Question and Answer

Andrew Bowden

So James there [indiscernible].

James Freeman
Deutsche Bank AG, Research Division

It's James Freeman from Deutsche Bank. I know it's still early in the process, but I was hoping to just get an idea of the of the size of the benefits from the new sourcing plans and also the size of the cost that we can expect in the 2012 year?

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

It is just too early, James, to provide that detail. We've talked today to give you some flavor of how we're going about that and what we're tackling, but as we indicated, we're still in some discussions and contract negotiations with suppliers. But it is a sizable initiative. We're actually fundamentally changing the business model that we have in technology. So if you think about what we've done in recent times, and you can see our stock numbers and technology through our SIPs, have gone up by over 1,000 over the course of the past couple of years. So what we've done there with suppliers is leverage our people through our suppliers. We've grown through contractors and people are being brought to bear on our projects and suppliers to actually assist us with our work. We're changing that model to actually taking pieces of work. Our functions, our application, maintenance functions and other functions and working with suppliers that they own that function. And then we measure and manage them on an outcomes basis. So we can actually get the flexibility and scalability of that scenario and we can reduce our overall fixed cost. We also get innovation and we get the value add that suppliers bring in those dedicated areas. So it is quite a significant change to our operating model, and as Phil indicated, has some upfront setup costs because one of the things we do is we build out, very clearly, the processes that we're handing over. So that they documented and clear. At the moment, there a lot of prices that sits in the heads of individuals who've been in our organization for a long period the time. We now take the time to document them really clearly, so that as we hand that work over to the supplier, they have those processes. And they're being worked to improve them and maximize the efficiency out of the process. So you can expect sizable benefits, but there are some one-off -- upfront costs. We'll be clear around that -- during half of this [indiscernible].

James Freeman
Deutsche Bank AG, Research Division

Sorry, just a -- could I -- Phil, the accounting for the one-off cost, is that going to go below the line, capitalized? What's the planning for that above the line?

Phillip Matthew Coffey
Former Chief Financial Officer

We're still working that through, James. I mean if you look at the results this year, where we've taken restructuring charges that are part of our ongoing business, we've taken it above the line. I think this year, we have about $90 million of costs that we have absorbed, which are part of that. We'll look at applying our accounting principles consistently as what we've done always. And we'll look at that when we get to that point.

Andrew Bowden

Next, Jon.

Jonathan Mott
UBS Investment Bank, Research Division

Jon Mott from UBS. Just a question on Phase 2 of the strategy which you outlined at the end of the presentation on the multi-brand and the other parts of it. I just want to get a bit more color around it. Firstly, how long do you think it's going to take to roll out this next part of the strategy? You said Phase 1 was around 3 years. How long does it go? Does this is roll into project 2017, which has been mentioned on and off for about last few years. And also can you put those 2 together? And also, do you intend to see this project through yourself?

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

Certainly, the first phase is 3 years. I envisage that this phase will pretty much 3 years too. Hard to say, but that's the way we're shaping it up. So 3 years is a manageable period of time. You can put your arms around it. You can plan out 3 years. Our business planning cycle is a -- typically a 3-year cycle so you can put your arms around it. So first phase, 3 years. This next phase is pretty much 3 years. It's absolutely part of the 2017 work. So that would be another 3 years. So 2014 to 2017 would be another 3 years. As for me, as you heard me say earlier on, I'm very excited about this next phase, so absolutely committed to leading the organization through this next phase. The first phase has been jolly hard work. It's been a rewarding work. I think we have developed a solid platform. We're [indiscernible] and I'm not thinking the next phase will be jolly hard work too, but we'll be able to see the benefits coming through even more strongly.

Jarrod Martin
Crédit Suisse AG, Research Division

Jarrod Martin from Crédit Suisse. I noticed that you're looking to issue new shares satisfying the DRPs. Is there any thought being given now that you have more clarity around the capital position to actually neutralize that type of dilution, and how that goes into some of your comments about managing growth and returns?

