



# Reporting Standard ARS 110.0

## Capital Adequacy

### Objective of this Reporting Standard

This Reporting Standard sets out the requirements for the provision of information to APRA relating to an authorised deposit-taking institution's capital adequacy. It includes *Reporting Form ARF 110.0 Capital Adequacy* and associated instructions and should be read in conjunction with *Prudential Standard APS 110 Capital Adequacy* and *Prudential Standard APS 111 Capital Adequacy: Measurement of Capital*.

### Authority

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

### Purpose

2. Information collected in *Reporting Form ARF 110.0 Capital Adequacy* (ARF 110.0) is used by APRA for the purpose of prudential supervision, including assessing compliance with *Prudential Standard APS 110 Capital Adequacy* (APS 110) and *Prudential Standard APS 111 Capital Adequacy: Measurement of Capital* (APS 111). 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 all authorised deposit-taking institutions (ADIs) other than **foreign ADIs** and providers of purchased payment facilities. This Reporting Standard may also apply to the non-operating holding company (NOHC) of an ADI (refer to paragraph 6).
4. This Reporting Standard applies for reporting periods commencing on or after 1 January 2018.

### Information required

5. An ADI to which this Reporting Standard applies must provide APRA with the information required by the version of ARF 110.0 designated for an ADI at Level 1 for each reporting period.

6. If an ADI to which this Reporting Standard applies is part of a Level 2 group, the ADI must also provide APRA with the information required by the version of ARF 110.0 designated 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 provide APRA with the information required by that form for each reporting period. In doing so, the immediate parent NOHC must comply with this Reporting Standard (other than paragraphs 5 and 12) as if it were the relevant ADI.

### **Forms and method of submission**

7. The information required by this Reporting Standard must be given to APRA in electronic format, using the 'Direct to APRA' application or by a method notified by APRA, in writing, prior to submission.

*Note:* the Direct to APRA application software (also known as D2A) may be obtained from APRA.

### **Reporting periods and due dates**

8. Subject to paragraphs 9 and 10, an ADI to which this Reporting Standard applies must provide the information required by this Reporting Standard in respect of each quarter based on the ADI's financial year (within the meaning of the *Corporations Act 2001*). The due date for doing so is set out in paragraph 10.
9. APRA may, by notice in writing, vary 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; or
  - (c) the requirements of the RBA or the ABS.
10. The information required by this Reporting Standard must be provided to APRA in accordance with the table below. The right hand column of the table sets out the number of business days after the end of the reporting period to which the information relates, within which information must be submitted to APRA by an ADI in each of the classes set out in the same row in the left hand column.

<b>Class of ADI</b>	<b>Number of business days</b>
Bank – Advanced or Applicant Advanced	30
Bank – Standardised	20
Foreign ADI	Not applicable
Building Society	15
Credit Union	15
Provider of Purchased Payment Facilities	Not applicable
Other ADI <sup>1</sup>	20

11. APRA may, by notice in writing, extend the due date by which an ADI must provide the information required by this Reporting Standard, in which case the new due date will be the date specified in the notice of extension.

### **Quality control**

12. All information provided by an ADI under this Reporting Standard (except for the information required under paragraph 5) 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.
13. All information provided by an ADI under this Reporting Standard must be subject to systems, 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**

14. When an officer of an ADI submits information under this Reporting Standard using the D2A application, or other method notified by APRA, it will be necessary for the officer to digitally sign the relevant information using a digital certificate acceptable to APRA.

<sup>1</sup> The definitions of ‘credit union’ and ‘other ADI’ in paragraph 18 of this Reporting Standard provide that Cairns Penny Savings and Loans Limited is to be treated in accordance with the reporting period requirements applicable to credit unions.

## Minor alterations to forms and instructions

15. APRA may make minor variations to:
- (a) a form that is part of this Reporting Standard, and the instructions to such a form, to correct technical, programming or logical errors, inconsistencies or anomalies; or
  - (b) the instructions to a form, to clarify their application to the form,
- without changing any substantive requirement in the form or instructions.
16. If APRA makes such a variation it must notify, in writing, each ADI that is required to report under this Reporting Standard.

## 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:

*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*.

*Australian-owned bank* means a locally incorporated ADI that is authorised under section 66 of the *Banking Act 1959* to use the [workword](#) 'bank' in its name.

**authorised NOHC** has the meaning given in the *Banking Act 1959*.

**bank – advanced or applicant advanced** means an Australian-owned bank or a foreign subsidiary bank that has APRA’s approval or is seeking APRA’s approval to use an internal ratings-based approach to credit risk and/or an advanced measurement approach to operational risk for capital adequacy purposes.

**bank – standardised** means an Australian-owned bank or a foreign subsidiary bank that uses the standardised approaches to credit risk and operational risk for capital adequacy purposes in respect of the whole of its operations.

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

**building society** means a locally incorporated ADI that is authorised under section 66 of the *Banking Act 1959* to use the expression ‘building society’ in its name or in relation to its banking business.

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

**class of ADI** means each of the following:

- (i) bank – advanced or applicant advanced;
- (ii) bank – standardised;
- (iii) foreign ADI;
- (iv) building society;
- (v) credit union;
- (vi) other ADI; and
- (vii) provider of purchased payment facilities.

**credit union** means a locally incorporated ADI that is authorised under section 66 of the *Banking Act 1959* to use the expression ‘credit union’ in its name or in relation to its banking business and, for the purposes of this Reporting Standard, includes Cairns Penny Savings and Loans Limited.

**due date** means the relevant date under paragraph 9 or, if applicable, paragraph 10.

**foreign subsidiary bank** means a locally incorporated ADI in which a bank that is not locally incorporated has a stake of more than 15 per cent.

**immediate parent NOHC** means an authorised NOHC, or a subsidiary of an authorised NOHC, that is an immediate parent NOHC within the meaning of *Prudential Standard APS 001 Definitions* (APS 001).

**Level 1** has the meaning in 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.

**other ADI** means an ADI that is not an Australian-owned bank, a branch of a foreign bank, a building society, a credit union, a foreign subsidiary bank or a provider of purchased payment facilities, but for the purposes of this Reporting Standard does not include Cairns Penny Savings and Loans Limited.

***provider of purchased payment facilities*** means an ADI that is subject to a condition on its authority under section 9 of the *Banking Act 1959* confining the banking business that the ADI is authorised to carry on to providing purchased payment facilities.

***reporting period*** means a period mentioned in paragraph 8 or, if applicable, paragraph 9.

***stake*** means a stake determined under the *Financial Sector Shareholdings Act 1998*, as if the only associates that were taken into account under paragraph (b) of subclause 10(1) of the Schedule to that Act were those set out in paragraphs (h), (j) and (l) of subclause 4(1).

***subsidiary*** has the meaning in the *Corporations Act 2001*.

19. APRA may determine, in writing, that an individual ADI of one class of ADI is to be treated, for the purposes of this Reporting Standard, as though it were an ADI of another class of ADI.
20. Unless the contrary intention appears, any reference to an Act, Prudential Standard, Reporting Standard, Australian Accounting or Auditing Standard is a reference to the instrument as in force or existing from time to time.



2.6. Capitalised expenses	
2.6.1. Loan and lease origination fees and commissions paid to mortgage originators and brokers	
2.6.2. Costs associated with debt raisings	
2.6.3. Costs associated with issuing capital instruments	
2.6.4. Information technology software costs	
2.6.5. Securitisation start-up costs	
2.6.6. Other capitalised expenses	
2.7. Any other intangible assets not included above	
2.8. Covered bonds - excess assets in cover pool	
2.9. Holdings of own Common Equity Tier 1 Capital instruments and any unused trading limit agreed with APRA	
2.10. Common Equity Tier 1 specific adjustments relating to securitisation (excluding securitisation start-up costs)	
2.11. Surplus in any ADI-sponsored defined benefit superannuation plan	
2.12. Deficit in any ADI-sponsored defined benefit superannuation plan not already reflected in Common Equity Tier 1 Capital	
2.13. Adjustments to Common Equity Tier 1 capital due to shortfall in Additional Tier 1 Capital and Tier 2 Capital	
2.14. Other Common Equity Tier 1 Capital adjustments	
2.15. Equity exposures (non-Additional Tier 1 or Tier 2 Capital instruments) and other capital support provided to:	
2.15.1. Financial institutions of which:	
2.15.1.1. Other ADIs or overseas equivalents, and their subsidiaries	
2.15.1.2. Holding companies of ADIs and equivalent overseas entities	
2.15.1.3. Insurers, including holding companies of insurers, or other financial institutions other than ADIs, authorised NOHCs or equivalent overseas entities	
2.15.2. Commercial (non-financial) entities	
2.16. Guarantees or credit derivatives that provide for a materiality threshold	
2.17. Non-repayable loans advanced by the ADI under APRA's certified industry support arrangements	
2.18. All other adjustments relating to securitisation	
2.19. Shortfall in provisions for credit losses	
2.20. Other Common Equity Tier 1 adjustments as advised by APRA	
2.21. Adjustments and exclusions to Common Equity Tier 1 Capital	
<b>2.22. Common Equity Tier 1 Capital</b>	
<b>3. Additional Tier 1 Capital</b>	
3.1. Transitional Additional Tier 1 Capital as at reporting date	
3.1.1. Additional Tier 1 Capital instruments	
<b>3.3. Regulatory Adjustments to Additional Tier 1 Capital</b>	

