# Question and Answer

**Unknown Executive**

Thanks. Just usual protocols for Q&A. If you can wait for the microphone, state your name and the organization that you represent. I think we'll go to the very back of the room, Andrew Hill.

**Andrew Hill**
*BofA Merrill Lynch, Research Division*

It's Andrew Hill from Merrill Lynch. A couple of questions. Firstly, just around the NIM trends that we've seen. For the last couple of years, it's been a pattern of an asset headwind, offset by a funding tailwind. It looks as though the funding tailwind is drawing to an end while you're still facing some pretty substantial headwinds on the assets over the balance sheet. I'm just wondering, should we think about the funding tailwind is having come to an end? Or are there other things going on? And secondly, in the absence of the mortgage repricing, are you still going to face some pretty heavy asset headwinds going forward. So that's the first question. And the second question was, thanks for the disclosure around the mining exposures. I'm just wondering if you could also comment on your exposure to commodity trading firms and also how that would be classified among the industry segments.

**Craig M. Drummond**
*Former Group Executive, Finance & Strategy*

Okay. Thanks, Andrew. On margin, look, the reality is on the wholesale side, spreads are wider. So our average portfolio spread at the moment is about 128 points. We were issued -- our average issue price last year above swap was about 94 points prior to sub debt issuance. And if we're issuing today, 5 years would be at probably 110. So I think in a portfolio essence, we'll probably still see some portfolio benefit, assuming spreads don't move further away at the moment. On the deposit side, I can't -- the reality is we have had a lot of tailwind, and you can see in the numbers that the tailwind has slowed quite a bit. On the asset side, there's ups and downs clearly, depending on the composition. But as we've highlighted in the business lending space, there remains a very competitive market. So I just keep coming back to the -- looking at the group margin. The group margin was down 4 points, 2 points ex markets and treasury. And of course, look, if rates keep falling, there'll be less -- the move -- there's potential that -- for the sector, there could be a little less benefit -- capital benefit than what we've seen. So I would tend to use, in the way I think about it, is tend to use the margin trend of the last year sort of looking forward. So I think there will be -- to your point, there's a bit of -- a little bit of pressure around funding but there's -- on the asset side, there's a little bit of benefit as well. So I think net-net, this is not a forecast because your forecast would be as good as mine, and I'm not allowed to give you a forecast. But if I was, I'd be sort of broadly saying similar types of trends, maybe a touch better. Second one on commodity trading exposures, I'll have to get back to you on that. I -- it's not something that's come up. Unless David Gall -- where is David? Oh, David, unless you wanted to make a comment specifically about that.

**David Gall**

Yes, I'll just make 2...

**Craig M. Drummond**
*Former Group Executive, Finance & Strategy*

[indiscernible] grab a microphone.

**David Gall**

Just 2 quick comments on that. We do have some exposure there. As you -- I think you'd expect any of the majors, too. The 2 comments would be when you break down that exposure, largely it's in high-quality assets, often Australian-based. And the other point is a lot of it is trade facilities. So it is self-liquidating.

**Unknown Executive**

Okay. Richard?

**Richard E. Wiles**
*Morgan Stanley, Research Division*

Richard Wiles, Morgan Stanley. You've formalized the payout ratio target of 70% to 75%. In this year, I think you said ex conduct costs, you're at 76%. You're selling some assets. Are you losing some earnings? Slide 30 shows that the organic capital generation is very, very modest. You've got a higher share count. And so a lot of things putting pressure on the payout ratio for 2016. I don't expect you to give us an earnings forecast for next year. But if the earnings don't improve, are you comfortable -- would you be comfortable with the payout ratio above that formal target for a short period of time?

**Craig M. Drummond**
*Former Group Executive, Finance & Strategy*

It's a good question, Richard, and something we obviously talk a lot about internally. We are comfortable with the 70% to 75% and we say a medium-term target. In the short term, I think we said around -- at the first half around the capital raising that we're comfortable to be above that target if we have to be for a short period of time. So from the point of view of capital franking, if you think about the major drivers, capital and franking are 2 of the more critical ones. We're comfortable enough to continue with that sort of medium-term target and comfortable enough with where our dividend sits.

**Unknown Executive**

Scott?

