

05 08 2020

Mr Tim Wilson MP
Chair
House of Representatives Standing Committee on Economics
Parliament House
Canberra ACT 2600

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Dear Mr Wilson

Over the last month, we have seen a resurgence in COVID-19 cases, particularly in Victoria and, to a lesser extent, New South Wales. I welcome the quick responses from State and Federal Governments to put in place measures to contain the further spread of the virus and we stand ready to continue providing support where we can.

However, the resurgence in cases has affected consumer sentiment. The Westpac-Melbourne Institute Index of Consumer Sentiment dropped by 6.1% to 87.9 in the July survey. The drop reverses all of last month's gain, taking the Index back to the weak levels seen in May but still well above April's extreme low of 75. The survey covered the period in which the early tightening of restrictions for Melbourne, with the measures announced in the first half of the survey week, no doubt the lockdown will further impact the economy and sentiment in the future.

Support for customers

We recognise we need to continue supporting customers and that will need to continue beyond the end of September. At 28 July 2020, we have supported our customers by:

- Granted home loan repayment deferrals for over 138,000 customers since March 2020, representing \$53.9 billion in mortgage balances. Westpac is currently checking in with home loan customers and it has been encouraging that many customers no longer require the relief packages;
- Approving COVID-19 relief packages for over 31,500 business customers representing relief on \$8.8 billion of lending balances across 74,000 accounts;
- Lending \$238 million through over 1,900 business loans backed by the National SME Guarantee Scheme; and
- Supporting over 190,000 customers to withdraw \$1.54 billion from their super under the early access to superannuation scheme.

We are now contacting mortgage customers who have taken up relief packages for the scheduled three-month check in. We are seeing many customers end their package arrangements and return to making repayments. However, there are also many customers who require further support and they have been provided with an additional three-month loan deferral.

Further support for home loan and small business customers

On 8 July 2020, Westpac announced additional assistance for home loan and small business customers on loan deferral packages who are not in a financial position to resume their full loan repayments from the end of September. This includes access to tailored support through our customer assistance program where our specialist team will work with customers to review their financial circumstances.

We anticipate that by the end of September a significant number of customers will be able to resume regular repayments when their deferral term ends. For customers who remain under stress but can still contribute towards their loan repayments, we will provide support where we can help work through options that may be available to adjust their loan.

For home loan customers who have continued to receive this support, when the second three-month deferral ends the following options are available:

- For customers who can resume some repayments, we will work with them on options that may be available to help adjust their home loan. This could include lengthening the term of the loan, switching from principal and interest repayments to interest only, extending interest only terms, or moving to a fixed home loan rate.
- Customers requiring further support and cannot resume repayments can apply to extend their repayment deferral for up to a further four months.

Eligible small business customers that require further support can also apply to extend their business loan repayment deferral period by up to four months. Interest will capitalise during the deferred repayment period.

Westpac has also established a new dedicated team of specialist bankers, designed to support customers through these challenges with tailored assistance.

Government economic support measures

I welcome the Federal Government's announcements on the extensions to the Coronavirus SME Guarantee Scheme and the JobKeeper and JobSeeker payments.

The extended terms of the SME Guarantee Scheme will continue supporting Australian small and medium sized businesses when they need it most. This will help businesses get access to the financial resources they need, not just to stay afloat, but to expand, adapt and innovate. As difficult as these times are, there will be opportunities and this scheme will help small and medium size businesses position themselves to benefit from those opportunities.

The extended JobKeeper and JobSeeker schemes will provide critical support to businesses and individuals beyond the end of September. These schemes have played an important role in helping businesses survive the restrictions on economic activity and support people who have had their employment affected.

Bringing 1,000 jobs back to Australia

COVID-19 has highlighted the risks of offshore disruption and that we needed to create a more resilient service model that better balances offshore and domestic activity. In particular, the pandemic we saw a large increase in customers reaching out for our help and with strict lockdowns impacting our offshore partners we were limited in how quickly we could process certain requests. This created unacceptable delays for customers.

On 29 July 2020, we announced we will bring back 1,000 jobs from overseas to strengthen our operations in Australia and improve support for customers. The 1,000 new roles will support activities related to home, personal and business lending along with our customer assist efforts that support customers in financial difficulty. The 1,000 roles will become part of a new, more distributed workforce structure across Australia which will better meet our needs, and those of customers, in the long term.

Yours sincerely,

Peter King
Chief Executive Officer