Company: Bendigo and Adelaide Bank Limited

Date: 4 December 2025

Time: 9:00am AEDT

Webcast: BEN Investor Update Presentation

Sam Miller: Thanks so much for joining us and welcome everyone who's on the conference call. Thanks so much for those who came in person, we really appreciate it. Let me begin today by acknowledging the Traditional Owners of the lands in which we meet, here in Sydney, the Gadigal people of the Eora Nation. I pay my respects to their Elders past and present, and pay my respects and extend my respects to the Aboriginal and Torres Strait Islander people here today and on the call.

Today, we have Richard Fennell, our CEO, who'll provide an overview of our strategy thus far and our momentum that we're building. We also have Andrew Morgan, he'll look at our business momentum with our normal three focus areas of optimised deposits, sustainable growth, productivity, both in the long term and the short term. Richard will include in his section an update on the announced RAC transaction. We'll then head into Q&A, where Richard will also give a quick overview of our AML announcement last Tuesday. In the Q&A section, we have members of our executive who are here to help with Andrew and Richard and answer questions.

Just a few logistics, our bathrooms are outside to the right. If there is a fire alarm, please follow the instructions from the concierge. I'll hand over to Richard.

Richard Fennell: Thanks Sam. Good morning everyone, and welcome to those joining on the conference call as well. I'd like to begin by addressing the announcement we made last Tuesday. I recognise that as an organisation that works hard to deliver on its purpose, we've fallen short of the standards we set for ourselves and that our stakeholders expect. The Board and senior management are fully committed to prioritising a comprehensive uplift of the program of work required to rectify the AML issues that we announced last week.

I'm going to give an overview of where we're at just before the Q&A session, but what has become even more clear through this information over the last week or so, is our key enablers are critical components of our strategy. We had already started an AML uplift program but we'll need to do more in order to future proof our risk management. At the same time, we will continue to pursue the initiatives necessary to deliver on our strategy, so this will require a parallel focus.

Our recent progress is the direct result of being patient and deliberate in the foundational work that we've completed over the past six years. What I'd like to do now is highlight some of the progress we've made in particular since our full year result announcement. By this time next week, we will have completed our core consolidation program of work, going from eight core banking systems six years ago down to one, as we finalise the transition from the Adelaide Bank core banking system to our Bendigo Bank platform over this weekend coming.

In undertaking these system rationalisation programs, we've developed repeatable customer migration capability. We've also deployed our new Bendigo in-app digital onboarding capability for customers who can then use this to join in a far more efficient way, and also able to be used by our frontline staff as a fast and safe method for customers to be onboarded to our bank. Our market leading Bendigo lending platform is now in use at our over 400 branches right across the country, in addition to being used by our broker partners and our white label partners.

Our recently announced five year partnership with Google is going to ensure that our people and customers have access to the benefits of the latest AI capabilities, digital skills, and importantly, cybersecurity defences. In September, our digital bank, Up, launched a new deposit product structure called Grow & Flow. This has resulted in significantly stronger inflows of deposits to Up.

Last but certainly not least, our balance sheet remains in a very strong position. Our capital position is well above our Board minimum. As at 30 September, we have $360 million in excess capital ex-dividend. Our customer deposit funding ratio is 77%, and our loan loss rates remain at historically low levels. These strengths will continue to allow us to take advantage of strategic opportunities as they arise, build our growth momentum as we in parallel address our required AML uplift program.

I'll now take you through some specific details relating to the key sources of our strategic momentum, including Up, why customers are continuing to choose Bendigo Bank, and how the Up and Bendigo teams have worked together to build new capabilities for the Bendigo offering. Let me start first with our long-term strategic investment in digital innovation, Up. I'm delighted today to confirm that our approach to support Up's independent development and operation is continuing to deliver strong results. Specifically, on the back of the Grow & Flow Initiative, Up achieved its first month of profitability in October, more than six months earlier than we had expected.

Now, over the next few months, Up may move in and out of profitability, but as we continue to see its balance sheet grow strongly, the trajectory is firmly towards consistent, positive contribution. Over the past seven years, we have built Australia's leading digital bank. It now serves well over 1.2 million customers, holds 6.5% market share in the 18 to 24-year-old demographic, and continues to deliver strong year-on-year deposit and lending growth. Just in the last couple of days, it ticked over $2 billion in residential loans on its book.

The trajectory for this business is strong and the innovation with agile execution remains at the core of how Up goes about its business. Currently, the team are investigating broadening the lending products to include an investor residential loan product, to capture a broader range of borrowers in the digital market. Up reaching profitability is an important milestone and it is tangible proof of our ability to make life easier for our customers with digital capabilities.

I now want to talk about the power of the Bendigo brand and its role in supporting our strategy, which has been a frequent point of discussion since our full-year results announcement, and how those insights have influenced our work on the Bendigo app. Research shows that when choosing a bank, approximately 70% of customers are driven by rational factors; customer experience like ease of use and channel choice. The remaining 30% of customers are driven more by emotional factors; reliability, authenticity, trust, fairness.

At Bendigo, we score significantly higher on those emotional drivers in comparison to the major banks and also the mid-tier banks, and that's our core strength. This demonstrates that we forge a connection with our customers in a way that others often struggle to achieve. We are also focused on improving our performance on those rational drivers through improved customer experience. Fast digital sign up, improved digital account management, and speed of our lending platform are all tangible examples of the improvements we're making. When we are asked why do customers bank with us, we know that the customers choose and stay with Bendigo Bank because they have a strong emotional connection with our brand.

Our strength isn't just confined to emotional drivers, it's also reflected across other crucial performance metrics like our rep track scores, our overall brand consideration, our status as a trusted brand, and our NPS versus market. We know that it's important that we can correlate that high NPS to deposit gathering strength, and Andrew's going to talk a little bit more about that later. If we take our strong customer connections, NPS, and focus on growing lower cost deposits, we know the Bendigo app plays a vital role in helping us to achieve that.

The app had fallen behind on a number of capabilities which support those rational drivers, so we used that research to directly inform the app's features and our focus, with the clear goal of closing that gap when it comes to customer experience. In addition, we knew with our old online account opening capability, three out of four customers were dropping out before they'd get through that process. We've also seen through our experience with the EasySaver product that when we've given our existing customers access to easy to use digital capabilities, they'll take them up.

Xavier Shay, our Chief Digital Officer, and our new Chief Technology Officer, Kieran O'Meara, they brought their teams together to focus on this challenge. In doing so, they've been able to rebuild the in-app onboarding capability for Bendigo Bank in just three months. This is a clear demonstration of how our investment in Ferocia, the team behind Up, is now bringing their execution capability and agility into the Bendigo business. Early results are really encouraging.

