Question and Answer

Company Speaker

[Operator Instructions]

Jonathan Mott
UBS Investment Bank, Research Division

I'm Jon Mott from UBS. Got a question on Slide 33, which is the volumes chart. Know that you put up and talked about quite briefly, but wanted to explore that. Especially the home loan fundings, which really picked up in November and December. Now obviously, that's the same time that you repriced the mortgage book. So it would seem quite unusual to see the volumes really surge after that. And I think you touched on it that you're really focusing on the high-quality clients, and I think you said putting your foot down. So could you just elaborate on that, what you mean? Are you actually changing the underwriting standards of your mortgage book from here where you're sort of going more to the high LVR? Have you changed discount rates, brokers, or is this kind of a line in the sand that you're not prepared to lose anymore mortgage market share given one of your competitors has been a little bit more aggressive than you have?

Ralph James Norris
Former Director

Jon, it's fair to say that it's all of the above. But you pointed the fact that it was obviously quite a lift-off in that last quarter. A lot of that is, obviously that's funding [ph]. And that means that those applications were processed earlier. So they would have been in the first quarter of this financial year that they would have come into the system. And so, we've seen obviously, a pick-up on that. There's no doubt that during November, we did have a softer level of applications on the back of the [indiscernible] around our 20 basis point increase on SVR. But I'm pleased to say that we had our best month for the calendar 2010 in applications during December. So December was actually surprisingly very strong. Now, if we look at the breakdown of the application approvals, the area where we had a significant reduction in our share was in the area of first-time buyers. Traditionally, in the past, we've run at around 15% or 16% of our application approvals being in that particular segment. And in fact, that got up as high as 25%, 30% in the early part of 2009 on the back of the stimulus. If we look at the last year, our share of those approvals dropped from around 15% to 16% to 10%. And that was on the back of tougher credit criteria and certainly, we have looked at a lot of the issues that related to the storm situation, which saw us revise some of our lending criteria on the back of that, but not solely because of that. And certainly, with the market, obviously getting toppy [ph], and I think it was pretty prudent for us to take a more conservative approach to the market.

Jonathan Mott
UBS Investment Bank, Research Division

Given that you had a [indiscernible], it looks like it's been working. How do you expect your competitors to react to this?

Ralph James Norris
Former Director

I think the market is obviously going to continue to be a competitive one. Certainly, we have a number of initiatives up our sleeve for the year ahead. And certainly, I think some of the work that we're doing in core banking is going to assist us there as well.

Jarrod Martin
Crédit Suisse AG, Research Division

Jarrod Martin from Crédit Suisse. Just on the margin side again, the three basis points from New Zealand or the 28 basis points at the New Zealand level, could you talk about more of the drivers of that, what proportion of the portfolio moved from fixed to variable that pushed the margins up? How much further that's got to go, or is there a chance that it reverses back? I just want to understand a bit more about that.

Ralph James Norris
Former Director

New Zealand has been a typically fixed-rate market over the last several years. What we've seen in more recent times is the fact that, obviously, the OCR in New Zealand has remained low. It's been down at around 2.75% and the Reserve Bank has kept it there now for well over a year. As a result of that, obviously, the market is pricing an increase in the forward curve in regard to fixed-rate loans. And so we've seen a situation where fixed-rate loans have started to move up quite significantly as far as the price is concerned. And variable rate loans have a significantly higher margin historically than they have had in the past. And so, we have situation at the moment where there's been a significant move on new loans and roll-over of fixed-rate loans. And fixed-rate loans in New Zealand have been of a two- to three-year duration. And so that means that in a 12-month period, you're getting around 40% of the book repricing as well as your new loans coming to the book as well. So I would expect that over the next half, there will be a further improvement, but nowhere near as dramatic as the improvement we've seen on this period on period.

Jarrod Martin
Crédit Suisse AG, Research Division

Do you have any sort of numbers around what proportion now is flowing into variable?

David Paul Craig
Former Group Executive, Financial Services & CFO

It used to be 80:20, and now I think it's 50:50.

