Question and Answer

Will Rayner
Former Head of Capital and Investor Relations

Thanks, Mike. So we will head straight to the phones for questions. [Operator Instructions]

Operator

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

Edmund Anthony Biddulph Henning
CLSA Limited, Research Division

Just had a couple of questions. Just starting on the capital position, can you let us know where -- if you look at January 1, obviously, when it changed over the Basel III, where your starting point was? And also, did you generate any organic capital during the period? And just secondly, looking at asset quality and Great Southern, obviously, you kind of keep ticking up there with line losses increasing there from bankruptcies around the Queensland rural portfolio. What is your actual provisioning coverage on what's left there at Great Southern?

Richard Fennell
Executive of Customer Banking

All right. Ed, the capital position when we flicked [ph] across at 1st of January, there was some impact from that. I don't have that number immediately to hand. But from memory, it was in the tens of millions, so it wasn't a massive impact. Yes, we -- I mean, from an organic capital generation perspective, we are generating capital because we're clearly generating earnings and not paying it all out in dividends. However, right now, balancing that up against some of the changes that are underway from a capital perspective as we're moving into this Basel III world, it is a bit of a challenge getting a stable period of time to asses that. We obviously model looking forward our capital position and are comfortable with the capital base we've got now and how we're positioned looking forward to be able to make decisions we've made this period in relation to dividend payout, et cetera. In relation to the provisions, the Great Southern one is a really hard one to manage because of the fact that those borrowers that are involved in the class action, we're unable to deal with them directly. We have to deal with them via the legal proceedings. And so, getting a clear view of their -- of all of those borrowers' financial position is a challenge. So what we've found, over the last 12 months, is from time to time, out of left field, we'll have some of those borrowers moving into bankruptcy, not driven by us, but by other creditors, and in some cases, the tax office. And so unfortunately, there's been probably 3 or 4 months this year where we've -- over the 12 months, where we've had a decent-sized hit from that. The -- in relation to the Queensland cattle properties, we, each half-year, go through a process of revaluation of those properties and adjusting those valuations and the underlying provisions to reflect those valuations. We thought we couldn't -- it couldn't get much worse for some of those guys, when they went through the floods, the cycle and then the ban on the large cattle export trade. But the last wet season, which happens in the last 6 months, from January through till about May, unfortunately, didn't live up to its name of a wet season and was very dry. In fact, drought conditions through a lot of those areas, and that has had an impact on those valuations, which has led to this. So that's really the situation there. In relation to the additional haircuts of -- some information just handed to me. So actually the additional Tier 1 and Tier 2 haircuts was around 28 basis points at January 1, giving us a core Tier 1 position at January 1 of around 8%.

Edmund Anthony Biddulph Henning
CLSA Limited, Research Division

Okay. So it fell over the period?

Richard Fennell
Executive of Customer Banking

Sorry, say again?

Edmund Anthony Biddulph Henning
CLSA Limited, Research Division

So your Tier 1 fell over the period. It went from 8 to, what, 7.9?

Richard Fennell
Executive of Customer Banking

Yes.

Operator

Your next question comes from the line of Mike Wiblin from Macquarie.

Michael Wiblin
Macquarie Research

I just wanted -- I had a couple of questions. Just from a margin half on half, can you just take us through the drivers there? Because it looks like it strengthened again. How much further is there to go? Because, obviously, there has been a lot of repricing and it seems like asset pricing is kind of one of the major things there. And then, just a second question around costs. And in the past, the cost -- that CPI cost growth commitment, is still there?

Richard Fennell
Executive of Customer Banking

Yes, on margin, Mike, look, really the way we've managed to maintain that -- and really the last half year really has been about maintaining the margin pickup we've managed to generate in the first half. Really that has been about I guess taking a scalpel rather than an axe to any of the pricing movements which we've undertaken, and really trying to work really hard on deposit pricing to try and constantly maintain our position in market, but being towards the bottom end of the range. One other initiative that has helped in the last half was from first of April, we completed the second phase of a program called Restoring the Balance, which was about restoring an appropriate balance of margin share with our community banks. And where the trail commissions that we pay on term deposits and fixed-rate lending dropped from 37.5 basis points to 25 basis points, which was the second of a 2-stage drop from 50 basis points, a couple of years ago, down to 37.5. And then from first of April this year, down to 25 basis points. Now that will help going forward. But as I mentioned, one of the challenges going forward is the cash rate reductions in June and August, both of which we have fully passed on to our mortgage customers. And so to maintain margin, we're going to need to be able to work really hard on the deposit pricing going forward as well. Because obviously, we can't pass on that cash rate reduction on the capital side or with our low cost deposits.

