Introduction

Melanie KIRK: Good morning and welcome to the Results Briefing for the Commonwealth Bank of Australia for the full year ended 30 June 2026. 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 business and the financial results. Our CFO, Alan Docherty, will provide details of the financial results. Matt will then come back and provide a summary and outlook. 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.

Presentation from Matt Comyn

Matt COMYN: Thank you very much, Mel, and good morning everyone. This is a strong full year result which has enabled us to continue to support customers, protect communities and invest in Australia. This year we delivered disciplined growth across all domestic franchises, while maintaining stable underlying margins and strong capital funding and liquidity. Cash net profit after tax increased by 7% and statutory profit increased by 8%. Cash earnings per share increased by $0.44. This allowed the Board to declare a fully franked dividend of $2.70, taking the full year dividend to $5.05 per share.

Conditions became more challenging through the second half for our customers, with higher rates affecting household spending and savings, housing activity moderating, and arrears increasing from low levels. In a demanding environment, we enter the 2027 financial year from a position of strength, but with a clear focus on execution and continuing to support our customers.

CBA grew at or above system in all five core product categories; home lending, business lending, consumer finance, household deposits and business deposits. This is the first time any major

Australian bank has done this in the past 15 years. Importantly, it was not achieved by sacrificing margin. Our underlying interest margin has remained stable, supporting consistent pre-provision profit growth and reinvestment. That performance was delivered in an intensely competitive market. We remain focused on continuing to convert our strong franchise position into sustainable risk-adjusted returns while preserving margin, credit and capital discipline.

Volume growth and stable underlying margins drove operating income growth of 6.2%. Operating expenses increased by 5.6%. This reflected inflationary pressures as well as deliberate investment in technology, resilience, customer protection and service capability. Our pre-provision profit increased by 6.5%. We were able to grow earnings while continuing to invest materially in the future capacity of the Bank.

Our competitive advantage begins with trusted primary customer relationships. Each wave of technology has allowed us to better serve our customers. Digital increased the frequency and convenience of engagement. Data and analytics improved personalisation, protection and risk decisions, and we believe AI could be the most significant technology shift we have seen. As customers increasingly use AI to search, compare, decide and transact, we believe the value of a trusted primary relationship will increase. By using AI safely and at scale, we can provide more personalised, trusted support, protect customers more effectively, and help them make better financial decisions.

Realising that opportunity will also require regulation to keep pace. Similar financial activities and risks should attract equivalent customer protections and obligations, whether they are delivered by a regulated bank or through an AI platform.

Disciplined execution of our strategy over many years has delivered sustainable performance. Customer advocacy is an important measure. We also assess franchise strength through a broader set of measures, which includes the number of customers who choose us as their main bank, active transaction relationships, engagement and retention, deposits, and risk-adjusted earnings generated by those relationships.

Over the past decade, household and business deposit balances have doubled. More than 97% of home lending customers and more than 90% of business lending customers also hold a

Commonwealth Bank transaction account. Business lending balances have also more than doubled over the decade, while home loan balances have increased by approximately two thirds.

The growth in business lending is particularly important because it supports investment, employment and productive capacity across the economy. The result is a Bank that is larger and stronger, but also more digitally capable and more deeply engaged with our customers.

Customer focus, disciplined execution and investment in the franchise continues to deliver better outcomes. We have held the leading Consumer Net Promoter Score for 44 consecutive months. We also retain leading positions in Institutional Banking and for Retail and Business Digital Banking. More Australians choose us as their main bank during the year. We added 655,000 Retail and 90,000 Business transaction accounts. Proprietary channels represent 65% of home lending flow and 79% of business lending balances. We also improved lending turnaround times, automated more decisions, increased the speed at which we deliver technology change, and reduced the incidence and duration of technology disruption.

The Retail Bank performed well, with operating performance increasing by 6%. More than one in three Australians identify CBA as their main financial institution, with Retail MFI share increasing to 34.2%. Retail transaction accounts increased by 6% and home lending balances by 7%. More than 9.6 million customers now use the CommBank app, generating more than 14 million logins each day. That engagement creates an opportunity to make the Bank more useful in customers' everyday financial lives.

CommBank Companion is an early example. It is a secure, AI powered conversational experience designed to help customers better understand their finances, and make better decisions about spending and saving. Our priorities are to deepen those main bank relationships, make the app the place customers manage more of their financial lives, and keep improving our service offering.

The Business Bank delivered another strong year. Operating performance increased by 10%, and Business Banking now contributes over 40% of the Group's cash profit. Over the past 12 months we have reduced time to credit decision by 30%, and increased funding per banker by 15%. We have extended CommBank Companion to more small business customers, and we have started using agentic capability across our lending process, including our first controlled end-to-end business loan pilot. The opportunity here is to make better, faster decisions, reduce administrative work for our customers and our bankers, and allow our people to spend more time helping businesses invest and grow.

Institutional Banking and Markets had another solid year with operating performance up 5%. We hold the leading Institutional Net Promoter Score among the major banks, added 33 transaction banking mandates, and grew operational deposits by 13%. The Institutional franchise also contributes $70 billion of net deposit funding, while supporting customers' financing and risk management needs.

CommBank IQ, our data and analytics venture, continues to deepen client insights with five times more client engagement compared with 2022. Momentum moderated in the second half as markets income softened and competition and mix affected margins. Our focus is to convert client activity into deeper relationships, greater cross-sell and better capital efficiency.

ASB continued to grow its customer franchise with more lending and customer deposits both increasing by approximately 6%. Full year operating performance was broadly stable, although earnings conversion weakened through the second half as margins declined and loan impairment expenses increased. ASB retains a strong customer franchise and a leading reputation in New Zealand. Technology leadership is fundamental to how we serve and protect customers, how we operate efficiently and how quickly we can adapt. We have been investing heavily to better protect our customers, improve customer experiences, to modernise technology and automate processes.

We have committed significant resources to cyber and security, including in safely deploying frontier cyber models and automated patching tools. We are using AI to help customers take more control over their banking activity. We recently expanded access to a new agentic feature called Companion in the CommBank app. The one third of customers that have been given access have adopted it, and half of their queries relate to managing their spending and saving.

Our virtual messaging now handles 86% of conversations end to end. We have launched a range of tools to help our frontline teams better serve customers and have seen improvements in banker productivity. New AI tools and greater investment have also accelerated our technology modernisation agenda. This year we moved our core banking system to the cloud, re-platformed our data estate and built a range of new modern applications that support key customer systems.

In financial year 2027, we are pursuing three outcomes: stronger protection for customers and the community, faster and more personalised service to deepen primary relationships and better performance through lower unit costs, greater capacity and faster change. We will measure progress through customer engagement, service quality and resolution times, losses prevented, delivery speed, unit costs, realised financial benefits and risk-adjusted earnings.

We are already seeing value from our AI agenda and expect gross benefits to exceed investment levels next financial year. We will continue to calibrate our investment settings to the external context, overall capacity and to the financial and non-financial benefit realisation.

Loan losses remain low, although leading indicators softened during the second half. Troublesome and non-performing exposures were 0.94% of total committed exposures higher than December but lower than a year ago. The number of home loan customers in hardship increased in the past six months, but remains 15% below its recent peak.

