Question and Answer

Operator

[Operator Instructions] Your first question comes from the line of Richard Wiles from Morgan Stanley.

Richard E. Wiles
Morgan Stanley, Research Division

A couple of questions. Firstly, in relation to the costs. It was predominantly the staff cost that drove the increase in the half. I'm wondering how much of that is specifically related to the Basel II project? How much related to Adelaide, the new head office? And if there was anything else that drove the material increase in staff cost. Second question relates to the Basel II Advanced Accreditation. I know you're expecting to complete your internal processes sometime in the middle of the year, it seems like it will be July and August now, but that's still largely on track. How long do you think it will take to get approval from APRA once you put that -- once you put your application in for advanced accreditation?

Michael John Hirst
Former MD, CEO & Director

Okay. Thanks, Richard. In relation to staff cost, let me try and break it down a little bit for you. Near half of that increase, related to the telco staff costs and the full 6 months of that, we also paid our staff share bonus gain in this last half, which was around $3.5 million. That was not paid in the prior corresponding period or the last half actually. It would been it was paid 3 halves ago, so from a comparative perspective, that made an impact as well. The Basel II costs in the last half, the staff cost element of that would have been probably a couple of million dollars. And then the balancing item of all of that would be the fact that this is the half where we do increase our staff salaries and also paid bonuses, although we do try and accrue for those throughout the course of the year. So it doesn't all hit us just in one hit, we do accrue throughout the year. In relation to Basel II Advanced, as you said, Phase I, we hope to have finished around the middle of this year. Phase 2 really is out of our hands. I mean, yes, we will influence that as best we can, but trying to make sure we're doing everything we can. But at end of the day, the regulator will decide how long it takes to undertake that assessment. And being probably the first bank to enter this assessment phase for many years, since the majors that Macquarie went through the process, then I think it's very hard for us to predict how long that would take. Having said that, there have been elements that the major banks find their acquisitions have gone through it. But I must admit, I'm not privy to how long it took them -- or took the regulators to go through the assessment process with them.

Operator

Your next question comes from the line of Jon Mott from UBS.

Jonathan Mott
UBS Investment Bank, Research Division

Just 2 quick questions, if I could. The first on Slide 9, you've a got a chart that shows the big increase in the approvals that came through. Just wanted to get a feel, I think you mentioned 90% of those approvals go to settlement. But there's usually a timing difference between when a loan gets approved and when the buyout is settled. So would that mean you're got to see a reasonable pickup in the settlements and credit cards flowing through into the second half? So just mathematically, I just wanted to confirm that yours should say that. And the second question kind of what Richard was just talking about then. I'm not sure if you saw that comp bank result with Bankwest, where after it took away the advanced accreditation for part of their book on the business banking side. It's the first time I've seen, after it separate, the business and the consumer side for banks just to standardize. Does that open the potential for you and the other regional banks to perhaps get accelerated accreditation on part of the book. Obviously the consumer side will be a lot more beneficial if you can get that a lot quickly.

Michael John Hirst
Former MD, CEO & Director

Okay. Thanks, John. Look, your logic on the line portfolio is right. I mean, when someone gets approval, its takes 30, 60, 90 days to settle that loan. I don't know, specifically, what the metrics are around the December pace. But you can assume that there will be some flow onto the first quarter around those settlements. So I think it's just -- probably need to take a guess at that for the time being, and we'll see if we can get some numbers on it. In respect of the separation of the portfolios, well, one thing we do know is that we have to get accredited on the interest rate risk and the banking book and the operational risk piece prior to being able to get any benefit out of the portfolio, so that's my understanding of it. So we've got to get those first 2 pieces down. And once we have them done, then the opportunity arises to have those discussions with APRA, I -- really, it's up to them whether or not they're prepared to do that. From my point of view, I would have thought that in Australia, given the major banks have 90% of the housing market, for instance, it wouldn't be a stretch to assume that any modeling we want to would be statistically valid in respect of the majors' portfolios. And therefore, APRA should have some confidence in any writings that we might be putting forward. So obviously, we'll be talking with APRA about how we can move as soon as we can to the Advanced Accreditation model, because it will result in more robust performance from us and a better outcome for our customers. So if that were a possibility, we'll talk to them in a minute. Maybe you can give them a call for us.

