

**HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS
REVIEW OF AUSTRALIA'S FOUR MAJOR BANKS**

ED-WPC01QON: **Ms SPENDER:** That's pretty consistent with everything that I hear. Further to Ms Payne's question relating to foreign exchange rates, I take the point that your focus is on increased transparency. Firstly, my understanding of this—correct me if I am wrong—is that the typical cost of making a transaction from Australian major banks to other countries is significantly higher in terms of the margin of the actual exchange rate compared to other countries. Correct me if I am wrong on that. Secondly, if we have this inbuilt higher margin effectively that Australian customers are paying, is transparency enough? If all of the banks have this very high cost of transferring money out, and Australia's banking system is very concentrated, this is an area where theoretical transparency is not driving a better outcome for consumers.

Mr King: We have invested heavily in the experience, including the transparency of the price. We've made it easier for people to transact. That's part of the reason why people choose us. In relation to the cost relative to international, it's not a market that I've had a close look at recently. I might take that on notice. I don't have that information with me.

Ms SPENDER: I would appreciate it if you could take that question on notice. It would be helpful to us, particularly for businesses who do a lot of transacting internationally.

Answer: In assessing an appropriate FX margin to price for customers a bank generally takes into consideration several factors including (but not limited to) currency pair, liquidity of currency pair, size of proposed transaction, market conditions, customer relationship, cost to serve etc. Pricing ranges within a country are also subject to market forces in that particular country, not dissimilar to any other product or service (for example, property and fuel prices varying across countries).

Australian customers can facilitate their FX transactions via their Australian bank or a variety of non-bank providers, with pricing transparency via public websites or comparison services providing customers the ability to select a provider that suits their needs (which may be focussed on price or another aspect of service offering— each customer is different). Similarly, customers may also opt to send Australian dollars overseas and rely on the offshore bank to provide the FX conversion.

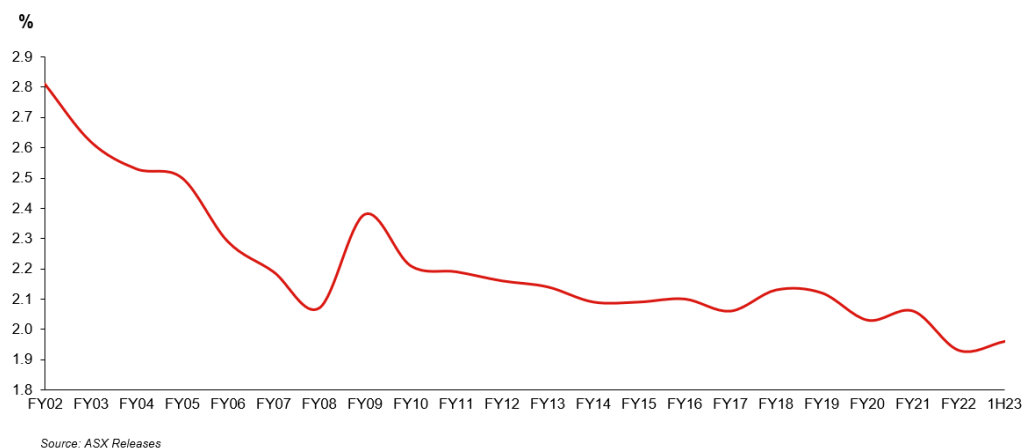
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ED-WPC02QW: Please provide data on the following key returns metrics, as a time series for the past 20 years:

