Question and Answer

Cameron Anthony Clyne
Former Executive Director

Okay. If you could just wait for the microphone and state your name and the organization you represent. First question, Jon?

Jonathan Mott
UBS Investment Bank, Research Division

Jon Mott from UBS. I've got a couple of questions actually relating to the Business Bank. So much just [indiscernible]. Firstly, just on the margin outlook. We're seeing comments from different banks saying that institutional margins are stabilizing, another one's saying that's still coming under pressure. I just wanted to get your feel for what's going on in that space. And whether if we are seeing pressure in institutional margins, are they now starting to spread down to the sort of the middle corporates sneaking down to the SMEs, because you're still seeing some margin expansion? And secondly, just on the outlook for bad debts, especially on the Australian commercial property sector, with QE announcing people come and bid commercial property prices up again. Is it a prospect that we could be seeing quite low charges for commercial property in the Business Bank, while just as prices are turning?

Cameron Anthony Clyne
Former Executive Director

I'll get Joseph to comment on the institutional margin. I think we do -- I mean, obviously, the most troubled area of commercial property we've been focusing on is Queensland, particularly Southeast Queensland. It does appear that's finding a bottom, so I think we're probably a little bit more optimistic about the commercial property outlook, and the charges we might experience there. Joseph, you want to comment on the margin, the institutional and whether it's leaking in the mid-corporate?

Joseph C. Healy
Former Managing Director of Institutional Banking

Well, the institutional margins are certainly coming under pressure. I mean, there's not a lot of lending activity in the institutional market, and the quality end of the market, people are looking more to the debt capital markets. So I think the reality is that pressure of the institutional market will be a feature going forward in the near term. We have a relatively small institutional book, which is worth keeping in mind, it's less than 10%. That's around 10%, 11% of our total Business Bank lending. Because that's not a material factor for us. We are seeing some pressure in the SME book on pricing, but it's not to the same degree that we're seeing -- we have seen in the institutional book. And again, the factors that play in the SME book are anemic, broad demand for debts. So there's a lot of banks competing for very little activity, and that does put pressure at the margin on new business. But we're not seeing yet that feeding through into our stock, although I would not want to be complacent on that because the reality is that there's a lot of pricing pressure in the market.

Cameron Anthony Clyne
Former Executive Director

James?

James Freeman
Deutsche Bank AG, Research Division

James Freeman from Deutsche Bank. Just on your jaws comment, if I can get a little bit more clarity, you're saying the second half negative jaw is due to a $50 million headwind. You also have a roll off of the $57 million redress as well. So is there something else that's coming through in that second half that we should be aware of that will cause that jaws to head negative or just a bit more color around that? And the second question just on disability claims. They have been quite high for the last couple of periods. Your competitors are saying the same thing. Just your view on where this will settle, how long we should keep them elevated for. Just interested in some comments around that.

Mark Andrew Joiner
Former Executive Director of Finance and Executive Director

So on the jaws, there's no disguise meaning in what I was saying. You're right. There are some ins and outs. The main sensitivity is that the revenue number is so low that you only need things to change a little bit on the expense line and you will find yourself on the wrong side of the line. So that's all it is. But you quite rightly point out, as well as the headwind, we do -- and hopefully, we get a benefit of nonrecurrence of the U.K. customer conduct. But who knows, but there's the possibility of that, for example. And on the disability, we don't make public exactly what the claims rates are. We certainly moved up our claims rate assumption in disability last year by about 10%, but what we've seen in the last 6 months was probably 30% or 40% above that. Now I don't think with such a short period, we would be going back into the disability book and changing our assumptions. So I think we'll see how we go. But it is reflective of the stresses and the strains. We've had a sustained downturn globally. We've got the structural change going through the Australian economy, and I think that's putting pressure on people in terms of how they feel about job security and working harder in their business and not taking much out of it and these sort of things, and those things add up. And so that's why we're seeing higher -- that's coming in the disability area.

Cameron Anthony Clyne
Former Executive Director

Andrew?

Andrew Lyons
Goldman Sachs Group Inc., Research Division

It's Andrew Lyons from Goldman Sachs. Just a further question to John's just on the state of asset markets. Can you maybe just comment specifically to the U.K., whether you've actually been able to sell any of your CRE assets to date and what your expectation is around the possibility of actually participating in some sales of that portfolio?

