



# Financial Sector (Collection of Data) (reporting standard) determination No. 29 of 2014

## Reporting Standard GRS 112.0 Determination of Capital Base

### *Financial Sector (Collection of Data) Act 2001*

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I, Ian Laughlin, delegate of APRA, under paragraph 13(1)(a) of the *Financial Sector (Collection of Data) Act 2001* (the Act) and subsection 33(3) of the *Acts Interpretation Act 1901*:

- (a) REVOKE Financial Sector (Collection of Data) (reporting standard) determination No. 3 of 2013, including *Reporting Standard GRS 112.0 Determination of Capital Base* made under that Determination; and
- (b) DETERMINE *Reporting Standard GRS 112.0 Determination of Capital Base*, in the form set out in the Schedule, which applies to the financial sector entities to the extent provided in paragraph 3 of the reporting standard.

Under section 15 of the Act, I DECLARE that the reporting standard shall begin to apply to those financial sector entities, and the revoked reporting standard shall cease to apply, on 31 December 2014.

This instrument commences on the date of its registration on the Federal Register of Legislative Instruments.

Dated: 18 December 2014

*[Signed]*

Ian Laughlin  
Deputy Chairman

## **Interpretation**

In this Determination:

*APRA* means the Australian Prudential Regulation Authority.

*financial sector entity* has the meaning given in section 5 of the Act.

## **Schedule**

*Reporting Standard GRS 112.0 Determination of Capital Base* comprises the 14 pages commencing on the following page.



## Reporting Standard GRS 112.0

### Determination of Capital Base

#### Objective of this Reporting Standard

This Reporting Standard sets out the requirements for the provision of information to APRA relating to the determination of a general insurer's capital base.

It includes *Form GRF 112.0 Determination of Capital Base* and associated specific instructions and must be read in conjunction with the general instruction guide and *Prudential Standard GPS 112 Capital Adequacy: Measurement of Capital*.

#### Authority

1. This Reporting Standard is made under section 13 of the *Financial Sector (Collection of Data) Act 2001*.

#### Purpose

2. Information collected in *Form GRF 112.0 Determination of Capital Base* (GRF 112.0) is used by APRA for the purpose of prudential supervision including assessing compliance with the capital standards.

#### Application and commencement

3. This Reporting Standard applies to all general insurers authorised under the *Insurance Act 1973* (insurers) with the exception of any insurer who is a Category C insurer under paragraph 1 of Attachment A of *Prudential Standard GPS 001 Definitions*. This Reporting Standard applies for reporting periods ending on or after 31 December 2014.

#### Information required

4. An insurer must provide APRA with the information required by Form GRF 112.0 for each reporting period.

## Forms and method of submission

5. The information required by this Reporting Standard must be given to APRA in electronic format using the 'Direct to APRA' application or, where 'Direct to APRA' is not available, by a method notified by APRA prior to submission.

*Note:* The 'Direct to APRA' application software may be obtained from APRA.

## Reporting periods and due dates

6. Subject to paragraph 7, an insurer must provide the information required by this Reporting Standard:
  - (a) in respect of each quarter based on the financial year of the insurer; and
  - (b) in respect of each financial year of the insurer.

*Note:* The annual information required from an insurer by paragraphs 4, 5 and 6(b), together with certain annual information required by other reporting standards, will form part of the insurer's yearly statutory accounts within the meaning of section 3 of the *Insurance Act 1973* (the Insurance Act). This means that the information must be audited in accordance with paragraph 49J(1)(a) of the Insurance Act. Under subsection 49J(3), the principal auditor of the insurer must give the insurer a certificate relating to the yearly statutory accounts, and that certificate must contain statements of the auditor's opinions on the matters required by the prudential standards to be dealt with in the certificate.

7. If, having regard to the particular circumstances of an insurer, APRA considers it necessary or desirable to obtain information more or less frequently than as provided by subparagraph 6(a) or 6(b), APRA may, by notice in writing, change the reporting periods, or specify reporting periods, for the particular insurer.
8. The information required by this Reporting Standard in respect of an insurer must be provided to APRA:
  - (a) within the time stated in *Reporting Standard GRS 001 Reporting Requirements* (GRS 001); or
  - (b) in the case of information provided in accordance with paragraph 7, within the time specified by notice in writing.

