STATISTICS

Quarterly authorised deposit-taking institution performance statistics - highlights

June 2022 (released 6 September 2022)

Contents

Highlights

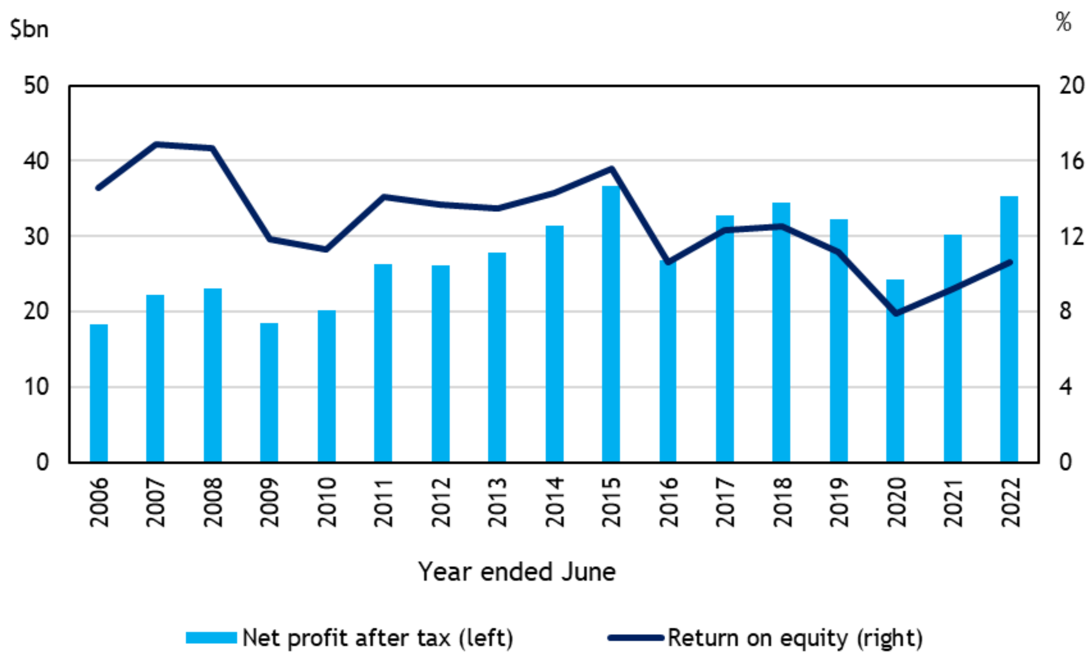
Financial performance

- ADIs' net profit after tax increased by 17.7 per cent or $5.7 billion for the year ended June 2022.[1] The movement was largely driven by an increase in other operating income, in particular higher trading income. A reduction (down $2.5 billion) in charges for bad or doubtful debts also contributed to ADIs' increased profit, as provisions raised during the earlier stages of the pandemic continue to be released.

- The industry return on equity (ROE) increased by 1.5 percentage points to 10.6 per cent over the same period, returning to pre-pandemic levels.

- ADIs' cost-to-income ratio remained broadly unchanged at 54.5 per cent for the year ended June 2022. Improvements to operating income broadly matched increases in operating expenses over the year.

