

RESTAURANT & CATERING AUSTRALIA

BANKING UPDATE FACT SHEET

20 March 2020

Background:

Following the Reserve Bank Board agreeing to a comprehensive package to support the Australian economy through this challenging period including a reduction in the cash rate target to 0.25 per cent, Australian banks announced they will defer loan repayments for small businesses affected by COVID-19 for six months.

RBA ANNOUNCEMENT

1. A reduction in the cash rate target to 0.25 per cent.

The Board will not increase the cash rate target until progress is being made towards full employment and it is confident that inflation will be sustainably within the 2–3 per cent target band

2. A target for the yield on 3-year Australian Government bonds of around 0.25 per cent.

This will be achieved through purchases of Government bonds in the secondary market. Purchases of Government bonds and semi-government securities across the yield curve will be conducted to help achieve this target as well as to address market dislocations. These purchases will commence tomorrow. The Bank will work closely with the Australian Office of Financial Management (AOFM) and state government borrowing authorities to ensure the efficacy of its actions. Further details about the implementation of this are provided in the accompanying notice.

3. A term funding facility for the banking system, with particular support for credit to small and medium-sized businesses.

The Reserve Bank will provide a three-year funding facility to authorised deposit-taking institutions (ADIs) at a fixed rate of 0.25 per cent. ADIs will be able to obtain initial funding of up to 3 per cent of their existing outstanding credit. They will have access to additional funding if they increase lending to business, especially to small and medium-sized businesses. This facility is for at least \$90 billion. Further details are available in the accompanying notice.

The Australian Government has also developed a complementary program of support for the non-bank financial sector, small lenders and the securitisation market, which will be implemented by the AOFM.

4. Exchange settlement balances at the Reserve Bank will be remunerated at 10 basis points, rather than zero as would have been the case under the previous arrangements.

This will mitigate the cost to the banking system associated with the large increase in banks' settlement balances at the Reserve Bank that will occur following these policy actions.

AUSTRALIAN BANKING ASSOCIATION ANNOUNCEMENT ON BEHALF OF THE BANKING SYSTEM

Australian banks will defer loan repayments for six months for small businesses who need assistance because of the impacts of COVID-19.

This Assistance Package will apply to more than \$100bn of existing small business loans and depending on customer take up, could put as much as \$8 billion back into the pockets of small businesses as they battle through these difficult times

A breakdown of what each Major Bank is offering due to these changes is below:

NAB

- Defer payments on Business & Home loans for up to 6 months
- 2% decrease on QuickBiz overdrafts and loans
- 1.25% decrease on Small Business Loans
- 0.6% decrease on Fixed Rate Home Loans
- 1.75% 10 month Term Deposit rate
- Defer Business Credit Card repayments

ANZ

- QuickAssist Business funding up to \$500,000
- 0.25% decrease on Small Business Variable Rates
- Up to 0.80% decrease on Small Business Fixed Loans
- Up to 0.49% decrease on Fixed Home Loans
- Decrease monthly repayments
- Suspend loan and interest repayments for up to 6 months
- Early access to Term Deposits without fees

Commonwealth Bank

- 1.00% decrease on cash rate linked Small Business Loans
- 0.70% decrease in Fixed Rate Home Loans
- 1.70% 12 month Term Deposit rate
- Decrease monthly repayments
- Easier access to overdraft facilities for personal customers
- Waiving merchant Terminal fees
- Waving redraw fees for Businesses
- Temporary Excesses for Businesses without establishment or excess interest rates

Westpac

- 1.00% decrease on cash rate linked Small Business Loans
- Business Fee free redraw
- Defer payments on Business & Home loans for up to 6 months
- Extend Business Loan term by 3 months
- Early access to Term Deposits without fees
- Defer Business Credit Card repayments