

Attachment A – Responses to Questions on Notice

The Capricornian

Question: CB01QON

Answer: The Capricornian has seen the number of branches and operating hours of competitor banks reduce over the past three years. Over the past five years, The Capricornian has opened two branches in remote locations to support those communities.

Bank	Total branches in Central Queensland
The Capricornian Ltd.	8
Commbank	4
NAB	5
Westpac	4
ANZ	6
Suncorp	3
Bank of Queensland	4
Macquarie	0
ING	0

Question: CB02QON

Answer:

	NIM	ROE
2021	2.38%	6.28%
2022	2.31%	4.09%
2023	2.77%	6.94%

Great Southern Bank

Question: CB01QON

Answer: Branches continue to be an important channel for us to engage with customers. We are investing in relocating and upgrading branches in high growth areas, including our Maroochydore branch in Queensland, Shellharbour, Penrith and Newcastle branches in NSW, and Dandenong in Victoria. We currently have 30 branches in our network. The customer owned banking sector operates the largest regional branch network in Australia with 21 per cent of all regional branches, despite a 3.5 per cent overall asset share. This translates to more than four branches per billion dollars in assets, compared to 0.6 branches per billion for the majors. Additionally, analysis of the June 2022 APRA Points of Presence data has also shown that the sector reduced its regional branch footprint at a much slower rate of 1.7 per cent, compared to 5.5 per cent for the total regional network, in the 2021-2022 financial year. For further information on trends and the presence of customer owned banks in regional Australia, please refer to the COBA submission to the Senate inquiry into regional bank branch closures.

Great Southern Bank branch network – October 2023	
Queensland	12
New South Wales	11
Victoria	6
Western Australia	1
TOTAL BRANCHES	30

Warwick Credit Union

Question: CB01QON

Answer: In Warwick our largest town, we have one branch and a loan centre, NAB, CBA, ANZ, Suncorp, Heritage and RACQ are in town. In smaller areas such as Allora, Killarney and soon to be Inglewood we are the only bank in town.

Question: CB02QON

Answer:

	NIM	ROE
2021	2.17%	4.82%
2022	2.23%	5.87%
2023	2.68%	7.51%

Summerland Credit Union

Question: CB01QON

Answer: Branch number comparison between Summerland Credit Union and the four major banks from 2018 to 2022 below. The data is based on the APRA Points of Presence dataset and was determined by Summerland Credit Union on 12 October 2023. As of 12 October 2023, the 2023 data had not yet been released by APRA.

Number of branches per bank in area covered by Summerland Credit Union:

	Summerland	ANZ	CBA	NAB	Westpac
2018	10	10	17	12	18
2019	9	9	17	11	18
2020	10	9	16	11	17
2021	10	9	15	11	14
2022	11	8	14	11	14

Question: CB02QON

Answer:

	NIM	ROE
2019	2.43%	5.34%
2020	2.17%	3.34%
2021	2.22%	7.32%
2022	2.16%	4.18%
2023	2.67%	9.46%

Newcastle Greater Mutual Group

Due to the merger of Newcastle Permanent (NPBS) and Greater Bank on 1st March 2023 our responses reflect our individual brands over a four-year period. NGM Group's FY 2023 financial results will be published on the 20th October 2023.

Question: CB04QON

Answer:

Headcount	FY 2020	FY 2021	FY 2022	FY 2023
Newcastle Permanent	899	886	939	994
Greater Bank *average as at June 30*	829	858	911	895

Points to note:

- Greater Bank headcount increases reflect the investment in technology, regulatory and merger programs.
- NPBS's headcount increases can be attributed to investment in strategic, regulatory and merger programs.
- As part of our merger agreement there will be no forced redundancies in either brand for two years (1 March 2025).
- All Head office, Customer and Operations teams are located in the Greater Hunter area.
- Several technology vendors used by the Group are provided by 3rd party corporates including global providers, e.g., Microsoft, adobe.

