STATISTICS

Quarterly authorised deposit-taking institution performance statistics - highlights

June 2020 (released 8 September 2020)

Contents

Authorised deposit-taking institution (ADI) population

Licensing and sector changes over the June 2020 quarter include the following:

- Hunter United Employees' Credit Union Limited had its licence revoked on 21 May 2020.
- Queensland Country Bank Limited changed its sector from credit union and building societies to other domestic banks on 14 April 2020.

Table 1.

ADIs	Jun 2019	Sep 2019	Dec 2019	Mar 2020	Jun 2020
Major banks	4	4	4	4	4
Other domestic banks	35	37	38	38	39
Foreign subsidiary banks	7	7	7	7	7
Foreign branch banks	47	48	48	48	48
All banks	93	96	97	97	98
Credit unions and building societies	47	46	43	42	40
Other ADIs	7	7	7	7	7
Restricted ADIs	1	0	1	1	1
All ADIs	148	149	148	147	146
Of which: mutual ADIs	69	68	66	65	64

Financial performance

ADIs' cost-to-income ratio increased to 56.1 per cent for the year ended 30 June 2020, compared to 52.1 per cent for the year ended 30 June 2019. This was driven by a 6.1 per cent increase in total operating expenses and a 1.5 per cent fall in total operating income over the period.

Industry return on equity decreased to 7.9 per cent for the year ended 30 June 2020, from 11.0 per cent for the year ended 30 June 2019. Industry profitability is impacted by the effect of COVID-19 on charges for bad or doubtful debts, which increased from $4.3 billion in the year ended 30 June 2019 to $11.9 billion in the year ended 30 June 2020. Other key factors weighing on profitability in the short to medium term include continued margin pressures from the low interest rate environment, subdued credit growth and higher operating expenses.

Figure 1.

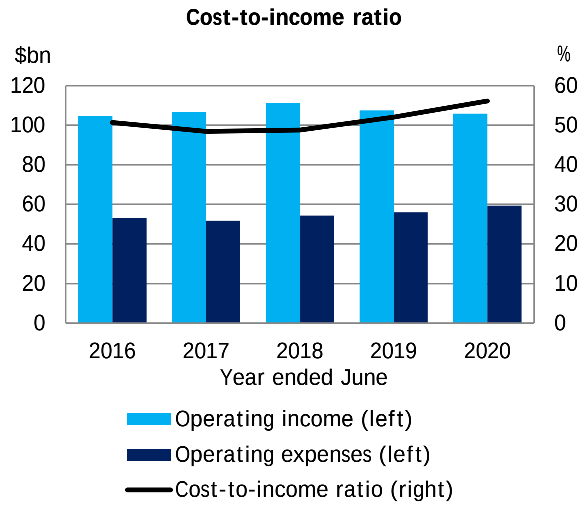
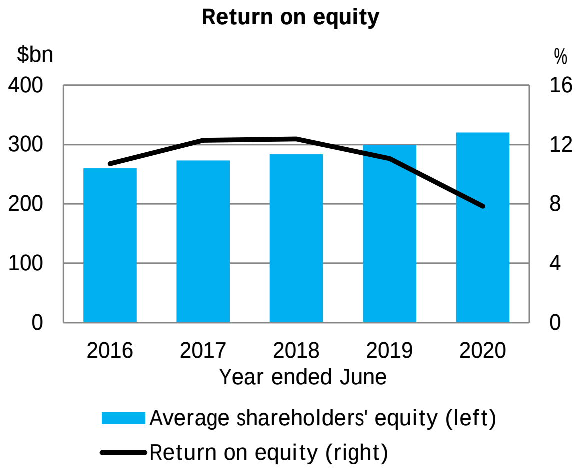


Figure 2.



Financial position

Total assets declined by 4.8 per cent to $5.3 trillion over the June 2020 quarter, with a material reduction in cash and liquid assets, gross loans and advances, and other assets. Cash and liquid assets declined by 12.5 per cent to $522.5 billion over the quarter as ADIs require fewer liquid assets now as compared to at the onset of COVID-19 in March. Looking over a longer time period, total assets increased by 8.9 per cent from 30 June 2019.

Gross loans and advances declined by 1.7 per cent over the June quarter, to $3.5 trillion as at 30 June 2020, partly reflecting large businesses repaying additional credit that had earlier been drawn as a precaution to stabilise liquidity positions in response to the pandemic.

Figure 3.

