Question and Answer

Operator

[Operator Instructions] Our first question is from Richard Wiles of Morgan Stanley.

Richard E. Wiles
Morgan Stanley, Research Division

Could you provide some more commentary on net interest income, particularly the impact of liquids on average interest-earning assets and the margin, the impact of competition, and whether the strong markets income meant the underlying decline in margin was different from the headline decline, please?

Shayne Cary Elliott
MD, CEO & Executive Director

Yes. Thanks, Richard. I think it's best that Michelle takes you through the answer. Michelle?

Michelle Nicole Jablko
Former Chief Financial Officer

Yes. So in relation to your question on liquids that had about 2 basis point impact on the margin, I think we increased liquids by about $13 billion for the quarter. In terms of your question on the underlying, the difference between the underlying and the headline is 7 basis points. So the underlying was 7 basis point better than the headline you saw. There were some other ups and downs in the margin. We called out at the main ones, which were really rates -- low rates, which was 6 basis points, as we previously told you, liquids as I have mentioned, and then mix. On mix, the main thing was -- really were 2 things, different variable to fixed home loans, which has gone up a bit this quarter, and also just the mix that -- with more -- we had more Institutional relative to the rest.

Richard E. Wiles
Morgan Stanley, Research Division

Michelle, could you also comment on competition?

Michelle Nicole Jablko
Former Chief Financial Officer

Yes. In terms of competition, I'd say the impact of competition was broadly the same they've always been, but we had some offsets to that. Because if you recall, we had some higher institutional lending margins through the quarter. So I'd say in terms of competition, similar to the trend you'd normally see, say, about [6 points] of impact.

Richard E. Wiles
Morgan Stanley, Research Division

Okay. And if I could just ask a second question, please. Do you have some sense about what proportion of your deferred home loan customers and deferred small business customers may seek an extension of that deferral for an extra 4 months?

Shayne Cary Elliott
MD, CEO & Executive Director

I mean the short answer to that, Richard, is no, we don't actually. And then I think it's just a timing issue, right? We're right at that point actually where we don't start to know. We've obviously been in contact with all of our customers. But I might just ask Kevin. He's going to talk where we are in terms of that contact program, and he will have better insight into the numbers that will be seeking the extension or any sort of color [you can give] on that.

Kevin Paul Corbally

Group Chief Risk Officer

Sure. Look, at the moment, we're contacting every -- so taking home loans first, mortgages. We're contacting every deferral customer either digitally or alternatively, be it phone or letter if the case might be. And that's to ensure that they understand when those payments are actually due to restart. And [walk them] on what their options are as well. And we've also given the opportunity and some have done so to sort of schedule a discussion closer to the end day, or alternatively, he can speak to someone that -- if they need it. And what we're doing in terms of the process from a call-in perspective, telecom perspective is we're actually checking in on those portions of the payer group who have the characteristics, if I can describe it that way, that suggest they might need some -- just positively higher risk [of unemployment]. So that means that there's a material drop in their income on their own employ at this stage. Now what we're doing is in having those conversations, it will -- based on that, what we have seen, I think, which is really interesting, is that 2/3 of the customers who sought a deferral, actually, their income level has either improved or it's stable. In addition, 1/4 of the customers who sought a deferral have also made a repayment notwithstanding the fact that they're actually on a deferral during this period, still continue to make a repayment. And more than half have at least 3 months or better in terms of a payment buffer.

So that's actually the process. That's broadly where we're up. And at this stage, we've contacted in the order of about 2/3 of our customers on the mortgage side. On the commercial side, on the small business side, slightly different in that we spoke with -- you have to opt in for that process, and we still had to resell to customer prior to them actually taking up the package. So they understood exactly what it was, that it was an offer. We're not required to do the same 3-month review as we are for mortgages. However, we have actually gone about and started contacting those customers, and we have continued the normal credit and portfolio monitoring that we would have for those customers as well. And I think in the slide pack, we've also given some information around those customers. And some of what we've seen there is that 60% of them have actually interest and they've got higher cash balances versus the same time last year. And 45% of them, their cash inflow is actually greater than the same time as last year. And also about 30% of them had actually -- one of the key things to connect with customers we've been trying to do is to eradicate and reduce their cost base. And about 30% of them have actually decreased their cost base by more than 30%. It's quite significant. So that's sort of where we're roughly at, at least...

Shayne Cary Elliott
MD, CEO & Executive Director

Yes. I think I would add to that, Richard, just to give a bit of time -- clarity on that. I mean that 2/3 of the online customers were -- Kevin mentioned were -- their income was stable. That is broad -- well, that's quite a broad definition. So that might still be down. It might be down [30%], but it's not fallen off a cliff, right? So just to be clear on it, it doesn't mean necessarily about the same.