Michael Wiblin
Macquarie Research

Right. And then just on the cost part?

Richard Fennell
Executive of Customer Banking

Yes, costs, as I said, we're happy with what we've achieved. One thing I think I can confidently say, I don't expect there to be our cost growth as low this year because of the impact of the Adelaide head office, which is going to add about $12 million per year in additional occupancy costs. Plus also the Basel II Advance program, which -- it's a little hard to predict exactly how much that's going to add to the bottom line, because as we work through that, we capitalize as much as that as is appropriate from an accounting perspective. But we do know that not all of that can be capitalized under the accounting rules. So that will impact. Putting -- if you put those aside, certainly we'd be aiming to try and keep our cost growth at around CPI. But with those 2 other impacts, I think you're going to see an increase in our costs. But really, our focus is to make sure that, that cost increase is not greater than our revenue increase. So we can still maintain positive draws. Although I daresay that will a little narrower looking forward out of the next 12 months.

Operator

Your next question comes from the line of Anthony Hoo from Nomura.

Anthony Hoo
Nomura Securities Co. Ltd., Research Division

I have a question about your capitalization, software capitalization. On Slide 45 where you have the chart giving us a run-through, the balance actually fell where the addition was quite a lot smaller than the amortization. Can you give us a sense of -- in the context of -- I know what you said about advanced accreditation project, but outside of that, what your plans are in terms of investment spending going forward?

Michael John Hirst
Former MD, CEO & Director

Yes. Anthony, the capitalized costs that we've incurred so far on the advanced accreditation program haven't actually hit the capitalized software bucket yet. So it sits in deferred expenditure until we actually implement that software. So the first implementations of the major pieces of software relating to that program of work would probably be, I expect, in the second half of this financial year. But the expenses we're capitalizing today are sitting in our deferred expenditure account. And to date, that amount would be under AUD 10 million. So it's not a huge amount at the moment. What you have seen over the last 2 halves is the continued amortization of a number of significant software implementations we took over the last few years, the largest of those being the implementation of a customer relationship management system. There have been some additions, as well, that you saw primarily on the first half. We continue to invest in that system and roll it out to other parts of our business and other channels, and some of that gets capitalized. And there are other programs at work where we do end up capitalizing software. But as you can see, and I think if you did a comparison with a lot of the other banks, we do take a pretty conservative approach to the capitalization of our expenditure. The majority of it, we do expense upfront, and -- which means we don't have those future headwinds.

Richard Fennell
Executive of Customer Banking

I think though that the key issue here is that we've done a thorough review of their core banking system and we think that it's got another 7 to 10 years of life in it. By that stage, who knows what options will be available for replacement. It wouldn't surprise me to see a bureau-top arrangement in place at that stage. And we're continuing to invest in our customer facing systems. So the relationship management system, our mobile platform, some of our payments platforms, we're doing a lot of stuff around that, which we think will have a good payoff for us going forward. But the cost of technology is falling.

Operator

Your next question comes from the line of Jonathan Mott, UBS.

Jonathan Mott
UBS Investment Bank, Research Division

Mike and Richard, I've just got a question about your premium offering and not trying to compete too intensively to maintain the margin. I can understand that as you try to get the ROE and return on tangible equity up. But at the same time, you saw deposits pretty much flat in that second half period. And for the first time you've seen the deposit mix go from 80% to 78% in the half. How long can you keep this strategy up if we do see firstly, a bit of a pickup in business credit, which you're already seeing, and ongoing intense competition is standing out in the market at the moment? So firstly, is there a line in the sand still at 75%, where if the deposit funding falls off to 75%, you will have to step back in? Or are you just happy at a moment just waiting for securitization and trying to maximize the margin?

