



AUSTRALIAN BANKERS'
ASSOCIATION INC.

Strong banks – strong Australia

Fees for banking services

2017 Report





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**AUSTRALIAN BANKERS'
ASSOCIATION INC.**

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Level 3, 56 Pitt Street
Sydney NSW 2000
Australia
+61 2 8298 0417
 @austbankers
bankers.asn.au

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Summary

This report looks at the fees earned by banks in taking deposits, making loans and providing payment services. These are collectively known as bank service fees.

The key findings are that:

- Total bank service fees increased slightly to \$12.5 billion in 2016, but increased less quickly than bank activity.
- The ratio of fees to assets and operating income has now fallen to record lows.
- Growth in the price of financial services has been below the increase in the price of essentials such as health, education and childcare.

Households

- Fees paid by households were broadly unchanged at \$4.3 billion in 2016.
- They averaged around \$9.00 per week for each household and have changed little in five years.
- Bank fees are a very small portion of household spending, comprising less than a half of one per cent of total household consumption, an 18 year low.
- Slightly more than one third of fees paid by households related to credit cards, just under one third to housing loans, while almost one quarter was paid on transaction accounts.
- Credit card fees increased slightly, but the rise was broadly in line with the increase in the use of this product.
- Exception fees on credit cards (fees for late payment or exceeding the limit) fell to the lowest on record.
- Banks continued to achieve cost reductions in providing banking services to households.
 - Mortgage fees relative to home loans were the lowest on record.
 - Credit card fees relative to credit accessed remained near the lowest level in ten years.
 - The average cost to consumers of transaction banking continued to fall rapidly.

Businesses

- Fees paid by businesses increased by 1.5 per cent to \$8.2 billion in 2016, but remained well below the peak of 2007.
- Banks continued to achieve cost reductions in providing banking services to businesses. Fees paid by businesses continued to increase less quickly than the volume of lending, and the volume of transactions.



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1. Overview

Banks earn fees in the process of taking deposits, making loans and providing payment services. These fees are collectively known as bank service fees. This report looks at the fees earned by banks from these activities in 2016¹.

Bank service fees in 2016 totalled \$12.5 billion. This was an increase of \$103 million or 0.8 per cent over the past year, the smallest increase in five years (Figures 1 and 2).

Looking at the two categories of customer type:

- Bank service fees paid by households fell slightly by 0.4 per cent to \$4.3 billion, and remained well below the peak of \$5.2 billion in 2009.
- Fees paid by businesses increased by 1.5 per cent to \$8.2 billion.

Although total fees rose, the increase was much less than the increase in banking activity. Compared to the 0.8 per cent rise in fees paid:

- Banks' *total resident assets* increased by 6.9 per cent. The ratio of fees to assets has steadily declined over the past 15 years. Over this period the ratio more than halved, from around 0.87 per cent in 2001 and 2002, to a record low of 0.37 per cent in 2016 (Figures 3 and 4).
- Banks' *operating income* increased by 2.5 per cent. Fees continued to trend down relative to banks' operating income. The ratio of fees to operating income was 13.2 per cent in 2016, well below the peak of 18.4 per cent in 2003 (Figure 5).

2. Households

Bank service fees paid by households:

- Were broadly unchanged in 2016 at \$4.3 billion. This is well below the high of \$5.2 billion reached in 2009 (Figures 1 and 6).
- Have been relatively flat over the past five years.
- Accounted for around one third (34.5 per cent) of all bank service fees in 2016, the lowest proportion since the first year of the survey in 1997.

More than one third (36 per cent) of fees paid by households in 2016 related to credit cards. Fees on housing loans (29 per cent) and transaction accounts (24 per cent) were the next largest categories (Figures 10 and 11).

In 2016, 9.2 million Australian households each paid on average \$9.00 per week in fees. This amount has been steady for the past five years and is about 25 per cent lower than the 2008 peak (Figure 12).

Households spend only a very small proportion of their budget (0.45 of one per cent) on bank fees, which is now at the lowest proportion of total household spending in 18 years (since 1998).

Fees paid by households continued to decline against key activity measures:

- Since 2007 the ratio of bank service fees to household loans has fallen from 0.38 per cent to a record low of 0.21 per cent in 2016 (Figure 9).
- Since 2008 average fees paid on transaction accounts have fallen by more than half (Figure 13). Households that only have a transaction account paid on average \$2.18 per week in 2016, the smallest amount since 1999.

¹ Other forms of non-interest income such as fees from funds management and insurance operations are excluded



2.1 Housing loans

Banks are the biggest lenders for housing. Banks had 5.6 million active home loans, including owner-occupier and investor home loans, with a total value of \$1.4 trillion, in June 2016.

Loans to owner-occupiers comprised 64 per cent of housing loan outstandings while the remaining 36 per cent were to investors.

There were 902,789 housing loans approved with a value of \$356 billion to owner occupiers and investors in 2016 (Figure 14).

Some key findings on housing loans fees were:

- Households paid \$1.24 billion in fees in 2016. This was a slight increase on 2015, but well below the peak of \$1.38 billion in 2009 (Figure 15).
- The sharp fall in housing loan fees in 2011 reflected the reduction or removal of a number of fees, such as exit fees.
- Bank service fees from housing loans as a proportion of home loan outstandings, have halved over the past decade and are now the lowest on record (Figure 16).

2.2 Credit cards

Credit cards are a very high volume bank service channel. In June 2016, there were 16.6 million credit and charge card accounts in Australia, a net increase of almost 552,000 accounts over the past year. It is estimated that banks are the issuers for around 80 per cent of these accounts.

Consumers made 2.4 billion credit card purchases and cash advances with a value of \$308 billion in 2016. This was a 9.0 per cent increase in the number of transactions and a 4.2 per cent increase in the value of transactions (Figure 18).

Some key findings on credit card fees were:

- Fees paid on credit cards totalled \$1.56 billion in 2016, an increase of \$48 million or 3.2 per cent over the past year (Figure 17).
- This increase, overall, has been broadly in line with the increase in the use of this product. Fees paid as a proportion of the total value of transactions on credit cards has fallen to just 0.5 per cent, the lowest level in 10 years (Figure 20).

2.3 Transaction accounts - households

Bank customers' regular experience with banking is through their personal transaction account for day-to-day transactions, or their investment account for savings.

Over the year ending June 2016 there were 2.4 billion credit card transactions; 676 million ATM transactions; 4.6 billion debit card transactions; 126 million cheques issued and processed, and 3.4 billion direct entry payments (Figure 21).

This aggregated to 11 billion transactions with a value of \$16.5 trillion, an increase of 10 per cent in the number of transactions. And this high level of activity does not include internet and mobile phone banking, over-the-counter or telephone banking transactions.