3.3.1. Capital investments in Additional Tier 1 Capital instruments of ADIs or overseas equivalents and their subsidiaries, insurance companies and other financial institutions	
3.3.2. Holdings of own Additional Tier 1 Capital instruments and any unused trading limit agreed with APRA	
3.3.3. Adjustments to Additional Tier 1 Capital due to shortfall in Tier 2 Capital	
3.3.4. Adjustments and exclusions to Additional Tier 1 Capital	
<b>3.4. Additional Tier 1 Capital</b>	
<b><u>3.5. Excess Mutual Equity Interests</u></b>	
<b>4. Tier 1 capital</b>	
<b>5. Tier 2 capital</b>	
5.1. Transitional Tier 2 Capital as at reporting date	
5.1.1. Tier 2 Capital instruments	
5.3. General reserve for credit losses	
5.3.1. Standardised approach (to a maximum of 1.25% of total credit RWA)	
5.3.2. IRB approach surplus provisions on non-defaulted exposures (to a maximum of 0.6% of credit RWA)	
<b>5.4. Regulatory adjustments to Tier 2 Capital</b>	
5.4.1. Capital investments in Tier 2 instruments of ADIs or overseas equivalents and their subsidiaries, insurance companies and other financial institutions	
5.4.2. Holdings of own Tier 2 Capital instruments and any unused trading limit agreed with APRA	
5.4.3. Adjustments and exclusions to Tier 2 Capital	
<b>5.5. Tier 2 Capital</b>	
<b>6. Level 1 Total Capital</b>	
<b>Section B: Risk profile</b>	
	<b>RWA</b>
<b>1. Credit risk</b>	
1.1. Credit risk (excluding securitisation)	
1.1.1. Standardised approach	
1.1.2. Foundation IRB approach	
1.1.3. Advanced IRB approach	
1.1.4. Supervisory slotting	
1.1.5. IRB retail	
1.1.6. IRB other assets, claims and exposures	
1.2. Securitisation	
1.3. Scaling factor (1 or 1.06)	

<b>1.4. Total RWA for credit risk</b>	
<b>2. Operational risk</b>	
2.1. Standardised approach	
2.2. Advanced measurement approaches	
<b>2.3. Total RWA for operational risk</b>	
<b>3. Market risk</b>	
3.1. Interest rate risk in the banking book - Internal model approach	
3.2. Traded market risk, foreign exchange and commodities - Standard method	
3.3. Traded market risk, foreign exchange and commodities - Internal model approach	
<b>3.4. Total RWA for market risk</b>	
<b>4. Other charges as required by APRA</b>	
4.1. Total other charges as required by APRA	
<b>5. Total for credit risk, operational risk and market risk</b>	
5.1. Total RWA	

**Section C: Risk ratios**

<b>1. Risk-based capital ratios</b>	<b>Per cent</b>
1.1. Common Equity Tier 1	
1.2. Tier 1	
1.3. Total Capital	
<b>2. Countercyclical capital buffer</b>	<b>Per cent</b>
2.1. ADI-specific countercyclical capital buffer requirement	

**Section D: Memorandum items**

	<b>Defaulted exposures (1)</b>	<b>Non-defaulted exposures (2)</b>	<b>Total (3)</b>
<b>1. Eligible provisions</b>			
1.1. Credit-related provisions			
1.2. Partial write-offs			
1.3. Discounts on defaulted assets			
<b>1.4. Total eligible provisions</b>			
<b>1.5. Total expected losses</b>			
<b>2. General reserve for credit losses</b>			<b>Total</b>

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2.1. Total general reserve for credit losses



2.4. Goodwill	
2.5. Intangible component of investments in subsidiaries and other entities	
2.6. Capitalised expenses	
2.6.1. Loan and lease origination fees and commissions paid to mortgage originators and brokers	
2.6.2. Costs associated with debt raisings	
2.6.3. Costs associated with issuing capital instruments	
2.6.4. Information technology software costs	
2.6.5. Securitisation start-up costs	
2.6.6. Other capitalised expenses	
2.7. Any other intangible assets not included above	
2.8. Covered bonds - excess assets in cover pool	
2.9. Holdings of own Common Equity Tier 1 Capital instruments and any unused trading limit agreed with APRA	
2.10. Common Equity Tier 1 specific adjustments relating to securitisation (excluding securitisation start-up costs)	
2.11. Surplus in any ADI-sponsored defined benefit superannuation plan	
2.12. Deficit in any ADI-sponsored defined benefit superannuation plan not already reflected in Common Equity Tier 1 Capital	
2.13. Adjustments to Common Equity Tier 1 capital due to shortfall in Additional Tier 1 Capital and Tier 2 Capital	
2.14. Other Common Equity Tier 1 Capital adjustments	
2.15. Equity exposures (non-Additional Tier 1 or Tier 2 Capital instruments) and other capital support provided to:	
2.15.1. Financial institutions of which:	
2.15.1.1. Other ADIs or overseas equivalents, and their subsidiaries	
2.15.1.2. Holding companies of ADIs and equivalent overseas entities	
2.15.1.3. Insurers, including holding companies of insurers, or other financial institutions other than ADIs, authorised NOHCs or equivalent overseas entities	
2.15.2. Commercial (non-financial) entities	
2.15.3. Non-consolidated subsidiaries	
2.16. Guarantees or credit derivatives that provide for a materiality threshold	
2.17. Non-repayable loans advanced by the ADI under APRA's certified industry support arrangements	
2.18. All other adjustments relating to securitisation	
2.19. Shortfall in provisions for credit losses	
2.20. Other Common Equity Tier 1 adjustments as advised by APRA	
2.21. Adjustments and exclusions to Common Equity Tier 1 Capital	
<b>2.22. Common Equity Tier 1 Capital</b>	
<b>3. Additional Tier 1 Capital</b>	
3.1. Transitional Additional Tier 1 Capital as at reporting date	

- 3.1.1. Additional Tier 1 Capital instruments
- 3.2. Additional Tier 1 Capital instruments issued by fully consolidated subsidiaries in the Level 2 group held by third parties

**3.3. Regulatory Adjustments to Additional Tier 1 Capital**

- 3.3.1. Capital investments in Additional Tier 1 Capital instruments of ADIs or overseas equivalents and their subsidiaries, insurance companies and other financial institutions
- 3.3.2. Holdings of own Additional Tier 1 Capital instruments and any unused trading limit agreed with APRA
- 3.3.3. Adjustments to Additional Tier 1 Capital due to shortfall in Tier 2 Capital
- 3.3.4. Adjustments and exclusions to Additional Tier 1 Capital

**3.4. Additional Tier 1 Capital**

**3.5. Excess Mutual Equity Interests**

**4. Tier 1 capital**

**5. Tier 2 capital**

- 5.1. Transitional Tier 2 Capital as at reporting date
  - 5.1.1. Tier 2 Capital instruments
- 5.2. Tier 2 Capital instruments issued by fully consolidated subsidiaries in the Level 2 group held by third parties
- 5.3. General reserve for credit losses
  - 5.3.1. Standardised approach (to a maximum of 1.25% of total credit RWA)
  - 5.3.2. IRB approach surplus provisions on non-defaulted exposures (to a maximum of 0.6% of credit RWA)