We remain well provisioned for a range of economic scenarios. Total provisions are $6.5 billion, which is $2.7 billion above our central economic scenario. Our balance sheet remains strong with 79% deposit funding. The weighted average maturity of long-term funding is 5.2 years, and we hold $191 billion of liquid assets. Our Common Equity Tier 1 capital ratio is 12% comfortably above the regulatory minimum. This strong position allows us to continue to support our customers to fund growth and invest for the long term.

The effects of inflation and higher interest rates have been substantial, but they have not been evenly distributed. Global shocks and low productivity have led to persistent inflation. As a result, the cash rate has increased 425 basis points since May 2022, and the impact on households has been significant compared with five years ago, Australian banks pay an additional $164 billion in interest to depositors and wholesale funding providers and receive approximately $139 billion more in interest on loans. This represents a significant redistribution of interest income across the economy. The increase in mortgage repayments has been concentrated among households, aged approximately 25 to 55. These households are consuming fewer goods and services than five years ago.

Our retail offset balances also declined during the half as some customers drew on accumulated savings. There has been a lot of interest in home loan application volumes. We have seen application levels decrease by 15% since May but subsequently have stabilised. National dwelling prices have fallen by approximately 2.8% since their March 2026 peak, having increased nearly 70% in the past seven years.

We have stayed focused on supporting customers, protecting communities and investing in Australia. We have helped our customers buy more than 150,000 homes and provided $17 billion in finance for new housing supply. For customers experiencing difficulty, we have established 147,000 payment arrangements during the year. We have provided $50 billion of new lending to businesses, supporting investment, growth, productive capacity and employment across the economy.

We are also helping our employees build skills for the future. This year, we announced a three year, $90 million program to help our teams build skills and capabilities as technology reshapes the way we work and the way we serve our customers.

Before I hand to Alan, I wanted to give some sense of the scale and complexity that our people support. Each day we process approximately 25 million payments, analyse 38 billion signals for potential cyber threats, lend $135 million to businesses and help 600 customers settle a home purchase. The other figures on the slide show the breadth of our responsibilities across customer support, financial crime, fraud, scams, cyber security and the operation of the payment system. That scale does not lower the standard expected of us. It illustrates both the responsibility we carry and the continuing investment required to meet it. Australians should expect broad access to banking, safe and reliable service, prompt identification and resolution of issues, and support when they need it most.

Meeting those expectations requires sustainable returns, pricing that reflects cost and risk, capacity to continue investing and the ability to evolve how we serve customers as their needs continue to change. We aim for very high reliability. When issues do arise, we focus on how quickly the issue is identified and how effectively it is resolved, rather than an assumption that every risk can be eliminated or prevented. Equivalent obligations must be applied to all market participants. This balance is essential if we are to continue serving all Australians, investing at scale and financing productive growth.

And with that, I will hand to Alan to go through the results in more detail.

Alan DOCHERTY: Thank you Matt, and good morning everyone. Starting with the results overview, we have set out here the aspects of our current operating context that are front of mind, how we are responding to changes in our context and the long-term franchise implications of our actions. At a macro level, household disposable incomes are under increasing pressure and we have seen a softening in housing credit applications.

Technological innovations are accelerating rapidly, creating both new risks and new opportunities and geopolitical developments remain a source of risk to the global and domestic economies. Against that backdrop, our response continues to be deliberate and disciplined. We have again carefully managed volume and margin trade-offs, and our operational and financial performance helps us create the capacity to invest in maintaining and extending our competitive advantage in technology and deepening customer relationships.

This approach has yielded consistently strong financial outcomes, and that has again been the case over this most recent financial year. We are acutely aware of the risks inherent in our current operating environment. For some time we have been alert to the risk of an exogenous global event and more recently we have seen some risks emerge in the domestic macro outlook. That is why we continue to strengthen our balance sheet in order to both support customers and protect shareholder returns under a broad range of economic scenarios. As set out in the bottom right chart, we are carrying historically low levels of refinancing risk in our funding stack. Our credit provisions have capacity to absorb losses, and through our interest rate hedging, we are balancing short-term consumption of capital against long-term earnings stability.

This slide sets out the usual reconciliation between statutory and cash profits for the year. There were modest movements in the usual non-cash items during the period, which resulted in statutory profits of $10.9 billion and a slightly higher cash profit of $11 billion.

Breaking down the components of cash profit, operating income grew 6.2% over the year, reflecting strong operational outcomes in lending and deposit growth. This allowed us to continue to invest in the franchise, with underlying operating expenses increasing 5.6% over the year. Notable expense items of $170 million were recognised in the first six months of the financial year, largely due to the settlement of a longstanding legal proceeding in New Zealand during the September quarter.

Loan impairment expense increased 8.5% over the year, with a larger increase in the second half reflecting higher collective provisioning for forward looking risks, with incurred losses remaining low as our Retail and Business customers continue to demonstrate resilience despite softening economic conditions. The effective tax rate for the year was 30%, and that is also our expectation for the 2027 financial year. This resulted in cash profit growth of 7.1% over the year.

Looking firstly at operating income, we delivered growth of 6.2% over the year. Net interest income increased strongly, up approximately $1.6 billion, supported by strong and profitable growth in lending and deposits. Other operating income also contributed, growing $196 million over that period. Revenue momentum was slightly weaker in the sequential half, growing 1.2% at the headline level, or 2.9% after adjusting for a lower second half-day count. Other operating income reduced slightly in the second half, largely due to weaker retail foreign exchange revenues and lower trading income.

Turning to the net interest margin and looking at the movement over the most recent six-month period, margins increased two basis points over the half, of which one basis point related to the Treasury and markets. Underlying margins were one point higher, with the benefits from deposit hedging and portfolio mix more than offsetting lower lending margins. The pressure on lending margins over the sequential half was a combination of cash rate lag, competition, and the effect of new business mix.

In home lending, we have written more fixed rate loans, which are at tighter spreads to floating rate loans, and in the Institutional Bank our loan origination was skewed to lower risk investment grade borrowers with a commensurately lower margin.

Operating expenses increased 5.6% over the year. The drivers are largely unchanged over recent years. We are seeing inflationary impacts on wages, IT vendor cost inflation continues to run at mid-single digits, and cloud computing volumes have increased. At the same time, we continue to invest in technology infrastructure and AI capabilities, alongside enhanced frontline capacity and operational resilience. We continue to self-fund much of that investment through productivity initiatives, realising approximately $400 million in incremental cost savings over the past 12 months.

As a management team, we have long been mindful of our responsibility to ensure not just that we grow the franchise, but that we grow in a sustainable and profitable manner. Over the last five years, while we have seen a variety of operating conditions and changes in competitors' postures, we have sought to maintain discipline on volume and rate trade-offs and as a result have grown our share of industry net interest income.

We have also built strong management accountabilities and rigour around the identification and delivery of productivity savings. These two elements combined have created the capacity for us to invest in the franchise. Annual investment spend has grown approximately 30% over the last five years, and this has made a demonstrable contribution to our strong growth in operating profitability.

It is important to stress that our appetite for discretionary spending is contingent upon the creation of that capacity. In the event of deterioration in operating conditions and weaker top line outcomes, we retain the flexibility to manage our cost envelope and pre-provision profit outcomes.