*Note:* Paragraph 49L(1)(a) of the Insurance Act provides that the auditor's certificate required under subsection 49J(3) of that Act must be lodged with APRA in accordance with the prudential standards. The prudential standards provide that the certificate must be submitted to APRA together with the yearly statutory accounts. Accordingly, the auditor's certificate relating to the annual information referred to in subparagraph 6(b) must be provided to APRA by the time specified in GRS 001 (unless an extension of time is granted under GRS 001).

## Quality control

9. The information provided by an insurer under this Reporting Standard must be the product of systems, processes and controls that have been reviewed and tested by the Appointed Auditor of the insurer. This will require the Appointed Auditor to review and test the insurer's systems, processes and controls

designed to enable the insurer to report reliable financial information to APRA. This review and testing must be done on:

- (a) an annual basis or more frequently if necessary to enable the Appointed Auditor to form an opinion on the reliability and accuracy of data; and
  - (b) at least a limited assurance engagement consistent with professional standards and guidance notes issued by the Auditing and Assurance Standards Board (AUASB) as may be amended from time to time, to the extent that they are not inconsistent with the requirements of *Prudential Standard GPS 310 Audit and Related Matters*.
10. All information provided by an insurer under this Reporting Standard must be subject to systems, processes and controls developed by the insurer for the internal review and authorisation of that information. It is the responsibility of the Board and senior management of the insurer to ensure that an appropriate set of policies and procedures for the authorisation of data submitted to APRA is in place.

### **Authorisation**

11. When an officer, or agent, of an insurer provides the information required by this Reporting Standard using the 'Direct to APRA' software it will be necessary for an officer, or agent, to digitally sign the relevant information using a digital certificate acceptable to APRA.
12. If an insurer provides the information required by this Reporting Standard through an agent who submits using the 'Direct to APRA' software on the insurer's behalf, the insurer must:
- (a) obtain from the agent a copy of the completed form with the information provided to APRA; and
  - (b) retain the completed copy.
13. An officer, or agent, of an insurer who submits the information under this Reporting Standard for, or on behalf of, the insurer must be authorised by either:
- (a) the Principal Executive Officer of the insurer; or
  - (b) the Chief Financial Officer of the insurer.

### **Variations**

14. APRA may, by written notice to the insurer, vary the reporting requirements of Form GRF 112.0 in relation to that insurer.

### **Transition**

15. An insurer must report under the old reporting standard in respect of a transitional reporting period. For these purposes:

**old reporting standard** means the reporting standard revoked in the determination making this Reporting Standard (being the reporting standard which this Reporting Standard replaces); and

**transitional reporting period** means a reporting period under the old reporting standard:

- (a) which ended before the date of revocation of the old reporting standard; and
- (b) in relation to which the insurer was required, under the old reporting standard, to report by a date on or after the date of revocation of the old reporting standard.

*Note:* For the avoidance of doubt, if an insurer was required to report under an old reporting standard, and the reporting documents were due before the date of revocation of the old reporting standard, the insurer is still required to provide any overdue reporting documents in accordance with the old reporting standard.

## Interpretation

16. In this Reporting Standard (including the attachments):

- (a) unless the contrary intention appears, words and expressions have the meanings given to them in *Prudential Standard GPS 001 Definitions* (GPS 001); and
- (b) **Appointed Auditor** means an auditor appointed under paragraph 39(1)(a) of the Insurance Act;

**APRA-authorised reinsurer** means an insurer carrying on reinsurance business. For the purposes of this definition, a Lloyd's underwriter as defined under the Insurance Act is an APRA-authorised reinsurer if it carries on reinsurance business;

**capital standards** means the prudential standards which relate to capital adequacy as defined in GPS 001;

**Chief Financial Officer** means the chief financial officer of the insurer, by whatever name called;

**financial year** means the financial year (within the meaning in the *Corporations Act 2001*) of the insurer;

**foreign insurer** means a foreign general insurer within the meaning of the Insurance Act;

*Note:* A reference to a 'branch' or 'branch operation' is a reference to the Australian operations of a foreign insurer.