The other thing I would just add, I sort of made a reference in my opening about the data investments we've had. That has really shown [-- consistently have shown] our ability to actually, literally in real time, going through -- giving you all the customers who've got a JobSeeker payment in their account, giving you all customers who have seen their income levels fall. And our ability to be able to respond to the tide is just a massively different level that -- than it was in the past. And I think that's enabled us to be much more targeted and in a way that we respond to them and reach out. Not perfect because we don't have everybody's operating account, but it's really been an [interesting potential] this time.

Operator

Our next question is from Ed Henning of CLSA.

Edmund Anthony Biddulph Henning
CLSA Limited, Research Division

Just 2 questions for me. You talked about the trends continuing in July around the paydown of the Institutional borrowers. Can you just run through how much more you think has got to play out here? Could the fourth quarter be the same as the third quarter impact or you think this is falling?

Shayne Cary Elliott
MD, CEO & Executive Director

That's a really good question. Obviously, we don't know yet. But look, let's just back up a little bit, Ed. What happened in the first half, March, right in the heat of the moment, COVID really hit the shores not only in Australia but the United States and parts of Europe. That's where a lot of our multinational customers are based. What did they do? They did what they're supposed to do. They shored up their balance sheet. They hoarded cash. They drew down liquidity, et cetera, et cetera. And we saw that, yes? And we saw that obviously more than [us doing our basis]. And we made sure we were getting paid for that, yes? So people were basically, "We got that." [What I meant] there is a bit more certainty in the third quarter, things started to calm down. Capital markets continued to operate. People realized they could raise equity, and we saw that in a massive scale here in Australia in particular but also internationally, treasury generally calmed down and made -- I don't need this expensive debt, and they started repaying.

So we expected a reasonable cut in the third quarter. If we look at today -- between June 3 and today, that trend has continued at about the same pace now until today. So even today is like, "I don't know from here. I think this really depends on the state of capital market and the general just sort of economic sense." But if you're bidding this, you have to say it's probably -- it will be, a worse case, sort of flat and probably continues to come down, which, from our perspective, isn't a bad thing because it releases capital and -- but we'll continue to support our customers as necessary, but I'd say probably flat to down would be a pretty decent estimate.

Edmund Anthony Biddulph Henning
CLSA Limited, Research Division

And just a second one. Markets income was obviously very strong during the period. Can you just touch on what's happened in July and August and how you're seeing that going forward?

Shayne Cary Elliott
MD, CEO & Executive Director

So let's get back to why it's strong. It's coming from a couple of things. In our Markets business, I think as we pointed out, it's quite different to some of our local peers in particular. More than half of our Markets business is international. It's not in Australia. In fact, some of our biggest operations are in Asia, for example in Singapore, and also in London and New York, and then those with that sort of international franchise we have. And actually, it has been the very strong performance has been announced. It's been strong everywhere, but the sort of outperformance has really very much been in our international franchise. And then for the reasons that I mentioned, underlying volatility, what happens? Well, there's a bit of spread wide and a little bit of volatility. You get a little bit more activity from customers who are speaking to hedge. All of those conditions is -- have continued from the third quarter into the fourth quarter. So the basic condition, probably not to the same degree. It's not as volatile as it was. It's [spread out] as wide as they were, but it's still a pretty buoyant environment for Markets, for Global Markets businesses. And this, again, just to be clear, our business, what do we do in markets as opposed to others? Our franchise has a very big foreign exchange franchise and a sort of rates and credit franchise. We -- our commodities business is timed if we don't do equities this year. So that -- so it continues probably at a slightly more modest pace though but still looking pretty good.

Operator

Our next question is from Andrew Lyons of Goldman Sachs.

Andrew Lyons
Goldman Sachs Group, Inc., Research Division

Just a question on Slide 11, just around your business loan deferrals. On Slide 11, you note 94% of your SME book on deferral is fully or partially secured. Can you perhaps provide a bit more detail about what this collateral is and how you'll ultimately balance the needs of your customers versus the needs of your shareholders as we go deeper into this cycle? And you may have to start accessing that collateral in a fairly significant way.

Shayne Cary Elliott
MD, CEO & Executive Director

Yes. I'll start with that, Andrew, and I'll ask Kevin to give a bit more detail on it. [Definitely], this is a little bit high level but sort of what we're saying here is for the most part, the reason that these loans have gotten out of harm's way is through no cause of their own. It's not that they had their business models. It wasn't if they were overheated. It wasn't that they did anything to make their decisions. They've been caught. And in general, the business was essentially [made legal] by governments in order to operate. And so the question -- so the good thing is fundamentally, the vast part of these were good businesses that can -- in the right sections, can just quickly get back on their feet. Now those are circumstances unfortunately outside of their control. They're largely due to government policies.

So we've sort of taken you that the best thing we can do here -- the best thing, we'll run those businesses, whether it's a manufacturing business or restaurant or whatever it might be, are the people who currently do, but getting in time is the right thing to do. So that's the approach we've taken. We are very fortunate, as you know, it was in a low interest rate world. That cost of giving them time is a hell lot than would have been in GFC or any other normal financial crises. So it cost to them and it cost to us, but getting time is lower.

