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

Consolidated financial statements
for the year ended
31 December 2016

AMP Life Limited (New Zealand Branch)
ABN 84 079 300 379
FULL YEAR FINANCIAL STATEMENTS
31 DECEMBER 2016

TABLE OF CONTENTS

Registered office:
33 Alfred Street
Sydney NSW 2000 Australia

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

Consolidated income statement

for the year ended 31 December 2016

	Note	**2016** *NZ$000*	2015 *NZ$000*
Income and expenses of shareholder of AMP Life Limited and policyholders[1]			
Life insurance contract premium revenue	4.2	**185,628**	190,386
Life insurance claims recovered from reinsurers	4.2	**12,042**	11.213
Fee revenue	1.1	**167,725**	189,835
Other revenue		**10,056**	10,256
Investment gains	1.1	**234,376**	343,051
Life insurance contract claims expense	4.2	**(176,176)**	(183,914)
Life insurance contract premium ceded to reinsurers	4.2	**(13,223)**	(13,467)
Operating expenses	1.2	**(208,784)**	(218,757)
Finance costs		**(251)**	(337)
Share of profit of a joint venture		**9,627**	-
Change in policyholder liabilities			
- life insurance contracts	4.2	**(76,819)**	(167,086)
- investment contracts	4.5	**(6,940)**	(10,498)
Profit for the year before income tax		**137,261**	150,682
Income tax (expense)	1.3	**(61,224)**	(55,430)
Profit for the year		**76,037**	95,252
Profit for the year is attributable to:			
Non-controlling interests		**(1,177)**	-
Shareholder of AMP Life Limited		**77,214**	95,252
Profit for the year		**76,037**	95,252

1. 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 consolidated financial statements

Consolidated statement of comprehensive income

for the year ended 31 December 2016

	Note	**2016** NZ$000	2015 NZ$000
Profit for the year		**76,037**	95,252
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)	5.2	**(213)**	(1,473)
- income tax (expense) credit		**60**	413
		(153)	(1,060)
Recognised in reserves			
- share-based payments		**1,097**	(137)
		1,097	(137)
Total comprehensive income for the year		**76,981**	94,055

Total comprehensive income for the year is attributable to:		
Non-controlling interests	**(1,177)**	-
Shareholder of AMP Life Limited	**78,158**	94,055
Total comprehensive income for the year	**76,981**	94,055

The accompanying notes form part of these consolidated financial statements

Consolidated statement of financial position

as at 31 December 2016

	Note	**2016** *NZ$000*	2015 *NZ$000*
Assets			
Cash and cash equivalents	7.1	**361,930**	311,126
Receivables and prepayments	2.3	**138,470**	87,658
Current tax assets		**7,116**	801
Investment in financial assets	2.1	**2,677,059**	2,948,465
Investment in a joint venture	6.2	**196,252**	-
Plant and equipment	7.2	**5,081**	9,380
Intangibles	2.2	**28,803**	15,315
Reinsurance asset – ceded life insurance contracts	4.2	**25,135**	25,471
Deferred tax assets	1.3	**22,031**	6,529
Total assets of shareholder of AMP Life Limited and policyholders		**3,461,877**	3,404,745
Liabilities			
Payables	2.4	**84,188**	199,754
Provisions	2.5	**5,291**	6,412
Derivative financial liabilities	2.6	**80,246**	7,588
Deferred tax liabilities	1.3	**176,545**	185,954
Life insurance contract liabilities	4.2	**2,360,187**	2,286,090
Investment contract liabilities	4.5	**104,888**	109,314
Pension liabilities	5.2	**4,293**	3,964
Total liabilities of shareholder of AMP Life Limited and policyholders		**2,815,638**	2,799,076
Net assets of shareholder of AMP Life Limited		**646,239**	605,669
Equity			
Share-based payment reserve		**3,586**	2,489
Retained earnings		**621,569**	603,180
Total equity of shareholder of AMP Life Limited		**625,155**	605,669
Non-controlling interests		**21,084**	-
Total equity of shareholder of AMP Life Limited and non-controlling interests		**646,239**	605,669

For and on behalf of the Board who authorised these consolidated financial statements for issue on 8 February 2017.

Director

Director

The accompanying notes form part of these consolidated financial statements

EY

Consolidated statement of changes in equity

for the year ended 31 December 2016

	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 2016					
Balance at the beginning of the year	603,180	2,489	605,669	-	605,669
Non-controlling interest initial recognition	-	-	-	19,907	19,907
Profit for the year	76,037	-	76,037	1,177	77,214
Other comprehensive income	(153)	1,097	944	-	944
Total comprehensive income	75,884	1,097	76,981	1,177	78,158
Transfer of profit to AMP Life Limited Shareholder Fund	(57,495)	-	(57,495)	-	(57,495)
Balance at the end of the year	621,569	3,586	625,155	21,084	646,239
31 December 2015					
Balance at the beginning of the year	574,000	2,626	576,626	-	576,626
Profit for the year	95,252	-	95,252	-	95,252
Other comprehensive income	(1,060)	(137)	(1,197)	-	(1,197)
Total comprehensive income	94,192	(137)	94,055	-	94,055
Transfer of profit to AMP Life Limited Shareholder Fund	(65,012)	-	(65,012)	-	(65,012)
Balance at the end of the year	603,180	2,489	605,669	-	605,669

The accompanying notes form part of these consolidated financial statements

Consolidated statement of cash flows

for the year ended 31 December 2016

	Note	2016 NZ$000	2015 NZ$000
Cash flows from operating activities			
Cash receipts in the course of operations		**400,874**	403,063
Interest received		**83,804**	101,569
Dividends and distributions received		**3,626**	5,323
Cash payments in the course of operations		**(536,751)**	(459,417)
Finance costs		**(251)**	(337)
Income tax paid		**(92,450)**	(70,128)
Cash flows from (used in) operating activities	7.1	**(141,148)**	(19,927)
Cash flows from investing activities			
Net proceeds from sale of / (payments to acquire)[1]:			
- investments in financial assets measured at fair value		**272,684**	246,602
- investments in financial assets measured at amortised cost		**(6,732)**	5,137
Purchase of plant and equipment		**(610)**	(461)
Purchase of intangibles		**(17,573)**	(5,601)
Cash flows from investing activities		**247,769**	245,677
Cash flows from financing activities			
Transfer of funds to AMP Life Limited Shareholder Fund		**(55,817)**	(73,033)
Cash flows used in financing activities		**(55,817)**	(73,033)
Net increase (decrease) in cash and cash equivalents		**50,804**	152,717
Cash and cash equivalents at the beginning of the year		**311,126**	158,409
Cash and cash equivalents at the end of the year	7.1	**361,930**	311,126

The accompanying notes form part of these consolidated financial statements

[1] The amounts shown represent the net cash flows for the financial year.

About this report

(a) What's new in this report?
We have reviewed the content and structure of the financial report and identified opportunities to reduce complexity and to make it more relevant to our shareholders and other stakeholders.

As part of this review we have made a number of changes to the financial report including:

- Disaggregating balances (including prior year comparatives) to show amounts separately on the Income statement and Statement of financial position,
- Grouping the notes to the financial statements into seven sections:
  1. Results for the year
  2. Investments, intangibles and working capital
  3. Capital structure and financial risk management
  4. Life insurance and investment contracts
  5. Employee disclosures
  6. Group entities
  7. Other disclosures.

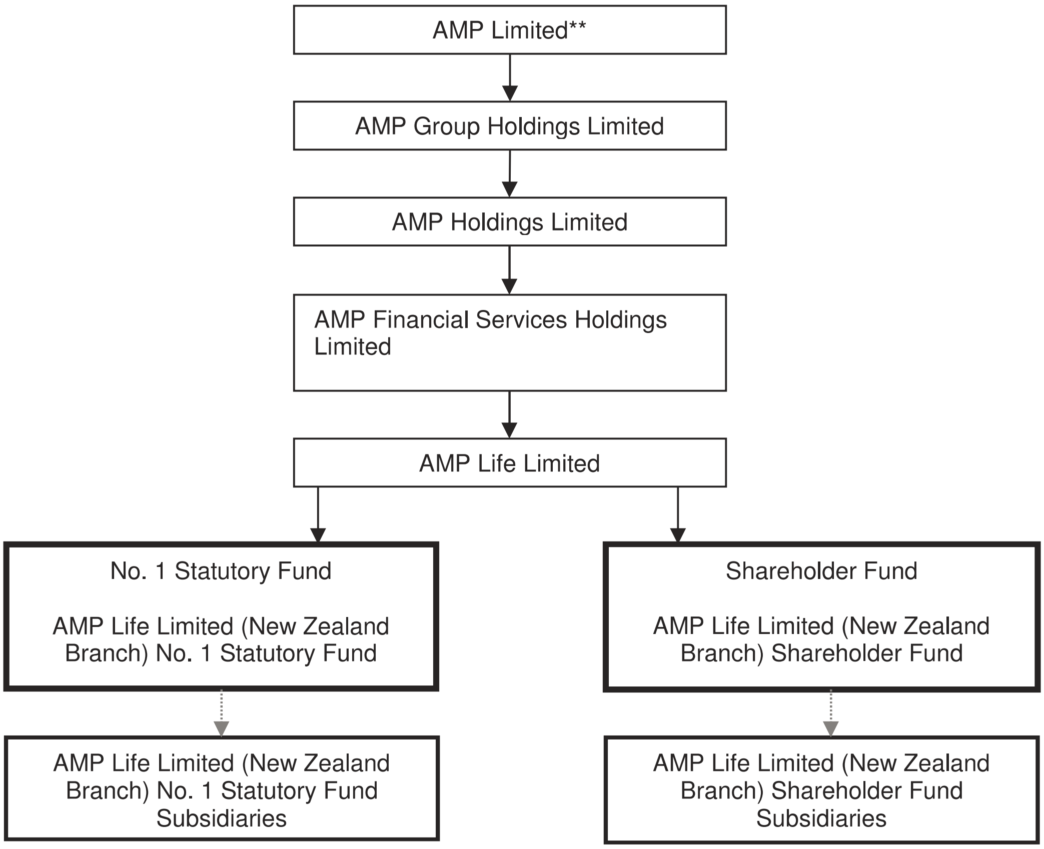
Materiality
Information has only been included in the financial report to the extent it has been considered material and relevant to the understanding of the financial statements. A disclosure is considered material and relevant if, for example:

- the amount in question is significant because of its size or nature;
- It is important for understanding the results of the AMP Life New Zealand branch;
- It helps explain the impact of significant changes in the AMP Life New Zealand branch, for example acquisitions; and/or
- It relates to an aspect of AMP Life New Zealand branch's operations that is important to its future performance.

About this report

(b) Basis of preparation

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 out its life insurance business in New Zealand through a Branch establishment and is deemed to be a "FMC Reporting entity" as defined by the Financial Markets Conduct Act 2013. 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 Section 4.

For the purpose of these financial statements the consolidated entities comprises AMP Life Limited (New Zealand Branch) No. 1 Statutory Fund (the "Statutory Fund"), AMP Life Limited (New Zealand Branch) Shareholder Fund ("Shareholder Fund") and the subsidiaries of each of the Statutory Fund and the Shareholder Fund. These consolidated 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 consolidated financial statements. The consolidated financial statements are prepared in this way to comply with Sections 6 and 7 of the New Zealand Financial Reporting Act 2013.

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.

About this report

(b) Basis of preparation (continued)

These consolidated financial statements for the year ended 31 December 2016 were authorised by the Directors of AMP Life on 8 February 2017. 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 Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013.

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

The consolidated 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 section.

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

(c) Basis of consolidation

The financial statements are for the consolidated entity, which consists of the parent and all entities controlled by the parent during the year and at balance sheet date.

These consolidated 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 4) through the Statutory Fund. Income, expenses, assets and liabilities attributable to policyholder activities within the Statutory Fund are consolidated into the Branch consolidated financial statements, along with those attributable to the Shareholder Fund.

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.

All inter-company balances and transactions within the consolidated group are eliminated in full, including unrealised profits arising from intra-group transactions.

About this report

(d) Significant accounting policies

The significant accounting policies adopted in the preparation of the financial report are contained in the notes to the financial statements to which they relate. All accounting policies have been consistently applied to the current year and comparative period, unless otherwise stated. Where an accounting policy relates to more than one note or where no note is provided, the accounting policies are set out below.