Turning to credit risk, loan impairment expense was $788 million, representing a loan loss rate of eight basis points. This compares with seven basis points in the prior financial year. Home loan arrears have increased over the course of the last six months, up 10 points to 73 basis points. Some of that increase is seasonal. However, there are clearly pockets of customer stress given cost of living pressures and higher interest rates.

If we take a longer view, our current mortgage arrears are only five basis points higher than pre-COVID levels, at which time the cash rate was approximately 300 basis points lower. This is reflective of strong portfolio credit quality and customer resilience. As ever, the key variable for consumer credit quality is the overall health of the jobs market, which remains in robust condition.

Personal loan arrears increased noticeably, up 31 basis points in the last six months. This reflects pressure on household disposable incomes as well as our deliberate portfolio risk appetite settings, and the risk-adjusted returns for this portfolio have increased strongly over the course of the year.

In the corporate portfolio, troublesome exposures increased by approximately $600 million over the last six months, while non-performing exposures remained relatively stable. The increase in troublesome largely relates to downgrades to six single names across a variety of industry sectors. We do not expect to incur losses, given either our high level of security coverage or the strong equity position of the underlying counterparty.

Overall corporate troublesome and non-performing exposures as a percentage of our portfolio remain modest at 95 basis points, still below the levels we have seen over each of the last two financial years. Given the softening domestic macro-environment and continued global geopolitical uncertainty, we have maintained strong loan loss provisions, increasing collective provisioning by $140 million over the last six months. Individually assessed provisions remain unchanged over the period. Total recognised provisions are now $6.5 billion, and we continue to hold a material buffer above our central economic scenario.

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 8% over the year, taking our customer deposit ratio to 79%. We also maintained a historically low proportion of short term wholesale funding, and a conservative weighted average maturity of long term funding. This provides us with a relatively longer tenure and more stable base of liabilities, which provides additional protection to credit spreads widen from the benign levels that exist today.

On capital our Common Equity Tier 1 ratio reduced by 30 basis points to 12.0%, strong capital generation, net of dividends, offset by the high level of franchise lending growth. IRRBB risk-weighted assets increased by $6.5 billion over the last six months, assuming 16 basis points of

Common Equity Tier 1. Over the year and adjusting for the impact of the new regulatory standard, the impact was 28 basis points. This was a result of our approach to structural hedging. It aims to provide earnings stability through the cycle at the cost of short term capital headwinds and periods of rising rates.

The final dividend increased $0.10 to $2.70, taking the full year dividend to $5.05. This represents a payout ratio of 77%. The dividend will be fully franked and the dividend reinvestment plan will be offered with no discount and fully neutralised.

On the top right chart, you can see our headline payout ratio is moderating back towards the middle of our payout range. On the bottom right chart, you can see that periods of stronger credit growth have traditionally involved activation of share issuance under our dividend reinvestment plan. Given strong capital surpluses, that has not been the case in recent years, but it is a tool that remains available to us in the years ahead.

In closing, this slide sets out our long-term approach to support growth and returns. Our balance sheet strength lays the foundation to support franchise growth and investment. That investment and continued discipline in the management of our capital base positions us well to continue to deliver sustainable returns to our investors.

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

Closing remarks – Matt Comyn

Matt COMYN: Thank you, Alan. Let me close with a few words on the economy.

Economic growth was strong in 2025, but inflation emerged due to productive capacity constraints across the economy. Global supply shocks drove inflation higher in early 2026. We saw the peak of house prices in March this year, coinciding with the second of three cash rate rises. These higher rates have the intended effect of slowing household consumption and the economy more broadly.

Higher interest rates and inflation are placing uneven pressure on household incomes and economic activity. Inflation remains too high but should moderate as the economy slows. There is understandably a lot of focus on short-term movements in house prices, given they represent a large share of household wealth, but Australia's deeper housing challenge is our inability to build enough homes quickly and affordably.

Residential construction productivity has declined materially, construction times have increased and taxes, charges, regulation, infrastructure and labour constraints have raised the cost of new supply.

Sustainable increases in living standards require stronger productivity and greater productive capacity. Australia needs faster and more coherent execution across housing, energy, infrastructure, technology and skills. That means confronting trade-offs, measuring outcomes and ensuring that individual policies make sense collectively.

The economy remains resilient and we should be optimistic about Australia's long-term potential, but existing wealth does not guarantee future living standards. It depends on our ability to invest, adapt and build the capabilities required for the future.

Financial year 2026 demonstrated the value of sustained investment in our customer franchise. We grew across every major domestic product category, maintained stable underlying margins, strengthened primary customer relationships, and continued investing in technology, resilience and customer protection. This translated into stronger earnings, a higher dividend and a strong starting position for this financial year.

The external environment is now more demanding and less predictable. Growth has slowed and geopolitical risks remain elevated. In financial year 2027, we will focus on deepening customer relationships, converting franchise growth into sustainable risk-adjusted earnings, maintaining discipline in volume, margin and capital choices, and improving productivity.

We remain focused on supporting customers, protecting communities and investing in Australia. We will continue to take a long-term approach, make deliberate trade-offs and adapt as quickly as possible as conditions change. We will continue working to earn the trust of our customers and the community, and none of this is possible without the commitment of our people.

I will now hand to Mel, and we look forward to your questions.

Q&A

Melanie KIRK: Thank you, Matt. For this briefing, we will be taking questions from analysts and investors. I will say your name and the operator will open your line. Please introduce the organisation that you represent. To allow as many opportunities for questions, please limit your questions to no more than two questions. I will now take the first question from Andrew Lyons.

Andrew?

Andrew LYONS: Can you hear me?

Melanie KIRK: I can thank you.

Andrew LYONS: Sorry about that. You have spoken to a 17% decline in mortgage applications on PCP, and despite this, your macro team still expects mortgage credit growth in the 4 to 6% range, which at the top end would appear optimistic. Just given the various moving parts in assessing how applications translate to credit growth, can you perhaps talk to how the management team expects credit growth to sort of play out over the next 12 to 24 months?

Matt COMYN: Yeah, sure. And look, I mean, as you can see, the applications did fall during that period, but you can see have stabilised. We think the weakest week was, I think, the last week of June, the spot even of the first week of August slightly above that. I think Alan and our collective view would be, we would be in a tighter range, probably in the 4 to 5% over the course of the year. I think probably at that lower point before you start to adjust for offsets, which seem to be growing much less than in prior years, and also the repayment profile we think is going to change slightly. So I am not exactly sure between a few of us who will be closest to pin, but I think we are probably in that 4 to 5% range over the course of the year, accepting that there, of course, will be some volatility around that, but at least things seem to have stabilised, and we expect improvement into later stages of FY 2027.

Andrew LYONS: That is great. Thanks for that context. And Alan, maybe a question for you. Your total provisions to credit risk weighted assets fell slightly in the half. However, since December 2025 we have obviously had a number of rate rises, tension accelerated in the Middle East, some policy induced house price declines and I guess broader softening macro trends. And so the reduction in the CP perhaps, appeared a little surprising. Can you maybe just talk to the various drivers that have seen you come to this outcome, please?

