Question and Answer

Operator

[Operator Instructions] And your first question comes from the line of Craig Williams of Citigroup.

Craig Anthony Williams
Citigroup Inc., Research Division

At the time of the interim results, you expressed a determination to lift your mortgage growth rates and levels. If anything, NABs market share gains seems to have accelerated more recently. Have you been frustrated by the inability to sort of kick start things by now and sort of what are your plans in that respect?

Ralph James Norris
Former Director

Craig, we've seen some really good growth in the level of applications for mortgages, which we expect to see come through in this month and next month in fundings. And certainly, applications are above the average of the last 12 months. So we are now seeing a significant improvement in mortgage application.

Craig Anthony Williams
Citigroup Inc., Research Division

And recently, we've seen Westpac release some management overlay provision, and you've noted improved commercial credit quality in today's release. You've sort of held on to what is a very large management overlay of AUD $1.2 billion. Your current thinking about why you're continuing to retain such a large overlay?

David Paul Craig
Former Group Executive, Financial Services & CFO

Craig, it's David Craig here. Look, I think that we're experiencing the same sort of 2-speed economy that all of the other banks are feeling. In particular, mortgage arrears have gone up a bit. Admittedly, we believe that's fundamentally seasonal. There's a little bit of the floods involved in that as well. But at a time when we're seeing mortgages, mortgage arrears going up and at a time when some parts of the economy are still certainly under pressure, we felt it was prudent to hold on to our economic overlays. We'll obviously look at those again as we approach year end. But at this stage, we want to maintain our fortressed balance sheet.

Craig Anthony Williams
Citigroup Inc., Research Division

Is there a concern, perhaps, then that the softness in the mortgage market, where ordinarily you wouldn't expect to have large losses, could sort of run through more broadly to the economy, and therefore, after the [indiscernible] million and meet commercial losses or something?

Ralph James Norris
Former Director

No, I don't think so, Craig. I think the issue here is we're just being a little conservative. This is obviously a quarterly update. We've got our full year which completes at the end of this quarter. So at this point, we didn't see much point in releasing any overlays until we've done a full analysis of that, and that will come with, obviously, with our full year results. So I don't think you should read anything into it from the point of view of seeing any substantial weakness or issue. But I mean, we are obviously in a situation, as David said, of multispeed economy. And certainly, there are a number of businesses that are likely to come under continuing pressure from an increasing Australian dollar.

Operator

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

James Freeman
Deutsche Bank AG, Research Division

I just wanted to actually get a little bit more color around the arrears rate in the home lending book, just an idea. Is this first time buyers? Are you seeing any impact from that? We obviously saw Westpac call out the 2007, '08 and '09 vintages as being a bit problematic. I think you called the '08. Just a bit more flavor. And is this 90 days or are we still in 60 days category?

Alden Louis Toevs
Former Group Chief Risk Officer

Hi, this is Alden Toevs speaking. The first home buyer analysis of our portfolio shows very common like-for-like performance of a first home buyer with equal credit quality to a non-first home buyer. So there's no indication of deterioration because of that. The vintages -- the vintage in 2008 was of large vintage for us, and it has grown in arrears as one normally sees arrears grow as the loan seasons. And so that's one of the primary drivers of the increase in 30, 60 and 90-day arrears.

David Paul Craig
Former Group Executive, Financial Services & CFO

Again, it's a slight tick up, and the loss rates continue to be very modest on, ultimate dispositions of extremely troubled home loan.

James Freeman
Deutsche Bank AG, Research Division

All right, thank you. And just my second question, just on cost, Ralph, I was just hoping we could get a bit of a feel as to how the cost growth is going and within that, sort of how the core system replacement's also tracking?

Ralph James Norris
Former Director

On costs this quarter, we've had a slight uptick more on timing of investment spend, which again is to do with your core systems replacement. But we're still targeting to have full year flat draws, if possible.

Operator

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

Michael Wiblin
Macquarie Research

Just a quick question on capital. It appears that you've got a bit of a risk-weighted assets going down. And you've got 19 basis point improvement there. Can you give us a view as to what's driving the other benefit? Is it on the optimization side? Is there any more improvement there in particular?

Ralph James Norris
Former Director

No, this quarter, it's just -- we've had less interest rate risk in the banking book this quarter. That would be the only other thing. But fundamentally, it's organic growth and just the continuing improvement in overall credit quality, but we haven't had any optimization this quarter.