Cameron Anthony Clyne
Former Executive Director

Well, we certainly -- it's certainly a runoff portfolio. So we're active to do that. I mean, it's fair to say that we're not the only U.K. bank looking to run down CRE. Having said that, there is -- there's been quite a lot of commentary in the last month around the funding for lending scheme and the expansion of that to generate it. So we wouldn't rule out that as people with fairly limited credit growth there and people looking to gain access to the FLS scheme that may open up some opportunities to trade out of some of that CRE more quickly. So yes.

Mark Andrew Joiner
Former Executive Director of Finance and Executive Director

We haven't sold any to date. But just the way we did with the SGA portfolio, we've set it up in a data room type environment. So if the right people come along and they're interested, they can go and quite quickly get the groups with it. But we're certainly not interested in people who want to sort of bottom feed and make 30% IRRs on our book. We'd rather play it out ourselves. But as Cameron said, there could be people interested in taking the better stuff out of their -- at the book value.

Cameron Anthony Clyne
Former Executive Director

Jarrod?

Jarrod Martin
Crédit Suisse AG, Research Division

Jarrod Martin from Crédit Suisse. Just further on the U.K. CRE portfolio, Mark, you made a comment, potential of a tailwind in the second half in terms of bad debts. I'd just like to get more color around that considering Slide 68 shows property value movements over the first half and all the fantastic places that NAB have that commercial real estate has shown drops of between 5% and 10% in terms of value compounding on previous drops around that same level. So more color around that comment that there could be a tailwind for U.K. CRE bad debts and on from that.

Mark Andrew Joiner
Former Executive Director of Finance and Executive Director

Well, the new team managing it as every day passes, they have longer and longer to get to groups with it, get the valuations up to date, understand the customer situations and so forth. So given the state of play today, they're increasingly comfortable with the level of provisioning. Obviously, if there's a further step down in security values, that would have some effect. But what we have seen in the impairments is a dramatic slowdown in the new impairments. You'll see that. I think it's about 1/3 of what it was or maybe a little bit more than 1/3. So there's less new, news in the portfolio, and the provisioning is looking quite robust. So there is a vulnerability. It could accelerate or the security values could drop again, but we're not seeing those sorts of things play out at the moment. So you could -- eventually, it will be a tailwind. It's just a question of when it arrives.

Jarrod Martin
Crédit Suisse AG, Research Division

So correct me if I'm wrong, so you're saying that if they use property values, say, stable to what they are at the moment, then your expectation is that you've got enough provision. But if they drop further from here, you'll see higher B&DDs going forward.

Mark Andrew Joiner
Former Executive Director of Finance and Executive Director

You will see continued B&DDs but not necessarily at a higher level than we've incurred in the last 2 periods. We've always said -- when we said last time we're adequately provisioned on this, we were at that time. But I've made the point that doesn't mean there won't be further B&DDs in this portfolio, and we did have them. I just think the arrival rate is more likely that the expense rate will get better rather than worse. But both are possible.

Cameron Anthony Clyne
Former Executive Director

Craig?

Craig Anthony Williams
Citigroup Inc, Research Division

Craig Williams from Citi. There's been a couple of questions now around the U.K., which has been a millstone for the group for some time. You've seen Lloyds and RBS fail to sell some of their assets that they've been forced to sell by the EU and a continued stagnant U.K. economy, which suggests you might be stuck in your broader franchise for a while and you're continuing to see net losses in terms of the aggregate of both the core retail business and your noncore CRE portfolio. Is that sort of all consistent with your own expectations for the next couple of years that you're still holding the U.K. assets and the net profitability will still be negative territory?

Mark Andrew Joiner
Former Executive Director of Finance and Executive Director

I think we'll just continue to run the assets with a view to long-term value. The CRE will run off over time. The core U.K. franchise is profitable. The specific deals you're referring to more fell over, as I said on many occasions, due to the complexity of standalone branch integration. And we pointed that out when we've been suggested incorrectly as wanting to participate in those. It's very hard to integrate a branch. So what we have is a standalone bank, which is quite a different entity. But we'll just continue to run the U.K as we have and take questions about it until such point that I don't have to take questions about it.

Cameron Anthony Clyne
Former Executive Director

Okay. We just might take the phones to see if there's any callers.

Operator

Our first question comes from the line of Victor German from Nomura Securities.

