

# HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

## REVIEW OF THE FOUR MAJOR BANKS (THIRD REPORT)

### Westpac Banking Corporation

**WBC16QW:** Please provide any financial analysis provided to George Frazis, Chief Executive, Consumer Bank, regarding the internal assessment of the bank on the potential financial impact on the profitability of Westpac of the APRA requirement for no more than 30% of new mortgages to be interest only. The relevant period for which the committee is seeking this information is between the APRA announcement on 31 March 2017 and the announcement of interest rate changes on 20 June 2017. In addition, please clearly describe the economic correlation between the decision taken by the bank in June 2017 in relation to interest only rates and this requirement of APRA. For the avoidance of doubt, the committee is not seeking a general statement about the goals of the bank or the need to generally reduce the proportion of interest only loans. The committee is seeking a clear economic description, underpinned by the actual financial analysis of the bank at the time, of the relationship between the bank's decision with respect to mortgage interest rates and the bank's assessment of the actual financial impact on it of the APRA requirements. Any gap between the bank's assessment of the actual cost to it of the APRA requirements and the interest rate changes made in June should be highlighted in the response.

**Answer:** The Federal Government has asked the Australian Competition and Consumer Commission to undertake a detailed inquiry into mortgage pricing to conclude on 30 June 2018. In addition, the Australian Securities and Investments Commission is currently undertaking an inquiry into public statements certain banks have made about mortgage pricing to ensure that those statements are not misleading. We are responding to detailed notices to produce information and documents in relation to both those inquiries.

We believe those regulatory agencies are best placed to inform the Committee further about the issues it has raised.