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TRANSCRIPT OF MEDIA TELECONFERENCE

NAB 2020 3Q Update – NAB Group CEO, Ross McEwan

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NAB GROUP CEO, ROSS McEWAN:

Thanks, and good morning everyone and thank you for joining us. I want to start by saying we don't normally do a quarterly call and please don't take this as starting a new precedent. You know that I've always objected to quarterlies and think these are long term businesses. We should do 6 and 12 monthlies. But this is a unique time and we wanted to take the opportunity to provide you with some updated information, including the shape of our deferrals and outcomes of our early customer check in conversations.

The COVID-19 pandemic is very challenging for customers and the industry. It is unprecedented and is having a significant human impact on people's health, and lives, on families, on businesses and on livelihoods. What's ahead remains highly uncertain, and the situation in Victoria and Auckland shows how quickly these things can change. Governments in Australia and New Zealand are taking decisive action and putting in place difficult but necessary measures to curb the spread. Support measures for businesses and households have proven vital.

The situation has reinforced the decision we took in April to strengthen the balance sheet of NAB. Our Common Equity Tier 1 (CET1) ratio is now 11.6% and ensures we can support customers through this crisis and be ready for the recovery.

We have redeployed colleagues to support customers and created hundreds of new roles on the frontline and I want to acknowledge the hard work of our colleagues. They are doing a terrific job at a time when they too are very heavily impacted. The customer support measures and deferrals we've made available have been critical to provide customers with much needed relief. We are making good progress on checks-ins for those in deferral and we have made more than 24,000 calls so far.

We are encouraging those who are able to restart payments to do so, it's in their best interest to pay off debt sooner if they can. Where customers need support for longer, we will work with them on the best options for their individual circumstances. There is further detailed information on the deferrals in the pack that we've released today.

Looking ahead, the outlook remains highly uncertain. Many challenges remain in the short term. The impact of COVID-19 is much deeper than I have experienced in previous cycles. This crisis requires a very different and fluid response. I am, however, optimistic about the long term for Australia and New Zealand and for NAB. Our current expectation is that 2022 should be a good year for both countries.

I want to close by saying that we have a clear plan for our bank and we are focussing on delivering it. We are making the changes we committed to in April, and we are investing to execute well. This plan will ensure NAB is best positioned for the recovery and the longer term.

Thanks for joining us and Gary and I are happy to take any questions that you may have.

JOURNALIST:

Good morning Ross, thanks for the opportunity to ask you a few questions. I was just looking a little bit further ahead and the strain on the economy, and in particular things like early access to superannuation. What sort of concerns do you have in the longer term, about the weight or the pressure this is going to

eventually put on the aged pension system further down the track, and what needs to be done to sort of build that up given that we have the aging population but there's going to be more people without that sort of independent super to look after themselves in retirement?

ROSS McEWAN:

Thanks Peter. I think a lot of these things are still unknown, because it depends on how long this crisis goes on for, we are all waiting to see what sort of vaccine or partial treatment comes out or can be developed. So, it is around the timing and these are pretty unprecedented times. What we have said though is that if you look forward we believe that the economies of both New Zealand and Australia will start picking up through 2021. In 2022, we start to get back to a GDP level of where we exited the 2019 year at. So, it's really about what damage is done in the interim. Can I say that I think the government on both sides of the Tasman is doing everything that they can and modifying their programs as they sit fit which will be very helpful to getting this economy back going again and getting businesses back on their feet. But look, at this stage, a little bit unknown given we don't know how long this is going to go for. And we're going to have to get people saving again.

JOURNALIST:

Hi Ross, thanks for speaking to us this morning. A bit of reporting on the job cuts at NAB this week and talking about one of your Group Executive told direct reports "that's a lot of people to exit, you have to start now." Do you think that's an appropriate way to speak about a sensitive subject at this sensitive time?

ROSS McEWAN:

No, look, right now I signalled in April that we had a number of changes to make to the organisation around the strategy we were developing. That I wanted more people on our frontline dealing directly with our customers and that I would be closing out 100 projects that were on the go and I just didn't think would deliver the results. I think those comments came out of a little level of frustration about the time it was taking to close things down and get our people onto 19 very large programs of work that will make the difference for this bank. But, look we are dealing with our colleagues in a very sensitive way because they too are experiencing being locked down at home, particularly in Victoria, where the bulk of our colleagues are. We are putting in place all sorts of measures that will be helpful to them as we can. So, look, I think it comes from our strategic changes that we made and we need to get on and implement those and I've continued on with those because I think we need to give our colleagues as much certainty as we possibly can in uncertain times.

