Question and Answer

Operator

[Operator Instructions] Your first question is from Ben Koo with Goldman Sachs.

Ben Koo
Goldman Sachs JBWere Pty Ltd, Research Division

Just a question on just the margin, the commentary that you made. Can you just -- I think in the past when we've had these quarterly updates that when you said just that margins were up slightly, it was actually up a bit more than we thought what we worked the full year number. Can you just quantify what you actually mean by ex markets, what the actual number was? Can you reveal that please and also what it was on a headline basis including markets?

Peter Ralph Marriott
Former Chief Financial Officer

Yes, as has been the -- on a half-on-half sense, it's up about [indiscernible] less than three. On a quarter-on-quarter, it's up about two. And the markets, in fact, if you went to true headline, markets were just about five basis points off. So in other words, the group's margin including market is up about two to three. But excluding markets as we always look at it because of the noise caused by markets that the margin's up between two and three.

Ben Koo
Goldman Sachs JBWere Pty Ltd, Research Division

And one of the other points in the past is that your markets, your margin ex-market is actually significantly higher than your headline margin. And do we expect that gap to close over time particularly [ph] as you're pushing into Asia and increasing market activity in that region? How do we expect that gap between the headline margin, which we unfortunately have to model off because that's what they statutory disclosure is? And the underlying margin, which is the number you're talking to here?

Peter Ralph Marriott
Former Chief Financial Officer

I think the first thing to look at when you're looking at that margin comparison and some of the work that we've done, the prime driver and it's between a bit over half and up to three quarters depending on which of the peers you look at. The prime driver is driven by business mix. And notably a smaller portion relative to Westpac and CBI of mortgages. Now you get an overall margin around 2.8, and you vary the mix of the business, which is around one, that has a big impact. So that is the principal driver of that difference in the reported margin. And I think the other components are then driven by the greater discipline we've had around pricing. In terms of the future direction, Mike, you want to make a comment of that there?

Michael Roger Pearson Smith
Former Non-Executive Advisor

I mean I understand your point. And I mean I think as we build up the level of assets proportionally greater in Asia vis-à-vis Australia and New Zealand, there will be a little bit of margin pressure. But that will be compensated by the amount of volume and indeed of non-margin income that will yet be generated from that market's business. And that's not something that worries me unduly.

Operator

Your next question is from Jarrod Martin with Credit Suisse.

Jarrod Martin
Crédit Suisse AG, Research Division

A question just on bad debts and asset quality. And I note, Peter, you said that, not to sort of extrapolate, but if you look at the new impaired and all the indicators, they've come down quite considerably. You've made the comment that you still expect bad debts for FY '11 to be broadly in line with consensus. Now my understanding is, consensus is around about AUD $1.35 billion for the bad debt charge. Now, if I annualize or extrapolate, as you don't really want me to do, Peter, on the first quarter bad debt charge, I get slightly less than AUD $1.2 billion including annualizing an overlay charge. If I take out the overlay charge for the first quarter and annualize, I get slightly less than AUD $1.1 billion. I want to understand is, is this just because we're in the first quarter and there's sort of inherent conservatism that you're building into making that statement? Or is there something in your portfolio that you are a bit more concerned about that you don't want to jump the gun on it?

Peter Ralph Marriott
Former Chief Financial Officer

Jarrod, it's basically we're in the first quarter. These are not audited accounts. This is just an update. You'll get a much better picture at the half year. We don't anticipate any nasties. However, the weather conditions that we've had in the country, which has been a little bit strange, it's still not clear how all that will roll out. So I think it fair to say we're being a little bit conservative, a little bit prudent at the moment. But I think that, that would be, that's understandable.

Operator

Your next question is from Craig Williams with Citigroup.

Craig Anthony Williams
Citigroup Inc., Research Division

[indiscernible] sourcing growth and commercial lending and most specifically, the institutional book in Australia. Can you talk about the sources of this in terms of industry and what sort of sources of funding have been used for in terms of M&A, working capital and the like?

Peter Ralph Marriott
Former Chief Financial Officer

Sorry, Craig, we missed the first part of that.

