Question and Answer

Jarrod Martin
Crédit Suisse AG, Research Division

Jarrod Martin from Credit Suisse. Two questions. First of all, you're talking about payout ratio targeting sort of around 70% mark, 72% in the first half, implies 70% or sub-70% in the second half. I just wanted to get some clarification on how you look at that and then just how, because your organic capital growth generation is actually quite strong, why you wouldn't consider even pushing that payout ratio higher. And then second question, just on business lending and your forecast of 4%. Latest sets of RBA financial aggregates in the last two months have seen a bit of a rebound. I just want a bit more color of what you're seeing at the coalface in terms of where that lending is going and why you're probably a bit more conservative than what we can see in terms of initial signs of a rebound.

Gail Patricia Kelly
Former Chief Executive Officer, Managing Director and Executive Director

Well, let's start with the capital question, and then move to the business one. I might actually ask either Rob Coombe or Rob Whitfield if they'd like to add to what they're seeing in the pipeline within the business field. On the capital one, it's not just the payout ratio we look at. It's actually also the trajectory. And as you can see, if you look at Phil's slide that he presented, it's a pattern that we're looking for as well. It was only one period during the midst of the global financial crisis where the SIPs changed down, but for the rest of it, there's a steady pattern of continued improvement. That's more or less tracked the payout ratio but we look at both. We think the current payout ratio is appropriate at 72% level for this half, very in line of where we are in the cycle. It's a slower credit growth environment and a lower impairment environment. So we think it's about right for now. Philip, if you want to add to the point.

Phillip Matthew Coffey
Former Chief Financial Officer

I just think that, that sort of the question a bit behind it if I'm not -- Jarrod, is there potential for capital management type activities and I guess, I think, that the answer is it feels a bit early for us. We'd like to see the details from APRA in terms of how capital is going to be calculated and get the final arrangements better down from the Basel committee and then we'll have a better idea at that point but the point that I did make and that we feel strongly about is that we feel in a good position today to earn from that capital.

Gail Patricia Kelly
Former Chief Executive Officer, Managing Director and Executive Director

So on business lending, it's been subdued as you know, the whole period -- in fact business lending, system business credit has been negative to flat. There's been some modest pickup and it's different in different segments. In the SME area, we've certainly seen some good pickup in recent months. But we think it's still going to be subdued in overall terms in the near term. We think it's more likely to pick up towards the back end of the 2011 year. But for a bit more color -- which Rob? Rob Whitfield, would you like to add something to that?

Robert Whitfield
Former Chief Executive of Westpac Institutional Bank

Yes, sure. Thanks, Gail. Look, in terms of being in the institutional end, we have seen a fairly subdued continuation of the deleveraging, Jarrod, but we would say that has really run its course. So we think for our own books at around the end of calendar year 2010, that was probably about the bottom of that part of the cycle so we do expect to see it increase from here. In terms of the early signs, M&A activity, certainly is picking up. However, that M&A activity is taking longer from gestation through to conclusion. And so boards are taking more time to make more conceded decisions and then to actually execute the transaction. It's a great board indicator in terms of the top end for business pickup. So it is there, we are seeing it. Activity is coming, but we think it's just going to happen and evolve at a more sort of conceded pace.

Phillip Matthew Coffey
Former Chief Financial Officer

I'll say that the 4% rate probably is reflective of an annualized view of it. And I think we had a bit of a slow start. I think if you were looking forward from the 12 months from here, it's probably -- we would see it more being in the single digits still then middle to higher single digits. That's based upon the confidence we're seeing from business, the profitability of business, obviously, the general outlook for the economy. There's some negative aspects as well. The high Aussie dollars is hurting some sectors as well and we are yet to see consumer confidence flow through as well. But based on what we're seeing in the past couple of months where we've had positive system growth in business lending of which we had participated in and matched, we would be expecting that to pick up over the next 12 months from here, higher than the 4% figure that we talked about.

Andrew Bowden

We'll take a question from the phone from Craig Williams please.

