



Prudential Standard APS 330

Capital Adequacy: Public Disclosure of Prudential Information

Objective and key requirements of this Prudential Standard

This Prudential Standard aims to enhance transparency in Australian financial markets by setting minimum requirements for the public disclosure of information on the risk management practices and capital adequacy of locally incorporated authorised deposit-taking institutions.

The key requirements of this Prudential Standard are:

- locally incorporated authorised deposit-taking institutions that are Australian owned and have been approved by APRA to use the advanced approaches are required to disclose a range of both quantitative (semi-annually) and qualitative (annually) prudential information, in addition to the disclosure of some basic prudential information (on a quarterly and annual basis);
- locally incorporated authorised deposit-taking institutions that are Australian owned and use the standardised approaches are required to disclose some basic prudential information (on a quarterly and annual basis); and
- locally incorporated authorised deposit-taking institutions that are foreign owned are required to disclose some basic prudential information (on a quarterly and annual basis), although APRA may, on a case-by-case basis, require such an institution to make more frequent or extensive disclosures.

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Authority

1. This Prudential Standard is made under section 11AF of the *Banking Act 1959* (**Banking Act**).

Application

2. This Prudential Standard applies to all locally incorporated authorised deposit-taking institutions (**ADIs**). Where a locally incorporated ADI is a subsidiary of an authorised non-operating holding company (**authorised NOHC**), the authorised NOHC must ensure that the requirements in this Prudential Standard are met on a **Level 2** basis.

Where an ADI has no authorised NOHC, or any other subsidiaries other than those making up an **Extended Licensed Entity (ELE)**, the ADI must comply with the Prudential Standard on a **Level 1** basis; otherwise a reference to an ADI in this Prudential Standard shall be taken as a reference to a group of which the ADI is a member on a Level 2 basis. An ADI within a Level 2 group will not be required to fulfil the requirements set out here on a Level 1 basis, unless specifically requested, in writing, to do so by APRA.

3. Level 1, Level 2 and ELE have the meaning in *Prudential Standard APS 110 Capital Adequacy*.

Scope

4. This Prudential Standard applies to all business activities and operations of an ADI.

Definitions

5. The following definitions are used in this Prudential Standard:
 - (a) **Australian-owned ADI** - an ADI that is not a foreign-owned ADI;
 - (b) **foreign-owned ADI** - an ADI in relation to which an approval has been given, under section 14 of the *Financial Sector (Shareholdings) Act 1998*, for a bank that is not locally incorporated to hold a stake of more than 15 per cent in the ADI;
 - (c) **listed** - an institution admitted to, and not removed from, the official list of the Australian Securities Exchange; and
 - (d) **locally incorporated ADI** - an ADI that is incorporated in Australia or in a State or Territory of Australia, by or under a Commonwealth, State or Territory law.

Key principles

6. An ADI must make high quality and timely disclosures of information on its risk management and capital adequacy to contribute to the transparency of financial markets and to enhance market discipline.
7. An ADI's market disclosures must be consistent with the scope and complexity of its operations and the sophistication of its risk management systems and processes.

Minimum requirements for public disclosure

8. The minimum requirements relating to the disclosure by an ADI of information about its capital adequacy under this Prudential Standard (**Prudential Disclosures**) depend on whether or not it has been approved by APRA to use the advanced approaches to measuring credit risk and operational risk.
9. The Prudential Disclosures that must be made by a locally incorporated Australian-owned ADI that has been approved by APRA (**IRB/AMA approved**) to use:
 - (a) the internal ratings-based (**IRB**) approach to credit risk for the purpose of determining the ADI's capital requirement for credit risk (refer to *Prudential Standard APS 113 Capital Adequacy: Internal Ratings-based Approach to Credit Risk*); and
 - (b) an advanced measurement approach (**AMA**) for the purpose of determining the ADI's capital requirement for operational risk (refer to *Prudential Standard APS 115 Capital Adequacy: Advanced Measurement Approaches to Operational Risk*)are set out in Part A.
10. The Prudential Disclosures that must be made by a locally incorporated ADI that:
 - (a) is Australian owned but not IRB/AMA approved; or
 - (b) is foreign owned (whether or not IRB/AMA approved)are set out in Part B.
11. A number of general requirements are applicable to all locally incorporated ADIs. These are set out in Part C.
12. APRA may, in writing, vary the disclosure requirements that apply to an ADI having regard to its particular circumstances. For example, APRA may require an ADI whose risk management practices and/or capital adequacy position have changed materially, or are subject to ongoing rapid change, to vary the content and/or frequency of its Prudential Disclosures.

