2013 Risk & Capital Report

Incorporating the requirements of APS330
First Quarter Update
as at 31 December 2012

National Australia Bank

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1. Introduction

The Group, as defined in *Section 2. Scope of Application*, applies the Basel II framework as a cornerstone of its risk management framework and capital strategy, and recognises that it is critical for achieving the Group's strategic agenda.

The Basel Committee has released its reform package for both capital and liquidity (Basel III). APRA has also released its final capital standards relating to the implementation of Basel III, which are effective from 1 January 2013.

This report provides quarterly information on the following:

- Capital Adequacy - Risk-Weighted Assets (RWA) and Capital Ratios
- Credit Risk Exposures
- Credit Risk Provisions, Impaired and Past Due Facilities
- Charges for Specific Provisions and Write-offs
- Securitisation

In Australia, the Australian Prudential Regulation Authority (APRA) has regulatory responsibility for the implementation of the Basel framework through the release of prudential standards.

This Risk and Capital Report is designed to provide the Group's stakeholders with detailed information about the approach the Group takes to manage risk and to determine capital adequacy, having regard to the operating environment. The report also addresses the requirements of APRA's Pillar 3 public disclosure standard, *Prudential Standard APS 330 Capital Adequacy: Public Disclosure of Prudential Information* (APS 330).

All figures in this report are in Australian dollars (AUD) unless otherwise noted.

Capital Ratio Summary

The Group's Tier 1 capital ratio of 10.18% at 31 December 2012 is consistent with the Group's objective of maintaining a strong capital position.

	As at	
	31 Dec 12	**30 Sep 12**
Capital ratios	**%**	**%**
Level 2 Tier 1 capital ratio	10.18	10.27
Level 2 total capital ratio	11.53	11.67

1.1 The Group's Basel II Methodologies

National Australia Bank Limited and its controlled entities (the National Australia Bank Group) operate in Australia, Asia, New Zealand, the United Kingdom and North America. The following table sets out the approach to Basel II, which is applied across the Group as at 31 December 2012.

Basel II Approach	Credit Risk	Operational Risk	Non-Traded Market Risk	Traded Market Risk
National Australia Bank Limited	Advanced IRB	AMA	IRRBB	Standardised and IMA
Bank of New Zealand	Advanced IRB	AMA	IRRBB	Standardised and IMA
Clydesdale Bank PLC	Standardised	Standardised	IRRBB	n/a
Great Western Bank	Standardised	Standardised	IRRBB	n/a

IRB: Internal Ratings Based approach
AMA: Advanced Measurement Approach
IRRBB: Interest Rate Risk in the Banking Book
IMA: Internal Models Approach

Bank of New Zealand (BNZ) is regulated by the Reserve Bank of New Zealand (RBNZ). Credit risk exposures consolidated in the Group position are calculated under RBNZ requirements.

Clydesdale Bank PLC (Clydesdale), the Company's subsidiary in the United Kingdom, is regulated by the Financial Services Authority (FSA). Clydesdale has been accredited to apply the standardised approach to operational and credit risk management in accordance with the regulatory requirements. Credit risk exposures and operational risk RWA consolidated in this report are calculated under APRA requirements.

Great Western Bank (GWB) is regulated in the United States of America by the South Dakota Division of Banking, the Federal Deposit Insurance Corporation and the Federal Reserve System.

GWB credit risk and operational risk RWA are subject to APRA Basel II standardised methodology.

1.2 APS 330 Disclosure Governance

The Group Disclosure and External Communications Policy defines Board and management accountabilities for *APS 330* disclosure, including processes and practices to ensure the integrity and timeliness of prudential disclosures and compliance with National Australia Bank Group policies.

The National Australia Bank Group's Chief Executive Officer attests to the reliability of the Group's APS 330 disclosures within the annual declaration provided to APRA under *Prudential Standard APS 310: Audit and Related Matters.*

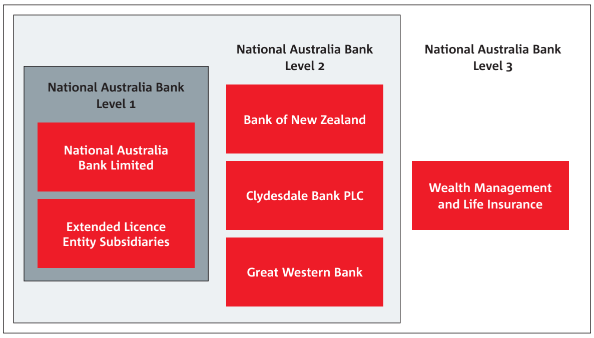
2. Scope of Application

APRA measures the National Australia Bank Group's capital adequacy by assessing financial strength at three levels:

- Level 1: comprises National Australia Bank Limited and its subsidiary entities approved by APRA as part of the Extended Licensed Entity (ELE)
- Level 2: comprises National Australia Bank Limited and the entities it controls, subject to certain exceptions set out below
- Level 3: comprises the Conglomerate Group.