Some key findings on transaction account fees:

- Households paid \$1.05 billion in fees on their transaction accounts in 2016, the lowest amount in 15 years.
- Fees paid by households on their transaction accounts make up only a small proportion (1.1 per cent) of total bank income (Figure 23).
- Fees are now at a record low of 0.13 per cent of total household deposits (Figure 25).
- The cost of transaction banking is falling very rapidly. It is estimated that transaction *volumes* increased by around 10 per cent this year, while the value of fees from transaction accounts changed very little. Over the past eight years, fees on transaction accounts have fallen by 50 per cent while transaction volumes have increased by 69 per cent (Figure 24).

2.4 Bank service fees and low income earners

Households vary in their capacity to pay bank service fees and this raises the issue of access to banking services across households. A group of consumers requiring particular consideration are those on low incomes (Figures 39, 40 and 41).

Partial data on the distribution of financial service fees by household income are available from the Australian Bureau of Statistics (**ABS**) Household Expenditure Survey. This relates only to fees paid on accounts, and shows:

- Households on average devote only a tiny proportion of their average weekly spending to fees.
- Low income households² are reducing the portion of their income they spend on account fees. Over the six years between the two latest ABS Household Expenditure Surveys, the percentage of weekly spending on duties, taxes and charges on financial institution accounts by the lowest income quintile declined from 0.34 per cent (in 2003-04) to 0.28 per cent (in 2009-10).
- Higher income households are paying the bulk of fees on accounts.

3. Businesses

Bank service fees paid by businesses totalled \$8.2 billion in 2016, an increase of 1.5 per cent over the previous year. This was the smallest percentage increase since 2004 (Figures 26 and 27).

Fees paid by businesses accounted for almost two thirds (65.5 per cent) of all bank service fees, the highest relative contribution from businesses since the survey commenced.

There have been two key periods of change in fees paid by businesses over the past 15 years.

- In 2004, there was a fall of 3.5 per cent, driven by a large 17 per cent fall in merchant fees.
- Over the three years immediately following the GFC (2008 - 2010), growth in fees paid by businesses grew quite rapidly, with an average increase of almost 10 per cent per year. During this time, businesses increasingly turned to banks to support their financing needs as other capital markets tightened or closed entirely.

² The ABS has flagged that the estimate for the lowest income quintile has a high relative standard error.



Looking at fees paid for the different financial products used by businesses (Figures 29, 30, 31 and 34):

- **Business loans** – Fees paid on business loans accounted for 43 per cent of all bank service fees from businesses in 2016. Fees paid totalled \$3.5 billion, an increase of 2.4 per cent, although this was well below the 8.0 per cent increase in business loan outstandings. The ratio of fees from business loans to total business loan outstandings has fallen over the past four years, from 0.73 per cent in 2012 to 0.64 per cent in 2016. Large businesses paid 58 per cent of fees on business loans.
- **Merchant fees** – These fees were the second highest category of fees from businesses. Fees paid increased by 3.3 per cent to \$2.74 billion in 2016, although this increase was much softer than the 12 per cent rise in the combined number of credit card and debit card transactions.
- **Business deposit accounts** – Fees paid on deposit accounts made up 7 per cent of total bank service fees from businesses, the lowest proportion on record.

4. Exception fees

Within each category of fees is exception fees. These include late payment fees and over-limit fees on credit card accounts, and dishonour fees on savings and current accounts (Figure 35).

Some key findings:

- A total of \$724 million in exception fees were paid by households and businesses over 2016 - an increase of 5.6 per cent or \$38 million.
- They accounted for 5.8 per cent of all bank service fees this year, which is consistent with the range of 5.5 to 5.8 percent over the past six years.
- Exception fees are not a major source of income for banks, comprising less than one per cent (0.76 per cent) of banks' total operating income. This is a marked reduction since 2008 and 2009, when the ratio was much higher, above 2.0 per cent (Figure 36).
- Households paid \$611 million in fees while businesses paid \$113 million. This is an increase of \$8 million for households and \$83 million for businesses.
- Exception fees on household transaction accounts were around 0.04 per cent of total household deposits in 2016, the lowest result on record (Figure 37).
- Exception fees relative to activity on transaction accounts such as ATMs, EFTPOS, direct entry and cheques were a very low 0.002 per cent, with little change over the past six years (Figure 38).
- Exception fees relating to credit cards were at the lowest level on record in terms of dollars paid, and as a proportion of credit card spending continued to decline to a new low of 0.07 per cent (Figure 38).

5. Financial services prices

The Consumer Price Index (CPI) provides details of price changes across a broad range of items of household expenditure.

The increase in the price of financial services in recent years has been lower than the overall rate of consumer price inflation, and markedly lower than the price increases in household essentials such as health, education and child care (Figures 42 and 43).



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6. Bank service points, improvements and customer satisfaction

Banks provide a lot of physical facilities at which customers can access banking services (Figure 44).

In June 2016, banks maintained 5,357 branches. This was 91 per cent of all financial institutions' branches in Australia.

Since 2001, there has been a net increase of 568 branches, a 12 per cent increase.

Banks provide access points in remote areas to ensure that banking is available to all Australians, no matter where they live. To this end banks provide 392 branches and around 400 ATMs in areas of lesser accessibility (i.e. moderately accessible, remote and very remote areas).

Banks provide a further 2,099 service points such as agencies and rural financial centres, while Bank@Post now has 3,585 service points.

Access to banking services at ATMs or through EFTPOS has shown solid growth over recent years – banks operate around half the (30,000) ATMs in Australia.

These physical access points are complemented by internet and mobile phone banking.

This ready access to banking services may be one reason why customer satisfaction with banks is high. Roy Morgan Research shows customer satisfaction with banks has remained at high levels – above 80 per cent - over recent years (Figure 45).



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Appendix 1: About the data

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

Survey reference period

The reference period for the collection of the survey data covers the 12 months to the end of June 2016.

Global financial crisis

The data have been affected by the global financial crisis (**GFC**). It is widely recognised 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 and many businesses returned to banks for their funding. This resulted in a higher than usual increase in bank service fees mainly from large businesses.

International fees data

The Banking Fees Survey is unique from an international perspective. No other comparable economies (e.g. UK, USA, NZ or Canada) conduct a similar survey. Studies of banking fees for countries other than Australia which attempt to provide international comparisons will be limited by the lack of detailed statistics. 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 RBA's survey.

Fees data – gross basis

Bank service fees statistics are 'gross' measures and are collected on a pre-tax basis.

