Question and Answer

Cameron Anthony Clyne
Former Executive Director

Thank you. Okay, our usual protocol for questions, if you can wait for the microphone, state your name and the organization you represent. Mike Wiblin.

Michael Wiblin
Macquarie Research

Mike Wiblin from Macquarie. Look, I think the question on everybody's lips is just really around costs and costs for next year. Looking at restructuring as pretty big this year at $114 million, but you pulled some forward. What do you think that looks like? Can you give us a feel of the quantum? And then on the U.K. redress side, Mark made a comment about it sort of just remaining. Is that remaining at current levels? Or is it really truly uncertain as to where that lands next year?

Cameron Anthony Clyne
Former Executive Director

I'll start on the cost. I mean, yes, what's very pleasing is that we got through the restructure very quickly. We're very -- I mean, we didn't want the restructure -- the restructure was critical because we really want to position our business for the challenge, and we talked about the importance of centralizing product, continuing investment in technology. You don't want that to be a distraction in 2014 with credit growth picking up. So we saw the opportunity to continue executing. There was great momentum, a lot of support in the business for doing it, so we kept going. And so, pleasingly, it's done. And that's good investment. Yes, you also see the investment top up. As we face the regulatory -- increase in the regulatory spend, what we didn't want to do is well, hang on, we're still going to run the business for the long term. Let's keep going on the customer-facing stuff. So I think there's a lot of issues in the cost here that have a one-off nature. We took them above the line as we committed to do. And so, we're still managing to positive jaws but we're not going to short turn on the outcome. But yes I think the pleasing thing was the restructure is largely behind us, and I'm trying to -- and we did see an opportunity to accelerate and we have prebooked a little bit for next year. On the conduct issue, I mean, as Mark said, we'll know more as we get through this. It's an industry issue. The regulator has gone back and across the whole industry and looked at claims management. The new arrivals, the walk-in claims are continuing to diminish, so they're looking at how you've handled previous claims. We're just getting into that so we'll know a little bit more as we go. I think the pleasing thing is that we -- our utilization rate is lower than a lot of the peers. And I know that people say well you've had 2 additional top ups on PPI. Well, they're primarily due to the regulator moving the goalposts. And if you look at the major banks, one has had 6 top ups and one has had 5. And you look at us with 2 and we're still at the lower range of utilization. I think that gives us some comfort that we're continuing to sort of deal with it more pragmatically, but it's going to be what it's going to be.

Unknown Executive

Andrew Lyons.

Cameron Anthony Clyne
Former Executive Director

And just I'm going to get in here, just a sec. It is noncash. It's always been true it's noncash. I'm going to answer your question that's going to come. The Board take that into the account in assessing short-term incentives, and actually you'll find that despite a, what a solid increase in cash earnings, you'll find the short-term incentive payments are down this year. And you'll still ask the question, I've just answered it. You'll get the same answer but that's something that will help you out, Craig.

Andrew Lyons
RBS Strategy

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This is Andrew Lyons from Goldman Sachs. Just 2 questions. Firstly, generally speaking, your asset quality metrics look okay half-on-half, but the one area of potential concern was in new impaireds which are up, I think, about $450 million for the group and up a bit more than that in the Australian business. Just any comment on that would be helpful. And also maybe one for Joe, so just in Business Banking, could you perhaps talk about how you're thinking about, I guess, the margin versus volume trade-off? Probably through 2013, you favored margin over volume but just wondering how you're thinking about that heading into 2014, particularly if we do see a bit of a tick up in volumes?

Mark Andrew Joiner
Former Executive Director of Finance and Executive Director

So on the impaireds, I think, generally speaking, in all the businesses, the arrival rate of impaireds is lower, but I think that number is distorted by 1 large account that is impaired. But actually gives rise to quite a small loss. So I don't think you should read too much into that number. What was the second one again?

Cameron Anthony Clyne
Former Executive Director

About margin and volume trade-off.

Andrew Lyons
RBS Strategy

The margin [indiscernible].