13. If an ADI is foreign owned and is IRB/AMA approved, APRA may, in writing, require the ADI to increase the content and/or frequency of its Prudential Disclosures beyond the requirements set out in Part B. APRA will consider the following factors when making a decision in this regard:
 - (a) the significance of the ADI in the context of the Australian financial system;
 - (b) the significance of the ADI in its global banking group; and
 - (c) the quality of market disclosure of capital adequacy information by the overseas parent in its home jurisdiction.

Part A - Specific requirements for IRB/AMA-approved Australian-owned ADIs

14. Paragraphs 15 to 18 of this Prudential Standard apply to a locally incorporated ADI that is Australian owned and IRB/AMA approved.

Disclosure policy/principles

15. An ADI must have a formal policy relating to its Prudential Disclosures approved by the Board of directors (**Board**) that addresses the ADI's approach to determining the content of its Prudential Disclosures and the internal controls over the disclosure process.
16. An ADI must implement a process for assessing the appropriateness and accuracy of Prudential Disclosures made by it, including their validation and frequency. This must be summarised in the ADI's Prudential Disclosures policy.
17. An ADI's Prudential Disclosures must be consistent with the manner in which its Board and senior management assess and manage its risks. Where the (minimum) requirements for Prudential Disclosures set out in this Prudential Standard do not adequately capture this, the ADI must provide additional information.

Content of disclosures

18. An ADI is required to disclose separately the Prudential Disclosures set out in Attachments A and B.

Part B - Specific requirements for other ADIs

19. A locally incorporated ADI that:
 - (a) is Australian owned and not IRB/AMA approved; or
 - (b) is foreign owned (whether or not IRB/AMA approved)must make the Prudential Disclosures set out in Attachment B.

Part C - General requirements

20. Paragraphs 21 to 32 of this Prudential Standard apply to all locally incorporated ADIs.

Medium/location of disclosures

21. An ADI must publish its Prudential Disclosures on its website, in full in a clearly identifiable location, in order to allow market participants to readily access the information disclosed.
22. If an ADI does not have its own website, APRA may, in writing, approve an alternative medium and/or location for its Prudential Disclosures.

Frequency and timing of disclosures

23. An ADI's Prudential Disclosures must be made in accordance with the following:
- (a) the qualitative disclosures required in Attachment A must be published on an annual basis;
 - (b) the quantitative disclosures required in Attachment A must be published on a semi-annual basis;
 - (c) the disclosures required in Attachment B, other than those required by Table 15, must be published on a quarterly basis; and
 - (d) the disclosures required in Table 15 of Attachment B must be published:
 - (i) in the case of a listed ADI, on a semi-annual basis; and
 - (ii) in the case of an ADI that is not listed, on an annual basis.
24. An ADI must publish its Prudential Disclosures within 40 business days after the end of the period to which they relate – except in the case of disclosures required by Table 15 of Attachment B from an ADI that is not listed, which must be published:
- (a) as soon as practicable after the lodgement date for the ADI's annual financial reports as required under the *Corporations Act 2001*; or
 - (b) at such other time as agreed in writing with APRA.
25. An ADI is to commence publication of its Prudential Disclosures with the required disclosures for the period ending 30 September 2008, unless otherwise advised in writing by APRA.

Materiality

26. An ADI, in making a disclosure, must decide which Prudential Disclosures are material. An ADI is not required to make a Prudential Disclosure if the matter to be disclosed is not material. Information is regarded as material if its omission

or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions. More generally, the ADI must have regard to materiality as applied in the context of its other public disclosures (for instance, as required under the *Corporations Act 2001*) and as canvassed in APRA's published *Materiality Guide*.

Proprietary and confidential information

27. Proprietary information encompasses information that, if shared with competitors, would render an ADI's investment in its products/systems less valuable by undermining its competitive position. ADIs also possess information about customers that is confidential, being provided under the terms of a legal agreement or counterparty relationship.
28. Disclosure of certain items of information required by this Prudential Standard may prejudice the position of an ADI by making public information that is proprietary and/or confidential in nature. In such cases, subject to APRA's prior written approval, the ADI will not have to disclose those specific items. However, it must disclose more general information about the subject matter of the requirement, together with the fact that, and the reason why, the specific items of information have not been disclosed. APRA may, in its written approval, specify the extent of this more general disclosure.

