Glossary

Acceptances comprise undertakings by an entity to pay bills of exchange drawn on customers. They are accounted for and disclosed as a liability with a contra asset recognised to reflect the entity's claim against each drawer of the bills of exchange. This item excludes those acceptances accepted and held in the institution's asset portfolio.

Additional Tier 1 Capital comprises of high quality components of capital that provide a permanent and unrestricted commitment of funds, are freely available to absorb losses, rank behind the claims of depositors and other more senior creditors in the event of winding up of the issuer; and provide for fully discretionary capital distributions.

ADI refers to an authorised deposit-taking institution, meaning a body corporate authorised under section 9 of the Act, to carry on banking business in Australia (e.g. a bank, building society or credit union).

ADIs subject to liquidity coverage ratio (LCR) requirements are ADIs that are classified as LCR ADIs under Prudential Standard *APS 210 Liquidity* and are subject to requirements as outlined in paragraphs 49 to 59 of that Prudential Standard.

ADIs subject to minimum liquidity holdings (MLH) ratio requirements are ADIs that are classified as MLH ADIs under Prudential Standard *APS 210 Liquidity* and are subject requirements as outlined in paragraphs 60 to 62 of that Prudential Standard.

Adjusted liability base for the purpose of calculating the MLH ratio is defined as the sum of liability base and off-balance sheet irrevocable commitments.

Alternative liquid assets (ALAs) are alternative treatments for holdings in the stock of HQLA. These treatments are made available in jurisdictions where there is insufficient supply of HQLA1 (or both HQLA1 and HQLA2) in the domestic currency to meet the aggregate demand of banks with significant exposures in the domestic currency in the LCR framework. Within Australia, a locally-incorporated ADI subject to LCR requirements is able to establish a CLF with the Reserve Bank of Australia, sufficient in size to cover any shortfall in Australian dollars between the ADI's holdings of HQLA and net cash outflows.

Australian Commonwealth, State or Territory securities are RBA repo-eligible securities issued by Australian Commonwealth Government, State Government or Territory Central Borrowing Authorities, or guaranteed by the Australian Government.

Average assets are constructed from the opening stock for the current period and closing stock for the current period.

Averaged items are the average of the item for the period and the preceding period.

Borrowings interest expense includes interest expense from bonds, notes, long term borrowings, loan capital and intra-group loans.

Buyback of own debt securities includes the outstanding amount of the ADI's own unsecured short-term and long-term debt securities issued in the Australian domestic market that have maturities greater than 30 days.

Call/on demand deposits comprise cheque accounts, accounts from which payments to third parties are made, notice of withdrawal accounts, demand deposits and saving deposits.

Capital base is equal to Total Eligible Tier 1 and Tier 2 capital less capital deductions including investments in non-consolidated subsidiaries or associates and holdings of other banks' capital instruments.

Capital-adequacy ratio is calculated in accordance with the prudential standards for capital adequacy. It is the capital base expressed as a percentage of total risk-weighted assets.

Cash and liquid assets comprise local and foreign currency holdings, deposits at call, Exchange Settlement Accounts, margin deposit accounts and gold bullion. Also included are securities purchased under agreements to re-sell and securities sold but not delivered.

Central bank balances includes central bank reserves, to the extent that these reserves can be drawn down in times of stress.

Certificates of Deposit refers to a discounted financial instrument issued by banks or other financial institutions and traded in wholesale markets.

Charge for bad or doubtful debts include the changes to collective provisions arising from charges to profit and loss, and/or the write back of collective provision not required back to profit and loss during the quarter.

CLF assets available for LCR calculation is the available amount of the CLF for LCR calculation defined in paragraph 14(b) of Attachment A of *APS 210*.

CLF refers to a committed liquidity facility.

Committed facilities represent contractually irrevocable or conditionally revocable agreements.

Common equity tier 1 capital 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 depositors and other creditors in the event of winding-up of the issuer. It consists of the sum of: paid-up ordinary share capital issued by an ADI, paid-up mutual equity interests issued by a mutually owned ADI, retained earnings, undistributed current year earnings, accumulated other comprehensive income and other disclosed reserves, minority interests and regulatory adjustments.

Common equity tier 1 capital ratio is Common equity tier 1 capital divided by the Total risk-weighted assets.

