



31 July 2020

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS

NAB Response to the Committee's Request on COVID-19

Question:

The committee requests that you provide a written update (to be published on the committee's website) outlining the measures that NAB has taken in response to the COVID-19 pandemic. The first update is due by 30 April 2020 and ongoing updates should be provided at the end of every month thereafter until the next hearing.

Answer:

31 July 2020

NAB is continuing to support our customers as they deal with the ongoing impacts of COVID-19. This response provides NAB's update for July on actions in response to the COVID-19 pandemic.

Attached for the Committee's information are NAB's latest surveys and research including:

- NAB Quarterly Business Survey
- NAB Economics Data Insights (for the week ending 18 July)
- NAB Markets Weekly – which states are performing best? And why?

The last of these is a report issued on 27 July looking at the performance of the States and Territories. The message from the report's findings is that the States with the least spread can reopen quickest and have their economies least affected in the short term.

That report also suggests that the variation in the economic performance of each State or Territory reflects a combination of the impacts of:

- (i) spread/control of the virus;
- (ii) reductions in international mobility including the impacts of international border closures impacting on immigration, international tourism and international students. In this regard NSW and Victoria are relatively the most impacted, along with the ACT;
- (iii) reductions in domestic mobility/working from home – this impacts CBDs and businesses providing services to CBDs, though some offset is likely through activity picking up in suburban areas. The outperformance of WA and the Northern Territory may also reflect their relatively large exposure to mining and farming, two sectors that relatively have not been hit as hard.

On 16 July NAB also released a report on the Australian small business sector; explaining why it is so critical to our economy and setting out some practical steps that can be taken to help ensure a healthy recovery in the sector. This report – “Supporting Economic Recovery: What we can do for Small Business” is attached. It identifies eight potential areas for reform which are:

- Making it easier to hire new workers;
- Cutting regulation;
- Making sure small businesses get paid faster;
- Harnessing the power of digital tools;
- Opening procurement opportunities;
- Further access to capital;
- Lifting small business management capability; and
- Improving state business conditions.

NAB’s aim in publishing the report was to make a constructive contribution to public policy debate on areas for reform to support small business which is a critical part of Australia’s economy. A copy of the research is also available here (<https://nab.co/3jsc1fE>).

Customer support

Following the ABA announcement on 8 July regarding the next phase of support from banks for customers currently on loan payment deferrals, NAB announced that it would provide the option to extend existing six-month loan deferrals for business and home loan customers affected by COVID-19, by up to four months ending no later than 31 March 2021 – on a case-by-case basis. The option to extend a deferral period for up to four months will be assessed on an individual customer basis.

We will work with customers to find the best options to restructure or vary their loans. These may include:

- Extending the length of the loan
- Converting to interest only payments for a period of time
- Consolidating debt
- A combination of these and other measures

NAB continues to check-in with customers on deferment, to better understand their individual circumstances and to determine the best arrangement for them.

While a number of businesses and homeowners have started their repayments again, there are clearly still many customers who may need support for longer. NAB made clear that bankers will speak with customers about their individual circumstances and the options appropriate for them which may include loan restructure, determining alternative fund sources, hardship assistance or further deferral for up to four months. At the same time, we continue to encourage customers who can begin repayments to do so as soon as they can, as it is in customers’ interest to repay debt sooner.

<i>NAB loan repayment deferrals as at 17 July</i>	Number of accounts	Value of total loan balance which has been deferred
Total business loan deferrals^[1]	39,332	\$20.67bn
Total home loan deferrals^[2]	97,344	\$38.98bn

^[1] Includes NAB Business & Private Bank and NAB Corporate business accounts. Customers may have a number of accounts.

^[2] Includes all NAB and Advantedge accounts.

We continue to support our customers by way of special packages of support information. Overall, the demand for COVID-19 support information has dropped significantly since the peak in late March/ early April, levelling out over the last 2 months. Traffic to the COVID-19 support pages is tracking at roughly 20,000 visits per week, having peaked at 200,000 per week in March.

Digital applications for financial support have also seen a significant drop since peaking in March/April with numbers similarly consistent for June and July.

First Home Loan Deposit Scheme (FHLDS)

NAB has started accepting applications for the second round of the FHLDS, which offers an additional 10,000 places to first home buyers to help them get into their first home faster with a deposit as little as 5%. We are seeing significant early interest in the Scheme since the new round of places opened on 1 July and anticipate this strong demand to continue. NAB has introduced a customer waitlist to best manage this demand and encourage first home buyers to submit an application through their NAB banker or broker. To date, NAB has supported more than 1,500 Australians purchase their first home through the Scheme.

HomeBuilder

NAB continues to work with customers on the Government's HomeBuilder package. Demand for the package also continues; in particular, some of our Corporate and Institutional customers have highlighted that demand is very strong.

New branch model

NAB will adjust opening hours across 114 smaller regional branches, with bankers splitting their time between over the counter service and digital or phone banking support, as more customers move online. Branches will be open from 9.30am to 12.30pm for customers and outside of these hours the bankers will support customers by phone and online chat, as well as application processing. The expectation is that this approach will provide a more consistent banking experience for customers. The new model will also provide new skills and training opportunities for regional bankers, while adapting to changing customer behaviour to use more digital banking options.

Support for Business Customers

We continue to work with the Government on support for Australian businesses. In partnership with the Government, through the Coronavirus SME Guarantee Scheme, we have continued to provide eligible businesses with unsecured loans of up to \$250,000 over three years at 4.5% p.a. with no repayments required in the first six months. From its launch on 28 March to 17 July, NAB has approved 5,856 Business Support Loans under the Government's Scheme. NAB has approved

around one-third of total loans under the scheme based on around 16,000 loans having been accepted by the industry.³

NAB welcomes the Government's expansion of the SME Guarantee Scheme. From 1 October until 30 June 2021 the scheme will be available for loans up to \$1 million per borrower with loan terms of up to five years and can be used for a wider range of purposes beyond the provision of working capital. The changes will make the Scheme available to more businesses for longer and will help these businesses to rebuild.

For April, May and June NAB supported over 101,000 customers with merchant fee waivers (not suspensions) and continued to waive these fees for the majority of these customers until 31 July across Australia. NAB is continuing support for our Victorian customers by way of terminal rental and minimum monthly fee waivers in place until 31 August.

JobKeeper Payment

NAB also welcomes the Government's extension of the JobKeeper program which is playing a significant role in helping businesses survive and keeping people employed. NAB is supporting our customers by providing temporary access to funds ahead of government JobKeeper payments.

NAB continues to offer a dedicated overdraft facility to support JobKeeper, with the ability to receive a short-term temporary excess available to manage any timing difference between paying wages and receiving the JobKeeper payment from the ATO. Customers can draw upon the JobKeeper overdraft to make salary payments and then pay back the overdraft each month after they receive the JobKeeper payment from the Government.

NAB also has a dedicated hotline for customers to access NAB's support for the JobKeeper payment for business customers (1800 JOB KEEPER).

Support for MLC Wealth Customers

The second phase of the Federal Government's early release of superannuation is underway and to ensure money is reaching those who need it quickly we are processing requests swiftly and have been completing more than 98 per cent of payments within five days. As at 19 July, NULIS, MLC's superannuation trustee, has received 138,885 requests for early release payments, amounting to \$1.093 billion.

Our focus continues to be on supporting advisers to assist their clients. Among other activities MLC Asset Management's investment leaders recently hosted a webinar providing clients, and their advisers, with an opportunity to engage in discussions and ask questions on what is happening in the market.

³ See Treasurer the Hon Josh Frydenberg MP, 'National Press Club Address', 24 July 2020