Question and Answer

Tanny Mangos
General Manager of Corporate Affairs & Investor Relations

Thank you, Jon. We'll be taking questions from analysts and investors only. Can I please ask that you limit your questions to 2 only. For those in the room, please wait for the microphone, state your name and organization you represent. So we'll begin in the room first.

Andrew Triggs
JP Morgan Chase & Co, Research Division

It's Andrew Triggs from JPMorgan. Just to follow up on the cost investment side of things, there was a reasonable cost investment flagged last half. And I note, Anthony, in your comments, you mentioned that it will follow the revenue growth trajectory. But just in terms of the areas that you called out as requiring critical spend, like in the Internet and mobile banking space, just what extent of capital do you think is necessary there? And how much will be capitalized versus expense do you think in the next -- in the coming periods?

Anthony Rose
Executive Officer

So the -- what we've guided to is we've been spending approximately $50 million to $60 million of capitalized spend per annum and our amortization charge is effectively growing into that profile. We did talk about at the full year results the fact that we -- one of the things under active consideration which we thought was -- warranted sharing at the time we announced the capital initiatives, was looking at is there a way to deploy some of that capital in a fungibility sense into an acceleration of that program. That is still firmly on the table with similar guidance to what we've provided. Jon did mention about the significant infrastructure transformation program that we've got in place. We'd probably like to see a little bit more of that roll out before we fully commit to that capacity to deliver.

Jon Earle Sutton
Former MD, CEO & Executive Director

I think, for us, the message is the same with what we delivered at the last half. We have a high CET1 that gives us a high degree of optionality. If you look at our results over this last half, we are delivering on our long-term strategic priorities, particularly around how we're growing Virgin Money, particularly how we're growing BOQ Specialist, BOQ Finance as well. And there are a number of options available to us, so it can be capital management, further investment or it could be a combination thereof. So we actually have that under active consideration. The one thing I will say is it's probably not quite clear as what we thought it may have been last half is where APRA will go with the Basel rules in terms of local harmonization. So if there is any significant change, of course, we'll come back to the market, but we are in an enviable position to be able to prosecute further what we may want to do around our further investment or shareholder returns.

Tanny Mangos
General Manager of Corporate Affairs & Investor Relations

Next to Andrew.

Jonathan Mott
UBS Investment Bank, Research Division

Jon Mott from UBS. In the last couple of weeks, we've seen the Royal Commission join the Productivity Commission in suggesting that broker fees go to a flat fee structure and potentially even being paid for by the customer rather than the bank. If this eventuates, do you need to reinvest in distribution, especially outside Queensland? And also secondly, this also follows on from Sedgwick, they're sort of recommending changes that the banks will adopt as well. If that happens, what would happen to your

Owner-Managed Branch contracts, and would you need to renegotiate those contracts? So there's 2 parts to those questions.

Jon Earle Sutton
Former MD, CEO & Executive Director

You've cut your questions down a little bit, normally 6 part. But just dealing with the first one, brokers play a critical role in the Australian financial landscape, and they have done so for many, many, many years. And we fully support the broker business because customers choose. They choose to go to brokers, they choose to deal with brokers and they trust brokers. And we've seen the fruits of that over the last 6 months or the last 12 months, particularly with -- when you think about Virgin, it's a broker-led business at the moment. If you think about BOQ, again, broker-led. So I don't see the broking industry disappearing. Will there be change in how brokers are remunerated or -- that may be a possibility. And I'm sure that the industry will need to work through that. I think what is really important is, before we jump to any conclusions, is to really see what is the outcome from the Royal Commission, and then again what is the legislative outcome or reform, if any. But at BOQ, we fully support the broker industry. In terms of the branch numbers and commission structure, we run a balanced scorecard. We have had that in place for a period of time, and a number of -- the vast majority of our Owner-Managers have moved to that balanced scorecard. It's product diagnostic, particularly there's a real focus around ensuring that we've got the customer outcomes rights, so whether it's deposits or it's the loan product or whether it's just meeting those customer needs. So I don't anticipate us having to radically overhaul our balanced scorecard with our broker network -- with our Owner-Manager network.

