



# NATIONAL AUSTRALIA BANK SUBMISSION

Regional Banking Taskforce  
Issues Paper

**December 2021**

## Introduction

National Australia Bank (“NAB, we, us, our”) welcomes the opportunity to respond to the Regional Banking Taskforce (“Taskforce”) Issues Paper and appreciates the constructive and collaborative approach the Government has taken to address access to banking services in regional Australia. We look forward to our continued engagement with the Taskforce.

As a member of the Australian Banking Association (ABA), NAB has also contributed to the ABA submission.

## Executive Summary

Over the past twenty years, Australia and the world has seen a dramatic shift from a predominantly bricks and mortar method of conducting business to increasingly online and digital alternatives. The pace of change and the need for businesses to adapt is industry agnostic and largely led by consumer demand. Retailers are launching e-commerce websites, the Government is embracing digital solutions such as myGov and the Trusted Digital Identity Framework, and financial institutions are enabling digital and mobile banking, with some new banks completely digital without any branches or physical service centres.

As Australia’s largest agribusiness bank, providing access to banking services in rural and regional Australia is critically important to NAB. When making changes to our branch network many factors are taken into consideration, including but not limited to the number and type of transactions taking place, the distance to the nearest branch and the proportion of customers in the community who are experiencing vulnerability. We regularly undertake reviews of our branch assessment process, considering community and customer sentiment as well as feedback from our bankers who live and work in these towns.

When we make the difficult decision to close a branch, we follow the ABA Branch Closure Protocol and strive to make our customers aware of the alternatives available to them. We remain committed to working with our customers who are experiencing vulnerability to ensure the alternatives we offer suit their needs. Where there are gaps, we will work hard to close them through consultation and feedback. Our Bank@Post partnership with Australia Post, which we have renewed in 2021 for a further 10 years, is just one way we support the regions, by providing face-to-face banking services in ~1,900 regional communities. The Bank@Post service can deliver over 90% of all transactions previously managed in a branch. We have also extended this partnership, in response to constructive feedback, to cover a greater number of transaction types including for our small business customers. Where we have closed a branch, we have always ensured Bank@Post was offered in the same town and support customers transitioning to the Bank@Post service.

NAB will continue to invest in its products and services to meet the needs of customers and shareholders. As society shifts away from cash and NAB products become increasingly digitally enabled and self-serve in nature, the shape and look of our network will continue to change. However, our commitment to offering banking services in regional Australia remains.

## 1. Importance of supporting regional communities

NAB is the largest agribusiness bank, lending to one in three farmers across Australia. We employ approximately 2,500 colleagues (~9% of our workforce) who live or work in the regions, including 650 regional and agribusiness bankers across 120 locations. Regional employment is a priority at NAB. When we do make changes to our branch network our colleagues are provided opportunity for re-deployment, with 98.3% of staff impacted by branch closures remaining employed with NAB in 2021. NAB continues to foster its presence in the regions, with \$44 million invested in 37 regional locations such as Tamworth, Coffs Harbour, Echuca, and Cowra in the past two years. We have earmarked a further \$27 million for regional investment in 2022 across 21 locations.

Our presence in and exposure to regional Australia, both at a customer and colleague level, means we are familiar with the conditions our customers live with and face daily. Drought, bushfire, and floods are among the serious challenges impacting our customers and in response NAB has developed 'NAB Ready Together', a program to support Australians before, during and after a natural disaster. This program has invested \$5.6 million in the last financial year towards grants and support to customers, colleagues, and communities. This includes emergency grants to customers and colleagues affected by floods in NSW and Cyclone Seroja, as well as continued support for communities recovering from the 2019-2020 bushfires.

Throughout the COVID-19 pandemic we were there to support our regional customers who struggled to conduct their business in the face of state-based lockdowns, global supply chain and labour shortages and a reduction in domestic and international tourism. In a testament to the resilience of our regional communities, our agribusiness lending grew by \$3.7 billion in 2021.

## 2. Changing customer behaviour

Historically bank branches were the only channel through which banks could serve their customers. However, with the introduction of the internet and changes in financial regulation, banks now service customers in different ways such as through internet banking portals and Smart ATMs. The introduction of the smartphone further enabled use of the internet and meant mobile applications became the most convenient way for individuals to interact quickly and safely with their financial institution. Analysis by the ABA shows that 80% of Australians prefer to check account balances, pay bills, or transfer money online<sup>1</sup>. This marked change in customer behaviour is not unique to banking and financial services but is widespread across other industries such as retail and telecommunications, and across the public and private sector. As customer channel preferences continue to evolve, banks, like other industries, need to innovate to meet this demand.