This report applies to the Level 2 consolidated Group (the Group).

National Australia Bank Group Consolidation



The controlled entities in the Group include BNZ, Clydesdale, GWB and other financial entities (e.g. finance companies and leasing companies).

Wealth management and life insurance activities are excluded from the calculation of Basel II RWA and the related controlled entities are deconsolidated from the National Australia Bank Group for the purposes of calculating capital adequacy. Capital adequacy deductions are applied to the investments in, and profits of, these activities.

In addition, certain securitisation special purpose vehicles (SPVs) to which assets have been transferred in accordance with APRA's requirements as set out in *Prudential Standard APS 120: Securitisation (APS 120)* have been deconsolidated from the National Australia Bank Group for the purposes of this disclosure. For regulatory purposes, credit risk is removed from the sold assets and there is no requirement to hold capital against them.

3. Capital

Capital Adequacy [APS 330 Tables 16a – e]

The following table provides the Basel II RWA and capital ratios for the Group.

	As at 31 Dec 12 RWA $m	As at 30 Sep 12 RWA $m
Credit risk [(1)]		
IRB approach		
Corporate (including SME)	105,171	105,672
Sovereign	1,113	1,122
Bank	8,334	7,852
Residential mortgage	56,686	56,403
Qualifying revolving retail	4,081	4,036
Retail SME	7,164	7,240
Other retail	3,430	3,447
Total IRB approach	**185,979**	**185,772**
Specialised lending (SL) [(2)]	**56,902**	**50,227**
Standardised approach		
Australian and foreign governments	60	65
Bank	276	129
Residential mortgage [(2)]	15,429	19,155
Corporate [(2)]	23,668	29,011
Other	2,985	3,052
Total standardised approach	**42,418**	**51,412**
Other		
Securitisation	3,637	4,189
Equity	1,917	1,818
Other [(3)]	5,908	6,453
Total other	**11,462**	**12,460**
Total credit risk	**296,761**	**299,871**
Market risk	5,361	4,436
Operational risk [(4)]	33,220	23,008
Interest rate risk in the banking book	4,318	4,021
Total risk-weighted assets	**339,660**	**331,336**

Capital ratios	**%**	**%**
Level 2 Tier 1 capital ratio	10.18	10.27
Level 2 total capital ratio	11.53	11.67

[(1)] *RWA which are calculated in accordance with APRA's requirements under Basel II are required to incorporate a scaling factor of 1.06 to assets that are not subject to specific risk weights.*

[(2)] *As at 31 December 2012, UK commercial property exposures have been transferred from the Standardised asset classes of Corporate and Residential Mortgage to Specialised Lending. While this represented a transfer of RWA of $7,750 million, variation in methodology resulted in minor net movements.*

[(3)] *'Other' includes non-lending asset exposures that are not covered in the above categories. Non-lending assets are specifically excluded from credit risk exposures shown on pages 4 to 7 of this report.*

[(4)] *The Group's capital position has been affected by higher Operational Risk RWA in the December 2012 quarter due to increased regulatory requirements.*

4. Credit Risk Exposures

Total and Average Credit Risk Exposures [APS 330 Table 17a]

This table provides the amount of gross credit risk exposure subject to the Standardised and Advanced IRB approaches. The Group has no credit risk exposures subject to the Foundation IRB approach. Gross credit risk exposure refers to the potential exposure as a result of a counterparty default prior to the application of credit risk mitigation. It is defined as the outstanding amount on drawn commitments plus a credit conversion factor on undrawn commitments on a given facility. For derivatives, the exposure is defined as the mark-to-market value plus a potential value of future movements. The average credit risk exposure is the sum of the gross credit risk exposure at the beginning of the reporting period plus the gross credit risk exposure at the end of the reporting period divided by two.