But we noticed, Andrew, that even if tomorrow morning the vaccine is discovered and governments open up these things, not all of those businesses will be able to get back on their feet. You're quite right. And said at the right time, we're going to have to take some hard decisions. That's sort of what we do for -- that's our role in the economy. But again, I think we've taken that view that we can do to give as much time as we can. It's in their interest. It's actually in our interest that these people get back on their feet. So I think we are being more tolerant in terms of -- and really focus on that customer care in terms of that balance. The cost of the shareholder is actually quite low of -- given that time, and that's got to be really, really important effectively in doing this. So this idea remains -- this idea of a cliff that on some major states and all these things happening, we're going to act responsibly, I don't think holds water for all sorts of reasons, which you guys -- but, Kevin, do you want to give a little bit of -- because it is true there's a lot of security behind here but it's in place for...

Kevin Paul Corbally
Group Chief Risk Officer

So the vast bulk of it, Andrew, is secured by either residential or commercial properties. There are some other assets that underlying businesses have as well, but the vast bulk of it is down. And when we say [all the] security, we [repay] that in over 100% obviously secured and partly secured in less than 1%, but it is predominantly residential and commercial property that support residential [with some other] stock and other assets. So...

Shayne Cary Elliott
MD, CEO & Executive Director

But obviously, we've run models in our own stress test that say, well, what if the sort of -- what tends to happen to large chunks of that? What is the dimension of that? The good thing about the -- and the bad thing about that obviously is that we'll have to make some pretty typical decision. And you might argue well, a lot of that security is the same real estate. On the other hand, it tends to be pretty well diversified and through all this.

Kevin Paul Corbally
Group Chief Risk Officer

So I don't -- well, Shayne, you're actually right. When we expect the risk ranking on a customer, we actually run sensitivity on the value of that property so it doesn't obviously [assume] the property [state]. It did -- we have very different scenarios. And those scenarios will drive [an outcome in terms of] the risk weighting of the enterprise with customers.

Operator

Our next question comes from Jonathan Mott of UBS.

Jonathan Mott
UBS Investment Bank, Research Division

I've got a question on the dividend. Really, why did you see the urgency to payout now? It seems very unusual to have a delayed or belated dividend. Why didn't you wait till the full year results in 3 months' time when the economic outlook is going to be a lot clearer, especially when you haven't seen the full impact of price cyclicality, you haven't seen the deterioration going through? And if you look across Victoria and Auckland, you've got 10 million of the 30 million people in Australasia locked in their houses at the moment. Why not wait and see how the economy is going rather than pay a dividend out on a belated basis?

Shayne Cary Elliott
MD, CEO & Executive Director

Yes, fair question. Let us put it into context, Jonathan. We generated pre credit cost, 68 basis points of capital during the quarter. And what we do, we used a third of that for credit cost provisioning, et cetera. And the dividend we paid out in the quarter is 15 basis points of our capital repay. And that's why we believe we're modest. We've paid out a modest dividend, 15 basis points. I'm not sure -- we've got a really strong capital position, 11.3%. Could we have retained it and saw we were even higher, yes, of course, and there will always be -- this is a judgment. The judgment set our Board's book while this is about balance. Our business is profitable. It generates profit every day, not as much as it used to, but it's still profitable. And that's generating organic capital during the quarter, and you saw that in this quarter, and you'll continue to see that. We -- that allowed us to put away some more money for a rainy day, increase our credit provision, again, yes, despite the fact that actually on some measure, economic outlook is better today than it was at the 31st of March, at the half.

And nonetheless, we're prudent and we've topped up our provision. We've strengthened our capital ratios again, and we've been able to pay a modest dividend to shareholders. We think that balance is the right thing to do.

You can always pick the can further down the road and wait for more and more information. But we think that, that was a fair thing to do. And then also, I think we also had a role in the broader economy. And we know that many of our shareholders are retirees and dependent upon net income, and that's already weighted. And we thought it was a fair statement to make. But again, I think the most important point of all of that is that's why I'm confident at 15 basis points here. I think that is the only description is prudent and [modest].

Jonathan Mott
UBS Investment Bank, Research Division

Okay. Can I just ask a second question, if I could, probably to Kevin. You spend out a lot of positive statistics about the 12% of the mortgage book, which is still on deferral, like a 2/3, and you haven't seen a fall in income. Can you give us -- all we know in banking, it's tail risk. We're not worried about the 2/3 that haven't seen the fall in income. We're worried about the 1/3 that has. Can you give us some statistics about the tail? How are they looking? What are they seeing in their income? And what prospects have they got of getting back on their feet and repaying their debt?

Shayne Cary Elliott
MD, CEO & Executive Director

So I'll start, Jonathan. I think your observation is spot on. I mean in my experience, that's even more the case in this crisis than it is in normal one. The pain of this crisis has been disproportionately by a relatively small tug-of-war, various damage in the part of the economy. And it tended to be, as you know -- I know you noticed, but just it's tended to impact lower-skilled workers or casual workers and/or more lower income cohort, and therefore, a disproportionately rental income population as opposed to the homeowner population.

