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Sam Miller: Good morning everyone. Thanks for joining us for the Bendigo and Adelaide's 2025 full-year results briefing. Let me begin today by acknowledging the traditional owners of the land on which we meet today, the Gadigal people of the Eora Nation, and I pay my respects to their Elders past and present and emerging. I also extend my respects to the Aboriginal and Torres Strait Islander people who are present on the call today.

Today, our CEO Richard Fennell and CFO Andrew Morgan will present our FY25 full-year results, followed by a Q&A session. I'll now hand over to Richard.

Richard Fennell: Thanks, Sam, and good morning, everyone. I appreciate you taking the time to join us here today. Our full-year result demonstrates the resilience of our organisation and our ability to adapt to changing circumstances, with a more balanced approach to lending growth and margin management in the second half of the year. This followed a first half that saw significant demand for our residential lending products exceed our capacity to fund through lower-cost deposits.

The second half, we've focused on returning to a more moderate level of growth and have delivered a stable margin outcome. The key lessons learned during the first half of '25 have helped shape our strategic priorities for FY26 and beyond. Our key investments, including the Bendigo Lending Platform, have resulted in increased investment spend in the last few years. As we look forward, these investments will continue to generate value through improved customer experience and greater productivity.

In the most recent half year, the Bendigo Lending Platform and our direct channels drove 71% of total residential lending settlements, while digital contributed a further 16%. In FY25, we have continued to leverage our unique strengths. Our customer numbers are up 11%, supported by a Net Promoter Score that is 36 points above the industry average. Our digital bank, Up, continues to deliver, with the strongest customer growth since its inception, and it now has 1.2 million customers.

Our balance sheet remains strong, our Common Equity Tier 1 capital is unquestionably strong and well above our Board-approved target, and our household deposit to loan ratio is 73%, significantly above the average of the major banks.

Turning now to our financial performance, cash earnings of $514.6 million for the full year was down 8.4% year-on-year. Income was down slightly, mostly related to non-interest income, and to a lesser extent higher funding costs impacting margin in the first half. Through a focus on margin management and selective repricing activity in the second half, we've delivered a flat margin in a falling cash rate environment.

Last week, we announced the impact of a goodwill impairment, driven most significantly by a change in discount rates. Andrew will cover this in more detail shortly. Additionally, we increased our restructure costs, resulting from the first phase of our recently established productivity program.

We restructured a number of support functions, and also recently announced the closure of 10 corporate branches, and we're in the process of retiring our agency model. This first phase will be followed by additional actions as part of a more comprehensive productivity program during the 2026 and '27 financial years.

Our operating expenses increased by 7.7% year-on-year, reflecting the planned investment spend we outlined during the year and inflationary pressures within staff and technology costs. Pleasingly, in the second half, operating expenses were up just 2.1%, including investment spend, or just 0.3%, excluding those continued investments. In relation to credit expenses, we saw a full year write-back of $14.7 million due to releases in our collective provisions, primarily in the first half. We don't expect this to be repeated in FY26.

Turning now to our divisional performance, the results from our consumer division reflects the contrasting performance of the halves. Strong mortgage growth was achieved over the full year, up 8%, with flat cash earnings. Our digital EasySaver product, launched in February last year, helped to drive EasySaver balance growth of 23%, providing strong momentum for ongoing low-cost deposit growth in FY26.

Our business and agri divisions cash earnings decreased by 10%, primarily due to reduced net interest income. This was driven by a range of factors, including liability pricing adjustments and strong competitive pressures in business lending markets.

However, we achieved second-half growth in both business and agri following the successful implementation of new lending and CRM system changes and the migration of 24,000 rural bank customers to the Bendigo core banking system. This unified platform consolidates our business and agri customers onto a single system, brand and website, establishing a strong foundation for future growth.

Up's positive momentum continued over the year, with almost 1.2 million customers, a tripling of the mortgage book to $1.7 billion, and deposit growth of 34% to $2.8 billion. Its strong brand and mission to simplify money continues to resonate with customers, reflected in a six-point NPS increase to plus 55, low costs of customer acquisition, and a weighted average interest rate spread exceeding 200 basis points.

As Up's customer base matures, we anticipate significant growth in home lending, with 110,000 customers projected to enter this stage within the next two years. We've been deliberately patient with Up. By prioritising customer experience and building a scalable offering, we've created a strong brand and Up is on a clear pathway to standalone profitability.

Our digital deposits continue to grow while lending growth has moderated. Digital deposits both in Up and Bendigo have grown significantly over the half year. Bendigo Bank-branded deposits through EasySaver and online term deposits are up 58% over the year, and deposits at Up have increased 34%. The strong growth in our EasySaver product, driven by a smoother customer experience, has improved our overall funding mix as we look to support lending growth with a greater proportion of lower cost deposits.

For residential mortgages, digital origination remains an important channel for Bendigo Bank. The proportion of digital settlements was down 3% over the half, largely a result of price changes to support volume and margin management, noting that the channel economics remain strong. Over the next six months, we'll look to further optimise our digital lending channels and price our products in ways that support sustainable growth.

Sustainability remains a key focus area for our organisation. This year we've continued to deliver on our purpose to feed into the prosperity of our customers and communities. Our approach to supporting financial inclusion has seen us successfully deliver on the final year of our Financial Inclusion Action Plan and build partnerships and initiatives designed to support our customers when they need us most.

In the last 20 years, our unique community bank model has enabled investment of more than $416 million into local communities in the form of community sponsorships and grants. This year alone, in excess of $50 million was invested into local communities, a fantastic milestone. This reinvestment significantly increased from last year, demonstrating our aligned values with communities and shareholders.

This year we've also made advances to better support our community bank partners to measure impactful initiatives in their local communities. With 78% of the network onboarded to our community impact hub, we can now more easily quantify the scale of community investments, with community banks supporting outcomes in the social impact themes of resilience, inclusion, health and wellbeing and prosperity.

Our fraud and scams team blocked $47 million of potential fraud and scam payments this year. These activities resulted in a 36% year-on-year reduction in customer losses from scam activity. This year we've also worked to evolve our climate approach.

BEN 1.5˚C is a set of aligned science-based targets which underpin our plans to help our agriculture, residential mortgage and commercial real estate sectors to decarbonise over time. More detail of our refreshed approach to climate can be found in our climate disclosure. I'll now hand over to Andrew to talk through the financial results in more detail.

Andrew Morgan: Thanks very much, Richard, and good morning, everyone. This result reflects a continuation of the discipline that we showed in our third quarter trading update. We've slowed residential lending growth to help stabilise margin. We've also seen an improved funding mix with stability and transaction accounts and continued strong growth in savings accounts.

We've also carefully managed pricing decisions, which has enabled us to deliver a slightly stronger net interest margin in the final quarter despite the lower cash rate, and we've tightly managed business as usual costs to well below inflation. Mostly due to weakness in other income and higher investment spend, our operating performance was down 2.9% on the prior half.