Impact of changes in transaction and loan volumes on fees

Where possible, the statistics in this report are benchmarked against indicators of the volume of banking business. For example, while the survey results show that aggregate fees increased by a small amount this year, it does not show how this relates to changes in banking business volumes such as numbers of customer accounts, transaction volumes or loan volumes. To assist the reader, the ABA has produced a number of ratios which are benchmarked against official statistics produced by the RBA, Australian Prudential Regulation Authority (**APRA**) and ABS. Some of these ratios allow readers to see how fees change as the volume of banking activity changes.

Coverage

The results from the RBA's survey differ slightly from the ABA's survey results contained in this report. The RBA includes more institutions in their survey but the impact of these institutions is small.

Bank fees survey results prior to 2001 have also been affected by coverage changes. 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 now, the impact on the data was more significant prior to 2001.

A change in coverage may cause only a small impact at the aggregate level but 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 noticeable effect on bank service fees received from home loans.



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ABS price measures for financial services

The RBA's Banking Fees Survey collects the gross amount of bank service fees in dollars. It does not produce an overall price measure for bank services.

The survey provides information on only one component of the income of banks i.e. bank service fees. It does not incorporate the broader income sources of banks, nor does it provide information about usage volumes or changing consumer use of bank services.

The official measure which best captures price change for financial services is produced by the ABS as part of the CPI (see financial services prices).

Exception fees

Exception fees include late payment fees and over-the-limit fees.

It is important to note that exception fees are included in the aggregate data for all sections of this report for which fees data are presented.

Revisions

The data are updated and revised over time. Revisions may affect the actual fees data or the underlying benchmark data used to construct ratios.

Data discrepancy - 2016

The ABA's report is based on the RBA's banking fees survey. The ABA data is different to the RBA data for personal loans, (and hence aggregate fees paid by households), because of a discrepancy in the treatment of data for personal loans for one bank. This results in ABA data showing aggregate fees paid by households were flat while RBA shows a very small rise. The RBA has included the full amount of the discrepancy in their data this year, while the ABA did not have sufficient information to allocate the data accurately. Both the ABA and RBA will review the treatment of this discrepancy next year.

Previous releases

Refer to previous ABA reports:

Fees for Banking Services 2016 Report.

<http://www.bankers.asn.au/media/media-releases/media-release-2016/bank-fee-growth-remains-low-transaction-volumes-high>

Fees for Banking Services 2015 Report.

<http://www.bankers.asn.au/media/media-releases/media-release-2015/fees-for-banking-services-how-much-are-we-paying>



Appendix 2: Bank service fees from households

\$m	2009	2010	2011	2012	2013	2014	2015	2016
Transaction accounts	\$1,848	\$1,179	\$1,079	\$1,049	\$1,064	\$1,051	\$1,047	\$1,046
. change	-\$240	-\$669	-\$99	-\$30	\$15	-\$13	-\$4	-\$1
. %change	-11.5%	-36.2%	-8.4%	-2.8%	1.4%	-1.2%	-0.4%	-0.1%
Other accounts	\$96	\$72	\$61	\$53	\$54	\$51	\$45	\$58
. change	-\$12	-\$24	-\$11	-\$8	\$1	-\$3	-\$6	\$13
. %change	-10.9%	-24.8%	-15.4%	-12.5%	2.1%	-5.7%	-11.6%	27.9%
Housing loans	\$1,379	\$1,377	\$1,228	\$1,218	\$1,216	\$1,182	\$1,235	\$1,244
. change	\$226	-\$2	-\$149	-\$9	-\$3	-\$33	\$53	\$10
. %change	19.6%	-0.2%	-10.8%	-0.7%	-0.2%	-2.8%	4.4%	0.8%
Personal loans	\$354	\$345	\$328	\$327	\$350	\$366	\$391	\$327
. change	\$29	-\$8	-\$17	\$0	\$23	\$16	\$25	-\$64
. %change	9.0%	-2.4%	-5.0%	-0.1%	7.0%	4.4%	6.9%	-16.4%
Credit cards	\$1,396	\$1,245	\$1,293	\$1,313	\$1,339	\$1,419	\$1,513	\$1,562
. change	\$82	-\$151	\$49	\$20	\$26	\$80	\$94	\$48
. %change	6.3%	-10.8%	3.9%	1.6%	2.0%	6.0%	6.6%	3.2%
Other	\$97	\$94	\$91	\$99	\$103	\$100	\$111	\$90
. change	-\$10	-\$3	-\$3	\$8	\$4	-\$4	\$11	-\$21
. %change	-9.4%	-2.9%	-2.8%	8.3%	4.1%	-3.5%	11.3%	-19.2%
Total	\$5,169	\$4,311	\$4,080	\$4,061	\$4,127	\$4,169	\$4,342	\$4,326
. change	\$76	-\$858	-\$231	-\$19	\$66	\$42	\$173	-\$16
. %change	1.5%	-16.6%	-5.4%	-0.5%	1.6%	1.0%	4.1%	-0.4%

Source: ABA



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Appendix 3: Bank service fees from businesses

\$m	2009	2010	2011	2012	2013	2014	2015	2016
Deposit accounts	\$708	\$646	\$624	\$623	\$606	\$589	\$587	\$595
. change	-\$100	-\$62	-\$22	-\$1	-\$17	-\$17	-\$2	\$8
. %change	-12.4%	-8.8%	-3.4%	-0.2%	-2.7%	-2.9%	-0.3%	1.3%
Loans	\$2,263	\$2,716	\$2,885	\$3,182	\$3,264	\$3,372	\$3,405	\$3,488
. change	\$439	\$453	\$169	\$297	\$82	\$108	\$33	\$82
. %change	24.1%	20.0%	6.2%	10.3%	2.6%	3.3%	1.0%	2.4%
Merchant fees	\$1,796	\$1,839	\$1,910	\$2,067	\$2,241	\$2,427	\$2,651	\$2,739
. change	\$53	\$43	\$71	\$157	\$174	\$185	\$224	\$88
. %change	3.0%	2.4%	3.9%	8.2%	8.4%	8.3%	9.2%	3.3%
Bank bills	\$105	\$183	\$232	\$244	\$226	\$204	\$190	\$179
. change	\$9	\$79	\$49	\$12	-\$18	-\$22	-\$15	-\$11
. %change	9.1%	75.1%	26.6%	5.1%	-7.2%	-9.6%	-7.1%	-5.6%
Other	\$951	\$1,131	\$1,220	\$1,241	\$1,247	\$1,270	\$1,267	\$1,219
. change	\$147	\$180	\$89	\$21	\$6	\$23	-\$3	-\$49
. %change	18.3%	18.9%	7.9%	1.7%	0.5%	1.9%	-0.2%	-3.8%
Total	\$5,822	\$6,515	\$6,871	\$7,356	\$7,584	\$7,862	\$8,101	\$8,219
. change	\$548	\$693	\$356	\$485	\$228	\$278	\$239	\$119
. %change	10.4%	11.9%	5.5%	7.1%	3.1%	3.7%	3.0%	1.5%