Tanny Mangos
General Manager of Corporate Affairs & Investor Relations

Victor, next to Jon.

Victor German
Macquarie Research

Two questions from me, one on margins, one on balance sheet, if possible. So on margins, we've seen, and particularly in light of the fact that, obviously, Bank of Queensland doesn't have to pay the levy that major banks have to pay, the trends -- the underlying trends excluding the levy looks like they're a little bit weaker than what the feedback from other players suggest. So I'm just wondering to what extent, perhaps, that was impacted by the fact that you had to improve your NSFR. I'd noticed that your NSFR now is at 111, which is presumably a more comfortable level. And to what extent, as we go into the next period, you would expect your margin performance to be more aligned or slightly better than peers? I appreciate there is some movement around BBSW, OIS spreads. And excluding that element, are you more comfortable that your margin trends should improve? And on balance sheet, I think, Jon, you talked about your more conservative lending standards in the past leading to underperformance on your ability to grow mortgages. It feels like the industry has rebased to some extent and everyone is becoming a lot -- quite a lot more conservative. To what extent do you think that would be a potential less impediment for you going forward? And to what extent do you think you'll be able to come back to market in terms of your volume growth?

Jon Earle Sutton
Former MD, CEO & Executive Director

That's something that both Anthony and I have been talking about for a considerable period of time. And we have often spoken about the case study that -- where we could only lend $800,000 and another bank was lending close to $1.3 million. What is really, really clear, really clear out of some of the submissions at the RC over the last few weeks is that -- and a lot of the major banks have been actually just using him. I want to reiterate again what BOQ does, and this will stand us in the long term for our customers. We validate 100% of our mortgages. We ask the questions around expense and expense management for those households to ensure that they get the right loan. That's what needs to be done. And sure, I feel that over the last 3 or 4 halves that has held back our loan growth. But what is really important about our loan growth at the moment is that we have Virgin Money that is attracting a materially different type of customer to the bank that complements the BOQ customers that we have. We've got BOQ Specialist, in a short period of time have bought $4.1 billion worth of mortgages. We are building back towards system growth. I actually feel that system growth will probably moderate as some of these changes go through and some of the larger banks actually have to implement those changes. In terms of margin, big picture for us is to continue to execute on our strategy, particularly in our Business Bank. It's higher-margin business, and it's also customers that we will fulfill more than just one need. We will actually fulfill it on a relationship need whether it's foreign exchange or whether it's letters of credit or whether it's just including the lending or whether it's what we're going to be introducing shortly on a payments platform as well. But Anthony can talk more to the moving parts on NIM.

Anthony Rose
Executive Officer

Yes. Specifically to your question around the Net Stable Funding Ratio, I think the industry was on a pretty reasonable glide path to achieve the regulatory requirements. Again, with understanding that we were in a transitional period to sort of achieve the full element of the buffers, I think there was probably an expectation from the regulator that was slightly enhanced on that trajectory that did suggest getting to the buffer position more quickly was probably the most prudent. There wasn't much that we needed to do over and above what we were already doing. But what it did mean is we did see some more aggressive activity in the term deposit space, particularly in the middle market and negotiated space as well through that period, which, I think, I called out in the margin discussion, sitting at the full year results 6 months ago, we probably were expecting a little bit of outcome on the liability spreads coming through in this margin result than actually was achieved. And that, I think, was the largest contributing difference between where we are now to what we might have thought back then.

Andrei Stadnik
Morgan Stanley, Research Division

Good morning. It's Andrei Stadnik from Morgan Stanley. Just wanted to ask a couple of questions, one on the margin and one on just overall competitive environment. Just on the margin, I noticed that interest-only as percent of total book fell quite rapidly from 37% to 32% half-on-half. So could you comment a little bit about the switching we've seen in the back book?