As a result of a smaller write-back in credit expenses this half, cash earnings of $249.4 million were down 6% on the prior half. Our balance sheet is in a strong position going into financial year ‘26, reflected in strong capital, funding and liquidity.

On this slide we show you the usual reconciliation of cash to statutory earnings. As announced last week, we have booked an impairment of goodwill and also a material redundancy provision related to some of our corporate divisions and branch closures.

The decision on goodwill reflects our view that we're moving into an increasingly uncertain environment globally. To reflect this risk we made some changes, the most significant of which was to increase the discount rate which we use to value our cash generating units. This led to an impairment of some of the goodwill allocated to our consumer division.

Turning to other items, a recovery in house prices in Sydney and Melbourne boosted Homesafe unrealised income. Restructure costs, excluding those announced last week, fell half-on-half as flagged in February. Going into next year we have one final business consolidation to complete which is the Adelaide Bank core consolidation. At this stage, the estimated costs for the consolidation are between $14 and $20 million after tax.

In addition, we will begin phase 2 of our productivity program in the second quarter of financial year '26. It's too early to provide any estimates on this and we will provide more detail at our planned investor day in November.

Turning now to total income for the half, income of $974.2 million was up 0.2% on the prior half. Net interest income increased just over 1.1%, reflecting growth in average interest-earning assets and a stable margin. Adjusting for fewer days in the second half, NII growth would have been around 3%. This was mostly offset by weaker other income which was down 5.5%. Other income excluding Homesafe was down 6%, reflecting lower fee income, the impact of our part divestment of our wealth business and a non-recurrence of some income received in the first half.

Homesafe income was down 2.5%, reflecting a lower volume of completed contracts in the third quarter but a recovery in the final quarter. In respect of key considerations, as previously flagged, income from the Homesafe portfolio will reduce over time subject to the rate and profit on contract completions. This half saw the number of open contracts reduced by around 3%, whilst the average life of contracts completed through the half was around eight years.

Turning now to net interest margin, compared to the prior half, our NIM was flat at 188 basis points. Asset pricing negatively impacted one basis point which was mostly due to ongoing retention pricing pressure in business and agri. In residential lending, pleasingly, the gap between front and back book pricing has now closed.

Deposit and funding pricing was down one basis point, with some improvement in wholesale pricing offset by the impact of the cash rate reduction on some low-rate sensitive savings accounts. Our replicating portfolios provided the benefit of one basis point, all of which came from deposits, and revenue share benefited from slightly lower deposit margins.

Following a flat NIM in the second and third quarters, our fourth quarter NIM benefited from some repricing decisions up one basis point to 188 basis points. Our exit NIM was slightly higher than the fourth quarter average. On key considerations for one half 26 we expect cash rates to continue their downward trend. We expect some benefit from the various repricing changes that we've made late in the second half. We also continue to see customers rolling off fixed rates and mostly favouring variable rate mortgages.

Second half maturities were around $3 billion and we expect around $2 billion of further maturities into one half 26, and lower cash rates will see replicating portfolio contribution turn to flat to slightly negative. The unknown factor, as always, is the degree of price competition on both sides of the balance sheet.

Turning now to residential lending, we continue to prioritise the deployment of capital into channels where both the economics are compelling and growth opportunities exist, being self-serve digital mortgages and intermediated digital mortgages through our new lending platform. This half, 49 of our new settlements were in these two lower-cost channels, with the new lending platform comprising 33% and digital direct mortgages comprising 16% of settlement volumes.

This half we also saw the strongest contribution from our proprietary channels in a number of halves, with the proprietary network and community banking partners comprising 38% of settlements. There are a number of positive trends in our mortgage book right now. First, just over 40% of new loans are below 60 LVR and almost 90% of new loans are below 80 LVR.

Second, the average credit risk weight on mortgages has continued to improve. Third, critically, the ratio of NIM to credit risk weighted assets on new business as a proxy for risk-adjusted returns increased again through this half. So, whilst momentum has slowed, the quality of returns we're generating continues to improve.

In respect of near-term growth, we are targeting growth around system through the course of financial year '26. Our deposit gathering franchise remains an ongoing strength and underpins our growth ambitions. Across both our proprietary network and community bank partners, we delivered growth of just under 3% on the prior half.

We continue to see good momentum in digital deposits. In our Up business, digital deposits increased 9% over the half whilst Bendigo digital deposits grew 19%. Whilst deposit growth slowed in second half to just over 1%, deposit mix improved. Pleasingly, we continue to see strong growth in EasySaver accounts, which were up almost 10% on the prior half, and overall savings accounts up 5%.

Following a dip in third quarter, transaction account balances had a strong fourth quarter, finishing marginally lower than the first half. Partly as a result of slowed momentum in residential lending, we saw offset accounts shrink 2% over the half. We also saw a slowing in term deposits, down almost 1% on the first half.

What's most pleasing through the half is that our pricing actions have improved the mix towards lower-cost deposits, which accounted for just over 52% of total deposits. Critically, our household deposit to loan ratio remains strong at 73%, which is seven percentage points higher than industry average.

Turning now to operating expenses, total costs increased just over 2% for the half, which was almost entirely due to a ramp-up in investment spend, as previously flagged. Excluding investment spend, business as usual expenses grew just 0.3% on the prior half, which is well below inflation.

Inflation and software licence fees impacted our BAU costs, contributing 1.4% to overall cost growth, whilst amortisation was flat. Average FTE was slightly lower in the half, reflecting some restructuring activity late in the half.

Importantly, through the course of the half we continued to invest in our digital teams. We're also delivering on productivity and cost management, which contributed $3.2 million or a 0.5% reduction in our cost growth through the half. In respect of future considerations on costs, we are targeting to keep BAU cost growth contained to no higher than inflation through the cycle, as we've done over the last five years.

In any given half, sometimes we'll be above, but most of the time, like this half, we are aiming to be below inflation. In 2025, investment spend totalled $231 million on a cash basis. In 2026, we expect to spend around the same level at about 50% of that spend to be expensed. We also expect investment spend to be fairly evenly phased over the two halves.

With just the Adelaide core banking migration to be completed, we expect a substantial reduction in non-cash investment spend on financial year '25 levels. At the same time, our work on productivity and cost management will continue. As mentioned earlier, we will have more to say on phase 2 of our productivity program and any consequential restructure costs and benefits later this half.

Moving to credit quality and credit expenses, our key credit metrics remain sound and we can continue to carefully watch trends in the industry and within our book. Through the half, we booked a net writeback of $4.2 million, mostly reflecting a recovery of a long-standing agri credit.

Gross impaired loans have remained relatively stable at 15 basis points of gross loans. Arrears across the book remain low but are increasing. 90-plus days arrears in residential lending have increased in the high single-digit basis points in the last six months to 82 basis points.

In agribusiness, arrears have increased in the last two months, mostly due to a combination of expired loans and some complexities following the rural core banking migration in March. We expect to see the arrears rate normalise through the course of the half. Whilst asset quality remains sound and arrears are at relatively low levels, we do expect bad debts to trend up over time.