Since the launch of the refreshed app, at the start of last month, we've attracted over 1,500 new to bank customers, most joining outside normal business hours. The app is now scoring a rating of 4.8 in the app store. The early indicators are positive that this channel will be a key driver for growing lower cost deposits once we ramp up marketing and promotion activity.

Turning now to our announcement today of the RACQ Bank acquisition. This transaction represents a compelling opportunity for us to enhance shareholder value. The transaction will result in [Ben] acquiring approximately $2.7 billion in primarily residential mortgages, and $2.5 billion in retail deposits as measured at June 2025. Based on these June figures, we estimate that this book of business will generate approximately $50 million to $55 million in Net Interest Income. We're going to commence integration activities early in the new calendar year, and we estimate post-tax integration costs of $25 million to $30 million.

We're targeting completion to be in the first half of financial year 2027, and it'll be funded by existing capital reserves. The acquisition is highly aligned with our strategic objectives, RACQ Bank, like Bendigo Bank, boasts a strong and loyal customer base and a low-risk lending book. It's going to increase our proportion of lower cost deposits at a Group level by around 20 basis points. We'll leverage Bendigo's existing infrastructure and capabilities on an ongoing basis. We'll migrate customers directly onto our core banking platform, allowing us to support these customers simply and efficiently. Those customers will be able to use our 75 Queensland branches, and the ongoing run costs are going to be modest.

The acquisition also provides geographic diversity, expanding our presence in Queensland to around 18% of our consumer lending book. The mortgage portfolio is sound with a low Loan to Value Ratio of 58% and owner-occupied loans representing 79% of the book. Credit quality is excellent with minimal historic arrears. Importantly, the financial benefits are going to be significant. Based again on those 30 June 2025 proforma financials, we are estimating a 35 to 40 basis point uplift in ROE, and about $0.04 to $0.05 of increased earnings per share.

This path will support our - sorry, this acquisition will support our path to enhance shareholder returns through both improved profitability and strategically aligned growth. Today, as we announce this acquisition, we are a much simpler bank, two customer facing brands leading digital capability and one core system. As this slide illustrates, our ability to migrate the 90,000 customers onto one core system and the Bendigo brand will translate into shareholder value creation. I'll now hand over to Andrew to talk through the momentum in the business.

Andrew Morgan: Thanks very much Richard, and good morning everyone. Great to see so many people in the room joining us today. Today, I'm going to cover a few things. First, I'll talk about business momentum and provide a little bit more colour following our first quarter trading update, which was released on 11 November. I'll talk about momentum with reference to our three near term focus areas. Then, I'll talk about productivity and how we continue to think about managing our Business As Usual costs in line with our guidance of no higher than inflation through the cycle.

Starting with our deposit franchise and picking up a thread from where Richard was going, you've heard us talk now about the power of rational and emotional drivers in customer's choice of banking. You've seen that on emotional drivers we score very strongly relative to the major banks and Tier 2 banks. Through the work that we're doing in digital, we're aiming to close the gap in rational drivers. We believe that our customer-focused model drives that emotional connection and in turn drives high customer satisfaction and strong Net Promoter Scores in both our Bendigo and Up brands. In our view, this advantage that we have is very difficult for others to replicate.

How does that translate to value? Very simply, there is a strong correlation between Net Promoter Score and the ratio of deposits to loans. We would argue that it's part of the reason why we can gather lower cost deposits at the pace and the price point that we do.

Continuing on the theme of deposits and now into business momentum. As you know, building our muscle in digital deposit gathering is key to strengthening our already strong deposit franchise, where today almost two thirds of our deposits come from our physical network. As Richard mentioned earlier, about a month ago we rolled out our refreshed Bendigo app, which now allows customers to join the bank digitally in as little as five minutes. Early signs are positive, with more than 50 new transaction accounts being opened every day. We're also seeing one in four customers take a savings account, and some of these new to bank customers have also taken out other products, including mortgages.

Our growth in savings accounts continues to be strong, underpinned by a combination of EasySaver through the Bendigo brand and Up savings accounts. Year-to-date, EasySaver is growing at over 13% annualised whilst growth in up savings is very strong, up 35% year-on-year. With slower lending growth this year, we've been actively managing deposit and funding mix. This has seen the mix of lower cost to total deposits improve.

Moving on to sustainable growth. You've previously heard us talk about the work we've done in the last few years to understand the marginal profitability of our various lending channels, and using that as a basis to allocate our capital. For residential lending in particular, what we do is look for growth opportunities which also deliver the best combination of margin and return on equity. That means that when our Net Interest Margin and Return On Equity expectations are not being met, we will reallocate capital using price as our predominant lever.

Through the course of this half, we've stayed patient in residential lending markets, being very selective about pricing decisions, and trusting that we would see flow into our physical channels once the new lending platform came online. That patience is now being rewarded. For the month of November, applications per day, which are our key lead indicator, are the highest that they've been all year, and critically important, still within our funding appetite. We expect the book to start growing again in the second half and to be back at all new system annualised during the fourth quarter. This patient approach also means that our margin has been stable through the course of this year.

Moving to productivity and cost management. As you'll recall, we announced around 100 redundancies at our full-year results. As of November, most but not all of those roles had come out of our FTE numbers and our cost base. In addition to that, we've completed further restructuring in other teams. As of the end of November, our FTE are down 3.6% year-to-date, which is the lowest level that they've been since January 2022.

What that means is that you'll see lower headcount transmit into our cost base partly in the second quarter and fully in the third quarter. We've seen that play out in our October numbers and our November numbers, which are tracking lower than first quarter average daily costs. We think that puts us on track for a second quarter expense result that is lower than first quarter. In addition, we've been actively reducing contractor numbers down over 30% since the start of the year. This mostly benefits our investment spend and gives us confidence on our full-year investment spend guidance.

Moving on to productivity longer term. We've previously said that our longer term Business As Usual expense guidance is to grow our costs no higher than inflation through the cycle. That guidance remains. What I want to do now is give you a little bit more colour on how we think about this long-term cost path.

We know today that of our nine cost pools in our organisation, two of those will grow faster than inflation, and that is software licence and cloud costs, and also amortisation. Neither of those two will be a surprise to you. Three of our cost pools we expect to grow around inflation, and that includes for example, our customer facing teams. That leaves four cost pools where we're actively working to manage the growth in those cost pools to a rate below inflation. Overall, we believe that the benefit will allow us to maintain Business As Usual cost growth to no higher than inflation through the cycle.

How will we get after those four cost pools that I've just described? There are four key actions. The first is operational excellence. We established a program in 2022 and now have over 30 practitioners in our central team. That team has been very focused on our operations and contact centre teams, and has yielded around a 35% reduction in that resource base over the last three years. We've also trained around 100 senior leaders in process excellence disciplines.