Jon Earle Sutton
Former MD, CEO & Executive Director

I think the issue with interest-only is that all the banks have had the regulatory change. The one thing I'll say about interest-only, again, is where we have been for a long period of time is we made sure that any customer that walks through the door that wants an interest-only home loan, that they can actually afford to pay it on a P&I basis. And our testing was done on a P&I basis, and we did validate their expenses all the way through. So of course, probably the market has come back in terms of a P&I basis. And that's what the regulator wants, but there's a lot of commentary out there about what happens when customers move from interest-only to P&I, and I'm confident that we've had the right settings in the assessment of interest-only for when those customers do move back to P&I.

Anthony Rose
Executive Officer

So look, I think, the switching that we've seen hasn't been overly pronounced. In that, I think we've just seen a significant drop in flow. I mean, we've had some months where broker flows in interest-only have been high single-digits. And I think it illustrates the point that Jon's highlighted. It appears that the totality of the industry suddenly moved to P&I servicing very, very -- at a point in time. That is, I think, the only explanation that can get you from a 35% flow down to a 15% flow across the sector. More so than -- a pricing differential obviously then plays a part. But if you are getting a larger loan size because you are being assessed on interest-only, you might've been prepared to pay the extra points for it. And when that suddenly goes away and you're getting the same loan size, do you want to pay the higher rate when the proposition's not the same for the customer, or the broker for that matter?

Andrei Stadnik

Morgan Stanley, Research Division

It sounds like the switching in the back book slowed down towards the end of the half. Is that fair to say?

Anthony Rose
Executive Officer

I think there's been a general slowdown in activity in refinance across the sector. And I think a lot of that is that you can't just walk across the road to a branch and fill out a 1-page form and you're done within 24 hours. It is provide your bank statements, provide your details. You've got to prove now in a way that clearly other institutions weren't doing, so that's, I think, provided a natural disincentive for customers to look at refinancing because it's harder to do so than it was. And then you've also got that question around what's maximum loan size now that they might've been able to get relative to where the old settings were, and is that sort of incentive piece that's moved away?

Andrei Stadnik
Morgan Stanley, Research Division

And the second one about just competitive outlook. Outside of changes to risk-weights, what do you think the Productivity Commission review or any of the other reviews can deliver in terms of enhancing the competitive stance of BOQ and other regional banks?

Jon Earle Sutton
Former MD, CEO & Executive Director

Well the regional bank coalition has worked together over a number of years, and we did put in a very strong submission to the Productivity Commission. And I must say that the feedback from the PC has been really, really good. And again, I do sound like a broken record and forgive me if I do sound that way, but, again, if you think about where we are at the moment and what we've seen over the last few weeks in terms of responsible lending, the Big Four banks enjoy a considerable advantage over regional banks, particularly those standardized versus advanced, that have significantly lower risk-weightings and, therefore, will get much higher ROEs. But if you look at what the sort of behavior that's going on, it's interesting. And so we still advocate that there should be a narrowing of those risk-weights between advanced and standardized. You've still got the too-big-to-fail benefit, and it's all about that competitive neutrality that the regional banks are advocating. And we're going to continue down that path. We also fundamentally believe in greater transparency for consumers when they're dealing with brokers. It's difficult for a consumer to assess if they're getting a loan that is actually originated from a Big Four-owned broker. Again, those things all point to greater transparency for consumers, and I think that's really good for the industry. So there's no doubt that there are a lot of reviews going on, and really where these reviews come out at the end is probably sometime towards the end of this year. And it really will require what sort of legislative response or what the regulator's response will be to what falls out of the back of those inquiries. But we'll continue to push our case for competitive neutrality.

