Introduction

Melanie KIRK: Hello, and welcome to the results briefing for the Commonwealth Bank of Australia for the half-year ended 31 December 2025. I am Melanie Kirk and I am Head of Investor Relations. Thank you for joining us.

For this briefing we will have presentations from our CEO, Matt Comyn, with an overview of the results and an update on the business. Our CFO, Alan Docherty, will provide details of the results, and Matt will then provide an outlook and summary. The presentations will be followed by the opportunity for analysts and investors to ask questions. I will now hand over to Matt; thank you Matt.

Overview of Results and Update – Matt Comyn

Matt COMYN: Thanks very much Mel, and good morning everyone. It is great to be with you today to present the Bank's half-year results.

We recognise the cost of living pressures, global uncertainty and rapid change are weighing on many Australians. In this environment we have remained focused on supporting and serving our customers. That focus has delivered disciplined growth across our core customer segments. Cash net profit increased by 6% on the prior comparative period, and earnings per share increased by $0.19. We maintained strong liquidity, funding, and capital positions, and our operating performance and capital position has allowed the Board to declare a fully franked dividend of $2.35, up $0.10 on the prior corresponding period. This marks the eleventh consecutive period of DRP neutralisation.

There are two features of this result that stand out. The first is the market context. We have seen high credit growth, low loan losses, supportive funding markets and intense competition. The second, which is a key strength, has been maintaining stable margins while growing volume at or above system across all major segments. Over the past 12 months, mortgage balances grew by $45 billion, or 7%, and business lending grew by 12% at 1.3 times system. Deposit balances increased by $44 billion in the half. This was our strongest domestic deposit and lending balance growth in a half-year reporting period since 2008.

Australia is currently experiencing relatively strong nominal growth and private sector demand. In this environment, banks play a critical role in supporting credit growth for productive investment while maintaining unquestionably strong capital positions. Doing this sustainably requires profitable banks that can generate capital organically to support the economy. The last time credit growth was at this level, apart from a brief period during COVID, returns across the industry were materially higher.

In normal conditions, such an environment would favour disciplined competition so that scarce capital is deployed where it earns an appropriate return. However, the competitive landscape is materially shifting due to differing business models, regulatory settings and architecture, customer offerings and return hurdles. Against this backdrop, we believe CBA is uniquely positioned to adapt and perform strongly.

Our deep customer relationships and franchise strength allows us to compete effectively and profitably. That profitability allows us to support higher growth across the economy, invest to improve the customer experience and deliver consistent returns for our shareholders.

Disciplined growth and margin management drove operating income growth of 6.6%. Operating expenses increased by 5.5%, excluding restructuring and notable items. This reflected inflationary pressures and higher investment in technology, resilience, and our frontline teams to improve customer experience. Credit conditions remained very benign, contributing 6.1% cash profit growth.

The performance and long term health of our franchise is underpinned by a simple relationship-led model; deep, trusted customer relationships drive more frequent and meaningful engagement. That engagement provides deeper insights into customer needs, enabling us to deliver superior customer experiences. Over time, this creates enduring value for customers and sustainable returns for our shareholders. This model has long underpinned our leadership in

Retail Banking, and over the past year, over the past several years, has accelerated growth in our Business Bank. Technology continues to amplify this advantage, enabling more personalised, timely and scalable customer engagement.

Our financial performance reflects customer focus, disciplined execution and investment in our franchise. We track the strength of our customer relationships through Net Promoter Score, and this remains an important indicator of trust and advocacy. We currently hold leading NPS positions among major banks and consumer and Institutional Banking, and following 15 months at number one, we dropped to the second position in Business Banking in the half.

Operationally, this is translating into scale and momentum across the Group. On average, each week we settle more than 3,000 home loan purchases, lend around $900 million to businesses, and process almost 150 million payments, and alert customers around 280,000 times to suspicious card activity.

We continue to build scale and depth of primary customer relationships, which underpins long term franchise health. We have consciously increased investment in data, technology and AI to improve customer experience, safety, security and operational resilience.

The Retail Bank has performed well with pre-provision profit growth of 5%. We have maintained the leading Net Promoter Score for 38 consecutive months. Retail MFI share has increased slightly to 33.5% but remains below its 35% peak. Customer engagement remains a core strength, with 9.4 million CommBank app users, and 14 million daily logins. We now hold 12 million retail transaction accounts, a 35% increase since the start of COVID, and an increase of 585,000 in the past year. As a result, our deposit growth has been strong.

Home loan balances increased by 7% in the past year to $622 billion. 97% of these customers hold a transaction account with us. Digitisation and technology continue to drive performance in home lending. 70% of proprietary home loan applications are auto-decisioned on the same day. We are focused on continuing to strengthen our MFI share and investing in AI enabled digital experiences.

The Business Bank has had another period of strong performance. Pre-provision profit growth was 8%, and cash profit growth was 14%. MFI share increased to 26.9%, which is a 310 basis point increase since the start of COVID. We added 85,000 transaction accounts in the past year, which is a 7% increase, and the Business Bank is now the Commonwealth Bank's largest source of transactional deposits.

We grew lending at 1.3 times system, increasing balances by $18 billion in the year. Business Banking lending balances have increased by 87%, or $78 billion in the past six years, supporting growth and jobs in our economy. Approximately 90% of business loans are linked to a CBA transaction account, reflecting the depth of our primary relationships. This supports credit quality with loan losses of six basis points in the half. It also allows us to use data and automation to substantially improve lending and servicing processes.

For small businesses we have doubled the volume of loans auto approved through BizExpress over the past two years, and have reduced annual loan maintenance activity by 85%. We also launched a national AI, cyber security and digital capability initiative, supporting up to one million small businesses to lift productivity and competitiveness. The combination of deep customer relationships and prudent lending growth is delivering sustained earnings performance.

Our Institutional Business is also performing well, with pre-provision profit increasing by 13%. We have regained the number one position in NPS, supported by improvements in client experience and execution. Our Institutional Bank plays an important role in providing $64 billion in net deposit balances and supporting markets activity. We have seen growth in new transaction banking mandates, enabling the Institutional Bank to further support the group in deposit funding.

The markets business has had a particularly strong half. We led the market in debt capital market performance and last year topped the Bloomberg combined Leage Table.

In New Zealand, ASB performed well with operating income growth of 8%. ASB is the highest reputation score of the major banks in New Zealand, and has been a digital bank of the year for the past four years. ASB saw 1.3 times system growth in home lending and business and rural lending. Deposits grew at 1.2 times system. Customer deposits and home lending balances have both increased by 41% in the last six years by $26 billion and $24 billion, respectively.

The credit environment remains benign; troublesome and non-performing exposures decreased following upgrades or external refinancing activity. The number of home loan customers in hardship declined by 28% since June 2024, and we remain well provisioned for a range of economic scenarios. We hold total provisions of $6.3 billion, which is $2.8 billion above our central economic scenario.

Our balance sheet remains strong with 79% deposit funding. Our weighted average maturity of long-term funding is 5.2 years, and liquid assets are $199 billion. Our capital ratio of 12.3% is $10 billion above minimum regulatory requirements. A strong balance sheet allows us to invest for the long term and respond to any deterioration in market conditions.

