Question and Answer

Melanie Kirk

Great. Thank you, Ian. For this briefing, we'll be taking questions from analysts and investors. We'll start in the room and then move to the phone. Can you please wait for the microphone, state your name, the organization that you represent. [Operator Instructions] We'll now start with Jon.

Jonathan Mott
UBS Investment Bank, Research Division

Jon Mott from UBS. One of the highlights of the result and something that we've been seeing for a while has been that you've been becoming more and more reliant on brokers. But over the last 12 months, you have really turned that around and congratulations to everyone on really improving their proprietary sales. It's one of the highlights of the results. Now given, though, that proprietary sales have improved so much, and that we've recently seen both the ASIC and Sedgwick reviews, are you now in a position that you should be reviewing the amount of commission that you are paying to mortgage brokers as this is the one part of the value chain across the whole financial services market that has seen no pressure over the last decade?

Ian Mark Narev
Former Executive

Yes, it's a good question, Jon. I mean, in terms of the Sedgwick review, as with all the ABA initiatives, we've been deeply involved. I think Stephen Sedgwick did a very high quality piece of work. And in terms of the impact of his recommendations on our own networks within CBA and Bankwest, we're really implementing those on an accelerated basis. What we have said and are doing in terms of broker commissions is that there's obviously other parties involved here, and we are working with the broker community and engaging very deeply with the broker community. And I know the ABA is doing work on it as well to find out what is the best way for the spirit behind the Sedgwick recommendations to be reflected in broker commissions. So it's too early to tell where that will come out. But obviously, given the focus of the industry, it's a topic where there'll be more to hear and probably relatively soon.

Melanie Kirk

Okay. We'll move to Richard Wiles.

Richard E. Wiles
Morgan Stanley, Research Division

Richard Wiles, Morgan Stanley. Rob, I'd like to ask a few things about the mortgage book. Can you tell us what the debt-to-income ratio of new loans was in the June quarter following the APRA announcements, the APRA restrictions, and how that compares with a year ago? And can you tell us what proportion of interest-only home loans have switched to P&I in the last quarter since those APRA restrictions?

Robert Dharshan Jesudason
Former Group Executive, Financial Services & CFO

I'll make a couple of comments, then I might hand over to Matt. But we don't publish the debt-to-income ratio. But how we think about it is based on serviceability. You'll see in the presentation, we have floors in a low interest rate environment. And so that's our approach.

Matthew Comyn
CEO, MD & Executive Director

Yes, Richard. We -- as Rob said, we don't disclose, but it's largely unchanged, actually for a number of the years, the loan-to-income or debt-to-income ratio. I think there's sort of 2 parts to your question that are important. One is the flow restriction on interest-only. So you'll see the figure that's disclosed here, that's the average for the half. It reduced quite substantially in the last quarter as we took both pricing as well as other tightening. We're currently below the 30% this month, and we'll be comfortably below the 30% at the end of September as APRA have requested. In terms of how many customers are switching, I can't give you the specific numbers. As you would appreciate, we see that to be more pronounced with customers who are owner-occupier. And I see -- it's also very early days because the pricing changes only came into effect in the last month or 2.

Richard E. Wiles
Morgan Stanley, Research Division

Do you have any idea -- do you have any expectations for the amount of switching?

Matthew Comyn
CEO, MD & Executive Director

I do, but not necessarily to disclose today.

Melanie Kirk

Great. We'll move back to Jarrod.

Jarrod Martin
Crédit Suisse AG, Research Division

Jarrod Martin from Crédit Suisse. Rob, you've given a glowing review of the capital position with a Core (sic) [Common] Equity Tier 1 of 10.1%, 70-odd basis points organic capital generation. And you've got further balance sheet optimization which you said was 21 basis points this year. A lower impact of the Colonial debt next year. And even if you just use your 5-year average of organic capital generation of 50-odd basis points, you're going to get pretty close to the 10.5%. Yet, you've introduced a dilutive DRP discount. I'm just -- I'm interested in your rationale behind that, considering what I've just heard here is a very glowing review, why do you need to do a DRP discount when other banks are in fact actually neutralizing DRPs. Is -- do you feel that you actually have to get to 11% and get to 11% sooner rather than later?

