Glossary

ADI refers to an authorised deposit-taking institution, meaning a body corporate authorised under section 9 of the *Banking Act 1959*, to carry on banking business in Australia (e.g. a bank, building society or credit union).

Building societies are locally-incorporated ADIs that assume or use the expression 'building society' in relation to their banking business.

Commercial property exposure limits are the aggregate of all claims, commitments and contingent liabilities arising from on and off-balance sheet transactions with the counterparty. This includes the outstanding balances of all loans and advances, all unused off-balance sheet commitments and the credit equivalent amounts of all market-related contracts (e.g. interest rate hedging contracts).

Commercial property exposures are facilities for the development, acquisition and improvement of real estate, where the servicing and repayment of the facility is dependent on cash flows generated by the property itself or other properties owned by the borrower. Excluded are housing loans for owner occupation and loans to individuals or families for residential-property investment. Loans to construction companies which are paid by third parties are also excluded, where such payment is not dependent on the proceeds of the sale or rental of the property upon completion.

Commercial property exposures: *Industrial* are facilities for the development, acquisition or improvement of Industrial property, and the servicing and repayment of the facility is dependent on the cash flows generated by the Industrial property itself through sale or rental income, and/or from cash flows generated from other Industrial properties owned by the borrower.

Commercial property exposures: *Land development/subdivisions* are facilities for the development and/or subdivision of land, and the servicing and repayment of the facility is dependent on the cash flows generated through sale of the land, and/or from cash flows generated from other land development or subdivision activity owned by the borrower.

Commercial property exposures: *Office* are facilities for the development, acquisition or improvement of office buildings, and the servicing and repayment of the facility is dependent on the cash flows generated by the office property itself through sale or rental income, and/or from cash flows generated from other office properties owned by the borrower.

Commercial property exposures: *Other residential* are exposures to residential property excluding all loans to individuals or families and excluding loans to private family companies or family trusts for owner occupation.

Commercial property exposures: *Retail* are facilities for the development, acquisition or improvement of retail buildings, and the servicing and repayment of the facility is dependent on the cash flows generated by the retail property itself through sale or rental income, and/or from cash flows generated from other retail properties owned by the borrower.

Commercial property exposures: *Tourism and leisure* are facilities for the development, acquisition or improvement of land and buildings used in the tourism and leisure or hospitality industries, 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 tourism and leisure properties owned by the borrower.

Credit unions are locally-incorporated ADIs that assume or uses the expression 'credit union' or 'credit co-operative' in relation to their banking business.

Foreign bank branches are foreign banks licensed to conduct banking business in Australia through branches, subject to a condition which specifically restricts the acceptance of retail deposits (referred to as Foreign ADIs under the Banking Act).

Foreign subsidiary banks are foreign banks authorised to carry on banking business in Australia through a locally incorporated subsidiary.

Housing loans includes loans for the construction or purchase of dwellings for owner-occupation and investment.

Interest-only loans approved are interest-only term loans held by the reporting party and which were approved during the relevant period, irrespective of whether the funds have been advanced to the borrower.

Interest-only loans are loans where the repayments, for a set term, only pay the interest on the loan and do not reduce the principal balance.

Investment loans are loans to households for the purchase or construction of dwellings not for occupation by the owners.

Loan-to-valuation ratio (LVR) is the ratio of the outstanding amount of the loan to the value of the property that secures the exposure.

Loans approved LVR≤60% are loans approved with a loan-to-valuation ratio less than or equal to 60 per cent during the quarter.

Loans approved 60%<LVR≤80% are loans approved with a loan-to-valuation greater than 60 per cent but less than or equal to 80 per cent during the quarter.

Loans approved 80%<LVR≤90% are loans approved with a loan-to-valuation greater than 80 per cent but less than or equal to 90 per cent during the quarter.

Loans approved LVR>90% are loans approved with a loan-to-valuation greater than 90 per cent during the quarter.

Loans approved outside serviceability are loans approved where the lender believes that an exception to the institution’s serviceability policy is appropriate.

Loans with offset facilities are loans with an offset account, typically a deposit account, in which the balance is either wholly or partly offset against the loan balance for the purposes of calculating interest.

Loans with redraw facilities are loans that allow the borrower to make advance repayments with the option of subsequently withdrawing the accumulated excess down to the extent of the loan balance specified in the loan schedule.

Low-documentation loans approved are low-documentation loans approved during the quarter.

Low-documentation loans are loans where the lender has not, prior to loan approval, documented, assessed and verified the ability of the borrower to meet the repayment obligations.

Major banks are the Australia and New Zealand Banking Group Limited, Commonwealth Bank of Australia, the National Australia Bank Limited, Westpac Banking Corporation and their subsidiary banks.

Other ADI consist of ADIs that are not banks, building societies or credit unions. This includes providers of purchased payment facilities and specialist credit card institutions.

Other domestic banks are locally-owned banks excluding those defined as *Majors*.

Other non-standard loans approved are non-standard loans approved during the quarter, including reverse mortgages.

Owner-occupied loans are loans to households for the purchase or construction of dwellings for occupation by the owners.

Residential property exposures are loans for the development, acquisition and improvement of housing for owner occupation or investment by individuals or families.

Reverse mortgages are generally loans where the loan is repayable when the borrower is deceased or no longer lives in the property. Reverse mortgages allow for the borrowing of money against a primary residence and do not require principal and interest payments until termination of the facility, which is not fixed and normally occurs when nominated borrowers die, vacate the mortgaged property or the asset is sold.

Security held is the value of security held in relation to the reporting party's exposure to commercial property.

Specific provisions are the provisions for impairment of the reporting party's exposure to commercial property.

Term loans are loans other than a revolving credit. A revolving credit is a loan arrangement in which the borrowing party may repay funds on the loan and immediately borrow it again up to an agreed limit.

Third-party originated loans approved are loans which originated through a broker or other third party, and were approved during the relevant period, irrespective of whether the funds have been advanced to the borrower.