For the IRB approach, Exposure at Default (EaD) is reported gross of specific provisions and partial write-offs and prior to the application of on-balance sheet netting and credit risk mitigation. For the Standardised approach, EaD is reported net of any specific provision and prior to the application of on-balance sheet netting and credit risk mitigation. Exposures exclude non-lending assets, equities and securitisation.

	As at 31 Dec 12				3 months ended 31 Dec 12
	On-balance sheet exposure	Non-market related off-balance sheet	Market related off-balance sheet	Total exposure	Average total exposure
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**
IRB approach					
Corporate (including SME)	116,518	47,735	35,478	199,731	194,525
Sovereign	35,894	572	11,794	48,260	43,648
Bank	25,955	936	47,088	73,979	66,582
Residential mortgage	244,892	38,474	-	283,366	281,348
Qualifying revolving retail	5,803	5,514	-	11,317	11,232
Retail SME	13,519	3,808	-	17,327	17,347
Other retail	3,284	1,182	-	4,466	4,478
Total IRB approach	**445,865**	**98,221**	**94,360**	**638,446**	**619,160**
Specialised lending (SL) [(1)]	**58,327**	**7,707**	**2,119**	**68,153**	**64,272**
Standardised approach					
Australian and foreign governments	3,574	162	-	3,736	3,786
Bank	11,091	25	12	11,128	11,128
Residential mortgage [(1)]	30,471	1,881	-	32,352	34,256
Corporate [(1)]	20,824	3,222	206	24,252	26,824
Other	3,291	157	-	3,448	3,485
Total standardised approach	**69,251**	**5,447**	**218**	**74,916**	**79,479**
Total	**573,443**	**111,375**	**96,697**	**781,515**	**762,911**

(1) *As at 31 December 2012, UK commercial property exposures have been transferred from the Standardised asset classes of Corporate and Residential Mortgage to Specialised Lending. While this represented an increase in Specialised Lending EaD of $8,660 million, variation in methodology resulted in a minor net increase in total EaD.*

	As at 30 Sep 12				3 months ended 30 Sep 12
	On-balance sheet exposure	Non-market related off-balance sheet	Market related off-balance sheet	Total exposure	Average total exposure
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**
IRB approach					
Corporate (including SME)	116,138	46,753	26,427	**189,318**	**194,346**
Sovereign	28,112	530	10,395	**39,037**	**42,097**
Bank	23,809	841	34,534	**59,184**	**68,504**
Residential mortgage	241,538	37,792	-	**279,330**	**277,305**
Qualifying revolving retail	5,571	5,577	-	**11,148**	**11,203**
Retail SME	13,690	3,677	-	**17,367**	**17,500**
Other retail	3,277	1,213	-	**4,490**	**4,534**
Total IRB approach	**432,135**	**96,383**	**71,356**	**599,874**	**615,489**
Specialised lending (SL)	**50,792**	**7,473**	**2,126**	**60,391**	**60,553**
Standardised approach					
Australian and foreign governments	3,667	168	-	**3,835**	**3,944**
Bank	11,077	40	12	**11,129**	**11,122**
Residential mortgage	34,038	2,121	-	**36,159**	**35,908**
Corporate	25,687	3,252	458	**29,397**	**29,758**
Other	3,360	161	-	**3,521**	**3,567**
Total standardised approach	**77,829**	**5,742**	**470**	**84,041**	**84,299**
Total	**560,756**	**109,598**	**73,952**	**744,306**	**760,341**

5. Credit Provisions and Losses

Credit Risk Provisions [APS 330 Table 17b – c]

The following tables set out information on credit risk provision by Basel II asset class, excluding non-lending assets, equities and securitisation exposures. Definitions of impairment and past due facilities are based on APS 220 Credit Quality and related guidance notes or return instructions. The determination of specific provisions is in accordance with APRA Guidance Note AGN 220.2: Impairment, Provisioning and the General Reserve for Credit Losses [(1)].

	As at 31 Dec 12			3 months ended 31 Dec 12	
	Impaired facilities [(2)]	Past due facilities ≥90 days	Specific provisions [(3)]	Charges for specific provisions	Net write-offs
Exposure type	**$m**	**$m**	**$m**	**$m**	**$m**
IRB approach					
Corporate (including SME)	1,954	392	777	151	71
Sovereign	-	-	-	-	-
Bank	-	-	-	-	-
Residential mortgage	667	1,227	163	20	18
Qualifying revolving retail	-	56	-	43	41
Retail SME	177	113	91	12	13
Other retail	9	44	4	17	19
Total IRB approach	**2,807**	**1,832**	**1,035**	**243**	**162**
Specialised lending (SL)	**2,621**	**462**	**840**	**171**	**98**
Standardised approach					
Australian and foreign governments	28	16	-	-	-
Bank	-	-	-	-	-
Residential mortgage	122	118	25	4	3
Corporate	533	165	223	27	36
Other	14	27	5	21	18
Total standardised approach	**697**	**326**	**253**	**52**	**57**
Total	**6,125**	**2,620**	**2,128**	**466**	**317**

