Question and Answer

Ross Brown

Just the usual protocols for the Q&A. If you can state your name, the organization you represent. First question, Victor.

Victor German
Macquarie Research

Ross, Victor German from Macquarie. My question, I guess, relates to your thinking around investment for this year. I think in your full year results, you've made verbal guidance, if I can say that way, around your desire to achieve pre-provisioned profit growth. It looks like revenue environment is getting tougher than perhaps you thought at the time. Is that still a, kind of, valid assumption that, that's the basis you're operating on? And how much flexibility do have on the cost? Obviously, the range is relatively wide, 5% to 8%, you're halfway through the program. Do you have any more, kind of, feel for where that is? And my second question is on debt to income. You've disclosed the number, so thank you for that. It would be interesting to hear how the -- sorry, loan to income compared to debt to income, if you have any color on that. Obviously, a lot of people have more than 1 line. So it would be interesting to hear thoughts on that.

Andrew Gregory Thorburn
Former Group CEO, MD & Director

So thanks, Victor. So I'll cover the underlying profit piece. And you can add, Gary, on the expenses and debt-to-income yourself or David Gall on that one. So let's start with underlying profits. So Victor, we did say, in the FY '18 year, we get some particular numbers. The reference to the underlying profit was as a secondary goal, if we could, get the underlying profit in dollar terms in the year, that would be a great outcome. But our main commitments were around costs and FTE outs and the commencement of the acceleration program. So it was something we wanted to have. The revenue environment is tougher than -- we were sitting here 6 months ago, particularly in the home lending market, we've got lower credit growth, you've got lot of discounting and pressure on margins. I mean, you can see we're getting good growth in the Business & Private Bank; Markets and Treasury has been under a bit more pressure this half. So I think the revenue environment is tougher, but look, it will still be a good outcome for us, if you could get underlying profit growth in dollar terms. But I think that's something that we would sort of like to see rather than we're sort of aiming it as a specific target. And on and expenses?

Gary A. Lennon
Chief Financial Officer

I'll just add to that, Andrew. Look there's a lot of variables there. Obviously, the Markets in Treasury and how that plays out. It's had a couple of halves now it's been a bit more subdued. If that picks up, that would be great. We're flagging the headwinds in the second half around funding, which is clearly real, so who knows whether that will stay at current levels or not, but we thought we'd put the numbers out there, just so you know what that look like. And there are certainly some additional cost headwinds, if you think about some additional costs such as the Royal Commission, et cetera, that are flowing through. As Andrew said that, we would like to get there. So we haven't given up, we still believe it's possible. But it's just got harder. But we want to do, and this is, where I think your question was going a bit, is we believe in the acceleration. We believe in the importance of investment. And we won't just pare back that investment to hit that target, other targets are more important. That -- so we'll try to get there if we can, but if we can't, we're not going to pull back investment. And on the DTDI, I might flick to David.

A. David Gall
Chief Customer Officer of Corporate & Institutional Banking

So we thought it would be useful to put in an LTI that's the internal measure right across the home loan portfolio but we do expect ultimately to go to a DTI. At the moment, we look at DTI particularly in the retail portfolio, just to give you a bit of a sense, that's sort of around 12% of the flow over 6x. But that's just an indication, that will change once we do that across the rest of the portfolio. Obviously, with the business customers with home loans, that is a more difficult number to calculate.

Ross Brown

Brendan?

Brendan Sproules
Citigroup Inc, Research Division

Just a question on your cost guidance that you've reiterated. You said that the full year results that you would manage that cost depending on the revenue environment. So does that -- is that still the same? Are we -- given the toughening revenue environment that you've talked about, that we're probably more going to be at the 5% than the 8% end? And then I have a question on the retail bank.