Craig Anthony Williams
Citigroup Inc, Research Division

Firstly, on Page 16 of your release. Could you provide a bit of a reconciliation between your soft spot buying balances at the end of September and March and the average line of the receivables balance that we see for the period?

Phillip Matthew Coffey
Former Chief Financial Officer

So Craig, it's Phil. The lower average growth rate compared to the spot growth rate simply reflects that we actually had a decline in business balances in the first quarter and that translates through into a lower average for the whole period. So that was the major factor behind that differential -- if that's your question.

Craig Anthony Williams
Citigroup Inc, Research Division

And second question, just looking at your bad debt charge impairment expenses, 19 basis points in the half, in fact, I think on a second quarter run rate basis the number might have been something more like 16 basis points. You've noted that impaireds are trending down, so I suppose my question is, how low can you go?

Gail Patricia Kelly
Former Chief Executive Officer, Managing Director and Executive Director

Well, that's lower than the average of the cycle. The average of the cycle would be more in the sort of mid-20s sort of range. And as you know, with cycles like these, you have a number of years, more years below the average of the cycle and then just a couple of years that actually spike it up and pull over the overall leverage. So we wouldn't expect to see much improvement from where we are in the short run. We would expect to see a sort of continuation of the current pattern with regard to impairments. We are, as I think our results show, seeing more in the way of stressed assets moving back to health. But nevertheless, there's still a fair bit of stress out there. So Phil, would you add to that?

Phillip Matthew Coffey
Former Chief Financial Officer

No, that's it.

Jonathan Mott
UBS Investment Bank, Research Division

Jon Mott from UBS. Just following on from that. If you just flip over to Page 80 of the investor discussion pack, it's got some pretty good charts on delinquencies. So [indiscernible] what you can see there is that across all states, mortgage delinquencies are really picking up. It's not just the Queensland flood issue but also the 30-day delinquencies picking up a lot more aggressively than the 90 days, so presume that will flow through over time. And I think some of the comments you make is it's around the 2007 and '08 vintage mortgages, the first time owners really coming to struggle a bit with the pressures on their budgets. Given that the federal budget's going to be tough next week, there's probably going to be more rate rises, the high Aussie dollar coming through. It's not too hard to assume that you're going to see even more pressure on the consumer and on many industries throughout Australia. So what gives you such confidence to start releasing economic overlays through the P&L when we're seeing stress come through on consumers at the early stages and albeit off a low base and that will flow through to a number of other industries, we're seeing profit downgrades come through very regularly through the market demand.

Gail Patricia Kelly
Former Chief Executive Officer, Managing Director and Executive Director

Jonathan, I think we know what we've seen over the course of the global financial crisis -- the cycle plays through exactly as we would have expected. In phase one, the top institutional and the single-name exposures, direct impact there, the influence through the commercial, the commercial sectors and SME, and now we're into the third phase and it's exactly what you would expect to see a pickup in consumer delinquencies. We do think it's off the small base and we think it's very manageable. It's an orderly pickup but it's exactly what we would have expected to see. The overall health of the portfolio just remains exceptional. The other element that underpins our confidence here is unemployment remains in very, very good shape. And consumer balance sheets are in better shape than they've actually been prior to the global financial crisis. Are you in a position where consumers were spending more than they were earning. So for every $1 that they were earning, they were spending more like $1.05 or $1.10. They're now in a position where they're saving 10% of what they earn. So they're saving $0.10 of that $1. So their own balance sheets are in better shape. They've been quite cautious. They had a shock and they're being quite cautious, but we would expect to see delinquencies pick up. It's not flowing through the loss reserve. Loss rates remain exceptionally low. As you know in Australia, we've got an overall mortgage book close to $300 billion, with close to 1.5 million accounts or customers. And our actual losses in Australia was something like $32 million for the half. So they're not flowing through the losses and that's a function of the very strong underwriting standards that we have, the approach that we take towards assessing credit and assessing our customers' affordability. So feeling very competent there. Let me ask Phil -- let's talk more about the overlay and the factors that's actually put behind that.