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.

(e) Critical judgements and estimates

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

Accounting judgements and estimates	Note		Page
Tax	Note 1.3	Taxes	16
Fair value of financial assets	Note 2.1	Financial assets and other financial liabilities	18
Intangible assets	Note 2.2	Intangibles	20
Provisions	Note 2.5	Provisions	24
Life insurance contract liabilities	Note 4.1	Accounting for life insurance and investment contracts	35
Investment contract liabilities	Note 4.1	Accounting for life insurance and investment contracts	35
Pension liability	Note 5.2	Pension liability	54
Consolidation	Note 6.1	Controlled entities	59

Section 1: Results for the year

- 1.1 Fee revenue and investment income
- 1.2 Operating expenses
- 1.3 Taxes
- 1.4 Segment information

1.1 Fee revenue and investment income

	2016 NZ$000	2015 NZ$000
(a) Fee revenue		
Investment management fees	**14,144**	8,883
Service fees		
- related parties	**89,936**	62,585
- other entities	**63,645**	118,367
Total fee revenue	**167,725**	189,835
(b) Investment gains and (losses)		
Interest [1]		
- other entities	**84,502**	100,177
Dividends and distributions		
- associated entities	**5,346**	12,845
- related parties	**54,261**	59,275
- other entities	**9,666**	13,837
Net realised and unrealised gains and losses [2]	**82,026**	158,224
Other investment (losses) / income	**(1,425)**	(1,307)
Total investment gains and (losses)	**234,376**	343,051
Investments in financial assets at fair value through profit or loss		
Equity securities and listed managed investment schemes	**(1,545)**	5,464
Debt securities	**39,842**	68,264
Investments in unlisted investment schemes	**93,226**	180,016
Derivative financial assets	**95,334**	76,636
Investments in financial assets at amortised cost		
Debt securities	**2,679**	3,206
Other investment gains		
Bank and other	**6,266**	10,772
Miscellaneous (expenses) / income	**(1,426)**	(1,307)
Total investment gains and (losses)	**234,376**	343,051

[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.

Accounting policy – recognition and measurement

Fee 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.

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.

Section 1: Results for the year

1.1 Fee revenue and investment income (continued)

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.

Interest, dividends and distributions income
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.

Section 1: Results for the year

1.2 Operating expenses

	2016	2015
	NZ$000	*NZ$000*
(a) Operating expenses		
Commission expense[1]	**69,046**	70,579
Investment management expenses	**9,761**	24,097
Fee and commission expenses	**78,807**	94,676
Wages and salaries	**53,659**	58,344
Superannuation costs – defined contribution scheme	**7,970**	5,860
Other staff costs	**2,031**	1,296
Staff and related expenses	**63,660**	65,500
Service fee expense – related parties	**8,126**	10,422
Auditor's remuneration	**718**	845
Minimum lease payments - Operating lease	**3,702**	3,735
Depreciation and amortisation	**6,576**	7,550
IT and communication	**14,235**	12,528
IT consulting	**9,769**	7,349
Other expenses	**23,191**	16,152
Other operating expenses	**66,317**	58,581
Total operating expenses	**208,784**	218,757

[1]Commission includes related parties expenses of NZ$3.6m (2015: NZ$2.7m)

Accounting policy – recognition and measurement

All operating expenses, other than those allocated to life insurance contracts (see note 4.2), 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 1.1).

Section 1: Results for the year

1.3 Taxes

(a) Income tax expense
The following provides a reconciliation of differences between prima facie tax calculated at 28% (2015: 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% (2015: 28%).

	2016 *NZ$000*	2015 *NZ$000*
Profit before income tax	**137,261**	150,682
Policyholder tax(expense) recognised as part of the change in policyholder liabilities in determining profit before income tax	**(36,671)**	(32,604)
Profit before income tax excluding policyholder tax	**100,590**	118,078
Prima facie shareholder tax at the rate of 28% (2015: 28%)	**28,165**	33,062
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	**4,340**	3,610
Non-taxable or deductible items	**169**	155
Investment revenue related items	**(1,878)**	(8,048)
Dividend withholding credits refunded	**-**	(5,846)
Benefit arising from a previously unrecognised tax loss	**(5,460)**	-
Other items	**-**	(47)
Over / (under) provided in previous years after excluding amounts attributable to policyholders	**(783)**	(60)
Income tax (credit) expense attributable to shareholder	**24,553**	22,826
Income tax (credit) expense attributable to policyholders	**36,671**	32,604
Income Tax (credit) expense	**61,224**	55,430

(b) Analysis of income tax expense (credit)

	2016 *NZ$000*	2015 *NZ$000*
Current tax expense	**93,649**	85,107
(Increase) / decrease in deferred tax assets	**(17,029)**	3,068
Increase / (decrease) in deferred tax liabilities	**(9,409)**	(26,695)
Under / (over) provided in previous years including amounts attributable to policyholders:		
- current tax	**(2,113)**	(232)
- deferred tax	**1,527**	30
Benefit arising from a previously unrecognised tax loss	**(5,460)**	-
Dividend withholding credits refunded	**-**	(5,846)
Other	**59**	(2)
Income tax (credit) expense	**61,224**	55,430

Section 1: Results for the year

1.3 Taxes (continued)

(c) Analysis of deferred tax balances

	2016	2015
	NZ$000	*NZ$000*
Analysis of deferred tax asset		
Fair value adjustment on investments	**17,417**	399
Accruals and provisions	**4,218**	4,978
Plant and equipment and intangibles	**(1,803)**	(552)
Defined benefit superannuation scheme	**1,202**	1,110
Other	**997**	594
Total deferred tax assets	**22,031**	6,529
Analysis of deferred tax liability		
Deferred acquisition cost within policy liabilities	**152,761**	153,531
Fair value adjustments on investments	**-**	20,983
Non-Life risk margins	**2,814**	3,066
Life risk margins	**-**	-
Portfolio Investment Entity allocated income	**20,970**	8,374
Total deferred tax liabilities	**176,545**	185,954

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

The Branch has not recognised tax losses of NZ$17.7 million (2015: NZ$37.3 million). The Branch has recognised all deductible temporary differences in 2016 and 2015.

(e) 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.

	2016	2015
	NZ$000	*NZ$000*
Closing balance	**318,077**	304,971

Accounting policy – recognition and measurement

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.

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.

Tax consolidation
The following Group entities joined the AMP Life Consolidated Tax Group with effect from 1 January 2016: The Branch to the extent of its life insurance business, Allmarg Corporation Limited, AMP Services (NZ) Limited and AMP/ERGO Mortgage and Savings Limited.

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.

Section 1: Results for the year

1.3 Taxes (continued)

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.

Critical accounting estimates and judgements:

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 carried forward tax losses is probable for the purpose of meeting the criteria for recognition as deferred tax assets.

1.4 Segment information

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

Section 2: Investments, intangibles and working capital

2.1 Investments in financial instruments

	2016 ***NZ$000***	2015 *NZ$000*
Investments in financial assets measured at fair value through profit or loss		
Equity securities and listed managed investment schemes	**3,143**	15,512
Debt securities	**1,303,818**	1,383,077
Investments in unlisted managed investment schemes	**1,258,974**	1,343,613
Derivative financial assets	**49,404**	151,274
Total investment in financial assets measured at fair value through profit or loss	**2,615,339**	2,893,476
Investments in financial assets measured at amortised cost		
Loans	**56,072**	49,341
Loans to related parties	**5,648**	5,648
Total investments measured at amortised cost	**61,720**	54,989
Total investment in financial assets	**2,677,059**	2,948,465

Accounting policy – recognition and measurement

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.
- There is no reduction for realisation costs in determining fair value.
- The fair value of derivative financial assets is determined in accordance with the policy set out in Note 3.2.

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.

Section 2: Investments, intangibles and working capital

2.1 Investments in financial instruments (continued)

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.

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.

Impairment of financial assets
Assets measured at fair value, where changes in fair value are reflected in the Income statement, are not subject to impairment testing.

For financial assets measured at amortised cost, including loans, advances, held to maturity investments and other receivables, impairment is recognised in the Income statement when there is objective evidence a loss has been incurred. It is measured as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Critical accounting estimates and judgements:

Financial assets measured at fair value
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.

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Section 2: Investments, intangibles and working capital

2.2 Intangibles

31 December 2016	Software *NZ$000*	Client Bases *NZ$000*	Total *NZ$000*
Intangibles			
Gross carrying amount	54,689	3,096	57,785
Less: accumulated amortisation and impairment losses	(28,849)	(133)	(28,982)
Intangibles at written down value	25,840	2,963	28,803
Movements in intangibles			
Balance at the beginning of the year	12,799	2,516	15,315
Additions	195	715	910
Additions – assets under construction	16,663	-	16,663
Sales of Register	-	(135)	(135)
Amortisation expense for the year	(3,817)	(133)	(3,950)
Balance at the end of the year	25,840	2,963	28,803

31 December 2015	Software *NZ$000*	Client Bases *NZ$000*	Total *NZ$000*
Intangibles			
Gross carrying amount	37,832	2,516	40,348
Less: accumulated amortisation and impairment losses	(25,033)	-	(25,033)
Intangibles at written down value	12,799	2,516	15,315
Movements in intangibles			
Balance at the beginning of the year	21,353	-	21,353
Reclassification from prepayments	-	1,881	1,881
Additions	75	635	710
Additions – assets under construction	3,010	-	3,010
Transfer from PPE	337	-	337
Impairment of intangible assets	(8,008)	-	(8,008)
Amortisation expense for the year	(3,968)	-	(3,968)
Balance at the end of the year	12,799	2,516	15,315

Accounting policy – Recognition and measurement

Intangible assets are initially recognised at cost and subsequently measured at cost less accumulated amortisation and any impairment.

Intangible assets consist of software, capitalised software development costs and client bases.

Software

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.

Software is amortised on a straight line basis over the useful life of the asset, being a period not exceeding 5 years, adjusted for any accumulated impairment losses.

Client bases

Client bases are obtained from external advisors. Client basis are considered to have a useful economic life of 20 years. They are amortised on a straight line basis.

Section 2: Investments, intangibles and working capital

2.2 Intangibles (continued)

Intangible assets mainly include capitalised project costs in respect of the development of various internal software assets as well as finance, product, planner and customer related information management systems. Costs are capitalised when they meet the criteria specified in NZIAS 38 Intangible Assets referring to the creation of an asset with expected future economic benefits to the Branch. Capitalised costs are amortised over the estimated useful life of the asset.

At each reporting date an assessment is carried out to determine whether there is any indication that capitalised costs may be impaired. After considering various external and internal sources of information such as anticipated future cash flows to be generated from these assets, it was determined that sufficient indicators of impairment existed such that an assessment of the carrying value of capitalised costs was necessary.

Impairment of non-financial assets

At each reporting date, the Branch assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Branch makes a formal estimate of recoverable amount.

Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. Recoverable amount is the greater of fair value less costs to sell and value in use.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.
Impairment losses are recognised in profit or loss.

Critical accounting estimates and judgements:
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.

Section 2: Investments, intangibles and working capital

2.3 Receivables and prepayments

	2016	2015
	NZ$000	*NZ$000*
Investment income receivable[(1)]	**5,229**	8,703
Investment sales and margins accounts receivable[(1)]	**70,146**	5,672
Life insurance contract premiums receivable	**33,660**	32,276
Reinsurance and other recoveries receivable	**2,207**	4,034
Other receivables		
- related entities	**11,927**	6,186
- other entities	**13,746**	29,252
Prepayments	**1,555**	1,535
Total receivables	**138,470**	87,658

NZ$69.9m (2015: NZ$6.3m) of total receivables is expected to be recovered by the Group more than 12 months from the reporting date

Investment sales and margin accounts receivable of the Group include NZ$69.9m (2015: NZ$4.6m) of collateral posted with counterparties to meet standard derivative trading obligations.

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

Accounting policy – recognition and measurement

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.

Section 2: Investments, intangibles and working capital

2.4 Payables

	2016 NZ$000	2015 NZ$000
Life insurance contracts in process of settlement	**16,516**	20,809
Employee entitlement	**8,893**	10,925
Other payables		
- subsidiaries and related entities[1]	**40,260**	47,195
- reinsurers	**2,159**	2,148
- other entities	**16,360**	118,677
Total payables	**84,188**	199,754

For the Group NZ$1.6m (2015: NZ$95.6m) of payables are expected to be settled more than 12 months from reporting date.