We have seen record inflows of deposits in the half. We have also seen a $15 billion increase in redraw balances and offset accounts. Customers having surplus funds available is a significant predictor of arrears performance, and so this behaviour has a positive capital impact.

87% of home loan customers are now in advance of their scheduled repayments, on average 35 payments in advance. When adjusted for redraw and offset savings, household debt has now returned to levels not seen since 2015. The transmission of monetary policy in Australia means that our banks pay very competitive interest rates on at-call household deposits compared with other markets. On average at-call deposits in Australia attract an interest rate which is five times higher than in the US and 10 times higher than in Europe.

We have seen a strengthening in the economy in the past six months driven by consumer demand. Spend has been increasing across all customer age cohorts. Most age groups are broadly maintaining discretionary spending and increasing savings levels. GDP growth in mid-2026 was 2%, more than double the same period a year ago. Most noticeably, economic growth has shifted from being primarily driven by public demand to being driven by household consumption.

Last week, we saw the reserve Bank raise interest rates to 3.85% in response to inflation, which is running higher than the target band. Almost one third of the increase in the CPI basket is driven by housing, with utilities a substantial contributor to that category.

Our purpose, building a brighter future for all, guides how we allocate capital, manage risk and invest for the long term. It reflects our long-term commitment to Australia, our customers and our communities. Some of the ways we are delivering on our purpose include significantly increasing funding for new residential housing development, delivering $190 million in benefits to consumers through CommBank Yello, migrating our core banking system to the cloud to improve resilience, delivering 30% more technology changes, reducing critical incidents and improving recovery times by 65%. Rolling out new AI tools and training programs to our teams to build capability and deliver better customer experiences and maintaining our strong balance sheet settings, sending around 40,000 alerts a day to customers about suspicious activities and deploying more than 2,900 AI bots to engage and disrupt scammers.

Importantly, our strong performance enables us to continue supporting our 18 million customers, protect communities, support Australia's economy and invest for the long term. As cost of living pressures persist, we are providing targeted support to households under strain, including 63,000 tailored payment arrangements for customers most in need.

We supported more than 79,000 households to buy a home, including through dedicated support for first home buyers, and we lent $25 billion to businesses, supporting growth, jobs and economic activity. We are investing $1 billion a year to help more people protect themselves from scams and fraud.

Our strong balance sheet allows us to support customers and communities while delivering sustainable long-term returns for shareholders, including $4.4 billion in dividends this half, benefiting more than 14 million Australians.

We will continue to support our customers, protect communities and invest for the long term to provide strength and stability to the Australian economy.

I will now hand to Alan to take you through the result in more detail.

Alan DOCHERTY: Thank you Matt and good morning everyone. Starting with the results overview, we have set out the key aspects of our current operating context, how we are responding and how those actions are contributing to the long-term strengthening of our franchise.

At a macro level, we are seeing strong system growth in both credit and money supply. Competitive intensity within the banking sector remains elevated. Technological innovations continue at pace and geopolitics remains a source of potential tail risks. Against that backdrop, our response has been deliberate and disciplined. We have carefully managed volume and margin trade-offs, continued to invest and extend our leadership in both technology and proprietary distribution, and maintained conservative balance sheet settings.

This approach is yielding strong financial outcomes. Pre-provision profit growth is healthy. Our dividend per share continues to reflect the strong compositional quality of our earnings, and our balance sheet settings give us confidence in our ability to continue supporting customers, growing the franchise and delivering sustainable returns to shareholders over the long term.

This slide sets out the usual reconciliation between statutory and cash profits for the half. There were only modest movements in the usual non-cash items during the period. As such, both statutory and cash profits on a continuing operations basis totalled around $5.4 billion.

Breaking down the components of that cash profit, operating income grew 6.6% year on year, as our investments in technology and proprietary distribution continue to yield strong operational outcomes. That top line performance allows us to continue to invest in the franchise, with underlying operating expenses increasing 5.5% on the prior comparative period.

Notable expense items totalled $170 million over the last six months, largely due to the settlement of a long-standing legal proceeding in New Zealand during the September quarter. Loan impairment expense was flat year on year and lower versus the second half, reflecting the benefits of our conservative settings and the resilience we continue to see in customer and portfolio credit quality.

This resulted in growth in cash profits of a little over 6% on both the prior corresponding period and the second half of last year. It is worth noting that the effective tax rate for the half was 30.3%. Looking ahead, you can assume that will settle closer to 30% for the 2026 financial year.

On operating income, we delivered growth of 6.6% over the prior comparative period. Net interest income increased strongly, up $761 million, supported by profitable above-system growth in lending and deposits. Other operating income also contributed, growing $163 million over that period, assisted by one-off gains.

This slide sets out some of the drivers of long term franchise strength that we have been targeting. Deeper customer relationships, deposit-led growth in our core segments that underpins and precedes lending growth, and productivity improvements within our front line teams. Our Retail Bank continues to build foundational banking relationships, adding three million net new transaction account customers over the past five years.

In home lending, we continue to prioritise and grow proprietary distribution, with $55 billion of new fundings originated over the last six months through our own channels. And our strategic focus on Business Banking continues to deliver strong outcomes, with double digit compound annual growth in both deposits and lending over recent years.

Our investments in building a more digital, customer focused and streamlined Business Bank for our people and our customers can be seen in the productivity improvements delivered over the last five years, with fundings per banker up 65% over that period.

Turning to the net interest margin, and looking at the movement over the most recent six-month period. The main driver of the four basis point reduction over the half was the increased mix of low margin liquid assets and institutional repos. Excluding those items, margins were one basis point lower, with competitive pressures and the impact of a lower cash rate largely offset by the replicating portfolio and the favourable portfolio mix effect of strong deposit growth.

Margins were a little stronger in the December quarter, largely due to the benefit of higher swap rates on our replicating portfolio. You can see here that we are managing margin outcomes carefully, balancing competitiveness with returns and staying focused on building lasting primary relationships with our customers, rather than chasing unprofitable volume growth.

On operating expenses, they increased 5.5% on the prior corresponding period. The drivers are largely unchanged over recent years. We are seeing inflationary impacts on wages, and IT vendor cost inflation continues to run higher than CPI. At the same time, we continue to invest behind the franchise with higher cloud consumption and software licensing costs, and our ongoing investment in technology infrastructure and AI capabilities, alongside enhanced front line capacity and operational resilience. We are self-funding much of that investment through productivity initiatives, realising approximately $222 million in incremental cost savings over the past six months.

Turning to credit risk. Loan impairment expense for the half was $319 million, broadly consistent with the prior comparative period and improving versus the second half. Across the portfolio, we continue to see broadly stable to improving conditions. Households have been supported by the strength of the labour market and rising disposable incomes. We have seen this reflected in higher prepayments and lower consumer arrears.

In the corporate portfolio troublesome assets and nonperforming exposures continue to trend lower as a proportion of the portfolio. Given the uncertainty in global macro and geopolitics, we have maintained strong provisioning coverage. Total recognised provisions are approximately $6.3 billion, and importantly, we continue to hold a material buffer above the central scenario.