Phillip Matthew Coffey
Former Chief Financial Officer

Yes, and maybe I could also just pickup because the consumer delinquency is going to be something that is going to attract attention in this reporting season. And I think you picked up the point around the measurement factor here, Jon, which is that the customer did quite a large amount of mortgage lending in '07, '08 and '09. And because history shows us that delinquencies kind of reached a peak in that 2 to 3 year period after drawdown, what you're seeing is, that pool of large loans coming through and reaching that period of maturity and lifting the overall average of our delinquency picture. And because new lending has been quite a bit less than that, the lower delinquencies you get on the new lending of the book are not there to help offset that, and so that's what drags the average up. And so that's a statistical issue. The actual delinquencies we're getting from those cohorts are a bit high, but not dramatically higher than what we've seen in the past. It's more of just a statistical factor coming through. And it's not particularly connected to first-time buyers. First-time buyers continue to perform better than the average. But they were a bigger part of that overall lending process, so you're seeing that in their overall picture. On the economic overlays, half of the overlay you'll see is actually a release of specific overlays around the property cycle. And that's not only reflecting the fact that if you look in aggregate across Australia, the commercial property sector is healthier, with vacancies lower, et cetera. It's also because over time, it's harder to argue that you need to keep it in an overlay and it hasn't been recognized somewhere in an individual exposure. And so through time, we've got to a point where we feel very confident that almost all of our problems in property we know about, they're recognized in our grading, they're recognized in our individual or collective provisions and so you can't justify holding it as a provision in overlay, and that's what is behind that.

Ben Koo
Goldman Sachs JBWere Pty Ltd, Research Division

It's Ben Koo from Goldman Sachs. Just a question on pre-provision growth, and in particular, I know you have said there's some quarter-on-quarter noise from time to time, but just wanting to get a sense on your quarter-on-quarter growth in pre-provision earnings was actually flat despite the fact that you actually had two additional months of loan repricing in that quarter. I understand that cost inflation was one of the issues and you mentioned that on the quarterly update that you had some wage increases, which is one of the headwinds you had. Can you just talk to what may have caused just the flat growth over the quarters and markets, and more importantly, as we look forward, what gives you confidence that you're going to see improving momentum into the subsequent half?

Gail Patricia Kelly
Former Chief Executive Officer, Managing Director and Executive Director

One of the factors was at least in the way of market income. So treasury and markets income was lower in the second quarter relative to the first quarter. So that would be one factor. Our actual core businesses are absolutely evidencing momentum and the deep momentum and activity. So lead indicator momentum as well in terms of applications flowing through and applications being approved. So that was one of the bigger factors in the second quarter relative to the first.

Phillip Matthew Coffey
Former Chief Financial Officer

I mean, in the other two insurance costs, clearly they were much bigger in the second quarter than the third quarter. We took high provision at the end of December but the magnitude of the floods in Queensland, the cyclone, the knock-on floods in Victoria, all those things were second quarter events, which actually contributed much more to the insurance costs. And then the third factor, which is not huge but which was evidently -- we've seen in the last two years, actually, is that as corporates have sort of repaid debt in the December quarter prior to December balance sheet roll off. That generates establishment fees being crystallized in the institutional bank. And so we've tended to have a better December quarter than it has March quarter. So some technical stuff, some trading stuff and some claim stuff, but as Gail said, the underlying business actually grew quarter-on-quarter.

James Freeman
Deutsche Bank AG, Research Division

James Friedman from Deutsche Bank. I just wanted to get an idea on the cost. Obviously, a very good performance in this half. You mentioned a couple of headwinds. Also just looking, there are a couple of tailwinds as well. You've got a spot in balance in the number of staff well below where the averages, so it'll help keep determine the second half. And just a bit of an idea as to where the productivity improvements are going to be tracking for the second half? Just trying to get an idea as to exactly where this cost picture goes, if you could wrap into when the amortization expense comes through for SIPs and what sort of profile we should be looking for there?

