

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

ECONOMIC DYNAMISM, COMPETITION AND BUSINESS FORMATION

ED-NAB01QON

Mr Van Manen: I return to a question I asked earlier today on access to capital. Access to capital is what makes our economy tick. For a lot of businesses, either starting up or expanding, it's the access to, or lack of access to, capital that makes that a success or failure, or just plain hard work. Given that you're one of the largest SME banks in Australia, what are the issues that you're seeing for small to medium enterprises in obtaining capital, via debt or equity or other types of investments that allow them to grow their businesses? What are the regulatory hurdles that exist in that space that we would use to, potentially, make that process more streamlined and easier for those businesses to navigate?

Mr McEwan: I'll get Shaun to take you through some of those. I am not too sure about the latter piece, on the regulatory changes that would be needed around capital. We would have to come back on notice on that

Answer:

NAB has nothing further to add to Mr Dooley's answer on 12 July 2023.

Mr Dooley: We saw very good growth in our loan book last year: 37 per cent in that small sector. That underlines our position as Australia's leading business bank. There are two forms of capital that we can talk about. One is obviously debt. The banking system is pretty mature. I just gave evidence demonstrating the growth in that sector. There is also equity capital, which you referred to as well. That market is not as well developed in Australia as it is in a number of other regions. There have been steps taken to continue to develop that. We are a participant in the Business Growth Fund, along with the government and other banks. That's an example of where equity capital has been made available to smaller businesses that are not able to demonstrate a track record of the size that might attract capital in more mature equity markets, whether it is listed markets or others.

Business growth funds are an example of that. There are opportunities to continue to expand those. We've looked at a number of other proposals that are more sector-specific in that regard. Opportunities to continue to develop capital markets in Australia are always going to be welcome as a way of bringing potential investors into that market.

The issue of regulation is one that we need to continue to look at. There's clearly the regulatory framework that we deal with. It is appropriate for institutions of our size and leverage. There's a complexity of regulation that a small business owner has to face when they're establishing a business. That could be complexity in the way licensing arrangements are signed off on. It could be the way that people are paid. The complexity in the payroll system and how customers and companies are having to deal with that is a massive challenge. The ability to deal with labour and labour shortages is another issue.

There's an opportunity for us to continue to think through what makes it hard for customers to establish and run a business—Ross referred to the report earlier—and how we continue to address that. It's hard enough starting up a business. It's hard enough when you are putting your business capital and your personal capital at risk. How do we make it easier for customers to then navigate and prosper in an economy? They're significant employers of people. They're a significant growth engine to the economy. How do we continue to drive that?

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Ms Payne: I have a couple of questions about foreign exchange rates. On average, at what margin do you price your international payments?

Mr McEwan: On average is an interesting one, because usually it is done on blocks around the size of the tranche of money being sent out. I did recently see it, but we would have to give you that on notice. We have also recently taken away the fee from all of our consumer business. So there isn't a fee; there is just a rate. I would have to come back to you on that with pricing. There will be a structure around that pricing based around size.

Answer:

Average margins on international payments are informed by a number of factors including the type of customer, payment volumes and frequency. Average margins range from 0.12% for large corporate customers to up to 2.5% for retail customers but many customers received personalised pricing with a lower margin. A foreign exchange calculator is available on the NAB website to enable customers to compare rates.

NAB does not charge any fees when consumer customers send money overseas in a foreign currency via Internet Banking or the NAB app.