This slide provides the usual additional detail on sectoral considerations. We marginally reduced base provisioning and forward looking adjustments in areas where conditions have improved, including consumer, construction and retail trade. This was partly offset by an increased level of provisioning relating to our downside economic scenarios, where we take into account the risk of exogenous shocks to the domestic economy. Overall, our approach to provisioning remains grounded, forward looking and appropriately conservative.

Our funding and liquidity profile has continued to strengthen. We continue to be predominantly deposit funded, supported by a strong deposit gathering franchise. Total customer deposits grew at an annualised rate of 10% over the last six months, taking our customer deposit ratio to 79%. We also maintained a historically low proportion of short term wholesale funding. This combination of deposit growth, consistent term issuance across diverse funding markets and strong liquidity buffers, mean we remain well positioned to support the current strong level of customer demand for lending growth.

On capital, our Common Equity Tier 1 Ratio remained at 12.3%, with organic capital generation continuing to support franchise growth and dividends. Growth in risk weighted assets was largely a function of lending volume growth, with credit risk weightings remaining broadly stable over the past six months.

The interim dividend increased $0.10 to $2.35, representing a headline payout ratio of 72% and a normalised payout of 74%, after adjusting for the benign first half loan loss rate. The dividend will be fully franked and the dividend reinvestment plan will be offered with no discount and fully neutralised.

Delivering franchise growth while maintaining returns above our shareholders cost of capital allows sustainable and consistent accretion in dividend per share over the long term. This slide sets out our long term approach to capital management. We prioritise profitable franchise growth as the first and best use of organic capital generation. We invest in line with our strategic priorities, aim to pay sustainable dividends, and we carefully manage our share count and surplus capital in a disciplined way.

Over time, you can see we have balanced capital generation with capital distribution, supporting franchise growth when lending demand is elevated, while also returning excess capital to shareholders primarily through dividends as well as through the selective utilisation of buybacks. Ultimately, we remain focused on optimising long term shareholder outcomes, while maintaining the balance sheet resilience that underpins our ability to support our customers and the broader economy through the cycle.

In closing, this long term approach has again assisted in delivering consistent and superior shareholder returns. Our combination of a high return on equity and strong payout ratio continues to compare favourably with domestic and global banking peers. Our strategic investments are yielding measurable improvements in franchise growth and productivity, underpinning our continued outperformance in net tangible assets and dividends per share.

I will now hand back to Matt for the economic outlook and closing remarks. Thank you.

Outlook and Summary – Matt Comyn

Matt COMYN: Thanks very much, Alan. Australian economic growth has strengthened more quickly and proven more resilient than expected. This was driven by increases in consumer demand and rising investment in AI and energy infrastructure. Household consumption has risen, including across discretionary categories. Supply side constraints mean that the economy is struggling to meet this increased demand, and as a result, inflation is now expected to remain above the Reserve Bank's target band for some time, placing further upwards pressure on interest rates.

Australia has remained highly resilient despite a volatile global environment. To date, there has been limited economic impact from trade and tariff disruptions. A global AI investment cycle is supporting growth. Elevated geopolitical risks are likely to generate ongoing shocks, reinforcing the importance of economic and operational resilience. We will continue supporting our customers with their financial resilience during this period. We are optimistic about the prospects of the economy, and will play our part in building a brighter future for all.

So in summary, the market has seen a period of high growth, low loan losses and intense competition. The Commonwealth Bank is well placed to adapt and perform against this backdrop. We remain committed to supporting and protecting our customers, reimagining customer experiences by investing in technology and AI, and providing strength and stability for the Australian economy, and delivering sustainable returns. We will stay focused on consistent, disciplined execution and investment for the long term to deliver for our customers and build a brighter future for all.

Q&A

Melanie KIRK: Thank you, Matt. For this briefing, we will take questions from analysts and investors. When the line opens for you, please introduce the organisation that you represent and limit your questions to one to two maximum questions. The briefing will then have the, excuse me sorry, we will then take the first question from Andrew Triggs. Thank you.

Andrew TRIGGS: Thank you Mel and good morning. Matt, in your prepared remarks for the first quarter trading update, you talked about the competitive concerns, sorry, the competition concerns you had and potential responses on settings. Could you sort of elaborate on those, you seem to have sort of reiterated some of those comments this morning. Specifically, what size of the balance sheet are you referring to there? It does seem at odds with a stable underlying margin in the half, and the slight improvement in NIM that you've seen in the December quarter.

Matt COMYN: Yes, no thanks, and good morning. Look, I guess I would contrast between, as I said in the opening remarks, I think the strength of this result has been our ability to maintain a very good and disciplined volume growth, and a part of that is underlying stability and the margin performance across all of our customer-facing segments.

I think when we look at, let's say last calendar year, I think the market is and the competitive context is shifting. I think clearly this demonstrates our ability to be able to perform well in that. But I mean, if you look at the period of the last five years, we have seen the most rapid growth by one competitor in household deposit share growth. In fact, I think it will be close to double the previous growth rate. I think we have seen a pretty sharp reduction in household balances. I think the greatest over that five year period outside the major banks. I think even if you went back to 2008, and I think that is interesting in the context of the backdrop. We have got, as we talked about, higher system credit growth, we have seen that clearly in retail and also in non-retail.

We expect that there is going to be a maintenance of higher credit growth on the back of higher nominal growth. And of course I hope a pick-up in investment.

If you look at the organic capital generation across peers and really the volume and NII returns that are being generated, I think that marks quite a shift. Against that credit environment, you would actually expect it to be much greater pricing discipline. Look, clearly there are different choices that are being made around business model and customer proposition, some part of that is being informed by the regulatory architecture and choices.

I mean, it is for us to understand and adapt to the environment, to be able to execute as well as we can, both in the six or the 12-month period, but also most importantly to position the organisation for the future. And we think a lot about how do we build on the scale, durability, resilience, investment in the franchise, while continuing to perform well in any given period and deliver sustainable, reliable returns to our shareholders.

Andrew TRIGGS: Thanks, Matt. And maybe perhaps for Alan, just to pick apart maybe a little bit more the slight improvement you referred to in NIM in the second quarter. You put that down to the replicating portfolio, but that tends to come through more slowly. What were the other drivers? And given we have had a rate hike in February, potentially another one in May, what does it mean for the outlook for the NIM into the second half?

Alan DOCHERTY: Yes, thank you Andrew. Yes, between Q1 and Q2, I guess there were a couple of things that changed. I mean, importantly, the replicating is a major factor of the five-year swap rate, I think it increased 30 basis points between Q1 and Q2. As the tractors ground through over that period, we have seen the pick up there.

Also, there was a bit more of a cash rate headwind in Q1. So if you look at the weighted average, overnight cash rate, that was down, I think, 40 basis points in Q1 to the second half of last year, only down a dozen basis points over the second quarter relative to the first. So you had that cash rate headwind in Q1. So it would be much more neutral, I guess, in Q2.

And the other aspect was very strong growth, as we have reported, in particularly business transaction accounts in that December quarter. So that was pleasing. And so we picked up a bit of a mix benefit on BTA growth through Q2.