Michael John Hirst
Former MD, CEO & Director

Sure, Jon. With the -- when we say standard pricing and considered what price we're at, the first sort of 3 rules we would look at, one is, are we competitive? And clearly, we must be competitive, otherwise, it's not fair on your customers. So -- but there's a difference between being competitive and being a price leader. And secondly, we want to make sure that there's equity in any decision that we make for all the stakeholders in our business, so for your customers and for your shareholders, et cetera. And then the third thing is a does it fairly represent the value proposition that we put into the market? So being competitive is certainly a major consideration for us when we think about that. I would say that the 75% is a line in the sand for us. We've said that we'll move -- we want to be in that range of 75% to 80%. I think the -- what you're seeing in the margin and in the less pressure on the deposit side for us is the benefit that we're getting from being the first to move to strengthen the balance sheet around that funding ratio. We very clearly and quickly got to that point. And now we're getting the benefit of being able to work back through the wholesale market when everybody else is attacking the deposit market. So we still have very little out there in the wholesale market. And if you have a look at Slide #17, you'll see the maturity profile we have and the funding mix out there. So we're just, I think, reaping the reward of having done the hard yards around retail before everybody else.

Jonathan Mott
UBS Investment Bank, Research Division

Okay, just a follow-up on that. Just the margin movements, you called out 2, and this is probably more for Richard. Firstly, the trial commission going from 37.5 to 25. When does that kick in? It's started to kick in for some Community Banks already, I presume. So what's the margin benefit you get from that? And can you also offset that against the headwind from lower cash rates? And I'm not sure whether you're sort of replicating portfolio or hedged strategies in place, but can you go through those moving parts on your margin in the next 12 to 24 months?

Richard Fennell
Executive of Customer Banking

Yes. So that -- on the restoring the balance, that kicked in at the 1st of April. So we've had 3 months of that in this financial year or 3 months in the last half. And the impact that has from a margin perspective is at a gross level, probably 1.5 to 2 basis points. And so that is -- it's not huge, but it's still certainly an important point in making sure we get that balance right because that is the fastest-growing part of our network and of our balance sheet from a retail perspective. In relation to our hedging strategy, we do have a very active hedging strategy, and we do look to hedge our position and our balance sheet, and we do take cover against, in an environment like this, rates going lower. At times though, we -- I mean, we don't fully hedged out our position. What we do is we look to take an appropriate position based on what is available in the market. As far as the price of hedging is concerned, this is our view of where interest rates are going. And so at times, it is -- it makes sense with our view of rates to be close to fully hedged. At other times, it's -- we are less hedged because the cost of doing it in the market is -- we view as outweighing the benefit.

Jonathan Mott
UBS Investment Bank, Research Division

So if we make no assumptions about rate movements from here on, given the hedging strategy and the impact of lower cash rates so far, what will be the impact on NIM next year from those 2 moving parts? Still negative, I presume?

Richard Fennell
Executive of Customer Banking

Yes. Look, that -- they -- the fact that we have passed on all of those cash rate reductions for the last 2 changes, I suspect that the trend is likely to be down rather than up. We'll be doing everything we can to hopefully be in a position where we can come close to maintaining that margin. With a bit of luck, that might be possible. But I'm not sitting here thinking we're going to be looking at a NIM heading North certainly, over this 6 months, with 2 cash rate reductions that we've just experienced.

Operator

Your next question comes from the line of Andrew Lyons from Goldman Sachs.

Andrew Lyons
Goldman Sachs Group Inc., Research Division

Just a further question to add to the other one, just on your capital position. I'm just wondering, were there any one-offs in the -- that impacted the capital in the second half number that give you sufficient confidence to no longer be discounting the DRP? And then just secondly, just -- you've provided some updated -- updates around the costing at Basel II Advanced Accreditation? Any updates that you can provide around the timing as to when you think you might get that accreditation?

Michael John Hirst
Former MD, CEO & Director

I'll answer the second one. But I'll let Will maybe respond on the capital piece.

