Question and Answer

Andrew Bowden
Head of Investor Relations

Thanks, Peter. Now this is a joint market and media conference today. And so we'll take the first questions of analysts, and we'll take some questions from the media. And what I'll do is I'll announce the name first, and then the line will be opened up for those to answer those questions.

So I'll take the first question from Jon Mott, please.

Jonathan Mott
UBS Investment Bank, Research Division

Jon Mott here. Just a quick -- 2 questions, if I could. The first one on the Specialist Businesses, which you've just announced. You said it's 10% of group revenue. Can you give us an idea, in a non-bushfire, more, if you want to say, normal year, what the ROE on those businesses were or what percentage of cash profit they generated?

And secondly, on Slide 35, you give us the loans in Australia, and that fell 3.2% in the month of April, so a bit more into this next half. Can you just elaborate? Was that just some of the drawdowns, which happened in March being repaid? Or is loan growth collapsing in April?

Peter Francis King
CEO, MD of Westpac Group & Director

So Jon, on Specialist Business units, we're working that through. So that's something we'll give to you in the full year results because the other important piece is costs, and there's a lot of shared costs within the group. And that's one of the reasons that I've also called out that we need to reset the cost base for a simpler business in time.

Sorry, Slide 35 was it, Jon?

Jonathan Mott
UBS Investment Bank, Research Division

In business applications, but also credit growth goes backwards.

Peter Francis King
CEO, MD of Westpac Group & Director

Yes. I think -- so we're seeing different things in the loan book in April. So if I just go through the segments, starting in the Institutional Bank, we've seen both demand for new lending is -- corporate shore up their liquidity position. We have seen some drawdowns of unused limits. If we look in top end of Business Bank, there's been a little bit of activity in terms of new lending, but most of the activity has been people actually working with us on how to structure their payments. And then in mortgages and small business, most of the activity has actually been in delaying or deferring payments. So we have had some growth in new lending in April, but it certainly is coming off.

Jonathan Mott
UBS Investment Bank, Research Division

And one of your peers has called out that business credit growth, they expect to be up 13% to 16% this year as a result of drawdowns and people needing cash flow help. What are your expectations? Are you expecting that this will be an ongoing increase in business credit growth? Or is that just a one-off that you saw around drawdowns at the end of the period?

Peter Francis King
CEO, MD of Westpac Group & Director

It's hard to tell, Jon. So I think there's going to be 2 phases. The first phase is, I think, businesses are remaining cautious as they work through how they navigate the period where we've got this social distancing impact. So it's really about just shoring up the position. We've given you a bit of a line of sight on the packages to give you a sense. So in one sense, that will mean there's less paydown in the business book. In relation to drawdowns, I think they'll be the combined impact of people wanting to have enough liquidity around them, particularly the top end. And then we're going to have to see how we drive economic growth at the back end. So I think growth in the end will be about economic activity, and that will depend on what opportunities people see and how government policy supports that growth.

Andrew Bowden
Head of Investor Relations

Okay. I'll take a call from Jarrod Martin, please.

Jarrod Martin
Crédit Suisse AG, Research Division

Gary, no surprise, a couple of questions around Slides 19 and 21. And thanks for the disclosure. So Slide 21, you point out that you've got a $12 billion buffer above the 8% sort of requirement, with unquestionably strong being at 10.5%, and then the 8% level. To what level do you think that, as an executive and as a Board, you're happy to actually draw into that buffer? Obviously, you probably don't want to come in at 8.01%. And we've seen peers talk about sort of 9% being their level. So the first question, at what sort of level are you willing to actually draw into that?

And then secondly, thanks for the disclosure around the credit risk-weighted asset sensitivity of 105 to 180 basis points, acknowledging that stress tests are different for provision calculations versus capital, but how does the base case and the prolonged downturn sort of align with what you've got on Slide 19 in terms of your base and downside? Are they equivalent? And so we can sort of get a view and take a view on what a mid-case or what a scenario is in terms of RWA inflation.

Peter Francis King
CEO, MD of Westpac Group & Director

Well, Jarrod, I might take the first question on capital. So I think we should be prepared to use the buffer. So we've built capital to 10.5%. And the reason we did that was unquestionably strong so the banking system could borrow money offshore through the cycle. Now the good news is, I think, our liquidity is pretty well positioned certainly for this bank. So we have flexibility on capital. To what level will depend on what type of event you face. So I certainly see that we should let the ratio come down. And then your real question becomes how do you rebuild it. So you can rebuild it through organic growth, so as profitability comes back; you can rebuild it through raising capital; or you can rebuild it through releasing capital from the business.

