



Reporting Standard ARS 230.0

Commercial Property

Objective of this Reporting Standard

This Reporting Standard is made under section 13 of the *Financial Sector (Collection of Data) Act 2001* and outlines the overall requirements for the provision of information to APRA relating to an authorised deposit-taking institution’s commercial property. It should be read in conjunction with the versions of *Reporting Form ARF 230.0 Commercial Property* designated ‘Consolidated Group or Licensed ADI for Banks’ and ‘Consolidated Group and Licensed ADI for other ADIs’, and the associated instructions (all of which are attached and form part of this Reporting Standard).

Authority

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

Purpose

2. Data collected in *Reporting Form ARF 230.0 Commercial Property* (ARF 230.0) is used by APRA for the purpose of prudential supervision. 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 an authorised deposit-taking institution (ADI) as set out in the table below.

Class of ADI	Applicable
Australian-owned Bank	Yes
Foreign Subsidiary Bank	Yes
Branch of a Foreign Bank	Yes
Building Society	Yes
Credit Union	Yes
Other ADI	Yes

4. This Reporting Standard commences on 1 ~~April 2018~~ January 2022.

Information required

5. An Australian-owned bank, foreign subsidiary bank and branch of a foreign bank must provide APRA with the following information for each reporting period:
 - (a) if the ADI is the highest parent entity in relation to a consolidated ADI group – the information required by the version of ARF 230.0 designated ‘Consolidated Group or Licensed ADI for Banks’, completed on a consolidated group basis; or
 - (b) if the ADI is not a highest parent entity in relation to a consolidated ADI group – the information required by the version of ARF 230.0 designated ‘Consolidated Group or Licensed ADI for Banks’, completed on a licensed ADI basis.

Note: Paragraph (b) will apply to a branch of a foreign ADI (as well as to a certain Australian-owned banks and foreign subsidiary banks).

6. An ADI that is a building society, credit union, other ADI or Cairns Penny Savings & Loans Ltd, must provide APRA with the following information for each reporting period:
 - (a) the information required by the version of ARF 230.0 designated for a ‘Consolidated Group and Licensed ADI for other ADIs’, completed on a licensed ADI basis; and
 - (b) if the ADI is the highest parent entity in relation to a consolidated ADI group – the information required by the version of ARF 230.0 designated for a ‘Consolidated Group and Licensed ADI for other ADIs’, completed on a consolidated group basis.

Form and method of submission

~~7.~~ The information required by this Reporting Standard must be given to APRA in electronic format, using [an electronic method available on APRA’s website](#) the ‘Direct to APRA’ application or by a method notified by APRA, ~~in writing~~, prior to submission.

~~8.7.~~ *Note:* the Direct to APRA application software (also known as D2A) may be obtained from APRA.

Reporting periods and due dates

~~9.8.~~ Subject to paragraph 9, an ADI to which this Reporting Standard applies must provide the information required by this Reporting Standard for reporting periods comprising each 6-month period ending 30 September and 31 March.

~~10.9.~~ APRA may, by notice in writing, change 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; and
- (c) the requirements of the RBA or the ABS.

~~11.10.~~ The information required by this Reporting Standard must be provided to APRA by ~~20~~ business-35 calendar days after the end of the reporting period to which the information relates.

~~12.11.~~ APRA may grant an ADI an extension of a due date in writing, in which case the new due date for the provision of the information will be the due date specified on the notice of extension.

Quality control

~~13.12.~~ All information provided by an ADI under this Reporting Standard (except for the information required under paragraphs 5(a) and 6(b)) 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.

~~14.13.~~ All information provided by an ADI under this Reporting Standard must be subject to 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

~~15.14.~~ When an officer or agent of an ADI submits information under this Reporting Standard using ~~the D2A application, or other a~~ method notified by APRA, it will be necessary for the officer or agent to digitally sign the relevant information using a digital certificate acceptable to APRA.

Minor alterations to forms and instructions

~~16.15.~~ 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.

~~17.16.~~ If APRA makes such a variation it must notify in writing each ADI that is required to report under this Reporting Standard.

Interpretation

~~18.17.~~ In this Reporting Standard:

AASB has the meaning in section 9 of the *Corporations Act 2001*.