Will Rayner
Former Head of Capital and Investor Relations

Yes, Andrew. Andrew, on the 107 basis points there in risk-weighted asset growth and other, you had a small acquisition of HD&C Securities, which contributed part of that. And also, we cleaned up 2 of our pre-GFC TORRENS deals when they got to their 10% clean-up clause. So we had to bring the bottom part of those 2 issues back of the balance sheet, and that contribute to that risk-weighted asset growth in the second half. We don't expect to see the same sort of clean-up in this first half of this financial year.

Operator

Your next question comes from the line of Andrew Triggs from Deutsche Bank.

Andrew Triggs
Deutsche Bank AG, Research Division

I just had a couple of questions. Firstly, on specific provision coverage of impaired, it looked like it fell a little bit during the period and does remain sort of below the peer levels. I guess that was appropriate when you had a pretty clean book in largely resi-backed mortgages, but it's proving perhaps, in the last couple of halves, to be a little more risky than that. I mean, can you just make some comments around that? And secondly again around the capital position, what do you see? Did you have a target range in mind on the Basel III basis? I take your comments around the S&P number being high, that clearly -- at first, looking at that Basel III measure, which is substantially below the peers on that number.

Michael John Hirst
Former MD, CEO & Director

Okay. On the specific provisions versus the impaired, that ratio has dropped away this half. Again, the key driver of that and around -- I think the impaireds have increased, from memory, around $100 million in the half. Around AUD 80 million of that has been or it relates to specifically to this Queensland cattle properties. As I mentioned earlier, around AUD 55 million of that since June 30 have now move to a position where contracts have been signed for the sale of those properties. So those impaired loans will drop by around AUD 55 million when we next release an update to that, but that's happened since 30 June. So when you'd make that adjustment, I think you'll see the specific provision versus impaired increases again back towards a normal long-term trend rate. In relation to the target for our target range for our capital, we do have a target range, but we don't disclose that. From a Basel III perspective, we don't make -- they have the same level of adjustments that the majors have in relation to moving towards a harmonized or international view of Basel III. So I'm not sure there's a lot of value in trying to compare their use of that harmonized approach because, I mean, we just have a different structure from a capital and balance sheet perspective than they do, if that's the comparison you're doing. As I said, and we do look clearly at our Core Tier 1, our Tier 1 levels and make sure they're at appropriate levels. We obviously need to have a certain level of total capital that's appropriate for our business. But we are informed, to some extent, by other measures of capital such as the S&P RAC ratio, which does assess all assets within the system on a like-for-like basis rather than differentiating under the different methodologies used by the regulator. So that does provide us with some comfort, I think, from the perspective of how we're holding an appropriate level of capital.

Richard Fennell
Executive of Customer Banking

The bottom line is that we want to have a strong balance sheet on the funding and capital basis, and we'll make sure that we do.

Michael John Hirst
Former MD, CEO & Director

And I think also missed answering Andrew's question previously. I got cutoff before I can answer on the Basel II Advanced Accreditation and the cost and timing in relation to that. So I think in the past, we disclosed that we'd spent just in excessive AUD 10 million this last financial year. I'd expect that we'll be significantly more than that this coming financial year. I would expect potentially up to 3x that amount, as we've really ramped things up in the last few months. And this year, really, is a year of heavy lifting in relation to that program of work. As far as timing is concerned, really we need to do all the things we need to do, but it's not something we have control over. The regulator, at end of the day, will make their decision once we have put all the building blocks in place. We're looking to put all those things in place largely by the end of this financial year. But I suspect it might -- there might be some pieces still happening into the next financial year. But I would hope that the heavy lifting is done this year. We then need to go through a process where the regulator comes in, assesses our use of those new models, systems, processes and tools. And they need to get comfortable with their application and the history of the use of those. And I really don't want to have to guess on exactly how long that would take because, really, that's beyond our control. We just need to put our pieces in place as efficiently and effectively as possible and then work with the regulator hopefully to get that accreditation as soon as they're comfortable with what we've done.

Operator

Your next question comes from the line of Brett Le Mesurier from BBY.