And I know there's a sort of a big focus on where will you go to. The answer to that actually depends on the extent of the downturn. So the way we've thought about it is we've got a good starting point at 10.8%. There is a lot of less activity and more people out of employment at the moment, but we're unprecedented in terms of the government stimulus. We haven't seen this level of government stimulus, and we've got to let it play through. And so we'll get a better line of sight of what's going on in the period ahead. So I'm not going to say there is a level at which we wouldn't be prepared to go, that depends on what you're facing and then how you think about building out of it. But I would say that we built the buffers over the last decade, and we should use them.

Gary Thursby
Acting Chief Financial Officer

I'll take the second part of your question there, Jarrod. We did include in the pack some sensitivity just to give you a guide of how to think about this. As I mentioned in my presentation, we're at very early days. And we're trying to project out 2 years. So it's very uncertain. But what we have done is looked at different scenarios and how they might play out. This is not going to be a linear shift in assets or risk-weighted assets. And so we've looked within the portfolio and just tested different sectors, different loans, different categories, and that's why we've outlined this as a range. And we've said at the low end -- at the base case end, there's a 3% to 5% potential shift and the capital impact of that might be 105 basis points. And then we've given you a downside with -- and similarly with a range. So I would just use it as a range, use it as guide. You could say that they're broadly consistent with the scenarios that we've outlined as we've set our provision. But it really depends on how this crisis plays out through the economy.

Peter Francis King
CEO, MD of Westpac Group & Director

Jarrod, I'd just add, there's plenty of information in the Pillar 3 as well. And regulatory expected loss is another lens that we certainly use to look at potential losses and there's lots of PD and LGD information in the Pillar 3 as well.

Andrew Bowden
Head of Investor Relations

I'll take a question from Andrew Lyons, please.

Andrew Lyons
Goldman Sachs Group Inc., Research Division

Just you've provided some new really helpful disclosures around the rate composition of your deposit base on Slide 14. Just with this in mind, can you perhaps give us a feel for the 2H '20 NIM headwind from low rates from the perspective of, I guess, both the deposits captured by the replicating portfolio as well as the nonreplicated deposits? And then just the second question, Gary, on Slide 21, you mentioned you have some options available to releasing capital. Can you just perhaps provide a bit more detail on both those fronts?

Peter Francis King
CEO, MD of Westpac Group & Director

Well, just on -- just before Gary comment specifically, Andrew. On the margin, it's not a normal half where an exit margin really gives you a lot of guidance. And the reason that is, is we're prepared to run a lot of liquid assets, a lot of liquidity at the moment. And I called out the $31 billion increase in liquids. So that, by itself, just the maths of that will pull the margin down. If we look at BBSW, which is a very important funding input, you're probably going to settle pretty low. The Exchange Settlement account with the Reserve Bank is paying 10 basis points, 25 basis points for the long end of the curve, probably somewhere between those. So that will be a positive and a negative for us, if you like. And then you've just got your normal pieces. I think the chart itself gives you a pretty good feel for the impact on the tractor and whatnot. And then we'll update you on other margin components in the future.

Gary Thursby
Acting Chief Financial Officer

I think that's right, Andrew. I'd say at the full year, we'll probably be describing the margin outcome as lots of moving parts. We've sought to give you the component parts within there. On the second part of your question in terms of capital opportunities, obviously, a strategic review of our specialist businesses may provide some opportunity for capital release as well as internally continuing to focus on how we use and allocate capital across the company. We do expect to continue to organically build capital over time as well. And so it is very important to understand that the capital sensitivity we've shown in terms of risk-weighted asset migration is over a 2-year period. So we think we've got options, and we think we've got some time.

Andrew Bowden
Head of Investor Relations

Question from Victor German, please.

Victor German
Macquarie Research

I was actually hoping to follow up on Andrew's question in terms of margin impact. I completely appreciate, Peter, what you were saying in terms of liquids and all other moving parts. But liquids don't actually have much of an impact on P&L, it might have an impact on margins. I guess your peers provided impact specifically related to lower interest rate, which is being offset by repricing. Are you able to give us a similar number to what peers have provided? And also on the tractor, are you able to tell us what the current rate is? So that's on interest rates.

And then also, just a related question on that subject relating to New Zealand. I noticed a couple of economists, including yours, is now forecasting negative interest rate in New Zealand. Can you just walk us through sort of the mechanics of how that potentially plays out in terms of P&L? Obviously, you don't have the biggest exposure in New Zealand, but still fairly sizable, just interested in how it works both from a system perspective and P&L perspective.

