Question and Answer

Operator

[Operator Instructions] Your first question comes from Ed Henning with CLSA.

Edmund Anthony Biddulph Henning
CLSA Limited, Research Division

Just a couple of questions. Firstly, Mike, you've reiterated a number of times in the call your strong capital position. Why did you guys increase your DRP discount, then?

Richard Fennell
Executive of Customer Banking

Yes, Ed, Richard here. Look, one of the things we've been thinking about recently is a situation where we've got a very significant balance of franking credits, well in excess of $300 million of franking credits. They have no value on our balance sheet, but we certainly understand they have value to a lot of our shareholders. And so one of the things we've looked at is what should we be doing from a dividend payout perspective to try and get some of those franking credits into the hands of people that actually value them, and so we have increased our dividend this half year by $0.01. And given that, we thought it would be of value to also put in place the Dividend Reinvestment Plan to give us greater flexibility going forward from a payout ratio perspective should we continue to want to move that payout ratio slightly higher to get more of those franking credits into the shareholders' hands.

Edmund Anthony Biddulph Henning
CLSA Limited, Research Division

The other one is, if you look at Page 21, when you're talking about Homesafe, there's a note at the bottom that talks about it's only the 6 months or really the 5 months to November '15, where Sydney prices fell a little bit in December. Why haven't you run to the 6 months to December with all your property revaluation?

Richard Fennell
Executive of Customer Banking

Yes, look, this is we consistently -- we've always run 1 month behind, so this is June to November. The reason for that is Residex doesn't come out with its indices until a lot later than the other, well, index providers. So we actually don't get the numbers until relatively late. So once we get the numbers and then the models are run, it is in the order of -- well, it is not on a timely basis for us to update that, so what we've done since this Homesafe portfolio was established is run 1 month in arrears.

Operator

Your next question comes from Jon Mott with UBS -- my apologies. We have Andrew Triggs from Deutsche Bank.

Andrew Triggs
Deutsche Bank AG, Research Division

Just on, firstly, the retail and business loan growth momentum. I think you made some comments, Mike, around pursuing at or above system growth in housing. Just some comments around the nonresi side of things. I'm looking at the approvals data in the pack. You saw pretty reasonable growth there. Is that pretty late in the half that you saw that improvement coming through?

Michael John Hirst
Former MD, CEO & Director

Yes, so there was growth late in that half once the repricing worked its way through the industry and put things back onto a more sustainable footing. And as Richard said, we didn't move the full 20 basis points. Our pricing competition -- or our pricing position improved through that period to a level where we're very comfortable that it's sustainable and profitable to be writing business there. On the nonresi stuff, the agri piece of the business will have -- there's not a lot of growth in that market at the moment. The seasonal payback was quite high leading up to the end of December. However, there's been solid drawdown again in January as we've seen some rain events across some of the areas. The business banking book had 2 significant repayments, but nevertheless, the portfolio pipeline going forward looks reasonably strong. And we'd expect to see some good growth come through that in this half.

Andrew Triggs
Deutsche Bank AG, Research Division

Just a follow-up on that, Mike, looking at the CET1 movement chart. It looked like a 7 basis point improvement, which was partly driven by RW&A -- RWA and other actually being a positive, i.e. a negative lending growth to helping the capital position. Are you comfortable, and it sort of feed into Ed's question around the DRP discount, that if you do return to reasonable levels of growth that you can still get -- you still kind of get positive organic capital generation under that scenario?

Michael John Hirst
Former MD, CEO & Director

Well, I guess the question there is how much growth, but given what we know is in the pipeline for the time being, we're comfortable that we can do that.

Richard Fennell
Executive of Customer Banking

The other element of that is -- that can swing things is if we choose to use the RMBS market during a particular half year. Obviously, we didn't issue the last half year, and that has an impact. If we do go to that market during a half year and in what volume, that also has an impact on the capital-generation numbers.

Andrew Triggs
Deutsche Bank AG, Research Division

On that, Richard, the -- it looks like the RES [ph] market is likely to reprice probably 50 basis points wider this year relative to last year. At that sort of level, say, around the 150 basis point over for senior tranches, can -- is that too high a pricing for you to make it work?

Richard Fennell
Executive of Customer Banking

Well, certainly, it doesn't sound like something I'd want to be using at those sorts of prices.

Michael John Hirst
Former MD, CEO & Director

Well, it's -- I mean, on the current pricing mortgages [ph] it would be.

Richard Fennell
Executive of Customer Banking

Yes.

