



STATISTICS


Quarterly Authorised Deposit-taking Property Exposures

September 2018 (released 12 December 2018)

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Revisions

Future editions of this publication may incorporate revisions to data submitted by entities after publication. APRA regularly analyses past revisions to identify potential improvements to the source data and statistical compilation techniques, in order to minimise the frequency and scale of any future revisions.

Forthcoming issues

This publication will be released according to the timetable published on the APRA website.

Notation

Amounts are expressed in Australian dollars. Both the Australian-dollar denominated transactions and the Australian-dollar equivalent of foreign-currency denominated transactions are included.

The symbol '*' indicates that the data have been masked to maintain confidentiality.

Glossary and explanatory notes

A set of explanatory notes is provided at the end of the publication to assist the reader in understanding the source and definitions of the data. In particular, these notes help explain differences between the data presented and information publicly released by banks in their financial statements and profit announcements.

Enquiries

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Important notice

This publication is currently available in two versions:

- an Adobe PDF version for printing,
- a Microsoft Excel version, containing a complete time series since 2004 of data.

Using the statistics to monitor sound residential mortgage practices

APRA recommends that users of the publication exercise caution analysing and interpreting the statistics to monitor sound residential mortgage practices.

APRA initiated additional supervisory measures to reinforce sound residential mortgage lending practices in an environment of heightened risks on 31 March 2017 (<https://www.apra.gov.au/media-centre/media-releases/apra-announces-further-measures-reinforce-sound-residential-mortgage>).

These measures included an expectation that ADIs limit the flow of new interest-only lending to 30 per cent of new residential mortgage lending.

The data used by APRA to monitor ADIs' new interest-only lending is not the same as the source data for the statistics in this publication. First, APRA monitors ADIs' new interest-only lending using data on loans *funded*; statistics in this publication show loans *approved*. Loans approved is a broader definition than loans funded; loans approved may not necessarily be funded. Second, APRA monitors new interest-only loans funded by *all* ADIs; interest-only mortgage statistics in this publication are based on data reported by 31 ADIs with over \$1bn in residential term loans.

APRA currently collects data on ADIs' new interest-only loans funded in an ad-hoc data collection. APRA has recently introduced a new reporting form, Reporting Form ARF 223.0 Residential Mortgage Lending (ARF 223.0) to better enable APRA's supervisory monitoring and oversight of residential mortgage lending, and reduce the reliance on ad hoc information requests (<https://www.apra.gov.au/sites/default/files/170523-Letter-RML-reporting-response-ARS223.pdf>). APRA will consider publishing statistics sourced from ARF 223.0 in the future.

Revisions

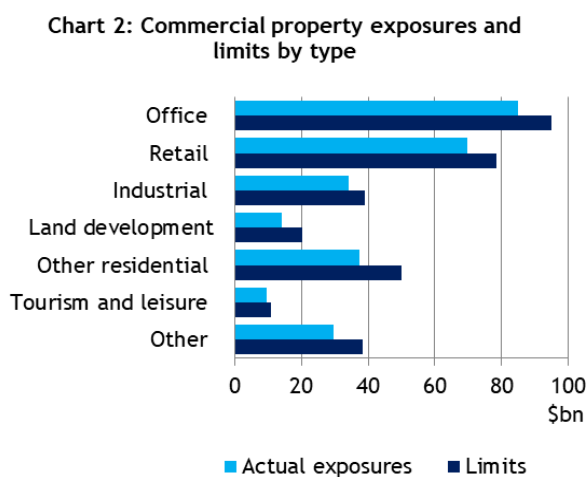
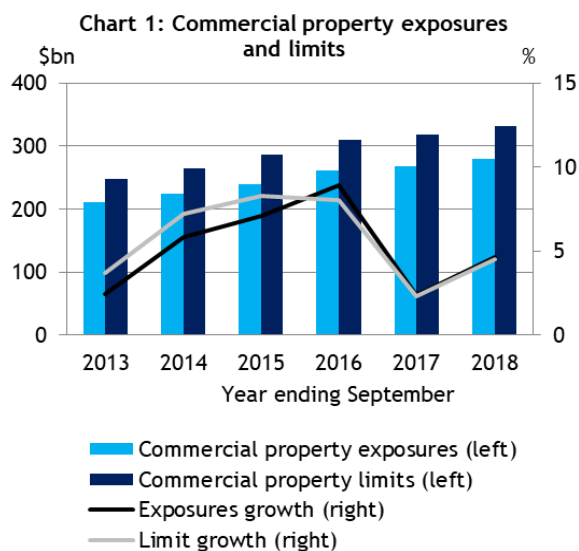
This edition of the Quarterly ADI Property Exposures publication includes revisions to previously published statistics, due to better source data becoming available. For statistics measured in millions, no institutions resubmitted data, which changed the statistics by at least 10 per cent and \$100 million. For statistics measured in thousands, no institutions resubmitted data, which changed the statistics by at least 10 per cent and/or \$100 thousand.

