



STATISTICS

Quarterly Authorised Deposit-taking Property Exposures

December 2018 (released 20 March 2019)

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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, containing data for the most recent periods; and
- 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 36 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, one institution resubmitted data, which changed the statistics by at least 10 per cent and \$100 million.

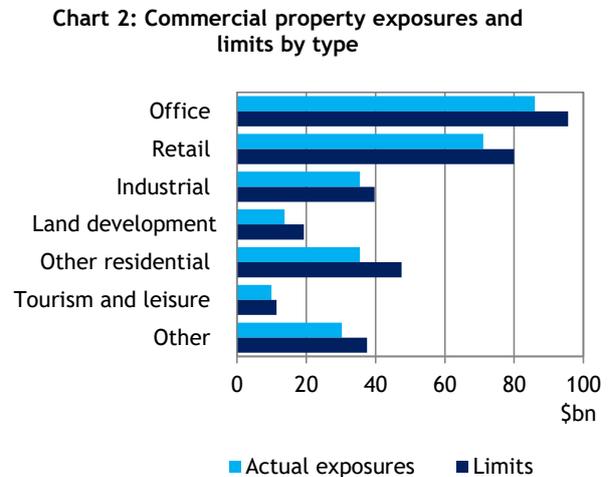
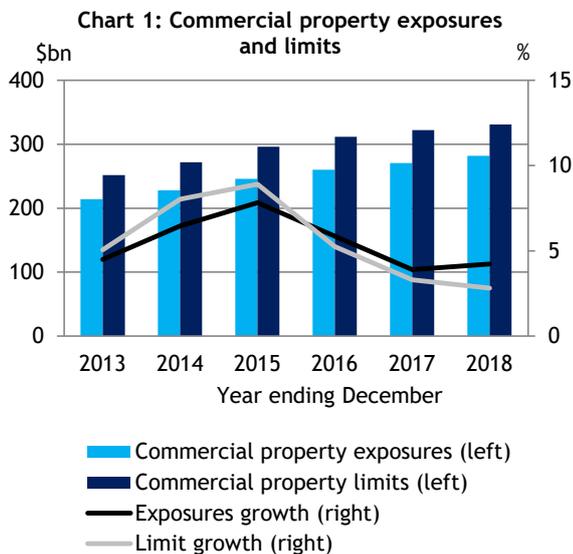
Table and item	Period(s) impacted	Cause of revision	Entity (where applicable)	Previous Figure (\$ million)	Revised Figure (\$ million)
Table 5c - Total new residential term loans to households approved: of which: loans approved outside serviceability	31/12/2017	Resubmitted data		159.4	14.3

Highlights

Commercial property exposures and limits

Commercial property exposures for all ADIs were \$281.9 billion as at 31 December 2018, an increase of \$11.4 billion (4.2 per cent) compared to 31 December 2017 (chart 1). Exposures within Australia were \$243.0 billion, 86.2% of all commercial property exposures. Total commercial property exposures represented 85.1% of all commercial property limits.

The largest categories of property exposures were office property (\$86.0 billion) and retail property (\$71.1 billion). These represented 30.5 per cent and 25.2 per cent of all exposures respectively (chart 2). For exposure limits, the largest categories were again office (\$95.6 billion) and retail (\$80.0 billion). These represented 28.9 per cent and 24.2 per cent of all limits respectively (chart 2).