Craig Anthony Williams
Citigroup Inc., Research Division

We haven't seen much commercial lending growth for your peers in recent results. You've demonstrated in this result an ability to grow your commercial lending books, specifically the Institutional Bank in Australia, which I think put on 3.5% growth in the quarter in Australia. Can you talk about the sources of these in terms of industry in the customer base? And what sources of funding have been for in terms of M&A, working capital, et cetera?

Peter Ralph Marriott
Former Chief Financial Officer

Yes well when you talk commercial, I mean the commercial lending book has actually been quite flat the middle market area. That hasn't really increased significantly. But as you say, the real growth has been in the institutional part. That is primarily around three major factors: resources, agriculture and infrastructure. And it's been a bit of a mixture. There has been M&A activity, but there's been quite a lot of capital, capital projects that have been started off. A lot of -- I said to you before, Craig, that there was quite a lot in the pipeline waiting to go, waiting for that confidence to return. And we're now beginning to see that at the top end of the market and also in Asia as well. But what is pleasing is to see that it is coming back in Australia.

Craig Anthony Williams
Citigroup Inc., Research Division

And in the past, you've announced a 20% target for the APEA business. Given the likely continued normalization of credit cost and bit of an expected probably, margin performance across the New Zealand and Australian businesses in the last period, do you expect to make a meaningful dent in the gap between your current run rate and target of 20%?

Michael Roger Pearson Smith
Former Non-Executive Advisor

Well you know, an aspirational target is just that. And I'm not going to let them get away with anything less. So they've got to start working for it.

Operator

Your next question is from James Freeman with Deutsche Bank.

James Freeman
Deutsche Bank AG, Research Division

[indiscernible] get your view on just sort of the recent competition that's entered the market from there? And just what you can tell through the industry and potential industry returns and what ANZ will do to counteract the NAB approach?

Michael Roger Pearson Smith
Former Non-Executive Advisor

We've had a very clear strategy in terms of where we are in the retail bank and the consumer bank. We have been concentrating on customer satisfaction. Basically the customer experience is what is important to us. We have continued to grow market share, and we have continued to have a growth in customer satisfaction. So the customer preference is clearly dear to us. I mean that is our strategy. And I'm not really interested in the short-term tactic. It doesn't really worry me

Operator

Your next question is from Jon Mott with UBS.

Jonathan Mott
UBS Investment Bank, Research Division

The first one just regarding this New Zealand IT spend and why you're accounting for it below the line? If I look at that, you've owned that business now for seven years. It's just, to me, looks like it's all OpEx, not CapEx. And with the other IT spend in some of the banks like Comm Bank and Westpac, they're trading those as above the line, just [indiscernible] business spend. So first question on why do you think that should be traded below the line? And then second one just on a comment, Peter, that you made when you said that we're seeing lower volumes of undrawn lines. Is this just another example of deleveraging by corporates at the moment who just want to pay their facilities back and potentially the pipeline is not as strong as it could otherwise have been?

Michael Roger Pearson Smith
Former Non-Executive Advisor

Jon, to answer your first question about what we're basically doing is taking two systems two existing systems and converging them into one, so one will be redundant. And obviously, the scale of that task is very considerable. And it is a one-off, that's why it's going to be treated as a one-off item. The second issue is the deleveraging, which has been going on, is continuing. However, there is still a fair amount of interest and a very, very strong pipeline. So those two things will work against each other to an extent. But overall, we -- and as you've seen from the first quarter movement, we're actually now beginning to see more tangible, well, demand turning into tangible deals rather than just staying in the pipeline. So, but you are correct. There is still an amount of deleveraging going on as well.

Peter Ralph Marriott
Former Chief Financial Officer

And Jon, if I could add to that, I wouldn't read too much into my comment. You might remember that at the end of the fourth quarter, there was an increase in credit risk-weight assets because of an increase in undrawn lines that, at the time I said was M&A related. And I'm sure you can speculate. And they're of course, no longer there.

Jonathan Mott
UBS Investment Bank, Research Division

And just another comment you made, $50 billion worth of Asian deposit. Can you let us know, obviously that's on the 10% of your total liability book now, how much of that is still coming through financial institutions and just a breakdown of that? And how much of that is now repatriated to Australia?