Michael John Hirst
Former MD, CEO & Director

But if all of the funding markets blow out and RMBS won't blow out in isolation from anything else. It's a question of what happens on the earnings side as well.

Operator

Your next question comes from Jon Mott with UBS.

Jonathan Mott
UBS Investment Bank, Research Division

I just wanted to go back to Ed earlier on talking about Homesafe. And that's a huge contributor to profit now that 17% of your pretax profit coming through from Homesafe and, I think, with the big mark-to-market gains. It came through last period. People will start to question it. If you look at Residex, it's saying that house prices are rising strongly, but if you look at other things like the RP data, the ADF data, the auction clearance rate, they're showing that Sydney and, to a lesser extent, Melbourne are seeing house prices already falling. So why should we have faith that the Residex index that you're using is correct? And given it's such a huge contributor to not only your profit but your capital position and your dividend, shouldn't you move to either a blend of an index or something else that we can have a lot more faith in?

Michael John Hirst
Former MD, CEO & Director

Sorry, I'll answer the first one, about how do we have faith in that. The reason that we have faith is because we're regularly checking the sales that we have versus the book value that we have. And you can see that top line on the chart is profit on sale. And the profit on sale just simply represents how much do we sell a house for versus what do we have the value of that contract on the book at. And you can see that, consistently through the periods, the profit on sale exceeds the book value. So that gives us a reasonable amount of comfort that the valuation methodologies we're using are correct.

Jonathan Mott
UBS Investment Bank, Research Division

This is a catch-up in that the Residex, as you said, is a very late-lagged index. And this is effectively a mark-to-market catch-up rather than an indication that Residex thinks that house prices are going up and everyone thinks house prices in Sydney and Melbourne are going down.

Richard Fennell
Executive of Customer Banking

I think an indication of our view of the likely trend in house prices is reflected through the overlay, Jon, that we've put in place and a clear recognition that it's not going to continue to grow at the current pace ad infinitum. Now the December index for Residex, which comes out in late January, that showed a reduction of around 0.5% on average between Sydney and Melbourne, so house prices going down by 0.5%. And the question there is what, where is it going to trend from here? Interestingly, over the weekend, the auction clearance rates in Sydney and Melbourne were back up around the 80% mark again. And I'm not saying that means we're suddenly thinking it's going to be another half year like this last half year, but I think the fact that we have put in place this overlay reflects the fact that we want to be conservative around how we recognize this profit. And I think we've done that.

Michael John Hirst
Former MD, CEO & Director

So to your real question though, Jon, which is that as a percentage of our earnings, this is a big part. Well, yes, it is. We're not planning on it being a big part going forward, but what it has done is it's provided us with some diversification of earnings through a period of time where the market was particularly uneven for players on the standardized model. So that's now being addressed. The -- I think you'll see the growth come through in the other parts of the book to account for that, but it is as you say. So it's a big number, but it's a number that does provide diversification. As a book, it's got less risk associated with it than a traditional mortgage book because it's not reliant upon people holding jobs to pay back. So we're very comfortable with the position. It -- they're big numbers, but what you're seeing is the effect of compounding interest.

Richard Fennell

Executive of Customer Banking

Sorry, Jon, one other point, but I think you mentioned the impact on capital. One thing is -- important to remember is the unrealized gains, which is both the movement in the Residex and also the discount, is not brought to account from a capital perspective. If that was brought to account, I think it's in the order of 46 basis points of capital that we've been recording in addition to our current capital position. So if there was a period of time where prices went backwards, it would have to be a massive reduction before that would actually hit our capital numbers.

Michael John Hirst
Former MD, CEO & Director

And if that happened, there'll be a lot more trouble we're in than just the Homesafe portfolio.

Operator

Your next question comes from Craig Williams with Citi.

Craig Anthony Williams
Citigroup Inc, Research Division

Just on the topic of capital. The S&P RAC ratio which you're quoting at 13.1%, I think, about 6 months ago, that was at 11.8%. What's happened that's caused that uplift?

Richard Fennell
Executive of Customer Banking

We issued another hybrid since the last update, Craig, so that's the key driver of the movement in our ratio there.

Operator

Your next question comes from Victor German with Macquarie Bank.

Victor German
Macquarie Research

I was just hoping to perhaps follow up on a couple of topics that we've already discussed. The first one, around dividend. And Mike, you sort of alluded to that you don't necessarily expect earnings from Homesafe to remain at the current levels. If they do start to fall going into next half, do you think there is capacity to continue to increase your payout ratio and sustain the dividend at current levels or potentially then grow it?