**5.4. Regulatory adjustments to Tier 2 Capital**

- 5.4.1. Capital investments in Tier 2 instruments of ADIs or overseas equivalents and their subsidiaries, insurance companies and other financial institutions
- 5.4.2. Holdings of own Tier 2 Capital instruments and any unused trading limit agreed with APRA
- 5.4.3. Adjustments and exclusions to Tier 2 Capital

**5.5. Tier 2 Capital**

**6. Level 2 Total Capital**

**Section B: Risk profile**

**RWA**

**1. Credit risk**

- 1.1. Credit risk (excluding securitisation)
  - 1.1.1. Standardised approach
  - 1.1.2. Foundation IRB approach
  - 1.1.3. Advanced IRB approach

1.1.4. Supervisory slotting	
1.1.5. IRB retail	
1.1.6. IRB other assets, claims and exposures	
1.2. Securitisation	
1.3. Scaling factor (1 or 1.06)	
<b>1.4. Total RWA for credit risk</b>	

<b>2. Operational risk</b>	
2.1. Standardised approach	
2.2. Advanced measurement approaches	
<b>2.3. Total RWA for operational risk</b>	

<b>3. Market risk</b>	
3.1. Interest rate risk in the banking book - Internal model approach	
3.2. Traded market risk, foreign exchange and commodities - Standard method	
3.3. Traded market risk, foreign exchange and commodities - Internal model approach	
<b>3.4. Total RWA for market risk</b>	

<b>4. Other charges as required by APRA</b>	
4.1. Total other charges as required by APRA	

<b>5. Total for credit risk, operational risk and market risk</b>	
5.1. Total RWA	

**Section C: Risk ratios**

<b>1. Risk-based capital ratios</b>	<b>Per cent</b>
1.1. Common Equity Tier 1	
1.2. Tier 1	
1.3. Total Capital	

<b>2. Countercyclical capital buffer</b>	<b>Per cent</b>
2.1. ADI-specific countercyclical capital buffer requirement	

**Section D: Memorandum items**

	<b>Defaulted exposures</b> <b>(1)</b>	<b>Non-defaulted exposures</b> <b>(2)</b>	<b>Total</b> <b>(3)</b>
<b>1. 1. Eligible provisions</b>			
1.1. Credit-related provisions			
1.2. Partial write-offs			

1.3. Discounts on defaulted assets			
<b>1.4. Total eligible provisions</b>			
<b>1.5. Total expected losses</b>			
<b>2. 2. General reserve for credit losses</b>			<b>Total</b>
2.1. Total general reserve for credit losses			

# Reporting Forms ARF 110.0.1 and ARF 110.0.2

## Capital Adequacy

### Instruction Guide

This instruction guide is designed to assist in the completion of:

- (a) *Reporting Form ARF 110.0.1 Capital Adequacy (Level 1)* (ARF 110.0.1); and
- (b) *Reporting Form ARF 110.0.2 Capital Adequacy (Level 2)* (ARF 110.0.2).

These forms set out the calculation of regulatory capital and associated capital ratios for an ADI at Level 1 and Level 2.<sup>1</sup> In completing these forms, ADIs should refer to *Prudential Standard APS 110 Capital Adequacy* (APS 110) and *Prudential Standard Capital Adequacy: Measurement of Capital* (APS 111).

### General directions and notes

#### Reporting entity

The forms are to be completed at Level 1 and Level 2 by all ADIs other than ~~branches of a~~ foreign ~~bank~~ ADIs and providers of purchased payment facilities.

If an ADI is a subsidiary of a NOHC, the report at Level 2 is to be provided by the ADI's immediate parent NOHC.<sup>2</sup>

#### 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;
  - (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; and

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<sup>1</sup> Level 1 and Level 2 are defined in accordance with *Prudential Standard APS 001 Definitions*.  
<sup>2</sup> Refer to paragraph 5 of *Reporting Standard ARS 110.0 Capital Adequacy*.

- (c) the underlying assets (i.e. the pool) under such a securitisation may be excluded from the calculation of regulatory capital (refer to APS 120). However, the ADI must still hold regulatory capital for the securitisation exposures<sup>3</sup> that it retains or acquires and such exposures are to be reported in *Reporting Form ARF 120.1 Securitisation – Regulatory Capital*. The risk-weighted assets (RWA) relating to such securitisation exposures must also be reported in *ARF 110.0*.
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, report such assets as on-balance sheet in APRA’s regulatory reporting returns. In addition, these assets must also be reported as a part of the ADI’s total securitised assets within reporting form *ARF 120.2 Securitisation – Supplementary Items*.

### Capital treatment of joint arrangements

For capital adequacy purposes, ADIs must apply equity accounting for all joint arrangements, including joint ventures and joint operations.

### Reporting period and timeframes for lodgement

The forms are to be completed as at the last day of the stated reporting period (i.e. the relevant quarter). The following table specifies the number of business days after the end of the relevant reporting period within which each class of ADI must submit data to APRA.

Class of ADI	Number of business days
Bank – Advanced or Applicant Advanced	30
Bank – Standardised	20
Building Society	15
Credit Union	15
Other ADI <sup>4</sup>	20

An immediate parent NOHC must submit data to APRA within the same timeframe as its subsidiary ADI.

### Where both ‘Bank – Standardised’ and ‘Bank – Advanced or Applicant Advanced’ reporting requirements and timeframes apply to an ADI

In the following cases an Australian-owned bank or a foreign subsidiary bank must meet reporting requirements and timeframes applicable to both a ‘Bank – Advanced or Applicant Advanced’ and a ‘Bank – Standardised’:

<sup>3</sup> Securitisation exposures are defined in accordance with APS 120.

<sup>4</sup> Cairns Penny Savings and Loans Limited is to be treated in accordance with the reporting period requirements applicable to credit unions. ‘Other ADI’ does not include branches of foreign banks or providers of purchased payment facilities.

- (a) where the ADI is operating under the standardised approaches to credit and operational risk, but has applied for Internal Ratings-based (IRB) and Advanced Measurement Approach (AMA) approval, in which case the ADI will be both a ‘Bank – Advanced or Applicant Advanced’ and a ‘Bank – Standardised’; and
- (b) where the ADI has received IRB and/or AMA approval in respect of most (but not all) of its operations, and has approval for partial use of the standardised approaches to credit and/or operational risk for the remainder of its operations.

Such an ADI must report under ARF 110.0.1 and ARF 110.0.2 (the forms) as follows:

Description of ADI	Reporting requirement	Timeframes for lodgement
ADI using the standardised approaches to credit and operational risk, but has applied to adopt IRB and AMA approaches for <u>all</u> its operations	Report under the forms (for purposes of calculating regulatory capital on the basis of the standardised approaches only)	‘Bank – Standardised’ timeframe (within 20 business days)
	Separately report under the forms as if IRB/AMA approval given (for purposes of assessing prospective regulatory capital calculation after IRB/AMA approval (i.e. ‘parallel run’ of data))	‘Bank – Advanced or Applicant Advanced’ timeframe (within 30 business days)
ADI using the standardised approaches to credit and operational risk, but has applied to adopt the IRB and AMA approach for <u>most (but not all)</u> of its operations (or APRA has indicated that it does not propose to grant IRB and/or AMA approval in respect of all of the ADI’s operations)	Report under the forms (for purposes of calculating regulatory capital on the basis of the standardised approaches only)	‘Bank – Standardised’ timeframe (within 20 business days)
	Separately report under the forms as if approval given for IRB/AMA with partial use (for purposes of assessing prospective regulatory capital calculation after IRB/AMA	‘Bank – Advanced or Applicant Advanced’ timeframe (within 30 business days)

Description of ADI	Reporting requirement	Timeframes for lodgement
	approval (i.e. 'parallel run' of data)). (This report must cover both operations that will be under IRB/AMA approaches and operations that will remain under standardised approaches.)	
ADI has IRB and/or AMA approval, but some operations remain under the standardised approach	Report under the forms in respect of all operations using the relevant approaches (for purposes of calculating regulatory capital)	'Bank – Advanced or Applicant Advanced' timeframe (within 30 business days)

### Unit of measurement

This form must be completed in Australian dollars (AUD) in accordance with the units set out for each class of ADI in the following table.

Class of ADI	Units
Bank – Advanced or Applicant Advanced	Millions of dollars rounded to one decimal place
Bank – Standardised	Millions of dollars rounded to one decimal place
Building Society	Whole dollars with no decimal place
Credit Union	Whole dollars with no decimal place
Other ADI	Whole dollars with no decimal place

An immediate parent NOHC, as applicable, must complete this form for Level 2 purposes in AUD in accordance with the same units as its subsidiary ADI.