In the past financial year, 93% of customer interactions at NAB were through digital channels. Over the counter (OTC) transactions in our branches have dropped by 63.7% in metro areas and 56.6% in regional areas since 2016. The decline in these types of transactions is indicative of a changing channel preference, with consumers handling cash less and preferring to do their banking online at a time and place that suits them. The move away from cash, which has been accelerated due to COVID-19, further explains the reduction in OTC transactions, which are predominantly cash

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<sup>1</sup> [Banking customers continue shift to digital - Australian Banking Association \(ausbanking.org.au\)](https://www.ausbanking.org.au)

related. The diminishing reliance on cash has also powered the uptake of digital payments with 94% of payments made electronically and one in ten Australians using their phone as a digital wallet. Whilst COVID-19 has accelerated the use of digital banking amongst our customers, this trend was well underway before the pandemic, with some regional branches experiencing as low as 230 transactions per month.

At NAB we are making strategic decisions about the commercial viability of our branch network against the increasing digitalisation of banking services. Whilst there is a role for branches to play in more complex and conversational banking, our physical presence needs to be proportionate with where and how our customers are banking. With declining cash and OTC transaction volumes, our partnership with Bank@Post provides a viable alternative to traditional branches for some regional towns, complemented by our specialist bankers who are available (in person or via video) for more complex banking conversations.

### 3. Community consultation and the investment in NAB’s offerings

NAB is committed to supporting customers who are transitioning to alternative banking services and we are open to feedback from customers and communities as to how we can continue to do things better. In 2019, in the wake of serious drought, NAB paused all branch closures in regional and rural Australia for two years whilst we reassessed our approach. During this time our Executive team, along with John Anderson AO and Chris Sarra, conducted a listening tour across 13 regional towns meeting with over 400 community representatives. The key insight from this tour was around the need to support local businesses and customers experiencing vulnerability, which has become the focus of our refreshed service offering for regional communities.

Following the tour, we designed and mapped a range of alternative services to address the specific needs of our small business customers and customers such as the elderly, low income, Indigenous and those with low digital literacy. Our offerings were also designed to assist customers and communities to adopt electronic banking and payments, thus reducing their reliance on cash. The initiatives we introduced or expanded on are as follows.

<p><b>Bank@Post</b></p>	<p>NAB currently has an agency relationship with Bank@Post. This agreement allows our personal banking &amp; business banking customers to conduct a range of transactions including to withdraw and deposit cash and cheques or check their account balance at 3500 Bank@Post outlets across Australia. There is a Bank@Post outlet in every location where NAB has a branch.</p> <p>Our renewed 10-year partnership with Bank@Post will extend the service to also provide key services for our business customers such as express business deposits (EBD) and business change facility. We have also agreed to trial and host a Community Banker at select post shops. Over 90% of branch transactions can be conducted at a Bank@Post outlet</p>
<p><b>Video appointment</b></p>	<p>NAB customers are now able to connect with a banker from the convenience of their own home, office or on the farm for certain</p>

	lending needs. For example, since September 2020, more than 40% of home lending appointments have been done by video.
<b>Telephone banking</b>	Telephone banking or calling a NAB hotline to discuss banking queries is still a very commonly used service, with approximately 4.6 million interactions in FY21. However, we are noticing a decrease in this service (-12% year on year) as customers transition to live chat or other digital self-serve options.
<b>Live chat</b>	This service gives customers a real time interaction with a NAB banker through a chat function on the NAB website. This service is increasingly popular, with a 51% increase in live chat interactions in the last 12 months.
<b>Cash in transit service</b>	This service provides large cash businesses with discounted cash in transit services for 12 months to assist with the transition from having a branch close by. This is achieved through promoting the Armaguard Jeni Product that allows customers to order cash pickups and/or deliveries to their premises.
<b>Smart Safe</b>	Smart Safes enable customers to store cash on site and have the value deposited into their account in real time. Smart Safes are serviced by a Cash in Transit provider.
<b>Community Banker</b>	NAB's community bankers are hosted in the local Post Shop as part of our Bank@Post service. They can provide regular check-ins for the community to ensure their everyday banking needs are met and assist customers with digital migration.
<b>Discounted Merchant Services</b>	This service provides business customers with discounted merchant terminals and transaction fees for 12 months in an effort to promote electronic payments in the community.
<b>Digital Education/Migration</b>	NAB provides targeted digital education to customers who are either heavily reliant on the branch or cash.