Verification of disclosures

29. An ADI must ensure that Prudential Disclosures are appropriately verified and take the necessary steps to ensure their reliability.
30. An ADI is not required to have its Prudential Disclosures audited by an external auditor. However, the disclosures must be consistent with information otherwise published or supplied to APRA that has been subject to review by an external auditor.
31. In exceptional circumstances, APRA may require an independent audit of an ADI's disclosure under this Prudential Standard. Such circumstances include where APRA has reason to believe that the information being disclosed is incorrect or misleading.
32. To ensure appropriate accountability, an ADI's Chief Executive Officer must attest to the reliability of the Prudential Disclosures in the ADI's annual declaration to APRA required under *Prudential Standard APS 310 Audit and Related Arrangements for Prudential Reporting*.

Attachment A

Public disclosure requirements for locally incorporated, Australian-owned ADIs that are IRB/AMA approved

1. This Attachment sets out the Prudential Disclosures that must be made under this Prudential Standard by a locally incorporated, Australian-owned ADI that is IRB/AMA approved. While an ADI may augment the required information with additional material (including graphics, etc), its disclosures must conform to the basic order/layout as follows.

Scope of application

2. An ADI must disclose the items set out in Table 1, to the extent applicable to the ADI.

Table 1: Scope of application

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| Qualitative disclosures | (a) | The name of the top corporate entity in the Level 2 group to which this Prudential Standard applies. |
| | (b) | An outline of any differences in the basis of consolidation for accounting and regulatory purposes, with a brief description of the entities within the group (i) that are fully consolidated; (ii) that are given a deduction treatment; and (iii) that are neither consolidated nor deducted (e.g. where the investment is risk-weighted). |
| | (c) | Any restrictions, or other major impediments, on transfer of funds or regulatory capital within the group. |
| Quantitative disclosures | (d) | The aggregate amount of any undercapitalisation of a non-consolidated subsidiary (or subsidiaries) of the ADI that is required by APRA to be deducted from capital. |

Capital

3. An ADI must disclose the items set out in Tables 2 and 3, to the extent applicable to the ADI.

Table 2: Capital structure

| | | |
|---------------------------------|-----|---|
| Qualitative disclosures | (a) | Summary information on the terms and conditions of the main features of all capital instruments. |
| Quantitative disclosures | (b) | The amount of Tier 1 capital, with separate disclosure of: <ul style="list-style-type: none"> • paid-up ordinary shares; • reserves; • retained earnings, including current year earnings; • minority interests arising from consolidation of Tier 1 capital of subsidiaries; • innovative instruments; • non-innovative residual instruments; and • deductions from Tier 1 capital, including goodwill and investments. |
| | (c) | The total amount of Tier 2 capital (net of deductions). |
| | (d) | Total capital base. |

Table 3: Capital adequacy

| | | |
|---------------------------------|-----|---|
| Qualitative disclosures | (a) | A summary discussion of the ADI's approach to assessing the adequacy of its capital to support current and future activities. |
| Quantitative disclosures | (b) | Capital requirements for credit risk: <ul style="list-style-type: none"> • portfolios subject to standardised approach, disclosed separately for each portfolio; • portfolios subject to the IRB approaches, disclosed separately for each portfolio under the foundation IRB approach and for each portfolio under the advanced IRB approach: <ul style="list-style-type: none"> – corporate (including specialised lending (SL) not subject to supervisory slotting criteria), sovereign and bank; – residential mortgage; – qualifying revolving retail; and – other retail. • securitisation exposures. |

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| | (c) | Capital requirements for equity exposures in the IRB approach (simple risk-weight method). |
| | (d) | Capital requirements for market risk: internal models approach – trading book. |
| | (e) | Capital requirements for operational risk: AMA. |
| | (f) | Capital requirements for interest rate risk in the banking book. |
| | (g) | Total and Tier 1 capital ratio: <ul style="list-style-type: none"> • for the consolidated banking group; and • for each significant ADI or overseas bank¹ subsidiary. |

Risk exposure and assessment

General qualitative disclosure requirement

4. For each separate risk area (e.g. credit, market, operational, banking book interest rate risk, equity) an ADI must describe its risk management objectives and policies, including:
 - (a) strategies and processes;
 - (b) the structure and organisation of the relevant risk management function;
 - (c) the scope and nature of risk reporting and/or measurement systems; and
 - (d) policies for hedging and/or mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/mitigants.

Credit risk

5. An ADI must disclose the items set out in Tables 4 to 9, to the extent applicable to the ADI.

¹ As defined in *Prudential Standard APS 112 Capital Adequacy: Standardised Approach to Credit Risk*.

