Question and Answer

Melanie Kirk
Head of Investor Relations

Thank you, Matt. We'll start with questions in the room, and we'll wait for the microphone. Please state your name and the organization that you represent. Please limit your questions to no more than 2 questions to allow everyone the opportunity to ask questions.

And we'll take the first question from Jarrod Martin.

Jarrod Martin
Crédit Suisse AG, Research Division

Jarrod Martin from Crédit Suisse. Matt, appreciate the additional information on a simpler bank and cost reduction but, obviously, it raises some more questions without some numbers and time frames, et cetera. Look, the cost base, the starting point, that's probably -- I think it's reasonable to have an understanding of what is the sort of core cost base that you're referring to. The slide says $11.5 billion in the total but then there is a core underneath it. I think it's reasonable for the market to understand what do we need to judge you against. So what is that core level? And then secondly, what sort of investment do you need to make to get some of the reductions? As in -- a lot of times with programs, we don't see those cost reductions until we got to spend another $500 million, another $1 billion here. Is CBA in the situation where the things that you called out in terms of automation and digitization, there's not a great deal of investment and so they can be effectively started executing from day 1.

Matthew Comyn
CEO, MD & Executive Director

Yes. So a couple of elements. Yes, you're quite right, we tried to strike the right balance between giving some -- a better view on at least how we're thinking about the cost base but also importantly, recognizing that we'll be judged against our performance each period without necessarily wanting to put too much detail around future targets. I mean, when we talk about core and noncore base, if you back out the divestments that we've already announced, you get our core cost base. And then to your second point around investment of what we've consistently said to date is we don't foresee a large scale investment that's going to be announced to be required. Of course, some of those productivity and cost reduction will require investment along the time. We have to make the right trade-offs. Clearly at the moment, you see in our disclosures, 64% of our investment is put against regulatory and compliance. That's going to remain elevated. Over time, we'd like to be putting more of that investment into both productivity and growth. And so clearly, we see the need for incremental rather than large-scale CapEx announcements at this point in time.

Melanie Kirk
Head of Investor Relations

We'll take the next question from Jon Mott.

Jonathan Mott
UBS Investment Bank, Research Division

Jon Mott from UBS. And no surprises, I'll keep on going from what Jarrod was on. The 40% cost-to-income target that you've called out, if you flip to Page 16, you're already saying that operating expenses to total income, excluding notable items in prior period one-offs for continuing operations. So yes, backing everything out, you're already at 39.7%. So if you're assuming that, yes, costs are going down, it's a pretty negative outlook for your revenue that you'd be implying. Given if you look at the first quarter, you had a really strong revenue and it appears to have really

[Audio Gap]

Matthew Comyn
CEO, MD & Executive Director

That's a very quick calculation, and you're right on the cost side. So it's less from our perspective as we thought about and I don't think that the timing's right to be putting too much specificity around exactly what our endpoint is. From our perspective, getting -- it's a question of how far below 40% cost-to-income ratio. And I wouldn't necessarily infer that it's a very negative view about income growth. I mean, we would all -- we, of course, see what you can, which is falling volume from a credit growth perspective. We certainly have some near-term headwinds from margins. And in terms of the presentation in preparation for that because obviously there are a number of outstanding issues that we're starting to work through. So we've also got to be cognizant, being able to make the right decisions in any particular period, making the right investments for the long term. Ultimately, our income performance will largely be constrained by the overall performance of the broader economy. So I wouldn't say that we're more positive or negative about revenue outlook other than what we've already seen, which you can see in the half, the pressure around margins.

Melanie Kirk
Head of Investor Relations

We'll take our next question from Andrew Lyons.