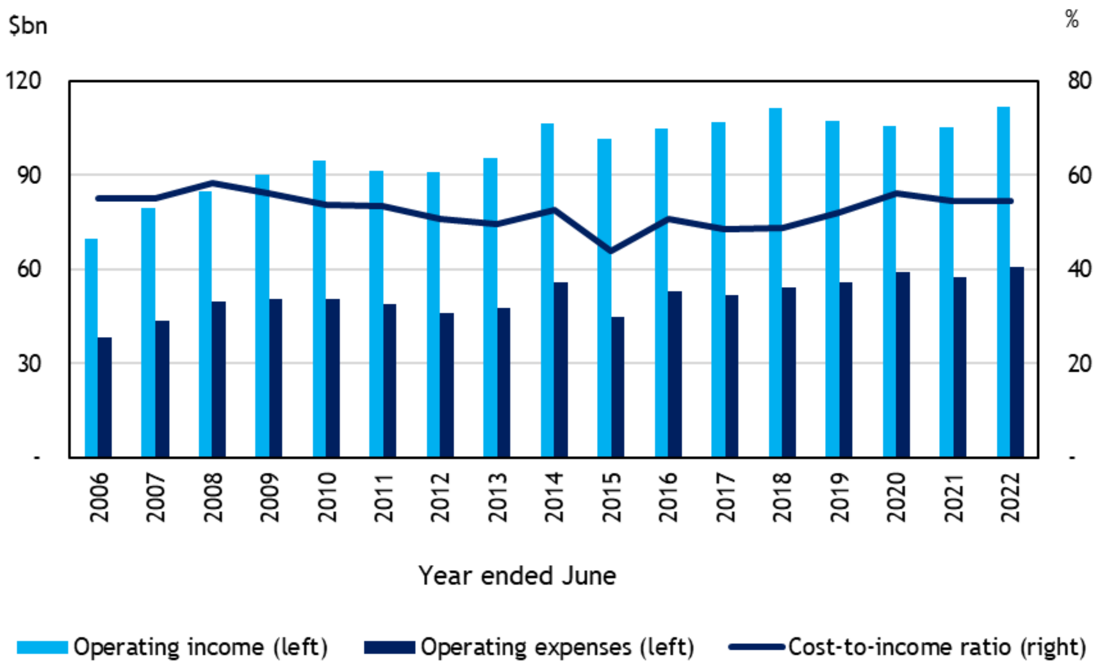
Chart 1[2]: Return on Equity



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

[2] Chart 1 excludes foreign branch banks.

Chart 2: Cost-to-income ratio



Financial position

- Total assets increased by 4.3 per cent over the June 2022 quarter, and 11.5 per cent over the year, to just over $6.0 trillion as at 30 June 2022. This was driven by increases in other assets and in gross loans and advances (GLA). GLA increased by 2.4 per cent (up $91.9 billion) to $3.8 trillion over the quarter, reflecting the strength of housing lending and business credit growth over the quarter. Other assets increased by 18.2 per cent (up $100.8 billion) to $653.8 billion over the quarter, largely driven by an increase in trading book derivatives.

- Deposit liabilities continued to grow in the June 2022 quarter, increasing to a new high of $3.8 trillion (up 3.2 per cent over the quarter and 10.7 per cent over the year). There was a significant increase in creditors and other liabilities (including trading book derivatives) over the June quarter, which increased by 9.7 per cent (or up $63.0 billion). This movement is likely due to the heightened volatility in the market, with high demand from clients to hedge risks.

