AMP Bank Limited

Remuneration disclosures

For the period 1 January 2015 to 31 December 2015

AMP Bank Limited

Remuneration disclosures for the year ended 31 December 2015

The remuneration disclosures have been prepared in accordance with Australian Prudential Regulatory Authority's (APRA's) remuneration requirements set out in prudential standard APS 330 Public Disclosure with reference to the requirements established under CPS510 Governance and the AMP remuneration policy.

AMP Bank Limited (AMP Bank) is a wholly owned subsidiary of AMP Financial Investment Group Holdings Limited, which is a wholly owned subsidiary of AMP Limited (AMP).

The AMP People and Remuneration Committee (PRC) is AMP Bank's nominated board remuneration committee. The remuneration arrangements which apply to AMP Bank are the AMP group policies, frameworks and remuneration arrangements.

The AMP Bank employees included in the remuneration disclosures are those who have been identified as:

Category	Description	Number of individuals	AMP Bank roles
Senior managers	• Responsible persons • Individuals who may impact the financial soundness of AMP Bank	11	• AMP Bank managing director • AMP Bank managing director direct reports • AMP Limited treasurer, and • AMP Bank executive directors

There were no material risk taker roles identified.

1. Remuneration governance

The PRC advises the AMP Bank board on the effectiveness and integrity of AMP's remuneration policy, plans and practices. Other key remuneration-related responsibilities of the PRC include recommending to the AMP Bank board approval of:

- AMP remuneration policy
- total remuneration packages, performance objectives and performance appraisals for the managing director AMP Bank, direct reports of the managing director AMP Bank, other persons whose individual activities may, in the PRC's opinion, affect the financial soundness of AMP Bank, and other persons specified by APRA
- annual recommendations of the remuneration structure for categories of persons covered by CPS 510.

The PRC's duties and scope are outlined in the PRC's terms of reference which are reviewed at least annually. The PRC's terms of reference are available on the AMP website amp.com.au.

The PRC is comprised of independent non-executive directors of AMP Limited and meets no less than four times a year. The PRC is chaired by an independent non-executive director of the AMP Limited board as appointed by the AMP Limited board. During the 2015 financial year, the PRC consisted of the following members:

PRC members	Role	Term in 2015
Patricia Akopiantz	Chairman	Full Year
Simon McKeon	Committee member	Full Year
Brian Clark	Committee member	Full Year

The PRC held nine meetings during the 2015 financial year. The fees (excluding superannuation) paid to the PRC members for 2015 are outlined below:

Committee	Chairman fees at 1 January 2015	Chairman fees from 1 April 2015	Member fees as at 1 January 2015	Member fees from 1 April 2015
People and Remuneration Committee	$42,000	$43,300	$21,000	$21,700

Where an external perspective regarding remuneration is needed, the PRC seeks guidance from a range of independent remuneration advisers. The PRC did not obtain any remuneration advice for AMP Bank in 2015.

2. Remuneration strategy, policy and design

The AMP remuneration policy has been adopted by AMP Bank and provides the framework for the implementation, assessment and maintenance of AMP Bank's remuneration strategy and arrangements.

AMP's remuneration strategy is to align remuneration with the creation of value for shareholders by attracting and retaining employees who will contribute to AMP's success, motivating them to achieve outstanding performance against AMP's business objectives.

AMP has a comprehensive remuneration policy which outlines the responsibilities of the boards, PRC and management. The policy requires that remuneration arrangements are simple, practical and supported by a governance framework that avoids conflicts of interest, defines clear accountabilities and ensures that proper checks and balances are in place.

To achieve these objectives, the PRC has adopted a number of guiding principles which are the basis of AMP's remuneration policy and form the framework within which all aspects of remuneration at AMP are managed. The guiding principles are set out below.