Gary A. Lennon
Chief Financial Officer

Ross, [I'll take that]. Well, I'll do the first one. Look, we're sticking to the cost guidance of 5% to 8%. In terms of then, how we're currently tracking is okay, against that target or a bit-- the lower end of that range at that point in time. There's been rumors. There's a few things that we know are going to happen in the second half around cost. The first half has been as Andrew sort of -- it's been about mobilization. We've been mobilizing our resources around the uptick investment. That will flow through now for full half. So there'll be headwinds associated with that mobilization. We also know that we've had some pretty big projects that we'll be landing in the second half. The new payments platform, that's been a big industry-wide program. There will be quite a chunky uptick in amortization. So we think the amortization uptick for the second half is around about $60 million. So there's a few -- it's a few headwinds that we are very clear on, which will continue to flow through in the second half and why 5% to 8% guidance is appropriate. Look, we do look at the margin and in consideration of the revenue growth. But not -- so we might make some trade-offs at the margin, but not to put a risk the fundamental program. So it's not to say, right, we've got a bad revenue, we need to delay the whole program. So it wouldn't be a fundamental shift, it would be more nuanced, slight pullback we need to -- if we had some discretionary -- on some expenditure, we might pull it back. But at this stage, we're sticking to the 5% to 8%. But we're maintaining flexibility, just depending on how it plays out in the second half.

Brendan Sproules
Citigroup Inc, Research Division

And just a quick question on the consumer bank. You've said today that the NIM has fallen in the half. Obviously, you would have some benefit of some of the repricing initiatives that you made in 2017. Can you talk to the components of that fall? And when we look forward, you've talked about front book pricing being challenging and you've also highlighted today higher funding costs. Is there any other offsets that you're expecting in the second half that we haven't considered?

Gary A. Lennon
Chief Financial Officer

Yes. So going to the dynamics in the first half, so it's very much -- it was the repricing benefits flowing through that tend to be largely offset by the full half impact of bank levy. So that they sort of net themselves out. And then when you [unpacked] it, it really is some of this competition around mortgages, There's been the trend, I think, that's been well-known of the trend from interest only to P&I and also the trend to fixed rate, both of which are lower margin products. And that really -- put the pressure on that housing margin in the first half. Look, we -- I think that competition, it's still going to be competitive. We don't see that competition front book-wise in mortgages is slowing down. And we do see this thing is larger creeping up.

Ross Brown

Andrew?

Andrew Lyons
Goldman Sachs Group Inc., Research Division

Andrew Lyons from Goldman. Just going on the expense guidance. Could you maybe just talk about or ask about the duration of the expense spend. Is there a risk reflecting the revenue environment that you may be towards the bottom end of the range this year, but then it push some more expense growth into next year, despite the current guidance being for flat costs? Than the second question just around capital. Your credit risk-weighted asset growth in the half was 1.2%, broadly in line with your growth in lending. However, if you look at the quarterly growth in credit risk-weighted assets, it was about 3%. And also, your growth in your operational risk-weighted assets was up 3.9% and all of that came in the second quarter. Can you maybe just talk about what happened in the second quarter with relation to risk-weighted assets?

Gary A. Lennon
Chief Financial Officer

Okay. One question, 2 parts. Yes. The -- so on the first item of that expense guidance. So it is we're guiding, saying, that look guidance is still appropriate that the stage. We're not, sort of, saying it's going to trend towards the lower or upper. Just to clarify the -- what we actually did say on the future is broadly flat so that does give us some -- a little bit of flexibility around the edges. But that this point in time, we're not anticipating the scenario you've described. So we're not anticipating a scenario where we'd end up at the lower end of the range. And then next year, we'd pop up. That's not what we are planning for currently. But obviously, there's lots of variables and that's possible. But it's not what we're seeing currently. And then the -- and in terms of the risk-weighted asset increases. So yes, there was a few things occurring in the second quarter and that sort of impacted the capital generation in the second quarter. We've -- there were some op risk increases. Those -- I think, $1.5 billion or so around -- in that level in terms of risk weights. That was nearly entirely driven by external loss data. So how our internal model works, it gets fed from external loss data was higher, and that external loss data was higher, that feeds into a model and generates a higher OpEx capital. That came through in the second half. We had some model changes with some securitization, new standards come through, that was probably another $1 billion, $1.5 billion. Plus and sort of somewhat quality problem, we did see an uptick in some asset growth, particularly in business private in the second half. So that's actually a good quality reason for an uptick in risk-weighted assets. And then some others, some movements around DTAs and things. But that basically explains the risk-weighted uptick.