Table 4: Credit risk - general disclosures²

| | | |
|---------------------------------|-----|---|
| Qualitative disclosures | (a) | <p>The general qualitative disclosure requirement (refer to paragraph 4 of this Attachment) with respect to credit risk, including:</p> <ul style="list-style-type: none"> • definitions of past due and impaired (for regulatory purposes); • description of approaches followed for creation of specific provisions and general reserve for credit losses and statistical methods; • discussion of the ADI's credit risk management policy; and • for ADIs that have partly, but not fully adopted either the foundation IRB or the advanced IRB approach, a description of the nature of exposures within each portfolio that are subject to the: (i) standardised; (ii) foundation IRB; and (iii) advanced IRB approaches and of management's plans and timing for migrating exposures to full implementation of the applicable approach. |
| Quantitative disclosures | (b) | Total gross credit risk exposures, plus average gross exposure over the period broken down by major types of credit exposure. ³ |
| | (c) | Geographic distribution ⁴ of exposures, broken down in significant areas by major types of credit exposure. |
| | (d) | Industry or counterparty type distribution of exposures, broken down by major types of credit exposure. |
| | (e) | Residual contractual maturity breakdown of the whole portfolio, broken down by major types of credit exposure. |
| | (f) | <p>By major industry or counterparty type:</p> <ul style="list-style-type: none"> • amount of impaired loans and, if available, past due loans provided separately;⁵ • specific provisions; and • charges for specific provisions and write-offs during the period. |

² Table 4 does not include equities or securitisation exposures.

³ This breakdown could be in line with normal accounting rules (e.g. loans; commitments and other non-market off-balance sheet exposures; debt securities; and over-the-counter derivatives).

⁴ Geographical areas may comprise individual countries, groups of countries or regions within countries. An ADI might choose to define the geographical areas based on the way its portfolio is geographically managed. The criteria used to allocate the loans to geographical areas must be specified.

⁵ ADIs are encouraged also to provide an analysis of the aging of loans that are past due.

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| | (g) | Amount of impaired loans and, if available, past due loans provided separately broken down by significant geographic areas including, if practical, the amounts of specific provisions and general reserve for credit losses related to each geographical area; the portion of general reserve not allocated to a geographical area must be disclosed separately. |
| | (h) | Reconciliation of changes in the provisions/reserves for credit impairment. ⁶ |
| | (i) | For each portfolio, the amount of exposures (for IRB ADIs, drawn plus exposure at default (EAD) on undrawn) subject to the: (i) standardised; (ii) foundation IRB; and (iii) advanced IRB approaches. |

Table 5: Credit risk - disclosures for portfolios subject to the standardised approach and supervisory risk-weights in the IRB approaches

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|---------------------------------|-----|--|
| Qualitative disclosures | (a) | For portfolios under the standardised approach: <ul style="list-style-type: none"> names of external credit assessment institutions (ECAIs) used, plus reasons for any changes; types of exposure for which each agency is used; a description of the process used to transfer public issue ratings onto comparable assets in the banking book; and the alignment of the alphanumerical scale of each agency used with risk buckets.⁷ |
| Quantitative disclosures | (b) | <ul style="list-style-type: none"> For exposure amounts after risk mitigation subject to the standardised approach, the amount of an ADI's outstandings (rated and unrated) in each risk bucket as well as those that are deducted; and For exposures subject to the supervisory risk-weights in IRB (any SL products subject to supervisory slotting criteria and equities under the simple risk-weight method), the aggregate amount of an ADI's outstandings in each risk bucket. |

⁶ The reconciliation shows separately specific provisions and the general reserve for credit losses; the information comprises: a description of the type of provision/reserve; the opening balances; write-offs taken during the period; amounts set aside (or reversed) for estimated probable loan losses during the period; any other adjustments (e.g. exchange rate differences, business combinations, acquisitions and disposals of subsidiaries), including transfers between provisions and reserves; and the closing balances. Write-offs and recoveries that have been recorded directly to the income statement must be disclosed separately.

⁷ This information need not be disclosed if the ADI complies with a standard mapping published by the supervisor.

