

# Australian Bank Balance-Sheet Resilience

FY2016–FY2025 Issuer–primary history, APRA context and property–loss mechanics

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# 1 Executive reading

The four major Australian banks entered FY2025 with substantial reported equity and CET1 buffers, while their balance sheets remain structurally exposed to residential-property conditions through different reported mortgage measures. Across the non-synchronous four-bank benchmark, total assets rose from **AUD 3,464.6bn** in FY2016 to **AUD 4,885.9bn** in FY2025; reported total equity rose from **AUD 227.9bn** to **AUD 287.4bn**; and the selected residential-mortgage exposure rose from **AUD 1,467.7bn** to **AUD 2,144.2bn**. The mortgage-to-equity multiple increased from **6.44x** to **7.46x**.

## The conclusion in one line

Australian bank balance sheets show meaningful reported equity and prudential capital, but mortgage exposure has grown faster than reported equity in the four-bank benchmark; that makes retained earnings, capital management and realized credit loss performance central through the next cycle.

This is a narrower conclusion than a bank-failure claim. A decline in house prices can increase the share of borrowers in negative equity, but it does **not** directly translate into bank losses or negative bank equity. Realised losses also depend on default rates, loss-given-default, loan-to-value distributions, borrower recourse, mortgage insurance, provisions, earnings, tax, funding conditions and non-mortgage portfolios. APRA's current severe scenario includes a 40% housing-price fall, 10% unemployment, higher funding costs and a cyber incident; it is a multi-factor resilience exercise, not a single price threshold for bank solvency.

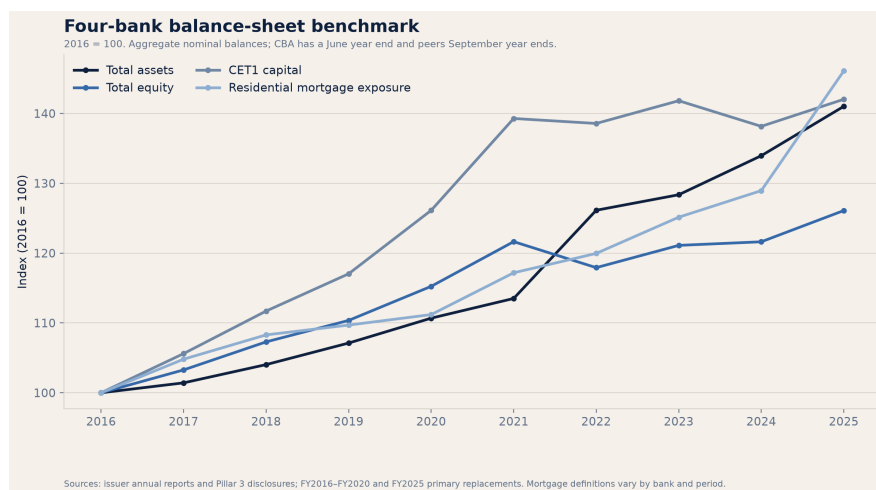


Figure 1: Four-bank balance-sheet and profit benchmark.

## Chapter findings

Equity and CET1 increased, while selected mortgage exposure grew faster than reported equity; a property-price fall is a risk trigger, not a direct loss.

## 2 The ten-year four-bank benchmark

The issuer aggregate is descriptive, not a credit rating. It uses FY2016 = 100 and aggregates CBA, Westpac, NAB and ANZ. CBA's 30 June year end differs from the 30 September year ends of the other three banks, so annual totals should be read as a non-synchronous benchmark rather than a single reporting-date balance sheet.

| Four-bank benchmark                    | FY2016        | FY2025        | FY2025 index |
|----------------------------------------|---------------|---------------|--------------|
| Total assets                           | AUD 3,464.6bn | AUD 4,885.9bn | 141.0        |
| Reported total equity                  | AUD 227.9bn   | AUD 287.4bn   | 126.1        |
| CET1 capital                           | AUD 157.8bn   | AUD 224.1bn   | 142.0        |
| Selected residential-mortgage exposure | AUD 1,467.7bn | AUD 2,144.2bn | 146.1        |
| Statutory NPAT                         | AUD 22.7bn    | AUD 29.7bn    | 130.8        |
| Ordinary cash dividends                | AUD 23.4bn    | AUD 23.0bn    | 98.1         |

Mortgage exposure expanded more quickly than reported total equity over the benchmark period, while CET1 capital increased strongly. The relationship matters because a larger mortgage stock makes loss assumptions and distribution discipline more consequential; it does not show that capital is inadequate.