Richard Fennell
Executive of Customer Banking

Victor, Richard here. We -- or the board, in deciding on the dividend payout ratios -- sorry, the dividend payment levels, look at the payout ratio inclusive of the Homesafe number, in effect cash earnings, but they also look at it excluding the unrealized gains from Homesafe and that ratio. Just to be informed of that. As I've said, I think, probably the last 3 halves when I've been sitting here on these calls, we don't continue to forecast the sort of contribution we've had from Homesafe in the last half year. We believe the dividend is sustainable the way we are looking forward at the business with a lower contribution from Homesafe, but we do go into this half with some momentum around our margin and with some optimism about our ability to grow the balance sheet. And in that environment, I think, even with a significantly reduced contribution from Homesafe, we would be looking to at least maintain the dividend at the current level. Having said that, clearly, that -- the dividend will reflect a number of factors in 6 months' time, including how we do end up performing over the next 6 months.

Victor German
Macquarie Research

And so just maybe following up on that point around balance sheet growth. As you highlighted, competitive environment is now a little bit looking a little better for you. And you haven't done as much on pricing as peers. If I look on Slide 7, the -- in the last 3 months to December, the housing lending growth in both retail and broker direct channel just still lagged system. Is that something that you think is just sort of building momentum into the second half and you do think you can beat system in the second half? Or are there any other issues that we should think of?

Richard Fennell
Executive of Customer Banking

Yes, look, if you look at those 2 businesses together and their growth rate, look, certainly we'd like to grow them maybe a little faster, but I don't think those growth rates are anything to be too shy about, particularly when you look at the payback through either additional repayments or offset accounts. How we go versus system is more going to be driven by the actions of our competitors than ourselves. We will continue to price at a level which we think is fair for our customers; that provides us a reasonable return; and is hopefully, competitive, but at the end of the day, if discounts being offered are at a level that we don't believe is sustainable, then we'll inevitably grow below system. If we think the pricing of our competitors is at a level that is reasonable and sustainable, then given our value proposition, particularly in the retail area, we'd like to see that north of system. The broker piece is probably going to be more driven -- we'll be looking to, hopefully, try and drive higher growth there after we put in place the new lending system that Mike spoke about.

Victor German
Macquarie Research

All right. And just lastly, on Homesafe overlay, are you able to just give us an idea of how this overlay potential release may come through? So is it something just to protects you from house prices falling? Or would you be able to start releasing it in a, say, flattish environment, flattish price growth environment?

Richard Fennell
Executive of Customer Banking

Yes, look, it's a good question, Victor. And I can't give you an absolute answer on this because it'll be driven by a number of factors. The sort of factors we'll be considering is the performance of the indices that are in a particular reporting period. Obviously, if they are lower numbers below the long-term growth rate, then that would give you a reason to consider releasing some of the overlay. However, it is also -- will also be driven by a forward view of home prices. And we did source information from some of the research houses that do predict housing prices looking forward to help set this overlay, and we'll be informed by that in future reporting periods as well.

Victor German
Macquarie Research

Right, but it's been generally discretion of management to decide what happens to the overlay, whether you release it or maintain it.

Michael John Hirst
Former MD, CEO & Director

Yes.

Richard Fennell
Executive of Customer Banking

I'd -- yes, it is at our discretion, but you -- would hopefully be informed discretion.

Operator

Your next question comes from Richard Wiles with Morgan Stanley.

Richard E. Wiles

Morgan Stanley, Research Division

I'm just wondering if you could provide some more color on the drivers of margin in Slide 16. Specifically the 3 basis point drag from asset pricing, can you break that into the benefit of repricing, the impact of floating-to-fix and also the impact of competition? And then on the liability mix, which was a 5 basis point boost, was that simply related to mix, or was there some price impact in there as well?

