Question and Answer

Operator

[Operator Instructions] Your first question comes from line of Anthony Hoo from Deutsche Bank.

Anthony Hoo
Nomura Securities Co. Ltd., Research Division

Couple of questions if I could. Firstly, can you give us bit more detail on the commercial property exposures? I mean, you mentioned in Slide 21 just on your bad debt expense. Can you talk about what is the specific number exposures or any sort of regional specific exposures to that? And then secondly, just a question on business banking where you had negative loan growth, can you talk about the drivers behind that? Do you think -- is it because the environment is going to even more competitive compared to the last time you spoke about it or was it driven by what you described as repositioning of the bank?

Richard Fennell
Executive of Customer Banking

In relation to the commercial exposures there are a number of them during the half, but I'll quote a couple of examples. One of them is an exposure that's been on the book well in excess of 10 years. It's a regional shopping center. And that -- it had been -- the deal -- sorry, the line had been restructured and the other party was moving interest payments, but unfortunately they've now decided to sell up. And the value in that particular regional location of that property has dropped significantly with other competing shopping centers coming in and as a result of that that would taken a specific provision on that one. Another example was actually having [WA] relating to a commercial land development exposure that again goes back quite a number of years. And in the particular like again it's in regional WA and the particular location, a particular -- a development that had been approved to go ahead is not going ahead and as a result of that there is an expectation there won't be a need for development on the land that had been purchased with the intention of building commercial properties on it and so again, we've taken a hit on that one. From the business banking perspective, as we've worked through the development of the more data risk-adjusted return calculations for our business banking area and have to drill down into the specific areas, it became clear to us that there are certain lines within there that we felt we weren't getting an appropriate return for the ongoing risk there. We're pleased to have that information now, but obviously some of those customers aren't -- necessarily has came when we then had that discussion and explained that we are going to require a higher return, a number of those choosing then to go and seek refinancing elsewhere. Now we'd like to be able to offset that with new business coming in at the front end and I expect at some stage we will be to offset that readjustment of the balance sheet whether it's in this coming half or beyond we have to wait and see, but the reality in competing for new business, things are very competitive there. It was informative in that SME space to read in the productivity commission release from late last week that the advanced banks risk weightings in the order of 50% of what standardized banks have to hold in that SME space. And so obviously when it comes to competing for that business that's another headwind we faced there where I would -- I'd account that headwind in many cases as people certainly appreciate the value proposition we bring and the level of service they get as an SME customer, but it is a challenge we face in continuing to grow that book.

Michael John Hirst
Former MD, CEO & Director

Yes. Risk weights as they've come in above will certainly assist with being able to do that.

Operator

Our next question comes from the line of Victor German from Macquarie.

Victor German
Macquarie Research

I was first of all just hoping to follow up on Anthony's question around credit quality. I guess, Richard, I think you've alluded to other banks experiencing some issues in credit quality as well, but if we look at sort of CB result and it was really largely driven by issues that they had offshore, the domestic BDD charge in business and private bank was only $60.5 million obviously very significant book, net BDD charge is very low. I'm just interested in your views as to how systemic this higher level of impairments are given your geographical exposure and whether as we go through next half and the half after we should expect to see differences within Bendigo's credit experience and [PEs] which for PEs currently it's pretty much pristine? And also I was hoping maybe to touch on the balance sheet trends. We've started to see balance sheet trends in home portfolios starting to improve in the last month or so, but they're still running well below system and as you've highlighted, you've got scope to grow, just interested in your observation as what you're doing to make sure that that -- that you start growing more in line with system in inheriting book and perhaps the business book -- in business bank as well noting what Richard just talked about before.