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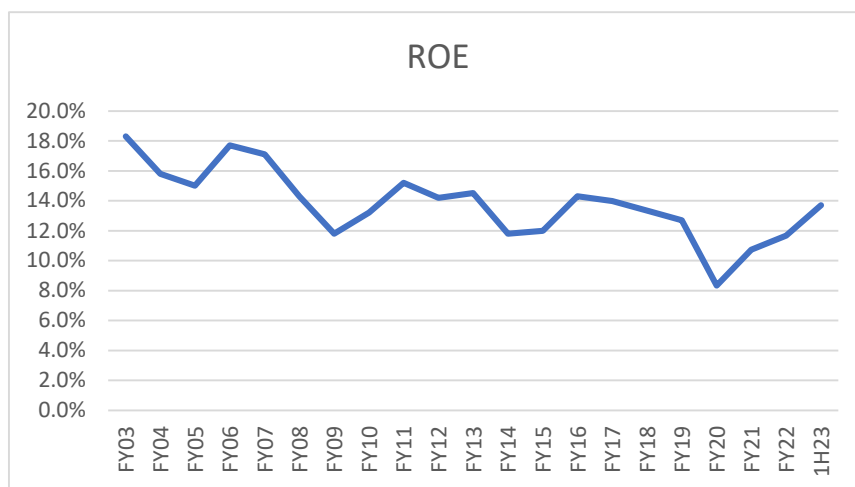
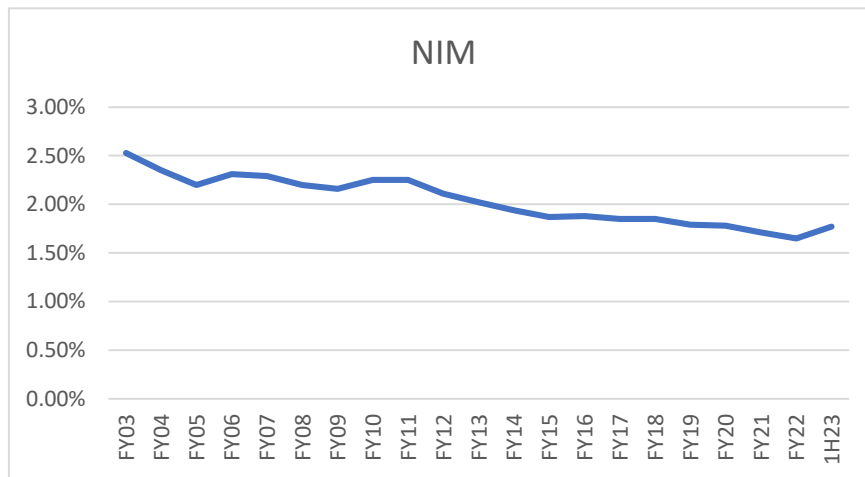
Please provide data on the following key returns metrics, as a time series for the past 20 years:

- net interest margin (NIM)
- return on equity (ROE).

Answer:

	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12
NIM	2.53%	2.35%	2.20%	2.31%	2.29%	2.20%	2.16%	2.25%	2.25%	2.11%
ROE	18.3%	15.8%	15.0%	17.7%	17.1%	14.3%	11.8%	13.2%	15.2%	14.2%

	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	1H23
NIM	2.02%	1.94%	1.87%	1.88%	1.85%	1.85%	1.79%	1.78%	1.71%	1.65%	1.77%
ROE	14.5%	11.8%	12.0%	14.3%	14.0%	13.3%	12.7%	8.3%	10.7%	11.7%	13.7%



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In relation to discharge processing, please provide:

- a. The bank's Discharge Authority Form.
- b. The average time for processing discharge requests (as a time series if data is available, going back 10 years).
- c. The proportion of discharge requests that take longer than 10 business days to process (as a time series if data is available, going back 10 years).

Answer:

a. Please see Appendix A.

b. and c.

In the six months to October 2023:

- 66.4% of discharge requests were processed within 24 hours of NAB receiving them
- A further 30.0% of requests were processed within 48 hours
- The remaining 3.6% of discharge requests were processed within 72 hours

NAB does not hold accurate information for discharge processing times over a 10-year period. However, significant uplifts were made in 2021 and 2022 to improve discharge processing times, by increasing resourcing and introducing a new workflow model. Prior to these improvements, NAB had a significant backlog of discharge requests and the average time to process a discharge request was in excess of two weeks. The majority of discharge requests are now processed within 24 hours.

Where a customer is refinancing, the current average time from receiving a discharge request to refinance settlement is 17 days. NAB completes the required processes within 72 hours of receipt. After this, the timing is contingent on the speed at which the receiving bank completes their required actions. Currently, the pace at which receiving banks are undertaking these actions extends the timeframe to an average of 17 days.