Peter Ralph Marriott
Former Chief Financial Officer

Well in terms of the amounts repatriated to Australia, the numbers have come off slightly this quarter. But remember they climbed very deliberately because we rebalanced the portfolio slightly. We're still expecting that to increase from half to half on a full year basis, so there's a little bit of volatility from quarter-to-quarter. I don't have exact figures for what, any of the financial institution component of that. But of course to the extent, there is any, that's all part of core customer relationships that we have. The final focus of the strategy, of course, is on growing operational-type accounts, current accounts and savings accounts. And that's what Alex is focusing on to provide a stable funding base going forward.

Operator

Your next question is from Richard Wiles with Morgan Stanley.

Richard E. Wiles
Morgan Stanley, Research Division

Your commentary on the New Zealand margin suggested that it was flat. That actually is okay. And can you explain why your margin outcome -- any reasons why your margin outcome in New Zealand doesn't seem to be as strong as the key group has reported recently?

Peter Ralph Marriott
Former Chief Financial Officer

We haven't said that we're flat. I think the comment was -- the point to the effect that there was a bit more deposit competition than perhaps was originally we expected, but the margins are still up. And in fact, the margins for the quarter was about seven basis points higher for the New Zealand businesses than what it was for the previous half. And it's just that in the comment was that the deposit competition is becoming quite fierce again in New Zealand. But nonetheless, margins are improving and still expected to improve.

Michael Roger Pearson Smith
Former Non-Executive Advisor

I think the other thing, Richard, that you should remember is that we actually got quite a lot of benefits in the last half. We were a little bit ahead of the game. However, we still have quite a bit of a fixed term mortgage booked to reprice, and so there's some upside there.

Richard E. Wiles
Morgan Stanley, Research Division

Mike, do you have any feel for what that mix is variable might get to? 49,51, now...

Michael Roger Pearson Smith
Former Non-Executive Advisor

It's likely to. I mean, it depends on customer preference. But I would suggest that it is likely to continue that trend. As to how far that will go, I'm afraid I don't have a crystal ball, but it will certainly increase significantly, I think.

Richard E. Wiles
Morgan Stanley, Research Division

So that means you expect ongoing margin benefits from that?

Michael Roger Pearson Smith
Former Non-Executive Advisor

Yes.

Richard E. Wiles
Morgan Stanley, Research Division

Notwithstanding the deposit competition?

Michael Roger Pearson Smith
Former Non-Executive Advisor

Yes, I would think so.

Peter Ralph Marriott
Former Chief Financial Officer

And they're still across fixed rate book to reprice, so the benefit is still to come through there, as well.

Operator

Your next question is from Brian Johnson with CLSA.

Brian D. Johnson
CLSA Limited, Research Division

Two questions, if I may. Could we get an update on what the APRA so not the global harmonize but what the APRA free performity [ph] one would look like right now?

Peter Ralph Marriott
Former Chief Financial Officer

Yes, you said you have two questions for us?

Brian D. Johnson
CLSA Limited, Research Division

Yes, I do. My second one is if you have a look at the kind of growth in deposits versus loans, it seems to me over the quarter, it's gone from $22 billion to about $23 billion. So it seems to me that it's not actually generating the excess growth that we were previously flat. If that's because loans are starting to grow more quickly, I'll accept that. Can you just run it through the expectation on the mismatch between the growth rates on both module do with that?

I have the numbers if you want. The net loans in advance that appeared at the FY '10 result was $24.1 billion. The deposits were $46.1 billion, the excess was $22 billion. According to the narrative today, you said the loans are $27 billion, the deposits are $50 billion, which means the excess have gone from $22 billion to $23 billion. If you would annualized that, that's $4 billion increase, which is certainly a [indiscernible] we've seen.

Peter Ralph Marriott
Former Chief Financial Officer

Well, I'll pick up on the capital question. I think, Brian, the thing that we can really start with here is saying, Well, APRA hasn't come out yet with saying how they're going to treat this. And we would still believe that the sensible outcome here is to align Australia with the bar standards. And not to overlay the additional deductions that they've had, otherwise the numbers won't be comparable. but in terms of the numbers and if we apply the Basel III rules and made a full alignment on Basel III, our Tier 1 capital ratio would be in core terms 9%. Then, of course, it is a question of what would happen with APRA when it does impose these other deductions, as it has historically and its treatment on things like dividends. But we would like to think that they would align with the global standards rather than adopt our local standards.

