

**The National Mutual Life Association of  
Australasia Limited**

**ABN 72 004 020 437**

**Directors' report and Financial report  
for the year ended  
31 December 2017**

## Directors' Report

for the year ended 31 December 2017

The directors of The National Mutual Life Association of Australasia Limited ('NMLA' or 'the company') present their report on the company for the financial year ended 31 December 2017.

NMLA is a company limited by shares and is incorporated and domiciled in Australia. AMP AAPH Limited is the company's parent entity, and AMP Limited is the ultimate parent entity.

The Registered Office of the company is 33 Alfred Street, Sydney, NSW 2000.

### Directors

The directors of the company during the year and up to the date of this report are shown below. Directors were in office for this entire period except where stated otherwise.

Trevor Matthews	Chairman, Non-executive Director	
Megan Beer	Managing Director	
Craig Meller	Executive Director	
Andrew Harmos	Non-executive Director	
Michael Wilkins	Non-executive Director	
Anthony Coleman	Non-executive Director	Resigned 14 Feb 2017
Diana Eilert	Non-executive Director	Resigned 14 Feb 2017
Holly Kramer	Non-executive Director	Resigned 14 Feb 2017
Peter Shergold	Non-executive Director	Resigned 11 May 2017

### Principal activities

Since 1 January 2017, when 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, NMLA provides a limited range of products and services to customers in Taiwan.

### Review of operations and results

The operating result for the year ended 31 December 2017 was a profit after tax of \$36,135k (2016: \$139,020k loss after tax).

### Dividends and distributions

There were no dividends or distributions paid in 2017.

### Significant changes in the state of affairs

On 1 January 2017, the Australian and New Zealand life insurance business of NMLA was transferred to AMP Life, pursuant to 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 "Transfer to AMP Life"). The Scheme was approved by regulators in Australia and New Zealand and confirmed by the Federal Court of Australia.

As a result of the transfer, NMLA now has only one statutory fund, which contains a small portfolio of Taiwanese life insurance business. NMLA conducts no life insurance business in Australia.

AMP is well progressed with a portfolio review of the manage for value businesses with all alternatives being considered. As a result, AMP is in discussions with a number of interested parties. While the portfolio review is yet to be concluded, AMP expects to be in a position to provide a further update at or before AMP's 2018 AGM.

There have been no other significant changes in the state of affairs during this financial year.

### Events occurring after reporting date

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

- The operations of the company in future years;
- The results of those operations in future years; or
- The state of affairs of the company in future financial years.

### Likely developments

Information about likely developments in the operations of the company and the expected results of those operations in future years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the company.

## Directors' Report

for the year ended 31 December 2017

### Environmental regulation

NMLA believes that sound environmental management makes good business sense and creates value for our shareholders, customers, employees and the community.

As an investor, NMLA believes that the engagement with companies on environmental issues is an effective way to influence management practices for the benefit of customers and the environment.

In the normal course of business operations, NMLA is subject to a range of environmental regulations, of which there have been no material breaches during the year.

### Duty of the directors under the *Life Insurance Act 1995*

The directors have complied with their duty, as prescribed by the *Life Insurance Act 1995*, to take reasonable care and use due diligence, to see that in the investment, administration and management of the assets of the NMLA statutory fund, the company gives priority to the interests of the policyholders over the interests of the shareholders.

### Indemnification and insurance of directors and officers

Under its Constitution, the company indemnifies, to the extent permitted by law, all officers of the company, (including the directors), for any liability (including the costs and expenses of defending actions for an actual or alleged liability) incurred in their capacity as an officer of the company.

This indemnity is not extended to current or former employees of the AMP group against liability incurred in their capacity as an employee unless approved by the Board of AMP Limited. During or since the end of the financial year, no such indemnities have been provided.

During the financial year, AMP Limited agreed to insure all the officers of the company against certain liabilities as permitted by the Corporations Act. The insurance policy prohibits disclosure of the nature of the cover, the amount of the premium, the limit of liability and other terms.

AMP Group Holdings Limited ("AMPGH") has entered into a deed of indemnity and access with each director and secretary of the company. Each deed of indemnity and access provides that:

- these officers will have access to the books of the company for their period of office and for ten (and in certain cases, seven) years after they cease to hold office (subject to certain conditions); and
- AMPGH agrees to indemnify the officer, to the extent permitted by law, against any liability incurred by the officer in his or her capacity as a director or secretary of the company and of other AMP group companies.

### Auditor's independence

The directors have obtained an independence declaration from the company's auditor, Ernst & Young, a copy of which is attached to this report and forms part of the Directors' Report for the year ended 31 December 2017.

### Rounding

In accordance with the ASIC Corporations Instrument 2016/191, amounts in this Directors' Report and the accompanying Financial Report have been rounded off to the nearest thousand Australian dollars, unless stated otherwise.

Signed in accordance with a resolution of the directors.



Trevor Matthews  
Chairman



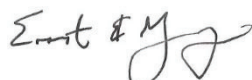
Craig Meller  
Executive Director

Sydney, 21 March 2018

## **Auditor's Independence Declaration to the Directors of The National Mutual Life Association of Australasia Limited**

As lead auditor for the audit of The National Mutual Life Association of Australasia Limited for the financial year ended 31 December 2017, I declare to the best of my knowledge and belief, there have been:

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



Ernst & Young



Kieren Cummings  
Partner  
21 March 2018



**THE NATIONAL MUTUAL LIFE  
ASSOCIATION OF AUSTRALASIA LIMITED**  
**ABN 72 004 020 437**  
**FULL YEAR FINANCIAL REPORT**  
**31 DECEMBER 2017**  
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The National Mutual Life Association of Australasia Limited financial report  
**Statement of comprehensive income**  
for the year ended 31 December 2017

	Note	2017 \$000s	2016 \$000s
<b>Continuing operations</b>			
<b>Income and expenses of the shareholder and policy holders</b>			
Life insurance contract premium revenue	4.2	238	350
Investment management fees		10,787	15,200
Interest income and net gains on financial assets and liabilities at fair value through profit or loss		711	5,386
Foreign currency gains on disposal of foreign operations		39,145	-
Other revenue		-	527
Life insurance contract related expenses	4.2	(469)	(146)
Fees expenses		(10,787)	(15,200)
Other operating expenses including staff expenses and professional fees		(862)	(645)
Change in policyholder liabilities of life insurance contracts	4.2	(2,620)	39
Income tax expense	1.1	(8)	(661)
<b>Profit for the year from continuing operations</b>		<b>36,135</b>	<b>4,850</b>
<b>Discontinued operations</b>			
Loss for the year from discontinued operations		-	(143,870)
<b>Profit (loss) for the year</b>		<b>36,135</b>	<b>(139,020)</b>
<b>Other comprehensive income - items that may be reclassified subsequently to profit or loss</b>			
Exchange differences on translation of foreign operations			
- Foreign currency gains on disposal of foreign operations recycled to profit or loss		(39,145)	-
- Foreign exchange losses (gains)		(104)	8,380
<b>Total comprehensive loss for the year</b>		<b>(3,114)</b>	<b>(130,640)</b>

## Statement of financial position

as at 31 December 2017

	Note	2017 \$000s	2016 \$000s
<b>Assets</b>			
Cash and cash equivalents	6.1	69,645	53,378
Receivables	2.2	2,173	23,631
Intercompany tax receivable		-	61,128
Investments in financial assets	2.1	19,323	7,421
Deferred tax assets	1.1	2,629	2,326
Prepayments		70	70
Assets held for the Transfer to AMP Life		-	13,420,972
<b>Total assets of policyholders and the shareholder</b>		<b>93,840</b>	<b>13,568,926</b>
<b>Liabilities</b>			
Payables	2.3	48,090	85,083
Intercompany tax payable		2,770	2,327
Provisions	1.2	8,656	7,752
Life insurance contract liabilities	4.2	10,743	8,098
Liabilities held for the Transfer to AMP Life		-	12,022,105
<b>Total liabilities of policyholders and the shareholder</b>		<b>70,259</b>	<b>12,125,365</b>
<b>Net assets of the shareholder of The National Mutual Life Association of Australasia Limited</b>		<b>23,581</b>	<b>1,443,561</b>
<b>Equity</b>			
Contributed equity	3.1	106,447	1,158,584
Reserves		(162)	(64,965)
Retained (losses) earnings		(82,704)	349,942
<b>Total equity of the shareholder of The National Mutual Life Association of Australasia Limited</b>		<b>23,581</b>	<b>1,443,561</b>

