



Reporting Standard ARS 112.0

Capital Adequacy: Standardised Approach to Credit Risk

Objective of this Reporting Standard

This Reporting Standard sets out requirements for the provision of information to APRA relating to an authorised deposit-taking institution's on- and off-balance sheet exposures that are subject to calculations using the standardised approach to credit risk.

It includes associated instructions (all of which are attached and form part of this Reporting Standard) and should be read in conjunction with *Prudential Standard APS 112 Capital Adequacy: Standardised Approach to Credit Risk*.

Authority

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

Purpose

2. The information reported to APRA under this Reporting Standard is used by APRA for the purpose of prudential supervision including assessing compliance with capital adequacy standards. It may also be used by the Reserve Bank of Australia (RBA) and the Australian Bureau of Statistics (ABS).

Application and commencement

3. This Reporting Standard applies to an authorised deposit-taking institution (ADI) that is applying the standardised approach to credit risk to all or part of its exposures for capital adequacy purposes (refer to *Prudential Standard APS 112 Capital Adequacy: Standardised Approach to Credit Risk* (APS 112) or *Prudential Standard APS 113 Capital Adequacy: Internal Ratings-based Approach to Credit Risk* (APS 113), as appropriate).
4. This Reporting Standard may also apply to the non-operating holding company (NOHC) of an ADI (refer to paragraph 7).
5. This Reporting Standard commences on 1 January 2023.

Information required

6. An ADI to which this Reporting Standard applies must provide APRA with the information required by this Reporting Standard for each reporting period.
7. If an ADI to which this Reporting Standard applies is part of a Level 2 group, the ADI must also submit to APRA the information required by this Reporting Standard for an ADI at Level 2 for each reporting period, unless the ADI is a subsidiary of an authorised NOHC. If the ADI is a subsidiary of an authorised NOHC, the ADI's immediate parent NOHC must submit to APRA the information required by this Reporting Standard for each reporting period. In doing so, the immediate parent NOHC must comply with this Reporting Standard (other than paragraph 6) as if it were the relevant ADI.

Method of submission

8. The information required by this Reporting Standard must be given to APRA:
 - (a) in electronic format using an electronic method available on APRA's website; or
 - (b) by a method notified by APRA prior to submission.

Reporting periods and due dates

9. Subject to paragraph 10, an ADI to which this Reporting Standard applies must provide the information required by this Reporting Standard for each quarter based on the financial year (within the meaning of the *Corporations Act 2001*) of the ADI.
10. APRA may, by notice in writing, change the reporting periods, or specified reporting periods, for a particular ADI, to require it to provide the information required by this Reporting Standard more frequently, or less frequently, having regard to:
 - (a) the particular circumstances of the ADI;
 - (b) the extent to which the information is required for the purposes of the prudential supervision of the ADI; and
 - (c) the requirements of the RBA or the ABS.
11. The information required by this Reporting Standard must be provided to APRA within 35 calendar days after the end of the reporting period to which this information relates.
12. APRA may grant an ADI an extension of a due date in writing, in which case the new due date for the provision of the information will be the date on the notice of extension.

Note: For the avoidance of doubt, if the due date for a particular reporting period falls on a day other than a usual business day, an ADI is nonetheless required to submit the information required no later than the due date.

Quality control

13. All information provided by an ADI under this Reporting Standard (except for the information required under paragraph 7) must be the product of systems, processes and

controls that have been reviewed and tested by the external auditor of the ADI as set out in *Prudential Standard APS 310 Audit and Related Matters*. Relevant standards and guidance statements issued by the Auditing and Assurance Standards Board provide information on the scope and nature of the review and testing required from external auditors. This review and testing must be done on an annual basis or more frequently if required by the external auditor to enable the external auditor to form an opinion on the accuracy and reliability of the information provided by an ADI under this Reporting Standard.

14. All information provided by an ADI under this Reporting Standard must be subject to processes and controls developed by the ADI for the internal review and authorisation of that information. These systems, processes and controls are to assure the completeness and reliability of the information provided.