Richard Fennell
Executive of Customer Banking

All right, on the asset pricing, we -- with the investor lending change that came through, we were a little bit later than some of the others in the date when that had impact and in particular where -- to our third-party business. I think we're probably 4 to 6 weeks behind a lot of our competitors there, so that repricing there probably has had less of an impact, a positive impact, for our business than some of the industry. The later move again, although it was -- the timing was similar, the amount we moved was less. So the drop in price there has been driven by the intense competition at the start of the half but also the competitive position in fixed-rate lending, which continues to be a very competitive part of the market. And when you've got old fixed-rate lending rolling off from 3 years, 4 years, 5 years ago, it is getting reset at a lower margin because of that -- those competitive dynamics today. I can't give you an exact breakdown of 1.25% relates to this element and 0.75% to that, et cetera, but they're the key drivers behind that asset pricing deterioration of 3 basis points. On the liability mix, it is largely driven by mix and the move from term deposits to at call. I think you've seen the appendices. We've continued to see strong growth in our EasySaver product, which is now in excess of $1 billion. And I think it's -- we've only had it in place for less than 18 months. That price is at 25 basis points below the cash rate, so obviously, versus TD rates, that's -- that gives us a decent improvement. Also, the retirement account we have, although the headline rate is very attractive for balances over $50,000 being 3%, the actual weighted average rate of that portfolio is more like 2.5% because it's a stepped interest rate depending on how much you have in your account. So growth in the EasySaver and the retirement account have both helped the margin from a liability mix perspective. And look, it's -- I don't think we're on our own here. At an industry level, we are seeing stronger growth in those at-call deposits. I think a couple of drivers there. One is, no doubt, these absolute low rates of interest. When you're only earning less than 3% on a term deposit, people are less inclined to have that money locked up for 6 months or even 12 months. And I don't know how much of an impact the new rules for the liquidity coverage ratio are having an impact, but they may be impacting at the margin, where the ability to break term deposits early is -- unless it's financial hardship, it is really not possible to do that.

Richard E. Wiles
Morgan Stanley, Research Division

And could I just ask a follow-up question? Mike, you have for many years now highlighted your customer attraction with your Net Promoter Score, things like that. You've often said to us that Bendigo does not compete on price but attracts customers due to a higher level of service. With that in mind, why would you reprice your mortgages by less than the major banks and less than some of the regional bank competitors? If your customers are going to bank with you, anyway, because they value your service, then why are you not taking -- particularly in this environment when your margins are down, why are you not taking more benefit from repricing?

Michael John Hirst
Former MD, CEO & Director

So just you can't just look at the individual incidence of a reprice. You have to look at where that positions you in the market. So as you move into any repricing event, you might be 5 points below the market, 20 points above the market. And when that repricing occurs, you say, "Okay, where do I want to be positioned relative to my value proposition?" We were well ahead of the market leading up to that repricing. The repricing of 12 basis points, which was less than the majors, put us into the position across the market where we feel our value proposition deserves to be. And I think, if you think about that point in time, there was irrational pricing going on. We weren't partaking in it. The fact that everybody else had to increase 20 basis points to get back to some normality and we're only 12 reflects where we were at, at the market leading up to that point.

Operator

Your next question comes from Scott Manning with JPMorgan.

Scott Robert Manning
JP Morgan Chase & Co, Research Division

A couple of questions, if I may. Firstly, we haven't really touched on it yet, but if you could talk about the performance of the margin lending book given that it seems to get [indiscernible] across the share market over the last couple of months; how that's looking in terms of margin calls, leverage and the like.

Michael John Hirst
Former MD, CEO & Director

I think the book's been holding pretty steady, Scott, that I know, last week, there was 1 day there that there had been 130 margin calls that all got met, but the LVR in that book is pretty low. There's a lot of excess limit available. There's not a great appetite amongst retail investors for equities at the moment, which I'm sure you're all seeing as well. So it's holding pretty stable.

Scott Robert Manning
JP Morgan Chase & Co, Research Division

Okay. And just on the [indiscernible] margin generally. On the deposit book, which is giving a bit of protection, what's the thoughts around managing that margin going forward as higher wholesale funding costs ultimately link into deposit pricing, where you'll be a price taker against the market? Does that impact your willingness to grow given the higher spot costs of funds that you will need to grow the fund?

Michael John Hirst
Former MD, CEO & Director

Well, I think, Scott, the experience over time, and this isn't the first time in recent history where we've had the situation of wholesale spreads expanding and the impact then expected to come through in the term deposit market. And what you see is that, in time, the market reprices on the asset side. So it flip-flops around a little bit. There's a bit of a squeeze and then there's expansion back to more normal levels, and I've got no reason to expect that it'll be any different this time around.

Scott Robert Manning
JP Morgan Chase & Co, Research Division

Okay. And then finally, on the provisioning around 7 basis points with gross loans, what's the -- do you see that as a reasonable/normal/sustainable kind of level in the current low interest rate environment?

