STATISTICS

Quarterly authorised deposit-taking institution performance statistics - highlights

December 2022 (released 14 March 2023)

Contents

Note:
On 7 March 2023, APRA released a consultation on proposed changes to the Quarterly Authorised Deposit-taking Institution Performance Statistics, reflecting the implementation of the new capital framework. Submissions on this proposal will close on 18 April 2023.

The proposed updates are intended to commence from the March 2023 reference period, to be released on 6 June 2023. Further detail can be found here.

Highlights

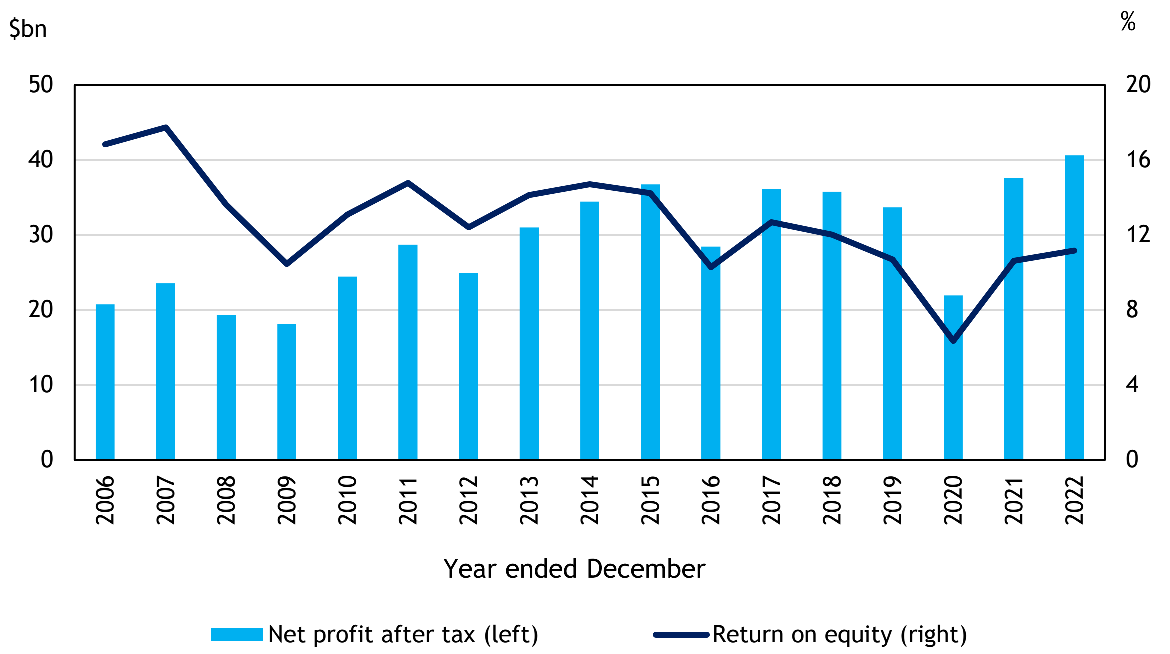
Financial performance[1]

- ADIs' net profit after tax increased by 8.0 per cent over the year ended December 2022 to $40.6 billion. This result was driven by improvements in net interest income and other operating income. The industry return-on-equity (ROE) increased by 0.6 percentage points to 11.2 per cent for the year ended December 2022 (Chart 1).

- ADIs' cost-to-income ratio decreased by 3.2 percentage points to 51.2 per cent for the year. Operating expenses increased by 1.9 per cent, mainly driven by a 6.1 per cent increase in personnel expenses. However, these increases in expenses were outpaced by increases in operational income, notably net interest income, leading to an improvement in the cost-to-income ratio (Chart 2).

- Charges for bad and doubtful debts remained broadly stable for the December quarter, adding to a total of $0.6 billion for 2022. While small compared to historical figures, it is a reversal from 2021, during which releases of provisions raised during the pandemic resulted in a negative charge for bad and doubtful debts. (Chart 3).

Chart 1: Return on Equity



[1] Analysis in this document excludes ADIs that are neither banks, building societies nor credit unions. Includes foreign branch banks where applicable.