Requirement	Guiding principle
Alignment with AMP's strategy and desired performance culture	Remuneration arrangements should align and contribute to AMP's key strategic objectives, business outcomes and desired performance culture.
Embedded risk management	Remuneration should support AMP's risk management framework and protect the long-term financial soundness of AMP
Performance focus	In a manner relevant to their role, remuneration arrangements should support the engagement of employees to achieve outstanding performance and bring value to AMP and its shareholders.
Attraction and retention	Remuneration should attract and retain the desired talent within AMP.
Stakeholder alignment	Remuneration arrangements should align the defined interests of stakeholders: shareholders, customers and employees.
Simplicity	Remuneration arrangements should be simple and practical.
Governance	The remuneration structures should be supported by a governance framework that avoids conflicts of interest, defines clear accountabilities and ensures that proper checks and balances are in place.

The PRC reviews the ongoing compliance, appropriateness and relevance of the AMP remuneration policy regularly. Some minor updates were made to the AMP remuneration policy in August 2015 and then again in November 2015. These changes were to clarify the responsibilities of the subsidiary boards in relation to the approval of remuneration arrangements for specified individuals, and the alignment of the remuneration policy to AMP performance management framework.

Remuneration elements

AMP provides a number of remuneration elements to AMP Bank employees. The key elements of remuneration for most employees are fixed pay and a short-term incentive (STI). Select senior managers also receive long-term incentive (LTI) awards.

The mix of remuneration elements (both fixed and variable) for AMP Bank employees varies depending on the employee's role and level, and current market practice. The remuneration mix is designed to be market competitive, while providing the appropriate performance focus for their role.

Fixed pay

All AMP Bank employees receive fixed pay, which includes a cash salary, superannuation and the opportunity to take advantage of AMP's employee benefit programs offered from time to time.

Short-term incentives

All permanent AMP Bank employees are eligible to be considered for an STI provided they have met the required behaviour and performance standards (including compliance with risk management policies).

Payments under the STI plan are generally made in cash and funded from the AMP-wide STI pool, which is determined by the AMP Limited board taking into account AMP performance against a scorecard of financial and non-financial measures. The pool may be adjusted downwards if AMP Bank takes risks outside the agreed risk appetite.

An individual's STI outcome is dependent on AMP, business area (e.g. AMP Bank) and individual performance. A 5-point scale, incorporating a behavioural assessment, is used to assess individual performance. Individuals are assessed against pre-determined performance agreements incorporating specific risk objectives where appropriate.

To ensure risk and financial control personnel are remunerated independently of AMP Bank, no financial business unit measures are used in assessing the performance of risk and financial control personnel.

For some senior managers, 40% of their STI is deferred into equity (i.e. rights to AMP Limited shares) for two years subject to ongoing employment, compliance with AMP policies and the board's discretion. During 2015, 9 senior managers participated in the 2015 STI deferral plan.

Select employees, who do not participate in the LTI plan, 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. The STI match award is provided in addition to the STI cash opportunity. As the STI match is based on the STI plan, the number of share rights awarded to the participant depends on the individual's contribution during the financial year. During 2015, there were two senior managers who participated in the 2015 STI match plan.

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

All AMP short-term incentive plans operate subject to compliance with any applicable APRA Prudential Standard.

Long-term incentives

Select senior managers who are able to influence long-term shareholder value and role model appropriate leadership behaviours are eligible to be considered for LTI awards. The quantum of the award provided is based on their seniority and criticality to AMP Bank.

During 2015, eight senior managers received an LTI award. Six senior managers received their 2015 LTI in the form of performance rights (50% of LTI award value) and share rights (50% of LTI award value), with rewards only delivered in equity if conditions are met over a three-year period. Two senior managers received their 2015 LTI in the form of performance rights (100% of LTI award value) only.

Vesting of performance rights is dependent on the employee's continued service, AMP's total shareholder return performance (60% of the value of performance rights) and performance relative to a return on equity measure (40% of the value of performance rights).

In 2015, the weighting of the performance measures was changed from 50% each to 60% for TSR and 40% for RoE. Using the new face value allocation methodology, rather than fair value, the board sought to allocate more rights to TSR than ROE. A focus on TSR aligns with overall shareholder value creation.