Michael John Hirst
Former MD, CEO & Director

Yes, look, I think so. And you can only take a read through what you're seeing in terms of repayments, in terms of arrears, et cetera, et cetera. And our read of it is that it's all really solid at the moment. There's no reason to expect that there are going to be significant blowout in bad debts from what we've experienced over a period of time and especially with the mortgage portfolio where there's such a large buffer being built by so many of your customers. And employment seems to be holding steady. So you'd want to see low arrears in this sort of environment when interest rates are low and employment's good. Then, something would be wrong if we were seeing something else.

Richard Fennell
Executive of Customer Banking

Scott, just to kind of sum it [ph]. I think one thing that does hold us in good stead: some of the industries that clearly are under stress such as the resources sector and the mining services sector, we're not heavily exposed to. So I mean we've got negligible exposure. And from a mining perspective, it -- I think about $20 million worth of exposure, so whether that's good luck or good management, but some of the areas that are stressed at the moment from a broader industry perspective, we're not exposed to.

Scott Robert Manning
JP Morgan Chase & Co, Research Division

And the final one, just on the Basel II capitalized software, you mentioned that it'll start to come to account but probably not in full until actual accreditation is granted. What's the reason behind that given that you're mentioning that you already getting the benefits operationally? And what kind of life would you be amortizing it over?

Richard Fennell
Executive of Customer Banking

Yes, the reason for that, Scott, is the amortization profile we have aligned to the benefit profile. Yes, some of the benefits are starting to come through now, so you'll start to see some amortization coming through now, but the reality is, from everything we can see, that the majority of the benefits will start to flow from a pure financial perspective once we get accreditation. So once we get accreditation, then that will take a step up higher. The actual period of time that the amortization is over varies a little, depending on the specific assets that are being built, anywhere from reasonably shorter lives out to at the very far end on some of the larger systems builds, sort of 8 or 9 years.

Operator

Your next question comes from Brett Le Mesurier with APP Securities.

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

A few questions. So firstly, you seem to be indicating that your capital requirement is going to 4 billion, but your capital ratio is drifting up. Can you reconcile the 2?

Michael John Hirst
Former MD, CEO & Director

Can you rephrase the question?

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

Well, you're saying that your total capital requirements are 4.3 billion. Your -- the economic model comes up with 2.3. You were indicating that you'll probably end up somewhere between the 2, implying that the capital requirement is coming down, but your capital ratio is going up. So why are you pushing it up?

Michael John Hirst
Former MD, CEO & Director

That's the difference between being on the standardized model and the advanced model.

Richard Fennell
Executive of Customer Banking

And Brett, from -- I think one way to think about it is, although we are working towards advanced accreditation, there's no guarantees. And in a period of time where our balance sheet has been flat, it's probably no surprise to see our capital increase.

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

So you're saying that change will not take place for some time.

Richard Fennell
Executive of Customer Banking

No, I'm not making a comment about the timing, but we can't...

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

Okay, [indiscernible] on it. It seems that the growth in your loans are coming from community banks and that the corporate branches and brokers aren't providing any growth at all. Is that a fair comment?

Michael John Hirst
Former MD, CEO & Director

Look, community banks are obviously younger, so they've got more opportunity before them. They're in new geographies, et cetera. The company sites under the Bendigo brand are doing as well. It's the drag on our -- in certainly the mortgage portfolio on our growth is really around that mortgage manager business where some of the mortgage managers have models where they distribute through brokers. And the costs associated with that are problematic, I guess. And there's another player in that market who's pricing very aggressively. And they seem to be picking up more business than we are.

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

Okay. And then lastly, when you talk about the changes in your margins in that net interest margin waterfall chart, that relates to some benchmark that you've chosen. Could you describe what that benchmark is?

Michael John Hirst
Former MD, CEO & Director

Sorry. What page are you on, Brett?

Richard Fennell
Executive of Customer Banking

16, is it?

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

The net interest margin. You've been talking about, for example, the asset loan margins falling 3 basis points, but of course, obviously the absolute level of interest rates has fallen more than that, so you're measuring it relative to benchmark. I was wondering what that benchmark was so you can make the comment that loan margins have fallen 3 basis points.

Michael John Hirst
Former MD, CEO & Director

So that graph refers to our margin, and it's the change from 2.17% to 2.16%. Part of it's driven by the falls in asset pricing, which looks at our internal funds transfer pricing model. So it's that funds transfer pricing model which we assess the profitability of assets and liabilities against that then plays out in that graph.