Michael Wiblin
Macquarie Research

And in terms of the update on the Basel III stat core Tier 1. Are you able to give us a view as to what that's sitting at, at the moment?

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David Paul Craig
Former Group Executive, Financial Services & CFO

Well, it's improved a bit. Again, the overall core Tier 1 -- sorry, the overall is 8.8% on a fully harmonized basis.

Operator

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

Victor German
Nomura Securities Co. Ltd., Research Division

I was just saying, somewhat a topical point of discussion these days is around stronger Australian dollar. Would you be able to give us your views in terms of what that means from your funding task? Obviously, with a stronger dollar or in U.S. dollars, you actually need more. And putting that in the context of your expectation for slightly stronger demand in 2011, 2012 from business credit, what does it mean in terms of your funding requirement going forward?

Ralph James Norris
Former Director

Well, our funding requirements this year have been met over the last 3 quarters through increase in deposits. So we haven't required any offshore funding and, in fact, we’ve paid down some of our offshore debt. So we have obviously had a requirement to roll some of our offshore debt. But certainly, our funding requirement has been substantially less than we forecast at the beginning of the period. So therefore, it's been largely irrelevant for this period.

David Paul Craig
Former Group Executive, Financial Services & CFO

And going forward, Victor, again, we're sitting here at the moment 61% retail deposit funded. And obviously, the sort of days of heady funding, where we had to fund the growth of corporate balance sheets across Australia, that's diminished somewhat. We're returning to more normal times when the bank's funding retail and SME more than big business. And so our belief is that even with this exchange rate or indeed a higher one, that we won't have any difficulty in raising any necessary wholesale funding.

Victor German
Nomura Securities Co. Ltd., Research Division

So to what point do you think those comments will stay intact in terms of, if the dollar continues to rise? And given the growth expectations that you're looking for in '11, '12, what's sort of the point at which you will be becoming a little bit uncomfortable in terms of expanding the balance sheet?

David Paul Craig
Former Group Executive, Financial Services & CFO

Look, I don't think there's any point within the foreseeable future that we're concerned about.

Ralph James Norris
Former Director

I think the issue is that we're going to see growth rates of potentially around 6% to 7% in the book. And we don't see that, that's going to be significantly challenged at all by funding.

Operator

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

Richard E. Wiles
Morgan Stanley, Research Division

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I'd just like to ask about the performance of the business in Private Bank. Specifically, have you seen the same sort of pre-provision profit growth momentum being maintained in this period as you've seen in recent periods? And how is the margin performing? There are suggestions from competitors that you're being aggressive on price. So I'd be interested to hear how the margin's holding up in the revs [ph] business.

David Paul Craig
Former Group Executive, Financial Services & CFO

Yes, I'm pleased to advise you our margins have increased in that business.

Richard E. Wiles
Morgan Stanley, Research Division

And then the pre-provision profit momentum, David?

David Paul Craig
Former Group Executive, Financial Services & CFO

Yes, it's just continuing. That business is going extremely well.

Ralph James Norris
Former Director

But in the area where we're having some softness is in our institutional bank and markets.

David Paul Craig
Former Group Executive, Financial Services & CFO

So I mean, the key -- perhaps, the key metric here is that in terms of our business lending growth -- and obviously, it's always hard to see it when you get this consolidated picture. But our business lending growth for the quarter for CBA, we were up 13% and Bankwest was down 13%. Of course, Bankwest was down because we're continuing to run off that legacy book, and that's going well. The underlying business in Bankwest, Business Banking, is growing. So the new business that we're trying to do is growing. But we have sold down some more of the legacy book, which distorts the statistics. But our Business Banking for the quarter was, overall, was up 13% in terms of -- that's on an annualized basis in terms of system growth, across the combined IB&M and Business Banking books.

Richard E. Wiles
Morgan Stanley, Research Division

That's versus the December quarter, but annualized, David?

David Paul Craig
Former Group Executive, Financial Services & CFO

Correct.

Richard E. Wiles
Morgan Stanley, Research Division

So in other words, the repayments that have been affecting the line balance in the institutional bank have pretty much come to an end?

David Paul Craig
Former Group Executive, Financial Services & CFO

No, I wouldn't say that necessarily. Institutional banking is very lumpy in terms of when big clients refinance and how they refinance. So I wouldn't ever be so bold as to say that as facilities roll, highly rated credits can, at the moment, fund internationally much more cheaply than they can borrow. In fact, you would have seen the Woolworths debt raising internationally where they, despite being, I think, 5 credit rating notches below us, are able to fund more cheaply than us on the international market. So

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there is that anomaly, and it's a great time for corporates to be funding -- big, highly rated corporates to be funding through debt capital markets.