Robert Dharshan Jesudason
Former Group Executive, Financial Services & CFO

No. I mean, what we're targeting is the APRA benchmark. We're taking approach in this environment, in a lower-revenue environment to be prudent and move there quickly. It's 20 basis points.

Ian Mark Narev
Former Executive

I mean, in terms of the board's overall view on this, Jarrod, I think the path under most scenarios which Rob and his team and Paolo and Tricia are providing, we get to the benchmark very comfortably. There are always assumptions based on organic capital generation which has to do with economies and credit quality and all those sorts of things. And we're in a position where I guess we just say for something with relatively minimal dilutive effect, which is relatively easy to do, we'll err on the side of being a bit more cautious on capital. Beyond that, there's not really any either implicit or explicit signal.

Jarrod Martin
Crédit Suisse AG, Research Division

Can I just jump on something that Rob said, in that it's not a buffer above the 10.5%. 10.5% is your -- is now the target. We shouldn't be looking at buffers upon buffers and therefore, higher than that. But 10.5% now is the target from a CBA and a board perspective.

Robert Dharshan Jesudason
Former Group Executive, Financial Services & CFO

APRA's guidance is 10.5% at the reported date. And obviously, like any ratio, at certain periods, we'll be slightly higher; certain periods post-dividend, we might be slightly lower.

Melanie Kirk

Great. Thank you. We'll move to Victor.

Victor German
Macquarie Research

Victor German from Macquarie. Both Ian and Rob, you've mentioned a few times during your presentation the need for further investment in the business. Just interested in sort of maybe if you can give us a little bit more color as to where you think this investment needs to take place? And in light of some repricing opportunity that the industry have taken in 2016, there is some uplift in revenue that presumably should come through. Just interested in how you are positioning on the investment spend and given your historical view around jaws, would you use that as opportunity to further invest in some of the areas where you think that investment is needed? And second question, just on -- a follow-up on capital. One of the things that's sort of interesting is that your risk weight on mortgages are after APRA's clarification of 25%. They're still quite a bit lower than 2 of your major bank peers. Just interested in your observation as to why you would have a lower risk weights on mortgages than 2 of your peers at least?

Ian Mark Narev
Former Executive

Well, let me take the first question and then Rob can talk about the risk weights -- or rather David or Matt or Fiona can talk about it. If you look at Pages 75 and 76 in investment spend, Victor, I mean a couple of things are going on. Number one, from a strategic perspective, we really have a view that the continued adaptation of the business, both from the point of view of the front end and the productivity of the operating base is a lot more work to do and there will be for a long period of time. So we don't see the pace of that kind of investment abating. Clearly here, you've also got a big number each year on risk and compliance. And you can see on Page 76, we've said that over the 5 years that's north of $3.5 billion. And we don't see that -- the overall regulatory requirements abating any time soon. So I think for the time being, our expectation would be similar levels to investment. They always go up or go down a bit each year depending on what we choose to invest in. But overall, similar levels. And that's part of why we want to up the focus on productivity to make sure we're creating for ourselves the capacity to do it. At whatever point in time the demands of regulatory and compliance spend are lower, then there'll be a decision to be made as to whether or not that, from both a financial capacity and a people capacity can allow us to invest more elsewhere, but that might be the period of time when we look at things and say, "It may be possible to invest it at less."

Victor German
Macquarie Research

Sorry. So in the context of each revenue mix or just in context of potentially better revenue outlook next year, if that does come through, do you see potentially cost growth exceeding this year's cost performance?

Ian Mark Narev
Former Executive

I think we've always said that we're going to invest for the future. And clearly, when revenue picks up a bit, we've got appetite to spend a bit more. The question is what's the kind of spending? So it doesn't mean that automatically, if revenue is better than we expect, we'll just invest a whole lot, because one of the key constraints of investment is making sure we've got the best people focused on the outcomes and often, the constraint is the quality of the project team and the investment versus the dollars. I would imagine, if we have better-than-expected revenue environment, you probably see expenses through investment maybe going up a little bit more than they would otherwise. But I don't think that would be a dramatic determinant. Do you want to take capital?