Phillip Matthew Coffey
Former Chief Financial Officer

So I think the best that we have identified where we think we'll have additional cost, which is the full impact of the higher salary and wages that we paid, that's just a natural consequence of the increase that happened in January. The SIPs amortization will pick up but it will actually be quite modest in the next six months. But some of the SIPs expenses will actually drop through the bottom line. A bit more of that would drop through the bottom line rather than be capitalized. We kind of are -- as you look at the big projects, we're sort of moving through that capitalization phase and there'll be a period in which we've got less going on to the balance sheet and more dropping through to the bottom line. I think, the major factors you've pointed out that we've got one of the ongoing benefits of productivity program is the trajectory on FTE cost and we would expect that to help offset that. And we continue to look for more ways and particularly in the kind of lending processes, we still think that there's some clunky things that we do that can reduce rework, that can reduce duplication, that can reduce doing things quite differently in different parts of the company. And so that will all help to both deliver more time for the relationship managers with their customers and lower costs. I think we took most of those benefits in terms of costs in the first half. We did look to have more of those benefits back into the relationship managers with their customers in the second half. So we put all that into the part and we believe that for you to have an expectation that costs are going to continue to climb is too aggressive and which is what we called out.

James Freeman
Deutsche Bank AG, Research Division

Is it fair to assume that the rate of productivity improvements will start to slow? Or is the first half abnormal as to what you would expect from the half-and-half basis? I mean, can we do anything with that number? Can we annualize it or [indiscernible] actually looking at it?

Phillip Matthew Coffey
Former Chief Financial Officer

No. I think that the issue is that we would see productivity both in costs out and revenue up from more engagement and happier customers. And what I'm pointing to is that I think that productivity mix is actually going to shift more to the latter.

Richard E. Wiles
Morgan Stanley, Research Division

It's Richard Wiles for Morgan Stanley. I just want to ask a question about the Westpac Retail and Business bank. There seems to be a lot of good things going on. You've got decent deposit growth, you've got mortgage growth above the system, you have more than four months benefit of standard variable rate rise, deposit pressures are easing. So there's a lot of good things in terms on leading indicators and yet revenue growth was only 2% half on half and the margin was down. So I'm just wondering if you could provide an explanation as to why some of those indicators aren't playing through into better revenue growth, and also give some sort of outlook for revenue growth in this division going forward.

Gail Patricia Kelly
Former Chief Executive Officer, Managing Director and Executive Director

Well, you're right. There are some really good indicators there. And I think they bode well for the next period. I mean, what Rob has done is an outstanding job of actually managing for his mix of business, deposits in particular. We used the period quite fully to actually make sure that we get the deposit profile that we'd actually like to have. And that did result in some improved margin in his deposit business. So you're going to see more of that actually flow through into the second half and more of the repricing on the mortgage side actually flow through into the second half as well. I don't know, Rob, if you'd like to add anything to that?

Robert Whitfield
Former Chief Executive of Westpac Institutional Bank

Only just on the margin. We booked our line fees in non-interest income. So if that was reflected back into interest income, you would've seen flatter margin performance there, so if you look at the difference between the two. The other thing I'll say is, it's not -- I wouldn't say it's a huge factor at this point in time but it's significant and we'll be growing at the time. We don't book the revenue-generating part of the Wealth businesses in RBB as well. That obviously gets booked in a separate business, but if that was attributed into the P&L, you would see a different outcome there as well.

Gail Patricia Kelly
Former Chief Executive Officer, Managing Director and Executive Director

The last thing I'd mention is they are still, of course, a rising cost of funds and that business had the biggest growth in terms of lending, those mortgages and business lending. And so it would absorb the highest factor there with regard to those increasing cost of funds. So it's growing at less accelerated rate than last year but it's still there.

Richard E. Wiles
Morgan Stanley, Research Division

Can I refer to Page 98 of the result, in the provision rolled forward, a question for Phil. Phil, if you look at the collective provision move, it's gone down from $3.4 billion to $3.188 billion and we had a look at the components of that, we see pretty consistently, the write-offs which either way has been led to believe that's where you basically collectively provide for the expected impairments on the credit provision on the credit card book and when they come through, you write them off there. Now to me, that feels more like an individually assessed, that feels more like a specific loan loss than a value kind of collective provision. If we net that out, then it means that the individually -- like the specific loan loss charge was substantially higher. My question is, how much longer do you reckon in this environment we can see Westpac basically augmenting earnings or basically reducing the collective provision? I understand all the problems you have getting it through the accountants, but I'm just wondering, I suppose, whenever you look at the result, that's a good result, but that's largely what drove this, the reduction in the collective provision. Can you give us some future direction on the quantum of that collective provision balance? You've been paying out 70% as it is.