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

A couple of questions. Firstly, the restoring the balance changes that you've put in, presumably that relates to about 3/4 of the Community Bank's footing. Is that right?

Michael John Hirst
Former MD, CEO & Director

I'm not sure, to tell you the truth, Brett. I know assets, that wouldn't be 3/4 because there's -- a, it doesn't relate to transaction accounts and there's significant volume of that in Community Bank; b, it doesn't related to variable rate assets, and that would be the majority of the assets there. So really only relates to term deposits and fixed-rate lines. It would be significantly less than 3/4.

Richard Fennell
Executive of Customer Banking

So It might be 3/4 on the deposit side, but it would be probably less than a 1/4 on the asset side. So -- and given we are -- tend to be deposit-heavy in that bucket, it -- I mean, I haven't done the maths, but my guesstimate on that might be, it moved closer to 50%.

Brett Le Mesurier

Asia Pacific Prudential Securities Pty Ltd., Research Division

Right. Okay. And the second question that I had was your return on tangible equity, given what you've said about revenue and cost spreads and some of that bad debt issues that you have, we shouldn't be expecting a material change for your return on tangible equity, at least in the upward direction before you get that advance accreditation, should we?

Richard Fennell
Executive of Customer Banking

Look, I think that's -- I mean, I'll let you draw your own conclusion there, but you're calling out some of the challenges we've got in front of us. So I mean, one of those challenges is to try and for example, get those credit costs back down to where they were in the financial years before the last financial year. But as you rightly point out, we've got some cost headwinds and also cash rate changes are making it tougher from a margin perspective. I mean, having said that, we continue to grow faster than the system, our loan book. And we do that at good prices. So that's certainly one of the -- well, that's positive momentum that we've taken into this financial year.

Operator

Your next question comes from the line that Scott Manning from JP Morgan.

Scott Robert Manning
JP Morgan Chase & Co, Research Division

A couple of questions. Firstly, just on the other income line. That was up about AUD 10 million for the half. It does seem to float between that kind of AUD 20 million to AUD 30 million level. Just what's in there and what's driving that volatility?

Richard Fennell
Executive of Customer Banking

The major contributor of that is Homesafe and the -- there has been quite a bit of volatility over the last couple of years because we'd have a loss of about AUD 7.5 million of dividend income from our IOOF that we received last -- sorry, in the 2012 financial year that wasn't there in the 2013 financial year. And we had a reasonably strong contribution from Homesafe that was skewed more to the second half than the first half.

Scott Robert Manning
JP Morgan Chase & Co, Research Division

Sorry. I'm looking in the 4E, where dividend income and Homesafe are separate line items.

Richard Fennell
Executive of Customer Banking

Okay. Then -- sorry, that level, the other income, just one of the major contributors to that is our foreign exchange income, and that continues to be a strong and growing contributor for our business. And actually, one of the really positive contributors to that had been Delphi Bank, which really delivers beyond its weight when it comes to foreign exchange income and has been one of the real positives of that acquisition. There are bits and pieces, which I'll try and follow-up for you, Scott.

Scott Robert Manning
JP Morgan Chase & Co, Research Division

That's fine. And on the Homesafe portfolio, that's down to AUD 300 million. Is that getting to the upper threshold of risk [ph] TORRENs, and what's the outlook for that portfolio size going forward?

Michael John Hirst
Former MD, CEO & Director

Yes. Well, I think, Scott, we've always said that we'd welcome other investors in that portfolio. And I think the AUD 300 million to AUD 350 million mark is something that we're comfortable with. We're actively looking to get new investors on board. I think we'd prefer to be in a position of perhaps providing the revolving credit piece of that rather than the long-term holding piece of that. Having said that, it's been a good performing product for us. It certainly fills a very valuable role in society generally. And I think as people get used to how that product works and the value it adds, we will be able to attract more long-term investors in to share that portfolio.

Scott Robert Manning
JP Morgan Chase & Co, Research Division

And just on the -- this ongoing Great Southern issues, is there going to be a line in the sand in terms of definitive kind of legal conclusion at some point that we can all look forward to?