Peter Francis King
CEO, MD of Westpac Group & Director

Yes, well, why don't I take that one, and Gary, you do the margin one. On -- so the best way to think about negative rates, I think, is that's the wholesale market. So I haven't seen -- well, there's very few incidents around the world of consumer and business deposit rates as it might be actually going negative. It's more a wholesale phenomenon. And therefore, that gives you the answer to the question as well as your systems where it's mainly in your wholesale systems, your treasury systems, your WIB systems, that need to accommodate negative yield curve. So that's something we've done work on. You can debate the merits of negative rates and whatnot, but it's more a wholesale funding phenomenon.

Gary Thursby
Acting Chief Financial Officer

Just a little bit more color on margins, Victor. We have pointed out in the slide the deposits under 25 basis points, and you can see those. While they've been impacted by decreasing rates in the period, you can take that as a guide for deposit rates at that price from this point on. The tractor rate, as you can see, will continue to come down over time. It sort of depends how long interest rates stay low, but the current expectation is that they will stay low for some time. On the other side, we do -- we are holding extra liquids and we need to continue to pursue how we can improve margin on liquids. We are getting a benefit, as Peter said, from BBSW, and some of the wholesale funding spreads are positioning us better for margin. But I'd say, overall, we expect pressure on -- downward pressure on margins.

Victor German
Macquarie Research

I'm just a little bit surprised, Gary, that you -- in the past, you've been probably one of the best in terms of disclosure of this particular issue. I'm just a little bit surprised why you don't want to give us just the number in terms of the total impact of tractor, low interest rates and also from repricing.

Gary Thursby
Acting Chief Financial Officer

Victor, it's just because there's lots of moving parts. They're a big part of it. Obviously, I think the disclosures are good. You can -- it's all there. But there's more moving parts than usual at the moment. So we haven't -- we've provided indications in the second half. We're not providing anything specific.

Andrew Bowden
Head of Investor Relations

I'll take a question from Brian Johnson, please.

Brian D. Johnson
Jefferies LLC, Research Division

Can you hear me?

Peter Francis King
CEO, MD of Westpac Group & Director

Yes, Brian.

Brian D. Johnson
Jefferies LLC, Research Division

Two questions, if I may. Just when we have a look at that Slide 14, we can actually see that over the last 6 months, the balance of these, what I would presume, interest rate-sensitive deposits has gone from $95 billion to $160 billion. Would I be right in suspecting that means that you get quite a big sump in the next half on the NIM to the extent that you're unhedged and thereafter, the negative impact is more of a phase? And then I have a second question, if I may.

Peter Francis King
CEO, MD of Westpac Group & Director

Yes, well, that's right. You've got -- the deposit hedging, Brian, you're right, is against all deposits. So to the extent that they're not hedged through the tractor, we manage the asset and liability spreads. So what you've got to actually model out or decide on is what are you going to do with loans, loan spreads. So that's the right way to think about it.

Brian D. Johnson
Jefferies LLC, Research Division

Okay. So absent repricing, we get a big hit and then a fading impact going forward, absent repricing on the loan side?

Peter Francis King
CEO, MD of Westpac Group & Director

As we said, Brian, you've also got to consider the BBSW position, long-term wholesale costs as well will be a little bit different with access to the term funding facility. And then I will say liquids again because I think Victor is right, they don't impact your P&L, but they'll have a pretty big impact on margins because we're holding quite a bit of liquidity at the moment.

Brian D. Johnson
Jefferies LLC, Research Division

Yes. And Peter, just on that, Victor did ask what was the tractor rate. Could you share that with us?

Peter Francis King
CEO, MD of Westpac Group & Director

You got it? We'll have a look for it.

Gary Thursby
Acting Chief Financial Officer

Yes.

Brian D. Johnson
Jefferies LLC, Research Division

Okay. And then the second question, if I may. Just on your capital intensity, your advanced IRB housing risk weighting, and I apologize I haven't been able to work out exactly what it is in this half, but it starts up well below the peers. Is the -- if we were to move towards APRA's Basel IV where they bring in a 75% capital floor, that would actually create more asset -- risk-weighted asset uplift over and above what you've disclosed in the slides. Is that correct?

Peter Francis King
CEO, MD of Westpac Group & Director

Brian, I just think -- that's right in terms of where we start. But I'd also encourage you to have a look at the business book as well. So the answer to your 70% question depends on the whole portfolio and have a look at the relative points on business. So I would love to not be having this conversation about what the final capital rules be, but it looks like it's delayed a little bit further. But I'd encourage you to have a look at both the business and the mortgage book.

Brian D. Johnson
Jefferies LLC, Research Division

So Peter, can you just explain what that actually means?

Peter Francis King
CEO, MD of Westpac Group & Director

Yes. You got to look at average risk-weighted density across both books. I think we're a little bit higher on business and a little bit lower on mortgages.