Phillip Matthew Coffey
Former Chief Financial Officer

Well, we have that discussion with our Directors every half, Jarrod. It's quite an interesting feedback we get. At the end of the day, one of the other factors that we have is part of our overall capital basis, a very strong franking surplus. And what we've elected to do over the last few halves is to use opportunity of keeping the dividend up a little higher through the issuance of our DRP, which allows us to return those franking credits at a faster pace than what have been otherwise. And so that's been the balance that we've been trying to achieve. We'll look to make sure that we don't offer that DRP with a discount so that is not as if we're disadvantaging existing shareholders by selling shares cheaply. And we're looking to kind of get that balance right. So that's always in the mix, and that's how we're going to begin this half.

Jarrod Martin
Crédit Suisse AG, Research Division

But could you still have the high dividend payout instead of actually issuing shares to have capital to buy the market?

Phillip Matthew Coffey
Former Chief Financial Officer

You could. You just have a lot of capital ratio. so the last thing you try to do is make sure that your capital ratio also achieves that strength that you're trying to achieve.

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

I think we're still in that stage in the cycle where we preferred to do it this way, and use it to help grow the capital. So it's just a stage of the cycle pieces really.

Brian D. Johnson

CLSA Limited, Research Division

Brian Johnson, CLSA. Question for Phil. Phil, in early October, the AFA had a story on the front page talking about the St.George tax consolidation. The $1.1 billion could actually -- legislation could be changed to basically remove that. Could you give us an update on those media reports?

Phillip Matthew Coffey
Former Chief Financial Officer

I'm not sure I can talk to the media reports.

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

Let me answer that question, Brian. [indiscernible] we were super transparent with all of the appropriate authorities all the way through as we dealt to this consolidation element of the St.George merger, which has taken some time. So very transparent and clear with the tax authorities, very transparent and clear with all of the authorities that would have an interest in us. And we've got agreements on our position, so we feel very solid about our position.

Brian D. Johnson
CLSA Limited, Research Division

So this -- that report was rubbish?

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

I'm not talking about the report. I'm talking about our position. We're in a particular position where we have had clear and transparent conversations all the way through on our particular position. And so our particular position, we believe, is clear.

Brian D. Johnson
CLSA Limited, Research Division

Okay. And Phil, is there any word on the amendment on the story about the amendments to the tax legislation?

Phillip Matthew Coffey
Former Chief Financial Officer

No, I think you're -- we're as informed as you are in terms of waiting for what the government will actually decide.

Ben Koo
Goldman Sachs JBWere Pty Ltd, Research Division

It's Ben Koo from Goldman Sachs. Just another question back on the cost side. In one of the slides that you've just talked about the benefits that you've had from the synergy benefits and also just a productivity benefits this year. If you sort of take those back on and just think about the underlying level of cost growth for the year, excluding those benefits, and I know you noticed some areas of these projects that've been you might have done otherwise, but it looks like the underlying level of growth rate and your cost is around 6%. And I'm just trying to get a sense as we look forward and if I get -- we're now going to lower growth environment, but you've also have a 2% headwind from the capitalized expenses this coming year in terms the amortization effect of that on your cost base. So I'm just trying to get a sense of what's the underlying level of cost growth that you're managing to and then you've got some productivity benefits, which sounds like they're more fiscal '13 benefits as opposed to fiscal '12?

