STATISTICS

Quarterly authorised deposit-taking institution performance statistics - Highlights

March 2020 (released 9 June 2020)

Highlights (Quarterly authorised deposit-taking institution performance statistics – March 2020)[1]

Authorised deposit-taking institution (ADI) population:

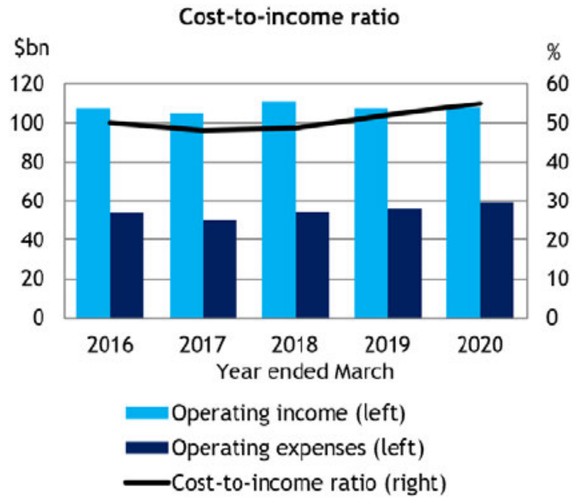
- The overall population of ADIs has remained stable during the year to March 2020. One ADI license was revoked (EECU Limited) in the March 2020 quarter, bringing the total number of licensed ADIs in Australia down to 147 as at 31 March 2020.

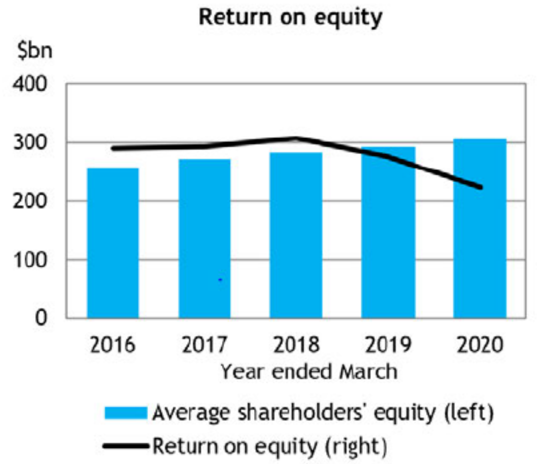
ADIs	Mar 2019	Jun 2019	Sep 2019	Dec 2019	Mar 2020
Banks					
Major banks	4	4	4	4	4
Other domestic banks	34	35	37	38	38
Foreign subsidiary banks	7	7	7	7	7
Foreign branch banks	46	47	48	48	48
All banks	**91**	**93**	**96**	**97**	**97**
Credit unions and building societies	**47**	**47**	**46**	**43**	**42**
Other ADIs	**7**	**7**	**7**	**7**	**7**
Restricted ADIs	**2**	**1**	**0**	**1**	**1**
All ADIs	**147**	**148**	**149**	**148**	**147**
Of which: mutual ADIs	69	69	68	66	65

Financial performance:

- ADIs' cost-to-income ratio increased to 55.0 per cent for the year ended 31 March 2020, compared to 51.9 per cent for the year ended 31 March 2019. This was attributed to a significant increase in charge for bad or doubtful debts (by more than fourfold to $5.4 billion in the March quarter), as well as falling operating incomes and higher operating expenses. Net profit after tax fell to $29.4 billion for the year ended 31 March 2020, a decrease of 14.1 per cent from the previous year ended March.

- Industry return on equity decreased to 9.0 per cent for the year ended 31 March 2020, from 11.0 per cent for the year ended 31 March 2019. Effects of COVID-19, continued margin pressures from the low interest rate environment, subdued credit growth and higher operating expenses have weighed on and will likely continue weighing on profitability in the short to medium term.



