AUSTRALIAN BANKERS' ASSOCIATION INC.

Fees for Banking Services

2011 Report

Prepared by the Australian Bankers' Association

Contents

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About the data

This report has been prepared by the Australian Bankers' Association (ABA). It analyses data which is submitted by banks for the annual Banking Fees survey which is conducted by the Reserve Bank of Australia (RBA). The survey has been conducted since 1997.

Survey reference period

The *reference period* for the collection of the RBA survey data is based on banks' end-of-year reporting. For the majority of banks, the end-of-year is either June 2010 or September 2010 or in between this period.

Global financial crisis

Readers should be aware that the data are affected by the ongoing effects of the global financial crisis (GFC). It is widely recognized that the peak of the GFC occurred in September/October 2008. Following this, the ability of businesses to access capital markets for their funding was severely constrained. Many businesses returned to banks to provide their funding which resulted in a higher than usual increase in bank service fee revenue mainly from large businesses.

International fees data

The RBA Banking Fees survey is unique from an international perspective. No other comparable economies (i.e. UK, USA, NZ or Canada) conduct a similar survey.

Studies of banking fees which attempt to provide international comparisons will be limited by the lack of detailed statistics for countries other than Australia. These studies often rely on advertised fee rates and include broad assumptions about the use of banking services. For example, fees associated with bundling/packaging of banking services are difficult to incorporate in data models but are captured in the Reserve Bank survey.

Fees data – gross basis

Bank service fee revenue statistics are 'gross' measures which are collected on a *pre-tax* basis.

Impact of changes in transaction and loan volumes on fees

The statistics released by the RBA are *not adjusted* for changes in volume of banking business. For example, while the survey results show that aggregate fees were *flat* this year, the survey does not collect data to determine how this result relates to changes in banking business volumes such as numbers of customer accounts, transaction volumes or loan volumes.

The ABA analysis in this report presents measures – which are based on a range of official statistics as released by RBA, Australian Prudential Regulation Authority (APRA) and Australian Bureau of Statistics (ABS) - which will allow better comparison over time by taking into account these *volume effects*, where possible.

Coverage

Readers should note that the results produced from the RBA survey differ - but only slightly - from the ABA survey results contained in this report. The RBA includes more institutions in their survey but the impact of these institutions is very small.

The survey results prior to 2001 have been affected by coverage changes. That is, over the early life of the survey, new institutions were added to the survey or mergers took place with institutions which were not previously in the survey. While these effects continue even in more recent years, the impact on the data was more significant prior to 2001.

While a change in coverage may cause only a small impact at the aggregate level, it may have a more significant effect at the product level. For example, if a bank purchases a home loan provider (which was not already in the survey), this may have little effect at the aggregate fee level but it may have a pronounced effect on bank service fee revenue received from home lending.

ABS price measures for financial services

The Banking Fees survey does not produce an overall price measure for bank services. It does not incorporate the broader income sources of banks, volume effects and changing patterns of consumer usage of bank services. The official measure which best captures this is produced by the Australian Bureau of Statistics as part of the Consumer Price Index (CPI). This is covered in this report (see the section titled Financial Services prices). The Banking Fees survey provides information on only one component of the income and expenses of banks i.e. bank service fee revenue.

Exception fees

This is the third year for which data has been collected and released on exception fees. These fees vary depending on the type of product, such as:

- For credit cards, exception fees include over-the-limit fees and late payment fees.
- For transaction accounts, exception fees include dishonour, default and overdrawn fees.

Over the past two years, banks have made large reductions to a number of exception fees which is reflected in the survey results, in particular, for this current year.

Revisions

The Reserve Bank of Australia (RBA) seeks to improve the data where possible. Readers should note that data have been revised significantly since the last fees report. In particular, data relating to fees from businesses lending and bank bills have been revised considerably. Some of these data series have been revised back to the start of the survey (1997).

Revisions may also arise if the underlying data used to construct ratios has been revised.

Previous releases

Readers can refer to:

Fees for Banking Services 2010 Report, prepared by the Australian Bankers' Association.

Weblink: http://www.bankers.asn.au/ArticleDocuments/163/Fees-for-Banking-Services-Report-2010.pdf.aspx

Fees for Banking Services 2009 Report, prepared by the Australian Bankers' Association.

Weblink: http://www.bankers.asn.au/ArticleDocuments/163/Fees_for_Banking_Services_Report_2009.pdf.aspx

Fees for Banking Services 2008 Report, prepared by the Australian Bankers' Association.

Weblink: http://www.bankers.asn.au/ArticleDocuments/163/Fees-for-Banking-Services-Report-2008.pdf.aspx

Fees for Banking Services 2007 Report, prepared for the Australian Bankers' Association by Associate Professor Kim Hawtrey, Macquarie University, Sydney.

Weblink: http://www.bankers.asn.au/ArticleDocuments/163/Fees-for-Banking-Services-Report-2007.pdf.aspx

ABA has drawn upon the previous work done by Associate Professor Hawtrey in the general content and style of this latest report.

Summary comments

This report has been prepared by the Australian Bankers' Association. It analyses the bank service fee revenue data that is submitted by banks for the annual RBA Banking Fees survey.

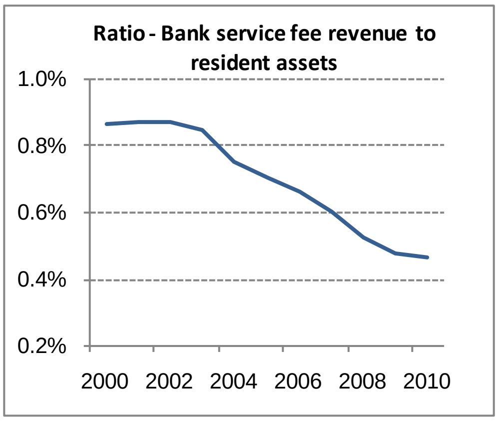
Bank service fee revenue collected over the 2010 survey was against a backdrop of solid economic conditions even though the effects of the global financial crisis were still evident. Employment continued to rise, unemployment was falling while business investment was very strong. GDP picked up from 1.4% over 2008-09 to 2.3% for 2009-10.

Total bank service fee revenue flat year-on-year … but household fees fall by 16%

- For the 2010 survey, banks collected $11.1 billion in bank service fee revenue from businesses and households, no change over the previous year.
- bank service fee revenue from *households* fell by a large $835 million or 16.4% to $4.25 billion, the first fall on record.

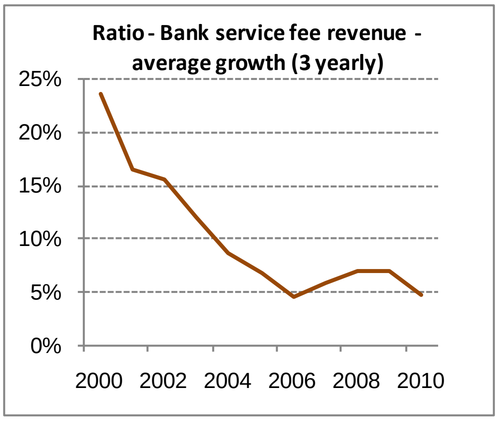
The main driver of bank service fee revenue is business volumes, not fee increases

- Increasing bank business volumes are the main driver of bank service fee revenue, not higher fees. This is evident in a strong downward trend in the ratio of bank service fee revenue to banks resident assets since 2001.
- Over the past five years, bank assets have been growing, on average, by 13.9% per year. This is 2.5 times faster than the average growth in bank service fee revenue (5.4%) over the same time.
- This year's survey shows that the proportion of bank service fee revenue to domestic assets was at a record low of 0.47%, compared to around 0.87% in 2001 and 2002.



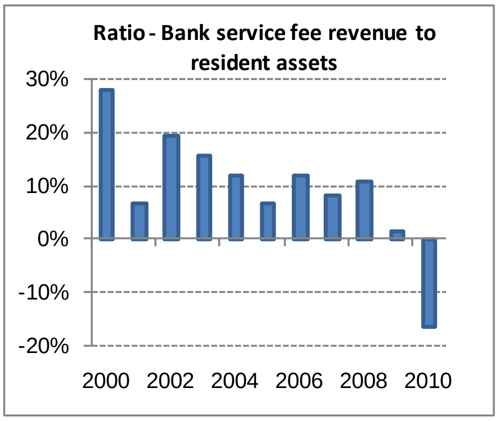
Average growth rates in bank service fee revenue is at low levels

- Over the past three years, average annual growth in total bank service fee revenue was 4.8% per year. This is only the second time that it has been below 5% (4.6% in 2006).



Households

- This year, bank service fee revenue from households fell by a large 16.4% or $835 million to $4.25 billion. This is the first fall on record (since 1997).



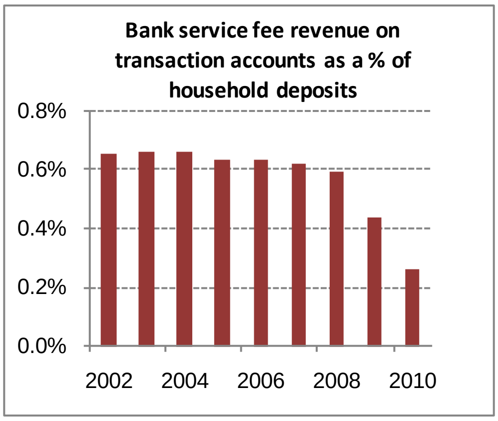
- The proportion of household spending[1] relating to bank service fees fell to 0.61%. Over the previous four years, it was in a tight range 0.74% to 0.76%.

- Fees fell across five of the six major products categories for households with *transactions account* fees falling by a very large 36% or $668 million in 2010. This is the second consecutive fall resulting in a 43% or $916 million fall in fees on transaction accounts over the past two years.

- Credit card fees fell by 11% or $148 million this year.

[1] Household final consumption expenditure (see ABS National Accounts)

- Bank service fee revenue from household transaction accounts was at a low of 0.26% of total household deposits in 2010. From 2003-2008 this ratio averaged 0.63%.



- The lowest income group pays the lowest share (6.6%) of fees on transaction accounts, while the highest quintile pays the highest share (37.8%).

Business lending remains at high levels

- In the three years since the onset of the global financial crisis, average growth in bank service fee revenue from businesses has been 10.1% per year. This reflects the disruption in global financial markets over that period. That is, businesses increasingly turned to banks to support their financing needs as other markets tightened or closed entirely.

Exception fees

- Exception fees paid by households and businesses fell by 48% this year.
- For households, exception fees fell by a very large 49%; with falls across every broad product category.
- Exception fees on household transaction accounts fell by 57% or $382 million as banks continued to reduce exception fees and introduce more fee free accounts. Likewise, exception fees on credit cards experienced a very large fall of 42% or $219 million.
- In 2010, exception fees were 1.06% of banks total operating income, falling from 2.06% the previous year.

1. Overview

Results for the banking fees survey showed that aggregate bank service fee revenue in 2010 was the same as for the previous year, $11.1 billion. The 0% change in fees for this year is the smallest on record, over the 14 year history of the survey.

Aggregate fee growth has fallen sharply over the past three years from 8.3% in 2008, 6.1% in 2009 and 0.0% this year.

Across the two broad customer segments, bank service fee revenue *decreased* by 16.4% to $4.25 billion for households, while for businesses it increased by 13.9% to $6.87 billion.

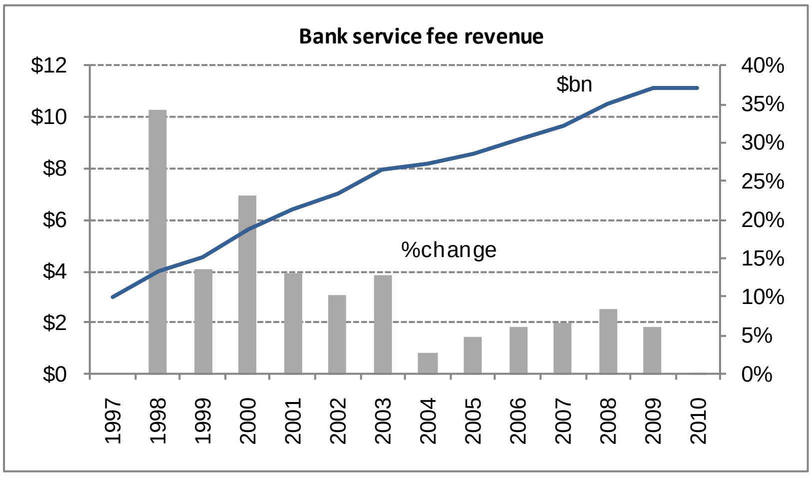
This year (2010), bank service fee revenue from *households* fell by a large $835 million or 16.4% to $4.25 billion, the first fall on record, with falls across five of the six major products categories for households. Fees on transactions accounts fell by a massive 36% or $668 million and for credit cards, the fall was 11% or $148 million. The only category which increased was housing loans which saw a very small $27 million or 2.1% increase.