**Scott Robert Manning**
*JP Morgan Chase & Co, Research Division*

Scott Manning from JPMorgan. I have 2 questions. Firstly, on the Business Bank, seems like you've stabilized the market share there and improving in some key areas but obviously with the margin down 10 basis points against your growing balance sheet. So on an economic capital kind of argument, the ROE there is trending down, if you take it through the cycle loss point of view. So if you can talk about the defensibility of that margin and how low you are going to see that slip.

**Craig M. Drummond**
*Former Group Executive, Finance & Strategy*

I'll make a start, Andrew. I think, Scott, it's a really question. Again, it's a debate we have internally. The key -- the inputs into our discussion, I suppose, are, are we lending in the right areas? Are we lending to the right customers? So are these core heartland customers? What it's doing to our overall Business Bank ROE? And what is the front -- are the front book returns above cost of capital? Or can we see them above cost of capital over the near term? Are these relationships -- now for example, if you don't want to -- and business lending product is only one. We have to think about the total relationship return. So we shouldn't just simply be focused on the lending product. But the lending product is very important. So when it -- if you've been a banker to a customer for 20, 30 years and you decide to step out or not participate in a syndicated facility, you may not get back in for 10 or 15 years. So these are very serious decisions that you need to make. So we look at the -- from a capital allocation point of view, we're saying, "Is the business earning returns well above cost of capital?" Tick it is. Is the front book -- and we will do some front book business periodically that will be below cost of capital. I have no -- we know that. But is there a pathway where we're doing that to get above cost of capital? Is there -- is this a customer that we've had on our books for a long period of time where we know them really well, we know the credit risk? Whereas if you're doing for the first time a dry lending on Commercial Real Estate to someone that you don't really know and to sub cost of capital return and you're not going to get swaps or -- because there's no swaps or FX, then that's not a -- they are the sort of conversations where you're going through. So if you look at, for example, in our disclosures, our construction exposure, you'll find our construction exposure. Commercial Real Estate construction exposure is unchanged, so we haven't gone on the bender and things like construction exposure even though there is a lot of opportunity to do that.

**Andrew Gregory Thorburn**
*Former Group CEO, MD & Director*

Yes. I would summarize that, Scott, by saying, look, we believe this business is the core franchise for our company fundamentally in the medium term. And we've neglected it for a period. We've invested back in. I think our people have responded. We've got more of them, and they're certainly more engaged. And we're building more disciplines. I think we are focused on existing clients, as Craig has said, because we can't keep losing existing clients where you've got long-term relationships. So we've had to be more competitive on price. We do look at it from an overall Business Bank margin because it's a relationship, and I think we’re very confident we're playing in the right spots. We've got the right disciplines on risk and on relationship banking. And I think our people have got much more confidence than they had. Now what we have to drive out is more sustained and higher revenue, and I think that will come. But we have to go through to this phase of just rebasing and getting more competitive and, in particular, stopping losing existing clients. So I think we're moving through that phase. We definitely think that the cost -- we're exceeding the cost of capital, although some transactions we may not. But the relationship ROE and the overall Business Banking, those are the 3 things we're focusing on.

**Scott Robert Manning**
*JP Morgan Chase & Co, Research Division*

And secondly, on the housing book, the growth rates in the investment lending books slowed down in July. The APRA statement on macro prudential was from December last year. So why is there a 6-month lag between the action?

**Craig M. Drummond**
*Former Group Executive, Finance & Strategy*

Yes, and I might call on my products and markets colleagues here in a moment. But clearly, trying to turn off a sales force like that when you've got -- we're not talking about 1,000 or 2,000 people. We're talking about tens of thousands of people. It is a very challenging issue. You've got marketing out there. You've got a whole lot of brochureware. You've got -- so stopping that is not straightforward. And secondly, from the point of view of the application to draw down, there is a -- 4 months? 3 to 4 months period. So between getting -- making sure we've got the right messages to the frontline, i.e. we're not going out of business, we're -- so there's quite a nuance in getting the marketing messages right and then the delay between application to draw down. That's why it took the time it took. And I think APRA is very reasonable through this process and understood what the sector was trying to do, including NAB.

**Unknown Executive**

Jarrod?