AASB 127 means the Australian accounting standards AASB 127 *Consolidated and Separate Financial Statements* made by the Australian Accounting Standards Board.

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 assumes or uses the word 'bank' in relation to its banking business and is not a foreign subsidiary bank.

branch of a foreign bank means a 'foreign ADI' as defined in section 5 of the *Banking Act 1959*.

building society means a locally incorporated ADI that assumes or uses the expression 'building society' 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) Australian-owned bank;
- (ii) foreign subsidiary bank;
- (iii) branch of a foreign bank;
- (iv) building society;
- (v) credit union; and
- (vi) other ADI.

consolidated ADI group means a group comprising:

- (a) an ADI that is a highest parent entity; and
- (b) each subsidiary (within the meaning of Accounting Standard AASB 127) of that ADI, whether the subsidiary is locally-incorporated or not, other than a subsidiary that is excluded by the instructions attached to this standard.

credit union means a locally incorporated ADI that assumes or uses the expression 'credit union' in relation to its banking business and includes Cairns Penny Savings & Loans Limited.

due date means the relevant due date under paragraph 10 or, if applicable, paragraph 11.

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

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.

highest parent entity means an ADI that satisfies all of the following conditions:

- (a) it is locally-incorporated;
- (b) it has at least one subsidiary (within the meaning of Accounting Standard AASB 127); and
- (c) it is not itself a subsidiary (within the meaning of Accounting Standard AASB 127) of an ADI that is locally-incorporated.

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 or a foreign subsidiary bank but does not include Cairns Penny Savings & Loans Limited.

Reporting Category A has the meaning given by Reporting Standard ARS 701.0 ABS/RBA Definitions for the EFS Collection (ARS 701.0).

Reporting Category B has the meaning given by ARS 701.0.

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).

19.18. Unless the contrary intention appears, a 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.

ARF 230.0 Commercial Property

Australian Business Number

Institution Name

Reporting Period

Scale Factor

Millions to one decimal place for banks

Reporting Consolidation

Consolidated Group or Licensed ADI for banks

Part A: COMMERCIAL PROPERTY

	Australia					Overseas				
	Total exposure limits	Total actual exposures	Impaired Exposures			Total exposure limits	Total actual exposures	Impaired Exposures		
			Balance outstanding	Specific provisions	Security held			Balance outstanding	Specific provisions	Security held
Office										
Retail										
Industrial										
Land development/subdivisions										
Other residential										
Tourism & leisure										
Other										
Total										

Part B: ADIS OWN INVESTMENT IN COMMERCIAL PROPERTY

	Australia			Overseas		
	Carrying value	Write-offs during reporting period		Carrying value	Write-offs during reporting period	
		Written-off directly to P&L	Written-off against provisions/asset revaluation reserve		Written-off directly to P&L	Written-off against provisions/asset revaluation reserve
Office						
Retail						
Industrial						
Land development/subdivisions						
Other residential						
Tourism & leisure						
Other						
Total						

ARF 230 0: Commercial Property

Australian Business Number

Institution Name

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Reporting Period

Scale Factor

<u>Quarterly</u>	Millions to one decimal place for Reporting Category B ADIs Whole dollars no decimal place for Reporting Category A ADIs
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Reporting Consolidation

Group Book / Solo Book

Part A: Commercial property

	<u>Australia</u>							
	<u>Total exposure limits</u>	<u>Total actual exposures</u>	<u>Non-performing exposures</u>					
			<u>Well secured</u>			<u>Not well secured or unsecured</u>		
			<u>Balance outstanding</u>	<u>Specific provisions</u>	<u>Security held</u>	<u>Balance outstanding</u>	<u>Specific provisions</u>	<u>Security held</u>
<u>Office</u>								
<u>Retail</u>								
<u>Industrial</u>								
<u>Land development/subdivisions</u>								
<u>Other residential</u>								
<u>Tourism & leisure</u>								
<u>Other</u>								
<u>Total</u>								