Phillip Matthew Coffey
Former Chief Financial Officer

You're right. That write offs in collectively assessed provision is against credit cards and personal loans, so it has to do with as those customers go longer than 90-days delinquent, we write them off. And that's been seen as impaired if it comes up through the collective -- it's accumulated through collectively assessed provisions and then written off against them as well. I mean, if you'd like to put them into individually assessed provisions in your model, Brian [ph], obviously that's. . .

Brian D. Johnson
CLSA Limited, Research Division

Well, I do, but my point is that, it lowers the total charge by about -- that net reduction in the collective provision boosted this result by about $250 million. And I'm just wondering if we can get some direction on how much longer that can continue.

Phillip Matthew Coffey
Former Chief Financial Officer

Well, look, I think if you look at the change total impairment charge, as I showed in a different chart, actually, it's do with lower individually assessed provisions against what was lower new impaired assets. The actual collectively assessed provision charge was only $7 million different half-on-half. So the story there in terms of how the provisions charge changed over the half is really one which is totally consistent with a better impaired asset story. In terms of your bigger question, which is how long can we get earnings supported by lower impairment charges. I think I made the point that we think impairment charges can head low but we're not going to see the same kind of benefit that we've seen in the past. But we've been dealing with a very low credit environment as well and part of the reason that we haven't had better results is actually average asset growth has been quite low. And it was again in this period. But if you're like us and you believe that, that will pick up, then we would expect to see a bottom line more supported by core earnings and less supported by the reduction in impairment charges. And that's what the company is setting out to achieve.

Brian D. Johnson
CLSA Limited, Research Division

When you presumably had your interface with APRA, you've got an expected loss charge which ANZ actually disclosed. And in Australia, I think from memory, it's probably mid-30s. Could you tell us what that figure is versus the 19 we've seen in the result?

Phillip Matthew Coffey
Former Chief Financial Officer

We don't disclose it. We disclose the regulatory expected loss which you can see in the deck. But that obviously deals with the downturn loss expectation. But I think as ANZ explained yesterday, that expected loss number is a bit like the average number that Gail talked to. It's a number that probably will never be right in the period, and for most of a decade, you're going to be below that number. So we haven't put it out for that very reason. We're trying to suggest to people, well, that's what you should expect to get or maybe out of 10 years, that's what you should expect to get, but not in any one particular period.

Brian D. Johnson
CLSA Limited, Research Division

It's just that I think everyone forgets it [indiscernible] Wespac loves the 100 years of retaining shareholder funds in one year and this is what the world is supposedly fixing up.

Phillip Matthew Coffey
Former Chief Financial Officer

Well, I think it's entirely wrong to suggest that Westpac has forgotten that. I mean, it's something that is deeply etched in the way that we manage risk and it's why we maintain sector-leading coverage in our impairment provisions. It's why we have deliberately set out to reduce our commercial property exposures over the last two or three years. If we've been chasing revenue, we would have held on to those exposures. But we've actually re-tilted the portfolio to reduce risks. So I think there's a lot of things that we've done that demonstrate that we are and want to be considered a first-rate risk manager.

Andrew Bowden

We'll take a call from the phone. It's Matthew Davison.

Matthew Davison
BofA Merrill Lynch, Research Division

A couple of questions relating to Phil's considerations for the second half. Firstly, just with the comment around pricing changes to offset rising funding costs. Should we read that as you would expect growth NIMs in the second half to be at least flat on the first half, if not up? Then the second question, just related to the SIPs expense going forward. Last year, you mentioned that you expected to capitalize half of the SIPs expenditure and in this deck, you're saying you expect to capitalize most of the SIPs expenditures. So I'm just interested in the reasons behind that and what sort of headroom that gives you on cost near term.