# Statement of changes in equity

for the year ended 31 December 2017

	Note	Contributed equity \$000s	Foreign currency translation reserve \$000s	Retained earnings \$000s	Total equity \$000s
<b>2017</b>					
Balance at the beginning of the year		1,158,584	(64,965)	349,942	1,443,561
Profit		-	-	36,135	36,135
Other comprehensive loss <sup>1</sup>		-	(39,249)	-	(39,249)
Total comprehensive loss		-	(39,249)	36,135	(3,114)
Return of capital	3.1	(18,000)	-	-	(18,000)
Transferred to AMP Life		(1,034,137)	104,052	(468,781)	(1,398,866)
<b>Balance at the end of the year</b>		<b>106,447</b>	<b>(162)</b>	<b>(82,704)</b>	<b>23,581</b>
<b>2016</b>					
Balance at the beginning of the year		925,584	(73,345)	698,344	1,550,583
Loss		-	-	(139,020)	(139,020)
Other comprehensive income		-	8,380	-	8,380
Total comprehensive income		-	8,380	(139,020)	(130,640)
Ordinary share capital issued	3.1	233,000	-	-	233,000
Dividends paid - ordinary shares		-	-	(202,000)	(202,000)
Distributions paid - capital notes		-	-	(7,382)	(7,382)
<b>Balance at the end of the year</b>		<b>1,158,584</b>	<b>(64,965)</b>	<b>349,942</b>	<b>1,443,561</b>

1 \$39,145k foreign currency translation reserve was recycled to profit & loss following the disposal of NMLA NZ branch

## Statement of cash flows

for the year ended 31 December 2017

	Note	2017 \$000s	2016 \$000s
<b>Cash flows from operating activities</b>			
Cash receipts in the course of operations		21,580	1,809,881
Interest and other items of a similar nature received		1,213	66,324
Dividends and distributions received		-	123,186
Cash payments in the course of operations		(36,804)	(2,507,243)
Finance costs		-	(6,247)
Income tax (paid) received		61,260	(62,040)
<b>Cash flows from (used in) operating activities</b>	6.1	<b>47,249</b>	<b>(576,139)</b>
<b>Cash flows from investing activities</b>			
(Payments to acquire) net proceeds from sale of :			
- investments in financial assets		(12,982)	515,522
<b>Cash flows (used in) from investing activities</b>		<b>(12,982)</b>	<b>515,522</b>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of share capital	3.1	-	233,000
Payment for the return of share capital	3.1	(18,000)	-
Dividends and distributions paid		-	(209,382)
<b>Cash flows (used in) from financing activities</b>		<b>(18,000)</b>	<b>23,618</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>16,267</b>	<b>(36,999)</b>
Cash and cash equivalents at the beginning of the year <sup>1</sup>		53,378	207,551
Effect of exchange rate changes on cash and cash equivalents		-	2,430
<b>Cash and cash equivalents at the end of the period</b>	6.1	<b>69,645</b>	<b>172,982</b>

1 Cash and cash equivalents at the beginning of 2017 represents the opening balance of continuing operations. \$ 19,604k cash and cash equivalents was transferred to AMP Life on 1 January 2017.



## Notes to the financial statements

for the year ended 31 December 2017

### About this report

#### (a) Understanding The National Mutual Life Association of Australasia Limited financial report

The National Mutual Life Association of Australasia Limited ('NMLA or 'the company'), a registered life insurance company limited by shares, is incorporated and domiciled in Australia. This financial report includes financial statements for NMLA as a single entity only.

The business of NMLA is conducted through a statutory fund and relates to the provision of life insurance products to a small number of Taiwanese policyholders. The corresponding liabilities to policyholders are classified as life insurance contract liabilities.

Consolidated information has not been prepared to show the financial position and operations of NMLA and its controlled entities at, or during the year ended 31 December 2017 in accordance with exemptions available under Australian Accounting Standards. Consolidated information has been prepared and is available for the ultimate parent, AMP Limited, and its controlled entities.

#### The financial report:

- is a general purpose financial report;
- has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards (AAS) including Australian Accounting Interpretations adopted by the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board;
- is presented in Australian dollars with all values rounded to the nearest thousand dollars (\$000), unless otherwise stated,
- has been prepared on a going concern basis using an historical cost basis except for assets and liabilities associated with life insurance contracts in the Statement of financial position which are generally measured on a fair value basis;
- presents assets and liabilities on the face of the Statement of financial position in decreasing order of liquidity and does not distinguish between current and non-current items,
- presents reclassified comparative information where required for consistency with the current year's presentation,

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 NMLA;
- It helps explain the impact of significant changes in NMLA; and/or
- It relates to an aspect of NMLA's operations that is important to its future performance.

On 1 January 2017, the Australian and New Zealand life insurance business of NMLA was transferred to AMP Life. The transfer is treated by NMLA and AMP Life as an equity transaction with their respective parents. The comparatives present the life insurance business transferred to AMP Life as a single line in the Statement of comprehensive income and Statement of financial position in accordance with the accounting requirements of AASB 5: *Non-current Assets Held for Sale and Discontinued Operations*. The comparatives of the supporting notes to the financial statements are presented in aggregate.

Estimates of amounts expected to be recovered or settled (a) no more than 12 months after the reporting date ('current'), and (b) more than 12 months after the reporting date ('non-current'), have been provided in the relevant notes.

NMLA Limited is a for-profit entity.

The financial statements for the year ended 31 December 2017 were authorised for issue on 21 March 2018 in accordance with a resolution of the directors.

## Notes to the financial statements

for the year ended 31 December 2017

### About this report

#### (b) 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.

##### *Interest, dividends and distributions income*

Interest income is recognised when NMLA obtains control of the right to receive the interest. Revenue from dividends is recognised when NMLA's right to receive payment is established.

##### *Foreign currency transactions*

Transactions, assets and liabilities denominated in foreign currencies are translated into Australian dollars (the functional currency) at reporting date using the following applicable exchange rates:

Foreign currency amount	Applicable exchange rate
Transactions	Date of transaction
Monetary assets and liabilities	Reporting date
Non-monetary assets and liabilities carried at fair value	Date fair value is determined

Foreign exchange gains and losses resulting from translation of foreign exchange transactions are recognised in profit or loss.

The assets, liabilities, income and expenses of foreign operations are translated into Australian dollars using the following applicable exchange rates:

Foreign currency amount	Applicable exchange rate
Income and expenses	Average exchange rate
Assets and liabilities	Reporting date
Equity	Historical date
Reserves	Reporting date

Foreign exchange differences resulting from translation of foreign operations are initially recognised in the foreign currency translation reserve and subsequently transferred to the Statement of comprehensive income on disposal of the foreign operation.

#### (c) Critical judgements and estimates

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

Accounting judgements and estimates	Note		Page
Tax	Note 1.1	Taxes	8
Fair value of financial assets	Note 2.1	Investments in financial instruments	12
Life insurance contract liabilities	Note 4.1	Accounting for life insurance contracts	23

## Notes to the financial statements

for the year ended 31 December 2017

### Section 1: Results for the year

#### • 1.1 Taxes

#### • 1.2 Provisions

### 1.1 Taxes

#### (a) Income tax expense

The income tax expense amount reflects the impact of income tax attributable to shareholders, the tax rate which applies is 30% in Australia.

The following table provides a reconciliation of differences between prima facie tax calculated as 30% of the profit before income tax for the year and the income tax expense recognised in the Statement of comprehensive income for the year.

	2017 \$000s	2016 \$000s
Profit (loss) before income tax	36,143	(168,002)
Policyholder tax expense recognised as part of the change in policyholder liabilities in determining profit before income tax	-	(29,249)
<b>Profit (Loss) before income tax excluding tax charged to policyholders</b>	<b>36,143</b>	<b>(197,251)</b>
Prima facie shareholder tax at the rate of 30%	(10,843)	59,175
Non-taxable income	10,703	-
Over provided in previous years after excluding amounts attributable to policyholders	132	1,235
Shareholder impact of life insurance tax treatment	-	(3,637)
Non-deductible expenses	-	-
Difference in overseas tax rate	-	1,498
Other items	-	(40)
Income tax (expense) credit attributable to the shareholder	(8)	58,231
Income tax expense attributable to the policyholder	-	(29,249)
<b>Income tax (expense) credit</b>	<b>(8)</b>	<b>28,982</b>

## Notes to the financial statements

for the year ended 31 December 2017

### Section 1: Results for the year

#### 1.1 Taxes (continued)

##### (b) Analysis of income tax credit

	2017 \$000s	2016 \$000s
Current tax (expense) credit	(443)	52,693
Increase (decrease) in deferred tax assets	303	(38,830)
Decrease in deferred tax liabilities	-	13,884
Over provided in previous years including amounts attributable to policyholders	132	1,235
<b>Income tax (expense) credit</b>	<b>(8)</b>	<b>28,982</b>

##### (c) Analysis of deferred tax balances

	2017 \$000s	2016 \$000s
<b>Analysis of deferred tax assets</b>		
Expenses deductible in future years	2,629	141,666
<b>Total deferred tax assets <sup>1</sup></b>	<b>2,629</b>	<b>141,666</b>
<b>Analysis of deferred tax liability</b>		
Unrealised investment gains	-	117,902
Other	-	47,158
<b>Total deferred tax liability <sup>2</sup></b>	<b>-</b>	<b>165,060</b>

1. On 1 January 2017, \$ 139,340k deferred tax assets were transferred to AMP Life.

2. On 1 January 2017, \$ 165,060k deferred tax liability were transferred to AMP Life.



## Notes to the financial statements

for the year ended 31 December 2017

### Section 1: Results for the year

#### 1.1 Taxes (continued)

##### Accounting policy – recognition and measurement

###### Income tax expense

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

- temporary differences between the tax bases of assets and liabilities and their Statement of financial position carrying amounts
- unused tax losses
- 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.

