Question and Answer

Operator

[Operator Instructions] Your first question comes from Andrew Triggs with JPMorgan.

Andrew Triggs
JPMorgan Chase & Co, Research Division

I just had first question on the single names that you called out in the period. To what extent does this include the likes of aircraft leasing and exposure to airlines? And can -- actually just talk about the -- I guess, the approach to the increased collective provision coverage of credit risk-weighted assets. One of your other peers has elected to take more of an overlay approach to building collective provisions. Is it fair to say that you've been pretty active in regaining customers throughout this period, including those that are on deferral?

Ross Maxwell McEwan
Group CEO, MD & Director

It sounds like a very good question for Shaun Dooley given the nature of those questions. Shaun, you're on the line, aren't you?

Shaun Dooley
Chief Risk Officer

Yes, I am, Ross. Thank you. So thanks, Andrew, for the question. So firstly, we continue to sort of review each of the customers in line with the financial information that they provide us, the circumstances in which we see. And we look at the ratings and we look at the adequacy of those ratings. So we're working through the portfolio literally as we speak and have been doing so for some time to look at the appropriateness of that. And so we'll see the -- we see that reflected in a general increase in collective provisions to credit risk-weighted assets, which as you know has -- and as we've reported has moved up through the quarter. In terms of single names, we don't talk about any individual single names, but what I would say is we look at all parts of the portfolio, including those that are more exposed to the downturn and particularly the impacts of social distancing and look at the appropriateness of the weightings in consideration as well.

Andrew Triggs
JPMorgan Chase & Co, Research Division

And Shaun, can I maybe just follow up on credit risk migration? Is there -- has there been any change to the estimates from the previous half? And what are you thinking on timing of this as the payment deferrals have extended but some of the book not covered by that has obviously started to deteriorate?

Shaun Dooley
Chief Risk Officer

When you're referring to credit risk estimates, what do...

Andrew Triggs
JPMorgan Chase & Co, Research Division

Credit risk -- the impact of declining credit quality on capital.

Shaun Dooley
Chief Risk Officer

Yes. So we're absolutely seeing an impact on the credit ratings for a number of our customers that are most -- more heavily impacted, as there's quite a bifurcation across the portfolio obviously. We've seen some customers actually perform stably and some quite well through this period as well, but we're also seeing the -- that play out in terms of the high-risk customers. If it comes to the adequacy of provisioning, we'll obviously continue to review that. And we're looking at the economic assumptions and both the weightings of the scenarios that we apply for the assessment of future losses.

Operator

Our next question comes from Richard Wiles with Morgan Stanley.

Richard E. Wiles
Morgan Stanley, Research Division

I've got 2 questions. Firstly, Slide 9, I think it is, includes some watch list disclosures. The level of watch list loans has gone from 103 basis points to 106 basis points in the quarter. It just doesn't seem to reflect the pressure on businesses which is occurring in the real world, so I wonder if you could explain how you come up with that number. And secondly, in relation to loan deferrals, particularly for business loans, you say, I think, 12% are in the higher-risk category, that's on Slide 6, but 47% are receiving JobKeeper. That's on Slide 5. So could you explain how you reconcile or calculate the higher-risk category given that it's so much lower than businesses that have had such a revenue decline that they've accessed JobKeeper?

Ross Maxwell McEwan
Group CEO, MD & Director

Well, I think today is going to be a Shaun Dooley day [indiscernible] the questions [and the things]. So Shaun, do you want to start there? And Gary may -- he can make any comments after.

