Question and Answer

Unknown Analyst

Anthony [indiscernible], you talk a lot about consolidating your business and reducing cost. Does that mean job cuts?

Stuart Ian Grimshaw
Former Chief Executive Officer, Managing Director and Executive Director

We've already been through those. Anthony has indicated before, we've taken 100 management roles out already, so that's already been accounted for.

T.S. Lim
Bell Potter Securities Limited, Research Division

It's T.S. from Bell Potter. If you turn to Slide 30, the chart sort of suggests that you could do with 25% less branches, and coincidentally that's the number of corporate branches. I mean, what are your plans for the corporate branches going forward?

Stuart Ian Grimshaw
Former Chief Executive Officer, Managing Director and Executive Director

The corporate branches are quite integral to how we operate. I mean, we've talked about multi-channel and it's not just across the various mediums, there's also the branches that we do have. So via corporate or owner-manager, it's still quite a critical path for us. The biggest challenge we have is getting a standardized sales and service culture through better corporate and owner-manager, where you'll see the increase in footings and cross-seller improve as we do that, and here's -- I think, from the Commonwealth Bank days, how -- at the base of that was -- when we started getting some traction in that space. And that's a real path for us and you'll see that productivity start increasing as we get the standardized approach, coupled with the CRM in place.

Unknown Analyst

Stuart Nick [ph] from Allianz Morgans [ph]. You talked a lot about technology trends and online origination. Can you just make comments? Are you planning to do something similar to an online platform, or branch should I say? Or is it more technology to help your branches originate online?

Stuart Ian Grimshaw
Former Chief Executive Officer, Managing Director and Executive Director

It's a bit of both. What we have to do is enhance our Internet offering and make it quite functional for origination rather than just transactionally based. So you've got to [indiscernible] transactional interaction rather than online interaction. So it's not even just the technology, it's getting a platform that is user-friendly to originate be it credit cards, be it home loans, deposits. And we're not at that stage, so that's a bit of work we do have to do.

Andrea Sackson
Former Head of Corporate Affairs

[indiscernible] teleconference, yes?

Stuart Ian Grimshaw
Former Chief Executive Officer, Managing Director and Executive Director

Yes, let's move to teleconference.

Operator

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

Michael Wiblin
Macquarie Research

My question really is around deposit funding. You've obviously done a great job at continuing to increase that. Are there any targets around that? And how does this fit with the strategy, the broader strategy around business, maybe agribusiness?

Stuart Ian Grimshaw
Former Chief Executive Officer, Managing Director and Executive Director

The target we have was 63%. I don't think we put a date on it, but we'd be hoping to get to that in the next couple of years. It's all mixed together, because as we move into business one of the things we find is the small business market is a very good user of deposit services. We know, with medium business as well, they're highly transactional and there are a good flow of funds that occur from it. We think that we can actually get good deposit growth out of that business market. I don't think it's as match funded as we can get out of the consumer market, but it certainly won't imbalance the profile as we move towards 63%.

Operator

Your next question comes from the line of David Shi from Morgan Stanley.

David F. Shi
Morgan Stanley, Research Division

Just a question regarding your CP coverage. It fell by 25 basis points of RWA in the half. I was wondering if you can comment, perhaps on what is level of CP coverage you'd like to see over the next couple of years as part of your management target?

Anthony Rose
Executive Officer

It's a good question. I mean, clearly, when the CP was raised at the half year, that had a number of elements to it. The existing models that we have in place do need to be rebuilt, and the fact that an element that goes into that obviously are significantly enhanced. So we will see a step up in those models as they are rebuilt, which we think we're well covered, obviously, with the high levels we've got at the moment. But there were also other elements in the overall position that related to some of the things that we've called out and have actually occurred during the 6 months that we've utilized and were intended to be utilized at the time. Clearly, when you look at where we are positioned, relative to the other regionals and also relative to the mix of our book and we're a secured-based lender and don't have a lot of unsecured cash flow in our portfolio, you would expect that we will see that trending down. We haven't set any specific targets for that at this point in time, but it's clearly something that we're focused on.

Operator

Your next question comes from the line of George Gabriel from Evans & Partners.

George Gabriel
Evans & Partners Pty. Ltd., Research Division

I'm thinking about leading indicators of asset quality, and I refer to Page 98 of your financial statements, where you disclosed loans past due but not impaired. It looks like, within the less than 30 days bucket, the retail line portfolio is pretty stable but we're seeing some deterioration in commercial loans within the less than 30 days past due but not impaired. I'm just wondering what the trend has been in that commercial book, in particular post balance date. Has it continued to deteriorate or shown signs of stabilization?