###### Deferred tax

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

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

###### Tax consolidation

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

Assets and liabilities that arise as a result of balances transferred to/from entities within the tax-consolidated group to the head entity are recognised as related-party balances receivable and payable in the Statement of financial position of NMLA. The recoverability of balances arising from the tax funding arrangements is based on the ability of the tax-consolidated group to utilise the amounts recognised by the head entity.

##### Critical accounting estimates and judgements:

NMLA is subject to taxes in Australia and Taiwan where it has operations. The application of tax law to the specific circumstances and transactions of NMLA 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.



## Notes to the financial statements

for the year ended 31 December 2017

### Section 1: Results for the year

#### 1.2 Provisions

	2017 \$000s	2016 \$000s
Employee entitlements <sup>1</sup>	7,867	6,793
Other <sup>2</sup>	789	4,321
<b>Total provisions</b>	<b>8,656</b>	<b>11,114</b>

	Employee entitlements \$000s	Other \$000s	Total \$000s
<b>31 December 2017</b>			
<b>Movements in provisions</b>			
Balance at the beginning of the year	6,793	4,321	11,114
Additional provisions made during the year	5,068	34	5,102
Unused amounts reversed during the year	(985)	(204)	(1,189)
Provisions used during the year	(3,009)	-	(3,009)
Transferred to AMP Life	-	(3,362)	(3,362)
<b>Balance at the end of the year</b>	<b>7,867</b>	<b>789</b>	<b>8,656</b>

1 Provisions for employee entitlements are in respect of amounts 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 share based payments. \$1,117k (2016: \$1,348k) of the balance is expected to be settled more than 12 months from the reporting date.

2 Other provisions are current.

## Section 2: Investments and working capital

- 2.1 Investments in financial instruments
- 2.2 Receivables
- 2.3 Payables
- 2.4 Fair value information

### 2.1 Investments in financial instruments

	2017 \$000s	2016 \$000s
<b>(a) Investments in financial assets measured at fair value through profit or loss</b>		
Equity securities and listed managed investment schemes	-	8,986
Debt securities	6,664	684,471
Investments in unlisted managed investment schemes <sup>1</sup>	12,659	11,516,369
Derivative financial assets	-	285,778
<b>Total financial assets measured at fair value through profit or loss<sup>2</sup></b>	<b>19,323</b>	<b>12,495,604</b>
<b>(b) Other financial liabilities</b>		
Derivative financial liabilities <sup>3</sup>	-	102,636
<b>Total other financial liabilities</b>	<b>-</b>	<b>102,636</b>

1 Includes investments in controlled entities of \$40k (2016: \$10,964m).

2 On 1 January 2017, \$12,488,183k financial assets were transferred to AMP Life.

3 On 1 January 2017, \$102,636k derivative financial liabilities were transferred to AMP Life.

#### Accounting policy – recognition and measurement

##### Financial assets measured at fair value through profit or loss

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 Statement of comprehensive income in the period in which they arise.

##### Recognition and de-recognition of financial assets and liabilities

Financial assets and financial liabilities are recognised at the date NMLA becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised 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 de-recognised 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 Statement of comprehensive income, are not subject to impairment testing.

#### Critical accounting estimates and judgements:

##### Financial assets measured at fair value

Where available, quoted market prices for the same or similar instruments are used to determine fair value. Where there is no market price available for an instrument, a valuation technique is used. Management applies judgement in selecting valuation techniques and setting valuation assumptions and inputs.

Further detail on the determination of fair value of financial instruments is set out in Section 2.4.

## Notes to the financial statements

for the year ended 31 December 2017

### Section 2: Investments and working capital

#### 2.2 Receivables

	2017 \$000s	2016 \$000s
Investment related receivable	159	65,057
Life insurance contract premiums receivable	-	83,240
Reinsurance receivables	-	18,510
Other receivables		
- related entities	295	48,383
- other entities	1,719	15,304
<b>Total receivables <sup>1</sup></b>	<b>2,173</b>	<b>230,494</b>
<i>Current</i>	<i>2,173</i>	<i>230,494</i>
<i>Non-current</i>	<i>-</i>	<i>-</i>

1. On 1 January 2017, \$206,863k receivables were transferred to AMP Life.

#### Accounting policy – recognition and measurement

##### Receivables

Receivables that back life insurance contract liabilities are designated as financial assets measured at fair value through profit or loss. Receivables that do not back life insurance contract liabilities are measured at nominal amounts due, 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 recoverable amount approximates fair value.

## Section 2: Investments and working capital

### 2.3 Payables

	2017 \$000s	2016 \$000s
Investment related payables	-	246,333
Life insurance and investment contracts in process of settlement	-	98,965
Other payables		
- related entities	47,094	64,395
- other entities	996	68,350
<b>Total payables <sup>1</sup></b>	<b>48,090</b>	<b>478,043</b>
<i>Current</i>	<i>48,090</i>	<i>478,043</i>
<i>Non-current</i>	<i>-</i>	<i>-</i>

1. On 1 January 2017, \$392,960k payables were transferred to AMP Life.

#### Accounting policy – recognition and measurement

##### Payables

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

## Notes to the financial statements

for the year ended 31 December 2017

### Section 2: Investments and working capital

#### 2.4 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.

	Carrying amount \$000s	Level 1 \$000s	Level 2 \$000s	Level 3 \$000s	Total fair value \$000s
<b>2017</b>					
<b>Assets</b>					
<b>Measured at fair value on a recurring basis</b>					
Equity securities and listed managed investment schemes	-	-	-	-	-
Debt securities	6,664	-	6,664	-	6,664
Investments in unlisted managed investment schemes	12,659	-	12,659	-	12,659
Derivative financial assets	-	-	-	-	-
<b>Total financial assets</b>	<b>19,323</b>	<b>-</b>	<b>19,323</b>	<b>-</b>	<b>19,323</b>
<b>Liabilities</b>					
<b>Measured at fair value on a recurring basis</b>					
Derivative financial liabilities	-	-	-	-	-
Investment contract liabilities	-	-	-	-	-
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	Carrying amount \$000s	Level 1 \$000s	Level 2 \$000s	Level 3 \$000s	Total fair value \$000s
<b>2016</b>					
<b>Assets</b>					
<b>Measured at fair value on a recurring basis</b>					
Equity securities and listed managed investment schemes	8,986	-	8,986	-	8,986
Debt securities	684,471	-	684,471	-	684,471
Investments in unlisted managed investment schemes	11,516,369	-	11,515,950	419	11,516,369
Derivative financial assets	285,778	-	285,778	-	285,778
<b>Total financial assets</b>	<b>12,495,604</b>	<b>-</b>	<b>12,495,185</b>	<b>419</b>	<b>12,495,604</b>
<b>Liabilities</b>					
<b>Measured at fair value on a recurring basis</b>					
Derivative financial liabilities	102,636	-	102,636	-	102,636
Investment contract liabilities	5,170,689	-	14,558	5,156,131	5,170,689
<b>Total financial liabilities</b>	<b>5,273,325</b>	<b>-</b>	<b>117,194</b>	<b>5,156,131</b>	<b>5,273,325</b>



## Section 2: Investments and working capital

### 2.4 Fair value information (continued)

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

<i>Listed equity securities and listed managed investment schemes</i>	The fair value of listed equity securities traded in an active market and listed managed investment schemes reflects the quoted bid price at the reporting date. In the case of equity securities 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.
<i>Debt securities</i>	The fair value of listed debt securities reflects the bid price at the reporting date. Listed debt securities that are not frequently traded are valued by discounting estimated recoverable amounts. The fair value of unlisted debt securities is estimated using interest rate yields obtainable on comparable listed investments. The fair value of loans is determined by discounting the estimated recoverable amount using prevailing interest rates.
<i>Unlisted managed investment schemes</i>	The fair value of investments in unlisted managed investment schemes is determined on the basis of published redemption prices of those managed investment schemes at the reporting date.