Chart 2: Cost-to-income ratio

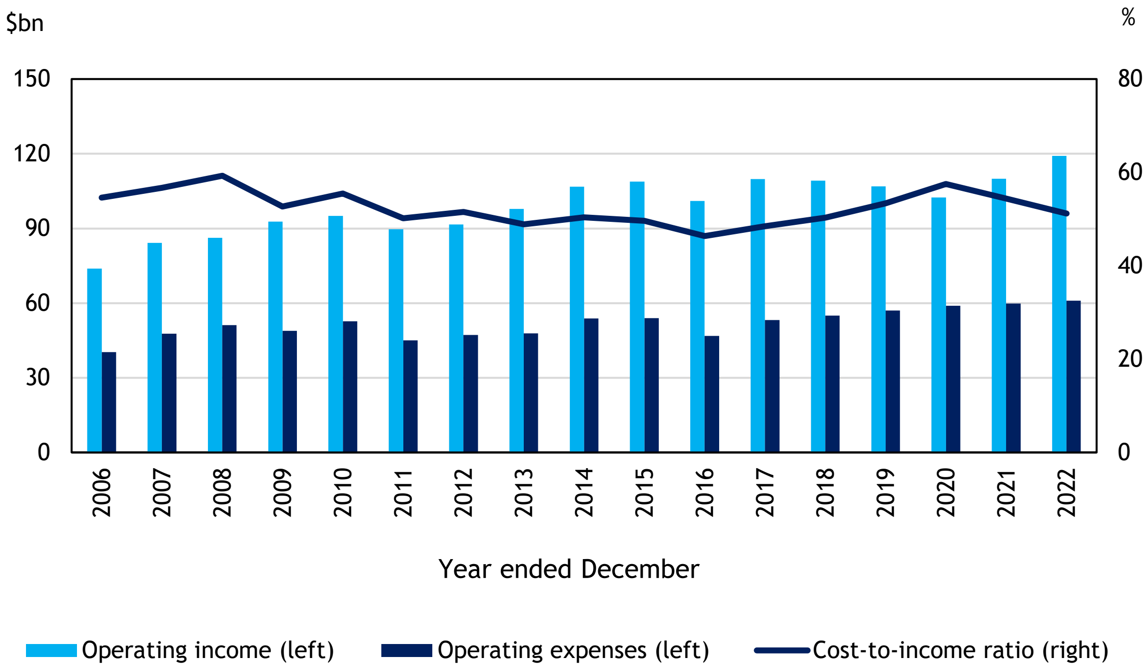
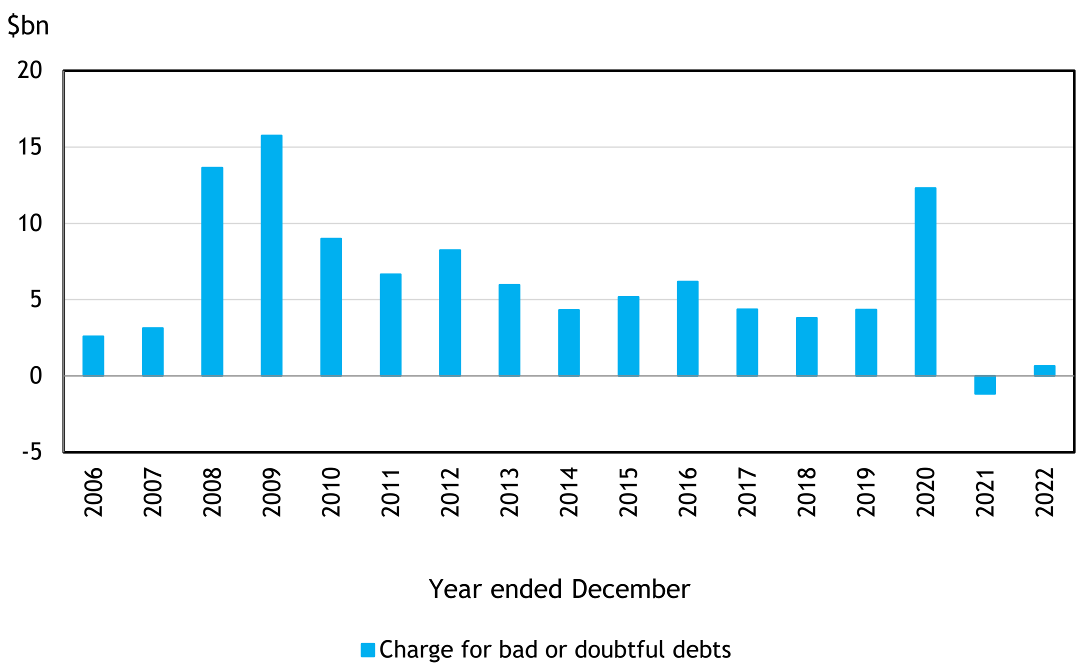


