STATISTICS

Quarterly authorised deposit-taking institution performance statistics - highlights

December 2021 (released 15 March 2022)

Contents

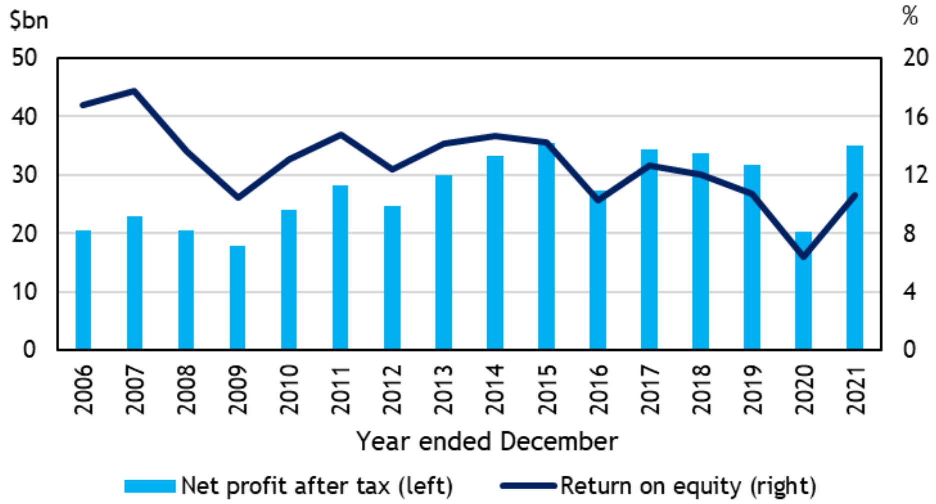
Highlights

Financial performance

- ADIs' net profit after tax increased by 71.4 per cent or $15.6 billion for the year ended December 2021.[1] The increase was largely driven by a material reduction (down $13.5 billion) in charges for bad or doubtful debts. ADIs have continued to release provisions raised during the earlier stages of the pandemic, due to the better than previously-expected economic outlook. The industry return on equity (ROE) increased by 4.3 percentage points to 10.6 per cent over the same period, closer to pre-pandemic levels.

- ADIs' cost-to-income ratio declined to 54.4 per cent for the year ended December 2021, from 57.6 per cent for the prior year. The improved ratio was largely due to improvements to operating income outpacing operating expenses incurred over the year.

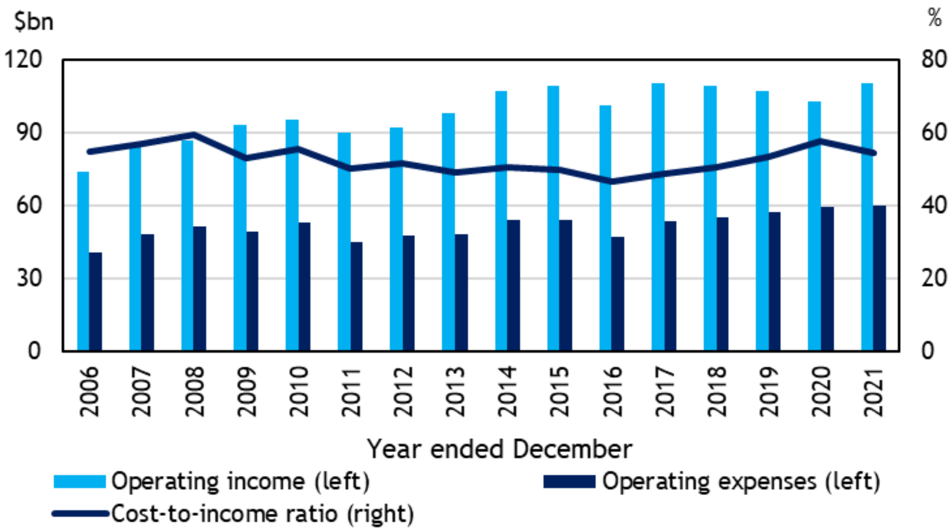
Chart 1[2]: Return on Equity



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

[2] Chart 1 has excluded ADIs that are foreign branches.