Source: ABA



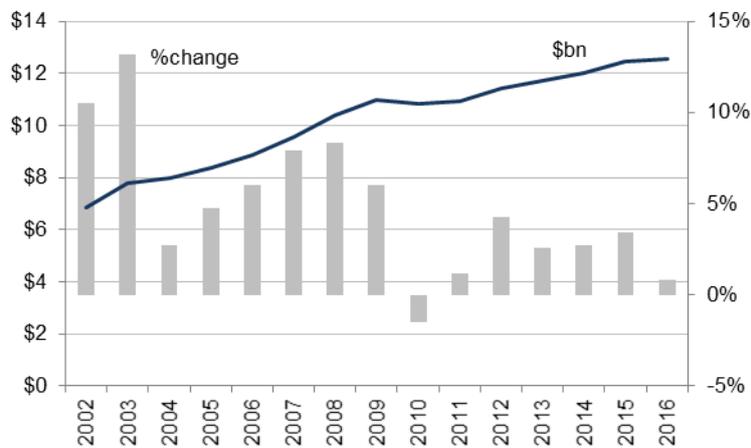
Appendix 4: Supporting charts and tables

Figure 1: Bank service fees (\$m)

	2009	2010	2011	2012	2013	2014	2015	2016
Households	\$5,168	\$4,311	\$4,080	\$4,061	\$4,127	\$4,169	\$4,342	\$4,326
. change	\$75	-\$857	-\$231	-\$19	\$66	\$42	\$173	-\$16
. %change	1.5%	-16.6%	-5.4%	-0.5%	1.6%	1.0%	4.1%	-0.4%
Business	\$5,822	\$6,515	\$6,871	\$7,356	\$7,584	\$7,862	\$8,101	\$8,219
. change	\$548	\$693	\$356	\$485	\$228	\$278	\$239	\$119
. %change	10.4%	11.9%	5.5%	7.1%	3.1%	3.7%	3.0%	1.5%
Total	\$10,990	\$10,826	\$10,951	\$11,417	\$11,711	\$12,031	\$12,442	\$12,545
. change	\$623	-\$164	\$125	\$466	\$294	\$320	\$412	\$103
. %change	6.0%	-1.5%	1.2%	4.3%	2.6%	2.7%	3.4%	0.8%

Source: ABA

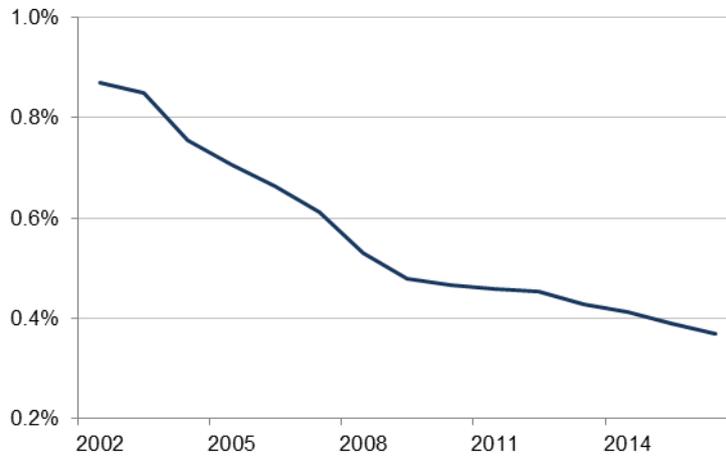
Figure 2: Bank service fees



Source: ABA



Figure 3: Ratio of bank service fees to resident assets



Source: RBA

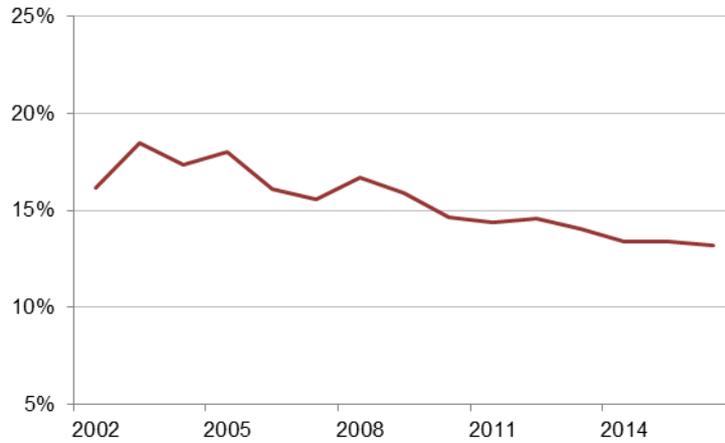
Figure 4: Bank service fees and resident assets (%change)

	Bank service fee	Resident assets
2002	10.5%	10.5%
2003	12.8%	14.5%
2004	2.7%	14.7%
2005	4.7%	10.9%
2006	6.0%	12.7%
2007	7.9%	15.6%
2008	8.3%	22.9%
2009	6.0%	16.1%
2010	-1.5%	1.6%
2011	1.2%	3.0%
2012	4.3%	5.5%
2013	2.6%	5.4%
2014	2.7%	6.7%
2015	3.4%	8.6%
2016	0.8%	6.9%
Last 5 years	2.8%	6.6%