The second is capability building through strategic partnerships. We've previously spoken about our current 60 plus partners that we use today in technology. These partners perform both run and change activity for us. We're actively working through streamlining the number of partners which we use in future, and that number will likely be in the low single digits. We believe that this gives us both access to enhanced capabilities and a much more efficient cost signature in both technology run and change costs.

We're also exploring partnerships around some of our other business processes. Again, we see a lot of opportunity to access both new and improved capabilities and cost efficiency in running those processes. We'll have more to say on this through the course of the next half.

The third bucket is AI and automation. As we said earlier, we recently signed a five year deal with Google that will provide enhanced capability around cloud and access to enterprise-wide AI tools. We currently use AI in a number of areas of the bank and we'll now look to accelerate use cases in other parts of our business.

The fourth is refining external spend, including the cost of our corporate property footprint. Our work in this area in the last few years has been substantial and will continue. As one example, in the last three years, we've reduced our corporate property footprint and rent expense by 30%, and we can see a path to a further 15% rent reduction in the next three years. On all of these items we'll have more to say through the course of the next half as our plans continue to harden up. I'll now hand back to Richard.

Richard Fennell: Thanks, Andrew. I'd like now just to turn briefly to the announcement that we made last Tuesday, and to provide a bit of context on that where I can. We identified suspicious activity in one of our branches and self-reported that to AUSTRAC and law enforcement authorities. We then commissioned Deloitte to undertake an independent review of the root cause of those issues. That review, and we received the final report early last week, highlighted deficiencies in our approach to anti-money laundering processes and controls. We've accepted those findings in full.

We've now re-engaged Deloitte to help scope the activities to help us to address the identified deficiencies. This work will then be aligned with the existing AML uplift program that was noted in our annual report. The Board and executive of the bank are fully committed to funding this necessary program. While the specific costs and timelines are not yet finalised, I can assure you this work is critically important to us, but I also understand this results in a level of uncertainty. I can assure you that we are moving with urgency and rigour to develop a comprehensive remediation program. We're committed to achieving full compliance and we'll update the market as soon as we have a finalised and actionable plan, including cost estimates.

At the same time, we must also continue to deliver on our 2030 strategy. Execution of our strategic initiatives will continue, and we'll make appropriate trade-offs to ensure we can balance both our AML uplift program and our strategic priorities within our funding plans. We'll now open it up for Q&A, and we'll be joined by Sarah, Kieran, Adam, and Xavier as well to answer your questions. Sam, I'll hand over to you.

Sam Miller: Thanks, Andrew, thanks Richard. I'll look at the two in the front. All right, Jon Mott. Nathan's just going to bring the microphone down.

Jon Mott: (Barrenjoey, Analyst) Jon Mott from Barrenjoey. Just a question; a small acquisition but a bolt-on acquisition today. Can you give us a bit more information on how much did you pay for it? It would be useful. I hadn't seen those numbers. Was it above book value? Is there goodwill?

Also, I'll be brutally honest, a lot of the small banks and non-banks around Australia are really struggling financially. You heard Matt Comyn talk that there's only two banks in Australia covering the cost of capital. With the technology, cyber, AML, risk, compliance costs, they're under a lot of financial stress. Are there additional businesses that you'll be looking to acquire, either they're coming to you or you are going to them, as additional bolt-on acquisitions that can grow the bank and provide scale over coming years?

Richard Fennell: Jon, this acquisition's at book value so there's no premium. That was an important part of the consideration about whether to undertake this transaction. As you know, we've had a lot of experience with goodwill on our balance sheet, we're happy not to have any more. As well as the compelling financials of this transaction, we think strategically it's a good fit for us as well. We are delighted to have some stronger presence in Queensland, one of the fastest growing markets in the country, and provides a good balance to the natural strength we've got in the southern states.

Look, I saw Matt's comments as well, and it is a challenging industry. We're not out there actively knocking on doors looking for more acquisitions. The reality is, this was a conversation that started from the RACQ side of things. If other opportunities come up where we think there is a good fit strategically and economically it's a really good outcome for our shareholders, then we'll consider it. It's not something we are looking to race around mopping up a lot of these smaller banks. We'll assess them if and when they may come and have a chat to us, but it's not - as we were talking about I think last time, our focus is primarily on organic growth

Jon Mott: (Barrenjoey, Analyst) What customer losses [are you assuming]?

Richard Fennell: Look, we are not going to announce the actual assumptions we've made, but we've made some attrition assumptions in there. Importantly, there is an ongoing referral agreement in place, Jon. We are bringing across, or we'll be making offers to their lending staff to bring them across as well, so we're hoping we'll be able to keep those attrition levels to natural levels of attrition. Hopefully with that ongoing referral agreement which covers both lending and deposits, with I think it's 1.7 million members RACQ has in Queensland, we would hope we'll be able to continue to attract a proportion of those to our bank

Sam Miller: We move to Andy.

Andrew Lyons: (Jefferies, Analyst) Thank you. Andrew Lyons from Jefferies. Andrew, you speak to sub-inflation BAU expense growth over the cycle. Do you realistically think that you can do that in FY26? You've done 7% expense growth in the first quarter on PCP, now you have said today that you think you'll get second quarter costs down on the first quarter. It would appear to get to 3% full-year expense growth, you're going to have to reduce cost by 6% to 7% for the remainder of the year versus that first quarter. Is that realistic to continue to maintain that sub-inflation cost growth in FY26?

Andrew Morgan: Just to clarify one thing, Andrew, no higher than inflation not sub-inflation. The trajectory is very strong and our FTE is down 3.6% year-to-date. We've got other pieces of work in place at the moment. At this stage, we're still targeting to be around inflation. It may be a little bit higher than inflation. I note as well that inflation is continuing to tick up, there are fewer days. Surely you expected that.

Look, people cost is 60% of our costs. As I said earlier, our FTEs are as low as they've been since January 2022. With new leaders, some of whom are sitting to my right here, the work that's being done to restructure, to bring capability to the organisation to get cost out is as strong as I've seen. The indicators there are good. Now, there are always going to be exogenous factors that might impact, but as we sit here today, the largest driver of our cost base, which is people costs, and that's 60% of our costs, is pretty well down year-to-date. Certainly in the first couple of months of the second quarter, the trajectory is good.

Sam Miller: We'll go to Richard Wiles.

Richard Wiles: (Morgan Stanley, Analyst) Good morning everyone, Richard Wiles, Morgan Stanley. Your capital level at the result was about 11%, dividend takes off 40 bps, this acquisition takes off another 35, so we're down to 10.25% and the target is above 10%. You're hoping to improve your loan growth and I assume you're hoping to hold your dividends. What makes you think you've got enough capital to do this acquisition, improve growth, and keep the dividend where it is?