Amounts denominated in foreign currency are to be converted to AUD in accordance with *AASB 121 The Effects of Changes in Foreign Exchange Rates*.<sup>5</sup>

<sup>5</sup> Made by the AASB under section 334 of the *Corporations Act 2001*,

## Specific instructions

The following instructions are applicable at Level 1 and (where relevant) Level 2.

### SECTION A: LEVEL 1 / LEVEL 2 REGULATORY CAPITAL

#### 1. Tier 1 Capital

##### 1.1 Common Equity Tier 1 Capital

##### *1.1.1 Paid-up ordinary share capital ~~and other qualifying instruments~~*

This is the value, as at the relevant date, of :

paid-up ordinary share capital; ~~or~~

- ~~(a) instruments with the characteristics of ordinary shares issued by the reporting entity that satisfy as determined by APRA the eligibility criteria in Attachment B of APS 111.~~

For the purposes of this item, only include proceeds of issues that have been received by the issuer. Any partly paid issue is reported only to the extent that it has been paid-up.

##### 1.1.2 Mutual Equity Interests

This is the value, as at the relevant date, of all mutual equity interests on issue up to a maximum limit of 25 percent of the ADI's total Common Equity Tier 1 Capital before applying regulatory adjustments.

For the purposes of this item, only include proceeds of issues that have been received by the issuer. Any partly paid issue is reported only to the extent that it has been paid-up.

##### 1.1.23 Retained earnings

This is the value, as at the relevant date, of retained earnings. For the purposes of this item, exclude the value of all current year earnings.

##### 1.1.34 Current year earnings

This is the value, as at the relevant date, of current year profits (or losses), as determined in accordance with APS 111. Current year earnings must take into account:

- (a) negative goodwill;
- (b) the unwinding of any discount on credit loss provisions (refer to Attachment A to *Prudential Standard APS 220 Credit Quality* (APS 220));
- (c) expected tax expenses;

- (d) dividends when declared in accordance with Australian Accounting Standards; and
- (e) the proceeds from any dividend reinvestment plan pending the issuance of ordinary shares, as agreed with APRA.

#### **1.1.34.1 Upfront fee income**

Current year earnings also include the full value of upfront fee income (e.g. application and loan fees) provided that:

- (a) the fee income has either been received in cash or has been debited to a customer's account or otherwise forms part of the upfront fees owed by a customer;
- (b) outstanding amounts of fee income debited to customer accounts must be able to be claimed in full in the event of default by the customer, or capable of being sold as part of outstanding debts to a third party;
- (c) the provider of the income has no recourse for repayment in part or full of any prepaid income;
- (d) the customer is not able to cancel any fees debited to the customer's account for which they were otherwise obliged to pay upfront; and
- (e) there is no requirement for the provision of continuing additional services or products associated with the fee income concerned.

#### **1.1.45 Accumulated other comprehensive income (and other reserves), of which:**

##### **1.1.5.1 Unrealised gains and losses on available-for-sale items**

This is the value, at the relevant date, of the reserve in relation to assets classified as available-for-sale, consistent with the classification and measurement basis used by ADIs in accordance with Australian Accounting Standards.

##### **1.1.5.2 Gains and losses on cash flow hedges**

This is the value, as at the relevant date, of the reserve in relation to the effective portion of the gain or loss on the cash flow hedging instrument as determined in accordance with Australian Accounting Standards.

##### **1.1.5.3 Foreign currency translation reserve**

This is the value, as at the relevant date, of the reserve relating to exchange rate differences arising on translation of assets and liabilities to the presentation currency in accordance with Australian Accounting Standards.

**1.1.5.4 *Unrealised gains and losses from a foreign currency hedge of a net investment in a foreign operation***

This is the value, as at the relevant date, of the unrealised fair value gain or loss of a hedging instrument that is determined to be an effective hedge of the net investment in a foreign operation, in accordance with Australian Accounting Standards.

**1.1.5.5 *Property revaluation reserve***

This is the value, as at the relevant date, of the balance of the reserve relating to the revaluation of property in accordance with paragraph 26 of APS 111.

**1.1.5.6 *General reserve***

General reserves are created from the appropriation of profits by an ADI (or the group it heads) after the payment of all dividends and tax. Exclude General Reserves for Credit Losses from this item.

**1.1.5.7 *Reserves from equity-settled share-based payments***

This is the value of reserves associated with equity-settled share-based payments granted to employees as part of their remuneration package. Exclude reserves associated with equity-settled share-based payments to employees involving the purchase of existing shares from this item and from other components of capital reported in this form.

**1.1.5.8 *All other reserves specified by APRA***

This is the value, as at the relevant date, of other reserves specified by APRA.

**1.1.56 *Minority interests arising from issue of ordinary equity by fully consolidated ADIs or overseas equivalent held by third parties (Level 2 only)***

This is as defined in paragraph 19(e) of APS 111. Report the amount calculated in accordance with paragraph 5 of Attachment C, APS 111.

**2. Regulatory Adjustments to Common Equity Tier 1 Capital**

Deduct these items in calculating Common Equity Tier 1 Capital in accordance with APS 111.

**2.1 Deferred tax assets in excess of deferred tax liabilities**

This is the value, as at the relevant date, of deferred tax assets (DTA) excluding any deferred tax liabilities (DTL) that have already been netted off elsewhere in accordance with APS 111. These include DTL associated with:

- (a) goodwill and other intangibles;

- (b) any surplus in a defined benefit fund, of which an ADI is an employer-sponsor, unless otherwise approved in writing by APRA.

The reporting entity must net these items on a consistent basis in accordance with the requirements set out in the relevant prudential standards.

For the purposes of this item, where the amount of DTL exceeds the amount of DTA, report zero.

DTA and DTL amounts are to be determined in accordance with relevant Australian Accounting Standards.

## 2.2 Net adjustments for ineligible unrealised fair value gains (losses)

Report below this line item the net amount of any fair value gains and losses in the banking book and trading book, where the values do not meet the requirements for use of fair values specified in APS 111 (including Attachment A). Report a net gain as a positive figure (which will be deducted from Common Equity Tier 1 Capital) and a net loss as a negative figure (which will be added back to Common Equity Tier 1 Capital).

This is a derived item on the reporting form. It is the sum of the amounts reported in items 2.2.1 and 2.2.2.

### 2.2.1 *Banking book*

This is the net value, as at the relevant date, of any fair value gains and losses in the banking book that do not meet the requirements for use of fair values specified in APS 111. This excludes fair value adjustments reported in 2.3.

### 2.2.2 *Trading book*

This is the net value, as at the relevant date, of any fair value gains and losses in the trading book (as defined in Attachment A of APS 116) where the values do not meet the requirements for use of fair values specified in APS 111. This excludes fair value adjustments reported in 2.3.

## 2.3 Net other fair value adjustments

Report below this line item the net amount of other required adjustments specified by APRA in accordance with paragraph 4 of Attachment A of APS 111 for unrealised fair value gains and losses. Report a net gain as a positive figure where the values do not meet the requirements for use of fair values specified in APS 111 (including Attachment A). Report a net gain as a positive figure (which will be deducted from Common Equity Tier 1 Capital) and a net loss as a negative figure (which will be added back to Common Equity Tier 1 Capital).

This is a derived item on the reporting form. It is the sum of the amounts reported in items 2.3.1 and 2.3.2.

**2.3.1 *Net fair value gains (losses) on effective cash flow hedges***

This is the value, as at the relevant date, of the cash flow hedge reserve that relates to the hedging of items that are not recorded at fair value on the accounting balance sheet (including projected cash flows). Any gains on hedges are to be reported as a positive figure and any losses on hedges reported as a negative figure.

**2.3.2 *Net unrealised fair value gains (losses) from changes in the ADI's own creditworthiness***

This is the value, as at the relevant date, of any net unrealised fair value gains and losses arising from changes in the reporting entity's creditworthiness. A gain may arise, for example, from a reduction in fair value of the reporting entity's outstanding debt due to a change in credit rating.

**2.4 Goodwill**

This is the value, as at the relevant date, of goodwill arising from an acquisition, net of adjustments to profit or loss reflecting any changes arising from 'impairment' of goodwill. The amount of goodwill to be deducted is net of any associated DTL that would be extinguished if the assets involved become impaired or derecognised under Australian Accounting Standards.

