



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* (**APS 110**).

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 profile, 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 (APS 113)*); 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 (APS 115)*)

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 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 30 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 together with the Attachment A quantitative disclosures from the previous semi-annual period;
 - (c) the disclosures required in Attachment B, other than those required by Table 15, must be published on a quarterly basis together with the disclosures required in Attachment B from the previous quarterly period; 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.

Materiality

25. 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*).

Proprietary and confidential information

26. 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.
27. 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

28. An ADI must ensure that Prudential Disclosures are appropriately verified and take the necessary steps to ensure their reliability.
29. An ADI is not required to have its Prudential Disclosures audited by an external auditor. However, the Prudential Disclosures must be consistent with information
 - (a) published elsewhere; or
 - (b) supplied to APRA

that has been subject to review by an external auditor.

30. 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.

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

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 (in terms of risk-weighted assets) 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 the supervisory slotting approach); – sovereign and bank; – residential mortgage; – qualifying revolving retail; and – other retail. • securitisation exposures.
	(c)	Capital requirements (in terms of risk-weighted assets)

		for equity exposures in the IRB approach (simple risk-weight method).
	(d)	Capital requirements (in terms of risk-weighted assets) for market risk: standard method and internal models approach (IMA) – trading book.
	(e)	Capital requirements (in terms of risk-weighted assets) for operational risk: Standardised Approach and AMA.
	(f)	Capital requirements (in terms of risk-weighted assets) 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, interest rate risk in the banking book, 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 (APS 112)*.

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; • 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 and, separately, by portfolio.
	(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 and, separately, by portfolio:</p> <ul style="list-style-type: none"> • amount of impaired facilities and, if available, past due facilities 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.

	(g)	Amount of impaired facilities and, if available, past due facilities 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.
	(j)	The general reserve for credit losses.

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

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 ECAI 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 ECAI 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 under the IRB (any SL products subject to supervisory slotting approach and equities under the simple risk-weight method), the aggregate amount of the 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 APRA.

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

Qualitative disclosures	(a)	APRA's acceptance of approach/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. The ADI must draw out any significant differences in approach to estimating these variables within each portfolio.

Quantitative disclosures: risk assessment	(d)	<p>For each portfolio (as defined above) except residential mortgages, qualifying revolving retail and other 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>
	(f)	<p>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</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.

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.

		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

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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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 Table 6(d) ‘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 At a minimum, ADIs must provide the disclosures in this table in relation to credit risk mitigation that has been recognised for the purposes of reducing capital requirements under APS 112 and APS 113. Where relevant, ADIs are encouraged to give further information about mitigants that have not been recognised for that purpose. Credit derivatives and other credit risk mitigation 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 (Table 9).

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 haircuts¹⁹.
	(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

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 exposures²⁰

Qualitative disclosures ²¹	(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
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¹⁹ If the comprehensive approach is applied, where applicable, the total exposure covered by collateral after haircuts should be reduced further to remove any positive adjustments that were applied to the exposure as permitted under APS 112 and APS 113.

²⁰ 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 *Prudential Standard APS 120 Securitisation (APS 120)*. 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.

²¹ Where relevant, ADIs should provide separate qualitative disclosures for banking book and trading book exposures.

		<p>activity, including the extent to which these activities transfer credit risk of the underlying securitised exposures away from the ADI to other entities and including the types of risks assumed and retained with resecuritisation activity²²;</p> <ul style="list-style-type: none"> • the nature of other risks (e.g. liquidity risk) inherent in securitised assets; • the various roles played by the ADI in the securitisation process²³ and an indication of the extent of the ADI's involvement in each of them; • a description of the processes in place to monitor changes in the credit and market risk of securitisation exposures²⁴ (for example, how the behaviour of the underlying assets impacts securitisation exposures) including how those processes differ for resecuritisation exposures; • a description of the ADI's policy governing the use of credit risk mitigation to mitigate the risks retained through securitisation and resecuritisation exposures; and • the regulatory capital approaches that are applicable to the ADI's securitisation activities.
	(b)	<p>A list of:</p> <ul style="list-style-type: none"> • the types of Special Purpose Vehicles (SPVs) that the ADI, as sponsor²⁵ uses to securitise third-party exposures. Indicate whether the ADI has exposure to these SPVs, either on- or off-balance sheet; and • affiliated entities i) that the ADI manages or advises; and ii) that invest either in the securitisation exposures that the ADI has securitised or in SPVs that the ADI sponsors.
	(c)	<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;

²² For example, if an ADI is particularly active in the market of senior tranche of re-securitisations of mezzanine tranches related to securitisations of residential mortgages, it should describe the "layers" of re-securitisations (i.e. senior tranche of mezzanine tranche of residential mortgage); this description must be provided for the main categories of re-securitisation products in which the ADI is significantly active.