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

Right. So in your internal funds transfer pricing model, how does that relate to what's actually happening at the moment in the market?

Michael John Hirst
Former MD, CEO & Director

So it's based on observable market rates and then liquidity premium, term premium, et cetera, that get reviewed.

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

So there's a -- is there any discretion in there?

Michael John Hirst
Former MD, CEO & Director

Certainly.

Operator

Your next question comes from T.S. Lim with Bell Potter Securities.

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

Just one question. Your agriculture, forestry and fishing loans went down by about $330 million. Is that linked to Great Southern, or is it something else?

Richard Fennell
Executive of Customer Banking

T.S., that's the seasonal payback. Before the acquisition of Rural Finance, that used to be, well, probably about $200 million for this period, or the high 100s. Now with Rural Finance within the organization, that's a larger amount because that is payback from cropping farmers across the country. In addition, the Great Southern payback certainly does make a contribution as well, but we'll -- we would expect to see and we've already seen in the month of January that start to swing the other way as farmers start to draw down again.

Michael John Hirst
Former MD, CEO & Director

Yes.

Operator

Your next question comes from Ashley Dalziell with Goldman Sachs.

Ashley Dalziell
Goldman Sachs Group Inc., Research Division

Just a couple of questions. Firstly, on Great Southern. I suppose it's been about 12 months since you formally began collections there. And you've worked your way down sort of about 1/3 of those delinquencies. Just wondering if you can give us a bit of color in terms of what you're seeing now given you've probably worked through, I suppose, some of the easier wins and you're now getting into the second half of those delinquencies. You did call out it's been very tough, but you've released some of that collective. Just wondering how we should reconcile that and whether you can give us a bit of a feel for, I suppose, the time frame you're targeting to work through the remainder of that book.

Michael John Hirst
Former MD, CEO & Director

Sure. So I think the best way to think about that is, when we sat down and put in place the provision at the last half, we did a lot of modeling around people's financial position that was known to us, their occupation, how much they owed, et cetera; and made a best efforts judgment as to how much we'd recoup across each of those different categories. The experience to date is slightly better than what we put in those expectations, so we're -- I think we're pretty happy with the way things are going. We are experiencing a better payback than what our expectation was, which is why some of that collective provision's been released. Typically, there's -- you've still got to convince people that they lost a court case, et cetera, what have you. We've stepped -- we've got a lot in legal. And once those things get into legal, you really start getting some response from the borrowers.

Richard Fennell
Executive of Customer Banking

And Ashley, to your point, yes, you would expect the easier ones to pay back or move themselves back into order faster, but the way we've also worked this is to work down from the largest value borrowers to the lower ones. We also expect those values -- or those people that have a lower exposure to be more likely to repay in full because obviously it's...

Michael John Hirst
Former MD, CEO & Director

More affordable.

Richard Fennell
Executive of Customer Banking

Yes. Well, it's human nature.

Ashley Dalziell
Goldman Sachs Group Inc., Research Division

And just one more, just on the lift in impaireds through the half, a trend that probably wasn't consistent with some of the peer results recently. And as you did call out, your very under-led [ph] in natural resources where a lot of the stress is centered at the moment. Could you give us a bit of color on what's driving that?

Richard Fennell
Executive of Customer Banking

Yes, Ashley, there's one large exposure that moved into the impaireds. It's a longstanding lend on a retail property exposure. We've had -- this is a retail property where tenancy rates are below where the -- that we'd like them to be. So reflecting that, we've actually reduced the interest rate we're charging. Having said that, the borrower hasn't missed a beat to date in making those -- making repayments at the previous interest rate and then now at this interest rate. But to help them through this period with lower tenancies, we've restructured the interest rate on that. And it then fits the categorization of a restructured loan from an impaired perspective, and that's where it sits.

Operator

Thank you. There are no further questions at this time. I'll now hand back to your speakers for any closing remarks.

Michael John Hirst
Former MD, CEO & Director

Thank you. Thanks, everyone, for your time today and your interests.

Our view is that, with what we know of the market conditions going forward both in terms of how our balance sheet is positioned for a tougher market; but also in terms of what we're going to see on the competitive front, which we believe to be more favorable, we think that the organization is well placed to grow. We've taken, I think, a conservative approach to the income that's been generated through Homesafe. We're seeing good repayments in respect of the Great Southern portfolio. Our customers are well ahead on their repayments, so we're in a strong credit position. And I look forward to seeing what we can do with the value proposition that we have going forward.
Thank you.