Our funding and liquidity metrics remain strong and well-diversified. Liquidity levels have reduced through the half in absolute terms and our average liquidity coverage ratio for the fourth quarter was strong at 132%. Over 80% of our total funding needs for the half were met from customer deposits and the balance from net wholesale funding.

The proportion of customer deposits to total funding improved on the prior half to just under 77%, and our coverage of household deposits to loans at 73% is well above the industry average. Our community bank partnerships importantly provide us with a net $14 billion of funding, which provides further diversification and a relatively cheaper funding source than wholesale funding.

Turning now to capital and dividends, our CET1 ratio reduced 17 basis points to 11% over the half, and capital consumption overall reduced compared to the first half, reflecting a slowdown in lending growth through the fourth quarter. Capitalised investment spend continued, albeit at a slightly slower pace than first half.

Our capital remains well above the Board target of above 10% and directors have determined to pay a final dividend of $0.33 per share, which will be fully franked. This represents a 74.8% payout ratio for the half and on a cents per share basis is flat on the prior comparative period. Given our strong capital position, we intend again to neutralise the DRP for a sixth straight half. So in summary, we're in a strong capital position going into the new year. I'll now hand back to Richard.

Richard Fennell: Many thanks, Andrew. Today I want to spend some time on our refresh strategy that we've recently finalised and released internally to our people. This strategy does not propose radical change but does reflect change of emphasis and new priorities.

Our refresh strategy builds on four key strengths that are fundamental to our long-term growth. First, trust and reputation. Our market-leading customer advocacy scores continue to drive customer growth and will support the delivery of the scale we need to succeed. Our balance sheet is unquestionably strong, with our CET1 ratio on a standalone basis over 200 basis points higher than the average of the major banks.

Second, agility. Our innovative culture provides us with an agile and adaptable skill set essential for supporting sustainable growth in an ever-increasingly digital operating environment. Third, our strong regional presence and ethos underpinned by our unique community banking model, reinforcing our deep connection and commitment to the communities in which we operate.

Finally, the strength of our deposit-gathering franchise. With a 73% household deposit to loan ratio, it is well ahead of most of our competitors. These unique strengths will support our strategy and drive sustainable growth across the business.

Our long-standing purpose to feed into the prosperity of our customers and communities remains. This purpose has served us well and anchors our people across all areas of the bank. We recognise scale is fundamental to delivering long-term shareholder value. We'll focus on building that scale through innovation as we've done in recent years with solutions such as Up and the Bendigo lending platform.

Our customers will continue to be at the centre of everything we do. In the past, we have been many things to many people, which has generated complexity in our products, our structures, and ultimately resulted in increased costs. Looking forward, we will be more disciplined in our target markets, building products and customer experiences that focus on the needs of specific segments.

Our new strategy has five pillars. Make life easy with digital through a significant upgrade to our digital customer experience, leveraging existing skills and expertise across the whole bank. Operate simply and efficiently by streamlining operations and leveraging strategic partnerships and AI-driven automation. Deepen customer relationships, expanding our share of wallet across both Bendigo and Up using the strength of our brands.

Set the benchmark for trust and societal impact, reinforcing our leadership through community support and environmental sustainability initiatives. Reinvent banking for a new generation with Up, maintaining Up's momentum by expanding its product and service offerings to drive profitability and customer growth.

These pillars will be supported by three key enablers, uplifting our risk management capabilities, streamlining our technology foundations, and strengthening our performance culture through a more modern operating model that supports our objectives.

One of the key structural changes we have made is the establishment of a Strategic Execution Office. The SEO will coordinate our approach, track our progress and ensure disciplined execution of our strategic initiatives with heightened accountability. We will share more detail on these pillars, including our early progress, at a planned investor day in November.

Over the next two years, we'll focus on three areas that will be critical to reaching our ROE target. These are optimising our deposit franchise, enhancing productivity, and delivering sustainable growth. Each area will have measurable progress reported at future half- and full-year results.

Turning to the first of these, optimising our deposit franchise, we are taking a deposit-led approach to growth, utilising lower-cost deposits as the primary source of funding for our lending activity. The investments we'll make include our refreshed Up-style in-app digital account opening capability for Bendigo new-to-bank customers, launching in October, and building out our Bendigo app functionality to deliver improved digital experiences for all of our customers.

We see significant opportunity to grow our savings accounts at system, helping to strengthen our deposit mix and support our lending growth. Our digital initiatives will be instrumental in driving growth, supported by our traditional physical channels. In 2024 we launched our EasySaver product to existing Bendigo customers through our online channels. Over the half, digital deposits grew by 19%, confirming our belief that demand is strong.

This growth was achieved without digital onboarding capability for new-to-bank Bendigo customers. The opportunity lies in delivering enhanced digital capability to capture this demand. This is where Up's execution strength and sharp focus on delivering quality customer experiences is an advantage that we will leverage.

Additionally, we'll strengthen the focus of our frontline teams on deepening relationships with our 1.7 million existing Bendigo bank customers, targeting, for example, term deposit and lending customers who don't currently have a Bendigo transaction account.

Over the last six years, the bank has worked hard to deliver the important technology foundations that will set the bank up for future success. At the end of this calendar year, we will achieve our target state of one core banking system, delivering simplicity and creating more opportunities to be agile.

We continue to work towards delivering a more efficient cost base through strategic partnerships and the use of AI. These partnerships will further enhance efficiencies, offsetting increased amortisation costs over the coming years and providing access to market-leading technology.

We'll also reshape our operating model, with the first phase of restructuring for our support functions to be completed by October. We've also begun working with strategic partners who can help us leverage innovative technologies to deliver structural cost savings and even better customer experiences.

AI will be a key component of our productivity strategy. We've been using various forms of AI for the past few years, including machine learning and predictive AI in credit risk, fraud detection and customer churn prediction. More recently, generative AI in software development where our engineers use coding assistance in their development pipelines. We are also an early adopter of new generative technologies in AML, which is yielding improvements in fraud detection.

In the last financial year, we've rolled out our first personal AI productivity tool known as [BEN Assist], which staff can use to build productivity agents. Looking ahead, we will expand this strategy by partnering with a major AI technology provider to improve our capabilities.

For example, in our contact centre, we've begun to deploy agents to deliver an improved experience and faster resolutions. As Andrew mentioned, we'll provide an update on phase 2 of our productivity program in November. We will prioritise lending growth in our higher-returning channels, focusing on customer segments and opportunities that exceed our cost of capital.

As Andrew mentioned, we've already started to see the benefits of our capital efficient lending with the growth of our digital mortgages and the Bendigo lending platform. Our NIM to credit risk weight asset ratio has significantly improved over the last three halves. In business and agri, the implementation of the new CRM and origination system will also support capital efficient growth. These initiatives are important to growing our balance sheet return profile.

