

Major Banks' Response to COVID-19

The major banks have been decisive with their COVID-19 **reaction** and their community **resilience** response; they now need to turn their minds to **recovery** and forging a **new reality**.



Horizon 0

Reaction
Focus on **safety**

The major banks have each responded quickly to keep their staff and their customers safe as the pandemic hit Australia:

- Implementation of split team arrangements whereby critical teams are working across multiple locations and during different times of day to limit the impact on essential services
- Enhancement of capacity for employees to work remotely (with the majority of the majors' staff working remotely)
- Establishment of centralised control rooms to manage business continuity
- Redeployment of staff to service inbound customer inquiries (e.g. over 800 frontline reassignments at NAB, to deal with over 650,000 inbound calls with COVID-19 enquiries)
- Rapid deployment of digital service options, e.g. debit cards replacing passbooks
- Reduction in branch numbers, opening hours and over-the-counter transactions & services

Horizon 1

Resilience
Focus on **viability**

Together with the Australian government, the banking sector has quickly delivered a range of measures to support households and businesses:

- Delivery of the Coronavirus Small and Medium Enterprises (SME) Guarantee Scheme to support up to \$40 billion of lending to SMEs
- Temporary suspension of responsible lending obligations for credit to existing SME customers
- Participation in RBA's \$90 billion Term Funding Facility at a fixed interest rate of 0.25%

Each of the major banks has announced measures to support households and businesses:

- Repayment deferrals for mortgages (as of late April, reported between \$25-40 billion per major) and business lending (on average over \$10 billion per major)
- Significant hardship assistance to mortgage customers
- Reduction in minimum monthly repayment amounts, late payment fee waivers and interest rate reductions on credit cards and personal loans
- Capital preservation measures, including capital raises and dividend reductions / deferrals

Horizon 2

Recovery
Focus on **performance**

The major banks are starting to consider what permanent transformation they will pursue when restrictions are lifted and the global economy starts to recover, for instance:

- Distribution transformation, with increased focus on direct channels, and reduced branch footprint and cash handling
- In response to shift in customer behaviour, increased digital sales, on-boarding and self-service functionality
- Focus on end-to-end digital products, including direct mortgages
- Significant simplification of product portfolios, operating models and processes (including automation)
- New ways of working, including remote working, part-time and flexible roles, agile teams and multi-skilling (and impact on physical branch and office space)
- Consider positive changes to governance and internal decision-making processes and implement them into go forward BAU
- Consolidation of renewed customer trust and bank reputation

Horizon 3

New Reality
Focus on **growth**

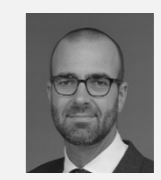
Structural environmental and economic changes mean that the majors will need to adapt some of the fundamentals of their business models, for instance:

- Development of new sources of revenue (especially given the expected reduction in mortgage interest income as interest margins are shrinking, activity in the housing is slowing and property values are reducing) from new customer segments, new products and new service offers
- Redefine employee value proposition to maximise the flexibility and outcome focus achieved during the crisis
- Enhance strategic agility and more regularly stress test operational resilience, enabled by insights from COVID-19 experience and with a clear focus on customer impact
- Overhaul of operating models for critical services and call centres, including on-shoring, in-sourcing, managed services and distributed staff models
- Re-assessment of long term office property strategy

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