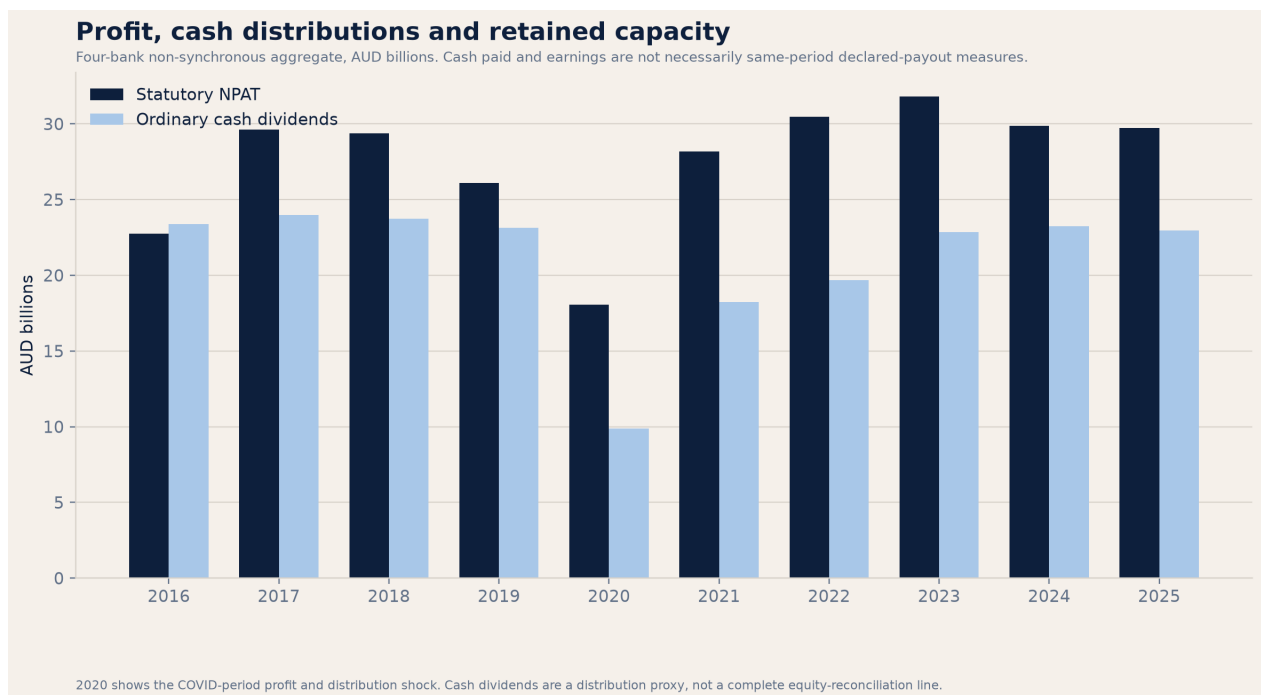


Figure 2: Four-bank statutory profit and cash-distribution trend.

### 2.1 APRA aggregate ADI context

The four-bank issuer benchmark is intentionally not a whole-system series. Separately, APRA's aggregate ADI data show total assets increasing from **AUD 4,639.8bn** in 2016 to **AUD 6,673.0bn** in 2025, reported total equity from **AUD 268.1bn** to **AUD 357.2bn**, and aggregate residential-mortgage exposure from **AUD 1,429.7bn** to **AUD 2,391.8bn**. The reported CET1

ratio moved from **10.2%** to **12.4%**, while reported equity-to-assets moved from **5.78%** to **5.35%**.

### Benchmark boundary

The APRA aggregate is prudential-system context only. It is not added to the four-bank benchmark and is not an input to the four-bank property-loss sensitivity. This avoids double counting and preserves the different reporting bases.