Shaun Dooley
Chief Risk Officer

Yes, yes. So I'll start with the watch loans question. So if you can see on the right-hand side of the -- right-hand panel on that slide that you referred to, you can see that the -- some movements in and out of the portfolio. So as we're writing new watch loans. And it's important to remember, watch loans is our definition. And it's a range of factors that we consider when we think about the heightened risk of the portfolio. It doesn't mean that the customers are impaired. It doesn't mean that they're likely to be impaired. It -- what it means is that they're exceeding some characteristics that require closer monitoring. And then -- and you can see that there's actually been a number of outflows from that book through that period. And so the last panel [there provides a] quarterly number as well. So -- and there's been probably less out on a run rate basis in the last quarter and more in. And so we're starting to see that increase. That will continue through the period. And don't forget that the June quarter has been an unusual quarter, of course, because it has the impact of various support programs and deferrals that sort of played out across the economy. And clearly the outlook for the performance in the number of customers will become clearer, particularly from now on, but as the picture of the economic recovery is -- becomes more obvious to us.

And the other question was more around the categorization of our customers. So we apply a series of criteria that take into account not only the -- a particular customer but also the industry or sector in which they operate and what we're seeing in terms of their payment behavior and our assessment of the exposure to arrive at those classifications. So [indiscernible]. I don't think there's a direct correlation between the receipt of JobKeeper and whether higher risk. Certainly there will be a number of our customers in higher risk that are receiving JobKeeper, but there will also be a number that of in the lower [and medium] categories.

Richard E. Wiles
Morgan Stanley, Research Division

Are you saying that -- I mean clearly, if you're receiving -- clearly, if you're deferring your loans, then your payment behavior has changed. And clearly, if you're receiving JobKeeper, your revenues were down 30% plus. I can't see how that's not classified as high risk.

Shaun Dooley

Chief Risk Officer

Well, it also depends on the level of security that we've got for the customer. It also depends on the prospects of the customer coming out of this downturn as well.

Ross Maxwell McEwan
Group CEO, MD & Director

I think one of the comments there, Richard, is the impact of the support is buffering a lot of the activity here that's going on in the -- and how it's helping a lot of businesses. And I -- and until we see how the economy comes out of this COVID and the support that the government keeps in there, I think a number of these things will remain uncertain. That's why it is quite difficult to predict.

Operator

Your next question comes from Ed Henning with CLSA.

Edmund Anthony Biddulph Henning
CLSA Limited, Research Division

Two from me. Firstly, on Slide 13 you highlight some changes in your economic forecasts. If you ran those through your models now, is there much different from your provisioning coverage as at June?

Ross Maxwell McEwan
Group CEO, MD & Director

Well, first off, we'll do that at the 6 months result, when we'll do the formal. We haven't made any adjustments here at this point in time because it's the quarterlies. We do the formal on the 6 monthly, where we'll make some adjustments, on the way through, the economic that you're talking about we'll run at the full year.

Edmund Anthony Biddulph Henning
CLSA Limited, Research Division

Maybe another way of asking that: Is GDP or unemployment a bigger driver, you think, of your provisioning coverage?

Ross Maxwell McEwan
Group CEO, MD & Director

They are, but as I said, we'll run those at the 12 months...

Edmund Anthony Biddulph Henning
CLSA Limited, Research Division

No, I'm just wondering if one is bigger than the other or they're equal, as in a driver of your provisioning coverage.

Shaun Dooley
Chief Risk Officer

[Well, can I] -- Ross, I might jump in again. It's Shaun. There's a whole bunch of factors actually that sort of obviously go into the assessment of the portfolio shift, but the other thing to remember, it's also the weighting of the various scenarios that is considered as well. So that's a pretty significant driver as well. So it's we've had a series of scenarios that we apply, and there's weightings sort of we're attaching to those. So I think they're -- that's a factor that we can't disregard.

Edmund Anthony Biddulph Henning
CLSA Limited, Research Division

Okay. And a second question, just on your NIM considerations which you've got on Slide 12. If you exclude the impact of lower rates and you just think about the funding costs and the competitive pressures, at this point, do you think the funding cost tailwinds will outweigh the competitive pressures in the second half?

Ross Maxwell McEwan
Group CEO, MD & Director

No. we've given -- we still think -- stay with our guidance that we gave at the half, that we see about a negative 5 basis points. We have had some positives out of the funding costs, but the competition is still pretty strong out there, particularly in the mortgage market.