Consolidated refers to the global operations of a licensed ADI and its subsidiary entities, as well as any other controlled banking entities, securities entities and other financial entities except those involved in insurance, non-financial (commercial) operations or acting as manager, responsible entity, approved trustee or similar role in relation to funds management or securitisation activities.

Cost to income represents operating expenses for the period divided by total operating income for the period.

Creditors and other liabilities comprise defined benefit liability – current and non-current, interest payable, unearned interest, outstanding security settlements, derivative financial instruments, items in suspense, due to merchants, liabilities included in disposal group classified as held for sale and share capital repayable on demand.

Debt securities issued by ADIs are RBA repo-eligible debt securities issued by ADIs.

Deposits includes AUD and FX (AUD equivalent) transaction and non-transaction deposits and certificates of deposit. It also includes amounts due to recognised clearing houses and settlement balances with financial institutions.

Deposits to assets represents average deposits for the period divided by average total assets.

Eligible assets for secured committed liquidity facility (CLF) is the market value of Reserve Bank of Australia eligible securities held by an ADI as collateral for the CLF after applicable RBA margins have been applied. Only unencumbered securities that meet the operational requirements of paragraphs 21 to 24 of Attachment A of Prudential Standard *APS 210 Liquidity* are included.

Eligible bank bills are RBA repo-eligible bank bills.

Eligible certificates of deposit are RBA repo-eligible certificates of deposit.

Eligible deposits invested on a call basis are deposits/money market loans placed on a call, 11am or 24 hour basis held with other ADIs.

Employee entitlements comprise provisions for long service leave, annual leave, staff housing loan benefits, health fund subsidy, and other employee entitlements.

Equity to deposits represents average total shareholders' equity for the period divided by average total deposits.

Expected cash inflows are those cash outflows expected to occur in the LCR stress scenario for the subsequent 30 calendar days.

Expected cash outflows are those cash outflows expected to occur in the LCR stress scenario for the subsequent 30 calendar days.

Fee and commission from lending, transaction/deposit account service fees, funds management, broking activities, underwriting activities, syndication activities, securitisation activities and corporate advisory activities.

Fee and commission income includes fees and commissions from lending, transaction/deposit account service fees, funds management, broking activities, underwriting activities, syndication activities, securitisation activities and corporate advisory activities.

Fee income to total operating income represents fee income for the period divided by total operating income for the period.

Fees and commissions operating expenses include all fee and commission expenses incurred.

Financial institution, in terms of LCR requirements, is defined in paragraph 7(b) of Prudential Standard *APS 210 Liquidity*. ADIs are to exclude ADI/Banks from this counterparty category if it is separately requested elsewhere.

Fixed assets include land, buildings, furniture, equipment, software, leasehold improvements and capital leases net of accumulated depreciation/amortisation.

Foreign bank branches are foreign banks licensed to conduct banking business in Australia through branches, subject to a condition which specifically restricts the acceptance of retail deposits (referred to as foreign ADIs under the *Banking Act 1959*.)

Foreign subsidiary banks are those foreign banks authorised to carry on banking business in Australia through a locally incorporated subsidiary.

General reserve for credit losses is a reserve that, as a minimum, covers credit losses prudently estimated but not certain to arise over the full life of all the individual facilities making up the business of the ADI. The general reserve for credit losses must be reported gross of after-tax effects and be freely available to meet any credit losses that subsequently materialise and must also be determined on a portfolio basis. (This concept has been updated due to the new APS 220, effective from 1 January 2022; please refer to the question 2 here for detail)

General reserve for credit losses ratio is General reserve for credit losses divided by Total risk-weighted assets.

Gross loans and advances is the principal amount of loans and advances provided, gross of provisions and deferred fee income and including any accrued interest.

Growth in total assets represents total assets for the period minus total assets for the preceding period, divided by the total assets for the preceding period.

High quality liquid assets (HQLA) are assets as outlined in paragraphs 6 to 11 of Attachment A of Prudential Standard *APS 210 Liquidity* that meet the operational requirements for HQLA set out in paragraphs 21 to 24 of that prudential standard. There are two categories of high quality liquid assets: highest quality liquid assets (HQLA1) and other high-quality liquid assets (HQLA2). Assets to be included in each category are those that the ADI is holding on the first day of the stress period, irrespective of their residual maturity.

