

OnePath Capital Disclosures

January 2018

The Australian Prudential Regulation Authority (APRA) is the prudential regulator of the Australian financial services industry. APRA establish and enforce prudential standards and practices on the institutions it supervises in order to protect the financial interests of the Australian community.

The Capital Adequacy Prudential Standards (LPS 110 and GPS 110) require an insurance company to maintain adequate capital against the risks associated with its activities. A key feature of the standards is also a requirement that the insurer make certain public disclosures about its capital adequacy position.

The following information has been prepared for the purpose of satisfying these requirements and to improve the understanding of policy owners and other market participants of each company's capital adequacy.

OnePath Life Limited Capital Disclosure at 30 September 2017

OnePath Life Limited Capital Requirements (\$m) and Capital Adequacy Multiple

Statutory Fund (SF)	SF1	SF2	SF3	SF4	SF5	SHF	OnePath Life Ltd (\$m)
Paid-up Ordinary Shares and Retained Earnings							2,307
Additional Tier 1 Capital							250
Net Assets	1,671	10	684	170	18	4	2,557
Regulatory Adjustments to Net Assets							
Excess Deferred Tax	(453)	-	(130)	(4)	-	-	(587)
Policy Liability Adjustment	(1,053)	(2)	(321)	(15)	(2)	-	(1,393)
Total Regulatory Adjustments to Common Equity Tier 1 Capital	(1,506)	(2)	(451)	(19)	(2)	-	(1,980)
Regulatory Adjustments to Additional Tier 1 Capital	-	-	-	-	-	-	-
Total Regulatory Adjustments to Net Assets	(1,506)	(2)	(451)	(19)	(2)	-	(1,980)
Net Assets after Regulatory Adjustments	165	8	233	151	16	4	577
Common Equity Tier 1 Capital	-	-	-	-	-	-	327
Additional Tier 1 Capital	-	-	-	-	-	-	250
Tier 2 Capital	-	-	-	-	-	-	-
Regulatory Adjustments to Tier 2 Capital	-	-	-	-	-	-	-
Capital Base	165	8	233	151	16	4	577

Statutory Fund (SF)	SF1	SF2	SF3	SF4	SF5	SHF	OnePath Life Ltd (\$m)
Prescribed Capital Amount (PCA) components							
Insurance Risk Charge	63	-	85	-	-	-	148
Asset Risk Charge	28	1	62	5	-	-	96
Asset Concentration Risk Charge	-	-	-	-	-	-	-
Operational Risk Charge	31	2	23	89	-	-	145
Aggregate Risk Charge for Variable Annuities	-	-	-	-	8	-	8
Less Aggregation Benefit	(17)	-	(32)	-	-	-	(49)
Combined Stress Scenario Adjustment	-	1	-	2	-	-	3
Total Prescribed Capital Amount (PCA)	105	4	138	96	8	-	351
Capital Adequacy Multiple	1.57	1.83	1.68	1.57	2.00	108.17	1.64

OnePath General Insurance Pty. Limited
Capital Disclosure at 30 September 2017

Capital Requirements and Capital Adequacy Multiple	(\$'000)
Common Equity Tier 1 Capital	55,543
Regulatory Adjustments to Common Equity Tier 1 Capital	-
Additional Tier 1 Capital	-
Regulatory adjustments to Additional Tier 1 Capital	-
Tier 2 Capital	-
Regulatory adjustments to Tier 2 Capital	-
Capital Base	55,543
Prescribed Capital Amount (PCA) components	
Insurance Risk Charge	5,438
Asset Risk Charge	1,441
Asset Concentration Risk Charge	-
Operational Risk Charge	1,019
Insurance Concentration Risk Charge	18,492
Aggregation Benefit	(1,111)
Prescribed Capital Amount	25,279
Capital Adequacy Multiple	2.20

Common Equity Tier 1 Capital (CET1) – comprises the highest quality components of capital that:

- provide a permanent and unrestricted commitment of funds;
- are freely available to absorb losses;
- do not impose any unavoidable servicing charge against earnings; and
- rank behind the claims of policy owners and other creditors in event of winding-up.

Additional Tier 1 Capital (AT1) – comprises high quality components of capital that meet certain characteristics but do not meet the definition of CET1.

Tier 2 Capital – includes other components of capital that fall short of the quality of Tier 1 capital but nonetheless contribute to the overall strength of a company and its capacity to absorb losses.

Capital Base – the net assets of the company after all deductions and regulatory adjustments, that are able to meet the capital requirements as prescribed by APRA. It is equal to the sum of all the components of Capital (CET1, AT1 and Tier 2).

Prescribed Capital Amount (PCA) – the APRA required level of capital which is intended to take account of the full range of risks to which a regulated institution is exposed. The Capital Base must be greater than the PCA.

Capital Adequacy Multiple – the ratio of Capital Base divided by Prescribed Capital Amount.

Statutory Fund – OnePath Life Limited's business is divided into individual units. Each policy written by the company is associated with and supported by the assets of one or more of these statutory funds (e.g. SF1 etc) in addition to the Shareholder Fund (SHF). Each individual statutory fund is required to comply with the APRA requirements as is the Life Company as a whole.

This information is current as at 30 September 2017. OnePath Life Limited (OnePath Life) ABN 33 009 657 176, AFSL 238341 and OnePath General Insurance Pty Limited (OnePath General) ABN 56 072 892 365, AFSL 288 160 are wholly owned subsidiaries of Australia and New Zealand Banking Group Limited (ANZ) ABN 11 005 357 522. ANZ is an authorised deposit taking institution (Bank) under the Banking Act 1959 (Cth). Except as set out in the issuer's contract terms (including the PDS), products issued either by OnePath Life or OnePath General are not a deposit or other liability of ANZ or its related group companies. None of them stands behind or guarantees the issuer.