

## HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

### REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS

#### Westpac

**WBC81QON:** **Dr MULINO:** I want to revisit one of the issues that the deputy chair raised which was the work that you've done since the AML breaches were identified. I want to drill down on a couple of aspects of risk management more generally. There was an Ernst & Young report in, I think, 2017. I will just talk about a couple of specific episodes, if you will, over the last couple of years. That talked about the fact that there was less involvement from Westpac's board compared to peer institutions in relation to model approvals, and that might have been in relation to some of the liquidity modelling. It also made reference to the fact that data from the bank's commercial property portfolio was drawn from annual spreadsheets and paper based files. That obviously is more time consuming, but it also raises risks of inaccuracy. I'm wondering when those practices ended, if they have fully ended.

**Mr King:** Sorry—I don't have it in front of me. In relation to modelling of liquidity, that's a piece that's specifically covered in our CORE program. We've obviously improved it over time, but it is specifically covered in our CORE program. On commercial property, the portfolio historically has actually performed very well. It's not very stressed, so the outcome in that area has been as expected, in terms of the credit quality. But, as I said, a lot of the information was with the bankers, in their physical files, so we're in the process of digitising that information so we also have a digital record. That will help us with modelling of overall outcomes.

**Dr MULINO:** It's good that the overall results are good, but that obviously doesn't necessarily mean that risks don't remain. You're saying you're basically still transitioning from some of the practices that they identified as problematic?

**Mr King:** I haven't got the report in front of me, but we're still working on the digitisation of data in our business bank and that would include commercial property.

**Dr MULINO:** If you wouldn't mind providing an update on notice, that would be great.

**Answer:** An automated data capture solution for commercial property was implemented in October 2020 and continues to be enhanced to support monitoring of the commercial property portfolio.