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)

There have been no significant transfers between Level 1 and Level 2 during the 2017 and 2016 financial years.

## Notes to the financial statements

for the year ended 31 December 2017

### Section 3: Capital structure and financial risk management

- 3.1 Contributed equity
- 3.2 Financial risk management
- 3.3 Capital management

#### 3.1 Contributed equity

	2017 \$000s	2016 \$000s
Ordinary share capital <sup>1</sup>	106,447	1,058,584
Capital notes	-	100,000
<b>Total contributed equity at the end of the year</b>	<b>106,447</b>	<b>1,158,584</b>
<b>Movements in ordinary share capital</b>		
Balance at the beginning of the year	1,058,584	825,584
(Return) Issue of ordinary share capital	(18,000)	233,000
Transferred to AMP Life	(934,137)	-
<b>Balance at the end of the year</b>		
<b>20,811,616 (2016: 20,811,616) ordinary shares fully paid</b>	<b>106,447</b>	<b>1,058,584</b>
<b>Movements in Capital Notes</b>		
Balance at the beginning of the year	100,000	100,000
Transfer to AMP Life	(100,000)	-
<b>Balance at the end of the year</b>		
<b>nil (2016: 406,000) capital notes</b>	<b>-</b>	<b>100,000</b>
<b>Total contributed equity at the end of the year</b>	<b>106,447</b>	<b>1,158,584</b>

1. Ordinary shares have the right to receive dividends as declared and, in the event of the winding up of the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares have no par value.

#### Accounting policy – recognition and measurement

##### Issued capital

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

## Section 3: Capital structure and financial risk management

### 3.2 Financial risk management

The AMP Limited Board has overall responsibility for the risk management framework including the approval of AMP group'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 enterprise risk management framework.

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

- Market risk
- Liquidity risk
- Credit concentration 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 NMLA, 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
<b>Interest rate risk</b>		
The risk of an impact on NMLA'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 bearing investment assets of the shareholder and statutory funds.	NMLA 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.
<b>Currency risk</b>		
The risk of an impact on NMLA'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 does not hedge the capital invested in overseas operations of group companies.

## Section 3: Capital structure and financial risk management

### 3.2 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.

		2017		2016	
		Impact on profit after tax	Impact on equity	Impact on profit after tax	Impact on equity
		Increase (decrease)	Increase (decrease)	Increase (decrease)	Increase (decrease)
		\$000s	\$000s	\$000s	\$000s
<b>Change in variables</b>					
<b>Interest rate risk</b>					
Impact of a 100 basis points(bp)	+ 100 bp	784	784	417	417
change in Australian and international	- 100 bp	(958)	(958)	(7,662)	(7,662)
interest rates.					
<b>Currency risk</b>					
Impact of a 10% movement of	10% depreciation of AUD	-	105	(1,053)	37,176
exchange rate against the Australian	10% appreciation of AUD	-	(86)	1,407	(29,871)
dollar on currency sensitive monetary assets and liabilities.					

## Section 3: Capital structure and financial risk management

### 3.2 Financial risk management (continued)

#### (b) Liquidity and refinancing risk

##### Liquidity risk

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

##### Maturity analysis

Below is a summary of the maturity profiles of NMLA'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.

	Up to 1 year or no term \$000s	1 to 5 years \$000s	Over 5 years \$000s	Other \$000s	Total \$000s
<b>2017</b>					
<b>Non-derivative financial liabilities</b>					
Payables	48,090	-	-	-	48,090
<b>Total undiscounted financial liabilities</b>	<b>48,090</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>48,090</b>

	Up to 1 year or no term \$000s	1 to 5 years \$000s	Over 5 years \$000s	Other \$000s	Total \$000s
<b>2016</b>					
<b>Non-derivative financial liabilities</b>					
Payables	478,044	-	-	-	478,044
Subordinated debt	3,646	14,584	89,000	-	107,230
Investment contract liabilities	28,284	91,369	230,821	4,938,125	5,288,599
<b>Total undiscounted financial liabilities</b>	<b>509,974</b>	<b>105,953</b>	<b>319,821</b>	<b>4,938,125</b>	<b>5,873,873</b>



## Section 3: Capital structure and financial risk management

### 3.2 Financial risk management (continued)

#### (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
<b>Credit risk</b>  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 NMLA statutory fund.	Concentration & Credit Default Risk are managed to compile with APRA requirements as well as broader AMP group policies.

The AMP Concentration & Credit Default Risk Policy sets out the assessment and determination of what constitutes credit concentration risk at AMP group. 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.

## **Notes to the financial statements**

for the year ended 31 December 2017

### **Section 3: Capital structure and financial risk management**

#### **3.3 Capital management**

NMLA and its subsidiaries hold capital to protect customers, creditors, shareholders and policyholders against unexpected losses to a level that is consistent with AMP's risk appetite, approved by the board.

NMLA and its subsidiaries aim to optimise the mix of capital resources in order to minimise the cost of capital and maximise shareholder value.

NMLA is an operating entity within the AMP group and is an APRA regulated company.

The Minimum Regulatory Capital Requirement (MRR) 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 the capital adequacy requirements as specified under the Life Act and APRA Life Insurance Prudential Standards. This applies to the company as a whole and each statutory fund of the company.

NMLA has a Board approved minimum capital target above APRA requirements.

At all times during the current and prior financial year, NMLA and its regulated subsidiaries complied with the applicable externally imposed capital requirements.

## Section 4: Life insurance contracts

- 4.1 Accounting for life insurance 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

### 4.1 Accounting for life insurance contracts

The major contract classification is life insurance contracts.

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

NMLA issues contracts that transfer significant insurance risk from the policyholder, covering death, disability or critical illness of the insured. 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.

NMLA Taiwan life insurance contract liabilities which was previously valued using accumulation method. From 1 January 2017, they are valued using the projection method.

The comparative disclosures within Section 4: Life insurance contracts reflect the company's 2016 position in aggregate and do not distinguish between continuing and discontinued operations. Comparative disclosures for assumptions, reflect the assumptions used in the Australian and New Zealand operations, which were the material components of the company in 2016.

#### Critical accounting judgments and estimates

##### Life insurance contract liabilities

The measurement of 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 is responsible for these judgements and assumptions, after taking advice from the Appointed Actuary.

## Section 4: Life insurance contracts

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

	2017 \$000s	2016 \$000s
<b>(a) Analysis of life insurance contract premium revenue - net of reinsurance</b>		
Life insurance contract premium revenue	238	1,066,577
Life insurance contract premiums ceded to reinsurers	-	(120,248)
<b>Life insurance contract premium revenue - net of reinsurance</b>	<b>238</b>	<b>946,329</b>
<b>(b) Analysis of life insurance contract claims expenses - net of reinsurance</b>		
Life insurance contract claims expenses	(469)	(789,829)
Life insurance claims recovered from reinsurers	-	90,555
<b>Life insurance contract claims expenses - net of reinsurance</b>	<b>(469)</b>	<b>(699,274)</b>
<b>(c) Analysis of life insurance contract operating expenses</b>		
Life insurance contract acquisition expenses		
- Commission	-	(40,848)
- Other	-	(80,909)
Life insurance contract maintenance expenses		
- Commission	-	(94,322)
- Other	(832)	(115,028)
Investment management expenses	-	(12,211)

## Section 4: Life insurance contracts

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

	2017 \$000s	2016 \$000s
<b>(d) Life insurance contract liabilities</b>		
<b>Life insurance contract liabilities determined using projection method</b>		
Best estimate liability		
- value of future life insurance contract benefits	5,176	7,477,580
- value of future expenses	6,941	2,094,971
- value of future premiums	(1,374)	(8,028,214)
Value of future profits		
- life insurance contract holder bonuses	-	708,908
- shareholder's profit margins	-	637,822
<b>Total life insurance contract liabilities determined using the projection method</b>	<b>10,743</b>	<b>2,891,067</b>
<b>Life insurance contract liabilities determined using the accumulation method</b>		
Best estimate liability		
- value of future life insurance contract benefits	-	2,240,419
- value of future acquisition expenses	-	(62,411)
<b>Total life insurance contract liabilities determined using the accumulation method</b>	<b>-</b>	<b>2,178,008</b>
Value of declared bonus	-	54,546
Unvested policyholder benefits liabilities	-	518,370
<b>Total life insurance contract liabilities net of reinsurance</b>	<b>10,743</b>	<b>5,641,991</b>
Reinsurance asset - ceded life insurance contracts	-	451,988
<b>Total life insurance contract liabilities gross of reinsurance</b>	<b>10,743</b>	<b>6,093,979</b>
	<b>2017 \$000s</b>	<b>2016 \$000s</b>
<b>(e) Reconciliation of changes in life insurance contract liabilities</b>		
Total life insurance contract liabilities at the beginning of the year	6,093,979	5,891,775
Change in life insurance contract liabilities recognised in the Income statement	2,620	453,015
Premiums recognised as an increase in life insurance contract liabilities	-	84,379
Claims recognised as a decrease in life insurance contract liabilities	-	(403,888)
Change in reinsurance asset - ceded life insurance contracts	-	37,993
Foreign exchange adjustment	25	30,705
Transferred to AMP Life	(6,085,881)	-
<b>Total life insurance contract liabilities at the end of the year</b>	<b>10,743</b>	<b>6,093,979</b>



## Notes to the financial statements

for the year ended 31 December 2017

### Section 4: Life insurance 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. NMLA calculates life insurance contract liabilities using projection method for retail risk and conventional business, with expected benefit/claims payments as the profit carriers.