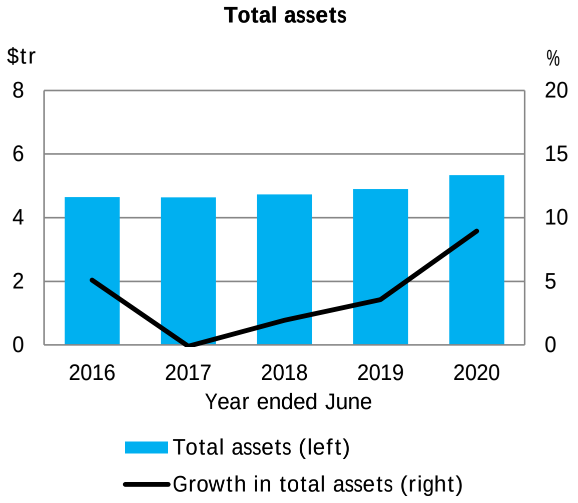
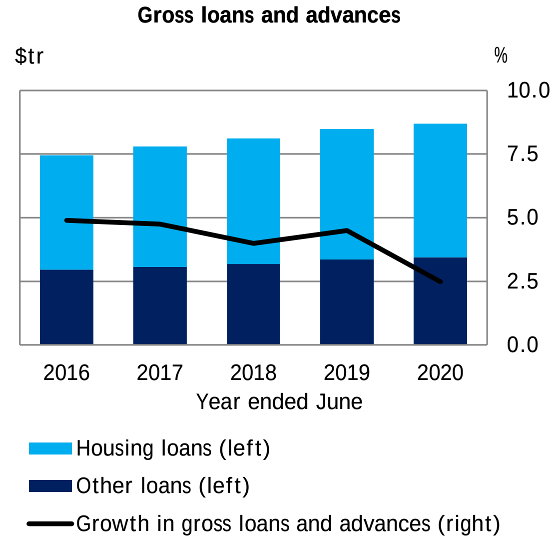


Figure 4.



Capital adequacy

Total capital and common equity tier 1 capital ratios were 16.3 per cent and 11.6 per cent respectively, as at 30 June 2020. ADIs are well capitalised, largely reflecting the impacts of APRA's concessions on loan loss recognition, withholding of dividends and equity raises from the market.

Risk-weighted assets increased by 5.5 per cent from 30 June 2019, totalling $2.1 trillion as at 30 June 2020. Nonetheless, risk-weighted assets growth was outpaced by growth in total assets, with recent economic uncertainty likely driving shifts to safer assets.

Figure 5.

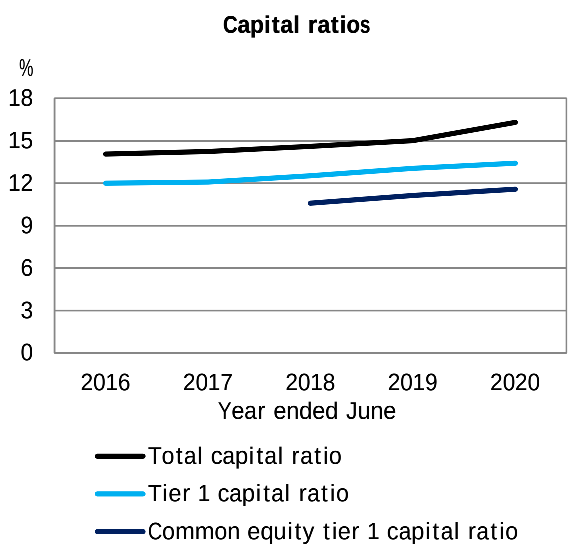
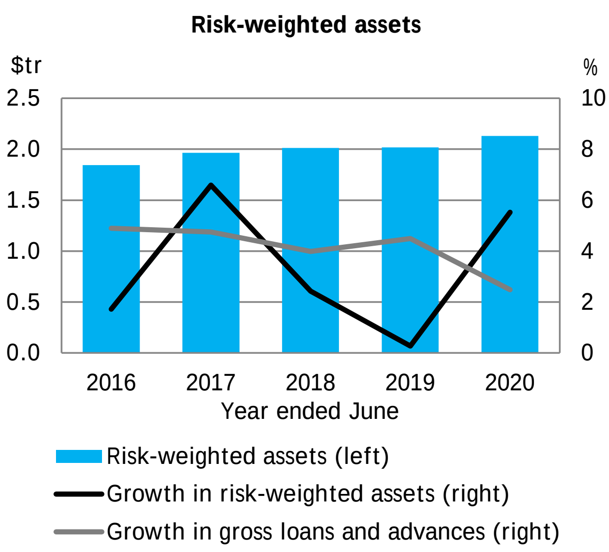


Figure 6.



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 their levels in the June 2019 quarter. The change in past due items was the most significant, increasing by 0.14 percentage points between the June 2019 and June 2020 quarter, to 0.69 per cent. Repayment deferrals may have dulled the anticipated deterioration on asset quality, however further deterioration is expected over the next 6 to 12 months given rising unemployment and unwinding of COVID-19 support packages.