Andrew Lyons
Goldman Sachs Group Inc., Research Division

Andrew Lyons from Goldman Sachs. Matt, in your concluding remarks, you highlighted the interesting slides in Slide 79 of your presentation, which suggests your maximum borrow hasn't moved in the last 12 months. Just 2 questions on that. Firstly based on your initial rate of the final report of the Royal Commission, are you expecting any movement in that over the next 12 months? But also -- or next 12, 24 months. But also just based on your current discussions with ASIC and APRA, do you think that there is any incremental pressure on maximum borrow? And then just a second question just in light of this. I note that against system mortgage growth of about 4.7% year-over-year at the moment, the major banks are collectively growing at about 3.3%. Now I admit, you guys are growing a bit quicker than that. But you look at the nonmajor banks, they're growing at about 8% and the nonbanks at about 12%. I just wanted to see if you have a view on -- do you think this is due to the timing of credit tightening that the major banks have been focused on more earlier? Or have customers been more inclined to bank away from the majors than what they have traditionally?

Matthew Comyn
CEO, MD & Executive Director

I think the answer -- the second part first. I think it's more about just the timing of some of those to the tightening in the application of those policies. As you'd quite rightly expect, they tend to start with the major institutions and work their way through the rest of the industry. In terms of borrow capacity, I can rely certainly on the public comments today, which is that the heavy lifting is largely done. There's nothing that I can see that really has the capacity to reduce borrowing capacity, certainly at an individual system level. As I said, I think the main factor which people have seen and are talking about is that there's more granular expense inquiry. That's certainly the case for us. I'm sure that will work its way through the rest of the industry. At the margin, the application of that policy can have a slight impact on borrower capacity. But again, putting that in the context of 90% of people aren't borrowing at the maximum, I don't think the supply of credit is a big constraint going forward. And I think there'll be a stabilization of some of those conditions. But for an individual borrower, as I said, who's going through an application process today versus 5 years ago, it would feel like a more rigorous experience. You hear brokers who would say the interview is taking a lot longer to actually complete to get the information that the bank requires. Again, I think that's a prudent application of the existing responsible lending laws. But I -- it's -- I can't see anything incremental to what we already know today coming in the pipeline.

Melanie Kirk
Head of Investor Relations

We'll take the next question from Victor.

Victor German
Macquarie Research

Victor German from Macquarie. A question on capital. Obviously, a very strong capital position and mindful of the fact that there are divestments coming through, so on a pro forma basis, you're seeing close to 12% based on my very good calculation. So a couple of questions on that. So the first one on the replicating portfolio, you've had a benefit from that coming through, it appears, in the half. Just if you can maybe, Alan, talk us through all the moving parts in terms of what's the new duration for both capital and deposits. And presumably moving sort of to a shorter duration would have a cost to P&L as you move up front. So just indication of what that is and whether that then captured in the half. And just more broadly on capital, 12%, obviously very strong capital position. There's New Zealand uncertainty but even taking a very conservative approach on that seems like you should be well clear of kind of the targeted level, whatever that might be. Your thinking around what you're planning to do, is the strategy to maintain the dividend despite your earnings coming down and increased payout ratio? Or should we be expecting some capital management initiatives of a near medium -- near to medium term?

Alan Docherty
Chief Financial Officer

Yes, thanks, Victor. So on the IRRBB reduction firstly, that relates to the invested term of capital. So that's really the invested term of our equity balances as opposed to the replicating portfolio, which is the investment term of our nonrate-sensitive deposit balances. So the theory is similar, although that particular reduction in interest rate risk setting really reflects a shortening of the investor term of the equity. For many years, we've had a longer investment term on our equity balances than other banks. And you've seen, through a decade of falling rates that, that has a benefit in terms of stability of earnings and lower margin impacts through the rate cycle. The cost of that comes with a higher interest rate risk in the banking book, and you've just seen higher risk-weighted assets in that regard for CBA relative to other banks. So during the period, we had a look at interest rate risk settings given we are at or near the bottom of the rate cycle. We felt it was the right time to bring our invested term of equity back into line with the other banks, and obviously you get a persistent benefit through a structural reduction in IRRBB. We separately run a replicating portfolio. And we haven't changed the settings on the replicating portfolio. We continue to be comfortable that those match the asset profile of the bank. In terms of the P&L cost, you would have seen some of that reduction come through in the current half. It's not a material impact given the level of rates at the moment. Secondly, around...

Victor German
Macquarie Research

And what's the new duration?

Alan Docherty
Chief Financial Officer

Sorry?