Chart 3: Charge for bad or doubtful debts



Financial position

- ADIs' loan portfolios continued to grow over the December quarter, mostly funded by deposits and long-term borrowings. Gross loans and advances increased by $67.5 billion, or 1.7 per cent (Chart 4). Deposits increased by $31.1 billion, or 0.8 per cent and long-term borrowings increased by $18.4 billion or 3.3 per cent (Chart 5).

- Despite this loan growth, the overall size of ADIs' balance sheets decreased over the December quarter. This was mainly a result of foreign exchange effects on derivatives in the trading book, reversing the strong growth in the September quarter. Total assets decreased by 1.6 per cent, to $6.1 trillion. Total liabilities decreased by 1.8 per cent to $ 5.7 trillion.

Chart 4: Movements in assets

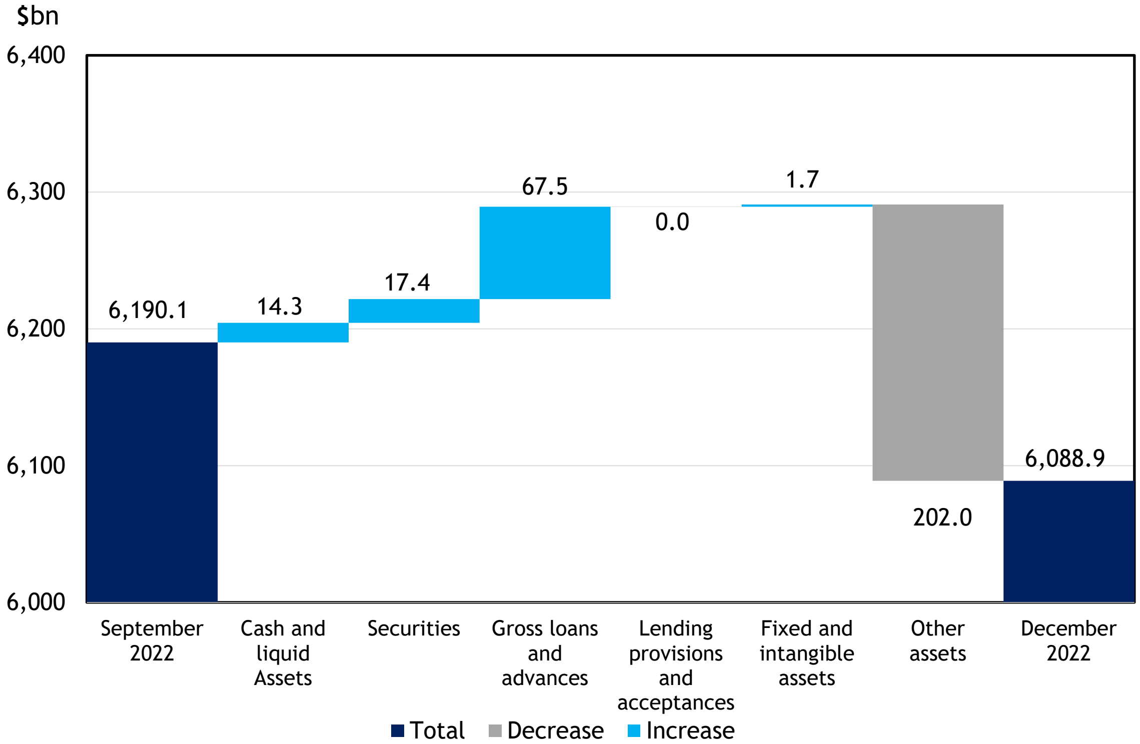
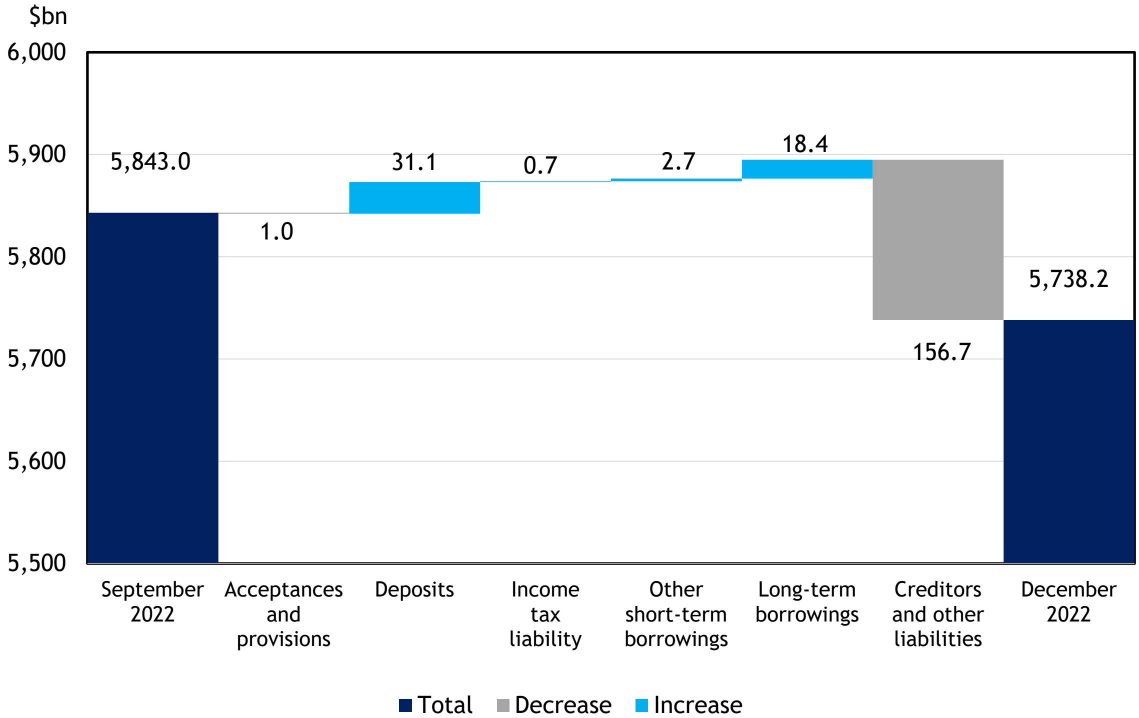