Gary Andrew Lennon
Chief Financial Officer

Ross, I might just add a couple of comments there. So it's clearly you -- and we'll provide more guidance at year-end, but certainly the low interest rate is starting to bite. I think you will find that across all the banks. And with the replicating portfolio, that will continue into FY '21 as well. We are getting some benefits from funding costs. You can see that on the chart. Something that's not talked about probably enough is the impact over time of the TLAC requirements. So these will be additional impact on essentially migrating to higher costs Tier 2 capital/funding that will mitigate some of the benefits from those tailwinds as well. So I suppose the sense is, though, that whilst APRA is giving a lot of compensations to go into CET1 buffers, at this point in time, the TLAC timetable is essentially unchanged. So that is something I think for -- or the analyst and investor community will be aware that there hasn't been any relaxation in those requirements just yet. And the final point, which Ross touched on, in terms of the competitive behavior, you would normally anticipate that, through a crisis -- and this is why this crisis is turning out to be very different from others in the past, that competitive pressure does start to come off as people get more concerned around the risk profile and pull back. We're just absolutely not seeing that at all. Actually, in some sense, we're sort of seeing the opposite that too many people have the playbook of sees the crisis and it as an opportunity to grow market share. And the pricing has been surprisingly aggressive. So that -- don't underestimate that impact on front-book margins but also back book in terms of retention. So there is a fair bit going on there on the margin front.

Operator

Our next question comes from Andrew Lyons with Goldman Sachs.

Andrew Lyons
Goldman Sachs Group, Inc., Research Division

Just 2 questions, if I may. Just firstly, you note revenues in the quarter were up 10% on the half year average. Can you maybe just give a little bit of a view around what that looked like ex markets? Obviously, markets are a big driver of the revenue performance. And then secondly, I just wanted to ask a question just around the level of collateral. You've highlighted, particularly in the business book, that only 5% of the book is unsecured, with about 70% fully secured. My question just goes to how you think, I guess, changes in the bank social license post the Royal Commission will impact the banks' ability to access collateral should it be netted over the course of the next couple years and what that might mean for loss intensity.

Ross Maxwell McEwan
Group CEO, MD & Director

Yes, good ones for Gary, particularly on revenues. You have [picked that] we had a good bounce back in our corporate and institutional bank, but there has been continued pressure into the other parts of the bank. So maybe, Gary, if you can take them through the revenue situation and then talk about collateral.

Gary Andrew Lennon
Chief Financial Officer

Yes. So thanks for that. Look, [as said], it was a good-revenue quarter, and as we flagged there, it was really markets and treasury. And if you go back to our second quarter, markets and treasury were a big drag. We've talked about at the half that there was an expectation in the fourth quarter for some of that to come back. It probably was a bit better than that in the end, so we pretty much got all of that back and fixed out a really good quarter on top of that. So that was a good, pleasing reversal, plus a bit, but in terms of the underlying, which is important -- so we don't -- we see a lot of that has played out already. So July outlook will be sort of more normalized levels is sort of what we're expecting going forward. We'll see. Again, markets and treasury, it's very difficult to predict, but that's sort of what we're currently seeing, that, that reversal has largely played out. But in terms of underlying revenue -- and we can see that from the NIM comment as well, that the underlying is still under pressure. And that's really low rate environment, low growth, some pressure on fees and the competitive pressure we talked about in the NIM context. So there is pressure there on the underlying ex markets and treasury. So that's the first question.

The second, on collateral. And really it's aligned to, Ross, other questions you've dealt with, so you might have a view on this, but clearly we view that we have security for a reason. And that's to support the creditworthiness and the potential minimization of loss. Now where it becomes housing, which I think you're going in terms of the ability to foreclose on a housing loan, look, our default position will be to work with customers as best as we possibly can to keep them in a house, but there is always a point in time, and we reserve the right, that the best thing, in the interest of customers, sometimes is that they realize the asset and maintain their equity. And I think Ross has been very public and very consistent on that point, that whilst we need to continue with that support, sometimes just additional support is not the right answer. Or additional forbearance is not the right answer. And so there will be occasions, absolutely, that we'll protect our position and the customer's position by foreclosing on collection.