Andrew Morgan: Our CET1 one was 10.93% in September, that was ex-div, and it's climbed back up to about 11%. If you do the math on the Board versus the Board target, we are sitting on around about $400 million of capital before we move into this transaction. There's two parts of the capital impact of the transaction. One is transition costs that we'll incur between now and when the transaction completes, and then we'll step into the risk weighted assets. That's a first half '27 likely impact.

Because of the very low marginal costs associated with the transaction, it generates organic capital immediately, if you back solve the cost that we've assumed it's about a 25% cost to income ratio. It's a very low cost to actually run the book. As we sit here today, Richard, we're comfortable with our capital levels.

Richard Wiles: (Morgan Stanley, Analyst) Have you taken into account the potential costs of the uplift program and the potential for your regulators to impose some capital overlay?

Andrew Morgan: We don't know a bunch of things today, as you would expect, but as you would also expect, we regularly run capital testing and the like and so as we sit here today we're comfortable.

Richard Wiles: (Morgan Stanley, Analyst) Can I ask separately, you've made some comments about your expectations for volume growth in the second half, and Andrew, as you've said before, you're very focused on margin management. Do you think you can grow revenue in 2026?

Andrew Morgan: We'd like to. The key as we previously said is, it's a deposit-led approach to lending. Those deposits should be largely through lower cost deposits. Because of slow lending growth this year, we've been able to for example manage down more expensive forms of funding like wholesale funding, like term deposits. Some of that might need to lift a little bit as we start to see growth pick up in particular in the fourth quarter. As we sit here today, our margin's in pretty good shape and we'd like to see that that balance growth translates into income growth.

Sam Miller: Thanks, Richard. We might move to Matt Dunger.

Matt Dunger: (Bank of America, Analyst) Thank you very much. Matt Dunger from Bank of America. I wondered if I could ask about the anti-money laundering issues. I know it's too early for you to quantify today but I'm sure you've looked at Bank of Queensland who took a $60 million provision back in 2023. Just wondering if you could talk to what allowance you had already made for anti-money laundering, and how you would compare Bank of Queensland's uplift program to yours, your own.

Richard Fennell: Thanks Matt. Look, we'd already set aside a number, nowhere near $60 million, for the uplift program we were planning to undertake. It's a lot less than that. I must admit, I'm not across the scope of exactly the BOQ program at work, and the reality is, we don't know yet. The piece of work that we've asked Deloitte to do will help to inform that. Any number I try and pick out of the air now I know is going to be wrong, so the reality is, I can't give you guidance on that. Once we do have a reasonable guide for that, we will share it with the market. We're not going to try and be perfectly precise on that, but as soon as we know a number based on a reasonable set of assumptions and analysis, then we'll share it.

Matt Dunger: (Bank of America, Analyst) Thank you. Should we be thinking about sub-inflation cost growth as excluding a provision for this program of work?

Richard Fennell: The reality is, we don't know. I'd love to be able to sit here and say this program of work we'll be able to manage within our future view of our slate and BAU costs, but I just don't know, Matt. Again, as soon as we do know, we'll share it with the market.

Matt Dunger: (Bank of America, Analyst) Thank you.

Sam Miller: Thanks, Matt. Tom Strong.

Tom Strong: (Citi, Analyst) Thanks. Tom Strong from Citi. I just wanted to go back to Richard's question around revenue growth. Coming back to system, the mortgage book really is contingent on these lower cost deposits coming through. Can you just provide some colour around the assumptions you've made to get to that 45% digital deposit target by the end of June '26? Where do you think you can get that to in time?

Andrew Morgan: I might get Xavier shortly to comment on Up in particular, but I'll just give you a couple of data points. EasySaver as you know, and we've talked about EasySaver for a couple of years now, is one of our strongest growing products. It's a lower cost product. It's a very simple product that our customers love. That's growing at 13% annualised. We've only just in the last month put the new join the bank capability in app. It's very early days but we see that there's opportunity there. Sarah might also - I'm throwing to a few of my colleagues here, Sarah might also want to comment on some of the targeted marketing that we could do to then support the launch of that app.

This is my segue to Xav, Up's growth continues to be very strong. One of the things that Richard talked about earlier was the launch of Grow & Flow. This is a different type of saver product which customers have responded very well to. Early days, very strong growth. I can see a change to trajectory since we launched that product, but Xav, do you want to talk about that?

Xavier Shay: Yes, 100%. That for me was almost the missing piece for Up. We knew we weren't getting our share of customer deposits commensurate with the number of customers we had. We're now seeing that starting to come through and so that's really positive. I think also noting that our deposit growth in Up has been consistently outpacing our customer growth. Even outside of Growth & Flow this was still true, and that's for a few different reasons where our customers are aging and the average deposit goes up, we're starting to attract some slightly older customers, that shifts the balance up, and people are just getting more comfortable with Up as well. That's working out really well.

On the 45% target you mentioned, I don't think - the assumptions that get us to there are pretty much the things that we've just done. There's no big other major things that I feel like we need to do in order to hit that. We just need to continue to push what we've done to get there. I'm feeling pretty confident about that target at the moment

Richard Fennell: Tom, one of the other things that's interesting with the new join the bank capability under Bendigo, as many of you are aware, on the Bendigo brand, we have a very strong demographic skew towards older Australians. The customer demographic that's coming through now is more clustered around the mid to high 30s, and so that's exciting for us to see. Yes, it's early days but through that capability we're attracting a customer group that we weren't succeeding in attracting previously, largely because we were asking them to come into a branch to open an account. Not many people in their 30s really feel that they want to come into a branch if they want to open a deposit account.

Sam Miller: Thanks, Tom. We'll go to Andrew Triggs.

Andrew Triggs: (JP Morgan, Analyst) It's Andrew Triggs from JP Morgan. Perhaps one for Richard. Just on the AML issue, can you maybe take us into why it took the reporting of suspicious activity in one branch to do a proper third-party review of your AML preparedness? This has been a topic for regulators and for the market since at least 2018, it shocks me that there wasn't - this review hadn't already been completed by the Group.

Richard Fennell: Look, that's a fair question. I think in hindsight, and hindsight's a wonderful thing, that we arguably should have done this earlier. We weren't aware of the deficiencies that were identified. We've been working very closely with the regulator, AUSTRAC, over many years, we've been continuing to uplift our AML capabilities over the years, the reality was, it took for the identification of a particular issue for us to go, hang on, let's go and do a root and branch independent root cause analysis here. We hadn't seen to that point in time evidence that there were deficiencies. Look, that's probably all I can say on - I'm not sure - in hindsight, yes, it would've been nice to have identified these earlier before these issues arose, but the reality is, we are where we are.