#### 4. Customers experiencing vulnerability

Supporting customers experiencing vulnerability is very important and plays a big role in our decision-making process. We understand some elderly customers or those facing digital barriers are used to a certain level of service and familiarity that comes with visiting the local branch and therefore the closure of a branch can be very unsettling. In recent years, NAB has worked with our elderly customers who require assistance to transition them from aging banking methods, such as passbooks, onto debit cards. This was especially important during COVID-19 when cash use was declining and not all branches were able to stay open. For example, in March 2020 our retail team in regional NSW supported a 95-year-old longstanding passbook customer to transition to a debit card to make her purchases at the shops. The local team were there to help her understand the benefits and support her through the transition.

Digital education is also incredibly important for the financial inclusion of customers experiencing vulnerability as it opens them up to greater choice and flexibility. NAB strongly advocates for greater digital education to enable all customers to participate more robustly in the full digital economy.

Indigenous customers present an important responsibility for us, as providers of banking services. Financial inclusion for indigenous Australians is something we take very seriously. NAB operates an Indigenous Customer Service Line which is a direct dedicated phone line to help Aboriginal and Torres Strait Islander customers, particularly those living in remote locations. We are aware of the difficulties these communities can face due to their remote location, access to ID and cultural aspects of financial obligations, and therefore have specialised bankers who are able to support. In instances where we close a branch in a community with a high Indigenous population, we seek to engage local community leaders and provide transitional information through local newspapers and radio stations.

For customers experiencing vulnerability for whom digital banking would be onerous we believe our Bank@Post service, with the continued face-to-face experience and suite of transactions, meets their needs.

## **5. Alternatives**

The Issues Paper looks at a range of alternative services to the traditional branch model. This includes digital channels such as telephone, internet and mobile banking, as well as ATMs, Bank@Post, mobile/relationship bankers and the reduced hours model. These are all alternatives which NAB currently offers. In some instances, such as the reduced hours model, NAB has pioneered these alternatives. The remaining alternatives, the community bank model, franchise models, NZ regional banking hub trial and utilising supermarkets and petrol stations have all been investigated by NAB and deemed unsuitable either due to operating model differences, or for reasons outlined in the Issues Paper.

Digital literacy and education is critical for our customers, not only when it comes to accessing the full suite of digital banking services we offer, but also to ensure they are able to fully participate in the digital economy which offers many benefits beyond financial inclusion. The Government's Digital Economy Strategy will play a big role, particularly in small business digitalisation, to move more small businesses onto e-commerce tools which allows them to scale, grow and innovate. We see a role for ourselves in the digital education space and have set up an online Small Business Hub which hosts a number of tools and training programs for our small business customers to assist them on their digital journey. We also partner with ReachLocal where we offer all NAB business customers a free Digital Health Check. We believe promoting digital education, particularly in regional Australia, will increase the accessibility of our services to many customers.

In assessing ready and available alternatives to full-service branches, NAB believes the Bank@Post model fulfils the needs of the community, with the added benefit that it can act as a platform to launch new or improved services from. The services offered by Bank@Post can vary between financial institutions which may lead to a lack of customer awareness of what can and cannot be done at a Bank@Post outlet. For example, in 2021 NAB signed a 10-year agreement with Bank@Post extending our service offering to include a Community Banker and improved business bank offerings such as business change facilities and express business deposits. These additional services may not be offered by all banks but are an example of how we were able to use an existing model like Bank@Post to innovate in response to customer feedback.

As part of the transition process NAB works with Australia Post prior to a branch closing to ensure the Bank@Post outlet is set up for success. This includes providing them with transaction volumes and cash usage patterns so they can adjust their staffing levels and cash services to meet the increased demand. This also gives us insight into the percentage of transactions which are migratable to a Bank@Post model with an average 90% of transactions able to be done at the post shop or through a Smart ATM. The remaining transactions are usually able to be resolved through other offerings such as cash-in-transit service or discounted merchant facilities.

We believe Bank@Post is the superior alternative to closed branches as it has the necessary regional coverage today, with a legislated ~1,900 regional locations. It is a recognised and well trusted brand that is already being used by over 80 financial institutions and provides a face-to-face service which supports customers experiencing vulnerability.

To further aid in the accessibility of banking alternatives NAB encourages the Government to continue investing in the National Broadband Network rollout with a focus on rural and regional areas which experience blackspots and struggle with connectivity.

Other useful measures which could be considered include a review of the ABA Branch Closure Protocol to ensure it meets any relevant concerns from the community. This may include an improved communications model, such as communicating a branch closure to the wider community not just the bank's customers. Further commitment to transition planning, including educating customers on alternative ways of banking could also be welcomed.