Operator

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

Anthony Hoo
Nomura Securities Co. Ltd., Research Division

I had a couple of questions. Firstly, if I'm referring to Slide 25, it looks like you had a positive head of [ph] write-back in relation to your Great Southern portfolio. Am I reading that correctly, $12.7 million? And that's despite the 90 days balances going out. So I'm just wondering what your thinking behind that was?

Michael John Hirst
Former MD, CEO & Director

Great Southern, a reduction in the amount of write-off relative to the previous quarter -- previous half, sorry. So that's where that improvement comes from. There -- I mean, there might have been some minor write-backs coming through, but nothing significant. Write-backs would've only occurred upon somebody settling their loan and us being over-provided. What was the second part of that?

Anthony Hoo
Nomura Securities Co. Ltd., Research Division

The second question I was going to ask was just around your total impaired balances has gone up but your provisioning coverage has come down. So I was just wondering if you could give us a bit more detail there as to what's moving behind -- what the moving parts are behind that?

Richard Fennell
Executive of Customer Banking

Yes, in relation to the impaired going up, there are 3 specific loans there on the commercial space. And in that sort of $15 million to $25 million range that have moved into the impaired category, we've gone through those and assessed those specifically for provisions and made the appropriate provisions as required. That's had an impact there. One of those loans, I'm expecting to come off our books in the very near future as we're entering a contract to sell out of that position. The other 2, more like -- one of them may come out -- another one may come out this half. The third one will be on our books for a bit longer, given the nature of it. So...

Michael John Hirst
Former MD, CEO & Director

Of those 2, 1 is recent, 1 isn't. But the value is impaired.

Richard Fennell

Executive of Customer Banking

And so that's really what's driven that change impair -- these specific provisions, they really do move up and down based on the loans that are there. And as we have loans that have impaired, a number of those, we work through a process of cleaning up on an ongoing basis. And so where we've cleaned up -- and quite a few of those this last half, you've seen the specific provisions drop off there.

Anthony Hoo
Nomura Securities Co. Ltd., Research Division

And before -- just going back to Great Southern, do you guys have -- is there something that's happened to give you a bit more confidence around the portfolio, Southern exposure or around the outcome itself?

Michael John Hirst
Former MD, CEO & Director

Well, we don't have any more confidence around either of those. I don't think -- the reality is that the majority of the book that's in arrears relates to people who were involved in the class action who have taken the strategic decision not to pay. We continually review that portfolio to see who has the capacity to repay and who hasn't. And as for the outcome of the court case, well, all the evidence has been presented. We've got our view here on how it should turn out. I'm sure Macpherson+Kelley have got their view as to how it should turn out. And neither of those can't because it's up to the judge.

Operator

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

Craig Anthony Williams
Citigroup Inc, Research Division

Just following on from the last line of questioning. That specific provisioning carriage of impaired falling from 33% down to 22% in the past 12 months. So why should we have confidence that this is adequate? Could you flesh that out for us a bit more? And just on Homesafe, quite a notable or material contribution to your profitability this half. Is there any means of, perhaps, spreading out some of the contribution from this business that you can see?

Richard Fennell
Executive of Customer Banking

All right. Look, the first question, Craig, I guess the thing that gives us comfort that we have appropriate specific provisions for the impaired loans is, once a loan is impaired, we actually assess it specifically. So we -- our asset management team, it moves from management within the business line to management by asset management team, who go and consider the collateral we're holding against it. The likely outcome through either trying to work with that borrower to improve the position or -- and sometimes, that is a case of an asset -- the collateral dropping below the value of the loan but the loans still being in order and the borrower still being able to afford to continue to repay. Other cases, it is a situation where the best outcome is to close out the position and we work through that. Now I guess, without giving you full data also of all of those loans, and as you can understand, that's not going to happen, I guess all we can do is give you comfort with the process we go through. And I think the other thing that maybe, hopefully, will give you some comfort is the fact that more often than not, when it comes to closing out those positions, we tend to be writing back small amounts of provision rather than increasing the provision at the time of closeout. So that certainly gives us confidence that our asset management team aren't -- are being appropriately conservative in their assessment of the realizable value of collateral for impaired loans. That's a long answer, that one. I forgot what the second question was.

Craig Anthony Williams
Citigroup Inc, Research Division

Homesafe.

