

## HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

### REVIEW OF THE FOUR MAJOR BANKS

Westpac

**WBC67QON:**

**Mr BANDT:** With respect to the Term Funding Facility that last week the RBA extended and expanded, effectively providing three-year fixed term loans at 0.25 per cent, I just want to clarify whether your understanding of the latest extension is the same as mine. The original one was tied to business lending, but the expanded one that was announced last week includes a supplementary allowance for loans of up to two per cent of a bank's total outstanding loans, and that appears to include mortgage lending as well. Is that your understanding of the expanded TFF?

**Mr King:** The size of the TFF depends on the size of the mortgage book and certain parts of it. I haven't got the exact numbers in my head, so the principle's right. And the TFF in part is there to make sure there's plenty of liquidity in the system to keep interest rates down in the economy.

**Mr BANDT:** I take that as an in principle 'yes' that the extent to which you will be able to access the TFF and the supplementary allowance is now going to be referable to loans that include your mortgage loans, whereas previously it might not have.

**Mr King:** I'll check that, so I can—

**Mr BANDT:** Thanks.

**Answer:** The original Term Funding Facility announced by the RBA on 19 March 2020 provided Authorised Deposit-taking Institutions (ADIs) with funding up to the sum of a) an Initial Allowance to be drawn prior to 30 September 2020 equal to 3% of an ADI's overall Australian credit outstanding (which included both business and consumer lending, including mortgages), plus b) an Additional Allowance based on incremental business lending during the COVID-19 period. The Additional Allowance was available to be drawn prior to 30 March 2021 and calculated as the sum of i) the increase in the aggregate amount of lending to large corporates plus ii) five times the increase in the aggregate amount of lending to small and medium size businesses over the relevant period.

The expanded Term Funding Facility announced by the RBA on 1 September 2020 has a) provided a Supplementary Allowance to be drawn prior to June 2021, in a similar manner to the Initial Allowance, which is equal to 2% of an ADI's overall Australian credit outstanding (including business and consumer lending), and b) extended the time period of the Additional Allowance from 30 March 2021 to 30 June 2021 but maintained the large corporate and business lending requirement.