Andrew Bowden
Head of Investor Relations

I'll take a question from Matthew Wilson, please.

Matthew Wilson
Evans & Partners Pty. Ltd., Research Division

Firstly, on provisions. ANZ, NAB and yourself are now within a very narrow band of around 8 basis points of gross loans and acceptances. You're all there at 72 basis points. That's unusual that it's saying narrow. To what extent has APRA and the RBA been involved in helping you determine this COVID-19 provision?

And then secondly, obviously, the sale of the Specialist Businesses would release about 90 basis points of Core Equity Tier 1. That's very valuable given the credit risk migration. How do you balance that price versus capital release equation because there are some businesses there that have been on the market for a while and are a bit challenged?

Peter Francis King
CEO, MD of Westpac Group & Director

Well, on credit provisioning, that's a decision for management and the Board, and that's how we made that decision, Matt. On the Specialist Business units, so what we said is we're doing a strategic review on those businesses. So we haven't made any decisions. So that's a bit of a hypothetical question at this point.

Matthew Wilson
Evans & Partners Pty. Ltd., Research Division

Okay. And just that includes Panorama?

Peter Francis King
CEO, MD of Westpac Group & Director

That's in the platforms business, Matt.

Andrew Bowden
Head of Investor Relations

We turn to Richard Wiles, please.

Richard E. Wiles
Morgan Stanley, Research Division

I've got a couple of questions, if I could, please. The first relates to capital and the second relates to costs. I'll start with the capital. You flagged that the high risk-weighted density could reduce the common equity ratio by 105 basis points in the base case. Can you tell us how much of that relates to housing and how much relates to business lending? Is it essentially split 50-50? And in the base case, you've assumed housing arrears of 2x the current levels. What would happen to the housing arrears if the 9% of customers who've asked for loan deferral went into arrears at the end of that 6-month period?

Peter Francis King
CEO, MD of Westpac Group & Director

Richard, listen, I get the request for more detail. But I'll just say, these models are very complex. You need to look at both migrations, but you got to look at it by customer and then got to look at it over time. So we're not -- we've given you a lot of information between that and the Pillar 3 results. So -- and from here, what we'll do is -- give information on portfolio performance is what we can. So we're going to stick to what's in the pack.

Richard E. Wiles
Morgan Stanley, Research Division

Okay. So that's fine, Peter. The 2x arrears per housing in current levels sounds like a very low level given how strong the housing book has been in recent years. If those customers who have asked the deferral would go into arrears, would it stay below 2x current levels?

Peter Francis King
CEO, MD of Westpac Group & Director

It depends -- I mean there's 2 -- and I'll come back -- our base forecast is pretty aligned to our Westpac economics forecast. It assumes a very sharp contraction in economic activity through the next quarter and then a rebound towards the end of the year as you got less social distancing. And so -- and the other big piece is the government stimulus, $130 billion on JobKeeper and probably over $300 billion in stimulus just more broadly, and that's factored into those forecasts. So that's the one where you're going to have to reflect. We think that's a fair estimate at this point in time because we are in unprecedented times, and the government has done a great job with that stimulus. But that's really the thing to reflect on.

Richard E. Wiles
Morgan Stanley, Research Division

Okay. And if I could ask a question on costs, please. In your February update, you indicated that costs would be higher for the full year than you previously expected. At the full year result in '19, you said you thought costs would be up 1% this year. And in February, you said you would provide a further update at the first half result. So do you have an update on what you expect cost growth would be for the full year this year?

Gary Thursby
Acting Chief Financial Officer

I'll make a few comments on that, Richard, if I can. We have called out in the presentation that we will continue to increase our spending on risk management across the company. We've also called out that at times like this, it's really important to maintain operations and support our customers and support our people. So both of those will lead to increased costs during the next 6 months. Underneath, we will maintain our focus on productivity as appropriate. But we want to make sure that we're running the company well to support the environment and to continue to strengthen risk management.

Richard E. Wiles
Morgan Stanley, Research Division

So is it fair to say that you started the year expecting 1% cost growth? In February, your expectations had moved to a higher level of cost growth, and they've stepped up again since February?

Gary Thursby
Acting Chief Financial Officer

I think at February, we were including the continued increased spend on risk management across the company and other activities. That was pre-COVID. With the onset of COVID, we're seeing the need to step in and support customers, which is the right thing to do. So we will maintain our focus on that. Again, we'll continue to look for sensible productivity initiatives to continue throughout the year.