Chart 2: Cost-to-income ratio



Financial position

- Total assets increased by 2.7 per cent over the December 2021 quarter, to $5.6 trillion as at 31 December 2021. This was driven by cash and liquid assets, which includes Reserve Bank of Australia (RBA) exchange settlement account balances. Cash and liquid assets increased by 15.5 per cent (up $116.9 billion) to $871.6 billion over the quarter. Over the same period, gross loans and advances increased 2.2 per cent (up $78.1 billion) to $3.7 trillion, reflecting the strong housing market and business credit growth.

- Deposit liabilities grew strongly in the December 2021 quarter, increasing to a new historical high level of $3.6 trillion (up 3.0 per cent). The funding environment in the December 2021 quarter was favourable to ADIs, with strong deposit growth likely supported by reduced spending due to increased conservatism relating to the emerging Omicron strain during that period.

Chart 3: Assets

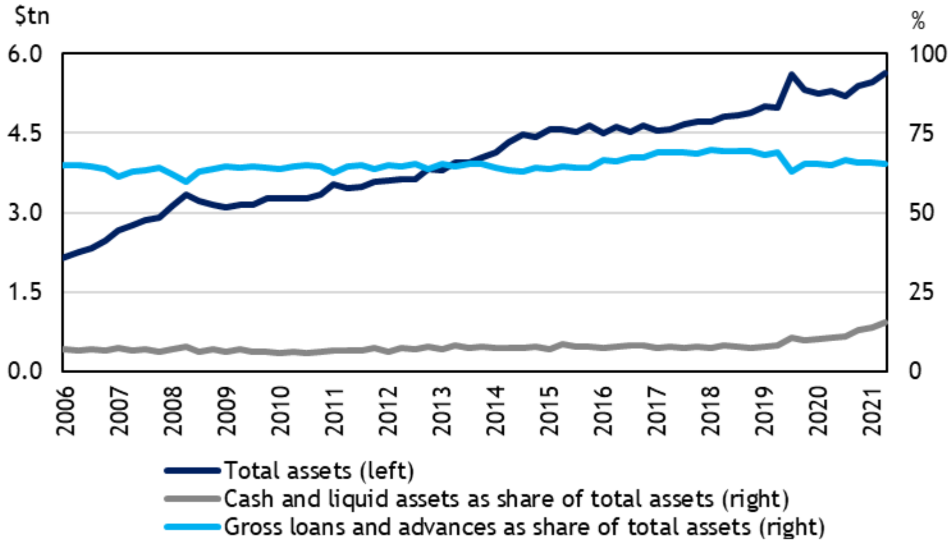
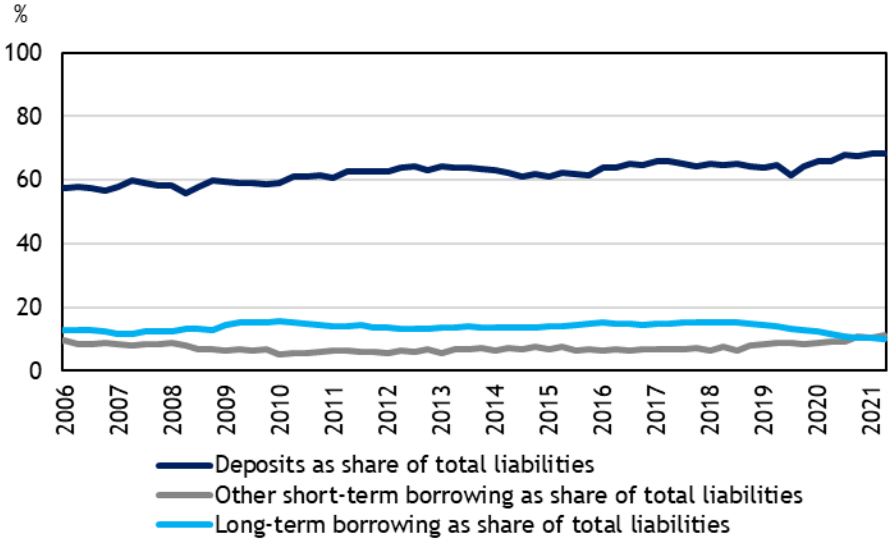


Chart 4: Liabilities



Capital adequacy

- Total capital and common equity tier 1 (CET1) capital ratios decreased slightly in the December 2021 quarter to 17.9 per cent and 12.2 per cent respectively. The movement was driven by a combination of ADIs returning capital in the form of share buy-backs, and increases in risk-weighted assets over the quarter.