**Jarrod Martin**
*Crédit Suisse AG, Research Division*

Jarrod Martin from Credit Suisse. I want to come back to margins, but I specifically want to refer to the table on Page 46 of the MD&A. There's one very, very frightening number in that table, and that is business lending margins down 19 basis points in the half. We've had one other result pre-disclosed that -- while we don't have full detail that said that margins across the whole year were flat and that implied that margins in the second half were up. Your margins are down in the second half. Your business lending margins -- in fact, I haven't seen that bad a result since Gavin was in the U.K. and disclosed 25 basis points per half of margin decline. To what extent is this just NAB coming back to the pack in terms of repricing and your margin outcome versus the peer group is going to be worse for 2, 3 years as you reprice that back book?

**Craig M. Drummond**
*Former Group Executive, Finance & Strategy*

Well, I'll start, Andrew. Look, I think just to be clear, that's a business lending margin. I don't think you saw our business lending margin from Westpac or from any other bank, so you need to take the total relationships. So I'm sure from -- I think from the majority of our peers, you'll see a -- an equivalent, and this is part of the problem. What is an equivalent comparison because the comparisons are all somewhat different, but that is simply one product, business lending. When you take into account the total business, it's 10 basis points. Yes, that's not a spectacularly great number, but it's down 10 basis points not 19. So that's the first point. Second point is at the end of the day, we need to make a decision where the -- what we're doing is generating returns that are satisfactory, if they're above the cost of capital. And from -- as we just explained to Scott, on the basis of the business that we've been writing in the Business Bank, we are very comfortable that we're writing in the right segments to the right customers at the right price to get a return above our cost of capital. Would we prefer the margin to be higher? Absolutely. But equally, you've got to be in a position to meet the markets. And meet the market, we will.

**Jarrod Martin**
*Crédit Suisse AG, Research Division*

And how many more years, back book repricing is required when the others have been at that level previously?

**Craig M. Drummond**
*Former Group Executive, Finance & Strategy*

Well, when you say -- I'm not sure how you know that the others have necessarily been at that level. At the end of the day, it will depend on what happens in the front book as to how the back book trends, if the front book is starting to tick up. Look, I -- I'm not sure, Anthony, whether you or Andrew, whether you'd like to make a comment on...

**Andrew Gregory Thorburn**
*Former Group CEO, MD & Director*

Well, I don't think -- we're obviously not going to do a forecast, but I do think, Jarrod, we are going through a particular phase, right? And let's go back 12, 18 months ago. I think we weren't competitive. We hadn't been investing in this business, number one. Number two, this is the business for us in the next 3 to 5 years and beyond. This is the NAB of old coming back and saying this franchise is above the cost of capital, great clients. We just had to get more competitive, right? We were losing some existing clients. It didn't make any sense if you take our medium-term view and the cost of equity, which is sort of around 11%. So look, I think we have had a particular phase where we've got more people, and we've started to be more competitive. And in particular, we've said we must stop losing existing clients, the long-term clients. So I do think we've gone through a phase of being more competitive. We had to restore some confidence in our own sales force. We've got 5,000 bankers out there. They had to start to win again. I don't think we've done that. I think now when you talk to our bankers, it's about optimizing that. Backing our capability, the disciplines, the skills, the positions we've got because a lot of the feedback that I'm getting, we're seeing in data and from customers is they can see when we're competitive. So I do think we are going to look to grow revenue at a faster rate, but this is a reinvestment in a franchise that's being needed. And on the medium-term view, I -- we will be accountable for getting the right risk, the right returns and growing this sustainably. So I am acknowledging this phase has been a unique one.

**Unknown Executive**

Okay. We might just check the phones and see if there's anyone there.

**Operator**

[Operator Instructions] Your first question comes from the line of Craig Williams of Citi.

**Craig Anthony Williams**
*Citigroup Inc, Research Division*

If I refer back to Slide 30 again where Richard was directing his question on capital, the cash earnings capital generation ex U.K. conduct I think [indiscernible] response at a time a very low bad debt charges. The dividend after DRP recapture was 53. The risk-weighted asset growth was 33 and others issued [indiscernible] that sort of suggests capital is drifting backward a little bit. You flagged 70% to 75%

payout ratio today. Your risk-weighted assets growth has consumed 40% of the capital you're generating. So is the 70% to 75% payout ratio, therefore, sustainable? Or is the dividend on -- living on borrowed time?