JOURNALIST:

A question on the shape of the recovery. I was just looking at the GDP slide on page 13. Look, at the heart you have a deeper sort of trough in September, and then you have the economy recovering quicker during 2021. It looks like now you've pared that back and it's sort of a flatter shape. I just wondered if you might be able to talk to that, and then also around your decision just to hold the provision levels for the fourth quarter.

ROSS McEWAN:

We'll start with the latter. We did major reviews on the six and 12 months of our EA and that's what we've decided to stay with and see what other detail comes through. So, we don't normally do any major changes on the quarterlies, so that's the first one. Secondly, we are all learning about what the impact of the virus is on the economy, and I think that's starting to shape up slightly differently to what we predicted first off, and I think that's pretty natural given we haven't seen one of these before and we're having to take it as they come. But also around some of the measures that the government has put in place, which have been very helpful to we think smooth out some of the real downside. But, look, you know when we look at the next quarter we may have changed those again, with more information.

JOURNALIST:

Hello Ross. Look earlier in the week, the Commonwealth Bank said that on loan deferrals that the numbers had continued to improve during July and they expected the majority of customers would be able to resume their repayments. Do you share that confidence that most those people who deferred their loans will be able to get back on track?

ROSS McEWAN:

Look, we're early in, we've done 24,000 out of what, 120,000 calls into customers. We started with probably what we described as the higher risk customer groupings first, i.e., those in industries that were most heavily impacted, so we may be seeing a different profile coming out at this point in time. It will take some time to see that, Clancy. So, I think we will hold our views on this until we've done a lot more of the call backs, particularly into our business customers. But each business will be seeing it differently depending on which customers they're making contact with. But we have started with what we consider to be our more high-risk

customer groupings because they're the ones that may well need support. It's very clear that there will be a large number of people that will need support of some shape or form at the end of this and that could be through restructuring of loans, be that business or home loans, going onto interest only for a period of time but there are a number of things that we can do to be helpful here. And you know, as ASIC said, we will take every reasonable step to keep people in homes and keep them moving. But there will unfortunately be some situations where it's better off for people to actually sell up and start again so that they can take some equity out of the situation. But everyone is very, very different and we will see how it unfolds over the next six to twelve months.

JOURNALIST:

In terms of Victoria and Melbourne, I assume you're down in Melbourne, can you just tell us, you know, how it's impacting yourself, the bank, whether you've seen it come through in lower card transactions or economic activity?

ROSS McEWAN:

Yeah, look it has been interesting, it's been more psychologically damaging, I think, than financially at this point in time because people, our colleagues and all our customers here in Victoria thought we were coming out of it and all of a sudden, we're back into quite a terrible situation here with high levels of infection and some horrific numbers of deaths which is terrible. So that is impacting our customer groups but also our colleagues. I think from a human perspective, it has been psychologically damaging and that's what we've seen from our colleagues, they're dealing with businesses all day and every day and it's very difficult for them. These are strong relationships they have had for years and they're seeing customers through no fault of their own having difficulty. But, you know, the team's performing, I think brilliantly, they're focusing on the customers which is what we've asked them to do, we've put more of our colleagues on to the front line, we are currently recruiting for somewhere between 300 and 500 to go into a NAB Assist to actually make more calls and help customers get them through the situation, our business bankers are all day, every day, talking to customers about how we can be helpful. It is impactful and we're just asking everybody to do what they can to stay away from people, and take every precaution, so we can get through this as quickly as possible.

JOURNALIST:

Morning Ross, I was just wondering how you interpret that ASIC guidance from yesterday, it almost seemed to instruct banks never to force people out of their homes?

ROSS McEWAN:

Well we took it as, take every reasonable step, to keep people in their homes and that's what will certainly do. There are measures that we can take, particularly as you think about you know, when do we think this recovery will come through and we've stayed with the view that we think things getting better in 2021 and we end up with a pretty good growth year in 2022. At that point in time I think you'll see the something that's helped Australia and New Zealand over decades which has been immigration starting to flow again and start to get this economy moving. At this stage, it's a bit early to see, but we've certainly connected with them on every reasonable step we'll be taking to keep people in homes. But we all know there will be some circumstances where people are better off selling-up early and taking some equity out of their homes, or keeping some equity, before it disappears and that's what will work with every individual customer on.

JOURNALIST:

Hi, good morning, just wanted to clarify your answer to James when he asked about increasing provisions. You said that when we will look at next quarter it might have changed again, are you referring then to the possibility of increased provisions or are you referring to your economic outlook there?

ROSS McEWAN:

Well it's a bit of both because they feed into each other if the economic outlook has improved well our EA that we took provision on in the last three months may well change, but also if things are getting worse we do a review every 6 to 12 months, and that was my comment, we don't do it on the quarter, don't do the formal review on the quarter, we do it on the 6 and 12 months. So it's a little bit early to say what that will be. But it does get impacted by things like you know the economic outlook.

