# Pillar 3 Report
# as at 31 December 2023

Incorporating the requirements of APS 330

National Australia Bank Limited ABN 12 004 044 937

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# Introduction

National Australia Bank Limited (NAB) is an Authorised Deposit-taking Institution (ADI) subject to regulation by the Australian Prudential Regulation Authority (APRA) under the authority of the *Banking Act 1959* (Cth). This document has been prepared in accordance with APRA Prudential Standard APS 330 *Public Disclosure*. APS 330 was established to implement the third pillar of the Basel Committee on Banking Supervision's framework for bank capital adequacy on market discipline, and to contribute to the transparency of financial markets.

This document provides information about risk exposures, as well as the capital and liquidity adequacy of the Group, being NAB and its controlled entities.

Amounts are presented in Australian dollars unless otherwise stated, and have been rounded to the nearest million dollars ($m) except where indicated.

## Capital adequacy methodologies

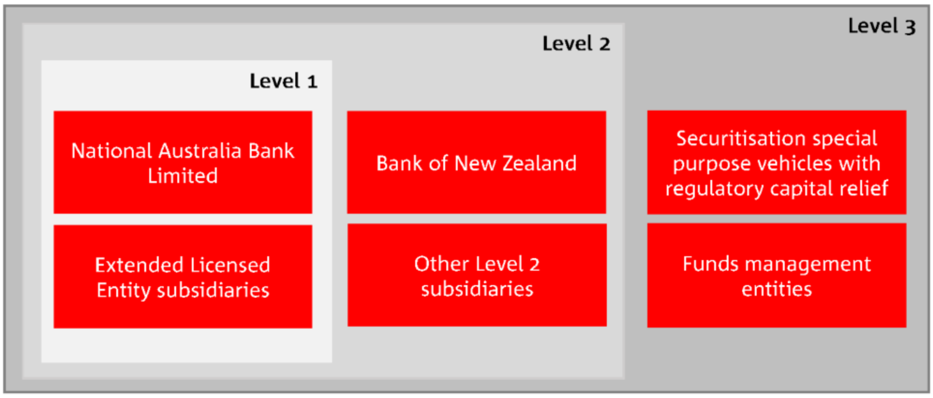
The Group uses the following approaches to measure capital adequacy as at 31 December 2023.

| Credit risk | Operational risk | Non-traded market risk | Traded market risk |
|---|---|---|---|
| Internal Ratings-based Approach (IRB)(1) | Standardised Measurement Approach (SMA) | Internal Model Approach (IMA) | Internal Model Approach (IMA) and standard method |

(1) The Group has received IRB accreditation from APRA and applies the advanced IRB, foundation IRB, supervisory slotting and standardised approaches to different portfolios. Risk-weighted assets (RWA) and expected loss for the Group's banking subsidiary regulated by the Reserve Bank of New Zealand (RBNZ), Bank of New Zealand (BNZ), are calculated using RBNZ prudential requirements, with the exception of scaling factors and the capital floor which are applied under APRA requirements.
BNZ has received IRB accreditation from the RBNZ and applies the internal rating-based approach, supervisory slotting estimates and standardised approach to different portfolios.

## Scope of application

APRA measures the Group's capital adequacy by assessing financial strength at three levels as illustrated below.




Level 1 comprises NAB and its subsidiaries that have been approved by APRA as part of its Extended Licensed Entity.

Level 2 comprises NAB and the entities it controls, excluding securitisation special purpose vehicles (SPVs) to which assets have been transferred in accordance with the requirements for regulatory capital relief in APS 120 *Securitisation* and funds management entities. Level 2 controlled entities include BNZ, National Australia Bank Europe S.A. and other financial entities such as broking, wealth advisory and leasing companies.

Level 3 comprises the consolidation of NAB and all of its subsidiaries.

This report applies to the Level 2 Group, headed by NAB, unless otherwise stated.