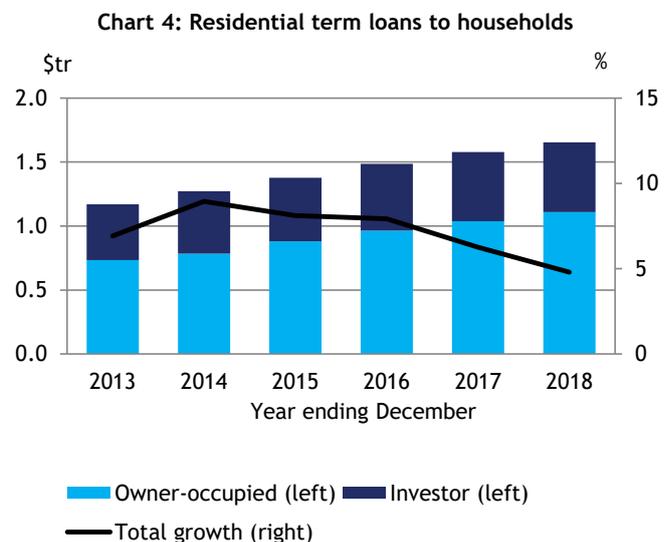
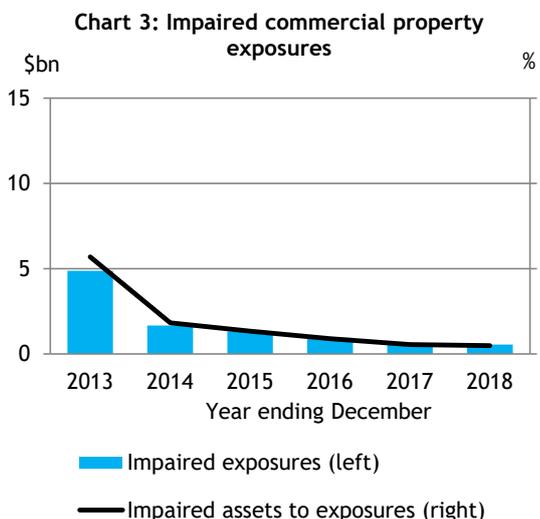


Impaired commercial property exposures were \$559 million at 31 December 2018, a decrease of \$39 million (6.5 per cent) from 31 December 2017 (chart 3). Impaired commercial property exposures were 0.2 per cent of total commercial property exposures.

Residential property exposures

ADIs' residential term loans to households were \$1.65 trillion as at 31 December 2018. This is an increase of \$75.8 billion (4.8 per cent) on 31 December 2017 (chart 4). Of these:

- owner-occupied loans were \$1,108.1 billion (67.0 per cent), an increase of \$70.0 billion (6.7 per cent) from 31 December 2017; and
- investor loans were \$546.2 billion (33.0 per cent), an increase of \$5.8 billion (1.1 per cent) from 31 December 2017.



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

ADIs with greater than \$1 billion of residential term loans held 99.0 per cent of all such loans as at 31 December 2018. These ADIs reported 5.9 million loans totalling \$1.64 trillion. Of these:

- the average loan size was approximately \$276,000, compared to \$267,000 as at 31 December 2017 (chart 5); and
- \$407.3 billion (24.9 per cent) were interest-only loans (chart 6).

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

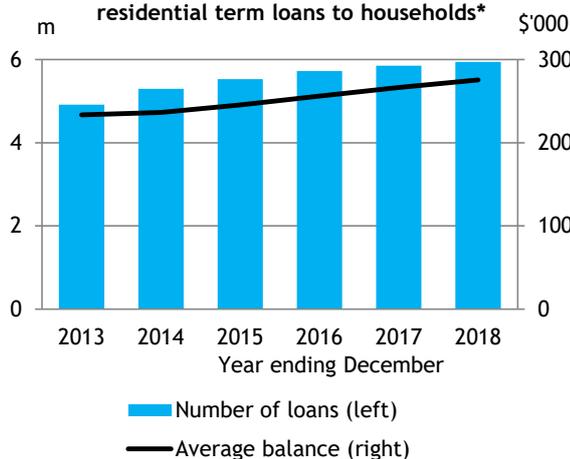
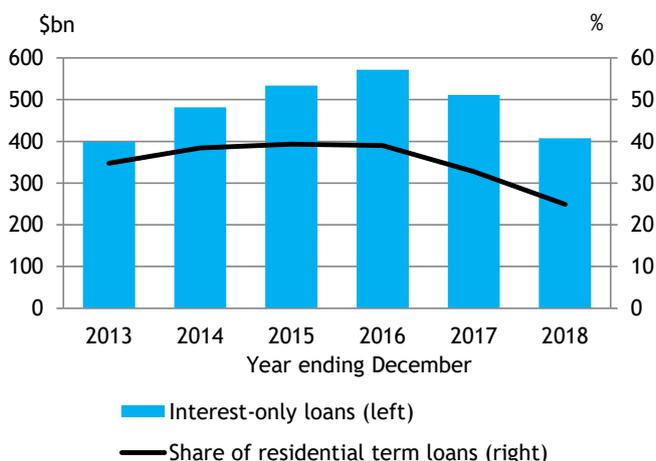


