pwc

Banking Matters

Building resilience, readying for what's next

Australian Banking Analysis Full-Year | November 2026



Earnings and returns

Cash earnings

+12.6% hoh
+8.1% pcp

$32.5bn



Cash earnings rose 8.1% pcp to $32.5bn, driven by higher net interest income and supported by a slowdown in operating expense growth excluding notables to 1.2% (from 6.8% in FY25), partly offset by higher credit impairment charges. Excluding notable items, which were higher in the comparative periods, cash earnings grew 6.7% pcp and 5.1% hoh.

Return on equity

+138 bps hoh
+81 bps pcp

11.4%



ROE rose 81bps to 11.4%, as cash earnings growth outpaced growth in average equity, returning to FY24 levels (11.1%). 2H26 ROE improved to 12.12%, its highest level since 1H23.

Revenues

Net interest income[1]

+1.6% hoh
+3.6% pcp

$81.7bn



NII rose 3.6% to $81.7bn, driven by growth in interest-earning assets, led by business lending. Margins were broadly flat, with competition for new lending, particularly in home loans.

Other operating income[1]

+0.1% hoh
+4.5% pcp

$15.7bn



OOI rose 4.5% to $15.7bn, driven mainly by higher other banking income, with fee and commission income also up. OOI's share of total income is flat at 16%, (24.0% in FY19) following a decreasing trend since FY11.

Lending

Net interest margin

-1 bps hoh
-1 bps pcp

1.81%



NIM was broadly flat for the year and stayed within the narrow range held since FY24. Competition squeezed lending margins, but higher returns on the banks' deposit and capital hedges largely offset this. With margin steady, net interest income growth of 3.6% came from balance sheet growth, as lending volumes rose across both halves.

Lending growth

+132 bps hoh
-3 bps pcp

5.4%



Lending grew 5.4% to $3.7tr, broadly in line with FY25, and growth was stronger in the second half than the first. Business and institutional lending grew at more than double the rate of home lending, as the majors expanded institutional lending institutional lending alongside higher-margin business lending to balance their risk profile while maintaining profitability.

Expenses

Operating expenses[1]

+2.3% hoh
+1.2% pcp

$46.7bn



Expense growth slowed sharply from FY25 to its lowest rate since FY22, although consistent with trend, costs were higher in the second half than the first. Personnel and technology costs both increased, but workforce numbers fell. Notable items, mainly restructuring costs, added further to costs on a reported basis.

Expense-to-income ratio[1]

+51 bps hoh
-105 bps pcp

48.1%



The ETI ratio fell 105bps to 48.1%, reversing most of the FY25 increase and returning close to its FY24 level. Both net interest and other operating income grew, and together they outpaced a markedly slower rise in costs. The ratio edged up in the second half, as lower other operating income slowed income growth.

Asset quality

Credit impairment expenses

+17.0% hoh
+56.0% pcp

-$3.8bn



Credit impairment expense rose 56% to $3.8bn, lifting the loss rate to 10bps (7bps in FY25), its highest level since FY20. The higher charge reflected the combined impacts of the Middle East conflict, higher interest rates and movements in property prices.

Credit provisions

+2.7% hoh
+5.8% pcp

$23.4bn



Credit provisions rose 5.8% ($1.3bn) to $23.4bn, outpacing lending growth (+5.4%). Stage 3 provisions grew at 8.5%, while Stage 2 provisions rose 0.8%. Banks also lifted downside scenario weights and existing overlays in response to heightened geopolitical uncertainty.

Balance sheet

Credit provision cover

0 bps hoh
0 bps pcp

64bps

Provision cover stayed flat at 64bps, as credit provisions (+5.8%) grew faster than gross loans (+5.4%). Provision cover has remained within a 63–67bps range since FY22, above the pre-COVID level of 60bps in FY19, with banks maintaining higher levels of cover amid successive economic and geopolitical shocks.

Core equity T1

-10 bps hoh
-6 bps pcp

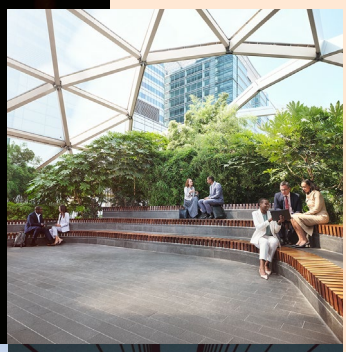
12.1%

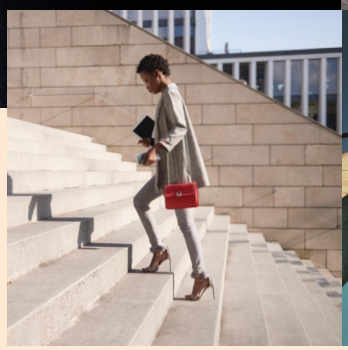


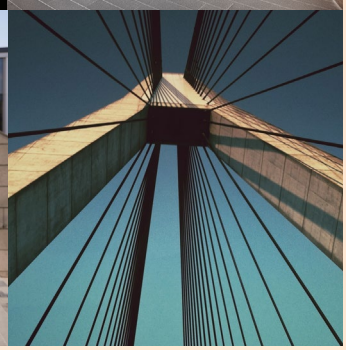
The CET1 ratio was broadly stable at 12.1%, as the majors continue to hold strong capital buffers given the uncertain outlook, with the ratio well above the 10.25% regulatory minimum, a consistent trend seen over the past decade.

1 Excluding notable items









Executive summary

Higher earnings, shifting foundations

Australia's major banks reported combined cash earnings of $32.5bn for FY26, up 8.1% on the prior comparative period (pcp). The strongest growth since FY23, following declines in FY24 and FY25. Excluding notable items, cash earnings rose 6.7% to $33.8bn. Return on equity (ROE) improved 81bps to 11.4%, with the second half reaching 12.1%, its highest level since 1H23. Net interest income (NII) grew 3.6% to $81.7bn as average interest-earning assets expanded 4.1%, while the net interest margin (NIM) eased 1bp to 1.81%, broadly flat on FY25. The result was built on volume and cost discipline rather than margin. Income growth of 3.4% outpaced expense growth of 1.2%, lowering the expense-to-income (ETI) ratio by 105bps to 48.1%. Yet the environment in which these earnings were generated changed materially through the year, with significant disruption across tax policy, interest rates, geopolitics and the cost of living and technology. The rise in cash rate to 4.6%, (increased again to 4.8% in early November) the conflict in the Middle East and the Federal Budget changes to negative gearing and capital gains tax have created a tougher operating environment, weakening borrower demand and market dynamics for mortgages, intensifying competition for both loans and deposits, and beginning to test parts of the loan book. The story of FY26 is therefore less about the headline result and more about how the sources of growth, and of risk, are shifting beneath it, with technology, AI and lending mix all driving that change and shaping how the majors respond.

Business lending carries growth as mortgage demand turns

Total lending grew 5.4% to $3.7tr, reducing slightly from 5.5% in FY25. Business lending grew at more than twice the pace of housing in the year to September 2026, driven in part by 17% growth in institutional lending. Mortgage applications at Jun-26 have fallen by an average of 15% across the majors since 2Q26, and the majors' share of ADI lending has reached a new low of 71.4% at September 2026.

Business lending continues to be the majors' principal lever for growth as housing lending slows. Its higher margin supports NIM, but with all four majors prioritising the same segment, competition is placing pressure on pricing. At the same time, the shift toward business lending increases the credit risk carried per dollar lent.

In home lending, the pressure point is distribution as much as demand. Brokers originated a record 81% of new home loans in the March 2026 quarter.[2] As application volumes fall, competition through third-party channels has become more expensive. Non-major banks and mutuals also continue to take share, growing housing credit at 8.3% and 9.8% respectively, compared with 4.5% for the majors over the year to September 2026. Mutuals are now the fastest-growing group of housing lenders, lifting their share of ADI housing lending to 3.1% from 2.9% a year earlier. Settlements lag applications by several months, and the slowdown in demand is now reaching balance sheets where the majors' annual housing credit growth eased from 5.9% at June 2026 to 4.5% at September 2026.