Brian D. Johnson
CLSA Limited, Research Division

I know that's what you would like, but can I get back to the question? At the last result, you very kindly disclosed the actual fee there was, and you said it would be 6.6%. Could we get the equivalent of that [indiscernible] core Tier 1, ignoring the upside, I think you disclosed just on the basis of the APRA methodology?

Peter Ralph Marriott
Former Chief Financial Officer

If you were to simply take the negatives of Basel III without any of the positives, it's now 6.7%.

Brian D. Johnson
CLSA Limited, Research Division

And the second one on the deposits?

Michael Roger Pearson Smith
Former Non-Executive Advisor

Yes, on the deposit side, what we've done there is ensure that APR, [ph] as they were growing, their asset book was self funding. But I wanted to just slow down that growth in deposits a little bit to get a better mix on return. We found we had excess liquidity and it was just trying to find a home for it. That was, I think, as much -- they've also seen the market at the time and the risk -- counter party risk that we could choose. And that will start to pick up again now that things are looking a little better, so we'll press the accelerator a bit harder on that one again.

Brian D. Johnson
CLSA Limited, Research Division

Mike, does that kind of imply that there's some friction on actually transferring the excess liquidity back to Australia?

Michael Roger Pearson Smith
Former Non-Executive Advisor

Well, friction, regulatory friction.

Brian D. Johnson
CLSA Limited, Research Division

Yes.

Michael Roger Pearson Smith
Former Non-Executive Advisor

No, not at the moment. I mean, obviously there are certain jurisdictions who are more strict than others. But overall, we haven't had any concern. And certainly, the amount and the size of our balance sheet won't actually create a problem for us until that number gets up to, I would have thought, about $50 billion.

Brian D. Johnson

CLSA Limited, Research Division

Okay, and just going back on that 6.7% number that I think you reluctantly disclosed. The gap between the [indiscernible] core equity Tier 1 at FY '10 was 1.4. This time it's gone up to the 1.5. Could you just explain why the adverse movement there?

Peter Ralph Marriott
Former Chief Financial Officer

Principally, Brian, because of the deductions for the Asian Banking Associates, the growth and profit of that business and one part.

Operator

Your next question is from Ben Parker [ph] with CBA Equity [ph].

Analyst

The institutional lending performance with growth of over half of that coming from Asian region, could you just explain whether that's primarily lending to Asian corporates or would that also include some of the lending you've been doing on behalf of Australian certain companies up in the region? And on the cost side, just trying to get a better feel for the cost of outlook. You mentioned possibility of a negative chores [ph] to keep strategy on track. So obviously the investment spent on Asia strategy continuing, you've got some spending in New Zealand as well on the investment side. But in the past, you've also talked about productivity initiatives, particularly in Australia. Just trying to understand what sort of flexibility, I suppose, you have coming through from the productivity side?

Michael Roger Pearson Smith
Former Non-Executive Advisor

If I answer the last question first, yes, I think there's still a fair amount of productivity improvement we can make. I'm still convinced that we're moving the right way with the flexibility that we have in our back-office operations, which is certainly, I think, ahead of the game. Much of that benefit will come through in the medium term. It's not a short-term return. But when I say that we will go -- we will manage our jewels according to what we're trying to do. We're still looking for the year to be generally flat jewels. But as I say, these are timing differences, and what we try to do is to spend what we can afford. But we will continue to invest, but it's equally important that we all -- we would be chasing the revenue. The first part of the question was...

Analyst

Institutional lending in Asia?

Michael Roger Pearson Smith
Former Non-Executive Advisor

Yes, institutional lending in Asia. It's a mixture. We are getting quite a lot of, obviously, the Australian businesses or Australian corporates are doing business in Asia. But we're also getting a lot of Asian business, which is interregional business. And we're also actually picking up quite a bit of European and American U.S. business, which is coming into Australia or into the region. So it's a mixture of all of that. And I think that that's an example of the strategy at work.