Chart 3: Assets

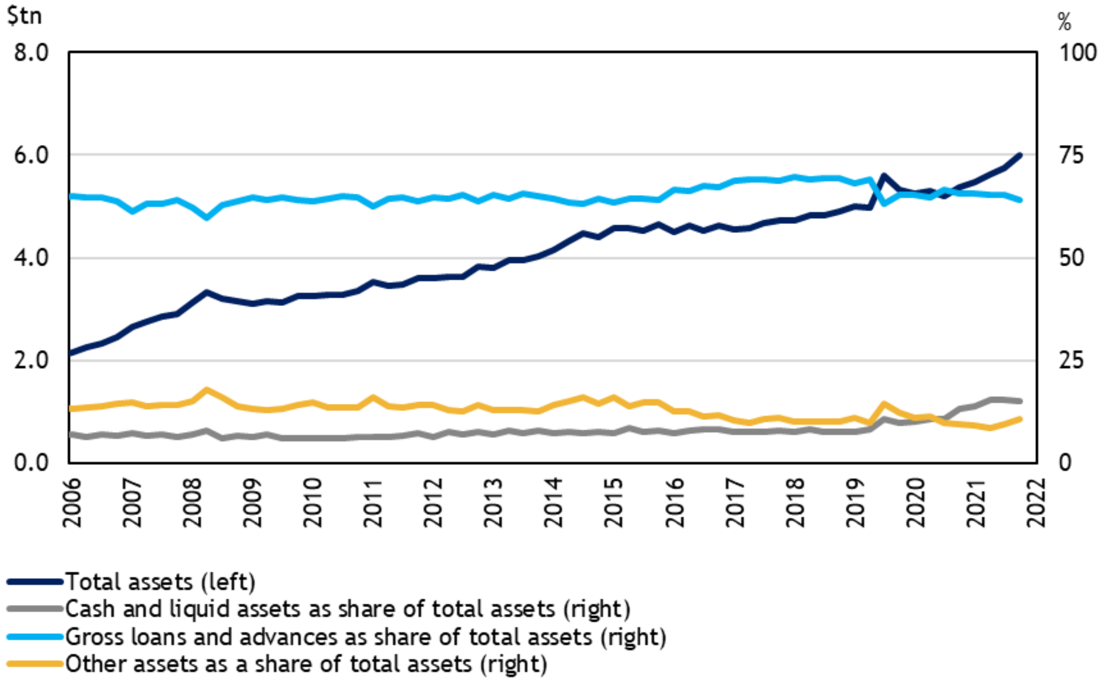
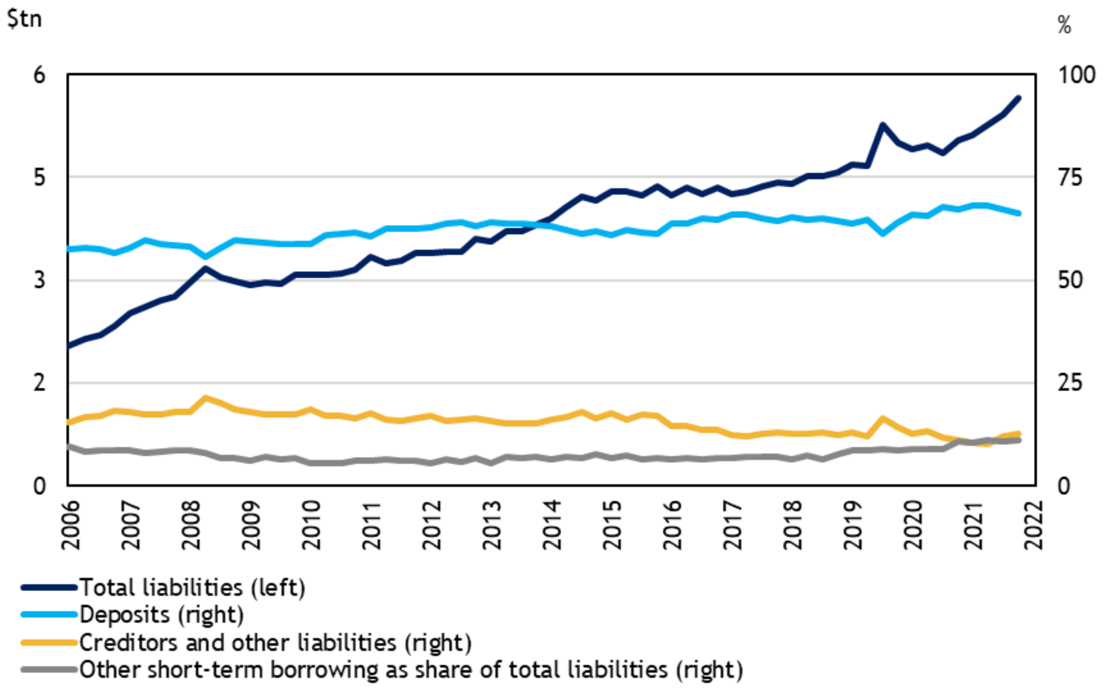


Chart 4: Liabilities



Capital adequacy

- The ADI industry remains well capitalised. Total capital and common equity tier 1 (CET1) capital ratios decreased in the June 2022 quarter to 16.9 per cent and 11.4 per cent respectively. The movement was driven by a notable increase in market risk-weighted assets (RWA), which rose by 17.9 per cent over the quarter. The increase in market RWA reflected continued market volatility as a result of geopolitical tensions, inflationary pressures and changing market expectations on interest rates over the quarter (which increased ADIs' need for capital due to interest rate risk in the banking book requirements).