Highlights

Commercial property exposures and limits

Commercial property exposures for all ADIs were \$279.6 billion as at 30 September 2018, an increase of \$12.3 billion (4.6 per cent) compared to 30 September 2017 (chart 1). Exposures within Australia were \$241.3 billion, 86.3 per cent of all commercial property exposures. Total commercial property exposures represented 84.3 per cent of all commercial property limits.

The largest categories of property exposures were office property (\$84.8 billion) and retail property (\$69.7 billion). These represented 30.3 per cent and 24.9 per cent of all exposures respectively (chart 2). For exposure limits, the largest categories were again office (\$95.1 billion) and retail (\$78.3 billion). These represented 28.7 per cent and 23.6 per cent of all limits respectively (chart 2).

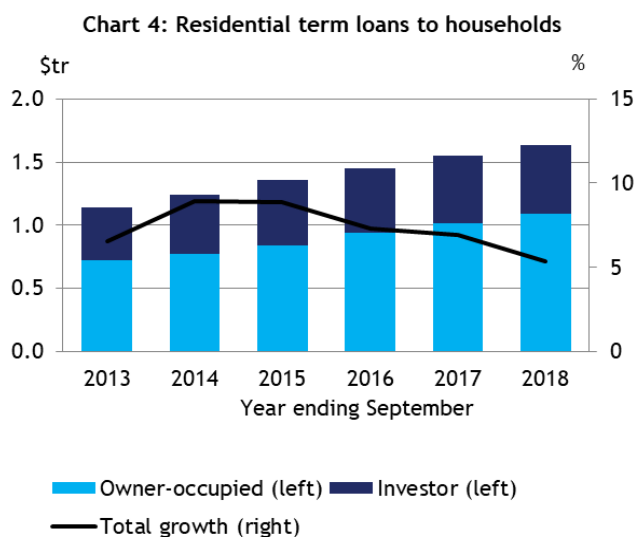
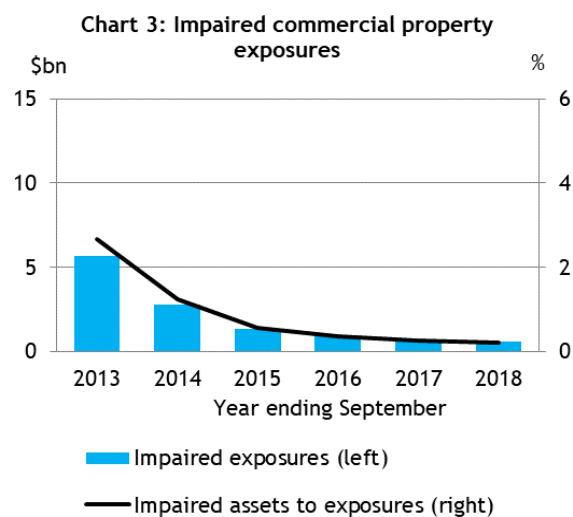


Impaired commercial property exposures were \$590 million at 30 September 2018, a decrease of \$60 million (9.3 per cent) from 30 September 2017 (chart 3), representing 0.2 per cent of total commercial property exposures.

Residential property exposures

ADIs' residential term loans to households were \$1.64 trillion as at 30 September 2018. This is an increase of \$83.1 billion (5.4 per cent) on 30 September 2017 (chart 4). Of these:

- owner-occupied loans were \$1,091.9 billion (66.7 per cent), an increase of \$74.4 billion (7.3 per cent) from 30 September 2017; and
- investor loans were \$545.0 billion (33.3 per cent), an increase of \$8.8 billion (1.6 per cent) from 30 September 2017.