Richard Fennell
Executive of Customer Banking

Yes, look, the -- unless we can arrange to change the accounting rules for accounting for the value of investment property, I think that's a challenge for us. It's -- but it's a reasonable question to ask because it is lumpy. And as the historical performance shows, it swings things around significantly. And it's something we -- we do turn them on, too, from time to time but unfortunately, we are pan strung [indiscernible] somewhat by the accounting rules. I mean, as I mentioned in the presentation, the thing that's pretty consistent over time is the experience when these contracts come to conclusion and the returns we're generating there. So I guess it would be nice if, I'm sure, from those such as yourself that analyze our business to be able to just make an assumption around that and build that into your models. But the only other way to do it, which I don't think is an appropriate way, would be to somehow maybe treat it as a noncash item. But given we're funding this portfolio and it's an ongoing part of our business, I guess, I probably struggle to see the logic in treating it as noncash in the normal form of the noncash items we would include.

Operator

Your next question comes from the line of Andrew Lyons from Goldman Sachs.

Andrew Lyons
Goldman Sachs Group Inc., Research Division

Just a question, just on the volume margin trade-off at the moment. Clearly, you are favoring margin over volume. I'm just wondering how that strategy might evolve, if and when we do see some recovery in system volume growth? And then secondly, just a question, just on your capital again, specifically I guess, sort of the levels that you're targeting on a Core Equity Tier 1 basis. I think, currently, the gap versus the majors is sort of somewhere between 50 to 70 basis points. I'm just wondering, in light of the DC [indiscernible] pronouncement from APRA, where you think -- where do you think that gap has to close or can actually open up from current levels?

Michael John Hirst
Former MD, CEO & Director

I will take the one on the volume-rate trade-off. I think from our point of view, we're going to make sure that we're always competitive in the market. Now that doesn't mean that we need to be the cheapest. It doesn't mean we need to be the most expensive, but it means that price needs to reflect the value proposition that we're putting through. As you can see, in terms of new business, we're actually writing lots of new business. So that's not an issue for us. The issue for us is the actual acceleration of repayment that's causing those problems. So $175 million in seasonal loans repaid through December and January through rural bank, $3.3 billion hit on the retail portfolio. The only way that we can adjust the price to stop the volume is to put it up. And I don't think -- because that will slow the amortization. But I don't think that would work. So we just have to continue to put our best foot forward. Again, it's fantastic for our customers if they're able to get so far ahead of their repayments and build their equity. If you have a look at back over a 2- or 3-period, you'll see that our growth has consistently been above system. So I'm confident that the positioning we have is right. It's just unique circumstances at the moment that are having this result.

Richard Fennell
Executive of Customer Banking

In relation to capital, look, we're pretty comfortable around that position of 8% or just below for our Core Equity Tier 1. Obviously, the DC[ph] thing has been interesting to observe and obviously -- and given that, we don't expect we will need to have a Core Equity Tier 1 level as high as the majors. Whether we can -- we will end up being that full 1% below them or not, I guess, as much would depend on where they think they need to be as where we need to be. But certainly, if we are up near that 8% for Core Equity Tier 1, I think we'll be comfortable with that position.

Operator

Your next question comes from the line of James Ellis from Credit Suisse.

James Ellis
Crédit Suisse AG, Research Division

Just had 2 questions. Just firstly, on Rural Bank, the average exposure size there appears to be fairly large. Just wondering what your -- how comfortable you were with that? And whether you were, over time, hoping to reduce the average size? And then just secondly on the tax rate, it was slightly higher in the current half, just whether we should think of that as an anomaly or whether that's something which we should view as a new benchmark for future periods?

Michael John Hirst
Former MD, CEO & Director

So James in terms of the average size of the loan in the Rural Bank, it's actually quite small by number. So if you'd say, "Well, what's the by-number concentration of the loan?" It's around 400,000 or 500,000. So it's not significant. However, there are, and especially in North Queensland, extremely large properties and we do bank some of those. We have a soft cap in place of around $20 million total exposure. It would be unusual for us to go above that, and that cap was put in place probably 8 to 9 months ago subsequent to some of those issues emerging. I think that's an appropriate volume for the size of the balance sheet.