Now an element of that is seasonal. We get seasonally stronger growth in the December quarter. But you can see the changes we have seen in swap rates. So that will continue to feed through in our tractors in the period ahead.

Melanie KIRK: Great. Thank you.

Andrew TRIGGS: Thank you.

Melanie KIRK: The next question comes from Jon Mott.

Jon MOTT: Thank you, Jon Mott here from Barrenjoey. I have got a question on slide 96. I know it is a long way in, but if we could just flick over there, just looking at the deposit side and well done, just really shows the strength of the franchise with the growth of deposits coming through. But I wanted to drill down into it. So if you look at the growth in retail transaction accounts, pretty steady. You know, good numbers growing 3% in the half, 5% year on year. It has been growing pretty steadily. But then when we look over at the retail deposit mix, a big jump. And I think this is the biggest jump you have ever had in transaction deposits in the Retail Bank. And if you go in the average balance sheet, you can also see that coming in non-interest bearing deposits excluding offset accounts.

You have seen huge growth, and given the comments from the first quarter, it did not appear to be there. So it really looks like it has come through in the December quarter. To put it into perspective, just backsolve, the average transaction account in Australia jumped by $700 from just over $10,000 to $10,700. So what happened in that December quarter to see such massive growth, not in the number of transaction accounts, but in the balance?

And when you think about how it is going to go going forward, is this just in a seasonal element and then get drained into savings or higher interest rate accounts over this next half, or are you going to see really strong growth in non-interest bearing deposits really support the NIM through the second half of 26 and into 27? So can you just explain what happened?

Alan DOCHERTY: Yes, I mean, one element of that transaction account growth is growth in the offset accounts. We have seen very strong consistent growth in offset through both Q1 and Q2. I mean, that is I think a healthy sign of continued growth in excess savings across the economy. And we called out in one of the macro slides, the improvement that you can see in the savings rate that we have continued to see through the course of that half.

Yes, and in terms of the performance of the underlying ex-offset growth in the Retail Bank, that has continued to improve. I mean we have seen relatively consistent growth in average balances per retail customer account. So that has continued to grow in the period. And, of course, we have continued to attract more customers. And so very strong growth. Another, I think, year on year 600,000 growth in customer transaction accounts in the Retail Bank. Retail customer numbers are up three million over the five year period. So again that has been relatively steady.

But I think it is a function of just that continued growth in savings across the broader economy. And we have seen a large share of that come through the Retail Bank.

Jon MOTT: Just digging into that a bit more and just going over to the Retail Bank in the actual result. And if you look at the non-interest bearing transaction accounts, you can see there, this obviously excludes offset accounts. Big jump again there by four billion. So is there anything in particular that happened in that fourth quarter that just drove this so much higher because this isn't - you see steady customer account growth? It is just unusual.

And then, obviously this implies what happens into the next half.

Alan DOCHERTY: Yes, no, I mean it is very pleasing. I think a more like-for-like comparison is going to be December-to-December growth in non-interest bearing tran in the Retail Bank. We do get a fair amount of seasonality into that June period. So going into June, as you come out of the March quarter into June, you tend to have a higher level of spot non-retail transaction account deposits, which then dip quite significantly into the 30 June period. We see a lot of switching, particularly small business owners injecting cash in other businesses as they get to the 30 June financial year end.

So we have been pleased with the growth. Probably the better underlying measure of that growth, I think, is the year-on-year 6% growth between the 47.5 billion we had this time last year and the 50 billion that we landed at 31 December. So, yes, strong growth, but I would not annualise the six-month growth.

Matt COMYN: Yes, I think there is a bit of seasonality for sure, Jon, and I think Alan has touched on it all. I mean, obviously we would like to think with all the work that we are doing around the engagement and main bank proposition that is attracting higher balances, we did see obviously a run up in incomes across the economy. But I think it is hard to then just extrapolate. I mean the fourth quarter was strong for us in a number of areas, including both in Business and Retail deposit growth at an account and average balance number.

Melanie KIRK: Thank you. The next question comes from Richard.

Richard: Good morning Matt. I have got a couple of questions. The first relates to the mortgage market, and the second relates to the benefits of scale. So on the mortgage market, your major bank competitors have been pretty clear in communicating their desire to invest in and grow their proprietary distribution. So that leads me to ask whether your expectation that you can grow at or above system in the mortgage market is premised on a belief that you will not lose any share of proprietary distribution, or that third party broker share of the industry's mortgage origination will fall from its current levels.

Matt COMYN: Yes, look, Richard, I mean, we do not, as you know, at any period seek to grow at or around system. We are going to make lots of different choices. I think there is a couple of different sides to it. Clearly the proprietary distribution has been a strength for some time, and the team have executed really well. I think we are now, we think 54% of proprietary mortgage origination. On one side, the other banks joining and having a greater focus on that, maybe that helps a little bit to change the perception or customer preference more broadly in the market.

I mean, secondly, the broker channel is a really important distribution for us, and it will be going into the future. So I mean, it is predicated really on the continuation of what we have been doing. I think we will be able to maintain between both our CBA yellow brand, Bankwest, which is obviously heavily concentrated in broker, and our digital proposition, a balanced portfolio in terms of distribution. And then of course, while serving our customers, we have sought to optimise for cohorts and individual segments where there is structurally higher margins like there are in investor.

Richard: Okay, thank you. My second question really relates to some of the slides and your comments pointing to very strong growth in the franchise since 2019. Whether it be deposit balances or number of customers or number of accounts, you called that out in your opening remarks. That should suggest that you will get increasing benefits from scale. But if we look at the cost to income ratio in rough terms, it is somewhere in the mid-40s. That's where it is today. That's where it was back in 2019. Do you think it's fair to view the cost to income ratio as a measure of whether you are delivering benefits from scale? And can investors expect an improvement in cost to income ratio CommBank over the coming years?

Matt COMYN: Yes, look, I mean it is a really good question. Look, I am certainly a believer in increasing returns to scale and how they might compound over a long period of time. I think the drivers, particularly on the cost side for us, I guess as we reflect over the last, whatever, five or eight years, have been deliberately targeted in a couple of areas.

First and foremost, we have significantly increased the investment and we think that is really important to both underpin the durable competitive advantages, I think that is one of the major sources of scale. We have substantially increased operational and regulatory risk management. Of course, without giving any clear guidance, you might recall early on in our collective tenure we gave some cost to income ratio guidance, and then the cash rate promptly fell several times after that. So we are not likely to repeat.

Richard: I think that was early 2019, wasn't it Matt?

Matt COMYN: It was, it was Richard. We remember it well, I am sure you do. So look, I think we definitely have aspirations to perhaps over the medium term definitely shift the trajectory of that cost. But we also, I guess in any period, we are prepared to sacrifice near term returns if we believe that we can deliver the best long term outcome. I do think the next five years will be quite different in terms of where the investments will come from. I do think there is a lot of consistency around technology.