Finally, to our targets. As part of the 2030 strategic plan, we have refreshed our targets. Our flag on the hill is an ROE above 10% by 2030. This target will guide our strategy, decision making and execution. Our ROE target hinges on the three key areas I've just outlined. Productivity improvements and optimising our funding mix will deliver the biggest impact, supported by disciplined capital allocation and targeted growth in our core consumer and business and agri lending markets.

The work we've completed in the strategy process will only be realised through disciplined execution. To embed this discipline, our recently established Strategic Execution Office reports directly to me, ensuring we remain on track across key projects that will deliver on our target.

Measures of our success will include BAU expenses remaining no higher than inflation through the cycle, productivity outcomes to offset known cost headwinds, B&A growth to improve in FY26, and savings account growth above system.

The success drivers are interconnected and fundamental components to achieve our ROE targets. The programs of work we've established will provide a clear path towards our 10% ROE objective. The key will be disciplined and consistent execution. I'll now hand back to Sam to moderate the Q&A. Thank you.

Operator: Thank you. If you wish to ask a question, please press star one on your telephone and wait for your name to be announced. If you wish to cancel your request, please press star two. If you're on a speakerphone, please pick up the handset to ask your question.

Sam Miller: Thank you. Our first question today comes from Sally Hong from Morgan Stanley.

Sally Hong: (Morgan Stanley, Analyst) Good morning, everyone. I just had a couple of questions. The first one is on margins. You delivered a stable margin over the past three quarters and you flagged a couple of tailwinds for the first half '26. Would it be reasonable to assume that you're expecting the margin to stay flat over the next half?

Richard Fennell: I'll let you go.

Andrew Morgan: Well, Sally, we'd certainly like to see more stability in our margin. Just to reiterate what we've previously said about sensitivity, we have previously said if you go back and measure the path of our NIM relative to path of our cash rate when cash rates were low, so from trough cash rate to peak cash rate, we expanded our NIM by two basis points for every 25 basis points of cash rate cut.

We've previously said, I think the last couple of reporting seasons, that that math broadly holds true on the way down. That includes unhedged deposits in our replicating portfolio. Look, we have clearly eaten that cash rate impact through both the quarter and the half, and that's really been through very disciplined and selected pricing activity.

We've done that both sides of the balance sheet. We've, for example, moved almost every month for the last six months in term deposits, we've moved out of cycle in our key savings product, and we've also moved a little bit in our lending product as well.

So, Sally, hard to pick though where competition goes. That's always the really difficult factor. But certainly we'd like to see more stability. For completeness, we've called out headwinds and tailwinds today. Clearly, a falling cash rate absent any of those pricing interactions is a headwind, but as we've shown through the last quarter and the last half, we've been able to manage that.

Sally Hong: (Morgan Stanley, Analyst) Thanks, Andrew. That's really helpful. On the second question, can you please tell us more about the building blocks of the 10% ROE? In terms of optimising the deposit franchise, are you guys expecting margins to go up over the next two years? Or for productivity, are you aiming to keep costs flat or are you targeting to keep expense growth in line with inflation?

Richard Fennell: Yes, Sally, the deposit opportunity for us we think is pretty significant, and so we are really hoping that as we roll out new digital functionality, particularly digital onboarding for our Bendigo customers, we'll see pretty significant growth in the lower-cost deposits, being transaction and savings accounts. That, if we are successful with that, really will provide a solid base of funding to continue to grow the lending side of the business.

Now, that growth, if we can hold our margin flat, should then provide some solid NII growth. So, that's an important element of the building block in relation to the deposit side of things. In relation to productivity, as we mentioned in the presentation, we're looking to hold BAU costs at no higher than inflation through the cycle. We did a good job of that this last half. There will be some ups and downs along the way.

Importantly, though, we are targeting to offset the future amortisation increases that we know are coming given the investments we've made over the last few years, to offset that cost headwind with productivity improvements. So, they're probably all I can say at this point in time as to how those two key building blocks are going to contribute to that improved ROE.

Sally Hong: (Morgan Stanley, Analyst) Thanks, Richard.

Sam Miller: Thanks, Sally. Our next question is from Tom Strong from Citi.

Tom Strong: (Citi, Analyst) Thanks, good morning, and thanks for the opportunity to ask some questions. If I can just follow on the last answer with regards to the strategy with, I guess, the approach for the next 12 months.

I mean, you've had to slow your balance sheet considerably in the second half to get more balanced growth, but in '26, you want to return mortgages back to system, and I presume you want to keep that momentum going in business and agri. What's the biggest step change on the funding side over the next 12 months to support that asset ambition?

Richard Fennell: Yes, thanks, Tom. You're right. We do have that ambition to continue to grow in business and agri, and we are hoping to get back towards system growth on the resi lending side, which has slowed significantly, particularly in the last quarter.

The key, as you point out, is deposit growth. We've seen actually really quite good deposit growth over the last few months, rolling into the end of last quarter, and a pretty solid start to this half as well, despite the challenges our customers face in having to come into a Bendigo Bank branch if they want to open a new deposit account - or become a new customer, I should say, and then open a deposit account.

From October, we're going to make that a hell of a lot easier for them with the ability to do that online, and we are confident that that will see an uptick in deposit customers joining our bank. We know there's plenty of demand out there. The NPS results that we continue to generate show that there is an interest in continuing to bank with us, and the other aspect that we are doing a better job of now is cross-selling deposit products to customers who have other products with us, in particular lending.

So, I think there are a number of levers that we're pretty confident will, over the course of this financial year, give us the ability to fund economically the growth we're hoping to achieve in both B&A and resi lending.

Tom Strong: (Citi, Analyst) Thanks, Richard. That's very clear. Just a second question, I guess, more big picture given we're talking 2030 targets, but we've seen APRA talk to - intend to improve the proportionality of regulation and a lower regulatory burden overall for smaller and mid-sized banks. What sort of change do you anticipate over the next five years that could actually be supportive of a better playing field for Bendigo?

Richard Fennell: That's a really excellent question. Look, we were really heartened to see the recommendations of the Council of Financial Regulators and ACCC review. What we're really genuinely interested to see is how that manifests itself, as by the sounds of it you are, and really it's a bit early to get a handle on that.

The reality, as we look at the regulatory grid, we know there is still a lot of regulation coming down the pipeline from all regulators, including APRA and ASIC. We would hope that with the new proportionality of regulation and potentially a third tier of banking regulation between the very large banks and the very small banks, we'll see, I guess, a better balance on the regulatory burden for banks such as ourselves who sit somewhere in the middle there.

But I must admit, I don't have a strong view on how that will manifest itself, but I'm hopeful it will reduce some of that burden and allow us to continue to spend more of our investment dollars on customer-facing capabilities rather than meeting the regulatory burden.

Tom Strong: (Citi, Analyst) Thanks, Richard. Appreciate the answers.

Sam Miller: Thanks, Tom. Our next question comes from Andrew Lyons from Jefferies.

Andrew Lyons: (Jefferies, Analyst) Thanks, and good morning. Just two questions. I might start with the ROE target. Richard, you've spoken to the building blocks for the ROE target, but can you perhaps talk a little bit more about how that translates to the trajectory of ROE between now and FY30? Do you think we'll see a linear increase, or is this going to be more of a step change that's going to be back end-loaded?