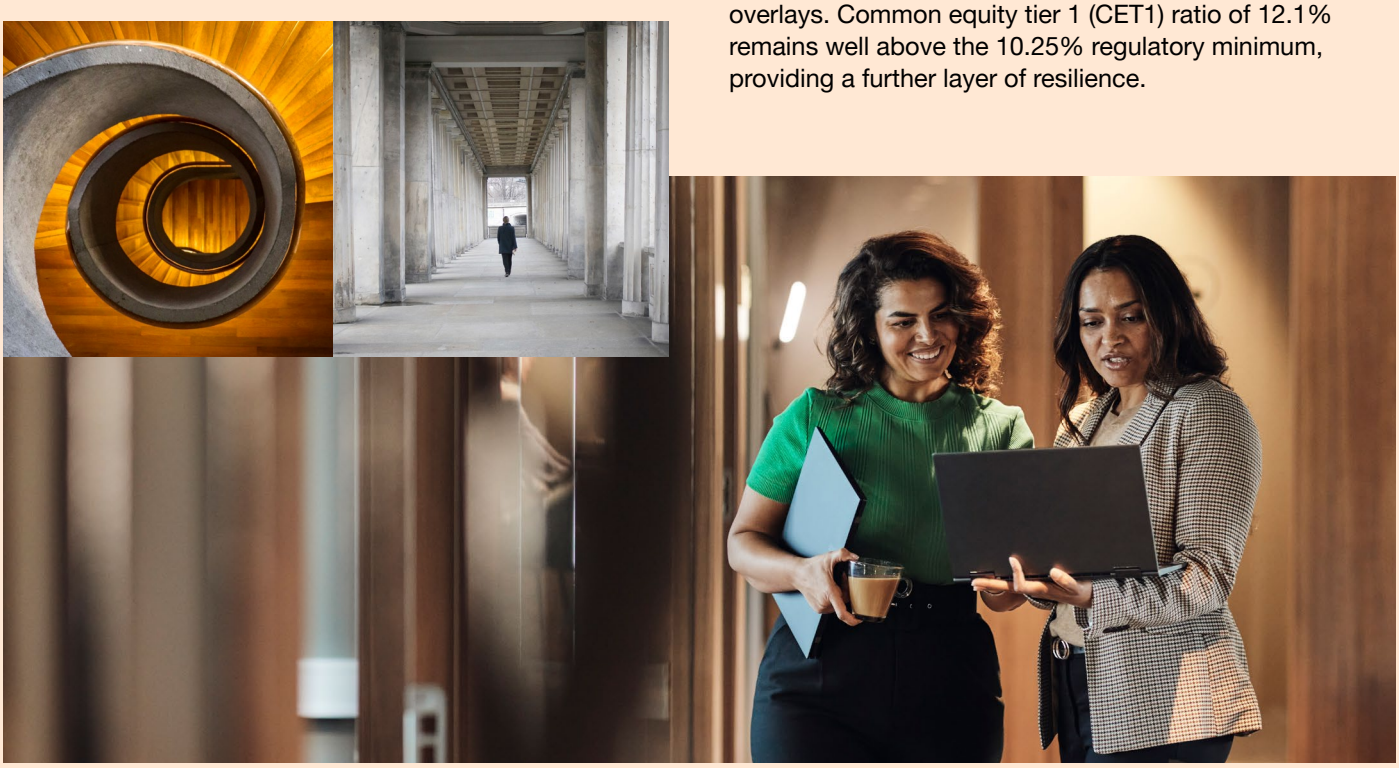
Investor lending slowed most sharply. Investor lending grew by 7.2% in the year to June 2026, however had moderated to 5.2% by September 2026, falling by 0.5% in the last quarter of the year as the Budget changes to negative gearing and capital gains tax weighed on investor demand. Investor loans now make up 34.0% of the majors' housing lending, down from 40.5% in March 2019.

Credit expenses rise as banks strengthen provisions

Credit impairment expense rose 56.0% to $3.8bn, equivalent to 10bps of gross loans and the highest since COVID levels. Total provisions rose 5.8% to $23.4bn but provision cover remains flat at 64bps.

The majors are preparing for more challenging conditions, building provisions through overlays, reflecting expected deterioration in credit quality within parts of the portfolio and downgraded economic forecasts. Stage 3 provisions grew 8.5% to $7.0bn, outpacing total provision growth as mortgage and consumer arrears edged higher amid sustained cost-of-living pressures. Stage 1 provisions grew fastest (11.8%) and Stage 2 was broadly flat (0.8%). Despite this, provision cover remains within the 63-67bps range sustained since 2H22.

The exposures experiencing significant pressure are those where rate and policy changes intersect: investors absorbing the Budget tax changes, higher loan-to-value first home buyer lending written near peak rates, and a fast-growing business book that has not yet been tested through a full credit cycle. The banks have responded by lifting downside scenario weightings and adding to overlays. Common equity tier 1 (CET1) ratio of 12.1% remains well above the 10.25% regulatory minimum, providing a further layer of resilience.



2. Mortgage and Finance Association of Australia



Deposit competition reshapes the funding mix

Customer deposits grew 6.9% to $3.2tr, outpacing lending growth. The majors' share of system deposits fell one percentage point to 73% at September 2026, down from 74% in 2023.

Deposit composition has shifted towards higher-yielding products. As the cash rate rose, growth in transaction deposits slowed from 11.0% (annualised) at December 2025 to 8.9% at June 2026. Growth in savings and term deposits increased from 3.1% to 6.3%, as customers sought higher returns. Competition from outside the majors is also increasing. Non-majors increased household deposits by on average 8.4% over the year to September 2026, compared with 7.9% for the majors. The benefit that higher rates delivered through deposit and capital replicating portfolios was largely offset by competitive pressure on deposit pricing and lending margins, leaving NIM broadly flat.



Other banking income lifts OOI as the payments outlook changes

Other operating income (OOI) increased 4.5% to $15.7bn in FY26, mainly driven by other banking income. Fees and commissions remained the largest part of OOI and grew modestly at 2.9%. Trading income was broadly flat and wealth management income edged higher. Together these lifted OOI's share of total income slightly, to 16.2%, well below the 24% recorded in FY19.

Payments, as a key contributor to OOI, are moving from a relatively stable, infrastructure-led business to one requiring active strategic choices about where to compete, where to partner and where to invest. Regulatory change is compressing traditional revenue pools and resetting infrastructure. Interchange caps put further pressure on card economics, while the payments modernisation roadmap, including the decommissioning of cheques and the transition away from BECS, requires significant investment in new capabilities and migration of customers and corporates onto modern rails. Non-bank and digital-native bank competition continues to intensify in acceptance, cross-border and embedded payments, capturing margin at points in the value chain that were historically major bank-owned. Stablecoins and agentic commerce, only a year ago considered conceptual, are rapidly becoming a strategic reality to be addressed as both a threat and opportunity.



Plotting a path to productivity with traditional playbooks and new technologies

At 48.1%, the ETI ratio fell by 1% from FY25, but remains around three percentage points above the 45.0% recorded in FY23. FY26 delivered the first positive jaws since FY23, with income growth of 3.4% outpacing expense growth of 1.2%. At this pace, closing the gap to FY23 would take around three further years.

Technology costs rose 2.2% to $9.0bn, while full-time equivalent (FTE) staff of 169k fell 1.1% from the 2H25 peak, but still remains the highest level since 2H14. Income per FTE, based on total income excluding notable items, increased 4.5% and has risen in each half since 2H25. Operating expense growth slowed to 1.2% ($46.7bn), from 6.8% in FY25.

Lower headcount and higher income per FTE are beginning to point to improving productivity, part of which may be attributable to AI. The majors report widespread adoption of AI, but the harder question is value, with measurable productivity or financial benefits challenging to isolate, and only one form of benefit to be gained from AI adoption and scale. Reporting by the majors focuses on adoption rates, saved hours and outperformance on project timelines and AI features alongside traditional productivity approaches of simplification, technology modernisation, offshoring and restructuring.