Alan DOCHERTY: Yes, I mean, there are always a number of moving parts within the provisioning estimate that we make in each period. You will recall that in the March quarter, I think we moved ahead of some of the changes. We had already seen two of the rate rises by the time our quarterly came out. The third rate rise was pretty much baked, and we had seen the change in the geopolitical environment. So we had moved, I think, ahead of where maybe you have seen some of the June quarter provisioning changes across the industry.

So over the six month period, as I mentioned, strong increase in collective provisioning over that time. Obviously it is a period of strong credit growth as well. So you have got the denominator effect of higher credit risk weighted assets over both the March quarter and the June quarter.

So overall, we have been, in terms of collective provisioning and coverage for credit risk weighted assets, at the top end of industry for many years. We are comfortable with the level of provisions that we hold. We get very granular in terms of the different customer cohorts where we think there are forward looking risks that we need to be alive to, and so we are very comfortable with the level of provisions that we currently hold, well above the central economic scenarios.

Andrew LYONS: Thanks, Alan.

Melanie KIRK: Thank you. The next question comes from Jon Mott.

Jon MOTT: Hi. Can I just ask a question on the mortgage pricing? So we have seen wholesale funding costs come in quite substantially to post GFC lows and this appears to have been used to cut mortgage pricing in June and opened a bit of a price war across the industry in recent weeks and months. You have been adamant, Matt, over time that you need the industry to write mortgages above the cost of capital. If funding costs do start to normalise and we actually move out from post-GFC lows, what would the strategy be there? Is it possible for you to start moving your mortgage pricing back out? Or are we effectively just locking in low returning mortgages if funding costs start to normalise somewhat?

Matt COMYN: Yes, thanks Jon. I hope it is not the latter. So let me maybe go back a little bit because you are right. I mean funding costs are, you know, origination margins improved over the course of the year, but it is a function of funding costs as you touched on, I think as we look at flow origination, ROTE, at the end of the financial year you know, up on the start, sort of flat on December. There's probably some detail, I am sure Alan is looking forward to going through in the one on ones.

There is a lot of pricing activity in the market. We did increase in June, we would say on the back of a number of other pricing changes, a little bit more of the re-emergence of cashback. One institution did not ever fully take it away. We have seen another – we have seen some interesting tactics as well around just various pricing strategies and $500,000 and $1 to sort of drop out of Quickli, which I think a lot of you are using to track.

So I mean, look, ultimately we take a step back from that and say, yes, there is a risk around funding costs. We are watching the profitability very closely. When you have got the five largest players, one presumably wanting to continue to grow well above, all of the others wanting to probably be there or thereabouts on system, and obviously, notice the comments from Westpac. Underlying that, if the question is, is there a change in our strategy where we are going to be preferencing volume over margin and risk-adjusted returns? No. And we expect that with that market construct and dynamic, we need to manage that very carefully, including one of the risks that you mentioned, I mean, we certainly have reduced discounting at various points of time. But of course it is a very competitive market, and I think we have all seen as volume slows that typically, at least for a period of time, does see maybe more of a focus on volume. So we will just continue to go to market as effectively as we can, balancing all of those areas, and we are acutely conscious of the return and the distribution of returns across both channel, borrower characteristics and LVR.

Jon MOTT: Can I ask a follow up question on the brokers, because the flow through the broker channel is up to a 10-year high at 49%. And when you actually break down, it is obviously a very rapidly changing environment, but over the half what we saw was broker originations flow appears to be down 4% half-on-half, but proprietary is down 14%. So you are seeing a bigger slowdown in prop versus broker. Is that behavioural, where brokers just appear to be working harder in a slowing environment to, you know, they eat what they kill, to write more business and keep going, or what has driven that change in the broker versus prop flow?

Matt COMYN: Yes, look, I think again there is a combination of factors. I think that is broadly right in the context of the market, and I guess the structure of payments that are – the way the broker channel is obviously very dependent on activity. I would say, I mean, we see over a long period of time the broker channel has established itself, in terms of growth of distribution.

Look, I think the other factor for us as well during that period, we certainly made some tightening of a variety of things, including to some of our settings, to restrict some flow in some areas where we were seeing higher indications of irregularities. They are easier to detect in the proprietary channel, even though they would be present across the market. We expect there will be a gradual improvement in that over time. And again, we will obviously support our customers through the broker channel. But if we have the opportunity to serve our customers directly, then of course that will continue to be a priority for us.

Jon MOTT: Thank you.

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

Carlos CACHO: Thanks, Mel. Carlos Cacho from Macquarie. On slide 68, you call out an expectation that you will double your gross benefits from AI to $400 million in FY27, and that will be greater than investment. Can you give any colour in terms of how you expect to see that flowing through, if that is cost avoidance or revenue, or how we will see those benefits in the income?

Alan DOCHERTY: Yes. Thanks, Carlos. Look, we have got a number of use cases that some are mature, some are in flight and in pilot, and we are expecting to have a number that are coming to fruition over the course of the next 12 months and beyond.

So I guess the summary answer would be, it is going to be a number of things. And so what we are talking about there is the gross benefits. So for example, we have disclosed over the last couple of years some of the improvements we have made to engineering velocity, which we are really pleased with, and we are getting a lot more done with our investment envelope. That is one of the reasons why we feel comfortable maintaining the dollar amount. Our target is to maintain the dollar amount of the investment over the next 12 months, because we think within that lower real term spend, we are actually going to get a lot more done given the velocity improvements. So that is one of the benefits that we measure.

Obviously there are also realised revenue and realised cost benefits that form part of that number. We have seen some of that in the current financial year. So you have seen that emerge, so that is part of the reason why we have delivered record annual productivity saves.

In the current period we are also seeing revenue benefits emerging in both the Retail Bank and the Business Bank in particular, and we are excited about a number of the pilot programs that we have got in place right now. We have talked about Business Banker Workbench, which takes a lot of the pressure off the business bankers. They can spend more time with customers. We can continue to improve our fundings per banker. That drives one of the reasons we have driven consistent above-system performance on business lending growth.

So there are a number of things that we are investing in and we are seeing bearing fruit, and we have got a reasonable degree of expectation that will continue to bear fruit over the years ahead.

Carlos CACHO: Great, thanks. Then just my second question is about the economic forecasts that drive your provisioning. I know that you did increase the weighting towards your downside in the period. But I also note that your forecasts only incorporate a 1.3% fall in house prices this financial year, which one month in we are halfway there. So it would seem there is probably risk. I am just wondering what is the sensitivity, if we were to see a larger fall in house prices like peers are starting to expect now, for your provisioning?

Alan DOCHERTY: So our central scenario, we changed a number of elements to the central base case, and that led to near enough a $300 million increase in the expected credit loss under the central scenario that is part of the overall loan loss provisioning increase that we have seen over the six months and over the 12 months.

In direct answer to your question, it is not particularly sensitive to the change in house prices. When you are talking low single digit changes in house prices, given the very strong security coverage and very low levels of actual losses that we have seen in that portfolio historically, it is not particularly sensitive to that. It is much more sensitive to things like the unemployment rate, as you can imagine, and the broader macro indicators.

We have increased the unemployment rate outlook in line with some of the Reserve Bank forecasts that we have seen and other market observers. We have also obviously reflected the slow in real GDP growth. So those things have already led to a reasonable increase in the central scenario. And as you observed, we increased the weighting to the downside scenario over the first quarter, which was a material driver of why overall provisioning levels were up. So the direct answer to the question is the house price changes won't move the needle very much at all.