Victor German
Macquarie Research

What's the new duration?

Alan Docherty
Chief Financial Officer

Oh, our duration's in line with the -- with all these -- the rest of the industry, as you can see through the IRRBB risk-weighted assets. We haven't given specific disclosure around the length of that. The -- secondly, the -- around the capital position. I think, as you've said, there's a strong pipeline of divestments. You've seen, I think, a sign of the board's confidence in our capital outlook with the decision to neutralize the interim dividend reinvestment plan and we'll continue to discuss capital management options with the board as we move forward.

Melanie Kirk
Head of Investor Relations

We'll take the next question from Andrew Triggs.

Andrew Triggs
JP Morgan Chase & Co, Research Division

Andrew Triggs from JPMorgan. Two questions, please. Firstly, just following on from -- on the cost side of things. You mentioned that there's reduced spend on productivity and growth and some quick calc suggest that, that's analyzing at around probably less than $400 million versus around $700 million a few years ago. So just in terms of when the regulatory spend starts to ease off, can you actually see a reduction in overall investment spend? Or is it good to say there had not been more investment into the other area? And also just, again, thanks for the additional guidance on Slide 79 around lending standards. I'm just interested if you're seeing -- if you could make any comments on whether you've seen the reliance on HEM increase over time. So you mentioned obviously the changes made in previous years and that it reduced the maximum borrowing capacity. But have you seen an increase to around that, sort of 80% level in 2019 that took the reliance on HEM in your kind of borrower costings?

Matthew Comyn
CEO, MD & Executive Director

Yes, sure. So let's deal with investment spend first is a -- I mean, you're quite right with -- we call that 64% of the investment spend in the half on reg and compliance. It's 50% in the half before that. I think if you went back a few years and you adjust for the absolute level of investment, it's probably about 30%. So a clear elevation. We think that's absolutely appropriate in the -- at the moment to ensure that we're able to deliver better risk and compliance outcomes and better outcomes for our customers overall. I guess our starting position would not be to be reducing investment spend going forward. Of course, we'll evaluate that in each period. But we think it's going to be very important we're able to invest in our business both in our core customer experience and potentially around our core businesses. We certainly foresee elevated investment in technology. I think that's critical to make those right investments for the long term. In the foreseeable future, I think it's fair to assume that we can expect elevated risk and compliance spend. And over time, we'd like to see -- once we've been able to demonstrate that we're able to operate at a lower risk and deliver those better outcomes. We'd like to be able to put more of that investment towards productivity and growth as you said. Secondly, your question on HEM. I think for us and I dare say for the broader industry, I think it's October 2015, the change to HEM, which basically was an income-based HEM, so pretty much the HEM was increased based on the underlying income or shift to that methodology. What you really saw during that period of time, which is logically what you'd expect, is a high proportion of borrowers with them hitting the prudent floor of HEM at that particular point in time. We saw that, I guess, stabilize. And I think for us, it's been a big focus. I know it has been for others just seeing the proportion of new line applications that rely on HEM falling over that period of time. And I think it's fair to assume that, that will continue to fall over the next 12 months.

Melanie Kirk
Head of Investor Relations

All right. We'll take the next question from Richard, if you could pass.

Richard E. Wiles
Morgan Stanley, Research Division

Richard Wiles, Morgan Stanley. I've got some questions on capital. As Victor rightly points out, your pro forma is at 12%. You've said that 3 life insurance sales will complete before the end of June. You've also said that CFSGAM will complete sometime in the middle of the year. Today, you've flagged your strong capital generation. So if we put all those things together, it's quite possible you're comfortably above 12% at June. So the question is, why wouldn't you be announcing some significant capital management initiatives? You've got a 5% earnings hold from the asset sales, so if you don't do capital management, your EPS is under pressure. You've also got some pressure on your ROE. Today, the ROE's under 14%. So I'd like to know why you wouldn't be announcing $3 billion or $4 billion, $5 billion of capital management initiatives in the second half of this calendar year. I'd also like to know why, if the insurance sale is complete, why you wouldn't consider a special dividend before the end of June?