Richard Fennell
Executive of Customer Banking

In relation to the credit quality, the number this half, yes, it's higher than we would like but it's not massively above where it's been the last couple of halves. Although when you break that down clearly the commercial lending is -- it's been a significant -- a more significant step up this half. When we look at the forward view whether that be the impaired assets after specific provisions, which are down, or the arrears numbers which remain at very low levels, we don't necessarily see this is a systemic issue. And maybe the timing of some of this reflects the way we do tend to work with our customers is that we do often work with them over a longer period of time to try and help them work through the challenges that they may have with the lending that they've taken on. And that might mean that the timing of some of the exposures we have maybe end up being later than you might see elsewhere in the industry. Also when you look at our total losses compared to the industry on Page 21, it continues to be a low number and certainly not significantly above the rest of the industry. But at the end of the day these commercial exposures, every now and then you get hit with some of these and if we didn't have any losses, be hard to justify charging the margin that we do because we're actually in the business of taking that credit risk and you won't always get it 100% right. In relation to the momentum in the business from a growth perspective, I think we are looking forward hoping to see some better growth certainly in the residential mortgage market. We do have headroom in the interest only and investor space, we are tweaking now our pricing there to look to try and drive a bit more growth there and we can probably move to more competitive positions on -- in those markets and still be generating very strong risk-adjusted return, so we're comfortable to do that. And I think one of the other factors that I think going into the second half we are expecting to do a little better. In the last half-year we went live with our new lending platform in broker channel. The reality of that was there were a few teething problems and we did have to be careful about getting out there and driving too much volume as we would through some of the teething problems. We've got that -- most of those under control, there's a final update that's going to go live with that system towards the end of this month which gives us confidence to get out there and bring some more growth in that third party channel. The business banking side of things as I highlighted is probably a little bit more challenging. With all we do, we will get the positive impact as we do every second half of the seasonality in the agri book where we see seasonal lines repaid in November and December and tend to be redrawn in sort of the April, May, June period. So we do expect to see that positive swing in the second half in the agri business space.

Victor German
Macquarie Research

So in home -- in mortgages, do you find that your retention rates are just consistent with history or are you finding more outflows in the current environment?

Richard Fennell
Executive of Customer Banking

We haven't seen any significant change. In fact, certainly in the local connection business I think we've seen a slight improvement in reduced outflows there. And I can guess that -- a couple of reasons behind that, but certainly not seeing any deterioration on that front.

Operator

[Operator Instructions] Your next question comes from the line of Andrew Triggs from J.P. Morgan.

Andrew Triggs
JP Morgan Chase & Co, Research Division

A couple of questions please. Firstly, obviously some discussion around or some caution -- I know of caution centered around that front book discounting mortgages. Do you perhaps have a [indiscernible] indicating what you think that gap is and where the asset relative to the recent path and I think you did note in your comments, Richard, that it was perhaps more severe in principal and interest lending, is that owner occupied P&I specifically, but that surprised me a little bit given how much re-pricing has been in interest-only investment that I would have thought perhaps it was stronger in those sort of high-risk categories. That's sort of first question around front book pricing. And the second one just a clarification around the -- you mentioned some leverage to rising rates. Just some -- any information you have on the size of your hedge book and any changes that you've made to that hedge book in recent years around the sort of average tenure?

Michael John Hirst
Former MD, CEO & Director

On the front book discounting, the discounts -- well the most competitive part of the market is absolutely that owner occupied P&I space. And we are consistently seeing offerings out in the marketplace sub-4%. Now if you look at where the stand of variable rates, it's for most banks the standard variable rate is somewhere between around 5.25% to 5.5%. So when you're then seeing offerings down in some cases well below 4%, you can see the level of discounts we're talking about here in the order of 150 basis points, in some cases more than 150 basis points. Back-book discounts have been increasing over time. And I don't have an exact number, but I suspect in our case our back-book now would be somewhere between 80 basis points and 90 basis points of discount on average heading towards 90 basis points. Now we're not and we never will be one looking to be at the absolute sharpest competitive position on price, but the reality is we do need to be within an appropriate range of the competitors. So at times for good credits we are needing to get down to around that 4% or even a bit below that. And that's the challenge we face with that front book discounting. It's less -- it's been less of an issue in investor and interest-only as there has been less competition there because of everyone making sure they get below those APRA caps. Now that [indiscernible] below those, we may see more discounting happening in that space going forward. But it hasn't been a big factor in the last 6 months. From a hedge perspective, the average tenure of our LTD book is only around 4 months, maybe 4.5 months. So that's where we do most of the leveraging -- sorry, of the hedging in relation to the deposit side of the business. The at core -- or at core deposit business is a natural hedge against variable rate lending, so we don't tend to hedge that actively. What we do manage is the overall hedge position of the book and we do have an opportunity if we are confident that we're moving to a tightening cycle to position ourselves to get some benefit from that, whilst making sure we stay within the limits we have in place as an organization to manage both the economic value risk for the organization, but also NII risk in how we position the balance sheet.