At 13.9%, the growth rate for bank service fee revenue from businesses was the highest since 2001. This reflected increased bank intermediation of business funding as a result of the global financial crisis. Even so, fees on deposit accounts of businesses have fallen by 17% over the past two years

Table 1.1 – Bank service fee revenue

$m	2004	2005	2006	2007	2008	2009	2010
Households	$3,507	$3,742	$4,181	$4,525	$5,008	$5,082	$4,247
. change	$373	$235	$439	$344	$483	$74	-$835
. %change	11.9%	6.7%	11.7%	8.2%	10.7%	1.5%	-16.4%
Business	$4,656	$4,810	$4,900	$5,149	$5,472	$6,035	$6,872
. change	-$146	$154	$91	$249	$323	$563	$838
. %change	-3.0%	3.3%	1.9%	5.1%	6.3%	10.3%	13.9%
Total	$8,163	$8,551	$9,081	$9,674	$10,480	$11,116	$11,119
. change	$227	$388	$530	$593	$806	$636	$3
. %change	2.9%	4.8%	6.2%	6.5%	8.3%	6.1%	0.0%

Chart 1.1 - Bank service fee revenue



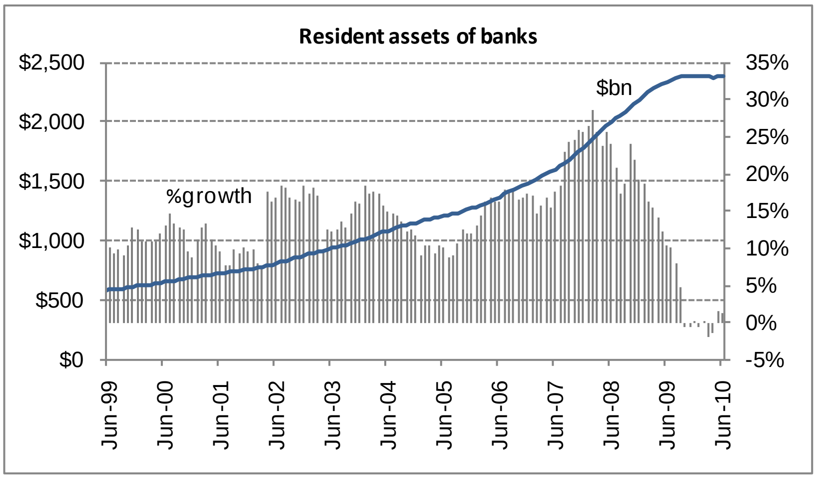
Bank service fee revenue will normally grow if bank assets, such as loans, grow.

At the end of June 2010, total resident assets of banks were $2.4 trillion. This was an increase of $29.5 billion or 1.2% over the previous year. This is even slower than the slowest rate of asset growth during the recession of the early 1990s (1.9%).

Chart 1.2 shows that bank assets grew at a solid pace until the height of the global financial crisis in October 2008 from which time asset growth sharply declined.

Readers should be aware of the series break in 2002 which has resulted in growth rates being inflated over that 12 month period.

Chart 1.2 – Resident assets of banks



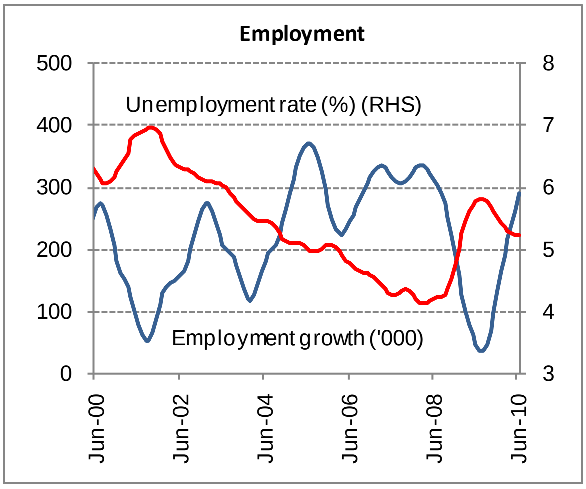
Source: Reserve Bank Bulletin Table B2.

A number of key economic drivers of banking business for both the household and business sectors were solid over the 12 month to the end of June 2010.

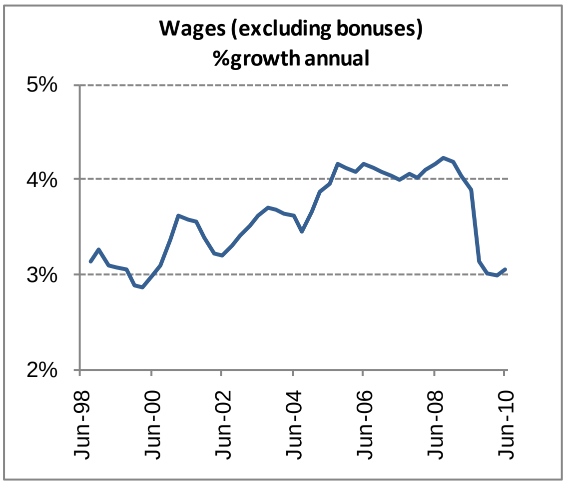
Usage of banks services responds to many of the same conditions as would be the case for other services. In particular, if economic activity is strong, this will more than likely translate into greater use of bank services.

Some of the factors that have been driving the growth in bank business have included[2]:

- Employment – the unemployment rate fell from 5.8% at the start of the year to 5.2% at June 2010. Similarly, over the 12 months to June 2010, employment grew by 289,300 compared with 47,500 for the previous year.

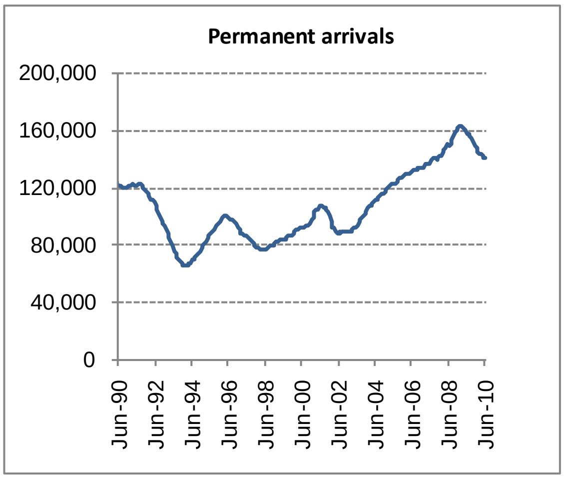


- Wages – wage growth throughout 2009-10 was above CPI.

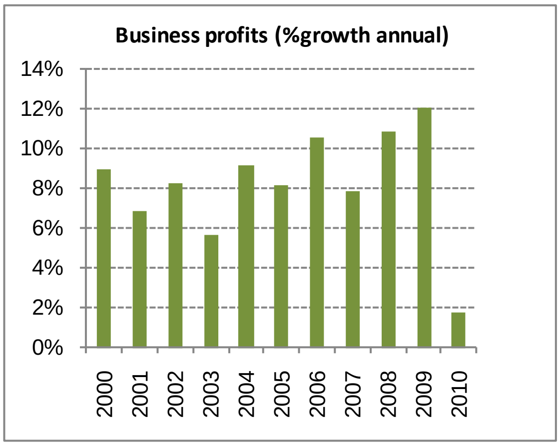


[2] Data relating to each of the dot points was sourced from the Australian Bureau of Statistics.

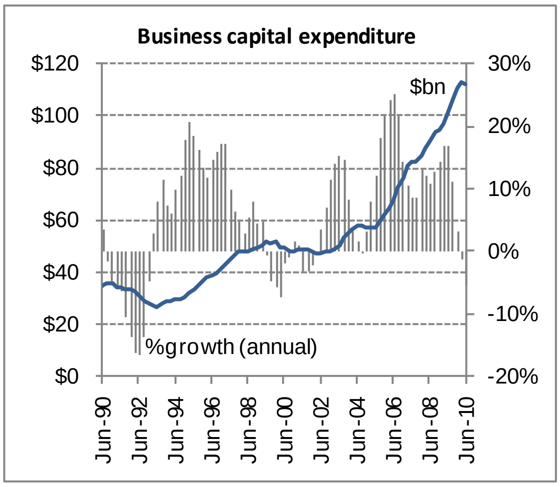
- Immigration – over the year to the end of June 2010 there were near record numbers (140,610) of permanent arrivals to Australia.



- Business profits – while growth was not high, gross operating surplus was at a high of $440 billion over the 12 months to the end of June 2010.



- Business capital expenditure – remains around record high levels with a total of $107 billion being spent by businesses over 2009-10.

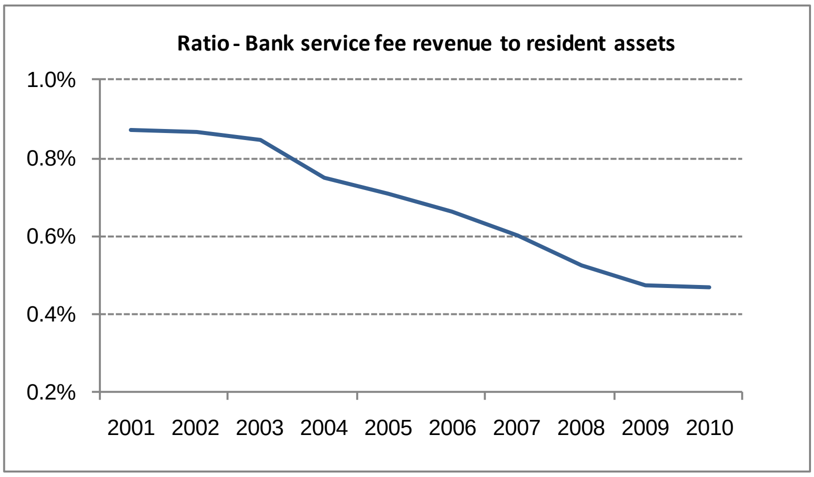


2. Bank service fee revenue adjusted for asset growth

Growth in bank service fee revenue should be considered in the context of growth in banking business. To illustrate this in very simple terms, if the number of home loans on the books of banks increases by 10% it might be expected that the overall fee revenue for this banking service could increase by *around* 10%, simply because there are more home loans to service. To adjust for this 'volume effect', bank service fee revenue can be measured against an indicative measure of business volume such as resident assets.

The following chart shows that there has been a downward trend in the ratio of bank service fee revenue to average total resident assets. In the early part of this decade, this ratio averaged around 0.87%. It is now at a record low of 0.47%.

Chart 2.1 – Ratio of bank service fee revenue to resident assets



Source: RBA Bulletin Table B2

The reason that this ratio has been falling is evident from the table below. That is, banks' resident assets have been growing at a faster rate than bank service fee revenue. Over the past five years, bank assets have been growing, on average, by 13.9% per year. This is 2.5 times faster than the average growth in bank service fee revenue (5.4%) over the same time.

Table 2.1 – Bank service fee revenue and resident assets (%change)

	%change over past year	
	Bank service fee	Resident assets
2001	13.0%	9.5%
2002	10.4%	16.9%
2003	12.8%	12.4%
2004	2.9%	14.9%
2005	4.8%	10.1%
2006	6.2%	16.3%
2007	6.5%	17.6%
2008	8.2%	24.1%
2009	6.2%	10.4%
2010	0.0%	1.2%

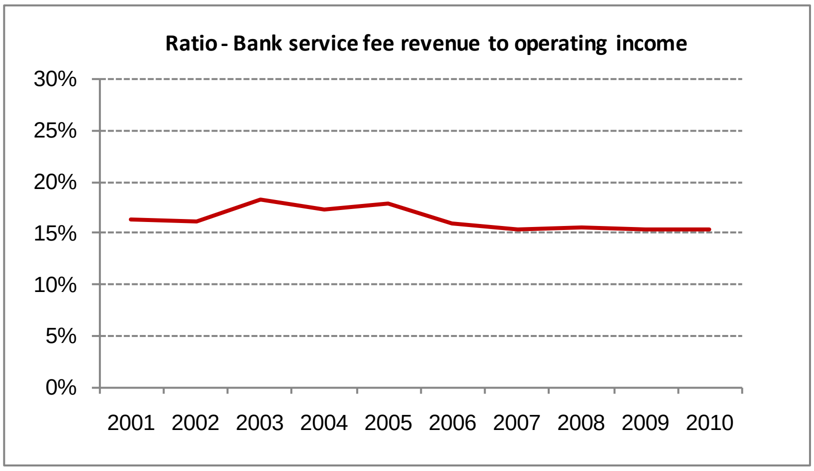
3. Bank service fee revenue and bank income and profits

Bank service fee revenue as a proportion of operating income has stayed within a tight range of around 15%-18% over the ten years shown in the chart below.

Over the past four years, the ratio has been at the lower level of this narrow range (between 15.3% and 15.7%) averaging 15.4%. For the four years prior to that (2003-2006) it averaged 17.4%.