Richard Fennell: Yes, look, I think realistically we know that over '26 and '27 we've got a fair bit of heavy lifting to do still in relation to some of the investments we're making and also the productivity requirements to deliver the ROE improvement, so it's not going to be linear.

I won't go into all the detail of how we've modelled it over that period, because the one thing I know is it won't play out exactly that way. But the reality is we've got a fair bit of heavy lifting to do over the next couple of years before I'd expect to see an acceleration in the increase in ROE. Andrew, do you want to add to that?

Andrew Morgan: Yes, I think that's right. To use maybe a little bit of a car analogy here, Andrew, what we don't want to do here is try to slam the foot down on the accelerator in a sense. We've got to ease our foot off the brake and then grow into the ambition to hit those targets.

The two most critical things, as Richard talked about, are, first of all, getting our lower cost deposit gathering in order, and in particular, this half, that join the bank capability will be really important to that. Strengthening our digital deposit gathering capability in business and agri will be important to that.

That will then feed the volume of lending growth that we want to go after. It should give us stability, we hope, of margin and therefore lead to income growth. Then dealing with some of the structural cost issues that we have is the other component. The next couple of years, as Richard said, is a lot of heavy lifting to get the business in place, so look forward to talking more with you about that towards the back end of this year.

Andrew Lyons: (Jefferies, Analyst) Yes, that's really helpful. Appreciate that colour. Then just a second question on capital, while your reported CET1 ratio of 11% is well above your greater than 10% target, your capital was down 17bp half over half, despite the fact that you did note you did slow growth, particularly in mortgages, and you want to see that back towards system going forward for FY26.

Despite that, you've increased the dividend half over half and you'll neutralise the DRP via a non-market buyback. So I just want to maybe - a question for Richard - what gives the Board comfort that the business can continue to generate organic capital in the face of a payout ratio that's currently above or was above 70% in the second half?

Richard Fennell: Yes, look, clearly there's a couple of factors here. One is, we do want to improve that profitability from that second half result going forward. As part of the modelling we've done, we've built a runway where we see a more gradual - as Andrew said, we're not going to slam the foot down on the accelerator, but we'll gradually grow into that balance sheet opportunity.

There's still quite a bit of headroom in that capital position versus the Board minimum that we have in place. We would hope by the time we're getting down towards that amount, we're seeing significantly improved organic capital generation that can continue to fund that growth on a go-forward basis.

Andrew Lyons: (Jefferies, Analyst) Great, thank you so much.

Andrew Morgan: Sorry, Andrew. Just to add one other thing to what Richard said, one of the items that will help - and I take onboard your point around the drop in CET1 - is the amount of non-cash investment spend is dropping substantially, and so with the heavy lifting almost done on our various core consolidations, it's really only the Adelaide core consolidation to go, which will be completed this half. That will certainly help the capital position.

Andrew Lyons: (Jefferies, Analyst) Okay, that's great. Thank you.

Sam Miller: Thanks, Andrew. Our next question is from John Storey from UBS.

John Storey: (UBS, Analyst) Thanks very much, Sam. Richard, Andrew, I've just got two questions for you. I guess the first one for me - obviously we heard a lot this morning about digital and deposits. I guess within that construct, I mean, apps are obviously a very important component to the overall Bendigo investment case.

Just wanted to get a little bit of a better understanding of how you think about monetising the client base and also the 110,000 clients that you called out this morning that are likely to take out a mortgage. How do you direct them into your proprietary channels? That's my first question.

Richard Fennell: Yes, it's a great question, John, because Up - it's been a really exciting journey for us over the last half a dozen years as we built that out, but it continues to be a source of investment rather than a positive contribution to the bottom line. We see that reversing by FY27, and that is naturally going to happen as the balance sheet continues to grow.

In relation - one of the key drivers of that growth in the balance sheet, as you point out, is the growth in lending with Up Home. What we're seeing is many customers - existing Up customers - are choosing Up to also be the source of their home loans. Now, one of the ways we're looking to grow that is also looking to broaden the product offering from a home lending perspective in Up.

Right now, it is only owner-occupied that is offered to Up customers. I was just chatting to Xavier last week about the potential and what's required to expand that offering to also include investors. What we do know is a lot of young people in getting into the market actually choose an investor - well, an investment property as the best way for them to get in rather than owner-occupied.

But there are a range of factors that we're working through, and with that unrivalled customer Net Promoter Score of plus 55, we find that a lot of customers are very happy just to go straight to Up, a brand they trust and love, to also provide them with their home loan once they get to that stage in their personal journey.

John Storey: (UBS, Analyst) Great. Then just very quickly, just on the business and agri division, just something that stood out was definitely the margin compression, NIM compression that you saw just half-on-half, and obviously you had very strong growth within certain segments of the division, just maybe to get a better understanding of how much Ben is having to invest in price to drive the type of growth that you're seeing there.

Andrew Morgan: Thanks, John. Yes, I think as we call out in our NIM chart, there is some ongoing price pressure to retain clients. It is a very competitive market right now. I think that's a pretty known factor. I think one of the key factors though behind the compression both across the year and across the half is actually deposits. In particular, we've seen a shift without that digital capability that I mentioned earlier.

Without that capability, we have seen a shift to some of our higher margin deposits out, and we have seen some pressure in term deposits as well. So we haven't - given our funding position through the half, we haven't pursued term deposits in particular and so there's been some pressure in deposit margins overall, partly again due to mix and partly due to some price compression in term deposits.

Where we go forward from here, look, it's a big focus for the team. Our ambitions remain where they are to see that business getting to system through ‘26. The work that we've done around understanding marginal costs, understanding returns through channel, we need to put to good use to make sure that we're putting our capital into places where we can achieve cost capital and see that franchise expand.

John Storey: (UBS, Analyst) Great. Thanks so much, Andrew.

Sam Miller: Thanks, John. Our next question is from Ed Henning from CLSA.

Ed Henning: (CLSA, Analyst) Thanks for taking my questions. I just wanted to circle back on something you initially were talking about is in - for your ROE target and your margin basically being broadly stable, but with that really being driven by the deposit side. You talked earlier also about the continued cash rate deductions and you've been changing your pricing on your TDs and savings products coming through.

I just wanted to clarify, even with that and potential more cash rates coming, you guys are comfortable that you are going to grow your deposits enough to hopefully hold your margin broadly stable-ish to FY30?

Richard Fennell: Ed, that's certainly the plan. Your choice of the term comfortable, if I was completely comfortable with this plan, I think the Board would have probably wanted us to push harder. Look, this is such a competitive, dynamic environment. I don't think any of us in these roles necessarily sit back and say, I'm completely comfortable with all the dynamics that feed into margin. But certainly that is our plan.