Chart 6: Interest only residential term loans*



New housing loan approvals

ADIs with greater than \$1 billion of residential term loans approved \$359.3 billion of new loans in the year ending 31 December 2018. This is a decrease of \$25.1 billion (6.5 per cent) on the year ending 31 December 2017 (chart 7). Of these new loan approvals:

- owner-occupied loan approvals were \$250.1 billion (69.6 per cent), a decrease of \$7.4 billion (2.9 per cent) from the year ending 31 December 2017;
- investment loan approvals were \$109.2 billion (30.4 per cent), a decrease of \$17.7 billion (14.0 per cent) from the year ending 31 December 2017;
- \$49.5 billion (13.8 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 (8.4 per cent) from the year ending 31 December 2017 (chart 8);
- \$23.8 billion (6.6 per cent) had a LVR greater than 90 per cent, a decrease of \$3.8 billion (13.7 per cent) from the year ending 31 December 2017; and
- \$57.7 billion (16.1 per cent) were interest-only loans, a decrease of \$36.6 billion (38.8 per cent) from the year ending 31 December 2017.

Chart 7: New housing loan approvals*

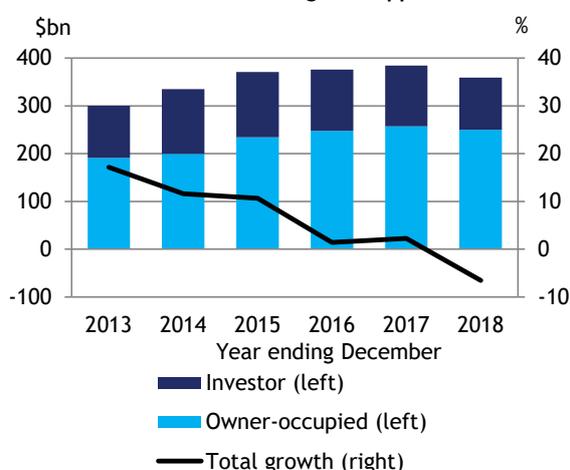
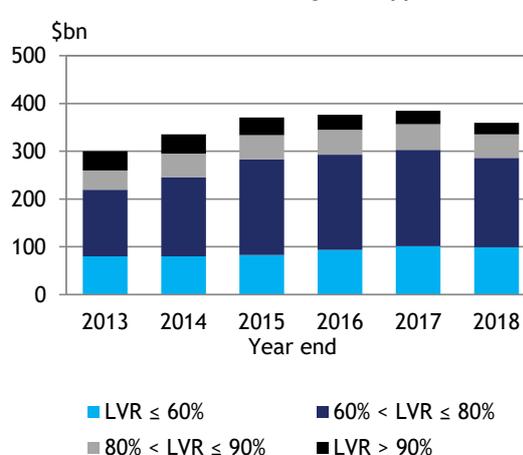


Chart 8: New housing loan approvals*



* 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				
	Dec 2017	Mar 2018	Jun 2018	Sep 2018	Dec 2018
Commercial property exposure limits					
Office	91,132	92,355	94,300	95,067	95,614
Retail	75,769	76,382	76,773	78,327	80,001
Industrial	36,584	37,066	37,655	39,006	39,715
Land development/subdivisions	22,025	22,004	21,415	20,275	19,303
Other residential	48,279	49,265	51,109	49,849	47,526
Tourism and leisure	10,267	10,370	10,527	10,979	11,432
Other	38,041	38,995	39,329	38,310	37,562
Total commercial property limits	322,097	326,436	331,108	331,812	331,152
<i>of which: Exposure limits in Australia</i>	279,967	281,677	286,768	287,060	286,053
Commercial property actual exposures					
Office	81,039	82,837	84,039	84,830	85,976
Retail	66,652	67,536	66,621	69,729	71,108
Industrial	31,945	32,527	33,506	34,096	35,417
Land development/subdivisions	15,411	15,327	15,029	14,125	13,705
Other residential	35,934	36,343	37,723	37,543	35,485
Tourism and leisure	9,081	9,281	9,293	9,681	9,959
Other	30,436	30,704	29,798	29,597	30,291
Total commercial property exposures	270,496	274,554	276,008	279,601	281,941
<i>of which: Exposures in Australia</i>	234,249	236,204	238,265	241,336	242,999
Impaired Commercial property exposures	598	565	590	590	559
<i>of which: Exposures in Australia</i>	402	381	423	445	431
Specific provisions	262	250	260	228	237
<i>of which: Exposures in Australia</i>	206	194	215	196	206
Specific provisions and security	567	532	570	548	518
<i>of which: Exposures in Australia</i>	402	369	426	417	403
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	43.8%	44.2%	44.1%	38.6%	42.4%
Specific provisions and security held to impaired exposures	94.8%	94.1%	96.5%	92.9%	92.7%
Number of entities ^a	141	140	136	136	137