Peter Francis King
CEO, MD of Westpac Group & Director

Richard, I'd just add. Last half, we spoke about increased risk and compliance spend. We're still going to do that. That's a priority for me. We spoke about amortization increasing, that's still going to happen. We spoke about $500 million of productivity. That's the piece that Gary said is going to slow down. So in part, that's COVID-related where we stopped restructuring at this point. And then we've got just our normal business. There probably will be a need to add some credit -- further credit expertise given what we're facing into, and that's the only new thing since the quarter, if you like.

Andrew Bowden
Head of Investor Relations

I'll take a question from Brendan Sproules, please.

Brendan Sproules
Citigroup Inc, Research Division

It's Brendan Sproules from Citigroup. I just got a couple of questions on capital consumption. So firstly, given what you were saying earlier to Jon Mott's question around business lending growth, in particular, what is -- what are you expecting in terms of risk-weighted asset consumption? I know it's very low in the first half. I think it was only 1 basis point of capital.

And my second question relates to the decision to defer the dividend. What is the Board's sort of looking for here when determining whether a dividend will be paid or whether it will be canceled? Are you looking for the CET1 to rise to a certain level? Obviously, in the next 6 months, given the front-ending of government stimulus and also the payment holidays, you're unlikely to have a really broad view of credit quality sort of by the end of the year. So a few comments on that would be appreciated.

Peter Francis King
CEO, MD of Westpac Group & Director

Yes. So -- you might add on this. But in -- I mean the big demand on the balance sheet is in the Institutional Bank. A lot of it is drawing down existing limits. So hopefully, it won't have too much of an impact on risk weights. And then the growth will really depend on new facilities, if you like. And I don't -- I think it will be modest. I don't think it will be as big as some of the other numbers that I've heard in the market. On dividends, you're right, we have deferred the decision. The background behind that was we accepted APRA's guidance that the industry should conserve capital at this point given the uncertainty in the outlook. We will monitor the situation. We will look at our book, and the performance of the credit book is really a key piece to look at. And you're right, it is a bit unclear about when we'll get good line of sight on that. If the economy comes back on a quicker path, then maybe a decision could be earlier. If it comes back on a slow path, then the last time we'd look at it will be as part of the full year results.

Andrew Bowden
Head of Investor Relations

I'll take a question from Andrew Triggs, please.

Andrew Triggs
JP Morgan Chase & Co, Research Division

Can I just perhaps get you to make some more comments about the mortgage processing issues that Westpac is having given COVID impact and what ways in which you're dealing with that? Is that just throwing more cost or head count at the problem? And then just perhaps -- just a follow-up on the asset quality. We saw deterioration across new impaireds, watch list and substandard, et cetera, noted a few large single-name impacts there. Just some comments on, I guess, more generally, where the weakness is coming from. It appears to be relatively broad-based.

Peter Francis King
CEO, MD of Westpac Group & Director

Yes. On the mortgage operational issues, it is operations, and we don't have as many people processing operational matters at the moment. So you're right, the way to fix it is more people in the short term, and then in the long term, it's automation. So we've got to do both of those. It's one of our top priorities, to get that back into service level. We're probably a couple of weeks away from getting there, but it's a top priority.

Sorry, what -- Andrew, what was your second question?

Gary Thursby
Acting Chief Financial Officer

Asset.

Andrew Triggs
JP Morgan Chase & Co, Research Division

Just on the broader asset quality, indicators for asset quality, new impaired rose, watch list and substandard, et cetera?

Peter Francis King
CEO, MD of Westpac Group & Director

There's a couple of names in New Zealand, a couple of names in WIB and a couple of names in the Business Bank. So whether you call that broad-based or not, I'll leave that to you to decide. But they're all sort of different reasons.

Andrew Bowden
Head of Investor Relations

[Operator Instructions] I'll take a question from Brett Le Mesurier, please.

Brett Le Mesurier
Shaw and Partners Limited, Research Division

Your Pillar 3 indicates that you put an extra $100 million of capital into your life and general insurance businesses in the past 6 months. Is that correct?

Peter Francis King
CEO, MD of Westpac Group & Director

We would have -- I don't know the exact amount, Brett. But certainly, with the storms that we saw in general insurance, I believe we did put some capital into general insurance.

Brett Le Mesurier
Shaw and Partners Limited, Research Division

Can you tell me why you're still showing substantial goodwill for your life and general insurance funds management businesses? That's nearly $1 billion.

Peter Francis King
CEO, MD of Westpac Group & Director

Because the business supports that goodwill.

Brett Le Mesurier
Shaw and Partners Limited, Research Division

In spite of the fact the profit doesn't support the -- it doesn't matter, I'll just move on.

Peter Francis King
CEO, MD of Westpac Group & Director

You've got to look at profit over the longer term, Brett.