**2.5 Intangible component of investments in subsidiaries and other entities**

This is the value, as at the relevant date, of the intangible component of investments in non-consolidated subsidiaries arising on acquisition, net of amortisation and impairment.

Intangible assets are defined in accordance with the Australian Accounting Standards, but also include any other assets designated as intangible under APS 111. These include capitalised expenses (see line items 2.6 and 2.6.1 to 2.6.6 below) and mortgage servicing rights.

**2.6 Capitalised expenses**

This is the value, at the relevant date, of total capitalised expenses, in accordance with Attachment D of APS 111 and the Australian Accounting Standards.

**2.6.1 *Loan and lease origination fees and commissions paid to mortgage originators and brokers***

This is the value, as at the relevant date, of capitalised loan and lease origination fees and commissions paid to mortgage originators and brokers.

Loan/lease origination/broker fees and commissions that are capitalised as an asset are to be set off against the balance of upfront loan/lease fees associated with the lending portfolios that are treated as deferred income and recognised as a liability.

Where the net amount for loan/ lease origination fees and commissions has a:

- (a) positive balance, report this item as a positive figure;

- (b) negative balance, provided the deferred income satisfies the criteria set out in APS 111, report this item as a negative figure. Where the criteria are not satisfied, report this item as zero.

**2.6.2 *Costs associated with debt raisings***

This is the value, as at the relevant date, of costs associated with debt raisings and other similar transaction-related costs that are capitalised as an asset.

**2.6.3 *Costs associated with issuing capital instruments***

This is the value, as at the relevant date, of capitalised costs associated with issuing capital instruments if not already charged to profit and loss.

**2.6.4 *Information technology software costs***

This is the value, as at the relevant date, of information technology software costs, capitalised in accordance with Australian Accounting Standards.

**2.6.5 *Securitisation start-up costs***

This is the value, as at the relevant date, of capitalised securitisation start-up costs.

The balance of any securitisation start-up costs and other establishment costs that are capitalised and deferred as an asset must be netted off against the balance of any deferred fee income relating to securitisation schemes deferred as a liability.

Report Any positive net balance of capitalised securitisation start-up costs as a positive figure. Any surplus of up-front fee income received over deferred costs may be reported as a negative figure provided the up-front fee income received satisfies the criteria set under APS 111. Otherwise, report this item as zero.

**2.6.6 *Other capitalised expenses***

This is a derived item on the reporting form. It is the sum of the amounts reported at item 2.6 less the amounts reported at items 2.6.1 to 2.6.5.

**2.7 Any other intangible assets not included above**

This is the value, as at the relevant date, of other intangible assets, as required to be deducted under APS 111. This item consists of intangible assets other than those included in items above (i.e. items 2.4 to 2.6 above).

**2.8 Covered bonds – excess assets in cover pool**

This is the value, as at the relevant date, of assets in cover pools that do not qualify for treatment as assets of the ADI in accordance with section 31D of the *Banking Act 1959* (refer to *Prudential Standard APS 121 Covered Bonds* (APS 121)).

## 2.9 Holdings of own Common Equity Tier 1 Capital instruments and any unused trading limit agreed with APRA

This is the value, as at the relevant date, of the reporting entity's holdings of its own Common Equity Tier 1 Capital instruments, unless exempted by APRA or eliminated through the application of Australian Accounting Standards. Include any unused trading limit on these instruments agreed with APRA and own Common Equity Tier 1 Capital instruments that the ADI could be contractually obliged to purchase, regardless of whether they are held on the banking or trading books. Refer to Attachment D of APS 111.

## 2.10 Common Equity Tier 1 specific adjustments relating to securitisation (excluding securitisation start-up costs)

This is the value, as at the relevant date, of the following securitisation-related items:

- (a) gain on sale, including expected future income from a securitisation exposure that the reporting entity reports as an on-balance sheet asset or profit, until irrevocably received;
- (b) funds provided by the reporting entity to establish a spread, reserve or similar account, until the funds are irrevocably paid to the ADI;
- (c) the difference between the book value and the amount received by the ADI, where the originating ADI transfers exposures to an SPV below their book value, unless it is written off in the reporting ADI's profit and loss (and capital) accounts;<sup>6</sup>
- (d) any positive mark-to-market value of a basis swap provided to a securitisation, that the ADI has reported as an on-balance sheet asset or profit before it has been irrevocably received;
- (e) any negative mark-to-market value of a basis swap where an originating ADI becomes, or is likely to become, a net payer over the life of the swap;
- (f) any senior-securitisation exposures that are required to be deducted under APS 120;
- (g) any non-senior securitisation exposures that are required to be deducted under APS 120;
- (h) all securitisation exposures that do not meet the due diligence requirements of APS 120;
- (i) all resecuritisation exposures; and

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<sup>6</sup> An originating ADI is not required to deduct from CET1 capital the difference between the book value and the amount received, where the ADI has included the underlying exposures in the pool in the calculation of regulatory capital under *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).

- (j) any other specific deductions in accordance with APS 120.

This item excludes start-up and other establishment costs that have been capitalised.

#### 2.11 Surplus in any ADI-sponsored defined benefit superannuation plan

This is the value, at the relevant date, of any surplus in a defined benefit fund of which an ADI is an employer-sponsor, unless otherwise approved in writing by APRA. This is the value, as at the relevant date, of the aggregate surpluses in employer-sponsored defined benefit superannuation plans, net of DTL that would be extinguished if the assets involved become impaired or derecognised under the Australian Accounting Standards (refer to Attachment D of APS 111).

Report this item for superannuation funds as follows, where applicable:

- (a) At Level 1, in any of the reporting entity's employer-sponsored defined benefit superannuation funds; or
- (b) At Level 2, in any of the reporting entity's or other Level 2 group member's employer-sponsored defined benefit superannuation funds.

Surpluses and deficits must not be netted across employer-sponsored defined benefit superannuation plans.

#### 2.12 Deficit in any ADI-sponsored defined benefit superannuation plan not already reflected in Common Equity Tier 1 Capital

This is the value, as at the relevant date, of the aggregate deficits in employer-sponsored defined benefit superannuation plans.

Report this item for superannuation funds as follows, where applicable:

- (a) At Level 1, in any of the reporting entity's employer-sponsored defined benefit superannuation funds; or
- (b) At Level 2, in any of the reporting entity's or other Level 2 group member's employer-sponsored defined benefit superannuation funds.

For the purposes of this item, only include deficits to the extent not already reflected in Common Equity Tier 1 Capital before adjustment. Surpluses and deficits must not be netted across employer-sponsored defined benefit superannuation plans.

#### 2.13 Adjustments to Common Equity Tier 1 Capital due to shortfall in Additional Tier 1 Capital and Tier 2 Capital

A shortfall will arise where the amount of Additional Tier 1 and/or Tier 2 Capital is insufficient to cover the amount of adjustments required to be made from these categories of capital.

#### 2.14 Other Common Equity Tier 1 Capital adjustments

This is the value, as at the relevant date, of any other Common Equity Tier 1 Capital adjustments as required under APS 111.

## 2.15 Equity exposures (non-Additional Tier 1 or Tier 2 Capital instruments) and other capital support provided to:

### **2.15.1 Financial institutions**

This is the value, as at the relevant date, of direct, indirect and synthetic equity exposures, guarantees and other capital support (other than holdings in Additional Tier 1 Capital and Tier 2 Capital instruments) in financial institutions (as defined in *Prudential Standard APS 001 Definitions* (APS 001), held by the reporting entity.

For the purposes of this item, exclude equity where:

- (a) the equity exposure is acquired through underwriting of a new equity instrument and the equity instrument is disposed of within five days of the date of issue. If the equity instrument is not disposed of within five days of issuance, it must be reported; or
- (b) the equity exposure is held under a legal agreement on behalf of:
  - at Level 1 - an external third party, even if held in the name of the reporting entity; or
  - at Level 2 - a party outside the Level 2 consolidated group, even if held in the name of the reporting entity (or another member of its Level 2 consolidated group),

*of which:*

### **2.15.1.1 Other ADIs or overseas equivalents, and their subsidiaries**

This is the value, as at the relevant date, of direct, indirect and synthetic equity exposures, guarantees and other capital support (other than holdings in Additional Tier 1 Capital and Tier 2 Capital instruments) in other ADIs or overseas equivalents, and their subsidiaries, held by the reporting entity.