Andrew Triggs: (JP Morgan, Analyst) For Andrew, the 10% BAU cost growth in the first quarter, can you unpack that for us? I know some of it was redundancy remediation but the bulk of it appeared not to be. If 60% of your costs are fairly predictable, being staff-related, could you unpack that big number for us please?

Andrew Morgan: There were some seasonals and some one-off factors, Andrew. There was a higher days count in the second half average, there were some redundancy costs, there were some remediation costs. We also do our pay review cycle in the first quarter, and as I think some of you reflected on in your notes when we published the trading update, this is the first time we've done a Quarter 1 trading update. I think you're all getting used to our seasonal idiosyncrasies, and that is one of them. The main drivers were those seasonal factors and hence the reason why - part of the reason why we're seeing now an appropriate drop in the second quarter. Some were though genuine one-offs, so things like redundancies and remediation.

Sam Miller: We'll go to [Brendan], please.

Brendan Sproules: (Goldman Sachs, Analyst) Good morning. Just a question on your longer term productivity. You did note that you've got 60% of your cost is staff related, you've got a cost to income over 60%. Now that you're on a single platform and you're developing a lot of these digital interactions with customers particularly in deposits, what's the latent opportunity for staff reductions here? You've taken out 3.5% now, but in the longer term, what would be the ideal target and where would they be coming from?

Richard Fennell: Look, we think there are significant productivity opportunities across a range of areas within the organisation. Now, will they result in direct reduction in FTE like we've seen over the last three or four months? Maybe in some cases. If we can get back onto a growth trajectory, some of those resources will be required to support growth. The acquisition we announced today, we've made some assumptions on some additional resources required to support those 90,000 customers.

There will be changes though in our workforce over time, and that's the reality of all workforces at the moment as new capabilities, new technology, and new demands occur. One area that I expect we're not going to be seeing reduction in headcount and probably going the other way is financial crime, not just based on the announcement last week.

It's hard to give an absolute number but one thing I will say is, we're working really hard to drive productivity in the areas where that's possible. We're not going to be taking our foot off that pedal. There are other initiatives that are underway that have still got a way to go before completion. As Andrew I think mentioned in his update, in the second half, we'll be able to give you more insight into those. We don't have a set number that we're targeting. We are looking to drive productivity as hard as we can across the organisation.

Andrew Morgan: Just to build on Richard, Brendan, FTE is interesting. FTE is important as a lead indicator. Ultimately it comes to cost, and that's why we continue to talk about no higher than inflation we think as an appropriate target. What I talked about in my slide, I can tell you one of those initiatives particularly around partnering is a piece of work that we've done an extensive amount of work on already. We'll be ready to talk about that in the second half. That really underpins that comfort we have around continuing to reiterate that guidance of no higher than inflation.

Again, it's really about understanding that there are certain parts of our cost base that will grow above inflation, and you guys know that; so licenced cloud costs, every bank, a lot of companies across the market, are seeing exactly the same thing, amortisation as well because of our higher CapEx. We've got to do work to stay in front of those costs and then manage the overall to no higher than inflation.

Richard Fennell: It might be useful to hear from Kieran, just some of his observations, particularly around the technology range of platforms we use, et cetera, and how you think about that, Kieran. To your point, as we simplify and get to one core banking system, that's providing opportunities.

Kieran O'Meara: That's a good point. I think there's a few dimensions we're looking at, and the work is underway. The first one's referenced in the slides before around the partners landscape, so in excess of 60 partners in the organisation today. It's true to say that there's nothing particularly unique about any of them. There's a scale opportunity there to rationalise and that's started.

I think the second piece after that then is, to your point on one core, is where do we take that one core next and what opportunity does that present? The next immediate push for us will be into more decoupling of that so we can enable more of the front-end work that Xavier's team does. That'll accelerate the growth, but it'll also accelerate the ability to rationalise the amount of technology we manage.

Being relatively fresh to the organisation, one of the first observations is, there's a lot of discreet technology and there is an opportunity to rationalise the number of things that we look after, which is the next big push. My team have started on a point of view for that in the second half that we'd look to execute from FY27 onwards. That in itself is fairly significant in addition to looking at FTE numbers and so on. I think third then for me is the mix of work, and who does what work, and where that happens, and linked to the partnering strategy but exploring options there as well.

Brendan Sproules: (Goldman Sachs, Analyst) Thank you. I've just got a second question on the AML. You talked about the process from here, getting Deloitte to scope the changes that you need to make across the organisation. How do the regulators get involved in this? Obviously they would have concerns. Are they doing their own investigation? How does that integrate into what you are doing?

Richard Fennell: Look, we've kept the regulators fully informed on the process throughout. From what I can see looking at the process that others have been through, and clearly we're not the first to stumble into some issues in this area, we've probably come out earlier and we've done that out of an abundance of caution in making sure the market is as fully informed as we are around this issue.

We're liaising, as you can imagine, very heavily with the regulators around this issue. They have access to that same report that led to the announcement last week. They received that last week. I expect they'll be reviewing that before forming their opinion on how they want to work with us to make sure that we get our AML/CTF program to the necessary level of sophistication and maturity.

Brendan Sproules: (Goldman Sachs, Analyst) Thank you.

Sam Miller: Thanks, Brendan. I'll work my way down to Ed please, Nathan, and then BJ.

Ed Henning: (CLSA, Analyst) Thank you. It's Ed Henning from CLSA. I just wanted to clarify something. Today you've talked about committing to your 2030 targets, which is great. While I understand you don't know the cost of the AML and what's going on, can you just clarify for us, are you thinking about now just ring fencing that and continuing to work with the growth initiatives to get to your 2030 targets?

Richard Fennell: I'd love to be able to ring fence it perfectly and just say that's going to be over there, but the reality is, we expect this is going to be a pretty significant program that is going to need a fair bit of focus. They way I'm probably thinking about it more is running in parallel rather than ring fencing it, and I don't know whether these are the right analogies to be using. What is important though is we don't stop the business and say, let's all like moths to a flame focus 100% of our attention over here. We need to absolutely commit the appropriate resources and attention to address the deficiencies that have been identified, but we need to make sure we continue as far as possible to drive the business forward towards that 2030 strategy.

Again, hopefully by the time we're out with the half year results in February we'll have greater clarity on exactly how that's going to play out. There are going to be implications for our consumer bank where the issue arose, there's going to be implications for our technology and digital areas I expect, there's clearly going to be implications for our risk management teams, both line 1 and line 2. There's going to be a lot to work on here, but in the discussions we've been having internally, we want to make sure that those that need to be involved at this point of the process are giving the appropriate level of focus to this, but let's not swing the whole organisation to be 100% focused on AML because we've still got a business to run.