Geoffrey Allan Tomlinson
Former Director

Yes, well, I mean the focus in FY '13 has definitely been on margin and a very low growth environment. We will continue the emphasis on and [ph] and that is we'll continue to protect our franchise and look to grow as momentum comes back into the system, but we'll be very disciplined on credit and risk management. What we have seen in the market over the course of the last year is an easing or a softening in credit and risk appetite in the marketplace. And we've chosen not to compete at the margin where we feel that the credit terms and the overall pricing doesn't justify the risk. So we'll continue to be very disciplined around that but be guided by the principle of shouldn't we protect our franchise, but not chasing market share where the risk-reward economics don't -- are not consistent with our appetite.

Cameron Anthony Clyne
Former Executive Director

Well, I think just to add to that, I mean, we're still 300 basis points up on market share since the crisis. And if there has been particularly in the last 6 months an appetite for $1 billion or plus 2.3% PB, well, that's not bad, and we're happy to take that to de-risk.

Unknown Executive

Victor?

Victor German
Nomura Securities Co. Ltd., Research Division

Victor German from Nomura. First, maybe 2 points of clarification. Cameron, you mentioned that you're likely through the restructuring phase and you've taken a lot of steps to make sure you've done this year. Can you maybe reconcile it with Mark's earlier comment that there is more restructuring charges to come through the P&L next period? And Mark, I'm sure you love talking about conduct-related issues. So just on interest rate hedging products, you mentioned in the past that there hasn't been a lot of concern on that -- or at least that's not going to be as much of an issue as PPI. Are you still comfortable that's the case? That's the points of clarification. The actual question was actually for Joseph. On the business lending side, the issues right now are there's margin pressure coming through as competitors become more aggressive.

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Joseph, are you comfortable that as recovery starts to occur, you will be able to gain your fair share given some of the restructurings you have made throughout this year?

Cameron Anthony Clyne
Former Executive Director

I'll let Joseph go and then I'll come back on that.

Joseph C. Healy
Former Managing Director of Institutional Banking

My answer is pretty short. I mean, practically, yes. I feel that we are really well placed for an environment that picks up. We've used a subdued environment to make some critically important changes to our operating model as Cameron and Mark touched on. That really puts us in a much better position to benefit from any uptick in business momentum, whilst being very disciplined on risk and on margin.

Cameron Anthony Clyne
Former Executive Director

Just on the restructuring, there was 2 issues there. One is obviously the cost issue. As I've said, we've booked some of the cost for next year. There will still be some provision costs next year -- some provision, restructuring provision, next year but it will be lower than what it was this year as we clean up. The moral of the issue is the distraction. Part of the reason we booked it for next year is we know that it's identified so we don't -- what we have is the core business is now, largely from a management perspective done and undistracted. Yes, there will still be some obviously operating stuff that we'll take next year but not of the magnitude of this year. On the earnings, there's not much we can say on the conduct. I mean, I think here, the other ones, we're working our way through. Some of those are a little more defined where the issue is broadly settled and you're working through an issue. And then there's ones where the regulators continue to assess. But other than the PPI one, we've taken all those as we did in the first half above the line and we'll continue to deal with them in that fashion.

Mark Andrew Joiner
Former Executive Director of Finance and Executive Director

Well, though on the interest rate hedging, I think the regulators did define it reasonably narrowly in terms of who was sophisticated customers versus in unsophisticated and which products were in and out. So it feels like a manageable population. But the point I was making that until you really properly engage with the customers that are in that pool and you see how redress plays out, you can't say that you're down on it whereas we probably can in some other areas. But I think originally, we thought it would be a GBP 20 million issue. It's probably turned closer to a GBP 60 million, but there's no sign that it's anything of the order of magnitude of PPI.

Unknown Executive

Jon?

Jonathan Mott
UBS Investment Bank, Research Division

Jon Mott from UBS. A lot of attention in the paper today about the D-SIB issue. Obviously, it sounds like you've had some communications from the regulator so far and calls if the papers can be believed. So just want to first get some clarification on what communications you've had and guidance. As you did mention in the briefing, though, it's still to be out, a few issues to come through. The other thing is your targets at the moment for capital, 7.5, do you need to, if this is correct, revisit those and how will this impact your future outlook for dividends, capital management and potential divestments of assets?