# Capital

## Capital adequacy

The following table provides the risk-weighted assets for each risk type.

| | As at 31 Dec 23 $m | As at 30 Sep 23 $m |
|---|---|---|
| **Credit risk** | | |
| **Subject to advanced IRB approach** | | |
| Corporate (including small and medium-sized enterprises (SME)) | 105,951 | 103,466 |
| Retail SME | 10,253 | 10,200 |
| Residential mortgage | 104,274 | 103,898 |
| Qualifying revolving retail | 2,744 | 2,664 |
| Other retail | 1,833 | 1,819 |
| **Subject to foundation IRB approach** | | |
| Corporate | 22,243 | 22,694 |
| Sovereign | 1,620 | 1,496 |
| Financial institution | 19,509 | 20,839 |
| **Total IRB approach** | **268,427** | **267,076** |
| **Specialised lending** | **2,529** | **2,332** |
| **Subject to standardised approach** | | |
| Corporate | 4,962 | 5,461 |
| Residential mortgage | 6,491 | 6,589 |
| Other retail | 6,060 | 5,988 |
| Other[1] | 4,406 | 4,671 |
| **Total standardised approach** | **21,919** | **22,709** |
| **RBNZ regulated banking subsidiary** | **52,860** | **53,026** |
| **Other** | | |
| Securitisation exposures | 5,878 | 5,332 |
| Credit valuation adjustment | 4,535 | 5,079 |
| **Total other** | **10,413** | **10,411** |
| **Total credit risk** | **356,148** | **355,554** |
| **Market risk** | 11,180 | 8,811 |
| **Operational risk** | 42,352 | 41,178 |
| **Interest rate risk in the banking book** | 21,779 | 29,463 |
| **Total RWA** | **431,459** | **435,006** |

(1) Other subject to the standardised approach consists of cash items in the process of collection, premises and other fixed assets, and all other exposures, and includes $103 million for equity exposures (30 September 2023: $103 million).

The following tables provide the capital ratios and leverage ratio.

| Capital ratios | As at 31 Dec 23 % | As at 30 Sep 23 % |
|---|---|---|
| Level 2 Common Equity Tier 1 | 12.0 | 12.2 |
| Level 2 Tier 1 | 13.9 | 14.2 |
| Level 2 Total | 19.6 | 19.9 |
| Level 1 Common Equity Tier 1 | 11.7 | 12.1 |
| Level 1 Tier 1 | 13.9 | 14.4 |
| Level 1 Total | 20.0 | 20.7 |

| Leverage ratio | As at 31 Dec 23 $m | 30 Sep 23 $m | 30 Jun 23 $m | 31 Mar 23 $m |
|---|---|---|---|---|
| Tier 1 capital | 60,181 | 61,726 | 59,259 | 60,595 |
| Total exposures | 1,190,152 | 1,183,323 | 1,192,746 | 1,189,150 |
| **Leverage ratio (%)** | **5.1%** | **5.2%** | **5.0%** | **5.1%** |

# Credit risk

## Credit risk exposures

The following table provides a breakdown of credit risk exposures between on and off-balance sheet, and average credit risk exposure, being the simple average of the exposure at the beginning and end of the reporting period.