Stuart Ian Grimshaw
Former Chief Executive Officer, Managing Director and Executive Director

It's pretty stable, and it has been reasonably stable for a while, in the 90-day area. It's certainly higher than the retail impaireds, but one month is probably not a better -- best indicator, but hasn't moved away from that.

Operator

Your next question comes from the line of Liz [indiscernible] from IT News.

Unknown Attendee

Stuart, you mentioned that you want to consume software-as-a-service to access about the scale of your largest competitor. What else would you use, as a service at your end [ph] and how does this affect your IT spend [ph] in the next year?

Stuart Ian Grimshaw
Former Chief Executive Officer, Managing Director and Executive Director

Sorry, could you repeat. The line is actually not that good, so I apologize I didn't quite -- it has to do with software-as-a-service, I got that, but not much else.

Unknown Attendee

What else would you -- what other software would you be looking to access at service and how would it affect your IT spend in the coming year?

Stuart Ian Grimshaw
Former Chief Executive Officer, Managing Director and Executive Director

Okay. The IT spend should be pretty much in line with the second half, probably accelerated depreciation won't repeat itself as much. So the licensing costs are in the second half IT. We'll be working with sales force to understand what other options are there, but we actually want to prove-up the CRM system before we move much more widely than where we are. So we wouldn't expect any massive shifts in that IT expense line just as regard of the licensing of software.

Operator

Your next question comes from the line of Andrew Triggs from Deutsche Bank.

Andrew Triggs
Deutsche Bank AG, Research Division

Just a question around your growth aspiration, particularly retail, those [ph] business. You guys have identified businesses that became growth area over time, and in the retail space, you've identified the broker channel as a an area for growth, and clearly the broker channel does come with a lower RTE. I'm just interested in your thoughts on growth in that segment what that'll do to your RTE. [indiscernible] Given the upside to commercial property is probably likely very low, are there any other avenues apart from agri which you didn't identify and [indiscernible] key to getting your growth targets in business?

Stuart Ian Grimshaw
Former Chief Executive Officer, Managing Director and Executive Director

Yes, I'll deal with a couple of those. We're selectively entering the broker market, so we're not actually opening the fire hydrant. So it's one way we're trialing it through WA. The commission structures on brokers are actually changing quite rapidly and we believe it will be accretive to RTE [indiscernible] as we move through it. The business is something we're attracted to, and just to remind you, we are coming off a small base. So 1.5x system is a good aspiration for us, but it is about $5.1 billion of our book at this point of time. The other areas we're looking at, there are some properties there. Agribusiness, we're looking at some of the infrastructure services that might sit behind a lot of the developments going on around the country at the moment. So we're looking at the opportunities where we can participate and where I think time to escalate is to get a natural advantage.

Operator

Your next question comes from the line of Chris Williams from UBS.

Chris Williams

UBS Investment Bank, Research Division

Just got a couple of questions, if I could, please? The first one on Slides 45 and 46, which look at housing arrears and line of credit arrears. I can see from the disclosures there, that in housing arrears your impaired assets have gone up about $35 million, and in line of credit arrears have gone up about $44 million. But the reductions in arrears -- sorry, the impairments have gone up by that amount -- the reduction in arrears basically seems to offset that or not quite offset that. So I'm just trying to reconcile your comments on the housing portfolio getting better and stabilizing when the data sort of suggested that it hasn't got better.

Anthony Rose
Executive Officer

I think if you look at the position from where we were at the half year, on the housing, both at 30 and greater-than-90, there has been a substantial improvement. Yes, a significant chunk of that improvement was in, really, the July to August period, and yes the significant chunk of that July to August movement was that movement into impaired assets and therefore out of these arrears buckets. But you can see, there was already a pronounced progressive movement on top of that.

Chris Williams
UBS Investment Bank, Research Division

Right. So in terms of the outlook there, you're actually expecting that declining trend to continue or are we just saying a step change would transfer the very past due, past 180-day mortgage, is moving into impaired?

Anthony Rose
Executive Officer

Yes, look, it's fair to say that I think the activities that Peter and his team have put in place have really started to bite and bite well. And we've seen about a 5% to 6% drop in arrears balances, overall, in the mortgage book since year end.

Chris Williams
UBS Investment Bank, Research Division

Okay. Just a second question on Slide 42, your targets, not your forecast, and in particular the 28 to 34 basis points of bad debt charge expected in FY '13. I just want to reconcile that. It would appear to be still somewhat higher than the major banks, that's sort of tracking towards -- and particularly if we look at it on a credit risk-weighted assets basis, adjusting for your higher retail and mortgage mix, I'm just trying to understand when you've had such a systematic process through the course of this year and created provisions and cleaned the book, why you continue to expect to see materially worse charges versus the other banks.