Jarrod Martin
Crédit Suisse AG, Research Division

Can I just push with the second question? The topic [ph] core bank modernization and the expenses around that. Ralph, you're going to hate me for asking this question, but are you still sticking to the sub-35% cost-income ratio in RBS by the end of the project? Has that been extended out in terms of time frame? Just some of those original metrics that Russ [ph] has to deliver?

Ralph James Norris
Former Director

We are looking at that in the 2012, 2013 timeframe. And certainly, we really want to give you a good opportunity to see exactly what we're doing in that regard, and that's why we're scheduling the presentation in March to show you some of the tremendous benefits that are going to flow from this, what we have already can be implemented.

Jarrod Martin
Crédit Suisse AG, Research Division

That isn’t a definitive yes.

David Paul Craig
Former Group Executive, Financial Services & CFO

The answer is, that’s absolutely the target. I think the question at the end of the day, Jarrod, is when will our credit growth grow. Because clearly, it's affected both things, so we need some credit growth to support that.

Craig Anthony Williams
Citigroup Inc, Research Division

Craig Williams from Citi. You've achieved a 19.2% ROE in this result with cycle average credit costs probably 40% below what you're currently charging off through the P&L, we estimate. So you got about $1 billion dollars of overlies on your balance sheet. So the return on assets is not particularly special, as you pointed out in your presentation today, at 1%, and therefore, your gearing in your business is higher to achieve that sort of ROAs. Can you talk about the expectations for gearing in your business, given the rate of change [ph] on just Basel III conglomerates and business mix changes you're anticipating over the next few years and the prospects for group ROA exceeding 20% over the next couple of years, which, over the foot [ph] looks pretty good from here.

David Paul Craig
Former Group Executive, Financial Services & CFO

I think on the gearing, we're in the same sort of boat as you are. I think, Craig [ph], we're not absolutely certain what the final rules will be, and we are waiting for those. We feel that we are pretty well set in terms of gearing. Certainly, with all that we're hearing so far would suggest that from a capital point of view, we're about right. But we have to wait for that to be affirmed. So I'd accept your point then that if the capital is going to stay steady where it is now and with economic climate improving, you'd like to think that there might be a slight improvement in return over time as well.

Ben Koo
Goldman Sachs JBWere Pty Ltd, Research Division

Ben Koo from Goldman Sachs. Just a question on Slide 58, I think it is. It just shows CBA's position versus peers in terms of the products per customer. The two areas which you'd expect CBA to be quite strong is the deposits obviously is strong, but the mortgages and credit cards would've thought, given CBA's strength in the retail business, that you'd actually be stronger in them versus peers. But you're actually weaker, fewer products per customer versus peers. Is that an area that you want to focus on in terms of getting back to the top of peers products per customer? And if so, how do you expect to fund that over time given you've already got very strong deposit share?

Ralph James Norris
Former Director

I think the situation comes down to the demographics of our customer base and, certainly, we have a more diverse customer base than some of our competitors and particularly in the customers that have less in the way of financial assets. So that does have a degree of moderating of our number of products, particularly in the mortgage area and our book. So it's really a customer mix.

Ben Koo
Goldman Sachs JBWere Pty Ltd, Research Division

So you can change that over time? [ph]

Ralph James Norris
Former Director

Well, over time, I mean, as Australians become more affluent and more people move up into that part of the market. So we would expect to see that improve over time. But it is something that takes time.

Company Speaker

Brian Johnson from CLSA. Brian?

Brian D. Johnson
CLSA Limited, Research Division

If we have a look on Page 47 of the result, you'll see that the new and increased impaired assets come through were $2.1 billion, which I appreciate is well down than what it was in the second half, which is still very elevated. Can we get a profile of where that very high level of new impaired assets are coming from? So it's on Page 47 Note 6 of the actual result.

Ralph James Norris
Former Director

What I'll do Brian is I'll ask our Chief Risk Officer, Alden Toevs, if he would like to make a comment on that.

Alden Louis Toevs
Former Group Chief Risk Officer

Brian, it's Alden. The location of the impairment has been more in the IB&M space than the BPB space. So we continue to see some moderately large credits getting into the final tail end of their journeys in the sense of migrating from troublesome to impaired. And they're the predominant cause for that. If you look at another chart that David referenced, the upgrade downgrade chart, you see that, and you look beneath that into the credits that would be in the BPB space, for example, and the credits that are in the sort of weak-but-performing category. You see a very strong improvement in those performances. And so this is really a kind of a residual issue from credits from the global financial crisis.