For the purposes of this item, exclude equity exposures where:

- (a) the equity exposure is acquired through underwriting of a new equity instrument and the equity instrument is disposed of within five days of the date of issue. If the equity instrument is not disposed of within five days of issuance, it must be reported; or
- (b) the equity exposure is held under a legal agreement on behalf of:
  - at Level 1 - an external third party, even if held in the name of the reporting entity; or

- at Level 2 - a party outside the Level 2 consolidated group, even if held in the name of the reporting entity (or another member of its Level 2 consolidated group).

**2.15.1.2 *Holding companies of ADIs and equivalent overseas entities***

This is the value, as at the relevant date, of direct, indirect and synthetic equity exposures, guarantees and other capital support (other than holdings in Additional Tier 1 Capital and Tier 2 Capital instruments) in holding companies of ADIs or equivalent overseas entities held by the reporting entity.

For the purposes of this item, exclude equity exposures where:

- (a) the equity exposure is acquired through underwriting of a new equity instrument and the equity instrument is disposed of within five days of the date of issue. If the equity instrument is not disposed of within five days of issuance, it must be reported; or
- (b) the equity exposure is held under a legal agreement on behalf of:
  - at Level 1 - an external third party, even if held in the name of the reporting entity; or
  - at Level 2 - a party outside the Level 2 consolidated group, even if held in the name of the reporting entity (or another member of its Level 2 consolidated group).

**2.15.1.3 *Insurers, including holding companies of insurers, or other financial institutions other than ADIs, authorised NOHCs or equivalent overseas entities***

This is the value, as at the relevant date, of direct, indirect and synthetic equity exposures, guarantees and other capital support (other than holdings in Additional Tier 1 Capital and Tier 2 Capital instruments) in insurers, including holding companies of insurers, or other financial institutions other than ADIs, authorised NOHCs or equivalent overseas entities held by the reporting entity.

For the purposes of this item, exclude equity exposures where:

- (a) the equity exposure is acquired through underwriting of a new equity instrument and the equity instrument is disposed of within five days of the date of issue. If the equity instrument is not disposed of within five days of issuance, it must be reported; or
- (b) the equity exposure is held under a legal agreement on behalf of:
  - at Level 1 - an external third party, even if held in the name of the reporting entity; or
  - at Level 2 - a party outside the Level 2 consolidated group, even if held in the name of the reporting entity (or another member of its Level 2 consolidated group).

### **2.15.2 Commercial (non-financial) entities**

This is the value, as at the relevant date, of direct, indirect and synthetic equity exposures, guarantees and other capital support in non-financial institutions (i.e. entities that do not meet the definition of ‘financial institution’ in APS 001) held by the reporting entity.<sup>7</sup>

For the purposes of this item, exclude equity exposures where:

- (a) the equity exposure is acquired through underwriting of a new equity instrument and the equity instrument is disposed of within five days of the date of issue. If the equity instrument is not disposed of within five days of issuance, it must be reported; or
- (b) the equity exposure or other capital investment is held under a legal agreement on behalf of:
  - at Level 1 - an external third party, even if held in the name of the reporting entity;
  - at Level 2 - a party outside the Level 2 consolidated group, even if held in the name of the reporting entity (or another member of its Level 2 consolidated group); or
- (c) the equity exposure or other capital investment is held on the ADI’s trading book.

### **2.15.3 Non-consolidated subsidiaries (Level 2 only)**

This is the value, as at the relevant date, of direct, indirect and synthetic equity exposures, guarantees and other capital support in non-consolidated subsidiaries, whether regulated or unregulated, as defined in Attachment B of APS 001. This deduction does not apply to a subsidiary holding company where it acts as a holding company for pass-through of equity exposures and other capital investments in subsidiary ADIs or equivalent overseas deposit-taking institutions. In the event that a subsidiary holding company holds equity exposures and other capital investments in subsidiaries not eligible for consolidation, an ADI must deduct its equity exposures and other capital investments in the holding company net of the value of the holding company’s investment in any consolidated subsidiary ADI or equivalent overseas deposit-taking institutions.

## **2.16 Guarantees or credit derivatives that provide for a materiality threshold**

This is the value, as at the relevant date, of any guarantee, or credit derivative covering a credit exposure of the ADI, that provides for a materiality threshold

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<sup>7</sup> This excludes holdings of subordinated debt in commercial (non-financial) entities. Refer to paragraph 25 of Attachment D to APS 111. All other holdings of capital instruments, including preference shares, even if classified as debt, must be deducted from Common Equity Tier 1.

below which no payment will be made in the event of a loss (refer to APS 112 and APS 113 for limits on the amounts an ADI is required to deduct).

#### 2.17 Non-repayable loans advanced by the ADI under APRA's certified industry support arrangements

This is the value, as at the relevant date, of non-repayable loans advanced by the reporting entity under APRA's certified industry support arrangements.

#### 2.18 All other adjustments relating to securitisation

Include all other adjustments relating to securitisation that have not been reported at items 2.6.5 or 2.10.

#### 2.19 Shortfall in provisions for credit losses

This item only applies to ADIs with IRB approval. It is a derived field based on the amounts reported under Eligible provisions in Section D: Memorandum items of this form.

An ADI using the IRB approach to credit risk must compare:

- the total expected loss (EL) amount (before any tax effects) for non-defaulted IRB exposures to the total eligible provisions (including any associated DTA) for non-defaulted IRB exposures; and
- the total EL amount (before any tax effects) for defaulted IRB exposures to the total eligible provisions (including any associated DTA) for defaulted IRB exposures.

In both cases, where the EL amount is higher than the eligible provisions, the difference must be deducted from Common Equity Tier 1 Capital.

#### 2.20 Other Common Equity Tier 1 Capital adjustments as advised by APRA

This is the value, as at the relevant date, of all other Common Equity Tier 1 Capital adjustments as advised by APRA. Report adjustments that would increase Common Equity Tier 1 Capital as a positive and report adjustments that would decrease Common Equity Tier 1 Capital as a negative.

#### 2.21 Adjustments and exclusions to Common Equity Tier 1 Capital

This is the amount of adjustments applied to Common Equity Tier 1 Capital that are specific to the application of the requirements of paragraph 42 of APS 111.

Report adjustments that would increase the amount of Common Equity Tier 1 Capital recognised as a positive value.

## 2.22 Common Equity Tier 1 Capital

This is a derived field on the form.

### 3. Additional Tier 1 Capital

#### 3.1 Transitional Additional Tier 1 Capital as at reporting date

This is the value, as at the relevant date, of *non-complying* Additional Tier 1 Capital instruments which are eligible for transition: this amount is amortised over nine years, commencing at 90 per cent of the base amount on 1 January 2013, reducing by 10 percentage points on 1 January of each of the following years. Refer to Table 1 in Attachment [KL](#) to APS 111.

##### 3.1.1 Additional Tier 1 Capital instruments

This is as defined in paragraph 28(a) of APS 111.

##### 3.2 Additional Tier 1 Capital instruments issued by fully consolidated subsidiaries in the Level 2 group held by third parties (Level 2 only)

This is as defined in paragraph 28(b) of APS 111. Report the difference of the amounts calculated in accordance with paragraphs 5 and 6 of Attachment C, APS 111.

#### 3.3 Regulatory Adjustments to Additional Tier 1 Capital

This is a derived field on the form. It is the sum of the amounts reported in items 3.3.1 and 3.3.3 less item 3.3.4.

##### **3.3.1 *Capital investments in Additional Tier 1 Capital instruments of ADIs or overseas equivalents and their subsidiaries, insurance companies and other financial institutions***

This is the value, as at the relevant date, of the reporting entity's direct, indirect and synthetic holdings of Additional Tier 1 Capital instruments of other ADIs, or overseas equivalents and their subsidiaries, insurance companies and other financial institutions.

For the purposes of this item, exclude:

- (a) exposures acquired through underwriting of a new Additional Tier 1 Capital instrument and the exposure is disposed of within five days of the date of issue. If the exposure is not disposed of within five days of issuance, it must be reported; or
- (b) exposures that are held under a legal agreement on behalf of:
  - at Level 1 - an external third party, even if held in the name of the reporting entity; or

- at Level 2 - a party outside the Level 2 consolidated group, even if held in the name of the reporting entity (or another member of its Level 2 consolidated group).