Anthony Rose
Executive Officer

I might add to that, Jon. Like I think the direction of the -- APRA's discussion paper on risk-weights is clearly positive around narrowing that gap between advanced and standardized framework. There's a lot of water to go under the bridge in the formulation of the final rules there. So we have to remain conservative until that emerges, but that is positive. And we do -- and we've been questioning for some time but what did emerge out of the Productivity Commission is it does appear that the flows into broker-owned businesses of propriety product are well above natural market share, which simply pose an obvious question. And we'll continue to want to understand that it is a level playing field and customers have been dealt with appropriately to ensure they are in the right product.

Tanny Mangos
General Manager of Corporate Affairs & Investor Relations

Any other question the room? Here to my left.

Anthony Hoo
Deutsche Bank AG, Research Division

It's Anthony Hoo from Deutsche Bank. A question on your propriety channel. You said the branch rationalization process is largely behind us. You've said volume growth, it takes some time to -- for that to get to a positive number. Just wondering, based on current pipeline, how far away do you think that is?

Jon Earle Sutton
Former MD, CEO & Executive Director

I said last half that it will be a while before we get back to total system growth. And there are a lot of moving parts with system growth at the moment. What I think is really important too is that we just don't just focus on what the branch does at an asset side. It is really important that we actually have the branches looking at both sides of the balance sheet in terms of lending on the asset side and meeting the customer needs, which is really important. And as you will have seen through these results, particularly with Virgin Money, $1.2 billion worth of home loan assets in a very short period of time. BOQ Specialist at $4.1 billion over a very short period of time over the last few years, and what we're doing in the Commercial bank, we still need to continue to raise deposits to fund these initiatives. Our Owner-Managers have not been immune to all these changes that have gone on in the external market, particularly around what other banks have been doing in terms of how they assess lending. But they are responding in a way that looks after the needs of the customer and looks at the total needs of the customer which include liabilities. We're really happy that we've -- that the branch numbers have stabilized. We've got a good pipeline of new Owner-Managers that are coming through. In fact, some of the newer ones that have arrived have had some very, very good success as well. So we're very committed to the network, but we're doing it in a balanced way. It's about the customer, making sure we serve those customer needs. It will take us time to get back to system growth, but there are a lot of forces out there at the moment. And I feel that, particularly around responsible lending, when you see the Big Four basically just using him as a measure that, that will start to come back towards us and assist us over time.

Tanny Mangos
General Manager of Corporate Affairs & Investor Relations

Question behind this gentleman.

Brett Le Mesurier
Shaw and Partners Limited, Research Division

Brett Le Mesurier from Shaws, a couple of questions. You said that your Business Bank loans have higher margins than your Home loans. Can you tell us what the average gap is, the average benefit that you get from Business loan margins relative to Home loans?

Anthony Rose
Executive Officer

Obviously, they come with higher risk-weighting as well. And so look on an adjusted basis, the margin to risk-weighting adjusted is slightly lower in our Business Bank than it is in our Retail portfolio. That probably moves depending upon how market dynamics and pricing changes occur across the sector from time-to-time. That's just where it is at the moment but it is, in an absolute sense, a higher-margin business.

Brett Le Mesurier
Shaw and Partners Limited, Research Division

And on your comments you made about the net interest margin in March being a couple of points higher than the first half and attributed that to TDs. Is that related to a block of TDs maturing, more expensive TDs such that, that benefit is unlikely to continue or recur for the rest of the half? Or is it a recurring benefit, do you think?

Anthony Rose
Executive Officer

So the -- we attributed that 2 basis points, and I think in the discussion, I did say we could expect a reasonable benefit from the liability side if current conditions prevailed. Now that's a very big if, because of where basis is at the moment. And that's throwing around spreads on both the asset and the liability side quite dramatically, depending upon, I don't want to get too technical, which parts of the curve you're actually looking at. So it is hard to provide that guidance, but if you look at our current new business spreads on TDs today, relative to our historic average portfolio, what's being written today currently is lower than the price at which it's rolling off. And that is expected to continue if we won't see any change in pricing. But that's a very big if, again.

Jon Earle Sutton
Former MD, CEO & Executive Director

Again, I think on -- the long-term strategy for us is to continue to work very hard at gathering low-cost deposits. And also we've invested heavily into some of the data analytics capability around managing our TD portfolio on a much better basis as well.