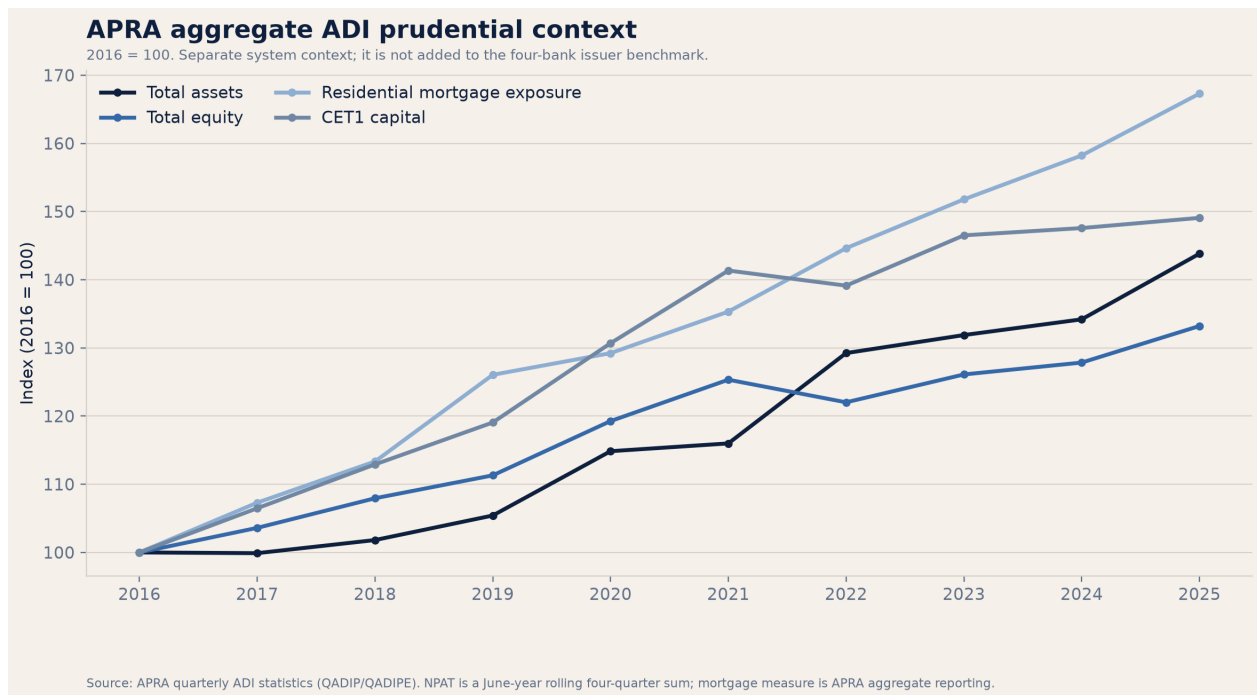


Figure 3: APRA aggregate ADI prudential context, FY2016 = 100.

### Chapter findings

The four-bank benchmark is descriptive and non-synchronous; APRA is separate system context; mortgage exposure and CET1 rose while equity-to-assets changed more modestly.

### 3 FY2025 bank-by-bank snapshot

The selected mortgage-exposure field is deliberately described as a **reported measure**, not as a perfectly standardised Australian-home-loan stock. CBA and Westpac use broader residential-mortgage exposure approaches in their prudential disclosures, while NAB and ANZ combine reported IRB and standardised residential-mortgage EAD under their stated scope. The comparison is directional.

| FY2025 reported metric        | ANZ           | CBA           | NAB           | Westpac       |
|-------------------------------|---------------|---------------|---------------|---------------|
| Total assets                  | AUD 1,297.7bn | AUD 1,353.8bn | AUD 1,109.1bn | AUD 1,125.4bn |
| Reported total equity         | AUD 71.9bn    | AUD 78.8bn    | AUD 63.6bn    | AUD 73.1bn    |
| CET1 ratio                    | 12.00%        | 12.30%        | 11.70%        | 12.53%        |
| Selected residential mortgage | AUD 438.3bn   | AUD 709.4bn   | AUD 426.7bn   | AUD 569.9bn   |
| Mortgage exposure / assets    | 33.8%         | 52.4%         | 38.5%         | 50.6%         |
| Reported equity / assets      | 5.5%          | 5.8%          | 5.7%          | 6.5%          |
| Statutory NPAT                | AUD 5.9bn     | AUD 10.1bn    | AUD 6.8bn     | AUD 6.9bn     |

