

Foreword

I am pleased to present the Reserve Bank of Australia's 2025/26 Annual Report, which documents how we have served the Australian people during the year. It has been an honour to lead our people over this time, and I am proud of what we have achieved together.

The past year has been one of continued change and transformation for the RBA.

It was the first full year of operation for our Governance and Monetary Policy boards, following amendments to the *Reserve Bank Act 1959* that took effect in March 2025. This change in governance structure positions us well to achieve our vision of being an open and dynamic central bank that is trusted for the quality of our analysis, policy and service delivery.

This year we delivered on our commitment to implement the recommendations of the independent review of the RBA, as discussed in our progress report published in December 2025.¹ Together with the Government, we have addressed all recommendations, either as discrete actions or by establishing processes to deliver continuous improvement. Among other benefits, this work has materially strengthened the quality of advice to the Monetary Policy Board. We will continue to build on this work into the future.

This year has also seen us develop and strengthen the crisis management capabilities required to fulfil the new responsibilities bestowed on us by the Parliament over the past two years. These powers cover both financial market infrastructure and, more recently, cash distribution.

Our approach to governance and risk management continues to be transformed. During 2025/26, we began to embed a stronger three lines of accountability risk management structure. We revamped our risk appetite statement and changed many other aspects of how we manage risk. Fully embedding a stronger approach to risk management will remain a priority in the coming year. The Governance Board has strongly encouraged these changes, recognising our need for excellent risk management to navigate safely the complex, demanding and high-risk environment in which we operate.

Resilience of our processes and systems has been an area of particular focus over the past year, reflecting the criticality of the Reserve Bank Information and Transfer System (RITS) and our banking systems for the payments system and broader economy. The Payments System Board's latest assessment of RITS – which highlighted shortcomings in governance, the comprehensive management of risk and operational risk – further strengthened our resolve to address these challenges. Our multi-year program to bolster the resilience of RITS moved into the delivery phase this year. We implemented a new internal operating model with stronger IT controls and testing. We continued to modernise our technology infrastructure. And we have sought to strengthen our cyber resilience, given the damage a successful cyber-attack on the RBA could have on the economy and the elevated threat posed by the release of frontier artificial intelligence (AI) models.



Michele Bullock, Governor

In addition to resilience, we have also been engaged in the redevelopment of our head office at 65 Martin Place, Sydney. The initial plan to create a safe, compliant and modern workplace was disrupted due to the discovery of extensive hazardous material, which has necessitated demolishing the building. This has elevated the complexity and risk of the project.

The scale and complexity of the concurrent work involved in both strengthening our resilience and redeveloping our head office means our operational risk profile is now elevated. We have increased resourcing and implemented appropriate governance mechanisms to ensure these changes are delivered to plan. Nonetheless, we expect our operational risk profile will remain high over the medium term as we implement these changes.

A foundational element of our transformation agenda is the investment in our people and leadership, including by embedding our 'open & dynamic' cultural ambition. We have made significant progress towards our cultural ambition and are committed to ongoing investment in our people to enable them to deliver their best. We made progress in equipping our people with the tools and facilities they will need to thrive into the future. This included providing them with more of the AI tools and training they will need to improve productivity, strengthen resilience and use information effectively when making decisions. All our people now have access to general-purpose AI tools and over 85 per cent of staff use these regularly. Our more advanced AI users also have access to a powerful platform that enables them to experiment and build customised applications.

All this work has been done to achieve the high expectations Australians rightly have for how we will fulfil our responsibilities. Meeting these expectations, while safely navigating the myriad complex risks we currently face and developing expertise in our new crisis management responsibilities, is challenging. But we are committed to achieving these aims as efficiently and effectively as possible.

Throughout our transformation, we have remained focused on fulfilling our core responsibilities. Most notably this year:

- **Monetary policy:** Inflation picked up again in 2025/26, reflecting tighter-than-expected capacity constraints as demand growth lifted through the second half of 2025 and productivity growth remained persistently weak. Rising international cost pressures (from the Middle East conflict and the global AI investment boom) also contributed to the rise in inflation this year. Labour market conditions eased somewhat but are judged to remain a little tighter than is consistent with the Monetary Policy Board's full employment objective. In response, the Board increased the cash rate target three times in the first half of 2026.
- **Financial stability:** The financial system operated effectively throughout the year and is likely to remain resilient in the face of plausible future shocks. We are grateful for the close cooperation and collaboration with other members of the Council of Financial Regulators in supporting the maintenance of financial stability.

- **Payments policy:** The Payments System Board's 2025/26 Annual Report covers developments relating to payments system policy.² It highlights what the RBA has done to strengthen the resilience of the payments system, promote a competitive, accessible and innovative payment system, and advance initiatives related to the future of money.
- **RITS settlement services:** RITS operated highly effectively for most of the year, processing more than \$300 billion of settlements per day on average. However, it fell short of its full-year operating availability target because of an outage on 26 January. We are resolved to mitigate the risk of something like this recurring and are working to address the root causes of the incident.
- **Banking services:** We continued to provide high-quality banking services to the Australian Government and over 100 of its agencies. We processed more than 500 million payments and collections worth over \$1.7 trillion on their behalf. And we progressed work to modernise and strengthen the resilience of those services. This included enhancing payments reporting processes to meet modern, efficient messaging standards and progressing work to facilitate the delivery of Confirmation of Payee services in 2026/27.
- **Note issuance:** We worked closely with government agencies and industry participants to support the long-term sustainability, resilience and accessibility of cash distribution throughout Australia. This work will be supported by the recent passage of legislation that provides us with powers to help resolve a crisis in the cash distribution system. We also progressed work on the redesign of the \$5 banknote and responded to an increase in the incidence of banknote counterfeiting.

In all our work, we remain committed to being transparent, accountable and engaged with the Australian community. This annual report is one part of that commitment. Another is our continued efforts to expand how we listen to the public and communicate with them in accessible and engaging ways.

Turning to our financial performance, the RBA recorded an accounting loss of \$8.5 billion in 2025/26, following an \$11.0 billion profit the year prior. This outcome primarily reflected unrealised valuation losses arising from higher bond yields and an appreciation of the Australian dollar. Underlying earnings remained negative, as most of our domestic assets continued to earn at lower interest rates than what we pay on Exchange Settlement balances, but we expect this to reverse over coming years. The accounting loss reduced our equity position to -\$11.3 billion as at 30 June 2026. This negative position does not affect our operations, nor our ability to perform our policy functions, but the Governance Board considers it important that the RBA's capital be restored over time. The Treasurer has indicated his continued support for this approach, while noting that a determination about retention of earnings is made each year.

The achievements described throughout this report required a substantial effort from our staff. The Governance Board and I are deeply grateful for their professionalism, dedication and commitment to public service. Their work has enabled us to keep serving the Australian people while simultaneously strengthening our capacity to meet our objectives into the future. The Board joins me in thanking them wholeheartedly for their contribution during the year.



Michele Bullock

Governor and Chair of the Governance Board

10 September 2026

Endnotes

- 1 See RBA (2025), 'RBA Review Progress Report', December.
- 2 PSB (2026), 'Payments System Board Annual Report 2026', September.