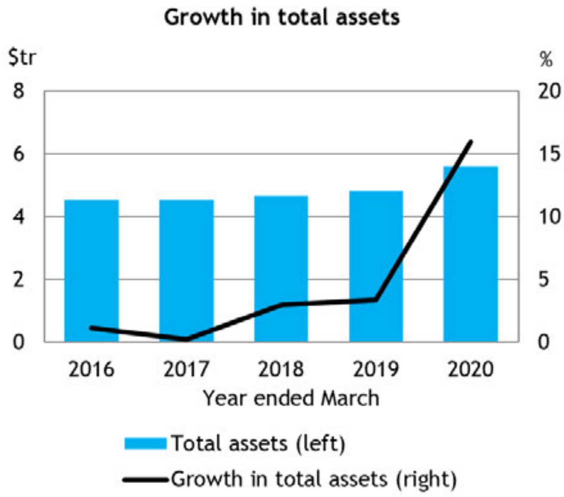


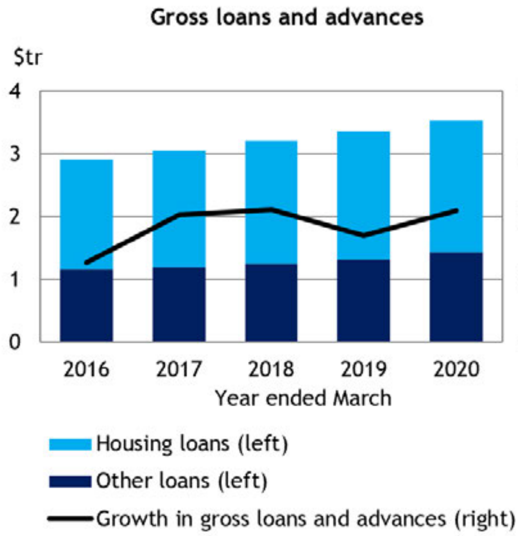
[1] Note: 'Other ADIs' are excluded from all figures other than population, total assets and risk-weighted assets. Foreign branch banks are excluded from return on equity and capital adequacy figures.

Financial position:

- ADIs had healthy financial positions as at 31 March 2020, with total assets increasing by 16.1 per cent to $5.6 trillion from 31 March 2019. Over the same period, gross loans and advances grew by 5.4 per cent, to $3.5 trillion. This was largely the result of a recovery in housing lending in late 2019 and early 2020.

- Growth in assets and liabilities over the year was most pronounced for the March 2020 quarter, with COVID-19 driving larger than usual movements in balance sheet items such as liquid assets, loans to businesses and deposit liabilities.

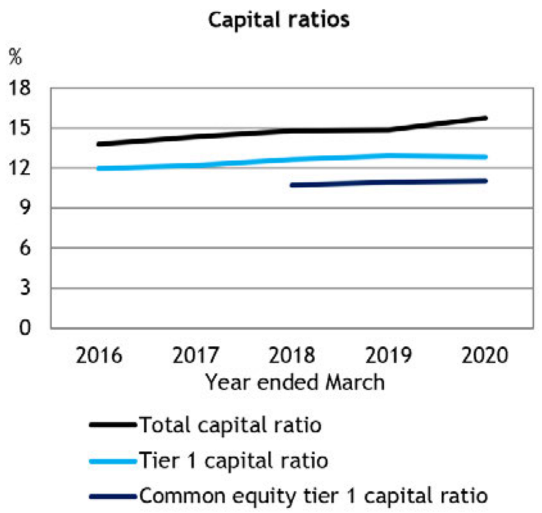


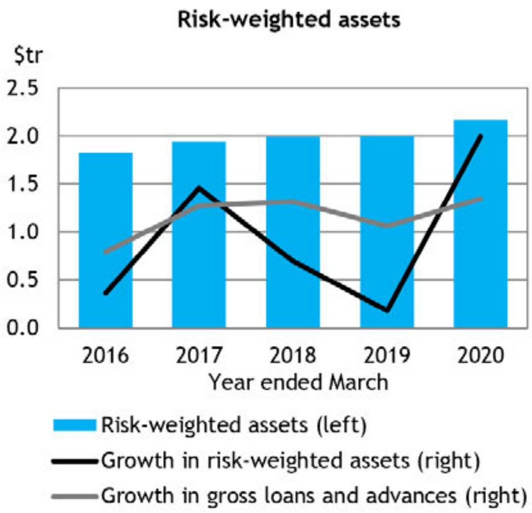


Capital adequacy:

- Total capital and common equity tier 1 capital ratios were 15.7 per cent and 11.0 per cent respectively, as at 31 March 2020. Although ADIs remain well-capitalised by historical standards, some capital ratios have decreased from the December 2019 quarter (including common equity tier 1 ratio by 0.3 percentage points), likely reflecting early impacts of COVID-19. Factors such as abrupt changes to capital markets, negative sentiment due to altered economic conditions, and pressure to maintain dividend rates despite declining profitability, will continue to place capital strain on ADIs.