Andrew Triggs
Deutsche Bank AG, Research Division

Richard, could you give us a sense of the dollar value of non-interest rate sensitive deposits in your funding mix?

Richard Fennell
Executive of Customer Banking

Well, I think if you go to Slide --

Michael John Hirst
Former MD, CEO & Director

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Richard Fennell
Executive of Customer Banking

-- 20, we give a pretty decent breakdown of the at core or the core deposits and as you can see there's in excess of a quarter those, a sub-25 basis points which I would expect would not change at all with a move up in the interest rate cycle and about 50% of that book between 25 basis points and 150 basis points which would move to some degree, but not necessarily proportionally with that.

Operator

Your next question comes from the line of Frank Podrug from Merrill Lynch.

Frank Podrug
BofA Merrill Lynch, Research Division

Couple of questions. Firstly, congratulations on hitting APRA's unquestionably strong target. Let's look to FY '19 onwards, you're producing about 50 basis points of organic CET1 each year. You flagged the potential 50 bps [indiscernible], so presume for a moment again final capital adequacy guidelines don't maturity change our position, how do you think about capital management? Would you prefer to build a buffer and a buffer and move towards say 9.5% or you're in a position to start neutralizing the DRP or even more? And second question just lightest piece on strategic options for Homesafe and how confident you feel on the 6% house price growth rate 18 months out?

Richard Fennell
Executive of Customer Banking

On the Capital Management, Frank, it's -- well, first thing I'll is I think you've seen from our actions, certainly comfortable with the position we're in now in getting rid of the DRP. Before we'd make a commitment to neutralizing the DRP participation with no discount, I think we would probably wait and see what comes out from the regulator. And I think they've flagged later this month their intention to get their next paper out on that, which will be a discussion paper. If that were to be closely in line with what we're seeing from Basel, then those sorts of options would potentially be available to us. We certainly don't feel that given the risks we carry in our balance sheet, there's any urgency for us to be racing up towards the 9.5% core equity tier 1, unless there was some regulatory driver that was forcing us to move towards that. We certainly do our own analysis around the amount of economic capital we believe we need for the risks we carry and I think the S&P RAC ratio is informative in relation to that. Second part of the question, Homesafe. The long-term 6% assumption is actually a number that is below the actual long-term performance going back 30 years or 40 years, so we have actually edged that lower in the last couple of years. It is hard to see with great certainty looking forward, but there are some factors that probably do give us some confidence that we have -- we are likely to continue in the long term to see growth in residential real estate prices particularly within a certain proximity of the CBDs of Sydney and Melbourne. Now the overlay we have in place obviously assumes a lower rate of growth for the next 18 months. But beyond that with population growth and the way that tends to be focused on Sydney and Melbourne, we certainly feel comfortable and others, they just sign off on our accounts, certainly seem comfortable with the assumptions we've put in place. And clearly the history we have of contracts completing and the values in which they're completing certainly gives us comfort that the price we've been talking to valuing this portfolio over the last 10-plus years has stood us in good stead.

Frank Podrug
BofA Merrill Lynch, Research Division

And thoughts on strategic options for Homesafe, still giving that a bit of thought?

Richard Fennell
Executive of Customer Banking

Yes. We continue to have some discussions with various parties and if we can get one to fruition, then we'll be very quick to make an announcement along those lines. But there continues to be interest from a range of different parties, but unfortunately we haven't managed to get one to the altar yet.