Operator

Your next question comes from the line of TS Lim of Southern Cross.

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

Just a question on credit quality. You mentioned it continues to improve. Does that mean the -- your exposures in Southeast Queensland is also improving?

Ralph James Norris
Former Director

Sorry, TS. I just missed the last part of that question.

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

Okay, in terms of the exposure of the commercial property in Southeast Queensland, can you give us a feel for what's happening there?

Ralph James Norris
Former Director

Well we have very little exposure to that area. That's an area that we avoided. And certainly, a lot of the debt that was sold down in regard to Bankwest has that sort of complexion to it.

Operator

Your next question comes from the line of Ben Koo of Goldman Sachs.

Ben Koo
Goldman Sachs JBWere Pty Ltd, Research Division

I just wanted to reconcile a bit of the underlying trends in that IB&M business. Because if we're reading across just the commentary and what you've said so far in the Q&A, it sounds like you've got good momentum in the business. Bank mortgages and the retail business would have benefit the margin expansion as well. Although there was a bit of lumpiness for the cost side. But it just seems like that the IB&M business was particularly, was that just a -- is it just a timing issue? Can you just talk through a bit more around that detail?

Ralph James Norris
Former Director

I think the issue there is that the market's income from IB&M was depressed in the first quarter. And I think that there wasn't as much volatility in the early part of that quarter. Certainly, we are starting to see some improvement there. So that's where the softness was in that part of the business.

Ben Koo
Goldman Sachs JBWere Pty Ltd, Research Division

Okay, and just then another, just changing tack a little bit on that funding side. You also talked about how you haven't done any funding. Is there any funding in the quarter? In fact, you've actually paid it back. So can you just give us an update on where you see your year end task being given deposit growth's been so strong. And as the growth is starting to pick up again -- I know this is quite a corroborative number, but just a gut feel on where that's going to end up now?

David Paul Craig
Former Group Executive, Financial Services & CFO

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Yes, look, it's a hard one to answer, Ben. Firstly, just to clarify, we haven't done any net wholesale funding. Obviously, we are rolling the core part of the debt as it continues. But we have repaid a little bit more net debt during the quarter. Look in the next quarter, as you say, very hard to tell where credit growth is going to be. We're seeing, as I think others have said, some green shoots in business lending particularly, it's starting to come up. And we would hope that there'll be a little bit more of that in the quarter. But there tends to be quite a lead time between seeing green shoots and actually funding. So we would think that things will be reasonably neutral in this coming quarter.

Operator

[Operator Instructions] And your next question comes from the line of Brian Johnson of CLSA.

Brian D. Johnson
CLSA Limited, Research Division

Can I just ask a few questions about the Pillar 3 [ph]? If you have a look at basically, table 5, we can see certainly that the gross impaired assets in the corporate and SME book is down, but the past 90 days is up, with all the increase basically in the past 90 days seeming to basically come from the housing book, as you've said. But when I flip through into the provisioning table and I go and have a look at the credit risk-weighted assets, it appears to me that your collective provision relative to credit risk-weighted assets, the coverage has increased slightly, whereas all the other bank results, we've seen it come down. David, can we just get a feel on the mechanics of -- is this just a third quarter dynamic where you go back and fully rerate that at the full year result? Or could we get a feeling as to why that collected provision coverage has increased slightly because it seems at odds with the commentary you're saying today?

David Paul Craig
Former Group Executive, Financial Services & CFO

Well the difference, Brian, is in the overlay. So the credit rating and the credit risk rating for individual accounts is a dynamic thing, and that's absolutely up-to-date. The overlays, we've held on to. So while the credit book has improved in a technical sense, we've maintained overlays across the total book, which reflect, obviously, what's happening -- well reflect in part what's happening to mortgage arrears from our perspective. This reflects our overall overview of the impact of Christchurch earthquakes and floods and all the other sorts of things that we're carrying overlays for. We'll reassess those overlays coming into the June year end. Alden, I don't know if you've got anything you want to add.

Alden Louis Toevs
Former Group Chief Risk Officer

Yes, the changes -- Brian, the changes there are relatively small, too. So I wouldn't overread anything into this thing.

