

2.19 QW: What has been the total amount for each of the past 5 years of loans to small business that have been 'in default' for loans:  
 a) residentially secured; and  
 b) not residentially secured?

**Answer**

In answering this question, NAB has interpreted defaults as loans which are classified as '90+ days past due (DPD) and gross impaired assets (GIAs)' for business lending in the nabbusiness division. This division is NAB's largest SME segment, supporting customers with lending typically up to \$25 million.

NAB has provided below an extract from NAB's relevant financial results of 90+ DPD & GIAs for the past three financial years. Data prior to FY14 has not been provided due to a lack of comparability. Data for 2014 and 2015 is for NAB's full financial year as at 30 September 2016. Data for 2016 is as at 31 March 2016 with data available for the full financial year following NAB's annual results announcement on 27 October 2016.

| nabbusiness                | FY14 | FY15 | 1H16 |
|----------------------------|------|------|------|
| 90+ DPD & GIAs (\$million) | 971  | 657  | 587  |

NAB is not able to provide data for the number of loans which are secured via residential

property. This is because business customers often have multiple securities against their lending (such as residential property, commercial property, guarantees and general security agreements) whereas a residential mortgage generally has one security for each loan. Instead, when assessing the security of a business loan, NAB assesses a customer's overall security position, based on the bank assessed value of all linked securities.

As at 31 March 2016, for nabbusiness lending (for customers with lending typically up to \$25m), 71% of this lending was fully secured, 24% partially secured and 5% unsecured. This level of security has been largely consistent since 2014, as demonstrated from the below figures.

| nabbusiness – Level of Security | FY14 | FY15 | 1H16 |
|---------------------------------|------|------|------|
| Fully secured                   | 69%  | 70%  | 71%  |
| Partially secured               | 26%  | 25%  | 24%  |
| Unsecured                       | 5%   | 5%   | 5%   |