Chart 5: Capital ratios

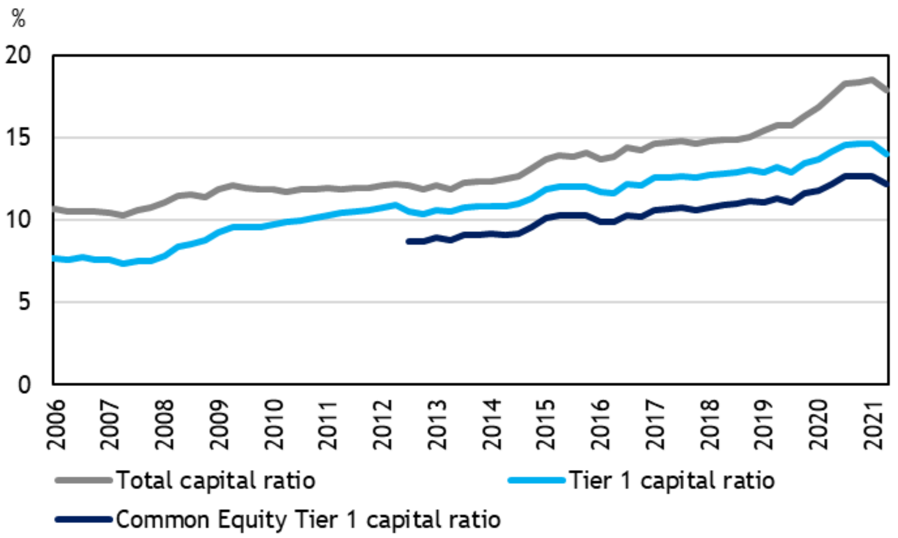
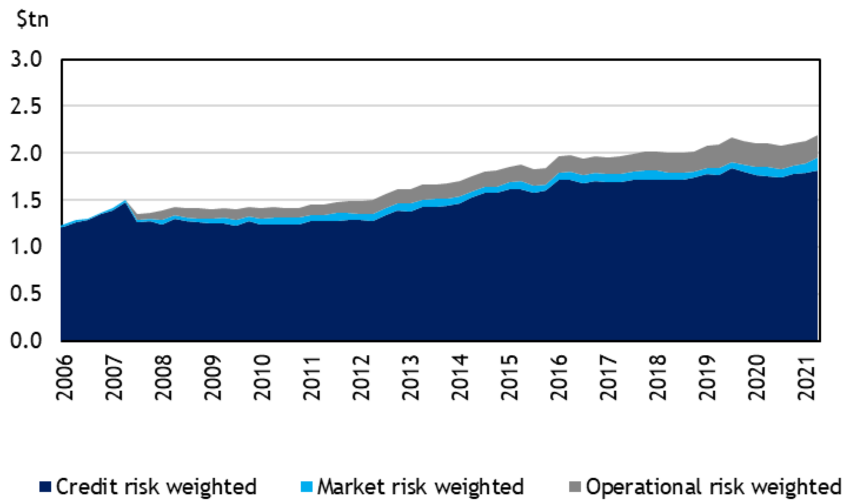