Operator

Your next question comes from the line of Ed Henning from CLSA.

Edmund Anthony Biddulph Henning
CLSA Limited, Research Division

Couple of questions from me. Firstly, can you just refresh us on the expense impact, if you do get advanced accreditation and the amortization that increases going forward? And secondly, Richard, you were just mentioning when you were running through the commercial property exposures that the value of the property was obviously below what the market value was, but they will continue to pay interest. Have you gone and had a really good look at your book at how many things you've got on your books that are substantially below the market value that might cause an issue in the future?

Richard Fennell
Executive of Customer Banking

Yes. I'll go to the second one first, Ed, and that is something that we have had a pretty close look at on the back of this experience. I mean, there is -- they're often -- you get -- often -- from time to time you get nasty surprises like this one. But certainly this has opened our eyes to that potential issue and so we've been working through the book as we go through the annual review cycle of our commercial exposures to try and highlight any similar issues that would require provisions to be put in place. In relation to home as item, advanced accreditation, the amortization impact, we'd expect that to be in the order of an additional $4 million to $5 million per half year once we get to advanced accreditation, and once we get past this hump of this next release from APRA, I think we look forward to reinvigorating those discussions with the regulator to work through hopefully the prices to finalize moving towards advanced accreditation.

Edmund Anthony Biddulph Henning
CLSA Limited, Research Division

Thanks Richard. And just going back on the commercial exposures when you said you're working through the portfolio, so you haven't gone through and looked at it all yet or is that yet to come at the full-year when you do your annual reviews?

Michael John Hirst
Former MD, CEO & Director

No, I think, Ed, we're pretty confident that the position we have put here today is the position as it currently exists. The -- we don't know what's going to happen to property prices in the future. Anything that we've uncovered that's in a similar situation to that one has been accounted for. The reality is our values change all the time as tenants moving in and out and what have you. But we're pretty confident that the major issue that's coming in this one is where it's at. And I think the thing to look at -- if you have a look at [indiscernible] experience over long period of time, it's still pretty minor even with those things and maybe there's a bit of a focus today for that raise in. But we're pretty comfortable with the book.

Operator

The next question comes from the line of Jon Mott from UBS.

Jonathan Mott
UBS Investment Bank, Research Division

Just had a question actually on the deposit side because if you look through the average balance sheet, the biggest improver on the -- is the margin, whereas retail deposit cost down by 6 points. And I think on Slide 40, you're showing that you're still retaining 85% of your TDs even after the re-pricing. So just wanted to get a feel for a couple things. Firstly, the elasticity of demand here seems like you should be able to keep re-pricing your deposits down over time as credit growth slows, you should be able to continue to do that. I wanted to get your feeling for that sensitivity and can you continue to get your deposit cost further down. And then secondly the follow-on question is, what we do with that -- it sounds like you're prepared to use some of that to try and chase some volume and you're going to do that by basically just turning back on the -- tariffs on the broker-originated investment property into [indiscernible] again rather than focusing on your core proprietary channels and proprietary flows. So a question on the elasticity and also on the usage of that?

Michael John Hirst
Former MD, CEO & Director

Well, I think Jonathan the elasticity is driven by a whole lot of different things, including how accommodating the wholesale financial markets are and the impact that that has on competitor pricing. So with the strong wholesale markets that we've seen in the second half with APRA sitting on top of the lending through macro-prudential et cetera, the competition in that space hasn't been as strong as what it's been in the past and you've probably seen reduced pricing right across the market I would have thought. The ability going forward to do that will depend on all of those things as well. But I think the -- our customer service proposition et cetera still gives us a great opportunity to be able to benefit more than most in that regard because the service proposition is worth something to people with term deposits. In respect to how we might spend that, well, yes, we want to see an increase in volume. If you have a look at there's a slide in the pack and I'm not quite sure, Richard will quickly find what page it is, but, if you have a look at --

Richard Fennell
Executive of Customer Banking

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Michael John Hirst
Former MD, CEO & Director

-- Page 14, you can see over time where our growth has been coming from and how we've maintained it. It's predominantly in owner occupied P&I across both of our channels. The third-party channel certainly had done a lot more in investor interest only and that's come off. But the growth that we've seen in owner occupied P&I in local connection continues and that continues to be a focus for us.