**general instruction guide** refers to the general instruction guide set out in Attachment A of GRS 001;

***Insurance Act*** means the *Insurance Act 1973*;

***insurer*** means a general insurer within the meaning of section 11 of the Insurance Act;

*Note:* In the forms and instructions, a reference to an ‘authorised insurer’, ‘authorised insurance entity’ or ‘licensed insurer’ is a reference to an insurer, and a reference to an ‘authorised reinsurance entity’ is a reference to an insurer whose business consists only of undertaking liability by way of reinsurance.

***non-APRA-authorised reinsurer*** means any reinsurer that is not an APRA-authorised reinsurer;

***Principal Executive Officer*** means the principal executive officer of the insurer, by whatever name called, and whether or not he or she is a member of the governing board of the insurer; and

***reporting period*** means a period mentioned in subparagraph 6(a) or 6(b) or, if applicable, paragraph 7.

## GRF\_112\_0: Determination of Capital Base

<b>Australian Business Number</b>	Entity identifier, to be provided
<b>Institution Name</b>	Name of general insurer
<b>Reporting Period</b>	As at each quarter end and as at financial year end
<b>Scale Factor</b>	Thousands of dollars no decimal place
<b>Reporting Consolidation</b>	Licensed insurer

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## GRF\_112\_0 Determination of Capital Base

These instructions must be read in conjunction with the general instruction guide.

### Instructions for specific items

#### Section 1: Capital base composition

##### 1. Tier 1 Capital

Tier 1 Capital comprises Common Equity Tier 1 Capital and Additional Tier 1 Capital.

##### 1.1. Common Equity Tier 1 Capital

This is the highest quality component of capital held by the reporting insurer as determined under the eligibility characteristics set out in *Prudential Standard GPS 112 Capital Adequacy: Measurement of Capital* (GPS 112), net of all regulatory adjustments.

It is automatically calculated as the sum of Items 1.1.1, 1.1.2, 1.1.3, 1.1.4, 1.1.5 and 1.1.7 less Item 1.1.6.

##### 1.1.1. Paid-up ordinary shares

This represents paid-up ordinary shares issued by the reporting insurer that meet the criteria for classification as ordinary shares for regulatory purposes in accordance with Attachment A of GPS 112.

##### 1.1.2. Retained earnings

This is the value, as at the end of the reporting period, of retained earnings. This amount should be consistent with the retained earnings reported in *GRF 300.0 Statement of Financial Position* (GRF 300.0), apart from not including the amount of undistributed current year earnings reported in Item 1.1.3.

##### 1.1.3. Undistributed current year earnings

The undistributed current year earnings reported should be consistent with the amount reported in *GRF 310.0 Income Statement* (GRF 310.0).

Reported amounts must account for (where applicable) negative goodwill, expected tax expenses, and dividends when declared in accordance with the Australian Accounting Standards. The declared dividends reported may be reduced by the expected proceeds, as agreed in writing by APRA, of a Dividend Reinvestment Plan to the extent that dividends are used to purchase new ordinary shares issued by the reporting insurer.

#### **1.1.4. Accumulated other comprehensive income and other disclosed reserves**

This is the aggregate of all other comprehensive income and disclosed reserves.

##### **1.1.4.1. Unrealised gains or losses recognised on balance sheet**

This is the total value of unrealised gains or losses that have been recognised on the balance sheet.

##### **1.1.4.2. Reserves from equity-settled share-based payments**

This is the value of reserves from equity-settled share-based payments granted to employees as part of their remuneration package that meets the requirements of GPS 112. Only the reserves relating to the issue of new shares should be reported.

##### **1.1.4.3. Cumulative unrealised gains or losses on hedges offsetting gains or losses in Common Equity Tier 1 Capital**

This is the cumulative unrealised gains or losses on hedges offsetting the gains or losses of components of Common Equity Tier 1 Capital.