(1) *The General Reserve for Credit Losses (GRCL) at 31 December 2012 is calculated as follows:*

	$m
Collective provision for doubtful debts	*3,213*
Less collective provisions reported as additional regulatory specific provisions	*(523)*
Collective provision for doubtful debts eligible for inclusion in a general reserve for credit losses (pre-tax basis)	*2,690*
Less tax effect	*(602)*
Collective provision for doubtful debts eligible for inclusion in a general reserve for credit losses (after-tax basis)	*2,088*
Plus reserve created through a deduction from retained earnings	*570*
General reserve for credit losses (after-tax basis)	*2,658*

(2) *Impaired facilities includes $110 million of restructured loans (September 2012: $214 million) which includes $1 million of restructured fair value assets (September 2012: $1 million).*

Impaired facilities includes $295 million of gross impaired fair value assets (September 2012: $256 million).

Australian and foreign governments impaired facilities refer to the portion of loans covered by the loss share agreement with the FDIC.

(3) *Specific provisions for prudential purposes include all provisions for impairment assessed on an individual basis in accordance with IFRS excluding securitisation. All collective provisions on defaulted or otherwise non-performing assets, regardless of expected loss, such as those for 90+ days past due retail and in default with no loss non-retail exposures, have been reported as additional regulatory specific provisions and shown in this report as a separate item.*

Specific provisions include $114 million (September 2012: $108 million) of specific provisions on gross impaired loans at fair value.

Exposure type	As at 30 Sep 12 Impaired facilities $m	Past due facilities ≥90 days $m	Specific provisions $m	3 months ended 30 Sep 12 Charges for specific provisions $m	Net write-offs $m
IRB approach					
Corporate (including SME)	2,082	335	707	280	262
Sovereign	-	-	-	-	-
Bank	-	-	-	(2)	13
Residential mortgage	723	1,155	167	49	52
Qualifying revolving retail	-	58	-	56	49
Retail SME	177	111	89	24	26
Other retail	10	42	4	18	28
Total IRB approach	**2,992**	**1,701**	**967**	**425**	**430**
Specialised lending (SL)	**1,398**	**121**	**273**	**94**	**143**
Standardised approach					
Australian and foreign governments	24	18	-	-	-
Bank	-	-	-	-	-
Residential mortgage	119	124	24	4	3
Corporate	1,995	362	710	364	97
Other	14	31	7	36	28
Total standardised approach	**2,152**	**535**	**741**	**404**	**128**
Total	**6,542**	**2,357**	**1,981**	**923**	**701**

(1) *The General Reserve for Credit Losses (GRCL) at 30 September 2012 is calculated as follows:*

	$m
Collective provision for doubtful debts	*3,142*
Less collective provisions reported as additional regulatory specific provisions	*(493)*
Collective provision for doubtful debts eligible for inclusion in a general reserve for credit losses (pre-tax basis)	*2,649*
Less tax effect	*(554)*
Collective provision for doubtful debts eligible for inclusion in a general reserve for credit losses (after-tax basis)	*2,095*
Plus reserve created through a deduction from retained earnings	*592*
General reserve for credit losses (after-tax basis)	*2,687*

6. Securitisation

Securitisation Exposures [APS 330 Table 18b]

The following two tables provide information about assets (e.g. loans to securitisation SPVs) that the Group manages, predominantly for third party clients, where the assets are risk weighted under APS 120. These tables do not provide information on Group originated assets (e.g. home loans) that have been securitised whether or not the assets are risk weighted under APS 120. The table below breaks down the securitisation exposures by type of facility as defined in the Glossary.