Brian D. Johnson
CLSA Limited, Research Division

It's just that when you have a look at it, it was a massive generator of profits for one of your peers. But just so I can give you a feeling on the sense of the numbers, if I take the collective provision relative to the current risk-weighted assets at the last quarter, it was 1.312%, it's gone up to 1.32%. You're saying the overlays are steady in absolute dollars. But basically, the credit risk-weighted assets are kind of largely unchanged. To me, I look at it, and it's implying that the methodology is the credit rating -- the average credit score must have gone back a little bit during the period.

Alden Louis Toevs
Former Group Chief Risk Officer

The other thing you have is a relatively strong growth in specialized lending, which has some very peculiar characteristics to it. So that's also part of the answer. So I think it's a multipart answer. But again, each of the moving parts, by themselves, are relatively modest in size.

Brian D. Johnson

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CLSA Limited, Research Division

But David, from what you're saying is that you go back and you fully review that at the year end?

David Paul Craig
Former Group Executive, Financial Services & CFO

Yes...

Brian D. Johnson
CLSA Limited, Research Division

And then a full review at year end. Please don't take that as encouragement to write it back though.

David Paul Craig
Former Group Executive, Financial Services & CFO

You know we're very conservative, Brian.

Brian D. Johnson
CLSA Limited, Research Division

Every bank say they're conservative. It's just that some don't seem to understand what conservative means.

Ralph James Norris
Former Director

We'd like to think we do, Brian.

Operator

We will now go to questions from the media. [Operator Instructions] And your next question comes from the line of George Landis [ph] of AFR.

Unknown Analyst

Ralph, just a quick question on the economy. I mean, you talked a little bit about the 2-speed nature of the economy. I wonder if -- I wonder what your take on last night's budget was and whether that will help improve that situation. And the second question relates to the home loan arrears. Wondering if you can quantify that a bit more. You’ve said there’s slightly an uptick in arrears. I wonder if you can quantify that. And what stage will you start to be worried about that. Are you worried at this stage that you'll take extra losses out of that or do you think it's under control?

Ralph James Norris
Former Director

Okay. Well, I'll address the first question first, which is obviously budget. I think it's fair to say that the bark was probably worse than the bite. Nevertheless, I think the trajectory of the budget is pretty much in the right direction. The fiscal policy that underlies it is very much complementary with the monetary policy of the bank, and that's obviously contractionary, which it needs to be as we steer into obviously the risk of higher inflation in the near, medium-term future. So I think overall, it was a reasonable budget. In regard to arrears, as we've said, the pickup is very small. And it's impacted obviously by the winter events that we've seen in Queensland and also some impacts from the Christchurch earthquake on our New Zealand operations. And also, the fact that we did have obviously a significant growth in our mortgage book in 2008. And we've obviously got the seasoning of that particular vintage of loan. So there's nothing there that we see that would cause us any significant concern. And certainly, expect the seasonality aspect that obviously post-Christmas will obviously come out of the numbers during this coming quarter.

Unknown Analyst

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If I could just ask a supplementary question to that, Ralph. You mentioned the Reserve Bank and policy settings. I wonder what your outlook for interest rates are.

Ralph James Norris
Former Director

Well I think the situation is we're obviously still in a situation where the Reserve Bank expects to -- we would expect the Reserve Bank to increase rates. And there's possibly 1 or 2 rises to come during the next 6 months.

Operator

Your next question comes from the line of Peter Taylor of The Herald Sun.

Peter Taylor

Look, just one of the striking things about the Westpac result last week was that delinquencies climbed above the levels they reached at the height of the financial crisis in late 2008, early 2009. Is the same thing happening at Commonwealth Bank, levels at beyond those heights?

David Paul Craig
Former Group Executive, Financial Services & CFO

Our arrears are very much consistent with both the ANZ Bank and Westpac. So we're all seeing exactly the same phenomenon.

Peter Taylor

Okay. So it's safe to assume that's a yes?

Ralph James Norris
Former Director

Sorry?

Peter Taylor

It's safe to assume that's a yes, that the levels of delinquency are above the levels they were at 2 years ago?

David Paul Craig
Former Group Executive, Financial Services & CFO

Which we believe is more to do with the floods and other things that are going on at this time.

Ralph James Norris
Former Director

No, I don't think it's something that you would look at as being systemic. It's an issue that is very much focused around those weather events and the earthquake events in New Zealand. So taking those out, we would see a situation where the trend would be a positive trend.

Peter Taylor

Sure. And just on that theme, if rates do go up in the next couple of months, what's the likely impact on your mortgage customers?