Note: 'Other ADIs' are excluded from all figures.

ADIs with greater than \$1 billion of residential term loans held 98.9 per cent of all such loans as at 30 September 2018. These ADIs reported 5.9 million loans totalling \$1.62 trillion. Of these:

- the average loan size was approximately \$274,000, compared to \$265,000 as at 30 September 2017 (chart 5); and
- \$433.9 billion (26.8 per cent) were interest-only loans (chart 6).

Chart 5: Number and average balance of residential term loans to households*

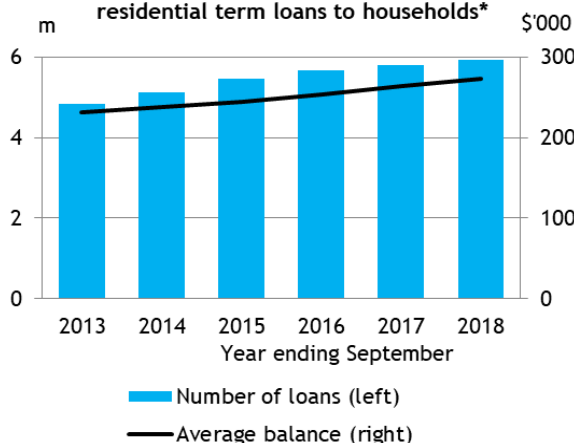
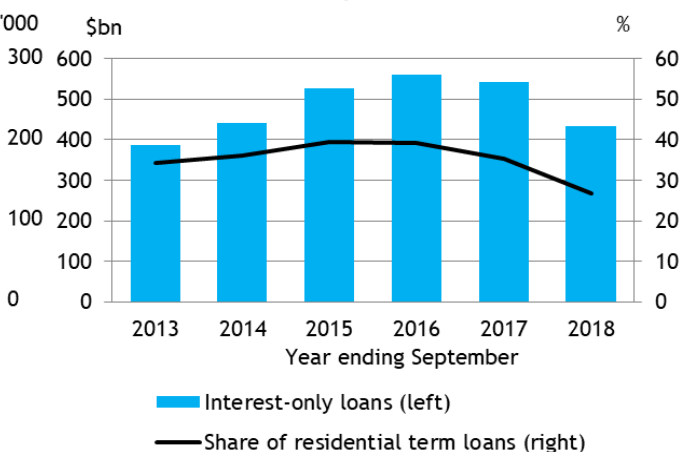


Chart 6: Interest only residential term loans*



New housing loan approvals

ADIs with greater than \$1 billion of residential term loans approved \$370.9 billion of new loans in the year ending 30 September 2018. This is a decrease of \$14.4 billion (3.7 per cent) on the year ending 30 September 2017 (chart 7). Of these new loan approvals:

- owner-occupied loan approvals were \$257.5 billion (69.4 per cent), an increase of \$4.1 billion (1.6 per cent) from the year ending 30 September 2017;
- investment loan approvals were \$113.4 billion (30.6 per cent), a decrease of \$18.5 billion (14.0 per cent) from the year ending 30 September 2017;
- \$50.4 billion (13.6 per cent) had a loan-to-valuation ratio (LVR) greater than 80 per cent and less than or equal to 90 per cent, a decrease of \$4.5 billion (8.2 per cent) from the year ending 30 September 2017 (chart 8);
- \$24.9 billion (6.7 per cent) had a LVR greater than 90 per cent, a decrease of \$3.5 billion (12.2 per cent) from the year ending 30 September 2017; and
- \$59.0 billion (15.9 per cent) were interest-only loans, a decrease of \$58.0 billion (49.6 per cent) from the year ending 30 September 2017.