Matthew Comyn
CEO, MD & Executive Director

Sure. Let me start, Alan. If there's anything you'd like to add, by all means. So starting from the top level, so a strong finish at Common Equity Tier 1 of 10.8%. Forecast, as you can see in the disclosure's approximately 123 basis points. I think, Richard, and as I said at the outset -- or during my presentation, the Chinese regulatory approval process for the sale of BoComm Life is taking longer than expected. That's the only remaining condition precedent on the sale of our domestic life insurance business. We now have all other regulatory approval processes in place. Our Global Asset Management which -- transaction in which we announced and we believe will settle we said in -- at midyear. But of course, with a transaction like that and everything is on track, there are, of course, regulatory approval processes. You don't tend to make applications to do capital management in advance of actually receiving that process from either a regulatory perspective. And then I guess lastly, any capital management initiatives, the decisions for the board and at the appropriate time, if and when we feel that's in the best interest of shareholders, then that will be a board decision and, of course, we'll announce that shortly, immediately afterwards.

Richard E. Wiles
Morgan Stanley, Research Division

So aside from the timing of completion and the board making a decision, there aren't any other considerations that we should be thinking about? Because you will have $4 billion, $5 billion, $6 billion of surplus capital depending on whether you want to be at 10.5 or 11. I mean, if you want to be near 10.5, you're going to have $5 billion or $6 billion of surplus. Is it just a timing issue? Is it just contingent on completion?

Matthew Comyn
CEO, MD & Executive Director

It's contingent on the transactions that have been announced. And of course, the board will make that decision at that point in time and there's nothing additional I can add at this stage.

Melanie Kirk
Head of Investor Relations

Great. And we will pass the microphone back to Brian Johnson.

Brian D. Johnson
CLSA Limited, Research Division

Brian Johnson, CLSA. I'd just be interested if we could get your view on whether you think the RBNZ are actually softening the capital by extending the consultation period but releasing the papers that say -- that confirm their workings that there's basically a potential hold? And then I was wondering, Alan, if you could share some details with us about the exit run rate on the NIM that you're seeing right now because during the period, we only had basically 3 months of housing repricing come through. We had that big switching on the fixed. Could you just run us through where the end rate NIM is right now? So dirty, filthy Kiwis and NIM.

Matthew Comyn
CEO, MD & Executive Director

So I'll add some [indiscernible] on both. And Alan, you add. So first, I wouldn't like to speculate about the views of the regulator. As you said, the consultation period's been extended, we will engage extensively during that period. Clearly what's been announced is a significant increase in capital. We do see the potential for that not only to affect shareholder returns but also the availability and price of credit in New

Zealand. I'm sure that, that will be carefully considered and any potential impact on important parts of the New Zealand economy. We won't give a specific disclosure on exit NIM. I guess there's a couple of things to think about in the context of forward periods. As you said, Brian, we don't get the full benefit of the 15 basis points re-price on the standard variable rate. That's clearly a tailwind. The headwinds, of course, are that $160 billion of exposure to basis risk premium and what's happening with funding costs. As Alan called out, some of the headwinds on that asset pricing perspective, we've got switching of customers from interest only into principal and interest. You've got a high proportion of customers that switched to fixed in that period. Yes, we also saw there's a drag on NIM in consumer finance, there's actually a lower revolve rate. So I think you've got to offset. And as you would expect, a lot of competition for new housing in the current competitive context but also in a falling system growth environment. So I guess that I'm not answering your question directly but there's a number of headwinds and, of course, you've got to factor in the tailwind of that rate pricing benefit.

Melanie Kirk
Head of Investor Relations

We'll take the next question from Matthew Wilson.

Matthew Wilson
Deutsche Bank AG, Research Division

Matt Wilson, Deutsche Bank. Just 2 questions, if I may. You claim leadership in digital banking. Open banking starts in July. I thought you would have been more excited by the opportunity that, that presented and we'd have a slide on it today. Can you add some color to what open banking means to you? And then secondly, to flesh out further Andrew Lyons' question on Slide 31. Those 5 reasons don't really gel. Can you -- it seems more of a political narrative that's come over the bank sector in the last week or so, you're following on from Brian's comment, we're hoping there's a supply of credit. That would seem to imply that your borrowers are more prudent than the banks at the moment. You've got a new Chief Risk Officer who has just put his feet under the desk and come from another bank. Can you add some color because that slide doesn't quite reconcile?