Robert Dharshan Jesudason
Former Group Executive, Financial Services & CFO

Yes. In terms of your comment on mortgage risk weights, I'm not going to comment on our peers. What I will say is, this was the guidance we received from APRA. The quality of the book's very strong. Obviously, in the last 12 months it's grown, and that's had an impact on capital. But you saw from the arrears performance, the LIE performance, very strong high-quality book, and that's reflected in the guidance APRA has given us.

Victor German
Macquarie Research

You don't expect further changes?

Melanie Kirk

No, Victor, wait, wait. We'll take the next question from Craig here.

Craig Anthony Williams
Citigroup Inc, Research Division

It's Craig Williams from Citi. Look, it's plain for all to see that the operating performance of the bank in this result is very solid, particularly relative to peers. What also seems apparent is that the banking industry needs to work harder to ensure a culture where staff feel free to escalate bad news, that matters raised by staff, customers and regulators are promptly dealt with, if it's to remain the master of its own destiny in terms of avoiding ongoing problems with authorities and in order to maintain its social license. So can you use this forum to highlight what action the board and executive team at CBA is taking in order to address this sort of threat from within?

Ian Mark Narev
Former Executive

Yes, I couldn't agree with you more. It's a very important aspect of big companies. It's a particularly important aspect of big financial companies and it's a very important aspect here at the Commonwealth Bank. And in many ways, what we need to be working on is overcoming what can, and sometimes, be an inherent fear of speaking up. That's something we need to acknowledge now. If you go back, I think, to 6 years of weekly notes that I've written to staff, and you met those -- the sorts of notes that the team here has written to staff, I'd say speaking up has been one of the top themes. We've backed it up with action, including, but not limited to, the responses to the ABA initiatives around speak-up hotlines, around new whistleblower policies, et cetera, all of which are absolutely critical. We've all got more work to do on this, and it's difficult in a big organization. And we just can't tire of trying hard to do it. And one of the things that the board tests, and I certainly tested with my team and they test with their teams is, have we got leaders who don't just say this, but in the way they deal with this, particularly when the criticism is made of them or their teams, are we going to take action? And what we see critically in our people and culture survey this year, the single biggest increase, and we know this survey is reliable because last year, it wasn't that great, other than I'm proud to work for the Commonwealth Bank, was I feel it's safe to speak up. And that is a very, very significant development from our perspective. But boy, we're never going to stop worrying about that.

Melanie Kirk

We'll take the next question from Brian Johnson.

Brian D. Johnson
CLSA Limited, Research Division

Brian Johnson, CLSA. I had 2 questions. The first one is, and sensibly, we're hearing that you've got to really think banks are distribution businesses are looking at manufacturing. In that regard, could we get a feeling for how much regulatory capital is tied up in the life insurance business, the tangible equity and the total equity, including the intangibles? And then just along the same vein, there's been consistent media reports about basically the divestment of Colonial First State Global Asset Management. Along the same vein, could we actually get some kind of commentary on whether those reports are actually correct? And the second one, Ian, and thank you very much for fronting us and actually allowing us to ask questions on this. But when we have a look at the AUSTRAC investigation, you've very kindly made yourself available to the journalists to talk about the mechanical coding error. I'd just like to find out 2 sentences to readout [from the AUSTRAC concise statement of claim. And what I'd like to find out whether this is correct or incorrect. Paragraph 10, a further 6 of the late TTRs related to 5 customers who had been assessed by CommBank are posing a potential risk of terrorism or terrorism financing. Is that correct, yes or no?]

Ian Mark Narev
Former Executive

Brian, you'll appreciate, I'm really committed to being as open as we can on this topic and the normal modus operandi on these things] [indiscernible] [on specific claims, you'll just have to understand, I'm not going to be able to] [indiscernible].