Richard Fennell
Executive of Customer Banking

On the tax rate, going back last few years, there's been a number of movements up or down. A lot of those actually go back to the various acquisitions and the merger and the tax implications of those washing through. That -- those over and unders are pretty much done and dusted now. So our tax rate, the key factor that varies it from the straight 30% is in relation to our preference shares and some of those, which the interest paid there is, from an accounting perspective, an interest expense, but from a tax perspective, is considered to be a distribution, a capital distribution. And therefore, nondeductible on the income account, means that our tax rate, if there was neither opportunities other than that would be slightly above 30%, as it was this half. Now in the next -- or in this half that we've just entered, we -- there is -- we will make out R&D deduction claim which, traditionally, happens in that second half, and we do have a client that we'll be putting in for that. So it should be slightly below where it was in the first half of this financial year. But we assume a 30% tax rate in our internal modeling, and I think that's probably a reasonable assumption to make if you're doing the math on us as well.

Operator

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

Scott Robert Manning
JP Morgan Chase & Co, Research Division

Two things I wanted to touch on. Firstly, you mentioned the capital efficiency was impacted by a few things on RMBS, for example, but just the reason behind not actually continuing to progressively grow the dividend given the underlying business settings?

Richard Fennell
Executive of Customer Banking

Okay, the dividend is a decision that our board makes, as you're aware. Well, we have increased the dividend on the prior corresponding period and the reality is, given some of the movements in our capital position, the efficiency decreased because of RMBS rolling off and also, the deferred tax asset hit. I guess they took the conservative view that $0.31 was appropriate, and it sits roughly in the middle of the target range they have of 60% to 80%. I think it's about 69% on a cash earnings basis payout. And at the end of the day, if -- I think as long as we're still paying a reasonable dividend, most shareholders would be happy to see us growing our equity base using retained earnings rather than further dilute -- dilutive issues of capital whether that be through a discount on the DRP or a straight issue.

Scott Robert Manning
JP Morgan Chase & Co, Research Division

Then secondly, Mike, you commented on the above-system growth that you've been experiencing. I noticed the rollout of Community Bank branches has slowed down over the last year or 2, typically, that kind of tailwind through the maturity of that network has been affecting growth rates. Just your thoughts behind those dynamics going forward?

Michael John Hirst
Former MD, CEO & Director

So in terms of the rollout of the network, I think we'll see a bit of an increase this year. However, with the impact of the GFC and the change in the market dynamics, especially around the liability pricing we, as you know, went to the network and explained that with deposits going above bills that impacted on the margin share because they got -- received a fixed trail and lost. On a total margin basis, it was being recovered through variable-rate mortgages in particular. That benefit was being shared 50-50 with them, whereas, we were copying all of the loss on the charging margin on the deposit side. As a result of that, we adjusted the trial commission over a 2-year period from 50 basis points to 25, and that last piece has just worked its way through towards the end of last year. And the majority of the expansion part of the GFC had been coming out of Community Bank sites having second and third branches. So a lot of sites just said, "Well, we're going to wait and see here the surprise hit for our business before we move on further expansion." Now that they have had the opportunities to work their way through that, we'd expect to see that pick up a little bit going forward.

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

Just following on from that point on that Community Bank commission payment. Shouldn't there have been a reduction in the average commission payment to the Community Bank since the deposit commissions fell from 50 to 25, and yet the deduction from net interest margin as a result of payments to Community Bank stayed at 33 points?

Michael John Hirst
Former MD, CEO & Director

That's because they continue to grow their business, Brett.

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

We don't seem to be growing all that fast relative to the corporate bank.

Michael John Hirst
Former MD, CEO & Director

I'm sorry, I couldn't hear that.

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

Corporate branches seems to be much the same.

Richard Fennell
Executive of Customer Banking

The proportion of business being written through Community Banks versus the total business continues to grow. So actually, if you look at the prior corresponding period, the margin share feedback was 35 basis points versus the 33 in this half. And I think that's probably the reduction you're looking for.

Michael John Hirst
Former MD, CEO & Director

There's a slide in the appendices around the footings growth in Community Banks. So you'll see that business is continuing to grow.

Operator

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

Michael Wiblin
Macquarie Research

So my question is just on Slide 16. Just, I think this little chart you provided is quite informative in terms of the NIM movement. Can we expect, I mean in terms of the run rate as you've kicked over into January and Feb, does that continue to be a little bit above the sort of December 13 average there? And was there anything in terms of hedging benefits or sort of lower liquid assets in that half?