Phillip Matthew Coffey
Former Chief Financial Officer

Yes, so look, I think it's a bit harsh to sort of say, well if I don't look at your productivity benefits, your cost rate is higher because part of what we do through that whole productivity exercise is look to manage our costs. And we're firmly of the belief that right now is a time when you can't afford to have inefficient cost in the company and you should be looking to do everything that you can to reduce that. And so I think you need to look at the whole picture of our cost base over the year to try to work out what does it mean for 2012. So you should say, okay, over 2011, we achieved a 1.9% expense rate. We know that there's some additional amortization cost coming through but we're also know they're looking to try to get additional productivity size. And all of those factors will be what drives our expense growth rate next year. The other thing that I called out -- because people talk to George all the time. And I just think that the problem with George is that if you've got a very low cost-to-income ratio, you're actually looking to try to get as much revenue growth as you possibly can because that's what is going to give you your highest core earnings. And so that's what we've been focusing around. Well, what's the opportunity that we have to grow our core earnings and then how do we best achieve that? And so we haven't shied away from investment. So you've seen us invest in advisors and planners because we think that's the way to grow in wealth. We haven't shied away of putting people on the ground in Asia because we think that there are growth opportunities there. We put people into Bank of Melbourne and other distribution areas because we think we can get revenue growth that way. So all of that is around, yes, we are prepared to invest, but we're looking very carefully about how do we do that in a way that optimizes our core earnings. So I know it's a long-winded answer, and I know there are people in the audience who'd like us to come out with an expense target, for example, but I think the problem with that is it actually potentially limits more opportunities that you have to grow, and we're not prepared to do that at this stage.

Andrew Bowden

Victor?

Victor German
Nomura Securities Co. Ltd., Research Division

Victor German from Nomura. My question relates to funding. If I look at your government guaranteed debt, which is maturing over the next 2 years, it adds up to it, just over $20 billion, would you be able to just highlight to us what your expectations in terms of wholesale funding, given that the markets' still remaining somewhat challenging? How the covered bonds are fitting into that picture? And also what the margin impact is going to be?

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

Well, let me kick off. And then Phil can pick up. We probably got Curtis somewhere too as well. We raised this year as you would have seen $25 billion. So I ask for next year is in terms of dealing to the maturity profile of our term debt is pretty much the same. It's about $20 billion, $26 billion next year. Now we're raising very strong retail deposits. So that's the extent to which we're able to raise really strong retail deposits. So we need to do less in the term markets. Over this year, we raised $30 billion in retail deposits and lent out $19 billion, so well more than covered the requirements for our loan growth. So we'd expect to continue to grow really strong retail deposits over the next period. That means that over the entire course of the volatility in August and September, we really effectively set outside of the European and U.S. markets and not needed to issue at all. And that's of course assisted us in our margin management towards the latter end of this year. We've also got very strong liquid assets, as you would have seen, sitting at over $100 billion. So if we needed to, we could actually not do any term funding at all over the whole course of next year, if we needed to. Now we don't think that, that's going to be the situation. And then your question around covered bonds comes in clearly, that's additional diversification of funding for us. We'll be out there. You'd expect in the first quarter of this year. We've got capacity for -- it was up to 8%, is it?

Phillip Matthew Coffey
Former Chief Financial Officer

Yes.

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

Of our lending balances, and so that will be a further element of cost management for us because it should come in at a better price than term funding. So it's just part of the mix for us. Do you want, Phil -- anything you want to add to that?

Phillip Matthew Coffey
Former Chief Financial Officer

I think the only thing -- covered bonds might make up a better 1/4 of what we're looking to do over the next few years, so in that order magnitude. One of the great things about covered bonds is it's continued to be a market that has functioned at a time when the unsecured lending market has been unsettled by what's been going in Europe. And so that is a really helpful element for us. In terms of what it means for margin, obviously, covered bonds will be cheaper than unsecured, but what does the unsecured term borrowing come in at? It's a difficult one to determine if you look at my credit default swap marginal or price as an indicator of that it's been in the 70 basis point range in the last 2 weeks. So I think we'd be brave to be trying to tell you where that is. Overall, do we think wholesale funding costs are going to increase? Yes, and therefore, we have to manage the margin impact of that.

Andrew Bowden

Okay, question from the phones from Craig Williams, please?