Jonathan Mott
UBS Investment Bank, Research Division

So just on that Slide 14, because I think it's a really good slide, isn't that exactly what you should be doing if you're continuing to focus on the owner occupied P&I? I know it is competitive, but it seems like right now even the regulator is telling everyone to try and back off the third-party originated investor interest-only channel which obviously they're saying is pretty risky. So isn't that something you'd be thinking about, it's not really we're chasing that and turning that CapEx on?

Richard Fennell
Executive of Customer Banking

Well, I think the unknown in that and the thing that will play a major role in that is what happens with those risk weights when they come out. Our expectation is that there'll be a lot more differential applied in capital since, which will then -- that there'll be changes in a pricing sense. So at the end of the day banks are about managing risk and pricing that risk appropriately and if you get that pricing right, well, then it should be fine, but the proprietary channel has always been a focus for us. We're not as big in brokers as we are in mortgage managers as you know and that owner occupied P&I will continue to get our attention.

Operator

Your next question comes from the line of David Spotswood from [Ellie Funds Management].

David Spotswood
Shaw and Partners Limited, Research Division

Just a few questions, just on the [indiscernible] Trust, just on that Page 12 of the pack, I'm just trying to clarify what's going into cash earnings such as the profit on the sale the realized asset re-valued and then the funding costs realized, is that what's going through the P&L, a discount right unwind for cash?

Richard Fennell
Executive of Customer Banking

From a cash earnings perspective, that's right, it's the -- it is the difference between the amount we paid for the share of the property at the time we entered into the contract and the amount we received when the contract completes less the specific funding cost of that individual contract. And what we then back out is the -- all of the unrealized gains in value or movements in value of the properties -- all other properties in the portfolio. So at the discount any move in values et cetera. And we also take out from our cash earnings the cost of funding the portfolio which aligns with those unrealized guidance.

David Spotswood
Shaw and Partners Limited, Research Division

So that minus 1.9%, is that going into cash earnings?

Richard Fennell
Executive of Customer Banking

So management fair value adjustment, no, that only impacts the -- that's the adjustment to the overlay which only impacts the statutory earnings, no impact on cash earnings with that.

David Spotswood
Shaw and Partners Limited, Research Division

Just a second question, the trading book revals have sort of come down from 13% to 7% to 3%. Is 3% sort of sustainable number for that or should that be 0% or should that be -- or is it unforecastable?

Richard Fennell
Executive of Customer Banking

Unforecastable is probably the most appropriate way to think about that. We look to generate some income consistently from our trading book, but it's driven very much by a number of factors including the volatility in interest rate markets and over the last 6 months we really have seen very little volatility. Now it might be that we are moving into a period where we start to see some greater volatility and there might be some more opportunity there, but certainly going back a couple of halves to a very strong contribution, when that happened, we were certainly not expecting that to be a sustainable number. When it is second half ends up -- where it ends up unfortunately only time will tell.

David Spotswood
Shaw and Partners Limited, Research Division

Sort of last question, the sort of 80 basis points to 90 basis points discounting on the front book, did that -- I assume that's just for the unoccupied P&I, does that sort of translate roughly into what 5 basis points of the NIM on a per annum basis, sort of about right?

Richard Fennell
Executive of Customer Banking

These are the -- 80 basis points to 90 basis points is where the back-book sits. The front book would be above that. And again, I'm not going to sort of give a view on exactly how that plays out because there are number of factors that we make -- or decisions we make that have an impact on that including the decisions we make every fortnight when our pricing committee meets as to where we want to position ourselves in that margin volume into play between the different segments we operate in and the different channels we sell through. So it is -- it's not to mention the competitive dynamics that are going on outside of our front doors. So it is very difficult to give a clear forward view on how much that impact would be going forward.