But nonetheless, you're right, and this entire -- and we do have some color on that, given the sense of disproportionate there. So for example, the number of people with a high number that are on JobSeeker, who actually unemployed, and in [technically] in small ways you can imagine [indiscernible] Kevin, I better pause there.

Kevin Paul Corbally
Group Chief Risk Officer

Yes. Look, a couple of things I would say. Some of the one -- I think an important point, I expect it to say, an important point to remember is that processing every dollar in every customer, who we offer that whole node of deferral to are very current when they -- with these deferral programs. So these are customers who are up to date with their payments, consistently making payments to us. And we thought it was the right thing to do, offer them that -- these deferrals, given that not everyone adopted that approach in terms of who they granted the deferrals to. We know the part that is stricter than possibly some loans, but that's the approach we gave to them. And what we have as an exchange point is some of our customers, it's very difficult to see who's getting JobKeeper, but we can see JobSeeker, and that's a single-digit percentage of the -- those that are on deferrals.

Jonathan Mott
UBS Investment Bank, Research Division

Just so if I kind of compare that to comments from one of your peers, I think it was NAB who came out and said, they're seeing a disproportionate number of people who are in the private bank and had mortgages over $1 million on deferral. Are you seeing a very, very different cohort on deferral and having financial stress?

Shayne Cary Elliott
MD, CEO & Executive Director

Yes. I think -- I obviously don't know the book of NAB. But I imagine that some of that has to do with business mix in terms of how you go about your business and the sort of small business because there's a lot of small business people. [KeyBank] could be private bank customers had lots of -- as you know, Jonathan, we do not have that experience. There is a slight [increase in] mortgages so that the deferral count goes up on average slightly higher on loans than not. That sort of makes sense because as you know, the averages in our total book, there's a whole bunch of things we've got $50,000 of mortgage, which probably don't need to get deferral. But it's only small. So no, we don't have that same SKU at all. I wouldn't -- we wouldn't have identified that as a trend with an outlook.

Operator

Our next question is from Brian Johnson of Jefferies.

Brian D. Johnson
Jefferies LLC, Research Division

I've 2 questions. The first one is the slide where you've got on your home lending, the growth, new sales, $10 billion; new refi, $5 billion; redraw and interest, $4 billion; and then repay and other, down $15 billion, which is telling us that the growth is basically the redraw and the interest. The first question is, can you confirm that basically what is growing your book? How much of that $4 billion is the deferred interest that you -- the interest that you've accrued on the deferred home loans? And the other point about it is Shayne, is that I know that you're very positive that it's starting to turn around. Is that performance good enough? And then I have a second question, if I may.

Shayne Cary Elliott
MD, CEO & Executive Director

Yes. I'll answer and I'll get Mark Hand on the line to give you a bit more color, Brian. Of -- so the technical answer to your question, of the $4 billion redraw and interest, less than 10% -- about 10% of that relates to deferrals that you mentioned. What you're seeing here is we self-compare to -- we had some issues a year ago which is about pricing thing, et cetera. We've spent a lot of money. I'll talk about record investments, and part of that has been to get our home loan processing back into shape. We had a big campaign a year ago, which was very risky to the data. That was very successful. And that really gave some ability to test some of our processes. But then what we did earlier in this year, actually just as COVID was starting, it was pre COVID, it was already signed. We went out, as you know, with a very, very sharp offer in market. We were stunned by the response. And we might have thought that in a COVID time, we would still on hand, but we saw a massive new notice across the industry in terms of refi. And so we get in the right place at the right time. We've got completely matched with items to applications. Suddenly, our processing times flow out again. And we saw that people [indiscernible] multiples of what we've seen in our history for exceeding periods of time, which is good thing. Those things are still being worked through. You are not seeing the benefit of that volume yet. Because, as you know, the time lag between a [pipeline] as you draw them down. So in the third quarter numbers here, you don't read it, you're just starting to see some benefit, but that will be something that will be much more evident in 2021.

We do -- as we think we're going up, the volumes to stay relatively high to high than normal for us. We know we continue to pick up share. We've made adjustments to our pricing and did make sure that our -- we're in market, but getting a fair return for it. And we've been very targeted about the kinds of loans that we want because clearly it's a heightened risk at the moment.

So I got Mark here. You're here, you're much closer to it in terms of just getting prime and the others a bit more color on the online business.

Mark Hand
Group Executive Australia Retail & Commercial Banking

Yes. Probably the only other thing to add is in that repayment bucket, because of the COVID environment, we're seeing significant deposit growth, and that's included in offset accounts, for instance. And customers that have a regional capability against their mortgage have paid against that mortgage knowing that they can withdraw it and that is effectively their buffer. So that minus 15% number, I'd suggest is a little bit elevated. And then as Shayne said, this is up to June 30, where we saw really good volumes late last year right through that period this year. But a lot of those deals have hit the balance sheet, you're seeing from the APRA stats in the last couple of months. And we expect to see that to continue. And our refinance out continues to improve. So I wouldn't call it a flight to quality, but there has been a significant flight to the major banks throughout this period. So we expect to see continued growth and some of that repayment response because of COVID release.