JOURNALIST:

Hi, good morning and thank you for taking the time for this call, I appreciate that. About your check-ins that you referred to in your presentation regarding home loan customers. When you talk about deferral extension begins in September to March needing a broader assessment process with APRA and ASIC, clearly understand that that needs to be agreed with the regulators, but what do you hope that criteria will look like?

ROSS McEWAN:

Well, look we've made check-ins today and as you'll see out of the information, customers are working with us on you know changing some of their arrangements even today. But we said we'd do a three-month check-in as we get half way through our six-month deferral period. At the end of that time, I think we've got a number of steps that we can work with customers on. I've outlined a couple of them being even further deferral, we can look at moving just to interest only for a period of time, we can restructure that loan and other loans to get them in a better position if that's the best thing for them and that's what we'll do. We have said, and the industry's said, that we'll look to a further four months and what we're waiting for is just the detail of how we go about that and what treatment there is in the book. But, let me be quite clear. We'll work with each individual customer on what's the best thing for them and their loan to get them through this.

JOURNALIST:

Hi Ross. What sort of discussions are happening, or what are you expecting from National Cabinet given the dual demand of supply shock and borders closed, and what concerns do you have about supply chains being frozen, and is that perhaps exacerbating and creating a bigger problem, given that it looks like those borders are looking like they're going to remain closed for some time?

ROSS McEWAN:

Look, we're not having formal discussions with the government or through national cabinet on those. The big distribution companies certainly are, and as I said on a call the other day where those were issues that they were working through with the government, so it's probably best I leave it to them, Peter, the ones who are moving the goods around the country. Obviously from financial services, we're not restricted by that, but some of the bigger transport firms and supermarkets will have a much better view on the impact and how that's being resolved.

JOURNALIST:

Hi Ross, how are you? Can you, you're obviously the dominant business bank in Australia. Can you give us a bit of a sense of what sectors you're sort of monitoring most closely? I mean, I guess obviously tourism-related sectors are going to feel this most. Perhaps if you look outside Victoria, it's a bit hard for us to do that down in Melbourne to do that I know, but are you seeing, how are you seeing areas like accommodation and hospitality bounce back in other states where restrictions are being lessened, and does that give you any confidence about the broader economy?

ROSS McEWAN:

Well I think longer term, I've said longer-term the broader economy, we're still very optimistic about, because as you've seen, before the borders started to close you saw people take their holidays domestically, not internationally so the money was staying onshore, you were seeing some accommodation areas open up and some tourist areas open up as well. Even back in New Zealand as they opened up completely, you know you saw the tourist areas doing quite well and some of the areas you that would have normally thought maybe would have been struggling, doing very, very well with a bit of pent up demand and people staying onshore. And I suspect that will be the same that will happen in Australia when we get ourselves in a position that the borders open, because I think it will be some time before international flights are available in any quantity for people to travel overseas or for people to come to Australia and you did start to see that starting to open up in places like Queensland which is a good destination for people for holidays. It all comes back to how quickly can we get the virus under control in each of the states so that the state governments feel comfortable about opening the borders up. We've been quite clear about the areas that are hurt by this – you're seeing an airline industry having real difficulties. You're seeing even the universities which rely on a lot of the external students coming in having to restructure themselves. You're seeing accommodation, you're seeing hotels, casinos, restaurants, bars where they are still locked down or limited people coming into those areas, are certainly struggling. If we get ourselves through this, 2022 as I said is probably a year where a lot of those industries are getting back to what is the new normal.

JOURNALIST:

Thanks Ross. I just thought I'd ask about your reflections on New Zealand this week and specifically the situation in Auckland. It was only a week ago where the government was targeting zero transmission for 100 days and now they have a pretty heavy lockdown in Auckland. What are you hearing from your bankers over in New Zealand and what do you think about the governments reaction to this?

ROSS McEWAN:

I think it's just showing how insidious this virus is. So quickly you go from zero to I think there were about 12 cases overnight in New Zealand. So, I think you're seeing how quickly this can move again and I think the New Zealand government again are making very decisive action to close down Auckland or take it to stage three – I think it's the right thing. You did start to see what the economy starts to look like when you get back

to a level one with New Zealand starting to open up domestically again. Businesses were starting to get back in to a stride of doing real business. We were seeing property companies having some of their best ever months. You were seeing domestic tourism taking off in areas like the South Island and doing very well so, I think it just shows in the longer term, we can get things going again as long as we can get this virus under control. But you know New Zealand like Australia is taking this incredibly seriously, because it's such a big health impact on people and I compliment both governments on their actions and we as individuals just need to be doing what we're asked to do to get this under control as quickly as we can.

ROSS McEWAN: Thanks very much

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