Brian D. Johnson
CLSA Limited, Research Division

And so these are, whereas the other banks are calling out problem loans coming through in the smaller end, for CBA, this is just these residual single loan corporates that we're seeing?

Alden Louis Toevs
Former Group Chief Risk Officer

More of that, correct.

Ralph James Norris
Former Director

I'll just add, what we're seeing is the normal cyclical flow-through. In other words, we held collective provisions against these sorts of accounts as some of them have had problems, then they go into specific, which is what you're seeing here, and then they go finally into impaired. So the collectives dropped, but the specific provisions increased slightly.

Brian D. Johnson
CLSA Limited, Research Division

If you look at this time around, we saw a net reduction in the GRCL aggregate, GRCL expected loss deduction, not spend the tax and collective provision was reduced. Can you just explain to us why that is? Because it's very different from what we've seen from the other banks as the collective provision declines?

David Paul Craig
Former Group Executive, Financial Services & CFO

That, obviously, is another test or another way of measuring the credit quality across the books. So the credit quality across the book as a whole is improving significantly, and that's why the regulatory expected loss is falling as is the collected provisions. So they're both falling, but the regulatory expected loss is falling a bit faster than the collective.

Brian D. Johnson
CLSA Limited, Research Division

So it's the first time we're seeing the regulator agree with the accountants?

David Paul Craig
Former Group Executive, Financial Services & CFO

It's a good thing, isn't it? It's a fine thing.

Analyst

My first question is around background information that you're providing for the NIM, particularly the move from fixed to variable home loans. You called it out as one of the specific drivers for Australia, and if I look at the Slide 91...

Ralph James Norris
Former Director

No, that was New Zealand.

Analyst

That was New Zealand, not Australia?

Ralph James Norris
Former Director

Yes.

Analyst

Because I was under the impression that the effect was much stronger in the previous half rather than this half. That leads to my second question, which is about the volatility in your reserves, specifically the foreign currency translation reserves. Which should have helped your ROE improvement as well, and that's referring to Page 53 in the Profit Announcement. I would assume it has a lot to do with the strength of the A dollar. But are there any sort of changes around the importance of your foreign operations that could be a part of this as well, and could we expect further strong volatility in this area?

David Paul Craig
Former Group Executive, Financial Services & CFO

Let me just clarify this for you. The foreign currency translation reserve, or indeed any IFRS related balance that moves around, is only a part of the story. At the end of the day, we have hedges. Eventually, everything that we do is hedged. So we have hedges against what's happening to the physical assets on balance sheet. So the physical asset might go up in value, but the hedge might go down or vice versa. So you're looking at one side of the picture. That said, obviously, we have foreign operations and, to the extent that the Australian dollar has strengthened, then our results from foreign operations have dropped somewhat because they're worth fewer Australian dollars than they were at this time last year.

Analyst

Just two questions for me as well. Firstly, on margins. If I remember, you saying, David, correctly, your margin in the first quarter was slightly down until '08 [ph] which you reported in the second half.

David Paul Craig
Former Group Executive, Financial Services & CFO

That was the retail margin.

Analyst

So is it fair to assume that the Group margin was slightly up a similar level?

David Paul Craig
Former Group Executive, Financial Services & CFO

I think the Group margin was fairly flat. The retail margin, again, we had the New Zealand effect happening. The retail margin we reported was down, and obviously, the retail margin has bounced back in this quarter because of the right runs.

Analyst

Either way, it sounds like the second quarter margins were significantly better than the first quarter.

David Paul Craig
Former Group Executive, Financial Services & CFO

That's right.

Analyst

And if I look at the standard variable rate benefit, it would be around $45 million. So there's somewhere around 5,200 in your benefit that you got in the second quarter versus first quarter. Can you give us an idea where that benefit is coming from?

