the AMP Life Appointed Actuary. To the fullest extent permitted by law, I do not accept responsibility to anyone for the contents of this report other than the Reserve Bank of New Zealand, AMP Life and its directors and shareholders.



Rocco Mangano FIAA
Appointed Actuary, AMP Life
18 March 2015