Brian D. Johnson
CLSA Limited, Research Division

[On Paragraph 12, it basically talks about structured transactions and the nonreporting] [indiscernible] [just below the $10,000 limit. But the second sentence says, in part, this was because CommBank adopted a policy not to submit SMRs if the same type of suspicious behavior had been reported anytime within 3 months prior. Can we just get confirmation that, in fact, it was that -- the words [in there are] correct, that there was a policy of [nonreporting] [indiscernible]?

Ian Mark Narev
Former Executive

Yes, I'll give you the same answer, but with a bit of important color here and then I'll come back to the questions you've asked about the transactions. What's very important to understand, I think, about the nature of the claims made by AUSTRAC that we're [working through] and also everything we know to date. There's no deliberate intent to do the wrong thing anywhere [indiscernible]. It's a really important distinction. Now, we've got to play our part in working with AUSTRAC and we have a very constructive relationship with them and with the AFP and others and doing everything we can to perform our role in helping them doing what they're doing. And I've already said we've made mistakes here and as we review the claims, we'll become clear on that. But there's no bad intent. There's no ulterior motive. There's no profit motive. What we will make sure that we do is look at each of the policies, including the ones [that are alleged there]. And if we haven't already changed them, and you'll see in the board statement this morning a very significant amount of work has been done since 2015. Is everything perfect? Absolutely not. I'm sure -- and I doubt -- I'm certainly not going to say that, and these are big areas and even if they were, we've got to get better and better. But we'll look -- keep looking at policies and [processes] and see within the very, very significant amount of work we're already doing, if there's still more that need to be done, it'll get done and no stone will be left unturned to look at that. In terms of the transactions, no, we're not going to be able to give guidance on that at the moment. You'll appreciate, we've said that we're in discussions, the outcome's uncertain and all this stuff is really commercially sensitive. I think you'd be able to make a decent inference that if we end up not the owners of this business, there will be a capital benefit. And in terms of other aspects of the business, we've got nothing else that we can say.

Brian D. Johnson
CLSA Limited, Research Division

You can't tell [indiscernible].

Melanie Kirk

Great. We'll take the next question from Andrew Lyons.

Andrew Lyons
Goldman Sachs Group Inc., Research Division

Andrew Lyons from Goldman Sachs. Just a question around the margin and particularly the competition that you saw in business lending in the second half. Just thinking about the trajectory into 2018, just with reference to Slide 18, some of the variables that you sort of put forth there. Asset pricing, obviously, you've got the full half benefit of some of the IO repricing that was done through the half, and then further repricing that was done at the very end of the half. Funding conditions still look pretty solid. You'll still have a bit of a headwind from the replicating portfolio. But against that, obviously, you're at the very top end of your LCI guidance range, so that headwind is unlikely to continue. So I'm just interested to just get a bit of a feel about, particularly around business lending, which is potentially one of the headwinds that you could be facing to FY '18, just exact what's driving that and has it continued to accelerate through the half?

Robert Dharshan Jesudason
Former Group Executive, Financial Services & CFO

Well, you'll appreciate, Andrew, we don't give guidance on margins. What I will say is a number of the trends that you've highlighted are correct. The repricing in home lending was in the late period of -- sort of the end of May, so you'll see that flow through. Business lending's a very dynamic sort of -- it's a dynamic competitive environment. I think what you've seen over a number of periods though, is the team both on the asset side of the balance sheet and liability side are very focused on volume-margin trade-off, and we make those calls as we see the competitive environment evolve.

Melanie Kirk

We're going to move to the phones now. And our first caller is [Matthew Wilson].

Unknown Analyst

Two questions, if I may. And firstly, to Slide 79, you disclosed that you have $1.8 million -- I mean, 1.8 million mortgage accounts. Do you also have 1.8 million units of corresponding collateral or is that mortgage account number impacted by [loan splitting]? And then secondly, why does it take action initiated by APRA, not CBA, to moderate growth and change underwriting behavior in certain mortgage segments?