Probably the other area that I think occurs to Alan and I in this result is in terms of where the increased investment over and above the areas that we are used to calling out is there is just a lot more going into resilience more broadly. I mean, cyber has been a been a theme. So we do think the importance of being able to continue to invest in differentiated experiences, but also just core resilience and protection of our customers. You need to be able to generate a strong organic return profile to be able to fund that investment, to be able to simultaneously provide lending to the economy and distribute dividends. So it is probably a long winded way of saying no change to guidance. Believe in returns to scale strongly. I think there will be opportunities for us to improve our cost trajectory and ratios over time.

Richard: Thank you.

Melanie KIRK: Thank you. The next question comes from Andrew Lyons.

Andrew LYONS: Thanks and good morning. Andrew Lyons from Jefferies. Alan, just a question on costs firstly. The first quarter you spoke to seasonally low IT vendor costs, but the first half cost performance was a particularly good one, and it wasn't particularly apparent that that came through in the second quarter. How should we think about that seasonality comment from the first quarter? Should we be seeing a bit of a step up in those costs being expensed through the P&L in the second half just as you continue to invest in the business?

Alan DOCHERTY: Yes, you will notice in the detail of the investment spend disclosures we have, we have dropped the capitalisation rate in the current period. We are capitalising less, more of that is flowing through into the P&L. That goes with the change, slight change in mix that we have seen from a strategic investment perspective. So more weighting towards productivity and growth initiatives, a little bit less proportionately on some of the infrastructure spending, the infrastructure spending by nature is more capitalisation heavy than other forms of spend.

There is a little bit of seasonality in Q1. We have seen some of that reverse in Q2. It is fair to say that we have called out IT vendor cost inflation pretty consistently over the past 12, 18 months. It is an area that we continue to be very cognisant of, very focused on. We see that as an over the medium to long term potential source of above CPI, above domestic inflation, source of cost growth. So it is something that we are managing carefully, but something we keep an eye on. And that is why we made the comment in the first quarter, because you did not really see it as a source of cost inflation there. But again, that was a quarterly timing issue.

Andrew LYONS: Yes. Okay. Thank you. And perhaps a question for Matt. It was a particularly strong result in Business Banking. Your loans are up 9% on PCP. NIM's up three bpts over the same period and five btps in the half. That does somewhat fly in the face of the view that the market's facing elevated competition driven by both the big four and also other players in the space. So can you perhaps just talk about the competitive environment in Business

Banking. How do you see it playing out and what is CBA basically doing to try and insulate the margin as much as possible as you do grow?

Matt COMYN: Yes, look, I mean I think the competitive context is intense, and against that I think the team have executed extremely well. I mean, some of the things I think that stand out to us is a continuation of what we have now seen for many years in terms of transaction liability led strategy, strong growth in account numbers, strong growth in balances. As Alan touched on, particularly in the fourth quarter, I think a very good track record over the last five or six years of high quality risk identification in terms of lending, really leveraging the main bank relationship, and having a much broader relationship with our customers.

We have seen also capabilities that the team have developed. There is probably one of the things that stood out to us as well, is like very good performance in Small Business. I touched on some of the growth in products like BizExpress, which is largely unsecured and we have gone from $30 million to $130 million.

Now, at some level they are still relatively small numbers, but it has been the diversification of the lending growth that has been good. Small business would probably be roughly twice the margin of some of the other segments. They have been very disciplined up and down, throughout all of the segments. We monitor closely in terms of the value of deals that we will not originate due to pricing, the value of deals we will not originate due to credit conditions. And I think leveraging some of the technology, both in the decisioning, speed of decision as well through to funding, but also in terms of giving us the confidence to be able to originate across broader cohorts of customers where we have got that main bank relationship.

We have also been able to, again, leveraging some of the technology to automate some of the account management processes, substantially free up banker time, and so we are seeing much improved productivity in terms of facilities per banker. So, I think, in aggregate the team have executed extremely well. I think the result is another very strong one.

Andrew LYONS: Thank you.

Melanie KIRK: Thank you. The next question comes from Carlos.

Carlos CACHO: Thanks Mel, Carlos Cacho from Macquarie. You spoke to in the retail section, lower deposit margins due to competition and shifting into higher yielding savings deposits. Can you give us any, clarify the mix shift you are seeing there from lower rate products like NetBank Saver into the higher GoalSaver, or potentially higher rates on some NetBank saver accounts that's driving that?

Alan DOCHERTY: Yes. I mean, I guess that has been a consistent trend. I mean, I talked earlier about the things that had changed between the first quarter and the second quarter. But one thing that did not change was the very strong level of growth that we continue to see into the GoalSaver product. So that is running multiples of the growth rate. And we are still growing in NetBank saver. But the key driver of savings account growth in the Retail Bank has continued to be GoalSaver. And so the mix effect and where we have called out previously, the very strong level of balances that attract in that high, the bonus rate on GoalSaver, so that is now up to 87% of balances attracting that high rate. We can see then on the quarterly trends on margin it is a consistent headwind. So very consistent over Q1 and Q2, it is about a basis point headwind in each of those periods due to the mix effect of the growth in that higher rate product.

Matt COMYN: Yes, I think specifically we are using…

Carlos CACHO: Thank you, I guess…

Matt COMYN: Sorry, I was going to say, we are using the GoalSaver product, particularly we have got some targeted offers in market. I think we see a little bit more switching into the saving, but there is probably less churn than we would have seen in other periods from savings into TD. And I think again, the team have done a good job of optimising across the various customer segments and trying to make sure we are getting the right overall margin outcomes whilst growing a bit above system as well.

Carlos CACHO: Great, the other question I want to ask is more around the thinking longer term about these investments you are making. You are clearly investing a lot of money into technology and AI, and you spoke to those vendor inflation headwinds, which appear to be the tech companies wanting a return on their investment. How do you think about the return on those investments you are making? And I guess, particularly, how you think about that flowing through higher revenues versus potentially more productivity or lower costs in time?

Alan DOCHERTY: Yes, I mean we have been very pleased with the yield from the investment. And I think it particularly there are a number of proof points in this result that we have called out that I think show that we are getting a measurable return on those investments. We called out the productivity that we have seen as we have continued to digitise, importantly the work of a business banker. We have got much better mobile and digital platforms for our business banking customers, getting them to the sort of levels that we had achieved in previous years for retail customers. And you see that coming through. I mean, that is a big driver of the MFI growth that we have continued to see within the Business Bank.

We continue to underpin the transaction account growth. And then we have got sort of 97% conversion of those tran accounts into lending relationships, which seen as continue to grow well above system in the Business Bank over the last 12 months.

So yes, the yield from the technology investments, we are seeing measurable returns both on the revenue side and in the cost side. So we have been pleased with that.

To your point, and again, it is why we call out the IT vendor cost inflation. There is, over the next few years there is going to continue, we are going to continue to see where the returns emerge from newer technologies between the technology companies themselves and the corporates who deploy those tools. Certainly over the past period of time, we have been pleased with the return that we are generating through our franchise. But that is something that we will continue to manage and ensure we have got compatibility with lots of different vendors. We are able to switch providers in various areas and maintain that flexibility to ensure that we maintain competitive, have a competitive tension with some of our key technology providers, which I think is going to be important for every corporate over the next 5, 10 years.

Carlos CACHO: Thank you.