Share rights generally vest after a three-year vesting period subject to continued service only.

3. Remuneration and risk management

AMP Bank operates under AMP's risk management framework which is designed to ensure that AMP's regulated entities, directors, senior management and staff can fulfil their risk management responsibilities within a transparent, aligned and formalised governance and operating structure. This structure also ensures that risks are managed effectively within the risk appetite set by AMP Bank.

The AMP remuneration policy, which has been adopted by AMP Bank, forms part of AMP's risk management framework. The key risks taken into account when implementing remuneration measures for AMP Bank include:

- Strategic – Risk associated with the competitive positioning of the business and our ability to respond in a timely manner to changes in the competitive landscape. This includes risks to the value of the AMP brand.

- Financial – Risk of loss resulting from participation in financial markets. This includes risk of loss from adverse movements between assets and liabilities, risk of loss from loan defaults or changes in credit ratings, as well as risks related to liquidity.

- Product and insurance – Risk of loss arising from inadequate or inappropriate product pricing, product terms and conditions, and product management.

- Operational (including legal and compliance) – Risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This includes the risk of failing to comply with laws and regulations, internal policies, contractual arrangements and industry standards.

A range of approaches are used to manage risks inherent in remuneration structures, which are reviewed to ensure consistency with AMP's risk management framework and AMP Bank's risk appetite. Risk management considerations apply in both plan design and determining outcomes, as follows:

- incorporation of risk-related measures into individual performance agreements; eg capital management measures, risk and control assessment, acting within applicable board limits and management targets, and fostering a risk-aware culture

- inclusion of specific risk objectives in scorecards determining incentive pool funding (eg AMP group STI plan)

- adjustment of the payment period for incentives (ie deferral) to allow adjustments in the event of risk management and/or code of conduct breaches

- individual incentive outcomes are reviewed to ensure any ongoing risk in the business performance is appropriately recognised

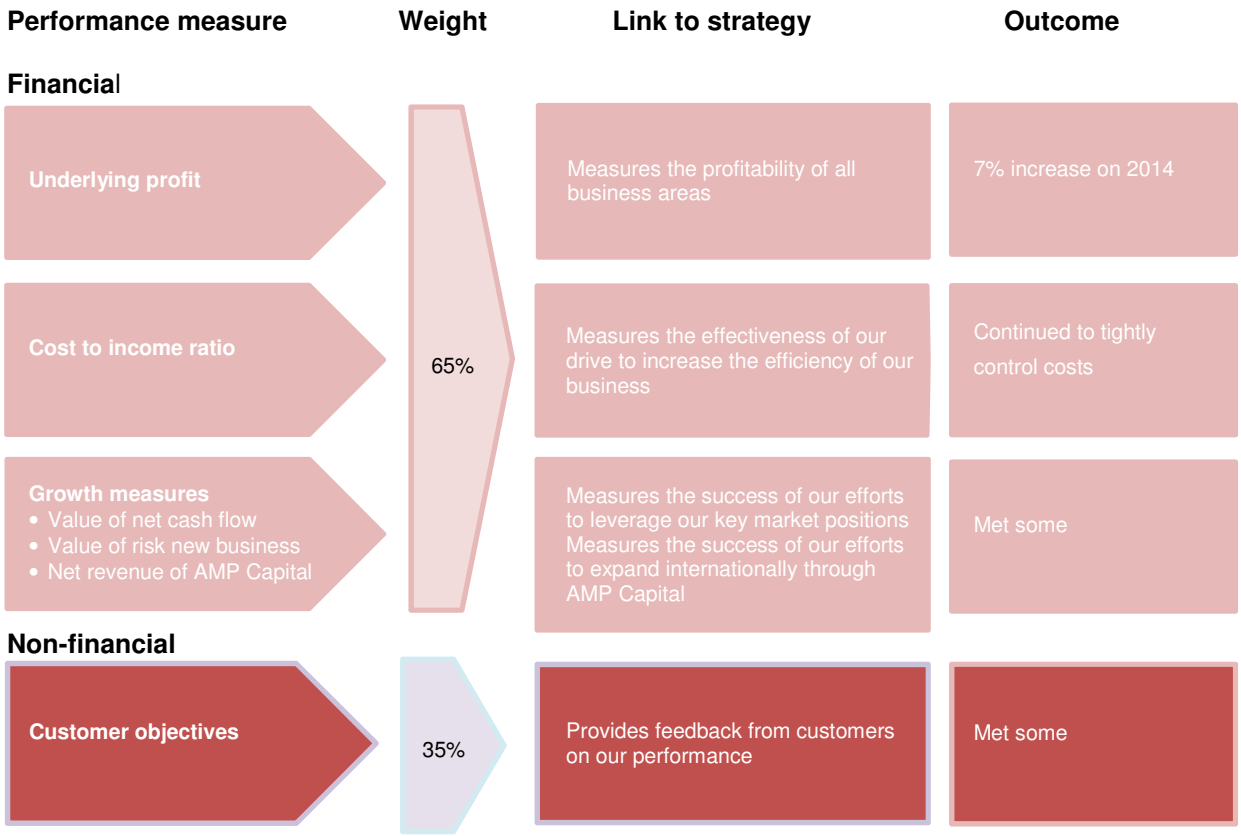
- provision to pay reduced or zero incentives if this is necessary to protect the financial soundness of AMP Bank, to respond to significant unexpected or unintended consequences, or for the purposes of any other relevant prudential matter.