Ian Mark Narev
Former Executive

Well, let me answer the second question and then I will -- I'll let David talk, and -- obviously, Matt, you and I have spoken a large number of times over the years about this topic and I know you're an -- a very informed observer. The reality is that we look at risk appetite in home lending from a board-governed risk appetite statement, which focuses on a number of different issues. But as Rob said before, its absolute core is in serviceability and in assessing the ability of borrowers to withstand changes, particularly in the interest rate environment. We set buffers for that and are very comfortable with that. The reality is if you look at the interest of macroprudential regulators, and the flow-through of this regulation is RBA through APRA, is that the major concern that the Governor has talked about is not near-term credit quality, but it is the aggregate of reduced consumption into medium to long-term economic prospects if interest rates go up, which is a very legitimate concern and, if that happens, the aggregate level of household indebtedness in the economy. And that's a very appropriate approach for macroprudential regulation because in assessing credit quality of borrowers, it's actually their behavior in aggregate that is going to do that rather than the situation of any individual counterparty. But there's a very good dialogue between the APRA and the reserve bank and the banks, and I think we're all trying to move in the same direction. We've all got a common interest in having a very stable basis for the Australian economy. And David Cohen, sorry, was going to answer the second question.

David Antony Keith Cohen
Deputy CEO

So just in relation to the accounts question there. So yes, each of those accounts is collateralized. But you'll understand that there are sometimes individual pieces of collateral that cover multiple accounts. See yes, all 1.8 million are collateralized, but it's not necessarily 1.8 million individual collaterals.

Melanie Kirk

We'll take the next question from the phone, and we have Frank from Merrill Lynch.

Frank Podrug
BofA Merrill Lynch, Research Division

Three questions from me. The first is can you please pull-through how much [debt] remains on the balance sheet optimization at this time. And secondly, a couple of expense items are a bit [domestically] higher than usual, so namely the 23% kick up in superannuation expenses and that represented the entire increase in your staff expense and also a pretty big increase in professional fees. So can you talk about what drove that and whether the drivers are transient or permanent over time?

Ian Mark Narev
Former Executive

Do you want to talk about the first thing, and I'll talk about [supervising] that balance sheet optimization?

Robert Dharshan Jesudason
Former Group Executive, Financial Services & CFO

Sure. And could you repeat the first question? I couldn't fully hear it, Frank.

Frank Podrug
BofA Merrill Lynch, Research Division

Sure. The first question is [explain for me or] discuss the remaining balance sheet optimization over time.

Robert Dharshan Jesudason
Former Group Executive, Financial Services & CFO

Yes, I'm not going to give guidance on the extent of it. What I would say is both in the institutional bank, in particular, but other businesses, we'll be looking at portfolio optimization. So looking at returns basically and what is the best risk-return trade-off.

Ian Mark Narev
Former Executive

And in terms of the super, I mean, in this period, we've done a lot of work on the policies and looked at the way the policies are applied across our business and as a result of that, have made some retrospective payments which are in these accounts and they're going to be a one-off.

Melanie Kirk

We'll take the next question on the phones from Azib at Morgans.

Azib Khan
Morgans Financial Limited, Research Division

You provided an estimate to the market in May with regards to the impact of the levy. That estimate is looking quite light compared to the estimates that your peers have provided. So are you still happy with that estimate? And do you have any clarity in terms of the impact on the P&L? Can we expect that to come through the net interest income line or will there be some other line? And then just a second question on your institutional loan growth. So your institutional loan book was shrinking over the first half. It's now expanded by 2% over the second half. As part of Rob's commentary to the NIM waterfall chart, Rob, you did mention that the competitive dynamics there still remain quite intense and there is margin pressure there. So can we conclude that any runoff of low-returning exposures in that business has now come to an end? And where -- what are you seeing as the opportunities for growth in that space? Where is that 2% growth in the second half coming from?

Ian Mark Narev
Former Executive

Well, I'll get Kelly to talk about the second question first, then I'll come back to the banking levy.