**3.3.2 *Holdings of own Additional Tier 1 Capital instruments and any unused trading limit agreed with APRA***

This is the value, as at the relevant date, of the reporting entity's holdings of its own Additional Tier 1 Capital instruments, unless exempted by APRA or eliminated through the application of Australian Accounting Standards. Include any unused trading limit on these instruments where agreed with APRA and own Additional Tier 1 Capital instruments that the ADI could be contractually obliged to purchase, regardless of whether they are held on the banking or trading book. Refer APS 111, paragraphs 15 to 17 of Attachment D.

**3.3.3 *Adjustments to Additional Tier 1 Capital due to shortfall in Tier 2 Capital***

Where the amount of Tier 2 Capital is insufficient to cover the amount of deductions required to be made from this category of capital, deduct the shortfall from Additional Tier 1 Capital. If Additional Tier 1 Capital is insufficient to cover the amount of deductions required, the remaining amount must be deducted from Common Equity Tier 1 Capital.

**3.3.4 *Adjustments and exclusions to Additional Tier 1 Capital***

This is the amount of adjustments applied to Additional Tier 1 Capital that are specific to the application of the requirements of paragraph 42 of APS 111.

Report Adjustments that would increase the amount of Additional Tier 1 Capital recognised as a positive value.

**3.4 Additional Tier 1 Capital**

This is a derived field on the form. It is the sum of the amounts reported in items 3.1 and 3.1.1 (3.2 for Level 2) less the amount reported in item 3.3.

**3.5 Excess Mutual Equity Interests**

This is the value, as at the relevant date, of any mutual equity interests that are above the limit specified in paragraph 4 of Attachment K of APS 111 (that is, the value of any mutual equity interests on issue that are not eligible for inclusion in Common Equity Tier 1 Capital in item 1.1.2)

For the purposes of this item, only include proceeds of issues that have been received by the issuer. Any partly paid issue is reported only to the extent that it has been paid-up.

#### 4. Tier 1 Capital

Derived field calculated as the sum of items 2.22 Common Equity Tier 1 Capital and 3.4 Additional Tier 1 Capital.

#### 5. Tier 2 Capital

##### 5.1 Transitional Tier 2 Capital as at reporting date

This is the value, as at the relevant date, of *non-complying* Tier 2 Capital instruments which are eligible for transition: this amount is amortised over nine years, commencing at 90 per cent of the base amount on 1 January 2013, reducing by 10 percentage points on 1 January of each of the following years. Refer to Table 1 in Attachment [KL](#) to APS 111.

##### 5.1.1 Tier 2 Capital instruments

This is as defined in paragraph 31(a) of APS 111.

##### 5.2 Tier 2 Capital instruments issued by fully consolidated subsidiaries in the Level 2 group held by third parties (Level 2 only)

This is as defined in paragraph 31(b) of APS 111. Report difference of the amounts calculated in accordance with paragraphs 6 and 7 of Attachment C to APS 111.

##### 5.3 General reserve for credit losses (GRCL)

The GRCL may be included in Tier 2 capital gross of tax effects, subject to the limits below.

##### **5.3.1 Standardised approach (to a maximum of 1.25% of total credit RWA)**

This is the value, as at the relevant date, of GRCL (refer to APS 220) to be included in Tier 2 Capital and is limited to a maximum of 1.25 per cent of the total credit RWA of the ADI calculated under APS 112. This item is applicable to ADIs using the standardised approach to credit risk.

##### **5.3.2 IRB approach surplus provisions on non-defaulted exposures (to a maximum of 0.6% of credit RWA)**

This item is only applicable to ADIs using the IRB approach to credit risk. This is a derived field based on the amounts reported under Eligible provisions in Section D: Memorandum items of this form. For non-defaulted exposures, where there is a surplus of total eligible provisions over the total EL amount, the difference may be included as Tier 2 Capital, where:

- the surplus provisions are eligible to be treated as General Reserves for Credit Losses (as defined in APS 220); and
- the amount to be included as Tier 2 Capital is limited to a maximum of 0.6 per cent of the total credit RWA of the ADI.

## 5.4 Regulatory adjustments to Tier 2 Capital

### **5.4.1 *Capital investments in Tier 2 instruments of ADIs or overseas equivalents and their subsidiaries, insurance companies and other financial institutions***

This is the value, as at the relevant date, of the reporting entity's direct, indirect and synthetic holdings of Tier 2 Capital instruments of other ADIs, or overseas equivalents and their subsidiaries, insurance companies and other financial institutions.

For the purposes of this item, exclude:

- (a) exposures acquired through underwriting of a new Tier 2 Capital instrument if the exposure is disposed of within five days of the date of issue. If the exposure is not disposed of within five days of issuance, it must be reported; or
- (b) exposures that are held under a legal agreement on behalf of:
  - at Level 1 - an external third party, even if held in the name of the reporting entity; or
  - at Level 2 - a party outside the Level 2 consolidated group, even if held in the name of the reporting entity (or another member of its Level 2 consolidated group).

### **5.4.2 *Holdings of own Tier 2 Capital instruments and any unused trading limit agreed with APRA***

This is the value, as at the relevant date, of the reporting entity's holdings of its own Tier 2 Capital instruments, unless exempted by APRA or eliminated through the application of Australian Accounting Standards. Include any unused trading limit on these instruments where agreed with APRA and own Tier 2 Capital instruments that the ADI could be contractually obliged to purchase, regardless of whether they are held on the banking or trading books. Refer to paragraphs 15 to 17 of Attachment D to APS 111.

### **5.4.3 *Adjustments and exclusions to Tier 2 Capital***

This is the amount of adjustments applied to Tier 2 Capital that are specific to the application of the requirements of paragraph 42 of APS 111.

Report Adjustments that would increase the amount of Tier 2 Capital recognised as a positive value.

## 5.5 Tier 2 Capital

This is a derived field on the form. It is the sum of the amounts reported in items 5.1 to 5.3.2 less the sum of amounts reported in items 5.4.1 to 5.4.2, less the amount reported in item 5.4.3.

## 6. Level 1 / Level 2 Total Capital

This is a derived field on the form calculated as the sum of items 4 *Tier 1 Capital* and 5.5 *Tier 2 Capital*.

### SECTION B: RISK PROFILE

This section summarises an ADI's RWA amounts for credit, operational and market risks and any other charges as required by APRA. To convert a capital charge for operational risk, market risk or any other item to a RWA equivalent amount, the amount of the charge must be multiplied by a factor of 12.5. The total RWA amount is used to calculate the capital adequacy ratio.

This form is designed to be used by all ADIs, irrespective of the approaches an individual ADI is applying to credit risk, operational risk and market risk. Consequently, not all line items are relevant to each ADI. An ADI must determine the line items it is required to complete based on the approaches it is applying.

#### 1. Credit risk

##### 1.1 Credit risk (excluding securitisation)

This section captures the total credit risk-weighted amount of on-balance sheet assets and the risk-weighted credit equivalent amount of off-balance sheet exposures at Level 1/Level 2.

Securitisation exposures, risk-weighted in accordance with APS 120, are excluded from the amounts reported under section B, item 1.1 (refer to section B, item 1.2 below).

##### **1.1.1**      *Standardised approach*

This item applies to an ADI using the standardised approach to credit risk.

Report the total RWA amount of the on-balance sheet assets and off-balance sheet exposures determined in accordance with APS 112, as captured in *Reporting Form ARF 112.1 Standardised Credit Risk - On-balance Sheet Assets* (ARF 112.1) and *Reporting Form ARF 112.2 Standardised Credit Risk - Off-balance Sheet Exposures* (ARF 112.2) respectively.

##### *Partial use of the standardised approach to credit risk*

Where APRA has permitted an ADI with IRB approval partial use of the standardised approach to credit risk for certain asset classes or business lines (refer to APS 113), the ADI is to report the RWA amount of exposures subject to the standardised approach in this item.

##### **1.1.2**      *Foundation IRB approach*

This item only applies to an ADI with approval to use the foundation internal-ratings based (FIRB) approach to credit risk (refer to APS 113).

Report the total RWA amount of the on-balance sheet exposures and off-balance sheet exposures determined under the FIRB approach to credit risk, as captured in the *FIRB Reporting Forms - ARF 113.0A to ARF 113.0E* (ARF 113.0A to ARF 113.0E).

