

Profit in home lending: April 2026 edition

The big four banks make \$229,000 in profit on the average 30-year home loan for owner-occupiers. An analysis of the data suggests big banks profit disproportionately from housing loans to owner occupiers.

Technical brief

David Richardson

May 2026

The Australia Institute - Research that matters

Established in 1994, The Australia Institute is an independent public policy think tank with offices in Canberra, Hobart, Melbourne and Adelaide providing intellectual and policy leadership across a broad range of economic, social and environmental topics. We conduct research that drives the public debate and secures policy outcomes that make Australia better – research that matters.

The Australia Institute is funded by donations from philanthropic trusts and individuals, as well as grants and commissioned research from business, unions and non-government organisations. We do not accept donations or commissioned work from political parties. With no formal political or commercial ties, the Institute maintains its independence while advancing a vision for a fairer Australia.

Donations to our Research Fund are tax deductible, and can be made via our website or by calling the Institute:

Level 1, 113 Canberra Avenue,
Griffith, ACT 2601
Tel: (02) 6130 0530
Email: mail@australiainstitute.org.au
Website: www.australiainstitute.org.au

Acknowledgement of Country

The Australia Institute recognises the ancestral connections and custodianship of Traditional Owners throughout Australia. We pay respect to Aboriginal and Torres Strait Islander cultures and to Elders past and present.

Contents

Summary.....	4
Introduction.....	1
Australian banks are profitable	2
Methodology	4
Findings and analysis	6
Implications for home buyers.....	8
Discussion and conclusions	10

Summary

Australian banks are very profitable by world standards. In their latest reporting year, the big four banks made aggregate pre-tax profits of \$43.0 billion. The big four banks rank among the top seven listed companies in Australia when ranked by their profit. If ranked by capitalisation the big four banks are among the top six listed companies. Among their activities, these high profits reflect the high profit margins (1.51%) applied by the big four banks to owner-occupier housing loans, which are higher than the profit margins of *all* banks (1.41%). Between them, the big four banks extracted profit of approximately \$16.9 billion from households with owner-occupier home loans in 2025. That means the profit on owner-occupied housing loans is 39.3% of the big four's total profit while those loans are just 22.7% of their business.

Australia Institute research shows the big four banks take profit of approximately \$11,110 in the first year from households with an average owner-occupier home loan. This is \$926 each month, or \$214 per week, from homeowners. Over the life of an average 30-year loan, that will amount to \$228,900. This is 31% of the average mortgage.

Introduction

The purpose of this study is to estimate the amount mortgages for owner-occupiers contributed to the profits of the big four banks (big four): ANZ Bank, the Commonwealth Bank of Australia, the National Australia Bank and Westpac Banking Corporation. The background to this study is the suggestion that the corporate sector in Australia has contributed to the cost-of-living crisis through price gouging. Data is presented for the big four together with data for all Authorised Deposit-taking Institutions (ADIs) which includes *all* banks together with the credit unions and building societies. The results of this study will throw some light on the issue of whether there is price gouging in the banking sector and whether the banks are contributing to cost-of-living pressures.

This is the third edition of this study. Earlier editions were published in 2012 and in 2024.¹

¹ Richardson D (2012) *The profit in home lending*, <https://australiainstitute.org.au/report/the-profit-in-home-lending/>; Richardson D (2024) *Profit in home lending*, <https://australiainstitute.org.au/report/profit-in-home-lending/>

Australian banks are profitable

In the 2012 edition of this paper, we mentioned that Australia's big four are extremely profitable by world standards and by the standards of other companies in Australia. This has not changed. In their latest financial reports, the big four report aggregate pre-tax profits of \$43.0 billion.² The Commonwealth Bank is the 11th largest bank in the world while the other big four banks are also included in the top 50 world banks by market capitalisation.³ Earlier research by *Trading Economics* based on World Bank data shows Australia is ninth among 32 “advanced countries” when its banks are ranked by return on equity.⁴ One of those ranked higher than Australia is New Zealand which, in any event, is dominated by Australia's banks.