Sources: ABA, RBA

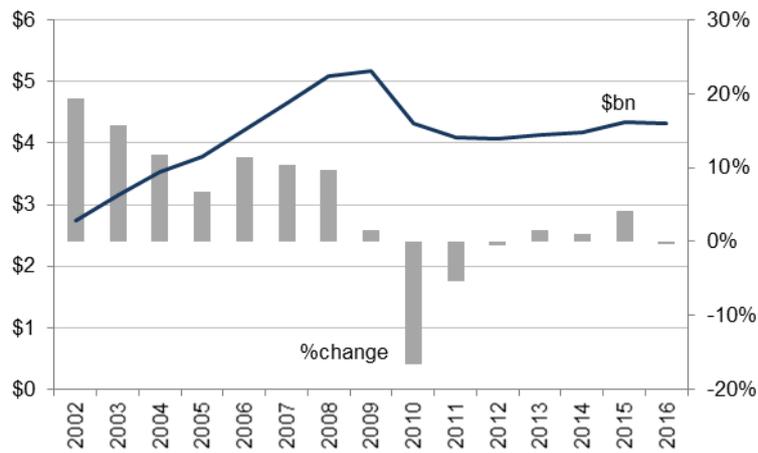


Figure 5: Ratio of bank service fees to operating income



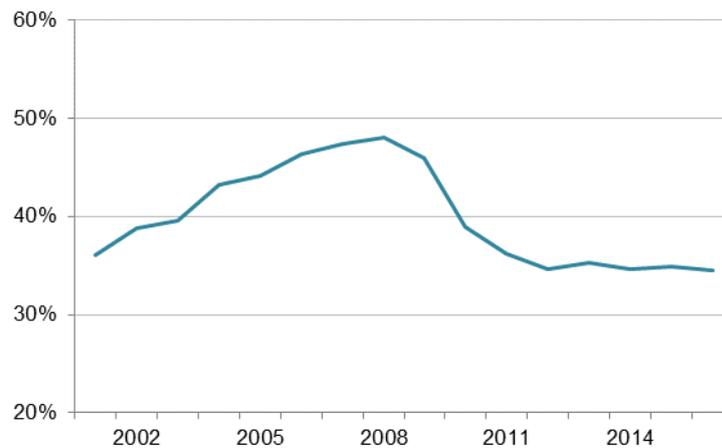
Source: Banks' annual reports

Figure 6: Bank service fees from households



Source: ABA

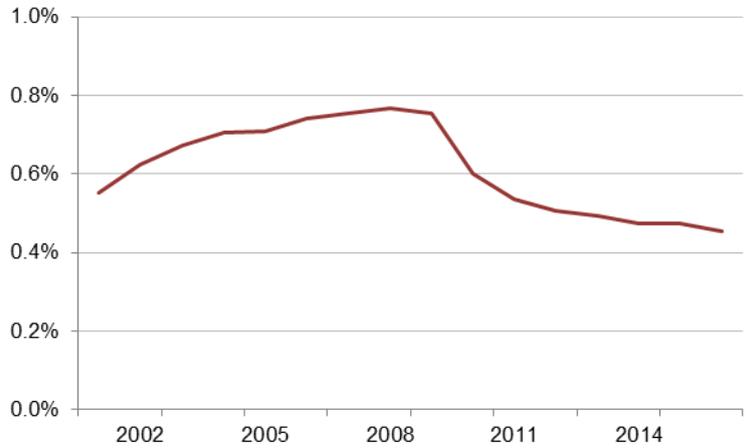
Figure 7: Bank service fees – proportion from households



Source: ABA

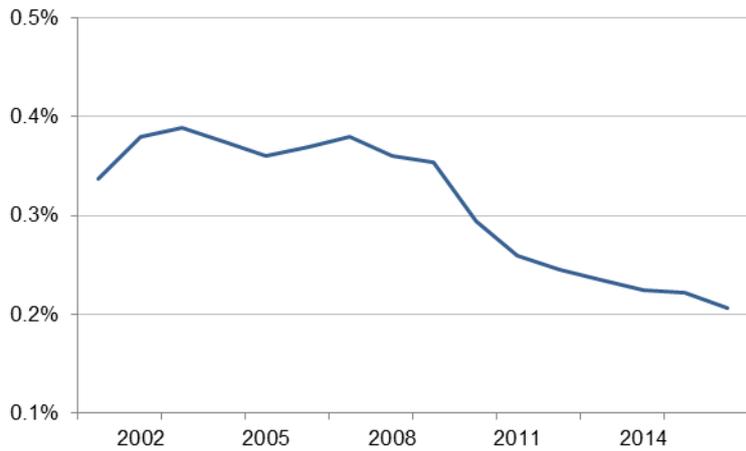


Figure 8: Bank service fees from households as a % of household final consumption expenditure



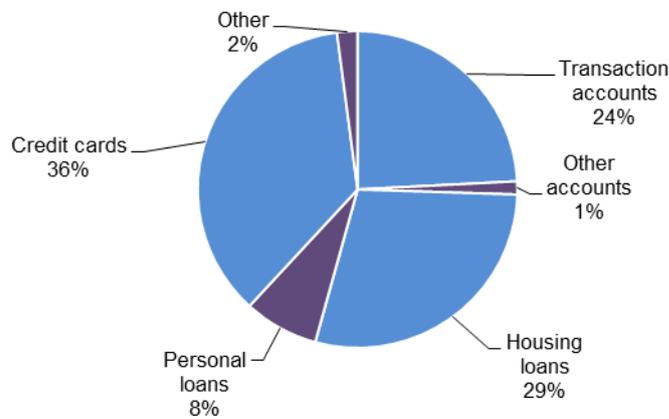
Sources: ABS, ABA

Figure 9: Bank service fees from household loans as a proportion of loan outstandings



Source: ABA

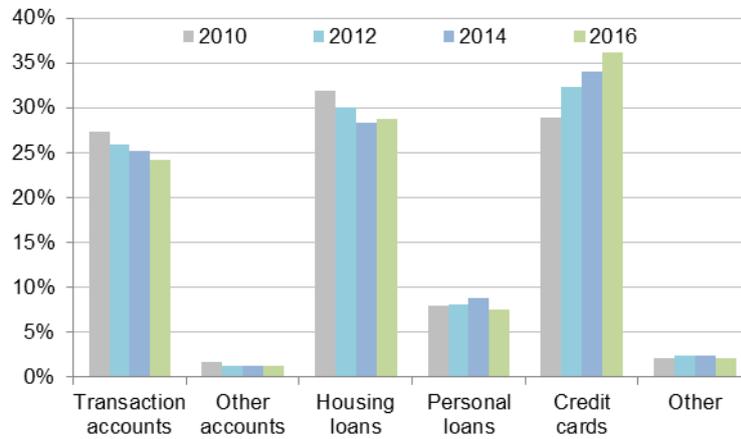
Figure 10: Bank service fees from households – % distribution (2016)