David Paul Craig
Former Group Executive, Financial Services & CFO

We don't think about it quite the way you do. But clearly, as you say, the 20 basis points, I mean, more than half of that balance sheet is Home Loans. So a 20 basis point improvement in balance and half of the balance sheet is a pretty significant uptick and, clearly, that's the main driver. These other things that we've talked about, we've all got timing differences through the period, but basically, particularly New Zealand has been a fairly steady drive-through for the four to six months.

Analyst

So quarter on quarter, there were no large movements or big movements?

David Paul Craig
Former Group Executive, Financial Services & CFO

That's right.

Analyst

Secondly, just on Bankwest, in the previous result here, you took a $300 million provision below the line because you had concerns about that business. We look at this result, the debt charge is actually lower than the rest of the Group in terms of ratio. Has anything changed in your [indiscernible] performance in Bankwest. Was it better than you expected, and should we expect that overlay that you've created to unwind over time?

David Paul Craig
Former Group Executive, Financial Services & CFO

No, we're using the overlays. So so far, it's proceeding according to plan. We did a very, very detailed review of the book and what provision was required for the performing part of the book. And as we worked our way through that so far, it's worked out pretty much in line with what we established. So I don't think there'll be an unwinding. I think there'll be a usage. But it's going well.

Matthew Davison
BofA Merrill Lynch, Research Division

It's Matt Davison from Merrill Lynch. My question was on the 3% cost growth on Slide 39. I guess if we dig a little deeper, we see that the staff costs were up $150 million, then the nonstaff costs were down nearly $100 million. Just interested in that trend and whether we can take that as really symptomatic of CBA starting to reap the benefits of raising investment in the new platforms and whether that's something that can continue? And I guess on the flipside with the staff costs, I know the headcount was up a bit as well. So what's the outlook heading forward on that?

Ralph James Norris
Former Director

I think, Matt, that if you look at the cost as far as headcount is concerned, I mean, if we go back to January of 2010, we made the decision to increase salaries and income wages by 2%. We'd actually instituted a wage freeze from July 1, 2009 and, as a result of the improving performance of the Group, made the decision to actually pay what would have been half of what we would normally have paid in the beginning of the last calendar year. And then, we had the standard increase that we've been working to over the last few years of around 3.5% to 4% that came into play from the 1st of July. So, therefore, we have a significant increase over and above the previous corresponding period because one was in a wage freeze situation. Then you had halfway catch-up in the first half and then the second half, another 4%, and then we obviously had higher levels of bonus payments in the period of July, August of 2010 compared to what we paid in 2009. So that's really the significant reason for the increase in staff costs over that period.

David Paul Craig
Former Group Executive, Financial Services & CFO

But at the same time, as you can see, we've been able to cut other costs, and I think the other area that has gone up is IT expense and, of course, that has to do with this investment that we've been making and part of the staff cost increase is also the people involved in doing those investments. So I think that what you should read from this is we're very focused on trying to have positive tools [ph], so we're very focused on being ready for the growth, but at the same time, being cautious about and careful about our expense management. And we would expect, in this current climate, to be continuing to be pretty careful on expense management.

Ralph James Norris
Former Director

It's our focus.

James Freeman
Deutsche Bank AG, Research Division

James Freeman from Deutsche Bank. Ralph, I just wanted to ask you about your non-margin outlook that you've got on Page 20. It appear to me, your retail margins is still yet to benefit from the four period of the other cycle rate hike that you put through, plus you've also got another six months in New Zealand from what I can understand. Just interested as to why that’s not a more bullish margin outlook given those two businesses are still performing well and represent a very big chunk of CBA's franchise? And just if you could wrap in the institutional margin and how that's performing, that will be great.

Ralph James Norris
Former Director

Well, James, I think the issue for us looking forward is that we still have elevated funding cost coming through as we get a rollover. And certainly, we're looking at somewhere around 1.5 basis points a month on average. So that's probably somewhere around nine or 10 potentially over the next six-month period. We'll obviously start to see that wind back as the full rollover on our funding book takes place. And obviously, if costs of funding comes back, then that will be advantageous. That's why we're being a little cautious in regard to the outlook in that regard.

James Freeman
Deutsche Bank AG, Research Division

Is it fair to assume that the margin at the end of the period was greater than the average?