No collateral were posted by counterparties to meet standard derivative trading obligations in the current year. NZ$95m was included in payables to other entities of the Group in 2015.

[1] The 2015 comparatives have been restated for commission payable which was not disclosed as a related party.

Accounting policy – recognition and measurement

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.

Trade and other payables are subsequently carried at amortised cost and due to their short-term nature they are not discounted.

Employee entitlements
Provision is made for employee entitlements accumulated as a result of employees rendering services up to the reporting date. These entitlements include salaries; wages, bonuses, annual leave and long service leave but exclude pension benefits.

Liabilities arising in respect of salaries and wages, annual leave and any other employee entitlements expected to be wholly settled within 12 months of balance date, are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave is recognised and measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the balance sheet date. In determining the present value of future cash outflows, discount rates used are based on the interest rates attaching to government securities, which have terms to maturity approximating the terms of the related liability.

Section 2: Investments, intangibles and working capital

2.5 Provisions

	2016 NZ$000	2015 NZ$000
(a) Provisions		
Loyalty bonuses	-	2,389
Restructuring	780	1,258
Rectification	3,922	2,176
Make-good provision	589	589
Total provisions	5,291	6,412

	Loyalty bonuses NZ$000	Restructuring NZ$000	Rectification NZ$000	Make-good NZ$000	Total NZ$000
(b) Movements in provision					
Balance at the beginning of the year	2,389	1,258	2,176	589	6,412
Additional provisions made	251	1,702	1,770	-	3,723
Provisions utilised	(353)	(2,180)	(24)	-	(2,557)
Provisions reversed	(2,287)		-	-	(2,287)
Balance at the end of the year	-	780	3,922	589	5,291

2016	Loyalty bonuses NZ$000	Restructuring NZ$000	Rectification NZ$000	Make-good NZ$000	Total NZ$000
Current	-	780	3,922	235	4,937
Non-Current	-	-	-	354	354
	-	780	3,922	589	5,291

2015	Loyalty bonuses NZ$000	Restructuring NZ$000	Rectification NZ$000	Make-good NZ$000	Total NZ$000
Current	48	1,258	2,176	-	3,482
Non-Current	2,341	-	-	589	2,930
	2,389	1,258	2,176	589	6,412

Loyalty bonuses

The PSF provision was released during the year as this product is now managed by AMP Wealth Management (New Zealand) Limited.

Restructuring

The provision relates to costs incurred in the process of significantly restructuring operational areas of the business. Prior to 31 December 2016 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 Branch 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.

Section 2: Investments, intangibles and working capital

2.5 Provisions (continued)

Rectification

This provision primarily relates to the expected costs associated with fulfilling and rectifying certain service level obligations to some AMP related entities and entities where AMP 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.

Make good

This provision represents the future obligation for make good costs relating to two of the current premises occupied by AMP. These provisions are expected to be utilised by 2017 and 2021 respectively.

Accounting policy – recognition and measurement

Provisions

Provisions are recognised when the Branch has a present legal or constructive obligation 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 the amount can be reliably estimated.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at balance date.

(i) Restructuring provision

A restructuring provision is only recognised when it is probable that future costs will be incurred in respect of a fundamental reorganisation or change in focus of the Branch. A provision is recognised when the Branch is demonstrably committed to the expenditure and a reliable estimate of the costs involved can be made. The provision is measured as the best estimate of the incremental, direct expenditures to be incurred as a result of the restructure and does not include costs associated with the ongoing activities of the Branch.

Critical accounting estimates and judgements:
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.

Section 2: Investments, intangibles and working capital

2.6 Fair value information

The following table shows the carrying amount and estimated fair values of financial instruments, including their levels in the fair value hierarchy. It does not include fair value information for financial instruments not measured at fair value if the carrying amount is a reasonable approximation of fair value.

2016	**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	**3,143**	**-**	**-**	**3,143**
Debt securities	**-**	**1,303,819**	**-**	**1,303,819**
Investment in unlisted managed investment schemes	**4,713**	**1,254,261**	**-**	**1,258,974**
Derivative financial assets	**28,047**	**21,356**	**-**	**49,403**
Total financial assets measured at fair value on a recurring basis	**35,903**	**2,579,436**	**-**	**2,615,339**
Liabilities				
Measured at fair value on a recurring basis				
Derivative financial liabilities	**149**	**80,097**	**-**	**80,246**
Investment contract liabilities	**-**	**10,025**	**94,863**	**104,888**
Total financial liabilities measured at fair value on a recurring basis	**149**	**90,122**	**94,863**	**185,134**

2015	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	15,512	-	-	15,512
Debt securities	4,887	1,378,190	-	1,383,077
Investment in unlisted managed investment schemes	-	1,340,208	3,405	1,343,613
Derivative financial assets	23,032	128,242	-	151,274
Total financial assets measured at fair value on a recurring basis	43,431	2,846,640	3,405	2,893,476
Liabilities				
Measured at fair value on a recurring basis				
Derivative financial liabilities	493	7,095	-	7,588
Investment contract liabilities	-	10,318	98,996	109,314
Total financial liabilities measured at fair value on a recurring basis	493	17,413	98,996	116,902

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

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

Listed equity securities and listed managed investment schemes

The fair value of listed equity securities traded in an active market and listed managed investment schemes reflects the quoted bid price at the reporting date. In the case of equity securities and listed managed investment schemes where there is no active market, fair value is established using valuation techniques including the use of recent arm's length transactions, references to other instruments that are substantially the same, discounted cash flow analysis and option pricing models.

Debt securities

The fair value of listed debt securities reflects the bid price at the reporting date. Listed debt securities that are not frequently traded are valued by discounting estimated recoverable amounts.
The fair value of unlisted debt securities is estimated using interest rate yields obtainable on comparable listed investments. The fair value of loans is determined by discounting the estimated recoverable amount using prevailing interest rates.

Unlisted managed investment schemes

The fair value of investments in unlisted managed investment schemes is determined on the basis of published redemption prices of those managed investment schemes at the reporting date.

Derivative financial assets and liabilities

The fair value of financial instruments traded in active markets (such as publicly traded derivatives) is based on quoted market prices (current bid price or current offer price) at the reporting date. The fair value of financial instruments not traded in an active market (eg over-the-counter derivatives) is determined using valuation techniques. Valuation techniques include net present value techniques, option pricing models, discounted cash flow methods and comparison to quoted market prices or dealer quotes for similar instruments.

Section 2: Investments, intangibles and working capital

2.6 Fair value information (continued)

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

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

There have been no significant transfers between Level 1 and Level 2 during the 2016 and 2015 financial years.

Level 3 fair values

The following table shows the valuation techniques used in measuring Level 3 fair values, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs
Investments in unlisted managed investment schemes	Net Asset Value, Multiple of Earnings.	Earnings Multiple of 5 All level 3 investments in unlisted managed investment schemes were fully disposed of during 2016.
Investment contract liabilities	Valuation model based on published unit prices and the fair value of backing assets. Fixed retirement income policies - discounted cash flow.	Fair value of financial instruments. Cash flow forecasts. Credit risk.

Sensitivity analysis

Reasonably possible alternative assumptions could have been used in determining the fair values of financial instruments categorised as level 3. The following table shows the sensitivity to changes in key assumptions, calculated by changing one or more of the significant unobservable inputs for individual assets. This included adjusting the discount rate by 25bps - 100bps and adjustments to credit risk by 50bps.

No sensitivity analysis is conducted in 2016 as there are no level 3 financial assets.

	2016		2015	
	(+10%) NZ$000	(-10%) NZ$000	(+10%) NZ$000	(-10%) NZ$000
Financial assets				
Investments in unlisted managed investment schemes	-	-	301	(301)
Financial liabilities				
Investment contract liabilities	-	-	-	-

EY

Section 2: Investments, intangibles and working capital

2.6 Fair value information (continued)

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

2016	Balance at the beginning of the year NZ$000	Total gains / (losses) (2) 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	3,405	(188)	-	(3,217)	-	-	(188)
Liabilities							
Investment contract liabilities	98,996	3,995	1,826	(9,954)	-	94,863	3,995

2015	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	3,494	353	-	(442)	-	3,405	353
Total financial assets	3,494	353	-	(442)	-	3,405	353
Liabilities							
Investment contract liabilities	102,931	5,356	2,080	(11,371)	-	98,996	5,356
Total financial liabilities	102,931	5,356	2,080	(11,371)	-	98,996	5,356

(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 2 to Level 3 or vice versa.

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 investment contract liabilities this included adjustments to credit risk by 50bps.

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

The Branch recognises loans against policies with a carrying value of NZ$45.5m (2015: NZ$47.3m) on the amortised cost basis. These loans attract interest at a rate of 5.77 % p.a. (2015: 6.25 % 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. The loans would be categorised as Level 2 (2015: Level 2).

Section 3: Capital structure and financial risk management

- 3.1 Financial risk management
- 3.2 Derivatives
- 3.3 Capital management

3.1 Financial risk management

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

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

- Market risk
- Liquidity and refinancing risk
- Credit risk

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

(a) Market risk

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

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

Market risk	Exposures	Management of exposures and use of derivatives
Interest rate risk		
The risk of an impact on the Branch's profit after tax and equity arising from fluctuations of the fair value or future cash flows of financial instruments due to changes in market interest rates. Interest rate movements could result from changes in the absolute levels of interest rates, the shape of the yield curve, the margin between yield curves and the volatility of interest rates.	The Branch's long-term borrowings and subordinated debt.	Interest rate risk is managed by entering into floating-to-fixed interest rate swaps, which have the effect of converting borrowings from floating rate to fixed rate.
	Interest bearing investment assets of the shareholder and statutory funds.	The Branch manages interest rate and other market risks pursuant to an asset and liability management policy and are also subject to the relevant regulatory requirements governed by the Life Act.
Currency risk		
The risk of an impact on the Branch's profit after tax and equity arising from fluctuations of the fair value of a financial asset, liability or commitment due to changes in foreign exchange rates.	Foreign currency denominated assets and liabilities. Capital invested in overseas operations. Foreign exchange rate movements on specific cash flow transactions	The AMP group uses swaps to hedge the interest rate risk and foreign currency risk on foreign currency denominated borrowings but does not hedge the capital invested in overseas operations. The AMP group hedges material foreign currency risk originated by receipts and payments once the value and timing of the expected cash flow is known excluding the international equities portfolio attributable to shareholders within the AMP Life Statutory Fund No.1.
Equity price risk		
The risk of an impact on the Branch's profit after tax and equity arising from fluctuations of the fair value or future cash flows of a financial instrument due to changes in equity prices.	Exposure for shareholder includes listed and unlisted shares and participation in equity unit trusts.	Group Treasury may, with Group ALCO approval, use equity exposures or equity futures or options to hedge other enterprise-wide equity exposures.

Section 3: Capital structure and financial risk management

3.1 Financial risk management (continued)

(a) Market risk (continued)

Sensitivity analysis

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

- Shows the direct impact of a reasonably possible change in market rate and is not intended to illustrate a remote, worst case stress test scenario.
- Assumes that all underlying exposures and related hedges are included and the change in variable occurs at the reporting date.
- 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.

		2016		2015	
Sensitivity analysis	**Change in variables**	**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**
Interest rate risk Impact of a 100 basis point (bp) change in New Zealand and international interest rates.	- 100bp	14,650	12,382	12,345	9,904
	+100bp	(11,943)	(9,987)	(9,786)	(7,690)
Currency risk Impact of a 10% movement of exchange rates against the New Zealand dollar on currency sensitive monetary assets and liabilities.	10% depreciation	1,838	1,838	2,902	2,902
	10% appreciation	(1,840)	(1,840)	(2,908)	(2,908)
Equity price risk Impact of a 10% movement in New Zealand and international equities. Any potential impact on fees from the Branch's investment linked business in is not included.	10% increase in:				
	New Zealand equities	288	288	1,513	1,513
	International equities	1,838	1,838	2,902	2,902
	10% decrease in:				
	New Zealand equities	(289)	(289)	(1,518)	(1,518)
	International equities	(1,840)	(1,840)	(2,908)	(2,908)

(b) Liquidity and refinancing risk

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

Refinancing risk
The risk that the Branch is not able to refinance the full quantum of its ongoing debt requirements on appropriate terms and pricing.