Brett Le Mesurier
Shaw and Partners Limited, Research Division

Yes, sure. You mean the profit doesn't have -- it doesn't matter. The base case in your Common Equity Tier 1 shows 105 basis points down. Is that roughly equivalent to an average of 1 notch down for -- across the board on your credit quality?

Peter Francis King
CEO, MD of Westpac Group & Director

We haven't looked at it like that. So it's not possible for me to sort of explain it that way. We've done it bottom-up and looked at the models, the base case, and then the judgment in particular is where we've picked up things that -- the sector overlays Gary spoke to in his results is where we picked up the areas that we've been particularly focused on.

Brett Le Mesurier
Shaw and Partners Limited, Research Division

But when you do your PDs and your LGDs, it necessarily implies something about notches, doesn't it? So you didn't then go back and take a look at that?

Peter Francis King
CEO, MD of Westpac Group & Director

I understand you can look at an outcome in that way, but I'm not sure that helps you manage your credit portfolio.

Andrew Bowden
Head of Investor Relations

I'll take a question from Ed Henning, please.

Edmund Anthony Biddulph Henning
CLSA Limited, Research Division

Just can you just touch a little bit more on what you're seeing around Treasury and Markets at the moment in April, please?

Andrew Bowden
Head of Investor Relations

Gary, do you want to take that?

Gary Thursby
Acting Chief Financial Officer

Yes. As I mentioned, Treasury had a great month in March as they were well positioned as rates declined. Some of that flowed into April. But as you know, rates are -- low rates have stabilized somewhat. So that would -- they're not repeating the same performance in April.

Peter Francis King
CEO, MD of Westpac Group & Director

And I'd just say the -- particularly the Treasury business is managing the balance sheet. Interest rates are very important in managing the balance sheet. So with an interest rate curve that's going to settle around 25 basis points, unless it moves around, it's going to be a harder 6 months for Treasury, I think.

Andrew Bowden
Head of Investor Relations

Okay. We're going to take a question from the journalists now. Joyce Moullakis from The Australian, please.

Joyce Moullakis;The Australian

I just wanted a little bit of color, if I could, just around the mediation process with AUSTRAC and where that's up to, what some of the outstanding issues may be as that sort of comes to the pointy end of deliberations there. But also I wanted to ask a second question around the specialized business (sic) [Specialist Business] division and the review that's going on there. Given the life insurance businesses potentially being on the block for a little while already, can you sort of give us a bit of a time line as to whether there's a -- is there sort of a time frame around specific bits within that business and how you go about that review?

Peter Francis King
CEO, MD of Westpac Group & Director

So on AUSTRAC, it is a matter that's ongoing, Joyce, so I can't add any sort of detail, if you like, because it's discussions between us and AUSTRAC. On the Specialist Business, what we are doing today is really focusing each of the executives on the portfolio that I need them to focus on. So in Consumer division, it's really about -- for Gail and David, about focusing on the banking businesses. For Jason, who we're pleased is rejoining us, it's about managing Specialist. And Jason starts pretty much immediately and his -- he'll lead that business as we run it, but he also lead the strategic reviews. We haven't made any decisions yet on timing or what the next steps are. That will come down the track.

Joyce Moullakis;The Australian

So it will be a pretty lengthy process. Is it sort of a 12-, 18-month process, given where we are as well the COVID-19 crisis?

Peter Francis King
CEO, MD of Westpac Group & Director

Joyce, we haven't set any time line. So I'm not going to -- so it's going to be a quick or a long process. We've got to manage a number of things through the process, and we will do that.

Andrew Bowden
Head of Investor Relations

I'll take a question from Peter Ryan from ABC.

Peter Ryan;ABC

Well, just I wanted to find out about what Westpac's view was on banks getting access to redraw facilities and loans. We see that ME Bank's caught a bit of criticism over accessing redraws there. Want to find out whether or not Westpac had any plans to utilize the fine print and do that as well?

Peter Francis King
CEO, MD of Westpac Group & Director

It hasn't even crossed my mind, Peter, and it's not something we'll be doing.

Peter Ryan;ABC

And just on the basis of ME Bank, do you think that is good behavior or ethical behavior that they're doing that?

Peter Francis King
CEO, MD of Westpac Group & Director

Peter, I haven't actually looked at it, to tell you the truth. I've seen the press reports, but I don't know what's happened in detail. But as I said, it's not something we'll be doing.

Andrew Bowden
Head of Investor Relations

I'll take a question from James Frost, please, from The Financial Review.