	As at 31 Dec 12			As at 30 Sep 12		
	On-balance sheet $m	Off-balance sheet $m	Total $m	On-balance sheet $m	Off-balance sheet $m	Total $m
Securitisation exposure type						
Liquidity facilities	10	2,624	2,634	10	2,576	2,586
Warehouse facilities	7,726	1,507	9,233	8,100	1,597	9,697
Credit enhancements	5	24	29	6	28	34
Derivative transactions	161	-	161	174	-	174
Securities	277	-	277	230	-	230
Credit derivatives transactions	-	-	-	-	-	-
Other	3,891	-	3,891	4,200	-	4,200
Total securitisation exposures	**12,070**	**4,155**	**16,225**	**12,720**	**4,201**	**16,921**

Recent Third Party Securitisation Activity [APS 330 Table 18a]

This table provides information about new securitisation facilities provided in the three months to reporting date.

	Notional amount of facilities provided	
	3 months ended 31 Dec 12 $m	3 months ended 30 Sep 12 $m
Securitisation exposure type		
Liquidity facilities	219	7
Warehouse facilities	-	-
Credit enhancements	-	-
Derivative transactions	6	9
Securities	-	-
Credit derivatives transactions	-	-
Other	297	774
Total new facilities provided	**522**	**790**

Recent Group Own Securitisation Activity [APS 330 Table 18a]

This table may include assets which are sold to securitisation SPVs (1) which issue securities which meet the Reserve Bank of Australia's repurchase eligibility criteria; (2) which otherwise do not result in significant risk transfer and are considered on-balance sheet for regulatory purposes; or (3) in which significant risk transfer has taken place and which are considered off-balance sheet for regulatory purposes. The Group may retain an exposure to securitisation SPVs which are considered off-balance sheet for regulatory purposes.

	3 months ended 31 Dec 12			3 months ended 30 Sep 12		
	Amount securitised during period directly originated $m	Amount securitised during period indirectly originated $m	Recognised gain or loss on sale $m	Amount securitised during period directly originated $m	Amount securitised during period indirectly originated $m	Recognised gain or loss on sale $m
Underlying asset						
Residential mortgage	2,357	-	-	7,293	-	-
Credit cards	-	-	-	-	-	-
Auto and equipment finance	-	-	-	381	-	-
Commercial loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total underlying asset	**2,357**	**-**	**-**	**7,674**	**-**	**-**

7. Glossary

Term	Description
ADI	Authorised Deposit-taking Institution.
Advanced IRB approach	The Advanced Internal Ratings Based (IRB) approach refers to the processes employed by the Group to estimate credit risk. This is achieved through the use of internally developed models to assess potential credit losses using the outputs from the PD, LGD and EaD models.
AMA	Advanced Measurement Approach (AMA) is the risk estimation process used for the Group's operational risk. It combines internally developed risk estimation processes with an integrated risk management process, embedded within the business with loss event management.
APS	Prudential Standards issued by APRA applicable to ADIs.
Capital adequacy	Capital adequacy is the outcome of identifying and quantifying the major risks the Group is exposed to, and the capital that the Group determines as an appropriate level to hold for these risks, as well as its strategic and operational objectives, including its target credit rating.
Company	National Australia Bank Limited ABN 12 004 044 937.
Credit derivative transactions	In relation to securitisation exposures, credit derivative transactions are those in which the credit risk of a pool of assets is transferred to the Group, usually through the use of credit default swaps.
Credit enhancements	Credit enhancements are arrangements in which the Group holds a securitisation exposure that is able to absorb losses in the pool, providing credit protection to investors or other parties to the securitisation. A first loss credit enhancement is available to absorb losses in the first instance. A second loss credit enhancement is available to absorb losses after first loss credit enhancements have been exhausted.
Derivative transactions	In relation to securitisation exposures, derivative transactions include interest rate and currency derivatives provided to securitisation SPVs, but do not include credit derivative transactions.
EaD	Exposure at Default (EaD) is an estimate of the total committed credit exposure expected to be drawn at the time of default for a customer or facility that the Group would incur in the event of a default. It is used in the calculation of RWA.
ELE	The Extended License Entity (ELE) comprises the ADI itself and any APRA approved subsidiary entities assessed as effectively part of a single 'stand-alone' entity, as defined in *APS 222*, which is effective from 1 January 2013.
Foundation IRB	Foundation Internal Ratings Based (FIRB) approach refers to an alternative approach to Advanced IRB for non-retail credit risk defined under Basel II where a Group develops its own PD models and seeks approval from its regulator to use these in the calculation of regulatory capital, and the regulator provides a supervisory estimate for LGD and EaD.
Group	The Level 2 Group, being the Company and the entities it controls subject to certain exceptions set out in *Section 2 Scope of Application* of this report.
GRCL	The general reserve for credit losses (GRCL) is an estimate of the reasonable and prudent expected credit losses over the remaining life of the portfolio and on non-defaulted assets.
GRCL calculation methodology	The GRCL is calculated as a collective provision for doubtful debts, excluding securitisation and provision on default no-loss assets. The difference between the GRCL and accounting collective provision is covered with an additional top-up, created through a transfer from retained earnings to reflect losses expected as a result of future events that are not recognised in the Group's collective provision for accounting purposes.
IAA	Internal Assessment Approach.
IFRS	International Financial Reporting Standards.
Impaired facilities	Impaired facilities consist of Retail loans (excluding unsecured portfolio-managed facilities) which are contractually 90 days or more past due with security insufficient to cover principal and arrears of interest revenue. Unsecured portfolio managed facilities are classified as impaired assets when they become 180 days past due (if not written off) as per ARF 220 instructions; Non-retail loans that are contractually 90 days or more past due and/or sufficient doubt exists about the ultimate ability to collect principal and interest; and Impaired off-balance sheet credit exposures, where current circumstances indicate that losses may be incurred.
IRB	Internal Ratings Based (IRB) describes the approach used in the assessment of credit risk. Within this document it is used interchangeably with the term advanced Internal Ratings Based approach. This reflects the Group's development of internal credit risk estimation models covering both retail and non-retail credit.
IRRBB	Interest rate risk in the banking book.
LGD	Loss Given Default (LGD) is an estimate of the expected severity of loss for a credit exposure following a default event. Regulatory LGDs reflect a stressed economic condition at the time of default. It is used in the calculation of RWA.
Liquidity facilities	Liquidity facilities are provided by the Group to an SPV for the primary purpose of funding any timing mismatches between receipts of funds on underlying exposures and payments on securities issued by the SPV (asset liquidity facilities), or to cover the inability of the SPV to roll over ABCP (standby liquidity facilities).
National Australia Bank Group	NAB and its controlled entities.
Net write-offs	Write-offs on loans at amortised cost net of recoveries.
Past due facilities ≥ 90 days	Past due facilities ≥ 90 days consist of well-secured assets that are more than 90 days past due and portfolio-managed facilities that are not well secured and between 90 and 180 days past due.