Ross Brown

Jarrod.

Jarrod Martin
Crédit Suisse AG, Research Division

Jarrod Martin from Crédit Suisse. Sorry to harp on the bad expenses. But other banks have given indication of their Royal Commission costs. I wondered if you could give an indication of what you're expecting the cost to be this year and going to next. And clarifying whether that's included or whether you're going to accommodate that within the 5% to 8% band? And then secondly, the FTE reduction, that looks to be pretty uniform in terms of the glide path over a 3-year period. Can we expect that going forward? Or is there a pause in a reduction until you get through some of the customer journey work that -- or should be expected to be uniform?

Gary A. Lennon
Chief Financial Officer

So great question. So one specific one, so Royal Commission costs, I'm happy to say, what the -- what was around about $10 million in the first half. And the outlook, we're estimating, it's hard to really estimate, but we're estimating about $30 million in the second half. And then -- and yes, we're including that in our guidance. On the FTE question, what we have said is a few things. So we're not going to try to get the FTEs out of the system or at the back end, so we've been trying to push a reasonable, consistent half-on-half view around FTE reductions. So 1,050, that's broadly on track with that sort of profile. But it will depend, as you've rightly highlighted, on when some of the investments land and when some of the opportunities present themselves. Now how that I think will manifest, you'll get some halves will be slightly higher, some halves will be slightly lower. I don't expect it to be, sort of, nothing now for 2 halves. So we're going to try to continue to progress this and chip away at it literally half by half.

Ross Brown

Okay. I think we have a couple of questions over the phone. Can we go to the phones, please?

Operator

Your first question comes from Frank Podrug from Merrill Lynch.

Frank Podrug
BofA Merrill Lynch, Research Division

Couple of question for me. Firstly how does 93 upskilled or new hires compare to your run rate expectation? Are you finding the skill set you're looking for at the right price, or are proving easier or harder to get than expected? And the second is, how big a threat is open banking to your core Business Bank, or for that matter, an opportunity, given this has been called out as a segment where information asymmetry have created barriers to competition?

Gary A. Lennon
Chief Financial Officer

Do you want me to take the first one?

Andrew Gregory Thorburn
Former Group CEO, MD & Director

Yes.

Gary A. Lennon
Chief Financial Officer

So in terms of the 93 upskilling growth roles, that's pretty much in line where we would be at this in the first half. So the focus on the first half has been very much about, how do we stand up our uplift investment capability. How do we get those resources and how do we get that mobilized, how do we get the right environment around how we're going to take cost out of the system, so that sort of one that we didn't ever envisage that, that would be a loss -- a lot of those types of hires upfront. They're also subject to business case. So I have the same disciplines around these hires were the businesses come. They want to upskill capability, showing the business case, so there's disciplines around all these. And some of the business cases, when you look at them, are reliant on some of the technology rollout, that we're on the midst of doing. So there will be some timing around this where to be effective, you'd have to wait until some of the technology lands before you bring in some of these new capabilities. So I think there will be some timing on this. At the levels, were talking about now, we haven't had any trouble at all getting the right type of resources, but take the risk as we go forward, and we will try to get more of this digital type data analytics type capability, that may get higher -- harder cost in due course, but at this stage, we're not seeing that.

Andrew Gregory Thorburn
Former Group CEO, MD & Director

And Frank, it's Andrew. And just to add to that, if you think of upskilling, you're referred to the 93. But actually if you look, they totaled 445 FTEs that we in-sourced, and I mean, that's a separate piece of work, but we are bringing in skills, new skills, not just through the 93, but through some very selective in-sourcing of key skills. But on your second question, on open banking, I mean, this has been a significant initiative by the government. And there has been reports landed and being considered, and we're working through those. I think it does have the potential to have a very significant impact longer term on the marketplace. But I think we're facing into that, and we're facing into that, I mean, we have been -- I think, leading with the areas with like CCR and our reference QuickBiz. QuickBiz, I think, is accessing a much wider source of data for small business clients than what we normally do. And in our investment program, we're investing quite a bit in data, the platforms and the skills and the people. So I think it's a work in progress, I do think it could be significant over time, but I think we are also facing into it, learning and investing appropriately to be able to tackle it confidently.

