Question and Answer

Andrew Bowden

Okay, Ivan, are you there?

Operator

Yes.

Andrew Bowden

Okay. Can we take a question from Ben Koo, please?

Ben Koo
Goldman Sachs JBWere Pty Ltd, Research Division

Just wanted to get a sense of the revenue growth in this period. And I think the one item, which is always volatile, is your markets in trading income. Can you just give us a feel for, in this environment, what's the customer flow? And what are you expecting is likely to be a revenue item that's going to be weaker as we head into future periods? Or is it going to be stronger, given the amount of activity with hedging and the like, just getting on that outlook?

Gail Patricia Kelly
Former Chief Executive Officer, Managing Director and Executive Director

You're right to call out the revenues being a bit softer in the third quarter. It's probably softer to the extent of around $25 million to $30 million in the third quarter, although the sales performance is still good. And since the end of that quarter and especially in the last couple of weeks, obviously, as you know, we've seen a material step-up in the market volatility. Now on the one hand, what that's done is generate some really good customer interest and some really good volumes and activity there, but with regard to the hedging of interest rate management from a customer point of view as well as in the foreign exchange side of things. But it's also related to some more volatility in our day-to-day P&O. I'd have to say, Ben, it's just too early to say what the overall impact is going to be for the fourth quarter. But additional comments I'd make would perhaps be that our risk management within treasury continues to be very sound. And we really do have a good team, and we're confident in their performance over time.

Andrew Bowden

I'll take a question from Jon Mott, please.

Jonathan Mott
UBS Investment Bank, Research Division

Coming to terms to you [ph] using weakening external environment challenging, clearly softening. And your own economist has actually got quite a bearish feel in the outlook for the global and the Australian economy. Do you think you need to review the overlays going forward? And if not, what will you be looking for before you would top off overlays, given this environment?

Gail Patricia Kelly
Former Chief Executive Officer, Managing Director and Executive Director

Look, I mean, actually, if you look at our overall position here, the stressed assets are trending lower. So actually, we're in quite a sound position here from a point of view of overall impairments. If you look at that chart on Page 3 of the media release, it shows that trend. That's the chart that we've shown consistently every quarter. And you can see there that the area of most significant reductions is in the watch list and substandard category. And if you look at this last quarter, yes, it's been a slightly higher level of impairments for the quarter, but I wouldn't read too much into this. The trend is down, and really what we've seen in the third quarter is a number of smaller, a range of smaller impairments coming through, but nothing in the larger size at all. So just a range of smaller improvements across geographies and across industry sectors. Overall, from a provisioning point of view, we're in a very strong position, and I think that's the key thing to really look at here in terms of thinking about the overlay. So we don't look at the overlay as something separate from the overall provisioning. And if you look at our overall provisioning, we're in the strongest position of our peers, on collected provision to risk weighted, to credit weighted asset at that 136 bps number. So I think that reflects the high quality of our book and our conservative approach to risk management. So I wouldn't read too much into the third quarter. The trend is down, and overall, we've been seeing a reduction across all of our business segments and stressed assets.

Andrew Bowden

I'll take a question from Ben Zucker, please.

Ben Zucker

Just wanted to ask a question, Gail, about your comments at the start on looking -- environment clearly softened, looking to improve revenue and maintain cost advantage. So what areas, I guess, are you focused on in terms of the revenue improvement story? And on the cost side, previously, you had negative cost growth, now it's been flat, so a good discipline there. What sort of expectations do you have around cost going forward?