| | As at 31 Dec 23 | | | | 3 months ended 31 Dec 23 |
|---|---|---|---|---|---|
| | On-balance sheet | Non-market related off-balance sheet | Market related off-balance sheet | Total exposure at default | Average exposure at default |
| Exposure type | $m | $m | $m | $m | $m |
| **Subject to advanced IRB approach** | | | | | |
| Corporate (including SME) | 170,014 | 24,488 | 2,850 | **197,352** | 195,662 |
| Retail SME | 16,773 | 7,709 | - | **24,482** | 24,376 |
| Residential mortgage | 338,851 | 58,108 | - | **396,959** | 395,015 |
| Qualifying revolving retail | 4,236 | 5,212 | - | **9,448** | 9,362 |
| Other retail | 1,369 | 327 | - | **1,696** | 1,677 |
| **Subject to foundation IRB approach** | | | | | |
| Corporate | 21,732 | 12,814 | 6,045 | **40,591** | 41,220 |
| Sovereign | 164,555 | 806 | 17,408 | **182,769** | 177,780 |
| Financial institution | 28,320 | 18,495 | 19,148 | **65,963** | 68,762 |
| **Total IRB approach** | **745,850** | **127,959** | **45,451** | **919,260** | **913,854** |
| **Specialised lending** | **2,136** | **875** | **123** | **3,134** | **2,988** |
| **Subject to standardised approach** | | | | | |
| Corporate | 5,900 | 1,527 | 4,279 | **11,706** | 12,495 |
| Residential mortgage | 15,504 | 1,277 | - | **16,781** | 16,820 |
| Other retail | 5,453 | 3,216 | - | **8,669** | 8,620 |
| Other | 6,205 | - | - | **6,205** | 6,574 |
| **Total standardised approach** | **33,062** | **6,020** | **4,279** | **43,361** | **44,509** |
| **RBNZ regulated banking subsidiary** | **115,199** | **15,593** | **3,146** | **133,938** | **134,827** |
| **Total exposure at default** | **896,247** | **150,447** | **52,999** | **1,099,693** | **1,096,178** |

| | As at 30 Sep 23 | | | | 3 months ended 30 Sep 23 |
|---|---|---|---|---|---|
| | On-balance sheet | Non-market related off-balance sheet | Market related off-balance sheet | Total exposure at default | Average exposure at default |
| **Exposure type** | **$m** | **$m** | **$m** | **$m** | **$m** |
| **Subject to advanced IRB approach** | | | | | |
| Corporate (including SME) | 167,499 | 23,965 | 2,509 | **193,973** | 192,991 |
| Retail SME | 16,674 | 7,596 | – | **24,270** | 24,146 |
| Residential mortgage | 335,094 | 57,978 | – | **393,072** | 391,327 |
| Qualifying revolving retail | 4,019 | 5,257 | – | **9,276** | 9,251 |
| Other retail | 1,345 | 313 | – | **1,658** | 1,638 |
| **Subject to foundation IRB approach** | | | | | |
| Corporate | 23,239 | 12,179 | 6,430 | **41,848** | 42,308 |
| Sovereign | 154,376 | 836 | 17,580 | **172,792** | 181,801 |
| Financial institution | 30,679 | 19,275 | 21,605 | **71,559** | 70,434 |
| **Total IRB approach** | **732,925** | **127,399** | **48,124** | **908,448** | **913,896** |
| **Specialised lending** | **2,050** | **713** | **78** | **2,841** | **2,699** |
| **Subject to standardised approach** | | | | | |
| Corporate | 6,211 | 1,903 | 5,171 | **13,285** | 12,568 |
| Residential mortgage | 15,494 | 1,365 | – | **16,859** | 16,919 |
| Other retail | 5,342 | 3,228 | – | **8,570** | 8,767 |
| Other | 6,943 | – | – | **6,943** | 7,585 |
| **Total standardised approach** | **33,990** | **6,496** | **5,171** | **45,657** | **45,839** |
| **RBNZ regulated banking subsidiary** | **114,367** | **17,490** | **3,859** | **135,716** | **134,245** |
| **Total exposure at default** | **883,332** | **152,098** | **57,232** | **1,092,662** | **1,096,679** |

## Credit provisions and losses

The following table provides information on asset quality.