Ralph James Norris
Former Director

Yes.

David Paul Craig
Former Group Executive, Financial Services & CFO

Yes.

James Freeman
Deutsche Bank AG, Research Division

So the run rate is positive?

David Paul Craig
Former Group Executive, Financial Services & CFO

Obviously, this is the peak period of benefit, and that will run down.

Ralph James Norris
Former Director

And I think as far as the IB&M is concerned, there's no doubt that there is this pressure coming in on margins again. I mean the four-way pricing has worked through the book, and now we're seeing a situation where, obviously, with the lack of growth that there's been in the big end of town [ph] that the deals and transactions that are out there are being pretty fiercely competed for.

James Freeman
Deutsche Bank AG, Research Division

Spot margins, greater than the average still? Or are we at a point now where the spot margins on new deals are below the average in the institutional book?

David Paul Craig
Former Group Executive, Financial Services & CFO

It's a little difficult. Credit cards [ph], it's a little difficult to really say.

Richard E. Wiles
Morgan Stanley, Research Division

Richard Wiles from Morgan Stanley. Ask a couple of questions about the Retail Bank margin. In previous periods, you've included the waterfall chart similar to the one you've got on Page 35 for the Group. Could you tell us what was the positive impact of asset rate pricing and what was the negative impact of higher funding costs in the Retail Bank during the half? And could you also comment on whether the movement in the average funding cost was worse at the start of the half than it was at the beginning of the half? In other words, is funding pressure starting to ease in the Retail Bank?

David Paul Craig
Former Group Executive, Financial Services & CFO

Let me take those two questions in order, I guess. On Page 36, you can see that we are disclosing our retail margin, which you can see dropped to 19 in the second half of 2010. I think we reported a number of around 215 at September and it's up to 223 for the six months to December. So obviously, there's been a rebound. The impact on margins of funding costs in the Retail Bank was running at around two basis points during the whole per month during the whole of the half. So you can deduce from that, reverse engineer and calculate the impact of the uptick in funding costs, which obviously 20 basis points across the portfolio, 300 and whatever billion dollars. Your second question was just about average. Could you repeat your second question?

Richard E. Wiles
Morgan Stanley, Research Division

My second question is you see average cost of funding, is accounting up at more at the start of the half than it was at the end of the half? In other words, is deposit -- is funding pressure starting to ease up?

David Paul Craig
Former Group Executive, Financial Services & CFO

The answer is, it's variable. There are two factors here. Firstly, the amount of wholesale debt that's being refinanced, the amount that of cheap wholesale debt that's being refinanced is easing. So it's probably around about one basis point going forward per month of wholesale funding cost, hit still coming through. The other half is of course the 60% of our finding in the Retail Bank is from deposits. And that's the big question mark. And deposit pricing moves around. It's a very, very competitive market, and it moves from one moment to the next. So it's very hard to predict where that's going.

Analyst

A question on New Zealand again. The deposit rate for the June half in New Zealand was 5.7%, it fell to 4.98% in the December half. Yet the commentary refers to the deposit competition being intense in New Zealand. Could you marry the commentary with the numbers?

David Paul Craig
Former Group Executive, Financial Services & CFO

We may have to come back to you on that.

Analyst

Just two parts of question. The first question is in regards to the Page #15 on your slides, which is the target expansion in Asia. You've obviously looked at China as your growth area, and the opening of China county banking, which you've actually injected capital into it, given that the situation in China predominantly, the credit rating in accounting market is not good. Do you see that as being sort of a strong movement in terms of your market share to growth?

Ralph James Norris
Former Director

Certainly, it's not going to be a significant part of our business in the short to medium term. It's obviously an opportunity for us over time. And certainly, we have chosen, obviously, one of the strongest provinces to open our county banking operations. We're doing that in conjunction with our city commercial bank partner, Hangzhou who are taking a 20% share in this initiative. And as part of that, we're obviously working off the back of Hangzhou's computer systems in their business. At the same time, drawing a lot from their experience in the SME market in China, along with some of the experience that we have obviously learned from our operations in Indonesia. And certainly, the staffing up of our county bank operation is being done with very seasoned professionals from other strong banks in the Asian markets. So at this point, we are taking a very, I think, prudent approach to the way that we're undertaking this particular operation. It does give us the opportunity to go into deposit collection with sub-branches in other major cities within the province. And certainly, that will be part of a broader initiative going forward. So this is early days yet and, certainly, we're going into this with our eyes wide open.