Term	Description
PD	Probability of Default (PD) is an estimate of the likelihood of a customer defaulting or not repaying their borrowings and other obligations to the Group within the next 12 months.
Risk-Weighted Assets (RWA)	A quantitative measure of the Group's risk, required by the APRA risk-based capital adequacy framework, covering credit risk for on- and off-balance sheet exposures, market risk, operational risk and interest rate risk in the banking book.
Securities	Securities include the purchase of securitisation debt securities for either trading or banking book purposes.
Securitisation	Structured finance technique which involves pooling and packaging cash-flow converting financial assets into securities that can be sold to investors.
SME	Small and medium sized enterprises.
Specific provisions	Specific provisions for prudential purposes include all provisions for impairment assessed on an individual basis in accordance with IFRS excluding securitisation; all collective provisions on defaulted or otherwise non-performing assets, regardless of expected loss, are reported as additional regulatory specific provisions.
Standardised approach	Standardised refers to an alternative approach to the assessment of risk (notably credit and operational) whereby the institution uses external rating agencies to assist in assessing credit risk and/or the application of specific values provided by regulators to determine RWA.
Tier 1 capital	Tier 1 capital comprises the highest quality components of capital that fully satisfy all of the following essential characteristics: provide a permanent and unrestricted commitment of funds; are freely available to absorb losses; do not impose any unavoidable servicing charge against earnings; and rank behind the claims of depositors and other creditors in the event of winding-up.
Tier 1 capital ratio	Tier 1 regulatory capital, as defined by APRA, divided by RWA.
Tier 2 capital	Tier 2 capital includes other components of capital that, to varying degrees, fall short of the quality of Tier 1 capital but nonetheless contribute to the overall strength of an entity as a going concern. It is divided into: Upper Tier 2 capital comprising components of capital that are essentially permanent in nature, including some forms of hybrid capital instrument; and Lower Tier 2 capital comprising components of capital that are not permanent.
Tier 2 capital ratio	Tier 2 capital as defined by APRA divided by risk-weighted assets.
Warehouse facilities	Warehouse facilities are lending facilities provided by the Group to an SPV for the financing of exposures in a pool. These may be on a temporary basis pending the issue of securities or on an on-going basis.
Write-offs	Write-offs represent credit losses in accordance with accounting rules.