Gary A. Lennon
Chief Financial Officer

And much of these things depends on your perspective. The -- a potential significant threat, but also a potential significant opportunity. So I think does absolutely, work both ways.

Ross Brown

Next question on the phone.

Operator

Your next question comes from Matthew Wilson from JCP Investment Partners.

Matthew Wilson
JCP Investment Partners Limited

Just referencing one of your opening slides, Slide 8, I think it is building a sustainable, trusted and respected bank. And the comments that you've made with that slide. You appear to be blaming higher expectations from customers, community and regulators. Not the manifest was [clear core] conduct for the industry. Is that the best way to approach the problem industry confronts because in the -- as a result of this conduct, expectations are actually declined in communities?

Andrew Gregory Thorburn
Former Group CEO, MD & Director

So Matt, it is Andrew. So no -- I wouldn't explain it like that. So sorry, that was a takeout you got. I think, we're being positive about this. I think, we believed that expectations are increasing and that's appropriate. And that's going to be good for us, because that's going to be a catalyst for -- I think, more dramatic change. And I do think that we have lost, sort of, some touchstone with the community and with so much is being turned into numbers, but actually, it's about people. And we've got to go back to that. And the culture needs to change and all the things we're doing in our investment program will help that. So no, I wouldn't -- it's no -- there's no blame. There's all ownership on our part to say, we are facing into this, and we do need to change even more in order to be a much better bank for our clients and the community in the future.

Ross Brown

Back to Sydney. Andrew?

Andrew Triggs
JP Morgan Chase & Co, Research Division

It's Andrew Triggs from JPMorgan. Two questions which are probably related in a way to the institutional bank. So firstly on the fee and commission line that absorbed -- actually grew and absorbed the removal of the ATM piece, it looked like it was pinned down to largely the institutional Corporate Finance revenue. Just interested on your thoughts on whether -- how sustainable that -- how sustainable that revenue source is? And if you see further potential growth there. And the second question is around the detached earnings to RWA in that division, in the institutional bank. I did see good improvement. Can you expect to see RWA flat there for a number of years? And if that's the case, do you expect cash earnings to RWA to continue to improve in that division?

Gary A. Lennon
Chief Financial Officer

Yes, so probably a couple of comments on this. So in terms of the uptick, you're correct. So the uptick in fees that did offset the reduction in ATM fees did come out of corporate institution. So there was a number of more significant deals that were done in the half. And that's great. But I wouldn't view them as one-offs. So this is really part of the business model now. And I expect to see -- whilst, it may be lumpy and varying in timing, they will continue to recur and they are front-and-center central to the strategy that Mike's sort of driving out in that business. And it's very much linked to some of the comments that Andrew made around the opportunities with infrastructure, renewables, capital finance, these are areas that we see -- that we've got great capability and great opportunities for growth. So I think there is real potential upside. On the -- in terms of the returns on risk-weighted assets, absolutely, and I think I probably said it on a number of occasions, corporate and institutional, that is one of, if not, the most important financial metric, which is optimizing on the capital they've got, how do they recycle out of the lower returning ROE facilities? And then deploying that into more attractive, whether it be infrastructure, renewables, capital financing. So they will continue to do that. Whether it stays flat or not, really depends on the opportunity. So I'd actually love it, if Mike and the division starts going up, because that would be telling us that we're actually seeing those high ROE opportunities increasingly more. And I know the activity in the global pipeline is pretty significant.

Ross Brown

Jon?

Jonathan Mott
UBS Investment Bank, Research Division

Jon Mott from UBS. A question on Business & Private Bank. One of the highlights has been the margin expansion you've seen over the last couple of years in that business. So you're now up to 2.97%. Now when you think half the loans there are actually mortgages where you've seen margin compression. It would imply that the Business Bank margin for SME customers has gone up quite materially and back -- some are well north of 4% now. In the past, you've always talked about a 2-year repricing phase. And when your margins are already well north of 4% for those customers, how much further can you keep repricing up these customers? Or are we kind of getting towards the end of the recycling phase in the Business Bank?