Fraud prevention in focus

Fraud prevention is one of the most visible areas of AI investment across major banks, with investment spanning real-time transaction monitoring and investigations, machine-learning detection, biometrics and confirmation of payee and broader data and analytics capabilities. The Scams Prevention Framework is reinforcing these investments as banks strengthen their prevention architecture to keep pace with increasingly sophisticated threats, including deepfakes and synthetic identities. This also creates an opportunity to manage fraud across the full customer and credit lifecycle, rather than treating payments fraud, lending fraud and credit risk as separate issues.

For example, in home lending the focus is broadening beyond detecting fabricated documents to validating identity, income, employment and other application data against trusted sources, while using analytics to identify unusual relationships and patterns across the origination chain, including applicants, brokers and referrers. This matters because loans acquired through fraudulent means can appear to perform normally, meaning downstream arrears and credit-loss indicators alone may not provide sufficient fraud controls. Preventing and detecting fraud early protects both lending integrity and asset quality.

Our detailed analysis addresses the four areas that shaped the current period: earnings and income, credit and capital, expenses, and funding.



Building resilience, readying for what's next

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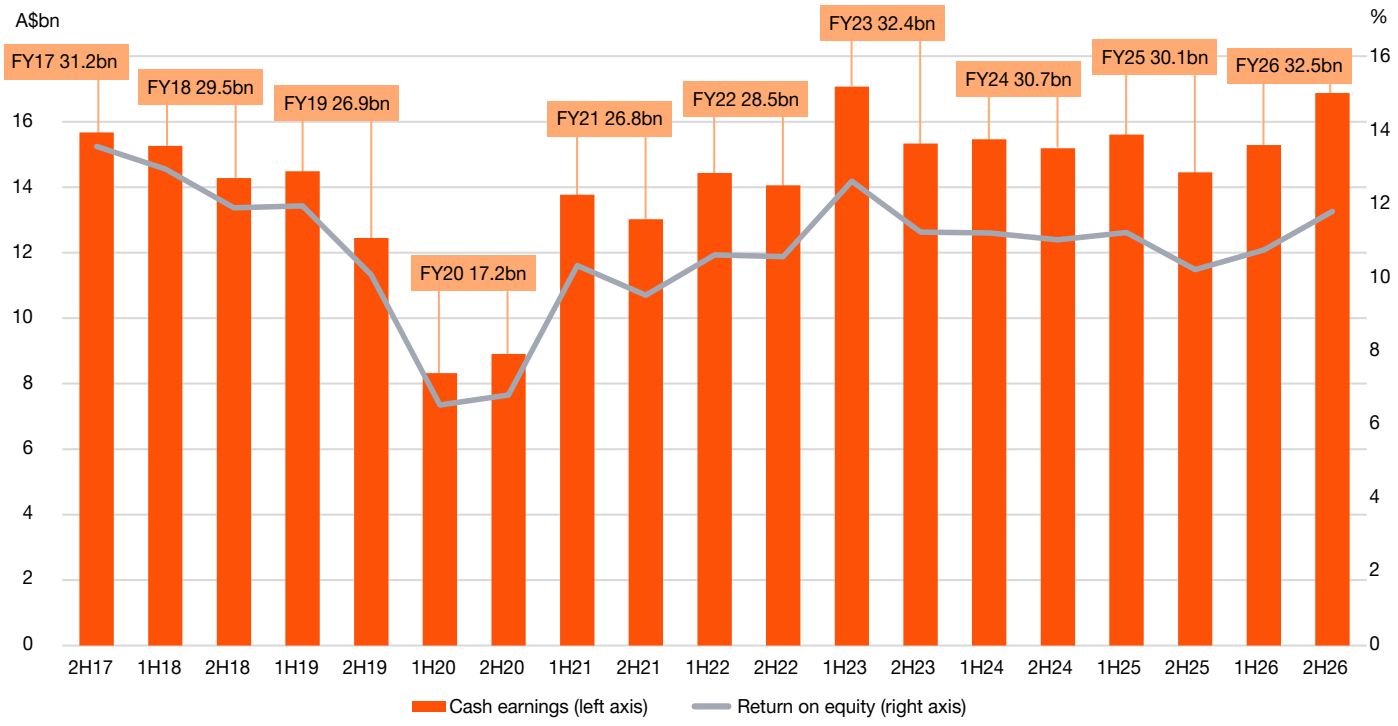
Earnings income

Higher income lifts earnings above the previous FY23 result

The major banks' combined cash earnings rose 8.1% to an all-time high of $32.5bn in FY26, surpassing the previous high of $32.4bn recorded in FY23. Notable items were smaller than in FY25 and were mostly recorded in the first half. Improvement this year came from the revenue line where growth in income was almost three times the growth in operating expenses, more than offsetting a higher credit impairment charge.

Figure 1 shows that the year was weighted towards the second half. Cash earnings increased in each half of FY26, and 2H26 was higher than any previous half since 1H11. ROE followed the same path, rising in both halves from its 2H25 level, although the full-year ratio of 11.4% remains below that recorded in FY23.

Figure 1: Cash earnings and ROE increased in both halves of FY26



Source: Bank reports, PwC analysis

NII was the main contributor and reached a record level, growing slightly slower than average interest earning assets. The margin narrowed in both halves in FY26, as competition for lending weighed on asset pricing. This impact of competition was largely offset by hedging benefits, leaving NIM down 1bp compared to FY25.

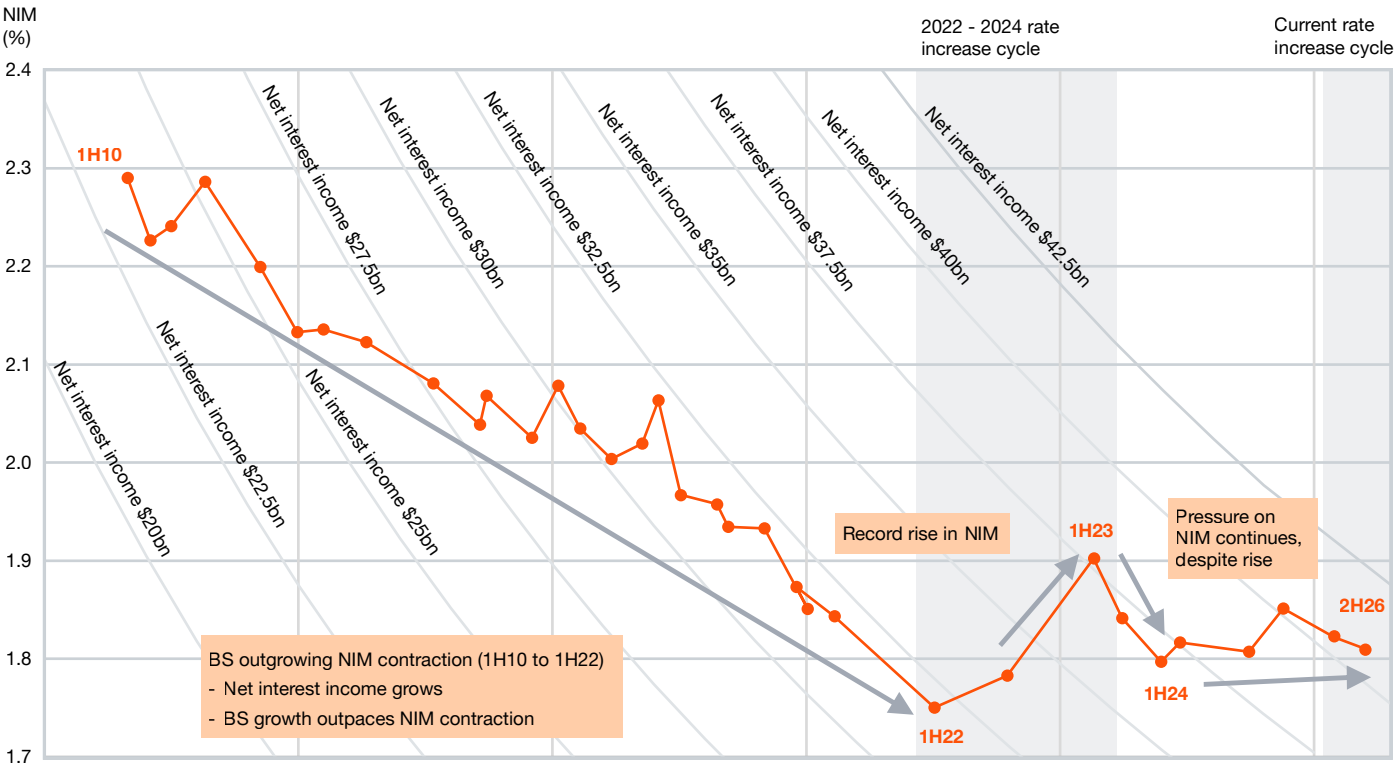
Figure 2 places this in a longer context by plotting the margin against the size of the interest-earning balance sheet, with the dashed lines marking constant levels of half-year NII. Between 1H10 and 1H22, the path runs down and to the right. The margin declined steadily, but the balance sheet grew quickly enough for NII to keep rising.