Chart 7: New housing loan approvals*

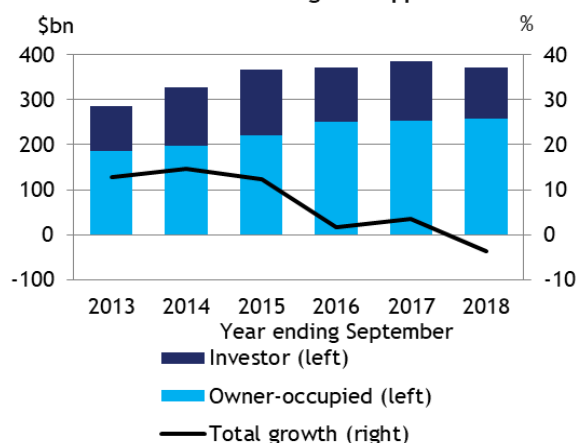
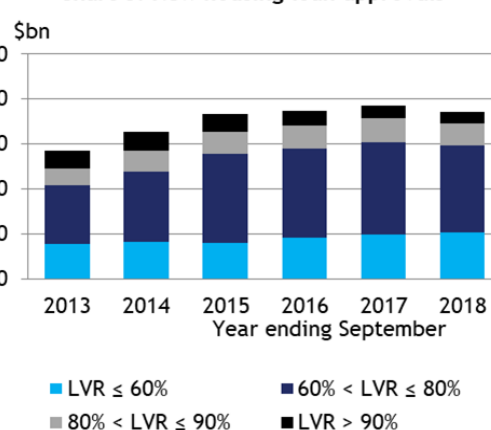


Chart 8: New housing loan approvals*



* ADIs with greater than \$1 billion of residential term loans
 Note: 'Other ADIs' are excluded from all figures.

Table 1a All ADIs' commercial property exposures
(Excludes 'other ADIs')

(\$ million, consolidated group)

	Quarter end				
	Sep 2017	Dec 2017	Mar 2018	Jun 2018	Sep 2018
Commercial property exposure limits					
Office	89,258	91,102	91,654	93,599	95,067
Retail	74,242	75,759	76,333	76,725	78,327
Industrial	35,640	36,253	37,064	37,653	39,008
Land development/subdivisions	22,056	22,051	21,993	21,404	20,275
Other residential	50,322	48,423	49,264	51,108	49,849
Tourism and leisure	8,985	10,267	10,370	10,527	10,979
Other	36,912	38,106	38,788	39,122	38,310
Total commercial property limits	317,414	321,960	325,467	330,137	331,814
<i>of which: Exposure limits in Australia</i>	274,228	279,830	280,708	285,797	287,060
Commercial property actual exposures					
Office	80,206	81,061	82,140	83,342	84,830
Retail	65,378	66,682	67,488	66,573	69,729
Industrial	30,967	31,679	32,526	33,504	34,096
Land development/subdivisions	15,666	15,422	15,327	15,029	14,125
Other residential	37,721	36,282	36,343	37,721	37,543
Tourism and leisure	8,031	8,932	9,280	9,293	9,681
Other	29,296	30,487	30,497	29,591	29,597
Total commercial property exposures	267,265	270,543	273,601	275,053	279,601
<i>of which: Exposures in Australia</i>	229,877	234,273	235,251	237,310	241,336
Impaired Commercial property exposures	650	598	565	590	590
<i>of which: Exposures in Australia</i>	490	402	381	423	445
Specific provisions	279	262	250	260	228
<i>of which: Exposures in Australia</i>	229	206	194	215	196
Specific provisions and security	607	567	532	570	548
<i>of which: Exposures in Australia</i>	467	402	369	426	417
Impaired assets to exposures	0.2%	0.2%	0.2%	0.2%	0.2%
Specific provisions to exposures	0.1%	0.1%	0.1%	0.1%	0.1%
Specific provisions to impaired exposures	42.9%	43.8%	44.2%	44.1%	38.6%
Specific provisions and security held to impaired exposures	93.4%	94.8%	94.1%	96.5%	92.9%
Number of entities ^a	140	141	140	136	136

^a Domestic subsidiary ADIs are consolidated into their parents

Table 1b ADIs' residential property exposures
(Excludes 'other ADIs')

(domestic or licensed books^a)