Operator

Your next question is from TS Lim with Southern Cross Equity, Sydney.

TS Lim
Southern Cross Equities

Can you just give the feel for what's happening to the funds management and wealth business?

Michael Roger Pearson Smith

Former Non-Executive Advisor

Yes, that is continuing. We've rebranded the ING business to one part. That is now still a work in progress as we really pull those businesses together. That integration continues. I think it is very clear that we got a very good deal on the ING acquisition. And in terms of value, you know that is quite significant. I think it's still early days as we watch regulatory changes that are being proposed. And could be a little bit careful here that we position ourselves correctly. It's still not clear what the capital requirements of manufacturing business in this area is, but our first priority is to really get the distribution side of this up and working more effectively. So it is still a work in progress, and we will be giving you more of an update on that next month.

Operator

Your next question is from Matthew Davison with Merrill Lynch.

Matthew Davison
BofA Merrill Lynch, Research Division

I have two questions, the first related to the Australian margin. I just wanted to clarify the comment there that it's broadly flat with the average of last year. And I just wanted to understand whether that was the Australian region or the Australian division. And if it is the region, just how the Australian division might be tracking. And my second question was just relating to APEA. You've mentioned the strong lending growth. I was just interested how the U.S. dollar pre-provision profits were tracking this year after the step down. I guess, you're started in the second half of last year.

Peter Ralph Marriott
Former Chief Financial Officer

Matthew, I didn't quite get your second question, but taking your first question, I was referring to the -- the comment was referring to the Australian division margin not the Australian geographic -- I was talking about it in terms of division. And there's obviously been two factors there, and so the trend of rising funding cost to the public costs, but then the partial flow-through of the other cycle. So that net-net, the Australian margin is up about two basis points compared to half-and-half. And that was the digestion of those two factors. And then your question about the U.S. dollar pre-provision profits, could you just say it again, please?

Matthew Davison
BofA Merrill Lynch, Research Division

Yes, I was just interested in the second half of last year, the profit before credit impairment went backwards in APR [indiscernible] seeing a turnaround in that?

Peter Ralph Marriott
Former Chief Financial Officer

Very much so. The Markets businesses through APR have had a very, very strong quarter. And it's been quite a turnaround. So you'll see that as that trend continues through the second quarter, there'll be strong pre-provisions growth in the institutional business and implying strength[ph}overall. The markets business is a little softer in the second half of last year, but that resulted in that decline in pre-provisions.

Operator

Your next question is from Craig Turton with Macquarie.

Craig Turton

Just a quick question. The impact of acquisitions on the quarter-on-quarter growth rate, was it material? And in fact, is it negative or positive impact there?

Peter Ralph Marriott
Former Chief Financial Officer

It's actually zero because all of those -- all the acquisitions took place during Q3 and towards the end of Q3 last year. So quarter-on-quarter, there is no acquisition impact. It will be half-and-half, obviously, but not quarter-on-quarter.

Craig Turton

And then just drilling down into revenue composition in APEA [ph], if you have to sort of classify revenues as recurrent and non recurrent, what's the revenue composition like in APEA that we talked about markets, trade for names, one off targets for the syndication fees, can we get some color on that?

Peter Ralph Marriott
Former Chief Financial Officer

I guess, best thing to focus on is what is the strategy for that business. Remember it is a customer-driven business. And so the focus in markets is obviously on building sales capacity. They make money from trading, as well, but the focus is on building sales capacity. You build up a pipeline of your various -- whether M&A related or other institutional lending and type business. So the area which is a little bit volatile has been historically volatile, but I think it's stabilizing more now in terms more one off of the partnerships. And then what might happen with your level of trading income? But the rest of the income for the Asian business, I think, is in customer, good stable customer flow business.

Michael Roger Pearson Smith
Former Non-Executive Advisor

I think that's very important to understand that the whole emphasis on this has been customer flow. We've tried to move away from having a reliance on trading income to very much customer flow-driven income. And that's what we're see.

Operator

Your next question is from Scott Manning with JP Morgan.

