Question and Answer

Operator

Our first question comes from Brian Johnson from CLSA.

Brian D. Johnson
CLSA Limited, Research Division

I was wondering if we could get some clarity on the movement in risk-weighted assets over the quarter? So what I'd like to understand is the movement in the credit risk-weighted assets, the interest rate risk in the banking book and the operational risk, just what drove them so much higher?

David Paul Craig
Former Group Executive, Financial Services & CFO

Well, interest rate risk in the banking book was a component, Brian, and that was just a function of balance sheet positioning and so on. The risk-weighted assets went up in corporate and lending by about -- which had an impact of about 26 basis points, but there's also some foreign currency, and that's -- part of that's offshore, and also the growth in liquid assets, so they were the main components.

Brian D. Johnson
CLSA Limited, Research Division

David, can you just clarify for us, I mean the trading result was weak, and we saw the IRRB charge increase. Can you just run us through is there a directional sensitivity in there that we're not picking up?

David Paul Craig
Former Group Executive, Financial Services & CFO

In what, interest rate risk in the banking book?

Brian D. Johnson
CLSA Limited, Research Division

Well, in the movement between the profit and loss account in the balance sheet?

David Paul Craig
Former Group Executive, Financial Services & CFO

No, it's just a function of the way the balance sheet went. So it's all a function of the average duration of equity on the balance sheet. And so the longer that is, the higher the interest rate risk in the banking book at point of time. So in a sense, IRRB is probably been out officially low at June, and its returned to its more normal setting at around -- at September. In total, it's about 13 basis points up on interest rates in the banking book.

Operator

Our next question comes from the line of Jonathan Mott from UBS.

Jonathan Mott
UBS Investment Bank, Research Division

Just 2 quick questions if I could. The first point, just -- if you could clarify on the trading income, you said, $60 million lowers in the long-term average during the quarter. Could you just elaborate what is that long-term average, and could you compare that to say the last couple of quarters or the last couple of halves? And also following on from Brian's question just to follow up, with the strong growth in the corporate risk-weighted assets up pretty substantially, I think it was 5% growth in advance IB at corporate and 18% or 19% growth in the standardized IB at corporate. How much of that was lending growth and how much of it was just movement in ratings? And where was the lending actually going to, given the system didn't see much growth in business lending during the period?

David Paul Craig
Former Group Executive, Financial Services & CFO

Okay. Taking your question on trading income, you'll recall, Jonathan, that our long-time average trading income is between $300 million and $350 million per half, so this is obviously, quarter. It's always a bit difficult to talk about quarters, but clearly, if you have $300 million to $350 million, that's $325 million. Divide that by 2, that's really what we're talking about in terms of the $60 million, is up on half of $325 million, roughly. We're talking approximates, I mean obviously, trading income moves around fair a bit. And then on your question, and you're getting very technical on risk-weighted assets. But basically, it's institutional banking that is the largest area or gross in the balance sheet, and risk-weighted assets, and that's largely volume-related, in institutional banking. So that's the largest chunk, and then, you've got liquid assets on top of that.

Jonathan Mott
UBS Investment Bank, Research Division

David, are those institutional lines? Are they term or are they just bridge funding? So is that something you expect to fallout of the risk-weighted asset balances?

David Paul Craig
Former Group Executive, Financial Services & CFO

I don't know the answer to that, but I imagine, it is the normal average term of IB. I've got no reason to believe otherwise.

Operator

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

Victor German
Nomura Securities Co. Ltd., Research Division

Firstly, if I could just confirm on your Tier 1, would you be able to give us the number of Core Tier 1 on APRA basis? Just consistent with all the banks have disclosed?

David Paul Craig
Former Group Executive, Financial Services & CFO

This is only a quarter, so we're just -- we've only -- we're just disclosing the Basel II numbers at this stage.

Victor German
Nomura Securities Co. Ltd., Research Division

Right. Okay. And secondly, just also following up from the previous question on markets-related income. I understand that the number was lower than the long-term average, given that arguably, the environment is changing. And as you guys just recently have done, reducing the size of your trading desk. Is the long-term average still a right number for us to focus on? Or is the current level, a more normal level in the current environment?