Gary A. Lennon
Chief Financial Officer

So there's -- look, I think, there's still a bit to go. And there's a few components to that. One, despite what you see overall in the numbers and it's a great franchise and a very attractive franchise, they are still low-returning customers in Business & Private Bank. So what and Anthony and Andrew previously was very focused on is the same way as in corporate and institutional, how do we zero-in on those lower returning customers and either reprice or exit those customers. The -- so that's sort of one. Two is, absolutely there is sort of the potential for further repricing in that business. And central to the strategy around Business & Private, it -- if the delivery of the service from NAB is excellent, price is not an issue. And is very -- it's not an issue where customers are out looking for cheapest prices. It's all about having a quality service and delivering a quality service. And then you can have those repricing discussions. Do I think it's major? You're probably right, there's probably not a major further uptick from here. But I wouldn't say that there's none. I think there's still upside. Anthony I don't know if you've got -- would you...

Anthony John Healy
Chief Customer Officer of Business & Private Banking

[indiscernible]

Ross Brown

Wait for the microphone.

Anthony John Healy

Chief Customer Officer of Business & Private Banking

I'd reiterate those comments, Gary. And say some of it's business mix as well. So as we focus more on growing at the more distributed and small and medium business as opposed to a larger business, you'll see some slightly better margin at the end of the book as well.

Gary A. Lennon
Chief Financial Officer

Yes.

Ross Brown

Brett?

Brett Le Mesurier
Shaw and Partners Limited, Research Division

Brett Le Mesurier from Shaw and Partners. So you've got 4,600 brokers under NAB-owned aggregators. Can you tell us what proportion of their business flows to you? And what proportion of your mortgage flows come from them? And then secondly, a detailed question about your loans from other than Australia or New Zealand, the home loans used to be a couple of billion dollars, and they're down to about $0.5 billion and the nonhousing loans seem to be increased by a similar sum. Was it reclassification? Or was something else going on? And why was there a reclassification, if that was the case?

Gary A. Lennon
Chief Financial Officer

Okay. So in terms of the mortgage brokers, the amount of -- the aggregators and what -- the ones we own, if that's on clarifying the question how much flow comes to us. That's broadly in line with our system level. So it's not much in a way of greater or less. It's there or thereabout. So that flow is fairly consistent, us to the rest of the market. On the -- I might need to dig into the second question but I'm fairly sure that the mortgage decline offshore is associated with the private wealth business in Asia, that was essentially mortgages, which have now exited. And then there is -- so it's not a reclassification, it's exit to that. And then in terms of increase in nonhousing, it's coming out of Mike's business. There are asset financing, infrastructure, transactions done and some of the branches. And there's some good opportunities offshore around that.

Ross Brown

BJ, and then Richard.

Brian D. Johnson
CLSA Limited, Research Division

Brian Johnson, CLSA. Two questions for you, Andrew. First one is the next bout of the SME fight -- sorry, the Royal Commission fight, zeros in on SME. There's been a lot of revelations come out of the Royal Commission, that perhaps public companies under the continuous disclosure required perhaps should have told us early. You know what they're going to be investigating. Is there something that we should be told? Or would we find out about it suddenly after the Royal Commission? So if there's no issue, you should basically say that. So then the second one, when it goes back to the same question I had when you announced the restructuring plan. You're spending a lot of money. Today, Gary, you've said that there will be a smooth glide path on the staff exits and presumably the staff hires. You've reiterated the $1 billion of cost saves. And yet, you're saying the costs will be broadly flat in '19 and '20. I suppose, that doesn't make a lot of sense, given the extent of staff reduction. But in fact that is the case, I'd just be interested in how the board and the management kind of signed off on such a substances restructuring investment where the return is so far away?

Andrew Gregory Thorburn
Former Group CEO, MD & Director

Alright. So thanks Brian. So Gary, maybe you can handle the second -- because the way I see it, simply we're spending the $1.5 billion to strengthen, simplify the bank, and we're going to $1 billion cost saves out by year 3 that will continue. So that's to me, a pretty good deal. But I'll leave this comment for...

Brian D. Johnson
CLSA Limited, Research Division

5% to 8% uplift and the operating cost as well?