Section 3: Capital structure and financial risk management

3.1 Financial risk management (continued)

Maturity analysis

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

2016	**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	**80,346**	**940**	**124**	**2,778**	**84,188**
Derivative financial liabilities	**5,913**	**1,378**	**72,955**	**-**	**80,246**
Investment contract liabilities[(2)]	**-**	**-**	**-**	**104,888**	**104,888**
Total undiscounted financial liabilities	**86,259**	**2,318**	**73,079**	**107,666**	**269,322**

2015	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	191,619	492	94	3,373	195,578
Derivative financial liabilities	798	641	6,149	-	7,588
Investment contract liabilities	-	-	-	109,314	109,314
Total undiscounted financial liabilities	192,417	1,133	6,243	112,687	312,480

(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$105m (2015 NZ$109m) 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.

(c) Credit risk

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

Risk	Exposures	Management of exposures and use of derivatives
Credit risk Credit default risk is the risk of financial or reputational loss due to a counterparty failing to meet their contractual commitments in full and on time. Concentration of credit risk arises when a number of financial instruments or contracts are entered into with the same counterparty or where a number of counterparties are engaged in similar business activities that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.	Wholesale credit risk on the invested fixed income portfolios in the AMP Life statutory funds.	Managed by the AMP Capital Risk and Compliance Committee and reported to the fund managers, within specified credit criteria in the mandate approved by the AMP Life and NMLA boards. Responsibility of the individual investment teams. There is also a dedicated credit research team and a specific credit investment committee.

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

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

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

Section 3: Capital structure and financial risk management

3.1 Financial risk management (continued)

(c) Credit risk (continued)

Past due but not impaired financial assets

Ageing of past due but not impaired financial assets is used by the AMP group to measure and manage emerging credit risks. The following table provides an ageing analysis of debt securities that are past due as at reporting date but not impaired.

	Past due but not impaired				
2016	**Less than 30 days** ***NZ$000***	**31 to 60 days** ***NZ$000***	**61 – 90 days** ***NZ$000***	**More than 91 days** ***NZ$000***	**Total** ***NZ$000***
Other receivables – other entities	**-**	**-**	**-**	**127**	**127**
Reinsurance and other recoveries	**597**	**431**	**2**	**1,178**	**2,207**
Total (1)	**597**	**431**	**2**	**1,305**	**2,335**

	Past due but not impaired				
2015	Less than 30 days *NZ$000*	31 to 60 days *NZ$000*	61 – 90 days *NZ$000*	More than 91 days *NZ$000*	Total *NZ$000*
Other receivables – other entities	-	-	-	5	5
Reinsurance and other recoveries	2,854	495	-	686	4,035
Total (1)	2,854	495	-	691	4,040

(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.

Collateral and master netting or similar agreements

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

(i) Derivative financial assets and liabilities
The credit risk of derivatives is managed in the context of the AMP group's overall credit risk policies and includes the use of Credit Support Annexes to derivative agreements which facilitate the bi-lateral posting of collateral.

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

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

If these netting arrangements were applied to the derivative portfolio, the derivative assets of NZ$43.5m would be reduced by NZ$74.3m to the net amount of NZ$(30.8)m and derivative liabilities of NZ$80.2m would be reduced by NZ$74.3m to the net amount of NZ$5.9m (31 December 2015: derivative assets of NZ$151.3m reduced by NZ$6.8m to the net amount of NZ$144.5m and derivative liabilities of NZ$7.6m reduced by NZ$0.8m to the net amount of NZ$6.8m).

(ii) Other collateral
The Branch 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.

As at 31 December 2016 no collateral was posted by counterparties to meet standard derivative trading obligations (2015: NZ$95m) and NZ$70m of collateral posted with counterparties to meet standard derivative trading obligations (2015: NZ$4.5m).

Section 3: Capital structure and financial risk management

3.2 Derivatives

Derivative financial assets and derivatives 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 re measured 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.

3.3 Capital management

AMP Life and its subsidiaries hold capital to protect customers, creditors and shareholders and policyholders against unexpected losses to a level that is consistent with the AMP group's risk appetite, approved by the board. AMP Life and its subsidiaries aim to optimise the mix of capital resources in order to minimise the cost of capital and maximise shareholder value.

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. Controlled entities of AMP Life also include an APRA regulated approved superannuation trustee (RSE) and companies that hold Australian Financial Services Licences (AFSL).

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:
- Capital adequacy requirements as specified under the Life Act and APRA Life Insurance Prudential Standards. This applies to AMP Life as a whole, and each statutory fund of the company.
- Controlled entities of AMP Life that hold an AFSL and RSE license – capital and liquidity requirements under the appropriate AFSL and APRA Superannuation Prudential Standards.

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 of the Branch 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.

At all times during the current and prior financial year, all of the AMP group regulated entities complied with the applicable externally imposed capital requirements.

Section 4: Life insurance and investment contracts

- 4.1 Accounting for life insurance and investment contracts
- 4.2 Life Insurance contracts - premiums, claims, expenses and liabilities
- 4.3 Life Insurance contracts - assumptions and valuation methodology
- 4.4 Life Insurance contracts - risk
- 4.5 Other disclosure - life insurance contracts and investment contracts

4.1 Accounting for life insurance contracts and investment contracts

The two major contract classifications are investment contracts and life insurance contracts.

For the purposes of this financial statement, holders of investment contracts or life insurance contracts are collectively and individually referred to as *policyholders*.

Investment contracts
The investment contracts of NZ Branch relate to wealth management products such as savings, investment-linked and retirement income policies. The nature of this business is that NZ Branch receives deposits from policyholders and those funds are invested on behalf of the policyholders. Fees and other charges are passed to the shareholder and reported as revenue.

The liability to policyholders, other than for fixed retirement income policies, is linked to the performance and value of the assets that back those liabilities. The fair value of such liabilities is therefore the same as the fair value of those assets. For fixed retirement income policies, the liability is linked to the fair value of the fixed retirement income payments and associated management services.

The fair value of the fixed retirement income payments is calculated as 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.

Life insurance contracts
NZ Branch 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 NZ Branch. Such contracts are defined as *life insurance contracts* and accounted for using *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 investment 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 depend on the nature, structure and terms 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 *Life Insurance Act 1995* (Cth) (Life Act).

Once profit is allocated to participating policyholders it can only be distributed to these policyholders.

Profit allocated to participating policyholders is recognised in the Income statement as an increase in policy liabilities. The policy liabilities include profit that has not yet been allocated to specific policyholders (ie unvested) and that which has been allocated to specific policyholders by way of bonus distributions (ie vested).

Bonus distributions to participating policyholders do not alter the amount of profit attributable to shareholders. There are merely changes the nature of the liability from unvested to vested.

Section 4: Life insurance and investment contracts

4.1 Accounting for life insurance contracts and investment contracts (continued)

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 shareholders in proportion to the balances of policyholders' and shareholders' retained earnings. This proportion is, mostly, 80% to policyholders and 20% to shareholders.

(ii) Other MoS profits arising from discretionary participating business are allocated 80% to policyholders and 20% to shareholders, with the following exceptions:

- the profit arising from New Zealand corporate superannuation business is apportioned such that shareholders are allocated 15% of the profit allocated to policyholders

Allocation of expenses within the statutory funds
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 or product are allocated directly to a particular expense category, fund, 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 to the activities to which that expense relates to. The apportionment basis has been made in accordance with Actuarial 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 the margin described in section 4.1.

Investment management expenses of the life statutory funds are classified as operating expenses.

Reinsurance
Life insurance contract premium ceded to reinsurers is recognised as an expense and Life insurance contract claims recovered from reinsurers is recognised as income.

The present value of net contractual rights and obligations under reinsurance contracts is presented as a reinsurance asset or a reinsurance liability.

Changes in the reinsurance asset during the period are recognised as Changes in policyholder liabilities.

Critical accounting judgments and estimates

Life insurance contract liabilities
The measurement of life insurance contract liabilities is determined using the MoS methodology. The determination of the liability amounts involves judgement in selecting the valuation methods, profit carriers and valuation assumptions for each type of business. 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.

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

Section 4: Life insurance and investment contracts

4.2 Life insurance contracts – premiums, claims, expenses and liabilities

	2016 NZ$000	2015 NZ$000
(a) Analysis of life insurance contract premium revenue – net of reinsurance		
Life insurance contract premium revenue [(1)]	185,628	190,386
Life insurance contract premium ceded to reinsurers	(13,223)	(13,467)
Life insurance contract premium revenue – net of reinsurance	172,405	176,919
(b) Analysis of life insurance contract claims expenses – net of reinsurance		
Life insurance contract claims expense	176,176	183,914
Life insurance claims recovered from reinsurers	(12,042)	(11,213)
Life insurance contract claims expenses – net of reinsurance	164,134	172,701
(c) Analysis of life insurance operating expenses		
Life insurance contract acquisition expenses		
- Commission	2,410	3,900
- Other expenses	15,661	14,812
Life insurance contract maintenance expenses		
- Commission	12,810	13,205
- Other expenses	23,724	20,750
Investment management expenses	8,108	11,109
(d) Life insurance contract liabilities		
Life insurance contract liabilities determined using projection method		
Best estimate liability		
- Value of future life insurance contract benefits	2,153,221	2,128,177
- Value of future expenses	362,705	389,003
- Value of future premiums	(1,848,857)	(1,887,347)
Value of future profits		
- Life insurance contract holder bonuses	646,183	618,836
- shareholders' profit margins	342,950	342,642
Total life insurance contract liabilities determined using projection method	1,656,202	1,591,311
Life insurance contract liabilities determined using accumulation method		
Best estimate liability		
- Value of future life insurance contract benefits	115,465	109,790
Total life insurance contract liabilities determined using accumulation method	115,465	109,790
Value of declared bonus	26,429	25,656
Unvested policyholder benefits liabilities[(2)]	536,956	533,861
Total life insurance contract liabilities before reinsurance	2,335,052	2,260,619
Reinsurance asset – ceded life insurance contracts	25,135	25,471
Total life insurance contract liabilities per the Statement of financial position	2,360,187	2,286,090

[(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.

Section 4: Life insurance and investment contracts

4.2 Life insurance contracts - premiums, claims, expenses and liabilities (continued)

Accounting policy
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.

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.
(ii) amounts credited directly to investment contract liabilities.

Insurance claims and related expenses

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.

	2016 *NZ$000*	2015 *NZ$000*
(e) Reconciliation of changes in life insurance contract liabilities		
Total life insurance contract liabilities at the beginning of the year	**2,286,090**	2,125,851
Change in life insurance contract liabilities recognised in the Income statement	**76,819**	167,086
Change in reinsurance asset – ceded life insurance contracts	**(336)**	800
Premiums recognised as an increase in life insurance contract liabilities	**19,132**	17,834
Claims recognised as a decrease in life insurance contract liabilities	**(21,518)**	(25,481)
Total life insurance contract liabilities at the end of the year	**2,360,187**	2,286,090

Section 4: Life insurance and investment contracts

4.3 Life insurance contracts - assumptions and valuation methodology

Life insurance contract liabilities, and hence the net profit from life insurance contracts, are calculated by applying the principles of margin on services (MoS) described in section 4.1. The key assumptions and methods used in the calculation of life insurance contract liabilities are outlined below.

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
Participating allocated annuities	Modified accumulation	N/A
Life annuities	Projection	Annuity payments

(a) 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:

Business Type	Basis	**31 December 2016**	31 December 2015
Retail risk (other than income benefit open claims)	Zero coupon government bond yield curve	1.9% - 4.8%	2.7% - 4.5%
Retail risk and group risk (income benefit open claims)	Zero coupon government bond yield curve (including liquidity premium)	2.2% - 5.1%	3.1% - 5.0%
Life annuities (non-CPI)	Zero coupon government bond yield curve (including liquidity premium)	2.3% - 5.2%	3.3% - 5.1%
Life annuities (CPI)	Government indexed bond yield curve (including liquidity premium)	0.9% - 3.4%	2.0% - 3.5%

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

(b) 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 (c) below. These expenses include fees charged to the life statutory fund by service companies in the AMP Group. Unit costs vary by product line and class of business based on an apportionment that is supported by expense analyses.