Matthew Comyn
CEO, MD & Executive Director

Sure. So let me take both of those in order. So you're quite right, Matt. Open banking, well, presumably will be legislated, and we can anticipate going through a pilot period and then eventually being rolled out more broadly across a number of our products. So you'll note I've spent time with the U.K. banks. I was there in November just understanding their experience. I suspect it may be the same here, which is initially I think the takeout will be very modest. But long term, we think about it not necessarily in the context of defensively, but also offensively. I do think some of the core assets that we've got are really important in that context. So the advantage of having such a large customer base and being able to engage with them actively and make those experiences personalized and relevant I think is hugely beneficial. So there's a combination of assets which we think are really important to be able to compete in that sort of era. And that, of course, is 5 million log-ons each day with our customers being able to have very targeted offers and pricing being on the product also incorporating risk. So from our perspective, it's -- yes, there's a compliance element to being able to deliver on our open banking commitments but most importantly, actually, how do we best get ready to prosper and thrive in that competitive context. And that's a critical focus for us and that's one element of it. Secondly, look, I acknowledge your point and I understand it doesn't reconcile with -- and I read the same commentary that you do from others and I've attempted to reconcile by speaking to lots of different people but also just looking at the facts. And the facts are that the borrowing -- the changes that were made to policy that had an impact on borrowing capacity were done in 2015 to 2017. The facts are that our approval rates are unchanged over the last 12 months. Our time to get a decision is the same, if not slightly better, that's -- once the application actually goes in. We've seen average loan sizes go up, and we publish those. And so then it comes to, well, how do you reconcile this broader perception? And the only thing and I think is the cause of that is, undoubtedly, the application process for a customer that's sitting down with a lender, when you're being asked to go through 11 individual expense fields, we automate as much of that as we can within our proprietary lending network, but there's a lot of prompts for our lenders and so there's a much more rigorous process around individual elements of expenditure. I think you put out elements like comprehensive credit reporting, which has come online. And so a good example that I heard a customer that had forgotten that they've taken out a store credit card with a grocery chain 5 years ago to get a discount on their groceries, that gets picked up and, of course, that has a de minimis effect on borrowing capacity. But that's something that's different. And I think if you do that delta between a customer today versus 5 years ago, I think that experience is different. And I think that process and the time that's being taken, I think that's being confused with a very sharp reduction in borrower capacity. So it's certainly not my intent to just create a political narrative. I actually think the narrative aligns very strongly with the facts. But I certainly accept that, that narrative has been told differently by different stakeholders, and that's why I wanted to include it in the presentation today.

Melanie Kirk
Head of Investor Relations

Great. We'll take the next question from Brett.

Brett Le Mesurier
Shaw and Partners Limited, Research Division

Brett Le Mesurier from Shaw and Partners, a couple of questions. You said your home loan growth was increasing. You're up to 90% of system but that's substantially due to your increased use of brokers, isn't it? The broker percentage is increased from about 40% to 45% on new business over the past year. So why do you think you're unable to get back to system growth notwithstanding the increased use of brokers that you're making? And then secondly, on the remediation and program costs of $1.5 billion, you said that's expenses and provisions. Could you tell us how much of that is actually provisions? And do you -- can you give us an idea of how far through the process you think you're actually on -- are at now?