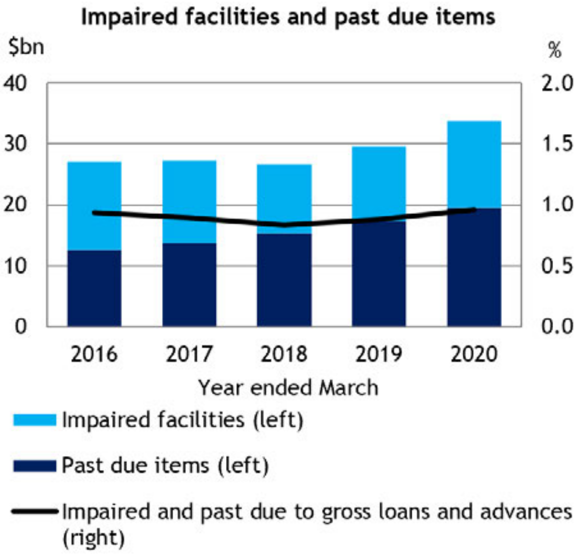
- Risk-weighted assets increased by 8.0 per cent from 31 March 2019, totalling $2.2 trillion as at 31 March 2020. Nonetheless, risk-weighted assets growth was outpaced by growth in total assets, with recent economic uncertainty likely driving shifts in preferences to safer assets.

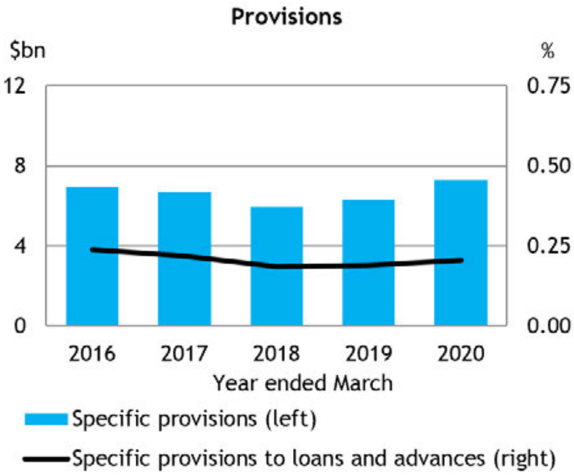




Asset quality:

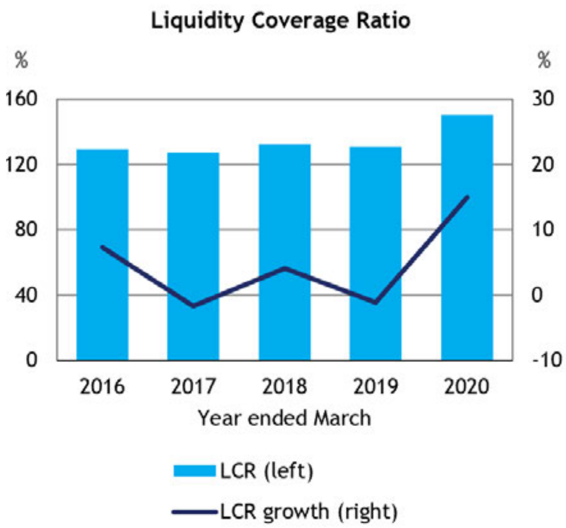
- Total impaired facilities, past due items and specific provisions, as well as the proportion of these indicators to gross loans and advances, have all increased from March 2019 levels. The change in impaired facilities was the most significant by percentage terms, increasing by 17.4 per cent between 31 March 2020 and 31 March 2019, to $14.3 billion. These movements likely capture the early impacts of COVID-19 on the credit risk environment, and asset quality can be expected to further deteriorate over the June 2020 quarter as unemployment increases. However, the recent introduction of relief measures such as repayment deferrals may dull this impact going forward.

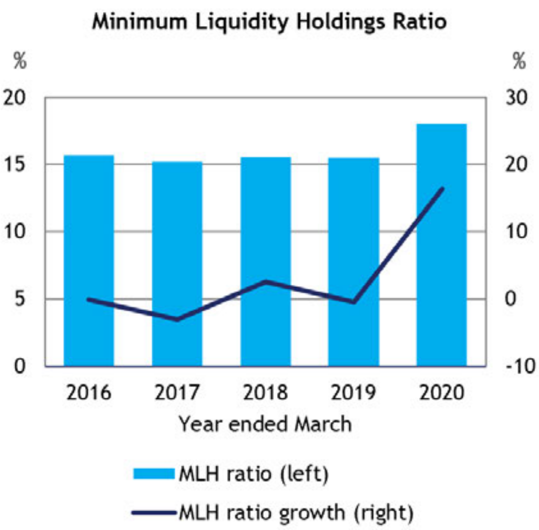




Liquidity:

- Liquidity positions of ADIs have strengthened from March 2019, with recent economic uncertainty driving ADIs to seek quality liquid assets and attract deposits. The Liquidity Coverage Ratio (LCR) and Minimum Liquidity Holdings (MLH) ratio have increased to 150.3 per cent and 18.1 per cent respectively, as at 31 March 2020. Current policy support measures, such as the RBA's Term Funding Facility, are expected to ease liquidity risks in the near-term.





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