4. Linking performance and remuneration

Remuneration arrangements are designed to align and contribute to AMP's key strategic objectives, business outcomes and desired performance culture. To achieve this, performance measures are explicitly linked to short-term and long-term strategic objectives and business imperatives.

Payments under the STI plan are funded from the AMP-wide STI pool, which is determined by taking into account AMP's performance against group-wide measures set and approved at the start of each year.

The following AMP group-wide measures were used in 2015 to determine the size of the STI pool (the STI scorecard). These measures were chosen because they align with AMP's strategy, objectives and goals as approved by the board, and provide an overall view of performance.



The STI pool is calculated based on performance against the STI scorecard and is then adjusted downwards if AMP management operates outside board-approved risk appetite levels. The risk adjustment can be anywhere from 0–100%. The board also has the discretion to consider the quality of AMP's financial results, business leadership and the realisation of strategic opportunities in determining the final STI pool.

Individual performance and development plans are set at the start of each year and are designed to focus employees on activities that will drive the achievement of AMP Bank's strategic objectives.

For 2015, the performance of senior leaders was measured against financial measures including driving growth in the adviser channel, delivery within risk appetite targets (liquidity and capital management, strategic risk, operational risk, credit risk), operating profit, return on capital, cost to income ratio and cost efficiency. Non-financial measures included employee engagement, people leadership, customer retention and advocacy, successful delivery of projects and initiatives, delivery of satisfactory levels of customer service, risk measures including driving a risk awareness culture, compliance with regulatory and legislative requirements, and compliance with risk management policies and procedures.

5. Deferral and vesting

STI deferral plan

In accordance with AMP's remuneration policy, and with consideration to APRA's prudential standards, AMP requires senior managers of AMP Bank who have the ability to impact AMP's financial soundness participate in the AMP STI deferral plan.

The plan requires that 40% of a participant's STI award be delivered in rights to AMP shares (share rights). The share rights have no exercise price and no exercise period, converting to AMP Limited shares (ie vesting) after a two-year deferral period.

In order for share rights to vest under the STI deferral plan, participants must:

- remain employed with AMP up to the vesting date (this requirement may be waived in exceptional cases such as redundancy, retirement (or similar leaver circumstances), death or disability)

- comply with AMP policies (specifically the AMP code of conduct and those relating to risk management) in accordance with the annual performance objectives agreed with their manager.