Melanie KIRK: Thank you. The next question comes from Matt Wilson.

Matt WILSON: Yeah. Good morning team, Matt Wilson, Jarden. Two questions, if I may. If you look through the long term CBA's key point of differentiation has been your largest stickier low no-cost deposit base and you are very effective at growing it, as we can see today. And your major bank peers have failed to close that gap through the decades for various reasons. But today we have sort of two new challenges out there. Macquarie, who is the fourth peer and perhaps should appear in every slide where there is a peer comparison now going forward, have put a line in the sand. And then you have got AI. If we embrace your enthusiasm for AI, then does it follow that we will all have a personal AI bot that will automatically direct our savings and transaction accounts into the highest yielding accounts? And a machine will do that for us, and on that basis today they move to Macquarie.

I've got a second question.

Matt COMYN: Yes, I mean, look, Matt, I think on your first question, I mean, look, I think what the result demonstrates is our ability to perform in the current context. We think we have got good strategic assets and sources which the team have executed really well. We are, of course, alert to lots of different shifts in the competitive context. I mean, specifically, maybe there is a little bit of a flow onto Carlos's question. In terms of AI and technology, we have got a balance between flexibility and scale. I think in the near term for heavily regulated institutions, I think, it adds both complexity and governance.

I do think one of the important things that we are certainly spending time on is where do we think AI has the potential to change the economics of the industry? What might the impact be around competitive moats or enduring sources of advantage? How might that show up? I think there are lots of different ways that we envisage that we can compete extremely effectively in that environment.

So, I think we are both planning for the long term, lots of different scenarios. We think we have got the scale to invest, we think we are uniquely placed. And I think the team are highly motivated and very focused on execution. And at least in this period, I think it is a good example of it. And we certainly intend to maintain that focus, discipline and execution ability.

Matt WILSON: Thank you. And then a second question, probably linked to Richard's second question as well, if we look back over the last five years or so, headcount at the enterprise is up nearly 20%, despite investments in AI and technology that should be driving efficiencies. Now, at some stage in the future, there is obviously a big dividend to be reaped by taking people out of the organisation. Could you comment on that opportunity?

Matt COMYN: Yes, look, I mean I think that is right. In banking in Australia there has been a significant increase in headcounts, at least in some of our areas though as well. I mean our approach to the management of important risk types like financial crime has strengthened considerably.

There are large operational and FTE requirements with that today. When we think about that more broadly economic crime across scams, fraud, cyber clearly the vector of threats that we need to be able to deal with is increasing on a daily basis. And absolutely, some of the technology that we are deploying at the moment, in time, I think we will be able to make a meaningful improvement to the level of automation and efficiency with which we are able to deliver those services.

A lot of the other increases have been in and around technology. Obviously, that has supported much higher levels of investment, also into key frontline roles, notwithstanding the fact that we have been able to improve productivity on a per role basis. But I think that has enabled us to grow at a faster revenue rate than peers, which we think is important.

So I guess to Alan's answer earlier, I think there are both revenue and cost benefits that have been delivered in this period. We are obviously – and Alan is tracking those benefits very carefully and clearly. We think it is really important to continue to push for further sources of competitive advantage. I think that takes time. But clearly we think there are some opportunities to manage the cost base over the medium term.

Alan DOCHERTY: I would just add one point Matt, around the five-year growth in the FTE. Of course, about half of that growth just related to the insourcing that we had within our Technology team. So we have moved away from third party suppliers in many respects, brought our own engineers in-house. We are seeing much greater velocity, much greater quality, much greater productivity over that four or five-year period as we have conducted that insourcing. So that has been a big part of the overall FTE growth.

But actually we are seeing again, we have called out some of the benefits we are seeing in terms of the engineering capability changes deployed up 30% in the past 12 months. We are seeing deployments at greater pace, greater speed and greater quality. And so the work that we have done to insource into our FTE base, the engineering capability we think is paying dividends.

Matt WILSON: Excellent. Thanks, guys.

Matt COMYN: Cheers.

Melanie KIRK: Thank you. Our next question comes from Brian.

Brian: Hi, thank you, and first of all congratulations on a stonking result. But more to the point, since you have been speaking, you have put on a lazy $3.00 or $4.00 a share. So I had two questions. The first one is that if we have a look at CommBank, we can see that you have got excess liquidity, long term funding. You look at your software, you are increasing the expensing profile. You have got incredibly strong provisioning. When I have a look at the profit after capital charge, it's up. You're saying that you normalise the dividend payout ratio for the current low loan losses. I just would be interested to hear what is the scenario where we would start to see you harvesting the latency, and does that basically mean that we see a continued dividend growth even when the system becomes more adverse? And then I have another question as well please.

Matt COMYN: Yes, maybe I will start and then Alan can add to it specifically. I mean, BJ, as I know we have had this conversation before. I mean, a lot of the way we think about things is maximising value over the long term. We are consistently trying to find ways to invest in the earnings potential. We are prepared to not seek to maximise our performance in a particular period, because we want to have the flexibility over a long period of time to both deliver very strong earnings growth and momentum, but also to have substantial flexibility to be able to deal with a range of different scenarios.

So look, I think this is clearly above the central scenario. I think the largest excess we have had at $2.8 billion, there are clearly still tail risks, and particularly on a global basis. Some of those are hard to accurately predict and price. But I mean, I think there are a number of different areas where we have got a lot of flexibility in the organisation. But most importantly, we want to translate a lot of the investments into long term earnings potential going well beyond 2030.

Alan DOCHERTY: Yes, I mean the balance sheet settings, we continue to take a through-the-cycle view as Matt says. I mean the provisioning, we are pleased to hold the provisioning at broadly around stable levels, albeit we are growing the lending side of the balance sheet very quickly. We have seen record levels of lending growth. So the coverage ratio, the provisions as a proportion of the risk weighted assets, has drifted a little lower, and so you have seen some unwind of the provisioning that we had held maybe 12, 18 months ago. But yes, we take a through-the-cycle view, and we like having that latency. I think that gives us a more stable through-the-cycle performance which our shareholders really value.

Brian: Just a second question, if I may. Once again, I really want to congratulate the entire management team on the result. If we have a look at some of the global in financial services in particular, as they seem to hit a kind of more adverse environment, they basically seem to be pulling the pin quite aggressively to shed labour. I’m just wondering, when we have a look at CommBank, is there a point at which you – how close are we at the point to which technology replaces people?

And I am not saying that you necessarily have to go out and retrench people, but natural attrition probably gets you. But do we actually get to the point where we actually see basically the headcount element of the total operating costs fall, and in that context, can you see a point, Matt, and I never thought I would ask this question, where it's difficult to find more incremental to spend on technology.

Matt COMYN: I think in terms of tech spend and investment in software, I think demand across the economy still outstrips supply. But I mean, clearly the potential to be able to deliver a lot more change, I mean, significantly more than we are currently doing in-year is clearly there. I think some of the leading firms globally outside of banking are already seeing some of that automation.

Look, I think there are going to be multiple speeds for how AI is adopted across the organisation, and how it is able to improve and automate some of the processes. I do think also it is important, and certainly the approach that we are taking is thinking through that very carefully, and thinking about the individual tasks and skills, I think it is really important to build the capability across the organisation.

