AMP Bank Limited

Remuneration disclosures

For the period 1 January 2013 to 31 December 2013 (2013)

AMP Bank Limited

Remuneration disclosures for the year ended 31 December 2013

The following remuneration disclosures have been prepared in accordance with Australian Prudential Regulatory Authority's (APRA's) remuneration requirements under prudential standard APS 330 Public Disclosure (APS 330). This prudential standard forms part of the Basel III requirements, and requires that all Authorised Deposit-taking Institutions (ADIs) meet the minimum requirements for public disclosure of qualitative and quantitative information on their remuneration practices.

AMP Bank Limited (AMP Bank) is a wholly owned subsidiary of AMP Financial Investment Group Holdings Limited, a wholly owned subsidiary of AMP Limited. As a subsidiary of the AMP group, AMP Bank has adopted the AMP group remuneration policy and frameworks, and the People and Remuneration Committee (PRC) as the AMP Bank Remuneration Committee. All references to AMP group policies, frameworks and remuneration arrangements in this disclosure apply to AMP Bank.

The qualitative remuneration disclosures relate to all individuals covered by the AMP remuneration policy as outlined in APRA's prudential standard CPS 510 Governance (CPS 510). The quantitative remuneration disclosures relate to senior managers of AMP Bank Limited (AMP Bank) for the financial year ended 31 December 2013 (2013 financial year).

The following employees have been identified as senior managers (as defined in paragraph 17 of APS 330) of AMP Bank for the 2013 financial year. In accordance with the AMP remuneration policy and CPS 510 it was determined that there were no material risk takers (as defined in paragraph 17 (b) of APS 330) for the 2013 financial year.

	Number of individuals	Description
Senior managers	14	The following responsible persons of AMP Bank Limited, are included in the remuneration disclosures: • managing director, AMP Bank • all direct reports to the managing director, AMP Bank • AMP Bank treasurer, and • executive directors of AMP Bank.

1. Remuneration governance

The PRC, which is a committee of the AMP Limited Board, is the main body which oversees AMP Bank's remuneration arrangements and governance. The PRC advises the AMP Bank Board on the effectiveness and integrity of AMP's remuneration policy, plans and practices. Other key remuneration-related responsibilities of the PRC include recommending to the AMP Bank Board for approval:

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

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

The PRC is comprised of independent non-executive directors of AMP Limited and meets no less than four times a year. The PRC is chaired by an independent non-executive director of the AMP Limited Board as appointed by the AMP Limited Board. During the 2013 financial year, the PRC consisted of the following members:

- John Palmer (Chairman)
- Patricia Akopiantz
- Brian Clark
- Peter Mason

The PRC held six meetings during the 2013 financial year. The fees (excluding superannuation) paid to the PRC members for 2013 are outlined below:

Committee	Chairman fees	Member fees
People and Remuneration Committee	$42,000	$21,000

Where an external perspective regarding remuneration is required, the PRC requests market practice, regulatory and governance input from its external board remuneration advisors, PricewaterhouseCoopers. In 2013 PricewaterhouseCoopers provided executive benchmarking and governance advice. None of this advice related specifically to AMP Bank.

2. Remuneration strategy, policy and design

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

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

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

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

Requirement	Guiding principle
Alignment with AMP's strategy and desired performance culture	Remuneration arrangements should align and contribute to AMP's key strategic objectives, business outcomes and desired performance culture.
Embedded risk management	Remuneration should support AMP's risk management framework and protect the long-term financial soundness of AMP[1]
Performance focus	In a manner relevant to their role, remuneration arrangements should support the engagement of employees to achieve outstanding performance and bring value to AMP and its shareholders.
Attraction and retention	Remuneration should attract and retain the desired talent within AMP.
Stakeholder alignment	Remuneration arrangements should align the defined interests of stakeholders: shareholders, customers and employees.
Simplicity	Remuneration arrangements should be simple and practical.
Governance	The remuneration structures should be supported by a governance framework that avoids conflicts of interest, defines clear accountabilities and ensures that proper checks and balances are in place.

[1] Applicable to all APRA regulated entities in the AMP group.

The PRC reviews the ongoing compliance, appropriateness and relevance of the AMP remuneration policy at least every two years. During the 2013 financial year the AMP remuneration policy was reviewed and updated in May 2013 to reflect APRA's introduction of SPS 510 Governance which applies to AMP's registrable superannuation entity licensees.

Remuneration elements

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

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

Fixed pay

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

Short-term incentives

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

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

An individual's STI outcome is dependent on group, divisional and individual performance. A 5-point scale incorporating a behavioural assessment is used to assess individual performance. Individuals are assessed against pre-determined performance agreements incorporating specific risk objectives where appropriate.

To ensure risk and financial control personnel (as defined in paragraph 48 (b) of CPS 510) are remunerated independently of the business units they oversee, no financial business unit measures are used in assessing the performance of risk and financial control personnel.

For some senior managers, 40 per cent of their STI is deferred in equity (ie rights to AMP Limited shares) for two years subject to ongoing employment, compliance with AMP policies and the board's discretion. During 2013, eight senior managers participated in the 2013 STI deferral plan.