		<u>Overseas</u>					
<u>Total exposure limits</u>	<u>Total actual exposures</u>	<u>Non-performing exposures</u>					
		<u>Well secured</u>			<u>Not well secured or unsecured</u>		
		<u>Balance outstanding</u>	<u>Specific provisions</u>	<u>Security held</u>	<u>Balance outstanding</u>	<u>Specific provisions</u>	<u>Security held</u>
<u>Office</u>							
<u>Retail</u>							
<u>Industrial</u>							
<u>Land development/subdivisions</u>							
<u>Other residential</u>							
<u>Tourism & leisure</u>							
<u>Other</u>							
<u>Total</u>							

Part B: ADIs' own investment in commercial property

Office
Retail
Industrial

<u>Australia</u>		
<u>Carrying value</u>	<u>Write-offs during reporting period</u>	
	<u>Written-off directly to P&L</u>	<u>Written-off against provisions/asset revaluation reserve</u>

Land development/subdivisions
Other residential
Tourism & leisure
Other
Total

Office
Retail
Industrial
Land development/subdivisions
Other residential
Tourism & leisure
Other
Total

<u>Overseas</u>		
<u>Carrying value</u>	<u>Write-offs during reporting period</u>	
	<u>Written-off directly to P&L</u>	<u>Written-off against provisions/asset revaluation reserve</u>

ARF 230.0 Commercial Property

Australian Business Number

Institution Name

Reporting Period

Scale Factor

Whole dollars no decimal place for other ADIs

Reporting Consolidation

Consolidated Group and Licensed ADI for other ADIs

Part A: COMMERCIAL PROPERTY

	Australia					Overseas				
	Total exposure limits	Total actual exposures	Impaired Exposures			Total exposure limits	Total actual exposures	Impaired Exposures		
			Balance outstanding	Specific provisions	Security held			Balance outstanding	Specific provisions	Security held
Office										
Retail										
Industrial										
Land development/subdivisions										
Other residential										
Tourism & leisure										
Other										
Total										

Part B: ADIS OWN INVESTMENT IN COMMERCIAL PROPERTY

	Australia			Overseas		
	Carrying value	Write-offs during reporting period		Carrying value	Write-offs during reporting period	
		Written-off directly to P&L	Written-off against provisions/asset revaluation reserve		Written-off directly to P&L	Written-off against provisions/asset revaluation reserve
Office						
Retail						
Industrial						
Land development/subdivisions						
Other residential						
Tourism & leisure						
Other						
Total						

Reporting Form ARF 230.0

Commercial Property

Instruction Guide

This instruction guide is designed to assist in the completion of the Commercial Property form. The authorised deposit-taking institution's (ADI's) exposure to commercial property in "Australia" and "Overseas" is required to be reported separately in the form (both Parts A and B).

General directions and notes

Reporting entity

This form is to be completed by all Australian-owned banks and foreign subsidiary banks on either a licensed ADI or consolidated ADI group basis (where applicable).

Branches of foreign banks operating through branches in Australia are required to complete this form on a licensed ADI basis only.

Credit Unions, Cairns Penny Savings & Loans Limited, Building Societies and other ADIs are to complete this form on both a licensed ADI and consolidated ADI group basis (where applicable).

Licensed ADI

This refers to the operations of the reporting ADI on a stand-alone basis.

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
 - (c) the underlying exposures (i.e. the pool) under such a securitisation may be excluded from the calculation of the ADI's regulatory capital (refer to APS 120). However,

the ADI must still hold regulatory capital for the securitisation exposures¹ 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 *Reporting Form ARF 110.0.1 Capital Adequacy (Level 1)* and *Reporting Form ARF 110.0.2 Capital Adequacy (Level 2)*.

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, such exposures are to be reported as on-balance sheet assets in APRA’s regulatory reporting returns. In addition, these exposures must also be reported as a part of the ADI’s total securitised assets within *Reporting Form ARF 120.2 Securitisation – Supplementary Items*.

Consolidated ADI group

This refers to the global operations of the ADI and all its controlled entities (where relevant), consolidated in accordance with Australian accounting standards (*AASB 127 Consolidated and Separate Financial Statements* (AASB 127) and *AASB 3 Business Combinations* (AASB 3)).

‘Controlled entity’, ‘parent entity’

These terms are defined in accordance with AASB 127 and AASB 3.