Craig Anthony Williams
Citigroup Inc, Research Division

After the third quarter, you expressed confidence that NIMs will likely to strengthen, and you sort of painted the picture in your slide today is that net interest margin, which is strengthening half on half. But just taking on your raising comments on wholesale funding cost largely remain elevated. In fact, NIMs probably dropped a little bit in the fourth quarter, and that interest rates have now fallen in terms of cash price in Australia and you pass you through the full extent of the drop. Can you talk about your net interest margin outlook for 2012?

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

Well, Craig, we worked really hard this year to manage the margins. So to manage the various leaders, we have of volumes and margins across the portfolio. And I think we've actually done that pretty well. And you'd expect us to work really hard on that next year as well. As you say, there are number of moving pieces on margins. There some elements that actually should assist us with our margin management. There's still some repricing to be done on business both here and with St.George, as well as with Westpac. And in New Zealand, there's still some rollover of that fixed-term lending into the variable product, so there's some benefit that will come through there. A lot will depend on what actually happens in wholesale markets, as we've just discussed, and what actually happens to the cost of raising money there. And then of course in the deposit side as well. But I don't want to give guidance particularly on margins other than we're going to continue to manage these various levers, really quite tightly and seek to avoid any significant deterioration or change.

Andrew Bowden

We'll take a question from Matt Davison from [indiscernible].

Matthew Davison
BofA Merrill Lynch, Research Division

My question related to your target to improve the customer return on credit risk-weighted assets on Page 28. Just interested in the drivers there given the 4.02% you have today is very high globally. And I'm just interested whether you say that purely from positive joys over at that time period going forward or whether you see that metric more from business mix changes or further optimization of the risk-weighted asset base?

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

Let me talk about setting up the metric first, and then Phil can talk a little bit more about the drivers going forward. We sat on and thought -- we're measuring a lot of the indicators of depths of product relationship, customers for more products, the wealth cross-sell and all of those. They should come together into high level of customer turn of the credit risk-weighted asset. So we wanted to set that up really clearly internally and we'll reported it externally, but this is an internal measure for us to actually drive our people on the right outcomes. It is not about cross-sell for cross-sell's sake, it's about cross-sell of the right products to the right customers and the right segments with the best value, leveraging the wealth elements of that because the wealth element of course is not balance sheet intensive to actually drive a better return. I'll exclude trading and treasury income from that metric because that doesn't directly connect to customers. So we've set it up internally in order to get a razor-sharp look at the strategy and how that translates into better returns flowing through the bottom line outcome. So that's the metric and its contract. Phil, I don't know if you want to talk to its current position and trends.

Phillip Matthew Coffey
Former Chief Financial Officer

Look, I think just add to what Gail said, we should be able to drive the better outcome in that measure if that cross-sell is effective. If utilize the relationship we might have with a customer through a loan to sell other things that are less capital-intensive like wealth, like transactional to that customer. That will lead to the improvement in the return. And if we use the balance sheet in a smart way, that'll also help to ensure that we don't have a growth in credit risk-weighted assets, that's not been justified. So that's both in terms of who the customers are and therefore, what the current credit rating of them is over time. But also just what's the mix of business that we do with that customer. And so it seems to us as Gail said, that it's absolutely -- if it's fair and square with our strategy. If we hang it out there. then that forces us to be clear around whether executing against our strategy or not.

Andrew Bowden

Mike?

Michael Wiblin
Macquarie Research

Mike Wiblin from Macquaire. Just a question on the liquid assets. Can you just comment maybe, Phil, just on the level of margin drag? So obviously, that's picked up quite a lot. You talked a bit about volatility in that number as well. So what would have you holding more or less and then how that maybe fits with the LCR or I guess, it's on the way down from APRA.