James Frost;Australian Financial Review

Peter, I think you mentioned earlier, just when looking at the crisis, it's different in that the economy is being held back. And once the brakes are off, things will be different, there'll be a stronger recovery. Just wondering if you could fill us in about your thoughts about the best way to do that and an optimum time line for seeing the economy recover. And just secondly, on the dividend, you're talking about it's very difficult to get a good line of sight on that. Potentially, we might have to wait until the full year result, which I guess is in November or certainly late in the year. Is there any risk for the first half dividend or the decision you'd come to is that there is no first half dividend?

Peter Francis King
CEO, MD of Westpac Group & Director

So James, on the -- so on the pathway out, really, the government is in the best position. They've got the best medical advice. They've got good view on the economy and we'll be guided by the government on that. The role of this bank is to be set up to help customers at that point. So that's what I'm focused on. And we will follow the advice of the relevant governance. On the dividend, the decision at this point is to defer the decision. So we haven't made any other decisions other than that.

James Frost;Australian Financial Review

So within the range of outcomes, it's possible that there might not be a first half dividend or it might be a full dividend. Is that as broad as it could be?

Peter Francis King
CEO, MD of Westpac Group & Director

We're going to look at the first half dividend down the track when we got more certainty. So that's what we've decided to do today. I'm not going to get into the -- which angles or which options that could be. We're going to look at it when we have more insight.

Andrew Bowden
Head of Investor Relations

[Operator Instructions] I'll take another question from the journos. I'll take one from Julian Bajkowski, please.

Julian Bajkowski;iTnews

Just wondering on AUSTRAC and RBA Promontory -- well, sorry, Promontory Group owned by RBA. Are they investigating any of their own software? Is this -- because it's an interesting situation of them being owned by RBA?

Peter Francis King
CEO, MD of Westpac Group & Director

I think the issue you're getting there -- getting to there is conflicts management. And we've been very focused, as we always are, on that issue in Promontory being involved. So I'm comfortable we've managed the conflicts appropriately.

Julian Bajkowski;iTnews

Will they be looking at any of their own product though?

Peter Francis King
CEO, MD of Westpac Group & Director

In terms of detailed reviews of IT product, that's not really something that we're looking at through those reviews.

Julian Bajkowski;iTnews

And just on ATMs, there was a push before to kind of consolidate there, and there's statements and views expressed. How does it look now in the context of COVID because -- I mean if people were using less cash before, it's positive they're doing those now.

Peter Francis King
CEO, MD of Westpac Group & Director

Yes. Well, I think ATMs, if you look at payment channels more broadly, there's, yes, less use of checks and cash and more digital channels. That will be a trend that continues. I think it's an interesting question about whether or not cash usage will step down again off the back of what people have experienced through COVID. There's still lots of areas in the economy that use cash. In the end, we'll see what behavior looks like down the track.

Andrew Bowden
Head of Investor Relations

I'll take a question from Emily Cadman, please.

Emily Cadman;Bloomberg News

Emily Cadman from Bloomberg News. As this crisis starts to unfold, the bank is obviously going to have to make some very difficult decisions about which customers' loans, both mortgages and businesses, are viable in the near future. What's the bank's thinking about how you're going to handle that? And does it owe anything to the experience with the Royal Commission?

Peter Francis King
CEO, MD of Westpac Group & Director

Well, I think in the -- the first thing is the bank is well positioned to support the economy in lend. So that's an important aspect of the go-forward position that we'll be doing that. And that helps the economy grow forward, if you like. In relation to customers who end up with a position that they can't go back in the business, it's customer-by-customer that we'll look at. You've got to look at the individual situations of customers and businesses, and we'll have to work it through that way. We do expect there'll be more people working on those type of issues moving forward.

Emily Cadman;Bloomberg News

Now Australia banks have been in a very lucky position that they haven't had to contend with a recession for a generation. What are you having to do to prepare your teams, whether it's hiring new people or changing procedures, to ready yourself to get through this one?

Peter Francis King
CEO, MD of Westpac Group & Director

Well, I think we've done a lot of -- if you think about preparing, we've prepared the balance sheet through higher capital, and liquidity is in good shape. So they're the big levers. And then you're right, over time, credit management will become a bigger issue. Hopefully, our economist, as an example, thought that unemployment could hit 17% without the JobKeeper program from the government. So the government has done a great job with JobKeeper, and we think it will peak at 9% and then fall back to 7% by the end of the year in terms of unemployment. But you're right, we will have more customers that need help. And therefore, we'll have to have more people in those areas.

Andrew Bowden

Head of Investor Relations

I'll take a question from John Durie, please.

John Durie;The Australian

A couple of questions, if I could. Firstly, following on from the answer you gave to Jon Mott. I'm just interested on loan demand. You said small business and consumer was mainly around deferrals and big businesses just getting lines of credit. So it doesn't seem to me there's a hell of a lot of credit demand right now. Would that be a fair assumption?