Source: ABA

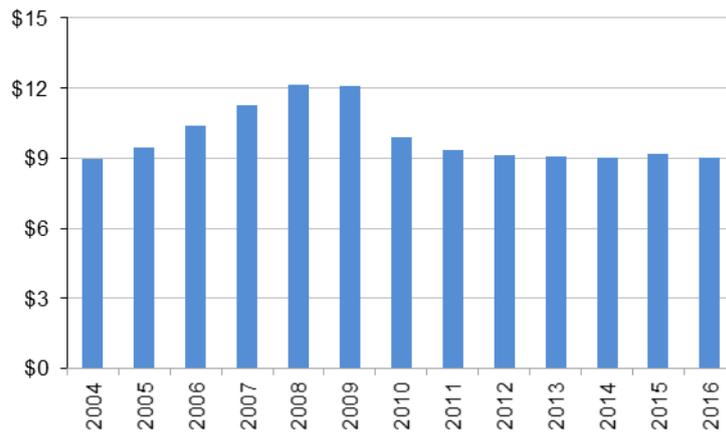


Figure 11: Distribution of bank service fees from households by product



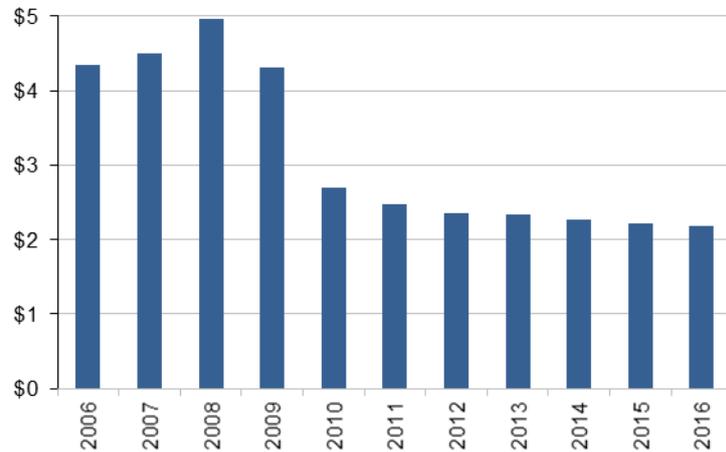
Source: ABA

Figure 12: Average weekly bank service fees by households



Source: ABA

Figure 13: Average weekly bank service fees paid by households on transaction accounts



Source: ABA

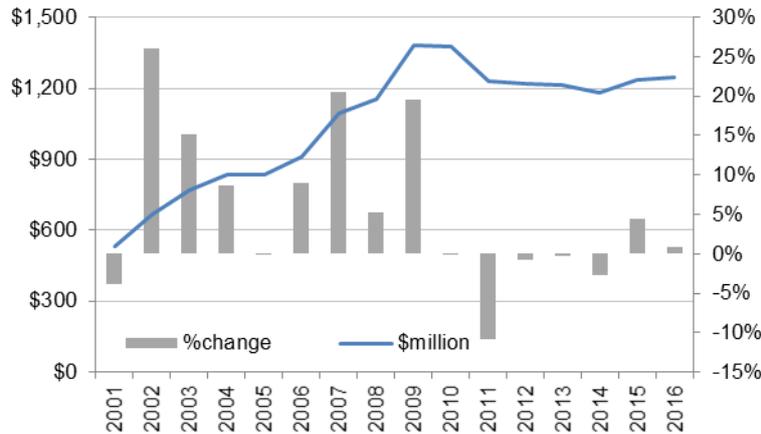


Figure 14: Banks' new housing loan commitments

Banks	Owner-occupiers		Investment housing (est)		Total (est)	
	Loans	Value (\$bn)	Loans	Value (\$bn)	Loans	Value (\$bn)
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	474,216	\$83.9	239,015	\$50.8	713,231	\$134.7
2004	487,066	\$97.9	254,783	\$61.4	741,849	\$159.3
2005	477,826	\$104.3	216,922	\$56.8	694,748	\$161.1
2006	543,135	\$121.9	229,369	\$61.8	772,504	\$183.7
2007	572,034	\$134.6	238,393	\$67.3	810,427	\$201.9
2008	559,246	\$143.5	249,443	\$76.8	808,689	\$220.3
2009	550,706	\$154.3	214,338	\$72.1	765,044	\$226.4
2010	513,446	\$154.9	219,601	\$79.5	733,047	\$234.4
2011	454,057	\$143.1	194,563	\$73.6	648,620	\$216.7
2012	500,418	\$151.8	212,640	\$77.4	713,058	\$229.2
2013	522,143	\$159.3	244,965	\$89.7	767,108	\$249.0
2014	562,413	\$178.2	325,064	\$123.6	887,477	\$301.8
2015	567,096	\$191.4	369,172	\$149.5	936,268	\$340.9
2016	613,301	\$227.1	289,488	\$128.6	902,789	\$355.8

Source: ABS

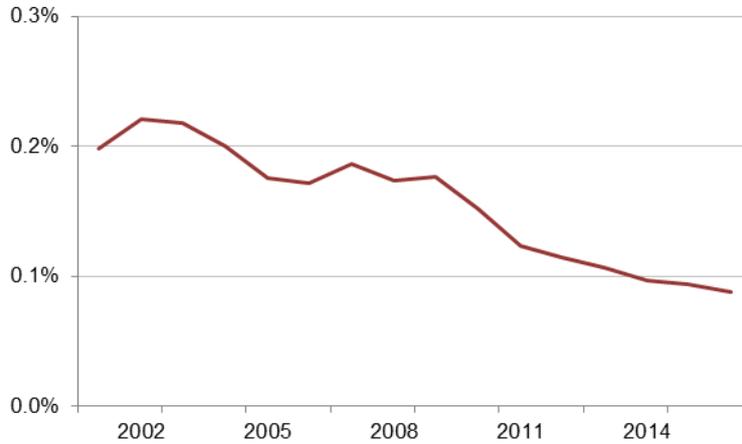
Figure 15: Bank service fees from housing loans



Source: ABA

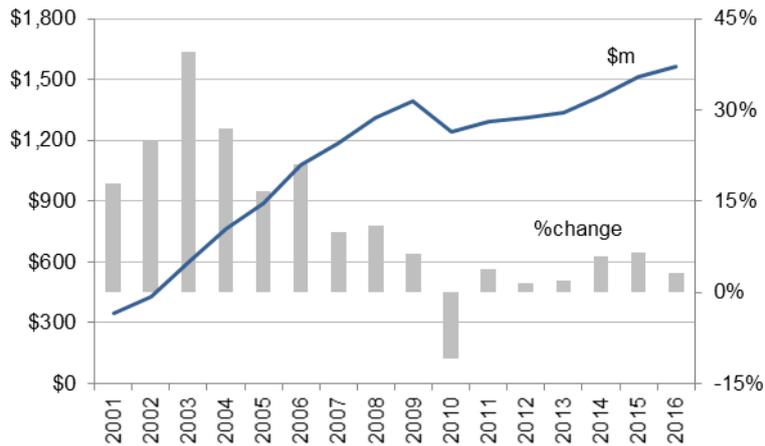


Figure 16: Housing loans – ratio of bank service fees to loans on book



Source: RBA

Figure 17: Bank service fees from credit cards



Source: ABA

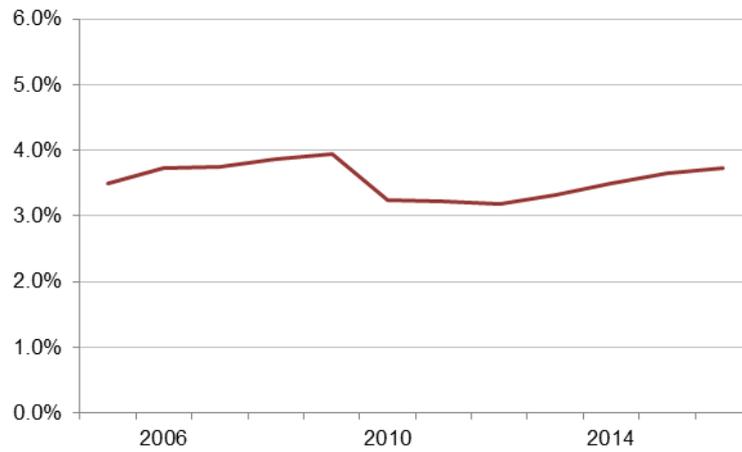
Figure 18: Credit and charge card aggregates (annual)