In 2010, the ratio of bank service fee revenue to operating income was 15.4%.

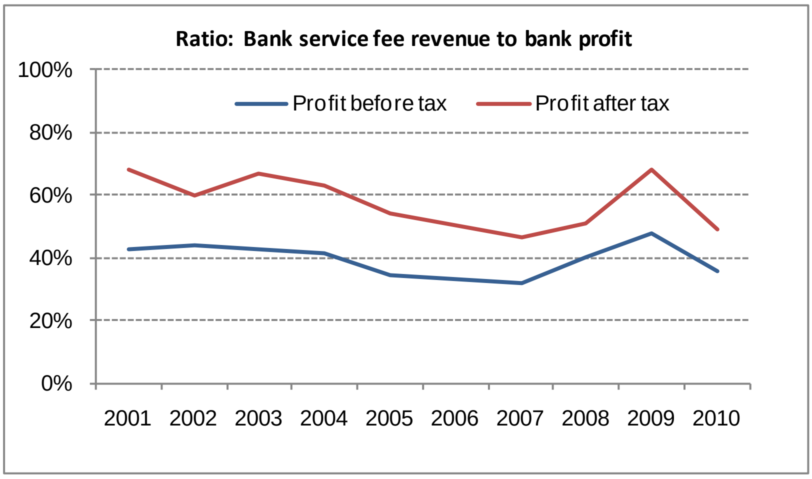
Chart 3.1 – Ratio of bank service fee revenue to operating income



Source: Banks' operating income is sourced from banks' annual reports.

The ratio of bank service fee revenue to bank profit is returned to more usual levels this year (2010). The increase in the ratio, over 2008 and 2009, was as a result of a significant fall in profits. That is, profit outcomes for banks over this two year period fell by 23% on a *before tax* basis and 21% on an *after tax* basis. As such, the increase in the ratio did not reflect a large rise in fee income, it reflected a large fall in profits.

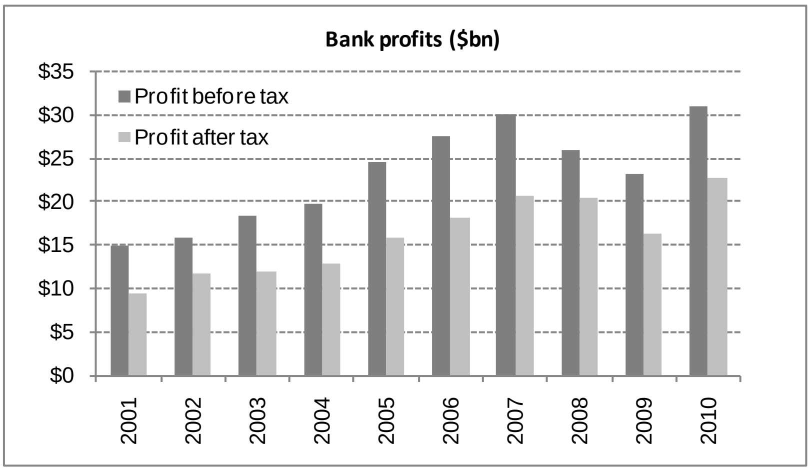
Chart 3.2 – Ratio of bank service fee revenue to bank profits



Source: Profit data are sourced from banks' annual reports.

The underlying profit outcomes used for Chart 3.2 above are shown in the chart below. In particular, the *fall* in bank profits over 2008 and 2009 has caused the ratio of bank fee revenue to profits to rise.

Chart 3.3 – Bank profits

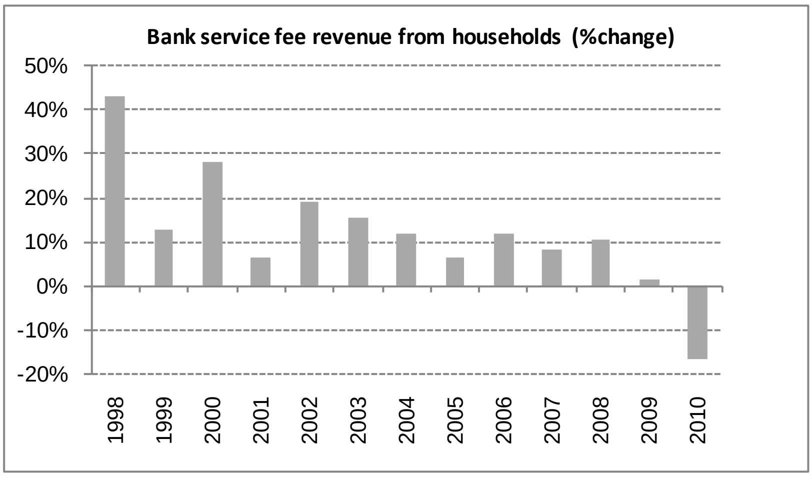


Source: Profit data are sourced from banks' annual reports.

4. Households

For the 2010 survey, bank service fee revenue from *households* was $4.25 billion, a large fall of 16.4% or $835 million over the previous year. This is the first fall on record.

Chart 4.1 – Households: %change in bank service fee revenue

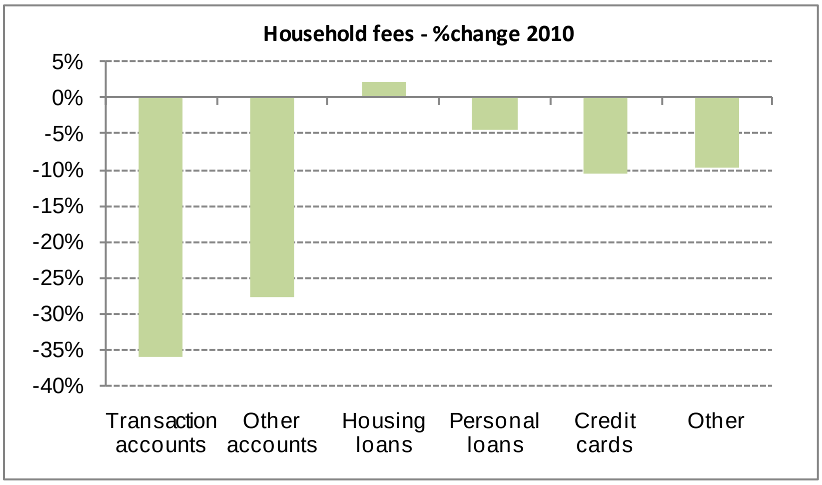


Fees fell across five of the six major products categories for households.

Fees on transactions accounts fell by a very large 36% or $668 million. For credit cards, the fall was 11% or $148 million.

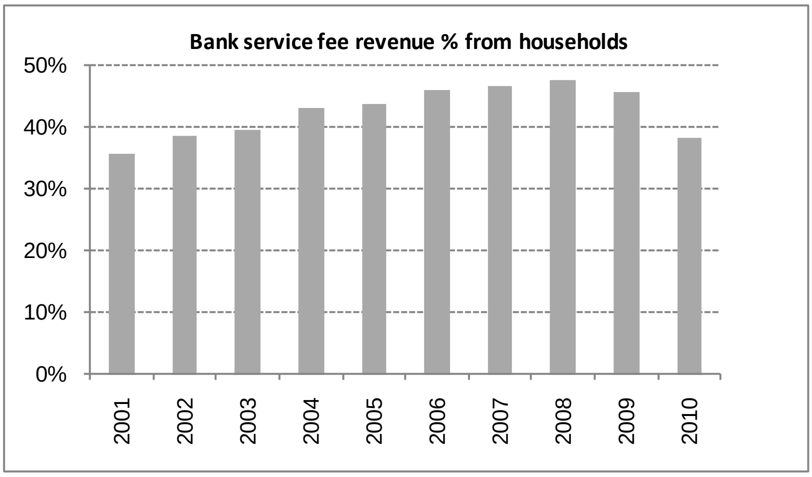
The only product category to increase was housing loans which saw a very small $27 million or 2.1% increase.

Chart 4.2 – %Change in bank service fee revenue paid by households by product



In 2010, bank service fee revenue from households accounted for 38% of total bank service fee revenue compared with 46% in 2009. In 2008, it reached a high of 48%.

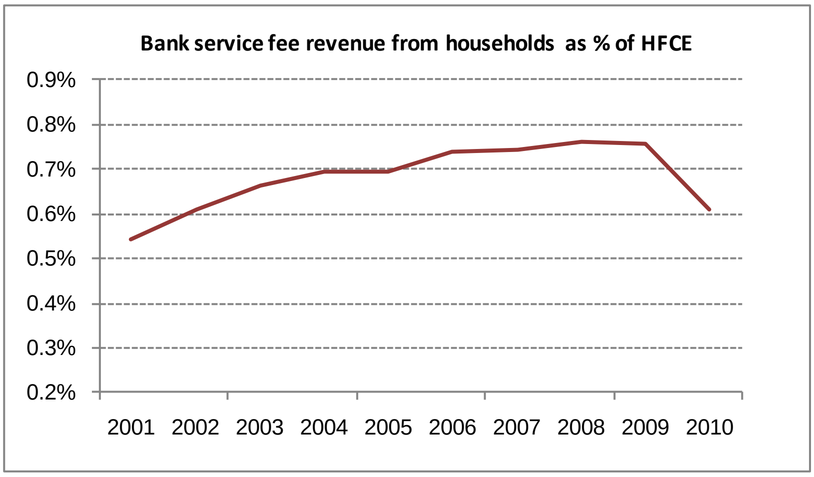
Chart 4.3 – Bank service fee revenue % from households



It is useful to compare bank service fee revenue from households with total household spending, using the ABS National Accounts aggregate – Household Final Consumption Expenditure (HFCE).

This year saw a substantial fall in the proportion of household expenditure on banks fees to 0.61%. The chart below shows that bank service fee revenue from households as a proportion of HFCE was very stable over the prior four years, between 0.74% and 0.76%.

Chart 4.4 – Bank service fee revenue from households as a % of HFCE



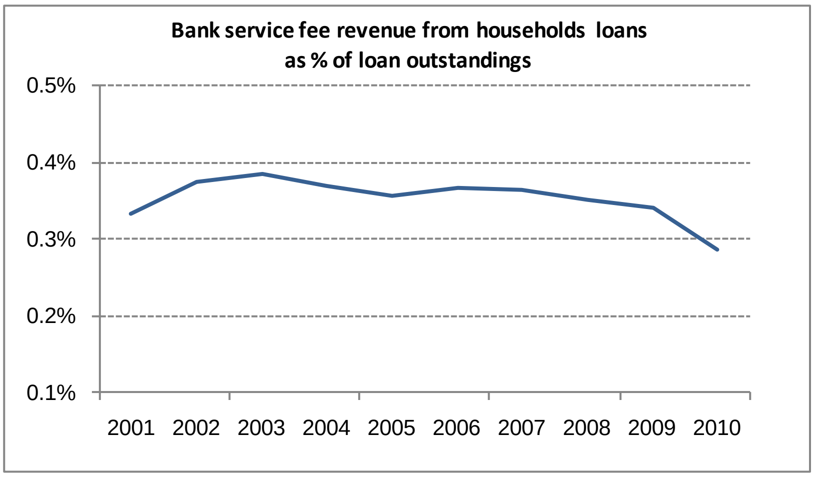
Source: ABS National Accounts - Household Final Consumption Expenditure.

Over the 12 months to the end of June 2010, banks average outstanding loans to households (excluding securitisations) were $1.01 trillion.

The ratio of bank service fee revenue - from bank *lending* to households - to aggregate bank lending to households conveniently summarises the relationship between these two items.

Over the 12 months to the end of June 2010, bank service fee revenue from loans to households was only a small fraction (0.29%) of total lending to households. This ratio is now at the lowest level on record.

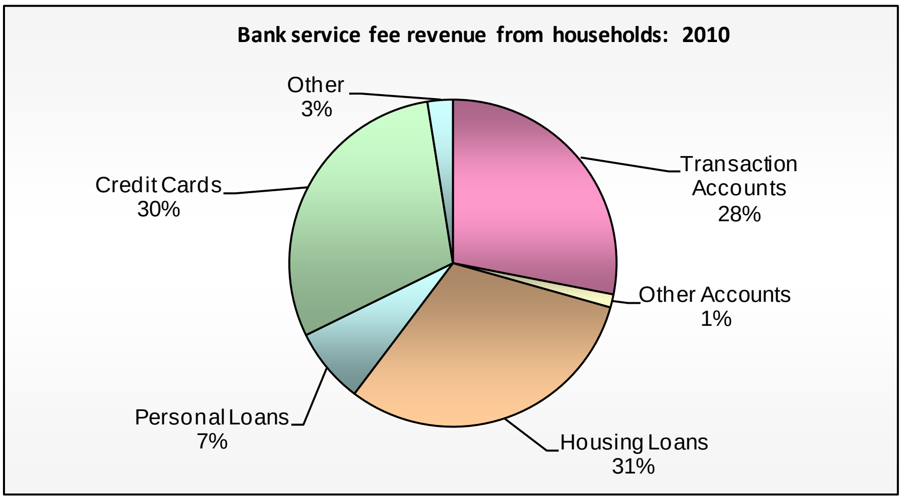
Chart 4.5 – Bank service fee revenue from households as a proportion of loans



Over the 12 months to the end of June 2010, bank service fee revenue from transaction accounts made up 28% of total bank service fee revenue from households, the lowest on record. Over the ten years from 1999 to 2008, fee revenue from transaction accounts ranged from 41% to 45% of total bank service fee revenue from households, falling to 37% in 2009 and 28% now.