Ross Maxwell McEwan
Group CEO, MD & Director

Yes. And you've seen recently, Andrew, [about for the last hour or so], ASIC have come out and said the banks should take every reasonable step, I think were their words, to keep people in their homes. We will certainly do that, but it also -- there was a position that sometimes it's better for people to sell up and take some equity while they can get it, as opposed to try and hold on and ending up in a much, much worse position. And you've seen that in other crises around the world where people have tried to hold on and end up walking away with nothing. And we certainly don't want to do that for customers either, but we're working very hard to make sure that we are doing the best things we can for customers. And we will take every reasonable step to keep them in a home. Particularly [when we see, like, for 2022], as the position of Australia gets going again, you'll see that we're hoping with that 2021 starts to get better after a very bad year in 2020. And 2022, we're back to higher levels of GDP than we finished 2019 in.

Operator

Our next question comes from Matthew Wilson with Evans & Partners.

Matthew Wilson
Evans & Partners Pty. Ltd., Research Division

Two questions, if I may. Firstly, one a bit technical one really relevant to Slide 10. The calculation of credit risk assets can be quite self-serving. Indeed we saw CBA model away some risk by lowering the default risk rates quite considerably in June by including the collective provision in the calculation. That's something that you haven't done yet. Is that an opportunity to further buttress your capital position? And then secondly, can we get a rough idea of what the loan balances outstanding were at the end of June just so we can line up the ratios?

Ross Maxwell McEwan
Group CEO, MD & Director

Well, Shaun, it sounds like a good technical one on you on the weightings, whether we're going to make a change to it.

Shaun Dooley
Chief Risk Officer

So we don't propose any changes to our methodology at this point, Matthew, but yes. And I don't particularly want to sort of comment on how other banks have been doing it. In terms of the loan balances: So the loan balances at June. Sally, have you -- are you okay to disclose this?

Sally Mihell
Head of Investor Relations

No, I don't think we should give an exact number, Shaun...

Ross Maxwell McEwan
Group CEO, MD & Director

I'll just take the end of the half and use those ones. There's been some adjustments up and down on each of the loan balances, but this is a rough, a pretty good guide, I'd say, with those. [indiscernible].

Sally Mihell
Head of Investor Relations

[indiscernible] that gives you an idea about [system growth].

Ross Maxwell McEwan
Group CEO, MD & Director

Yes. Thank you.

Operator

Your next question comes from Jonathan Mott with UBS.

Jonathan Mott
UBS Investment Bank, Research Division

Slide 2. I just had a quick question there because there was something that is a bit unusual. 38% of the deferred mortgages are from customers in the business and private bank. And 21% are the -- this is by dollars, are above $1 million in outstanding balances. So I was a bit surprised by this given that the customers who are being most impacted by the whole pandemic are more likely to be younger people in lower-paid industries, and yet these are the high-net-worth individuals in the private bank and also with more than $1 million outstanding on their mortgage. So is this a NAB-specific item? Is it industry-wide? And why do you think it is so many people with larger outstanding balances who are high net worth who are ending up on deferral?

Ross Maxwell McEwan
Group CEO, MD & Director

Maybe if I start with that one. Jonathan, this is something that is quite different coming through in this crisis. You are seeing -- and I don't think it's any different for us than it will be for any other bank, but if you take a look at some of the areas of deferral, they are from purely truly middle class, white -- sorry, high-net-worth backgrounds in sort of Sydney, for example, where the home loan is over $1 million. Those are the areas that have been impacted this time around, where you have -- where traditionally you will have seen the lower balances. That's not the case this time around. There are some suburbs who have gone into deferral, professional services, for example, airline pilots, all quite areas that are -- would have been considered higher-net-worth impact at this time around because whole industries have closed down. So you are seeing quite a different shift here. That's not to say that areas in the retail or the tourism haven't been hit as well, but you are seeing a difference this time around.

