26 August 2026

Peter Kohlhagen
Executive Director
Policy and Advice Division
Australian Prudential Regulation Authority

Via email: policydevelopment@apra.gov.au

Dear Mr Kohlhagen

Minor updates to APRA's prudential and reporting framework

The Customer Owned Banking Association (COBA) welcomes the opportunity to provide a submission to APRA's consultation on minor updates to the prudential and reporting framework. Our submission seeks clarity on the below aspects of APG 220 Credit risk management.

APG 220 Credit risk management

Draft paragraph 102 proposes new guidance that, where a borrower is experiencing financial hardship and an ADI grants an interest-only concession for a period of up to approximately 12 months, the concession should not be classified as a 'Restructure' under APS 220. COBA seeks APRA's confirmation that, where such assistance is not treated as a 'Restructure', APRA's usual 'credit evaluation' expectations for a restructure would also not apply to the ADI's assessment of these hardship requests.

COBA understands that ADIs would continue to treat these arrangements as hardship variations for Comprehensive Credit Reporting purposes, and that this reporting would not be affected by the proposed APRA clarification. Similarly, where an interest-only concession is provided on non-commercial terms due to financial difficulty, COBA understands that the exposure would continue to be reported under ARS 223 in the field 'Loans currently subject to temporary modifications due to financial difficulty'.

COBA also notes that ADIs may provide borrowers with 12-month interest-only periods for reasons unrelated to hardship. These arrangements are assessed in accordance with APG 223, including the relevant serviceability assessment as part of the approval process, and are not currently classified as hardship. COBA wishes to clarify that APRA's existing expectations for these non-hardship loan contract variations under APG 223 remain unchanged.

COBA further seeks APRA's guidance on hardship assistance involving partial repayment deferrals. For example, where a borrower's standard contractual repayment is $1,000, an ADI may provide an interest-only hardship arrangement requiring repayments of $800 for up to 12 months, which would not be considered a 'Restructure'. However, where the borrower requires additional assistance, the ADI may instead grant a partial repayment deferral, such as reducing repayments to $600 during the hardship period. COBA seeks APRA's confirmation that, in this example, the loan would continue to be classified as a 'Restructure'. In particular, we request APRA confirm whether repayment concessions that result in the borrower making less than interest-only repayments should continue to be reported as 'Restructure'.

[redacted]

COBA would welcome the opportunity to meet with APRA to consider the clarifications sought in APG 220. Please contact [redacted] to discuss further.

Yours sincerely

[redacted]

[redacted]
Chief Executive Officer

About COBA

COBA is the industry association for Australia's customer-owned banking sector, representing mutual banks, credit unions and building societies. Collectively, the sector holds more than $200 billion in assets and is a significant provider of household banking products. Our members range in size from less than $200 million in assets to approximately $25 billion, yet all remain substantially smaller than their ASX-listed competitors.