Housing loans includes loans for the construction or purchase of dwellings for owner-occupation and non-owner-occupation (investment). Revolving credit and redraw facilities originally approved for the purpose of pre-dominantly owner-occupied and non-owner occupied housing are also included.

HQLA1 refers to the highest quality liquid assets and are assets as outlined in paragraph 9 of Attachment A of Prudential Standard *APS 210 Liquidity*. These assets can comprise an unlimited share of the stock of eligible HQLA, are included at market value and are not subject to a haircut under the LCR.

HQLA1 securities includes marketable securities representing claims on or claims guaranteed by sovereigns, central banks, public sector entities (PSEs), the Bank for International Settlements (BIS), the International Monetary Fund (IMF), the European Central Bank (ECB) and European Union (EU) or multilateral development banks (MDBs), and that satisfy all of the conditions as outlined in paragraph 9(c) of Attachment A of Prudential Standard *APS 210 Liquidity*, as well as sovereign/central bank debt securities, where the sovereign has a non-zero per cent risk-weight, that satisfy either condition as outlined in paragraphs 9(d) or 9(e) of Attachment A of Prudential Standard *APS 210 Liquidity*.

HQLA2 refers to other high quality liquid assets and are assets as outlined in paragraph 10 of Attachment A of Prudential Standard *APS 210 Liquidity*. These assets can only comprise 40 percent of the stock of eligible HQLA and are included with a 15 per cent haircut applied to the current market value.

HQLA2 securities includes marketable securities representing claims on or guaranteed by sovereigns, central banks, PSEs or MDBs that satisfy all of the conditions as outlined in paragraph 10(a) of Attachment A of Prudential Standard *APS 210 Liquidity*, as well as corporate debt securities (including commercial paper) that satisfy all of the conditions as outlined in paragraph 10(b) of Attachment A of Prudential Standard *APS 210 Liquidity*.

Impaired facilities are the aggregate of an ADI's restructured and non-accrual exposures, both on- and off-balance sheet, plus any assets acquired through security enforcement. (Historical, and up to December 21)

Income tax is all domestic and foreign taxes paid on taxable profit, as defined in AASB 112.

Income tax liability includes current and deferred income tax liabilities.

Inflow cap is the cap applied to cash inflows of up to an aggregate cap of 75 per cent of total expected cash outflows.

Intangible assets are as defined under the Australian Accounting Standards and are net of accumulated amortisation.

Interest expense is interest expense paid on interest-bearing liabilities net of intragroup balances.

Interest income is interest income earned on interest-bearing assets net of intragroup balances.

Intragroup deposits refer to deposits and other borrowings from related parties.

Intragroup gross loans and advances refer to gross loans and advances to related parties.

LCR liquid assets is the sum of high quality liquid assets, RBNZ eligible securities and alternative liquid assets.

Lending fees and commissions includes any fee or commission income associated with lending activities.

Lending provisions includes specific provisions, general reserve for credit losses and deferred fee income.

Less stable deposits are the portion of deposits that do not meet the requirements of stable deposits.

Level 2 means either:
(a) if the ADI is not a subsidiary of an authorised NOHC and the ADI has subsidiaries in addition to those included in its ELE, the consolidation of the ADI and all its subsidiary entities other than non-consolidated subsidiaries; or
(b) if the ADI is a subsidiary of an authorised NOHC, the consolidation of the immediate parent NOHC of the

ADI and all the immediate parent NOHC's subsidiary entities (including any ADIs and their subsidiary entities) other than non-consolidated subsidiaries; unless APRA otherwise determines, in writing, a different Level 2 composition for a group of companies of which the ADI is a member.

Licensed refers to the ADI on a stand-alone basis.

Liquidity coverage ratio (LCR) is the percentage ratio of stock of high-quality liquid assets to total net cash outflows over the next 30 calendar days.

Loans and advances are net of provisions. Net loan item figures have been adjusted for instances where provisions reported have not been allocated to specific loan categories, but rather disclosed in aggregate.

Long-term borrowings refer to the sum of 'Bonds, Notes and Long-Term Borrowings' i.e. loans and debt securities with a residual term to maturity of more than one year.

