STATISTICS

Quarterly authorised deposit-taking institution performance statistics - highlights

December 2020 (released 16 March 2021)

Contents

Authorised deposit-taking institution (ADI) population

The number of authorised deposit-taking institutions (ADIs) increased over the December 2020 quarter, with two new entities receiving a licence:

- TransferWise Australia Pty Limited has been granted a licence to provide purchase payment facilities, as a limited ADI, with effect from 30 November 2020.

- Intesa Sanpaolo SPA has been granted a licence to operate as a foreign branch bank, with effect from 17 December 2020.

Table 1.

ADIs	Dec 2019	Mar 2020	Jun 2020	Sep 2020	Dec 2020
Banks					
Major banks	4	4	4	4	4
Other domestic banks	38	38	39	39	39
Foreign subsidiary banks	7	7	7	7	7
Foreign branch banks	48	48	48	48	49
All banks	97	97	98	98	99
Credit unions and building societies	43	42	40	40	40
Other ADIs	7	7	7	7	8
Restricted ADIs	1	1	1	1	1
All ADIs	148	147	146	146	148
Of which: mutual ADIs	66	65	64	64	64

Financial performance

ADIs'[1] cost-to-income ratio increased to 57.5 per cent for the year ended 31 December 2020, compared to 53.4 per cent for the year ended 31 December 2019. The higher cost-to-income ratio was driven by a 16.0 per cent decrease in other operating income such as fees and commissions, and a 3.3 per cent increase in total operating expenses.

Industry return on equity rebounded to 11.4 per cent for the December 2020 quarter, from a relatively low level of 4.0 per cent in the prior quarter. The significant rise in profitability was largely due to a material reduction in credit impairment charges booked over the quarter, likely reflecting the better than previously-expected economic outlook. However, for the year ended 31 December 2020, industry return on equity was 6.3 per cent, which is the second lowest rate recorded since publication of this data commenced in 2004.

Figure 1.

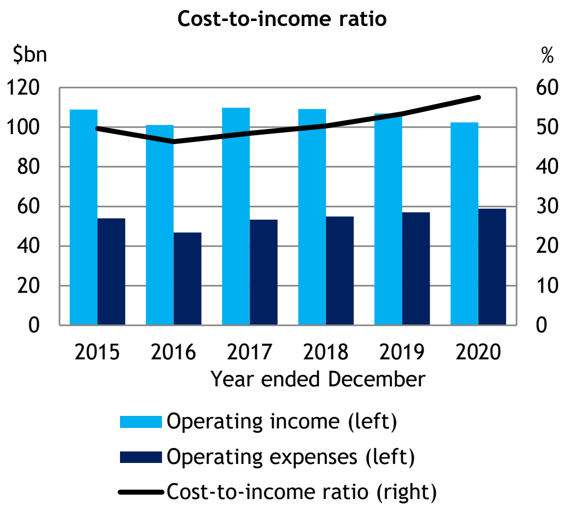
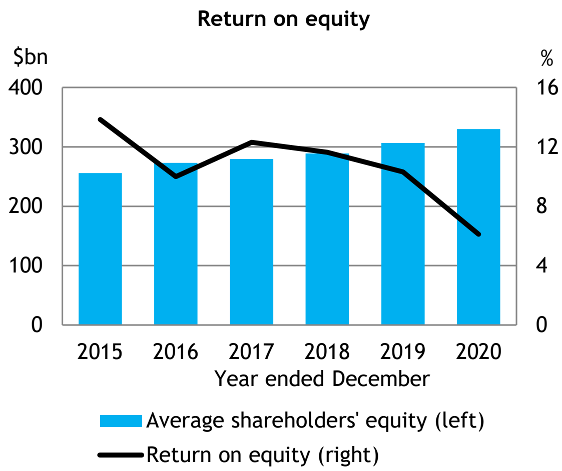


Figure 2.



[1] Excluding ADIs that are not banks, building societies or credit unions.

Financial position

Total assets increased by 1.1 per cent (or $59.4 billion) over the December 2020 quarter, to $5.3 trillion. This was largely due to an increase in cash and liquid assets, housing loans and other assets (such as derivative financial instruments).

Gross loans and advances declined marginally by 0.03 per cent (or $0.9 billion) over the year to December 2020, which was the lowest annual growth rate recorded since publication of this data commenced in 2005. A material reduction in personal lending, as well as weak growth in business lending are key driving factors.