Tanny Mangos
General Manager of Corporate Affairs & Investor Relations

Okay. One more from the floor before we go to the phones.

Richard E. Wiles
Morgan Stanley, Research Division

Richard Wiles, Morgan Stanley. Anthony, I've got a question on capital. The APRA discussion paper proposes higher risk-weightings on higher risk loans. You look like you have about 50% of your loan portfolio that is either investor and/or interest-only. So just a couple of questions. Firstly, have you done any preliminary modeling on what your risk-weightings might be under the proposed measures? And secondly, do you think your risk-weightings as a standard bank are likely to go up or down on the mortgage portfolio as a result of that discussion paper?

Anthony Rose
Executive Officer

So the first answer is, yes, we've done some modeling. To be fair, that modeling is based upon clearly an incomplete assumption set. So we're not confident that the assumptions we've put in are actually going to be the outcomes. So it'd be preliminary for us to actually provide any of that. I think we're very confident with where we are positioned. Sorry, the second part to your question?

Richard E. Wiles
Morgan Stanley, Research Division

So do you think the risk-weightings on your mortgage portfolio will go up or down as a standard bank? Clearly, you're hoping that the gap to the majors narrows, but in absolute terms, up or down?

Anthony Rose
Executive Officer

Look, this is completed by the overarching statement in the discussion paper that effectively says we will have a recalibration of standardized and advanced risk-weights in our local jurisdiction. And then after that is all complete, there will be a consideration of a recalibration of the -- and I'll simplify this, a 10.5% target for a [DC] of advanced bank and an 8.5% target for a standardized bank. So there's a big recalibration question but nobody really knows what that answer is, other than the regulator I think has made it clear that on average, if you are a standardized -- if you are an advanced [DC] bank and you're holding 10.5% of capital, you're probably in the right spot. And there might be some winners and some losers in that. Likewise, if you're a regional standardized bank holding 8.5%, you're holding an adequate amount of capital. So unfortunately, to give you anything more than that would be based upon an incomplete understanding on our part. But we are very comfortable with 9.42%.

Tanny Mangos

General Manager of Corporate Affairs & Investor Relations

Okay. We've got some questions on the phone.

Operator

Your first question comes from the line of Frank Podrug of Merrill Lynch.

Frank Podrug
BofA Merrill Lynch, Research Division

Two questions from me. The first is, given significant changes to your book mix in recent years, history is probably no longer a useful guide when estimating loss rates, and indeed we've seen another strong performance this year. So what's the internal thinking around both mid- and peak-cycle loss rates aimed in the new, cleaner BOQ? And secondly, if I could just pick up on the interest-only discussion. So clearly, you and all the banks have got below 30 quite easily, which has included some repricing. What have you learned about consumer behavior in the process including resilience of the consumer?

Jon Earle Sutton
Former MD, CEO & Executive Director

Well, I'll deal with the resilience of the consumer and I come back to the point, I'm sorry if I sound that I'm repeating myself, but it is that we looked at our interest-only loans and assessed them on P&I and made sure that we had the conversation. What we are starting to probably see is that the investor overall, the housing investor, those -- that appetite is moderating in the market and probably there's quite a lot of press about it, quite a lot of media about it and it feels as if the home loan investor is probably keeping their hand in their pocket at the time being, given a moderation in house prices in some of the capital -- in the capital cities. In terms of loss rates through the cycle, we're very comfortable with the risk practices that we actually have within the BOQ group. And again, how our book will perform against others was largely going to be dependent on the policies and processes that we've adopted over the last few years. And again it's that conversation, particularly in retail, around customers, their living expenses, stress testing their ability to pay loans at a higher rate, which will really have a large impact on how banks perform through the cycle. Also, from our perspective, it's -- the economy is still ticking along nicely. It's still doing really well. Unemployment rates are really low. Absolute rates are still -- are at all-time lows. So do we see on the horizon a significant uptick in losses or arrears? No. And in the commercial bank, in the Business Bank, again, it's sticking to our knitting around the customers that we bank in the niches that we've chosen to be in. If you look at BOQ Finance, the levels of losses that we actually have are nowhere near what you'd see through the cycle on that style of business. So we're comfortable with where we sit at the moment.