Victor German
Nomura Securities Co. Ltd., Research Division

If I could ask maybe 2 questions. One relating to capital, adjusted capital levels are looking reasonably strong at the 8.2%. If you could just perhaps highlight to us why you chose not to neutralize your DRP? And the second question relates to redress provisions. You've taken them above the line, which I guess what the market was hoping you would do. Just interested in your perspective on it. Is it just that you're doing what the market has been asking and taking this provision above the line? Or are you expecting more of these charges to come forward and that's why you felt like you need to take them above the line?

Mark Andrew Joiner
Former Executive Director of Finance and Executive Director

So on the -- certainly, we're getting to 8.22%. We're pretty much at the interim target I gave you over the last couple of results of 8.25%. And we said we would get to that and then see how the world looks. So that does bring forward the potential for more capital management. We haven't made a decision yet on whether to neutralize or not neutralize this DRP. I think when we have to make that decision, we'll have a couple of more months information on how strongly the business is generating capital and so forth. And if it looks a sensible and prudent thing to do, we would then talk to our regulator, make sure they're comfortable, and we would do that. But we haven't made that decision. But you've got to say, the probability has gone up because we have such a strong half in capital generation. On the conduct issues, there really are a number of small items underlying that. The most material is the interest rate hedging. And there seem to be -- while they're small, they're coming with some rapidity. So we decided it was not extraordinary in its nature and not extraordinary in its size. And so we decided to just include it in our numbers but to make it clear to people who want to put that to one side if they choose to. And anyway, so that seems to be a sensible treatment at the moment.

Victor German
Nomura Securities Co. Ltd., Research Division

And so with respect to the DRP, is that what is -- you're saying that there's still probably -- there's still likelihood that you may neutralize it for this dividend that you just announced?

Mark Andrew Joiner
Former Executive Director of Finance and Executive Director

That's correct. We'll probably make a decision in a month about whether to neutralize it or not.

Cameron Anthony Clyne
Former Executive Director

Okay. Our next question, Mike.

Michael Wiblin
Macquarie Research

Mike Wiblin, from Macquarie. October last year, you were quite cautious on the outlook, more broadly U.K. but also domestic economy. Obviously, you had a very good result on impairment this time around. I was wondering, what's changed? What is the outlook? Is it just a timing thing or fundamentally, you're getting the feel that it's more muddle through than sort of a rapid softening?

Cameron Anthony Clyne
Former Executive Director

Well, I guess we've had another 6 months of experience and it feels like more muddle through. I mean, there's clearly some confidence issues in the business community, and you see that through our surveys. We've got the persistence of the high dollar. Obviously, the reserve banks made a judgment on its recent interest rate decision. There are some positives as well. So I think we're just sort of reflecting that it's more of a sort of muddle through type position. But I don't think anyone will be calling for necessarily a bullish outlook over the next 6 months.

Cameron Anthony Clyne
Former Executive Director

Scott?

Scott Robert Manning
JP Morgan Chase & Co, Research Division

Scott Manning from JPMorgan. Three questions on U.K. Firstly, the business book, that seemed to be down quite substantially as you close the centers and get the cost savings out, so just the run rate on that, whether you think that book is rebased, or you expect ongoing reductions in those asset balances in the business book? Secondly, on the margin, the funding for lending schemes led to dramatic improvement in deposit pricing there. So do you expect that to actually potentially provide a margin tailwind to the business going forward on the core book? Or do you think that will get competed away on the asset side? And then thirdly, more interested on the capital allocation against the commercial real estate book, moving out of the Clydesdale subsidiary into the NAB center would've triggered an increase in your capital requirements. Obviously, you've got the EP charge top up there as well. But also interested in the additional operational RWAs. Is that related to that book as well?

Mark Andrew Joiner
Former Executive Director of Finance and Executive Director

Well, on the last one, the operational risk adjustment has got nothing to do with that. So it is simply moving it into an advanced book. You want to talk about...

Cameron Anthony Clyne
Former Executive Director

Yes, please, yes. I think you are seeing margin pressure because obviously, credit growth is fairly low and people are seeking to originate. It is helping on pricing now, and we did flag that one of the benefits is we are able to move out of some of the high-priced deposits we had to seek. Obviously, as I pointed out, we have the ratings, 3-notch rating downgrade. We had some GBP 3 billion of funding we had to replace fairly quickly. We have to pay out for that. That was quite a material driver in the negative result last half. That's helping the environment, and so -- but the degree to which it gets competed away, I think it's probably likely that if we can manage it to flat, that will be okay. And what was your first question, was on the...

Mark Andrew Joiner
Former Executive Director of Finance and Executive Director

Business bank.