**Craig M. Drummond**
*Former Group Executive, Finance & Strategy*

Craig, look, I'm not going to give you a forecast. And just to be clear, the 70% to 75% has been -- it's not a new number. We've been on that number for some considerable period of time in terms of the target range. So look, we have had a period of very substantial growth in risk-weighted assets. That's the other point I would make, and it will depend on future earnings. Of course, you're right if B&DDs for the sector went up dramatically, there may be different considerations. But on the basis of what we know today and the quality of the book that we have today, we're -- as I said, we're comfortable with where our dividend is at.

**Unknown Executive**

I think there's one more question on the phone.

**Operator**

Your next question comes from the line of Matthew Wilson of JCP Investment Partners.

**Matthew Wilson**
*JCP Investment Partners Limited*

Just on the [indiscernible] in the embedded value there in the pack. Could you let us know what the embedded value multiple was that you Nippon paid for the business?

**Craig M. Drummond**
*Former Group Executive, Finance & Strategy*

We haven't actually disclosed that, Matthew. But I think it's fair to say that it's around about embedded value.

**Matthew Wilson**
*JCP Investment Partners Limited*

Because that's normally how you look at a life transaction rather than P/E.

**Craig M. Drummond**
*Former Group Executive, Finance & Strategy*

No, I agree. But we haven't disclosed it.

**Matthew Wilson**
*JCP Investment Partners Limited*

[indiscernible] and there's quite a lot of -- there's a bunch of [indiscernible] charges that have gone through the business over time. What level of stranded costs will be [indiscernible] once you [indiscernible] spin off the enterprise in February?

**Craig M. Drummond**
*Former Group Executive, Finance & Strategy*

Yes, we have looked at the -- sorry, had you finished, Matthew? You have. Okay. We have looked at the stranded costs. The stranded costs, I'm not going to give you a number on that, but they are relatively small. They're below $50 million. And it's something that we...

**Matthew Wilson**
*JCP Investment Partners Limited*

Pounds or dollars?

**Craig M. Drummond**
*Former Group Executive, Finance & Strategy*

Sorry, per annum?

**Matthew Wilson**
*JCP Investment Partners Limited*

Is that pounds or dollars?

**Craig M. Drummond**
*Former Group Executive, Finance & Strategy*

Dollars, dollars. It's something we're obviously focused on. Because if you sell assets, you need to be cognizant of the stranded cost issues.

**Andrew Gregory Thorburn**
*Former Group CEO, MD & Director*

It's Andrew. I just want to make a broader point, and I mean, you're absolutely right to put into specific bits. But the bigger picture here is this company is going to be significantly different and enable -- imagine us having sustained focus when we don't have CYB and the U.S. bank and significantly below the cost of capital return in insurances. I think the bigger picture is this is a very good deal for our shareholders and for our company.

**Unknown Executive**

Jon?

**Jonathan Mott**
*UBS Investment Bank, Research Division*

Jon Mott from UBS. Just -- sorry to harp on about the business banking issue, but it is the biggest issue in the ongoing operation and back to Jarrod's question. 19 basis point reduction in the lending NIM in the half, when you least expect [indiscernible] when the NIM was expanding in the post GFC period, you used to say the book needs to turn over on a 2- to 3-year period. So that would imply that only somewhere between 1/4 and a 1/6 of the book has already repriced down to the lower NIM on a more competitive level. Now if that's the case, you guys will go out a number of years of very large headwinds and the front book NIM on the lending must be somewhere close to 1%. So can you give us some indication on that? And back to those numbers on Page 34 that Jarrod pointed out, which is the most important numbers we can find in the whole pack, what is the front-book NIM? And how many more years of compression should we be expecting?

**Craig M. Drummond**
*Former Group Executive, Finance & Strategy*

Sure. So again, I'm not going to go to the front -- I'm not going to give you a front-book NIM other than saying that the market is competitive. In terms of how many more years, of course, about -- our business book reprices over a 2- to 3-year time horizon, 2.5 to 3 years, and we've been through a substantial amount of repricing over the last 2 years.