Anthony Rose
Executive Officer

That's probably the one portfolio that is right at the edge of expectations on a through-the-cycle or a more mid-cycle perspective. You'd expect much higher loss experience for the nature of the activity that we've got there. I think we've called that out for some time that we wouldn't believe that's sustainable. That being said, again, the evidence on arrears rates, which are a really good leading indicator in that portfolio, continue to suggest it won't be returning to mid-cycle in the short term, which is positive.

Tanny Mangos
General Manager of Corporate Affairs & Investor Relations

We'll take another call.

Operator

Your next question comes from the line of Ashley Dalziell of Goldman Sachs.

Ashley Dalziell
Goldman Sachs Group Inc., Research Division

I just had one question on the margin. Just in your front book pricing and mix category, sort of suggesting that if the current mortgage pricing environment holds, that will be another 5 bps or so headwind in the second half. Can I just ask how you're thinking about that more broadly into FY '19? Again if the sort of current mortgage pricing environment holds and cognizant of the fact that by then you'll probably be a little past the hump in some of these interest-only changes through the market, can we expect that headwind to reduce sort of meaningfully into '19? Or does that look pretty locked at around 4 or 5 bps per half for the foreseeable future?

Jon Earle Sutton
Former MD, CEO & Executive Director

We don't make any comment about directions of mortgage pricing. What we will do, though, is come back to where our long- to medium-term strategy is. And that is to continue to work both sides of the balance sheet, particularly on the liability side. Low-cost deposits, every time you increase your low-cost deposits, it does help with net interest margin. We are actively managing our TD portfolio. Our treasury team did a fantastic job this year in wholesale markets, taking advantage of some of those cheaper rates in wholesale markets towards the end of last year and early into this year. Again, in terms of business mix, the Business Bank on an absolute level, not on a risk-adjusted level but an absolute level, does get higher-margin business, and we'll continue to pursue that. But again, there is the ebbs and flows of what you see in a competitive marketplace on mortgage pricing. And we're not making any prediction or comment about the future direction.

Anthony Rose
Executive Officer

Probably the other color I'd add to that is it does -- if you were to assume margins across the sector to be relatively stable or take it a step below that, that interest spreads on mortgages remained relatively stable, there's -- that would suggest a continuation of recent repricing activity that's occurred in the market. So -- and if that situation continues, that sort of 4 to 5 basis points type profile would likely continue. If we're to see a change in that dynamic, obviously, that's when that would change.

Tanny Mangos
General Manager of Corporate Affairs & Investor Relations

And now to a final question on the phone.

Operator

Our last question from the phone comes from the line of Azib Khan of Morgans Financial.

Anthony Rose
Executive Officer

Azib?

Azib Khan
Morgans Financial Limited, Research Division

[indiscernible] for the standardized banks will be...

Anthony Rose
Executive Officer

Sorry, Azib, do you want to start again, please? Sorry, we just missed the start of your question.

Azib Khan
Morgans Financial Limited, Research Division

Sure. Look, Anthony, you mentioned a couple of times that you think the unquestionably strong benchmark for standardized banks will effectively be 8.5%. And I agree, that sounds right. However, your interim target continues to be 9.25%. I'd just like to understand why is there so much conservatism in there. It's also sounding like -- it does sound like your initial modeling suggests that your total risk -- total credit risk-weighted assets will fall in light of APRA's [February] paper. So is part of the conservatism because you're allowing for the possibility maybe that if your risk-weighted assets do fall, your benchmarks may be increased to above 8.5%?