Phillip Matthew Coffey
Former Chief Financial Officer

Yes, so the margin drag first was about a basis point over the course of the year. In part, that was because we had quite an uplift in those liquid assets towards the end of the year. In terms of what the volatility is, the biggest part of that volatility is our collateral balances. And that tends to be driven by the currency more than anything else. And we had a 10% drop in A dollar kind of in the last few weeks of the half, and that's -- that really played through. If you look at our liquid assets today, they're somewhere between 95 and 100, so that's come down as collateral balances that also have been kind of more regularized if you like. I think that, that margin drag is going to be something that we just have to recognize as part of what we do. We'll have a better idea on what that might be when we get the rules from after which we expect in the next few weeks actually, as to how the liquidity standards will play their way out, what proportion of our liquids we have to hold in that kind of highest quality component of liquids. And that will determine both do we think we're right now or do we need more to do and what the margin drag might be. Obviously, the margin impact will also be affected by what the arrangements are with the reserve bank, which is the kind of the buffer for achieving overall liquidity requirements. And we'll never know what the cost of that is nor how much we can use. So that's more information that we'll have in the next few weeks as well, Mike.

Andrew Bowden

Richard?

Richard E. Wiles
Morgan Stanley, Research Division

It's Richard Wiles from Morgan Stanley. In Westpac RBB and St.George, you've had a pleasing recovery in core banking -- sorry, core profit in each of the last 3 halves after a tough first half '10. However, this year, you've certainly had some benefit from the standard variable rate rise that you put through in November last year. And arguably in the last half, you've had an improvement in the cost of deposit funding by less competition. So my question is, do you think that you can maintain that sort of pre-provision profit momentum in those 2 franchises going into 2012? And if so, what are the factors that you think will kick in, in 2012 if you don't do another [indiscernible] rate raise and if wholesale funding cost continued to go up?

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

Richard, that's a great question. Absolutely, we believe we can continue the momentum. Let's look at each one, in St.George's case, it's really been in a steady program of building -- repositioning the group. St.George, as I've indicated, being a primary brand of New South Wales, BankSA, now Bank of Melbourne, so absolutely. They've had a tough time and even the first half of this year, the second half, you've seen a substantial pick up from there. So there's an inherent momentum in the business that's underway. With that, the critical element of that is growing more customers. So it starts with growing more customers and the depth of relationship with those customers. And the wealth cross-sell to those customers. So that's an absolutely key component of the additional momentum that we'd expect to get in St.George. Bank of Melbourne, I have more to say about Bank of Melbourne when we come to the first half. But we're literally doubling the volume that we would have done a year ago in Bank of Melbourne. Very strong growth in footings through deposits in particular because there's a bit of a lag coming through with mortgages. Overall, from a system growth point of view next year, we'd expect to see a high level of system growth too. So this year, system growth, credit growth, overall, was about 3% with mortgage growth being around 5.5%. Next year, we'd expect to see credit growth coming in closer to 5% with mortgages being 6% and business credit picking up to around 4%. So both Westpac and St.George should benefit from the stronger levels of growth. And we'd expect both of those franchises to grow at or around system growth in lending. St.George, I need to qualify that in its core geographies. So St.George and New South Wales and South Australia, we expect -- you'd expect to see that in a more national basis. Now critically to that, there is growing deposits above system. So deposits above system and then lending growth at or around system. Remember, we're very focused on driving for overall balance sheet strength and improving our deposit-to-loan ratio. So that's the key driver of momentum, then there's a depths of growing customer numbers, the depth of relationship in the wealth's cross-sell. So those are the elements that are underpinning the momentum that will carry through next year.

Ben Zucker
Commonwealth Bank of Australia, Research Division

Ben Zucker from CBA. Just a question around funding and deposits in particular, Gail, you've talked a lot about deposit growth. And you actually got a good level of customer deposits at the moment. Are they still clearly emphasizing a need to build that out further. I guess I'm just trying to understand the extent to which you think you need to get that too in the pace. And then likewise on the other side, I suppose related to that is the strength to the credit growth and you've come to about subdued credit growth business and consumer. Maybe if you could just talk a bit to how you're thinking your credit growth landscape may sort of play out or what you're preparing, I suppose, business to consumer within that subdued outlook?