Jonathan Mott
UBS Investment Bank, Research Division

And is it all sort of concerning that you're seeing 70% of deferred customers are less than 3 months ahead on their repayment? And 30% of deferred customers have no redraw or offset. I would have thought that customers that you're referring to -- as you said, these are probably middle-aged, middle-class working zones in Sydney and Melbourne. They would have had some savings built up over the last little while, and yet they don't have much savings built up. They don't have much in redraw facilities and they're now going, getting into financial difficulties. Is that something that you are concerned with...

Ross Maxwell McEwan
Group CEO, MD & Director

Well, a little bit of detail. A proportion of the book that have taken a deferral, there's a whole portion of -- a much, much bigger portion of the book that haven't taken a deferral, which will be -- have been paying forward to a greater extent than this. So what we've shown is those who have taken deferral and have less than 3 months ahead of repayment. You can see the -- and Shaun, you might comment, but there's been the reverse of that on the rest of the book.

Shaun Dooley
Chief Risk Officer

Yes. So just to extend what you were saying earlier, Ross. So we're seeing different reactions from different parts of our book. So as Ross said, a number of our customers in, say, professional services areas and some of the -- with some of the larger mortgage balances would -- took the opportunity to take a deferral early on in the payment period, clearly with some uncertainty around income. They -- it was, I guess, an appropriate action for people to want to consider deferral [and income] if they felt that -- say, they're on a legal firm or an accounting firm or others that the income flow was less certain. But it is also true to say that, with a lot of our customers, the ones that have taken on a deferral were higher-risk customers coming into the -- into COVID-19. And I think that's what we've tried to explain here. So our models were -- have identified that the -- many of the deferral customers were already higher risk than the book average at the time of the deferral. And I think some of the metrics that you referred to indicated that they, I think, would have less savings. They tended to be -- was paid ahead than others; and tended to be, as we've said in the slide here, a little bit overweight on the LVR band.

Ross Maxwell McEwan
Group CEO, MD & Director

Thank you.

Operator

Your next question comes from Brian Johnson with Jefferies.

Brian D. Johnson
Jefferies LLC, Research Division

Ross, what I'd like to do is to -- I've got 2 questions, but the first one, I just want to preface it by reading something that APRA said on the 9th of July, when they first came out with the initial letter about deferring loans. As they said, ADIs have got to reliably measure and record the impact of repayment deferrals on provisions and regulatory capital; and consider the forward-looking implications for the risk profile, capital projections and stress testing. And that's -- deferred treatment from the capitals perspective declines -- disappears from 31 March. So my question is, how much deferred income have you basically accrued? And what would be the impact on the capital if it was to be taken off? And do you think there is a chance that everyone else has taken a lot of pain on this, but banks haven't yet been asked to absolutely waive some of that deferred income? Can you just go through how big it is, the capital impact; and whether there's a risk that [you're actually asked to get waived] a little bit of it? And then I have a second one.

Ross Maxwell McEwan
Group CEO, MD & Director

Yes, I haven't got the answer to that, Brian, quite happy to take on notice, but I think we should put that into our 12 monthly results and to give you an indication of that. I haven't got the answer here. And it would probably be best we do at the 12...

Brian D. Johnson
Jefferies LLC, Research Division

And Ross, do you think there is a chance, though, that -- like when we think about it, airlines have been basically destroyed by the border restrictions and yet landlords have been told to waive the rent. Banks have got very cheap funding from the government both by way of the term funding facility. Do you think there is a risk that you actually get asked to actually waive the deferred interest?

Ross Maxwell McEwan
Group CEO, MD & Director

I think the answer to that is no, Brian. There was conversation about that very early on. And I think the ramifications of that start to be quite heavy for banks, which also push up the costs of funding, which is probably not what we want at this point, anyway. So the answer to your second question, I would have thought, was no.