Since 1H22 the shape has changed. The margin has moved within a narrow band, rising to a peak in 1H23 and remaining below that level since, while balance sheet growth has continued.

Unlike the previous tightening cycle, NIM has not widened as the cash rate has risen through 2026. In 2022-23, a 3.5% increase in cash rate coincided with NIM widening 15bps. The cash rate has risen 100bps this year to 4.60%, but NIM narrowed 4bps to 1.81%.

Other operating income grew faster than NII, at 4.5%, and was broadly unchanged in the second half, lifting its share of total income for the first time after several periods of decline. Within this, fees and commissions increased while trading income was broadly unchanged.

Figure 2: Increase in NII in FY26 – driven by volume growth given NIM pressure



Source: Bank reports, PwC analysis

Total lending growth for the year was slightly above FY25, although it reduced in the second half. Figure 3 shows the changing mix of the majors' Australian lending alongside movements in the cash rate.

Non-retail lending (business and institutional) has grown faster than consumer lending in every quarter since September 2021. The gap widened in FY26, with annual non-retail lending growth reaching its highest level since September 2022.

Consumer lending growth strengthened to June 2026 before slowing in the September 2026 quarter. Meanwhile, non-retail lending growth continued, increasing its share of the majors' Australian lending from 29% at the end of 2020 to 35% in September 2026. Over this period, the cash rate fell during 2025 before increasing in each quarter of 2026.

Figure 3: Non-retail lending growth for the major banks continues to outperform consumer lending

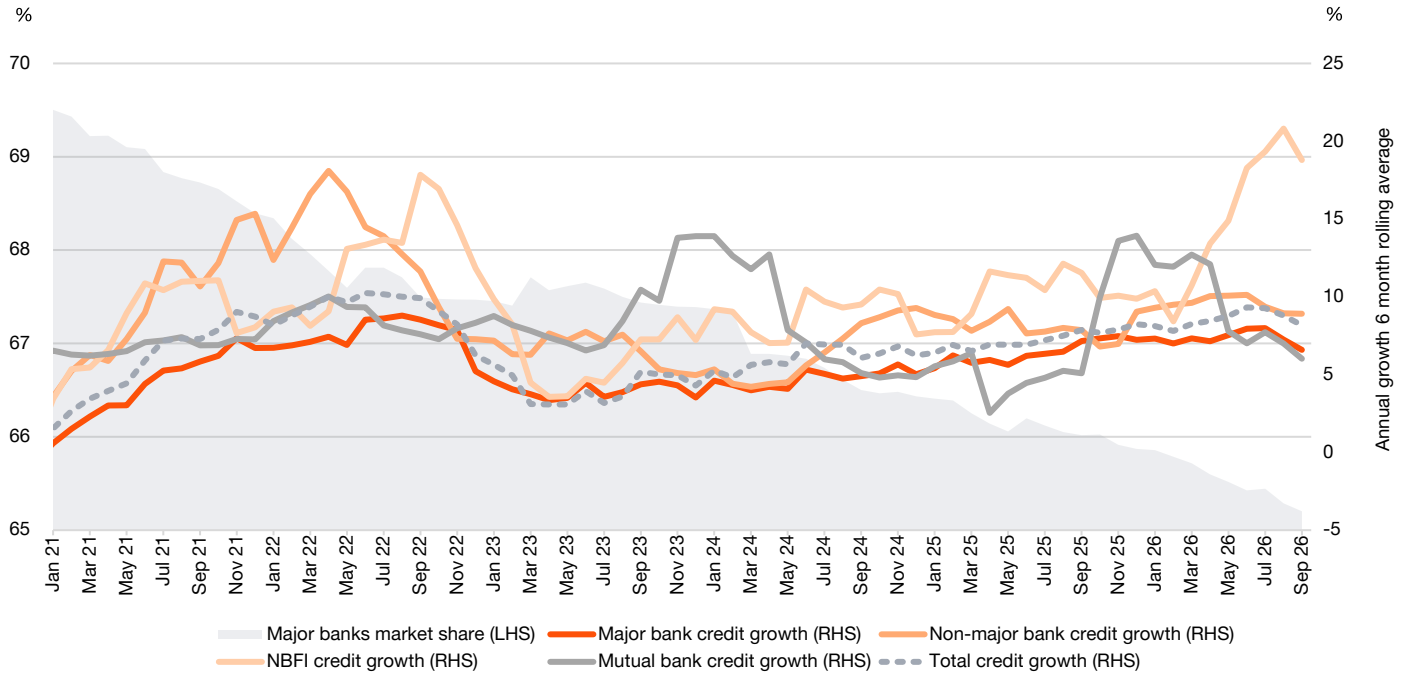


Source: APRA Monthly Banking Statistics, RBA Cash Rate Target, PwC analysis

Across the industry, the majors continue to grow more slowly than the system. Figure 4 shows that major bank credit growth has risen since 2023 but has remained below the non-major bank growth rate since December 2022. Overall system growth eased in the September 2026 quarter.

The majors' share of total credit has fallen from 70.6% in August 2019 to 65.2% in September 2026, with the decline accelerating over the past 12 months. Non-bank financial institution (NBFI) credit growth also rose sharply through 2026 and, in September 2026, was almost three times the major bank rate.

Figure 4: Majors' share of total credit decline to a series low as NBFI credit growth accelerated



Source: APRA Monthly Banking Statistics, RBA Financial Aggregates Statistics, PwC analysis

02

Credit and Capital

Credit costs rise in both halves of the year

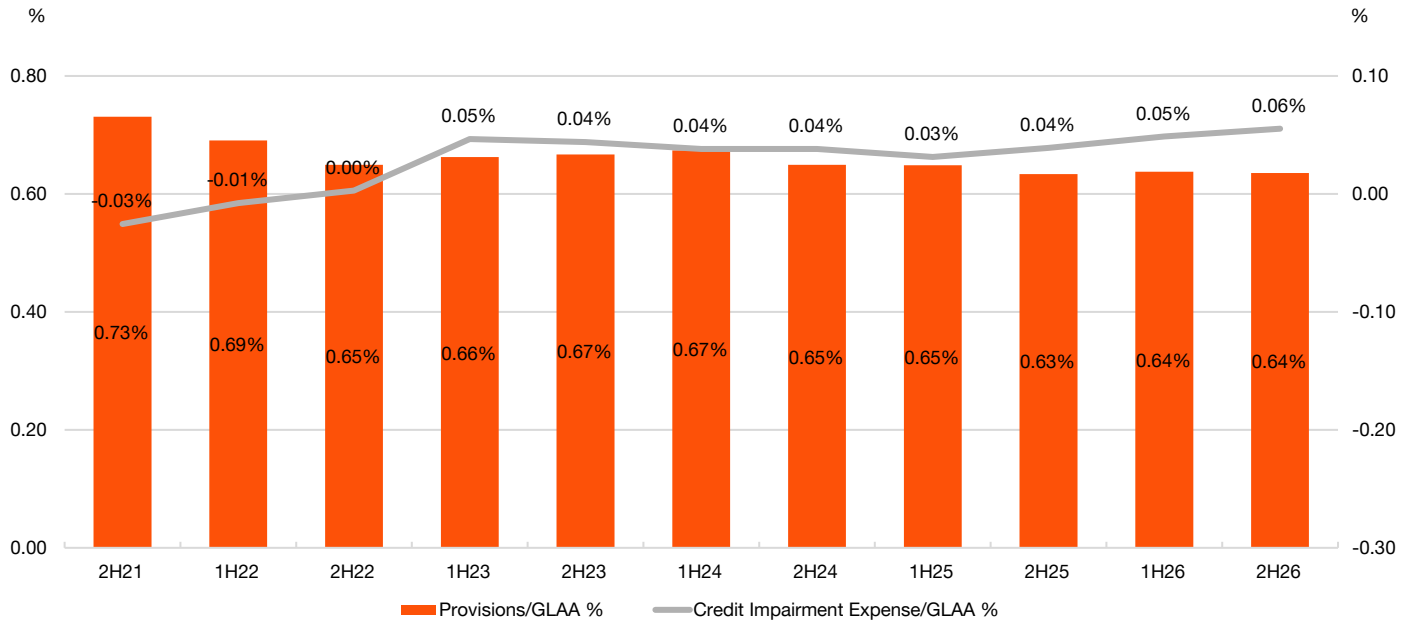
Credit impairment expense increased by more than 50% to $3.8bn. Charges rose in both halves, with 2H26 around 17% above 1H26. Individual provision charges, excluding write-backs, rose over the year but eased slightly in the second half.