Carlos CACHO: Thank you.

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

Andrew TRIGGS: Thanks, Mel. Good morning, Matt and Alan. Perhaps for Alan, I am just interested in slide 26 on the Group margin walk. Alan didn't provide a lot in terms of the outlook there, and I appreciate there is a whole host of positives and negatives in heading into the next half, so perhaps could you elaborate on what you are seeing in both terms of mortgage competition, deposit competition and mix, basis risk, and then some of the tailwinds that you also see, including some roll off of rate lag headwinds.

Alan DOCHERTY: Yes, I mean, I think from a competition perspective, that is something that everyone will have a view on in terms of the ongoing competition across home loans. We are seeing some price-based competition within business lending as well. That has been relatively persistent over the last three halves. You have not seen much of that emerge in terms of our divisional net interest margins or in our Group margin walk, but that is an area we are continuing to focus on.

Within deposits, look, I think term deposit spreads, you have seen some compression in term deposit spreads with some of the good offers that are available to term deposit customers. And there is the ongoing churn towards higher yielding savings deposits within the deposit mix. Against that, I would say wholesale funding spreads, look, they are very benign. They remain benign. Basis risk, bills/OIS spread has remained benign. We are also seeing very strong growth in business lending, and we get a positive mix effect with strong growth in business lending relative to lower margin home lending. Given the changes in system outlook around housing credit versus business credit, I think that is the source of positive margin performance in the period ahead.

We are also going to enjoy, I think, another 12 months of tailwind from our replicating portfolio settings. If you go back and look at five-year swap and how that has moved over the last four or five years, we have still got a significant tailwind to come in the year ahead.

So look, I know there is a number of estimates around how each of those factors are going to move. We are not going to add to that here and provide specific guidance, but I think we are all very well aware of all the moving parts, how they apply across the industry and how they apply to CBA, but they are all the factors that we are watching.

Andrew TRIGGS: Yep. Thank you. And maybe just another one on costs. The IT expense growth was 16% this year and the three year CAGR looks to be around 11%. It is now 20% of total OPEX. You referenced some improved benefits from AI coming through, but just broadly speaking, are you sort of thinking about the annual pace of tech spend growth in the medium term?

Alan DOCHERTY: Yes, I mean I sort of touched on it earlier. We have taken the posture, we have got productivity saves within our technology team, but we have decided to reinvest that and get more done. And so while we are seeing good growth productivity there, we have decided not to realise that. So that is one of the reasons why the technology, both the technology labour cost and also the IT cost, the functional IT costs that you see, is continuing to grow above inflation. Vendor IT inflation is a factor we have talked about. I think that is going to continue to be a feature of this space and as we migrate more of our platforms and processes onto our cloud environment, cloud compute volumes, that’s been avolume related cost, which is one of the reasons why we are significantly above inflation in the technology line. So look, I think technology costs as an overall proportion of our cost base have been on an upward trend for a number of years. I think that trend is very likely to continue.

Andrew TRIGGS: Thank you.

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

Richard WILES: Good morning, it's Richard Wiles from Morgan Stanley. I have got a couple of questions. Firstly, Matt, slide 74 shows that the four week rolling average for mortgage applications, is sort of stabilising as you have called out. What is interesting in that chart is the trends at the start of the year were pretty similar to last year, even though rates were rising this year, the divergence has actually occurred since May. So can I ask you, do you think it's the budget rather than the rates that have caused this fundamental shift in the demand for mortgages? And can you highlight any sort of reasons why investors in established properties will come back into the market over the course of FY27, unless we see some very significant house price falls?

Matt COMYN: Thanks Richard. I mean, look, there are clearly a number of factors contributing. I mean, I think applications actually peaked in October. House prices peaked in March and have reduced in the four months, since then. I think you can generally see applications that are falling obviously from October 2025 and over time, increasingly both from affordability constraints, clearly inflation expectations and the first rate hike in February and then two more subsequent, the last being on, I think, it was the 5 May to 4.35. Then you overlay that with economic uncertainty on a global basis, an oil shock and yes, taxation changes. I think we are also coming off a very high prior year because I think if we look at Q3, sequentially it is weak, but actually versus the prior corresponding period, it is actually significantly above that.

So I mean, I think, 2026 financial year, and particularly the first half, was a very strong year in terms of credit growth. I mean, if I think it would have exceeded our expectations and particularly obviously in the context of investor lending, so that overall mix, clearly we are not going to see credit growth like that in 2027.

I think now we have seen some stabilisation, as we have called out this morning. Clearly there is likely to be some volatility, and like many markets, they can be quite sentiment driven. Seasonally, we tend to see a bit more of a pickup. I guess part of our base case would be if you believe that rates are on hold for the rest of this year, which obviously, opinions vary and a couple of cuts into 2027, we would expect some demand to be going into the market in expectation of rate cuts.

I mean, we have tried to provide a useful sort of time series. We can see, obviously we have split out in terms of owner/occupier, investor, we can see a reduction in terms of refi, as well as subsequent purchases. I think it is just one of those things we are going to continue to keep an eye on. But as I said earlier, I guess our base case is probably a couple of percentage points lower credit growth in 2027 and ballpark that is about $50 million NII for every percentage point, a little bit of the offset, as I said earlier, was a lower growth in offsets. We are seeing that. We saw that dip, retail offsets for the first time, as we cast that forward, we think that is lower and obviously the repayment profile is starting to slow down. So it probably just helps a little bit, both of those factors, to get closer to the 5% than the 4%.

Richard WILES: Okay. Thank you. And my second question relates to sort of mortgage pricing, spreads and profitability. A few years ago, you pulled back from the mortgage market quite noticeably because you thought pricing was irrational. You had a quarter where your home loan balances actually fell. How far are mortgage margins above that level today? Or alternatively, how far would you need to see mortgage rates fall from current levels before you got back to that type of situation again, where you thought that returns just didn't justify growth?

Matt COMYN: Yes, look, clearly we are not at that stage from our perspective. As I said, I touched on the ROTE and origination over the course of the year and relative to December. Now there is a lot of granularity within that, as I said, in terms of borrower characteristics and channel. So we are still seeing the vast majority across the industry above hurdle rates. But that is not signalling that we are hoping, you know, margins have got further to fall. I think for a variety of factors, we will continue to compete effectively. We are certainly not going to be preferencing volume over margin.

As you mentioned, Richard, that period we could see a rapid acceleration in discounting, I think on the back of a rapid expansion on net interest margins from liabilities or deposits during the cash rate hikes. We were probably surprised that there was not much of a reaction to our reduction in volume. So look, I think, as I said earlier to Jon, we are acutely conscious of both being able to support customers and to be able to focus on risk adjusted returns and margins are an incredibly important aspect to that, and we are going to need to operate deftly in the year ahead.

Richard WILES: Okay. Thanks, Matt.

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

Matt WILSON: Good morning team, Matt Wilson at Jarden. Just looking at your rate of software capitalisation, it is running at two times at the rate of peers. Look over the last couple of years you have capitalised $1.6 billion of costs. Peers are actually down $100 million. Your cap rate is 52%. Your peer average is 25%. I know you will tell me that you are investing in IT ahead of your customers, but IT has a shorter and shorter life, and the reality is your peers are also investing in technology. Can you walk us through the differences in policy?