Within Australia, the big four make up four of the top six most profitable listed companies, as shown in Table 1 below. (Note that Table 1 is an American source, with figures reported in US\$ billions. This is also consistent with BHP and Rio’s annual reports that report results in US\$, not Australian dollars.)

Table 1: Top six most profitable companies by rank

Rank	Company	Profit (US\$ billions)
1	Rio Tinto	\$10.7
2	BHP Group	\$10.2
3	Commonwealth Bank	\$7.4
4	Westpac Banking	\$5.0
5	National Australia Bank	\$4.9
6	ANZ	\$4.2

Source: Finance charts (2026) Most Profitable Companies in Australia for April 2026, 28 April
https://www.financecharts.com/screener/most-profitable-country-au#google_vignette

Apart from the two miners, Rio Tinto and BHP, the big four take up the rest of the top six companies in Australia by profitability. Similar results are obtained if we rank the top listed companies by market capitalisation as shown in Table 2 below. It can be argued that the market capitalisation of a company is the market’s valuation of the expected future profit stream of that company.

² ANZ, Commonwealth Bank, National Australia Bank and Westpac *Annual Reports 2026*.

³ BanksDaily.com (2026) Top 50 Banks in the World 2025 at <https://banksdaily.com/topbanks/World/market-cap-2025>

⁴ Trading Economics (2026) *Bank Return On Equity (% , After Tax) By Country*, at <https://tradingeconomics.com/country-list/bank-return-on-equity-percent-after-tax-wb-data.html>. “Advanced countries” refers to those included in the IMF classification of “advanced countries”.

Table 2: Australian listed companies by capitalisation, A\$ billions

Company	Capitalisation (A\$ billions)
Commonwealth Bank	\$292
BHP Group	\$285
Westpac	\$133
NAB	\$123
ANZ	\$109

Source: The Australian (2026) "Top 150 Companies" *The Weekend Australian*, 25 April.

Table 2 shows that the big four banks are among the top five listed companies in Australia at close of business, 24 April 2026. Collectively those big banks had a market capitalisation of \$657 billion. Interestingly the sixth company is also a bank, Macquarie Bank, with a market capitalisation of \$89 billion.

We now turn to the main objective of this paper, to explore the profitability of the mortgage market and the implication for home-buyers.

Methodology

In this section we estimate how much profit the banks make from home loans to households for owner-occupation. The method used is to estimate the average profit margin on bank home loans and then to apply that margin to the outstanding loans to households. The estimates here are based on data which comes from statistics published by the Australian Prudential Regulation Authority. The data include smaller banks together with credit unions and building societies. The two sources are the monthly and quarterly publications for all authorised deposit-taking institutions (ADIs) using average of the 4 quarters to December 2025.⁵

Rows 2 to 4 in Table 3 are balance sheet items averaged over the full year and include total assets, housing loans for owner-occupiers and housing loans for investors.

The operating items (Rows 6-9 in Table 3) include:

- interest income banks earn on housing loans (Row 6)
- total interest expenses (Row 7)
- total operating expenses (Row 8). Total operating expenses as a rule also include charges for bad and doubtful debt but we have listed them separately in Table 3 because of the intrinsic interest in that item.
- charges for bad and doubtful debt (Row 9).

Row 11 is the interest rate reported by the Reserve Bank using a 12-month average of the monthly averages over 2025.

Rows 12 to 15 are the author's calculations. The interest income banks earn on housing loans for owner occupation is based on our own calculations derived from the outstanding loans to owner-occupiers (Row 3) and the interest rates for owner-occupiers reported (Row 11).

The average percent interest expense allocated over all assets (Row 12) is calculated by dividing row 7 by row 2. Average interest expenses were allocated over all assets and taken to be the cost of funds for the institutions concerned. Interest expenses arise from a bank's liabilities (deposits, loans and other debts), and we then allocate them over the asset base to get the cost of raising the funds lent for housing and other purposes.