Chart 5: Movements in liabilities



Capital adequacy

- The banking industry remains well capitalised. The total capital ratio remained at 17.7 per cent in December 2022, unchanged from September 2022. The common equity tier 1 (CET1) capital ratio also remained stable at 11.7 per cent (Chart 6). Both the level of capital and the components of risk-weighted assets were broadly stable (Chart 7).

- APRA's new capital framework came into effect on 1 January 2023 and will be reflected in the March 2023 edition of QADIP, due for release on 6 June 2023. APRA has calibrated the new framework to embed 'unquestionably strong' levels of capital through a combination of additional regulatory buffers and adjustments to risk weights. Further information can be found here: [An Unquestionably Strong Framework for Bank Capital].

Chart 6: Capital ratios

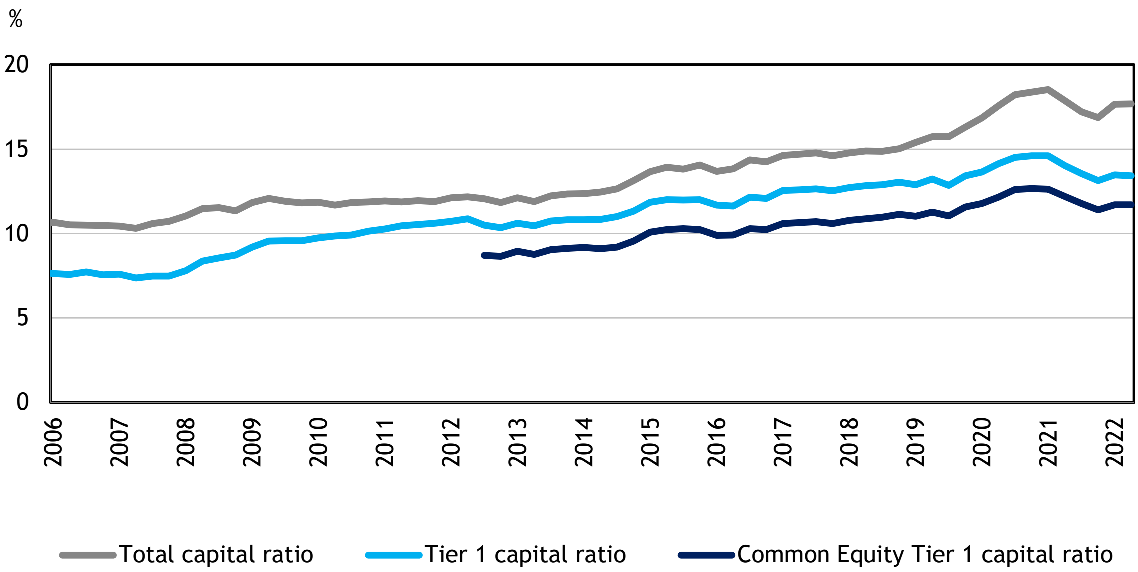
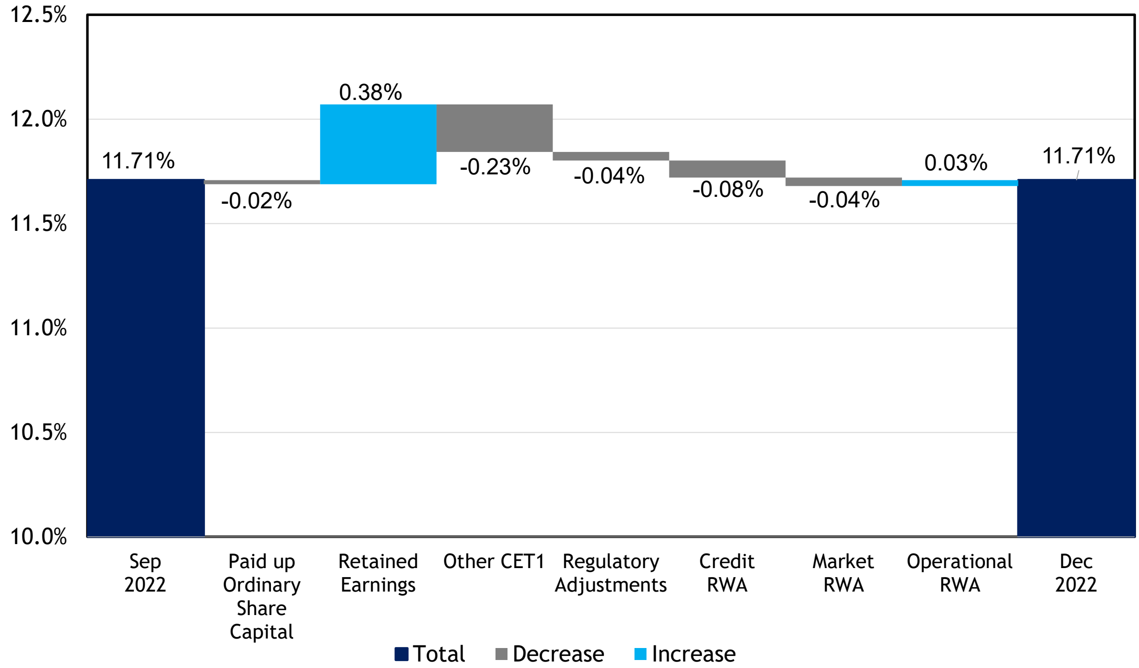


Chart 7: Movements in CET1 capital ratio[2]