Ed Henning: (CLSA, Analyst) Thank you. Then just the second question, on the growth, you talked about today getting back to growth in mortgages and still maintaining some margin management there. Also, you mentioned price is part of it as well. Can you just talk about more in the medium term, getting to that 2030, how you are thinking about growth? Do you think around system? What do you think you need to grow above system to get to your targets?

Richard Fennell: Look, in the short term, probably the next 12 months or so, we'd like to be growing at around system as we continue to build our capabilities and drive productivity, importantly, so we can see more of the NII dropping to the bottom line. That's when we think we'll hopefully be in a position to start to take some market share again. If you look back over the last five or six years, we have grown market share.

Now, there's been ups and downs on margin over that time. We want to try and get a much more steady approach to that margin management. Over the course of the four and a half years left of this strategy, we would like to see us grow market share once we make further progress on both the deposit capability and the productivity focus that we've got at the moment, Ed.

Ed Henning: (CLSA, Analyst) Thanks.

Sam Miller: BJ, please. Thanks.

Brian Johnson: (MST, Analyst) Brian Johnson, MST. Richard, a few questions. I appreciate the fact that there are things that you don't know about the AML, there are things that you do know but you don't want to answer. Unfortunately, I think there are some questions that you should answer that you probably don't want to answer. If we have a look at the trajectory of AML problems at banks, it strikes me that if you go back and look at it, CommBank got a pretty big fine, Westpac got a gigantic fine. The Westpac one was demonstrably bigger because they hadn't seen what had gone on at CBA. NAB got a fine of zero because they were very compliant.

The first question, like the subset of the questions on this, then I have another one on cost, is that if we have a look at the AML issue, was this just a suspicious transaction identified in one branch or was this money laundering? If it was only a suspicious transaction reported in one branch but we've found a control deficiency, were there other breaches in other branches? Then coming back on it is the real problem that you've got, is that, have you gone for example, and I apologise for this question, have you gone and had a look at the control environment for example in Up to make sure that it hasn't got the same dynamic coming through?

Can we get some detail on what the actual transactions were? Was there some money laundering involved? Why? Did this only happen in one branch? Did it happen across multiple branches? Have we got the same control risk outside of the branches? Then over and above it, you've got two types of branches, you've got corporate branches and community branches. Could you unpack that for us, please?

Sam Miller: That's a lot of questions.

Richard Fennell: How long have we got? Look, the actual transactions I can't comment on because they are still subject to law enforcement activity. There is law enforcement related to those activities and because of that, for legal reasons, I cannot comment on that.

Brian Johnson: (MST, Analyst) It's not a [control breach 55:56]?

Richard Fennell: That was the initial issues identified. Once we identified those and they were escalated, we then let the regulator know and law enforcement. Both of those parties were then involved on an ongoing basis. In parallel, we asked Deloitte to do their review, which that review did not go beyond that branch but it did identify there are deficiencies in the way we are monitoring and controlling AML/CTF more broadly. Now, I'm trying to catch up with question 5 or 6...

Brian Johnson: (MST, Analyst) You're saying that there is no identified [transactions] outside of one branch?

Richard Fennell: At this point in time. We have not done a full review of all branches and all transactions, but to this point in time, that is the only issues that have been identified. I'm not going to sit here and say if - once we've addressed those control issues, we may go back and then reassess other transactions. They may be identified, I don't know. These are all hypotheticals at this point in time. We've got more work to do before we can give an answer to those questions.

Look, the reality is that the transaction monitoring that goes on in our organisation is the same, whether it be through Xavier's Up business, whether it be through our branch network, through other channels. Those transaction monitoring activities that were being undertaken, we've identified deficiencies. We need to understand what risk is involved more broadly with those deficiencies, that's part of the work that's going on now, and how we can then close the control gaps.

Whether we then need to go back and reassess historically, I don't know. Again, these are things that are very much in front of us to work through. I'm sorry I can't be more definitive than that on this matter, but it is very early days. This is one of the challenges arguably in us coming out early with this, because I know it's going to be frustrating for all of you and others, with lots of questions that we're just not in a position to be able to answer yet.

Brian Johnson: (MST, Analyst) Historically, Richard, that's a great way to attempt to answer the question, but I look forward to finding out more about this over time. I would encourage you, just come out as you know it, tell us.

The second question is, Richard, if we have a look at the housing market at the moment, housing lending in Australia, Macquarie's still out there pricing well below the peers and pricing up deposit rates. Of late, we can actually see Bendigo and Bank of Queensland for that matter have basically repriced home loans up and then recently have cut them back down. If I have a look at the deposit product at 4.85% against an owner-occupied mortgage of 5.39% and I pay out the mortgage broker commissions, more often than not, it doesn't seem to me like there's a lot of margin between the two. What is the - are you writing home loans at the moment below the cost of capital?

Richard Fennell: Short answer is no. I'll let Andrew unpick some of this a little more in a second. Picking for example the highest possible rate through Up is not the weighted average interest rate that Up pays on its deposits. Its spread is well above 2% between its deposit rates and its lending rates, so we're very comfortable. In fact, it's a strong ROE return through the mortgages we write there on the basis they're funded by Up's deposit.

The changes we made recently were on the investor side of things. Again, the returns post those changes are above our cost of capital. We deliberately do not go in owner-oc because that's where the returns are tightest at the moment. We've been tweaking some rates here and there to generate some - to help support some stronger flow, and we're seeing the benefits of that alongside some stronger flow in our retail business as we've rolled out the platform there. Andrew, I don't know if you want to add to that.

Andrew Morgan: I think you've just answered the question beautifully.

Brian Johnson: (MST, Analyst) Owner-oc is below the cost of capital and investor is above?

Andrew Morgan: If we were to cut pricing further in owner-oc in [broker], that would be below cost of capital. That's deliberately why we've not moved pricing in there. Where we're growing the book is in digital proprietary, to an extent in our community banks and in broker but investor. When we do our calculations of marginal Return On Equity, we've got a hurdle rate that we want to meet and we're comfortable we're meeting that hurdle rate. That's why we're only being very selective, Brian, about the way we price. We're not pricing - we're not trying to grow volume by cutting pricing across all products. That doesn't work.

Brian Johnson: (MST, Analyst) Just to clarify, am I right in concluding that owner-oc is basically below the cost of capital, the front book through the broker channel? Is that what you're saying?

Andrew Morgan: At our current price point where we're not writing a huge amount of volume right now, it's roundabout the cost of capital.

Brian Johnson: (MST, Analyst) Thank you.

Sam Miller: We'll go to Carlos.

Richard Fennell: It does depend on the LVR at different price points.

Carlos Cacho: (Macquarie, Analyst) Thank you, Carlos Cacho from Macquarie. On your productivity agenda, we've recently seen one of your peers announce for the first time an offshoring of some more basic customer-focused roles. Do you have any plans to do similar, whether it's accessing more technology talent like peers have done, or the lower hanging fruit of customer service? It seems like some easy ways to potentially reduce costs over the medium term.