²³ For example, originator, investor, servicer, provider of credit enhancement, sponsor, liquidity provider, swap provider, protection provider.

²⁴ Securitisation exposures include but are not restricted to, securities, liquidity facilities, protection provided to securitisation positions, other commitments and credit enhancements such as cash collateral and other subordinated assets. Refer APS 120.

²⁵ An ADI would generally be considered a 'sponsor' if it, in fact or in substance, manages or advises the programme, places securities into the market, or provides liquidity and/or credit enhancements. The programme may include, for example, ABCP conduit programmes and structured investment vehicles.

		<ul style="list-style-type: none"> • recognition of gain on sale; • methods and key assumptions (including inputs) applied in valuing positions retained or purchased²⁶; • changes in methods and key assumptions from the previous period and impact of the changes; • treatment of synthetic securitisations if this is not covered by other accounting policies (e.g. on derivatives); • how exposures intended to be securitised (e.g. in a pipeline or warehouse) are valued and whether they are recorded in the banking book or the trading book; and • policies for recognising liabilities on the balance sheet for arrangements that could require the ADI to provide financial support for securitised assets.
	(d)	In the banking book, the names of ECAIs used for securitisations and the types of securitisation exposure for which each agency is used.
	(e)	<p>Description of the Internal Assessment Approach (IAA) process. The description should include:</p> <ul style="list-style-type: none"> • structure of the internal assessment process and relation between internal assessment and external ratings, including information on ECAIs as referenced in 9 (d); • use of internal assessment other than for IAA capital purposes; • control mechanisms for the internal assessment process including discussion of independence, accountability, and internal assessment process review; • the exposure type²⁷ to which the internal assessment process is applied; and • stress factors used for determining credit enhancement levels, by exposure type.
	(f)	An explanation of significant changes to any of the quantitative information (e.g. amounts of assets intended to be securitised, movement of assets between banking book and trading book) since the last reporting period.

²⁶ Where relevant, ADIs are encouraged to differentiate between valuation of securitisation exposures and resecuritisation exposures.

²⁷ For example, credit cards, home equity, auto, and securitisation exposures detailed by underlying exposure type and security type (e.g. Residential Mortgage-backed Securities (RMBS), Commercial Mortgage-backed Securities (CMBS), Asset-backed Securities (ABS), Collateralised Debt Obligations (CDOs) etc.

Quantitative disclosures: Banking book	(g)	The total amount of exposures securitised ²⁸ by the ADI and (broken down into traditional/synthetic) by exposure type, separately for securitisations of third-party exposures for which the ADI acts only as sponsor.
	(h)	For exposures securitised by the ADI ²⁹ : <ul style="list-style-type: none"> • amount of impaired/past due assets securitised broken down by exposure type; and • losses recognised by the ADI during the current period broken down by exposure type³⁰.
	(i)	The total amount of outstanding exposures intended to be securitised broken down by exposure type. ³¹
	(j)	Summary of current period's securitisation activity, including the total amount of exposures securitised (by exposure type) and recognised gain or loss on sale by exposure type.
	(k)	Aggregate amount of: <ul style="list-style-type: none"> • on-balance sheet securitisation exposures³² retained or purchased broken down by exposure type; and • off-balance sheet securitisation exposures broken down by exposure type.
	(l)	<ul style="list-style-type: none"> • Aggregate amount of securitisation exposures and the associated IRB capital charges, broken down between securitisation and resecuritisation exposures and further broken down into a meaningful number of risk-weight bands for the regulatory capital approach used; • Exposures that have been deducted entirely from Tier 1 capital, credit enhancements deducted from total capital, and other exposures deducted from total capital must be disclosed separately by exposure type³³.

²⁸ "Exposures securitised" include underlying exposures originated by the ADI, whether generated by it or purchased into the balance sheet from third parties, and third-party exposures included in sponsored schemes. Securitisation transactions (including underlying exposures originally on the ADI's balance sheet and underlying exposures acquired by the ADI from third-party entities) in which the originating ADI does not retain any securitisation exposure should be shown separately but need only be reported for the year of inception.

²⁹ ADIs are required to disclose exposures regardless of whether there is a capital charge under APS 120.

³⁰ For example, charge-offs/allowances (if the assets remain on the ADI's balance sheet) or write-downs of retained residual interests, as well as recognition of liabilities for probable future financial support required of the ADI with respect to securitised assets.

³¹ Refer footnote 29.

³² Refer footnote 24.

³³ Refer to APS 111.

