

**House of Representatives Standing Committee on Economics
Review of the Four Major Banks (Third Report)
National Australia Bank (NAB)**

NAB12QON: Hansard p33

Mr EVANS: I'm ultimately going to get to the topic of your small business customer base, but I have a couple of quick questions first following up some of your statements about your customers moving from interest-only to principal and interest loans within your back book. You quoted some figures for NAB. I think you said that the proportion of interest-only mortgages had gone from 41 per cent down to about 37½ per cent. So that's a decrease of three or 3½ per cent. If I'm right, there are two ways that could happen. One way is for a customer whose circumstances aren't really changing to go from one product to the other.

Mr Thorburn: Yes.

Mr EVANS: The other way is that there's going to be a series of renovation loans and building and construction loans which are interest-only for the duration of the building work happening and which then automatically switch over to principal and interest at the end of the building and construction. I want to get a sense of the proportions of those two streams. How much of that 3½ per cent reduction is due to one versus the other?

Mr Cahill: I'd have to follow up on construction loans, but they would be reasonably small.

Answer
Of the NAB customers who have switched from interest only to principal and interest loans, approximately six percent of those customers who have switched relate to loans for the purposes of 'building in the course of erection'.