Major banks are the Australia and New Zealand Banking Group Limited, Commonwealth Bank of Australia, the National Australia Bank Limited, Westpac Banking Corporation and their subsidiary banks.

MDB refers to multilateral development banks.

Minimum LCR requirement is the requirement that, absent a situation of financial stress (refer to paragraph 5 of Attachment A of Prudential Standard *APS 210 Liquidity*), the value of the LCR must not be less than 100 per cent for locally-incorporated ADIs and the value of the LCR must not be less than 40 per cent for foreign ADIs.

Minimum liquidity holdings (MLH) ratio is the percentage ratio of specified liquid assets, as defined in paragraph 3 of Attachment C of Prudential Standard APS 210 Liquidity, to liabilities, defined as total on- balance sheet liabilities and irrevocable commitments (except where approved for a prudential purpose by APRA), absent a situation of financial stress.

Minimum liquidity holdings (MLH) refer to assets that are highly liquid and of a very high quality with regards to marketability and credit quality. To be classified as eligible MLH, the asset must be free from encumbrances and be readily convertible into cash within two business days (except where approved for prudential purposes by APRA). Eligible MLH include:
1. Cash;
2. Securities eligible for repurchase transactions with the Reserve Bank, and other securities approved by APRA;
3. Bank bills and CDs issued by ADIs rated at least 'investment grade' as set out in Prudential Standard APS 116 Capital Adequacy: Market Risk; and
4. Deposits (at call and any other deposits readily convertible into cash within two business days) held with other ADIs net of placements by other ADIs.

An ADI must maintain an adequate stock of minimum liquidity holdings to cater for unexpected liquidity pressures for fluctuations under adverse or normal operating conditions. These assets may provide an ADI with the capacity to meet its obligations while the underlying problems affecting liquidity are being addressed. For further information, refer to Prudential Standard *APS 210 Liquidity*.

Minimum MLH requirement is the requirement that MLH ADIs maintain a minimum holding of nine per cent of its liabilities in specified liquid assets, as described in Attachment C of Prudential Standard *APS 210 Liquidity*.

Net cash outflows is equal to total cash outflows minus total cash inflows after inflow cap.

Net interest income is total interest income less total interest expense.

Net interest income to assets is net interest income for the quarter multiplied by four and divided by average assets over the quarter. For year-ended figures, this measure is calculated using the last four quarters divided by average assets over the year.

Net loans and advances are net of specific and general provisions.

Net loans to deposits represents average net loans and advances for the period divided by average deposits.

Net profit (loss) after tax is profit or loss after goodwill amortisation, income tax and minority interests from both continuing and discontinued operations. From September 2006, goodwill amortisation ceased to be reported under IFRS.

Non-accrual items are exposures on which income may no longer be accrued ahead of its receipt because there is doubt about the ultimate ability to collect principal and/or interest. Included are facilities where contractual payments of principal and/or interest are 90 days or more past due (or which have remained continuously outside approved limits for 90 days or more) and the net current market value of associated security is insufficient to cover payment of principal and accrued interest. (Historical, and up to December 2021)

Non-interest income share represents other operating income for the period divided by total operating income for the period.

Non-Operating Holding Company (NOHC) has the meaning in section 5 of the *Banking Act 1959*.

Non-performing an exposure that is in default. A default is defined in paragraph 13 of *Prudential Standard APS 220 Credit Risk Management*.

Notes and coin includes all notes and coins held by the ADI that are immediately available to meet obligations. Excludes deposits placed at or receivables from other financial institutions.

Operating expenses to assets is operating expenses for the quarter multiplied by four and divided by average assets over the quarter. For year-ended figures, this measure is calculated using the last four quarters divided by average assets over the year.

Operating income to assets is operating income for the quarter multiplied by four and divided by average assets over the quarter. For year-ended figures, this measure is calculated using the last four quarters divided by average assets over the year.

Other assets includes commodities other than gold bullion, valuables, artwork, other receivables, prepayments, other investments and other items not otherwise identified.

Other domestic banks are all locally-owned banks excluding those defined as Major banks.