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

As you just heard me mentioned in the -- to Richard in the earlier question, on the credit growth side, I think as next year, we'll have a high level of credit growth, than we've just come through. Clearly, it will be interesting to see what level of confidence materializes as a consequence of the reduction of the 25 basis point reduction in interest rates that we've just had. Personally, I think it'll take a little more than 125 basis point reduction to see a material lift in the demand. And I think we'll also need to see less uncertainty in Europe. We'll need to see a little bit of a clearer path to the issues in Europe before we see a material pick up in demand here. Having said that, our current forecast is that we'd have credit growth of around 5%, with housing 6%, and business credit picking up at around 4%. We have seen some pick up in SME growth over more recent times, but it's still quite hard yards, and don't want to claim with those elusive pipelines are actually coming through. So it's still quite hard yards, but we'd expect to see a high level of credit growth there. On the other -- the other question was on the deposits side. Look, deposit is something I've been working on ever since I've been in the group, which is really trying to pick up the NTA with regard to a capability in our frontline of growing deposits. And the multi-brand platform should assist us with this. Having people in the frontline, talking to customers, driving our relationship with a specific focus on raising deposits. I've been pleased with progress we've made this year, although there's more to go. We're not happy with the current ratios that we have. We have improved them from what was 55% to 59% to now 63% deposits alone, but we think we need to get that higher. Now that they'll be staged and managed and we're going to manage that in line with growing lending at a reasonable approach as well. So it's a balanced approach. I don't want to put a particular target out there. We have them in our own business units, but we're going to manage it of portfolio effect, but we want to see a steady improvement in that ratio.

Ben Zucker
Commonwealth Bank of Australia, Research Division

So just maybe lastly, do your plans for deposit growth, at all, constrain your pricing flexibility, I suppose, in the deposits space in terms of your result to get those deposit growth levels higher?

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

It's going to be managed sensible approach. You've seen the way we've done that with our margin this year. And margins have been stable year-on-year, and there's been some increase if you just look at the customer-related margin and exclude the treasury and markets business. So we're going to manage our margin really, really tightly. We think because we've got strong regional brands, and a strong national brand with bank managers and a strong local footprint, that we can actually raise everyday deposits and get more than our fair share of the everyday deposit raising. So we'll also be going to those segments and prioritizing those segments that are most deposit-rich, self retirees, the affluent segments, the SME segments. So particular focus on particular segments that we best think will support our strategy.

Andrew Bowden

Scott?

Scott Robert Manning
JP Morgan Chase & Co, Research Division

It's Scott Manning from JPMorgan. Two slightly different questions. Firstly just on the term deposits. Market pricing would indicate that the cost of 6 months 2 days came down across the 3-month 2 days went up around April and -- sorry, August and September when your expectations of those cash rate reductions came through. Obviously, trying to incentivize the short end of the duration of the term deposit book. So those deposits that you did raise to the term markets towards the end of the year. What was the average duration of those and therefore, is there a bit of margin headwind that expect next half? And secondly, on the funding side, why the sudden attraction on the lend-to-deposit ratio, when the story over the last 2 years, had been really focused during the net stable funding ratio of which the deposits are simply been a part of? And the second question is does the APRA pushed towards was leading wills? And your extra requirements there inhibit, in any way, that pushed towards some offshoring?