Other bank costs have been allocated across the bank businesses in the same way as interest expenses, we divide row 8 by row 2. We assume that non-interest expenses are

⁵ APRA (2026) *Monthly authorised deposit-taking institution statistics back-series, March 2019 to March 2026*, 30 April at <https://www.apra.gov.au/monthly-authorized-deposit-taking-institution-statistics> and APRA (2026) *Quarterly authorised deposit-taking institution statistics, September 2004 to December 2026*, 12 March.

allocated pro rata across the banks' businesses. Likewise, the charge for bad and doubtful debt in row 14 is allocated pro rata. Both are expressed as a margin or percentage charge on housing loans. In this instance the pro rata allocation of the charge for bad and doubtful debts may be too high given that home loans tend to be insured and that they tend to be much better risks than other lending. However, the pro rata allocation lends a conservative bias to our results. As a result, we are confident that our estimates of the profit margins earned by the big four banks on their mortgages are likely to be lower than that which are produced in reality. We have chosen to take a conservative position because bankers tend to use risk of default and fraud as a justification for high interest charges.⁶

The pre-tax profit margin for owner-occupier loans (Row 15) is calculated by deducting the interest expense and the expense margin, which includes the bad and doubtful debt margin, from the average interest rate on housing (Row 11 minus rows 12 and 13). By deducting interest and other expenses from the interest on owner-occupied loans the result is the pre-tax profit margin on those loans.

⁶ This excuse has come up again recently in the context of the debit card surcharge issue. See Eyers J (2024) "Why you pay \$5.08 for a \$5 coffee", *Australian Financial Review*, 6 September.

Findings and analysis

The results in Table 3 show that the big four banks produced profit margins of 151 basis points (or 1.51%) of the value of their housing loans. These figures exceed the total ADIs figure of 141 basis points (or 1.41%).

Table 3: Authorised Deposit-taking Institutions and big four banks

		All ADIs	Big four banks
1	Balance sheet items		
2	Total assets (\$ billion)	6,682	4,935
3	Housing loans to households for occupiers (\$ billion)	1,594	1,118
4	Housing loans for investors (\$ billion)	755	569
5	Operating items		
6	Interest income on housing loans (\$ billion)	139	114
7	Total interest expense (\$ billion) (4 quarters to September 2025)	218	161
8	Total operating expenses (\$ billion)	72	49
9	Charge for bad and doubtful debt (\$ billion)	3.2	2.5
10	Rates per dollar of housing loan		
11	Average interest rate on housing loans for owner occupiers	5.75%	5.76%
12	Average interest expense allocated over all assets	3.27%	3.26%
13	Expense margin	1.08%	0.99%
14	Bad and doubtful debt margin (included in row 13)	0.05%	0.05%
15	Pre-tax profit margin for owner-occupier loans	1.41%	1.51%

Source: Author's calculations based on Table 1, APRA (2026) Quarterly authorised deposit-taking institution statistics, September 2004 to December 2025, 12 March, APRA (2026) *Quarterly authorised deposit-taking institution statistics, September 2004 to December 2026*, 12 March. and RBA (2026) *Statistics*.

Our estimate is conservative because we have not included the fees banks charge on housing loans in addition to the interest rates they charge. According to the RBA, bank fees on housing loans were \$856 million in 2023-24 (the latest figure) equal to approximately 0.1% of housing loans.⁷ In principle, that estimate of fees could be added to the interest charge to obtain the full profit figure.

However, bank fees are heavily loaded in favour of establishment fees but include on-going loan servicing fees. In addition, they are typically applied as fixed monthly or annual charges

⁷ RBA (2026) *Statistics*, Table C9. These figures include owner-occupied loans as well as other housing loans such as those for investment purposes and non-household borrowers.

that do not vary with the size of the loan. On top of that there is no breakdown by type of fee, nor allocation between the big four and other ADIs provided by the RBA.

By deducting expenses but not adding fees the results are necessarily a conservative estimate of the true profit margin on housing loans.