| | As at 31 Dec 23 | | 3 months ended 31 Dec 23 | |
|---|---|---|---|---|
| Exposure type | Non-performing exposures $m | Specific provision for credit impairment $m | Specific credit impairment charge $m | Net write-offs $m |
| **Subject to advanced IRB approach** | | | | |
| Corporate (including SME) | 2,361 | 286 | 21 | 6 |
| Retail SME | 968 | 106 | 8 | 10 |
| Residential mortgage | 3,472 | 53 | 7 | 12 |
| Qualifying revolving retail | 61 | - | 19 | 17 |
| Other retail | 63 | 3 | 12 | 14 |
| **Subject to foundation IRB approach** | | | | |
| Corporate | 14 | 12 | - | - |
| Financial institution | 26 | 10 | - | - |
| **Total IRB approach** | **6,965** | **470** | **67** | **59** |
| **Specialised lending** | **-** | **-** | **-** | **-** |
| **Subject to standardised approach** | | | | |
| Corporate | 26 | 3 | - | - |
| Residential mortgage | 129 | 5 | 2 | 1 |
| Other retail | 77 | - | 20 | 17 |
| **Total standardised approach** | **232** | **8** | **22** | **18** |
| **RBNZ regulated banking subsidiary** | **1,004** | **70** | **10** | **12** |
| **Total** | **8,201** | **548** | **99** | **89** |

| | As at 30 Sep 23 | | 3 months ended 30 Sep 23 | |
|---|---|---|---|---|
| Exposure type | Non-performing exposures $m | Specific provision for credit impairment $m | Specific credit impairment charge $m | Net write-offs $m |
| **Subject to advanced IRB approach** | | | | |
| Corporate (including SME) | 2,255 | 275 | 53 | 25 |
| Retail SME | 951 | 105 | 16 | 8 |
| Residential mortgage | 3,307 | 54 | 1 | 8 |
| Qualifying revolving retail | 57 | - | 19 | 21 |
| Other retail | 63 | 3 | 7 | 11 |
| **Subject to foundation IRB approach** | | | | |
| Corporate | 14 | 12 | (1) | - |
| Financial institution | 25 | 10 | - | - |
| **Total IRB approach** | **6,672** | **459** | **95** | **73** |
| **Specialised lending** | **-** | **-** | **-** | **21** |
| **Subject to standardised approach** | | | | |
| Corporate | 23 | 4 | - | - |
| Residential mortgage | 139 | 4 | (1) | - |
| Other retail | 71 | - | 18 | 17 |
| **Total standardised approach** | **233** | **8** | **17** | **17** |
| **RBNZ regulated banking subsidiary** | **1,087** | **72** | **14** | **11** |
| **Total** | **7,992** | **539** | **126** | **122** |

Provisions held against performing exposures that represent a purely forward-looking amount for future losses that are presently unidentified were $4,107 million as at 31 December 2023 (30 September 2023: $4,380 million).

# Securitisation

## Recent securitisation activity

The following table provides the net movement in exposures securitised by the Group, and any gain or loss recognised on the sale of assets by the Group to securitisation SPVs.

| | 3 months ended 31 Dec 23 | | | |
|---|---|---|---|---|
| Underlying asset | Group originated capital relief $m | Group originated funding only $m | Group originated internal RMBS $m | Gain or loss on sale $m |
| Residential mortgages | (115) | (174) | 625 | – |

| | 3 months ended 30 Sep 23 | | | |
|---|---|---|---|---|
| Underlying asset | Group originated capital relief $m | Group originated funding only $m | Group originated internal RMBS $m | Gain or loss on sale $m |
| Residential mortgages | (129) | (179) | (204) | – |

## Securitisation exposures retained or purchased

The following table provides the amount of securitisation exposures and facilities held in the banking book, broken down between on and off-balance sheet exposures.

| | As at 31 Dec 23 | | | As at 30 Sep 23 | | |
|---|---|---|---|---|---|---|
| Securitisation exposure type | On-balance sheet $m | Off-balance sheet $m | Total $m | On-balance sheet $m | Off-balance sheet $m | Total $m |
| Liquidity facilities | 240 | 1,048 | **1,288** | 258 | 1,007 | **1,265** |
| Warehouse facilities | 17,060 | 5,930 | **22,990** | 16,476 | 5,846 | **22,322** |
| Securities | 9,179 | – | **9,179** | 7,329 | – | **7,329** |
| Derivatives | – | 20 | **20** | – | 54 | **54** |
| **Total** | **26,479** | **6,998** | **33,477** | **24,063** | **6,907** | **30,970** |

The Group had $501 million of derivative exposures to third party securitisation vehicles held in the trading book as at 31 December 2023 (30 September 2023: $324 million).