Gail Patricia Kelly
Former Chief Executive Officer, Managing Director and Executive Director

We're not in the margins point -- I think the best way to use for the second half relative to the first half is stable. Clearly, there's some benefits flowing through from pricing decisions already implemented on mortgages and deposits. So that's on the upside. On the other side, there's continued increase in funding costs. So the best way we're using for expectation for second half is stable. That's on margins. On the SIPs, it's really much a function of what the actual program is that's being implemented because some carry higher levels of capitalization than others. So, for example, anything to do with the data centers, which is infrastructure, much higher capitalize charge than some other SIPs programs which draw more on them, on salary people, and there's more direct expense associated with it. So I think there was some shifts in timing around which programs we did in what order that actually translated to some of that shift.

Unknown Analyst

Philip from M&L [ph]. Group costs of about 44 net operating expenses, net operating income. And you've got in BT, you're running at about 50, which has come down from about 52. You've got some sort of clarification on targets for that as a percentage going forward?

Phillip Matthew Coffey
Former Chief Financial Officer

Look, I think we would normally expect the Wealth business to run with a higher overall expense for the revenue generated that's sort of an industry average. But I think BT would also, and I'm sure Brad would be keen for me to point out, has actually dropped that ratio quite a lot in the last two or three years as they've improved their processing of their business and got a lot more end-to-end sort of functionality and how investments are handled. Overall, we've said we don't have a target for expensed income as one of our peers has. But we would expect that as we deliver the benefits of our SIPs program and get the benefits of this real scale economies are bringing St. George and Westpac together that we would expect our cost income to track lower, and we still are firmly of the belief that, that's likely and it'll happen particularly as we deliver the real big benefits of SIPs, which is 2013 and beyond.

Scott Robert Manning
JP Morgan Chase & Co, Research Division

Scott Manning from JPMorgan. Just one on looking at the expected resumption of growth for the second half and also into next year. Just the funding consequences of that. On Slide 13, you've got the mix of customer deposits where you rolled off the high-yielding deposits and rolled that into other areas. When we look at the APRA stats, the household deposits haven't actually grown during the period so it looks like the growth in the deposit base has been funded through the business deposit book. If business credit growth is expected to come back, you would expect the business deposit growth to come down, therefore, how are you thinking about funding that growth going forward? Do you need to get back to system levels of growth in the household deposit book? And if so, what's going to be the margin consequence seeing that you have not grown that book for six months?

Gail Patricia Kelly
Former Chief Executive Officer, Managing Director and Executive Director

We certainly expect in the second half to be growing at system growth for retail deposits and we'd expect to do that without material margin erosion. And that's because we've used these past six months of lower credit growth to actually really adjust the mix of our portfolio in retail deposits. So we've rolled off some of the deposits that aren't associated with customers that actually have a deep relationship with us and are more price sensitive, more sort of hot money, if you will, so we roll those off. Also, adjusted the structure of our e-saver accounts with the bonus saver account, so that they would actually raise the baseline for that account but we've reduced the amount of incentive or upfront that's associated with it. So we've got a better profile for that account that we think is actually fairer and more transparent as well. So having made the structural changes to the mix of our portfolio, we fully expect to grow at system growth for retail deposits and indeed, to grow system growth for business deposits as well. But we've been managing the overall profile of our maturities pretty well. As you can see, we've looked ahead into 2012 and actually done some pre-purchase there of the government maturities, government-guaranteed maturities that are falling due in that year. So I think we've absolutely going to be growing deposits at system. We continue to have very strong names in offshore wholesale markets. Covered bonds will be coming towards the end of the year and we'd expect to be out of the blocks with that, as well as actually we've got a manageable maturity profile for next year.

Victor German
Nomura Securities Co. Ltd., Research Division

Victor German from Nomura. If I could just get your comments that you made in the full year results. You've given guidance on positive jewels for this year, which you clearly delivered in this half. Should we take that guidance as a full year guidance or would you expect to continue to deliver positive [indiscernible] half and half in the second half?