Alan DOCHERTY: I don't think there are any differences, particularly in policy, Matt. I think there has been a difference in investment appetite and capacity to invest. And I think the top line performance and as well as the incremental productivity savings have enabled us to continue with the investment appetite that we have had. So we keep a close eye on capitalised software, the gap between the annual amortisation charge and the amount that we are capitalising.

You have obviously seen over each of the last three years, I think we are something like $130 million of additional annual amortisation that has come through as we continue to sort of deploy some of that technology. The point of amortisation is that you are recognising the expense at the same time that you are realising the benefits. And that is why from a pre-provision profitability perspective, we have delivered strong financial outcomes with the combination of those two things.

So we are investing, we are comfortable with the net present value that we are generating from those investments, but we understand that the cash spend is the drag on Common Equity Tier 1 and that is the drag on organic capital generation. And so that is the gross cash spend that we focus on, are we getting bang for buck on that spend? We are comfortable that we are.

And as I mentioned in the talk track, we are adjusting our appetite depending on the productivity that we are generating within our own teams as well as the broader operating conditions, and so that is one of the reasons why, despite we are going to see obviously inflationary impacts on wages and vendor IT cost inflation over the course of the next 12 months, we are going to hold that annual cash spend, at the $2.4 billion level, so that means a real terms drop in the amount that we are investing, but we are comfortable we can actually get even more done in 2027 than we got done in 2026.

And so we are pleased with that. We are pleased with the work that we are getting done, the processes that we are building, and we are keeping a close eye on managing the amortisation headwind that we will see over the next two or three years.

Matt WILSON: Thanks for that, that is good clarity. Secondly, you actually touched on this slightly in response to your answer to Jon Mott on the prop versus broker channel dynamics, but could you provide an update and some clarity on the issues of money laundering that appear to be affecting the home loan market? Is there something simmering away there? It has obviously been in the press over the last six months. You have not made a comment, yet you are the largest operator in the home loan market in Australia.

Matt COMYN: Yes, no happy to, Matt. Look, I think as you said, it has been covered in the press, and we do not provide a running commentary. But I think it is well established that we, as you would expect, are monitoring the market very, very closely, and potential cases of fraud have been a factor for as long as financial institutions have been around.

We saw some particular typologies that would, in our mind, fall into potential loan irregularities. We reported those to the relevant parties and stakeholders. We along with many financial institutions have been working with AUSTRAC and the Fintel Alliance, which I think has been extremely useful. I think it is a great asset for the nation to be able to pull together data from so many different sources to seek to understand that.

I mean, specifically to your question, based on our investigations to date, we have not identified evidence of professional money laundering or links to organised crime. As you would expect at any point in time we are looking at all sorts of different changes in the risk environment. Some of those are through lending, and obviously the tranche two changes to the law, which bring in scope assets like home lending and real estate agents, I think helped to even provide a fuller picture.

But it continues to be an area of focus for us, narrowly in the areas that we have covered, but also more broadly I would say the risk landscape, obviously in areas like cyber but not limited to that, in economic crime, scams, fraud, financial crime, I think significant changes over the last 12 months. And I think the reality is that is likely to continue both domestically and internationally. I think the environment which we are all operating in is more complex and more demanding, and that is one of the factors.

Matt WILSON: Yes, yep. Okay, thanks for that team.

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

Brian JOHNSON: Hi, and congratulations to everyone on a high quality result. That said, and I just want to go back to Matt Wilson's question, a slightly different interpretation of the capitalised software. So if we have a look on page 17 of the results, we can see that just in the second half you start off with $2.84 billion. You spent 634, amortised away 433. If we annualise that $433 million second half charge, it suggests that you are amortising this software over about a three and a half year life, which actually seems really, really short.

I appreciate the fact that everything is accelerating quite quickly, but if we have a look at some of the IT developments you are doing potentially they have got a much longer life, I would have thought, than three and a half years. Could you just give us an explanation of what is driving that relatively short amortisation life versus the narrative, which is that we are continuing to invest to actually create long term competitive advantage?

Alan DOCHERTY: Yes, I mean, there is quite a spectrum of useful lives within the capitalised software. You can imagine, we have talked about the multiyear tech modernisation program that we are running, which is building a lot of – they are refreshing the entire technology estate. We have moved our main Omnia data platform onto the cloud, for example. During the course of the past six months, our core banking systems have been migrated onto that next generation platform. When you make those sorts of infrastructure changes, they tend to have a longer useful life. You can go well north of five years. In fact, the core banking system when we first built it, the amortisation period was 10 years.

We have got a similar program going on in the ASB in New Zealand at the moment, where there is basically a core banking modernisation as well as a number of other technology modernisations that are in that infrastructure category. So they have got useful lives five years plus.

Then on the other side of the coin, to the extent that you are improving your digital applications, your digital distribution channels, I think we have seen the pace of change there continue to increase. So we have shortened their useful lives, if you look at some of those types of investments. So the weight average comes back to I think what is a relatively conservative useful life across the broader portfolio, given the mix of investments that we have.

But to Matt’s point it is an area we focus on. We obviously take the capital deduction the minute we spend the money. So in some ways it does not matter from an accounting point of view what the amortisation looks like. What matters is what is the capital that you are generating on each of the investments that you are making and are you getting value for money? So that is very much a focus.

Brian JOHNSON: So that cloud infrastructure stuff is going through the capitalised software line?

Alan DOCHERTY: The migration to cloud itself we expense. But to the extent that you are rebuilding technology platforms, a new cloud-based platform, which we have done for a lot of the AI foundations that we have built, for example, then they are treated as infrastructure, infrastructure with about, I think, half $1 billion of gross spend in this period. And that attracts a longer useful life than the weight average.

Brian JOHNSON: Alan, the second question is kind of an obscure one. You have got a fantastic slide that talks about the interest rate risk in the banking book. What we can see is that it seems to me the embedded gain is probably more driven by three-year bond rates. We can see three-year bond rates going up over the period, but the embedded loss move was probably slightly positive from memory.

Alan DOCHERTY: Yes, yes.

Brian JOHNSON: Just going back on that, the other obscure, which does not kind of – I would like to understand why, but also and above that, the high quality liquid assets that all of the banks own probably will be much more State Government debt than basically Federal Government debt. And while I appreciate that it does not necessarily flow through the P&L, it does flow into the reserve. Could you talk to us about the practical impact, because it has been speculated this week, of what would happen if we saw a rating downgrade on New South Wales and Victorian state debt? Earnings and capital.

Alan DOCHERTY: Yes. So the overall trend on IRRBB is very sensitive as you say to three-year swap rates. And so we have seen those swap rates increase 30 basis points in the last six months. They peaked probably around March time, and have come in a little bit from March. So you would have seen in a quarterly Pillar 3 report that the interest rate risk in the banking book is down $2 or $3 billion over the June quarter. So the swap rate moves have been the key sensitivity there.

To the point on semi-government holdings, and look, it is a large proportion and the market and I think the major banks in Australia have got their fair share of semi-government bond holdings. We continue to support that bond issuance. The credit spreads on State Governments, all State Governments has actually improved over both the 12-month period and the six-month period. And you have seen that come through as a positive mark to market on our investment securities revaluation reserve, which has been a tailwind to capital over the last six and 12 months.