Shayne Cary Elliott
MD, CEO & Executive Director

So Brian, you have a second question?

Brian D. Johnson
Jefferies LLC, Research Division

Yes. Second question. Shayne, when we have a look at it, and you might recall, I complained rather loudly about what I thought was the relatively poor disclosure. And I'd just like to reiterate that point. But on the loan losses, on the ECL provisioning and the capital intensity. But as far as I can work out today, you've listed your provision coverage to exposure at default from basically 42 basis points to 45 basis points, whereas your peers are all sitting at 60 basis points. You've had a higher historical basically rate of loan losses than your peers, and you acknowledge that in your expected loss disclosures. We can also see that in your housing book, you have a much higher proportion of greater than 90% LVRs. Could we please get a little bit more detail on what you've done in changing the economic scenarios? What have you actually done in the provisioning and the probability that you've basically assigned to the base case and the undisclosed downside case?

Shayne Cary Elliott
MD, CEO & Executive Director

Yes. I'll get Michelle again to add to that. So just stepping back a little bit first before we get into detail on the second question, Brian. I think, again, we have to go back to the fact that our businesses are very different. As you know, and constantly criticized for. We have a much bigger institutional business than our peer group. The reality is today, our institutional [basic] and investment-grade, trying and might when you go through this crisis. At this stage, I don't think we're on it. This does not appear to be a price that is done just a portion of institutional side of the business. And as you know, institutional bank, just the normal course of business has a much higher risk weighting in the first place when you're booking business. So it's very, very different. And a business that might be exposed, for example, the SME sector, which we are not. So I think there are differences in there. But Michelle, you just want to talk through some of this commentary and point the ECL function.

Michelle Nicole Jablko
Former Chief Financial Officer

Sure. Yes. And we will provide as much more detail for full year as well. The way we thought about it, again, if you go back to what we provided in March. And I said in my comments, we had a pretty grim view of the economic outlook at that point in time. And we can debate the various assumptions around that, but we had a pretty grim view of the economic outlook. What we've done now is while the economic outlook is still negative, as at June, when you view these numbers, it was less adverse. But what we did was increase the ECL. And we did that through a few things, partly through changes in the probability weight and partly through the overlays. Again, I'm happy to provide much more detail on the full year with all the dispositions then and we take on your feedback, Brian. So they are I think that...

Brian D. Johnson
Jefferies LLC, Research Division

Sorry. The other question, Michelle, was on the capital density. Previously, you said 110. And I can see in the slide, there seems to be about -- would I be right in thinking 10 of the 110 has happened in the quarter?

Michelle Nicole Jablko
Former Chief Financial Officer

So during the quarter, we had 7 in the second quarter as well. So 17 of the 110 has happened so far. What I did say, again, it's a bit early to predict these. What we're seeing, we're really well progressed in terms of our wholesale review. As of June, so as of these numbers, we're about halfway through. As of today, on institutional, for example, we're probably about 2/3 of provided target. And we're well progressed on conversion as well. So what we say -- actually say in our customers and very clearly, we don't just do this wild incentive guess. What I did say is our actuals are tracking more positively than what we'd anticipated might have happened this quarter. But I don't want to call out yet a sensitivity to the one tangible laid out for full year.

Brian D. Johnson
Jefferies LLC, Research Division

But Michelle, your ECL provisioning that you say that you've changed the economic forecast and made them slightly more adverse. Are they still more bullish -- or sorry, less adverse than the RBA's August restated base case scenario?

Michelle Nicole Jablko
Former Chief Financial Officer

No. Again, I think the way we've done it, I don't want to make a coformulate we got overlays, et cetera, in there. But the way we did it, if you look at our March forecast, which was disclosed, they were, in some ways, more 1/3 than the RBA, slightly deferred, slightly deferred -- probably more adverse -- slightly deferred track in terms of how things improved. But broadly speaking about the same and what we've done today is despite economic forecast, [their is] better. And clearly, that change all the time, and we'll update them in September. We've added to the provision, and we've done that through, as I said, profitability weight and overlays.

Operator

Our next question is from Brendan Sproules of Citi.

Brendan Sproules
Citigroup Inc. Exchange Research

I have a couple of questions. My first question is just on your operating expenses for the quarter. In the first half, you actually called out 3 notable items in expenses. I was wondering if you could help us understand how much a change in those notable items has contributed to this quarter's results. And then I have a question on your provisioning as well.