Operator

Your next question comes from line of Andrei Stadnik from Morgan Stanley.

Andrei Stadnik
Morgan Stanley, Research Division

Just wanted to ask 2 questions please. Firstly on capital, I wanted to ask if there are further opportunities to restructure commercial, share high-risk density business or is there further opportunity to optimize the mortgage securitization and reduced risk weights around that?

Michael John Hirst
Former MD, CEO & Director

I expect there will be some more opportunities on the commercial side. It's hard to say how that will play out. Again part of it, I mean [indiscernible] referring to this will be driven a little bit by what we see in the next few weeks from the regulator and what impact they choose to bring in [indiscernible] from income-producing real estate and what is coming out of Switzerland in relation to that and how that will play out locally.

Richard Fennell
Executive of Customer Banking

Well, it's not just that, it's the whole range of changes across all different categories depending on how that plays out, depending what your customer-base is, depending where your opportunities currently lie, who knows where that's going to head? And it might involve diverting capital from one opportunity to another opportunity. In that situation, if commercial was disadvantaged, well, you could see that happening, but we really do need to wait to see how that plays out because that's going to be a major factor in understanding where you target opportunities going forward.

Michael John Hirst
Former MD, CEO & Director

In relation to securitization that's an option that remains open to us. Right now with the strength of our funding position, there's no urgency in going back to that market and if we were to go and tap that market again in the very near term, it would just be excess liquidity that we wouldn't really need without further running off that deposit book and we are allowed to do that because the one thing you get with the deposit is a customer, and we certainly are going to continue to attract more customers through our value proposition.

Andrei Stadnik
Morgan Stanley, Research Division

And second question I wanted to ask just around cost, so it's quite possible to see in the second -- of the next 12 month headwinds to margins and revenue being subdued. In that kind of an environment, would you commit to maintaining positive jaws or would you have a more opportunistic view on cost management?

Michael John Hirst
Former MD, CEO & Director

The commitment we'll make is to continue to work hard to drive productivity improvements and the outcome of that you've seen over the last few halves that we've done a good job in the cost outcome and that's delivered positive jaws. Certainly with the headwinds that I outlined around the days in the half et cetera, I'm not in a position sitting here today to commit that that will necessarily continue, but certainly in the medium term that's something we're focused on. We do want to get our cost-to-income ratio lower, not have it edge higher. So we'll continue to focus on that productivity to help to drive that.

Operator

The next question comes a line of Ashley Dalziell from Goldman Sachs.

Ashley Dalziell
Goldman Sachs Group Inc., Research Division

I just had a couple of questions around the margin, if you could just help us think about I suppose the walk from the exit margin of 288 to the January margin of 237, you called out it is done, a little better on the NIM than you had expected in the half by a couple of basis points, so those funding and hedging cost tailwinds must have been quite material sort of I suppose in the last 6 weeks of the half. Yet clearly that the NIM has stepped down in the month which unless there's anything else that we're missing around mix would suggest that gap between your front and back-book that dynamic is running at quite a material perhaps 1 bps to 2 bps headwind to a month? Is that the correct way to be thinking about this?

Michael John Hirst
Former MD, CEO & Director

Without trying to put a precise number, I think that the assumptions you're calling out there are probably reasonable. Month of January we don't do a lot of pricing changes and the like, and so what you're seeing is probably a reasonably consistent set of inputs between December and January. So you are seeing the impact in the month of January with a 1 basis point drop off from that headwind what that we've spoken about.

Ashley Dalziell
Goldman Sachs Group Inc., Research Division

And just a second question around funding and obviously your aspirations to restore the mortgage volume momentum, you spoke to funding headroom and funding capacity, yet when I look at your retail TDs they haven't really grown in around a year now and the [NSSR 111] is probably roughly where you need to be. I mean obviously you've caught up some funding tailwinds that came through at the end of the half, but can you maintain those sort of funding tailwinds while restoring some liability growth to fund your asset aspirations?