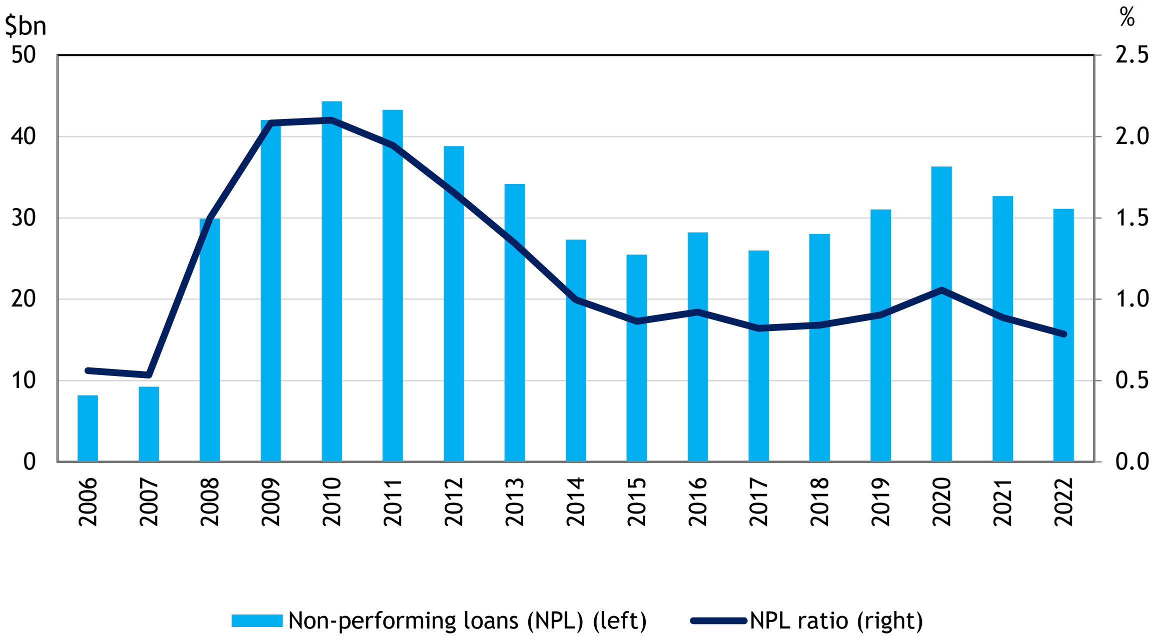


[2] RWA: Risk weighted assets

Asset quality

- ADIs' asset quality continued to improve. The non-performing loan (NPL) ratio declined by 0.03 percentage points over the quarter, to end the year at 0.78 per cent (Chart 8). Reported data is yet to reflect any material impact of rising interest rates on asset quality. Refer to APRA's Quarterly Property Exposure Statistics for more detail on asset quality.

Chart 8: Non-performing loans[3]



[3] The definition of 'non-performing' changed on 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]

Liquidity

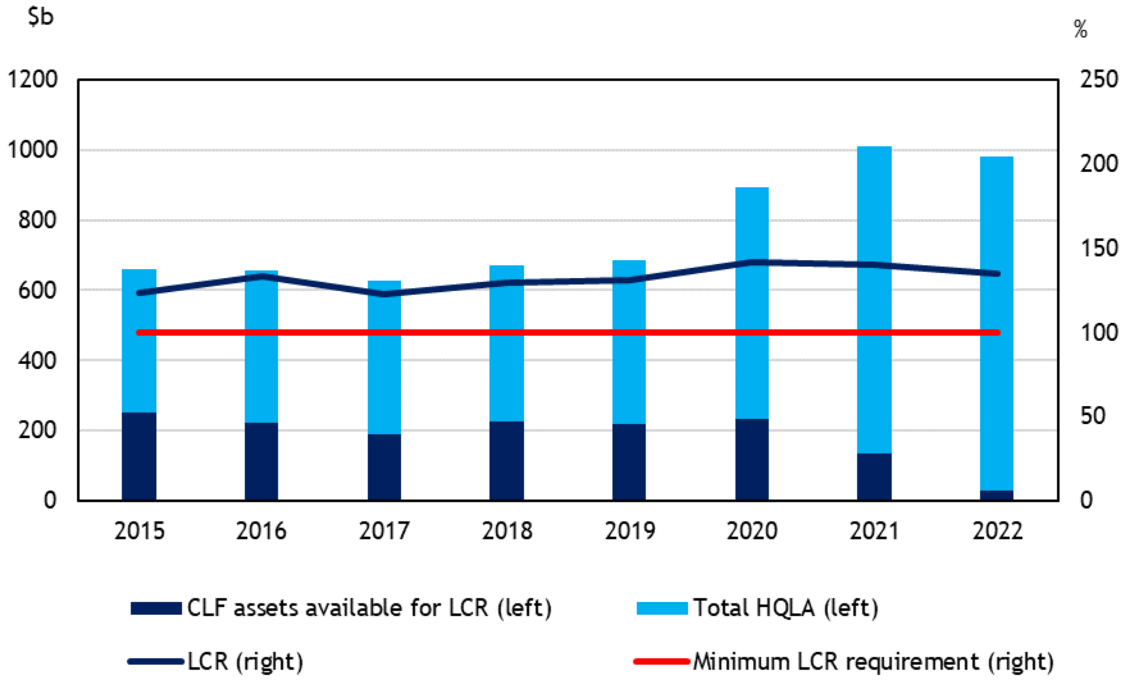
- The industry liquidity coverage ratio (LCR) increased over the December quarter by 1.9 percentage points to 134.7 per cent, well above the regulatory minimum of 100 per cent (Chart 9).