Michael John Hirst
Former MD, CEO & Director

Some of us are looking forward to it more than others. Yes, so there's currently a breaking core proceeding whilst there's a mediation discussion underway. And obviously, I can't tell you how that's going or otherwise. And the conclusion to that would be imminent in terms of the term of that mediation. I'm not saying, one way or the other, the success of it. And filing any agreement emerging from that, the parties will be battling on court on the 27th of -- 29th of August. Sorry, 2nd of September, Scott.

Scott Robert Manning
JP Morgan Chase & Co, Research Division

And sorry, just one final one. On the wealth business, the substantial decline in the profitability there. Does there come a point where the intangibles there will be held in question? Noting that it's already written down once back in 2011.

Richard Fennell
Executive of Customer Banking

Yes, look, Scott, the -- obviously, if it keeps declining, that does get to a point there where that's challenged again. When we did the write down a year or so ago, we did take a pretty conservative view of the prospects of that business. In hindsight, that was a good thing to do. The removal of the IOOF dividend has been a challenge for that. And so it hasn't just been about margin lending coming off. And -- but, look, if we don't get the growth in that business then and it continues to trend the way it is, then there would be a point where that would come into question. On the positive side, we are actually seeing some really strong growth in that business outside of the Margin Lending business around some of our wealth products and our cash funds and also, some of our new superannuation offerings, in particular, our SmartStart Super offering, which is a low-cost super. And so it's got --just on the other one, one of the other strong -- on the other income, one of the other strong contributors just in the second half was actually in relation to our trading book, where we had a pretty strong contribution from trading there.

Will Rayner
Former Head of Capital and Investor Relations

Just on that wealth business, too. We have spent the last 18 months or so restructuring that business, which is why there's been some increase in costs there, which we haven't put below the line. And that is starting to come through. The last quarter we had on the fund side was actually pretty good. And we hope that we've got some momentum emerging in that business.

Operator

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

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

Just looking ahead, next 12 to 18 months, where would you see growth coming from? I mean, from which states? Would it be the East Coast, or elsewhere?

Michael John Hirst
Former MD, CEO & Director

I think in the retail network, we certainly will continue to see it coming out of the Community Bank part of that network as it begins to mature. We actually think we've got some reasonable prospects across-the-board. I think South Australia might prove to be beneficial for us over the medium term because we've completed all the things we had to do around integrating the retail networks during the year. So we can offer the customers in South Australia much better than experience than what we have for the last few years, and that will also -- what we've done there also frees up the staff within the network to do a lot more on the customer side. So I think the -- we've got a national network now. We're pretty evenly spread relative to the economy in terms of our ratio of branches, et cetera, everywhere except for New South Wales. So I'm hopeful that we'll see growth across-the-board.

Operator

Your nearest question comes from Craig Williams from Citigroup.

Craig Anthony Williams
Citigroup Inc, Research Division

In fact, my original question was along the line of Scott's. I didn't think there could be that many Greeks and Cypriots moving their money back and racking up the FX fees to have driven the other income. But with respect to the Queensland properties that you've now flagged for sale post-balance day, could you talk about, I suppose, the outlook for those relative to the specific provisions that you've got held against those?

Richard Fennell
Executive of Customer Banking

Yes. Craig, the sales that have gone through have largely reflected the prices that we took into account in making those provisions. There might have been minor movement up or down, but nothing material from a perspective of those properties has come through. So it wasn't a case of, okay, we've taken the provision at 30 June and then into the contract for sale a few weeks later and facing another significant write-down." The sale prices were reflective of the provisions that we took at 30 June.

Operator

Your next question comes from the line of Richard Wiles from Morgan Stanley.

Richard E. Wiles
Morgan Stanley, Research Division

I just had another question in relation to Homesafe. There was a AUD 13 million contribution in the second half, which was similar to the first half contribution of AUD 12 million. Those contributions are basically the highest in the last 7 years, except for 1 other half year. So I've got 2 questions. Firstly, do you make any assumptions in relation to the Homesafe contribution when you aim for positive JAWS in 2014? Does it actually make a difference? And in the first half result, where I think you said that you did think the Homesafe contribution would return to a more normal level. That seems to be about AUD 5 million per half. Is that what you're factoring in for next year?