*(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 <sup>1</sup>	31 December 2017	31 December 2016	
		Taiwan %	Australia %	New Zealand %
Retail risk and conventional <sup>1</sup>	Zero coupon government bond yield curve	0.4 - 4.2	1.7 - 4.1	1.9 - 4.8
Retail risk and group risk (income benefit open claims) <sup>1</sup>	Zero coupon government bond yield curve (including liquidity premium)	n/a	2.1 - 4.4	2.2 - 5.1
Life annuities	Zero coupon government bond yield curve (including liquidity premium)	n/a	n/a	2.3 - 5.2

<sup>1</sup> The discount rates vary by duration in the range shown above.

*(b) Future maintenance expenses*

Maintenance expense assumptions 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.

*(c) Expense inflation*

The assumed CPI rate is the average of the past 10 year's actual annual change of Consumer Price Indices declared from the National Statistics of the Directorate-General of Budget, Accounting and Statistics (DGBAS) of the Executive Yuan in Taiwan. The expense inflation assumptions have been set based on the inflation rates and recent expense performance.

The assumed CPI and expense inflation rates at the valuation date are:

	Taiwan %	
	CPI	Expense Inflation
31 December 2017	1.1	1.1

	Australia %		New Zealand %	
	CPI	Expense Inflation	CPI	Expense Inflation
31 December 2016	2.0	3.0	1.5	2.0

*(d) Voluntary discontinuance*

Assumptions for the incidence of withdrawals, paid ups and premium dormancy are primarily based on investigations of NMLA's own historical experience. Since the majority of NMLA's business is term life, the experience study was performed for term life, and it is assumed that other products share the same experience.

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 2017	31 December 2016	
	Taiwan %	Australia %	New Zealand %
Conventional	2.0	2.0 - 9.4	1.9 - 2.5
Retail risk (lump sum)	2.0	12.7 - 13.5	11.6
Retail risk (income benefit)	n/a	8.0 - 13.5	9.5
Investment account	n/a	n/a	n/a

## Notes to the financial statements

for the year ended 31 December 2017

### Section 4: Life insurance contracts

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

##### (e) Mortality and morbidity

Typical mortality assumptions are summarised in the following table.

	Retail risk and Conventional - % of 89TSO	
	Male	Female
<b>31 December 2017</b>		
Taiwan	60.0	60.0

	Conventional - % of IA95-97	
	Male	Female
<b>31 December 2016</b>		
Australia	67.5	67.5
New Zealand	73.0	73.0

Typical morbidity assumptions, in aggregate, are as follows:

	Male \$	Female \$
<b>31 December 2017</b>		
Taiwan Cancer <sup>1</sup>	63 - 117	63 - 117

<sup>1</sup> The range is the expected claims cost per coverage unit in the next 10 years. One coverage unit includes multiple benefits, for example, death benefit, initial diagnosis benefit, and other ongoing treatment and inpatient benefits.

	Male % per annum	Female % per annum
<b>31 December 2017</b>		
Taiwan other A&H product <sup>1</sup>	0.16 - 0.29	0.16 - 0.29

<sup>1</sup> The range is the percentage of expected claim cost of the sum assured per annum in the next 10 years.

	Male % of IA04-08	Female % of IA04-08
<b>Retail Lump Sum</b>		
<b>31 December 2016</b>		
Australia TPD <sup>1</sup>	132 - 143	150 - 162
Australia Trauma <sup>2</sup>	120 - 134	120 - 134
New Zealand TPD <sup>1</sup>	194	194
New Zealand Trauma <sup>2</sup>	101	101

<sup>1</sup> Base IA04-08 TPD table modified based on our aggregated experience but with overall product specific adjustment factors.

<sup>2</sup> Base IA04-08 Trauma table modified based on our aggregated experience but with overall product specific adjustment factors.

The actuarial table used was table 89TSO, which is the Taiwan standard ordinary experience mortality table published in 1989.

##### (f) Impact of changes in assumptions

The life insurance contract liabilities of NMLA statutory fund No.3 were valued using the projection method in 2017. Previously those liabilities were valued using the accumulation method. Due to the change of valuation methodologies in 2017, the impact of changes in assumptions for life insurance contracts using the projection method are not available.

## Notes to the financial statements

for the year ended 31 December 2017

### Section 4: Life insurance contracts

#### 4.4 Life insurance contracts - risk

##### (a) Life insurance risk

NMLA issues contracts that transfer significant insurance risk from the policyholder, covering death, disability or critical illness of the insured.

The products carrying insurance risk are designed to ensure that policy wording and promotional materials are clear, unambiguous and do not leave NMLA open to claims from causes that were not anticipated.

##### (b) Key terms and conditions of life insurance contracts

The nature of the terms of the life insurance contracts written by NMLA 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 NMLA depend.

Type of contract	Detail of contract workings	Nature of compensation for claims	Key variables affecting future cash flows
<i>Non-participating life insurance contracts with fixed and guaranteed terms (A&amp;H)</i>	These policies provide guaranteed benefits, which are paid on death or ill-health (include ongoing treatment benefits, such as the inpatient cancer surgery benefit), that are fixed and not at the discretion of NMLA.	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 inflation.
<i>Conventional compulsory dividend life insurance contracts with fixed and guaranteed terms (term life, whole life and endowment)</i>	These policies provide guaranteed benefits, which are paid on death, that are fixed and not at the discretion of NMLA. In addition, these policies provide compulsory mortality dividend and investment dividend, which effectively shares mortality and investment experience with policyholders, where the actual industry experience is defined by Taiwan regulator in each year.	Benefits are defined by the insurance contract and are not directly affected by the investment performance of any underlying assets.	Mortality, lapses, expenses and inflation.

## Section 4: Life insurance 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 and equity, to a number of possible changes in assumptions relating to insurance risk.

Variable	Change in variable	Change in life insurance contract liabilities		Change in the shareholder profit and equity	
		Gross of reinsurance \$000s	Net of reinsurance \$000s	Gross of reinsurance \$000s	Net of reinsurance \$000s
Mortality	10% increase in mortality rates	187	187	(187)	(187)
Morbidity - accident and health	10% increase in incidence rates	59	59	(59)	(59)
Discontinuance rates	10% increase in discontinuance rates	(96)	(96)	96	96
Maintenance expenses	10% increase in maintenance expenses	694	694	(694)	(694)

#### (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 \$000s	1 to 5 years \$000s	Over 5 years \$000s	Total \$000s
2017	838	3,500	8,723	13,061
2016	259,497	356,773	1,955,508	2,571,778



## Section 4: Life insurance contracts

### 4.5 Other disclosure - life insurance contracts

	2017 \$000s	2016 \$000s
<b>(a) Analysis of life insurance profit</b>		
Components of profit related to life insurance and investment contract liabilities:		
- Planned margins of revenues over expenses released	-	142,642
- Losses arising from difference between actual and assumed experience	-	(85,693)
- Losses arising from change in assumptions	-	(9,988)
- Capitalised losses	(3,491)	(231,963)
<b>Losses related to life insurance and investment contract liabilities</b>	<b>(3,491)</b>	<b>(185,002)</b>
Attributable to:		
- Life insurance contracts	(3,491)	(224,728)
- Investment contracts	-	39,726
<b>Losses related to life insurance and investment contract liabilities</b>	<b>(3,491)</b>	<b>(185,002)</b>
<b>Investment earnings (losses) on assets in excess of life insurance and investment contract liabilities</b>	<b>(168)</b>	<b>41,445</b>

#### (b) Restrictions on assets in statutory funds

NMLA conducts only non-investment linked business. NMLA has one statutory fund, which has all business in Taiwan including individual whole life, term life, endowment, accident and health.

Investments held in the 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 life 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.

The net assets of the life statutory fund attributable to shareholders represent the interests of shareholders including funds required to meet regulatory requirements as well as further amounts of shareholder funds in excess of regulatory requirements.