Kelly Bayer Rosmarin
Former Group Executive of Institutional Banking & Markets

So on loan growth in institutional banking, it really is based on what we see in the market at the time. And you'll appreciate that they're large deals, so it's never a steady flow from one period to another. All our decisions are based on what we can do at the time. And on portfolio optimization, we might be constantly testing the market and where the pricing is at for the risk that we want to offload, as well as it depends on which deals we win in the market such as the privatizations, they were 5 this year. They weren't evenly spaced throughout the financial year. And we were the only domestic bank on all 5. So all of those things will have an impact on the growth numbers from period-to-period.

Ian Mark Narev
Former Executive

In terms of your question on the levy, you'll see on Page 65 that we have made an estimate here of $258 million post-tax. To your question, yes, because this is a specific levy applying to a particular class of product, that's actually going to be an offset to revenue because it's taken account of through the way we effectively look at our funding costs that [textualize] a particular product. People always ask for, what might the implications be to the bottom line? And the answer is because it's effectively an extra funding cost in the way that this is thought about in the business, then that is going to be set by the competitive market. So all we know is that we have a certain cost and the competitive market on the offset, which is on the revenue side, and we'll just have to see how that goes.

Melanie Kirk

Great. Thank you. At this point, we don't -- so, Brian, one last question.

Brian D. Johnson
CLSA Limited, Research Division

I've got hundreds of questions, but I'm just doing them 2 at a time. On the cost line, in the previous half, we had the quite substantial accelerated amortization of the software. And in this period, we had, I'm guessing, about a $65 million amortization saving. Half-on-half, that implies that the cost, if you strip those 2 items out, like you're stripping out 1, but you're not stripping out the amortization saving, that would suggest half-on-half the operating costs are up 3.5% half-on-half, which means in fact we had negative jaws during the period. I'm just wondering, what is -- if we're to strip out all the accounting malarkey, what is the -- this is actually quite a woeful outcome on the operating costs, and I was wondering if we could get a feeling about what you're going to do to rein that in? And then the second one is that basically, when we have a look at the income tax reconciliation, and I'm sorry if I sound bored but I ask this question every year. I can see once again that we've got tax recoveries from prior years coming in as quite a substantial generator of value. Could you give us a feeling about the unrecognized deferred tax asset that we should expect to leak in conveniently into the P&L going forward? Because it's great to talk about the operating result, but before investors can assess what the value of the P/E multiple they should ascribe, we should at least know what the earnings quality is.

Robert Dharshan Jesudason
Former Group Executive, Financial Services & CFO

So Brian, I'll take the question on costs. I might hand over to Gavin, who's our Head of Tax, to take the tax question. Look, on costs, what I'd say is we've got a real focus on investing through the cycle. If you look at this result, you've got 2 businesses with jaws over 4%. You've got 3 businesses where costs are down year-on-year. But there is a big focus on investing in technology and in regulation. As Ian said though, going forward, productivity is going to be very important. As we think about the long-term, ultimately, costs will have to come down, and that's the focus of the team.

Gavin Marjoram

So Gavin Marjoram, Head of Tax. What's going on at the tax line is effectively 3 things. Firstly, in terms of the rate rise from 27.5% to 28.4% from last year to this year, that's a change in business mix. And to give you an example of the sort of thing that's going on in relation to that, that's a runoff of various structured financing transactions. So for example, these are transactions where the tax cost has been set higher than the accounting cost and as that runs off, the beneficial tax outcomes arise in relation to that. The second thing that's going on is our effective longer rate of 28.4%, and we're forecasting to be flat as we go forward as well. That's largely due to our business mix, and in particular, the mix of onshore versus offshore profits. Offshore profits are generally taxed at a lower rate than our Australian profits. And the third key element that's going on in the tax line is an overarching principle of -- I would call conservatism and prudence. We see our responsibilities as Australia's largest corporate taxpayer as very serious. We take them very seriously. Part of that is making sure that as we recognize our relevant tax assets, and we recognize our potential tax liabilities that we are very careful and prudent in the way that we do that and the way that we interact with tax authorities. So I would say our ongoing -- and we've called out that our ongoing effective tax rate will be flat as we go forward from here.