The basis of consolidation required in this form is in accordance with the prudential consolidated ADI group. The prudential consolidated group should also be determined in accordance with Australian accounting standards, notably AASB 127 and AASB 3 with the following modifications:

1. Include the following:
 - all controlled banking entities, securities entities and other financial entities (e.g. finance companies, money market corporations, stockbrokers and leasing companies).
2. Exclude subsidiary entities involved in the following business activities:
 - insurance businesses (including friendly societies and health funds);
 - acting as manager, responsible entity, approved trustee, trustee or similar role in relation to funds management or the securitisation of assets;
 - non-financial (commercial) operations; and
 - SPVs that meet APRA’s operational requirements for regulatory capital relief under APS 120.

Reporting period

¹ Securitisation exposures are defined in accordance with APS 120.

The form is to be completed as at the last day of ~~September and March~~ the relevant reporting period. All ADIs should submit the completed form to APRA within ~~20 business~~ 35 calendar days after the end of the relevant reporting period.

Unit of measurement

Australian-owned banks, foreign subsidiary banks and branches of foreign banks are asked to complete the form in millions of Australian dollars rounded to one decimal place. Other ADIs, Building Societies, Credit Unions and Cairns Penny Savings & Loans Limited are asked to complete the form in whole Australian dollars (no decimal place).

Amounts denominated in foreign currency are to be converted to AUD in accordance with *AASB 121 The Effects of Changes in Foreign Exchange Rates* (AASB 121).

The general requirements of AASB 121 for translation are:

1. foreign currency monetary items outstanding at the reporting date must be translated at the spot rate at the reporting date;²
2. foreign currency non-monetary items that are measured at historical cost in a foreign currency must be translated using the exchange rate at the date of the transaction;³
3. foreign currency non-monetary items that are measured at fair value will be translated at the exchange rate at the date when fair value was determined.

Transactions arising under foreign currency derivative contracts at the reporting date must be prepared in accordance with *AASB 139 Financial Instruments: Recognition and Measurement* (AASB 139). However, those foreign currency derivatives that are not within the scope of AASB 139 (e.g. some foreign currency derivatives that are embedded in other contracts) remain within the scope of AASB 121.

For APRA purposes equity items must be translated using the foreign currency exchange rate at the date of investment or acquisition. Post acquisition changes in equity are required to be translated on the date of the movement.

As foreign currency derivatives are measured at fair value, the currency derivative contracts are translated at the spot rate at the reporting date.

Exchange differences should be recognised in profit and loss in the period which they arise. For foreign currency derivatives, the exchange differences would be recognised immediately in profit and loss if the hedging instrument is a fair value hedge. For derivatives used in a cash flow hedge, the exchange differences should be recognised directly in equity.

² Monetary items are defined to mean units of currency held and assets and liabilities to be received or paid in a fixed or determinable number of units of currency. Spot rate means the exchange rate for immediate delivery.

³ Examples of non-monetary items include amounts prepaid for goods and services (e.g. prepaid rent); goodwill; intangible assets; physical assets; and provisions that are to be settled by the delivery of a non-monetary asset.

The ineffective portion of the exchange differences in all hedges would be recognised in profit and loss.

4. translation of financial reports of foreign operations.

A foreign operation is defined in AASB 121 as meaning an entity that is a subsidiary, associate, joint venture or branch of a reporting entity, the activities of which are based or conducted in a country or currency other than those of the reporting entity.

- Exchange differences relating to foreign currency monetary items that form part of the net investment of an entity in a foreign operation, must be recognised as a separate component of equity.
- Translation of financial reports should otherwise follow the requirements in AASB 121.

Netting

Amounts should be reported without any adjustment for netting arrangements.

Reporting threshold

Bank ADIs:

For the purposes of this report, only include commercial property exposures which exceed AUD \$250,000.

Non-bank ADIs:

For the purposes of this report, include total commercial property exposures irrespective of the dollar amount.

Definition

Commercial property exposure is defined according to the nature of the risk. An exposure should be classified as commercial property risk, if the exposure is subject to the performance of the property market.

For reporting purposes, a commercial property exposure exists when a facility has been provided for the development, acquisition or improvement of landed property (real estate), and the servicing and repayment of the facility is dependent on the cash flows generated by the property itself through sale or rental income, and/or from cash flows generated from other properties owned by the borrower.