This includes cumulative unrealised gains or losses on effective cash flow hedges as defined in the Australian Accounting Standards and any fair value gains or losses on derivatives representing effective economic hedges of assets.

##### **1.1.4.4. Foreign currency translation reserve**

This is the value of the reserve relating to exchange rate differences arising on translation of assets and liabilities to the presentation currency in accordance with Australian Accounting Standards.

##### **1.1.4.5. General reserve**

General reserves are created from the appropriation of profits by the reporting insurer after the payment of all dividends and tax.

##### **1.1.4.6. Other gains and losses in accumulated comprehensive income and other disclosed reserves**

This is the value of any other gains and losses in accumulated comprehensive income and other disclosed reserves that may be specified in writing by APRA as per GPS 112.

#### **1.1.5. Net surplus / (deficit) relating to insurance liabilities**

This is the total technical provisions in surplus or deficit of those required by *Prudential Standard GPS 320 Actuarial and Related Matters* (GPS 320). Technical provisions refer to both net outstanding claims liabilities and net unearned premium calculated under Australian Accounting Standards.

It is automatically calculated as Item 1.1.5.1 plus Item 1.1.5.2 less Item 1.1.5.3.

**1.1.5.1. OCL surplus / (deficit) per GRF 115.0**

This is the net outstanding claims liabilities determined under *Australian Accounting Standard AASB 1023 General Insurance Contracts* (AASB 1023) in surplus or deficit to the net outstanding claims liabilities determined under GPS 320.

**1.1.5.2. PL surplus / (deficit) per GRF 115.1**

This is the net premiums liabilities determined under AASB 1023 in surplus or deficit to the net premiums liabilities determined under GPS 320.

**1.1.5.3. Less: Tax effect of net OCL and PL surplus / (deficit)**

This is the tax effect of the technical provisions in surplus or deficit of those required under GPS 320.

Do not deduct the tax effect if a deferred tax asset has been recognised in relation to the net surplus / (deficit).

**1.1.6. Less: Regulatory adjustments to Common Equity Tier 1 Capital**

This is the total of all regulatory adjustments applied to Common Equity Tier 1 Capital specified in Attachment B of GPS 112.

It is automatically calculated as the sum of Items 1.1.6.1 to 1.1.6.15.

**1.1.6.1. Holdings of own Common Equity Tier 1 Capital instruments**

This is the value, as at the relevant date, of the reporting insurer's holdings of its own Common Equity Tier 1 Capital instruments unless exempted by APRA or eliminated under Australian Accounting Standards.

This item must also include:

- capital instruments the reporting insurer could be contractually obliged to purchase; and
- unused portion of the limits agreed with APRA as per paragraph 15 of GPS 112.

**1.1.6.2. Cash flow hedge reserves relating to hedging of items not recorded at fair value**

This is the value of cash flow hedge reserves that relate to the hedging items that are not recorded at fair value on the balance sheet (including projected cash flows).

#### **1.1.6.3. Excess of deferred tax assets over deferred tax liabilities**

This is the amount of deferred tax assets in excess of deferred tax liabilities of the reporting insurer.

Where the deferred tax liabilities exceed the deferred tax assets, this value should be reported as zero. Note that the netting of deferred tax assets and deferred tax liabilities must only be applied where the reporting insurer has a legally enforceable right to set-off deferred tax assets against deferred tax liabilities.

#### **1.1.6.4. Fair value gains and losses from changes in own credit worthiness**

This is the net unrealised gains (or losses) from changes in the fair values of the liabilities that arise due to changes in creditworthiness of the reporting insurer.

This amount is to be reported as a positive value where there are unrealised gains or a negative value for unrealised losses.

#### **1.1.6.5. Goodwill**

This is the value of goodwill, as per Attachment B of GPS 112, net of adjustments to profit or loss reflecting changes arising from any impairment. The amounts reported in this item must be net of any associated deferred tax liability that would be extinguished if the assets involved become impaired or derecognised under Australian Accounting Standards.