Peter Francis King
CEO, MD of Westpac Group & Director

I think...

John Durie;The Australian

Secondly -- go on.

Peter Francis King
CEO, MD of Westpac Group & Director

You finish, John.

John Durie;The Australian

Okay. Well, the second question was just -- I'm just interested, if all you've been doing so far is deferring mortgages, that hasn't cost the bank a lot of money at this stage. And I guess it's not until October when all the government stimulus is finished that you're really going to be able to know just where you stand.

Peter Francis King
CEO, MD of Westpac Group & Director

Yes. On the first question on loan demand, I think it will -- businesses will really look for demand to invest. So at the moment, there is lower demand in the business market is how we're seeing it. It's mostly around shoring up people through this period. On the outlook, I just -- one of the things with the mortgage packages is we do a check-in at 3 months. So I'm hopeful we'll get some line of sight through those contact points at 3 months. And of course, our business bankers will be out talking to customers all the way through, so that we'll get some line of sight on those discussions as we go through as well, John. So while our normal sort of metrics of people missing repayments won't work in the next 6 months, I think there's other ways that we can get a bit of a read of what's going on.

John Durie;The Australian

Okay. But it's really October before you sort of know?

Peter Francis King
CEO, MD of Westpac Group & Director

3 months in the mortgages will be June, July, so...

Andrew Bowden
Head of Investor Relations

I'll take a question from James Thomson from The Financial Review.

James Thomson;The Financial Review

There's a couple of mentions in the presentation about resetting the cost base, but not a lot of color around that. Obviously, the Specialist Businesses might provide some opportunity there. But is this the time for some big decisions around branch networks and that sort of thing given the way COVID is changing the way people use the banking system?

Peter Francis King
CEO, MD of Westpac Group & Director

Well, in relation to that, that was one of our medium-term priorities, if I put it that way. So if you have a simple business, you'll need a lower cost base. And so what we've done today is really got our divisions allocation of the businesses in a way that helps us focus on what we need to do. So in relation to specifics in that, that will be something we're working through. Branch networks always depend on people using them. So one of the interesting things will be what do we see in terms of activity in branches -- in branch networks. That more guides the size of the distribution and number of branches than anything else.

Andrew Bowden
Head of Investor Relations

I'll take a question from Paulina Duran, please.

Paulina Duran;Reuters

I have just 2 quick questions. The first is in Panorama. Can you just clarify what was the write-down that you took on Panorama, please? And the second question is around your dividend decision and when do you expect an update for investors? Other banks have mapped out their thinking around that and given just some time line.

Peter Francis King
CEO, MD of Westpac Group & Director

On -- just on Panorama, the reason the revenue has fallen is very much to do with low interest rates impacting margins in that business. Obviously, some repricing. The size of the write-down was...

Gary Thursby
Acting Chief Financial Officer

$30 million.

Peter Francis King
CEO, MD of Westpac Group & Director

About $30 million, so small in the scheme of things. In relation to dividends, we haven't set out a time line. We've just said the type of things we'll be looking at is how does the economy perform, what extra information do we get on customers and what type of impairment levels we're looking at. So we haven't set out a time, but we'll look at that through the course of the second half.

Andrew Bowden
Head of Investor Relations

I'll take the final question now from James Eyers, please.

James Eyers;Australian Financial Review

Peter, it was around the post-COVID outlook. I was just wondering if you've given much thought to which sectors of the economy might be subject to structural changes post COVID. I mean, obviously, all this -- part of the economy getting used to working out of the office, and commercial property is obviously an area that's been problematic for Westpac in the early '90s. Have you positioned the bank around the possibility that you'll get this sort of proportion of the workforce that might not come back to the big office towers in the center of the city?

Peter Francis King
CEO, MD of Westpac Group & Director

We've -- maybe have a look at Gary's slide on that sector overlays. That -- I think that gives you a bit of a guide of the areas that we're looking at closely. But you're right, property was one of the areas. Commercial property was one of the areas that we had a good look at. It's hard to tell. I think in our case, we've certainly had a lot of people learn how to work from home, a lot of managers learn how to manage workforces that are distributed. We've got some great technology now that we've recently put in, in Microsoft 365 and collaboration. And our IT team had done some great work to get that in and get the network capacity up. So there certainly is the opportunity, I think, to have a more distributed workforce. And whether that be working from home, whether that be how we use our branches, I think that's all on the table.

Andrew Bowden
Head of Investor Relations
Okay. Well, thank you all, and thanks very much for dialing today. I know this is a trying time for everyone. We'd greatly appreciate your feedback on how you thought today went. And with that, I'll call a good morning.