Further details about solvency and capital adequacy are provided in Section 4.5 (c).

#### (c) Capital requirements

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 the 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, the Company holds a target surplus providing an additional capital buffer against adverse events. The Company uses internal capital models to determine target surplus, with the models reflecting the risks of the business, principally the risk of adverse asset movements relative to the liabilities and of worse than expected claims costs.

The excess of the company's capital base over the PCA as at 31 December 2017 was \$13,266k (2016: \$501,202k)

The Appointed Actuary of NMLA has confirmed that the capital base of the life statutory fund and the shareholders' fund have exceeded PCA at all times during 2017 and 2016.



## Notes to the financial statements

for the year ended 31 December 2017

### Section 4: Life insurance contracts

#### 4.5 Other disclosure - life insurance contracts (continued)

##### (c) Capital requirements (continued)

		No 3 Statutory Fund	Share- holder's Fund	Total
2017		\$000s	\$000s	\$000s
<b>Capital Base</b>				
Net assets as per Life Insurance Act	A	13,635	9,946	23,581
- Common equity Tier 1 Capital		13,635	9,946	23,581
- Additional Tier 1 Capital		n/a	-	-
Total regulatory adjustments to net assets	B	-	(315)	(315)
- Total regulatory adjustments to Common equity Tier 1 Capital		-	(315)	(315)
- Total regulatory adjustments to Additional Tier 1 Capital		n/a	-	-
Tier 2 Capital	C	-	-	-
Total regulatory adjustments to Tier 2 Capital	D	-	-	-
<b>Total capital base</b>	<b>E(A+B+C+D)</b>	<b>13,635</b>	<b>9,631</b>	<b>23,266</b>
<b>Prescribed capital</b>				
Insurance risk charge		-	-	-
Asset risk charge		-	289	289
Asset concentration risk charge		-	-	-
Operational risk charge		-	-	-
Less aggregation benefit		-	-	-
Combined stress scenario adjustment		1	122	123
Adjustment for minimum \$10m PCA		8,500	1,088	9,588
<b>Total Prescribed capital Amount (PCA)</b>	<b>F</b>	<b>8,501</b>	<b>1,499</b>	<b>10,000</b>
<b>Capital adequacy multiple</b>	<b>E/F</b>	<b>160%</b>	<b>642%</b>	<b>233%</b>

		No 1 Statutory Fund	No 2 Statutory Fund	No 3 Statutory Fund	No 4 Statutory Fund	No 5 Statutory Fund	No 6 Statutory Fund	Share- holder's Fund	Total
2016		\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
<b>Capital Base</b>									
Net assets as per Life Insurance Act	A	896,504	16,500	17,286	375,644	6,992	4,688	125,947	1,443,561
- Common equity Tier 1 Capital		896,504	16,500	17,286	375,644	6,992	4,687	25,947	1,343,561
- Additional Tier 1 Capital		n/a	n/a	n/a	n/a	n/a	n/a	100,000	100,000
Total regulatory adjustments to net assets	B	(252,760)	8,353	-	(287,034)	(906)	542	1,994	(529,811)
- Total regulatory adjustments to Common equity Tier 1 Capital		(252,760)	8,353	-	(287,034)	(906)	542	1,994	(529,811)
- Total regulatory adjustments to Additional Tier 1 Capital		n/a	n/a	n/a	n/a	n/a	n/a	-	-
Tier 2 Capital	C	57,000	6,000	-	22,000	-	-	-	85,000
Total regulatory adjustments to Tier 2 Capital	D	-	-	-	-	-	-	-	-
<b>Total capital base</b>	<b>E(A+B+C+D)</b>	<b>700,744</b>	<b>30,853</b>	<b>17,286</b>	<b>110,610</b>	<b>6,086</b>	<b>5,230</b>	<b>127,941</b>	<b>998,750</b>
<b>Prescribed capital</b>									
Insurance risk charge		198,786	-	-	24,760	-	144	-	223,690
Asset risk charge		131,401	12,942	37	15,108	599	57	2,306	162,450
Asset concentration risk charge		-	-	-	-	-	-	-	-
Operational risk charge		39,018	11,871	-	15,395	447	11	-	66,742
Less aggregation benefit		(70,899)	-	-	(8,389)	-	(36)	-	(79,324)
Combined stress scenario adjustment		117,617	-	16	6,321	-	26	-	123,980
<b>Total Prescribed capital Amount (PCA)</b>	<b>F</b>	<b>415,923</b>	<b>24,813</b>	<b>53</b>	<b>53,195</b>	<b>1,046</b>	<b>202</b>	<b>2,306</b>	<b>497,538</b>
<b>Capital adequacy multiple</b>	<b>E/F</b>	<b>168%</b>	<b>124%</b>	<b>32615%</b>	<b>208%</b>	<b>582%</b>	<b>2589%</b>	<b>5548%</b>	<b>201%</b>

##### (d) Actuarial information

Mr Greg Bird, the Appointed Actuary, is satisfied as to the accuracy of the data used in the valuations in the financial report and in the tables in notes 4.2 to 4.5.

The liabilities to policyholders, capital base and prescribed capital amounts have been determined at the reporting date in accordance with the Life Act.

## Notes to the financial statements

for the year ended 31 December 2017

### Section 4: Life insurance contracts

#### 4.5 Other disclosure - life insurance contracts (continued)

##### (e) Disaggregated information

##### (i) Statement of comprehensive income by statutory fund and shareholders' fund

	No.3 Statutory Fund \$000s	Share- holder's Fund \$000s	Total \$000s
<b>2017</b>			
<b>Income and expenses of policyholders and the shareholder</b>			
Life insurance contract premium revenue	238	-	238
Life insurance claims recovered from reinsurers	-	-	-
Fee revenue	-	10,787	10,787
Foreign currency gains on disposal of foreign operations	-	39,145	39,145
Investment gains / (losses)	(47)	758	711
Life insurance contract related expenses	(469)	-	(469)
Life insurance contract premiums ceded to reinsurers	-	-	-
Operating expenses	(833)	(10,816)	(11,649)
Change in policyholder liabilities			
- life insurance contracts	(2,620)	-	(2,620)
- investment contracts	-	-	-
Income tax expense	72	(80)	(8)
<b>Net profit for the year</b>	<b>(3,659)</b>	<b>39,794</b>	<b>36,135</b>

	No.1 Statutory Fund \$000s	No.2 Statutory Fund \$000s	No.3 Statutory Fund \$000s	No.4 Statutory Fund \$000s	No.5 Statutory Fund \$000s	No.6 Statutory Fund \$000s	Share- holder's Fund \$000s	Total \$000s
<b>2016</b>								
<b>Income and expenses of policyholders and the shareholder</b>								
Life insurance contract premium revenue	692,271	4	350	372,879	-	1,073	-	1,066,577
Life insurance claims recovered from reinsurers	57,260	-	-	33,295	-	-	-	90,555
Fee revenue	5,979	111,174	-	28,054	2,770	-	15,200	163,177
Other revenue	-	-	331	-	-	-	196	527
Investment gains / (losses)	279,067	322,067	137	95,945	12,615	175	5,249	715,255
Life insurance contract related expenses	(535,573)	(4)	(146)	(254,229)	-	-	-	(789,952)
Life insurance contract premiums ceded to reinsurers	(48,901)	-	-	(71,347)	-	-	-	(120,248)
Operating expenses	(265,213)	(56,929)	(351)	(106,936)	(1,679)	(888)	(15,493)	(447,489)
Finance costs	(4,059)	(376)	-	(1,694)	-	-	-	(6,129)
Change in policyholder liabilities								
- life insurance contracts	(418,717)	-	39	(34,144)	-	(70)	-	(452,892)
- investment contracts	(16,556)	(334,924)	-	(27,509)	(8,394)	-	-	(387,383)
Income tax expense	48,923	(4,831)	-	(10,525)	(3,837)	(87)	(661)	28,982
<b>Net profit for the year</b>	<b>(205,519)</b>	<b>36,181</b>	<b>360</b>	<b>23,789</b>	<b>1,475</b>	<b>203</b>	<b>4,491</b>	<b>(139,020)</b>