This item also includes the goodwill attributable to certain categories of subsidiaries, associates and joint ventures of the reporting insurer as per GPS 112.

#### **1.1.6.6. Other intangible assets**

This is the value of intangible assets, other than goodwill, as per Attachment B of GPS 112, net of adjustments to profit or loss reflecting changes arising from any impairment and amortisation. The amounts reported must be net of any associated deferred tax liability that would be extinguished if the assets involved become impaired or derecognised under Australian Accounting Standards.

This item also includes the intangible assets attributable to certain categories of subsidiaries, associates and joint ventures of the reporting insurer as per GPS 112.

#### **1.1.6.7. Surplus in defined benefit superannuation fund**

This is the amount of surplus (if any) in defined benefit superannuation funds where the reporting insurer is an employer-sponsor, net of any associated deferred tax liabilities that would be extinguished if the assets involved become impaired or derecognised under Australian Accounting Standards. Any excluded surplus must reverse any associated deferred tax liability from Common Equity Tier 1 Capital.

Where the extinguished deferred tax liability of the defined benefit superannuation fund exceeds the reported surplus, this value should be reported as zero.

**1.1.6.8. Deficit in defined benefit superannuation fund**

This is the amount of deficit (if any) in a defined benefit superannuation fund where the reporting insurer is an employer-sponsor.

This item only needs to be reported where the deficit is not already reflected in Common Equity Tier 1 Capital.

The deficit (if any) should be reported as a positive number.

**1.1.6.9. Reinsurance assets related to reinsurance contracts that do not meet the reinsurance documentation test**

This is the value of the reinsurance assets in relation to each reinsurance arrangement that does not meet the reinsurance document test as per *Prudential Standard GPS 230 Reinsurance Management* (GPS 230).

**1.1.6.10. Reinsurance assets receivable under reinsurance contracts that do not meet governing law requirements**

This is the value of all reinsurance assets reported in relation to each reinsurance contract entered into by the reporting insurer incepting on or after 31 December 2008 that does not meet the governing law requirements in GPS 230.

**1.1.6.11. Regulatory capital requirement of investments in subsidiaries, JVs and associates**

This is the deduction for investments in subsidiaries, joint ventures and associates that are subject to regulatory capital requirements as detailed in Attachment B of GPS 112.

The amount of the deduction is the lesser of the reporting insurer's share of the regulatory capital requirements and the value of the investment that is recorded on the reporting insurer's balance sheet after adjustment for any intangibles reported in Items 1.1.6.5 and 1.1.6.6.

If the investment subject to this deduction is a non-operating holding company, a look-through approach must be applied.

This amount should correspond to the deduction reported in *GRF 112.3 Related Party Exposures*.

**1.1.6.12. Assets under a fixed or floating charge**

This is the value of assets of the reporting insurer that are under a fixed or floating charge, mortgage or other security to the extent of the indebtedness secured on those assets. This deduction may be reduced by the amount of any

liability for the charge that is recognised on the reporting insurer's balance sheet.

Where the security exclusively supports a reporting insurer's insurance liabilities (valued in accordance with GPS 320), the deduction only applies to the amount by which the fair value of the charged assets exceeds the reporting insurer's supported insurance liabilities.

#### **1.1.6.13. Fair value adjustments**

A reporting insurer must deduct any amount required by APRA in writing where APRA considers that fair values on the balance sheet are not prudent or reliable.

#### **1.1.6.14. Adjustments to Common Equity Tier 1 Capital due to shortfall in Additional Tier 1 Capital**

This is the value, as at the relevant date, of any deductions (refer to Attachment B of GPS 112) from Common Equity Tier 1 Capital due to a shortfall in Additional Tier 1 Capital to absorb required deductions from this category of capital.

Where the amount of Tier 2 Capital as defined in GPS 112 is insufficient to cover the amount of deductions required to be made from this category of capital, the shortfall must first be deducted from Additional Tier 1 Capital and, if Additional Tier 1 Capital is insufficient to cover the amount of deductions required, the remaining amount must be deducted from Common Equity Tier 1 Capital.

