

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

**NAB14QW:** Please provide any financial analysis provided to Andrew Hagger, Chief Customer Officer, Consumer and Wealth, regarding the internal assessment of the bank on the potential financial impact on the profitability of NAB of the APRA requirement for no more than 30% of new mortgages to be interest only. The relevant period for which the committee is seeking this information is between the APRA announcement on 31 March 2017 and the announcement of interest rate changes on 23 June 2017. In addition, please clearly describe the economic correlation between the decision taken by the bank in June 2017 in relation to interest only rates and this requirement of APRA. For the avoidance of doubt, the committee is not seeking a general statement about the goals of the bank or the need to generally reduce the proportion of interest only loans. The committee is seeking a clear economic description, underpinned by the actual financial analysis of the bank at the time, of the relationship between the bank's decision with respect to mortgage interest rates and the bank's assessment of the actual financial impact on it of the APRA requirements. Any gap between the bank's assessment of the actual cost to it of the APRA requirements and the interest rate changes made in June should be highlighted in the response.

**Answer**

The decision maker for NAB residential mortgage pricing decisions is the Group Chief Operating Officer (COO). The COO makes decisions about the pricing of back-book interest rates for residential mortgage products, with the Group Chief Executive Officer's approval. While Mr Hagger is consulted regarding NAB pricing decisions, he is not a decision maker in this process.

Pricing decisions for NAB residential mortgage products made between 31 March 2017 and 23 June 2017 are currently subject to inquiries by the ACCC and ASIC. NAB is cooperating fully with these inquiries, which remain ongoing.

The financial analysis requested by the Committee contains commercially sensitive and confidential information. NAB does not publicly disclose this information. NAB considers that if this information was publically released, it would bring significant damage to NAB's competitive position. NAB has not provided this information to the Committee for these reasons.