

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS SMALLER BANKS SECTOR

Beyond Bank Australia

BEY03QON: Effect of house prices on bottom line – a 10% increase in house prices flowed through to about a 5% increase in the size of the Commonwealth Bank’s loan book and about a 3% increase in the Commonwealth Bank’s profits. Would those numbers hold broadly true for Beyond Bank as well?

ANSWER: Beyond Bank Australia’s analysis indicates that this is broadly correct. This conclusion was reached using actual data for the 19/20 financial year and also separately running a simulation assuming a 10 % increase in property prices. The conclusion from these suggests a 10% increase in property prices equates to loan book growth of 2%- 5% and an increase in profit of around 3.0% - 3.5%.