Brian D. Johnson
Jefferies LLC, Research Division

Okay. Well, that wasn't the second question, Ross. That was a subset of the first one. The second question, Ross, is...

Ross Maxwell McEwan
Group CEO, MD & Director

[indiscernible] question, Brian.

Brian D. Johnson
Jefferies LLC, Research Division

Okay, then the sub question two is basically, when we have a look at the change in the cost outlook, I would have thought, Ross, you knew that you were giving your staff pay rises when you actually reasserted the broadly flat guidance that was stated at the first half. And I would willingly acknowledge the fact that there are some COVID-19 impacts, but what I want to get my head around is, is that change in the cost guide entirely COVID related? Or is there something more going on there that we've seen in this kind of media reports and these e-mail chats?

Ross Maxwell McEwan
Group CEO, MD & Director

The only salary increases or changes to salaries that we're putting through have been EBA related, which is our sort of grade 1, 2 and 3 staff levels, Brian, that will start to flow through. And that's after negotiations some time ago with the union. All other changes on remuneration will be pretty much 0 and yet to work through the bonus pieces, but I think, well, my only comment to that would be, well, customers are having major difficulties. And our shareholders are getting much reduced dividends, so I think we have to be very careful about what we do on remuneration for ourselves. And we already said that the STI for myself and my senior team is gone for this year. So the -- you won't -- you'll only see changes coming through on wages from increased frontline people who are trying to help customers and through -- our grade 1 and 2 and 3 level staff are the increases that have already been agreed.

Brian D. Johnson
Jefferies LLC, Research Division

So Ross, the accelerated strategy has -- basically is online to deliver if it wasn't for COVID.

Ross Maxwell McEwan
Group CEO, MD & Director

I think there are many areas that have been very successful and particularly in our base technology area, Brian. If you have a look at what's happening at the moment, I mean, we -- 5 months ago when we went into COVID, we have only the capability of having 4,000 of our colleagues able to work from home.

We pretty much, other than our branch network, have 98% of our colleagues working from home and our technology working all day every day. If you looked at us 3 years ago, I think, before the time that [Andrew] had spent the money and the team had spent the money on our technology, we would have not been in the good position we are today, but I'd be the first to say we've got a lot of work to do here on getting this bank into the shape we really want it to be for a digitally enabled world. But we've got the foundations in place now and that's what we will be concentrating on over the next 2 years, and that work has definitely started.

Gary Andrew Lennon
Chief Financial Officer

Ross -- I might have just a couple of comments for you, Brian, just to be nice in a tough environment. I'll be nice here today. So it's in -- so the answer is yes. Look, it was always going to be a tough year to deliver pre COVID, so we had, as we've talked about, all the reg and compliance uplifts that we were -- we are working through, that we had a whole bunch of productivity initiatives laid out that gave us a pathway to get to where we needed to get to. And one of the examples of what's happened in this sort of COVID impact is we have to defer a lot of those productivity initiatives because the tech folks, ops folk, everyone have to move to [even] shifting the bank slightly, working from home, or dealing with a totally different customer environment. So those activities around productivity essentially stopped, a lot of those. And they got redeployed into other activities associated with just standing the bank up, supporting customers, et cetera. Then you overlay on that, with the credit environment, the first thing you have to do is make sure that you're contacting your customers regularly and plenty of customer support and [working out stuff]. So we've been pretty rapidly building that up in anticipation, I think, in your earlier question, that when -- I think [we'll all agree], once the deferral ends and the government support ends, there's no doubt there's going to be a bunch of customers who are going to need a lot of support and are potentially in trouble. So we're going to, we've got to gear ourselves up for that, which we've been doing. And the annual leaves, leave pace has been quite significant. It's you do -- each month that goes past, there's an expectation that X amount of your staff are taking leaves through this year. It probably hasn't been the easiest to take a leave or the most attractive environment. So that has been and continues to be basically quite a significant headwind, albeit in say -- we're trying to pull it back for this year as much as we sensibly can, but there will probably be some headwinds -- some tailwinds off the back of that in terms of reversal for '21 on costs. But that just gives you a bit more flavor about what's driving that 2%.