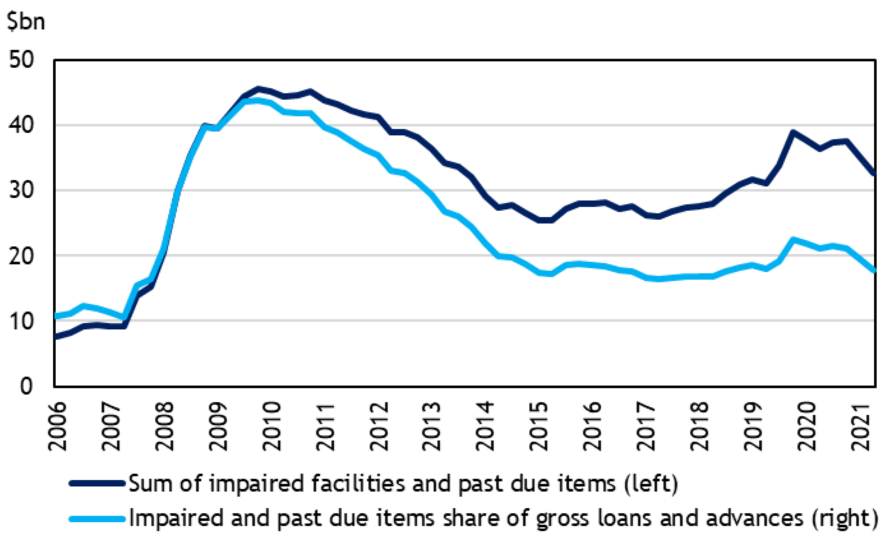
Chart 6: Total risk-weighted assets



Asset quality

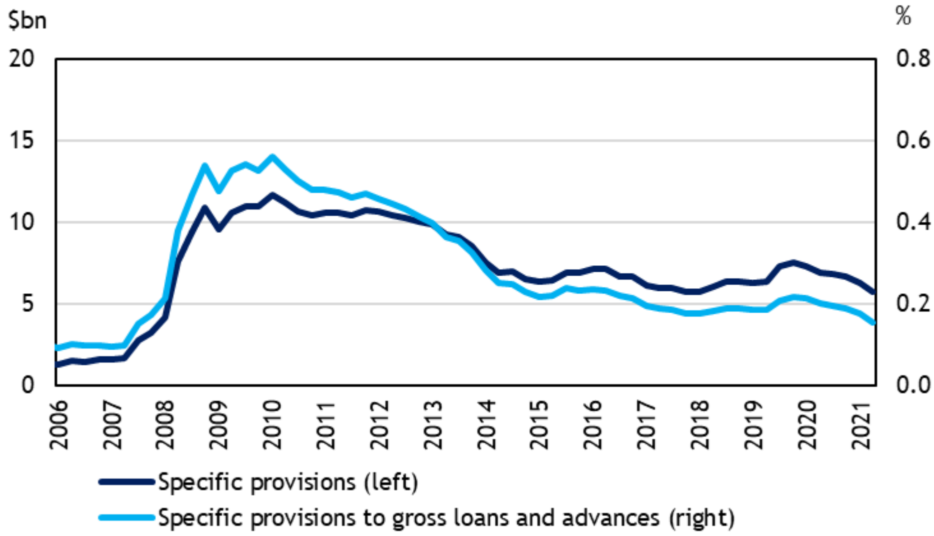
- The industry non-performing loan (NPL) ratio decreased slightly (by 0.09 percentage points) over the quarter, to 0.89 per cent as at 31 December 2021[3]. The improvement reflects repayment deferral programs, easing lockdown restrictions and an improved economic outlook. There are yet to be any observable impacts from the Omicron variant on asset quality.
- Total specific provisions decreased for a sixth consecutive quarter since the peak in the June 2020 quarter. This reflects a write back of the provisions raised in the earlier stages of the pandemic.

Chart 7: Impaired facilities and past due items



[3] The non-performing loan ratio is comprised of the impaired and past due items to gross loans and advances.

Chart 8: Specific provisions



Liquidity

- The industry liquidity coverage ratio (LCR) increased over the December quarter by 6.3 percentage points to 139.4 per cent. A key driver of the increase in the LCR is likely to have been ADIs increasing their holdings of high-quality liquid assets to meet APRA's expectation that no ADI should rely on the committed liquidity facility to meet their minimum 100 per cent LCR requirements from the beginning of 2022. LCR ADIs' total central bank balances (including exchange settlement account balances with the RBA) continued to increase in the December quarter, rising to a historically-high level of $527.6 billion as at 31 December 2021, having more than doubled since December 2020. On the other hand, large ADIs' holding of Australian Government Securities and securities issued by the borrowing authorities of the states and territories has declined over the same period, from $326.2 billion as at 31 December 2020 to $241.0 billion as at 31 December 2021. The significant shift between different types of high quality liquid assets (HQLA) is partly due to a strategic move by ADIs to optimise cost and return outcomes.
- The industry minimum liquidity holdings (MLH) ratio decreased over the quarter by 0.6 percentage points, to 19.0 per cent as at 31 December 2021. However it still remains at an elevated level, when compared with the historical average and regulatory minimum requirement.