Authorisation

15. When an officer or agent of an ADI provides the information required by this Reporting Standard using an electronic format, the officer or agent must digitally sign the relevant information using a digital certificate acceptable to APRA.

Variations

16. APRA may, by written notice to the ADI, vary the reporting requirements of this Reporting Standard in relation to that ADI.

Transition

17. An ADI 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 by the determination that makes this Reporting Standard (being the reporting standard that this Reporting Standard replaces); and

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

- (a) that ended before the date of revocation of the old reporting standard; and
- (b) in relation to which the ADI 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 ADI 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 ADI is still required to provide any overdue reporting documents in accordance with the old reporting standard.

Interpretation

18. In this Reporting Standard the following definitions are applicable:

AASB has the meaning in section 9 of the *Corporations Act 2001*.

ADI means an authorised deposit-taking institution within the meaning of the *Banking Act 1959*.

APRA means the Australian Prudential Regulation Authority established under the *Australian Prudential Regulation Authority Act 1998*.

business days means ordinary business days, exclusive of Saturdays, Sundays and public holidays.

due date means the relevant due date under paragraph 11 or, if applicable, paragraph 12.

foreign ADI has the meaning in section 5 of the *Banking Act 1959*.

highest parent entity means an ADI that satisfies all of the following conditions:

- (a) it is locally-incorporated;
- (b) it has at least one subsidiary (within the meaning of *AASB 127 Consolidated and Separate Financial Statements* (AASB 127)); and
- (c) it is not itself a subsidiary (within the meaning of AASB 127) of an ADI that is locally-incorporated.

IRB approach refers to the internal ratings-based approach to credit risk, as set out in APS 113.

Level 1 has the meaning in *Prudential Standard APS 001 Definitions* (APS 001).

Level 2 has the meaning in APS 001.

locally incorporated means incorporated in Australia or in a State or Territory of Australia, by or under a Commonwealth, State or territory law.

reporting period means a period mentioned in paragraph 9 or, if applicable, paragraph 10.

19. Unless the contrary intention appears, a reference to an Act, Prudential Standard, Reporting Standard, Australian Accounting or Auditing and Assurance Standard is a reference to the instrument as in force from time to time.

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General instructions

Application to an IRB or an applicant IRB ADI

An ADI that has received IRB approval under APS 113 and has approval for partial use of

An ADI that is operating under the APS 112 standardised approach to credit risk, but has applied to adopt IRB approach is expected to continue to meet the requirements of this standard for all exposures. In addition, the ADI is expected to meet the requirements in ARS 113 for those exposures they are seeking approval to use the IRB approach under APS 113 and separately report under this form

Securitisation deconsolidation principle

Except as otherwise specified in these instructions, the following applies:

1. Where an *ADI* (or a member of its *Level 2* consolidated group) participates in a securitisation that meets *APRA's* operational requirements for regulatory capital relief under *Prudential Standard APS 120 Securitisation* (APS 120):
 - (a) special purpose vehicles (SPVs) holding securitised assets may be treated as non-consolidated independent third parties for regulatory reporting purposes, irrespective of whether the SPVs (or their assets) are consolidated for accounting purposes; and
 - (b) the assets, liabilities, revenues and expenses of the relevant SPVs may be excluded from the *ADI's* reported amounts in *APRA's* regulatory reporting returns.
2. Where an *ADI* (or a member of its *Level 2* consolidated group) participates in a securitisation that does not meet *APRA's* operational requirements for regulatory capital relief under APS 120, or the *ADI* undertakes a funding-only securitisation or synthetic securitisation, such assets are to be reported as on-balance sheet in *APRA's* regulatory reporting returns.

Definitions

All terms highlighted in *bold italics* in this Reporting Standard are as defined in APS 112.