Stuart Ian Grimshaw
Former Chief Executive Officer, Managing Director and Executive Director

Part of it is the geographical diversification that we don't enjoy with the majors. We are 60% exposed into Queensland through the mortgage portfolio, which has, as we know, has been stressed. So we are working that through. We are bringing it down and we've given you an indication, as a management, where we see the trend moving to.

Operator

Your next question comes from the line of Anthony Hoo from Nomura.

Anthony Hoo
Nomura Securities Co. Ltd., Research Division

Just continue on from the previous question. Not necessarily in comparison to the majors, but when you're targeting 20 to 34 in BD to TLA [ph], I'm just wondering what's driving that given your current CP coverage position seems to be okay, and yet you're still targeting for a reasonably aggravated BDB [ph] charge. So I understand your exposure geographically, but in terms of what's changing from now, because your probably bit more about your drivers kind, the BDB charge, the main elevator [ph]?

Anthony Rose
Executive Officer

I suppose the first comment to make is, even though there has been substantial improvement in arrears, we're still not back to the position where we want to be and we're certainly not back to the average of the rest of the market. So there is more work that we are putting in place and that is going to take time for the -- if you like, the steps that we put in place, the front end of the book to make sure that's washed its way through in all of our risk appetite since. We did call out the line of credit portfolio, which is still particularly challenged from an arrears perspective and that has been quite noisy for us as well, and that has got larger arrears. I think the 2 contributing factors, the commercial book, as we've talked about. We are in this Queensland market and there are over-pronounced issues, I think, as a result of that.

Operator

Your next question comes from the line of Matthew Davison from Merrill Lynch.

Matthew Davison
BofA Merrill Lynch, Research Division

Just, again, a question on the management targets, looking further out. Just on the issue of noninterest income. You haven't really had any drive, the past 4 halves, whether it's insurance or banking. So I'm just interested if you see that line, apart from being a significant contributor to growth as you move towards FY '15 or whether the growth target really relies more on the net interest income line.

Stuart Ian Grimshaw
Former Chief Executive Officer, Managing Director and Executive Director

Matthew, I think the one line is we actually put targets out there, which are management targets and we're not going fill your financial model in for you, but it hasn't been a big contributor in the past and I think that's a reasonable time [ph]

Operator

Your next question comes from the line of John [indiscernible] from Royal Bank of Scotland.

Unknown Analyst

John [indiscernible] from RBS. So, just on Slide 42, is our world [ph], just the RIT kind of 13-plus percent. But part of the various drivers into the model, low-mid, 1 on 60, 1 on the NIM and the trust to income of bad debt charge as well [ph]. We only get to around 11.5, 12. So I'm just wondering whether there's another tick-up in noninterest income or whether there's a capital return in the near future to get to that 13-plus figure.

Stuart Ian Grimshaw
Former Chief Executive Officer, Managing Director and Executive Director

The management targets, and we put them out there to show what we're working to -- we're not back-solving -- those are the targets that we hold ourselves accountable to internally.

Unknown Analyst

Okay. Just got one more question. Just with the investment in credit scoring and systems, and what the [indiscernible] is doing, does that provide a platform for any kind of movement to [indiscernible] at some point?

Anthony Rose
Executive Officer

It does, but I think I'd characterize that as the first baby step in that process.

Operator

Your next question comes from the line of Brett Le Mesurier from BBY.

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

A couple of questions. Firstly on the net interest margin, you showed that funding during the second half reduced the net interest margin by 12 points, but that would include 2 components, one being retail and one would be wholesale [ph]. It would seem to me that the adverse impact of retail is much greater than 12 and wholesale was the benefit. So can you comment on that and give any numbers and the breakup of the reduction in [indiscernible] funding as a result of those 2 components?

Anthony Rose
Executive Officer

Look, it clearly was a retail-dominated impact. There wasn't a significant impact from the wholesale base. I think you'll see the bulk of that contribution was all on the retail. And I think that's consistent with the industry. Earlier on in this cycle, we did see a shift of -- the cost of borrowing shift to improve returns for depositors or investors, and earlier in the cycle, it was the wholesale markets saw that shift and we're now seeing it more pronounced in retail.

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

Just on the retail part itself, being given around about 60% of the funding, then the adverse margin impact would be at least 20 points in respect to just the retail part?

Anthony Rose
Executive Officer

That's correct.

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

And the second question, the higher-margin ROE target that you've got for the new sorts of business that you plan to write. We've heard that before from David Liddy, how is your strategy going to be different to his?

Stuart Ian Grimshaw
Former Chief Executive Officer, Managing Director and Executive Director

Look, I don't know David's strategy that well, Brett. A lot of business banking, and those are high ROE businesses, rely on very, very good people and we are recruiting very, very good people. They are proven and they do have customer relationships that run with them. We actually have a -- I think what David did very well is he bought in high ROE businesses to support that, such as St. Andrew's and BOQ Finance. That obviously does take time to prove through the customer base we do have. So I think this is a continuation rather than a departure from, and we're lucky we have those platforms from which to build upon.