Analyst

And the second question is in regards to the Reserve Bank of Australia. There's been a lot of talk that -- maybe you could give us sort of a guidance on the outlook on that? There's probably a rates increase coming in the second Q3 or Q4. Do you see that as the…

Ralph James Norris
Former Director

The point is it will be what it will be. I think that the point is, if inflation continues to run at high levels in the range or above the range, then the reserve bank has made it very clear that it would move. But that's a situation which will prevail when we see it. But obviously, at the moment, we have a situation where there are obviously negative impacts going on in the Australian economy on the back of what's happened with flooding in Queensland and Victoria. And so, that is obviously, it's taken into the equation, but I'm not a forecaster.

David Paul Craig
Former Group Executive, Financial Services & CFO

If you look at Page 105 of the pack, our economist Michael Blythe has produced his forecast of what he thinks will happen to the cash rate fees or averages for the period. But I think that will give you a guidance. He certainly believes that over time, the rates will rise.

Analyst

Just like to ask, are you happy with the current business mix of the bank? I mean, are there areas where you want to emphasize or deemphasize to sustain ROE?

Ralph James Norris
Former Director

There's no doubt that we've made it very clear over the last few years that we want to have a high share of the business banking market and certainly, when you look at this particular result, you can see that we are gaining traction here, as Business and Private Banking has performed very strongly during the period. And that's on the back of a strong performance over the previous 12 months. So, we'll see a situation where our balance sheet will take change over time. But it won't be a dramatic change. It will be an evolving change. But certainly we see the fact that we've been under represented in that sector of the market, and we maintain to improve our penetration of that market.

Scott Robert Manning
JP Morgan Chase & Co, Research Division

Scott Manning from JPMorgan. Just wanted to have a chat about the growth rates in the domestic loan book. If you count through months, back six months ago, would you have been happy with something like 4.5% growth in that housing book or is it fair to say maybe you tweaked the dollar a little bit too far and are you reassessing that? Just your comments around the quality of the book are considered growth utilization still around comp levels, so I would have thought managing the profitability that book may have seen a bit more focus on the proprietary channel?

Ralph James Norris
Former Director

I think it's fair to say that, as I said at the outset, we did make changes to our credit criteria and, certainly, the area where we had lower levels of penetration has been predominantly in the first-time buyer market. And I think that given all that's been going on in the marketplace and looking at consumer confidence and the like, that's probably not a bad thing to do. And so, from my perspective, I think that we were probably a little underdone, running into the first quarter of this financial year. I think that you can see from the numbers in the funding sort of taken place in the second quarter, there's been a significant uptick in that regard. And I think that you will see that continue during the next two quarters. But certainly, I don't think -- it's not a case of us reducing out or weakening our criteria. We'll still be very strongly focused on making sure that the credit that we are taking out of the book has got the right structure to it and also at the same time, we're not really interested in taking profitless growth into the book.

Scott Robert Manning
JP Morgan Chase & Co, Research Division

Just your thoughts around the mix between proprietary and broker? Do you see any changes there?

Ralph James Norris
Former Director

I think there's a very, very last segment of the market that is attracted to brokers, and that will continue to be the case. I mean, what we've had to do over the last few years is to make sure that our ability to originate with our own channels has been significantly improved and enhanced because if we go back to 2006, we were seeing a significant runoff in our ability to actually originate through our own channels. And I think that the investment that we put in place and being able to obviously facilitate home loans quickly, being able to produce documentation in branch, the fact that we've now moved to paperless processing, all of those things have made us a much better initiator of Home Loans for our own channels.