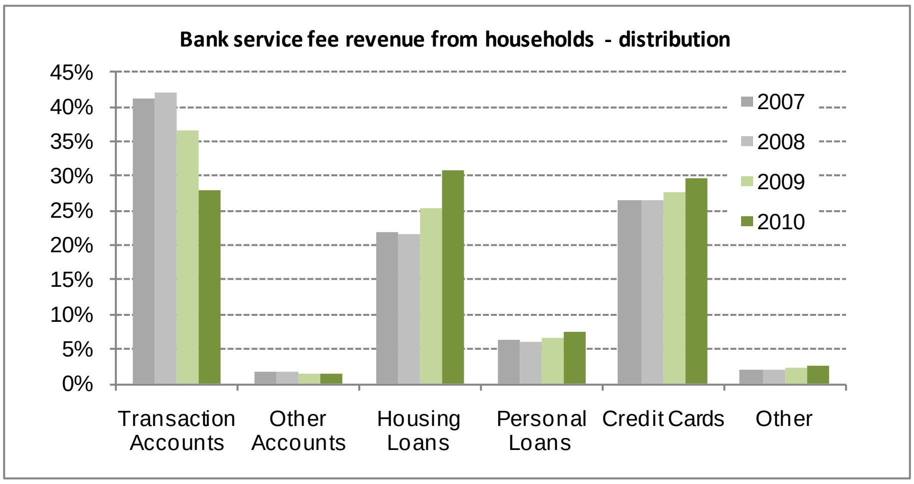
Prior to 2010, transaction accounts had been the highest contributor to bank service fee revenue from households for every year of the survey. This year, fees from transaction accounts rank behind housing loans and credit cards.

Chart 4.6 – Bank service fee revenue from households: 2010



The proportion of bank service fee revenue from housing loans and credit cards has grown over the past two years. This has been a result of large falls in fees on transaction accounts, not large rises in fees for housing loans and credit cards. That is, over the past *two years*, fees on transaction accounts have fallen by a very large 43% while fees on housing loans have increased by only 6% and fees on credit cards have fallen by 5%.

Chart 4.7 – Contribution to bank service fee revenue from households by product



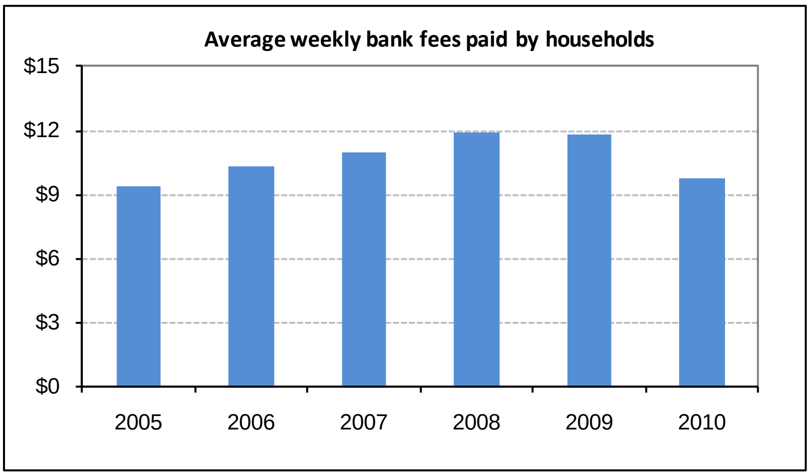
Average Weekly Bank Fees Paid by Households

The average weekly bank fees paid by households can be estimated using the estimated number of households from ABS data. Being an average, this calculation assumes that every household pays some level of transaction account fees, housing loan fees, credit cards fees and other bank fees.

In 2010, there were 8.4 million households paying on average around $9.73 per week in bank fees. This is a fall of $2.13 or 18% over the previous year ($11.87).

Based on ABA analysis of ABS household income and expenditure data, households on low incomes pay a significantly lower share of fees than customers on higher incomes.

Chart 4.8 – Average weekly bank fees paid by households

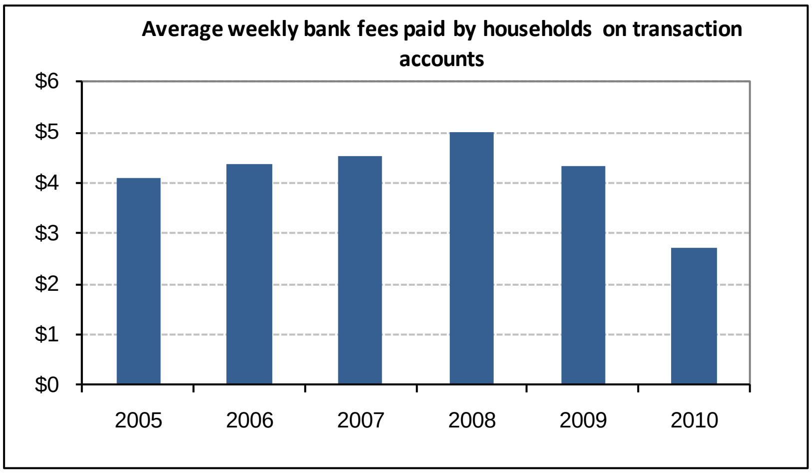


For households who only have a transaction account, the average weekly fees would be $2.73, the smallest amount over the past decade.

Average weekly fees paid on transaction accounts fell by a significant amount, $1.61c per week, over the previous year (it was $4.34 per week in 2009) and by $2.28 over the past two years.

Many customers have multiple transaction accounts, the data below have not been adjusted to account for this.

Chart 4.9 – Average weekly bank fees paid by households on transaction accounts



5. Housing loans

The most important asset owned by the majority of Australian households is their home. Banks play a significant part in assisting households to purchase their own home, with housing loans making up 90% of all lending by banks to households.

At the end of June 2010, there were over 5 million active home loans in Australia with banks being the lender for about 81% of these. The total value of lending for homes on the books of Australian banks was $959 billion at the end of June 2010.

About 70% of housing loans with banks are to owner-occupiers while the remaining 30% are for housing investment. Banks provide loans to about three million Australian families to purchase their own home while housing investment loans assist over a million Australian households with their investment strategies.

Banks continuously manage the huge volume of home loans and provide customers with a range of services associated with their home loan.

These services include home loan service centres, call centres, relationship managers, providing regular loan statements to customers, providing advice to customers and conducting discharge processes for those who have paid off their loan.

Customers who may be facing changes to their life circumstances – such as job loss, illness or family breakdown - or who may generally have difficulties in managing their loan repayments, are provided with services such as assistance or options to try to manage any disruption to their repayments.

Not only do banks manage the volume of home loans already on their loan books, they also process large volumes of *new* loans.

Housing finance statistics from the Australian Bureau of Statistics (ABS) show that over the 12 months to the end June 2010, there were 569,504 new housing loan commitments made by banks to owner-occupiers with a value of $164 billion. Furthermore, ABA estimates that this rises to nearly 787,667 new housing loan commitments if investor loans are added.

The total value of housing loan approvals made by banks to new owner-occupiers and investors was $239 billion over the 12 months to the end of June 2010.

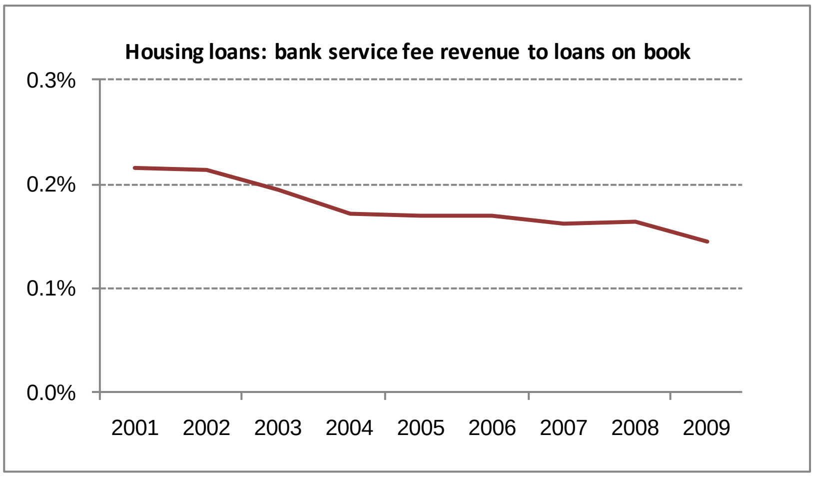
Table 5.1 – New housing loan commitments

	Owner Occupiers		Investment housing		Total	
	Banks	Banks	Banks	Banks	Banks	Banks
	Number of loans	Value ($bn)	Number of loans	Value ($bn)	Number of loans	Value ($bn)
			Estimated		Estimated	
2001	433,833	$58.9	152,472	$24.8	586,305	$83.7
2002	477,393	$74.6	195,750	$36.7	673,143	$111.3
2003	474,075	$83.9	239,363	$50.8	713,438	$134.7
2004	495,700	$98.7	254,192	$60.7	746,501	$158.7
2005	493,612	$106.0	215,924	$55.6	698,944	$161.6
2006	570,096	$124.8	227,632	$59.8	797,728	$184.6
2007	613,288	$138.9	241,637	$65.7	854,925	$204.6
2008	608,874	$148.9	252,014	$74.0	860,888	$222.9
2009	602,477	$161.0	209,846	$67.3	812,323	$228.3
2010	569,504	$163.9	218,162	$75.4	787,667	$239.3

Banks service fee revenue from home loans can be understood better by summarising it as a ratio against the total value of home loans on the books of banks.

The value of bank service fee revenue from home loans as a proportion of average home loan outstandings is the lowest level on record. For 2010, the total value of bank service fee revenue collected from housing loans is much less than 1% (0.14%) of the total value of housing loans being managed by banks.

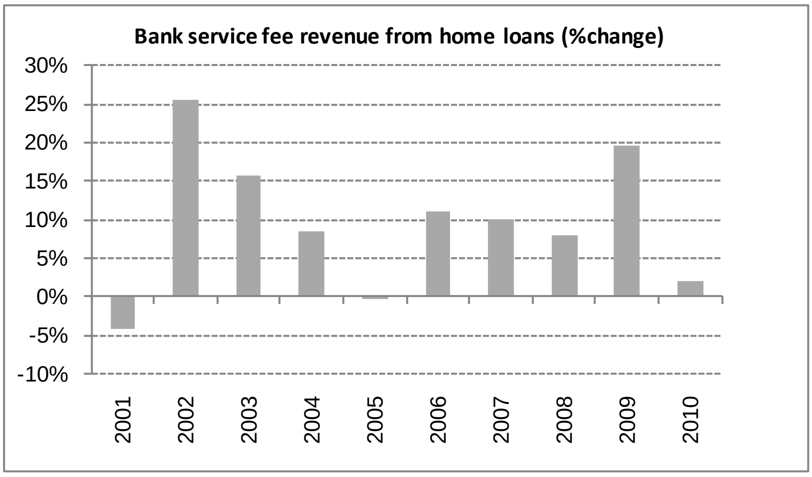
Chart 5.1 – Housing loans: bank service fee revenue to loans on book



Source: Value of home loans is sourced from RBA Bulletin Table D5.

Bank fees from housing loans grew by a small 2.1% or $27 million in 2010, the smallest increase since 2005.

Chart 5.2 – Housing loans: %change in bank service fee revenue



Note on survey data: Housing loan break costs

The larger increase (of 19.5%) in fees paid by households on housing loans in 2009 includes the impact of *break costs* on fixed loans. Break costs apply when a customer exits a *fixed term* home loan before that fixed term ends. ABA does not agree that these costs should be defined as fees as break costs are a market related cost and are calculated on the basis of the original interest rate, the prevailing market interest rates and the length of loan remaining. It is also important to note that many customers who decide to pay-out their fixed loan (and hence incur a break cost) have decided to do so as it is to their financial advantage to do so.

Some international context[3]

The report by ASIC titled Review of Mortgage Entry and Exit Fees (April 2008) provided comparison of fees on housing loans in Australia with two other countries, UK and USA.

The report showed that entry fees for housing loans in Australia are significantly less than UK and USA. Ongoing fees (presented by ASIC on a three-year basis) which are paid throughout the life of the loan, showed that fees in Australia were less than half that of UK but almost double that of USA. Discharge fees were again significantly lower in Australia than for UK and USA.

