

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS

NAB

NAB45QW:

a) Have you completed a cost estimation of the impact of implementing responsible lending obligations for:

(i) Your institution? If so, please provide this estimation.

(ii) Your customers? If so, please provide this estimation.

The cost of implementing responsible lending obligations for NAB or customers and the ongoing increase in overheads has not been estimated by NAB.

NAB is constantly implementing changes to accommodate new technology, simplification and regulatory requirements. Responsible lending obligation changes have been implemented as part of NAB's broader change management program. NAB also has teams responsible for all elements of the ongoing, business as usual management of lending products. The costs of this are not directly attributable to responsible lending obligations.

b) Since the exemption from the responsible lending obligations for small and medium enterprises has been in place:

(i) Have you adjusted your internal processes to assess credit approvals?

NAB did not make any adjustments to its internal processes as a result of the temporary nature of the exemption (initially announced for a period of six months).

(ii) What impact has the exemption had on the bank's capacity to lend?

The exemption has had no material impact on NAB's capacity to lend.

(iii) If the exemption has had no effect, why?

While there are some processes that may not be required under the exemption, such as suitability assessments, NAB is still required to undertake a number of processes in relation to enquiry and verification as a result of prudential obligations. For example, NAB is still required to understand the financial position of customers and their ability to repay.

c) Have you seen small and medium enterprises turn to other lines of credit during the coronavirus pandemic? If so, why?

There have been no material shifts in the types of products or credit sought by small and medium enterprise (SME) customers during the coronavirus pandemic. While lending levels are slightly lower than before the pandemic, they remain strong.

During the pandemic, the SME Guarantee Scheme has been an important source of support for our business customers, alongside loan deferrals offered by banks and the Government's JobKeeper scheme. As at 25 September, NAB had approved 6,258 NAB Business Support Loans worth \$623 million under phase 1 of the Federal Government's Coronavirus SME Guarantee Scheme. NAB is also accepting applications under phase two of the scheme which commenced on 1 October for loans up to \$1 million with no repayments required in the first six months.

NAB has also seen increased demand for Equipment Finance lending, with an increase of 1% in the six months to June-20 on the prior corresponding period (PCP). A record month of lending was achieved in June 2020, up +32% on June 2019 PCP.

NAB has not seen a material increase of applications for residential property secured lines of credit as a result of the pandemic.