Will Rayner
Former Head of Capital and Investor Relations

I think -- well one of the things you've got to take into account, Richard, is the portfolio has grown from 0 to AUD 300 million over that period. So obviously, the dollar return changes in line with the growth of the portfolio. In terms of the percentage return on the contracts, it's been roughly within our expectations and reasonably consistent over the period. The growth that we've got factored in for next year, I don't think significant.

Richard Fennell
Executive of Customer Banking

No. We've taken a conservative view of housing, real estate prices. One of the factors that does impact every year in the first half, we do have an impact of a more detailed valuation process that is underway right now and is undertaken during this period each year, which traditionally has made an additional contribution in the first half. So although it's pretty close first half to second half, the actual contribution from the index was higher in the second half because we had that true-up in the first. We have made an assumption going forward of index changes less than has occurred in this last financial year. Now arguably that's conservative, but this is a volatile portfolio and we don't want to run our business on an assumption of housing prices as the basis for how we manage the cost base of the business, which, I think, is the point of your question. But -- look, this -- yes, 3 or 4 years ago, AUD 5 million a half was about normal. As you can see, over this year, we've annualized improvement in real estate prices of between 3.5% and 4%. That looks more like AUD 12 million to AUD 13 million a half. So I'll let you extrapolate from there.

Richard E. Wiles
Morgan Stanley, Research Division

Okay. So it seems like you're not assuming as much house price growth this year, which may prove to be conservative. That could mean that the contribution is lower next year, but that doesn't really have an impact on whether or not you achieve positive JAWS. It's not a big enough swing factor to influence that outcome? Is that a fair summary?

Richard Fennell
Executive of Customer Banking

Yes.

Michael John Hirst
Former MD, CEO & Director

Yes.

Operator

And your final question comes from the line of John Buonaccorsi from CMIB.

John Buonaccorsi
CIMB Research

Mike, Richard, I just want to ask a couple of questions. Firstly, the Community Bank expansion seems to have finished. Do we assume that going forward, there will only be very small net new branch additions? And what does that mean, say, for items like the staff numbers? Are they going to be more or less flat going forward the next few years?

Michael John Hirst
Former MD, CEO & Director

Well, starting with your second question. The staff number has been reasonably flat this year. The Community Bank staff were employed by those Community Banks, so they're not coming to add staff numbers. The increase in staff numbers for us this year was pretty much related to 2 things that build up for the advance accreditation, but also taking 100% ownership of the community toll cuts. So that was bit 60-something staff in there. So pretty much, we've have kept staff flat over the period. In terms of it being finished, I don't think it's been finished. There's certainly been a slowing in openings. There hasn't been any slowing in inquiry. And I think we've got a reasonable pipeline moving ahead this year. So where we are then, I think we probably have 3 or 4 in last 12 months. I think there's -- it's more like 10 or 12 in the year going forward.

John Buonaccorsi
CIMB Research

Also, on Homesafe, can you give a rough split of the benefit in the -- in the full year between portfolio growth and the house price mark-to-market?

Richard Fennell
Executive of Customer Banking

The portfolio growth doesn't actually provide an immediate benefit because we bring the amount of cost. We paid for them. So the contributors to actually profit generation are the mark-to-market on the house prices, plus also any loss or gain when contracts complete. Now what we've seen to date is when contracts complete, the almost absolute, almost 100%. There's 1 or 2 exceptions are selling for a value higher than we've been carrying those properties after allowing for the movement in the index. For example, there was one -- one example was a property that sold very quickly after it moved into the portfolio and therefore, some initial fees offset any price going there. So really, the other 3 contributors, the mark-to-market of properties that are in the portfolio or come into the portfolio and any gain or loss on sale. But the reality is the vast – I mean, as I said, the very vast majority that do so sell for more than the carrying value.

Will Rayner
Former Head of Capital and Investor Relations
Oaky. That brings it to a close, ladies and gentlemen. Thanks for your interest this morning. Look forward to seeing many of you on the road this week. Until next time, we'll expect [indiscernible].