Scott Robert Manning
JPMorgan Chase & Co, Research Division

I just wanted to check firstly on the century [ph] Debt. Was there any P&L impact from the sale of that debt during the period in terms of other [indiscernible] gain?

Peter Ralph Marriott
Former Chief Financial Officer

A trivial adjustment to the final settlement pricing compared to what we expected, so no material impact.

Scott Robert Manning
JPMorgan Chase & Co, Research Division

Okay, thank you. And secondly, just on the margin outlook. You've obviously got the benefit going forward from New Zealand continuing the out-of-cycle rate rise which is on the domestic book, and you haven't got as much kind of wholesale growth [ph] categorized as a headwind. The underlying mechanics there kind of suggest that it would be more positive but are you saying that that would be offset by some of these business mix issues that you're seeing in terms of more growth in Asia and more growth in the domestic mortgage book?

Michael Roger Pearson Smith
Former Non-Executive Advisor

Yes, I think we're just got to be realistic about also the competitive pressures. I think that -- and we've seen that with deposits in Australia. We've seen it with deposits in New Zealand, in particular, and you're now seeing it in the mortgage market. Also in the institutional corporate sector, we're beginning to see a little bit of margin pressure. And I think that that's inevitable. However, with the business mix we have, we will try and to hold the margin for as long as we can. And I think that certainly for the half year, we should be okay.

Operator

The next question is from Victor German with Nomura.

Victor German
Nomura

I actually have two questions. Firstly, I want to confirm Peter's earlier comment about margins. Was my understanding correct that you said the group margin, including the Markets business, was around down two basis points down in the quarter versus previous half?

Peter Ralph Marriott
Former Chief Financial Officer

Correct. And including market, up two to three basis points. And this again as all that volatility, the income coming from [indiscernible].

Victor German
Nomura

Yes. it sounds like noninterest income component of the market.

Peter Ralph Marriott
Former Chief Financial Officer

You've seen we said the market's overall income was up by 7%, but the interest component of it is well down and the other components are well up.

Victor German
Nomura

Understood, understood. Great. And the question that I had was one of the institutional book. I think Mike just pointed out that you're seeing some pressures in terms of the new lending that's coming on board and other banks pretty much saying exactly the same thing. Would you be able to give us an idea of how much of your institutional book is due to reprice this year? And what sort of impact that may have, assuming you're going to be writing business at the current spreads? And also on the deposit side, it sounds like the growth of deposits coming out of Asia has slowed, and if you are going to grow lending in that book, it will slow potentially further, and you may need to bring back some of the deposits this year originally brought into Australia. Does that put any pressure on your margins from the fact that you actually need to refinance those deposits in the domestic market, which you're suggesting is already quite competitive.

Michael Roger Pearson Smith
Former Non-Executive Advisor

Well, the answers to your question is no.

Victor German
Nomura

Which question is that?

Michael Roger Pearson Smith
Former Non-Executive Advisor

The final question. I mean, it is basically -- we can raise deposit in Asia very easily. That was a very deliberate decision to slow that down. And basically due to the mix of the balance sheet and the opportunity to actually utilize surplus funds, so that is not an issue. And the cost issue there is still advantageous to us as we move forward. In terms of what reprice and what doesn't, it doesn't really matter. I mean, I think what is important there is that we continue to price the risk correctly, which we have been doing. And so far the relationship matters as much as the price. And I that, as I say, we will be able to maintain our margin for the near term.

Victor German
Nomura

And are you able to give us approximately the finish [ph] of the books that's due to reprice this year?

Michael Roger Pearson Smith
Former Non-Executive Advisor

No, because it doesn't matter. As I say, we price for the risk, and it won't make any difference.

Operator

The next question is from Brett Le Mesurier with BBY.

Brett Le Mesurier
Axiome Equities

A couple of questions. Firstly, on your allocation of capital, are you allocating more towards the Corporate and Institutional business at the moment or are you just taking advantage of opportunities as they arise?

Michael Roger Pearson Smith
Former Non-Executive Advisor

The capital allocation has been pretty consistent. Obviously, there will always be opportunity, and that generally works with an acquisition. But otherwise the organic growth is consistent with our Retail business, Retail Consumer business, our Commercial business and our Institutional business. And that sort of mix, we don't intend to change in the near term.