The category *early termination fees* showed that these fees were considerably higher in Australia.

Comparing the individual fee categories one-by-one (as above) has limited value. While the data indicates that each country is higher or lower depending on an individual fee, customers should not be encouraged to select loans based on a comparison of a single fee. That is, customers will experience combinations of

[3] While the ASIC report is outside the reference period of the latest RBA Bank Fees survey, it is the most recent information available that supplies international comparisons at detailed fee level.

fees when they take out a home loan. As such they should choose a home loan (and associated fee structure) which will best suit the way they wish to manage their housing loan circumstances and their broader household budget.

To do this, customers may wish to consider scenarios. Two typical situations that customers might experience are:

- Scenario 1 – Staying with your institution

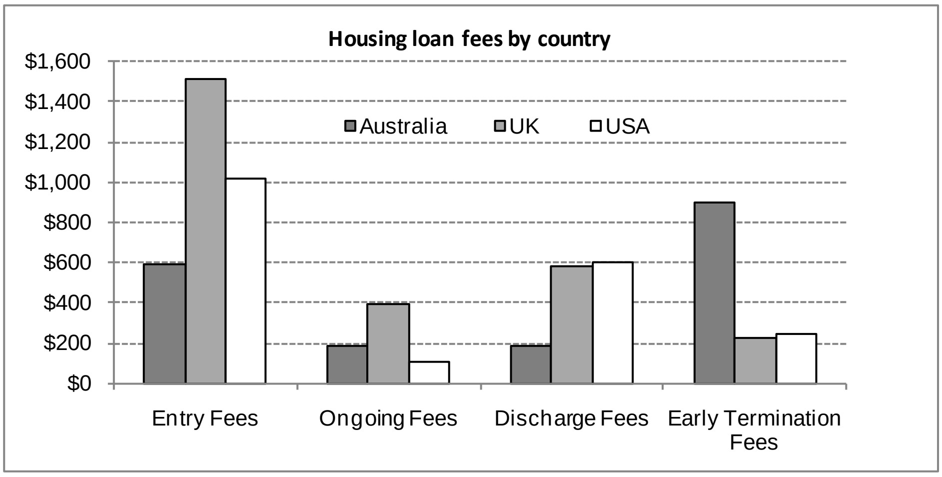
  This scenario considers a customer who remains with their original financial institution throughout the life of the loan and exits the loan at some future date. Based on the data provided in the chart below, this would involve summation of the entry fee, ongoing fees and the discharge fee. A quick calculation of the fees will show that loans in Australia are cheaper for any period up to 25 years.

- Scenario 2 – Refinancing your loan after three years

  For a customer who wishes to terminate their loan after three years and refinance with a new institution - which involves the summation of the entry fee, ongoing fees, discharge fee and then a new entry fee to establish a new loan - Australia again has the lower fees after termination and refinance of a loan at three years.

It is also useful to note that refinancing rates in UK and USA are higher than in Australia. As such, the fee revenue resulting from early termination by financial institutions in UK and USA - when compared with Australia - is not only greater on a unit loan basis but also magnified by greater refinancing volumes than in Australia.

Chart 5.3 – Housing loan fees by country



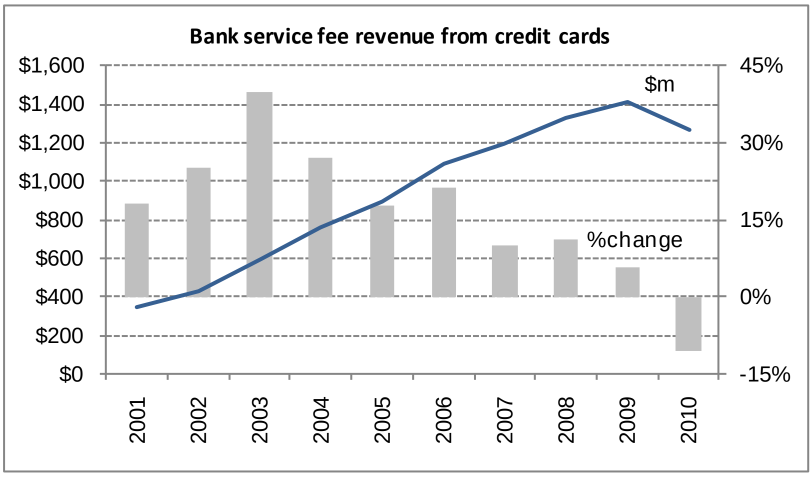
Source: The above chart is reproduced from a similar chart in ASIC Report 125 – Review of Mortgage Entry and Exit Fees (April 2008)

6. Credit cards

Bank service fee revenue from credit card products fell by a large $148 million or 10.5% to $1.26 billion in 2010. This is the first fall on record, since the survey commenced in 1997. The fall was driven entirely by a 42% reduction in exception fees.

Only four years ago, in 2006, banks service fee revenue from credit cards was growing at 21%. In 2007, it was just under half that at 10% and remained almost the same in 2008 (11%). In 2009, growth in fee revenue from credit cards fell significantly, to 6%.

Chart 6.1 – Bank service fee revenue from credit cards



Data from the Reserve Bank of Australia show that credit card activity or use by consumers demonstrates that credit cards are a very high volume bank service channel.

At the end of June 2010, there were 14.6 million credit and charge card accounts in Australia. It is estimated that banks are the issuer for around 80% of these accounts.

Over the 12 months to the end of June 2010, there was a net increase of 269,000 credit card accounts with application volumes being up to three times this amount. This was a net increase of 2.0% in accounts over the previous year.

Over the same period, consumers made 1.56 billion credit card transactions with a value of $233 billion. This was a 5.9% increase in the number of transactions (87 million more than the previous year) and a 5.3% increase in transaction value.

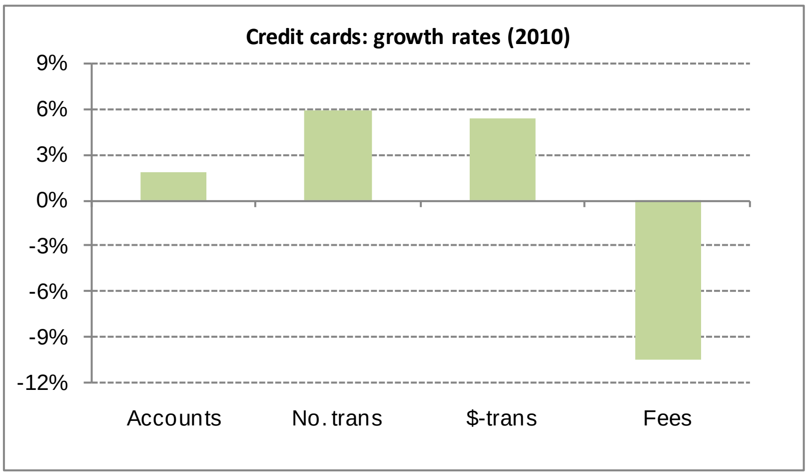
In addition there are hundreds of millions of repayment transactions.

Table 6.1 – Summary of credit card activity (annual)

	Accounts	Transactions					
		Cash advances		Purchases		Total	
		Number	Value	Number	Value	Number	Value
	m	million	$bn	million	$bn	million	$bn
Jun-02	10.3	36.5	$10.2	843.8	$98.3	880.3	$108.5
Jun-03	10.5	35.6	$10.3	989.2	$123.5	1,024.8	$133.7
Jun-04	11.2	35.8	$10.7	1,083.2	$138.8	1,119.0	$149.5
Jun-05	12.0	36.8	$11.2	1,156.9	$152.5	1,193.7	$163.7
Jun-06	13.0	38.2	$12.2	1,238.1	$166.2	1,276.3	$178.4
Jun-07	13.5	37.5	$12.5	1,304.3	$181.5	1,341.8	$194.0
Jun-08	14.0	35.7	$12.8	1,391.5	$201.3	1,427.1	$214.1
Jun-09	14.3	32.1	$12.2	1,438.5	$209.0	1,470.6	$221.2
Jun-10	14.6	28.8	$11.3	1,528.5	$221.8	1,557.2	$233.0

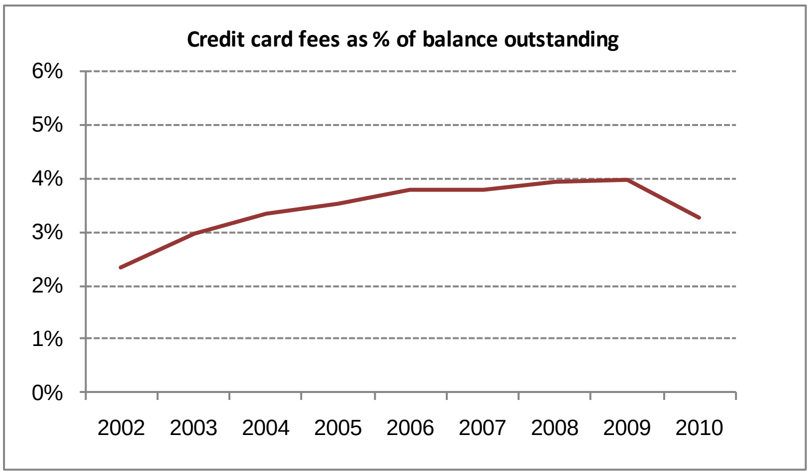
Source: Calculated from Reserve Bank Bulletin Table C01

Chart 6.2 – Credit cards: growth rates (2010)



At 3.26% in 2010, credit card fees as a proportion of balance outstanding have fallen to the lowest level since 2003.

Chart 6.3 – Credit card fees as % of balance outstanding



Source: Credit card balances were sourced from APRA Monthly Banking Statistics.

7. Transaction accounts - Households

For the vast majority of bank customers, their most regular experience with banking is through their personal accounts – that is, their transaction account used for day-to-day transactions or their investment account, generally used for savings.

These personal accounts can be accessed over-the-counter at a bank branch, through telephone banking, at an ATM, at a retail or service outlet, through direct credit or direct debit or via the Internet. This gives customers access to their accounts 24/7 and in fact, most customers use a combination of these service methods, depending on their needs and/or convenience.

The volume of transactions being processed through these channels every day, around the clock, is huge. The table below presents a summary of payments statistics based on RBA data.

Over past year, there were almost 1.56 billion credit card transactions, 830 million ATM transactions, 2.1 billion EFTPOS transactions, 311 million cheques issued and processed and 2.4 billion direct entry payments.

Internet banking usage was 2.5 billion in terms of the number of value and non-value transactions in 2010.

Table 7.1 – Summary of selected payment statistics

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Credit cards							
Accounts (million)	11.2	12.0	13.0	13.7	14.0	14.3	14.6
. Number (billion)	1.12	1.19	1.28	1.35	1.43	1.47	1.56
. Value ($billion)	$149.5	$163.7	$178.4	$196.0	$214.1	$221.2	$233.0
ATMs							
. Number (million)	741.8	774.7	805.5	827.5	851.2	861.7	829.6
. Value ($billion)	$125.1	$131.0	$136.9	$142.0	$147.5	$152.9	$149.5
EFTPOS							
. Number (billion)	1.05	1.15	1.29	1.42	1.63	1.87	2.12
. Value (billion)	$70.8	$78.2	$88.4	$97.9	$112.5	$129.9	$142.9
Cheques							
. Number (million)	556.2	506.5	466.9	436.8	394.5	351.4	310.6
. Value (trillion)	$1.95	$1.68	$1.68	$1.77	$1.77	$1.50	$1.50
Direct entry							
. Number (billion)	1.45	1.66	1.77	1.90	2.08	2.22	2.38
. Value (trillion)	$6.8	$7.9	$9.0	$10.3	$11.7	$12.0	$11.4

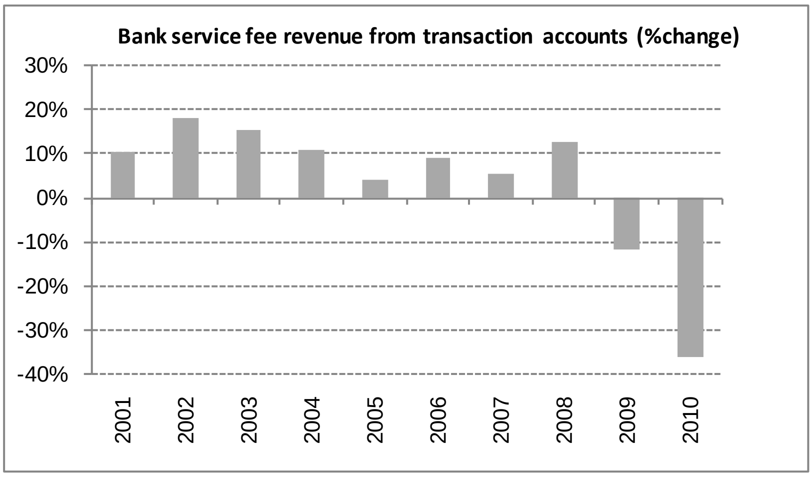
Source: Reserve Bank of Australia Bulletin Tables C4 and C5. While the statistics include banks, building societies, credit unions and some other financial institutions, banks would make up the greater proportion of the data for each category. Transactions statistics presented above relate to those conducted by both persons and businesses. It will be assumed that the proportion of transactions between these two segments remains reasonably stable across the years.