Gail Patricia Kelly
Former Chief Executive Officer, Managing Director and Executive Director

Okay. Well, I mean, on the revenue side, I think you can see in this third quarter update a continuation of the building momentum that I spoke to at the first half. And you heard me make the remark in the opening comments that, if you look at Westpac RBB, St. George and BT together, for that fourth quarter, the core earnings is actually up 4%. So we're seeing really good revenue momentum coming through the focus on key customer segments, which is primarily affluent, SME and commercial, and driving a depth-of-relationship approach with those customers. So it's looking to win as much of their business as possible, so driving for depth of relation and – for relationship and wealth cross-sell. So that's really what's been driving that, and with the multi-brand approach, we're able to speak to more customers. So win more customers and then drive the depth of relationship with them, but do it in a quality way. We've also retained a very high level of our customers. So revenue growth just coming from systematically executing on the strategy that we have. On the cost side, I think that we've done are very good job of expense management so far. The productivity initiatives outlined in October last year, together with the merger synergies have flowed through. As you can see here to date, cost growth is flat, but we certainly recognize the new reality of banking, that we're into a slower-growth period, and we expect that's going to be continued for the period to come. We're not going to back to the environment, in the pre-global financial crisis. We're into an environment where there'll be more regulations, heightened compliance cost, high level of capital and so on. And so we need more productivity to actually drive appropriate returns, and sustainable returns to shareholders. And so we've stepped up our work here once again. I mean, in essence, our model is strong, front-facing sales service distribution businesses within common systems, common processes, common platforms and single [indiscernible] in our head office environment, providing support to their strong front-facing businesses, so avoiding duplication and avoiding unnecessary work and complexity. So that's at the heart of what we're doing, and so there's another round of our focus on driving those thing through the business [ph] in our head office world. We're doing that through the finance community at the moment, the legal community, the technology community, so that, that's a step-up there. And then also flagging that I have done today, that we're in the midst of planning the next round of looking at our operational areas and our technology areas for a best sourcing strategy, how to best leverage, best of breed practice in that area. And that's part and parcel of driving towards the standardized model. So we recognize it's a new world that we're in, and we want to retain this cost advantage and there's a 10-year scope for us to further improve there.

Andrew Bowden

We'll take a question from Craig Williams, please.

Craig Anthony Williams
Citigroup Inc, Research Division

I'm just trying to clarify some of the wording and language that you've used on the conference call today, please, Gail. You sort of alluded to, in the release and with your earlier statements, stepping up the productivity drive. Can you confirm that if this proves the material adjustment, that this would require some sort of restructuring provision associated with it which you're sort of flagging would come above the line? And just, I suppose, further color on that, that this sort of announcement would typically be announced with a full year result, as opposed to some sort of trading update like you've announced today. And that when you talk about sourcing arrangements, that you're talking about offshoring overalls?

Gail Patricia Kelly
Former Chief Executive Officer, Managing Director and Executive Director

Let me kick off, and I think Phil might want to add something to that. Look, it's just too early to say, actually. We're in early stages of planning this particular piece, around looking at the back-office elements of our business and the IT elements of our business and looking at sourcing. And clearly, that involves sourcing services from some players that are onshore and some players that are offshore. But it's too early to say with regard to any restructure provision that may be required, either of the [indiscernible]. I don't know, Phil, if you want to add to that?

Phillip Matthew Coffey
Former Chief Financial Officer

Look, I think we've endeavored to take restructuring charges that we think are part and parcel of the business above the line because we think that's what -- it's all part of the business and so that we would continue to do that. If it was something very unusual, we'd call out. And as you say, Craig, we'd do it at the full year when we can explain that more fully. I think that we've chosen the words around the sourcing arrangements because, throughout the last half and going into next year, some of those actually will involve people coming into the Westpac workforce from third-party providers today. And others will be where there's more third-party provision. And so it's not like it's just a one-way situation. And as Gail said, it's something that we're trying to plan our way through in terms of what the overall impact is, and we'll look to explain that more fully at the fourth, then at the full year as well.

Andrew Bowden

Question from Brian Johnson, please.

Brian D. Johnson
CLSA Limited, Research Division

A question for Phil Coffey, if I may. Phil, in the result, you say that there were $595 million of write-offs in the quarter, and that compares to a first-half number of $705 million. I'm just wondering -- and also in the release, you say increases in new impaired assets also continued to trend lower. Is there any chance that you could update us on the new and increased figure? Because prima facie, I would have thought the actual impaired would actually be a lot lower, given the extent of that write-off. So I'm just wondering if you could give us a feeling on the new and increased impaired assets that were 1519 at the half.