## Section 4: Life insurance contracts

### 4.5 Other disclosure - life insurance contracts (continued)

#### (e) Disaggregated information (continued)

##### (ii) Statement of financial position by statutory fund and shareholders' fund

	No.3 Statutory Fund \$000s	Share- holder's Fund \$000s	Total \$000s
<b>2017</b>			
<b>Assets</b>			
Investments in financial assets	18,457	866	19,323
Other assets	6,543	67,974	74,517
<b>Total assets of policyholders and the shareholder</b>	<b>25,000</b>	<b>68,840</b>	<b>93,840</b>
<b>Liabilities</b>			
Life insurance contract liabilities <sup>1</sup>	10,743	-	10,743
Other liabilities	622	58,894	59,516
<b>Total liabilities of policyholders and the shareholder</b>	<b>11,365</b>	<b>58,894</b>	<b>70,259</b>
<b>Net assets</b>	<b>13,635</b>	<b>9,946</b>	<b>23,581</b>
<b>Equity</b>			
Contributed equity	16,475	89,972	106,447
Reserves	(162)	-	(162)
Retained earnings / (Accumulated loss)	(2,678)	(80,026)	(82,704)
<b>Total equity</b>	<b>13,635</b>	<b>9,946</b>	<b>23,581</b>

	No.1 Statutory Fund \$000s	No.2 Statutory Fund \$000s	No.3 Statutory Fund \$000s	No.4 Statutory Fund \$000s	No.5 Statutory Fund \$000s	No.6 Statutory Fund \$000s	Share- holder's Fund \$000s	Elim- ination \$000s	Total \$000s
<b>2016</b>									
<b>Assets</b>									
Investments in financial assets	5,035,721	4,833,109	6,147	2,401,727	216,760	-	2,141	-	12,495,605
Other assets	842,966	30,053	20,018	155,141	1,339	9,441	166,299	(151,936)	1,073,322
<b>Total assets of policyholders and the shareholder</b>	<b>5,878,687</b>	<b>4,863,162</b>	<b>26,165</b>	<b>2,556,868</b>	<b>218,099</b>	<b>9,441</b>	<b>168,440</b>	<b>(151,936)</b>	<b>13,568,926</b>
<b>Liabilities</b>									
Life insurance contract liabilities <sup>1</sup>	4,119,235	-	8,098	1,961,981	-	4,665	-	-	6,093,979
Investment contract liabilities <sup>1</sup>	232,563	4,759,193	-	-	178,933	-	-	-	5,170,689
Other liabilities	630,385	87,469	781	219,243	32,174	88	42,493	(151,936)	860,697
<b>Total liabilities of policyholders and the</b>	<b>4,982,183</b>	<b>4,846,662</b>	<b>8,879</b>	<b>2,181,224</b>	<b>211,107</b>	<b>4,753</b>	<b>42,493</b>	<b>(151,936)</b>	<b>12,125,365</b>
<b>Net assets</b>	<b>896,504</b>	<b>16,500</b>	<b>17,286</b>	<b>375,644</b>	<b>6,992</b>	<b>4,688</b>	<b>125,947</b>	<b>-</b>	<b>1,443,561</b>
<b>Equity</b>									
Contributed equity	704,073	-	16,475	228,010	6,800	2,900	200,326	-	1,158,584
Reserves	25,372	-	(170)	-	-	-	(90,167)	-	(64,965)
Retained earnings / (Accumulated loss)	167,059	16,500	981	147,634	192	1,788	15,788	-	349,942
<b>Total equity</b>	<b>896,504</b>	<b>16,500</b>	<b>17,286</b>	<b>375,644</b>	<b>6,992</b>	<b>4,688</b>	<b>125,947</b>	<b>-</b>	<b>1,443,561</b>

1 Based on assumptions as to likely withdrawal patterns of the various product groups, it is estimated that approximately \$433k (2016: \$1,915,028k) of policy liabilities may be settled within 12 months of the reporting date.

# Notes to the financial statements

for the year ended 31 December 2017

## Section 4: Life insurance contracts

### 4.5 Other disclosure - life insurance contracts (continued)

#### (e) Disaggregated information (continued)

##### (iii) Retained earnings by statutory fund and shareholders' fund

	No.1 Statutory Fund \$000s	No.2 Statutory Fund \$000s	No.3 Statutory Fund \$000s	No.4 Statutory Fund \$000s	No.5 Statutory Fund \$000s	No.6 Statutory Fund \$000s	Share- holder's Fund \$000s	Total \$000s
<b>2017</b>								
Opening retained earnings	167,059	16,500	981	147,634	192	1,788	15,788	349,942
Net profit / (loss) for the year	-	-	(3,659)	-	-	-	39,794	36,135
Transfer to AMP Life	(167,059)	(16,500)	-	(147,634)	(192)	(1,788)	(135,608)	(468,781)
<b>Closing retained earnings / (accumulated losses)</b>	<b>-</b>	<b>-</b>	<b>(2,678)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(80,026)</b>	<b>(82,704)</b>
	No.1 Statutory Fund \$000s	No.2 Statutory Fund \$000s	No.3 Statutory Fund \$000s	No.4 Statutory Fund \$000s	No.5 Statutory Fund \$000s	No.6 Statutory Fund \$000s	Share- holder's Fund \$000s	Total \$000s
<b>2016</b>								
Opening retained earnings	689,277	31,019	(1,379)	181,845	(6,983)	1,785	(197,220)	698,344
Net profit / (loss) for the year	(205,519)	36,181	360	23,789	1,475	203	4,491	(139,020)
Transfer between statutory and shareholder's fund	(316,699)	(50,700)	2,000	(58,000)	5,700	(200)	417,899	-
Dividends and distributions paid	-	-	-	-	-	-	(209,382)	(209,382)
<b>Closing retained earnings / (accumulated losses)</b>	<b>167,059</b>	<b>16,500</b>	<b>981</b>	<b>147,634</b>	<b>192</b>	<b>1,788</b>	<b>15,788</b>	<b>349,942</b>

##### (iv) Contributed equity by statutory fund and shareholders' fund

	No.1 Statutory Fund \$000	No.2 Statutory Fund \$000	No.3 Statutory Fund \$000	No.4 Statutory Fund \$000	No.5 Statutory Fund \$000	No.6 Statutory Fund \$000	Share- holder's Fund \$000	Total \$000
<b>2017</b>								
Opening contributed equity	704,073	-	16,475	228,010	6,800	2,900	200,326	1,158,584
Return of ordinary share capital	-	-	-	-	-	-	(18,000)	(18,000)
Transfer to AMP Life	(704,073)	-	-	(228,010)	(6,800)	(2,900)	(92,354)	(1,034,137)
<b>Closing contributed equity</b>	<b>-</b>	<b>-</b>	<b>16,475</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>89,972</b>	<b>106,447</b>
	No.1 Statutory Fund \$000	No.2 Statutory Fund \$000	No.3 Statutory Fund \$000	No.4 Statutory Fund \$000	No.5 Statutory Fund \$000	No.6 Statutory Fund \$000	Share- holder's Fund \$000	Total \$000
<b>2016</b>								
Opening contributed equity	203,473	-	18,475	217,610	14,200	2,900	468,926	925,584
Ordinary share capital issued	-	-	-	-	-	-	233,000	233,000
Transfer between statutory and shareholder's fund	500,600	-	(2,000)	10,400	(7,400)	-	(501,600)	-
<b>Closing contributed equity</b>	<b>704,073</b>	<b>-</b>	<b>16,475</b>	<b>228,010</b>	<b>6,800</b>	<b>2,900</b>	<b>200,326</b>	<b>1,158,584</b>



## Section 5: Related party disclosures

- 5.1 Controlled entities
- 5.2 Disposals of controlled entities
- 5.3 Parent entities
- 5.4 Key management personnel
- 5.5 Transactions with related parties

### 5.1 Controlled entities

Significant investments in controlled operating entities are as follows:

Details of investments of the controlled entity in Shareholder's fund are as follows:

Name of entity	Country of incorporation	Footnote	Share type	Ownership interest	
				2017 (%)	2016 (%)
National Mutual Life Nominees Limited	Australia		Ord	100	100

### 5.2 Disposals of controlled entities

#### Disposals of controlled entities of NMLA insurance entities' statutory funds

The ownership of the controlled entities held by the transferred Australia and New Zealand statutory funds were transferred to AMP Life effective 1 January 2017.

The controlled entities transferred to AMP Life were NM Superannuation Pty Ltd, NM Computer Services Pty Ltd, Silverton Securities Pty Ltd ("Silverton") and Didus Pty Ltd. Silverton were deregistered after transferred to AMP Life.

### 5.3 Parent entities

The parent entity is AMP AAPH Limited and the company's ultimate parent entity is AMP Limited.



## Section 5: Related party disclosures

### 5.4 Key management personnel

#### (a) Compensation of key management personnel<sup>1</sup>

	2017	2016
	\$	\$
Short term benefits	5,745,226	4,715,214
Post-employment benefits	119,063	245,256
Share based payments	2,331,262	1,355,126
Other long-term benefits	53,488	75,138
Termination Benefits	-	291,486
<b>Total</b>	<b>8,249,039</b>	<b>6,682,220</b>

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

#### (b) Key management personnel access to AMP's products

During the year, key management personnel and their personally related entities may also have had access to the following AMP products. They are provided to key management personnel within normal employee terms and conditions. The products include, personal banking with AMP Bank Limited, the purchase of AMP insurance and investment products and financial investment services.