Other eligible deposits not invested on a call basis are deposits invested on other than a call basis (i.e. term deposits). Only includes deposits that are free from encumbrances and where the ADI has written confirmation that the deposit is convertible into cash within a maximum of two business days. Where break costs will be applied to redeem term deposits within 2 business days the deposits must be reported net of the break costs.

Other eligible or APRA approved securities are other securities for which the ADI has obtained prior approval from APRA to be included as MLH.

Other fee based activities includes the fee and commission income from activities including funds management, broking activities, underwriting activities, syndication activities, corporate advisory activities and securitisation activities.

Other gross loans and advances includes the outstanding balances of credit cards, lease financing, revolving credit facilities and other loans and advances, gross of provisions.

Other interest bearing liabilities consists of interest expense from other borrowings (including long-term borrowings) not specifically categorised under 'Interest expense', banking book derivatives, bonds, notes and other interest bearing liabilities.

Other interest earning assets comprises interest income from cash and liquid assets, banking book derivatives, securities and other interest-earning assets.

Other interest income is all other interest income, including income from credit cards, overdrafts and lease financing.

Other operating expenses includes amortisation of other assets not specifically categorised under 'Other expenses', non-lending losses, fraud, audit fees, other fees and commissions.

Other operating income includes dividend revenue, trading income, net profit/loss from sale of investments, income from life and general insurance businesses and rental income.

Other provisions includes provisions for dividends, non-lending losses, restructuring costs and off-balance sheet credit related commitments.

Other shareholder's equity includes the equity amount of minority interests.

Other short-term borrowings refer to securities sold under agreements to repurchase, subordinated loans, promissory notes and commercial paper with a residual maturity of 12 months or less, short-term loans and short-term debt securities due to related parties, and treasury related short-term borrowings from other banks.

Paid-up ordinary share capital includes the paid-up value of ordinary shares on which dividends are non-cumulative.

Past due items are items that are 90 days or more in arrears but are not classified as impaired assets because they are either well secured and have no provisions held against them, or any provisions have been raised on a portfolio basis. (Historical, and up to December 2021)

Past-due an exposure for which any amount due under a contract (interest, principal, fee or other amount) has not been paid in full at the date when it was due.

Personnel expenses is the remuneration expenses for personnel, including share based remuneration.

Personnel to operating expenses represents personnel expenses for the period divided by operating expenses for the period.

Placements are deposits/money market loans placed with the ADI.

Profit before tax is profit from continuing operations, before taxes, goodwill amortisation and minority interests.

Profit margin represents net profit for the period divided by total operating income for the period.

PSE refers to public sector entities.

RBA eligible securities are securities that the RBA will accept as collateral for its domestic market operations. The list of eligible securities and applicable RBA margins are published on the RBA website.

RBA refers to the Reserve Bank of Australia.

RBA repo-eligible securities are debt securities that the RBA will accept as collateral in its domestic market operations. The current list of eligible securities is published on the RBA website. For the purpose of the MLH requirement, RBA repo-eligible securities comprise the securities listed in paragraphs 3(b) to 3(e) of Attachment C of Prudential Standard *APS 210 Liquidity*.

RBNZ eligible securities includes the market value of all unencumbered RBNZ eligible securities after applicable RBNZ haircuts. These securities must meet the operational requirements defined in paragraphs 21 to 24 of Attachment A of Prudential Standard *APS 210 Liquidity*.

RBNZ refers to the Reserve Bank of New Zealand.

Reserves comprise general reserve, capital profits reserve, asset revaluation reserve, foreign currency translation reserve and other reserves.

Residents are any individual, business or other organisation domiciled in Australia. Australian branches and Australian subsidiaries of foreign businesses are regarded as Australian residents while foreign branches and foreign subsidiaries of Australian businesses are regarded as non-residents.

Restricted ADI An ADI that holds a Restricted ADI licence. Please refer to the following information paper for further information: https://www.apra.gov.au/licensing-0

Restructured items are exposures, not specified as non-accrual, where the original contractual terms have been modified to provide for concessions of principal or interest, for reasons related to customers' financial difficulties which render the facilities 'non-commercial' to the bank. (Historical, and up to December 2021)

Restructured items are exposures, a borrower is experiencing financial difficulty or hardship in meeting its financial commitments; and the ADI grants a concession to the borrower that it would not otherwise consider, whether or not the concession is at the discretion of the ADI or the borrower.