Phillip Matthew Coffey
Former Chief Financial Officer

Yes, so new increased to about $100 million lower than the average of the previous 2 quarters, Brian. The write-offs that we took against the impaired provisions in the quarter were high, but we -- if you look back, last year, we took quite a large chunk of write-offs in the June quarter last year as well. And it's really a sort of a pattern that we're looking to follow, which says, look when we get into the June quarter, and we've seen how the -- our customer base has sort of traveled through the end of the year and into the start of the year, we will then look very hard at where we believe it's clear that we're not going to be able to recover the exposure that we've got. So it might be a partial write-down or it might be a full write-off against the provisions that we're holding. And it's in our interest to do that, where we're clear that, that's the case because it allows us to free up the capital that's also being held against those impaired assets. And so it's, actually, there’s a capital benefit in writing it off where we believe that recovery is no longer possible. And so that's what took place in the June quarter.

Brian D. Johnson
CLSA Limited, Research Division

So Phil, even though that is certainly lower than it was in the first half, that's still very elevated compared to where it has been in recent years. Would you agree with that comment?

Phillip Matthew Coffey
Former Chief Financial Officer

Yes, but it's -- stressed assets are still higher, and you can see that as well. And so we'll continue to see, I think, we would expect to see that number of new impaireds continue to trend lower, but it won't be negative or 0 for a while just as we got some assets that are currently in our what we would call substandard bucket, being classified down into impaired. At the same time, some are being reclassified back into fully performing, and that's what you'd expect to see as the overall book kind of works its way out.

Andrew Bowden

Take a question from Victor German, please.

Victor German
Nomura Securities Co. Ltd., Research Division

[indiscernible]

Gail Patricia Kelly
Former Chief Executive Officer, Managing Director and Executive Director

Victor, could you just talk up a little bit, please?

[Technical Difficulty]

Victor German
Nomura Securities Co. Ltd., Research Division

I was just hoping to follow up on the bad debt charge and credit quality. If I look at last couple of halves, there seems to be some volatility between first quarter and second quarter within half where the second quarter seems to have a lower bad debt charge number coming through as presumably you are revisiting your provisioning, et cetera. Given what we’ve heard from other banks that some of the provisions that they set aside for natural disaster has proven to be, perhaps, conservative, would you be able to update us in terms of your experience on those provisions? And what does it, in terms of profile going into the fourth quarter, your provisioning likely to look like?

Phillip Matthew Coffey
Former Chief Financial Officer

Well, Victor, it’s Phil. I just think that you don't want to look too hard at the pattern of the impairment charge half-to-half. I don't think there's necessarily much of a pattern there. There is -- the reality is that we look at our economic overlays at the end of each half rather than in the middle of the period, so we won't have -- you won't see us adjusting our overlays in a quarterly sense, and that's potentially part of the quarter-to-quarter picture. But in any particular quarter, the impairment charge will also be affected by what write-backs are taking place in the quarter and they’re a bit lower, in the third quarter just gone. And it will also be impacted by top after revisions that we recognize against stressed assets, and there was some of that in the third quarter. But I don't think -- I think the point that Gail was making is, you shouldn't draw a conclusion from the impairment charge being slightly higher in the third quarter into what we think is the run rate. The better picture of what's going to affect our impairment charge is what's the underlying quality of the book, and that's why we would, we've been too keen to highlight that the stressed exposures overall continue to decline. Just in terms of specifics on the overlay, we’ll look at that at the end of the half. Yes, our experience has been that some of the overlay we've taken for natural disasters may not be required. But at the same time, as a number of other people have commented today, the environment’s a bit tougher, and we'll have to factor that into the overall economic overlay picture as well.

Andrew Bowden

Take a question from Jarrod Martin, please.