# Liquidity Coverage Ratio

The Liquidity Coverage Ratio (LCR) for the three months ended 31 December 2023 and 30 September 2023 presented in the disclosure template below is based on a simple average of daily LCR outcomes, excluding non-business days. There were 63 daily LCR data points used in calculating the average for the current quarter and 65 in the previous quarter.

Average LCR for the three months ended 31 December 2023 remained stable at 140%, as a decrease of $4.4 billion in average liquid assets was offset by a reduction of $2.9 billion in average net cash outflows.

The decrease in liquid assets was mainly attributable to repayment of the initial allowance of the Term Funding Facility (TFF) in the previous quarter, reflected through lower central bank deposits and repurchase agreements in the current quarter. This was partially offset by an increase in holdings of Australian government bonds and RBNZ securities.

The reduction in average net cash outflows was largely due to:

- there not being any repayments of the TFF in the current quarter, whereas repayments of the initial allowance were modelled in the 30 days prior to payment in the previous quarter.
- increased lending inflows.

This reduction was partially offset by an increase in short term funding outflows.

## Liquidity Coverage Ratio disclosure template

| | | 3 months ended | | | |
|---|---|---|---|---|---|
| | | 31 Dec 23 | | 30 Sep 23 | |
| | | Unweighted value (average)(1) | Weighted value (average) | Unweighted value (average)(1) | Weighted value (average) |
| | | $m | $m | $m | $m |
| **Liquid assets, of which:** | | | **205,117** | | **209,561** |
| 1 | High-quality liquid assets (HQLA)(2)(3) | | 204,317 | | 209,354 |
| 2 | Alternative liquid assets (ALA)(3) | | - | | - |
| 3 | Reserve Bank of New Zealand (RBNZ) securities(2)(3) | | 800 | | 207 |
| **Cash outflows** | | | | | |
| 4 | Retail deposits and deposits from small business customers | 277,073 | 29,861 | 273,980 | 29,947 |
| 5 | of which: stable deposits | 120,565 | 6,028 | 116,860 | 5,843 |
| 6 | of which: less stable deposits | 156,508 | 23,833 | 157,120 | 24,104 |
| 7 | Unsecured wholesale funding | 177,377 | 82,764 | 177,563 | 82,299 |
| 8 | of which: operational deposits (all counterparties) and deposits in networks for cooperative banks | 84,980 | 21,245 | 86,162 | 21,540 |
| 9 | of which: non-operational deposits (all counterparties) | 77,511 | 46,633 | 78,261 | 47,619 |
| 10 | of which: unsecured debt | 14,886 | 14,886 | 13,140 | 13,140 |
| 11 | Secured wholesale funding(3) | | 8,431 | | 10,701 |
| 12 | Additional requirements | 208,488 | 38,651 | 204,959 | 38,693 |
| 13 | of which: outflows related to derivatives exposures and other collateral requirements | 8,641 | 8,640 | 8,155 | 8,154 |
| 14 | of which: outflows related to loss of funding on debt products | - | - | - | - |
| 15 | of which: credit and liquidity facilities | 199,847 | 30,011 | 196,804 | 30,539 |
| 16 | Other contractual funding obligations | 1,131 | 1,131 | 81 | 81 |
| 17 | Other contingent funding obligations | 76,707 | 5,374 | 73,935 | 5,219 |
| **18** | **Total cash outflows** | | **166,212** | | **166,940** |
| **Cash inflows** | | | | | |
| 19 | Secured lending (e.g. reverse repos) | 42,428 | 3,700 | 49,216 | 3,898 |
| 20 | Inflows from fully performing exposures | 23,095 | 13,695 | 20,121 | 11,788 |
| 21 | Other cash inflows | 2,027 | 2,025 | 1,590 | 1,589 |
| **22** | **Total cash inflows** | **67,550** | **19,420** | **70,927** | **17,275** |
| **23** | **Total liquid assets** | | **205,117** | | **209,561** |
| **24** | **Total net cash outflows** | | **146,792** | | **149,665** |
| **25** | **Liquidity Coverage Ratio (%)** | | **140%** | | **140%** |