Andrew Morgan: Just to add to that, Ed, we are coming from a ways back in respect of digital deposit gathering. As Richard mentioned earlier, our join the bank capability is not there. Despite that, we continue to grow in lower-cost deposits, more so of course in savings accounts and transaction accounts.

But part of the work that we're doing around digital and digital deposit gathering is to anchor that shift of funding more so towards lower-cost deposits than what it is today. So, we are coming from a way back. We're putting our investment to work to make sure we close that gap.

Ed Henning: (CLSA, Analyst) Just on though - if you turn it on in October, and hopefully you get some good uptake in that, should see more near term margin benefits, or it's just because the cash rates coming through potentially being cut offset at the near term and then it just grows steadily beyond that? Is that how you're seeing it?

Andrew Morgan: Look, I think it's a truism to say that there's probably a couple more cash rate cuts to come. This is a mixed driver for us, so what we're looking to see is that both the proportion of our funding in respect of customer deposits through wholesale increases and then the proportion of customer deposits towards lower-cost deposits increases, and what we've seen and what the industry's seen over a number of years now is compression in transaction account balances.

We've seen less compression this half and that's without that join the bank capability edge, so what we're looking to see is an improved mix skewed towards lower-cost deposits, again, supported by investment and supported by the amazing branch network that we have and the amazing community bank partners that we have.

Ed Henning: (CLSA, Analyst) No worries. Thank you. Then just a second one also on the goal of above 10%, your credit growth - you're talking about getting back to near system on residential, improved in business and agri next year. I imagine you want to grow above business and agri in your plans through to FY30 and around system. Do you anticipate, well, system's probably going above this at the moment, but for your system growth rates, you're assuming 4% to 5% through to FY30, or is it higher than that?

Richard Fennell: Yes, no, mid single digits is our assumption on system growth over the next five years. I can't remember exactly the numbers year by year, but we're not assuming high single digits.

Ed Henning: (CLSA, Analyst) Yes. Okay. No, that's great. Thank you.

Sam Miller: Thanks, Ed. Our next question is from Matt Dunger from Bank of America.

Matt Dunger: (Bank of America, Analyst) Yes, thank you, Sam, and thank you, gentlemen, for taking my questions. You've talked today about upgrading digital for account openings, in particular on savings accounts. We've heard from the team, you're accelerating the rollout of mobile lenders. You announced last week a reduction of 10 branches. You've still got 121 corporate branches today. Is 10 branch closures enough? Do we need to see a change in the branch footprint?

Richard Fennell: Matt, those 10 branches that we're closing, those 10 corporate branches, was the outcome of a complete review of the network. We think we've now got the right size network from our corporate branch perspective to set us up going forward.

Now, I'm not going to sit here and say that there may not be the odd branch here or there from time to time that we end up rationalising, or indeed moving, as sometimes is the case as well. But we think that's - we deliberately did it as an end-to-end review and then in one hit so we can then stabilise from that point.

One of the elements of our strategy that was a really interesting point of discussion as we went through the development process was the value of our branch network. Clearly, community banks are the majority of our branch network and we all know how critical and important those relationships and that network is for the bank as a whole.

So, I don't expect there to be material change in that amount, and as I said, we've really now done a full review of our corporate branch network and think we've got the right number. We see the opportunity to leverage that branch network to continue to drive the strong deposit growth alongside that enhanced digital capability we've spoken about. So, don't expect any more significant announcements, certainly not in the near future anyway.

Matt Dunger: (Bank of America, Analyst) Great. Thank you, Richard. Got it. Just if I could follow up on the non-interest income, in the half you called out the lower FX and transaction account fees. I'm just wondering what impact the mix is having on non-interest income as you move more towards digital, given the shift in the business. Are you seeing more price-conscious consumers? Are we going to see ongoing lower growth in non-interest income?

Andrew Morgan: Yes, I might take that one. Matt, there are a few factors driving other income. I'll put Homesafe to the side for the moment because we talk about Homesafe quite a bit. There were some one-off or non-recurring income streams that occurred in the first half, not in the second half. That accounts for about half of the dollar delta.

There were three other factors, all of which were about the same dollar value. One was, you might remember that we effected the sale of Bendigo Super in October of last year, and so the income on that FUM has come out, and so the second half income for that business is more reflective of go forward.

The second factor was cards income. This is an interesting dynamic that we're seeing. We've seen a shift in customer behaviour through the half, a little bit away from credit cards and more towards EFTPOS and direct debit. So, it's a less profitable part of our cards business, and so that has had a bit of an impact as well. Then, as you called out, there's a little bit of FX.

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

Sam Miller: Thanks, Matt. Our next question comes from Carlos from Macquarie.

Carlos Cacho: (Macquarie, Analyst) Thanks for the opportunity to ask a question. I wanted to dig into the savings accounts a little bit. I know that you kind of noted you've made some additional changes there beyond the RBA, I think about 15 bips or 20 bips of additional cuts since January. You've also recently changed your Up deposit products, which - I mean, you probably have a better idea than me, but from what I've seen online, seems to have seen a bit of a negative reaction from customers.

I was just wondering if you can give us any colour of any changes of flow or sentiment from your customers on those savings rate changes and product changes, some of which occurred after the end of the half.

Richard Fennell: Yes, Carlos, I'll take them one by one there. On the Bendigo side with the EasySaver product, our key savings product, we continue to see strong flows there. Yes, we have reduced the rate on that a little more than the cash rate reductions over the last three changes. Fortunately it still resonates well with customers, the simplicity of that product, the fact there's no requirement to undertake certain transactions or the like to get a bonus rate. It really does seem to resonate well in paying a competitive rate of interest, but with simplicity.

In relation to the Grow & Flow change at Up, it's probably too early to tell there. The change we've made there provides the opportunity for a higher interest rate on savings accounts, but it changes the way we structure those. Those accounts, to get that higher rate of interest, you can't be using those for transactions.

Now, whenever we make a change in any of our products, there are certain groups of customers who don't like that change. That's the reality of it. Yes, we've heard a fair bit of feedback from those people who don't like this change.

I'm not expecting to see a material movement in customer numbers on the back of this. I actually am hopeful we'll see, if anything, stronger attraction with the ability for customers who arrange their financial affairs to actually save more with the offering as it is going to be between transaction and savings accounts going forward for Up.

Carlos Cacho: (Macquarie, Analyst) Thanks for that detail. Secondly, I was wondering if you'd give us anything you're thinking for investment spending beyond FY26. You've noted it's going to be flat this year, but then if you start moving forward, and given that ROE target, given probably the need to get more productivity, invest in AI et cetera, how are you thinking about investment spend in ‘27 and beyond?

Andrew Morgan: Thanks, Carlos. Clearly we've done some pretty detailed modelling to build up the return on equity. I think what's really changing now in our investment spend is not so much the dollars. So, as we flagged today, the cash spend will be broadly the same as ‘25 levels.

What is changing is the mix, and the mix is changing because a lot of the foundational spending that we've been doing in particular areas has come to an end, and so we're deliberately now weighting the portfolio behind those couple of very key strategic initiatives that we've called out a number of times today, so digital and digital deposit gathering in particular, and our productivity efforts.