Jarrod Martin
Crédit Suisse AG, Research Division

Gail and Phil, looking to ask a question on asset quality and provisioning, but I think you've had quite a few on that. So then if we move to back to the SIPs program, and originally that's sort of a 5-year program over FY '10 to FY '14, '15. With the acceleration that you're talking about today, could you provide any indication of how much that brings it forward and what the outlook is in terms of amortization of expenses, capitalized expenses going into FY '12?

Gail Patricia Kelly
Former Chief Executive Officer, Managing Director and Executive Director

Look, that doesn't bring -- the discussions we've had around expense management doesn't bring the SIPs program forward. That's an investment program into various key elements of our technology agenda and going to data systems, going to call center platforms, online platforms, front-facing platforms in our telesystems and so on. So that's on track, and it's on budget. There's been no adjustment there. First half, the cost of that was around $680 million, I think, and second half we'd expect to be pretty much a similar amount, based on the type of [ph] investment that are actually going into our overall SIPs agenda. So that's separate to the productivity agenda, which is running alongside it. As you will recall, last year we actually spoke about the productivity agenda seeking to immunize to some extent the additional cost impacts that will flow through as we amortize the charges of this investment. And the additional productivity will help to offset that. So that's still the scenario that we're talking about. I think we flagged, at that time Phil flagged that the additional amortization charge in 2012 would be about 2 percentage points. So that's still what we expect going through to 2012, an additional 2 percentage points of cost growth as a dire consequence of amortization that flows through from this investment program. And the productivity agenda, well, that's very much on track to assist us in getting to that.

Andrew Bowden

A question from James Freeman, please.

James Freeman
Deutsche Bank AG, Research Division

Just wanted to actually [indiscernible] the margin whether the possible trend had continued into the fourth quarter. And I know it's only early days, but trying to get an indication whether there's been any change in that?

Phillip Matthew Coffey
Former Chief Financial Officer

And so, James, at the -- I guess what we've tried to call out is the difference between kind of the things that we think are sort of the critical driver of the margin, which is what's the underlying margin that sort of the genuine businesses is throwing off versus the noise that you get from treasury and markets and one-off accounting changes and the like. In the quarter just gone, clearly, a major benefit to margin was the full-quarter impact of the higher mortgage spread that the bank enjoyed. That's obviously going to be unchanged in terms of its impact for the fourth quarter. And the other pieces that will impact it go to kind of much smaller items, but they go to kind of deposit spread and mix and those sort of things. And really, in the fourth quarter, not a lot has changed there, I’ve got to say.

Andrew Bowden

I'll take a question from TS Lim.

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

Some people say that Bank of Melbourne was successful only because of leakage from CBA and Bank of Victoria merger. I think, given the essence of project catalysts this time around, where do you think the market share is going to come from?

Gail Patricia Kelly
Former Chief Executive Officer, Managing Director and Executive Director

Well, it's very early days, TS, on this. So we're really happy with the early levels of activity and momentum, the sign-up of new customers with transaction accounts, in particular, which is obviously really important because it goes to main banking kind of relationships. So that's been excellent, very strong deposit inflows. But it comes from the nexus of the market shares that exists in those areas go toward to us [ph]. There's no -- it's too early, really, to have a discernible trend. We might be able to tell you more about that further on. We’re really 3 weeks in.

Andrew Bowden

A question from Brett Le Mesurier please.

Brett Le Mesurier
Asia Pacific Prudential Securities Pty Ltd., Research Division

How much capital do you actually need? Your capital ratios keep on going up. When do you actually have sufficient -- do you know the answer to that question yet?

Gail Patricia Kelly
Former Chief Executive Officer, Managing Director and Executive Director

No, I agree with you that it keeps going up. And I agree with you, I'd love to know the answer to that question. So we haven't got the answer to that question yet. Obviously, we think we are pretty well placed overall with the organic capital growth that we're generating every single quarter, and we know we're really well placed relative to peers both locally and globally. But we're expecting from APRA, I think, in due course, some further insight into their deductions that they're going to actually apply here. And we haven't yet had that, but that should really help us have more clarity around how much is enough spent and what the buffers will be.