I think anything that is disruptive, like this technology is, it is really important to engage inside the organisation, maintain the very high levels of engagement and motivation. I do not think some of the more pessimistic scenarios around labour force disruption will materialise. I think it does take quite a bit of time. I think the performance of the models is quite jagged. There are also a number of different things that you can do really well. There are others that candidly you cannot. But I think the potential over time to improve certainly the performance of every individual, provide greater output, and then in time through more automation.

There are also just a number of customer processes we think we can manage on an automated basis. I mean, we believe in having to be able to service our customers in real time, dealing with scams and disputes and fraud, and to be able to perform and close those tasks out through an agentic framework to be able to serve many of our customers more directly and comprehensively. We have already got the capability to be able to monitor the environment, and on an automated basis, deploy new rules in to pick up and detect fraud.

I think we are just scratching the surface of the potential here, and I do not think we are going to be talking about it in very significantly different ways at our full year results in August. But I think in a three and a five-year timeframe, I think there certainly is some significant potential, and there are a lot of things that need to be managed as a highly regulated industry. I mean, I do think governance and transparency and explainability, and most importantly trust with customers and with employees, I think that will be a very important part of what we need to do well. We have obviously started communicating externally with some of the work that we are doing. I think we are trying to think about this comprehensively and over a long period of time, and we believe it is going to be a source of competitive advantage for CBA.

Brian: Thank you.

Melanie KIRK: Thank you. Our next question comes from Brendan.

Brendan SPROUSE: Good morning, Brendan Sprouse from Goldman Sachs. I just have a couple of questions. Just in terms of the impact of higher interest rates as we look forward into the second half. Obviously in this, looking backwards, this half has had record lending growth, particularly strong deposit growth in business banking, as was touched on earlier on the call. But when you look back to when the cash rate was last 4.35, you showed us a number of slides similar to slide 18 which showed negative spending and cost of living pressures in the household sector, and you also saw quite a slowdown in business credit. I just wanted to get your view on how sensitive you think the current system growth rate in both lending and deposits will be to these higher rates over the next six to 12 months?

Alan DOCHERTY: Yes, I mean, it is going to be, to your point, I mean, one of the things I called out in my opening was very strong level of credit growth leads to very strong growth in broad money and money supply. And that is a factor that we look closely at in terms of we see a lot of that money supply growth come through our deposit accounts. That puts more money in people's hands ultimately across the economy, and there is an inflationary element obviously to that mechanism. So of course the reason that rates are being hiked is in order to maybe slow down some of that demand more broadly across the economy, slow down that spending.

So we would expect to see some impact to that. We have had a very strong period for system growth across both home lending and non-retail lending across the system. Our Economics team has got a range of between 6 and 8% across the total system credit over the next couple of years. Obviously, we are running at the top end of that as we sit here today.

So look, I think there is maybe some, you would expect some impact on system levels of credit growth in a higher rate environment. I guess the big question will be how many rate rises do we see from here. Because that will determine the size of the slowdown you see from a credit perspective.

Matt COMYN: Yes, I think, I mean, if you assume there are a couple of rate hikes, I think it will have a modest impact. Even if it took a percentage point off housing credit growth, I think the non-retail credit growth has been very strong. Certainly, everything that we see is there. We think higher nominal growth is going to support that. I think boosting investment is going to be an important driver of productivity. I think there are certainly investments in technology across the economy that are going to support that. I think that is the importance of having the right sort of capital settings and deploying that lending growth into the right risk adjusted returns. We have certainly extended out the credit growth that we have seen over the last couple of years, and I guess that is our base case to make sure we are going to perform optimally in that environment.

Brendan SPROUSE: That is great. Thank you. And the second question just on NIMs on slide 27. Obviously, one of the better parts of today's result is the lack of compression on your funding costs. To what extent is this a timing issue in terms of the switch in the rate cycle that happened towards the end of the fourth quarter? Obviously with the RBA pushing rates higher earlier this month we have seen some deposit product pricing move higher with that. To what extent is that going to play out in the second half, a bit of catch up in terms of deposit pricing for these higher rates?

Alan DOCHERTY: Yes, I mean, I think that as we have long said, I think the deposits are very competitive and we are going to continue to see the mix, an unfavourable mix impact of that growth in our high rate product. So I think that is likely to continue.

The other element that we watch closely is wholesale funding spreads. I mean, I guess you have seen a very benign period. I mean, in the last six months, the five-year funding costs and the wholesale funding market has fallen another 10 basis points. You tend to find there is a real correlation between what happens in wholesale funding markets and the level of deposit, competitive intensity and deposit pricing. So one of the forward indicators, the lead indicators that we will be looking carefully at around the likely outlook for deposit pricing and competition, is that level of wholesale funding spread.

We have had a benign period with below historic averages and a number of those long term funding products. So we will keep a close eye on that in terms of how that – there is a potential for that to revert and that to lead to more deposit competition in the second half. But we do not know that today. We will keep a close watch on that.

Brendan SPROUSE: Terrific. Thanks for that.

Melanie KIRK: Thank you. Our next question comes from John Storey.

John STOREY: Thanks very much, and good set of results, as Brian was saying. But I just wanted to touch quickly just on the business model and disruption, potential disruption to business models. You've seen it in the last few days; insurance broking firms have obviously been impacted by the threat of AI, right, in terms of distribution. Just thinking about it in terms of the mortgage market here in Australia, how prevalent brokers have become, I mean, what are your views on the likelihood of AI disrupting mortgage brokers? So the disintermediatior is ultimately becoming disintermediated, and around that, how well or how prepared is CBA in terms of its own business model for something like that, that could potentially eventuate?

Matt COMYN: Yes, no, I mean, look, we have tried to think through all the various sort of potential sources of disruption, not limited to mortgages, and how to most effectively prepare for that. I think we feel we have got the right combination of distribution assets to perform well in that particular environment. I mean, I know from speaking to a number of mortgage brokers and some of the leaders of those mortgage broker firms, that is definitely on their mind. I think like a lot of businesses, perhaps the speed and rate of disruption is also a question of debate.

I think one of the things that has been important in terms of why customers will still preference a face-to-face experience with either a mortgage broker or a proprietary lender is it is a significant decision. I think people still value that. I would have incorrectly forecasted the proportion of mortgages that would have gone to digital when we started thinking about this 15 years ago, it has been a lot slower. But look, I think it is important to think things through and assume they are going to happen more rapidly.

I think in our case, we think we are well prepared, and I think there are very few sectors of the economy that are not thinking about some of the disruptive potential, and obviously the rate and pace of change. Particularly with some of the agentic services that are out even in the last month, certainly there has been some pretty significant share price reactions to a number of global industry and software providers.

John STOREY: And then just quickly on a second question, there was obviously a lot of talk this morning, certainly over the last few weeks, months around increased levels of competition within the market. And obviously you have got a very interesting slide, slide 73, 74, just around the new business volumes that are up significantly 24% half-on-half, right? I wanted to just get your views on to what extent this growth that you have ultimately seen reflects some of the competitors actually stepping back from the market, right. So I am thinking specifically around some of the regional banks, and obviously ANZ is going through a period of restructuring. How sustainable is this level of new business growth that CBA is showing?