Cameron Anthony Clyne
Former Executive Director

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It's a fair question, John, given the speculation. But I think there's 2 banks that have reported this week. We know our disclosure range. If we had anything to disclose, we had a number, we have to disclose. There's nothing that we're seeing here today, there's nothing that changes our capital outlook, there's nothing that changes our intention to fully neutralize this DRP. And that could change if we get -- but there's nothing we've seen that would change our outlook today.

Unknown Executive

Craig.

Unknown Analyst

No surprises for guessing where I'm heading. Earnings quality in its definition's an industry-wide issue and NAB is included in that. Can you explain why a persistent PPI redress in the U.K. gets taken below the line? I think you said earlier it's not cash I report, its cash going out the door. And certainly, as a definition of profit being a movement of shareholders' funds, it's certainly a decrease in shareholders' funds. The GST refund this period which I would consider to be one-off is taken above the line and provision movements on a lending exposure is considered below the line and, not just by NAB but the industry as well. So shouldn't the industry adopt the term management basis of profit as companies like Computershare do for equivalent sort of adjustments rather than cash profit as a more accurate description?

Cameron Anthony Clyne
Former Executive Director

Well, what was -- what the industry does, that's a separate issue. I think what we're trying to do is be consistent in the treatment, and PPI is a long-standing issue. It has been going back many years. It's always been treated, and it's treated as being below the line. We've also called out issues that were previously treated below the line, the bill recovery, the expenses we've taken below the line, the recovery is taken below the line. So we're not trying to game it in that sense. But we did call out at the beginning, the first half, that we were going to take other things going forward about, what, we've taken all the restructuring above the line. We've taken the insurance strengthening and solvency reserves above the line. We've taken all the other conduct issues above the line. So we have one -- fundamentally, one legacy issue there which is a long-running legacy issue below the line. So I think that's -- I think there's a marked improvement in taking it. And I gather your earlier comment that you're right to raise issues about that with regard to remuneration. I think you'll see when our remuneration report comes out, the board do it and you'll find, despite the fact we've had a marked improvement this year, this is a clearly a substantially better result than this time last year. All short-term incentive payments including mine will be substantially down which reflects the fact the Board take a much broader view.

Unknown Analyst

So why not the full improvement then? You've certainly made improvement in your disclosures, completely agree, but why are these items still treated?

Cameron Anthony Clyne
Former Executive Director

I can't talk to the other issues that are industry-specific. Well, and that's an industry issue, I mean...

Unknown Analyst

[indiscernible] business.

Cameron Anthony Clyne
Former Executive Director

Yes, that's an industry issue, so we're treating that consistent with the rest of the industry, so I mean...

Unknown Executive

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We're all wrong.

Cameron Anthony Clyne
Former Executive Director

Yes, that, yes. Well, yes.

Unknown Executive

[indiscernible] recovery in the half of our provisions.

Cameron Anthony Clyne
Former Executive Director

Yes, [indiscernible] that's right. And then that's the [indiscernible] the provision treatment but...

Unknown Executive

Thank you. I think there's a call on the phone?

Operator

Your question comes from the line of Matthew Wilford [ph] from JCP Investment Partners.

Unknown Analyst

Cameron, you've been quite vocal about the need for the government to issue more debt. Indeed, in your opinion, we don't have enough to fund infrastructure, et cetera. From a writing and funding perspective, given the interdependency that we have between the sovereign and the bank sector, could you talk through the implications of what more debt in the public sector would mean for the credit rating of the banks who provide essentially all the country's funding at the moment? You need to then adjust your funding mix further or does the balance sheet have to adjust to avoid any credit downgrade?

Cameron Anthony Clyne
Former Executive Director

Look, I think my comments which I made some months ago were just a more broader reflection that the country, by our estimate, needs $700 billion of infrastructure. There's a lot of flow-on benefit to that. Banks aren't necessarily always well set up to finance that infrastructure, so the government, which has relatively low debt should be a participant in that process. The development of infrastructure is a productive asset. There's a lot of flow-on benefits. So we haven't gone to the view of how that impacts ratings and other things. It's more a reflection of the fact that's a big driver of productivity, and there's lot of flow-on benefits which our business customers would benefit from. So it's pleasing to see that, that sort of topic is on the agenda, because it's good for the economy.