Figure 5 shows impairment charges alongside the level of provisions held. Provision coverage fell as collective provisions were released between 1H21 and 2H22 and has remained within a narrow band of 63bps to 67bps since 2H22. Coverage edged up in 1H26 and was broadly unchanged in 2H26. With coverage held broadly steady while the loan book grew 5.4%, provisions have increased in step with balance sheet growth. The $1.3bn increase in provisions represents around 67bps of the increase in gross loans, compared with coverage of 64bps across the book, reflecting a more cautious outlook.

This flowed through to the impairment charge, with credit impairment expense as a share of gross loans, annualised and shown by the line in figure 5, rising in both halves of FY26.

The composition provides further insight. Stage 3 provisions, which are held against loans that have defaulted or become impaired, rose 8.5% ($0.5bn) over the year, increasing in both halves and outpacing growth in the loan book. Stage 1 provisions, the stage where newly originated loans are typically provided for, accounted for most of the remaining increase, rising 11.8% ($0.6bn), while Stage 2 provisions, held against loans that have shown an increase in credit risk, rose 0.8% ($87m), around 7% of the rise in total provisions. The increase therefore reflects both realised stress and a more cautious view across the performing book.

Figure 5: Provision coverage remains within the range held since 2H22, while impairment charge rose in both halves of FY26

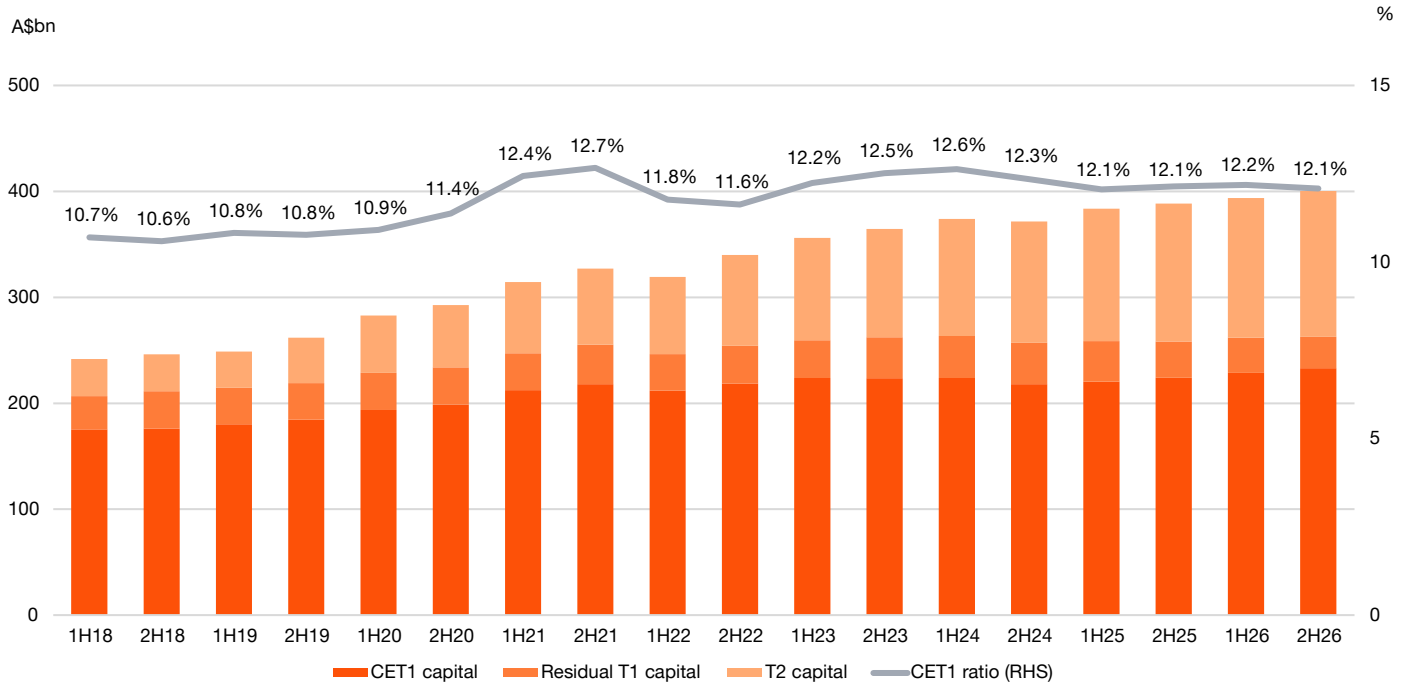


Source: Bank reports, PwC analysis

Capital levels increased over the year, but growth in risk-weighted assets was stronger. As a result, the CET1 ratio eased to 12.1%, its lowest full-year level since FY22, and remains 185bps above the 10.25% regulatory minimum. Figure 6 shows how the capital stack has changed over time.

Tier 2 capital has grown in every half since 2H19 and has more than tripled, while CET1 capital has increased more gradually. Despite this growth, the CET1 ratio remains between the 11.6% and 12.7% range since 2H21 and eased in 2H26. The total capital ratio also declined over the year.

Figure 6: Capital levels are in line with FY25, with a slight decrease in the CET1 capital ratio