Cameron Anthony Clyne
Former Executive Director

Business bank. Well, we're quite a way through the -- the physical closures are pretty well done. I think we flagged 38 closures, and we're, by and large, through that. 1,100 to 1,400 staff are going. The customer migration has gone better than expected as well. Not all those customers are necessarily leaving. Some obviously transferred into the runoff book, but it's going better than expected. But there is obviously going to be some continued runoff as we get through the final close of those centers and move those customers onto the direct model. But the migration experience we've had is better than our business case, as is most things on this program to date, the closures, the runoff and the cost saves.

Mark Andrew Joiner
Former Executive Director of Finance and Executive Director

And the bank has been slowly shrinking its business exposure and then replacing that with mortgage exposure but keeping its balance sheet fairly flat, and that's consistent with the suggested risk appetite.

Cameron Anthony Clyne
Former Executive Director

Brian?

Brian D. Johnson
CLSA Limited, Research Division

Brian Johnson, CLSA. Cameron, it's a long time since I've been able to say congratulations on having a result where we haven't put more capital into the U.K. I think that's quite a phenomenal achievement. But the flip side is, is that if you have a look at the U.K. CRE book that's coming down, which is great, but the result is that Clydesdale arguably has way too much capital, well above what I think reasonably could be expected. When should we expect to start to see capital being strained out of that or a dividend being paid up to the holding company? And the second one is, Mark, I was wondering if you could run us through -- if you look at the U.K., you've had more bad loans basically emerge from the CRE book. But from memory, under the restructuring, you had a collective provision in the CRE book but you also had an overlay at the center. Can you explain to us why that overlay wasn't actually used during this period? Or just run us through what's happened to both the CP in the operating unit but also the CRE, CP overlay?

Mark Andrew Joiner
Former Executive Director of Finance and Executive Director

Well, the U.K. CRE is in the branch now, so it's in NAB Limited. So we just pointed to part of the original overlay that we had at the group center and said that belongs to the CRE book and it's included in its ratios. So the provision and the assets are in the same entity. And it's just attributed, basically. So that's the second one.

Brian D. Johnson
CLSA Limited, Research Division

Sorry, Mark on that. There were 2 elements of that, wasn't there? It was $240 million plus another $250 million, wasn't it?

Mark Andrew Joiner
Former Executive Director of Finance and Executive Director

Yes. So we've got -- I think we had a $250 million and then we put in another $250 million. And of that $500 million, $320 million is at the group, and it's just general economic overlay. And the remainder is pointed at the U.K. CRE, and it's used in the U.K. CRE collective provision ratios, okay? And then I don't know if you want to talk about where the regulator feels the capital ratios are.

Cameron Anthony Clyne
Former Executive Director

Well, I think we're obviously -- subsidiary regulators are quite keen to retain capital within these things. So I think that the goal for us is not to have to put more capital in, I think, given the economy and the state of where they are, that's going to be maybe some time before we can strip out substantial capital absent something more substantive from a transitional point of view. But our goal is trying to minimize having to put fresh capital in. That's a start.

Mark Andrew Joiner

Former Executive Director of Finance and Executive Director

But we do have $1 billion of capital standing behind the U.K. CRE. So as that runs off, we will release that.

Brian D. Johnson
CLSA Limited, Research Division

But -- sorry, is one of the problems though, Mark, that at the moment, we're getting earnings in the United Kingdom, which means that presumably, the U.K. capital base keeps on going up, but you're paying dividends out of the earnings at the group level, which means the Australian numbers go down, so you have to run a higher capital ratio. Is that a horrible implication of all of this?

Mark Andrew Joiner
Former Executive Director of Finance and Executive Director

Well, it's correct what you say that if the U.K.'s in profits, the capital builds, but we're regulated at a group level on the group numbers. And so it doesn't actually matter what's in the U.K. from an APRA point of view.

Brian D. Johnson
CLSA Limited, Research Division

Sorry to push it, but what about the level 1 numbers for the Australian entity? Is that a problem?

Mark Andrew Joiner
Former Executive Director of Finance and Executive Director

Well, we need to -- that's not a problem. We need to test at all levels whether we are in sufficiently strong state to make our payments, but we have buffers on all of those things. So we've got plenty of coverage on all of those profit tests.

Cameron Anthony Clyne
Former Executive Director

Chris?