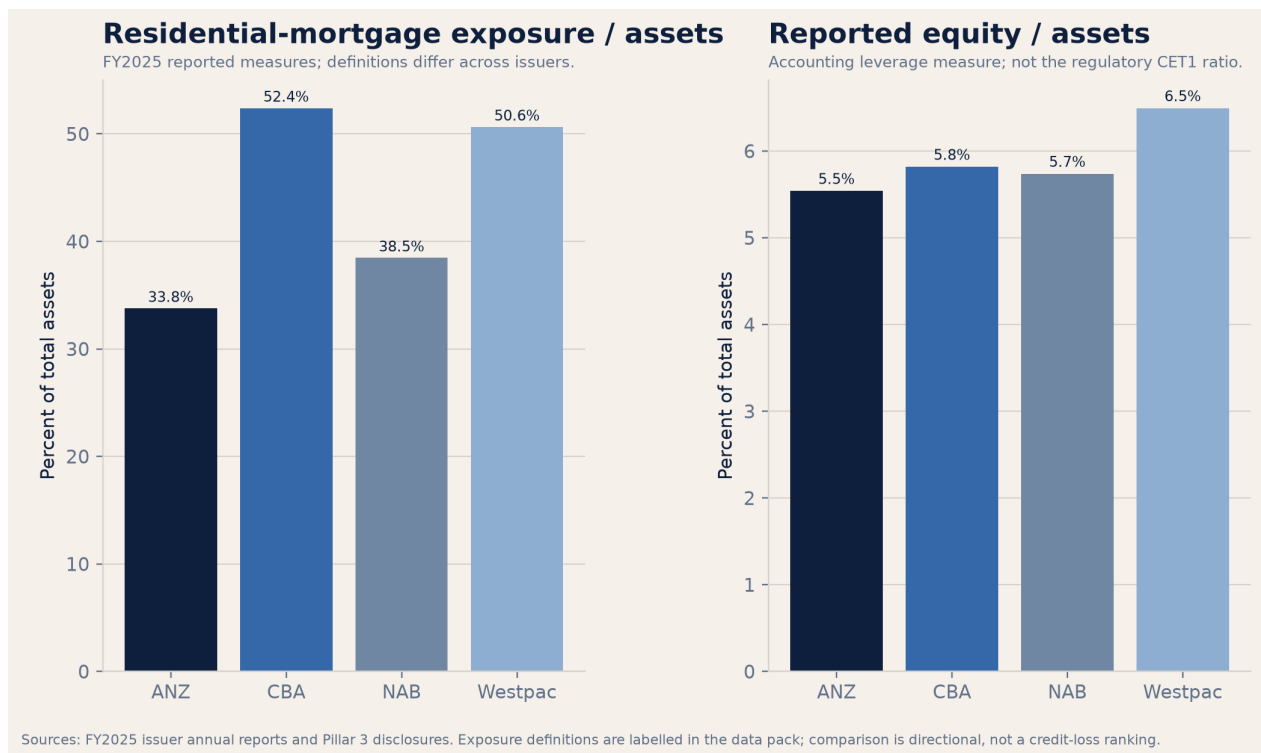


Figure 4: FY2025 mortgage exposure and reported equity comparison.

#### Chapter findings

FY2025 reported equity and CET1 buffers are material at each bank; mortgage definitions differ, but CBA and Westpac show the higher selected exposure-to-assets ratios.

## 4 What sits on the balance sheet — and what sits behind it

The asset-mix question is fundamental to a fragility assessment. The major banks report **financial assets**: cash and liquidity, market and other financial assets, loans and advances, and a smaller operating, tax and intangible-asset category. Property pledged by borrowers is usually [Security supporting a lending exposure \(Collateral\)](#), not property owned by the bank. The relevant on-balance-sheet claim is the loan; the relevant credit-risk question is whether the borrower will repay and, if not, how much can be recovered after enforcing security.

### FY2025 group asset mix

Audited issuer balance-sheet categories, AUD billions. The loan slice is a financial asset; pledged property is collateral, not a property asset held on the balance sheet.