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

Section 4: Life insurance and investment contracts

4.3 Life insurance contracts - assumptions and valuation methodology (continued)

(c) Inflation and indexation
Benefits and premiums of 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 the Branch's own experience.

The expense inflation assumptions have been set based on the inflation rates, recent expense performance, the Branch's current plans and the terms of the relevant service company agreement, as appropriate.

The assumed annual inflation and indexation rates at 31 December 2016 are 1.5% for CPI and 2.0% for expenses (31 December 2015: 2.5% for CPI and 3.0% for expenses).

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

(e) Voluntary discontinuance

Assumptions for the incidence of withdrawals, paid ups and premium dormancy are primarily based on investigations of the Branch'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 the Branch 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 2016**	31 December 2015
Conventional	**1.1% - 1.6%**	1.1% - 1.7%
Retail risk (lump sum)	**12.0%**	12% - 13%
Retail risk (income benefit) (1)	**11.4%**	11.4%

(f) 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.

(g) Mortality and morbidity
Standard mortality tables, based on national or industry wide data, are used.

Rates of mortality assumed at 31 December 2016 for the Branch are as follows:
- Retail risk mortality rates are unchanged from those assumed at 31 December 2015.The rates are based on the Industry standard IA04-08 Death Without Riders.
- Conventional business mortality rates are unchanged from those assumed at 31 December 2015.
- Annuitant mortality rates are unchanged from those assumed at 31 December 2015.

For New Zealand income protection business, the assumptions are unchanged from those assumed at 31 December 2015. These assumptions are based on the IAD89-93 standard table.

For New Zealand TPD and Trauma business, the retail risk products assumptions are unchanged from those assumed at 31 December 2015. These assumptions are based on the latest industry table IA04-08.

The assumptions are summarised in the following table:

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

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

Section 4: Life insurance and investment contracts

4.3 Life insurance contracts - assumptions and valuation methodology (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%-78%

Retail Lump Sum	Male % of IA04-08	Female % of IA04-08
TPD [3]	150%	190%
Trauma [4]	114%	114%

[3] Base IA04-08 TPD table modified based on our aggregated experience but with overall product specific adjustment factors.
[4] Base IA04-08 Trauma table modified based on our aggregated experience but with overall product specific adjustment factors.

Typical morbidity assumptions in aggregate are as follows:
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 Life and NMLA 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”. The table has been modified based on aggregated experience with overall product specific adjustment factors.
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 Australian disability income experience for the period 1989 - 1993. The table has been adjusted to take account of AMP Life and NMLA’s own experience.
ADI 07-11	A disability table developed by KPMG at the request of the Financial Services Council (FSC) based on Australian disability income experience for the period 2007-2011. This table has been modified to allow for overall product specific adjustment factors.

(g) Other participating business assumptions

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 in the following table.

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 2016	**3.4%**	**4.5%**	**3.5%**	**2.5%**	**0.6%**	**(0.5%)**

	10 Year Government Bonds	Local equities	International equities	Property	Fixed interest	Cash
31 December 2015	3.6%	4.5%	3.5%	2.5%	0.7%	(0.5%)

EY

Section 4: Life insurance and investment contracts

4.3 Life insurance contracts - assumptions and valuation methodology (continued)

Other participating business assumptions (continued)

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 2016	**34%**	**17%**	**41%**	**8%**

	Equities	Property	Fixed interest	Cash
31 December 2015	34%	17%	42%	7%

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

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.

For participating business, the total value of future bonuses (and the associated shareholders' profit margins) 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 shareholders' profit margins 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.

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
- ongoing 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 2015 in parentheses):

Reversionary Bonus

Bonus on sum insured	0.7%-1.0% (0.8%-1.2%)
Bonus on existing bonuses	0.7%-1.0% (0.8%-1.2%)

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

Crediting Rates (investment account) 2.0%-3.3% (3.1%-7.1%)

(h) 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 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.

The impact on future profit margins of changes in actuarial assumptions from 31 December 2015 to 31 December 2016 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:

Section 4: Life insurance and investment contracts

4.3 Life insurance contracts - assumptions and valuation methodology (continued)

(i) Impact of changes in assumptions (continued)

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	(6,981)	-	-
Mortality and morbidity	1,539	-	-
Discontinuance rates	16,207	-	-
Maintenance expenses	2,150	-	-
Other assumptions [1]	1,451	-	-

[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 for all forecasted future periods 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.

Section 4: Life insurance and investment contracts

4.4 Life insurance contracts - risk

(a) Life insurance risk

The Branch issues contracts that transfer significant insurance risk from the policyholder, covering death, disability or longevity of the insured, often in conjunction with the provision of wealth management products.

The products carrying insurance risk are designed to ensure that policy wording and promotional materials are clear, unambiguous and do not leave the Branch open to claims from causes that were not anticipated. The variability inherent in insurance risk, including concentration risk, is managed by having a large geographically diverse portfolio of individual risks, underwriting and the 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 generally underwritten individually on their merits. Individual policies which 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 with an objective 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.

The Branch reinsures (cedes) to reinsurance companies a proportion of its 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
- reduce overall exposure to risk
- reduce the amount of capital required to support the business.

The reinsurance companies are regulated by the Australian Prudential Regulation Authority (APRA); or industry regulators in other jurisdictions and have strong credit ratings from AA- to AA+.

Section 4: Life insurance and investment contracts

4.4 Life insurance contracts - risk (continued)

(b) Key terms and conditions of life insurance contracts
The nature of the terms of the life insurance contracts written by the Branch is such that certain external variables can be identified on which related cash flows for claim payments depend. The following table 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 the Branch depend.

Type of contract	Detail of contract workings	Nature of compensation for claims	Key variables affecting future cash flows
Non-participating life insurance contracts with fixed and guaranteed terms (term life and disability)	These policies provide guaranteed benefits, which are paid on death or ill-health, that are fixed and not at the discretion of the Life Company. Premium rates for yearly renewable business are not guaranteed and may be changed at the Life Company's discretion for the portfolio as a whole.	Benefits are defined by the insurance contract and are not directly affected by the investment performance of any underlying assets.	Mortality, morbidity, lapses, expenses and investment market earning rates on assets backing the liabilities.
Life annuity contracts	These policies provide a guaranteed regular income for the life of the insured in exchange for an initial single premium.	The amount of the guaranteed regular income is set at inception of the policy allowing for any indexation.	Longevity, expenses, inflation and investment market earning rates on assets backing the liabilities.
Conventional life insurance contracts with discretionary participating benefits (endowment and whole of life)	The policyholder pays a regular premium and receives the specified sum insured plus any accruing bonuses on death or maturity. The sum insured is specified at inception and guaranteed. Bonuses are added annually, which once added are guaranteed. A further 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.	Investment market earning rates on assets backing the liabilities, lapses, expenses and mortality.
Investment account contracts with discretionary participating features	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.	Payment of the account balance is generally guaranteed, although it may be subject to certain penalties on early surrender or limited adjustment in adverse investment 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 investment market earning rates on the assets backing the liabilities.

Section 4: Life insurance and investment contracts

4.4 Life insurance contracts - risk (continued)

(c) Insurance risk sensitivity analysis – life insurance contracts

For life insurance contracts that 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, unless the product is in or close to loss recognition.

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

		Change in life insurance contract liabilities		**Change in shareholder profit after income tax and equity**	
Variable		**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	**(1,682)**	**(1,682)**	**1,682**	**1,682**
Annuitant mortality	50 % increase in the rate of mortality improvement	**875**	**875**	**(875)**	**(875)**
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	**1**	**1**	**(1)**	**(1)**

(d) Liquidity risk and future net cash outflows

The following table 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 2016	**13,340**	**42,836**	**997,049**	**1,053,225**
31 December 2015	22,800	56,265	895,589	974,664

Section 4: Life insurance and investment contracts

4.5 Other disclosure - life insurance contracts and investment contracts

	2016 *NZ$000*	2015 *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	**28,189**	35,143
- Profits (losses) arising from difference between actual and assumed experience	**24**	9,706
- Profits (losses) arising from changes in assumptions	**4,135**	648
- Capitalised (losses) reversals	**(206)**	(23)
Profit related to life insurance and investment contract liabilities	**32,142**	45,475
Attributable to:		
- Life insurance contracts	**31,333**	42,717
- Investment contracts	**809**	2,758
Investment earnings on assets in excess of life insurance and investment contract liabilities	**23,022**	21,719

(b) Restrictions on assets in statutory funds

The Branch 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.

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 life statutory fund, to acquire investments to further the business of the life statutory fund or as distributions provided solvency, capital adequacy and other regulatory requirements are met.

(c) Capital guarantees

	2016 *NZ$000*	2015 *NZ$000*
Life insurance contracts with a discretionary participating feature		
- Amount of the liabilities that relate to guarantees	**1,470,046**	1,462,785
Investment linked contracts		
- Amount of the liabilities subject to investment performance guarantees	**951**	976

(d) Capital requirements

The RBNZ has granted AMP Life a full licence to carry on insurance business in New Zealand under IPSA. As part of the grant of that license, 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.

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.

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Section 4: Life insurance and investment contracts

4.5 Other disclosure - life insurance contracts and investment contracts (continued)

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 2016 and 2015.

2016 Prescribed Capital Amount (PCA)		No.1 Statutory Fund *AUD $m*	Shareholders' Fund *AUD $m*	Total *AUD $m*
Capital base				
Net assets as per Life Insurance Act		**1,490**	**1,355**	**2,845**
- Common equity Tier 1 Capital		**1,490**	**1,150**	**2,640**
- Additional Tier 1 Capital		**-**	**205**	**205**
Total regulatory adjustments to net assets		**(304)**	**(553)**	**(857)**
- Total regulatory adjustments to Common equity Tier 1 Capital		**(304)**	**(553)**	**(857)**
Common equity Tier 1 Capital		**1,186**	**802**	**1,988**
Tier 2 Capital		**170**	**-**	**170**
Total regulatory adjustments to Tier 2 Capital		**-**	**-**	**-**
Total capital base	**A**	**1,356**	**802**	**2,158**
Prescribed capital				
Insurance risk charge		**96**	**-**	**96**
Asset risk charge		**508**	**13**	**521**
Asset concentration risk charge		**-**	**-**	**-**
Operational risk charge		**84**	**-**	**84**
Less aggregation benefit		**(69)**	**-**	**(69)**
Combined stress scenario adjustment		**22**	**5**	**27**
Total Prescribed Capital Amount (PCA)	**B**	**641**	**18**	**659**
Capital adequacy multiple	**A/B**	**212%**	**4456%**	**327%**

2015 Prescribed Capital Amount (PCA)		No.1 Statutory Fund *AUD $m*	Shareholders' Fund *AUD $m*	Total *AUD $m*
Capital base				
Net assets as per Life Insurance Act		2,140	948	3,088
- Common equity Tier 1 Capital		2,140	743	2,883
- Additional Tier 1 Capital		-	205	205
Total regulatory adjustments to net assets		(866)	(558)	(1,424)
- Total regulatory adjustments to Common equity Tier 1 Capital		(866)	(558)	(1,424)
Common equity Tier 1 Capital		1,274	390	1,664
Tier 2 Capital		170	-	170
Total regulatory adjustments to Tier 2 Capital		-	-	-
Total capital base	A	1,444	390	1,834
Prescribed capital				
Insurance risk charge		21	-	21
Asset risk charge		468	7	475
Asset concentration risk charge		-	-	-
Operational risk charge		85	-	85
Less aggregation benefit		(17)	-	(17)
Combined stress scenario adjustment		91	-	91
Total Prescribed Capital Amount (PCA)	B	648	7	655
Capital adequacy multiple	A/B	223%	5571%	280%

(e) Actuarial information

Mr Anton Kapel (FNZSA, BEc, MappFin, FIAA, FFin, CERA), the Appointed Actuary of AMP Life, is satisfied as to the accuracy of the data used in the valuations in the consolidated financial statements and in the tables in this note and note 4.2.

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.

Section 4: Life insurance and investment contracts

4.5 Other disclosure - life insurance contracts and investment contracts (continued)

(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$217m (2015: NZ$217m) of policy liabilities may be settled within 12 months from the reporting date.