Chart 5: Movements in CET1 ratio

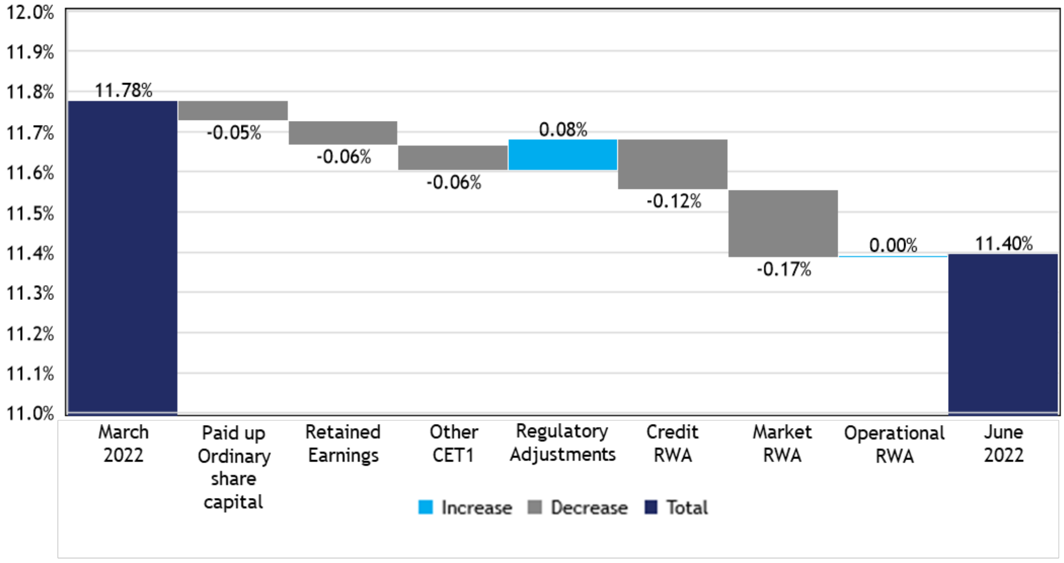
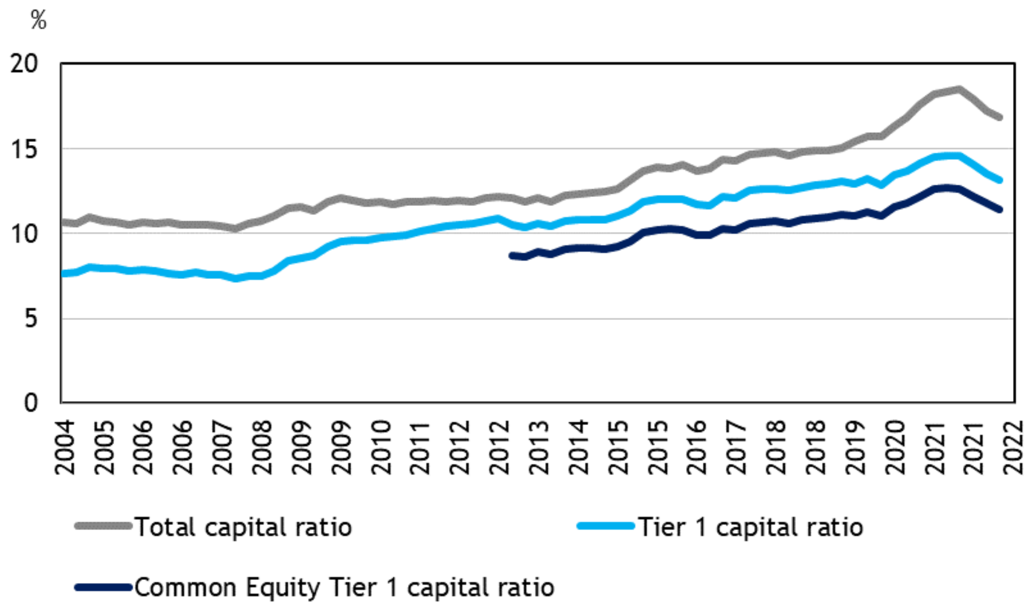