Specific instructions

Table 1: Capital Adequacy: Standardised Approach to Credit Risk

Scope

The risk-weighting process used for measuring the credit RWA of an ADI covers all or part of the ADI's exposures that are subject to the standardised approach, except the following specifically excluded items:

- a) those assets or investments that are required to be deducted from Tier 1 and/or Tier 2 capital under *Prudential Standard APS 111 Capital Adequacy: Measurement of Capital* (APS 111);
- b) securitisation exposures, which are subject to the requirements of APS 120; and
- c) exposures of an overseas banking subsidiary that is prudentially regulated by a prescribed New Zealand authority.

Reporting basis

Complete Table 1 for all exposures that use the standardised approach to credit risk.

This table is to be completed by all *ADIs* on both a licensed *ADI* and consolidated *ADI* group basis (where applicable). Licensed *ADI* refers to the operations of the reporting *ADI* on a stand-alone basis.

Report data as at the end of the reporting period.

Reporting tables

The table described in this reporting standard lists each of the data fields required to be reported. The data fields are listed sequentially in the column order that they will appear in the reported data set. Constraints on the data that can be reported for each field have also been provided. The Unique identifier column indicates which field or fields form the primary key of the table. Where a field has 'Y' in the Unique identifier column, this denotes that this field forms part of the primary key for the table. A blank cell in the Unique identifier column means that the field

does not form part of the primary key for the table. Any specific combination of values in the fields that form the primary key of a table must not appear on more than one row in that table when reported.

Units of measurement

Report all values in whole Australian dollars (no decimal place).

Convert amounts denominated in foreign currency to Australian dollars in accordance with Australian Accounting Standards.

Table 1: Standardised Approach to Credit Risk

| | Name | Unique Identifier | Valid values | Description |
|---|-------------------------|-------------------|---|---|
| 1 | Exposure classification | Y | <ul style="list-style-type: none"> • <i>Residential property – owner occupied and principal and interest – standard</i> • <i>Residential property – other – standard</i> • <i>Residential property – non-standard – reverse mortgages</i> • <i>Residential property – non-standard – other</i> • <i>Commercial property – dependent – standard</i> • <i>Commercial property – dependent – non-standard</i> • <i>ADC – eligible for a 100% risk weight</i> • <i>ADC – other</i> • <i>Sovereign</i> • <i>Domestic PSE</i> • <i>Bank – long term exposure</i> • <i>Bank – short-term exposure</i> • <i>Bank – short-term issue specific credit rating</i> | <p>This column is mandatory for all exposures in scope of this Reporting Standard.</p> <p>Exposure classifications are as defined in APS 112. Also refer to <i>Prudential Practice Guide APG 112 Standardised Approach to Credit Risk</i> for further details of the definitions of the classifications.</p> <p>For <i>commercial property – not dependent on cashflows – standard, commercial property – not dependent on cashflows – non-standard</i> and <i>lease (excluding residual value)</i>, select the relevant counterparty in Column 1 and the applicable exposure classification in Column 2.</p> |