(1) Unweighted inflow and outflow values are outstanding balances maturing or callable within 30 days.
(2) Weighted values exclude New Zealand dollar (NZD) liquid asset holdings in excess of NZD LCR of 100%, reflecting liquidity transferability considerations. The amount excluded during the three months to 31 December 2023 and 30 September 2023 was on average $9.0 billion and $9.2 billion respectively.
(3) Disclosed on a weighted basis only, consistent with the disclosure template prescribed by APS 330.

# Glossary

### Additional Tier 1 capital
Comprises high quality components of capital that satisfy the following characteristics:

- provide a permanent and unrestricted commitment of funds.
- are freely available to absorb losses.
- rank behind the claims of depositors and other more senior creditors in the event of winding up of the issuer.
- provide for fully discretionary capital distributions.

### ADI
Authorised Deposit-taking Institution.

### Advanced Internal Ratings-based (Advanced IRB) approach
The approach used by the Group, under approval from APRA, to calculate the capital requirement for credit risk, which utilises the outputs of internally developed models for probability of default, loss given default and exposure at default.

### Alternative liquid assets (ALA)
Assets that qualify for inclusion in the numerator of the Liquidity Coverage Ratio in jurisdictions where there is insufficient supply of high-quality liquid assets in the domestic currency to meet the aggregate demand of banks with significant exposure in the domestic currency. The Term Funding Facility is treated as ALAs.

### APRA
Australian Prudential Regulation Authority.

### APS
Prudential Standards issued by APRA applicable to ADIs.

### Bank of New Zealand (BNZ)
Bank of New Zealand, a banking subsidiary regulated by the Reserve Bank of New Zealand.

### Banking book
Exposures not contained in the trading book.

### CET1 capital ratio
CET1 capital divided by risk-weighted assets.

### Common Equity Tier 1 (CET1) capital
The highest quality component of capital. It is subordinated to all other elements of funding, absorbs losses as and when they occur, has full flexibility of dividend payments and has no maturity date. It is predominately comprised of paid-up ordinary share capital, retained profits plus certain other items as defined in APS 111 'Capital Adequacy: Measurement of Capital'.

### Corporate
Corporations, partnerships, proprietorships, public sector entities and any other credit exposure not elsewhere classified.

### Credit valuation adjustment (CVA)
A capital charge to reflect potential mark to-market losses due to counterparty migration risk for bilateral over-the-counter derivative contracts.

### Default
Default occurs when a loan obligation is contractually 90 days or more past due, or when it is considered unlikely that the credit obligation will be paid in full without remedial action, such as realisation of security.

### Eligible financial collateral (EFC)
Under the standardised approach, eligible financial collateral is the amount of cash collateral, netting and eligible bonds and equities. Under the Internal Ratings-based Approach, EFC is limited to the collateral items detailed in APS 112 'Capital Adequacy: Standardised Approach to Credit Risk'. Recognition of EFC is subject to the minimum conditions detailed in APS 112.

### Exposure at default (EaD)
An estimate of the credit exposure amount outstanding if a customer defaults. EaD is presented net of eligible financial collateral, except where indicated.

### Extended Licensed Entity
The ADI and any APRA approved subsidiaries assessed as effectively part of a single 'stand-alone' entity, as defined in APS 222 'Associations with Related Entities'.

### Foundation Internal Ratings-based (Foundation IRB) approach
An approach to calculate the capital requirement for credit risk, which utilises the outputs of internally developed models for probability of default, and supervisory estimates for loss given default and exposure at default.