Mark Andrew Joiner
Former Executive Director of Finance and Executive Director

Hopefully.

Unknown Analyst

You concede that there's any credit-rating risk given the banks back off the AAA rating of the sovereign which has no debt, effectively. If that picture changes, then there is an implication potentially for the bank sector.

Mark Andrew Joiner
Former Executive Director of Finance and Executive Director

That's true that the rating of the banking system in Australia is a function of the rating of the sovereign, and we wouldn't like to see Australia lose the AAA. But you got to remember there's an enormous superannuation pool there. And if there's an opportunity to connect this infrastructure spending with that pool, then the government finances might be under pressure.

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Cameron Anthony Clyne
Former Executive Director

And bear in mind, those comments that I made were off the back of what I see when I'm offshore is very substantial appetite for Australian government debt. So that still exists and yes, that wasn't off the back of the suggestion that would be leading to or lowering the sovereign rating.

Unknown Executive

Jarrod.

Jarrod Martin
Crédit Suisse AG, Research Division

Jarrod Martin from Credit Suisse. 2 questions. One for Cameron, one for Mark. First of all, Cameron, the media release of the close down on the Yorkshire banks states that the strategic review has been completed ahead of schedule. So the obvious question is that where does that mean you go with your ultimate exit from the U.K., that goal? Should we expect something in the next 6 months on the back of the fact that the review has been completed? That's the first question. Second question, Slide 23. The NAB U.K. CRE. There's 2 lines in the chart for the runoff profile, a contractual maturity and now an expected maturity which is above the contractual maturity. I just wanted to understand how that's come about. Are you nursing loans that if you did force them into maturity, you'd have to take a provision for?

Cameron Anthony Clyne
Former Executive Director

Mark can deal the maturity. On the first one now, we're just flagging in that release that the review we called out which was the closure of the financial service centers in the south, the exiting of 1,400 people, the shifting of the CRE portfolio around, that's complete. And that was done ahead of time and ahead of schedule, which is pleasing. I mean, in fact, what's very pleasing is the last couple of years a number of initiatives we embarked on have all been done ahead of time and schedule, including the restructure we announced in March. That's what we're simply calling out. As we've said, I think on a number of occasions that we are taking a long-term view, from a shareholder's perspective, on what the right thing to do with the asset is and we don't -- we didn't have any options when we embarked in the restructure. That was the right thing to do and we'll continue to run the business in the best interest of shareholder.

Mark Andrew Joiner
Former Executive Director of Finance and Executive Director

What I'd say on the U.K. CRE is it is a runoff book and we have no interest in extending customer facilities, but we do have to have one eye on treating customers fairly. So occasionally, you have a situation where a customer comes to a due date and giving the customer some extension gives them a better chance of getting refinanced and therefore, not put into delinquency. And we will periodically allow that to happen where the customer improves our position in the process. So if the customer puts more security on the table or something like that, we might extend 9 months and give them more time to fund or turn at financing. But it's only sort of limited extension and that's why you get that sort of slight shift to the right of that curve.

Unknown Executive

Richard.

Richard E. Wiles
Morgan Stanley, Research Division

It's Richard Wiles from Morgan Stanley. Cameron, I'm interested in the strategy in Business Bank. We're in a period of low volume growth, and in the last year, you've had no income growth. You've had no volume growth and a slight decline in margins in the second half. Now it seems that you're waiting for a recovery in system growth. If I look at the Personal Bank, we've been through a period where system growth was pretty weak. And what you did was step outside the system and come up with a strategy to win share

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and to grow above system and to get some good revenue growth and return profile in the Personal Bank. Is there any way you can come up with a strategy in the Business Bank that will see NAB grow revenues above system and mean that you don't simply have to rely on recovery in Business line growth?