AMP retains absolute discretion in determining whether or not a participant's share rights will vest and must provide its formal approval in order for vesting to occur. The board may take any matter into account when exercising its discretion, such as the individual's compliance/non-compliance with AMP policies, as well as broader factors such as:

- the impact on AMP's financial soundness
- any misstatement of AMP's financial reports for the STI performance year
- material changes in AMP's financial circumstances between the offer date and the vesting date.

LTI vesting

Vesting of equity based LTI awards is dependent on continued service for share rights, and performance and continued service for performance rights (refer to section 2 for further details.

Where an LTI participant ceases employment with AMP their LTI award may be affected, as outlined below:

Cessation date	Treatment of rights
Before the grant date	Employees will not be allocated rights. In exceptional cases such as redundancy, retirement, death or disability, the board may apply its discretion to provide the employee with a cash payment in lieu of an LTI award.
After the grant date, but before the vesting date	Rights will generally lapse. In exceptional cases such as redundancy, retirement, death or disability, the board may allow the participant to retain some or all of their rights (subject to the original performance criteria) until the scheduled vesting date.

Remuneration disclosures

The following quantitative disclosures have been prepared in accordance with APS 330 for the financial years ended 31 December 2014 and 2015

Table 1 provides the total amount of remuneration awarded to senior managers of AMP Bank for the years ended 31 December 2014 and 2015. Table 2 provides the total amount of outstanding deferred remuneration, total amount of deferred remuneration paid, and any implicit and explicit adjustments made to deferred remuneration.

Table 1: Total value of remuneration awards

	FY15	FY14
Remuneration element	**Senior managers[1] $'000s**	**Senior managers $'000s**
Fixed remuneration		
Cash-based (non-deferred) [2]	5,204	4,316
Other [3]	638	292[4]
Variable remuneration		
Cash-based (non-deferred) [5]	1,561	1,630
Shares and share-linked instruments (deferred) [6]	1,882	2,512
Other	-	-

1. Eleven senior managers of AMP Bank received a cash STI award for the 2015 financial year. (11 senior managers received an award in 2014). Two sign on awards were made to senior managers during 2015, the total of these awards was $290,000. No sign on awards were made during 2014. One termination payment of $235,000 was made to a senior manager relating to the 2015 financial year. No termination payments were made in relation to the 2014 financial year. No guaranteed bonuses were paid during 2015 or 2014.
2. Includes base salary, superannuation contributions and any cash allowances and additional payments.
3. Represents long service leave accruals, non-monetary benefits and any FBT on each item for the financial year.
4. The 2014 report did not disclose the full benefits and applicable FBT on all items. The 2014 data in this report has been restated to reflect the correct comparative values against the 2015 data. The restated difference is $133,713.
5. Represents the cash portion of the STI award made in relation to the financial year. For nine senior managers, this represents 60% of their total 2015 STI award (in 2014, seven senior managers had 60% of their STI award deferred).

6. All deferred remuneration is deferred into equity. The deferred equity value represents the 2015 accounting expense of all unvested STI deferral, STI match and LTI awards which were granted during the 2013, 2014 and 2015 financial years (2014: 2012, 2013 and 2014 financial years).

Table 2: Outstanding deferred remuneration and deferred remuneration which vested

	FY15	FY14
Remuneration element	**Senior managers $'000s**	**Senior managers $'000s**
Outstanding remuneration		
Shares and share-linked instruments (deferred)	6,492	4,331
Total amount of outstanding deferred remuneration [1]	6,492	4,331
Total amount of deferred remuneration which vested [2]	880	805
Total amount of reductions due to explicit adjustments [3]	1,311	530
Total amount of reductions due to implicit adjustments [4]	85	1,238

1. All deferred remuneration is deferred into equity and is exposed to ex post explicit and implicit adjustments. This value represents the total fair value of all unvested equity awards as at 31 December.
2. Represents the face value of equity awards which vested during the financial year.
3. Represents the face value of equity awards which were forfeited /lapsed during the financial year due to performance conditions not being met.
4. Represents the change in the value of unvested awards due to the movement in AMP share price between grant date and 31 December.