Brett Le Mesurier
Axiome Equities

And are you changing or making any changes to your credit standards as credit conditions improve?

Michael Roger Pearson Smith
Former Non-Executive Advisor

I wouldn't say we would be changing credit standards. I mean, if you're saying are we going up the risk curve? The answer is no. Are we aware that covenants are being loosened? Are we aware that security arrangements are being loosened by a more competitive environment? Yes, we are. And we have to react to that. However, we will not compromise our credit standards in any way.

Brett Le Mesurier
Axiome Equities

And lastly, and following on from that, are you happier to take lower margins in exchange for maintaining the same covenants? Or would you rather trade off covenants and maintain the same margins?

Michael Roger Pearson Smith
Former Non-Executive Advisor

Well, depends what covenants they are. I mean, if they're pretty stupid, well, or certainly somewhat irrelevant to the underlying business, I have no problem. A lot of covenants that were introduced were frankly pretty ineffective anyway. So I think it depends on the structure of the deal, who your [indiscernible] party is, who your corporate [ph] relationship is with, and you price accordingly.

Operator

Your next question is from the Bill Stacey with KBW.

Bill Stacey

A very quick question about the retail growth in Asia. I was wondering if you can give some indication of the balance of growth between Hong Kong, Singapore and Taiwan, and some indication of what's happened to the headcounts in the retail business through the quarter?

Michael Roger Pearson Smith
Former Non-Executive Advisor

Well, the business is continuing to grow, but all three of those countries are basically being supported by the assets and business that we bought from RBS, and the headcount increase in the region is really a result of that acquisition. We have been upscaling some of that workforce, so there has been a turnover there. But in terms of the overall percentage of business, it's still fairly small compared to the Institutional business. I mean do you have a headcount number?

Peter Ralph Marriott
Former Chief Financial Officer

I don't have the breakdown with me.

Michael Roger Pearson Smith
Former Non-Executive Advisor

But we can obviously get that for you.

Bill Stacey

And between the three of them, Hong Kong, Singapore and Taiwan, which are you more comfortable with how it's tracking?

Michael Roger Pearson Smith
Former Non-Executive Advisor

They're very different markets. I mean, I think that the potential in Singapore is pretty good, but it's quite a competitive market. Hong Kong is a very competitive market. Taiwan is where we are the largest in terms of the retail business, and that is tracking well. But really, the Hong Kong and Taiwan businesses are really going to play into a Greater China strategy. So I'm pleased with all of them, and I think we're making the right move. I mean, some of the branches we have, for example, in Hong Kong, were up on the 30th floor of various buildings, and we're trying to relocate those into places where people actually see them. And that sort of change is beginning to happen. But probably the one that's furthest ahead at the moment is Singapore.

Jill Craig
Former Group General Manager, Investor Relations

Christine, we'll take one more question.

Operator

Your final question is from Michael Borris [ph] with UBA [ph].

Analyst

I was wondering if you have any thoughts on how you might fare under the privilege [ph] provisions to S&P's bankrupt rating methodology for us?

Michael Roger Pearson Smith
Former Non-Executive Advisor

Well the S&P new methodology, we're still in discussions with S&P as are all banks in the world. What will clearly happen is that if there is any adjustment to their ratings, it's going to be a global issue. And we will have to just wait and see how that pans out.

Operator

There is no further questions at this time. I would like to hand the conference back to today's presenters.

Jill Craig
Former Group General Manager, Investor Relations

Did you have any wrap-up comment, Mike?

Michael Roger Pearson Smith
Former Non-Executive Advisor
Yes, I mean, thank you for the questions, and hopefully, they've been answered satisfactorily for you. But the last thing I just like to say is this: I think we are delivering on a consistent basis. We're delivering on our promises to you. There is now real momentum within all the business. The balance sheet strength and safety of the balance sheet has never been better. And it is quite clear that the customer preference that we have is increasing, and it's something that we are continuing to spend a lot of effort on. So I believe that this is a good story, and we're positioned well for the future. So many thanks for joining us today.