	(m)	For securitisations subject to the early amortisation treatment, the following items by exposure 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.
	(n)	Aggregate amount of resecuritisation exposures retained or purchased broken down according to: <ul style="list-style-type: none"> • exposures to which credit risk mitigation is applied and those not applied; and • exposures to guarantors broken down according to guarantor creditworthiness categories or guarantor name.
Quantitative disclosures: Trading book	(o)	The total amount of outstanding exposures securitised by the ADI (broken down into traditional/synthetic) by exposure type, separately for securitisations of third-party exposures for which the bank acts only as sponsor.
	(p)	The total amount of outstanding exposures intended to be securitised broken down by exposure type.
	(q)	Summary of current period's securitisation activity, including the total amount of exposures securitised (by exposure type) and recognised gain or loss on sale by exposure type.
	(r)	Aggregate amount of exposures securitised by the ADI and subject to <i>Prudential Standard APS 116 Capital Adequacy: Market Risk (APS 116)</i> ; (standard method and IMA);(broken down into traditional/synthetic), by exposure type.
	(s)	Aggregate amount of: <ul style="list-style-type: none"> • on-balance sheet securitisation exposures retained or purchased broken down by exposure type; and • off-balance sheet securitisation exposures broken down by exposure type.
	(t)	Aggregate amount of securitisation exposures retained or purchased separately for: <ul style="list-style-type: none"> • securitisation exposures retained or purchased subject to IMA for specific risk; and • securitisation exposures subject to APS 120 for

		specific risk broken down into a meaningful number of risk weight bands for each regulatory capital approach.
	(u)	Aggregate amount of: <ul style="list-style-type: none"> the capital requirements for these securitisation exposures subject to IMA broken down into appropriate risk classifications (eg default risk, migration risk and correlation risk); the capital requirements for the securitisation exposures (resecuritisation and securitisation), subject to APS 120 broken down into a meaningful number of risk weight bands for each regulatory capital approach; and securitisation exposures that are deducted entirely from Tier 1 capital, credit enhancements deducted from total capital, and other exposures deducted from total capital should be disclosed separately by exposure type.
	(v)	For securitisations subject to the early amortisation treatment, the following items by exposure 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 investor's shares of drawn balances and undrawn lines.
	(w)	Aggregate amount of resecuritisation exposures retained or purchased broken down according to: <ul style="list-style-type: none"> exposures to which credit risk mitigation is applied and those not applied; and exposures to guarantors broken down according to guarantor credit worthiness categories or guarantor name.

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 standard method

Qualitative disclosures	(a)	The general qualitative disclosure requirement (refer to paragraph 4 of this Attachment) for market risk
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		including the portfolios covered by the standard method.
Quantitative disclosures	(b)	The capital requirements (in terms of risk-weighted assets) 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 IMA 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 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 APRA.
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)	The general qualitative disclosure requirement (refer to paragraph 4 of this Attachment) with respect to equity risk, including: <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)	The types and nature of investments, including the amount that can be classified as: <ul style="list-style-type: none"> • publicly traded; and

		<ul style="list-style-type: none"> privately held.
	(d)	The cumulative realised gains (losses) arising from sales and liquidations in the reporting period.
	(e)	Total unrealised gains (losses). Total latent revaluation gains (losses). Any amounts of the above included in Tier 1 and/or Tier 2 capital.
	(f)	Capital requirements (in terms of risk-weighted assets) and aggregate amounts broken down into appropriate equity asset classes.

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)	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.
(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;³⁴ and • securitisation.
(b)	Capital requirements (in terms of risk-weighted assets) for equity exposures in the IRB approach (simple risk-weighted method).
(c)	Capital requirements (in terms of risk-weighted assets) for market risk.
(d)	Capital requirements (in terms of risk-weighted assets) for operational risk.
(e)	Capital requirements (in terms of risk-weighted assets) for IRRBB (IRB/AMA approved Australian-owned ADIs only).
(f)	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 17:³⁵ 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;³⁶ and, separately, by • portfolio.³⁷
(b)	By portfolio: ³⁸ <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.

Securitisation

5. An ADI must disclose the items set out in Table 18, to the extent applicable to the ADI.

³⁴ 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.

³⁵ Table 17 does not include equities or securitisation exposures.

³⁶ 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).

³⁷ Refer to footnote 36.

³⁸ Refer to footnote 36.

Table 18: Securitisation exposures³⁹

(a)	Summary of current period's securitisation activity, including the total amount of exposures securitised (by exposure type) and recognised gain or loss on sale by exposure type.
(b)	Aggregate amount of: <ul style="list-style-type: none"><li data-bbox="424 477 1294 544">• on-balance sheet securitisation exposures retained or purchased broken down by exposure type; and<li data-bbox="424 562 1356 629">• off-balance sheet securitisation exposures broken down by exposure type.

³⁹ Refer footnote 24