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| | | <ul style="list-style-type: none"> • <i>Covered bond (not treated as a bank exposure)</i> • <i>Corporate – general – long-term</i> • <i>Corporate – general – short-term</i> • <i>Corporate – SME corporate</i> • <i>Corporate – SME retail</i> • <i>Specialised Lending – project finance</i> • <i>Specialised Lending – object finance</i> • <i>Specialised Lending – commodities finance</i> • <i>Retail – credit card</i> • <i>Retail – other</i> • <i>Margin lending – secured by eligible financial collateral</i> • <i>Margin lending – secured by other collateral</i> • <i>Subordinated debt</i> • <i>Equity – Listed on a recognised exchange</i> • <i>Equity – Not listed on a recognised exchange</i> • <i>Residual value for leases ($\leq 10\%$ of Tier 1 capital)</i> • <i>Residual value for leases ($> 10\%$ Tier 1 capital)</i> • <i>Exposures through a third party</i> • <i>Cash items – not in process of collection</i> • <i>Cash items – in process of collection</i> • <i>Gold bullion</i> • <i>Fixed assets</i> • <i>Unsettled and failed transactions (5 to 15 business days)</i> • <i>Unsettled and failed transactions (16 to 30 business days)</i> | <p>Use <i>Market related exposure</i> to group market-related off-balance sheet exposures. Specifically, for rows that contain <i>Market related exposure</i>:</p> <ul style="list-style-type: none"> a) populate columns 2 to 9 with Not Applicable or 0 as appropriate; b) for a Standardised ADI, report in column 10 total RWA for market-related off-balance sheet credit exposures (including default risk RWE, trade exposure RWE and default fund RWE) plus 12.5 times the sum of CVA capital charge and default fund capital charge, determined in accordance with APS 180; and c) for an IRB ADI approved for partial use in accordance with APS 113, report in column 10 the total RWA for market-related off-balance sheet non-IRB credit exposures (including non-IRB default risk RWE, trade exposure RWE and default fund RWE) plus 12.5 times the sum of CVA capital charge and default fund capital charge, all determined in accordance with APS 180. |
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| | | | <ul style="list-style-type: none"> • <i>Unsettled and failed transactions (31 to 45 business days)</i> • <i>Unsettled and failed transactions (46 business days or more)</i> • Market related exposure • All other exposures not specified elsewhere | |
| 2 | <i>Exposures dependent on counterparties</i> | Y | <ul style="list-style-type: none"> • <i>Commercial property – not dependent on cashflows – standard</i> • <i>Commercial property – not dependent on cashflows – non-standard</i> • <i>Leases (excluding residual value)</i> • Not Applicable | <p>Report <i>commercial property – not dependent on cashflows – standard</i> or <i>commercial property – not dependent on cashflows – non-standard</i> or <i>lease (excluding residual value)</i>.</p> <p>For market related exposures and exposures whose risk weight is not dependent on counterparties, report <i>Not Applicable</i>.</p> |
| 3 | <i>On/off balance sheet</i> | Y | <ul style="list-style-type: none"> • <i>On-balance sheet</i> • <i>Off-balance sheet</i> • Not Applicable | <p>Off-balance sheet exposures should only include non-market-related exposures as market-related off-balance sheet exposures are captured separately in column 1.</p> <p>Report <i>Not Applicable</i> for market related exposures.</p> |
| 4 | Nature of transaction | Y | <ul style="list-style-type: none"> • <i>Direct credit substitutes</i> • <i>Sale and repurchase agreements and asset sales with recourse</i> • <i>Lending of securities or posting of securities as collateral</i> • <i>Forward asset purchases, forward deposits and partly paid shares and securities</i> | <p>This column is applicable only for off-balance sheet exposures.</p> <p>Refer to Attachment C of APS 112 and <i>Prudential Practice Guide APG 112 Standardised Approach to Credit Risk</i> for further details of the definitions of the non-market related transactions.</p> |

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| | | | <ul style="list-style-type: none"> • <i>Other off-balance sheet items that are credit substitutes</i> • <i>Unsettled securities, commodities and foreign exchange transactions accounted for at settlement date</i> • <i>Other commitments with certain drawdown</i> • <i>Note issuance and revolving underwriting facilities</i> • <i>Performance-related contingencies</i> • <i>Other commitments</i> • <i>Short-term self-liquidating trade letters of credit arising from the movement of goods</i> • <i>Intraday limits</i> • <i>Irrevocable standby commitments under industry support arrangements</i> • Not Applicable | <p>For all other exposures report <i>Not Applicable</i>.</p> |
| 5 | <i>Loan-to-valuation-ratio (LVR)</i> | Y | <ul style="list-style-type: none"> • 0 to ≤ 5% • 5.01% to ≤ 10% • 10.01% to ≤ 15% • 15.01% to ≤ 20% • 20.01% to ≤ 25% • 25.01% to ≤ 30% • 30.01% to ≤ 35% • 35.01% to ≤ 40% • 40.01% to ≤ 45% • 45.01% to ≤ 50% • 50.01% to ≤ 55% • 55.01% to ≤ 60% | <p>This column is applicable to rows containing <i>Residential property</i> and <i>Commercial property</i> (including all sub-categories) in column 1.</p> <p>LVR of exposures should be calculated in accordance with Attachment A of APS 112. Allocate exposures to the appropriate band based on the calculated LVR.</p> <p>For all other exposures report <i>Not applicable</i>.</p> |