Cameron Anthony Clyne
Former Executive Director

I think the drivers and the dynamics in the 2 businesses are different. I think what's been pleasing is this is a portfolio that will always going to be parts performing at different paces given what's happening in the environment. The critical thing with the Business Bank is that it is a relationship-oriented franchise and we have more points of presence, substantially more points of presence and more bankers on the ground. We think we've got the strategy. The reality is that there's not a lot of -- I know it's hard to make comparisons to what's included in the Business Bank, but the reality is there's not a lot of revenue growth in any Business Bank at the moment. There has been a weakening of credit standards in some competitors, and we've taken an opportunity to move with that. But we are -- yes, we are very confident that as credit growth rebounds, the fact that we have a greater points of presence, an uplift in market share since the beginning of the crisis and particularly more insight based on specialist business units. We got a health unit, agriculture, property, education, government. That's the strategy. It's very well outlined. There's a lot that's being done over the course of this year through the restructure where a lot of administrative capabilities have been taken out of the Business Banking centers to free business bankers up to have more time just to protect our customers and other people. So we're very confident the strategy is absolutely right. But what will drive substantive revenue growth is, of course, a pickup in credit growth. I mean, we can pick through all the line items. I'm sure you will and that will be fun for you over the next couple of days, but there's a fundamental issue, I mean, putting all that to one side is if you think credit growth is coming back in 2014, we are exceptionally well positioned. If you think 2014 is going to look like 2013, then we're going to do what we did this year which I think a good result. What we were supposed to do is you align all the parts of the business to bring it back. But we're optimistic confidence is up. If 2014 does see a pick up in credit growth, we're very well positioned to run with it.

Unknown Executive

BJ?

Unknown Analyst

I have 4 small questions. The first one, Cameron, you're saying today a 7.5% minimum capital target and you've neatly avoided Jonathan's question on the D-SIB. Could I ask it a slightly different way? If you say 4.5 minimum plus 2.5% capital conservation buffer and 50 basis points, which up until this morning would've been the D-SIB expectation, miraculously you get to 7.5%? Is your 7.5% premised on a 50-basis-point D-SIB, because it must be premised on something?

Mark Andrew Joiner
Former Executive Director of Finance and Executive Director

No, it's not.

Unknown Analyst

So, it must be lower.

Mark Andrew Joiner
Former Executive Director of Finance and Executive Director

But we are running at almost 100 basis point premium to the board set minimum. And so we maintain a wide buffer, partly in anticipation of the regulatory changes.

Unknown Analyst

Sorry Mark, I obviously didn't ask that properly then, but the point is that if your target is 7.5%, then the stuff over and above the 2 things we know it must be 50 and that includes the D-SIB requirement.

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So your expectation as of yesterday must have been that D-SIB was 50 or something lower. Is that an incorrect...

Mark Andrew Joiner
Former Executive Director of Finance and Executive Director

Not explicitly. What we had said in the past was that we would go to an 8.25% Core Equity Tier 1 and then see how things settle down. Now reporting as we nearly are here 8.5% effectively means we're at 8.25% because of the way the dividend works now, so we're kind of where our interim setting was. That gives us a buffer to the board minimum. And while other issues are being worked through and then we have to deal with volatility like what happens in U.K. pension or blah, blah, blah. So we sit there with plenty of room. And then when we get into a world where things start to clarify, the Board will go back to what it did in the mid-2000s which is starting to narrow the buffer it can live with relative to the regulator.

Unknown Analyst

So my point is that the minimum is not 7.5%, it's 8.25%.

Mark Andrew Joiner
Former Executive Director of Finance and Executive Director

No, the board has imposed a minimum of 7.5%, and we have decided to operate at a 75 basis premium to that, so we're not sitting in front of the Board explaining why we've dipped under their minimum.

Cameron Anthony Clyne
Former Executive Director

And just another thing. I mean, I'm not -- the question is obviously going to come. It's a fair question, John. If I had a number in front of me clearly, I'd have to disclose it. I mean, there's a lot of speculation, but we're not saying anything sitting here today.

Unknown Analyst

[indiscernible]

Cameron Anthony Clyne
Former Executive Director

Sorry?

Unknown Analyst

We could see an ASX announcement any day.