#### **1.1.6.15. Other Common Equity Tier 1 Capital adjustments**

This is the value of deductions from Common Equity Tier 1 Capital that the reporting insurer must make as required under any prudential standards other than GPS 112.

### **1.1.7. Adjustments and exclusions to Common Equity Tier 1 Capital**

This is the amount of adjustments applied to the Common Equity Tier 1 Capital that are specific to the application of the requirements in paragraph 34 of GPS 112.

Adjustments that would result in an increase to Common Equity Tier 1 Capital should be reported as a positive value.

## **1.2. Additional Tier 1 Capital**

This is the value of instruments issued by the reporting insurer that meet the criteria for inclusion in Additional Tier 1 Capital in accordance with the GPS 112, and which are not included in Common Equity Tier 1 Capital. This is net of regulatory adjustments specified in GPS 112.

This is automatically calculated as Item 1.2.1 less Item 1.2.2 less Item 1.2.3 plus Item 1.2.4 plus Item 1.2.5.

### **1.2.1. Additional Tier 1 Capital instruments**

This is the total amount of capital instruments issued by the reporting insurer that meet the eligibility criteria for Additional Tier 1 Capital but not the criteria for the higher quality capital, i.e. Common Equity Tier 1 Capital.

### **1.2.2. Less: Holdings of own Additional Tier 1 Capital instruments**

This is the total effective own holdings of Additional Tier 1 Capital instruments issued by the reporting insurer unless exempted by APRA or eliminated under Australian Accounting Standards.

### **1.2.3. Less: Adjustments to Additional Tier 1 Capital due to shortfall in Tier 2 Capital**

This is the value of any deductions (refer to Attachment B of GPS 112) from Additional Tier 1 Capital due to a shortfall in Tier 2 Capital to absorb required deductions from this category of capital.

### **1.2.4. Adjustments and exclusions to Additional Tier 1 Capital**

This is the amount of adjustments applied to the Additional Tier 1 Capital that is specific to the application of the requirements in paragraph 34 of GPS 112.

Adjustments that would increase the amount of Additional Tier 1 Capital recognised should be reported as a positive value.

### **1.2.5. Transitional Additional Tier 1 Capital**

This is the value of capital instruments that have been temporarily recognised and approved as Additional Tier 1 Capital for transition purposes.

## **1.3. Tier 1 Capital**

Tier 1 Capital comprises of Common Equity Tier 1 Capital and Additional Tier 1 Capital.

It is calculated automatically as the sum of Items 1.1 and 1.2.

## **2. Tier 2 Capital**

This is the total amount of capital instruments that meet the eligibility criteria for Tier 2 Capital but not the criteria for the higher quality capital, net of all regulatory adjustments.

It is automatically calculated as Item 2.1 less Item 2.2 plus Item 2.3 plus Item 2.4.

### **2.1. Eligible Tier 2 Capital instruments**

This is the value of capital instruments issued by the reporting insurer that meet the eligibility criteria for Tier 2 Capital in GPS 112.

It should be reported net of any amortisation required under GPS 112.

## **2.2. Less: Holdings of own Tier 2 Capital instruments**

This is the total effective holdings of own eligible Tier 2 Capital instruments that were issued by the reporting insurer unless exempted by APRA or eliminated under Australian Accounting Standards.

This item is to be reported as a positive amount where the insurer has holdings of its own issued Tier 2 instruments.

## **2.3. Adjustments and exclusions to Tier 2 Capital**

This is the amount of adjustments applied to the Tier 2 Capital that are specific to the application of the requirements in paragraph 34 of GPS 112.

Adjustments that would increase the amount of Tier 2 Capital recognised should be reported as a positive value.

## **2.4. Transitional Tier 2 Capital**

This is the value of capital instruments that have been temporarily recognised and approved as Tier 2 Capital for transition purposes

## **3. Capital base**

The capital base relates to the amount of capital eligible for the purpose of meeting the Prudential Capital Requirement as set out in *Prudential Standard GPS 110 Capital Adequacy*.

This is automatically calculated as the sum of Items 1.3 and 2.