Select high-potential employees, who do not participate in the LTI plan, are eligible for nomination to participate in the STI match plan, which provides an award of share rights to the value of 50 per cent of the individual's STI. The STI match award is provided in addition to the STI cash opportunity. As the STI match is based on the STI plan, the number of share rights awarded to the participant depends on the individual's contribution during the financial year. During 2013, four senior managers participated in the 2013 STI match plan.

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

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

Long-term incentives

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

3. Remuneration and risk management

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

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

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

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

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

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

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

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

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

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

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

- provision to pay reduced or zero incentives if this is necessary to protect the financial soundness of AMP Bank, to respond to significant unexpected or unintended consequences that were not foreseen, or for the purposes of any other relevant prudential matter.

4. Linking performance and remuneration

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

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

The following AMP group-wide measures were used in 2013 to determine the size of the STI pool (the STI scorecard). These measures were chosen because they align with the AMP's strategy, objectives and goals as approved by the board, and provide an overall view of performance.

	Financial measures: weighting 65%	Non-financial measures: weighting 35%
Performance measures	• Underlying profit after tax less cost of capital • Value of net cash flows and risk new business • Cost to income ratio	• Investment performance for clients • Customer advocacy • Employee engagement • Other key strategic priorities, including the AXA integration, growth strategies for self-managed superannuation funds and Asia, and staying ahead of regulatory change
Link to strategy	• These financial measures are key drivers of shareholder value	• These measures are key indicators of how successfully the company is delivering against its goals and strategy

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

Individual performance and development plans are set at the start of each year and are designed to focus employees on activities that will drive the achievement of AMP Bank's strategic objectives. For 2013, the performance of senior managers was measured against financial measures including mortgage and deposit growth, liquidity and capital management, and operating profit. Non-financial measures included employee engagement, talent and succession planning, customer and distributor satisfaction and risk measures including driving a risk awareness culture, compliance with regulatory and legislative requirements, and compliance with risk management policies and procedures.

Select senior managers are also eligible to participate in the AMP LTI plan which is AMP's share-based or equity plan used to reward employees for the creation of shareholder wealth over the long term.

During 2013, six senior managers received an LTI award. Three senior managers received their 2013 LTI in the form of performance rights (50 per cent of LTI award value) and share rights (50 per cent of LTI award value), with rewards only delivered in equity if conditions are met over a three-year period. The three other senior managers received their 2013 LTI in the form of performance rights (100 per cent of LTI award value) only.

Vesting of performance rights is dependent on the employee's continued service, AMP's total shareholder return performance (50 per cent of the value of performance rights) and performance relative to a return on equity measure (50 per cent of the value of performance rights). Share rights vest after a three-year vesting period subject to continued service only.

5. Deferral and vesting

STI deferral plan

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

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

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

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

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

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

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

LTI vesting

Vesting of equity based LTI awards is dependent on continued service for share rights, and performance and continued service for performance rights (refer to section 4 for further details).

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

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

6. Senior manager remuneration disclosures for the year ended 31 December 2013

The following quantitative disclosures have been prepared in accordance with attachment E of APS 330 for the financial year ended 31 December 2013.

Table 1 provides the total amount of remuneration awarded to senior managers of AMP Bank for the year ended 31 December 2013. Table 2 provides the total amount of outstanding deferred remuneration, total amount of deferred remuneration paid during 2013, and any implicit and explicit adjustments made to deferred remuneration.

Table 1: Total value of remuneration awards for senior managers for the 2013 financial year

Remuneration element	Senior managers[1] $'000s
Fixed remuneration	
Cash-based (non-deferred) [2]	6,946
Other	63
Variable remuneration	
Cash-based (non-deferred) [3]	2,957
Shares and share-linked instruments (deferred) [4]	5,219
Other	-

1. All senior managers of AMP Bank received a cash STI award during the 2013 financial year (total of 14 individuals). A LTI grant was awarded to six of the 14 senior managers during the 2013 financial year. No guaranteed bonuses, sign-on awards or termination payments were made to any senior manager during the 2013 financial year.
2. Includes base salary and superannuation contributions.
3. Represents the cash portion of the STI award made in relation to the 2013 financial year. For eight senior managers, this represents 60% of their total 2013 STI award. The remaining six senior managers received their entire 2013 STI in cash (non-deferred).
4. All deferred remuneration is deferred into equity. The deferred equity value represents the 2013 accounting expense of all unvested STI deferral, STI match and LTI awards which were granted during the 2011, 2012 and 2013 financial years.

Table 2: Outstanding deferred remuneration and deferred remuneration which vested during the 2013 financial year

Remuneration element	Senior managers $'000s
Outstanding remuneration	
Shares and share-linked instruments (deferred)	13,283
Total amount of outstanding deferred remuneration [1]	13,283
Total amount of deferred remuneration which vested during the 2013 financial year [2]	68
Total amount of reductions during the 2013 financial year due to explicit adjustments [3]	5,184
Total amount of reductions during the 2013 financial year due to implicit adjustments[4]	313

1. All deferred remuneration is deferred into equity and is exposed to ex post explicit and implicit adjustments. This value represents the total fair value of all unvested equity awards as at 31 December 2013.
2. Represents the face value of equity awards which vested during the 2013 financial year.
3. Represents the face value of equity awards which were forfeited / lapsed due to performance conditions not being met.
4. Represents the change in the value of unvested awards due to the movement in AMP share price between grant date and 31 December 2013.