Gail Patricia Kelly

Former Chief Executive Officer, Managing Director and Executive Director

Look, we haven't thought to give positive guidance, particularly on this particular topic. I think we've shown that we can manage costs well. And I think that we've shown we can manage costs well relative to revenues. So we're very cognizant of revenue trends. Best prize for us is that we grow our revenue quite a bit higher and then we'd be happy to see costs grow quite a bit high too, so it would be a much better mix for us overall. So we're going to retain some flexibility on growing our costs if it's going to support a high level of revenue. So we're not giving guidance, particularly on it but very cognizant of the various levers we have.

Victor German
Nomura Securities Co. Ltd., Research Division

You would keep that sort of thinking in the second half in terms of half-on-half basis?

Gail Patricia Kelly
Former Chief Executive Officer, Managing Director and Executive Director

Yes, for sure.

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

Brett Le Mesurier from BBY. Question on market shares and growth residential lending has been below system as you relied less on brokers. Do you see that you're going to be performing that system going forward for the next six months and could you also say for business lending in general that you would expect to be growing at system in the next six months as well?

Gail Patricia Kelly
Former Chief Executive Officer, Managing Director and Executive Director

If you look at the different components of our business, we expect RBB is actually growing above system, the whole way through the year. So in this past six months, it had grown 1.1, 1.2 and for the March to September, six months is even higher than that. So Westpac RBB has grown about system the whole way through and really had offset any customer change in something like 99% of customers retained in that brand. It's been at St. George that we've had the softness in mortgage volume. So they've grown well below system and that's being largely driven by the reprioritization of the first party -- of the third party and it's been most marked in those geographies where St. George doesn't have as strong a physical footprint itself. So going forward, we'd certainly expect -- we expect RBB to continue with strong momentum and continue to grow above system. St. George, we'd expect it to grow at system, around system in its core geographies which are New South Wales and South Australia, because that's where their own proprietary distributor exists. So that's where we'd be expecting to see there. Obviously as Bank of Melbourne comes on stream and as we roll those branches out, you can see a pickup there too, but that's a little bit over the horizon for the moment. Business credit, we'd similarly expect a similar pattern. We expect RBB has grown above system and we expect to see that continue. There's really strong momentum in that business based on the investment that we've made. And in St. George, we've been through very significant repositioning I suppose around commercial property and there's still deleveraging going on in commercial property. It's a runoff in commercial property within the St. George business. But we'd certainly expect to see a pickup, again, New South Wales and South Australia in particular.

Phillip Matthew Coffey
Former Chief Financial Officer

I mean, I think the only thing to add on top of that is the institutional bank as you heard from Rob earlier, outlook looks good and we think we're well positioned, but in any particular short period, the balances can get really moved around by the kind of transactions that they do. And that can distort growth in any particular short term, whether they've taken a deal on in one period and underwritten it onto the balance sheet and then sold it into the market in the next period. That can distort the period-on-period growth.

But in terms of our share of credit activity in the institutional bank, we'd absolutely be expecting to get our fair share of that.

T.S. Lim
Southern Cross Equities Limited, Research Division

It's TS from Southern Cross. This is under Slide 20. The slides indicate that you're going back within WA in terms of mortgages. Is the selecting taken up by Westpac Local or do you have plans to bring in another regional bank?

Gail Patricia Kelly
Former Chief Executive Officer, Managing Director and Executive Director

In West Australia, you're right because we've obviously deprioritized the mortgage broker channels. St. George has very little presence. Within West Australia from a retail point of view, it's just literally a handful of branches that they have there. So you would expect to see exactly what the results are with regard to mortgages there. Westpac RBB is doing well as expected, well, as expected within Western Australia. We're not trying to pick up the slack of St. George but they're traveling very well in Western Australia. I know we don't have any plans around any further regional brand at the moment.

Andrew Bowden

Okay. Well with that, I'm going to call the conference to a close. And thanks very much for attending, and good morning.

Gail Patricia Kelly
Former Chief Executive Officer, Managing Director and Executive Director

Thank you.

Phillip Matthew Coffey
Former Chief Financial Officer
Good afternoon.