David Paul Craig
Former Group Executive, Financial Services & CFO

No, no, in fact, as other banks have experienced, our sales revenue in trading has grown steadily. And so it's about 50% up on the long-term average, it's just the volatility that all the banks experienced in this particular quarter, which is seen a downturn. But that trading desk, which was one of the trading desks in global markets, which had 7 people go, is a relatively minor event. There are desks, other desks in global markets, and the desk treasury, the desk internationally. So there's lots of trading within the normal of our limits still going on, and of course, there's all the normal work for customers, which is by and far and away, the bulk of our trading income. So the answer to the question is, I see no reason why over time, we won't return to the long-term average.

Operator

Our next question comes from the line of TS Lim from Bell Potter.

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

The overdraft levels increased about $22 billion in June. Has it further increased or what's the trend in overdraft? And Ralph, do you have any plans to run an airline up to CBA?

Ralph James Norris
Former Director

I'll answer the second piece first, TS, no.

David Paul Craig
Former Group Executive, Financial Services & CFO

And we'll have to come back to you on overdraft.

Operator

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

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

Question on the deposit. You said that the deposit growth in Australian retail was particularly strong in investment and savings products, but can you comment on the cost of that incremental growth, relative to the cost of deposits in the second half of last year?

David Paul Craig
Former Group Executive, Financial Services & CFO

Deposits at the moment, are trending a little bit favorably, but that's being offset by higher wholesale funding costs.

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

So that you're saying the growth is achieved on the back of improved deposit margins?

David Paul Craig
Former Group Executive, Financial Services & CFO

No, it depends what you're comparing against. The second half of last year, deposit margins were fairly benign. But in the first half of last year, if we're comparing against that, there was very fierce competition. So it all depends on the point in time we're looking at. But the feature at the moment is that wholesale funding costs are certainly up, particularly, at the short end, with basis risk playing a big part at the moment.

Operator

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

Richard E. Wiles
Morgan Stanley, Research Division

I'm interested in the comment on the Retail Bank margins. David, you say they remain under pressure, but the margin was up 16 basis points in the second half. So I'm not sure why you're saying remain under pressure, they clearly weren't under pressure in the second half. I'm interested in whether that comment is relative to the second half level? I think it was 239 basis points in that half, or whether it's relative to the peak that you obviously experienced in the fourth quarter. I'm also interested in whether your transfer pricing is ensuring that the high liquidity costs, and also, the recent increase in the wholesale funding has already been passed through to the Retail Bank.

David Paul Craig
Former Group Executive, Financial Services & CFO

Yes, it has. And just remember that while you make a valid point that margins were up last half, of course, they're up last half because of the rate rise in November last year, that obviously primarily impacted the last half, and soar it significantly higher than the corresponding previous half, because there wasn't a rate rise there, and because we were way -- way below, covering our costs adequately. So we would see the last half as being more of a return to normal, and yes, they're down a bit from that level now, particularly, because of the intense competition in the homeland market and the higher wholesale costs that we're experiencing. We do pass on those -- as Ralph has said, we do pass on those wholesale costs as they come through, immediately. So the transfer of pricing reflects that straight away.

Richard E. Wiles
Morgan Stanley, Research Division

So David, that's a detailed answer. What you're effectively saying is that we shouldn't be expecting a step down in the margin, in the fourth quarter and therefore, in the first half, from having to put through this increase in wholesale funding cost. It's already in there for the...

David Paul Craig
Former Group Executive, Financial Services & CFO

Well, yes, but the basis -- but understand, Richard, that the basis risk it, has really happened, primarily, in the month of September, and obviously, now, coming through in October. In other words, it's a -- the basis risk runs a very quick and short-term thing, that reflects the higher volatility, particularly, in the spreads in Europe. So that's -- that phenomenon has hit most significantly in the month of September. So we've only since, in the last quarter, only had one particularly heavy month. And obviously, that's likely to play out, well, maybe for 3 months at this quarter. We just got to wait and see what happens.

Operator

Our next question comes from the line of James Freeman from Deutsche Bank.

