

must be calculated as the economic value, as at the beginning of the holding period, of a notional twelve-month, equally weighted, monthly moving average portfolio of fixed-for-floating interest rate swaps. The total principal amount covered by the swaps is equal to the sum of the book value of all banking book items.

29. For the earnings offset, the ADI must choose a repricing profile consisting of at least twelve outgoing notional principal cash flows, spaced evenly over the year following the calculation date, each of magnitude one-twelfth the book value of the banking book at the calculation date. Notional interest cash flows on the earnings offset must be determined in accordance with paragraphs 25 to 27 of this Attachment as if the earnings offset were incepted at the calculation date and a notional principal cash flow occurs, equal to all unpaid, accrued interest at that time.
30. For each type of core deposit, the repricing profile of the portfolio of all core deposits of that type must consist of a non-increasing series of notional principal cash flows spaced evenly over the period from the calculation date to the last in the series, which must be no more than five years after the calculation date.
31. For all non-maturity deposits that are not core deposits, the repricing profile must have only one notional principal cash flow, occurring on the next business day after the calculation date, unless APRA approves an alternative treatment.
32. An ADI must choose the repricing date of each notional principal cash flow of an OPI item as the earliest date at which:
 - (a) the ADI has the right to change the interest rate on the principal, or the rate is contractually required to be reset in line with an external benchmark; or
 - (b) the cash flow will be paid, based on:
 - (i) if the ADI designates the OPI item to have a contractual repricing profile, an assumption that all principal payments occur at the contractually-scheduled dates;
 - (ii) if the ADI designates the OPI item to have a behavioural repricing profile, an assumption that the timing of all principal payments will be in line with best estimate expectations in the case of payments that do not attract economic adjustments for the impact of breaking term, and with the contractually scheduled dates for payments that would otherwise attract such economic adjustments.⁷

⁷ An economic adjustment on early repayment (prepayment) of principal restores the ADI's position to what it would have been if the principal prepaid had remained unpaid until contractually scheduled. A behavioural repricing profile is intended to reflect the interest-rate sensitivity of the item, given expected payment behaviour. Hence prepayments that are economically adjusted are effectively ignored by treating them as if they did not occur.