The following points may assist to further clarify this general definition:

- The definition excludes residential property loans for owner occupation and loans to individuals or families for investment in residential property.
- Exclude loans to private family companies and/or family trusts where the residence is occupied by the directors or principal beneficiaries of the family trust.

- Exclude loans to builders, construction companies or sub-contractors who are paid for the execution of their contracts by a third party and not out of the sale or rental of the property upon completion. If, however, they assume development risk, whether recognised as a developer or not, the exposure is classified as property exposure.
- Rural exposures will generally not meet the definition of commercial property, unless the property has been acquired specifically for lease or resale, and where the servicing of the debt is dependent on such lease or resale (and/or the lease or resale of other properties).
- Facilities to investment companies, property management companies and unit trusts whose success in business (and therefore the servicing and repayment of the debt) is predominantly dependent upon the performance of the property market are included in commercial property exposure.
- Facilities provided for the acquisition of property to be used for generating income other than through rental or sale are classified under the industry from which the cash flow servicing the debt is derived. In such owner-occupied properties where part of the debt servicing is derived from rental income, the classification depends on the predominant source of debt servicing. If most of the servicing is by way of income derived from the owner's business, the exposure is classified under that business. However, if most of the servicing derives from the property itself, it is a property exposure.

The Australian and New Zealand Standard Industrial Classification (ANZSIC) codes may be used as a guide. Although ANZSIC was not developed for this purpose, property exposures will generally be to enterprises classified under ANZSIC 771 (Property Operators and Developers), and exclude those under subdivision 57 (Accommodation, Cafes and Restaurants). Also excluded are loans to enterprises classified under subdivision 41 (General Construction) unless they assume the development risk, as described above.

The complete ANZSIC listing is an Australian Bureau of Statistics (ABS) publication (Catalogue No. 1292.0) – February 2006.

Specific instructions

Part A – Commercial property

Total exposure limits

When calculating total exposure limits, do not include internal limits, which have not been formally advised to a client and may be cancelled at [your the reporting](#) ADI's discretion.

Total actual exposures

When calculating total actual exposures, the exposure should include:

- claims and commitments recorded on-balance sheet; and
- the credit equivalent amounts of off-balance sheet claims and commitments.

Impaired Non-performing exposures

The definition of ~~impaired-non-performing~~ exposures should be consistent with the methodology used to compile the information for ~~ARF 220.0 Impaired Facilities—ADIs~~Reporting Standard ARS 220.0 Credit Exposures and Provisions. Specific provisions and security held against these exposures are also requested.

Commercial property classifications

The information required for total exposure limits, total actual exposures, ~~non-performing~~impaired exposures (balance outstanding, specific provisions & security held) are to be classified according to the type of commercial property market/categories to which the ADI is exposed. The categories that the exposures are to be classified in this form are listed below:

1. office;
2. retail – includes retail shops, restaurants, shopping centres, petrol stations, etc;
3. industrial - includes warehouses and factories;
4. land development and subdivisions;
5. other residential - includes residential exposures not excluded by point 1 in the general instructions;
6. tourism and leisure - includes hotels, motels and lodgings, recreational and sporting facilities, hotel developments, time-share developments and other hospitality industries; and
7. other - includes other property exposures not elsewhere covered (e.g. health, education related, churches, infrastructure, etc).

An ADI's own investment in commercial property (such as equity investments or purchases of units in trusts) should not be included in the main section of the form, but should be noted in Part B. Property held for the ADI's own use should not be included.

Bank ADIs need only include commercial property exposures which exceed AUD \$250 000, whilst non-bank ADIs should include total exposures irrespective of the dollar amount.

Part B – ADIs own investment in commercial property

An ADI's own investment in commercial property (such as equity investments or purchases of units in trusts) should be included in this section of the form. Property held for the ADI's own use should not be included.

Report the total current carrying value of investments in commercial property (such as equity investments and purchases of units in trusts), that exceed AUD \$250 000 for bank ADIs, or the total for non-bank ADIs. Do not include property held for the ADI's own use. Investments in Australia and overseas should be reported separately.

Report the value of all commercial property exposures written off against provisions, asset revaluation reserves or profits during the reporting period. Write-offs in Australia and overseas are required to be reported separately.