Brett Le Mesurier
Asia Pacific Prudential Securities Pty Ltd., Research Division

And secondly, your credit card outstandings are falling slightly, but you risk weighted assets are falling at a faster rate while there's no let-off in the rate of write-offs that's coming through. So could you help me understand why the relationship between – or the risk weighted assets as a proportion of credit cards is falling? And also, the fact that credit card outstandings are declining slightly, is that due to tighter credit standards or demand from customers?

Phillip Matthew Coffey
Former Chief Financial Officer

Look, I think the credit card balances have been falling for a while, particularly in the Westpac brand where the old Virgin book is tending to run down, and that's sort of offsetting growth in the Westpac brand itself. In terms of risk weighted assets, they're just following those balances, whereas if you look at the kind of write-offs against cards, you tend to see that increase in the third quarter seasonality anyway, Brett, because the cards that have gone -- card borrowers that have gone delinquent following their kind of end-of-year purchases then go into beyond 180 days and get written off. And so you tend to see in the third quarter a higher write-off direct against cards, and that's what you're seeing again this quarter.

Andrew Bowden

A question from Richard Wiles, please.

Richard E. Wiles
Morgan Stanley, Research Division

There's been quite a few comments and questions around group credit quality. I'm interested in the trends within Australian business banking. You said that the impaired charges were higher in Westpac Retail Business Bank and St. George. I'm wondering, what was the reason for that? You also said that the group level impaired assets continued to trend lower. I'm wondering if you can say the same thing about Westpac Retail Business Bank and St. George.

Gail Patricia Kelly
Former Chief Executive Officer, Managing Director and Executive Director

Let me kick off. What we said also, that the Institutional Bank group continues to run really, really solid and strong. And I guess that's what you'd expect as the cycle has played its way through. I mean, the chunkier impairments, in terms of property, actually SIPs in the Australian business areas, whether be it in St. George or in Westpac RBB. And those take a longer while to actually play through. And as the environment has softened in certain areas, so you might have had some smaller number of smaller customers actually move into a strength category or even into an impaired category. As I said, it's been quite modest. There aren't any large new impairments sort of that have come through, nothing over 50, and very, very few over 30. So it's been a smaller range of smaller customers across geographies and across sectors into Westpac and St. George. And then it just takes longer, actually, for those commercial property ones to actually play their way through and work their way through. That's the sort of normal pattern of the cycle. I don't know if that's answered your question, though, Richard.

Phillip Matthew Coffey
Former Chief Financial Officer

Well, I think the only other thing I'll add, Gail, for good is that, as mortgage delinquencies have gradually moved higher, so as a collective provision against those books in both St. George and Westpac is a little higher, as well, but it's quite modest increase.

Richard E. Wiles
Morgan Stanley, Research Division

So, do you think, Phil, that we're at a point where the improvement in line loss charges in those 2 divisions has largely come to an end?

Phillip Matthew Coffey
Former Chief Financial Officer

I think, to the point Gail just made about the first part, if you look at their small business exposures and, in St. George's case, the commercial exposures, they're still working their way through, and actually, with stressed asset declining, they're still improving. And so whether we're at the kind of the best part of the cycle for them will very much depend on kind of what you've put into your expectations around the economic outlook, particularly for Australia. If you're of a mind that says Australian economy is going to continue to be pretty good, then I don't think you necessarily have to assume that we've reached the bottom of that cycle.

Andrew Bowden

Question from Scott Manning, please.

Unknown Analyst

I have 2 parts to the one question. Firstly, the potential below the line charges for Bank of Melbourne and BT. Do have a potential quantum on those? And if so, are they impacting statutory profits to the extent where they might have an impact on the payout ratio for the dividend? And given the kind of flattish earnings outlook, what's the most recent thoughts in terms of the commitment to increase the dividend in terms of cents per share per half?