Year to:	Accounts	Cash advances		Purchases		Total	
	m	Number million	Value \$bn	Number million	Value \$bn	Number million	Value \$bn
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
Jun-11	14.9	27.1	\$10.6	1,622.9	\$235.2	1,650.0	\$245.8
Jun-12	15.0	25.4	\$9.9	1,711.1	\$245.5	1,736.5	\$255.4
Jun-13	15.4	24.6	\$9.6	1,832.7	\$254.1	1,857.3	\$263.7
Jun-14	15.5	25.0	\$10.0	1,994.6	\$271.2	2,019.6	\$281.3
Jun-15	16.1	26.0	\$9.8	2,161.4	\$285.1	2,187.4	\$295.0
Jun-16	16.6	26.0	\$10.0	2,378.3	\$298.0	2,404.3	\$307.9

Source: RBA

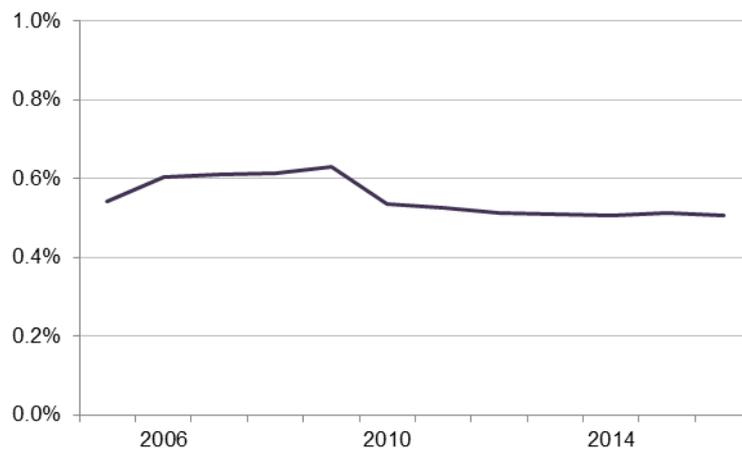


Figure 19: Credit card fees as % of balance outstanding



Source: APRA

Figure 20: Credit card fees as % of value of transactions



Sources: ABA, APRA

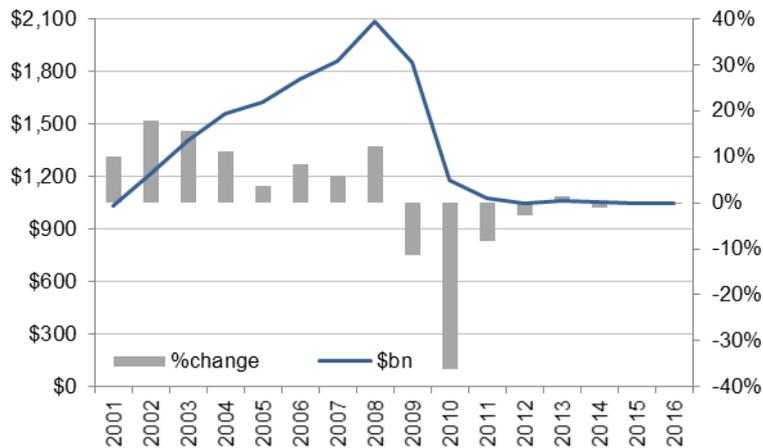


Figure 21: Selected payment statistics

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Credit cards							
Accounts (million)	14.6	14.9	15.0	15.4	15.5	16.1	16.6
. Number (billion)	1.56	1.65	1.74	1.86	2.02	2.19	2.40
. Value (\$billion)	\$233.0	\$245.8	\$255.4	\$263.7	\$281.3	\$295.0	\$307.9
ATMs							
. Number (million)	829.6	827.5	830.6	794.1	760.6	723.5	675.8
. Value (\$billion)	\$149.5	\$149.4	\$150.7	\$146.5	\$144.5	\$142.1	\$138.7
Debit card							
. Number (billion)	2.12	2.44	2.81	3.22	3.61	4.05	4.59
. Value (billion)	\$142.9	\$160.0	\$178.4	\$197.6	\$216.2	\$235.5	\$256.4
Cheques							
. Number (million)	310.6	274.6	241.0	209.3	181.0	152.6	126.4
. Value (trillion)	\$1.50	\$1.35	\$1.24	\$1.20	\$1.23	\$1.22	\$1.20
Direct entry							
. Number (billion)	2.38	2.54	2.66	2.78	2.98	3.11	3.44
. Value (trillion)	\$11.5	\$12.1	\$13.3	\$13.4	\$13.9	\$14.1	\$14.6
Total							
. Number (billion)	7.20	7.74	8.28	8.86	9.56	10.22	11.23
. Value (trillion)	13.52	14.04	15.09	15.18	15.78	15.97	16.46

Source: RBA

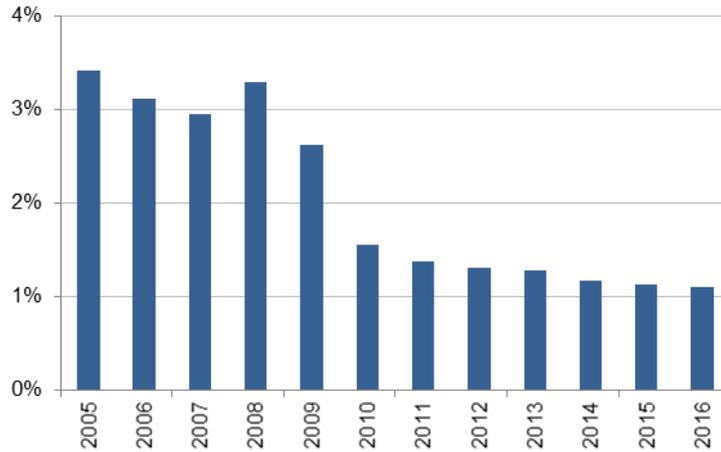
Figure 22: Bank service fees from transaction accounts