Matt COMYN: Well, I mean I think we will see it remains to be seen. But I mean I think we executed well in the period. We certainly are planning to continue to do that. I mean, look, I do think it is quite interesting in terms of some of the share shift on the deposit side and then on the asset side. I think where your returns are under pressure and you are not able to generate returns above the cost of capital, it is pretty hard to grow at system.

Yes, there is disruption. I guess the other point that occurs to us as we look at both capital ratios across the industry, and what we would anticipate the DPS profiles might be at some of those institutions, it would probably start – it would tend to support pretty disciplined pricing. So I think clearly where there are volume share shifts between institutions, that tends to at times lead to not particularly disciplined pricing.

I think this has been a really good period for the half. I think it is quite a – I think it is an interesting equation, at least, as we look forward and think about, well, if it is higher credit growth and the RWA consumption that comes with that, you should not plan as your base case that record low loan losses are going to continue. Investment, and certainly for us we are increasing, and we think that is important from a competitive perspective as well as to be able to support broader resilience objectives, I think. But maybe that financial equation looks a little challenged perhaps for some. And so I mean, look, I think we are thinking about how best to compete in that environment. And I think helpfully at least this six-month period has been probably one of our better periods of execution in market.

John STOREY: Thanks so much, Matt.

Melanie KIRK: Thank you. Our next question comes from Matt Dunger.

Matt DUNGER: Yes. Thank you for taking my questions. Could I ask a deposit question in a different way? The 79% deposit funding stands out versus the peers. You've flagged you are expecting higher growth in higher rate deposits, and we noticed that NetBank saver did not reprice as much as some of your peers through 2025. So why compete on price when you are already leading deposit growth? Is there a target at CBA to continue to strengthen the deposit funding mix?

Alan DOCHERTY: Yes, I mean we would always, we are predominantly deposit funded and we want to keep it that way. We have been impressed with the execution on the deposit gathering and it is a foundational relationship. It drives MFI. It drives, as you can see in the numbers we have disclosed 90% relationship between retail tran account and home lending. Propensity to have your home loan with CBA higher in the Business Bank. It is an important part of the franchise. We want to continue to gather deposits.

Now we are in a competitive market for deposits and hence we have got a very attractive offer on not only GoalSaver, very, very, very attractive rate on GoalSaver with very high proportion of balances that achieve that rate. We have also got very competitive term deposit offers. So the 12-month term deposit specials that you are seeing across the industry I mean they are up 45 basis points in the last six months.

That is an important part of the franchise. We will compete effectively in there. We have been happy with the improvement in the deposit ratio. I think it is a game of inches though on the deposit ratio, it is a large balance sheet. We are continuing to compete well for deposits.

We do not have particular targets that we set around that particular ratio. We want to keep funding as much of our lending growth as possible through deposits. And pleasingly in the six-month period, deposit growth outpaced lending growth, even though we had a very high level of lending growth relative to a very high system.

So we were able to retire a couple of billion dollars of long-term wholesale funding, which again, helps in terms of the overall earnings profile and the interest margin. So we do not have particular targets that we set around that, we just try and keep things in balance and make sure we have got a strong deposit gathering franchise.

Matt DUNGER: Thank you very much. And if I could just follow up on the credit quality side, you are talking about bad debt charges being low. You just referenced some of the peer setting capital returns policies based on that. But you have seen the external refinancing of corporate exposures bringing down the arrears. Just wondering if this reflects your conservative lending settings or you are seeing competition for this corporate business as it re-fis out?

Alan DOCHERTY: Yes, we have continued to see I mean, there is always going to be an element of external refinancing across each of the Bank's portfolios. So we have seen some of that over the last sort of 6 and 12 months in particular within our Business Bank in particular. It is a competitive market. We have seen some continued aggressive pricing offers in market, particularly at that top end of the Business Bank. I think we called that out 6 and 12 months ago. That has continued and in the last couple of quarters, we are seeing some banks compete more on credit risk appetite. And we have seen some external refinancing from our portfolio. So, yes, I think that is a function of the competitive market for business banking that we are in at the moment.

Melanie KIRK: Thank you. The next question comes from Ed Henning. Ed, do we have you on the line? We might just move to the next question and perhaps we can come back to Ed if the line comes back. The next question we will take is from Tom Strong.

Tom STRONG: Thanks, Mel. Tom Strong from Citi. Just a couple of questions. The first on the replicating portfolio. It contributed a basis point in the half, and your commentary suggested that much of that came in the December quarter. How should we think about the replicating portfolio over the next couple of halves, just given the material step up in swaps that sits sort of 50 to 100 basis points above the tractor rates now?

Alan DOCHERTY: Yes, there will be, the tractors will perform well at current swap rates now the swap rates have proven to be obviously fairly volatile over the past 12, 18 months, but yes, current levels of swap rate, I mean they would pick up in each of the tractors. So you think about the size of a replicating portfolio, it is something like $2 billion that will reinvest at current swap rates each month. And so yes, that will be a function of where swap rates move, expectations for interest rates more broadly, and the level of the deposits that we choose to hedge at any point in time.

So yes, that will be a supportive element. I mean, the equity tractor we called out last time around, if you go back three years where swap rate was then, it is pretty similar to where swap rate is today in the three-year part of the curve. And so we are not going to see much tailwind on equity tractor, but replicating portfolio given it is a five-year tractor, we have probably got another two or three halves of positive earnings momentum as those, if you go back four or five years, we were still in some pretty low rate environment. Some of the tractors that we put on there are coming up for reinvestment at much higher current rates. So, yes, two or three halves of earnings momentum from replicating remain.

Tom STRONG: Great thanks, Alan. And just a second question around business deposits. I mean when we look at the strong growth in the Business Bank but net offset accounts, a lot of this growth has come from more expensive TDs and the business MFI did slip slightly half on half. I mean, how are you seeing competition for business deposits more broadly, given a number of your peers are spending pretty considerably to emulate your success here?

Alan DOCHERTY: Yes, I mean, it is a competitive market for deposits, both on the Retail side and the Business Bank side. We have been pleased with the deposits that we have gathered and the new business transaction account openings have continued at pace. I think we are up 7% in net BTA accounts opened over the past 12 months. So we are pleased with that.

Yes, we did, I think there was a little bit of volatility. It is a six month moving average on MFI. I think we are up 40 basis points year on year and the longer term trend I think we are up 300 basis points over the last five years. So, you will see some oscillation one half to the next. But the overall momentum within MFI I think goes to the good execution within that franchise over multiple years. And yes, there has been I think some, as I mentioned earlier, we have got some attractive rates on the term deposit product as well. And that did particularly well in the six-month period within the Business Bank, which we are pleased with. It is a good, stable source of funding for the strong lending growth that we are doing in that division.

Tom STRONG: Great. Thanks, Alan.

Melanie KIRK: Thank you. That brings us to the end of the briefing. Thank you for joining us, and please reach out if you have any follow up questions. Thank you.

END OF TRANSCRIPT