Shayne Cary Elliott
MD, CEO & Executive Director

So I'll take the generic and ask Michelle to talk. Brendan, very importantly, what we've done to this is got cases of COVID is overwhelming, there's a lot of things we need to adapt to. But we have not given up on our long-term ambitions and our strategic -- and some flow back and make it more efficient. So that will continue uptight. We're being more thoughtful about how we implement some of those changes because of the impact on people and just generally, your ability to get stuff done in working from home, but that's got to continue. That transformation is just that a lot of the dividend to the business is just better productivity and a lower of that cost. So that work has continued. There's a whole lot of detail in there. And so the important thing is that what I tried to get through there was the performance of the quarter was not an immediate reaction to, "Oh, this COVID, it's going to hang out causes, go fire some people or anything like that." We didn't do that. What we did do is we quickly went back and look at our cost base and said, what are the things we can manage differently and more target. Obviously, you get a tailwind on things like travel. I mean I don't [indiscernible] so we just stop, right? So those are easy, but we continue in terms of our productivity work to get that cost down. And the other thing I mentioned, we did not come because we've slowed down investments. So our investment in new technology, new platforms, new section or function, actually increased in the quarter. It's got largest expense, a large investment we ever had in our history. That's a good thing because those things will drive benefits not only in productivity but better outcomes for customers in terms of some of the new platforms. Because of COVID, we brought forward some of that investment. For example, we have e-signatures, the ability to do things digitally that might have been some of the feature on our assets and might have been on our backlog for later, we brought those forward as they're more appropriate. Michelle, you can talk through the sort of the large notable this year.

Michelle Nicole Jablko
Former Chief Financial Officer

When we talk about expenses being down on the sense, that's excluding the large notable. You'll see in our media release large notable, you will see total is about $100 million. About 1/3 of that was expenses, it was a [bunch of really fees so] there's nothing really need to call out in there. We will be restructuring.

Brendan Sproules
Citigroup Inc. Exchange Research

And just on your CP charge for the quarter. Could you help us understand what you've taken specifically around the deferral packages? Obviously, in 3 months' time, when the whole place do expire, there's going to be quite a bit of movement across the portfolio. So I'm interested in what you've taken now relative to what we need to look at later in the year?

Michelle Nicole Jablko
Former Chief Financial Officer

I think I've stated 2 components in a way. One, as you would have seen in the past, our 90 days past due were elevated. And we talked about that in terms of customers that have choices that was useful on deferral packages. So that had an increase in provision as well as find an overlay for -- across the whole portfolio actually looking at the deferral packages. And then also that we find an additional overlay system.

Kevin Paul Corbally
Group Chief Risk Officer

So one way, Brendan, potentially to take value that the majority of the increase this year -- this quarter, I should say, is effectively reflecting the deferral packages and the hires between commercial business.

Shayne Cary Elliott
MD, CEO & Executive Director

Yes. I mean I think the obvious answer there is as the quarter call to obtain more and more current with the time been [indiscernible] in the data, which means there is SME established is in that sector. And we were able to do more work on that and figure out what we thought is more appropriate. And obviously, it's not fixed that lends itself to individual risk review by government institutions. So that's why we use the overlay business to account that.

Operator

Our next question is from Andrew Triggs of JPMorgan.

Andrew Triggs
JPMorgan Chase & Co, Research Division

Shayne, I just had a question -- a couple of questions. Firstly, just the -- on the rate environment in New Zealand. A number of economists, including your own, now expecting negative rates hit last year. I know this was -- I mean we've talked about at the last result, but just the expectation for the margin impact perhaps on FY '21, if that were to come through?

Shayne Cary Elliott
MD, CEO & Executive Director

Yes. Good question. It's still pretty early days, Andrew. Look, as you know, they made an announcements to prepare the market for the rating banks, including ourselves, yet to be operationally prepared to do that by December. I think it's worth pointing out that we are -- and again, just to point of clarity for others, we're talking about wholesale rates in New Zealand and not retail deposit rate. That has not been envisaged by the bank, so we are talking about wholesale rate. And you're right, our [expectational] plan is now sort of [indiscernible] rates, that wholesale rate may be minus [0.25%]. But Michelle please answer the provision what that might mean? I don't think it will have an impact.

Michelle Nicole Jablko
Former Chief Financial Officer

I mean, it would be hard to predict exactly what it's going to mean because it depends on where rates go and what the number is and what the customer behavior is the market response. So it's a little bit hard to give an exact number. But as Shayne said, we're preparing for it. And so...

Shayne Cary Elliott
MD, CEO & Executive Director

And I think it's something -- I think as an answer to your question, it's something we should be more forthcoming with the full year. We're at time to think that show a little bit more. I mean the other thing I'd say is there will be less in line in wholesale as well because we're also seeing [that]. That's a fair question, Andrew, and we'll get some thought about how we can give a better answer in the full year.

Andrew Triggs
JPMorgan Chase & Co, Research Division

And just a follow up on, I guess, the messaging that institutional will perform more strongly this cycle than previous cycles. And just back to the collective provision coverage discussion with Brian. I mean the -- I think you have 125 basis points of CP coverage of credit risk-weighted assets. CBA and Westpac is sitting at 170 basis points. But there was a meaningful collective provision charge in the last half, 42 basis points of gross loans annualized. But just interested in some comments on that. It would appear that there was a top-up taken for that book in the previous half, but is the message that, I guess it's no worse than what you had first modeled on that side of things?