Implications for home buyers

The average value of new home loans for owner-occupied housing was \$736,000 in December 2025.⁸ Applying the profit margin to a loan of that size means that the average big four bank would be making a profit of around \$11,110 in the first year on a loan of that size.⁹ Put another way, a household in Australia that has taken out the average new loan with one of the big four banks would be paying \$214 per week in profit to their bank or on a monthly basis they are paying \$926 towards the banks' profit.¹⁰

Over the life of the loan, the value of the outstanding principle will decline and so the annual profit on the loan will gradually decline. A common Australian mortgage is for 30 years and requires monthly repayments. We can estimate the bank profit on that loan by estimating the repayments with and without the banks' 1.51% margin. Over the life of that loan the average profit received by a big four bank on an average home loan would be \$229,000. This estimate is based on the total interest cost as calculated in the Aussie home loan calculator.¹¹ The profit is estimated by using the ratio of the profit margin estimated in Table 1 to the average interest rate on housing. That ratio is applied to the value of the interest cost over the life of the loan. The interest rate assumed is 5.76%. To get the profit we compared total repayments at the standard variable with that rate less the 1.51% profit. profit estimate is the Australia-wide average and can be expected to be higher in inner-city areas and lower in outer suburbs and regions reflecting the variability in loan sizes.

When the estimate for the pre-tax profit margin is applied to outstanding loans to owner-occupiers, we estimate that the profit of the big four banks on owner occupier loans was \$16.9 billion or 39.3% of all profits. From the figures in Table 3 we can calculate housing loans for owner-occupation (Row 3) are just under a quarter (22.7%) of total assets of the big four banks. Those figures suggest that profits on housing loans to owner-occupiers contribute disproportionately to bank profits, 39.3% of profits on just 22.9% of banks' assets. As emphasised above, our estimates are conservative as the fees banks charge on housing loans have not been included in these calculations. Nevertheless, the results presented above show that the burden of bank profits fall heavily on homebuyers.

Furthermore, among the big four banks, close to a billion dollars, \$937 million, is spent on advertising which feeds into the banks' cost structure. Traditionally advertising is justified as performing a public benefit in providing information to the market. In this case the

⁸ ABS (2024) *Lending indicators, December quarter 2026*, 11 February.

⁹ This calculation is simply 1.51% of the value of the loan, \$736,000.

¹⁰ All figures have been rounded down to the nearest dollar.

¹¹ See Aussie (no date) Mortgage Repayment Calculator at <https://www.aussie.com.au/calculators/mortgage-repayments/>

justification is hard to see. As all the big four banks are offering virtually identical products there is little financial benefits to consumers from advertising as the similarity of the products and the lack of disclosure of any terms and conditions means that the advertising cannot be thought to be helping to meaningfully inform the market. Indeed, not only is the genuine information content absent, but consumers may also be misled by some bank advertising. For example, Westpac deliberately advertises its St George banking brand in a way that conceals from most viewers that St George is in fact wholly-owned by Westpac.¹²

¹² David Richardson (2018) *Submission to Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry*, The Australia Institute, March.

Discussion

Of course, a good part of bank profitability reflects high profit margins extracted from Australian homebuyers. The high profits of the big four banks are clear in the estimated \$11,110 profit extracted from the average new mortgages for owner occupiers in their first year, as well as the \$229,000 profit over the life of a home mortgage. Overall, it looks like the big four banks alone extracted profit of \$16.9 billion from households on their home loans for owner-occupation.¹³

We mentioned that total profits for the big four banks were \$43.0 billion in their last financial years. Profit on loans to owner-occupiers was \$16.9 billion or 39.3% of all profits yet these are just under a quarter (22.7%) of banks' total assets. Those figures suggest that profits on housing loans to owner-occupiers contribute disproportionately to bank profits, 39.3% of profits on just 22.7% of banks' assets.

Profit margins for home loans are lower at many of the smaller banks and so it is worth consumers shopping around. Canstar research shows the large variability in home loans with rates on offer that are much better than the offers from the big four banks.¹⁴ A quick inspection of the figures for a sample of offers shows loans ranging from 5.44% to 7.04% on 30 April 2026. Small changes in interest rates can translate into quite large savings over the life of the loan and even over the first year. For example, 1% on a \$500,000 loan is worth around \$5,000 in the first year, just under \$100 a week. It can also be a good idea to bargain with your own bank.

¹³ This figure is obtained by applying the profit margin in row 15 in Table 1 to the loans in row 3.

¹⁴ Sale J and Rinella N (2026) "Home loan comparison", *CANSTAR*, accessed 30 April 2026.