Table 6: Credit risk - disclosures for portfolios subject to IRB approaches⁸

| | | |
|--------------------------------|-----|---|
| Qualitative disclosures | (a) | Supervisor's acceptance of approach/supervisory approved transition. |
| | (b) | <p>Explanation and review of the:</p> <ul style="list-style-type: none"> • structure of internal rating systems and relation between internal and external ratings; • use of internal estimates other than for IRB capital purposes; • process for managing and recognising credit risk mitigation; and • control mechanisms for the rating system including discussion of independence, accountability, and rating systems review. |
| | (c) | <p>Description of the internal ratings process, provided separately for distinct portfolios:</p> <ul style="list-style-type: none"> • corporate (including small and medium-sized entities (SMEs), SL and purchased corporate receivables), sovereign and bank; • residential mortgages; • qualifying revolving retail;⁹ and • other retail. <p>The description must include, for each portfolio:</p> <ul style="list-style-type: none"> • the types of exposure included in the portfolio; • the definitions, methods and data for estimation and validation of probability of default (PD), and (for portfolios subject to the advanced IRB approach) loss given default (LGD) and/or EAD, including assumptions employed in the derivation of these variables;¹⁰ and • the permitted material deviations from the reference definition of default, including the broad segments of the portfolio(s) affected by such deviations. |

⁸ Table 6 does not include equities or securitisation exposures.

⁹ In both the qualitative disclosures and quantitative disclosures that follow, ADIs must distinguish between the qualifying revolving retail exposures and other retail exposures unless these portfolios are insignificant in size (relative to overall credit exposures) and the risk profile of each portfolio is sufficiently similar such that separate disclosure would not help users' understanding of the risk profile of the ADIs' retail business.

¹⁰ This disclosure does not require a detailed description of the model in full – it must provide a broad overview of the model approach, describing definitions of the variables, and methods for estimating and validating those variables set out in the quantitative risk disclosures below. This must be done for each of the portfolios. ADIs must draw out any significant differences in approach to estimating these variables within each portfolio.

| | | |
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| Quantitative disclosures: risk assessment | (d) | <p>For each portfolio (as defined above) except retail, present the following information across a sufficient number of PD grades (including default) to allow for a meaningful differentiation of credit risk:¹¹</p> <ul style="list-style-type: none"> • total exposures (for corporate, sovereign and bank, outstanding loans and EAD on undrawn commitments);¹² • for ADIs on the advanced IRB approach, exposure-weighted average LGD (percentage); and • exposure-weighted average risk-weight. <p>For ADIs on the advanced IRB approach, the amount of undrawn commitments and exposure-weighted average EAD for each portfolio.¹³</p> <p>For each retail portfolio (as defined above), either:¹⁴</p> <ul style="list-style-type: none"> • disclosures as outlined above on a pool basis (i.e. same as for non-retail portfolios); or • analysis of exposures on a pool basis (outstanding loans and EAD on commitments) against a sufficient number of expected loss (EL) grades to allow for a meaningful differentiation of credit risk. |
| Quantitative disclosures: historical results | (e) | <p>Actual losses (e.g. write-offs and specific provisions) in the preceding period for each portfolio (as defined above) and how this differs from past experience. A discussion of the factors that impacted on the loss experience in the preceding period – for example, has the ADI experienced higher than average default rates, or higher than average LGDs and EADs?</p> |

¹¹ The PD, LGD and EAD disclosures below must reflect the effects of collateral, netting and guarantees/credit derivatives as applicable.

¹² Outstanding loans and EAD on undrawn commitments can be presented on a combined basis for these disclosures.

¹³ ADIs need only provide one estimate of EAD for each portfolio. However, where ADIs believe it is helpful, in order to give a more meaningful assessment of risk, they may also disclose EAD estimates across a number of EAD categories, against the undrawn exposures to which these relate.

¹⁴ ADIs would normally be expected to follow the disclosures provided for the non-retail portfolios. However, ADIs may choose to adopt EL grades as the basis of disclosure where they believe this can provide the reader with a meaningful differentiation of credit risk. Where ADIs are aggregating internal grades (either PD/LGD or EL) for the purposes of disclosure, this must be a representative breakdown of the distribution of those grades used in the IRB approach.