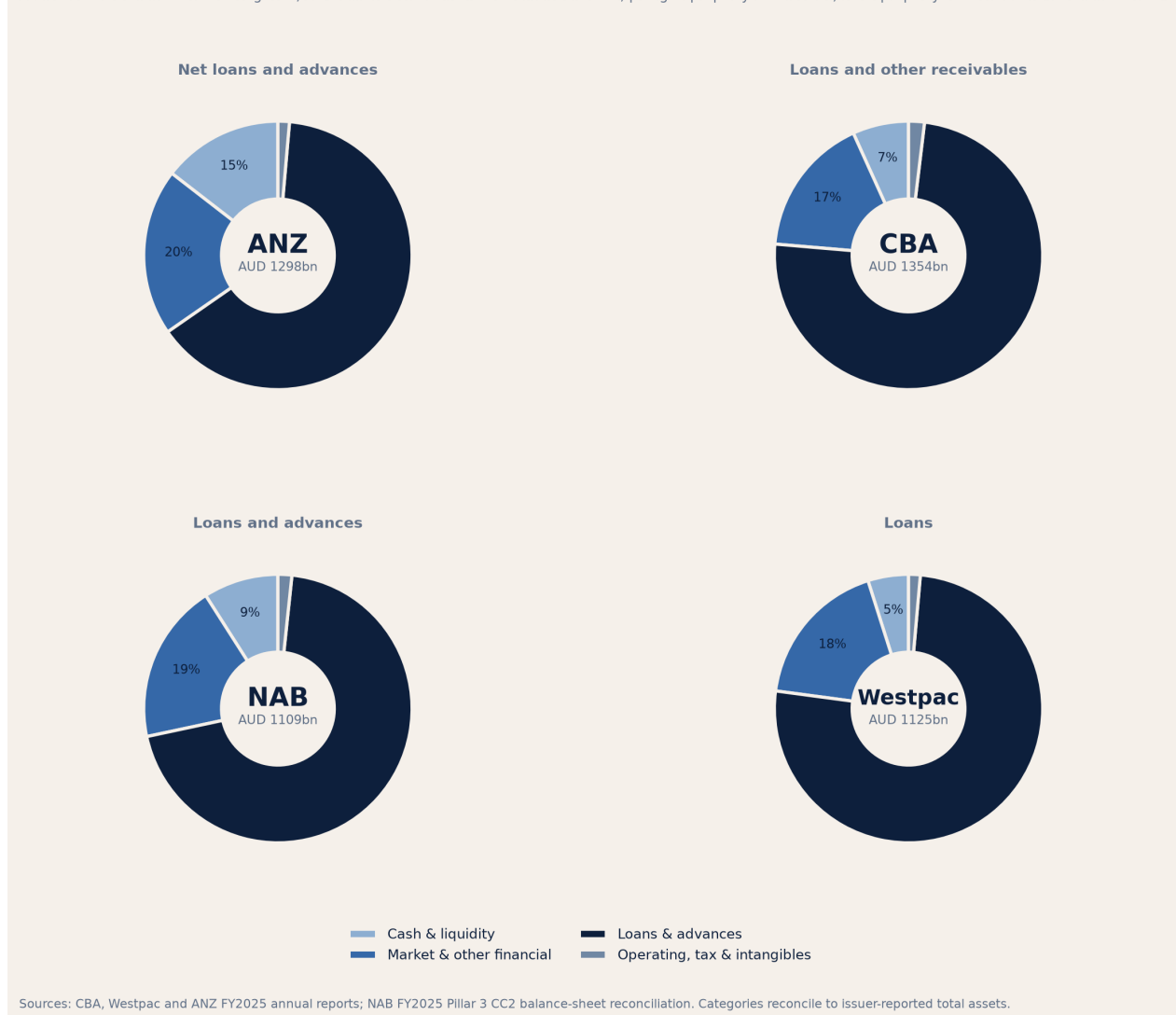


Figure 5: FY2025 group asset mix — balance-sheet assets, not collateral ownership. The chart groups issuer-reported balance-sheet categories consistently enough to show the balance-sheet shape. It does **not** convert collateral into an owned property asset. CBA, Westpac and ANZ source the categories from their FY2025 audited group balance sheets; NAB uses the FY2025 Pillar 3 CC2 reconciliation to its published balance sheet. The four groups report loans or advances as their largest asset category, but this financial-asset

category also includes non-property lending and does not reveal a universal domestic, international or commercial-property split.

#### 4.1 Property-disclosure coverage

| Issuer  | Selected residential measure                        | Commercial-property disclosure              | Boundary                                                                                                                                                                 |
|---------|-----------------------------------------------------|---------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| ANZ     | AUD 438.3bn reported residential-mortgage measure   | No compatible total identified              | The annual report explains that housing loans are secured by residential mortgages and business lending may be secured by commercial real estate and/or business assets. |
| CBA     | AUD 709.4bn reported residential-mortgage EAD       | AUD 72.3bn in-scope drawn lending           | Includes AUD 62.4bn Australian and AUD 9.9bn New Zealand commercial-property drawn lending; it is not total CRE EAD.                                                     |
| NAB     | AUD 426.7bn normalized residential-mortgage measure | AUD 94.7bn commercial-property industry EAD | The commercial figure is credit and counterparty-credit-risk EAD after CCF and CRM, not a balance-sheet asset.                                                           |
| Westpac | AUD 569.9bn reported residential-mortgage EAD       | No compatible total identified              | Note 11 reports collateral coverage by housing, personal and business-loan classes instead of a directly comparable CRE total.                                           |

The table is deliberately incomplete where the issuer definition is incomplete or non-comparable. International property is separately observable in the selected CBA commercial-property drawn-lending disclosure, but a comparable international-property series is not established for all four banks. Treating missing values as zero, or combining unlike EAD, drawn-lending and accounting-carrying-value measures, would produce a misleading property mix.

#### Chapter findings

Loans are the financial assets; property is normally security. The four issuers disclose different property-linked measures, so the research preserves those differences instead of manufacturing a single property-asset share.

## 5 From property-price movement to bank loss: the required transmission

The user's intuition is useful as a **counterfactual scale check**: if a bank owned property equal to 50% of total assets and that property fell 15%, the hypothetical direct asset movement would equal 7.5% of total assets. That is **not** how a mortgage bank's accounting works. A mortgage lender does not record the collateral property as its asset; it records a loan receivable. Therefore, the 15% property movement cannot be deducted one-for-one from reported total assets or equity.