(g) Disaggregated information

The Life Act requires the life insurance business of the Branch 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 consolidated 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 2016 *NZ$000*	Non Investment Linked 2016 *NZ$000*	Elimination 2016 *NZ$000*	Total Statutory Fund 2016 *NZ$000*	Shareholder Fund 2016 *NZ$000*	Total Parent 2016 *NZ$000*
Income and expenses of policyholders and the shareholder						
Life insurance contract premium revenue – net of reinsurance	**-**	**172,405**	**-**	**172,405**	**-**	**172,405**
Fee revenue	**2,463**	**776**	**-**	**3,239**	**-**	**3,239**
Investment gains and (losses)	**7,109**	**233,515**	**-**	**240,624**	**-**	**240,624**
Life insurance contract claims expenses – net of reinsurance	**-**	**(164,134)**	**-**	**(164,134)**	**-**	**(164,134)**
Operating expenses	**(950)**	**(54,651)**	**-**	**(55,601)**	**-**	**(55,601)**
Finance costs	**118**	**(369)**	**-**	**(251)**	**-**	**(251)**
Change in policyholder liabilities						
-Life insurance contracts	**(6,940)**	**-**	**-**	**(6,940)**	**-**	**(6,940)**
-Investment contracts	**-**	**(76,819)**	**-**	**(76,819)**	**-**	**(76,819)**
Profit (loss) before income tax	**1,800**	**110,723**	**-**	**112,523**	**-**	**112,523**
Income tax credit (expense)	**(991)**	**(56,368)**	**-**	**(57,359)**	**-**	**(57,359)**
Net profit for the year	**809**	**54,355**	**-**	**55,164**	**-**	**55,164**

	Investment Linked 2015 *NZ$000*	Non Investment Linked 2015 *NZ$000*	Elimination 2015 *NZ$000*	Total Statutory Fund 2015 *NZ$000*	Shareholder Fund 2015 *NZ$000*	Total Parent 2015 *NZ$000*
Income and expenses of policyholders and the shareholder						
Life insurance contract premium revenue – net of reinsurance	-	176,919	-	176,919	-	176,919
Fee revenue	5,121	827	-	5,948	-	5,948
Investment gains and (losses)	8,723	324,570	-	333,293	-	333,293
Life insurance contract claims expenses – net of reinsurance	-	(172,701)	-	(172,701)	-	(172,701)
Operating expenses	(780)	(54,276)	-	(55,056)	-	(55,056)
Finance costs	-	(336)	-	(336)	-	(336)
Change in policyholder liabilities						
-Life insurance contracts	-	(167,086)	-	(167,086)	-	(167,086)
-Investment contracts	(10,498)	-	-	(10,498)	-	(10,498)
Profit (loss) before income tax	2,566	107,917	-	110,483	-	110,483
Income tax credit (expense)	192	(43,482)	-	(43,290)	-	(43,290)
Net profit for the year	2,758	64,435	-	67,193	-	67,193

Section 4: Life insurance and investment contracts

4.5 Other disclosure - life insurance contracts and investment contracts (continued)

(g) Disaggregated information (continued)

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

	Investment Linked 2016 *NZ$000*	Non Investment Linked 2016 *NZ$000*	Elimination 2016 *NZ$000*	Total Statutory Fund 2016 *NZ$000*	Shareholder Fund 2016 *NZ$000*	Total Parent 2016 *NZ$000*
Assets						
Investments in financial assets	**257,187**	**3,377,562**	**(55,143)**	**3,579,606**	**2,000**	**3,581,606**
Other assets	**(184,019)**	**373,897**	**-**	**189,878**	**-**	**189,878**
Total assets of policyholders and the shareholder	**73,168**	**3,751,459**	**(55,143)**	**3,769,484**	**2,000**	**3,771,484**
Liabilities						
Life insurance contract liabilities	**-**	**2,360,187**	**-**	**2,360,187**	**-**	**2,360,187**
Investment contract liabilities	**104,888**	**-**	**-**	**104,888**	**-**	**104,888**
Other liabilities	**(32,529)**	**823,566**	**(55,143)**	**735,894**	**-**	**735,894**
Total liabilities of policyholders and the shareholder	**72,359**	**3,183,753**	**(55,143)**	**3,200,969**	**-**	**3,200,969**
Net assets	**809**	**567,706**	**-**	**568,515**	**2,000**	**570,515**
Equity						
Retained earnings	**809**	**567,706**	**-**	**568,515**	**2,000**	**570,515**
Total equity	**809**	**567,706**	**-**	**568,515**	**2,000**	**570,515**

	Investment Linked 2015 *NZ$000*	Non Investment Linked 2015 *NZ$000*	Elimination 2015 *NZ$000*	Total Statutory Fund 2015 *NZ$000*	Shareholder Fund 2015 *NZ$000*	Total Parent 2015 *NZ$000*
Assets						
Investments in financial assets	252,729	3,399,398	(51,336)	3,600,791	2,000	3,602,791
Other assets	(173,242)	288,707	-	115,465	-	115,465
Total assets of policyholders and the shareholder	79,487	3,688,105	(51,336)	3,716,256	2,000	3,718,256
Liabilities						
Life insurance contract liabilities	-	2,286,090	-	2,286,090	-	2,286,090
Investment contract liabilities	109,314	-	-	109,314	-	109,314
Other liabilities	(32,585)	833,934	(51,336)	750,013	-	750,013
Total liabilities of policyholders and the shareholder	76,729	3,120,024	(51,336)	3,145,417	-	3,145,417
Net assets	2,758	568,081	-	570,839	2,000	572,839
Equity						
Retained earnings	2,758	568,081	-	570,839	2,000	572,839
Total equity	2,758	568,081	-	570,839	2,000	572,839

Section 4: Life insurance and investment contracts

4.5 Other disclosure - life insurance contracts and investment contracts (continued)

(g) Disaggregated information (continued)

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

	Investment Linked 2016 *NZ$000*	Non Investment Linked 2016 *NZ$000*	Total Statutory Fund 2016 *NZ$000*	Shareholder Fund 2016 *NZ$000*	Total Parent 2016 *NZ$000*
Opening retained earnings	**2,758**	**568,081**	**570,839**	**2,000**	**572,839**
Profit for the year	**809**	**54,355**	**55,164**	**-**	**55,164**
Transfer of profit to parent branch	**-**	**(57,488)**	**(57,488)**	**-**	**(57,488)**
Transfer	**(2,758)**	**2,758**	**-**	**-**	**-**
Closing retained earnings	**809**	**567,706**	**568,515**	**2,000**	**570,515**

	Investment Linked 2015 *NZ$000*	Non Investment Linked 2015 *NZ$000*	Total Statutory Fund 2015 *NZ$000*	Shareholder Fund 2015 *NZ$000*	Total Parent 2015 *NZ$000*
Opening retained earnings	968	567,691	568,659	2,000	570,659
Profit for the year	2,758	64,435	67,193	-	67,193
Transfer of profit to parent branch	-	(65,013)	(65,013)	-	(65,013)
Transfer	(968)	968	-	-	-
Closing retained earnings	2,758	568,081	570,839	2,000	572,839

	2016 ***NZ$000***	2015 *NZ$000*
(h) Analysis of other life insurance and investment contract operating expenses		
Other life insurance and investment contract acquisition expenses		
- Commission	**2**	7
- Other expenses	**139**	124
Other life insurance and investment contract maintenance expenses		
- Commission	**110**	122
- Other expenses	**657**	599
Investment management expenses	**431**	440

Section 5: Employee disclosures

5.1 Key management personnel

(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	
Trevor Matthews	Chairman, Non-executive Director	Appointed Chairman 12 May 2016
Megan Beer	Managing Director	Appointed 29 November 2016
Craig Meller	Executive Director	
Anthony Coleman	Non-executive Director	
Diana Eilert	Non-executive Director	
Andrew Harmos	Non-executive Director	
Holly Kramer	Non-executive Director	Appointed 12 May 2016
Peter Shergold	Non-executive Director	
Mike Wilkins	Non-executive Director	Appointed 21 October 2016
Catherine Brenner	Chairman, Non-Executive Director	Resigned 12 May 2016
Pauline Blight-Johnston	Managing Director	Resigned 29 November 2016

(b) Compensation of key management personnel[1]

	2016 AUD$	2015 AUD$
Short term benefits	4,715,214	5,718,022
Post-employment benefits	245,256	192,929
Share based payments	3,674,929	2,837,693
Other long-term benefits	75,138	141,334
Termination Benefits	291,486	-
Total	9,002,023	8,889,978

1 For key management personnel of the company who are also key management personnel of AMP Limited, the amounts include compensation from AMP Limited.

(c) Key management personnel access to AMP's products

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 the Branch 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 the Branch in 2016 (2015: 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 has transactions with the Branch. 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.

Accounting policy – recognition and measurement

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

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

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

Section 5: Employee disclosures

5.2 Pension liability

A subsidiary of the Shareholder Fund contributes to an employer-sponsored superannuation scheme that provides lump sum benefits for defined contribution members and pension benefits for defined benefit members on retirement (the "Plan"). The Plan is closed to new members

Plan Information

All active members have accumulation benefits with a lump sum payable on retirement. The majority of the Plan's liabilities relate to the pensioner members.

Contributions

The Branch pays contributions to the Plan based on external actuarial advice. The Branch monthly contributions ceased in March 2015.

The following tables summarise the components of the net amounts recognised in the Income statement and Statement of Comprehensive Income and the net amounts recognised in the Statement of Financial Position for the Branch's superannuation plan. The Branch is one of two participating employers within the AMP (New Zealand) Staff Superannuation Plan and so 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 approximately 96% of the total plan.

	2016 ***NZ$000***	2015 *NZ$000*
(a) Defined benefit expense		
Current service cost	**28**	27
Interest cost	**93**	48
Contributions tax	**59**	36
Total defined benefit expense	**180**	111
(b) Amounts recognised in the Statement of comprehensive income (SOCI)		
Actuarial losses*	**272**	743
Actual return on plan assets less interest income	**(130)**	244
Tax	**71**	486
Total (gains) / losses recognised via the SOCI	**213**	1,473
(c) Movement in defined benefit obligation		
Balance at the beginning of the year	**26,569**	27,057
Current service cost	**28**	27
Interest cost	**888**	1,009
Contributions by plan participants	**22**	18
Actuarial losses*	**272**	743
Benefits paid	**(3,549)**	(2,283)
Taxes, premium and expenses paid	**(2)**	(2)
Balance at the end of the year	**24,228**	26,569

**Actuarial gains and losses*
These can be broken down further into gains arising from changes in demographic assumptions (2016: $0m; 2015: $0.2m), and losses from changes in financial assumptions (2016: $0.1m; 2015: $0.7m) and changes in liability experience (2016: $0.2m; 2015: $0.3m).

	2016 ***NZ$000***	2015 *NZ$000*
(d) Movement in fair value of plan assets		
Balance at beginning of the year	**23,913**	25,061
Interest income	**795**	961
Expected return on plan assets	**130**	(244)
Contributions by the employer	**42**	402
Contributions by plan participants	**22**	18
Benefit paid	**(3,549)**	(2,283)
Taxes, premium and expenses paid	**(2)**	(2)
Balance at the end of the year	**21,351**	23,913
(e) Defined benefit (deficit)		
Defined benefit obligations	**(24,228)**	(26,569)
Less fair value of plan assets	**21,351**	23,913
Contributions tax	**(1,416)**	(1,308)
Net liability recognised in the Statement of financial position	**(4,293)**	(3,964)

Section 5: Employee disclosures

5.2 Pension liability (continued)

	2016 NZ$000	2015 NZ$000
(f) Movement in net defined benefit (deficit)		
Opening liability at the beginning of the year	**(3,964)**	(2,979)
Total expense recognised in income	**(180)**	(111)
Employer contributions	**64**	599
Actuarial loss recognised in other comprehensive income	**(213)**	(1,473)
Deficit at the end of the year	**(4,293)**	(3,964)

The expected contributions are based on the latest report from the external actuaries, Mercer (N.Z.) Limited dated 12 December 2016.

Fair Value of Plan Assets

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

- Any of the Branch's own financial instruments*
- Any property occupied by, or other assets used by, the Employer.