Chris Williams
UBS Investment Bank, Research Division

Chris Williams from UBS. I've got a couple of questions on New Zealand, which look to be a standout performance amongst the segments. The first is on margins. And you flagged that change in consumer behavior switching back to fixed loans in terms of origination. And given the trends of your peers, should we expect to see margin pressure out of the New Zealand business in the second half? So have we seen a peak in margins there? The second is on agricultural sector. You flagged a number of restructured loans in that business. Just if we can get some more color around that issue. And thirdly, the macro prudential regulation that we've seen from the RBNZ, not that surprising given their discussion papers in recent times, but perhaps it's surprising that not only have they increased the capital requirement on new originations in mortgages but also in the existing book, so a retrospective change in the view of risk in the book that you've been writing. So just a few observations there, please.

Cameron Anthony Clyne
Former Executive Director

Well, I might get Andrew to answer that, but also, thank you for the first time in 6 years we've got a question on New Zealand. We thought you might ask for the macro prudential, so I've got Andrew ready to go. So...

Andrew Gregory Thorburn
Former Group CEO, MD & Director

Thank you. So first one on margin, yes, look, we've held our margin, which has been great. It's been against the trend. So I think that's just been a well-managed position. We lost a bit on the lending side, but funding costs have improved. But there's no doubt, I think there's going to be downward pressure. But we want to obviously maintain it where we can, trading off, not trading off market share and good quality customers, but I think the general outlook is there's going to be downward pressure. Low growth markets. Competition is strong. So I think we've done well. We'll keep doing well. But I think there's going to be some downward pressure. On the agri piece, look, it's a very important sector for New Zealand. It's arguably New Zealand's globally competitive sector. We've got a good position, 21% market share. Our returns have improved over the last couple of years as we price for risk. And the quality of the book is good. We've got about 2/3 of it in dairy. The Fonterra payout price is still above $6. Looks to be pretty sustainable. And the asset quality is good. The watch loans are falling, which is a good lead indicator. So I think overall, we're feeling pretty positive about the sector with the book we've got. But again, with the drought, now a drought in New Zealand and a drought in Australia are 2 different things, but the drought is going to put further pressure. But we still think we've got a good position in the sector, not just in terms of lending, but things like we're doing work on irrigation and succession planning with our customers. So I think we've got a differentiated proposition. On the macro, the final one was on the macro prudential piece from the RBNZ, which came out yesterday as part of their financial stability report. They've flagged this for many months. We've been in consultation with them as a bank and as a sector. So yesterday, they said that there was going to be some additional overlay or impost on high LVR lending, which again, wasn't a surprise to us. Firstly, our up greater than 80% LVR as a percentage of our total housing book is just at 15% and that's the lowest by some margin of all our competitors. They're close to 20%. Again, the asset quality in that book is very, very strong, but we're going to have to work through their final decision and what it means for us because obviously, there's going to be additional capital impost in RWA impact, and we'll work through that. But with the market share a bit over 16% good ROE and an extremely good quality leading and lagging sort of asset quality indicators, I don't think we're fundamentally concerned. We'll just work through that when they make the final decision, and we've got quite a few months to do that.

Chris Williams
UBS Investment Bank, Research Division

So is there an expectation that you'll actually reprice mortgages as a consequence of higher capital requirements? And perhaps a question for Cameron flowing on from the macro prudential, your expectations for that to emerge in Australia given the recent speeches by APRA?

Andrew Gregory Thorburn
Former Group CEO, MD & Director

So in the housing sector, if I do this on higher LVR, it's not the first time they've done it. They currently have it in the significant way on the agri portfolio. So that's just being sort of repriced over time to compensate for the higher cost. And so we've already done that in some parts of the corporate business as well. So I think we've got some experience in doing it. But we're not signaling -- I'm not signaling today what we're going to do. We're going to work through it to make sure that again, we balance returns, market share and pricing for risk and margin.

Cameron Anthony Clyne
Former Executive Director

It's a bit hard to work out what they might do here. The structure in the New Zealand market is quite unique. I mean, Auckland, in many ways, represents London in a sense of being almost an economy in its own right in terms of the way asset prices behave. So I wouldn't anticipate given the structure of this market relative to the New Zealand market we'd see it. But it's pretty hard to predict regulation. But at the moment, I think it looks like a -- very much an Auckland-specific initiative.

Cameron Anthony Clyne
Former Executive Director

Okay. Richard?