Question: CB05QON

Answer:

Net Interest Margin	FY 2020	FY 2021	FY 2022	FY 2023
Newcastle Permanent	1.80%	1.84%	1.81%	n/a
Greater Bank	2.12%	2.02%	1.94%	n/a
NGM Group				2.35%
Return on Equity	FY 2020	FY 2021	FY 2022	FY 2023
Newcastle Permanent	3.33%	5.06%	5.38%	n/a
Greater Bank	4.16%	3.81%	1.08%	n/a

Points to note:

- Net Interest Margin for both brands have remained consistent in a low interest rate environment.
- NGM Group will announce our first financial results as a combined organisation with a single balance sheet. Our NIM for FY 23 will be 2.35% announced on the 20th October 2023.

Question: CB06QON**Answer:**

Regulatory Compliance Project costs.	FY 2020	FY 2021	FY 2022	FY 2023
Newcastle Permanent	2.89m	2.46m	6.97m	4.50m
Greater Bank	n/a	n/a	n/a	n/a

Points to note:

- NPBS investment in regulatory compliance is managed through a central project office, whereas Greater Bank has run its regulatory compliance projects through Business-as-Usual activity and cannot be fully costed.
- NPBS costs in FY 2020 & FY 2021 do not include the cost of internal resourcing.
- In FY 2022 regulatory compliance projects accounted for approximately 58% of the NPBS investment envelope; a major part of which was driven by compliance with Consumer Data Right (CDR) obligations.
- In FY 2024 Greater Bank will be undertaking further compliance activities with CDR, the estimated spend to compliance is approximately \$6 million.

Cyber Scams and KYC Operational costs: NPBS	FY 2020	FY 2021	FY 2022	FY 2023
Operational Costs	1.89m	1.44m	1.89m	1.96m
Fraud reimbursements	0.25m	0.25m	0.19m	0.14m
FTE	n/a	n/a	n/a	12.9
Cyber Scams and KYC Operational costs: Greater Bank	FY 2020	FY 2021	FY 2022	FY2023
Operational Costs	1.86m	1.72m	2.54m	3.03m
Fraud reimbursements	0.36m	0.15m	0.22m	0.29m
FTE	4.91	8.61	11.37	14.39

Points to note:

- We have continued to invest in our Cyber and KYC operational teams, increasing our FTE over the last four years. (Note NPBS FTE numbers are not available at the department level.)
- As NGM Group we continue to align our cyber and KYC monitoring programs as part of our integration across the Group.

Bank First

Question: CB04QON

Answer: Bank First's headcount has remained relatively stable at approx. 250 over the past few years, and we currently have limited outsourcing agreements in place. We anticipate this to remain steady however we will continue to assess requirements as our transformation program continues.

Question: CB05QON

Answer: Bank First's Net Interest Margin (NIM) remained consistent from FY21 to FY23, with a decline experienced during FY22. Our Return on Equity (ROE) has declined over the three-year period as we continue on our transformation program of work. We expect this to recover over time.

Question: CB05QON

Answer: Bank First manages regulatory compliance through processes, systems and teams, and by ensuring all employees are aware of their regulatory obligations. In assessing our annual costs we have taken a conservative view and are therefore likely to have underestimated the full costs per annum. We have used actual expenses not estimates for those costs we have included.

To manage regulatory compliance we have a dedicated Risk and Compliance team who manage (amongst other things) our compliance, legal and regulatory affairs frameworks and systems, and who also support our frontline teams to implement these frameworks and undertake training and awareness. We also utilise formal projects to provide a structured approach to implement large regulatory changes. Holistically, we have seen the cost of these resources increase in recent years as we build more capacity and capability within these teams to support the bank to manage our obligations and their associated risks across the business. We estimate that the total cost of managing our regulatory compliance is around \$3.5M per annum.

Similarly, we have seen an increase in resources required to keep our members safe from cyber scams and to manage the ongoing number and complexity of these scams and other financial crimes, as well as to meet our KYC / AML obligations. In the past twelve months, we have implemented a dedicated cyber security risk team, enhanced our financial crimes / AML teams and continued to utilise the expertise of our third party providers to support us to prevent, detect and respond to these scams and financial crimes. The estimated costs associated with managing this risk is around \$2M per annum.

BankWAW

Question: CB04QON

Answer: BankWAW's headcount has been steadily increasing year on year for an extended period, reaching a record high number of staff in 2023 of 95, with a base Full Time Equivalent (FTE) of approximately 72, in 2023. 100% of staff are based in the local region of North East Victoria, Southern NSW, and therefore outside the major (metropolitan) cities. Due to the increasing complexity of the organisation, and the industry in which it operates, BankWAW has continued to pursue an outsourcing strategy for various resourcing requirements given many specialist functions, such as those related to cyber security and regulatory compliance/advisory, are very difficult to recruit for and/or unviable to retain in-house.