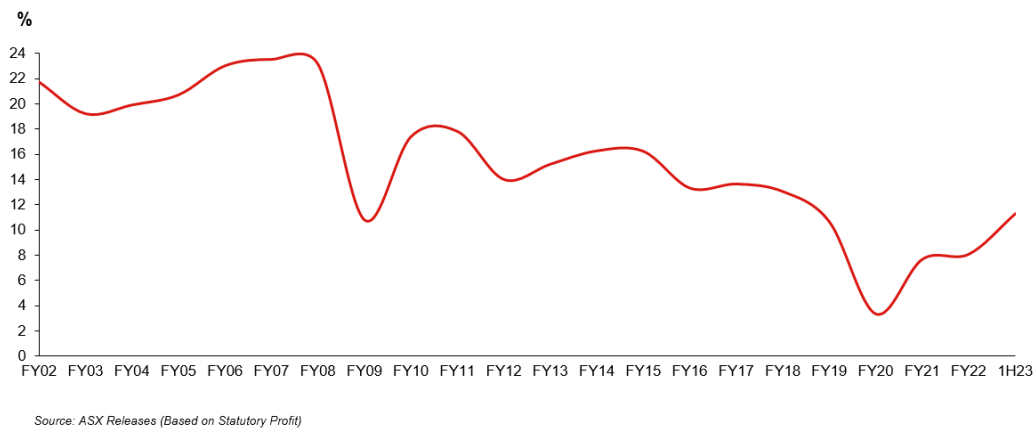
- net interest margin (NIM)
- return on equity (ROE).

Answer:

Net Interest Margin



Return on Equity



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ED-WPC03QW:

Variable interest rates

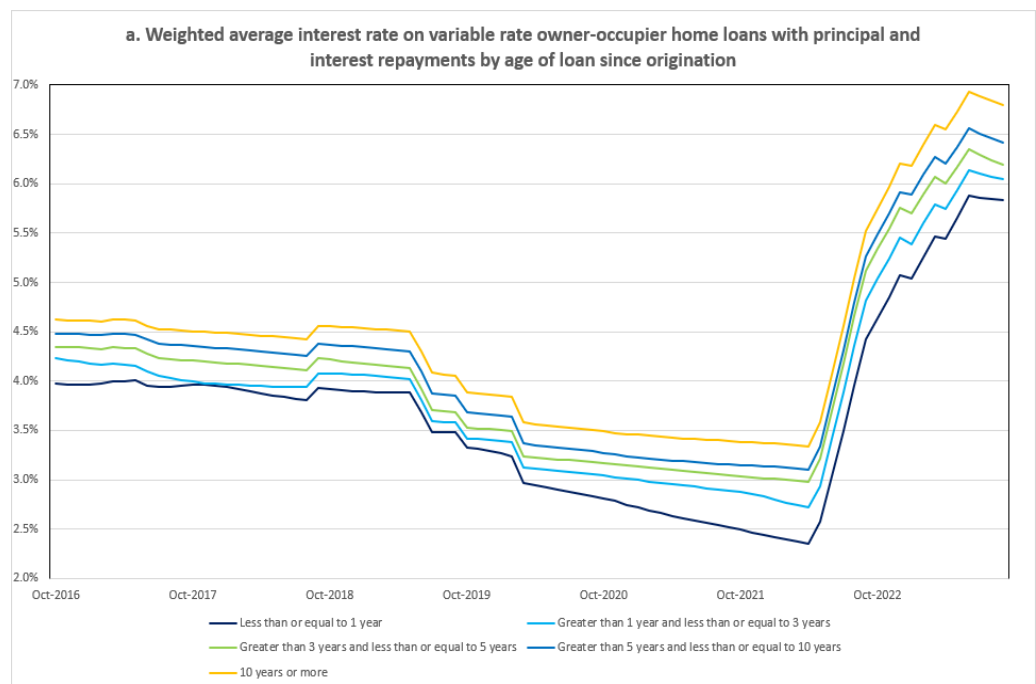
Please provide:

- a. The average variable interest rate by age of loan, as a time series going back 10 years for the weighted average interest rate on variable rate owner-occupied home loans with principal and interest repayments (as referenced in Figure 1.3 of the ACCC *Home loan price inquiry—Final report*, November 2020 report) for the following age of loan:
 - i. Less than one year
 - ii. Greater than 1 year and less than 3 years
 - iii. Greater than 3 years and less than 5 years
 - iv. Greater than 5 years and less than 10 years
 - v. 10 years or more.

- b. The proportion of borrowers who actively reached out to the bank seeking a better deal (as a time series if data is available, going back 10 years).