To the extent that you have seen – you would first of all see market weakening to the extent there was any issues around State Government finances manifesting, you would see that in a widening credit spread that would translate through our mark to market on those assets. And you would also see an impact on IRRBB through the credit spread risk element. So that is one of the things we take into account.

We stress test our capital very regularly. One of the key elements of that and the key areas of volatility that we monitor is IRRBB, and we have seen volatility in that which has been rate driven, but there can also be credit spread driven volatility there as well. But we continue to monitor that, stress test it, and then make sure that our weightings to the various asset classes on the HQLA stack are commensurate with the volatility that we have got risk appetite for within our capital stack.

Brian JOHNSON: So it is capital, not earnings, and we will wait and see. But you guys are confident that you have got it covered. This is despite the fact you think residential stamp duty which drives most State Government revenue line is certainly set to decline. Is that a summary of it, Alan?

Alan DOCHERTY: Yes, we take a number of stresses on credit spreads across the state government exposures that we hold. We are comfortable with the level of exposure that we have and we can manage the volatility within either rate moves or credit moves.

Brian JOHNSON: Thank you very much. Thank you.

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

Brendan SPROUSE: Good morning. Brendan Sprouse from Goldman Sachs. Alan, I just have a question around your dividend slide, slide 33, where you show us that in the last five years you have had significant levels of capital return, obviously a higher payout ratio, if you neutralise the DRP. I guess when I look across this slide I see the dividend payout peaked. Obviously you said the buyback will not be extended. And we actually saw the core Tier 1 ratio fall I think around 30 basis points this half. Just given the very strong credit growth, are we moving back, say over the next five years, in your mind, back to that funding growth that we saw sort of pre-COVID where you will be using DRPs and other measures to try and fund the growth of the balance sheet?

Alan DOCHERTY: Thanks, Brendan. I mean, yes, we look at different scenarios and certainly one scenario would be that you continue to see a very strong level of overall credit growth across the economy. And in the event that you see that strong level of credit growth, and we are getting our share of that credit growth, then you would see capital consumption from growth in credit risk weighted assets. And then we are managing the capital actions accordingly. I mean one capital action you can take, if you thought that was going to unfold, is the dividend payout ratio and where it sits within the broader payout policy range, you can see we have paid at 77%. We have signalled that we are approaching the middle of that range. DRP, whether you activate or continue to neutralise is obviously another capital management lever.

It is not a lever we have had to pull over recent years, we have had very strong capital surpluses, but it is a tool that remains available to us.

Now there are other scenarios that you could see unfold. I mean, we have spent a bit of time on this call talking about a slowdown in housing credit growth relative to the very strong levels we have seen. Housing credit drove about a third of our volume related credit risk weighted assets accretion during the course of the last 12 months. And so that element of credit risk weighted assets capital consumption is likely to slow over the next financial year relative to certainly the last financial year where it has been incredibly strong.

So we are not signalling whether we will or we will not. That is a decision that the Board will make on each reporting period, depending on what we see and what we are forecasting. But you know, all those levers are available to us, remain available to us in the years ahead. And it is a capital management tool that we have certainly used in the past.

Brendan SPROUSE: Thank you. And my second question just relates to the performance of the New Zealand division and I'm particularly looking at page 76 of the profit release today. There seems to be quite a turn in the momentum of operating income growth in local currency terms. Obviously you have still a bit of a hawkish central bank over there. Just wondering what has, I guess, changed in the operating environment in that market that has seen quite a turn from, I guess, the first half performance versus the second.

Alan DOCHERTY: Yes, that is a fair question, Brendan, because I think it has very much been a tale of two halves and the ASB from a top line perspective. The big change that we have seen there was actually the increase in swap rates that you have seen in the New Zealand market. So swap rates there were up around 50 basis points from December through to June. Obviously it is a very heavily fixed rate home loan market. And the combination of that increase in fixed rates and I think some real intense competitive pricing pressure amongst the banks in New Zealand, have seen a compression of fixed rate home loan margins in the second half.

So that has been the number one reason for that performance. Now over the year we grew in line with system in New Zealand over that period. In the second half, particularly the June quarter we grew about 0.5 times system. So what you are seeing in the operating income line is a combination of w margins and also weaker volumes through that period. So that was the main driver, but there is a lot of focus on that from a management perspective within ASB. We feel that we have got the volume and the pricing across both sides of the balance sheet into reasonable shape as we head into the new financial year. But yes, clearly a tale of two halves in terms of the operating performance in ASB this year.

Brendan SPROUSE: Thanks, Alan. That is terrific.

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

Perhaps we will come back to John. Our next question comes from Matt Dunger.

Matt DUNGER: Yeah. Thanks, Mel. Thanks all. If I could ask about the other operating income and the commissions which have not had a lot of airplay. You called out, Alan, it was predominantly due to FX that the commissions were 5% lower in the half. You are a clear leader on FX, is there anything you are seeing here around lower activity in the FX space where household spending, you are suggesting has been resilient, are you facing mounting competition here? Has there been market share loss or just wondering if you could unpack that?

Alan DOCHERTY: I mean there has not been market share loss. I think there has been, I mean, one of the areas of consumer spending that has clearly had some impact from a discretionary spending perspective and since the rate hiking cycle has been on travel related spend, and we have seen that come through in terms of our retail foreign exchange volumes.

So that is one of the drivers there. I mean there is also, you will recall we called a one off receipt on the sale of our general insurance business in the prior half. And so that is unwound. Obviously there has been no recurrence of that sequentially, so that is probably as big a factor in terms of the sequential performance on commissions.

So no, not so much a market share shift, more just a change in consumer behaviour. I mean we will see in terms of overall consumer spending behaviour in the level of rates and the economy over the next 6 and 12 months, we would certainly expect that to continue to be a relatively softer part of consumer spending as we head into the remainder of calendar 2026. And then we will see how the overall spending picks up in 2027.

Matt DUNGER: Thank you. If I could just follow up on the gross benefits from AI you have talked about on slide 68. You have said $200 million in 2026 to double in 2027. Does this imply that you are going to get net benefits in 2027? It sort of implies what you have said that you will not break even in 2026 on the spend versus the benefits and following from Andrew Triggs's question, Alan, why did you say that you held back realising some of those gross productivity savings?

Alan DOCHERTY: I mean so in answer to the first question, yes, we expect the gross benefits to exceed the level of investment in the next financial year. So at the moment we are still in, I would describe it as the investment phase, so we are investing a little more than the benefits that we are realising through 2025 and 2026. We see the inflection occurring during the next financial year and gross benefits exceeding the level of investment.

The second part of your question, it really goes to what is your appetite to harvest the gains that you can, you know, from getting more velocity in code deployment, which we have seen really impressive gains within our technology team around the quality of the code, the amount of code that we can deploy into production, the time that that takes has continued to shorten. So I guess with a given amount of resourcing, you can get more done, within a 6 or a 12 month period. We have decided frankly to get more done. And so while we can measure those productivity gains, we have chosen to continue to reinvest them through the course of 2025 and 2026. And we are pleased with the output that we are seeing.