Operator

Your next question comes from the line of Elizabeth [indiscernible] from Goldman Sachs.

Unknown Analyst

I have a question with regards to capital management policy. I just want to understand if there was any view on changing your pay out ratio given your relatively strong capital position versus your peer group and cautions you [ph] in terms of asset growth into the near-term? Can you just remind us what that range is and if there's any view to change that in the near-term?

Anthony Rose
Executive Officer

Look, it's fair to say that is under review at the moment and that's one of the things we'll be taking up in this next half.

Operator

Your next question comes from the line of Craig Williams from Citigroup.

Craig Anthony Williams
Citigroup Inc, Research Division

Look, I know you're calling out a focus on 180-day retail loans, the new provisions. So, how far are you through the forensic review of the portfolio now you've sort of done big and mid-range commercial loans? And noting that new impaired, this half, was $203 million versus $104 million, the PCP [ph] period. So how much of that difference between the 2 halves do you attribute to sort of policy and management recommission differences versus sort of underlying deterioration of the book you think?

Anthony Rose
Executive Officer

I think the vast majority was, to be honest -- that exercise and the catch-up, particularly when you look at that mortgage piece, if you look at that greater-than-180-days, that'd be the answer to that.

Stuart Ian Grimshaw
Former Chief Executive Officer, Managing Director and Executive Director

And we're through the process.

Anthony Rose
Executive Officer

We're through it all as well. Right through the book and it's pretty much a stable, stable business.

Stuart Ian Grimshaw
Former Chief Executive Officer, Managing Director and Executive Director

Peter is going to jump in and answer.

Peter Deans
Former Chief Risk Officer & Group Executive

Just probably a follow-up point on the earlier question as well, about the range. It's probably important to note that roughly 2/3 of the bad debt for debt expense that we would see coming through will be from the retail consumer portfolio and the BOQ Finance portfolios, which are very much volume consumer-driven rather than individually looking at files given the smaller ticket size. So when we talk about getting our arms around the portfolio and having a good understanding, it really is for those which you're able to individually assess. I think going forward, both that range of the 28 to 34 and the approximately 20, I think that probably just more reflects the higher risk nature of the portfolios that we have at the moment, and that will take time to work through, and that's essentially why we've put those ranges forward as management targets because it is not possible to individually assess hundreds of thousands of home loans.

Operator

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

Unknown Attendee

Again, just in reference to those 180-day loans, can you tell me what some of the drivers are for the stresses there in terms of -- given the interest rates are so low, so is it high dollar or tourism-related issues?

Anthony Rose
Executive Officer

Look, it was largely a catch-up and a change in policy that all loans greater than 180 days had to be assessed for individual impairment and specific provisions taken with previously the time for that exercise to occur dependent was file specific.

Unknown Attendee

Sure, but in terms of those customers themselves, are they feeling a bite from a high aussie dollar or it's just the nature of banking?

Stuart Ian Grimshaw
Former Chief Executive Officer, Managing Director and Executive Director

It's probably Southeast Queensland, there's a lot that's happened in that corridor, so it's actually hasn't been a real great national experience. It's been, actually, quite separated into that area and it's a mix of property values which have declined quite rapidly. And as we've seen, there's been some pressure on income as a result of a number of issues coming through in those corridors.

Operator

Your next question comes from the line of Scott Manning from JPMorgan.

Scott Robert Manning
JP Morgan Chase & Co, Research Division

I just wanted to check the alignment of the earnings outlook or forecast with the dividend policy. And what is the dividend policy at the moment? Is it holding the dividend constant to continue to accrue capital or will the dividend move within a payout ratio range as earnings recover?

Stuart Ian Grimshaw
Former Chief Executive Officer, Managing Director and Executive Director

Firstly, we haven't really put any forecast or guidance out there. What we've actually disclosed was management targets, and that's a future dividend policy if there's one for the board.

Scott Robert Manning
JP Morgan Chase & Co, Research Division

So is there likely a potential change to the current dividend policy?

Stuart Ian Grimshaw
Former Chief Executive Officer, Managing Director and Executive Director

No, no. I'm saying it's just capital issue that the board is the sole determinant, and it's not for management.

Operator

There are no further questions from the audience.

Stuart Ian Grimshaw
Former Chief Executive Officer, Managing Director and Executive Director

Okay. Well, ladies and gentlemen, thanks very much for your attendance today, and obviously Anthony and I will be around for questions through the day and through the next week. So I appreciate your attendance. Thank you.

Anthony Rose
Executive Officer
Thank you.