James Freeman
Deutsche Bank AG, Research Division

Just wanting to ask 2 things if I could. Firstly, if we get any indication as to what has happened to markets in coming -- in the month of October. Some of the other banks have indicated, it has bounced back, and bounced back reasonably well. And the second question, it just looks like there's a bit of a seasonal trend here, in your quarterly results as best as you can get from quarterly results and that Q1 tends to be a little bit weaker, and that appears to be somewhat driven by the EBA coming through in the first quarter, and the businesses haven't have -- having not having a chance to actually offset that cost. Just if I can get an indication, is that the way to look at it this day, a little bit of seasonality in Q1?

Ralph James Norris
Former Director

Yes, I think that's a good estimation, James. Certainly, the EBA costs et cetera, the additional cost that had come from remuneration have come through in that first quarter. We also have a situation, where obviously, seasonality does come into play. We're starting to see in this quarter, obviously, the mortgage market, as a little more active. A little early to say whether that is purely seasonal or whether or not we're seeing some impact from the recent rate reduction. But typically, we would expect that to really be supported by a second rate reduction, to see a balance there. But at the moment, there's no doubt that the business volumes do look a little stronger.

James Freeman
Deutsche Bank AG, Research Division

And sorry, just a comment on markets income in the month of October?

Ralph James Norris
Former Director

Everybody's shaking their head at the moment.

David Paul Craig
Former Group Executive, Financial Services & CFO

I don't think that -- I mean this is just a quarterly update. I don't think we should also be commenting on the month of October.

Ralph James Norris
Former Director

All I'll say is that, business is looking a little stronger, but too early to say whether that's a trend.

Operator

[Operator Instructions] Our next line comes from the line of Craig Williams from Citigroup.

Craig Anthony Williams
Citigroup Inc., Research Division

Ralph, if I think about it, your main target or legacy was to address customer satisfaction. I note, you sort of gone out with a new high, so congratulations on that front, nice way to go out. The next leap for the business, I suppose, is to find growth. And you've got fantastic market shares and retail deposits, mortgages, retail stockbroking and managed funds, the consumer in Australia, which is de-leveraging, still at present. So how do you think about the growth opportunities or challenges for the franchise? And does that necessitate going offshore to augment the group's growth opportunities?

Ralph James Norris
Former Director

Well, obviously, Craig, the situation in regard to growth, is one that is always a challenge, particularly, in an environment such as the one we have currently. But I think it's fair to say that, the improvement in customer satisfaction is giving us a much stronger base to our business to grow organic growth. I mean there's no doubt that we are seeing a high level of cross-sell. And I think that the work that we have done in the business bank in particular, where we have seen a continuing growth in the segments that we're targeting, is still reasonably strong. I think that to go chasing growth for growth's sake offshore, is always questionable. I mean we all know that many organizations have done that, and have come to grief. I think the important thing is to understand exactly what your competencies are, and understand how those competencies are going to leverage growth opportunities in other adjacent sectors, whether they be within the market or geographically, and I think it's very important that we make sure that we don't get to a situation where we overextend ourselves, by going into things where we're not really appropriately competent, in order to do that. But nevertheless, I mean there's no doubt that the work that we have been doing in parts of Asia has been working well, for us. I think that there's no doubt that our Indonesian operations are going to be a significant growth opportunity going forward. And certainly, I know that Ian and the team are going to be very focused on making sure that the business is very cost efficient, very productive, and looking to see where we can deploy genuine competencies into other geographies or market adjacencies.

Craig Anthony Williams
Citigroup Inc., Research Division

Okay. And a second question if I could please. The industry is currently finding things tough to deliver positive jaws in this climate. How are you thinking about the prospects for the group in 2012?

Ralph James Norris
Former Director

Well, I think positive jaws has always been during my time, a focus for the organization. And I don't see that, that's going to change going forward. There's no doubt that in a lower growth environment, the management of the jaws becomes even more critical. And certainly, that's a real challenge for us in this environment. And certainly, I think that the performance in the first quarter is something that -- has probably seen a situation where our performance has not been what we would like. But I know that there are a lot of initiatives in place in trying to make sure that we can pull back some of the cost growth going forward.