The bank-loss pathway is: a property-price movement changes **Loan-to-value ratio (LTV)** and borrower incentives; borrower stress and repayment capacity alter probability of default; recoveries after default determine **Loss given default (LGD)** and the expected credit-loss framework updates provisions and profit. Under IFRS 9, **Expected credit loss (ECL)** reflects past events, current conditions and reasonable forward-looking information. The RBA likewise frames bank credit losses as arising from borrower default and resulting provisioning or write-offs, rather than a direct collateral revaluation [6] [7] [8].

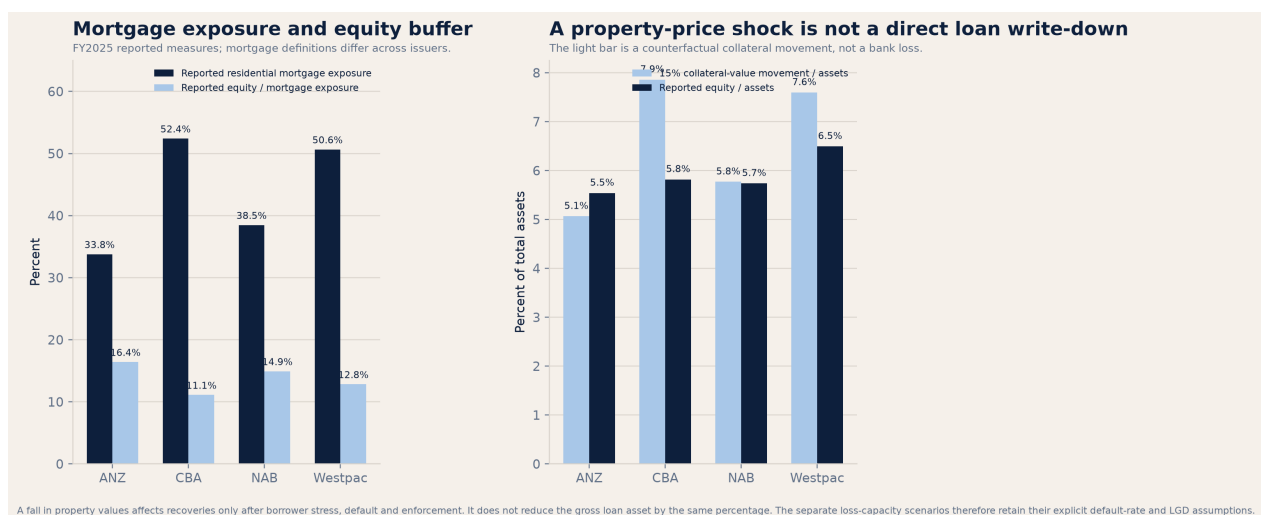


Figure 6: Collateral-value movement versus reported equity — the light bars are a counterfactual, not a loan-loss result.

For the chart's light bars, the calculation is: **15% × selected residential-mortgage exposure / reported total assets**. The result ranges from 5.1% of total assets for ANZ to 7.9% for CBA. It is included to make the scale of a property-price movement intuitive; it is not booked as a loss in this report. The navy comparison bars show reported equity as a share of assets. A visual crossover is a reminder that a direct collateral haircut would be the wrong accounting model, not evidence of negative bank equity.

### 5.1 The solvency sensitivity retained in this report

The report instead retains a transparent **illustrative non-accounting comparison (Counterfactual)** loss-capacity framework: **estimated mortgage loss = selected mortgage EAD × default rate × loss-given-default**. House-price falls can create negative-equity cohorts, but the model must separately assume the share of borrowers that default and the severity

of loss after recovery. For that reason, a property fall only enters the existing scenarios as an LTV/negative-equity trigger; the estimated capital impact depends on assumed defaults and LGD.

**What this update changes**

The research now shows each bank's audited balance-sheet mix and makes the 15% property-value intuition visible. It does not replace the loss-capacity model with a direct haircut, because a direct haircut would misstate both the asset recorded by the bank and the loss-recognition pathway.

**Chapter findings**

The key fragility question is not "how much property does a bank own?" but whether a deterioration in property values and borrower conditions would drive defaults, loss severity, provisions and earnings losses large enough to erode the equity and prudential-capital base.

## 6 The property-price question: what can be measured

For a loan with a current LTV of 80%, a 20% price fall can create negative equity; for a 70% current LTV, the equivalent threshold is a 30% fall; and for a 60% current LTV, it is a 40% fall. The banks do not publicly disclose a fully comparable portfolio distribution for every such threshold. It would therefore be unsound to calculate a single observed property-price fall that makes any bank's equity negative.