Cameron Anthony Clyne
Former Executive Director

As we sit here today -- or not, as we sit here today, there's absolutely nothing that changes our view on capital or plans to neutralize the dividend. Of course, that can change. But nothing is standing here in front of us today. And obviously, it wasn't on Tuesday either or you would have had an announcement then. So that's the way you can say. There's always going to be speculation.

Unknown Analyst

That was one of the sordid questions. The second one, Page 58 the IoRE returns, pretty consistently woeful. Mark, can you just run us through mechanically what's going on here and it's the debt return? Why is it so negative? Why don't you just jam it all in cash so [indiscernible]

Mark Andrew Joiner
Former Executive Director of Finance and Executive Director

It's a combination of things like falling interest rates which is low at the yield. We took a dividend which took some capital out which meant they had to gear the thing up. So you had less equity sitting behind

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it and more debt. So that increased the debt paid, and I can't take you through the math, but I'm sure somebody can later if you would like, but it's those sorts. They are the main 2 drivers of it.

Unknown Analyst

Okay. Now today, you've called out Business Banking but there's 1 big impaired. So this is on Page 56. You called out today. And around the room, people are worried about this fact of new impaired assets are up, but you've called out that there's one big one...

Mark Andrew Joiner
Former Executive Director of Finance and Executive Director

Page 56 of the MD&A.

Unknown Analyst

Yes, so it's Page 56. You've called out that the increase in the impaireds is one big loan which generated a small loan-loss. And just reverse engineering, we say that if it wasn't for that, it would have been stable. Now I just want to double check that I've heard this correctly.

Cameron Anthony Clyne
Former Executive Director

Page 56 is the Wholesale Banking.

Unknown Analyst

So just taking those things, I just want to double -- just want to confirm. So there's one $270 million like exposure that's gone basically impaired during this period on which you've booked a very small loss.

Mark Andrew Joiner
Former Executive Director of Finance and Executive Director

That is correct.

Unknown Analyst

So if it wasn't for that, everything else would have been hunky dory then, as far as all of these gross numbers?

Mark Andrew Joiner
Former Executive Director of Finance and Executive Director

Yes, even including that, there's no paying point.

Unknown Analyst

Okay. The final one, a question for Joseph. Joseph, if we have a look on Page 28 which is where the loan portfolio is broken down. Says in the Business Bank there's $58.7 billion of housing, there's $138.7 billion of nonhousing. How much of the nonhousing is actually secured by residential property?

Joseph C. Healy
Former Managing Director of Institutional Banking

A lot. Well, the information provided in the deck -- I mean the largest part of that book is our SME book. I think about 75%, 80% of the overall exposure is SME. We segment SME into NAB business but also -- there's also SME risk in our health book and our agriculture book and our property book. Over 70% of that is well secured. There's less than 15% of that what I would call unsecured and that is largely in our investment lending. So the largest portion of that is well secured about 75%.

Unknown Executive

I think if you look at the -- so the 75% seems to be excluding the housing lending.

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Unknown Executive

That's excluding the housing lending.

Joseph C. Healy
Former Managing Director of Institutional Banking

The information is provided on slides 32 -- if you look on Slide 33 of the slide deck, you will see that on our SME business, you'll see our by business product. That shows the 73% as well secured and 22% as partially secured and 5%, unsecured. If I add in the other SME exposures that we have in agriculture and in health, that figure is around about 75%. And the unsecured portion grows a bit in the overall book, but that's largely that the investment grade institutional lending book.

Unknown Analyst

Bulk of that is secured [indiscernible]?

Joseph C. Healy
Former Managing Director of Institutional Banking

The bulk of the SME book is secured by residential property -- or secured by property doesn't necessarily have to be residential.

Unknown Analyst

That's a [indiscernible] different answer then. So is it secured twice or secured once?

Joseph C. Healy
Former Managing Director of Institutional Banking

It can be secured but on both residential property on and on other, on commercial property.

Unknown Analyst

That's what I'm [indiscernible] what's the proportion of that is secured?

Joseph C. Healy
Former Managing Director of Institutional Banking

I don't have that statistic with me. I'll have to get back to you on that.

Unknown Executive

Andrew?