Shayne Cary Elliott
MD, CEO & Executive Director

Yes. I think if you go back to something I said before, I think -- we don't know the processes of other banks but we know what we do. We know we want a really robust process around it. We know that our business looks different to the others. And we also know that in a lot of these models, there's an assumption that the relative credit risk weightings are good indicators of true risk, and we don't disclose. I think not necessarily believe that's the case. As I mentioned, we are an institutional, which we have a [skew] towards high-level investment grade, high-risk weightings in the normal course of business. So -- times some of that. But -- and the nature of this crisis looks like it's going to be disproportionately felt at this stage. And other part of the -- obviously, I'm not so sure that this raw comparisons of ratios is necessarily helpful. But as I see, we know that our process is robust. Michelle, do you want to add anything?

Michelle Nicole Jablko
Former Chief Financial Officer

Just, Andrew, just on your numbers, I think you're comparing total provision charges for our peers with CP charge -- CP for us. So just the like-for-likes are not exactly as you said, but there is a difference. And as Shayne have said, our books are not necessarily the same. We hold more capital for unexpected loss for institutional. And that's the way the rules work. And so you would expect the denominator composition to be slightly different end result.

Shayne Cary Elliott
MD, CEO & Executive Director

And the business -- the part of the book that holds the least amount of unexpected loss is home loans. And on a relative basis, we've got a smaller proportion of our book I would expect there and the 2 banks you refer to at the highest are I think is the reason. It's a [mental issue] if you will, as the payments to do with that [difference] in capital, unexpected loss versus provisions for the expected loss.

Andrew Triggs
JPMorgan Chase & Co, Research Division

That was an apples-to-oranges comparison on the CP versus total provisions.

Operator

The next question is from Victor German of Macquarie.

Victor German
Macquarie Research

I just was hoping to follow-up on the revenue trajectory. If my math serves me right, it looks like market income contributed about $900 million or slightly more than $900 million in the third quarter, implying that revenue excluding markets, was under $4 billion, which appears to be well below market expectations. I'd be just interested in perhaps a little bit more color as to what drove that? I'm assuming partly driven by margins. So any more color on margin trends? And any potential volatility in that margin would be, I think, useful.

And on sort of related subject, Michelle, you've guided for a 6 basis point impact from lower rates. It looks like that 6 basis points actually has fully come through in the third quarter. Does that mean that 6 basis point guidance is actually a little bit bigger for the full half? Or is fourth quarter not going to be a significant impact from lower rates?

Shayne Cary Elliott
MD, CEO & Executive Director

So I'll just do the very generic obvious statement. That's what CEO is for. I -- look, the revenue environment has pressure. I mean despite that, I mean, margins are under pressure, very, very competitive market. We're also seeing a continuation of the trend, which was the removal and reduction of fee-based income over long periods of time. There's still a headwind of that, the sort of tail of that coming through the business. Despite the fact we want to share and kind of want doing it responsibly and at a reasonable return, you don't care really fast when you're booking P&I kind of income. You've got the headwind with low rates. Low rates manifest itself in so many ways [indiscernible] and they put pressure on revenue, et cetera. So it's not a growth in [quarantine]. We're not going to kid ourselves, and that's why we've been really, really focused on things like productivity, about capital efficiency and other things, that's not new.

I think the demand impression has actually become more intense. And our ability, as you know very well, our ability to sort of reprice is much more constrained today than would be historically because of low rates. That's one. And even on the deposit side, we're reaching some sort of natural limit pretty closely on the ability to reprice it.

Now that's not shown institutional. We saw an ability to do that and we get a little bit of a boost there. But revenue outlook is really, really tough. And the only -- the tailwind we're going to see on revenue, if you will, will be derisking volume growth in our home loans business. As we mentioned, that will start to come through now and that will start to be a little bit of a tailwind on the volume side into 2021. But it's not going to be [huge enabler]. But talking about borrowing, I don't think we should shy away from that. But on the other hand, that's been -- this is the kind of environment when markets businesses shine, and they should. I mean we shouldn't be surprised they're having a good time. If we go back over a long period of time, they are countercyclical businesses. In times of opportunity, they do well. That's the benefit of paying that diversification in our book. But I'm sure Michelle will give more color.

Michelle Nicole Jablko
Former Chief Financial Officer

Yes. So for margin, in terms of the other impact from revenue, it's mainly to do with [a lot of that]. I was [trying to] more transaction volume.

On margins themselves, the 6 basis points I referred to at the half was for the second half, and that hasn't changed. As you look further out, it depends on what happens with rates from here on. If rates were stable, then the impact on deposits is largely true, the impact on capital will continue. We've spoken about that and has a slide in the back that shows you sort of how that will progress. Otherwise on margin, what sort of the need is in the positives. In terms of potential positives, your deposit mix is probably improving a bit but potentially is positive.