Look, we have set targets based on what we know today. I would just ask you to note that a lot of that big foundational work is coming to an end through the course of this half, and as far as we can see forward at the moment, or as much as we're prepared to give you guidance, we've given that to ‘26 at this point.

Carlos Cacho: (Macquarie, Analyst) Thanks.

Sam Miller: Thanks, Carlos. Our next question is from John Mott from Barrenjoey.

Jon Mott: (Barrenjoey, Analyst) Hi, guys. There's been a lot talked about already on the 10% ROE target by 2030. I just wanted to step back because sometimes these things look great on a spreadsheet, but when you stop and think about the implications of it in a broader market environment, it throws up a few things.

Firstly, you'd need to increase your NPAT by about 50% over the next five years with a normalising credit cost, which I think you're assuming. It would also imply that your return on tangible equity would be higher than every other bank in Australia outside Commonwealth Bank of Australia.

So, to get this, you're going to have to have some pretty big changes, but it's also assuming that the other banks, which has got ANZ Plus, [Unite], Macquarie continue to invest, CommBank continue to go, as is NAB - either don't follow you and compete or that the industry economics dramatically change to a much more favourable environment. Can you give us a bit of thoughts around that in a wider context of the competitive dynamics across the industry?

Richard Fennell: Yes, Jon, I'm glad you've highlighted the fact that this target we've set is a challenging target, and it should be. It's give or take a 25% improvement in our current ROE. We are very aware of that. One of the positives of being a smaller bank is that from a competitive perspective, there is more opportunities. We sit here today with 2.2% market share. We don't need to take a huge amount of share from other competitors to get the sort of growth that we're looking for.

We believe we have got the ability to do that whilst maintaining margin through the interest rate cycle. Now, the interest rate cycle, yes, we're in an easing cycle at the moment, but at some point that will probably swing around the other way. There are challenges there. We do know, as well as the revenue side, though, Jon, we've got some heavy lifting to do on the productivity side, and that's going to be a critical element for getting our efficiency and productivity to a level that sees more of that revenue flow through to the bottom line.

So, look, it's a challenging target, but it's one that we're committed to trying to achieve. We've made some significant changes in the organisation in how we are planning to manage our business going forward, including that new Strategic Execution Office to try and hold us to account as we work through the changes we need to make that we've identified that will help us get to that 10% ROE.

Jon Mott: (Barrenjoey, Analyst) Thank you.

Sam Miller: Another question, Jon, or you've finished?

Jon Mott: (Barrenjoey, Analyst) I'm good, thank you.

Sam Miller: Thanks, Jon. Our next question comes from Andrew Triggs from J.P. Morgan.

Andrew Triggs: (J.P. Morgan, Analyst) Thanks, Sam. Good morning. Our first question is just a follow-up again on deposits, digital deposits. To what extent is the main benefit likely to come from Up banking? Just in that context, penetration already looks fairly high with 1.2 million customers. Could you give us an idea, please, of what you think the addressable market is there, given it tends to be mainly younger customers?

Richard Fennell: Yes. Look, actually, the digital deposit growth, we actually see the biggest short to medium term opportunity under the Bendigo brand. But you raise a really good point around the Up deposit customer base.

Most Up customers join us when they're in their late teens to early 20s. Most people at that stage do not have a lot of savings, so the amount they actually have on deposit with us is relatively small. If I think back to my time, which is a long time ago when I was that age, you kind of live paycheque to paycheque, and so there's not a lot on deposit.

As that customer base continues to age, though - and we see this dynamic playing out - even without significant customer growth - but I will highlight the actual customer growth in the last 12 months was the strongest customer growth ever in Up's history in customer numbers - those customers start to save more. They start to put money away towards hopefully a home or save for other reasons, a car or holidays, those sorts of things, and we start to see increase in deposits.

Not for a moment suggesting this will be the case, but even if we didn't see any net increase in customer numbers, I would expect to still see some reasonably solid deposit growth through Up. But again, just circling back to where I started, Andrew, the real opportunity for us in the short term is to attract more customers from a digital channel perspective through to the Bendigo brand.

Andrew Triggs: (J.P. Morgan, Analyst) Thank you. The second question just relates around the cost side. Slide 34 shows the year-on-year walk for costs. While you're targeting BAU cost below inflation over the long term, I can't recall the last time seeing such a big disconnect from BAU cost driver and productivity offset in the bank, so there's quite a wide divergence there. Just what gives you the confidence that you can really get on top of the BAU cost growth and lift productivity?

Richard Fennell: We're debating who's going to answer. I'll start, then Andrew might add - look, Andrew, this is why we have initiated a more significant productivity program within the bank. We would love to see a world where technology inflation dissipated, but we're not counting on that. We will expect wage inflation to ease as inflation across the - or in Australia - has reduced and back within the target range of 2% to 3%.

But key for us is actually then offsetting volume-related costs, which did contribute significantly in the last 12 months through productivity, but then standalone productivity initiatives. Again, I don't want to pre-empt what we'll talk about in November, but we'll be able to give you a bit more detail there about some of the early areas beyond that that we have already done in some of the support areas in the last month or so when we have that investor day. Andrew, do you...

Andrew Morgan: I'm just going to add to that, we are coming from a long way back and I think all of you have over time called us on our cost number and on our cost to income ratio. What we hope you start to see - and we'll talk about this more in November - that it's different. Just to give you a couple of data points, over the six months that we've just seen, we did reduce our FTE by a percent. Just in the last couple of months, we reduced our FTE by 2%.

We're swinging the mix of our roles towards frontline digital tech. We've done some work, we booked a restructure provision last week and we are going through the organisation and looking at, as we talked about, AI automation, where today we're not huge users. It's not that we're not doing anything in AI, it's not that we're not doing anything in automation, but relative to other organisations, I think we are coming from a way back. So the opportunity is for us to get after that.

Andrew Triggs: (J.P. Morgan, Analyst) I'm sorry, Andrew, I think you mentioned earlier that you expect software amortisation headwinds to be offset by productivity. Was that - am I reading that right?

Andrew Morgan: Yes, that's right, so BAU costs...

Andrew Triggs: (J.P. Morgan, Analyst) As in, fairly level - those two elements fairly level.

Andrew Morgan: We weren't that specific, Andrew. What we're really saying was, we recognise that amortisation is going to increase over the next few years with the impact of the various investments that we've made. Our cost target is BAU costs are no higher than inflation through the cycle. The productivity programs will help to offset that amortisation and other headwinds.

Andrew Triggs: (J.P. Morgan, Analyst) Okay, thank you.

Sam Miller: Thanks, Andrew. Our next question is from Brian Johnson from MST.

Brian Johnson: (MST, Analyst) Thank you very much. My first question, if you have a look at Bendigo over the very long term, the secret sauce has been that you've got a much lower cost of funding than your peers, which is deposits. But when we have a look at where your deposits are right now, Up has got a base rate of zero, a bonus of 3.85. The EasySaver have got a zero base rate, an ongoing rate of 2.8%. Reward Saver is 0.1%, including the bonuses 4.05%.