Matthew Comyn
CEO, MD & Executive Director

Let me go back to provisions. So let's deal with home-lending performance. So if you go back to the second half of last year, and I think to the question earlier, all of the major banks I think had struggled to grow its system. For us, it's been a focus to get much closer to the system. I think we've talked about why I think some of the reasons why the major banks have struggled. Look, I guess I'll separate the performance and you're quite right insofar as the increased proportion of new loans through the broker channel has increased during that period. I'd say at a macro level, I think 59% of applications at a system level are going through the broker channel. I do think the last 6 months, that context has been conducive to brokers because there's been a lot of discussion and information out there about availability of credit. You see that directly from customers who talk about, "Should I go to another bank when they ask lots of questions?" I think it -- to me, at a structural -- well, at a system level, I think we've seen an increase. I guess I'd break down both flow and stock of our home-lending businesses as follows. I mean, proprietary I think fundings are basically flat on the period. We're actually growing above system in proprietary but there's slower runoffs, so there's been better retention. And for the reasons that I outlined, slightly higher fundings performance in the broker channel, which is us participating in the broker channel, perhaps more so than we have in other periods, and we acknowledge that. So secondly -- and maybe I'm going to hand to Alan, I think you were looking for the specific breakdown on what proportion is.

Brett Le Mesurier
Shaw and Partners Limited, Research Division

Yes, [so you had one here], and you say that relates to expenses and provisions. Yes, so what proportion of that relates to provisions? And then also, how far do you really think you are through this process?

Alan Docherty
Chief Financial Officer

Yes. I mean, so that disclosure, as you can see on Slide 9, it's a very -- there's been some long-dated issues that we've been dealing with for a number of years. So the vast majority of that cumulative amount has been spent and the customers remediated, all the program costs executed upon. And our full year disclosures, you can see in the other -- in the provisions note there, that there's a breakdown of the outstanding provisions across the various categories. And so there is an element of provisioning within that $146 billion. So -- and you'll see that again in the full provision disclosures in the annual report, but the vast majority has been taken through expenses. Yes.

Brett Le Mesurier
Shaw and Partners Limited, Research Division

Okay. And how far do you think are through the process?

Matthew Comyn
CEO, MD & Executive Director

Of the things that were able to reliably estimate? Or other elements that we may not be able to reliably estimate today?

Brett Le Mesurier
Shaw and Partners Limited, Research Division

The latter.

Matthew Comyn
CEO, MD & Executive Director

Well, I guess as per that characterization, Brett, it's very hard to say. And while -- the important point from my perspective is to the extent that there's anything that we need to remediate or fix, we will get to the root cause of that issue as quickly as we possibly can. We're going to be focused on refunding our customers as quickly as we can. And to the moment we feel that we're in a position to be able to reliably estimate, we will.

Brett Le Mesurier
Shaw and Partners Limited, Research Division

Just linking those 2 together then, to what extent do you think the customer remediation problems relate to your inability to grow anywhere near system in home lending?

Matthew Comyn
CEO, MD & Executive Director

I don't think they're related at all.

Melanie Kirk
Head of Investor Relations

We'll take the next question from James Ellis.

James Ellis
BofA Merrill Lynch, Research Division

It's James Ellis from Bank of America Merrill Lynch. Just a couple of questions on loan growth. So the institutional book, which saw some optimization in the period and then in the business book where there was a runoff of the development portfolio, just wondering if both those were the -- that had run its course or whether there's still a way to go.

Matthew Comyn
CEO, MD & Executive Director

Let's deal with institutional first. That -- I mean, clearly, the focus on capital and risk, that will continue. We've seen good risk-weighted assets, a reduction of about $7 billion -- just under $7 billion over the period and that's a continuation of what we've been doing for the last couple of periods. That will continue to be a focus going forward. Obviously, the rate of that reduction risk-weighted assets may not continue as it has today. We remain committed to the institutional business and to supporting our clients. We want to make sure that we're pricing appropriately for that and earning a reasonable rate of return on capital deployed. Yes, from a business banking perspective, look, we funded I think $13 billion during the half. As Alan said, we're very comfortable with the decisions that we're making around pricing as well as risk and particularly in the -- that property development perspective, we've been comfortable to tighten risk settings in previous periods, and we've seen a reduction in balances during that period, which is, of course, has constrained our ability to grow balances.

Melanie Kirk
Head of Investor Relations

We're going to take the next question from the phone, we're going to take a question from Brendan at Citigroup.