Ralph James Norris
Former Director

Well, we'll obviously look at the situation as and when increases come through in the OCR. But certainly, at this point, we would expect in the normal course of events that, that would be passed through.

Peter Taylor

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And one more quick question, if I may. You launched the 7.24% home loan. You're saying your mortgage applications are now picking up. How much of that lift in applications has been driven by that low-cost home loan? And if it's significant, what sort of impact will that have on your margins?

Ralph James Norris
Former Director

The situation in regard to home loan applications has been across the different product types. So as far as our margin is concerned, at this point, our margin has improved during the half, as we would expect it, but it's still below what it was prior to the global financial crisis in regard to home loan.

Operator

Your next question comes from the line of Eric Johnson [ph] of Fairfax.

Unknown Analyst

We're in an environment where we expect interest rates to be on the way up. Ralph, I was wondering what sort of impact would a rate rise have on that 2008 portfolio of loans.

Ralph James Norris
Former Director

Well arrears are still very low in overall numbers. I'll just pass it on, across to Alden, who’s done a little bit more work in this area than I have. Alden?

Alden Louis Toevs
Former Group Chief Risk Officer

Yes. The quality of the 2008 book is comparable to all the other vintage books. What happens is that after you get into the age of that cohort goes up a couple of years, you begin to get the peak of their stresses that there's going to be stresses in that portfolio. So that's what we're seeing here. The overall book remains quite strong, 68% of the customers are paying in advance, the number of advance payments are 7. The portfolio quality in terms of loan to value ratio is 45%. And the new book fundings is at a comparable kind of level loan to value. So there's plenty of value, plenty of cushion and plenty of behavior that would be consistent with an ability to sustain. The serviceability buffer is at a minimum of 150 basis points above the current rates for new funding.

Unknown Analyst

Okay, and if I could just quickly, just clarify. Some of the problems we are seeing in that 2008 book, is that mostly skewed to first home buyers?

Alden Louis Toevs
Former Group Chief Risk Officer

No, we talked about that a second ago. The first home buyer book continues to behave exactly like, like-for-like non-first home buyer applicants or closing. So if you have the same credit quality, the same kind of risk rating to begin with, the first home buyer book loan behaves just square on the outcomes of a non-first home buyer loan of comparable quality.

Operator

Your next question comes from the line of Andrew Cornell of AFR.

Andrew Cornell

Just following on from the rate rise question. One of the things that has happened since you did that out-of-cycle rise, your customer satisfaction’s fallen off a cliff. And if you look at what happened with Westpac when they did the same thing 12 months earlier, it took about 6 months to bottom. And they still haven't got back to that pre-out-of-cycle rise customer satisfaction. Now given that customer satisfaction is crucial to your strategy, are you doing any special things to make them happier again?

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Ralph James Norris
Former Director

Well I think that the situation, Andrew, is that if we look at customer satisfaction, the numbers are now on the improve. And certainly, if we look at the components that make up that Roy Morgan Research, when you look at absolute customer service, we're still doing very well. I think the area where we took a hit was on the reputational attributes that make up that index that Roy Morgan survey. So if we look at our own survey, which is done at our branches every week, which is also done for us by Roy Morgan, the numbers there are at all-time highs. So certainly, there is a disconnect. The disconnect is not so much around the service, per se, but the reputational impacts that obviously hit us in regard to the move back in November. But we are now seeing a recovery.

Andrew Cornell

So what does that mean for that equation that you've wheeled out about engaged staff equal satisfied customers equal more revenue? Has that triggered any movements there?

Ralph James Norris
Former Director

I think it's pleasing to see that over the last 6 weeks or so, a significant improvement in mortgage applications. So I think that we are seeing a situation where our service capability is obviously winning through there. And certainly, I think that you'll see 1 or 2 announcements that will reflect on the quality of our service in the next couple of weeks in some magazines, which will indicate that we're doing a pretty good job.

David Paul Craig
Former Group Executive, Financial Services & CFO

Andrew, just worth noting, too that we are number 1 in customer satisfaction across business banking and in our wealth management businesses. So I think obviously, you're focusing on the retail side, which took a hit because of the mortgage rate rise. But we are maintaining very high levels of customer satisfaction across the rest of the group.

Alden Louis Toevs
Former Group Chief Risk Officer

The private customers like us so we have out-of-system, higher-than-system growth in deposits as well.

Operator

Your next question comes from the line of Cynthia Koons of Dow Jones.