Approximately 90% of all new headcount is directed toward staff working in areas of compliance/regulation/risk.

Question: CB05QON

Answer: BankWAW's Net Interest Margin is more acutely impacted by official cash rate cycles than those of the major Banks. Further, the Net Interest Margin of our organisation is designed to support the extensive regional branch network we have in place for customers and the community alike (BankWAW has not closed a single branch in this period or in fact for well over a decade), as well as creating employment for local staff and suppliers as opposed to purely being a tool to underpin a focus on profit. The organisation's NIM results since 2019 have been:

- 2019: 2.38%
- 2020: 2.14%
- 2021: 2.14%
- 2022: 2.20%
- 2023: 2.36%
- 2024 trend: 2.19%

Question: CB06QON

Answer: BankWAW is committed to maintaining a strong, resilient ADI and supports the intent of an effective regulatory and compliance environment; however, these areas are having a significant impact on operating expenditure and resourcing generally. BankWAW is in the process of developing systems to track expenditure in this area specifically; however, data is not formally available at this point. In general terms, major regulatory reforms over the last 2-3 years alone, including those related to the New Payments Platform (real-time payments), Open Banking, Design & Distribution Obligations (incl. Target Marketing Determinations), Information Security Prudential Standard (CPS234), Capital Adequacy Prudential Standard (APS110) and several new Australian Accounting Standards (AASB). Current estimates place the cost of compliance with these new requirements in terms of direct software, systems and advisory costs at \$700,000. Further, this estimation excludes reduction of existing staff resources which would comfortably double the financial impact. In aggregate, this level of expenditure would represent 15-20% of total profit over the same period.

Of note is that these compliance requirements also exclude significant new Prudential Standards on the horizon including Operational Risk Management Prudential Standard (CPS230).

With regard to cyber and associated (investment) scams, BankWAW is also seeing a sustained increase in resourcing and compliance requirements to shield customers from these risks. Four years

ago the organisation has a single role that combined fraud and other administrative tasks; however, as of 2023 BankWAW has three staff working full time in the fraud team, with plans to expand that resourcing further.

Bank Australia

Question: CB04QON

Answer: The table below shows total headcount and full-time equivalent staff over the past five financial years.

Year	Head count	FTE
FY18/19	427	386
FY19/20	441	400
FY20/21	456	417
FY21/22	527	487
FY22/23	591	542

All employees directly employed by Bank Australia are based in Australia, which includes all customers service roles in our branches and contact centre.

Bank Australia is shareholder of Data Action and Cuscal which are our major suppliers of core banking system technology services, payments platforms and processing, and fraud monitoring services that predominantly employ Australian-based staff. Our suppliers may use limited numbers of overseas-based staff or contractors to ensure 24/7 coverage for critical systems and infrastructure.

Bank Australia remains committed to maintaining 100% of its directly employed staff in Australia.

Question: CB05QON

Answer:

Net interest margin

Year	Net interest margin (%)
FY18/19	1.79
FY19/20	1.68
FY20/21	1.76
FY21/22	1.73
FY22/23	2.02

Return on equity/return on assets

Year	Return on equity (%)	Return on assets (%)
FY18/19	4.36%	0.37%
FY19/20	3.59%	0.29%
FY20/21	7.08%	0.52%
FY21/22	5.39%	0.38%
FY22/23	7.54%	0.52%

Question: CB06QON

Answer: The cost of meeting increased compliance and regulatory obligations is reflected in the growth in headcount shown above in response to CB04QON. Over the past five financial years total headcount has grown by 38.5%. A significant amount of this growth has been concentrated across the risk, compliance, regulatory reporting, data management, information and cyber security, and financial intelligence functions. Splitting out costs for regulatory compliance is difficult as this activity is undertaken by the majority of our employees from customer-facing front line staff, and second line risk, compliance and Anti-Money Laundering/Know Your Customer specialist roles. Growth in these roles broadly reflects the overall headcount growth rate described above. Cyber and information security headcount costs have increased by 400% between 2019 and 2023.