**Jonathan Mott**
*UBS Investment Bank, Research Division*

So some time to go, I take it. The next question, if you like at the...

**Craig M. Drummond**
*Former Group Executive, Finance & Strategy*

Well, it depends on where the front book -- what happens in the front book.

**Jonathan Mott**

*UBS Investment Bank, Research Division*

Okay. The other thing worth noting is just how volatile half to half the trading income is. And you look at it, we don't say, well, one of the other banks down in Melbourne. You don't tend to see such large volatility in the trading income. Are you taking too much risk? Or what can you do to reduce that half-to-half volatility coming through in that trading number?

**Craig M. Drummond**
*Former Group Executive, Finance & Strategy*

Well, I think volatility is going to go up -- sorry, has gone up, partly because of derivative valuation adjustment changes because we now have ex VA [ph] in place. Whereas 2 years ago, we and many in the industry didn't have ex VA [ph]. So between CVA or an FVA charges which are very volatile. So we have to have that in. Other than that, look, there's nothing -- if you have a look at our -- what I can absolutely can confirm to you, there is nothing -- there's no bad trades, nothing that's gone wrong. If you look at the VaR that we're running, our VaR is actually slightly down in the current half compared to the previous half. So it is a derivative valuation adjustment volatility, and it's also -- we did have a very good first half. And credit spreads, I'm not sure how other banks are dealing with it, but credit spreads moved a lot, particularly in the last 2 weeks of September. You'll recall that whole Glencore thing happened. And so if anyone's got any resource exposures, you would have expected to see some, yes, some significant change then.

**Andrew Gregory Thorburn**
*Former Group CEO, MD & Director*

I just want to go to the first point without reopening it again, because I think we've sort of said everything that we want to say about it. I understand the point. We understand the point. I think the other thing is that you can see on one of my slides, the volume growth that we've seen in the course SME franchise both in housing loans so that's in the Business Banking NIM and in core business lending. So that's really been positive for us, and we do think of this as a portfolio. So not just the 10, the Business Banking. But as Craig said, 4 basis points for the group, right? So if we think of the portfolio, this has given us a chance to defend more aggressively in the franchise that we needed to but still not have significant margin compression of the group as a whole. So that is also one of the trade-offs that we'd be prepared to make.

**Unknown Executive**

And Andrew?

**Andrew Triggs**
*Deutsche Bank AG, Research Division*

Andrew Triggs from Deutsche Bank. Just a question on cost growth. It's fairly elevated during the period, and I appreciate there was some FX headwinds and also some one-off cost related to the U.K. But looking ahead, there's likely been other fairly large headwind from D&A that you called out plus some investment in wealth. Could you just sort of talk to us -- and obviously, ADA [ph] running through each year, just sort of talk to an ambition on cost growth if you...

**Craig M. Drummond**
*Former Group Executive, Finance & Strategy*

Yes. Look, I think cost growth going forward will be less than what we've seen in the current year. That would be certainly my expectation. We've done a fairly substantial investment through the course of like '14 into '15. We are targeting some pretty meaningful productivity gains in 2016, which will, I think, be quite helpful for our cost position. Hopefully, the FX noise will come out of it. The wealth investment -- now frankly, in terms of profile, the majority of the wealth investment will start later. It will start sort of late '16 into '17. So you won't see a lot in wealth because our focus is clearly going to be on separation of the life insurance business and building that life company.

**Unknown Executive**

Brian, in front.