Operator

Our next question comes from Victor German with Macquarie.

Victor German
Macquarie Research

I actually was hoping to ask 2 questions as well, 1 follow-up for Shaun. I completely appreciate with aircraft leasing you don't want to talk about individual clients. That makes a lot of sense, but maybe you just can give us a little bit more color in terms of that book and provisioning behind that book. And I know that CBA, in their recent disclosure, effectively put an impairment of around 35% on their portfolio. Obviously your book is very different, but I'd be just interested in some more color in terms of why your book is different. And how do -- from our perspective, how do we get comfort that we have -- that you have enough provisioning for that?

Shaun Dooley
Chief Risk Officer

Okay, Victor, I -- as I said before, I didn't really want to comment on what other banks were doing, but I think what I read from the CBA report was an impairment that related to leases that they're carrying on their balance sheet, not -- and it didn't relate to their total portfolio. So I think that's probably something for you to sort of check and verify, but...

Victor German
Macquarie Research

Yes. No, no, no. That's -- you're 100% right. So it's sort of direct leases. And they've had some embedded gains on that portfolio, which they unbound as well. But no, you're 100% right.

Shaun Dooley
Chief Risk Officer

Yes. And I think that's related to just a portion of their portfolio. And we provided some detail at the half on the aircraft book, and so I'd probably refer you back to our half year disclosures for good detail there. Clearly it's a good portfolio that's exhibiting a massive amount of challenges globally given the full-away in tourism, in business travel and so on. So we're working carefully through that book at the moment both in terms of the exposures that we have to lessors of aircraft. And coming into the downturn, they were all in very strong shape. They had good cash balances. And a number of the airlines where they had exposure to were one in good shape and two -- some have actually raised capital through that period. We also have some exposure directly to some airlines. They are typically very strong airlines with some element of either state support or the expectation of some further support that might come down. It is a portfolio that we've classified as a high-risk portfolio. I think we were clear on that in the half. It's one that we continue to look at, including the appropriateness of provisioning. And we've been rerating that book, and that's driven some of the increases in our collective provision as well. And that's a process that continues today.

Victor German
Macquarie Research

And are you able to disclose how much provisions you have specifically for that portfolio?

Shaun Dooley
Chief Risk Officer

No, we don't disclose that detail, particularly in a quarterly.

Victor German
Macquarie Research

Okay, okay, okay. And then Ross, maybe just a follow-up question from Brian's on expenses. And Gary provided a little bit of color in terms of what moved expenses. And there's perhaps some -- as Gary mentioned, there will be some offsets coming through in 2021. Now that you've had a bit more time in the bank -- and if we look at market's expectation, market is looking for a pretty good cost performance 2021 and some of the reversal of additional expenses you've taken earlier. Do you still think that that's a realistic assumption on a sort of short-term view? I know you've talked about longer-term opportunities, but from a shorter-term perspective, do you think that's a reasonable expectation?

Ross Maxwell McEwan
Group CEO, MD & Director

I think, on a short-term basis, it's quite difficult to take net costs out of the business. We're in a process of reshaping a lot of our costs and putting more into our frontline and support for our frontline, but I think 2021 will be a very difficult year to take net costs out of the business given what we're having to do to support customers. And we know what we have to do to support customers, yes. I'll just give you one example. We're putting up to 500 more of our colleagues and new jobs into our NAB Assist, which looks after those customers who are having a little bit of difficulty. We're putting more colleagues into [SBS], which is our specialized banking area for large companies. And those are just 2 areas that we're having to work our way through in support. We're making a lot of -- our bankers are making thousands of calls a week that they normally wouldn't be making to customers who are on deferral. All of those are taking additional people. So I think it's going to be difficult in 2021, but we need to build that momentum up to start reducing costs in the years past there. As Gary said, we had to defer a number of things that could have given us productivity. We'll get back onto those in '21 to look to get costs out to a better level in 2022. My focus for right now is very much around our balance sheet. Yes, we'll keep the P&L ticking along as best we can, but I think our capital strength and liquidity strength in these markets is absolutely essential to make sure you come out strongly at the back and we're building the business for the future. If we have to take a little bit of short-term pain, I think it's worth it.