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| | (f) | ADIs' estimates against actual outcomes over a longer period. ¹⁵ At a minimum, this must include information on estimates of losses against actual losses in each portfolio (as defined above) over a period sufficient to allow for a meaningful assessment of the performance of the internal rating processes for each portfolio. ¹⁶ Where appropriate, ADIs must further decompose this to provide analysis of PDs and, for ADIs on the advanced IRB approach, LGD and EAD outcomes against estimates provided in the quantitative risk assessment disclosures above. ¹⁷ |
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Table 7: Credit risk mitigation disclosures¹⁸

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|--------------------------------|-----|--|
| Qualitative disclosures | (a) | <p>The general qualitative disclosure requirement (refer to paragraph 4 of this Attachment) with respect to credit risk mitigation, including:</p> <ul style="list-style-type: none"> • policies and processes for, and an indication of the extent to which the ADI makes use of, on-balance sheet and off-balance sheet netting; • policies and processes for collateral valuation and management; • a description of the main types of collateral taken by the ADI; • the main types of guarantor/credit derivative counterparty and their creditworthiness; and • information about (market or credit) risk concentrations within the mitigation taken. |
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¹⁵ These disclosures are a way of further informing about the reliability of the information provided in the 'quantitative disclosures: risk assessment' over the long run. The disclosures are requirements from year-end 2009; in the meantime, early adoption would be encouraged. The phased implementation is to allow ADIs sufficient time to build up a longer run of data that will make these disclosures meaningful.

¹⁶ ADIs are expected to provide these disclosures for as long run of data as possible – for example, if ADIs have 10 years of data, they might choose to disclose the average default rates for each PD grade over that 10-year period. Annual amounts need not be disclosed.

¹⁷ ADIs must provide this further decomposition where it will allow users greater insight into the reliability of the estimates provided in the 'quantitative disclosures: risk assessment'. In particular, ADIs must provide this information where there are material differences between the PD, LGD or EAD estimates given by ADIs compared to actual outcomes over the long run. ADIs must also provide explanations for such differences.

¹⁸ Credit derivatives that are treated as part of synthetic securitisation structures must be excluded from the credit risk mitigation disclosures and included within those relating to securitisation.

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| Quantitative disclosures | (b) | For each separately disclosed credit risk portfolio under the standardised and/or foundation IRB approach, the total exposure (after, where applicable, on-balance sheet or off-balance sheet netting) that is covered by: <ul style="list-style-type: none"> • eligible financial collateral; and • other eligible IRB collateral after the application of haircuts. |
| | (c) | For each separately disclosed portfolio under the standardised and/or IRB approach, the total exposure (after, where applicable, on-balance sheet or off-balance sheet netting) that is covered by guarantees/credit derivatives. |

Table 8: General disclosure for exposures related to counterparty credit risk

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| Qualitative disclosures | (a) | The general qualitative disclosure requirement (refer to paragraph 4 of this Attachment) with respect to derivatives and counterparty credit risk (CCR), including discussion of the: <ul style="list-style-type: none"> • methodology used to assign economic capital and credit limits for CCR exposures; • policies for securing collateral and establishing credit reserves; • policies for wrong-way risk exposures; and • the impact of the amount of collateral the ADI would have to provide given a credit rating downgrade. |
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Table 9: Securitisation disclosures¹⁹

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| Qualitative disclosures | (a) | The general qualitative disclosure requirement (refer to paragraph 4 of this Attachment) with respect to all securitisation (including synthetics) transactions, whether an originating ADI or not in relation to a scheme, including a discussion of: <ul style="list-style-type: none"> • the ADI's objectives in relation to securitisation activity, including the extent to which these activities transfer credit risk of the underlying |
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¹⁹ Where relevant, ADIs are encouraged to differentiate between securitisation exposures resulting from activities in which they are an originating ADI and exposures that result from all other securitisation activities that are subject to the securitisation framework. An originating ADI is also encouraged to distinguish between situations where it originates underlying exposures included in a securitisation from those where it is either a managing ADI (of a third party securitisation) or provider of a facility (other than derivatives) to an asset-backed commercial paper securitisation.

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| | | <p>securitised exposures away from the ADI to other entities;</p> <ul style="list-style-type: none"> the roles played by the ADI in the securitisation process and an indication of the extent of the ADI's involvement in each of them; and the regulatory capital approaches that are applicable to the ADI's securitisation activities. |
| | (b) | <p>Summary of the ADI's accounting policies for securitisation activities, including:</p> <ul style="list-style-type: none"> whether the transactions are treated as sales or financings; recognition of gain on sale; key assumptions for valuing securitisation exposures, including any significant changes since the last reporting period and the impact of such changes; and treatment of synthetic securitisations if this is not covered by other accounting policies (e.g. on derivatives). |
| | (c) | Names of ECAs used for securitisations and the types of securitisation exposure for which each agency is used. |
| Quantitative disclosures | (d) | The total outstanding exposures of securitisations that are subject to the securitisation framework (broken down into traditional/synthetic) and for which the ADI is an originating ADI, by type of underlying asset. |
| | (e) | <p>For underlying exposures originated by the ADI into securitisations:</p> <ul style="list-style-type: none"> amount of impaired/past due assets; and losses recognised by the ADI during the current period <p>broken down by type of underlying asset.</p> |
| | (f) | Aggregate amount of securitisation exposures, broken down by exposure type (e.g. holdings of securities, provision of facilities). |
| | (g) | Aggregate amount of securitisation exposures and the associated IRB capital charges for these exposures, broken down into a meaningful number of risk-weight bands. Exposures that have been deducted from capital must be identified by the level of capital at which they have been deducted and must be disclosed separately by type of underlying asset. |