Matt DUNGER: Thank you.

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

Ed HENNING: Hi, thanks for taking my questions, this is Ed Henning CLSA. Just while on cost, you talk about managing your cost envelope going forward and also you are talking about investing for the long term. Can you just talk about what do you think is discretionary within your cost base? Are you just talking about your investment spend and pulling back there? Or is it things like marketing? What is the actual discretionary spend that you can pull back on if you do need to?

Alan DOCHERTY: Yeah. I mean, there are a number of elements to discretionary spend. I think, I mean, obviously something like inflation is not discretionary. There are also a number of commitments that we make from a regulatory perspective when new rules and regulations come in. We have to invest behind that. So these are elements of the investment spend that you would say are mandatory not discretionary.

But within that there is still obviously a lot of discretion in terms of, to the earlier conversation around the level of productivity, that you continue to reinvest in the franchise. And the point that we were making through the course of the presentation was you need to create capacity to make the investment. And the order of operations as we think about it is how is the operating environment, how is our revenue momentum, and are we creating the capacity through the generation of the productivity? Because once you have got those pieces in place, then that gives you the flexibility to make an investment decision around the discretionary spend.

It is also most important to have that optionality. Because if you do not have the optionality, then it is very difficult to create the capacity to make the spending decisions or make the investments that you think are going to be in the long term health of the franchise. So we continue to look at that. As many aspects of our spending which is discretionary, we are comfortable with that spending, but we are prepared to be flexible and adapt as operating conditions change.

Ed HENNING: Okay, great. And just a second one, a little bit more on capital, and you have touched on a few things. Is there any other mechanical benefits or headwinds coming through from regulation changes that will see a change in your capital in the next half/full year?

Alan DOCHERTY: No. I mean, the main thing that APRA have flagged to the market is their work on the changes to the standardised floor around specific asset classes, infrastructure. Lending is one element to that. Because we are not bound by the standardised floor, practically the only implication for CBA is it will probably, to the extent that there is any relief provided on standardised risk weights, increase the headroom that we have to the standardised floor.

But you are well aware of the RBNZ's finalisation of their capital requirements, which were a moderation of the previous requirements in terms of the transition period over the next few years. And so I think at the margin you will have a slightly less capital intense New Zealand operation and some changes to the standardised floor, but nothing noteworthy, I think, in terms of the overall direction of the capital requirements in Australia.

Ed HENNING: Thanks.

Melanie KIRK: Thank you. Our next question comes from Tom Strong.

Tom STRONG: Great, thanks Mel. Tom Strong from Citi. I just wanted to follow up on Matt's question around the productivity and the gross benefits. I guess in the 2026 result, you saw productivity constant at $400 million a year versus FY25. Should we expect that bucket to increase, Alan, as you talk to this inflection point in gross benefits from AI in 2027?

Alan DOCHERTY: I think what I would say is within the productivity that we have generated, that we can deliver more of that through some of the new investments that we are making. So within the $400 million, maybe around 10% of that has been related to some of the AI investments that we have made over the past couple of years. So I will not guide to the overall level of productivity benefits, we obviously start the year with good aspiration and budgeting and accountability around what we want to deliver. Similar to our approach on other lines, I am not going to give specific guidance on different lines within the P&L, but we always start the year with an aspiration to do more. That is one of the reasons why we make the investments that we make. So we would look to achieve more proportionately of those productivity savings through some of the investments that we have made in recent years.

Tom STRONG: Okay, thanks, Alan. And just a second question on the Institutional Bank. I mean, you continue to see very strong lending growth, but nine bips of NIM contraction in the half. Is this a mix thing, or are you seeing competition accelerate in that segment?

Alan DOCHERTY: I do not think I would not describe competition as accelerating. I think competition is always intense in Institutional Banking. Really it is a function of the change in the new originations in terms of the mix. So if you look at the proportion of our corporate portfolio that is rated investment grade, that has increased nearly a full percentage point over the course of the last 12 months. So you can see there has been a skew in our origination towards some of those higher investment grade, lower, lower risk weight customers. So that obviously has a commensurately lower margin within the mix attached to it.

We focus in the Institutional Bank, as we have for many years, on the risk-adjusted return, and we have disclosed the revenue as a proportion of risk weighted assets, that has improved over the 12 months. That is up 3%. So we are pleased to see that. That continues to be a strong focus for us.

So I think it has always been competitive in that part of the market. We focus very much on total relationship return. And so we have seen strong growth in both lending but also very strong growth in operational deposits. So the operational deposit growth in institutional banking this year was 13%. So very pleased with the nature and breadth of the growth that we have seen there and the strong improvement in risk-adjusted returns.

Tom STRONG: Thank you. Thanks very much.

Melanie KIRK: Thank you. And we are going to go back to John Storey for our final question.

John STOREY: Hey, thanks so much, Mel. It is John Storey from UBS. Matt, Alan, thanks so much for giving me the chance to ask a question. I just wanted to follow up a little bit, I guess, on what Tom was asking about. I mean, it looks like Insto and Business lending are very, very strong, but does not necessarily look like particularly in the second half of the year that it has translated into earnings growth, right. And there has definitely been a theme from the call that there is an expectation that Retail potentially could weaken as we head into 2027. I would be interested to get your views on how you think these parts of your portfolio could offset some of the expected weakness that you might see in Retail, just given the trends that are outlined in Insto and Business?

Matt COMYN: Yes, maybe just a couple of things just to touch on to add to Alan's answer around IB. I mean, look, our focus there remains on risk adjusted returns. We saw a number of transactions that were originated really in the last four months of the year. That tends to – and some of those are undrawn limits – we tend to see the risk weighted asset growth. We do not necessarily see the revenue from a timing perspective. So I think we certainly will continue to focus from a return perspective there.

I mean to Alan's point, IB has always been competitive. There is not usually much of a surplus between cost of capital. There were some good margins as well in areas like funds finance, particularly when the US market was dislocated around Signature Bank. So some of those have basically, refinanced just at I guess more normal levels of margin.

But I think it is fair to say that right across the board, managing the individual businesses from a profit after capital charge is really important, and that focus has been in place for a long time within the Institutional Bank. I think within Business we have seen strong growth. We have gotten a real boost to profitability from the very strong deposit franchise that Mike and the team have built up. We are getting a bit of a mix effect there, because some of the investments in technology we have been able to grow faster at the smaller end, and some of the smaller business lending, we continue to see some real service and underwriting enhancements as well as productivity benefits for our bankers.

Then look, Retail, clearly home lending is going to be competitive. We have grown the consumer finance business over the course of the year. So I think across those three, and Alan has already touched on New Zealand, they tend to be pretty volatile. A lot of the market there has obviously priced off fixed rate and so big movements and swaps, you can see some very significant reductions in the margins that are available.

Some of the New Zealand banks are happy to originate at very low levels of margin, because they turn over probably typically every 18 months, they get an opportunity to reprice them. We have not done as much of that as peers, but I guess in between across all of the businesses, we feel like there are opportunities to both strengthen the relationship we have with clients as well as manage the profitability, hopefully to a very high level of discipline.

Melanie KIRK: Thank you.

John STOREY: Thanks, Matt. Thanks, thanks, Alan.

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

END OF TRANSCRIPT