Source: Bank reports, PwC analysis

03

Expenses

Expense growth slows as income outpaces costs

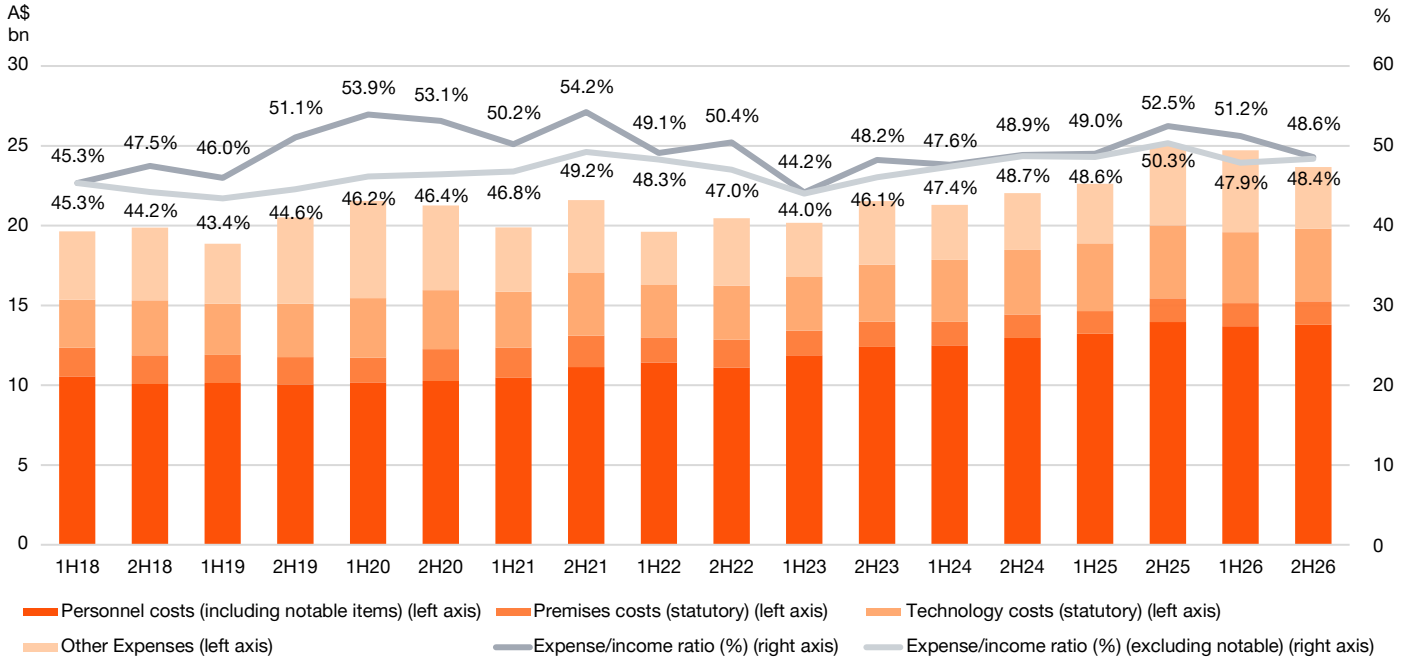
Operating expenses excluding notable items rose 1.2% to $46.7bn, a marked slowdown from growth of more than 6% in each of FY24 and FY25 and the slowest rate since FY22. The year was uneven. Expenses fell 3.1% in the first half compared with 2H25, before rising 2.3% in the second half. On a statutory basis, the $0.8bn increase in total expenses was driven by other expenses and technology costs, with personnel costs broadly unchanged.

Income grew at almost three times the rate of expenses, at 3.4% compared with 1.2%. This delivered positive jaws, with income growing faster than expenses, for the first time since FY23. As a result, the ETI ratio fell 105bps to 48.1%, reversing most of the increase recorded in FY25.

Figure 7 shows that the improvement came in the first half, when expenses fell while income rose. In the second half, expenses grew faster than income, and the ratio edged up.

Figure 7 also shows how the cost base has changed. Personnel costs remain the largest component of expenses, at 57%. Technology costs grew 2.2% in FY26, faster than the 1.6% growth in total expenses. Since FY23, technology has accounted for around a third of the growth in total expenses, lifting technology's share of the cost base from 17% to 19%.

Figure 7: Expense growth slowed in FY26 and the ETI ratio improved



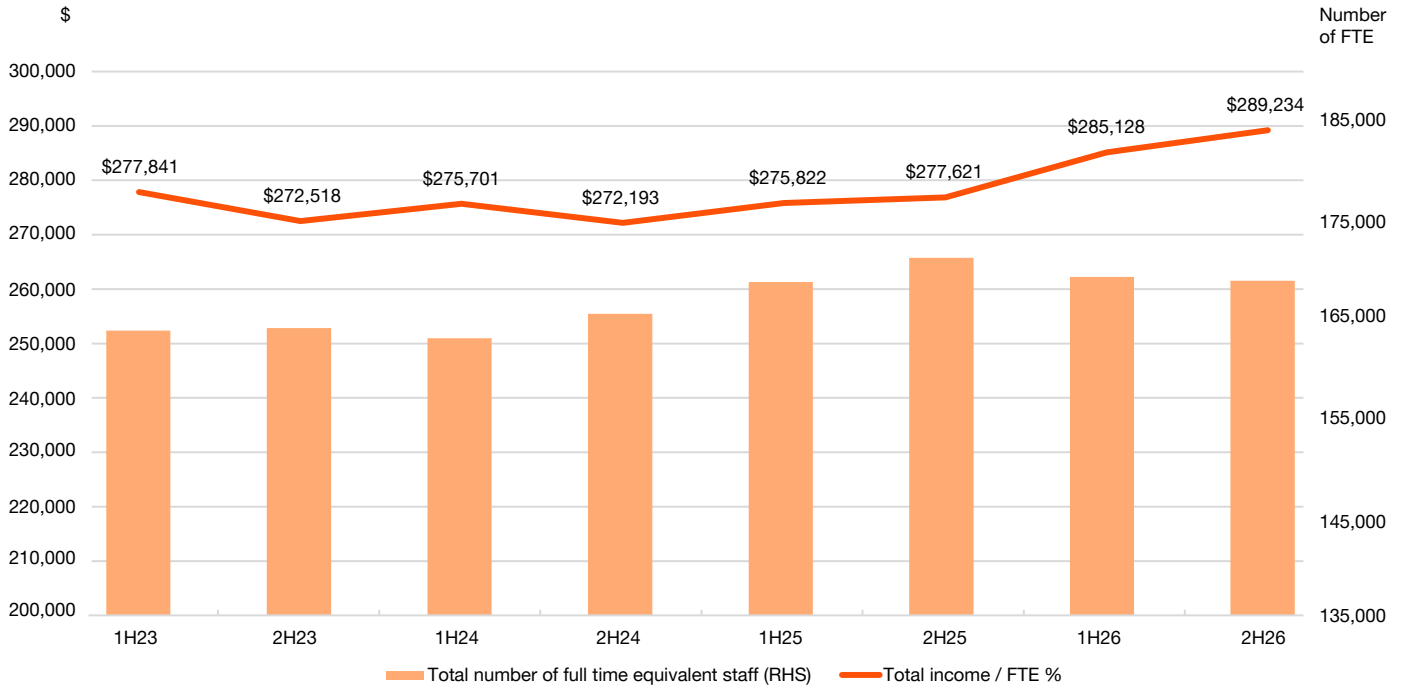
Source: Bank reports, PwC analysis

Figure 8 shows that headcount fell 1.1% from its 2H25 peak to 2H26, partly reversing the increase between 1H24 and 2H25, with most of the reduction occurring in the first half.

Combined with higher income, the lower headcount lifted income per FTE by almost 4.5%, following a broadly flat period between 1H23 and 2H25.

Investment spend continues to grow faster than the cost base. Investment spend rose 2.3% to $7.9bn in FY26, faster than the 1.6% growth in total operating expenses, lifting its share of the cost base to 16.3% from 16.1% in FY25. Spending was weighted towards the second half, which accounted for 54% of the FY26 total.

Figure 8: Total FTE has declined in FY26, while income per employee rose in each half