Figure 3.

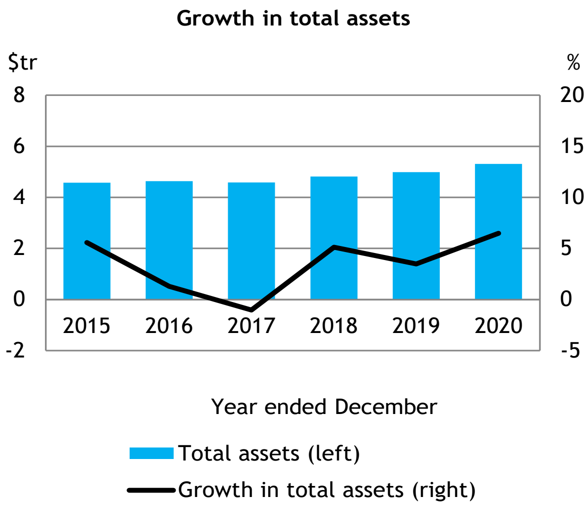
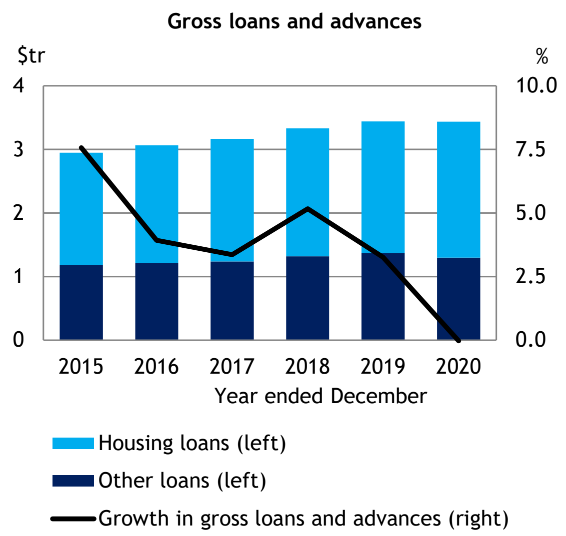


Figure 4.



Capital adequacy

Total capital and common equity tier 1 (CET1) capital ratios have risen to historically high levels of 17.6 per cent and 12.2 per cent respectively, as at 31 December 2020, with driving factors including higher retained earnings due to lower dividend payout ratios, lower risk-weighted assets and the impact of APRA's concessional capital treatment of eligible loans subject to repayment deferral.

Total risk-weighted assets increased marginally by 0.5 per cent over the year to 31 December 2020, but have declined each quarter since March 2020. Growth in risk-weighted assets has been outpaced by growth in total assets (6.4 per cent) over the same period. Negative or low growth in personal and business loans (higher risk-weighted) and strong growth in cash and liquid assets (lower risk-weighted) are key contributors to slow growth in risk-weighted assets.

Figure 5.

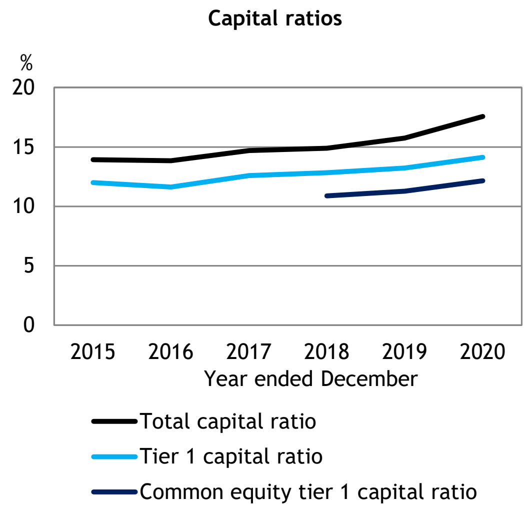
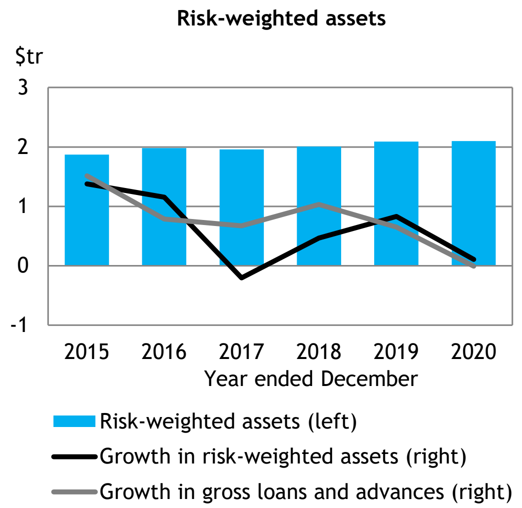


Figure 6.