Cynthia Koons

I just wanted to clarify a few things. You mentioned over the last 6 weeks, there was a significant increase in mortgage applications. From when? From this time a year ago or from the start of the year? What's the pickup from?

Ralph James Norris
Former Director

Well our average run rate over the last 9 months, so our numbers are now back to where they were over a year ago.

Cynthia Koons

Okay. And back to the arrears issue, I think it was Ralph mentioned something about the seasonality coming out of the numbers in this quarter. I just wanted to clarify what that meant. What the -- what that was in reference to? Because I think that followed some of the conversation about the 2008 mortgage book. So I just wanted to clarify what that was about, the seasonality coming out of the numbers.

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Ralph James Norris
Former Director

Whenever you look at arrears rates, you always have a post-Christmas lift in arrears, and that's typical across all institutions. And certainly, we would expect to see that seasonality factor come out of the numbers in this quarter.

Cynthia Koons

Okay. And I think also, there was some mention of, if you took out the New Zealand earthquake and the flooding issues in Queensland, there would be a positive trend? Does that mean arrears would be declining if those incidents were taken out of the equation?

David Paul Craig
Former Group Executive, Financial Services & CFO

Well, I think you'd have to -- you take out the seasonality as well and you would see an improvement, yes.

Cynthia Koons

So arrears would be declining if it weren't for the seasonality and those natural disasters?

Ralph James Norris
Former Director

Yes.

Cynthia Koons

Okay, all right. That's all for me.

Operator

Your next question comes from the line of Maureen Shelley of The Daily Telegraph.

Maureen Shelley

I just wanted to ask, you said that the wholesale funding was being fully met from the domestic deposits for the past 3 quarters. Is that right?

David Paul Craig
Former Group Executive, Financial Services & CFO

That's correct.

Ralph James Norris
Former Director

Yes, our funding of loans, yes.

Maureen Shelley

Funding of loans. And you also said that the cost of funding was lower than what you had forecast.

Ralph James Norris
Former Director

No, we didn't say that.

Maureen Shelley

No, what did you -- sorry, you said...

Ralph James Norris

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Former Director

Our requirement of funding was lower than forecast from the wholesale market.

David Paul Craig
Former Group Executive, Financial Services & CFO

Because credit growth has been lower than expected, so the need for funding has been lower than expected.

Maureen Shelley

With your domestic deposits then providing your funding that you've needed, does that mean it's cost you less, it's been cheaper for you?

David Paul Craig
Former Group Executive, Financial Services & CFO

No, domestic deposits are actually a little more expensive than wholesale funding. We're paying a very high rate to our local customers.

Ralph James Norris
Former Director

Particularly on term deposits.

Operator

And your next question comes from the line of Brian Johnson of CLSA.

Brian D. Johnson
CLSA Limited, Research Division

Look, if you have a look in the second half of 2010, if we take the average kind of staff cost billed to the average FTE, it was AUD $103,700. In the first half of '11, that figure was AUD $115,700, it was up 11.5%. Now there'll be all kind of crazy numbers basically flowing through that on currency and whatever. But what I was particularly interested in, could you tell us what's happening with the superannuation contribution line, given that you no longer have a surplus?

Ralph James Norris
Former Director

We still have a surplus on our Australian superannuation fund, Brian. Although from an accounting point of view, there is an expense going through. In other words, even though you've got an actuarial surplus, doesn't mean we are still funding. So I think we've been funding and that part of the expense has gone up in the last -- over the last 12 months, in fact.

Brian D. Johnson
CLSA Limited, Research Division

Did it go up in this quarter?

David Paul Craig
Former Group Executive, Financial Services & CFO

No, it's steady this quarter.

Brian D. Johnson
CLSA Limited, Research Division

Okay. And David also, could you just tell us what you're planning to do with your hybrid capital at this stage on the Basel III?

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David Paul Craig
Former Group Executive, Financial Services & CFO

Goodness. Wait until we see the rules of exactly what will be allowed and won't be allowed under the hybrids. But what we would expect is that there'll be grandfathering of our existing hybrids. And as they roll off, we'll need to be talking with APRA and the regulators around what the new rules are and what we then do with them. It's not an immediate problem.

Operator

I would now like to hand the call back to Mr. Warwick Bryan for closing comments.

Warwick Bryan
Former Investor Relations Contact
Thank you very much, Kevin. I don't have any closing comments other than to thank you, all, for your attendance today. And we look forward to seeing you in August for our full year results. Thanks very much.

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