Chart 6: Capital ratios

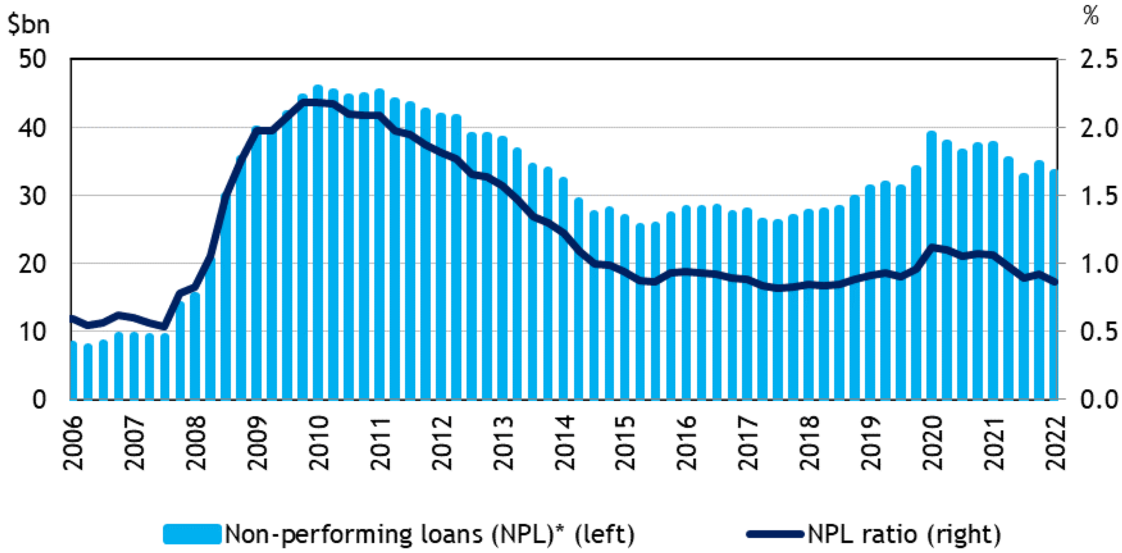


Asset quality

- Asset quality continues to improve. Over the quarter, the non-performing loan[3] (NPL) ratio (non-performing to gross loans and advances) improved by 0.1 percentage points to 0.9 per cent as at 30 June 2022. In addition, the provisions to non-performing ratio increased by 1.1 percentage points to 19.4 per cent, largely reflecting a decrease in NPLs over the quarter. It is too early for rising interest rates to have affected asset quality data due to the typical lag between interest rate increases and their impact on borrowers.

[3] The definition of 'non-performing' has changed since 1 January 2022, as a result of the implementation of the new prudential standard *APS 220 Credit Risk Management*. For more details, please refer to the explanatory note, glossary and the APRA website: *Proposed revisions to the credit risk management framework for authorised deposit-taking institutions*

Chart 7: Non-performing loans



* Before 1 January 2022, NPLs are defined as the sum of 'impaired' and '≥90 days past due'. Since 1 January 2022, NPLs are defined as any exposure that is in default.

Liquidity

- The ADI industry continues to maintain liquid assets well above regulatory minimums as the Reserve Bank normalises monetary conditions. The industry liquidity coverage ratio (LCR) decreased over the June quarter by 3.2 percentage points to 134.7 per cent. Total high-quality liquid assets (HQLA) increased by 6.6 per cent (up $56.3 billion). Alternative liquid assets (ALAs) fell by 33.1 per cent (down $32.3 billion). The reduction in ALAs was due to the continued phase out of the Committed Liquidity Facility (CLF).

- The industry minimum liquidity holdings (MLH) ratio decreased over the quarter by 1.2 percentage points, to 17.3 per cent as at 30 June 2022. However it still remains at an elevated level, when compared with the historical average and regulatory minimum requirement.

Chart 8: High quality liquid assets (HQLA) and liquidity coverage ratio (LCR)