Source: Bank reports, PwC analysis

04

Funding

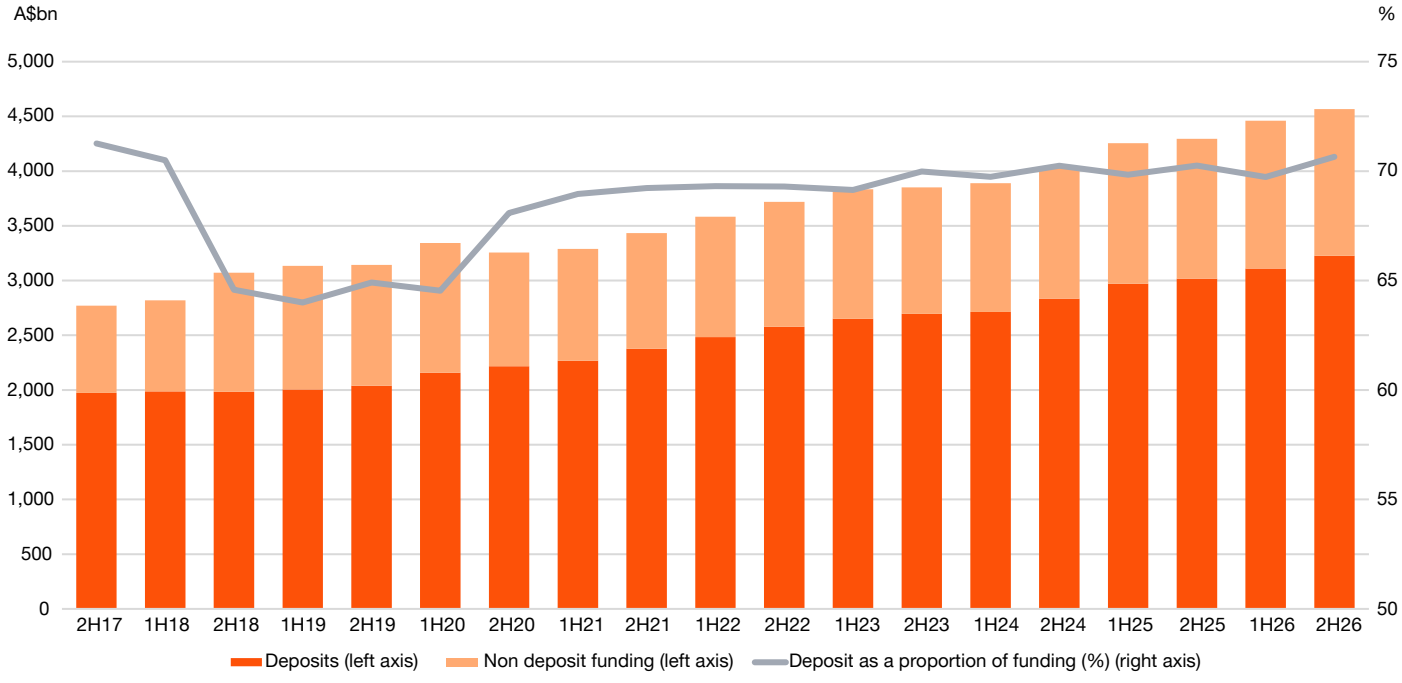
Deposit growth outpaces lending

Customer deposits grew 6.9% to $3.2tr, the 16th consecutive half of growth. Deposits again grew faster than lending, lifting the ratio of deposits to gross loans to 88%, compared with 75% in 1H17.

Figure 9 shows the role of deposits in the majors' funding.

After a step-up in 2020, deposits provided between 69% and 70% of total funding in every half from 2H21 to 1H26, with non-deposit funding growing broadly in line with deposits over that period. In 2H26 the share rose to 70.7%, its highest level since 2H17.

Figure 9: Deposits as a proportion of funding remains strong



Source: Bank reports, PwC analysis

05

Mutual Banks

Beyond scale: the next chapter for mutual banks

Greater scale, modest earnings growth

In March 2026, our publication How Australia's mutual banks can thrive through disruption[1] identified five battlegrounds and a strategic choice for boards: combine, collaborate or compete. Our analysis of the 30 June 2026 results of Australia's ten largest customer-owned banks[2] provides an early indication of how the sector is responding.

The sector continued to grow and consolidate, but the earnings uplift remains modest relative to balance sheet expansion. Aggregate profit before tax increased 5.6% to $662m, supported by higher lending volumes growth of 11.6%. Rising operating expenses and weaker other income offset the additional margin achieved from this growth. The next challenge is converting greater scale into sustainable profitability and operating efficiency.

The opportunity lies beyond the product shelf

Net interest income (NII) accounted for approximately 94% of total income across the banks analysed. This concentration leaves earnings closely linked to lending and deposit pricing in a highly price-competitive market where volume, rather than margin, drive NII.

Our March publication highlighted the opportunity for mutual banks to support members' broader financial wellbeing, building on their community relationships, member focus and established trust. This offers a potential point of differentiation beyond rates and traditional banking products.



Targeted investment in data and digital services, alongside partnerships with technology providers and other mutuals, could deepen member relationships and broaden sources of income beyond NII. The question is which capabilities to build, which to access through collaboration and how to translate these investments into better member outcomes.

3. https://www.pwc.com.au/value-in-motion/how-australias-mutual-banks-can-thrive-through-disruption.html
4. Trading names: People First Bank, NGM Group, Great Southern Bank, Bank Australia, Teachers Mutual Bank, Beyond Bank, P&N Bank, Qudos Bank, Regional Australia Bank and Defence Bank

Growth outpaces the market, at a cost to funding

Lending grew 11.6% and deposits 9.5%, compared with system growth of 5.4% and 6.5%, respectively. Growth was supported by competitive product offerings and the greater scale and capital capacity delivered through balance sheet management.

Funding this expansion has become more expensive. Competition for deposits has placed pressure on margins, with net interest income increasing 7%, below reported loan and deposit balance growth. If funding pressure persists, sustaining earnings growth through lending volumes alone may become increasingly challenging.

Costs rise as efficiency gains remain modest

Operating expenses rose 5.6% ($126.6m) to $2.4bn, while the expense-to-income (ETI) ratio remained broadly flat at 77.7%. This highlights the challenge of translating increased volume into operating leverage.

Another contributing factor is the continued investment required for technology modernisation, cyber resilience, regulatory compliance and workforce capability, as well as those needing to invest post-merger to integrate and streamline operations.

The next test is whether integration benefits and technology investment can deliver measurable, lasting productivity gains. Without this, greater scale risks adding cost and complexity without materially improving operating efficiency.

Credit quality sound, capital provides capacity

Credit impairment expense increased to $19.5m, albeit from a low base. Credit provisions rose 10.3% to $159m which is consistent with loan book growth, with provision coverage remaining at 13 basis points.

There was limited evidence of widespread borrower stress. Continued household financial pressures warrant close monitoring of arrears, portfolio performance and the assumptions underpinning ECL estimates.

The average common equity tier 1 (CET1) ratio was broadly stable at 16.84%, providing capacity to support growth and continued investment. The challenge is deploying that capacity in ways that generate sustainable returns and tangible value for members.

From scale to value

The FY26 results reinforce that scale is an important enabler of competitiveness, but not a guarantee of stronger outcomes. Mutual banks have demonstrated their ability to grow and consolidate, while improvements in profitability and efficiency have been more restrained.

The priority remains to build scale and extracting value from it: realising integration benefits, strengthening operating efficiency, protecting funding margins and deepening member relationships. Those that combine disciplined execution with a differentiated member proposition will be best positioned to turn scale into sustainable returns and better member outcomes.



Our detailed analysis addresses the areas that shaped the current period[5]

Earnings and returns

Profit before tax

+5.6% yoy

$662m

Pre-tax profit increased 5.6% to $662m, a $34.8m increase. Higher net interest income from balance sheet expansion was partly absorbed by rising operating costs and lower non-interest income, tempering the benefit of strong lending growth

Return on assets

+4.1% yoy

0.32%

ROA improved modestly to 0.32%, supported by 5.5% growth in net profit after tax to $468.3m. With assets increasing 11.3%, translating enlarged balance sheets into sustainable returns remains a key test for the sector.

Revenues

Net interest income

+7.0% yoy

$2.9bn

NII rose 7.0% to $2.9bn, supported by growth in net interest-earning assets, while disciplined pricing strategy and optimisation of the product mix provided additional support to NII growth.

Other operating income

-9.5% yoy

$194m

Other operating income declined 9.5% to $194m, reflecting softer fees, commissions and dividend income. This reinforces the sector's dependence on NII to generate earnings.

Lending

Lending growth

+563 bps yoy

11.6%

Lending grew 11.6%, outperforming system growth of 5.35%, reflecting strong expansion across residential mortgages and commercial lending. Growth was supported by competitive product offerings and continued investment in digital lending capabilities, while merger activity provided additional scale and capacity to support further lending growth.

Deposit growth

+387 bps yoy

9.5%

Deposits increased 9.5%, supported by competitive savings products. This outperformed system growth of 6.5% but lagged lending growth keeping deposit retention, funding mix and wholesale funding access in focus.

Expenses

Operating expenses

+5.6% yoy

$2.4bn

Operating expenses increased 5.6%, $126.6 million to $2.4bn, reflecting continued investment in technology modernisation, cyber resilience, regulatory compliance and people. Merger integration added complexity, reinforcing the need to convert increased scale into lasting efficiencies.