^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				
	Dec 2017	Mar 2018	Jun 2018	Sep 2018	Dec 2018
All ADIs	(\$ millions)				
Residential term loans to households					
Owner-occupied	1,038,110	1,057,165	1,076,353	1,091,901	1,108,111
Investment	540,425	541,919	544,005	545,019	546,219
Total residential term loans	1,578,534	1,599,083	1,620,357	1,636,921	1,654,330
Number of entities	142	141	137	137	138
ADIs with greater than \$1 bn of term loans	(\$ millions)				
Residential term loans to households					
Owner-occupied	1,023,871	1,045,030	1,062,770	1,078,687	1,095,300
Investment	535,919	538,059	539,708	541,024	542,389
Total residential term loans to households	1,559,790	1,583,088	1,602,478	1,619,711	1,637,689
<i>of which:</i> ^b					
Loans with offset facilities	702,200	717,120	731,484	743,942	749,958
Interest-only mortgages	510,865	487,235	461,329	433,942	407,347
Reverse mortgages	2,514	2,505	2,500	2,508	2,329
Low-documentation loans	20,559	19,940	19,233	17,675	16,937
Other non-standard loans	905	883	867	986	998
	(thousands of loans)				
Number of residential term loans to households	5,852	5,885	5,900	5,918	5,944
<i>of which:</i> ^b					
Loans with offset facilities	2,222	2,257	2,284	2,314	2,332
Loans with redraw facilities	4,149	4,168	4,193	4,189	4,212
Interest-only mortgages	1,466	1,389	1,306	1,219	1,138
Reverse mortgages	24	24	23	23	22
Low-documentation loans	105	101	98	93	90
Other non-standard loans	5	5	5	5	5
	(\$ thousands)				
Average balance of residential term loans to households	267	269	272	274	276
<i>of which:</i> ^b					
Loans with offset facilities	316	318	320	322	322
Interest-only mortgages	349	351	353	356	358
Reverse mortgages	105	105	107	109	108
Low-documentation loans	197	198	196	190	189
Other non-standard loans	185	186	185	194	197
Number of entities	33	34	34	35	36

^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				
	Dec 2017	Mar 2018	Jun 2018	Sep 2018	Dec 2018
ADIs with greater than \$1 bn of term loans					
New residential term loans to households approved					
Owner-occupied	69,477	60,270	65,247	62,538	62,033
Investment	30,636	26,482	29,396	27,149	26,193
Total new residential term loans to households approved	100,113	86,752	94,642	89,687	88,226
<i>of which:</i> ^b					
Low-documentation loans approved	311	225	250	196	171
Interest-only loans approved	15,262	13,626	15,704	14,446	13,910
Other non-standard loans approved	119	114	94	98	125
Third-party originated loans approved	51,878	43,151	47,197	45,047	45,177
Loans approved outside serviceability	5,089	4,299	5,096	4,633	4,085
New residential term loan approvals by loan-to-valuation ratio (LVR)					
<i>of which:</i>					
Loans approved LVR≤60%	27,588	24,012	25,973	24,904	24,135
Loans approved 60%<LVR≤80%	51,668	45,677	49,972	46,103	45,255
Loans approved 80%<LVR≤90%	13,667	11,278	12,546	12,904	12,752
Loans approved LVR>90%	7,191	5,786	6,152	5,777	6,084
Number of entities	33	34	34	35	36

^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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