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| | (h) | For securitisations subject to early amortisation treatment, the following items by underlying asset type for securitised facilities: <ul style="list-style-type: none"> • the aggregate drawn exposures attributed to the seller's and investors' interests; • the aggregate IRB capital charges incurred by the ADI against its retained (i.e. the seller's) shares of the drawn balances and undrawn lines; and • the aggregate IRB capital charges incurred by the ADI against the investors' shares of drawn balances and undrawn lines. |
| | (i) | Where an ADI has APRA's approval to use the standardised approach for (some) securitisation exposures, these are to be disclosed under (g) and (h); the ADI must use the capital charges for the standardised approach. |
| | (j) | Summary of current year's securitisation activity, including the amount of underlying exposures originated into a securitisation (by asset type), the recognised gain or loss on sale by asset type and the notional amount of new facilities provided to securitisation schemes (by facility type). |

Market risk

6. An ADI must disclose the items set out in Tables 10 and 11, to the extent applicable to the ADI.

Table 10: Market risk - disclosures for ADIs using the standardised approach

| | | |
|---------------------------------|-----|---|
| Qualitative disclosures | (a) | The general qualitative disclosure requirement (refer to paragraph 4 of this Attachment) for market risk including the portfolios covered by the standardised approach. |
| Quantitative disclosures | (b) | The capital requirements for: <ul style="list-style-type: none"> • interest rate risk; • equity position risk; • foreign exchange risk; and • commodity risk. |

Table 11: Market risk - disclosures for ADIs using the internal models approach for trading portfolios

| | | |
|---------------------------------|-----|---|
| Qualitative disclosures | (a) | The general qualitative disclosure requirement (refer to paragraph 4 of this Attachment) for market risk including the portfolios covered by the internal models approach (IMA). |
| | (b) | For each portfolio covered by the IMA: <ul style="list-style-type: none"> the characteristics of the models used; a description of stress testing applied to the portfolio; and a description of the approach used for back-testing/validating the accuracy and consistency of the internal models and modelling processes. |
| | (c) | The scope of acceptance by the supervisor. |
| Quantitative disclosures | (d) | For trading portfolios under the IMA: <ul style="list-style-type: none"> the high, mean and low value-at-risk (VaR) values over the reporting period and period end; and a comparison of VaR estimates with actual gains/losses experienced by the ADI, with analysis of important 'outliers' identified in back-test results. |

Operational risk

7. An ADI must disclose the items set out in Table 12, to the extent applicable to the ADI.

Table 12: Operational risk

| | | |
|--------------------------------|-----|---|
| Qualitative disclosures | (a) | In addition to the general qualitative disclosure requirement (refer to paragraph 4 of this Attachment), the approach(es) for operational risk capital assessment for which the ADI qualifies. |
| | (b) | Description of the AMA used by the ADI, including a discussion of relevant internal and external factors considered in the ADI's measurement approach. In the case of partial use, the scope and coverage of the different approaches used. |
| | (c) | For ADIs using the AMA, a description of the use of insurance for the purpose of mitigating operational risk. |