In 2010, bank fees paid by households on their transaction accounts was $1.2 billion, a massive *fall* of 36% or $688 million over the past year and the lowest level over the past decade.

The fall in transaction account fees this year follows a large fall of 12% or $248 million last year. That's a $916 million or 43% fall over the past two years.

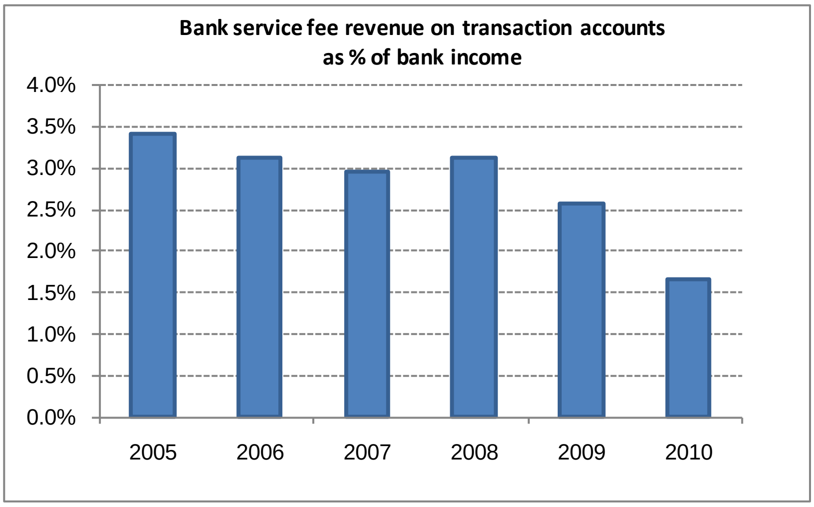
Moreso, over the past two consecutive years, the large falls in bank service fee revenue from transaction accounts has been seen across all sub-categories of transaction account fees i.e. account keeping fees, transaction fees, other fees (including exception fees).

Chart 7.1 – Bank service fee revenue from transaction accounts (%change)



Bank fees paid by households on their transaction accounts makes up only a small proportion of total bank income. In 2010, this was at a low of 1.7%, half that of five years ago.

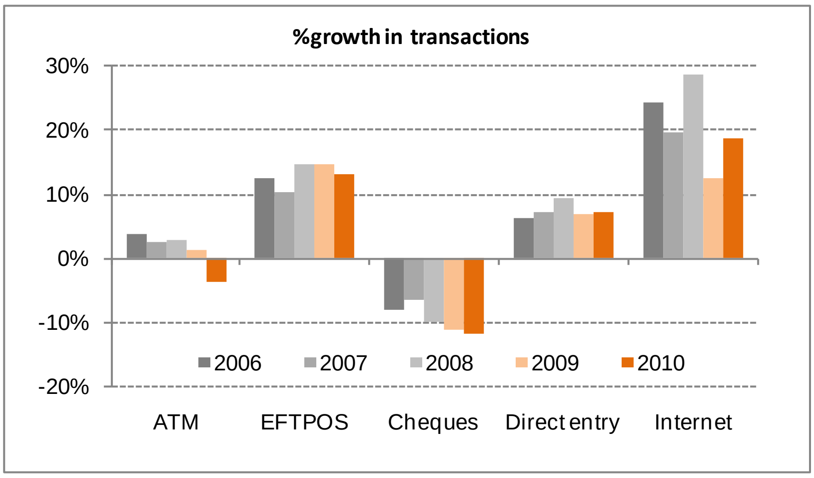
Chart 7.2 – Bank service fee revenue from transaction accounts as a % of bank income



Although fees on transaction accounts fell by 36%, transaction volumes actually increased by a solid 9% in 2010. Over the previous year, transaction volumes also increased by 9% while fees on transaction accounts fell by 12%.

That is, the unit cost of transaction banking is falling at a fast rate.

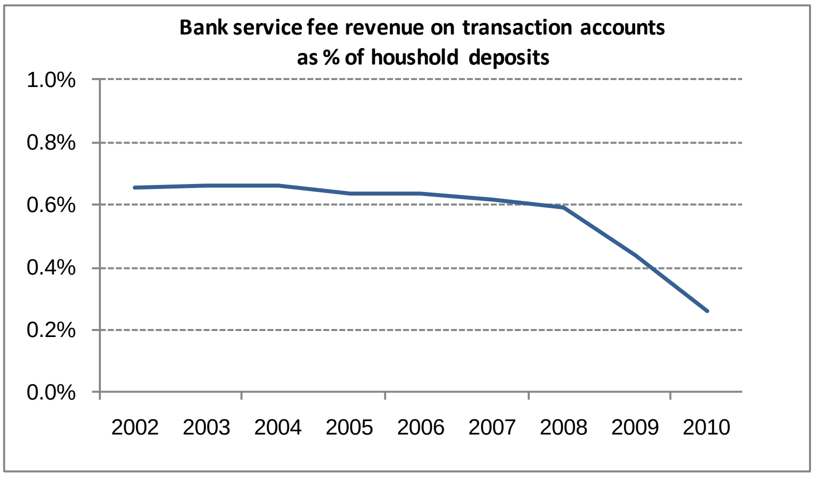
Chart 7.3 – Growth in number of transactions



Another way to consider the data is to measure bank service fee revenue from household transaction accounts against total deposits of households held with banks. This ratio has been falling since 2003.

Bank service fee revenue from household transaction accounts was at a low of 0.26% of total household deposits in 2010. From 2003-2008 this ratio averaged 0.63%.

Chart 7.4 – Bank fees on transaction accounts as a % of household deposits



Source: APRA monthly bank statistics for data on household deposits with banks.

8. Businesses

For 2010, bank service fee revenue from businesses was $6.9 billion. This is a 13.9% or $838 million increase over the previous year, with 57% of this *increase* coming from large businesses.

Small businesses accounted for 55% of bank service fee revenue from businesses, down significantly from 65% a decade ago. Correspondingly, the contribution from large businesses has increased from 35% to 45% over the past decade.

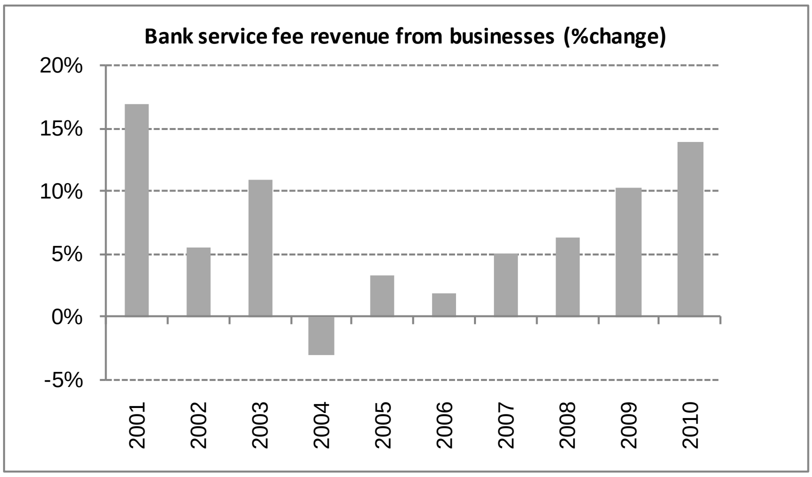
Bank service fee income from businesses accounted for 62% of all bank service fee income over the past year (2010).

For the three years prior to the onset of the global financial crisis, growth rates for bank service fee revenue from businesses were low. In 2004, there was a fall of 3.0% while for 2005 and 2006 there were small increases of 3.3% and 1.9 respectively.

In the three years since the onset of the global financial crisis, average growth in bank service fee revenue from businesses has been 10.1% per year.

The increase in bank fees since the commencement of the GFC reflects the disruption in global financial markets over that period. That is, businesses increasingly turned to banks to support their financing needs as other markets tightened or closed entirely.

Chart 8.1 – Bank service fee revenue from businesses (%change)



For small businesses, growth in bank service fees was 10.5% this year while for large businesses growth was 18.2%. Over the past three years, average annual growth in fees from large businesses (17.4%) has been three times faster than for small businesses (5.4%).

Table 8.1 – Bank service fee revenue from businesses

	2005	2006	2007	2008	2009	2010
Small Business	$2,876	$2,931	$3,208	$3,371	$3,393	$3,751
. change	$101	$55	$277	$164	$22	$358
. %change	3.6%	1.9%	9.4%	5.1%	0.7%	10.5%
Large Business	$1,934	$1,969	$1,941	$2,100	$2,641	$3,121
. change	$53	$35	-$28	$159	$541	$480
. %change	2.8%	1.8%	-1.4%	8.2%	25.7%	18.2%
Total	$4,810	$4,900	$5,149	$5,472	$6,035	$6,872
. change	$154	$91	$249	$323	$563	$838
. %change	3.3%	1.9%	5.1%	6.3%	10.3%	13.9%

At the broad product level:

- Businesses experienced a 7% fall in fees on deposit accounts in 2010. This follows a 10% fall the previous year.
- The past two years have seen fee growth from business loans increase by just over 20% per year (i.e. 22% in 2009 and 21% in 2010). In terms of the overall dollar amount of the increase in fees from business loans, large businesses have accounted for 85% of the increase over the past two years. This significant increase in loan fees paid by large businesses was a direct result of the global financial crisis. As global capital markets became severely constrained and corporate treasuries closed, businesses approached banks for their funding needs.
- Merchant fees increased by a small amount (2.3%) over the past year, the same as for the previous year. Merchant fee reform saw merchant fees fall in 2004 and 2005.

Readers should note that there have been extensive reclassification and recategorisation of component fees for bank bills which has resulted in major revisions to these data. It is expected that these changes may have impacted more on the growth rate for 2010 than for previous years. Bank fees paid by businesses, for bank bills, increased by 52% this year.

Table 8.2 – Bank service fee revenue paid by businesses by product

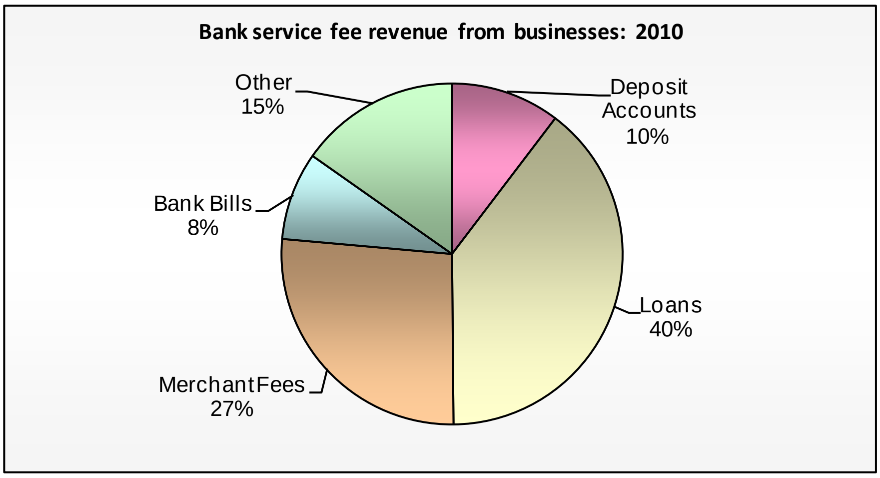
ALL Businesses	2004	2005	2006	2007	2008	2009	2010
Deposit Accounts	$790	$810	$815	$837	$853	$765	$711
. change	$29	$20	$5	$22	$16	-$88	-$54
. %change	3.8%	2.6%	0.6%	2.7%	1.9%	-10.3%	-7.1%
Loans	$1,433	$1,573	$1,624	$1,689	$1,831	$2,237	$2,716
. change	$100	$140	$51	$65	$142	$406	$479
. %change	7.5%	9.8%	3.2%	4.0%	8.4%	22.2%	21.4%
Merchant Fees	$1,516	$1,483	$1,502	$1,632	$1,743	$1,784	$1,824
. change	-$310	-$34	$19	$130	$111	$41	$41
. %change	-17.0%	-2.2%	1.3%	8.7%	6.8%	2.3%	2.3%
Bank Bills	$259	$266	$279	$277	$314	$377	$574
. change	-$3	$7	$13	-$2	$37	$63	$196
. %change	-1.2%	2.6%	4.9%	-0.7%	13.4%	20.2%	52.1%
Other	$657	$677	$680	$714	$731	$871	$1,047
. change	$38	$20	$3	$34	$17	$141	$176
. %change	6.1%	3.0%	0.4%	4.9%	2.4%	19.2%	20.2%
Total	$4,656	$4,810	$4,900	$5,149	$5,472	$6,035	$6,872
. change	-$146	$154	$91	$249	$323	$563	$838
. %change	-3.0%	3.3%	1.9%	5.1%	6.3%	10.3%	13.9%

For 2010, bank service fee revenue from business loans accounted for 40% of total bank service fee revenue from businesses, the highest contribution, from this category, on record. In fact, fees from business loans have been the highest contributor to total bank fees from businesses for the past six years (i.e. from 2005). Merchant fees were the highest contributor for the six years prior to that (1999-2004).