Richard Fennell
Executive of Customer Banking

Yes, look, Mike, how things play out over this half from a NIM perspective really is going to be driven by the competitive dynamics on the deposit and mortgage space and also, the mix particularly in the mortgage space. The deposit pace, look, I'm hopeful that we're over the hump as far as the periods of, arguably, irrational competition that we saw at times over the last few years. So hopefully, things will stay reasonably benign there. The reality in the mortgage space, though, is there is a lot of competition particularly in that fixed rate space. And that is -- the margin we lock in with those fixed rates are slightly lower-margined than we generate from our variable-rate mortgages. So the more that mix swings to those that will potentially have a negative impact. But the reality is, with our term deposits, there is a lag effect there. And as we have been able to chip away and bring out our TD rates lower, and I think our best carded rate at the moment in our retail network is at 3.35%, that does provide us with a little bit of tailwind there. From a hedging perspective, the -- as we've now moved to a position where the curve is in a more traditional shape with a positive yield curve, the cost of then hedging those term deposits against potential future reduction in cash rates becomes less expensive. So it's not so much that the hedgings provided a positive impact but probably, a better way to think about it, it's less of a negative impact as the cost of that hedgings become less. And also it's logical that it's less, as you get down a lower absolute rates of interest there, that we're not surprised to see the curve start to have a positive angle on it.

Michael Wiblin
Macquarie Research

Okay. And I just had a question around fee growth as well. Obviously, an excellent performance on Homesafe, but if you -- you kind of put that to 1 side, the remainder of the fees, there is pretty patchy performance there. Or what's going on, I mean, is there anything that you wanted to call out there as a driver for, I'll say, a few of those loans being a little bit weak?

Michael John Hirst
Former MD, CEO & Director

So in the wealth space, it's seasonality. In the second half, we pick up a number of bonus and one-off volume payments that come through. Obviously, the competition has had an impact on fees right across the market. People are definitely being more cost conscious around ATMs, so that's driven deem[indiscernible] phasing interchange and equally on overdrawing liability-type accounts, people are being a lot more cost conscious. So it's really 2 things, I suppose, one is seasonality and change in consumer behavior.

Operator

Your next question comes from the line of T.S. Lim from Bell Potter.

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

What's your view of bad debts to GLA through the cycle, especially for your bank? And what are you seeing so far in South Australia? Are you seeing any softness coming in?

Richard Fennell
Executive of Customer Banking

I'll answer the second half. First, South Australia, we're actually not seeing any specific pickup there or issues there. Look, there's -- the economy there is soft. Unemployment, I think, is probably highest of any of the mainland states at the moment. But I'm pleased to say we're not seeing that feed through in any material difference in arrears or impaired loans, either on the consumer side or on the business lending side at the moment. Look, as far as bad debts to lending assets through the cycle, it's a tough one to be definitive on because the reality is, we've been in a pretty benign bad debt environment for a long time despite the GFC. Yes, there was a bit of a pickup there through 2009, and I think 2008, 2009, in particular, with some property exposures. But we don't sit there and say, "This is a particular target that we have for bad debt to lending assets," and set anything like that. What we're trying to do is set appropriate risk parameters in our business and in trying to write good business with our customers. And I guess, we look at the bad debt as an outcome because that is driven by us, sometimes not getting it perfectly right, and also our customer circumstances changing are unforeseen by us and the customer. So -- I know I haven't answered your question, but it's not something we really target or focus on, on setting a target on.

Operator

Your next question comes from the line of Ed Henning from CLSA.

Edmund Anthony Biddulph Henning
CLSA Limited, Research Division

Just a couple of questions. Firstly, looking at capital. Are there any headwinds going into the second half, whether it is more RMBS stuff? And if you're looking to going back to growing above -- or try to grow above system, how do you get your capital base up towards that 8% level? And then, non-organic issues, such as doing new RMBS, that's going to help you get there or can you just touch base on that? And I'll ask the second one afterwards.

Richard Fennell
Executive of Customer Banking

We're not expecting any new headwinds, Ed. And I think as you touched on, we would like to issue some RMBS in this half. Really the RMBS run-off, it was -- we had 3 or 4 deals that went back to mid-noughties, I think the term is, and coming to conclusion. And so it was a bit of a one-off there and also the deferred tax assets. Now if you normalize for that, with system growth at total lending growth at low- to mid-single digits, I don't see that there's a significant issue from us being able to generate enough organic capital and still be at or just above that level of system growth.

Edmund Anthony Biddulph Henning
CLSA Limited, Research Division

Great. Second one, just on the Rural Bank and if you look on Slide 47, it goes through your exposures in Queensland and Northern Territory. Can you just touch on actually how much is in the really drought-stricken in cattle?