Instead, this report uses a mechanical sensitivity: reported total equity divided by the selected mortgage EAD, then translated into the default rate that would exhaust reported equity at a stated loss-given-default. At an **illustrative 30% LGD**, the default-rate equivalents are **37.0% for CBA, 42.8% for Westpac, 49.7% for NAB and 54.7% for ANZ**. These are not forecasts, probability estimates or regulatory stress-test results.

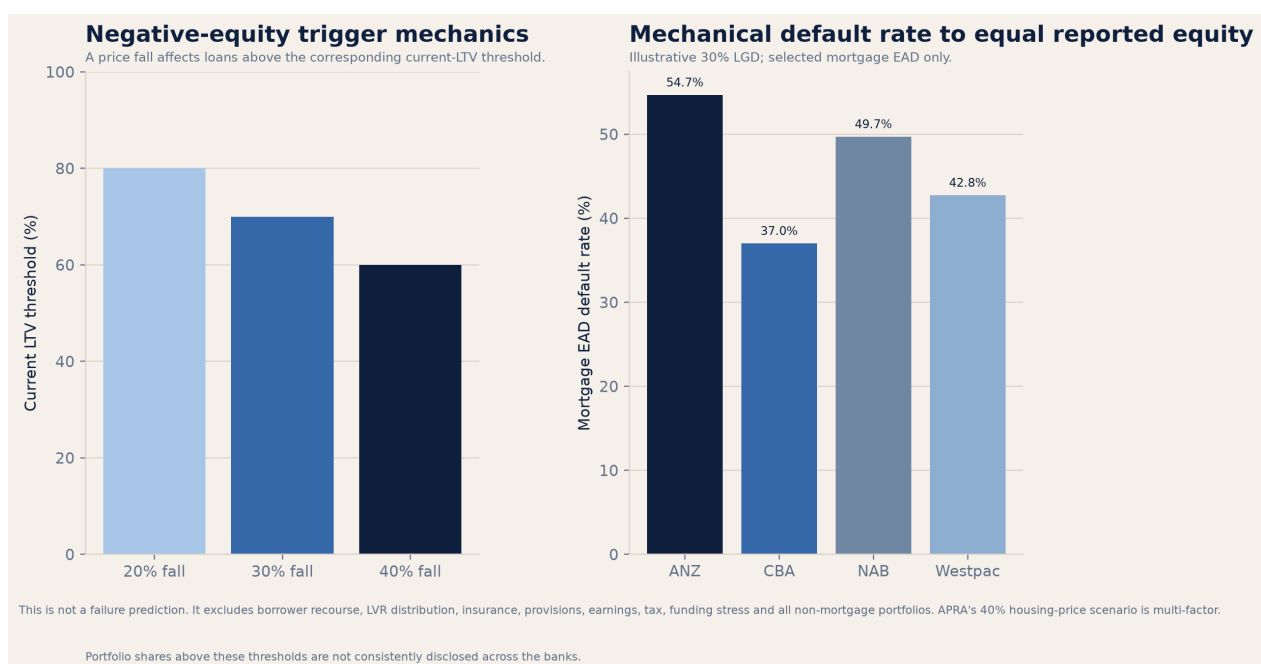


Figure 7: Negative-equity thresholds and illustrative equity-exhaustion mechanics.

### 6.1 Formula and boundary

#### Mechanical formula

Estimated mortgage loss = selected mortgage EAD × default rate × loss-given-default.  
A house-price fall identifies potential negative-equity cohorts; it does not itself create a realised bank loss.

#### Chapter findings

Negative equity, default and realised loss are distinct; the illustrative default-rate equivalents are mechanics, not forecasts, and loss severity depends on LTV, arrears, provisions and earnings.

## 7 Profit, distributions and the quality of the equity base

The equity base moves with retained earnings, ordinary and special distributions, share issuance or buy-backs, OCI, foreign exchange, acquisitions, regulatory adjustments and asset-risk migration. The FY2025 bridge therefore keeps cash paid, proposed finals, DRP/BOP mechanics and capital actions distinct.

### CBA

Cash paid: AUD 7.949bn. Proposed final: AUD 4.351bn. The final DRP is expected to be satisfied through on-market purchase. Separately disclosed FY2025 buy-back: AUD 0.018bn.

### Westpac

Cash paid: AUD 5.215bn. Proposed final: AUD 2.634bn. The final DRP is satisfied through third-party market purchases with no discount. No separately normalized FY2025 capital-action amount is used in this bridge.

### NAB

Cash paid: AUD 5.209bn. Proposed final: AUD 2.604bn. The final DRP is available without a discount; the paid-dividend DRP was satisfied through on-market purchases. Separately disclosed FY2025 buy-back: AUD 0.616bn.