Figure 7.

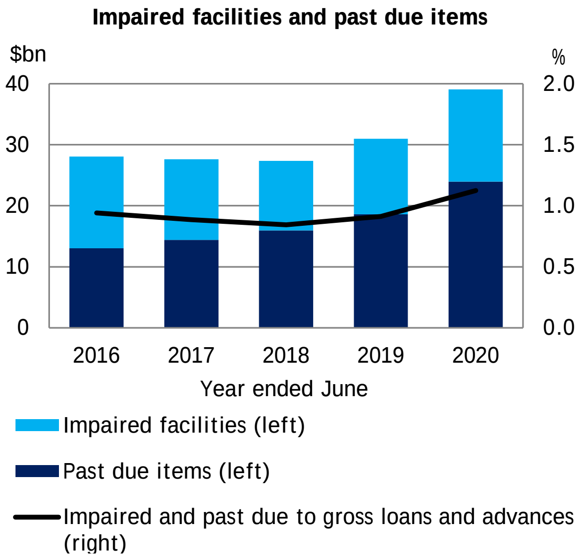
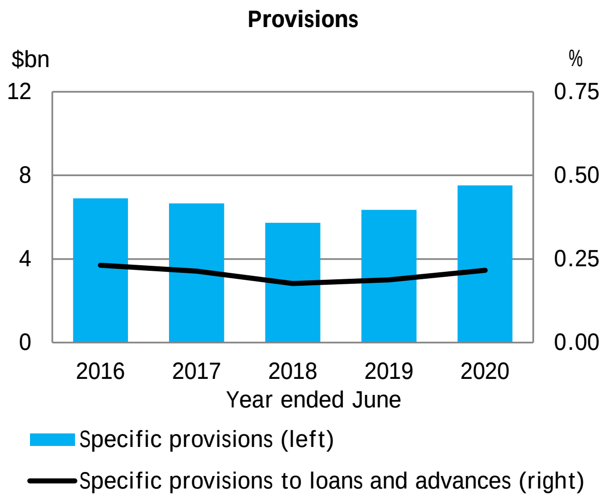


Figure 8.



Liquidity

The Liquidity Coverage Ratio has fallen back from the historically high level of 150.3 per cent as at 31 March 2020, to 137.6 per cent as at 30 June 2020, which remains well above the historical average of 128.4 per cent. The Minimum Liquidity Holdings ratio is at a historical high of 19.1 per cent as at 30 June 2020. ADI liquidity positions are aided by continued support from the RBA through their open market operations and the Term Funding Facility, and a significant increase in deposits.

Figure 9.

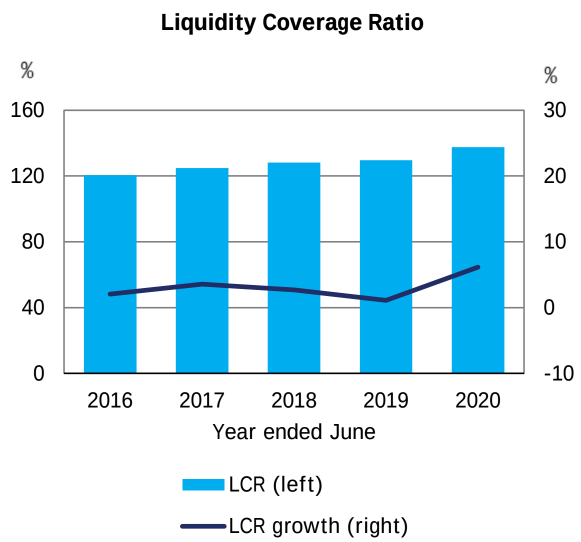
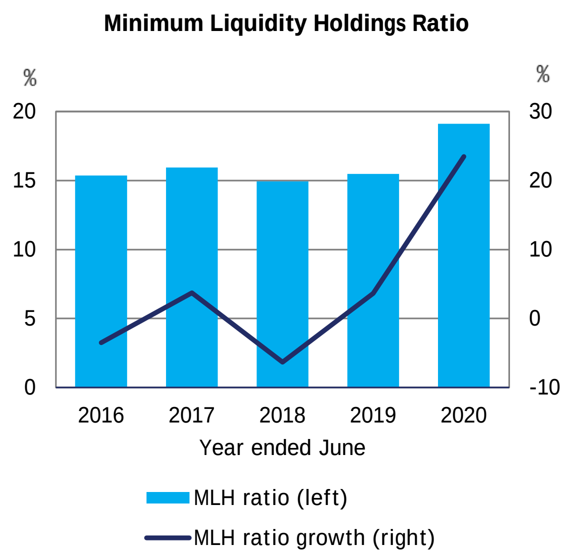


Figure 10.



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