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.

#### 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.

## Notes to the financial statements

for the year ended 31 December 2017

### Section 5: Related party disclosures

#### 5.5 Transactions with related parties

The company has transactions with related parties including controlled entities and associated entities.

Most of those related parties are various investment vehicles/funds and the activities with those parties are part of the normal day to day investment activities of the company.

Other related party transactions are in respect of administrative services, investment management services and financial planning services provided by fellow controlled entities in the AMP group. Balances with other related parties that are material are set out in the table below.

Transactions with related parties are made at arm's length on normal commercial terms.

		Service, management and other fees received from related parties	Service, management and other fees paid to related parties	Amounts owed by related parties	Amounts owed to related parties
		\$'000	\$'000	\$'000	\$'000
<b>Fellow subsidiaries of AMP Limited</b>					
AMP Capital Investors Limited	2017	-	-	-	-
	2016	-	3,204	2,000	5,000
AMP Limited	2017	-	-	-	-
	2016	-	4,032	-	85,134
AMP Life Limited	2017	-	-	-	44,587
	2016	-	-	-	1,378
AMP Services Limited	2017	-	-	238	-
	2016	-	161,711	-	28,047
AMP Services (NZ) Limited	2017	-	-	-	-
	2016	-	37,387	-	1,238
Charter Financial Planning Limited	2017	-	-	-	-
	2016	-	45,634	14,100	-
Hillross Financial Services Limited	2017	-	-	-	-
	2016	-	-	-	1,990
ipac Asset Management Limited	2017	-	-	-	-
	2016	7,662	-	2,740	-
ipac Securities Limited	2017	-	-	-	-
	2016	-	-	1,000	15,000
National Mutual Funds Management Limited	2017	-	-	-	-
	2016	-	13,748	-	4,988
NMMT Limited	2017	-	-	-	-
	2016	-	-	15,007	-
NM Life Nominees Limited	2017	-	-	-	2,491
	2016	-	2,160	-	2,016

## Section 6: Other disclosures

- 6.1 Notes to Statement of cash flows
- 6.2 Contingent liabilities
- 6.3 Auditors' remuneration
- 6.4 New accounting standards
- 6.5 Events occurring after reporting date

### 6.1 Notes to Statement of cash flows

#### Reconciliation of cash flow from operation activities

	2017 \$000s	2016 \$000s
<b>(a) Reconciliation of the net profit after income tax to cash flows from operating activities</b>		
Net profit / (loss) for the year	36,135	(139,020)
Investment gains and losses	508	83,778
Foreign currency gains on disposal of foreign operations	(39,248)	-
Dividend and distribution income reinvested	(19)	(606,684)
Decrease in receivables and other assets	21,458	14,158
Increase in net policy liabilities	2,645	205,720
Increase (decrease) in income tax balances	61,268	(91,022)
Decrease in other payables and provisions	(35,498)	(43,069)
<b>Cash flows from (used in) operating activities</b>	<b>47,249</b>	<b>(576,139)</b>

	2017 \$000s	2016 \$000s
<b>(b) Reconciliation of cash</b>		
Cash and cash equivalents for the purpose of the Statement of financial position <sup>1</sup>	69,645	163,668
Short term bills and notes (included in Debt securities)	-	9,314
<b>Cash and cash equivalents for the purpose of the Statement of cash flows</b>	<b>69,645</b>	<b>172,982</b>

1. \$119,604k cash and cash equivalents was transferred to AMP Life on 1 January 2017.

#### Accounting policy – recognition and measurement

##### Cash and cash equivalents

Cash and cash equivalents comprise cash-on-hand that is available on demand and deposits that are held at call with financial institutions. Cash and cash equivalents are measured at fair value, being the principal amount. For the purpose of the 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.

## Section 6: Other disclosures

### 6.2 Contingent liabilities

From time to time NMLA may incur obligations arising from litigation or various types of contracts entered into in the normal course of business, including guarantees issued by the parent for performance obligations to the controlled entity in NMLA. Where it is determined that the disclosure of information in relation to a contingent liability can be expected to seriously prejudice the position of NMLA in a dispute, accounting standards allow NMLA not to disclose such information and it is NMLA's policy that such information is not to be disclosed in this note.

At the reporting date there were no material contingent liabilities.

### 6.3 Auditors' remuneration

	2017 \$'000	2016 \$'000
<b>Audit services for NMLA</b>		
Audit of subsidiary financial statements	54	39
Other audit services	15	50
<b>Total audit service fees</b>	<b>69</b>	<b>89</b>



## Notes to the financial statements

for the year ended 31 December 2017

### Section 6: Other disclosures

#### 6.4 New accounting standards

##### a) New and amended accounting standards adopted by the Group

A number of new accounting standards and amendments have been adopted effective 1 January 2017. These have not had a material effect on the financial position or performance of NMLA.

##### 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 NMLA in this financial report. These new standards and amendments, when applied in future periods, are not expected to have a material impact on the financial position or performance of NMLA, other than as set out below.

##### **AASB 15 Revenue from Contracts with Customers**

AASB 15 Revenue from Contracts with Customers (AASB 15) is effective for periods beginning on 1 January 2018. AASB 15 defines principles for recognising revenue and introduces new disclosure requirements. Under AASB 15, revenue will be recognised at an amount that reflects the consideration which an entity expects to be entitled to in exchange for transferring goods or services to a customer.

For NMLA, AASB 15 will primarily apply to fee revenue as life insurance contract related revenue will continue to fall outside the scope of AASB 15 and will be accounted for under other applicable standards. Based on the impact assessment undertaken, there is no material impact to the Company upon adoption of AASB 15.

##### **AASB 9 Financial Instruments**

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

Based on the impact assessment undertaken, there is no material impact to the Company upon adoption of AASB 9 classification and measurement, and ECL requirements.

##### **AASB 16 Leases**

AASB 16 Leases (AASB 16) is effective for periods beginning on 1 January 2019. AASB 16 requires lessees to recognise most leases on balance sheet as lease liabilities, with the corresponding right-of-use assets. Lessees have the option not to recognise 'short-term' leases and leases of 'low-value' assets.

Impact assessment for the adoption of AASB 16 is ongoing. NMLA is not considering early adopting AASB 16.

##### **AASB 17 Insurance Contracts**

AASB 17 Insurance Contracts (AASB 17) is effective for periods beginning on 1 January 2021. The new standard will introduce significant change to the accounting for life insurance contracts and the reporting and disclosures in relation to those contracts.

The new standard, of itself, does not change the underlying economics or cash flows of the life insurance business. However, it is anticipated that there will be an impact on profit emergence profiles from life insurance contracts. Subject to any changes to regulation or legislation which may be made in response to the new standard, there may also be an impact on the determination of capital requirements and income tax.

The detailed requirements of the standard are complex and, in some cases, the final impact of these requirements will not be determined until interpretations and regulatory responses to the new standard are developed. NMLA is currently undertaking an assessment of the potential impact of this standard.

#### 6.5 Events occurring after reporting date

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

- The operations of the company in future years;
- The results of those operations in future years; or
- The state of affairs of the company in future financial years.



The National Mutual Life Association of Australasia Limited  
**Directors' declaration**  
for the year ended 31 December 2017

In accordance with a resolution of the directors of The National Mutual Life Association of Australasia Limited, for the purposes of Section 295(4) of the *Corporations Act 2001*, the Directors declare that:

- a) in the opinion of directors there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- b) in the opinion of directors the financial statements and notes for the financial year ended 31 December 2017 are in accordance with the *Corporations Act 2001*, including Section 296 (compliance with accounting standards) and Section 297 (true and fair view); and
- c) the notes to the financial statements for the financial year ended 31 December 2017 include an explicit and unreserved statement of compliance with the International Financial Reporting Standards.



Trevor Matthews  
Chairman

Sydney, 21 March 2018



Craig Meller  
Executive Director

## Independent Auditor's Report to the Members of The National Mutual Life Association of Australasia Limited

### Opinion

We have audited the financial report of The National Mutual Life Association of Australasia Limited (the Company), which comprises the statement of financial position as at 31 December 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

- a. giving a true and fair view of the Company's financial position as at 31 December 2017 and of its financial performance for the year ended on that date; and
- b. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

### Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Directors for the Financial Report

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

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

## Auditor's Responsibilities for the Audit of the Financial Report

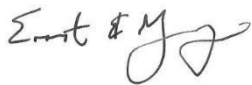
Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards 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 this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Ernst & Young



Kieren Cummings  
Partner  
Sydney  
21 March 2018