Brian D. Johnson
CLSA Limited, Research Division

I have two very quick questions if I may. Number one, Ralph can I just draw attention to Slide 20 in today's pack where you're forecasting now for 2011 system credit growth 4.5% to 6.5%. Now if we go back six months ago, that figure was 7.5% to 9.5%. Can I just get some comments about what has happened to this alleged pipeline of big business lending that everyone is talking about, which never seems to eventualize, but everyone is always [indiscernible] around the corner? And the second one, is if I have a look back on Slide 94 this time, but on the last result of Slide 106, talk about the net stable funding ratio of the last result could have resulted in $100 billion of additional long-term wholesale funding. And I understand that the environment has certainly got somewhat better. Could we get an updated number on the $100 billion?

Ralph James Norris
Former Director

First, moving to the credit growth situation. There's no doubt that our economists have a much stronger view on the growth in the market at the run into this particular financial year. And there's no doubt that it hasn't come to pass. And certainly, there's no doubt that there is a lot of talk amongst corporates about doing things. But I think if you look at the confidence that's been in the market over the last half, business confidence has been down. Consumer confidence has been down. We had the impact of an election. We had issues around new taxes and the like in the mining sector. There's been a lot of things that were destabilizing, I think, during the last half in particular, which, I think, businesses, many, have set on their hands. So I don't think it's a fact that the pipeline has evaporated. I think it's the case that the pipeline has been effectively deferred from running through that pipeline.

Brian D. Johnson
CLSA Limited, Research Division

So does that imply, on business credit six months ago, that figure was 7% to 9%; it’s now 1% to 3%. What does that imply for the FY '12 year then?

Ralph James Norris
Former Director

Well I think that from the point of view of the calendar year, I think we're looking at that 1% to 3%. I would say that financial year '12, I would be very surprised if we don't see a reasonably strong rebound during FY '12. I mean, when you look at the macro levels, the economy at the macro level, in terms of trade, it's just so positive that at some point, it's going to flow-through.

David Paul Craig
Former Group Executive, Financial Services & CFO

Brian, on Slide 105, Michael Blythe's forecasting 7% to 9% for business credit next year. Might just ask Lyn Cobley, our Treasurer, to respond to your question around net stable funding.

Lynette Elizabeth Cobley
Former Executive General Manager of Retail Products and Customers

Brian, the net stable funding ratio, which is not due to come in until about 2013, between that and the Liquidity Coverage Ratio, it's probably going to mean we'll have to fund extra long-term funding of somewhere in the order of above $50 billion, which we will build up over that time. It's very hard to give you exact numbers because there is an interplay between the amounts in the Liquidity Coverage Ratio and the net stable funding ratio. But that will become more clear over time as we continue to work with APRA on those proposals.

Brian D. Johnson
CLSA Limited, Research Division

Can I just confirm you've said 1 January 2013?

Lynette Elizabeth Cobley
Former Executive General Manager of Retail Products and Customers

No, I said 2019.

Brian D. Johnson
CLSA Limited, Research Division

So we basically got seven years or whatever the period of time is to raise an incremental $50 billion?

Lynette Elizabeth Cobley
Former Executive General Manager of Retail Products and Customers

That is correct.

Brian D. Johnson
CLSA Limited, Research Division

So it's about 10% uplift in the funding acquired [ph] next year?

Lynette Elizabeth Cobley
Former Executive General Manager of Retail Products and Customers

Well it depends on what the funding requirement is next year, but yes.

Analyst

On the term wholesale funding agenda, you've raised $8 billion in the half, and if I look at your requirements last year, $54 billion, you seem to be having a big [indiscernible] for the second half. What are your expectations regarding wholesale funding and also regarding the funding costs?

Ralph James Norris
Former Director

We've already said that on funding costs for wholesale, we're expecting an incremental roughly one basis point per month, which we think continue to go on for around 12 more months. On the question of the funding task, clearly, we're looking at a situation where we're actually repaying wholesale debt. But nonetheless, we're rolling over our existing wholesale debt. In total for the year, there's around about $28 billion of debt to rollover, some of which may be repaid, as has happened in the first half. So we've done around $8.5 billion to date, and it's just a question of what happens with consumer deposits, as to whether they repay some of that.

Company Speaker
Thank you very much, everyone. We will wrap this up. Thank you, everyone for attending today. Thank you, Ralph. Thank you, David.