Asset quality

The industry non-performing loan (NPL) ratio (impaired and past due items to-gross loans and advances) decreased slightly over the quarter to 1.06 per cent as at 31 December 2020, from 1.10 per cent as at 30 September 2020. The improvement in the NPL ratio over the second half of 2020 continues to be supported by repayment deferrals being granted to borrowers that would have otherwise been in arrears. In addition, some borrowers may have improved their financial situation with the aid of income support measures. Nonetheless, the outlook for asset quality is uncertain over coming quarters, as repayment deferrals expire and government stimulus changes.

Figure 7.

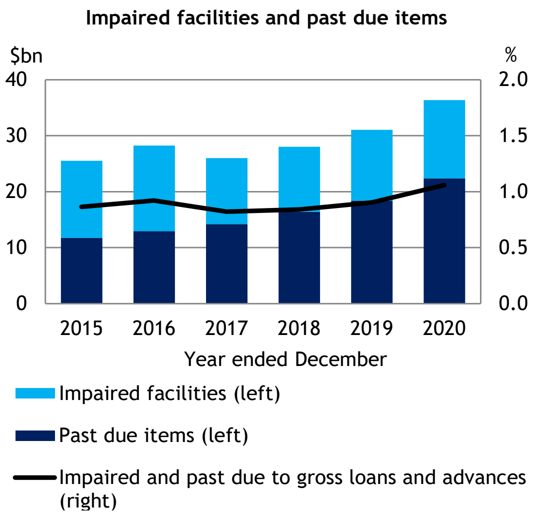
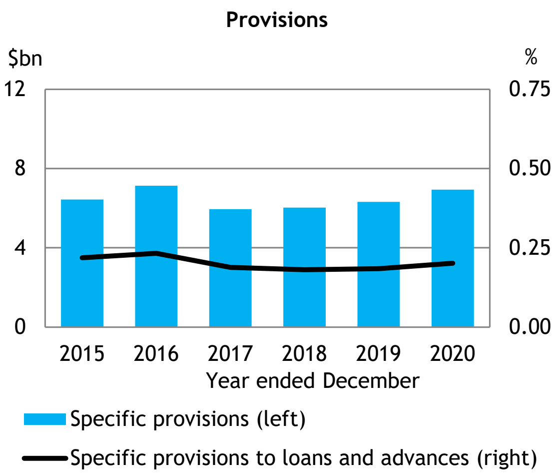


Figure 8.



Liquidity

The industry average liquidity coverage ratio (LCR) decreased by 2.7 percentage points over the December 2020 quarter to 141.8 per cent, but remains well above the historical average of 129.6 per cent since March 2015. The minimum liquidity holdings (MLH) ratio increased over the December 2020 quarter to a new historical high of 20.2 per cent. The ADI industry's strong liquidity position is supported by high levels of high-quality liquid assets (with deposit growth outpacing loan growth) and the inclusion of the RBA's term funding facility allowance in the calculation of liquidity ratios.

Figure 9.

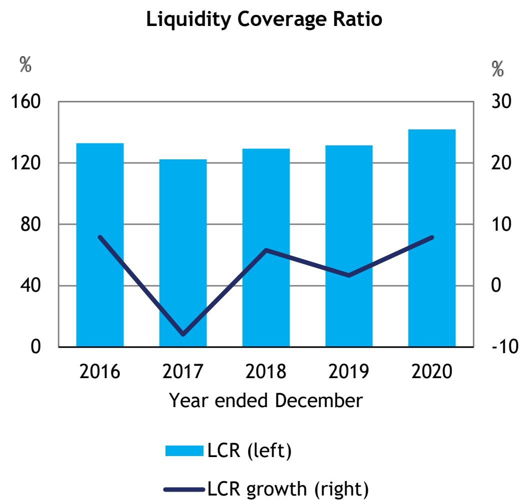


Figure 10.