On the negative side, we'll get -- we still got -- mix, I think, will continue to change being the -- outlook will change in the fourth quarter. We've got lower credit card spending and we've got continued conversion of disposals. And then we've got the drawdown of the Tier 2s. And there's probably less benefit -- I mean we had a very small benefit from deals won. That's probably a bit [weight]. So just the ups and downs.

Shayne Cary Elliott
MD, CEO & Executive Director

A little point, Michelle if I may, it's the cards, it's something [-- as I said,] customers are doing the right thing. They've been prudent, paying down harder. They should've been surprising and it sort of counters to what we've seen in other markets globally. So people are actually being pretty cautious. Good, they're not spending. Who needs a car or buy flights and go on holiday. So those balance came down and tend to be a higher-margin business. So little things like that, again, will slowly [chip away when the] outlook is tough.

Operator

Our next question is from Brett Le Mesurier of Shaw and Partners.

Brett Le Mesurier
Shaw and Partners Limited, Research Division

2 questions. Firstly, am I right in assuming that the large notable items impact the $99 million adverse impact, that was largely in income -- that largely occurred in income. Is that correct?

Michelle Nicole Jablko
Former Chief Financial Officer

That's correct, yes.

Brett Le Mesurier
Shaw and Partners Limited, Research Division

Okay. The second question I had was looking at the Pillar 3, the impaired loans from March to June fell from $1.5 billion to $1.3 billion in the write-offs. And I'm talking about corporate impaired facilities fell from $1.5 billion to $1.3 billion from March to June. And the write-offs increased by 65 -- from $65 million to $241 million. So am I right in assuming that the reduction in impairments was because you wrote-off the loans?

Shayne Cary Elliott
MD, CEO & Executive Director

Yes.

Brett Le Mesurier
Shaw and Partners Limited, Research Division

And can you comment on the industries in which -- to which those write-offs are related?

Shayne Cary Elliott
MD, CEO & Executive Director

Kevin?

Kevin Paul Corbally
Group Chief Risk Officer

It's a range, probably one of them in particular was doing previously in the commodity trading sector. Did he drop?

Shayne Cary Elliott
MD, CEO & Executive Director

Did you hear that?

Brett Le Mesurier
Shaw and Partners Limited, Research Division

Okay.

Shayne Cary Elliott
MD, CEO & Executive Director

Yes. He's got it.

Brett Le Mesurier
Shaw and Partners Limited, Research Division

I had bits of it.

Shayne Cary Elliott
MD, CEO & Executive Director

Yes. The largest -- it's a portfolio, that's not a single -- large part is within the commodity trading spectrum. We referred to a charge we took in the first half, and that was potentially [indiscernible]

Operator

Our next question is from T.S. Lim of Bell Potter.

T.S. Lim
Bell Potter Securities Limited, Research Division

Just going to Slide #10. You have some commercial customers having higher cash inflows and some having lower cash inflows. Are these net of JobKeeper payments? And my second question is, how can the BRED Bank protect itself from businesses that actually sizzle their books to get JobKeeper payments?

Shayne Cary Elliott
MD, CEO & Executive Director

So the question -- the question there Kevin was, I think, how much of that cash inflow was JobKeeper relatively gone? None, right?

Kevin Paul Corbally
Group Chief Risk Officer

So we know that roughly about 1/3 of our conversion customers are seeing government decisions in the form of job payments. So we do know that. So -- and those numbers there will obviously includes JobKeeper payments as well.

Shayne Cary Elliott
MD, CEO & Executive Director

[indiscernible]

Kevin Paul Corbally
Group Chief Risk Officer

Yes.

Shayne Cary Elliott
MD, CEO & Executive Director

Yes. The second question I think -- I think the second question here is how we might -- whether our customers are, I think, we were stealing. Stealing in legal...

Kevin Paul Corbally
Group Chief Risk Officer

Look, obviously, one of the things we look at when we on board any customer, relaying any customer, the character of that customer. So that is how the assessment process that we go through. And so that are individuals [living at] some engagement activities as we've seen and we saw even at the half, it's quite difficult to pick that up being when those results of any internal audited by major accounting firms as well so it's a challenge for all those.

Shayne Cary Elliott
MD, CEO & Executive Director

But I will say on that T.S. that -- is as you know, there's a small program where small businesses that applied to a key part where the banks collect the funds that before they get payments -- they get paid in the ACO. That stuff though is pretty laborious from our point of view because it's well documented as well as supported by our data that the payout receipts that patient is likely to be approved this year. So I feel this is speaking an attractive sense, I don't think that's direct. But your point more broadly about sort of, I guess, to move forward well. I think there's obviously a very complex thing for us to care.

Jill Campbell
Group General Manager of Investor Relations
Operator, I think at that point, we're through with questions. Everybody, thanks for persevering with the state full lockdown south. I realize that some of what we've been talking back to have been a little harder to hear than we would like. So we are doing a replay later today, but also we will be launching a transcript. And so hopefully, that will help make up for anything that you may not have heard clearly as we would have liked you to. The IR team and myself are obviously available through the afternoon. And with that, thanks to everyone, and stay safe and well.