Expense-to-income ratio

-0.2% yoy

77.7%

The expense-to-income ratio improved 20bps to 77.7% as income growth modestly outpaced costs. However, the elevated ratio highlights the challenge of funding essential capability investment while delivering efficiency improvements and member value.

Asset quality

Credit impairment expenses

+53.3% yoy

$19.5m

Credit impairment expense increased by 53.3% to $19.5, reflecting higher collective ECL charges and loan write-offs of c.$5 million. Credit losses remain modest relative to loan balances, with limited evidence of widespread credit stress.

Credit provisions

+10.3% yoy

$159m

Credit provisions rose 10.3% to $159m, broadly in line with lending growth. Higher collective allowances reflect a cautious approach to macroeconomic uncertainty, notwithstanding generally resilient credit performance across the banks reviewed.

Balance sheet

Credit provision cover

0% yoy

0.13%

Provision coverage remained at 13bps, as provisions and lending balances rose at broadly similar rates. Credit losses remain relatively low, although persistent household pressures warrant continued scrutiny of arrears and forward-looking ECL assumptions.

Core equity T1

+15 bps yoy

16.84%

CET1 capital remained broadly stable at 16.84%, or $9.1 billion, and well above the minimum regulatory requirement of 8%. The sector's capital position provides mutuals with capacity to support growth and reinvest in customers and communities, while continuing to fund strategic priorities across technology, cyber security and digital capability.

5. This analysis is based on the FY26 financial results of Australia's ten largest customer-owned banks. Comparative figures have been adjusted, where applicable, for merger activity and changes in group structure to provide a like-for-like assessment of financial performance and growth.

	ANZ			CBA			NAB			WBC		
	FY26	FY25	FY24	FY26	FY25	FY24	FY26	FY25	FY24	FY26	FY25	FY24
Earnings and Returns												
Cash earnings	7,591	5,787	6,725	10,982	10,252	9,836	7,090	7,091	7,102	6,829	6,933	6,990
Cash earnings (incl discontinued operations)	7,591	5,787	6,725	10,982	10,253	9,847	7,090	7,062	7,099	6,829	6,933	6,990
Cash earnings before tax (A+B+C+D)	10,823	8,578	9,662	15,681	14,743	14,154	8,828	10,132	10,095	9,809	10,044	10,107
Core earnings (A)+(B)+(C)	11,405	9,019	10,068	16,469	15,469	14,956	10,375	10,965	10,823	10,673	10,468	10,644
Dividends paid (per cash flow)	3,978	4,573	5,252	8,284	7,949	7,623	4,059	4,828	4,700	5,269	5,215	5,652
Income tax expense	-3,194	-2,750	-2,902	-4,699	-4,491	-4,318	-2,651	-3,002	-2,975	-2,980	-3,111	-3,117
Profit after tax (statutory basis)	7,270	5,891	6,535	10,911	10,133	9,481	6,143	6,759	6,960	6,829	6,933	6,990
Return on average equity (calculated %)	10.5%	8.0%	9.6%	14.0%	13.5%	13.6%	11.3%	11.2%	11.6%	9.6%	9.6%	9.8%
Notable Items												
Notable items (Cash earnings impact)	0	-1,109	0	-170	-130	-89	-949	-106	0	-179	-247	-123
Revenues												
Net interest income (A)	17,894	17,961	16,069	25,586	24,023	22,824	18,512	17,398	16,754	19,582	19,380	18,753
Net interest income (excluding notable items)	17,894	17,961	16,069	25,586	24,023	22,824	18,512	17,398	16,754	19,687	19,473	18,916
Net interest margin (%)	1.53%	1.55%	1.57%	2.05%	2.08%	1.99%	1.80%	1.74%	1.71%	1.86%	1.93%	1.93%
Non-interest income (B)	4,585	3,938	4,740	4,638	4,442	4,350	3,502	3,415	3,496	3,020	3,004	2,835
Non-interest income (excluding notable items)	4,585	4,223	4,740	4,638	4,442	4,350	3,502	3,415	3,496	3,021	2,991	2,847
Non-interest income as a % of total income (exld. notable items)	21%	19%	23%	15%	16%	16%	16%	16%	17%	13%	13%	13%
Expenses												
Total operating expenses (C)	-11,074	-12,880	-10,741	-13,755	-12,996	-12,218	-11,639	-9,848	-9,427	-11,929	-11,916	-10,944
Expense/income ratio (%)	50%	59%	52%	46%	46%	45%	53%	47%	47%	53%	53%	51%
Total operating expenses (excluding notable items)	-11,074	-11,992	-10,741	-13,585	-12,866	-12,129	-10,292	-9,696	-9,427	-11,781	-11,643	-10,944
Expense/income ratio (%) (excluding notable)	50%	54%	52%	45%	45%	45%	47%	47%	47%	52%	52%	50%
Total number of full time equivalent staff	39,172	42,242	42,370	51,714	51,346	48,887	43,271	41,880	38,996	34,682	35,236	35,240
Asset Quality												
Credit impairment expense (D)	-582	-441	-406	-788	-726	-802	-1,547	-833	-728	-864	-424	-537
Loss rate (%) (credit impairment expense/total GLAA)	0.00%	-0.05%	-0.05%	-0.07%	-0.07%	-0.08%	-0.38%	-0.11%	-0.10%	-0.19%	-0.05%	-0.13%
Individual provision funding (exld. write-backs and recoveries)	-570	-596	-465	-422	-439	-397	-1,360	-1,192	-863	-563	-408	-423
Collective provision funding	-222	-114	-262	-606	-456	-559	-464	131	-92	0	103	89
Total provisions for credit impairment	4,903	4,778	4,555	6,476	6,173	5,912	6,801	6,165	5,921	5,189	4,978	5,084
Total provisions for credit impairment as a % of GLAA	0.57%	0.57%	0.56%	0.60%	0.61%	0.62%	0.83%	0.79%	0.80%	0.58%	0.58%	0.63%
Collective provisions	4,530	3,512	4,247	5,685	5,357	5,200	5,410	5,002	5,165	4,531	4,439	4,548
Credit risk weighted assets	377,260	369,583	361,185	422,703	398,928	370,444	387,016	374,986	350,891	358,153	354,476	351,724
Balance sheet												
Total assets	1,364,694	1,297,108	1,229,115	1,452,456	1,353,799	1,254,076	1,145,896	1,109,062	1,080,248	1,181,179	1,125,356	1,077,544
Total average interest earning assets	1,169,623	1,159,688	1,023,616	1,245,684	1,153,684	1,144,357	1,028,919	1,001,177	978,741	1,050,305	1,002,856	970,055
Total average non-interest earnings assets	178,950	173,927	148,743	147,715	137,523	121,713	112,808	108,309	101,768	120,534	108,223	87,254
Gross loans and advances (GLAA)	865,395	833,330	807,057	1,087,560	1,015,883	949,948	822,414	781,530	738,206	901,253	856,362	811,335
Total liabilities	1,292,614	1,225,241	1,158,487	1,373,752	1,275,023	1,180,988	1,082,598	1,045,415	1,018,035	1,109,889	1,052,263	1,005,492
Customer deposits	814,576	748,057	715,211	953,652	888,108	833,725	692,591	658,430	612,796	766,187	722,971	673,615
Total equity (excl. minority interests)	71,395	71,128	69,857	78,704	78,776	73,088	63,298	62,922	61,455	70,989	72,766	71,705
Common equity tier 1 ratio (%)	12.0%	12.0%	12.2%	12.0%	12.3%	12.3%	11.9%	11.7%	12.4%	12.5%	12.5%	12.5%
Core equity tier 1 capital	58,238	55,184	54,469	62,762	60,967	57,691	54,502	51,527	51,139	57,572	56,380	54,648
Total risk weighted assets	485,893	458,547	446,582	522,407	496,145	467,551	459,095	440,557	413,946	462,136	450,048	437,430
GLAA / total assets (%)	63.4%	64.2%	65.7%	74.9%	75.0%	75.7%	71.8%	70.5%	68.3%	76.3%	76.1%	75.3%

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