**Brian D. Johnson**
*CLSA Limited, Research Division*

Brian Johnson, CLSA. Craig, I look forward to coming one of to these briefings when you've got a walking stick and I've got a walking stick, and we both say I understand that result because you think your tired of the confusion? Can I assure you everyone in this room is probably a bit sick of it. But I have 3 questions. The first one is, on Slide 14, you quite proudly disclosed that you're writing off the goodwill in the life insurance company, which you might recall as something that I've hassled you about every time. I look forward to pick up my consultancy fee at the end of the briefing for that, but you're still proudly declaring that if you strip that out, the ROE is 9.6. Andrew, you said the cost of capital is 11. Why aren't we writing of more of the goodwill in the wealth business? The second one is, when you have a look at Slide 45, and you talked about the PBOP, you talked about one of the things is a much lighter touch and more straight through processing. But on the side, it also would appear that you've migrated all the Business Banking records onto Oracle. Could you give us a feeling when we get -- what that means for the staffing numbers in 2017 in basically the back office for basically Retail Bank and for Business Bank? And then the final one I basically had is that when you have a look at Slide 30, your Core Equity Tier 1 ratio, you adjust for all the stuff that's happening, 9.4% looks a hell of a lot higher than your peers. But your peers, it's as though they don't realize that we've got a few fun words coming. We've got TLAC coming. We've got advanced bank accreditation variability coming. We've got standardized variability coming, op [ph] risk, market risk. Are you comfortable that the 9.4% ultimately gets -- it's going to be high enough, given all the questions that you've had today?

**Craig M. Drummond**
*Former Group Executive, Finance & Strategy*

Okay. Thanks, Brian. We've got 15 minutes. Okay, let's -- goodwill. Look, we -- for year-end September '15 accounts, we have done the value-in-use methodology, which looks at future cash flows for our Wealth business, discounts them back, and we have got quite substantial headroom. In fact, improved headroom, because our Wealth earnings are up and discount rates are relatively unchanged on goodwill. But when you -- when we bought MLC -- we acquired MLC, we had $3.7 billion of goodwill with MLC. It wasn't actually allocated to any specific asset. It was just over the total amount. So now that we're selling a piece of that, we've got to allocate that goodwill against the piece that we're selling. As a whole, the goodwill is fine. When we come to individual, we then have to allocate to individual, now this happens to be a very low ROE business for us. You would imagine that the -- given the price of the goodwill, you might end up having a loss. We've called out a loss on sale of $1.1 billion.

**Brian D. Johnson**
*CLSA Limited, Research Division*

[indiscernible] performance [indiscernible], to be quite honest with you, [indiscernible] just never get this close to anyone?

**Craig M. Drummond**
*Former Group Executive, Finance & Strategy*

Well, Brian, accounting standards require you to be in position where you can validate asset values and liabilities and...

**Brian D. Johnson**
*CLSA Limited, Research Division*

[indiscernible] we've paid way too much for this [indiscernible].

**Craig M. Drummond**
*Former Group Executive, Finance & Strategy*

Anyway, Brian, we've met part of your -- you do the second one.

**Andrew Gregory Thorburn**
*Former Group CEO, MD & Director*

Yes. Don't give that man the microphone back. But Brian, I just -- I want to start on your first point. Now I hope it doesn't take walking sticks for both of you because I think whilst we're going to clearly have a bit of noise the next couple of years, we are getting to a point where we can see real hope and that this business is going to be simpler and leaner and focused on Australia and New Zealand and less of the noise that we've had and have today. On your PBOP point, so on that slide, we outlined a few things. Now the Oracle customer hub is an investment we've made in a hub that is very competitive. It will hold all records, but we will not be driving the cost savings out of that. That's going to make it possible for our people regardless of channel, Business Bank, Personal Bank and so on, to be able to know and see the full customer information accurately and updated regularly. So that will be the benefit, the engagement with the customer. On PBOP itself, as I said, we are in pilot. When it's right, we will roll it out. There's a lot at stake here. We need to roll it out properly. But what benefits we do get, I think, will be in the customer experience, and they're pointed out here and some potential revenue benefits as opposed to cost savings. On the cost point, we will get cost savings when we start to simplify our technology systems, and that is a longer-term road map that we will be working through. That is where we'll get the savings for that. And in the meantime, we're going to have the $150 million of ongoing productivity savings that we're going to get in the core business, some of which is technology related, most of which is not.

**Craig M. Drummond**
*Former Group Executive, Finance & Strategy*

And Brian, on your capital point, I'd refer you to Page 119. If you look at September '15 on a fully harmonized basis, we are -- our total capital position is 18.16% currently. The TLAC conversation has still got a fair way to roll out -- roll through. But it appears that the industry or the regulators are looking at more sort a '17, '18 to '21. So I actually think we're in reasonable shape at 18.2% total capital. And what -- it's not all about CET1. It's actually about total loss-absorbing capital, which doesn't necessarily have to be equity. So look, on the basis of what we know today, and we're going to find out a lot more at the end of this calendar year from the Basel, when the Basel Committee meets in the 1st week of December, we expect to hear a lot in -- following that. And I imagine pre-Christmas, that's our current expectation.