Warwick Bryan
Former Investor Relations Contact

I understand that that's the last question from analysts, so we might now go to any questions we have from the media, please.

Operator

Our first media question comes from the line of George Leonidis, from the Australian Financial Review.

Unknown Speaker

I was just hoping you might be able to give us a bit more details, in regards to the drop in trading income? And was it as a result of particulate type of trade? Was it certain types of derivatives that were hurting your? Was it interest rate, futures, et cetera, et cetera? And secondly, did that directly lead to the decision to close down that trading desk that Craig -- sorry that David mentioned earlier?

Ralph James Norris
Former Director

George, this wasn't an issue that was a come-off bank issue, it's really a market issue. And if you go back and look at the full-year announcements of our competitors, you'll find that all of them suffered similarly during this particular quarter. It was due really, to the volatility that's taking place in this quarter, which was more significant on the downside than we have seen in recent quarters. Certainly, had nothing to do with the small desk that we closed down, that has been a very marginal operation for a number of years. And we took the view that in this environment, that it didn't make much sense to continue to operate it. So it, in itself didn't have an impact on this, this was much more of a systemic issue than an issue than was purely come-off bank.

Operator

Our next question comes from the line of Scott Murdoch from the Australian.

Unknown Speaker

Ralph, you mentioned just a couple of minutes ago about the growth in mortgages. Is that linked to the interest rate cut? And how much of a need do you think there is for the Reserve Bank to act again and cut official cash rates?

Ralph James Norris
Former Director

Well, Scott, at this stage, as I said, it's very, very early days. And so at this point, obviously, we always see at this time of the year, a seasonal improvement in the mortgage market. And at the same time, we're obviously, have seen a reduction in the OCI. I think it's too early to call it one way or the other, Scott. I think that there is -- appears to be a positive situation occurring at the moment, but it's too early to tell whether it's blip or a trend.

Unknown Speaker

And is there a need for the cash rate to be cut again further, do you think?

Ralph James Norris
Former Director

Well, I think that -- I'm not the Governor of the Reserve Bank. I think he's more than adequately qualified to make those calls.

Operator

Our next question comes from the line of Matthew Davison from Merrill Lynch.

Matthew Davison
BofA Merrill Lynch, Research Division

My question, just a couple of related questions on margins. You mentioned before you're still pursuing profitable growth in the mortgage space, and sensible pricing. So I was just interested if you still had a view, that there was some pricing out there that wasn't so sensible? And you have had to ramp up the discounting you're doing upfront. So I'm just wondering if you're worried about that, really embedding a problem down the track for the bank, and whether we've seen the margin impact of that yet? And just on a second point, covered bonds, could you give any indications around the sort of pricing advantage you're hoping for on those potential instruments?

Ralph James Norris
Former Director

Okay. Matthew, as far as the mortgage market is concerned, there's no doubt it's still a very competitive market. And certainly, there is discounting going on. And that's what you'd expect in a market that is obviously characterized by a reasonably slow growth. And certainly, we're endeavoring to make sure that we're balancing the margin and pricing, obviously, from the point of view that we don't see a lot of value in growing above market in this environment. Obviously this is the funding requirements that go with that, as well as the costs. So we are trying to balance, obviously, the need to be reasonably competitive with the fact that we obviously, in this environment, don't see a lot of value in growing significantly above or above system.

David Paul Craig
Former Group Executive, Financial Services & CFO

On the covered bonds, Matthew, obviously, being secured instruments, they should give a -- have a lower cost than unsecured instruments. In like-for-like markets, there's probably 40 to 50 basis points in it in saving, but on the other hand, as you may have seen in the paper this morning, and it's a true reflection, the U.S. market, which is quite thin, is about 25 basis points cheaper than the European markets. So it's still a fair movement in price there.

Warwick Bryan
Former Investor Relations Contact

Look, that's the end of the questions as I understand it. So I thank you all for your time today. If you have any follows, please give myself or any members of the IR team a buzz, and we'll be around all day. So thank you, everyone. Bye bye.

Operator
That concludes today's conference. Thank you, everyone, for your participation.