Equities

8. An ADI must disclose the items set out in Table 13, to the extent applicable to the ADI.

Table 13: Equities - disclosures for banking book positions

| | | |
|---------------------------------|-----|--|
| Qualitative disclosures | (a) | <p>The general qualitative disclosure requirement (refer to paragraph 4 of this Attachment) with respect to equity risk, including:</p> <ul style="list-style-type: none"> • differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons; and • discussion of important policies covering the valuation and accounting of equity holdings in the banking book. This includes the accounting techniques and valuation methodologies used, including key assumptions and practices affecting valuation as well as significant changes in these practices. |
| Quantitative disclosures | (b) | Value disclosed in the balance sheet of investments, as well as the fair value of those investments; for quoted securities, a comparison to publicly quoted share values where the share price is materially different from fair value. |
| | (c) | <p>The types and nature of investments, including the amount that can be classified as:</p> <ul style="list-style-type: none"> • publicly traded; and • privately held. |
| | (d) | The cumulative realised gains (losses) arising from sales and liquidations in the reporting period. |
| | (e) | <p>Total unrealised gains (losses).</p> <p>Total latent revaluation gains (losses).</p> <p>Any amounts of the above included in Tier 1 and/or Tier 2 capital.</p> |
| | (f) | Capital requirements broken down into appropriate equity asset classes, consistent with the ADI's methodology, as well as the aggregate amounts and the type of equity investments subject to any supervisory transition or grandfathering provisions regarding capital requirements. |

Interest rate risk in the banking book

9. An ADI must disclose the items set out in Table 14, to the extent applicable to the ADI.

Table 14: Interest rate risk in the banking book

| | | |
|---------------------------------|-----|---|
| Qualitative disclosures | (a) | The general qualitative disclosure requirement (refer to paragraph 4 of this Attachment), including the nature of interest rate risk in the banking book (IRRBB) and key assumptions, including those regarding loan prepayments and behaviour of non-maturity deposits, and frequency of IRRBB measurement. |
| Quantitative disclosures | (b) | The increase (decrease) in earnings or economic value (or relevant measure used by management) for upward and downward rate shocks according to management's method for measuring IRRBB, broken down by currency (as relevant). The derivation of the ADI's capital requirement for IRRBB must be disclosed. |

Attachment B

Basic public disclosure requirements for all locally incorporated ADIs

1. This Attachment sets out the basic Prudential Disclosures that must be made under this Prudential Standard by all locally incorporated ADIs. While an ADI may augment this information with additional material (including graphics, etc), its disclosures must conform to the basic order/layout as follows.

Scope of application

2. An ADI must disclose the name of the top corporate entity in the group to which the disclosed information applies.

Capital

3. An ADI must disclose the items set out in Tables 15 and 16, to the extent applicable to the ADI. The information in Table 15 is only required to be disclosed when the relevant quarterly reporting period coincides with the ADI's normal statutory reporting period (that is, semi-annually and annually for listed ADIs and annually for ADIs that are not listed).

Table 15: Capital structure

| | |
|-----|--|
| (a) | <p>The amount of Tier 1 capital, with separate disclosure of:</p> <ul style="list-style-type: none"> • paid-up ordinary shares; • reserves; • retained earnings, including current year earnings; • minority interests arising from consolidation of Tier 1 capital of subsidiaries; • innovative instruments; • non-innovative residual instruments; and • deductions from Tier 1 capital, including goodwill and investments. |
| (b) | The total amount of Tier 2 capital (net of deductions). |
| (c) | Total capital base. |

Table 16: Capital adequacy

| | |
|-----|---|
| (a) | Capital requirements (in terms of risk-weighted assets) for: <ul style="list-style-type: none"> • credit risk (excluding securitisation) by portfolio;²⁰ and • securitisation. |
| (b) | Capital requirements for market risk. |
| (c) | Capital requirements for operational risk. |
| (d) | Capital requirements for IRRBB (IRB/AMA-approved Australian-owned ADIs only) |
| (e) | Total and Tier 1 capital ratio for the consolidated banking group. |

Credit risk exposure

4. An ADI must disclose the items set out in Table 17, to the extent applicable to the ADI.

Table 17:²¹ Credit risk

| | |
|-----|--|
| (a) | Total gross credit risk exposures, plus average gross exposure over the period, broken down by: <ul style="list-style-type: none"> • major types of credit exposure;²² and, separately, by • portfolio.²³ |
| (b) | By portfolio: ²⁴ <ul style="list-style-type: none"> • amount of impaired facilities and past due facilities, provided separately; • specific provisions; and • charges for specific provisions and write-offs during the period. |
| (c) | The general reserve for credit losses. |

²⁰ For standardised portfolios: claims secured by residential mortgage; other retail; corporate; bank; government; and all other; and for IRB portfolios: corporate; sovereign; bank; residential mortgage; qualifying revolving retail; other retail; and all other.

²¹ Table 17 does not include equities or securitisation exposures.

²² This breakdown could be in line with normal accounting rules (e.g. loans; commitments and other non-market off-balance sheet exposures; debt securities; and over-the-counter derivatives).

²³ Refer to footnote 21.

²⁴ Refer to footnote 21.