Michael John Hirst
Former MD, CEO & Director

Look, I can't tell you that number off the top of my head, but I will find it for you and let you know.

Edmund Anthony Biddulph Henning
CLSA Limited, Research Division

Can I just ask a question, similar kind of themed question. If I have a look on Page 17 of the results, your general reserve for credit losses, this result was 134.2. And it's actually bigger than the size of your collective provision, plus your specific provision, which is unusual. If you -- today, you're calling out the problem in agri but to be quite honest with you, that has been evident for the last 2 years. Can you explain to us what you think that relative -- that proportionally high balance of the GRCL means?

Richard Fennell
Executive of Customer Banking

Yes, Brian, I think the way to look at that relatively high GRCL is to look at our historical credit performance, which is relatively strong performance compared to the other banks. And as a result of that, we have a relatively low specific and collective provision reflecting that history. Now the general reserve, we used to top up our reserves for credit to just above 50 basis points. So if you like, it's an amount we set aside that is higher than other banks because of credit -- our strong credit performance being reflected through our provisioning. If we didn't have a strong credit performance, we would have higher collective and specific provisions and we wouldn't need to set aside so much in the general reserve to get us to around that 50 basis points total for general reserve and collective provision.

Edmund Anthony Biddulph Henning
CLSA Limited, Research Division

And Richard, the timing of kind of recognizing the problems in the agri sector?

Richard Fennell
Executive of Customer Banking

Yes, look -- the way we...

Michael John Hirst
Former MD, CEO & Director

We get valuations done every 6 months. So it's -- all you're seeing here is the continuing deterioration as drought went from 6 months to 1 year, to 18 months to 2 years. If the rain that started in there continues, I think there's a chance that property values turn around a little bit as the ability to fatten cattle increases and, therefore, the cash flow of our property increases. So it's a little bit like if you can tell me how much and when it's going to rain, I can probably give you a better view on those -- on that particular set of properties.

Operator

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

Andrew Triggs
Deutsche Bank AG, Research Division

Just a couple of questions, firstly, I appreciate your comments around second half cost to [indiscernible]. Looking a bit further ahead in '15 and '16, do you think you can still target some inflation cost growth -- the headwinds that you called out? And the second question just relates to Homesafe. What the size of the current portfolio is, and do you expect the traditional sort of higher second half contribution, given more deep -- more in-depth reviews of the valuation?

Michael John Hirst
Former MD, CEO & Director

Well, I think the thing on the cost growth is we are working to be more efficient. We've got a pretty strong continuous improvement program going through. And you can see that that's been working its way throughout the period. But as we've always said, we think that our upside lies in growing the revenue rather than in cutting costs. And we'll continue to seek to invest in the business to be able to grow that revenue. But I don't think we've established a reasonable record of being able to do that over the last 3 or 4 years. The Homesafe portfolio, a little bit like the answer for Brian on the cattle properties. If property prices are going to continue to increase, I think there is an article in the Fin Review saying 20% growth in Sydney prices this year, which I think is astonishing. But if that growth continues to come through in property prices, then Homesafe could outperform in the second half. Richard, what was the relative Melbourne and Sydney growth that feeds through into this result?

Richard Fennell
Executive of Customer Banking

Melbourne was closer to 4 and Sydney 7 or 8. 7.8 for Sydney; and Melbourne, 4.7. On the portfolio, the value of the investment properties in the Homesafe portfolio is around $370 million at the moment. The minimum advances is around $300 million. So the difference between that is, is the increase in value of those properties, plus the discount that we bring to account over time and that's a discount that we buy the properties for to recognize the cost of allowing the proprietor of the property to stay in there.

Michael John Hirst
Former MD, CEO & Director

So sort of a similar to rent sort of thing. So if you can take a view on where you think property prices are going in the second half, that's your best indication.

Andrew Triggs
Deutsche Bank AG, Research Division

Those numbers of $300 million, the like-for-like with the $350 million max exposure that you're willing to run, expected to before.

Michael John Hirst
Former MD, CEO & Director

So that exposure which is a current review from the board, was a bit funds-advanced. So there's still plenty of headroom in that.

Operator

There are no questions at this time. I'd like to turn the call back to yourself.

Travis Crouch
Okay. Thank you, Mike and Richard. So that concludes our 2014 half year results presentation. I just like to thank all of those who attended here in our Melbourne office and also, those who listened through the webcast and also on the telephone. So thank you.