Richard E. Wiles
Morgan Stanley, Research Division

It's Richard Wiles from Morgan Stanley. Cameron, just a couple of questions relating to the Personal Bank. In the half just gone, repricing of loans added 9 basis points to the margin. Based on recent trends, that looks to be coming to an end. There's been no repricing for many of the major banks after recent IBA rate moves. I'd also expect that the falling rates will keep putting downward pressure on margins. So 2 questions. First, do you think you've seen the peak in Retail Bank margins in this half? And second, given Mark's comments on the amount of repricing that's been done on SVR since 2007, why aren't you continuing to reprice some mortgages to call back that final 7 or 8 basis points that Mark mentioned?

Cameron Anthony Clyne
Former Executive Director

Well, on the second point, we've got to remain competitive in the market. I think, yes, we've done, I think, some good repricing and been able to maintain momentum, which is critical. This is incremental to ROE. It grows the overall business. So we obviously do have differential pricing in certain segments, and we do differentially price some of the channels based on asset quality. But across the board, you've got to have a competitive headline rate. What's been quite clear is that your headline rate, although not many people pay it, is a big determiner of your brand and the way you attract customers. I think there's some case studies around the market at the moment as to how headline rates are impacting volume. As to whether we've seen the peak, I think repricing is going to get hard because there's not a lot of growth there. And as funding cost -- depending on deposit competition, I think that the margin outlook in terms of repricing is going to be more difficult.

Richard E. Wiles
Morgan Stanley, Research Division

So Cameron, you are competitive. You've got the leading customer satisfaction. You're growing at one time 1.7x system in the Personal Bank. Shouldn't you be taking some of that margin back for shareholders? You've given up 7 or 8 basis points since 2007 on the SVR. Shouldn't you be taking back some of that for shareholders?

Cameron Anthony Clyne
Former Executive Director

Well, we're not really -- well, actually having a -- going from having a Personal Bank that was going backwards to having one going forwards is good for shareholders. You're asking for not just the cake but the cream as well. We've got to be mindful about momentum. I mean, there's a clear case here that if you -- and I think what we've done and I think in most cases, we've demonstrated an ability to juggle all those dimensions of actually getting our pricing back into something that's relatively competitive. We're not ruling out that we won't continue to look at repricing opportunity, but you've got to balance it off against maintaining momentum, cross-sell, all those other things. Those 139,000 transaction accounts that we've generated in the half, which we've been generating -- also, it's really important in terms of building stability in the customer base. That's a -- so all those things have to be taken into account. So I think we've done a pretty good job at repricing that space without stalling momentum. We won't rule it out, but we also recognize that there's a pretty attractive area of growth for us.

Cameron Anthony Clyne
Former Executive Director

Brett?

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

Brett Le Mesurier, BBY. In relation to the U.K. return on risk-weighted assets, it's about -- excluded in the commercial real estate. It's about 1/4 of that to the rest of the business. Do you have a view as to how long it will take you to get that up to, say, half of the rest of the business? And is that where the end game finishes? And secondly, based on the December update, it would appear that the income for the March quarter was about 3% lower than the December quarter. Is that right? And if so, was that really due to risk income? Or was there something else happening? By risk, I mean trading activities and so on.

Cameron Anthony Clyne
Former Executive Director

When you say income, are you talking to the group level?

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

Yes, at the group level.

Mark Andrew Joiner
Former Executive Director of Finance and Executive Director

Risk income.

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

No, at the December quarter numbers, you had 3% revenue growth. And then we've got 1.8% revenue growth for this half. So it would appear that there's less revenue in the March quarter than the December quarter. So given what's happening with margin and repricing, I would presume it's due to trading and risk income being less in the March quarter than the December quarter. Or was there something else that...

Mark Andrew Joiner
Former Executive Director of Finance and Executive Director

Let me go and have a look at that. You're probably right. It is probably when the treasury makes its contribution to the result and so forth. But I really need to check before I -- because I haven't really got a quarter-to-quarter view in my mind. So I'll check on that second one. On the first one, basically, the RoRWA, you're quite right. It's fairly anemic at the moment, as is the ROE, and the whole idea of the restructuring in the U.K. to get the cost down to skew the growth to the retail side where the front book ROEs are quite good on mortgages, certainly acceptable, is really to put that business on a path back to an ROE at or above the cost of capital. And so getting the ROE up into double digits will have exactly the effect on the RoRWA that you're talking about.

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

And do you have a view as to how long that might take?

Mark Andrew Joiner
Former Executive Director of Finance and Executive Director

No. Except that the business is already moving in the right direction.

Cameron Anthony Clyne
Former Executive Director
Okay. I think that's all for questions. Thank you for your attendance.