Andrew Gregory Thorburn
Former Group CEO, MD & Director

Yes, so Gary can cover the detail on that. But on the first one, I suppose, I can simply say, nothing to say, because that was where you challenged me, obviously, if we had to makes a disclosure, we would. We have received early information from the Royal Commission on the business lending piece. We have made some submissions, but we haven't heard any more detail. So we don't know what specifically we're going to be required to do. And I think we've always prepared well, we've been totally transparent, not just with the Royal Commission, but with our people, and of course, with the market. So if there's anything, I can assure you, Brian, if there's anything we would ever need to disclose, we would do that, absolutely, when we needed to do. Now on the second.

Gary A. Lennon
Chief Financial Officer

And the transformation, Brian, and I think, we did have this conversation last time. So it's probably the same answer the back as well the transformation as well.

Brian D. Johnson
CLSA Limited, Research Division

[indiscernible]

Gary A. Lennon
Chief Financial Officer

That was a pointed -- I have a lot of investors when we had this discussion, so that is true. And what I have said to investors, I'll say it again now, is that it's not all about those numbers. The transmission is about the broader simplification of the bank, simplifying our products, simplifying our ability to deliver the customers. So after 2 years, we are not just going up in costs and coming down. Fundamentally, if the organization is not a different organization at the end of this, then we have failed. Than I do agree. But that's not what we're trying to achieve. We're trying to achieve, and if there's any time, you should be trying to achieve that, at an organization that's more responsive to customers similar to deal with, simpler to interact with. And yes, we hope of the back of that, there will be other advantages, whether it's on retention, whether it be revenue, upside, et cetera. And if we can outperform those cost targets, we absolutely will try to outperform those cost targets. And the world doesn't end at the end of that guidance. So we do have good cost momentum that will go into the next year. And then at that point in time, we'll make whatever choice we want to make, whether we want to continue to invest more, invest less, see what the revenue opportunities are. So once you have the full portfolio, we believe it is very attractive, one. And two, it's -- in terms of what we're seeing now, the environment that we're seeing now, all of that fully supports the actions that we're taking. So we sit there and thanks goodness, we're faced into this early and we're investing now, investing now to get simpler, faster, more agile, looking for the opportunities.

Brian D. Johnson
CLSA Limited, Research Division

[indiscernible] as you should start saving money and having less staff, where does it go?

Gary A. Lennon
Chief Financial Officer

Yes. At the same time, we're shedding staff, we're investing another $1.5 billion. But then off the back of that has amortization upticks. You have to look to -- cost associated with managing those systems. So all of that flows through, you have to cover.

Andrew Gregory Thorburn
Former Group CEO, MD & Director

But I think, Brian, the key point here, and we may have to disagree, is that we are trying to fundamentally change transform, simplify the company. And yes, we're investing, $1.5 billion more than we do over the next 3 years. And yes, one of the dividends of that is $1 billion of cost out. But it -- I think, you've got to zoom out and see the broader piece of what we plan to bank to look like at the end of that time.

Ross Brown

Richard?

Richard E. Wiles
Morgan Stanley, Research Division

Richard Wiles from Morgan Stanley. I have 2 questions. Firstly, on the dividend. You've reiterated that you expect to pay $0.99 cents in the second half. But the payout ratio remains stubbornly high, even without the restructuring charge, I think, it's around 81%. Two years ago, you put up a slide that showed a range of payout ratios under various risk-weighted asset growth and return profiles. And it suggests that, your RWA growth was sort of 4% to 5% then your payout ratio would be in the 60s. So like to know, if you've got -- if you prepared to share any view on where that payout ratio should get to eventually? And whether you think, your determination to hold the dividend at $0.99 per half actually constrains your ability to grow? Second question relates to costs. You're going for over $1 billion of cost savings over 3 years. Gary said that you're on track for $300 million this year. So does that mean that the cost saves should increase next year? Or would you expect them to be back-end weighted in 2020?