**Unknown Executive**

Okay. Richard?

**Richard E. Wiles**
*Morgan Stanley, Research Division*

Richard Wiles, Morgan Stanley. Andrew, you mentioned that the Net Promoter Score is included in the performance scorecards and in the incentives. I'm wondering if it's an absolute measure or relative measure versus peers because Slide 36 shows that the mortgage Net Promoter Score has already started to go down, assume -- given what the whole industry is doing on mortgage rates that it will go down further. Is that an absolute or relative metric?

**Andrew Gregory Thorburn**
*Former Group CEO, MD & Director*

Yes. So Richard, this is part of a bigger plan for us to -- as the whole company become united around delivering far better focus and execution around the customer experience. And we have selected the Net Promoter Score as the single measure that exists to define that and reward people around that. So I think this is an important multiyear journey. We've gone through the first year, and we've done a lot of good things to start to understand it, embed it and get into scorecards and PU frameworks and so on. Our goal is to, as I suggested in one of my slide, narrow the gap to #1. So what we're doing is taking the 5 priority segments, ones I mentioned, and we are averaging those against our major competitors. At the moment, we are about 4 or 5 points behind. Our initial goal is to close that gap and get it to #1. All right? So that's what we've got in focus. So whilst we're measuring mortgages and debt free and micro and small and medium separately, and we have leaders who are focus on that, the goal ultimately is to get to #1 in all, right? But our initial rallying focus as a company is on narrowing that gap and becoming #1 across the 5.

**Richard E. Wiles**
*Morgan Stanley, Research Division*

[indiscernible] the performance. So you said it's included in the incentives, which I assume means it is included in the determination of people's pay.

**Andrew Gregory Thorburn**
*Former Group CEO, MD & Director*

Yes.

**Richard E. Wiles**
*Morgan Stanley, Research Division*

Does the pay go down if the absolute NPS score goes down? Or is it based on the performance relative to the peers?

**Andrew Gregory Thorburn**
*Former Group CEO, MD & Director*

It's based on the gap to #1, closing that gap consistently over time and in becoming #1. All right? And it's in incentive pay.

**Richard E. Wiles**
*Morgan Stanley, Research Division*

So if the whole industry gets weak in their Net Promoter Score because of what you're doing on mortgages but NAB's gap to the #1 closes, the staff will do better.

**Andrew Gregory Thorburn**
*Former Group CEO, MD & Director*

Yes, that is correct. And look, we're going to have to refine this over time, but it's simple, focuses people and getting 43,000 people, soon to be 35,000 focused on a single common measure that we can refine over time.

**Unknown Executive**

Okay. Brendan?

**Brendan Carrig**
*Macquarie Research*

Brendan Carrig from Macquarie Securities. Just quickly on housing, and specifically housing growth, it's contributed about half of the growth in sort of the last half. Investors slowing. The run rate we saw is pretty slow, and you say owner-occupier has picked up but the recent repricing moves likely going to have an effect there. Can you just talk through how you're thinking about the growth contribution from housing going forward?

**Craig M. Drummond**
*Former Group Executive, Finance & Strategy*

It depends which metric you're -- which growth metric you're referring to, whether it's revenue, cash earnings, et cetera. But I think housing will continue as a product, continue to be a substantial contributor to all bank's revenue and cash earnings, and it will be at NAB. And it's -- there's obviously volume. There's cost to deliver, cost of goods sold and there's margin. And so there are -- it's not just about volume. It's also about retention. So one of the things that we -- our teams are very focused on is retention, customer retention. Because again, historically, we haven't done as good a job as others in the market about -- around retention of customers. It's quite expensive to originate new customers, and it's very costly to lose them when they come in to do some basic things with us. And so we've had a huge focus on retention, and that will be a significant focus for our teams going through 2016. So housing is critical for the growth of us -- of NAB going forward.

**Unknown Executive**
Okay. I think we're out of questions. So thank you for your attendance and your patience. We'll wrap it up there.