Chart 9: High quality liquid assets (HQLA) and liquidity coverage ratio (LCR)

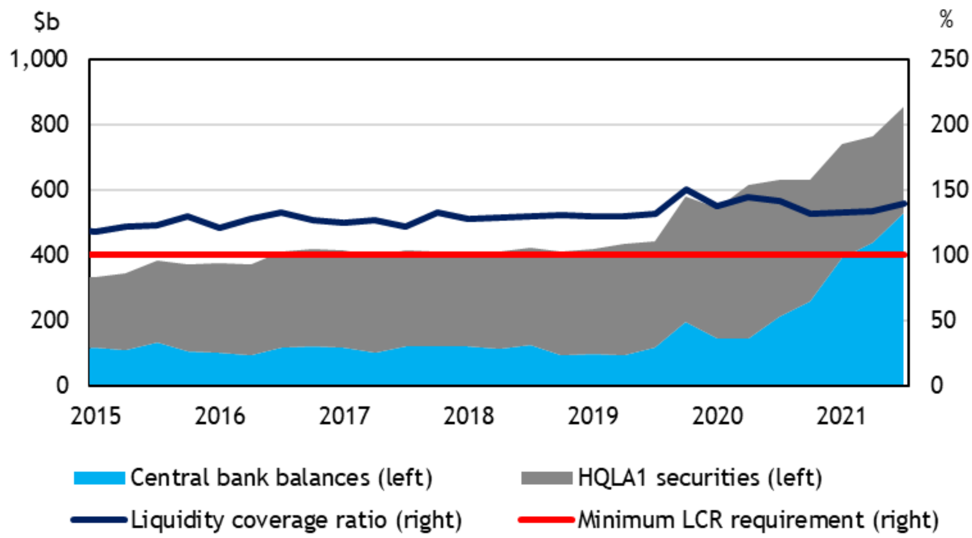
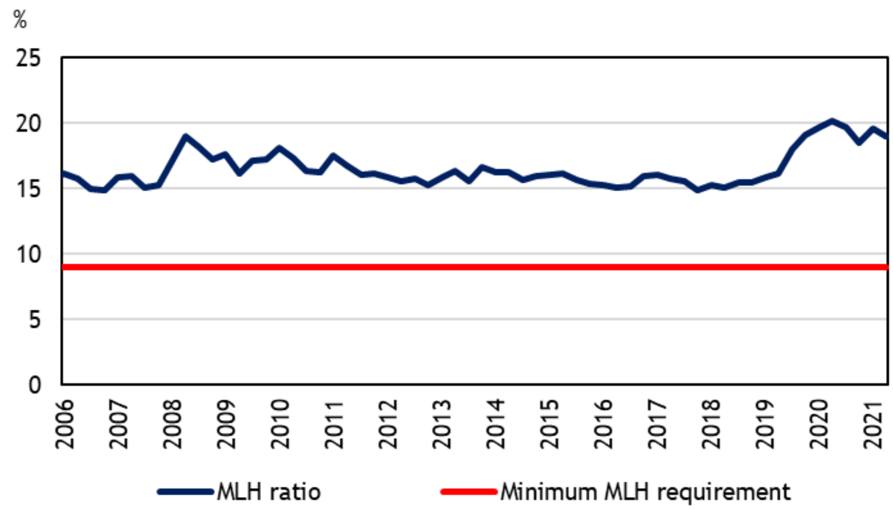


Chart 10: Minimum liquidity holding ratio (MLH)



Population changes

On a consolidated group basis, there were 143 ADIs operating in Australia as at 31 December 2021, with one new ADI license granted and one ADI license revoked:

- Barclays Bank PLC was granted a new foreign branch ADI licence, with effect from 20 December 2021.
- Pulse Credit Union Limited had its ADI licence revoked, with effect from 29 November 2021.