In 2010, merchant fees were the second highest category of fees from businesses at 27%.

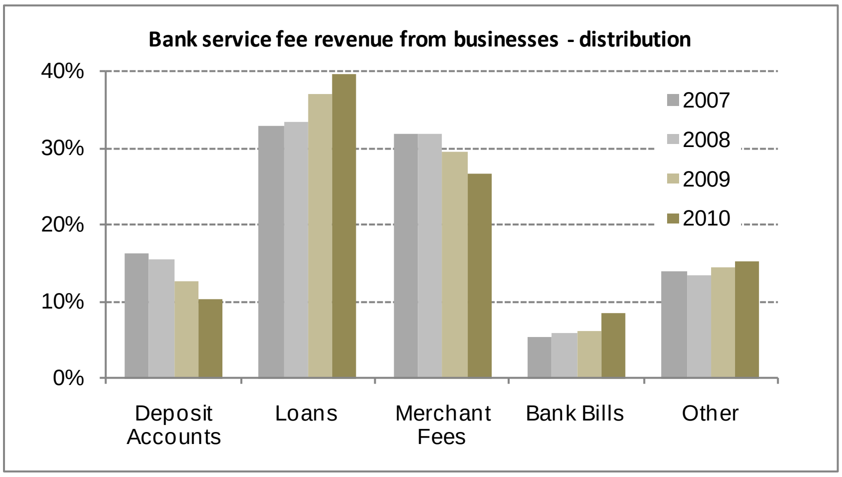
Fees from deposit accounts held by businesses made up 10% of bank service fee income from businesses in 2010, the lowest contribution on record. For eight years from 2001 to 2008 deposit accounts contributed 16% to 17% to bank fees from businesses.

Chart 8.2 – Bank service fee revenue from businesses: 2010



Over the four years shown in the chart below, 2007-2010, merchant service fees were the second highest contributor to bank service fee revenue from businesses

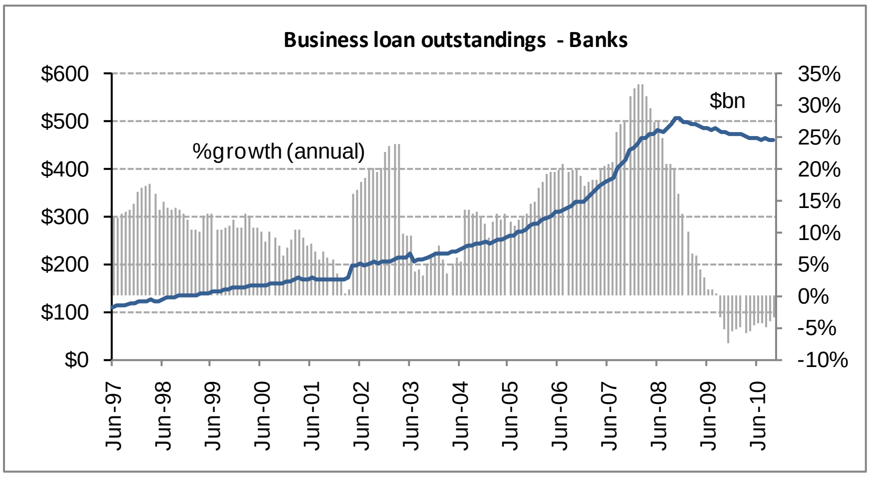
Chart 8.3 – Contribution to bank service fee revenue from businesses



The chart below shows that banks' business loan outstandings were $466 billion at the end of June 2010 compared with $486 billion for June 2009.

Over the 12 month period to the end of July 2008, business loan outstandings of banks grew very strongly, by 25% to 33% on an annual basis, which saw business loan outstandings peak at $509 billion in November 2008.

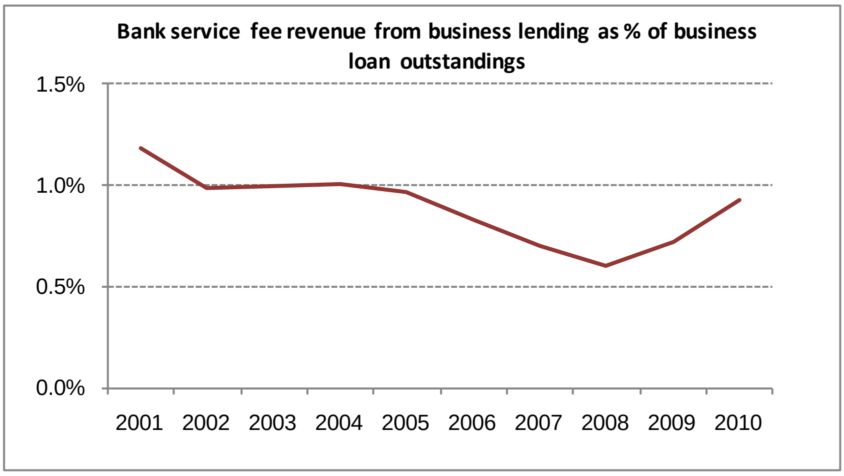
Chart 8.4 – Business loan outstandings (banks)



The ratio of total bank service fee revenue from businesses loans to total loan outstandings for businesses fell, in trend terms, over the period 2001 to 2008 but has turned upwards over the past two years. Even though there has been an uptick in the data, it remains lower than for the first half of the decade.

The strong performance of the business sector over recent years has been widely reported. This has resulted in a marked increase in use of banking services by businesses.

Chart 8.5 – Ratio of bank service fee revenue from businesses loans to business loan outstandings



9. Exception fees

This is the third year that exception fees data have been collected as part of the annual Bank Fees Survey.

Over 2010, a total of $764 million of exception fees were paid by households and businesses. This was a fall of almost half (48%) or $718 million over the previous year.

This year, exception fees accounted for 6.9% of all bank service fee revenue, compared with 13.3% for the previous year.

In 2010, households paid $652 million in exception fees while businesses paid $112 million.

For households, exception fees fell by 49% or $638 million this year. Exception fees paid by households fell across every product category.

For household transaction accounts, exception fees fell by 57% or $382 million as banks continued to reduce exception fees and introduce more fee free accounts. Likewise, exception fees on credit cards experienced a very large fall of 42% or $219 million.

Table 9.1 – Summary of exception fees

	2008	2009	2010	change this year	%change this year
Households	**$1,184**	**$1,290**	**$652**	**-$638**	**-49%**
Transaction accounts	$690	$674	$292	-$382	-57%
Other accounts	$13	$11	$2	-$9	-85%
Loans	$481	$605	$359	-$246	-41%
. Housing	$33	$53	$33	-$20	-37%
. Personal	$21	$32	$24	-$7	-23%
. Credit cards	$427	$520	$301	-$219	-42%
Businesses	**$201**	**$191**	**$112**	**-$80**	**-42%**
Small business	$173	$159	$96	-$63	-40%
Deposits	$119	$110	$53	-$57	-51%
Loans	$54	$49	$43	-$6	-13%
Large business	$29	$33	$16	-$17	-52%
Deposits	$11	$10	$6	-$4	-42%
Loans	$18	$23	$10	-$13	-56%
Total	**$1,387**	**$1,482**	**$764**	**-$718**	**-48%**

In 2010, exception fees represented 1.06% of banks total operating income, falling from 2.06% the previous year.

Chart 9.1 – Exception fees as a % of operating income

At $292 million in 2010, exception fees on transaction accounts were 0.06% of total deposits, falling from 0.16% in 2009 and 0.19% in 2008.

Chart 9.2 – Households: Exception fees on transaction accounts as a % of deposits

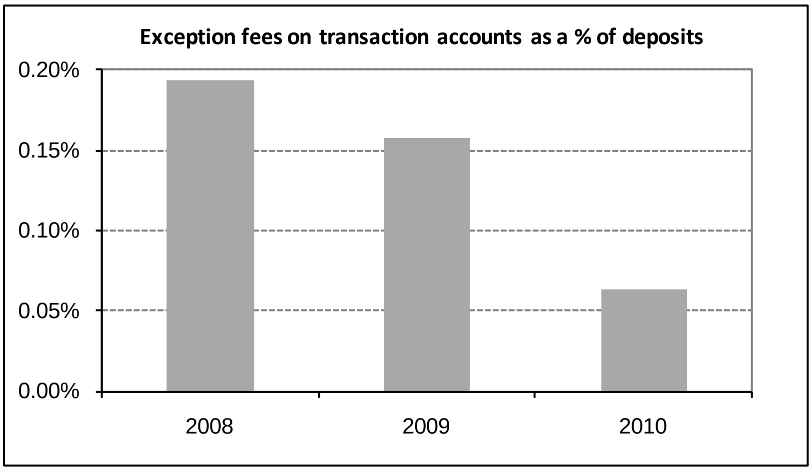


Table 9.2 shows the amount of exception fees paid for each of the broad product groups as well the ratio of exception fees to balances/outstandings for each broad product.

Table 9.2 – Exception fees as a proportion of balances (2010)

2010	Exception fees	as % of balances
	$m	
1. Households		
Transaction accounts	$292	0.063%
Loans	$359	0.032%
. Housing	$33	0.003%
. Personal	$24	0.035%
. Credit cards	$301	0.779%
2. Business		
Deposits	$59	0.018%
Loans	$53	0.011%

Household and businesses make enormous use of their transaction accounts and credit cards. In terms of transaction accounts, over the 12 months to the end of June 2010, $13.4 trillion was transacted using ATMs, EFTPOS, Direct Entry and Cheques (and that does not include internet banking). The $292 million paid in exception fees was 0.002% of the total amount transacted or $1 in every $46,000 transacted.

In 2010, $233 billion worth of transactions took place. Exception fees as a proportion of credit card spending was 0.13% a significant fall from 0.21% the previous year.

Table 9.3 – Exception fees as a proportion of transaction value

	Exception fees	Value of transactions	% of value of transactions
	$m	$bn	
Transaction accounts	$292	$13,425	0.002%
Credit cards	$301	$233.0	0.13%

10. Bank service fees and low-income earners[4]

A group of consumers deserving particular analysis are those on low incomes. Household customers vary in their capacity to pay, and this raises the issue of fairness across the range of households.

A breakdown of the figures by household income reveals that lower-income households bear a significantly lower share of fees than consumers with higher incomes. The chart below shows expenditure on financial accounts across all income quintiles, as a percentage of total weekly spending by the quintile in question.

Table 10.1 – Duties, taxes and charges on financial accounts

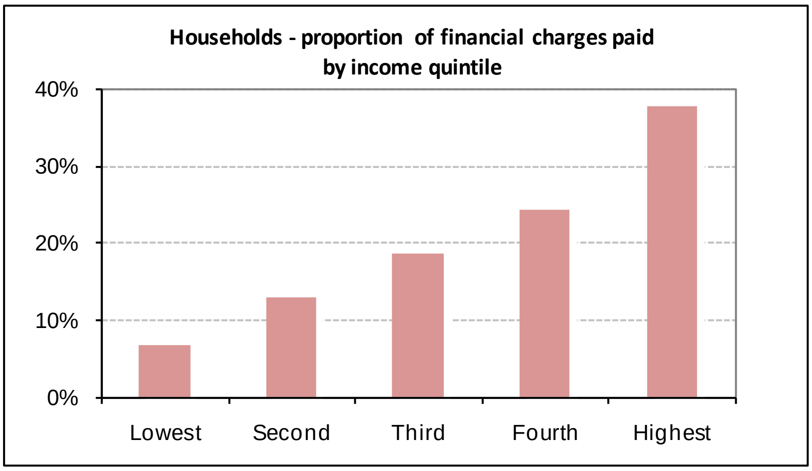
Households	Gross Household income quintile					
	Lowest	Second	Third	Fourth	Highest	All
Duties, taxes and charges paid on financial accounts	\$1.40	\$2.75	\$3.92	\$5.12	\$7.99	\$4.23
% of weekly expenditure	0.34%	0.46%	0.46%	0.48%	0.54%	0.48%
% share across quintiles	6.6%	13.0%	18.5%	24.2%	37.8%	100.0%

Source: ABS 2003-04 Household Expenditure Survey

In relative terms, households in the lowest income bracket spend the least on financial account charges (0.34% of their weekly budget), while those in the highest bracket spend the most (0.54%). This 'sliding scale' means the incidence of account fees is progressive and thereby satisfies one of the most basic criteria for equity in the application of surcharges.