Andrew Hill
BofA Merrill Lynch, Research Division

Andrew Hill from Bank of America Merrill Lynch. 2 questions, firstly just on Clydesdale, I see the Common Equity Tier 1 ratio is now at 10.5%. Could you clarify where you sit in terms of the leverage ratio, and also just in terms of your expectations around capital requirements in the U.K. on those 2 measures? And the second question was just in terms of the capital behind the CRE book. You had AUD 1 billion at March. It's now at AUD 700 million. Loss was AUD 150 million. Could you just clarify that the gap between those 3 numbers is explained by currency?

Mark Andrew Joiner
Former Executive Director of Finance and Executive Director

The CYB leverage ratio, I don't have in my head. We'll have to come back to you on that. But the CYB remains well capitalized with respect to what the U.K. regulators require, but there will be some changes to the CYB capital treatment under some of the regulatory rules coming up in future periods so that's something that we continue to monitor. And obviously, we have to trade off the capital position versus the size of the balance sheet, for example, that we maintain in the U.K. So that's fine at the moment. When

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we took the CRE out, CYB jumped pretty much to the top of the rankings in terms of the U.K. banks for its capital ratios. Then on the CRE, the drop from AUD 1 billion to AUD 700 million of Aussie dollar backing those U.K. assets will actually have been hurt by the FX movements because the U.K. assets will have grown. So in a constant FX situation, you would have actually taken more capital off the table.

Unknown Executive

Brett?

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

Brett Le Mesurier, BBY. A simple question for you Mark. What was the level of new impaired loans in the U.K. CRE portfolio?

Mark Andrew Joiner
Former Executive Director of Finance and Executive Director

New impaireds, I have to look it up. I'll give it to you afterwards.

Unknown Executive

Scott?

Scott Robert Manning
JP Morgan Chase & Co, Research Division

Scott Manning from JPMorgan. Just interested in 2 sides of the coin on the Business Bank. Firstly, there's been a big call on business credit recovery for quite a while now in terms of built up CapEx requirements, et cetera, et cetera. History suggests there's a bit of a kind of bounce in expectations after elections, et cetera that may not necessarily be fulfilled as tough budgets get handed down. So are you comfortable to sit here in 12 months' time and say, "Oops, we've got it wrong. The recovery in business credit didn't come. We didn't grow revenue," and what's the contingency to adjust for that? And secondly, if business credit growth does come back, then how do you fund it? Are you happy for your customer funding ratios to go down a little bit or are you happy to tap the wholesale markets to be pulling strongly?

Cameron Anthony Clyne
Former Executive Director

I think on the second question, we'll look at that and that's -- it's a high quality problem as we work our way through and see what our appetite is to maybe tap a little bit more of wholesale. And look, where we sit from a CFR point of view, we'll assess that. Look, the first one, the reality is yes, I mean, there's a number of occasions where there's been a view that business credit would rebound. What we're very conscious of, though, is what's really going to drive revenue in Business Banking is that you got the bankers on the ground, the relationship footing. You have to always balance off making what might be a short-term decision to hack into that franchise versus actually positioning yourself. And obviously, that gets more challenging as the pipeline either takes longer to materialize or has another sort of false start. And we'll have to make that call. But what's pleasing is that, I mean, it's tough to say whether this is another false start or the real thing. But what we have done is made sure that we are absolutely as well positioned as we can be around with it if it comes. So we've done nothing to weaken the franchise. That was critical. We didn't want to be in a situation where we weaken the franchise and sort of blinked over the course of this year and say, let's cut into Business Bank only to find we couldn't actually support the long awaited rebound. If we're sitting here this time next year and it hasn't come, well that's a different issue. But I mean the reality is what we tried to do over the course of the last couple of years is get a more balanced portfolio, I mean, strengthen the personal banks. You can endure things, if credit grows out there on the business side. So that's given us a bit of resilience which I think comes through in this result. But confidence is up and it is at a 3.5-year high, and that is the right set of conditions to hopefully lead to credit growth. Yes, it's looking more positive now than it has been probably for any time in the last 3.5 years.

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Unknown Executive
Okay, well, thanks for the questions and we'll wrap it up there.

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