Anthony Rose
Executive Officer

That's clearly a potential outcome. And until we get the clarity, we think it's sensible to be conservative in our settings.

Azib Khan
Morgans Financial Limited, Research Division

It is possible, though, that your benchmark will remain unchanged. Do you agree?

Jon Earle Sutton
Former MD, CEO & Executive Director

I think it's -- Azib, it's Jon here. I think it's too early to say. I mean, Anthony has explained it well. There are a lot of moving parts yet, and we still have -- don't have quite have the clarity from what APRA will want to do around standardized versus advanced with Basel III. And we'll continue to do our modeling. And we'll -- hopefully when we come back for the next set of results, that we'll have a much more clearer picture of where we'll end up. So on that basis, we're comfortable to have the 9.25% as the target rate for the time being.

Azib Khan
Morgans Financial Limited, Research Division

Sure. So just another question then. So even with that 9.25% in place, I mean, your ratio at the moment is sitting comfortably above that. Even if we allow for up to 10 bps to be chewed up within the acceleration of investment spend at some point, it's still looking quite comfortable. And if your risk-weighted assets do reduce going forward, that adds to the strength. You've got another 20 bps adding -- coming to add to the ratio with the sale of St Andrew's, so there's a lot of fat there in terms of CET1. Why the decision to not announce a special dividend today?

Jon Earle Sutton
Former MD, CEO & Executive Director

Well, the first thing that's really clear is that the St Andrew's sale has only just been announced, and that's probably going to take 6 to 9 months for regulatory approval for the deal to conclude. And I think that we've been fairly clear on what we would do or what the different options that we actually have around our capital and they're under active consideration and we'll keep the market posted accordingly.

Azib Khan
Morgans Financial Limited, Research Division

Just one more question from me on that. If you are keen on keeping your CET1 close to 9.5% going forward, will you consider paying your special dividends and operating a 1.5% discount to DRP just to maximize distribution of franking credits?

Jon Earle Sutton
Former MD, CEO & Executive Director

Our target is 9.25%, and it'd be really inappropriate of me to forecast what we may or may not do with dividends. And we'll leave it as what we've said consistently last half and this half that having our CET1 at 9.42% gives us considerable degree of optionality through to grow risk-weighted assets, continue to invest in our business, or to undertake further capital initiatives or a combination thereof. And we're very happy at the positon we have at the moment.

Anthony Rose

Executive Officer

And just maybe on your specific point on the franking credit distribution point, I think the capital management initiative, the special dividend, the full year last year, demonstrated that we are conscious that liberating those franking credits is valuable to a large number of our investor base. And obviously, that would be a significant part of consideration of any future initiative going forward.

Tanny Mangos
General Manager of Corporate Affairs & Investor Relations

Okay. We've got one -- time for just one more question from the room. Just over here.

Edmund Anthony Biddulph Henning
CLSA Limited, Research Division

It's Ed Henning from CLSA. Two, hopefully, quick ones for me, so we can wrap it up. Just on the cost base, you continue to talk about managing your costs. Obviously, a lot of revenue pressure there. But can you actually, if the environment gets worse with amortization charge increasing, have cost go negative, growth that is? And just on the second one, you grew your term funding during the period, your wholesale funding. Have you got a buffer there? Or do you need to still continue to grow that?

Anthony Rose
Executive Officer

So on the first one. Look, you're talking in the hypotheticals of what does a completely different system outlook look like. And obviously, each business needs to adjust its settings to the prevailing environment that it's operating in. I think what you'd be talking about would be a reasonably significant diversion from probably the consensus economic outlook at the moment, for us to drive into that type of an outcome. On the term funding space, we are in a good position, 111% on NSFR. I would say we're in a BAU environment at the moment in that respect and we're probably at the right level. And -- but we'll obviously continue to look at the stable wholesale funding sources as an important element of our overall growth profile.

Tanny Mangos
General Manager of Corporate Affairs & Investor Relations
Okay. That brings an end to our briefing. Thank you very much for joining us.