	Quarter end				
	Sep 2017	Dec 2017	Mar 2018	Jun 2018	Sep 2018
All ADIs	(\$ millions)				
Residential term loans to households					
Owner-occupied	1,017,535	1,039,222	1,058,562	1,076,351	1,091,901
Investment	536,249	539,011	542,330	544,004	545,019
Total residential term loans	1,553,785	1,578,233	1,600,892	1,620,355	1,636,921
Number of entities	141	142	141	137	137
ADIs with greater than \$1 bn of term loans	(\$ millions)				
Residential term loans to households					
Owner-occupied	1,002,977	1,024,982	1,045,030	1,062,770	1,078,687
Investment	531,344	534,506	538,059	539,708	541,024
Total residential term loans to households	1,534,321	1,559,488	1,583,088	1,602,478	1,619,711
<i>of which:</i> ^b					
Loans with offset facilities	687,646	702,256	717,120	731,484	743,942
Interest-only mortgages	542,118	510,272	487,235	461,329	433,942
Reverse mortgages	2,530	2,532	2,505	2,500	2,508
Low-documentation loans	21,147	20,549	19,940	19,233	17,675
Other non-standard loans	904	905	883	867	986
	(thousands of loans)				
Number of residential term loans to households	5,801	5,851	5,885	5,900	5,918
<i>of which:</i> ^b					
Loans with offset facilities	2,187	2,222	2,257	2,284	2,314
Loans with redraw facilities	4,121	4,148	4,168	4,193	4,189
Interest-only mortgages	1,562	1,464	1,389	1,306	1,219
Reverse mortgages	24	24	24	23	23
Low-documentation loans	108	104	101	98	93
Other non-standard loans	5	5	5	5	5
	(\$ thousands)				
Average balance of residential term loans to households	265	267	269	272	274
<i>of which:</i> ^b					
Loans with offset facilities	314	316	318	320	322
Interest-only mortgages	347	349	351	353	356
Reverse mortgages	104	105	105	107	109
Low-documentation loans	195	197	198	196	190
Other non-standard loans	187	185	186	185	194
Number of entities	32	33	34	34	35

^a Domestic books for banks, licensed books for credit unions and building societies

^b Loan categories are neither exhaustive nor mutually exclusive

Table 1c ADIs' new housing loan approvals
(Excludes 'other ADIs')

(\$ million, domestic or licensed books^a)

	Quarter end				
	Sep 2017	Dec 2017	Mar 2018	Jun 2018	Sep 2018
ADIs with greater than \$1 bn of term loans					
New residential term loans to households approved					
Owner-occupied	65,371	69,691	60,270	65,247	62,335
Investment	30,991	30,638	26,482	29,396	26,884
Total new residential term loans to households approved	96,362	100,329	86,752	94,642	89,219
<i>of which:</i> ^b					
Low-documentation loans approved	341	311	225	250	196
Interest-only loans approved	16,600	15,272	13,626	15,704	14,407
Other non-standard loans approved	115	119	114	94	98
Third-party originated loans approved	48,981	51,934	43,151	47,197	44,612
Loans approved outside serviceability	4,485	5,234	4,299	5,096	4,547
New residential term loan approvals by loan-to-valuation ratio (LVR)					
<i>of which:</i>					
Loans approved LVR≤60%	25,785	27,646	24,012	25,973	24,978
Loans approved 60%<LVR≤80%	50,372	51,780	45,677	49,972	45,608
Loans approved 80%<LVR≤90%	13,541	13,694	11,278	12,546	12,860
Loans approved LVR>90%	6,665	7,209	5,786	6,152	5,772
Number of entities	32	33	34	34	35

^a Domestic books for banks, licensed books for credit unions and building societies

^b Loan categories are neither exhaustive nor mutually exclusive

Explanatory notes

ADI Industry Segments

To assist users analyse the ADI industry, the industry is broken down into three industry segments: banks, building societies and credit unions.

ADI means an authorised deposit-taking institution within the meaning of the *Banking Act 1959*.

Banks are ADIs that assume or use the term ‘bank’ in relation to their banking business. Data for banks are broken down into four segments: major banks, other domestic banks, foreign subsidiary banks and foreign branch banks.

Major banks comprises the Australia and New Zealand Banking Group Limited, the Commonwealth Bank of Australia, the National Australia Bank Limited, and the Westpac Banking Corporation.

Other domestic banks comprise all locally-owned banks excluding the major banks.