*Almost 100% of the Plan assets are invested in investment products issued by AMP

The asset category of the plan assets consists of investment funds in balanced funds and aggressive funds all available in an active market.

(g) Sensitivity analysis

The defined benefit obligation under different scenarios is as follow:

	NZ$000
Base Case	**24,227**
Scenario A: 1% lower discount rate assumption	**26,338**
Scenario B: 1 year additional life expectancy	**25,474**
Scenario C: 1% higher pension increase rate assumption	**25,684**

(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:

	2016 %	**2015 %**
Discount rate	**3.30**	3.50
Future pension increases	**1.50**	1.65
Inflation increase	**2.00**	2.20

The increase in the liability totals $0.3m (2015: $1.0m). The change in discount rate is based on an annualised 5 and 10 year Government bond yield.

Pensioner mortality is based on the New Zealand Period Life Tables 2012-2014 rated down one year.

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

At the dates of the most recent financial statements of the Plan, the Branch's share of the deficit measured as the difference between the fair value of plan assets and the defined benefit obligations of the plan was $2,876,000 (2015: $2,656,000) 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.

Section 5: Employee disclosures

5.2 Pension liability (continued)

(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 2017	**2,329**
31 December 2018	**2,289**
31 December 2019	**2,242**
31 December 2020	**2,185**
31 December 2021	**2,119**
Following 5 years	**9,339**

The weighted average duration of the defined benefit obligation is 8 years.

(k) Allocation of assets

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

	2016	2015
The percentage invested in each asset class at the reporting date:		
Equity	**34%**	34%
Fixed income	**36%**	35%
Property	**7%**	10%
Other	**10%**	7%
Cash	**14%**	14%

An increase in the granularity of information re the asset classes has meant that Global infrastructure is now included in the Other asset class rather than the Property asset class for 2015 and 2016.

Accounting policy – recognition and measurement

A subsidiary of the Shareholder Fund is one of two of 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.

The cost of providing benefits under the defined benefit section is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognised directly in other comprehensive income. Past service costs are recognised immediately to the extent that the benefits are already vested, and otherwise amortised on a straight line basis over the average period until the benefits become vested. For the defined contribution section, the subsidiary of the Shareholder Fund pays contributions to the Plan on a mandatory basis. The subsidiary of the Shareholder Fund has no further payment obligations once the contributions have been paid.

The subsidiary of the Shareholder Fund recognises the pension asset or liability in the Statement of Financial Position. The deficit or surplus is measured as the difference between the fair value of the section's assets and the discounted defined benefit obligation of the liabilities, adjusted for unrecognised past service cost. Any asset resulting from this calculation is limited to past service costs, plus the present value of available refunds and reductions in future contributions to the section.

Critical accounting estimates and judgements:
A subsidiary of the Shareholder Fund operates a pension plan which requires contributions to the Fund to be made to a separately administered fund. The fair value of the pension 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.

Section 5: Employee disclosures

5.3 Share-based payments

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 for shareholders. Information on plans which AMP currently offers is provided below.

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

Plans currently offered	**2016 $'000**	**2015 $'000**
Performance rights	628	534
Share rights	1,075	769
Employee share acquisition plan – matching shares	-	1
Total share-based payment expense	**1,703**	**1,304**

(a) Performance rights

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 the interests of those executives, who are most directly able to influence company performance, are appropriately aligned with the interests of shareholders.

Plan	**LTI award plan**
Overview	Performance rights give the participant the right to acquire one fully paid ordinary share in AMP Limited upon meeting specific performance hurdles. They are granted at no cost to the participant and carry no dividend or voting rights until they vest. Performance rights may be settled through a cash payment in lieu of shares, at the discretion of the board.
Vesting conditions	The performance hurdles for rights granted in 2013 and 2014 are: • 50% subject to AMP's total shareholder return (TSR) performance relative to the top industrial companies in the S&P/ASX 100 Index over a three-year performance period. • 50% subject to a return on equity (RoE) measure The performance hurdles for rights granted in 2015 and 2016 are: • 60% subject to AMP's TSR performance relative to the top industrial companies in the S&P/ASX 100 Index over a three-year performance period. • 40% subject to a RoE measure
Vesting period	3 years
Vested awards	Vested performance rights are automatically converted to shares on behalf of participants.
Unvested awards	Unvested awards are forfeited if the participant voluntarily ceases employment or is dismissed for misconduct or poor performance.

Section 5: Employee disclosures

5.3 Share-based payments (continued)

Valuation of performance rights

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

In determining the share-based payments expense, the number of instruments expected to vest has been adjusted to reflect the number of employees expected to remain with AMP until the end of the performance period.

The following table shows the factors considered in determining the allocation value of the performance rights granted during the period:

Grant Date	Share Price AUD	Contractual Life	Dividend Yied	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
02/06/2016	$5.54	3.0 years	4.70%	24%	4.60%	57%	0%	$2.37	$4.81
04/06/2015	$6.20	3.0 years	4.70%	23%	2.10%	55%	0%	$2.82	$5.39
05/06/2014	$5.28	3.0 years	4.80%	25%	2.90%	45%	0%	$2.89	$4.57
06/06/2013	$4.97	3.0 years	5.60%	23%	2.50%	60%	0%	$2.00	$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 a 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 outstanding during the period:

Grant Date	Exercise Period	Exercise price AUD	Balance at 1 Jan 2016	Exercised during the year	Granted during the year	Other changes[2]	Lapsed during the year	Balance at 31 Dec 2016[1]
06/06/2013	n/a	Nil	168,975	32,128	-	24,724	112,123	-
05/06/2014	n/a	Nil	150,426	-	-	10,381	-	140,045
04/06/2015	n/a	Nil	196,308	-	-	9,278	-	187,030
02/06/2016	n/a	Nil	-	-	233,891	-	-	233,891
Total			**515,709**	**32,128**	**233,891**	**44,383**	**112,123**	**560,966**

[1] Performance rights have no exercise period; they are exercised in the first trading window following the approval of the vesting by the board.

[2] 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.

Section 5: Employee disclosures

5.3 Share-based payments (continued)

(b) Share rights

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

Nominated executives, and selected other senior leaders who have the ability to impact AMP's financial soundness participate in the short-term incentive (STI) deferral plan, this plan requires that 40% of the participants STI be awarded as share rights.

Additionally each 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% of the individual's STI.

Plan	LTI award plan	STI deferral plan	STI match plan
Overview	Share rights give the participant the right to acquire one fully paid ordinary share in AMP Limited after a specified service period. They are granted at no cost to the participant and carry no dividend or voting rights until they vest.		
Vesting conditions/ period	Continued service for three years, but may vary where the share rights are awarded to retain an employee for a critical period.	Continued service for two years and subject to ongoing employment, compliance with AMP policies and the board's discretion.	Continued service for two years and subject to ongoing employment, compliance with AMP policies and the board's discretion.
Vested awards	Vested share rights are automatically converted to shares on behalf of participants.		
Unvested awards	Unvested awards are forfeited if the participant voluntarily ceases employment or is dismissed for misconduct or poor performance.		

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. 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.

In determining the share-based payments expense, the number of instruments expected to vest has been adjusted to reflect the number of employees expected to remain with AMP until the end of the performance period.

The following table shows the factors which were considered in determining the independent fair value of the share rights granted during 2016 and the comparative period (2015):

Grant Date	Share Price AUD	Contractual Life	Dividend Yield	Dividend discount	Fair value AUD
02/06/2016	$5.54	3.0 years	4.70%	13%	$4.81
28/04/2016	$5.84	1.8 years	4.70%	8%	$5.36
04/06/2015	$6.20	3.0 years	4.70%	13%	$5.39
30/04/2015	$6.44	1.8 years	4.75%	8%	$5.90

Section 5: Employee disclosures

5.3 Share-based payments (continued)

The following table shows the movement in share rights outstanding during the period:

Grant Date	Exercise Period[1]	Exercise price AUD	Balance at 1 Jan 2016	Exercised during the year	Granted during the year	Other changes[2]	Lapsed during the year	Balance at 31 Dec 2016
06/06/2013	n/a	Nil	62,474	46,999	-	15,475	-	-
29/04/2014	n/a	Nil	26,090	26,090	-	-	-	-
29/04/2014	n/a	Nil	55,947	55,947	-	-	-	-
05/06/2014	n/a	Nil	56,736	-	-	7,092	-	49,644
30/04/2015	n/a	Nil	103,976	-	-		-	103,976
04/06/2015	n/a	Nil	65,928	-	-	9,278	-	56,650
28/04/2016	n/a	Nil	-	-	128,710	-	-	128,710
02/06/2016	n/a	Nil	-	-	89,024	-	-	89,024
Total			**371,151**	**129,036**	**217,734**	**31,845**	**-**	**428,004**

[1] The share rights granted have no exercise period; they are exercised in the first trading window following the approval of the vesting by the board.
[2] 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 due to resignation. Of the share rights outstanding at the end of the period, none have vested or become exercisable.

(c) Restricted shares

No restricted shares were granted during 2015 and 2016.

(d) Employee share acquisition plan

The employee share acquisition plan was suspended mid-way through 2009 in Australia but continues to operate in New Zealand.

Accounting policy – recognition and measurement

Equity-settled share-based payments

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

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

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

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

Section 6: Group entities

- 6.1 Controlled entities
- 6.2 Investments in associates and joint ventures
- 6.3 Transactions with other related parties

6.1 Controlled entities

(a) Significant investments in controlled operating entities are as follows:

Details of significant investments in controlled entities held by the Statutory and Shareholder Funds are as follows:

NAME OF ENTITY	INCORPORATION	Share type	% Holdings 2016	% Holdings 2015
Allmarg Corporation Limited [1]	New Zealand	Ordinary, Preference	**100.0**	100.0
AMP Capital Investments No. 2 Limited[1]	New Zealand	Ordinary A & B	**99.9**	99.9
AMP Capital Investments No. 8 Limited[1]	New Zealand	Ordinary A & B	**80.0**	99.9
AMP Capital Investments No. 14 Limited[1]	New Zealand	Ordinary A & B	**80.0**	99.9
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

Details of significant investments in controlled entities held by the Statutory Fund are as follows:

NAME OF ENTITY	INCORPORATION	Share type	% Holdings 2016	% Holdings 2015
AMP Capital Australian Shares Fund	New Zealand	Ordinary	**86.6**	-
NZ Core Fixed Income Non Par	New Zealand	Ordinary	**100.0**	-
NZ Core Fixed Income Fund	New Zealand	Ordinary	**100.0**	-

Critical accounting estimates and judgements:

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 the Branch 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 the Branch'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.

Section 6: Group entities

6.2 Investments in associates and joint ventures

(a) Investments in significant associates held by the life entity's statutory funds measured at fair value through profit or loss[1]

NAME OF UNIT TRUSTS AND OTHER ENTITIES	INCORPORATION	PRINCIPAL ACTIVITY	Ownership interest 2016 %	Ownership interest 2015 %	Carrying amount 2016 NZ$000	Carrying amount 2015 NZ$000
AMP Pencarrow Private Capital Joint Venture Fund[(2)]	New Zealand	Investment vehicle	**-**	34	**-**	2,610
AMP Capital Strategic NZ Shares Fund[(2)]	New Zealand	Equity Investment	**-**	42	**-**	63,561
AMP Capital NZ Shares Index Fund[(3)]	New Zealand	Passive Equity Investment	**-**	29	**-**	92,850
AMP Capital NZ Shares Fund	New Zealand	Equity Investment	**26**	38	**113,612**	185,295
AMP Capital Global Property Securities Fund	New Zealand	Property investment	**21**	-	**39,952**	-
Wholesale Unit Trust MSCI Global Index Share Fund	New Zealand	Equity Investment	**38**	9	**181,441**	102,101
AMP Capital Global Shares Fund	New Zealand	Passive International Equities	**27**	25	**35,616**	35,833
Total investments held by the life statutory fund in associated unit trusts and other entities					**370,171**	482,250

(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. The balance date for all associated entities is 31 March.
(2) Investments have been disposed of during the year.
(3) Equity interest had reduced to 19%.

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.

Accounting Policy – recognition and measurement

Investments in associates
Investments in associates measured at fair value through profit or loss
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.