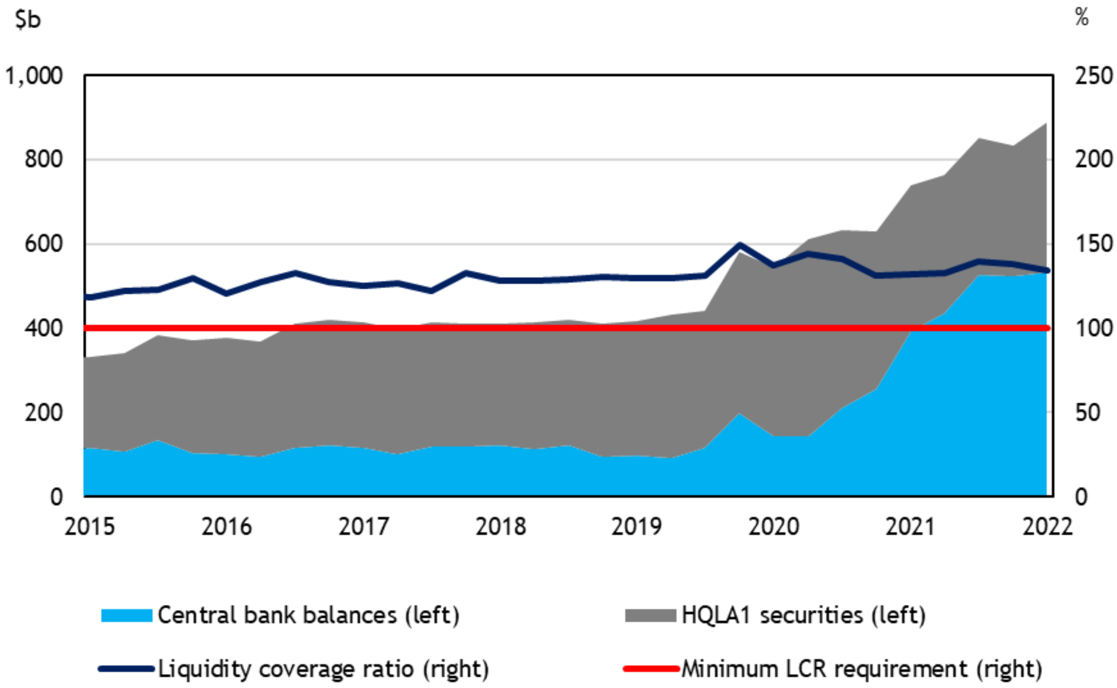
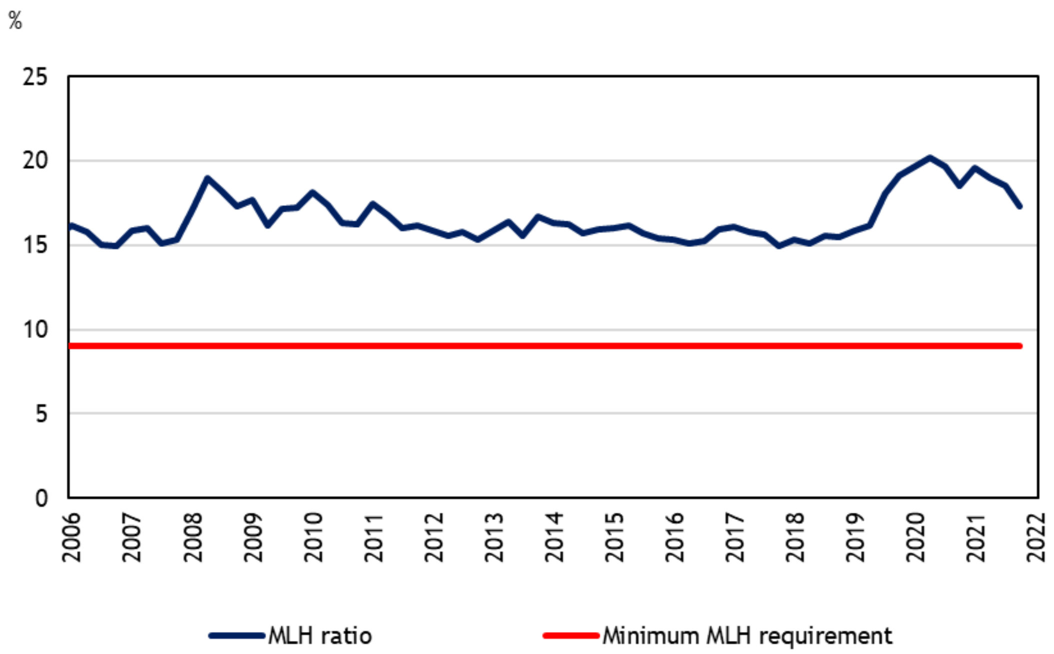


Chart 9: Minimum liquidity holding ratio (MLH)



Population changes

On a consolidated group basis, there were 141 ADIs operating in Australia as at 30 June 2022:

- South-West Credit Union Co-Operative Limited’s ADI licence was revoked, with effect from 13 May 2022.
- ABN AMRO Bank N.V.’s ADI licence was revoked, with effect from 31 May 2022.
- Citigroup Pty Limited’s ADI licence was revoked, with effect from 30 June 2022.