Gail Patricia Kelly
Former Chief Executive Officer, Managing Director and Executive Director

I'm glad you asked that question so I can clarify this point. As it relates to the BT IM acquisition, I mean that's what takes through the P&L. It's not of a size to note being taken below the line. It would be something less than $20 million in that sort of zone. And the Bank of Melbourne, well, that's also obviously being taken through the P&L because it's the normal business-as-usual investment that we're making. All we're doing is flagging that. As we've launched it this quarter, you'd expect to see a step-up of costs associated with it this quarter, but it will be taken through the P&L in the normal way. And that would be for this quarter, probably around $25 million.

Phillip Matthew Coffey
Former Chief Financial Officer

And then the last piece, which is how do we think about that in terms of dividend, then, I think, obviously, it's up to the Board to decide. But when we look at kind of the things that we think are one-off in nature, then that doesn't have much of a material impact in terms of how we think about dividends, which is pretty much taking into account the kind of medium-term outlook. I mean, the BT IM one is kind of interesting because, in the past, those acquisition costs would've been capitalized. Under the accounting standard as it is today, we need to expense it. And just in this year, we don't have any revenue from that acquisition to offset that. So it's an unusual one, and we just called it out so that you'd know about it.

Gail Patricia Kelly
Former Chief Executive Officer, Managing Director and Executive Director

Yes. That was the point, really, was just they're obviously known elements, both of those, but it was just making sure that there was awareness of those elements. And that yes, we'll take them through the normal P&L. But they'll have an uplift on expenses in this quarter because they're more sizable.

Richard E. Wiles
Morgan Stanley, Research Division

And then in terms of, so therefore, if the earnings are kind of flat half-and-half then, noting that the expenses will be up and provisioning is a bit sticky, just the thoughts around that commitment to increasing the cents-per-share dividend?

Gail Patricia Kelly
Former Chief Executive Officer, Managing Director and Executive Director

Look, the Board will decide, as was said, on the dividend at the half and the full year, so coming up in October. But I think we're happy with the pattern of dividend structure that we've got at the moment. And either settings [ph] suggests to me that that'll change.

Andrew Bowden

Matthew Davison, please.

Matthew Davison
BofA Merrill Lynch, Research Division

My question was on costs and headcount. I guess, at the start of the calendar year, you outlined some pretty aggressive numbers for reducing headcount. I think it was about 600 out in the first half. Just wondering if you could give us an update on how that's tracking for the full year and whether you see that falling further into FY '12? And just on those fourth quarter costs, can you just clarify whether the magnitude of them would be large enough to pull cost growth above revenue growth for the second half?

Gail Patricia Kelly
Former Chief Executive Officer, Managing Director and Executive Director

Why don't you go on the second point and then I'll take the first?

Phillip Matthew Coffey
Former Chief Financial Officer

Okay. Look, I'm trying to avoid giving guidance here, Matt. But what I would say is that our focus has been, and I've talked about it for a while now, around how do we generate core earnings growth. And so we're going to continue to focus on that, period on period, and that's what the group's got in mind. On headcount, Gail?

Gail Patricia Kelly
Former Chief Executive Officer, Managing Director and Executive Director

On the first one, look, headcount is unfortunately a very moving feast, and there are a number of elements where investment's been made, and staff numbers are growing. And as Phil said earlier, we're in-sourcing some staff. And there are other elements where, obviously, through the productivity work and the process reengineering work and the implementation of particular initiatives, staff numbers are down. So just to give you some examples, obviously, Bank of Melbourne involves some step-up of staff, so that's been happening and will continue to happen over the course of the next year. That's an example of staff going up. In staff, an example of in-sourcing would be the old EDS mortgage processing center in Adelaide. Now that, that's obviously now an HP service provider, we'll be in-sourcing that back, so we're taking those staff members back. That process is underway. A certain number of those staff have already transitioned back into the Westpac Group, and there's more to come coming back into the Westpac Group next year. The big one is obviously projects. We've got at any one time around 2,000 people involved in our SIPs and technology work. And that can go up or down, depending on the nature of the project and depending on the nature of whether the full-time staff's involved or whether we're using our external resources to assist us with that. So there are quite a few moving pieces there. Net-net I would say staff will come down somewhat over this year that we're in and will come down somewhat again next year, but there are quite a few moving pieces.