- The LCR improvement was primarily driven by ADIs building up high quality liquid assets (HQLA) in preparation for the final phase-out of the Committed Liquidity Facility (CLF) on 1 January 2023.[4] As at 31 December 2022, entities reported a total of $29.8 billion in CLF assets. If these CLF assets were excluded from December reporting in anticipation of the phase-out, the LCR would be 130.6 per cent, remaining well above the regulatory minimum.

- Total HQLA increased by 3.4 per cent (or $30.8 billion) to $950.7 billion over the December quarter. This was attributed to higher central bank balances and holdings of state or territory government securities, which increased by $21.4 billion and $19.5 billion, respectively. Holdings of securities issued by foreign sovereigns, however, decreased by 16.0 per cent (or $12.6 billion).

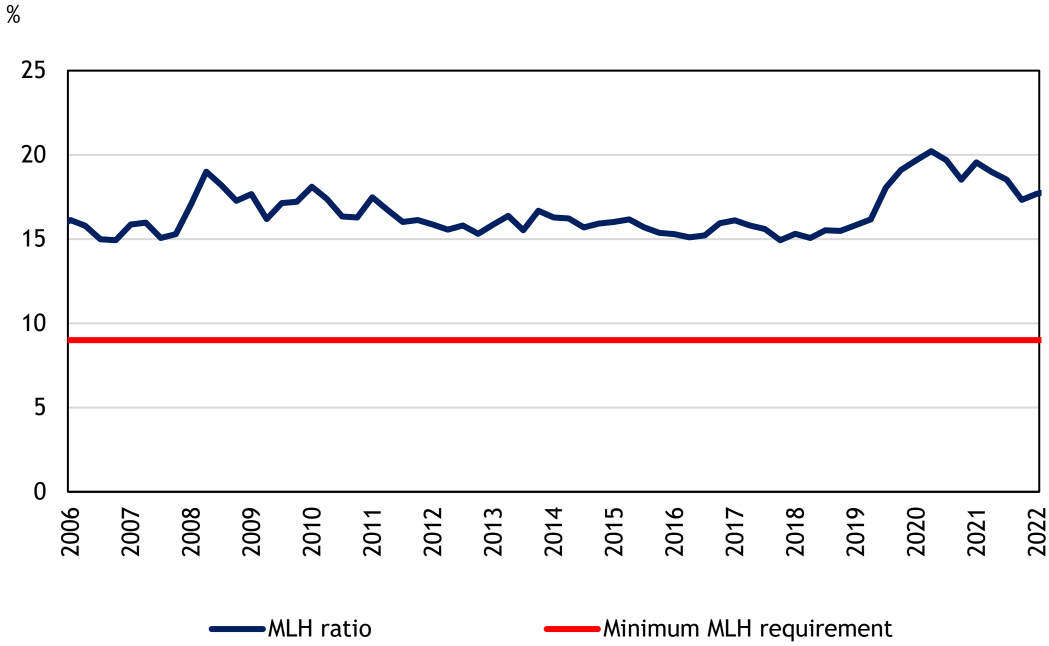
- The industry minimum liquidity holdings (MLH) ratio also remains well above regulatory minimums. The MLH ratio remained largely stable over the quarter, increasing by 0.2 percentage points to 17.9 per cent as at 31 December 2022 (Chart 10).

Chart 9: Liquidity coverage ratio (LCR)



[4] See APRA's Committed Liquidity Facility update and RBA's Committed Liquidity Facility for more details.

Chart 10: Minimum liquidity holding ratio (MLH)



Population changes

On a consolidated group basis, there were 142 ADIs operating in Australia as at 31 December 2022, unchanged from the September quarter. Movements over the December quarter were:

- BNP Paribas Securities Services licence was revoked effective 1 October 2022;
- International Bank of Australia Pty Limited was granted a Restricted Authorised Deposit-taking Institution licence on 3 November 2022;
- Alex Bank Pty Ltd changed from 'Restricted Authorised Deposit-Taking Institution' to 'Other Domestic Banks' effective 21 December 2022.

APRA