The chart displays the share of each income quintile in total financial fees paid by households. The lowest income group pays the lowest share (6.6%), while the highest share (37.8%) is borne by the high-earning quintile of households. Low-income earners pay a lower share than high income customers.

Chart 10.1 – Proportion of financial charges paid by income quintile



[4] This section of the report is extracted from the Fees for Banking Services 2007 Report. As such, the content represents the work of Associate Professor Kim Hawtrey.

Further perspective on the equity issue can be gained from data involving international comparisons.

The table below displays country rankings for three different types of low income customers: pensioners, students and low-income families.

The table is based on the average annual cost of a credit card where the card is used for transactions only. It takes into account both fees and any offsetting interest-free period benefit.

Countries are listed in descending order of cost, with the most expensive country at the top of the list. Australia ranks in the bottom half of the ladder for all three demographic groups.

In particular, Australia is among the least expensive countries for a typical low-income family using a transactions-only credit card.

Table 10.2 – Rankings of annual cost of credit card for low-income groups (Transaction use only)

Low-income family	Student	Pensioner
France	Italy	France
Italy	France	Italy
Finland	Germany	Finland
Sweden	Sweden	Germany
Germany	Finland	Sweden
Netherlands	Netherlands	Netherlands
US	**AUSTRALIA**	**AUSTRALIA**
Canada	US	US
AUSTRALIA	Canada	Canada
Ireland	Ireland	Ireland
UK	UK	UK

Source: Oxera Report (2006), *The price of banking: an international comparison,* Report to the British Bankers Association, Oxera Consulting, London: November, pages 51-63. Based on fees plus interest-free benefit for a 'transactor' credit card. Countries listed in descending order of cost.

11. Financial services prices

The Australian Bureau of Statistics produces a comprehensive measure of price change for financial services as part of the quarterly Consumer Price Index. This measure was only recently included in the CPI. The ABS measure includes bank fees, interest payments and other charges as well as transaction volumes in order to capture the overall price impact on consumers.

Over 2009-10, the price of financial services increased by 3.7%, compared to an increase of 3.1% for the overall CPI.

Annual price change for financial services had been significantly below the CPI over the five quarters to June quarter 2007. From that time, prices of financial services have been impacted by the global financial crisis as follows:

- From August 2007 to March 2008 there were four increases in the cash rate of 25 bps each. By June 2008, the increase in the price of financial services reached a high of 10.6%

- In the final quarter of 2008, RBA commenced a period of sharp reductions in official interest rates. Overall, a cumulative reduction of 425 basis points was made to the official cash rate over 2008-09. By September 2009, prices of financial services had *fallen* by 10.4%.

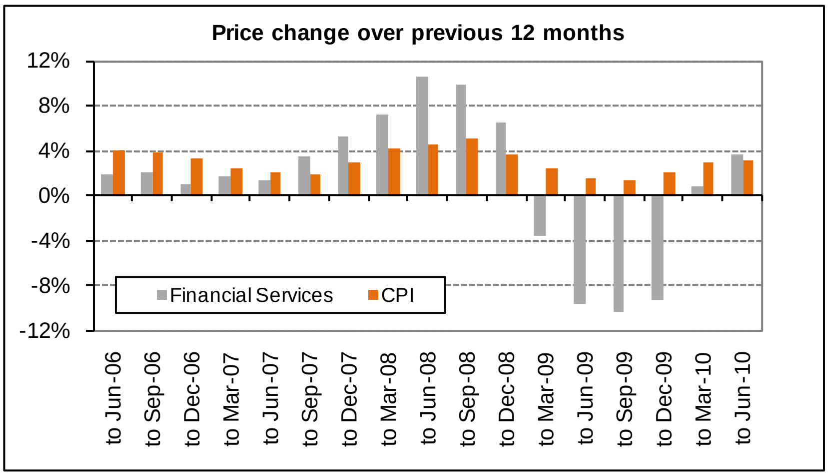
- In this latest financial year, 2009-10, there were six increases in the cash rate of 25 bps each with prices of financial services increasing by 3.7% to the end of June 2010.

The sharp rise and sharp decrease in the price of financial services since the onset of the global financial crisis demonstrates the impact of this crisis on pricing of financial services.

Table 11.1 – Price changes: Financial Services and CPI

	Financial Services			
Annual change	**Deposit and loan facilities**	**Other financial services**	**Total**	**CPI**
to June 2006	1.0%	3.0%	1.9%	4.0%
to September 2006	1.1%	3.2%	2.1%	3.9%
to December 2006	-0.7%	3.2%	1.0%	3.3%
to March 2007	0.8%	2.9%	1.7%	2.4%
to June 2007	0.6%	2.3%	1.3%	2.1%
to September 2007	3.4%	3.9%	3.5%	1.9%
to December 2007	5.6%	5.0%	5.3%	3.0%
to March 2008	7.6%	6.7%	7.2%	4.2%
to June 2008	16.2%	3.1%	10.6%	4.5%
to September 2008	16.0%	1.6%	9.8%	5.0%
to December 2008	10.8%	0.8%	6.5%	3.7%
to March 2009	-6.0%	-0.5%	-3.6%	2.5%
to June 2009	-17.9%	2.6%	-9.6%	1.5%
to Sept 2009	-17.0%	-0.5%	-10.4%	1.3%
to December 2009	-15.4%	-0.5%	-9.2%	2.1%
to March 2010	1.9%	-0.3%	0.9%	2.9%
to June 2010	6.4%	0.4%	3.7%	3.1%

Chart 11.1 – Price change over previous 12 months



The CPI allows comparison of price change across a broad range of items of household expenditure. The table below shows the price increase for a range of common items of expenditure on services by households.

Table 11.2 – Price comparisons

Price change over 2009-10	%
Electricity	18.2%
Water & sewerage	14.0%
Gas and other household fuels	10.3%
Secondary education	5.7%
Property rates and charges	5.7%
Child care	5.5%
Preschool and primary education	5.1%
Health	5.0%
Rent	4.4%
Financial services	**3.7%**
Urban transport fares	2.6%
Communication	-0.2%

12. Bank service points and improvements

Bank service fee revenue represents income from *services* provided by banks. As such, it would seem reasonable that customers would expect to receive good service from banks, along with improvements to banking products and services over time.

As at the end of June 2010, banks maintained 5,544 branches making up 83% of all branch locations for banking services in Australia. Branch numbers have increased for the past nine consecutive years, since 2001. In that time, there has been a net increase of 755 branches, a 16% increase in branches.

Banks provide a further 1,919 service points such as agencies, rural financial centres and other; while Bank@Post now has 3,291 service points.

Access to banking services at ATMs or through EFTPOS has shown solid growth over recent years.

Table 12.1: Summary of bank service channels

	Jun-10
Face-to-face: Total	
Banks	7,463
Building Societies	429
Credit Unions	1,447
Other ADIs	1
Bank@Post	3,291
Total: All ADIs	12,631
Face-to-face: Branch Level	
Banks	5,544
Building Societies	301
Credit Unions	866
Other ADIs	1
Subtotal: Branch	6,712
Face-to-face: Other	
Banks	1,919
Building Societies	128
Credit Unions	581
Other ADIs	.
Bank@Post	3,291
Subtotal: Other	5,919
ATMs	28,674
EFTPOS	712,434

Source: APRA re: face-to-face channels, APCA re: ATMs and EFTPOS

In terms of improvement to bank services, banks' continuing investment in technology provides customers with a range of service channels and accessibility to bank services. The huge volumes of transactions supported by bank systems are evident in Table 7.1.

This investment in improving customer experience is an ongoing process for banks. Some of the recent innovations and achievements are:

- *Internet banking* - innovations continue in internet banking. An increasing level of information is being made available to customers so that they can manage their own finances directly. These include detailed statements for personal transaction and investment accounts, home loans and credit cards, and a wide variety of tips and information on the use of financial products.

- *ATMs* – banks have been refreshing their ATM fleets to meet new compliance requirements. The new ATMs provide features such as bigger screens, faster response times and graphics to improve customer usability, as well as better security through anti-skimming and other technologies.

- *New products and services* – banking is a very competitive environment and banks are continually investigating ways to enhance or design products and services improvements to suit the needs of a very diverse consumer market and business environment.

- *Security and fraud* - ongoing improvements to protection for customers, through state-of-the art security technology, which keeps fraud incident rates at very low levels by international standards. There has been a large investment in authentication for Internet banking and the introduction of chip technology on credit cards is occurring.

- *New branches* – as stated above, this year (the 12 months to the end of June 2010) was the ninth consecutive year over which banks have increased their branch level of service adding 755 new branches or a 16% increase over this time. In the last year alone, bank branches increased by 40.

- *Access in remote areas* - all three categories of 'lesser' accessibility (i.e. areas classified as moderately accessible, remote and very remote) have seen average annual growth rates (over the past five years) in bank branches and other face-to-face service presence higher than that for the more accessible areas (i.e. highly accessible and accessible). In 2010, banks made up 92% of branches in moderately accessible areas, 94% in remote areas and 74% in very remote areas.

- *Extended trading and mobile banking* - many banks are offering weekend and extended trading hours, as well as mobile banking services for home lending and other products.

- *Customer service technology* – ongoing investment in customer service technology has resulted in more efficient and more seamless client servicing.

Customer satisfaction data from Roy Morgan Research support the fact that banks have been improving customer service. Over recent years, the data has shown a noticeable upward trend in customer satisfaction which was at a record 75.3% at June 2010.

Appendix 1 – Bank service fee revenue from households

	2004	2005	2006	2007	2008	2009	2010
Transaction Accounts	$1,565	$1,627	$1,771	$1,871	$2,108	$1,860	$1,192
. change	$156	$62	$144	$100	$237	-$248	-$668
. %change	11.1%	3.9%	8.9%	5.6%	12.7%	-11.8%	-35.9%
Other Accounts	$77	$74	$81	$81	$85	$76	$55
. change	$2	-$3	$7	$0	$4	-$8	-$21
. %change	3.1%	-4.1%	9.9%	-0.6%	5.4%	-10.0%	-27.8%
Housing Loans	$818	$816	$906	$997	$1,077	$1,286	$1,313
. change	$64	-$3	$90	$91	$80	$210	$27
. %change	8.5%	-0.3%	11.0%	10.1%	8.0%	19.5%	2.1%
Personal Loans	$218	$247	$267	$291	$300	$332	$317
. change	-$8	$29	$21	$24	$9	$32	-$15
. %change	-3.7%	13.2%	8.4%	8.9%	3.1%	10.6%	-4.4%
Credit Cards	$762	$898	$1,089	$1,199	$1,332	$1,411	$1,263
. change	$162	$137	$190	$110	$134	$79	-$148
. %change	27.0%	18.0%	21.2%	10.1%	11.2%	5.9%	-10.5%
Other	$68	$81	$67	$88	$107	$118	$106
. change	-$4	$13	-$14	$20	$19	$11	-$11
. %change	-5.2%	19.3%	-16.9%	30.5%	22.3%	10.0%	-9.7%
Total households	$3,507	$3,742	$4,181	$4,526	$5,008	$5,083	$4,247
. change	$373	$235	$439	$345	$483	$74	-$835
. %change	11.9%	6.7%	11.7%	8.2%	10.7%	1.5%	-16.4%

Appendix 2 – Bank service fee revenue from businesses

ALL Businesses	2004	2005	2006	2007	2008	2009	2010
Deposit Accounts	$790	$810	$815	$837	$853	$765	$711
. change	$29	$20	$5	$22	$16	-$88	-$54
. %change	3.8%	2.6%	0.6%	2.7%	1.9%	-10.3%	-7.1%
Loans	$1,433	$1,573	$1,624	$1,689	$1,831	$2,237	$2,716
. change	$100	$140	$51	$65	$142	$406	$479
. %change	7.5%	9.8%	3.2%	4.0%	8.4%	22.2%	21.4%
Merchant Fees	$1,516	$1,483	$1,502	$1,632	$1,743	$1,784	$1,824
. change	-$310	-$34	$19	$130	$111	$41	$41
. %change	-17.0%	-2.2%	1.3%	8.7%	6.8%	2.3%	2.3%
Bank Bills	$259	$266	$279	$277	$314	$377	$574
. change	-$3	$7	$13	-$2	$37	$63	$196
. %change	-1.2%	2.6%	4.9%	-0.7%	13.4%	20.2%	52.1%
Other	$657	$677	$680	$714	$731	$871	$1,047
. change	$38	$20	$3	$34	$17	$141	$176
. %change	6.1%	3.0%	0.4%	4.9%	2.4%	19.2%	20.2%
Total	$4,656	$4,810	$4,900	$5,149	$5,472	$6,035	$6,872
. change	-$146	$154	$91	$249	$323	$563	$838
. %change	-3.0%	3.3%	1.9%	5.1%	6.3%	10.3%	13.9%