But when I have a look at this compared to the rates across the major banks and Macquarie, these deposit rates look really, really low. I just want to understand why customers will join Bendigo in a digital sense when the rates just don't look that competitive compared to what I can find elsewhere. Why have you got pricing power in the deposit market to actually grow deposits?

Richard Fennell: You're right, Brian. It is our secret sauce. I wish I could sit here and give you the secret algorithm that explains it all, but it is a sum of the parts. The sort of customers that we tend to attract, although they do 95%-plus of their activity digitally, they like to know that there are branches available if they want to go and speak to someone face-to-face. They like the things we do in the community. They like the fact that $50 million has gone back in the last 12 months to support community activities.

There are a whole range of factors that contribute to a Net Promoter Score that’s 36 points above the average of the industry, and in Up's case, a Net Promoter Score of plus 55. Those factors, I can't, as I said, explain exactly the algorithm and how that works, but history tells us, when we put digital capability in front of those customers, then they are happy to take advantage of that easier way of joining us and doing business with us, as we've seen with the EasySaver product.

As you rightly point out, it's not the sharpest rate out there, but it is attractive to those customers who want to bank with us and like the way we provide support to them as our customers and also to the communities in which they live and work.

Brian Johnson: (MST, Analyst) Good luck on that one, Richard, because I would have thought they’re new customers, so who knows? Just coming back to the ROE slide - and I apologise, Richard, because I can't really let this one slide, but I've known you a long time and we've often spoken about the goodwill from the Adelaide Bank acquisition didn't make a lot of sense, so well done for writing it off.

But given that that's $500 million of ROE enhancement we've just got by reducing the value of the equity base, what I'd like to understand was, why the greater than 10% - is the ROE above 10% now - is that a greater number than it was historically? Because the equity base is reduced. Then also, in the old days, it was premised on a 10 to 12 basis point loan loss charge, versus now it's 5 to 8 basis points. I want to get a feel, are we still talking about the same ROE above the cost of capital? Or is it materially higher than the previous plan? Why did the previous plan not work?

Richard Fennell: Well, I won't comment on why, as you put it, the previous plan won't work. What I will focus on is the plan that we have developed over the last six to nine months. It is fair to say that the target number, as the E has dropped with that goodwill adjustment, which was a decision the Board only made last week, has changed. So, that ROE requirement of getting above 10% was not something we built with a premise of, okay, we're going to write off a bunch of goodwill to get there.

Brian Johnson: (MST, Analyst) That means, by definition, it's higher than it was, Richard, correct?

Richard Fennell: That is a fair deduction to make from those comments.

Brian Johnson: (MST, Analyst) Richard, just coming back on that, it's not just the equity, it's the long run loan loss on which it was greater than 10% was also based on 10 to 12 basis points. You're now saying 8. I mean, that's massive leverage. Does that mean it's even higher than that again?

Richard Fennell: Well, that - I'm not sure - I've only been in this chair 12 months now, but I'm not sure I've used 10 to 12 in any discussions with the market. That might go back a few years. We've gone back and done the analysis to look...

Brian Johnson: (MST, Analyst) At third quarter trading - Richard, it was at the third quarter trading update I specifically asked the question, as I did at the first half result. In the transcript.

Richard Fennell: All right, we'll go back and look at that. Anyway, what I will say about that is we've gone back and modelled the last 10 years and the average loss rate during that period is seven basis points. So, we think 8, given the risk we currently carry in our balance sheet and plan to take in our balance sheet going forward, is appropriate.

As I said, I'm not going to - we've built this target up over the last six months - the work over the last six months or so, and that was with that 8 basis point change. I won't comment on the previous plan.

Brian Johnson: (MST, Analyst) Okay, thank you, Richard.

Sam Miller: Thanks, BJ. Our last question today is from Matt Wilson from Jarden.

Matt Wilson: (Jarden, Analyst) Yes, good morning, team, and thank you for taking my question. Firstly, on home loan offset accounts, they declined 2.5% half-on-half, which is good because these things are negative spread. Are you doing anything there from a fee or pricing perspective to drive that behaviour?

Andrew Morgan: Yes, Matt, is the short answer. Partly the tail-off in offsets was due to slower growth in RSI, but also we introduced some new pricing for resi loans that have an offset. We did that back in April, so that has, we think, had a little bit of impact as well.

Matt Wilson: (Jarden, Analyst) Okay, thank you. Then secondly, just with regard to your ROE targets, Homesafe's obviously a drag. It takes up about 150 basis points of core equity tier 1. If you're able to exit that pre-runoff or excluding runoff and sell it to someone, that'd probably lift your ROE again by another 50 to 70 basis points. What's the likelihood that you can offload Homesafe rather than run it off?

Richard Fennell: Yes, what it would do if we were to do that, it would increase our equity position from a regulatory equity perspective if we were to sell it at our book value. Then if we could put that to work, it would improve our ROE.

Matt Wilson: (Jarden, Analyst) Or buy it back, yes.

Richard Fennell: Yes, or buy it - yes. There's a number of options there. I think it's fair to say that if there was an easy transaction to be done out there at book value, it probably would have been done by now. It is interesting. As much as we know from the history of this product over 15 years or more now, I think, how well it performs - and someone has got their head around that for continuing to offer that product on a go forward basis - finding someone to invest in the back book has proved to be challenging in a way that would, we think, be providing an appropriate return to our shareholders for a significant sale versus the benefit of letting it run off and harvesting the capital over time.

Matt Wilson: (Jarden, Analyst) If I could push my luck, given I came last. Timely, when it was called Tic:Toc, it was very close to being IPO'd. Could you give us a strategic update on where Timely is now? Because obviously that - we've got a reasonable stake in that business. It seems to be doing okay. If it did an IPO, there's a nice windfall there as well.

Richard Fennell: Yes, look, I must admit, Matt, I don't have an update on that. Look, we continue to work closely with Timely. They're a really important partner for us and have been critical for us being one of the first to market with digital mortgages and continue to support us with our Up Home, BEN Express products and also the Qantas and NRMA offerings alongside their Timely offering.

We have one of our executives who is our representative on their board, but I must admit I haven't got any particular insight on what they may or may not want to do around any potential float or sale of the business.

Matt Wilson: (Jarden, Analyst) Okay, thank you.

Sam Miller: Thanks, Matt. That's all our Q&A. I'll hand over to Richard to wrap up.

Richard Fennell: Thanks, Sam, and thanks, everyone, for your questions today. Today we've outlined our refresh strategy and our key focus areas over the next two years. These results today reflect the ongoing hard work and dedication of our people.

I want to thank you for your unwavering commitment to our customers and to our bank, and I'm confident that our new strategy and investment program will deliver tangible improvements in our ROE and shared value for our customers and shareholders. Thanks, everyone, and we look forward to discussions over the next few days.

[END OF TRANSCRIPT]