Retail customer refers to a natural person as defined in paragraphs 33 and 34 of Attachment A of Prudential Standard *APS 210 Liquidity*.

Retail deposits are defined as deposits placed with an ADI by a retail customer.

Retained earnings are retained profits or accumulated losses at the end of the quarter.

Return on assets is net profit (loss) for the quarter multiplied by four and divided by average assets over the quarter. For year-ended, this measure is calculated using the last four quarters divided by average assets over the year.

Return on equity is net profit (loss) for the quarter multiplied by four and divided by average shareholders' equity over the quarter. For year-ended figures, this measure is calculated using the last four quarters divided by average shareholders' equity over the year. Foreign branches are excluded from this calculation since they are not required to report shareholders' equity.

Secured funding is defined as those liabilities and general obligations that are collateralised by legal rights to specifically designated assets owned by the borrowing ADI in the case of bankruptcy, insolvency, liquidation or resolution.

Secured lending is defined as those loans that the ADI has extended and that are collateralised by legal rights to specifically designated assets owned by the borrowing institution which the ADI can use or re-hypothecate for the duration of the loan, and for which the ADI can claim ownership to in the case of default by the borrower.

Securities refers to debt and equity securities held for either trading or investment purposes.

Security held refers to the value of security held against impaired assets. (Historical, and up to December 2021)

Settlement funds due includes settlement funds due from clearing housing, the Reserve Bank of Australia, banks, mutual banks and other ADIs.

Share capital comprises ordinary shares, preference shares and any other form of share capital.

Small and medium enterprise is defined in paragraph 46 and footnote 6 of Attachment A of Prudential Standard *APS 210 Liquidity* and paragraphs 117 to 120 of Prudential Practice Guide *APG 210 Liquidity*.

SPV refers to special purpose vehicles.

Stable deposits are the portion of deposits that are fully covered by the Financial Claims Scheme (or an effective government deposit insurance scheme) where:

(a) The depositor has other established relationships with the ADI that make deposit withdrawal high unlikely or
(b) The deposits are in transactional accounts (e.g. accounts where salaries are automatically credited).

Term deposits are deposits with a fixed period for a stated interest rate.

Term loans comprise fixed rate and variable rate loans and advances gross of provisions.

Tier 1 capital takes the form of shares unless otherwise agreed with APRA and be treated as equity under Australian Accounting Standards, be unsecured and fully paid up, be subordinated in right of repayment of principal and interest to all depositors and other creditors of the issuer, have no maturity, and be available to absorb losses incurred by the issuer in the ordinary course of business.

Tier 1 capital ratio is the ratio of Tier 1 capital to Total risk-weighted assets.

Tier 2 capital includes other components of capital that, to varying degrees, fall short of the quality of Tier 1 capital but nonetheless contribute to the overall strength of an ADI and its capacity to absorb losses.

Total housing is total fixed and variable rate owner-occupied and investment housing lending gross of provisions.

Total operating expenses are total non-interest expenses from ordinary activities.

Total operating income is the sum of net interest income and other operating income.

Total risk-weighted assets is the sum resulting from multiplying total exposures by a relevant risk grade.

Transaction/deposit account service fees includes any service fee income associated with deposit-taking activities.

Uncommitted credit and liquidity facilities represent unconditional revocable agreements where the ADI has the right to unconditionally revoke the undrawn portion of these facilities.

Unsecured debt issued includes unsecured notes, bonds and other debt securities issued by the ADI maturing in the next 30 days (including subordinated debt) regardless of the holder, unless the bond is sold exclusively in the retail market as classed under retail deposits.

Unsecured wholesale funding is as defined paragraphs 43 to 46 of Attachment A of Prudential Standard *APS 210 Liquidity*.

Well-secured defined as one where an ADI judges that:

(a) the value of collateral, including the fair value of associated security is sufficient to ensure that the ADI will recover the outstanding principal, including any previously due but unpaid interest or fees, and other previously unpaid amounts, and any estimated shortfall in all remaining cash flows due over the life of the exposure.

(b) there is reasonable assurance that collection efforts will result in payment of amounts due in a timely manner, including full compensation for overdue payment.