Andrew Gregory Thorburn
Former Group CEO, MD & Director

So let me start on the first one, and you can do the second one, Gary because we did outline this. You're right, Richard, a couple of years ago on the dividend. Obviously this year we've looked through the restructuring division. So we've noted that. And you're right, we did say that whilst there's a capital -- there's a payout in the range of 70% to 75%, which is been our longer-term range, that was said in different times. And we did say it depends on RWA and ROE. And I think we are performed pretty well there, and we continue to focus on that. We did acknowledge that if ROEs fell, or more likely RWA growth started to [cull] as the economy grew, we may have to revise that. But we felt, given still lower RWA growth we don't need to retain as much to lend. And with franking credits still available to us, we would continue to do it. So I think our position is still the same. But we will continue to monitor it. I acknowledge the point around the 80%. But the 70% to 75%, is we think not the right driver, the real driver is RWA not ROE. You can add to that. Of course Gary has to say both but any goal on the second question?

Gary A. Lennon
Chief Financial Officer

So a few points to add to that. So one is at this payout ratio, we, quite rightly, we had a long discussion with some interest on that high -- sort of that ratio at that particular time. Since that time, we've delivered, I think, it's around about 100 basis points of capital generation at that payout ratio. And that is because of the factors Andrew talked about. We thought the risk-weighted asset growth would not be as significant as helps in a period of generating capital. Now if we can were sitting here thinking it could be a massive uptick in risk-weighted asset growth, because GLA growth is going to be high and if that's what -- there could be a view on that. Of course that's not the view we will be looking at. We think it will be more of the same and there might be a bit of a pullback in mortgages in that context as well as the context -- because in the end, dividend is about capital. That we've got 29 basis points now. We're feeling very confident to get from where we were at to the 10.5% at current dividend levels. So that's how I view it today. If the environment changes, if there's other issues, asset quality -- we all know the standard caveats. But that's our position currently. And the second, on the cost profile. So it's really -- what's the map of the $300 million? So it's definitely a $300 million in year 1. You tend to get more in future years, because we'll get the full year impact next year of some of the things we've done this year, so we'll get the full year of that. So I'd expect that, it will tick up a bit more next year and a bit more in 2020. So again, a similar to how we're thinking on all this, it's not -- we're not trying to push it all back in we're trying to chip away as we're going along, depending on the environment, we might make some choices around going hard or going softer.

Ross Brown

I think we have one final question on the phone.

Operator

Your question comes from [Andrew Hill, Unisuka Management].

Unknown Analyst

Just a question around Slide 17, some of the detail you provided on the mortgage portfolio. You said that 60% of the applications were expensed [indiscernible] October in 2014. I'm assuming, that means 40% are at or below. With that in mind, can you talk about the mix of broker and proprietary for that 40%? And also, can you give us any comfort that you haven't breached responsible lending laws in relation to that 40%?

Gary A. Lennon
Chief Financial Officer

So I don't know the split between the 2. David, do you know the split between the broker?

A. David Gall
Chief Customer Officer of Corporate & Institutional Banking

No.

Andrew Gregory Thorburn
Former Group CEO, MD & Director

We can do that if you need it.

Gary A. Lennon
Chief Financial Officer

We can dig that out, can we? So yes, I don't know the split. Obviously, we've put in place in terms of responsible lending, a lot of things laid out in the slide. We have a very granular criteria around expenses and expenses that we monitor. We validate revenue. Where we can't validate revenue, there's appropriate shading. We put through more than 150 policy changes over the last few years to really get the focus and right focus on making sure we're always ensuring that we are -- we have responsible lending practices. There's things that we can do, and David's team looks at how, okay, what's the next step? How do we get better? So I don't think we're perfect. But also we're not sitting here, what we see currently saying we've got a major issue around responsible lending. Unless, David, you want to add a couple of things?

A. David Gall
Chief Customer Officer of Corporate & Institutional Banking

Look, the only thing I'd say, we're declared expenses at the low end we take in as per the policy in the way that we're meant to do it and the way that HEM's calculated is -- there is always a percentage of the population that are going to have expenses less than that. And that's valid, but we obviously round up to the HEM number for that percentage, just to make sure that there is sufficient buffer in there for what their unplanned expenses might look like.

Ross Brown
Okay, with that, I think, we will wrap it up. Thank you for your attendance today.