Phillip Matthew Coffey
Former Chief Financial Officer

Well, look, I don't know the average duration, Scott. I don't think it was particularly different at the end of the period compared to prior months. I'm not looking to it forward. But it doesn't -- nothing came across. My guess is that [indiscernible] we're doing something shorter or longer particularly in that area. And the behavioral maturities of our term depositors has continued to be as long as they've ever been. So that makes me think that, that's probably not going to be the issue that potentially you're worried about. Look, I think stable funding is still an important metric. So if we're given the impression that we've forgotten about it, that's not right. We know that there's an additional longer-term funding prudential measure that's coming down the pike at us. What is going to be eventually, still got work to do. But we do look obviously, at stable forms of funding, and also our markets for long-term borrowing. And we talked about covered bonds are clearly part of the answer there. It's just that there's an opportunity for us that's totally consistent with the strategy that Gail's been talking to utilize our distribution for us better to help us raise some of -- 1 form of stable funding, which is deposits. In terms of the living wills, that's a good argument or good question. We're really working our way through what that's going to mean. Quite a long way, I think, from being in a position to know exactly how that will affect us in terms of organizational structure and legal structure. At this stage, it doesn't feel like it's going to prevent us from doing things in terms of outsourcing domestically or offshore. And that's not been the feedback that we've had from global banks, and we've been talking to them about this in the last few months as well.

Andrew Bowden

Brett?

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

Brett Le Mesurier from BBY. Question on the divisional ROEs, they're increasing, but the group ROE is not increasing. And it seems to be caused by an increase in the amount of capital that is not allocated to the divisions. It has increased over the last couple of years from 30% to 40%, which basically means that your increased capital ratios aren't being pushed out to the divisions. If they're push out to the divisions, may we not get a better group ROE outcome. And can you comment on why you take that approach?

Phillip Matthew Coffey
Former Chief Financial Officer

We absolutely agree with you, Brett, in terms of wanting to ensure that the economic capital model is actually effective and operating, and that economic capital is allocated out to the divisions. It's difficult when the model that we were working with throughout Basel II has been sort of overwhelmed by the prudential requirements to hold more and more capital that actually don't necessarily fit with the economic capital model that we're operating with. We're looking right now at saying if we change this just a statistical degrees of probability in that overall model, could that lead us to a more aligned economic capital model and regulatory capital model? That's something we'd like to do. And you'll see if we do that, that economic capital been leased in the divisions and reduces in the group, and we get a better picture of where ROEs has been generated because we think that's important as well. So we agree with you.

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

Can I ask a separate question? On the -- on your property, commercial property portfolio, it looked like you had to increase your individually assessed provisions as a result of write-downs and valuations in your commercial property portfolio continues to shrink. My question is really how much do you want that commercial property portfolio to shrink?

Gail Patricia Kelly

Former Chief Executive Officer, Managing Director and Executive Director

We're pretty happy with -- we're not looking for it to shrink more. But as you can expect, as you got still a number of commercial properties in the stress scenario, that it takes a while to run off. But we're pretty happy with the percentage that we've got at the moment, and wouldn't be seeking to have it fall further. But it may fall further in the short run while and when still working through stress exposures that are property stress exposures. But from a strategic point of view, we're not looking to have it fall further.

Phillip Matthew Coffey
Former Chief Financial Officer

It was down $1.1 billion in the last half, and $3 billion in the full year. So you can see that, yes, there is still run off, but it actually started to slow in the half, which is what we expect it to do.

Andrew Bowden

TS?

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

It's TS from Bell Potter. What steps do you have in place to ensure you don't lose too much FUA when CBA gets its hands on count. And the second question is do you think BT counters make good financial advisors?

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

Well, the key thing is we have excellent relationships with counts and with the advisors in count, and really, they choose our platforms because of the strength and quality of our platform. So we feel very comfortable and confident in the good quality and the investment that we continue to put in our BT and Asgard that we will continue to attract the flows and the depths of relationship that we have. CBA is going to run it at its arms-length stand-alone basis, and we expect to continue to grow very strong flows over that. But we also expect to continue to grow our distribution. We've got our own secured network and magnitude network and we'd expect to go our own distribution as well. So we're not feeling at risk there at all. On your other question, well, in Securitel we have a number of people who are accountants and they do make excellent planners, so there you go.

Andrew Bowden

Well, with that, I might come to an end. I see there's a few more questions still outstanding, but we can deal with them separately. Thanks very much.

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

Thank you.

Andrew Bowden
Good afternoon.