(b) Investments in joint ventures held by the life entity's statutory fund
The Statutory Fund has a 62.5% interest in the AMP Capital Wholesale Unit Trust Direct Property Fund, a joint venture that invests in property securities. This interest is accounted for using the equity method in these consolidated financial statements. The balance date for this joint venture is 31 March.

Summarised financial information of the joint venture, based on its financial statements and reconciliation with the carrying amount of the investment in consolidated financial statements are set out below:

Summarised statement of financial position of AMP Capital Wholesale Unit Trust Direct Property Fund:

	2016 NZ$000
Current assets (cash & cash equivalents)	**11,291**
Investments in financial assets	**302,550**
Current liabilities	**(25)**
Equity	**313,816**
Branch's carrying amount of the investment	**196,252**

Summarised statement of profit or loss of AMP Capital Wholesale Unit Trust Direct Property Fund:

	2016 NZ$000
Investment gains	**15,463**
Operating expenses	**(41)**
Profit for the year	**15,422**
Branch's share of profit for the year	**9,627**

The joint venture had no contingent liabilities or capital commitments as at 31 December 2016.

Section 6: Group entities

6.3 Transactions with other related parties

Transactions with related parties are made at arm's length and on normal commercial terms. Outstanding balances at 31 December 2016 and 31 December 2015 are unsecured, non-interests bearing and settlement occurs in cash or through inter-company accounts as necessary.

The Group provides administrative services to AMP Wealth Management New Zealand Limited, The National Mutual Life Association of Australasia and Spicers Portfolio Management Limited. The Group 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:

		For the year ended 31 December		As at 31 December	
Fellow subsidiaries of AMP		**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**
AMP Life Limited Australia Shareholder Fund	**2016**				**32,710**
	2015	-	-	-	31,032
AMP Services Limited (Australia)	**2016**		**19,907**		**3,087**
	2015	-	11,887	-	2,526
AMP Financial Services Holding	**2016**	**2,934**	**-**	**202**	
	2015	-	-	-	-
AMP Capital Investors Limited	**2016**		**8,489**		**4,142**
	2015	-	10,967	-	12,885
AMP Wealth Management New Zealand Limited	**2016**	**55,309**		**8,314**	
	2015	18,999	-	1,316	-
AMP AAPH Limited	**2016**	**-**	**2,000**	**-**	**207**
	2015	-	2,000	-	154
The National Mutual Life Association of Australasia Limited (NMLA) – New Zealand Branch	**2016**	**39,789**	**-**	**1,318**	**-**
	2015	36,433	-	1,797	-
Spicers Portfolio Management Limited	**2016**	**7,376**	**-**	**6,746**	**-**
	2015	8,406	-	6,863	-
AdviceFirst Limited[1]	**2016**	**60**	**3,607**	**884**	**114**
	2015	60	2,742	1,847	47
BNP Paribas Unit Trusts (various)	**2016**	**38,508**	**-**	**-**	**-**
	2015	54,676	-	-	-
China Growth Fund	**2016**	**13,352**	**-**	**2,730**	**-**
	2015	4,887	-	4,765	-

(1) The 2015 comparatives have been restated for commission expense and payable which were not disclosed as a related party.

Section 7: Other disclosures

- 7.1 Notes to Statement of cash flows
- 7.2 Plant and equipment
- 7.3 Leases
- 7.4 Contingent liabilities
- 7.5 Auditors' remuneration
- 7.6 New accounting standards
- 7.7 Events occurring after reporting date

7.1 Notes to Statement of cash flows

(a) Reconciliation of cash flow from operation activities

	2016 NZ$000	2015 NZ$000
Net profit after income tax	**76,037**	95,252
Depreciation, amortisation, impairment and loss on disposals	**8,994**	7,550
Other non-cash items	**1,705**	370
Net realised and unrealised gains and losses on investment assets	**(91,654)**	(158,224)
Dividends and distributions reinvested	**(65,646)**	(74,987)
Defined benefit expense	**116**	(582)
Increase / (decrease) in life insurance contract liabilities	**74,097**	160,239
Decrease in investment contract liabilities	**(4,426)**	(4,726)
Decrease in income tax balances	**(31,226)**	(14,698)
(Increase) / decrease in other operating assets and liabilities	**(109,145)**	(30,121)
Cash flows from / (used in) operating activities	**(141,148)**	(19,927)

(b) Reconciliation of cash

	2016 NZ$000	2015 NZ$000
Comprises:		
Cash on hand	**361,930**	311,126
Cash on deposit	**-**	-
Balance at the end of the year	**361,930**	311,126

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.

Accounting policy – recognition and measurement

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand that is available on demand and deposits that are held at call with financial institutions. 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.

Section 7: Other disclosures

7.2 Plant and equipment

31 December 2016	Office fittings, furniture and equipment *NZ$000*	Computer & communication equipment *NZ$000*	Total *NZ$000*
Plant and equipment			
Gross carrying amount	**6,350**	**12,502**	**18,852**
Less: accumulated depreciation	**(2,755)**	**(11,016)**	**(13,771)**
Plant and equipment at written down value	**3,595**	**1,486**	**5,081**
Movements in plant and equipment			
Balance at the beginning of the year	**5,313**	**4,067**	**9,380**
Additions	**504**	**106**	**610**
Net Book Value of Disposals	**(1,494)**	**(789)**	**(2,283)**
Depreciation expense for the year	**(728)**	**(1,898)**	**(2,626)**
Balance at the end of the year	**3,595**	**1,486**	**5,081**

31 December 2015	Office fittings, furniture and equipment *NZ$000*	Computer & communication equipment *NZ$000*	Total *NZ$000*
Plant and equipment			
Gross carrying amount	13,552	17,710	31,262
Less: accumulated depreciation	(8,239)	(13,643)	(21,882)
Plant and equipment at written down value	5,313	4,067	9,380
Movements in plant and equipment			
Balance at the beginning of the year	5,128	7,710	12,838
Additions	233	228	461
Transfer to Software	-	(337)	(337)
Net Book Value of Disposals	1,189	(1,189)	-
Depreciation expense for the year	(1,237)	(2,345)	(3,582)
Balance at the end of the year	5,313	4,067	9,380

No assets have been pledged as security for outstanding liabilities and there is no restriction on the title of any assets as at 31 December 2016 (2015: nil).

Accounting policy – recognition and measurement

Plant and equipment
Plant and equipment is carried at cost less accumulated depreciation and any impairment losses.
Depreciation of plant and equipment is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Office fittings, furniture and equipment	8% - 36%
Computer and communication equipment	25% - 48%

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 recognised in profit or loss.

Impairment of plant and equipment
Plant and equipment are subject to impairment testing.

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.

Section 7: Other disclosures

7.3 Leases

The Group has entered into commercial leases on certain property, motor vehicles and other items where it is not in the best interest of the Group to purchase these assets. The motor vehicle leases have an average life of between three and five years, with no renewal option included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 31 December are, as follows:

	2016 **NZ$000**	2015 *NZ$000*
Due within one year	**4,306**	4,040
Due within one year to five years	**16,683**	9,799
Due later than five years	**13,548**	986
Total non-cancellable operating lease commitments	**34,537**	14,825

Accounting policy – recognition and measurement

Operating lease payments
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.

7.4 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.

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

7.5 Auditors' remuneration

Amounts paid to the Auditor of the Branch for:

	2016 **NZ$000**	2015 *NZ$000*
Audit of the consolidated financial statements	**552**	542
Other assurance-related services	**128**	224
Tax advisory services	**38**	79

The above amounts are inclusive of non-recoverable GST.

Section 7: Other disclosures

7.6 New accounting standards

a) New and amended accounting standards adopted by the Branch
A number of new accounting standards and amendments have been adopted effective 1 January 2016. These have not had a material effect on the financial position or performance of the Branch.

b) New Accounting Standards issued but not yet effective
A number of new accounting standards and amendments have been issued but are not yet effective, none of which have been early adopted by the Branch in this financial statement. These new standards and amendments, when applied in future periods, are not expected to have a material impact on the financial position or performance of the Branch, other than as set out below.

NZ IFRS 15 *Revenue from Contracts with Customers*
NZ IFRS 15 *Revenue from Contracts with Customers* (NZ IFRS 15) is effective for periods beginning on 1 January 2018. NZ IFRS 15 defines principles for recognising revenue and introduces new disclosure requirements. From the Branch's perspective, NZ IFRS 15 will primarily apply to fee revenue as life insurance premium and related revenue will continue to fall outside the scope of NZ IFRS 15 and will be accounted for under other applicable standards.

Under NZ IFRS 15, revenue will be recognised at an amount that reflects the consideration to which an entity expects to be entitled to in exchange for transferring goods or services to a customer. The Branch is currently undertaking an assessment of the potential impact of this standard, and is not considering early adopting NZ IFRS 15.

NZ IFRS 9 *Financial Instruments*
NZ IFRS 9 *Financial Instruments* (NZ IFRS 9) is effective for periods beginning on 1 January 2018. NZ IFRS 9 makes changes to the classification and measurement of financial instruments, introduces a new expected loss model when recognising expected credit losses on financial assets, and also introduces new general hedge accounting requirements.

The Branch is currently undertaking an assessment of the potential impact of this standard. The potential impact to the Branch is unlikely to be material and the Branch is not considering early adopting NZ IFRS 9.

NZ IFRS 16 *Leases*
NZ IFRS 16 *Leases* (NZ IFRS 16) is effective for periods beginning on 1 January 2019. NZ IFRS 16 requires lessees to recognise most leases on balance sheets as lease liabilities, with the corresponding right-of-use assets. Lessees must apply a single model for all recognised leases, but will have the option not to recognise 'short-term' leases and leases of 'low-value' assets

The Branch is currently undertaking an assessment of the potential impact of this standard. The potential impact to the Branch is unlikely to be material and the Branch is not considering early adopting NZ IFRS 16.

Section 7: Other disclosures

7.7 Events occurring after reporting date

Transfer of NMLA Australian and New Zealand life insurance business to AMP Life

On 1 January 2017, the Australian and New Zealand life insurance business of NMLA was transferred to AMP Life Limited ("AMP Life"), a fellow wholly owned controlled entity of the AMP Limited Group.

The transfer was completed using a scheme ("Scheme") under Part 9 of the Life Insurance Act 1995 in Australia and s44-53 of the Insurance (Prudential Supervision) Act 2010 in New Zealand. The Scheme was approved by regulators in Australia and New Zealand and confirmed by the Federal Court of Australia.

The transfer involved all of the Australian and New Zealand life policies and insurance liabilities of NMLA, as well as certain assets and liabilities related to that business. Following the transfer, AMP Life assumes all rights and obligations of the transferred NMLA policies.

Assets and liabilities were transferred at their carrying values in NMLA New Zealand immediately prior to the transfer. Because NMLA and AMPL have the same accounting policies for these assets and liabilities, there were no adjustments to the carrying values of the transferred assets and liabilities. Overall, NMLA and AMP Life have accounted for the transfer as equity transactions with their respective parents whereby the net assets decrease in NMLA and the net assets increase in AMP Life have been treated as changes in equity and there was no impact on profit and loss from the transfer transaction.

Profit transfer

Profit transfer of $20.8m was made to the Parent on 1 January 2017.

Building a better working world

Chartered Accountants

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the New Zealand Branch of AMP Life Limited ("the company") and its subsidiaries (together "the group") on pages 2 to 65, which comprise the statement of financial position of the group as at 31 December 2016, 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 group, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements on pages 2 to 65 present fairly, in all material respects, the financial position of the group as at 31 December 2016 and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

This report is made solely to the company's shareholder. Our audit has been undertaken so that we might state to the company's shareholders 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 company and the company's shareholder, for our audit work, for this report, or for the opinions we have formed.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the New Zealand Branch of the company in accordance with Professional and Ethical Standard 1 (revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

We provide taxation advice and other assurance related 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.

Directors' Responsibilities for the Financial Statements

The directors are responsible, on behalf of the entity, for the preparation and fair presentation of the financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards, 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.

In preparing the financial statements, the directors are responsible for assessing the New Zealand Branch of the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the New Zealand Branch of the company or cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (New Zealand) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board website: https://www.xrb.govt.nz/Site/Auditing Assurance Standards/Current Standards/Page5.aspx. This description forms part of our auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is Brent Penrose.

Ernst & Young

Auckland
8 February 2017