Brendan Sproules
Citigroup Inc, Research Division

It's Brendan Sproules from the -- from Citigroup. I just have a question on the NewCo that you're planning to demerge later in the year. Can you give us an update on the timetable, particularly does the Enforceable Undertaking announcement that you made on Monday impact that? Or is there anything contained in the Royal Commission's final report that would impact the -- impact that demerger? And the second part of that question is, to what extent are financial planners within that business incentivized now to maybe find somewhere else given that you're having to work through this Enforceable Undertaking?

Matthew Comyn
CEO, MD & Executive Director

So in the context of NewCo, we announced that we would be demerging. We said late this calendar year, I don't have any further update on that decision. We've appointed a new CEO, Jason Yetton, into the NewCo business. I think we're making good progress on the transition and separation. Of course, in the context of the Royal Commission, we're carefully considering those recommendations and we're going to make sure that we set that business up for success. In the context of financial planning, look, there's a number of reforms that we'd already committed to in the context of grandfather commissions moving to a 1-year opt-in on an ongoing service fee, et cetera. It's not unique to us but we're certainly prepared to move ahead of the industry in a number of key areas. I think that's really important. But I know Jason would be very focused on engaging closely with our people and making sure, again, that we're setting up those businesses for success in the future.

Melanie Kirk
Head of Investor Relations

We'll take one more call -- one more question from the phones. We'll take a question from Azib at Morgans.

Azib Khan
Morgans Financial Limited, Research Division

A couple of questions for me, firstly on your deposit mix and secondly on home loan distributions. So on deposit mix, there's been pretty significant growth in your mortgage offset balances from the June half to the December half -- or from -- I should say from June to December, it's gone up from $42 billion to $46 billion. And it looks like that's what's driving the bulk of your transaction deposit growth over that period. At the same time, you've experienced a decline in your savings balances, which is presumably partly a result of the lower online savings rates [on the fee] you have repriced recently. So just connecting these points together, it looks like that maybe there has been money shifting out of online savings accounts and into mortgage offset balances. Is this what's going on? And if that's the case, aren't you better off offering slightly better online savings rates? I'll wait for the answer to that and then I'll ask my next question.

Matthew Comyn
CEO, MD & Executive Director

No problem. So look, I think it's a fair hypothesis stringing a few of those things together. We certainly made some pricing changes on our savings portfolio. Of course, we're trying to optimize across the broader portfolio. Transaction banking is a big priority for us in the context of both new customer accounts as well as balances within those accounts. We've seen a continued growth in offset. I think that's unique in this particular period. But ultimately, our primary focus is on making sure we have the best everyday banking experience. We're the leader in transaction banking and across the deposit portfolio, the highlight being the 69% deposit funded and then we're prepared to make volume margin trade-offs in any particular period.

Azib Khan
Morgans Financial Limited, Research Division

Just one on that, just going to follow-up on that before I ask my next one. So do you think the online savings rates that you're offering at the moment are sustainable? Or do they need to go up a bit?

Matthew Comyn
CEO, MD & Executive Director

Well, I think as you'd appreciate, I won't speculate on any future pricing changes. We look very carefully at all of our pricing in market on a daily basis, and we review and make decisions where necessary.

Azib Khan
Morgans Financial Limited, Research Division

Okay. And next question is on home loan distribution. So Matt, look, you've clearly carried out some extensive analysis in relation to [broker rim] and the cost of home loan distribution, which you were asked about in around 7 of the public hearings. So presumably you would have a pretty good idea of what it costs you as in CBA on average to sell a home loan through the brand channel. Can you please give us an idea of what this cost is?

Matthew Comyn
CEO, MD & Executive Director

Look, I won't breakdown the distribution cost differentials between the branch network and the mortgage broking market. I mean, I know that over the years, a number of analysts have estimated it and I think that at least some of the estimates that I've seen are quite reliable. As you noted, I was extensively examined on my views in relation to the mortgage broking channel. I think that they provide an essential service for customers. But my view as -- was examined aligns with the commission's recommendations, that was my view then, and it remains my view today.

Melanie Kirk
Head of Investor Relations
We are going to have to draw the conference call and questions to a close there. So thank you, everyone, for joining us today. If you have any follow-up questions, please come back to us and the IR team and we'll facilitate those answers. Thank you.