Operator

Your last question comes from Brendan Sproules with Citi.

Brendan Sproules
Citigroup Inc., Research Division

Look, I just have a couple of questions. So firstly, on Slide 8, in relation to the business loan deferrals. CBA indicated that they've had a 30% decline in the number of accounts that are on deferral since June. I was just wondering. You've obviously had less than that. I was just wondering what your business bankers are hearing back from their customers, particularly the ones outside Victoria and their ability to recommence repayments. And then I have a second question.

Ross Maxwell McEwan
Group CEO, MD & Director

First of all, what we have decided there is to reach out to those who we think are in the higher risk. So that may give a difference in what's starting to come off deferral. And maybe it's just a sheer approach issue; and that's probably the difference, I suspect. Outside of Victoria, we were starting to see customers get -- our business customers get their businesses back in shape, but the high-risk industries that we've chatted about on this call still remain problematic. Many of those haven't opened up either partially or fully yet, and that will take some time to come through. We're very early on in our calls to customers in the business banking area. Those started at the end of July, and we'll give you a heads-up on how that's gone and what we're really seeing out of them as we get to the full year.

Brendan Sproules
Citigroup Inc., Research Division

Okay. And my second question relates to your COVID provision that you talked at the May results. I appreciate that this is not the time to be updating it and you plan to update it for the full year results. To what extent have the collective provision adjustments that you've made in the third quarter already been accounted for in terms of your forward planning around that overlay?

Ross Maxwell McEwan
Group CEO, MD & Director

Yes. Shaun, a good one for you to finish on.

Shaun Dooley
Chief Risk Officer

We -- so the collective provision just increases in the third quarter and reflective of the rerating activity that has been undertaken in -- with our customers. And that's reflecting the underlying deterioration. In the fourth quarter, we'll look at the other components of provisioning, as we described earlier, in the context of more complete information that we'll have through the period as well, as we talked earlier, the update to the calculation methodology as a result of assumptions around the economy and also the weighting that we apply to those scenarios.

Brendan Sproules
Citigroup Inc., Research Division

A follow-up, if I may, Shaun. And so they're net neutral [indiscernible]. I think it's just going to add some...

Gary Andrew Lennon
Chief Financial Officer

Yes, yes. So I might just add before we have the follow-up. But the premise of the question is correct. So we make a call based on a whole set of assumptions; in particular, what sort of rating decline over certain higher-risk parts of the portfolio. So as you do see that underlying decline come through that sector, that's how the logic works, is that, yes, it -- as it comes through the bottom, up, then in theory you could release the EA component of that that's already been factored in, but this is where it gets -- that would be wonderful and simple if the world was static, but then you need to then recalibrate all that. What's the most recent economic assumptions? How much [are we going to sign] for the downside? What new information we have about the level of decreases in different sectors. So then you sort of rerun the whole mix based on what your current bottom-up provisions tell you at a certain time, and then that gives you the insight to whether top-ups are required or not required down the track. And so that will be -- that's essentially the process we're going through between now and September.

Ross Maxwell McEwan
Group CEO, MD & Director

Just to finish off because we're on the last question. Just a big thanks for the team for joining the call today. So we don't normally do much of a Q3 update, but we thought it was important. We just gave you a bit more information given what's going on with COVID. Thanks for joining us. Thanks, Sally, for organizing; and Gary and Shaun, for taking the time.

And we look forward to catching up at the 12 months, when we will give you a good update on the full account, but appreciate your time today.

Shaun Dooley
Chief Risk Officer

Thank you.

Operator
That does conclude our conference for today. Thank you for participating. You may now disconnect.