Andrew Bowden

A question from Mark Wiblen [ph], please.

Unknown Analyst

Just a question on the mortgage growth side. So obviously, you're traveling at a reasonable clip at the moment. But one of your competitors who reported last week was saying that they're seeing sort of the competitive intensity in that space sort of pick up, and as a result, that they don't really need nor wanted to travel a system going forward. Can you just comment on sort of what you're seeing and also your intentions given that competitive intensity?

Gail Patricia Kelly
Former Chief Executive Officer, Managing Director and Executive Director

I've been really happy with how the group has actually handled the mortgage growth situation. I mean, we flagged that we'd like to grow out our system, and actually, that's what we've done. It's been stronger in the Westpac RBB world, and that's not a surprise out there. We've put very significant investment into Westpac RBB over the course of the past couple of years. And so we've grown there at around 1.2x system growth over the course of the whole last couple of years. And that's an understanding that we have a proposition that actually isn't cost-based [ph] It's much more sort of [indiscernible]. And so the proposition there is all about package and so very high spends, something like 90% of the mortgages we write through our Westpac RBB business are package related mortgages. So they come with the transaction accounts, they come with insurance. They come with, in instance, at least 4 products. So that speaks to playing to the strategy that we have and that we're not looking for just a mortgage. We're looking for depth of relationship with all of the various and revenue-related elements that actually come from having a depth of relationship. Retentions are mainly related to the first 2, and that's been a factor in why our mortgage growth has remained particularly strong in the Westpac RBB world. So retention's at an all-time high for us there. And St. George has been a steadily improving story. As you know, in the first half, we called out a real disappointment there. It takes time, obviously, to reverse that trend, but we're getting up towards system growth in New South Wales for the St. George brand. And that's still using brokers only to the extent of the mid-to-high 30% of that origination is actually coming through from brokers. Bank SA is at system growth. And so we're running the St. George group in a different way now. It's been repositioned. So there's the St. George brand, which focuses on New South Wales and Southeast Queensland. There's Bank of Melbourne, focusing on Victoria; and there’s Bank SA, focusing on South Australia. We've actually moved the rent business into the St. George group, so the Royal Chaplain really looks after the family of brands that we have. So overall, I believe we're getting good quality mortgages. It's about depth of relationships playing strength to the strategy, and it's exactly what we've hope to achieve.

Unknown Analyst

Okay. And just quickly on through the cycle bad debt charge. Obviously, Phil, it's got a fairly negative outlook at the moment, but what do you see as the through the cycle bad debt charge for Westpac?

Gail Patricia Kelly
Former Chief Executive Officer, Managing Director and Executive Director

Well, I mean, the through-the-cycle bad debt charge is, usually seen as around 30 basis points. And we’re well lower than that at the moment. I think, if you look at third quarter year-to-date, we're about 21% -- 21 points on that particular charge. So we will know, [indiscernible] through the cycle, which is at around 30. Last year we were at 30. So I think that's pretty sound. Now again, gets to your view of what's the economy outlook from here on in terms of has that bottomed or not? Obviously, if you look at the tenure through the cycle, there are going to be a number of years, more like 7, that are below that average, and then the 3 that are above will be well above. So we're obviously in that period of below, and it could get lower, depending on your view on the economy, and I think that’s as yet uncertain.

Andrew Bowden

Well, I can see we’ve got a few more questions online, but I've got no new questioners. So I might call it to halt in then. And thank you, all, very much for dialing in, and good morning.

Gail Patricia Kelly
Former Chief Executive Officer, Managing Director and Executive Director

Thanks, guys. Thank you.

Phillip Matthew Coffey
Former Chief Financial Officer

Ladies and gentlemen, thank you very much.

Operator
Ladies and gentlemen, that does conclude our conference for today. Thank you for participating. You may all disconnect.