### Group
NAB and its controlled entities.

### High-quality liquid assets (HQLA)
Consists primarily of cash, deposits with central banks, Australian government and semi-government securities and securities issued by foreign sovereigns as defined in APS 210 'Liquidity'.

### Internal Model Approach (IMA) - Non-traded Market Risk
The approach used by the Group, under approval from APRA, to calculate the capital requirement for non-traded market risk. The IMA is used to calculate interest rate risk in the banking book for transactions in the banking book.

### Internal Model Approach (IMA) - Traded Market Risk
The approach used by the Group, under approval from APRA, to calculate the capital requirement for traded market risk. The IMA is used to calculate general market risk for transactions in the trading book, other than those covered by the standard method.

### Leverage ratio
Tier 1 capital divided by exposures as defined by APS 110 'Capital Adequacy'. It is a non-risk based measure to supplement the risk-weighted assets based capital requirements. Exposures include on-balance sheet exposures, derivative exposures, securities financing transaction exposures and other off-balance sheet exposures.

### Liquidity Coverage Ratio (LCR)
A metric that measures the adequacy of high-quality liquid assets available to meet net cash outflows over a 30-day period during a severe liquidity stress scenario.

### Loss given default (LGD)
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.

### NAB
National Australia Bank Limited ABN 12 004 044 937.

### Net write-offs
Write-offs, net of recoveries.

### Non-performing exposures
Exposures which are in default aligned to the definition in APS 220 'Credit Risk Management'.

### Probability of default (PD)
An estimate of the likelihood of a customer defaulting or not repaying their borrowings and other obligations in the next 12 months.

### Qualifying revolving retail
Revolving exposures to individuals less than $100,000, unsecured and unconditionally cancellable by the Group.

### RBNZ
Reserve Bank of New Zealand.

### Risk-weighted assets (RWA)
A quantitative measure of 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.

### RMBS
Residential mortgage-backed securities.

### Securitisation exposures
Include the following exposure types:

- liquidity facilities: facilities provided to securitisation vehicles for the primary purpose of funding any timing mismatches between receipts of funds on underlying exposures and payments on securities issued by the securitisation vehicle or to cover the inability of the securitisation vehicle to roll-over securities due to market disruption.
- warehouse facilities: lending facilities provided to securitisation vehicles 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.
- securities: holding of debt securities issued by securitisation vehicles.
- derivatives: derivatives provided to securitisation vehicles, other than for credit risk mitigation purposes.

### SME
Small and medium-sized enterprises.

### Specific provision for credit impairment
The provision assessed on an individual basis in accordance with Australian Accounting Standard AASB 9 'Financial Instruments'.

### SPV
Special purpose vehicle.

### Standard method
An alternative approach used to calculate the capital requirement for traded market risk, which applies supervisory risk-weights to positions arising from trading activities.

### Standardised approach
An alternative approach used to calculate the capital requirement for credit risk, which utilises regulatory prescribed risk-weights based on external ratings and/or the application of specific regulator defined metrics to determine risk-weighted assets.

### Standardised Measurement Approach (SMA)
An approach used to calculate the capital requirement for operational risk based on a business indicator, a financial statement proxy of operational risk exposure.

### Term Funding Facility (TFF)
A facility provided by the Reserve Bank of Australia to certain ADIs to support lending to Australian businesses. The facility closed to new drawdowns of funding on 30 June 2021.

### Tier 1 capital
The sum of Common Equity Tier 1 capital and Additional Tier 1 capital.

### Tier 1 capital ratio
Tier 1 capital divided by risk-weighted assets.

### 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 ADI and its capacity to absorb losses.

### Total capital
The sum of Tier 1 capital and Tier 2 capital.

### Total capital ratio
Total capital divided by risk-weighted assets.

### Trading book
Positions in financial instruments, including derivatives and other off-balance sheet instruments, that are held either with a trading intent or to hedge other elements of the trading book.

### Write-offs
A reduction in the carrying amount of loans and advances at amortised cost and fair value where there is no reasonable expectation of recovery of a portion or the entire exposure.

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