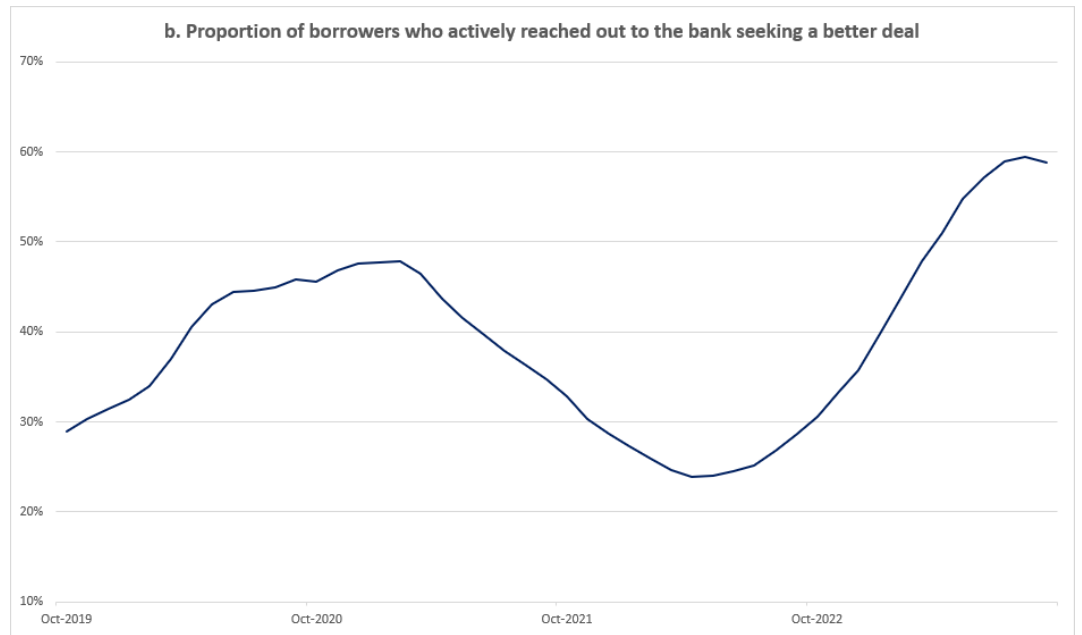
Answer:

a.



Note: Due to data limitations, we are only able to provide the last 7 years’ worth of portfolio data (Oct-2016 to Sep-2023); Interest Type: Variable; Product and Repayment Type: Owner Occupier Principal and Interest; Excludes: RAMS, loans with \$NIL or credit balance; Average interest rate weighted by net average loan balance; Adjusted for COVID relief wherever applicable.

b.



Note: Due to data limitations, we are only able to provide the last 4 years' worth of 'repricing' data (Oct-2019 to Sep-2023); Interest Type: Variable; Broker originated customers has been estimated based on the 'ask' rate of proprietary originated customers; The proportion of borrowers who ask is based on quotes created and calculated based on rolling 12 months to reflect an annualised rate; Excludes: RAMS.

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- ED-WPC04QW:** In relation to discharge processing, please provide:
- a. The bank's Discharge Authority Form.
 - b. The average time for processing discharge requests (as a time series if data is available, going back 10 years).
 - c. The proportion of discharge requests that take longer than 10 business days to process (as a time series if data is available, going back 10 years).

Answer:

- a. These forms are dynamic and are not a static PDF – see below links to our public website for Westpac, St George, Bank of Melbourne, and Bank SA. Digitally active Westpac brand customers also have the option to choose to complete a simpler, secure pre-filled form that can be accessed through their online banking.
<https://psr.westpacgroup.com.au/>
<https://psr.stgeorge.com.au/>
<https://psr.bankofmelbourne.com.au>
<https://psr.banksa.com.au>
- b. Our current service level is approximately 3 business days for both Westpac and our St George/Bank of Melbourne/Bank SA brands.
- c. Discharge requests will generally take up to 10 business days from receipt of the request where all the required information is provided by the customer. There may be complexities where we are not provided with the necessary information i.e. deceased estate needing to change ownership on title, litigation, or customer in arrears/hardship and when business lending is involved that could result in the discharge process taking longer than 10 days.