Richard Fennell
Executive of Customer Banking

It's not a end-all question, it's -- those things go hand-in-hand and the answer is can you grow the balance sheet at a reasonable margin that reflects the risk that you're taking and the answer to that is yes. In the last little bit we have taken the opportunity to lengthen the term of our wholesale pricing, the balance sheet adding ground significantly, so it's not a lot of need to grow the deposit base, but having said that customers are being -- switching from term deposits into at-call and switching back for a number of years now depending on where they see opportunities. So perhaps all the volatility that they see in equity markets makes them think that there's an opportunity there for them or perhaps they've just been on holidays and haven't got around to swapping their TDs over, but the bottom line is one of the great strengths of our network is deposit gathering. We'd be very confident we could continue to do that at a appropriate price going forward.

Operator

Next question comes from the line of Craig Williams from Citigroup.

Craig Anthony Williams
Citigroup Inc, Research Division

It appears that customers will be the winners from the various government or [indiscernible] conducted at present and shareholders and perhaps banks have perhaps had the balance tipped in their favor too heavily in the past with respect to retail banking and that's going to see some fees being reduced, some fines being paid et cetera. Bendigo is a smaller player who has been relative clean skin in terms of poor advice and conduct issues gets caught up the cost of participating in their reviews and blame the cost of the industry's failures, how do you see the benefits emerging for Bendigo?

Michael John Hirst
Former MD, CEO & Director

Well, I think there's a couple of things, Craig. One is that because we've always taken the approach that we have of rebalancing the interests of all stakeholders as you pointed out, I think the opportunity for that to be highlighted through this process is an obvious one. Secondly I think the amount of expense that you'll get caught up in respect to this is probably going to be proportional to 2 things, your market share and your instances of misconduct, so from that point of view I would like to think that we won't be too badly hit in terms of the expense et cetera. And I think the third thing is that a lot of the response from the government and regulators around this now seems to be, well, we're having these problems because of the market concentration that was driven by regulatory advantage that built up over a period of time through the government guarantee and advanced accreditation and we need to address this, and that's something that's been seen globally and everything that is coming out of regulators now is about, well, we've seen competition issues created, we need to redress that because when this concentration of competition be outcome for the consumer hasn't been great.

Operator

Your next question comes from the line of T.S. Lim from Bell Potter.

T.S. Lim
Southern Cross Equities Limited, Research Division

Mike, you've been around for -- well, you've seen a lot in the last 9 years, so what's your view of Bendigo Bank say 5 years from now? What's it going to look like and are you happy with the business mix?

Michael John Hirst
Former MD, CEO & Director

Thanks for pointing that out T.S. Look, I think the opportunity for us is as I pointed out in answering Craig. I think as we move through a period of technology advancement that's really going to open things up for organizations such as ours. If you have to think about our physical network, it really has only developed to the point it is over the last 20 years, so in terms of physical distribution, it's still very new. We move through that into distribution on digital and mobile platforms and my view is that that only assists us in being able to attract new customers. So the key for us is to drive that customer consideration to make our customer experience the best in the market which it is today and then all of the technology advancement that will come along will enable switching and things to be much easier and I'd see us being a beneficiary of that. So I'd like to think that in 5 years' time we'll be uppermost in peoples' consideration, we'll be capable across physical and digital networks and as a result of that we'll be growing strongly.

Operator

There are no further questions at this time. I will now hand back to the speakers.

Michael John Hirst
Former MD, CEO & Director
All right, well, thank you all very much for your interest today. I know there was a competing event going on which is certainly going to be of interest to all of us. But I'd like to take this opportunity to thank our staff for this result. We think it's a really good result, the revenue growth, the expense control are all really impressive I think in this environment. The opportunity that we've had over that period to build capital through the term to get us to the point where we're now at the unquestionably strong level is a highlight of the results and I think going forward we're in a really strong position going into an environment that's going to be positive one for us. So thank you.