Brian D. Johnson
CLSA Limited, Research Division

So there's quite a substantial unwritten of deferred tax assets? That tax may feel good for 1 year, but [when do you plan to see the end of it]?

Gavin Marjoram

So the unrecognized tax asset is disclosed in the accounts.

Melanie Kirk

All right, thank you. We'll take the next question from Brett.

Brett Le Mesurier

Brett Le Mesurier from Velocity Trade. Two quick questions for you. The -- can you tell us what proportion of the $70 billion of transaction deposits come through the IDMs? And then, secondly, on the life insurance business, the ongoing capitalized losses, can you tell us, is that due to higher incidence of claims or longer average claims, or is it something else that's driving that?

Ian Mark Narev
Former Executive

Well, I'll get Annabel to answer the second question first. And then Matt can take the first one.

Annabel Fitzgerald Spring
Former Group Executive of Wealth Management

On the life insurance claims and the loss recognition -- sorry, I can't see you. On the life insurance claims and the loss recognition, this is an aging book, so more than 80% of this book is more than 5 years old. So as you would expect, we're seeing longer, slower terminations. So not necessarily a higher incidence is the primary driver, it's lower terminate -- it's long-dated terminations.

Matthew Comyn
CEO, MD & Executive Director

And Brett, if I understood your question, so the vast majority of our transaction accounts are opened in branch, they're not originated via any of the deposit machines. And to access any of the deposit machines as a Commonwealth Bank customer, it's free. So I'm not sure if that gets to the -- sorry, I should say, sorry.

Brett Le Mesurier

Yes. Sorry. What I really meant was what proportion of the transaction deposit is outstanding? It's about $70 billion come through the IDMs.

Matthew Comyn
CEO, MD & Executive Director

It's really hard to break it down on that basis because obviously, customers use their deposit and transaction accounts in a variety of different channels. Obviously, the mix of deposits has increased through the IDMs versus over-the-counter. But obviously, electronic payments have grown exponentially over the same period as well.

Melanie Kirk

Great. We'll take the next question from David Ellis.

David Ellis
Morningstar Inc., Research Division

David Ellis from Morningstar. I've got a question on Slide 83, the serviceability slide. There's -- the chart on the left-hand side shows the gross average household debt to average household disposable income. And it's obviously the -- it's widely reported that the ratio, around about 190%, is high -- is very high and also high globally. There's hardly any focus on the net debt and as pointed out in the slide, it's been relatively stable over the last 10 years or so. And not shown on the slide, of course, is average household wealth -- net wealth to average household disposable debt, which is very high and increasing at a rapid rate. Do you think there's too much focus on the gross household, let's call it, leverage ratio rather than on the net rate and on serviceability and interest payments as a percentage of household income, which are also low due to obviously, a low interest rate environment?

Ian Mark Narev
Former Executive

Well, the first thing I think when you look at this chart is that it should cause questions because this is an outlying chart relative to global experience. So the first thing we've got to ask ourselves is what's underlying it and are we comfortable with it? And you're making one very important point, which is if you're looking at the house -- the overall balance sheet of the household, it's actually overall strengthened pretty well. And that's a very important factor to consider when you're looking at the net debt, bearing in mind that underneath the effective wealth of the household is a whole lot of mark-to-market of what's my property worth and what are my assets worth, whereas the debt is debt. So you've just got to be very careful about the role of asset values in that. But overall, that paints a better picture. What I think we all just need to also be thoughtful about is we look at a lot of average graphs and equally importantly is what the distribution looks like. And actually, the vast majority of Australian families are going to be in a position where the average -- the overall level of debt, et cetera, is resilient to all sorts of conditions. We've just got to make sure we don't take comfort just in the averages. So a lot of work which Matt and David Cohen and their teams are doing is focused on the distribution and making sure that we really understand the risks and the tail.

Melanie Kirk
Great. Thank you, everyone. That brings this briefing to an end. Thank you for joining us today.