Foreign subsidiary banks are those foreign banks authorised to carry on banking business in Australia through a locally-incorporated subsidiary.

Foreign branch banks are those foreign banks authorised to carry on banking business in Australia through branches and are subject to specific restrictions on their deposit-taking activities.

Building societies are locally-incorporated ADIs that assume or use the expression ‘building society’ in relation to their banking business.

Credit unions are locally-incorporated ADIs that assume or use the expression ‘credit union’ or ‘credit co-operative’ in relation to their banking business.

A list of all ADIs is provided on APRA’s website.

Basis of preparation

The basis of preparation of the statistics in this publication differs between commercial property exposures and residential property exposures. Both types of statistics are sourced from two levels of reporting by ADIs:

- **Consolidated group book** includes the exposures of the global consolidated operations of ADIs (‘consolidated group’). Locally-incorporated ADIs with controlled entities or associates are required to report consolidated group book data in accordance with the Australian accounting standards AASB 127 *Consolidated and Separate Financial Statements* and AASB 3 *Business Combinations*.
- **Licensed or domestic book** includes the business of an ADI on a standalone basis, excluding subsidiaries and associates. The domestic book is the licensed book excluding offshore banking operations such as offshore branches.

Commercial property exposures are sourced from the consolidated group books of the ADIs. Locally incorporated ADIs with controlled entities or associates are required to report consolidated group book data. For other ADIs, licensed and domestic book data are included.

Domestic ADIs which are themselves subsidiaries of a domestic ADI are not included in commercial property exposure statistics; the data for these ADIs are included in the data for the domestic parent ADI.

Residential property exposures are sourced from the domestic books of banks and the licensed books of credit unions and building societies.

Commercial property exposures are facilities provided for the development, acquisition or improvement of real estate, where the servicing of the facility is dependent on cash flows from the property itself through sale or rental income and/or from cash flows generated from other properties owned by the borrower.

Residential property exposures include only term loans to households which are secured by residential property. This is considerably narrower than the scope of commercial property exposures.

Source of statistics

The data in this publication are sourced from the following returns submitted to APRA under the *Financial Sector (Collection of Data) Act 2001* by ADIs.

- ARF 230.0 *Commercial Property (Licensed ADI and Consolidated Group Books)*
- ARF 320.8 *Housing Loan Reconciliation (Domestic or Licensed ADI Books)*
- ARF 320.0 *Statement of Financial Position (Domestic Books)*
- ARF 323.0 *Statement of Financial Position (Licensed ADI)*

Blank copies of returns and associated instructions are available on APRA's website.

Estimation of commercial property statistics

The *Quarterly Authorised Deposit-taking Institution Property Exposures* publication includes commercial property exposure statistics for all ADIs for the March and September quarters only, until September 2008.

From December 2008 onwards, statistics are included on a quarterly basis. In the March and September quarters, all ADIs are required to report their commercial property exposures. Therefore, statistics are available for all ADIs in these quarters. In the June and December quarters, only a sample of banks are required to report their commercial property exposures, with the remaining ADIs' exposures estimated using their previous quarters' exposures. This sample comprises those banks which have the largest commercial property exposures and together they hold approximately 99 per cent of total ADI commercial property exposures.

Comparison to Australian Bureau of Statistics 5609.0 - *Housing Finance*

The *Quarterly Authorised Deposit-taking Institution Property Exposures* publication includes statistics on new residential term loan approvals. A similar source of statistics is Australian Bureau of Statistics (ABS) publication 5609.0 - *Housing Finance*. For ADIs, the primary source of the ABS Housing Finance statistics is APRA's data collections. However, there are small conceptual differences users should be aware of when comparing the two publications.

ABS dwelling commitments in the *Housing Finance* publication exclude land purchases and alterations to property in the key statistics. These are reported by ADIs each month, ten business days after the end of the month.

New residential loan approvals in this publication are for term loans only and include land purchases and alterations. These are reported by ADIs holding a balance of more than \$1 billion in housing term loans at the end of the quarter. The returns are due 15 business days after the end of the quarter for credit unions and building societies and 20 business days after the end of the quarter for banks.

The differences in scope lead to small differences in the value of new loans in each publication.



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