### **1.1.3      *Advanced IRB approach***

This item only applies to an ADI with approval to use the advanced internal-ratings based (AIRB) approach to credit risk (refer to APS 113).

Report the total RWA amount of the on-balance sheet exposures and off-balance sheet exposures determined under the AIRB approach to credit risk, as captured in the *AIRB Reporting Forms – ARF 113.1A to ARF 113.1E* (ARF 113.1A to ARF 113.1E).

### **1.1.4      *Supervisory slotting***

This item only applies to an ADI with IRB approval that does not meet the requirements to use the IRB approach in relation to one or more of the specialised lending sub-asset classes.

Report the total RWA amount of the on-balance sheet exposures and off-balance sheet exposures relating to specialised lending that are subject to the supervisory slotting approach (refer to APS 113), as captured in *Reporting Form ARF 113.2 Specialised Lending Supervisory Slotting* (ARF 113.2).

### **1.1.5      *IRB retail***

This item only applies to an ADI with IRB approval.

Report the total RWA amount of the on-balance sheet exposures and off-balance sheet exposures relating to the IRB retail asset class determined under the IRB approach to credit risk (refer to APS 113), as captured in the *IRB Retail Reporting Forms – ARF 113.3A to ARF 113.3D* (ARF 113.3A to ARF 113.3D).

### **1.1.6      *IRB other assets, claims and exposures***

This item only applies to an ADI with IRB approval.

Report the total RWA amount of other assets, claims and exposures under the IRB approach to credit risk (refer to APS 113), as captured in *Reporting Form ARF 113.4 IRB – Other Assets, Claims and Exposures* (ARF 113.4).

## **1.2    Securitisation**

This section captures the total RWA amount that is attributable to an ADI's securitisation exposures at Level 1/Level 2, determined in accordance with APS 120.

Report total RWA for securitisation exposures, as reported under ARF 120.1.

## **1.3    Scaling factor (1 or 1.06)**

This item only applies to an ADI with IRB approval.

An ADI using the IRB approach to credit risk is required to scale up its RWA amounts that are derived from the IRB risk-weight functions by a factor of 1.06 (refer to APS 113). The scaling factor does not apply to RWA that are derived from specific (defined) risk-weights (i.e. RWA amounts for specialised lending supervisory slotting and other assets, claims and exposures).

In some cases, an ADI may have already applied this scaling factor to its exposures prior to reporting to APRA.

Where an ADI is reporting RWA amounts to which:

- (a) the scaling factor has already been applied, the ADI must enter a value of 1 in this field;
- (b) the scaling factor has not been applied, the ADI must enter a value of 1.06 in this field.

#### 1.4 Total RWA for credit risk

Derived field calculating the total credit RWA amount for an ADI, irrespective of the approach (or approaches) it is using to credit risk. For an ADI using the IRB approach, this derived field takes into account the scaling factor entered by the ADI.

## 2. Operational risk

This section captures the RWA equivalent amount of the operational risk regulatory capital of an ADI at Level 1/Level 2.

### 2.1 Standardised approach

This item applies to an ADI using the standardised approach to operational risk.

Report the RWA equivalent amount of operational risk regulatory capital calculated under the standardised approach to operational risk (refer to *Prudential Standard APS 114: Standardised Approach to Operational Risk* (APS 114)), as reported in *Reporting Form ARF 114.0 Standardised – Operational risk* (ARF 114.0).

#### *Partial use of the standardised approach to operational risk*

Where APRA has permitted an ADI with approval to use the advanced measurement approaches to operational risk (AMA approval), partial use of the standardised approach to operational risk for certain business activities (refer to *Prudential Standard APS 115 Capital Adequacy: Advanced Measurement Approaches to Operational Risk* (APS 115)), the ADI is to report the RWA equivalent amount of the operational risk regulatory capital calculated under the standardised approach in this item.

### 2.2 Advanced measurement approaches

This item only applies to an ADI with AMA approval.

Report the RWA equivalent amount of operational risk regulatory capital calculated using an AMA (refer to APS 115), as captured in *Reporting Form ARF 115.0A AMA – Regulatory Capital* (ARF 115.0A).

### 2.3 Total RWA for operational risk

Derived field calculating the total RWA amount for an ADI's operational risk, irrespective of the approach (or approaches) it is using.

## 3. Market risk

This section captures the RWA equivalent amount of the market risk capital requirement of an ADI at Level 1/Level 2.

### 3.1 Interest rate risk in the banking book – Internal model approach

This item only applies to an ADI for which APRA has approved the use of an internal model approach to interest rate risk in the banking book (IRRBB) for determining regulatory capital (refer to *Prudential Standard APS 117 Capital Adequacy: Interest Rate Risk in the Banking Book (Advanced ADIs)* (APS 117)).

Report the RWA equivalent amount of the IRRBB capital requirement, as captured in *Reporting Form ARF 117.1 IRRBB* (ARF 117.1).

### 3.2 Traded market risk, foreign exchange and commodities – Standard method

Report the RWA equivalent amount of the traded market risk, foreign exchange and commodities (TFC) capital requirement calculated using the standard method (refer to *Prudential Standard APS 116 Market Risk* (APS 116)), as captured in *Reporting Form ARF 116.0 – Market risk* (ARF 116.0).

### 3.3 Traded market risk, foreign exchange and commodities – Internal model approach

Report the RWA equivalent amount of the TFC capital requirement calculated using the internal model approach (refer to APS 116), as captured in ARF 116.0.

### 3.4 Total RWA for market risk

Derived field calculating the total RWA amount for an ADI's TFC and IRRBB capital requirement, irrespective of the approach (or approaches) it is using.

## 4. Other charges as required by APRA

### 4.1 Total other charges as required by APRA

Report the RWA equivalent amount of any additional capital charge imposed on the ADI by APRA.

## 5. Total for credit risk, operational risk and market risk

## 5.1 Total RWA

This is a derived field that sums the RWA amounts for all categories. This figure forms the denominator for calculating the risk-based capital ratios of an ADI.

### **SECTION C: RISK RATIOS**

#### 1. Risk-based capital ratios

##### *1.1 Common Equity Tier 1*

This is a derived field calculated by dividing item 2.22 Common Equity Tier 1 Capital of section A by item 5.1 Total RWA of section B.

##### *1.2 Tier 1*

This is a derived field calculated by dividing item 4 Tier 1 Capital of section A by item 5.1 Total RWA of section B.

##### *1.3 Total Capital*

This is a derived field calculated by dividing item 6 Level 1/ Level 2 Total Capital of section A by item 5.1 Total RWA of section B.

#### 2. Countercyclical capital buffer

##### *2.1 ADI-specific countercyclical capital buffer requirement*

Report the ADI-specific countercyclical capital buffer requirement as a ratio, calculated in accordance with Attachment C of APS 110. For an ADI with exposures in Australia only, the ADI-specific buffer is equal to the Australian jurisdictional countercyclical buffer.

### **SECTION D: MEMORANDUM ITEMS**

#### **1. Eligible provisions**

The items under Eligible provisions are only applicable to an ADI with IRB approval (refer to APS 113). The ADI must report the amounts, in items 1.1 to 1.3, inclusive of any associated DTA.

##### 1.1 Credit-related provisions

This item relates to both defaulted and non-defaulted exposures. Include specific provisions and the amount in the General Reserve for Credit Losses.

##### 1.2 Partial write-offs

Report the amount of any partial write-offs that form part of the ADI's total eligible provisions.

##### 1.3 Discounts on defaulted assets

Report the total amount of discounts on defaulted assets (refer to paragraph 24 of Attachment B to APS 113 and paragraph 7 of Attachment C to APS 113).

#### 1.4 Total eligible provisions

Derived field which for:

- (a) defaulted exposures – sums credit-related provisions on defaulted exposures, partial write-offs, and discounts on defaulted assets;
- (b) non-defaulted exposures – equals the amount of credit-related provisions.

#### 1.5 Total expected losses

Report the amount of total expected losses on defaulted and non-defaulted exposures (refer to paragraph 19 of APS 113).

## **2. General Reserve for Credit Losses**

### 2.1 Total General Reserve for Credit Losses

Report the total amount in the General Reserve for Credit Losses inclusive of any associated DTA for non-defaulted exposures. This amount must be reported irrespective of whether it is included in Tier 2 Capital (refer to APS 220).

Report the total amount in the General Reserve for Credit Losses without taking into account the limits applicable on the inclusion of this amount in Tier 2 Capital.