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| | | | <ul style="list-style-type: none"> • 60.01% to ≤ 65% • 65.01% to ≤ 70% • 70.01% to ≤ 75% • 75.01% to ≤ 80% • 80.01% to ≤ 85% • 85.01% to ≤ 90% • 90.01% to ≤ 95% • 95.01% to ≤ 100% • >100% • Not Applicable | |
| 6 | Lenders Mortgage Insurance (LMI) | Y | <ul style="list-style-type: none"> • Yes • No • Not Applicable | <p>For Residential property exposures (Residential property – owner occupied and principal and interest – standard or Residential property – other – standard) report <i>Yes</i> for exposures with eligible LMI and <i>No</i> for exposures without eligible LMI.</p> <p>For all other exposures report <i>Not Applicable</i>.</p> |
| 7 | Defaulted | Y | <ul style="list-style-type: none"> • Defaulted residential property exposure • Other defaulted exposure – Provisions ≥ 20% of outstanding amount • Other defaulted exposure – Provisions < 20% of outstanding amount • Not defaulted • Not Applicable | <p>Use <i>Defaulted residential property exposure</i> to report residential property exposures in default, as defined in APS 112, using either:</p> <ul style="list-style-type: none"> a) Other defaulted exposure – provisions greater than or equal to 20% of outstanding amount b) Other defaulted exposure – or provisions less than 20% of outstanding amount. <p>Use <i>Not defaulted</i> to group exposures not in default.</p> |

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| | | | | Report <i>Not Applicable</i> for market related exposures. |
| 8 | Government Guarantee | Y | <ul style="list-style-type: none"> • Yes • No • Not Applicable | <p>Report <i>Yes</i> if the residential property exposure has a Government Guarantee or <i>No</i> if it doesn't.</p> <p>Report <i>Not Applicable</i> for all other exposures, including market related exposures.</p> |
| 9 | Credit rating grade | Y | <ul style="list-style-type: none"> • Credit rating grade 1 • Credit rating grade 2 • Credit rating grade 3 • Credit rating grade 4 • Credit rating grade 5 • Credit rating grade 6 • Unrated • Not Applicable | <p>For the Commercial property – not dependent, Sovereign, Domestic PSE, Bank, Covered bond, Corporate and Specialised lending exposures report the credit rating grade as defined in Attachment F of APS 112.</p> <p>For all other exposures report <i>Not Applicable</i>.</p> |
| 10 | Exposure before CRM and CCF | | Whole dollars | <p>For <i>Market related exposure</i> in column 1, report 0.</p> <p>For all other rows, report exposure before credit risk mitigation (CRM) as defined in APS 112 and before CCF.</p> |
| 11 | Exposure after CRM and CCF | | Whole dollars | <p>For <i>Market related exposure</i> in column 1, report RWA calculated in accordance with APS 180.</p> <p>For all other rows, report exposure after CRM and after CCF.</p> |
| 12 | Risk weight (RW) | Y | <ul style="list-style-type: none"> • 0% • 10% | Report relevant RW for the exposure. |

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| | | | <ul style="list-style-type: none"> • 20% • 25% • 30% • 35% • 40% • 45% • 50% • 55% • 60% • 65% • 70% • 75% • 80% • 85% • 90% • 95% • 100% • 105% • 110% • 120% • 150% • 250% • 625% • 937.5% • 1250% • Not Applicable | For <i>Market related exposure</i> in column 1, report 100%. |
| 13 | <i>Risk-weighted assets (RWA)</i> | | Whole dollars | <i>RWA</i> will be automatically calculated in accordance with APS 112. |