### ANZ

Cash paid: AUD 4.580bn. Proposed final: AUD 2.476bn. DRP/BOP terms apply. A AUD 2bn buy-back program began in FY2024, but FY2025 execution is not separately normalized in this bridge.

The bridge establishes that distributions were material but does **not** support a claim that equity was simply “stripped out.” CBA and NAB FY2025 buy-backs are separately disclosed. Westpac does not provide a separately normalised FY2025 capital-action amount in the reviewed disclosure, while ANZ’s reviewed FY2025 report describes its program but does not separately normalise FY2025 execution. Those values are neither assumed to be zero nor estimated here. Ordinary cash paid, declared payout ratios, proposed finals and buy-backs are not added into a synthetic payout measure.

### Chapter findings

Cash paid, proposed finals, DRP/BOP and buy-backs are not one payout measure; Westpac and ANZ execution values are not estimated; retained earnings and prudential adjustments also shape equity.

## 8 Olivier Adolphe's perspective

› Resilience is not a marketing claim. It is the practical relationship between the risks a balance sheet chooses to carry, the capital retained to absorb stress, and the discipline to keep serving customers and shareholders through a cycle.

For shareholders and boards, property exposure should be monitored alongside funding, loan seasoning, arrears, provisioning, capital buffers, earnings retention and management's distribution choices. The point is not to predict a collapse from a chart. It is to ask whether the equity base, prudential capital and retained earnings are keeping pace with the risks accumulated.

### Chapter findings

Resilience is the relationship between risk, capital and retained earnings; boards should connect property exposure with funding, arrears, provisions and distribution choices.

## 9 Data limits, definitions and disclosure

Issuer-primary FY2016–FY2025 assets, equity and statutory-profit series underpin the report, with FY2025 annual-report and Pillar 3 reconciliation. Historical cash-dividend and selected mortgage-exposure measures retain their issuer-defined source basis and are not fully interchangeable. The new group asset-mix categories reconcile to issuer-reported FY2025 total assets but do not identify property collateral by type. CBA's year end is 30 June; Westpac, NAB and ANZ use 30 September. The four-bank benchmark is not market-cap weighted and excludes smaller ADIs, non-banks and other Australian housing lenders.

**Basis:** statutory profit, reported total equity, APRA-basis CET1 and issuer-defined mortgage-exposure measures. **Time:** FY2016–FY2025; research date 26 August 2026. **Assumptions:** the illustrative property sensitivity uses selected mortgage EAD and a stated LGD only. **Sources and confidence:** issuer annual reports, Pillar 3 reports and APRA statistics; definition differences are material and disclosed.

### Research disclosure

This is research and analysis only, not personalized financial advice. It is not a credit rating, investment recommendation, bank-failure forecast or a forecast of property prices.

## 10 Defined terms

**CET1 – Common Equity Tier 1 capital:** A prudential capital measure distinct from accounting total equity and subject to regulatory adjustments.

**Collateral – Security supporting a lending exposure:** Assets pledged by a borrower to support repayment and recovery. Collateral is normally not an asset owned by the lending bank.

**Counterfactual – Illustrative non-accounting comparison:** A deliberately simplified calculation used to explain a transmission mechanism. It is not a forecast, accounting result or solvency conclusion.

**EAD – Exposure at default:** The issuer-defined exposure measure used in prudential credit-risk disclosures. It is not necessarily the accounting carrying value of loans.

**ECL – Expected credit loss:** A forward-looking allowance for expected contractual cash-flow shortfalls under the impairment framework.

**LGD – Loss given default:** The proportion of an exposure expected to be lost after default, after recoveries and costs. It is not a property-price change.

**LTV – Loan-to-value ratio:** The loan balance divided by the value of collateral. A property-price fall can increase this ratio without changing the loan principal immediately.

## 11 Sources

- [1] Commonwealth Bank of Australia, FY2025 Annual Report and Pillar 3 disclosure; FY2016–FY2024 annual reports.
- [2] Westpac Banking Corporation, FY2025 Annual Report and Pillar 3 disclosure; FY2016–FY2024 annual reports.
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- [4] Australia and New Zealand Banking Group, FY2025 Annual Report and Pillar 3 disclosure; FY2016–FY2024 annual reports.
- [5] Australian Prudential Regulation Authority, Quarterly Authorised Deposit-taking Institution Statistics (QADIP/QADIPE) and System Risk Outlook, May 2026.
- [6] Reserve Bank of Australia, **Credit Losses at Australian Banks: 1980–2013**, May 2015, section 2.1.
- [7] Bank for International Settlements, **IFRS 9 and expected loss provisioning — Executive Summary**.
- [8] IFRS Foundation, **IFRS 9 Financial Instruments — Illustrative Examples**, expected-credit-loss examples involving collateral and mortgage LTV.