Richard Fennell: I'll get Kieran to speak a little bit about the tech side of things in a moment. I think it would be an unusual action for our business and with our culture to put customer facing activities offshore. Now I'm not saying that's an inappropriate thing to do, but culturally, that's not something that's on our agenda at this point in time. We already use offshore-based skills in the tech space, but Kieran, do you want to add what your thinking is there?

Kieran O'Meara: Again, we touched on this a little bit earlier. We've been quite transparent on this point with the partners. For the 60 we referenced before, one thing that's interesting here is, the majority of those partners resourcing is here, is actually resident in Australia. That is an immediate opportunity. A feature of that rationalisation down to the low single digits that Andrew talked about earlier, will mean that more of that work that those partners do today will move overseas. We are in the process right now of looking at various options on what that might look like, and we look to execute on that in the second half.

Carlos Cacho: (Macquarie, Analyst) Thank you. Back to the mortgage margin discussion, as you noted, the mortgage growth in margins have had some ups and downs over the last few years. How can we be confident that getting back to system growth isn't going to come at material cost to margins? Can you [share with us] what your learnings have been over the last few years and how you will do things differently? It's all well and good to say it'll be deposit driven, but if the deposits aren't there, does that mean the mortgages aren't going to be there? How do you balance those two things? From the outside looking in, it has appeared at times like it's been a very difficult balance to get right.

Andrew Morgan: Thanks Carlos. I think the lessons of the first half '25 have stuck with the organisation. We had a rollout of a platform which was very successful, more successful I suspect than probably what we had anticipated, and that required a funding response. When we got to the point where we said we're growing too fast, we made then pricing changes in a couple of tranches and then that slowed the volume down. That gave us a few key lessons. One was around the volatility in our margin, which was not what we wanted. The second was, it gave us a clear sense as to where we needed to price the book to grow, and I mentioned this before. We've got a pretty clear sense as to the price point at which we need to set our mortgages to grow at a certain level.

The way we construct our plans, and I referenced this earlier, is, we've got a number of applications per day that we target. The way that we think about that number is, we figure out what that means in a volume sense. If we feel comfortable that we can then fund that as much as possible with lower cost deposits, then we say, that's the number we go for. What we're doing is using price as a lever to control the flow, taking into account how much flow we'll move to our settlement, we'll move to then a loan on the balance sheet. That's the way we do it.

Carlos Cacho: (Macquarie, Analyst) Is that a new initiative looking at that applications per day?

Andrew Morgan: No. I think the connecting up of funding and making sure that we support lending growth with as low cost deposit funding as possible and then some of the more recent digital work we've done to build our lower cost deposit, so transaction accounts, is helping to underpin that. It was a critical part of the strategy that Richard took to the Board back in June of last year.

Sam Miller: Next question, Christian.

Christian Mazza: (Jarden, Analyst) Christian Mazza, Jarden. Just back on deposits and with Up, you mentioned the strong growth that you've had and the new Grow & Flow offering that you have. How exactly does that interest rate structure work? Are you attracting those new customers through price or is it more the offering that you have?

Xavier Shay: I think it's the offering we have. If you want to get the highest interest rate in market for your deposits, that's not us. We're pretty competitive versus the majors, but we're not total best in class. That's a deliberate pricing strategy for us, so it's not 100% price driven. I think previously - sorry, what is it that will help? We have a two-tiered interest system. If you don't withdraw, you can get the grow rate, which I think is about 4.6 at the moment. If you do withdraw, you get a lower flow rate, which is 1.25. This matches up with how a lot of customers use savers. A lot of savers are actually used in a more transactional sense and they're the flow savers. Then your nest eggs or emergency funds, that's what tends to attract the grow rate.

Previously, we didn't have this, and you also need to be doing five qualifying transactions as well. Previously, we only had the qualifying transactions criteria but our headline rate was high threes. What we're finding is that in this middle ground, for people who wanted a higher interest rate for their nest eggs, we didn't have a product for them, and then for people who were really using it for [transactional] funds, we were probably overpaying. We were in this middle area.

Now that we've split those two, that's provided a much more suitable product for a lot of people who were keeping a lot of their deposits elsewhere, but also just made the whole offering a bit more compelling for people. I will say, we do have some customers who don't like it. It's not a slam dunk and we knew that going in. We did a lot of research into this, but on-net, more customers were interested in it than not, and that's come through in the numbers.

Christian Mazza: (Jarden, Analyst) Thanks.

Brian Johnson: (MST, Analyst) [Unclear].

Sam Miller: Hang on a second, Brian. Let Christian finish, if that's okay.

Xavier Shay: Is it one product that flips between two? It's still an underlying just Up saver product, and then depending on your activity for the month, it qualifies for the different rates. There's a really good explainer on the website. If you link through to Growth & Flow, it's got a really good – it lays it out really nicely.

Sam Miller: Next question, [Maggie].

Maggie Wu: (Turiya Advisers Asia, Analyst) Can I ask about your digital onboarding? First you talk about 50 transaction accounts per day, how do we benchmark against the current onboarding without the digital capability? Then secondly, you are talking about increasing marketing expense. What magnitude are we thinking about and what type of marketing campaign? Is the customer acquisition cost at a similar level at Up, which is you mentioned $50, or is it significantly different?

Xavier Shay: I'll just quickly answer the first bit and then - we were really just not seeing much at all previously through the prior onboarding that we did have. It did technically exist but we were seeing a handful a day if that, so it was basically nothing. Now we're seeing quite a lot more. That's the first part. Then second part?

Sarah Bateson: From a marketing perspective, we've been increasing our support for low cost deposits in the run up to digital onboarding, and now we'll start to build that. The way that we work in marketing is, we optimise the activity to where we're seeing performance. You'll see our marketing of the digital onboarding product or fast signup for customers build into the new year, then we'll trial campaigns if we need to.

I think previously, when we think about - we've talked previously about the demand we've driven. We've got a lot of latent demand there anyway, so the brand connects with customers, it drives demand, and when they were coming to us, they couldn't sign up through the app to onboard. Customers can now, so we really need to get that balance of, what do we need to actually market versus optimise the demand that was already there? You will see it still build next year.

Richard Fennell: Maggie, one of the things that - I'm a bit of a junkie for the dashboards on these things. I probably hit refresh too often to watch how the numbers are flowing on a daily basis, but they have been growing since we launched, quite nicely. I think Tuesday we had 70 new accounts. It on average has been about 50, but in the first few days it was 30, 40 and it's continuing to grow.

Look, first, I want to get to 100 a day and that's probably going to be 30,000 customers we wouldn't otherwise have had. Then, if we can really start to ramp up the digital marketing - from a marketing perspective, it's not like we're going to go and spend an extra $5 million we weren't otherwise. Sarah doesn't get that much from me to play with so she has to put it where we think we're going to get the best value. I don't know where the potential ceiling is on this. It'll be a long time I think before we get to Xavier's 500 a day. The cost of acquisition is probably actually lower than Up because we're not paying referral dollars on this, so it'll be a very low cost of acquisition at the moment.

Sam Miller: Thanks. [James], do you have any media questions?

David Ross: (The Australian, Journalist) Thank you, it's David Ross from *The Australian*. Richard, I had a question for you around AML. Can you tell us specifically which was the branch affected that you've referenced? Bendigo's released a closure impact statement for every branch it's closed apart from the Pinewood Community branch in Mount Waverley in Melbourne. Why was the Pinewood Community branch closed suddenly on 9 September and the franchise agreement terminated with no reason provided?

Richard Fennell: As I said before, with legal activity underway, there are certain things we can and can't disclose. We're not at the moment in a position where we can identify the branch that was the source of those transactions.

Unidentified Speaker: I just also wanted to ask, obviously Bendigo's had this community branch model for a while. In your view, I know everything's preliminary and the final Deloitte report's still yet to come, but has there been any indication if that model exposes you to more risks particularly in AML?

Richard Fennell: I think the community bank model is 28 years old now, and it's been a wonderful supporter of our ability to grow our business and also to grow our deposit base. The reality is, as we do this review, we'll look at all aspects of our business. Over that 28 years, there has not been a particular skew that I'm aware of between community banks versus company-owned branches, from a risk perspective. They all have to meet the same policies and procedures, whether it be a community bank or a company-owned branch. I wouldn't expect there would be a particular skew there, but we haven't done that work yet.

Sam Miller: Is that all? Nicholas?

Nicholas Sobolev: (UBS, Analyst) Nicholas Sobolev, UBS. Thanks for taking the question. Just regarding the RACQ book, are these loans predominantly owner-occupied? Once they're brought onto the balance sheet, how are they going to impact NIM for the Group? Thanks.

Richard Fennell: So 79% owner-oc. The margin on their loans is comparable - well, sorry, the rate on their loans is very comparable to ours. They'll be transitioning across to a Bendigo product at time of completion. There is only one deposit product where there is any significant variation between any terms and conditions, and we'll work through how we might grandfather some of those terms and conditions for those customers. When it comes to the lending book, that'll be a straight transition. They'll continue to get the rate they have, and as rates move up and down, it'll be from that rate. Certainly in looking through the book we're very comfortable with the rates being offered on both sides of the balance sheet.

Nicholas Sobolev: (UBS, Analyst) That 79% roughly would be written above cost of capital from your point of view or at, like the rest of the...

Richard Fennell: Look, the reality is, those loans are coming onto our book with the only acquisition cost being the transition costs. You could do a range of different ways of working out that cost of capital, but at the rate they are, we're certainly very comfortable that they'll be paying their way. As I said, more generally, when you look at the acquisition, it's going to be strongly accretive from an ROE perspective and also generate up to $0.05 per share on an EPS basis.

Sam Miller: Thanks Nicholas. [We've time] for two more questions. I can see Sally's hand up.

Sally Hong: (Morgan Stanley, Analyst) Good morning, it's Sally Hong from Morgan Stanley. You noted that Up Bank is becoming profitable today. Can you talk to me about, how does Up Bank's cost to income ratio compare with the broader Group? Can you give us a sense on how Up Bank will contribute to taking Bendigo's ROE above 10% by 2030?

Xavier Shay: Maybe I'll start and then Andrew if you want to comment on some of the longer term how it fits in. We've just hit profitability so right now [the cost-to-income is] 100%. I think if you look - if you extrapolate out in terms of the number of humans and technology costs we need to support the business, the marginal costs of adding growth, our expense profile is pretty flat. I expect that that will continue and improve, and long term or even medium term we'll get under this Group CTI relatively quickly. I'm not looking at - if I look out at the next couple years of growth, I don't need to drastically change my expense base to support that. That's how I'm thinking about that. Do you maybe want to speak to the longer term how it contributes?

Andrew Morgan: That is the absolute key, is that we are putting capital to work in that business, it's fully funded or more than fully funded from a deposit perspective today, the cost of that deposit stack is attractive. Hypothetically, Xavier could grow his book by double and the marginal costs are pretty small because of the efficient platform that he's built. The way that we think about that business is, we'll continue to allocate capital to it whilst it's delivering such attractive returns and while it continues to gather customers at the pace that it does. That's how it contributes. It's very low additional marginal costs as we bring more assets onto the balance sheet.

Sally Hong: (Morgan Stanley, Analyst) Thank you.

Sam Miller: Thanks Sally. We'll finish with Richard.

Richard Wiles: (Morgan Stanley, Analyst) You've talked about some of your productivity initiatives, your headcount reduction, your outsourcing initiatives, and rent; are good examples. Can you quantify the cost savings that you expect to get from these initiatives? If you can't do that today, do you have any plans to quantify the cost savings perhaps at the first half result?

Andrew Morgan: Again, what we think is most important here is what it actually means from an overall cost perspective. I could give you a number, but if I don't give you a reference with that number, then you might say, well what's happening with the rest of your cost base? The way that we've described it, Richard, is to say that those costs and the savings in those four cost pools that I referenced earlier will help us to manage our overall cost growth, our Business As Usual cost growth to no higher than inflation. Inside that, yes, we know what the number is. We'll take it on notice as to whether we quantify that or not, but what you will see over time is, as we execute on those four key initiatives, it will translate then into the cost bases; whether that's through FTEs, lower rent, whatever it might be.

Richard Wiles: (Morgan Stanley, Analyst) Andrew, there's an alternative way to look at that. We could say, if you do nothing, your costs are going to grow 5%, 6%. We know your amortisation is going up so we want to know what cost savings you expect to deliver to get to that BAU within inflation. I think it'd be helpful if you disclose some expected cost savings. You have done it in the past, other banks do it, so I think it'd be helpful if you disclose that at the first half result or when you're ready.

Andrew Morgan: We'll take it on notice.

Sam Miller: Thanks Richard, thanks everyone. I'll hand back to Richard for final comments.

Richard Fennell: Thanks everyone for the questions, and some really good questions there. Based on what we know today, we do remain committed to our target of achieving an ROE above 10% by 2030. This is a goal that drives our business priorities and decisions, and we will keep you informed with our progress on that as we continue to drive our strategy forward. Thank you for coming along today. We appreciate the time you've taken and look forward to joining you for some refreshments if you've got time, now that we've finished the formal part of the day. Thank you.

[END OF TRANSCRIPT]