Source: ABA

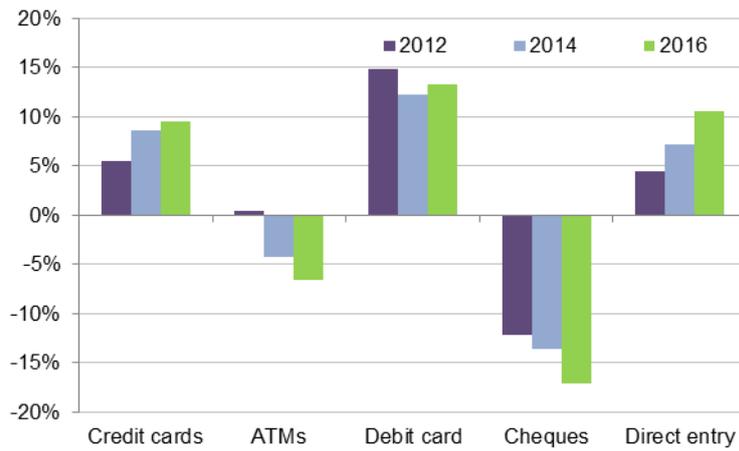


Figure 23: Bank service fees from transaction accounts as a % of bank income



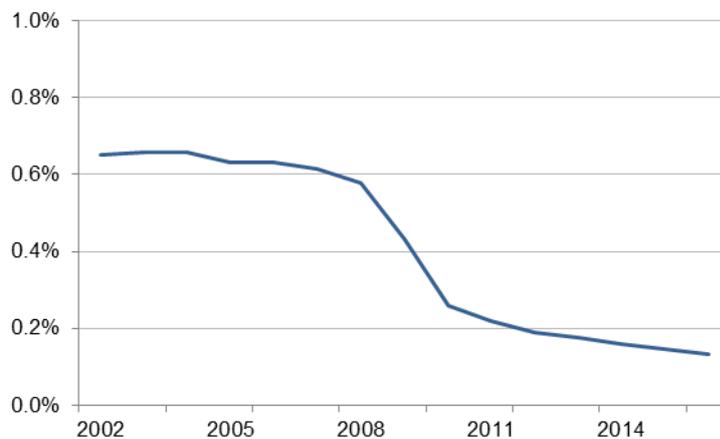
Source: ABA

Figure 24: Growth in the number of transactions



Source: RBA

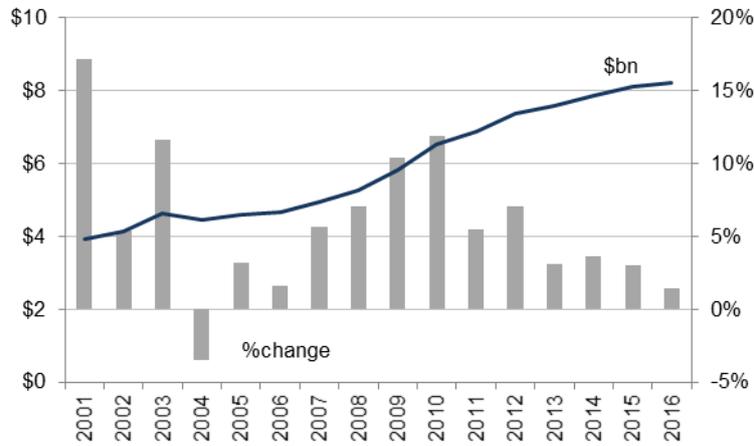
Figure 25: Bank fees on transaction accounts as a % of household deposits



Source: APRA



Figure 26: Bank service fees from businesses



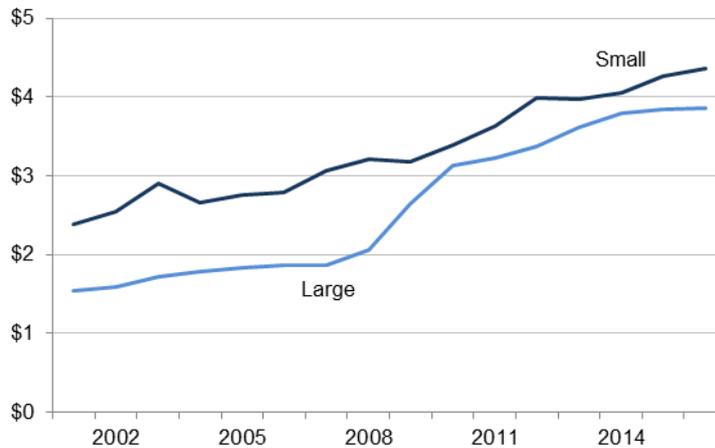
Source: ABA

Figure 27: Bank service fees paid by small and large businesses (\$m)

	2009	2010	2011	2012	2013	2014	2015	2016
Small business	\$3,180	\$3,392	\$3,638	\$3,983	\$3,973	\$4,059	\$4,258	\$4,367
. change	-\$31	\$212	\$246	\$345	-\$9	\$86	\$198	\$109
. %change	-1.0%	6.7%	7.2%	9.5%	-0.2%	2.2%	4.9%	2.6%
Large business	\$2,642	\$3,123	\$3,233	\$3,373	\$3,611	\$3,802	\$3,843	\$3,853
. change	\$578	\$480	\$110	\$140	\$237	\$192	\$41	\$10
. %change	28.0%	18.2%	3.5%	4.3%	7.0%	5.3%	1.1%	0.3%
Total	\$5,822	\$6,515	\$6,871	\$7,356	\$7,584	\$7,862	\$8,101	\$8,219
. change	\$548	\$693	\$356	\$485	\$228	\$278	\$239	\$119
. %change	10.4%	11.9%	5.5%	7.1%	3.1%	3.7%	3.0%	1.5%

Source: ABA

Figure 28: Bank service fees paid by small and large businesses (\$bn)



Source: ABA

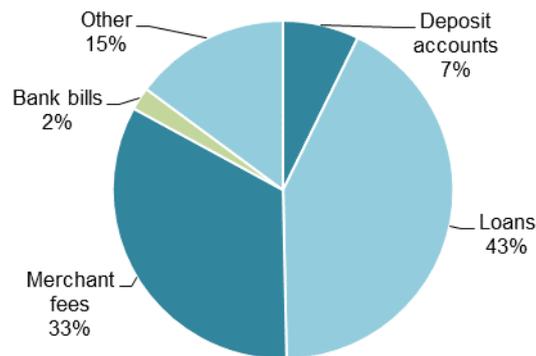


Figure 29: Bank service fees paid by businesses by product (\$m)

	2009	2010	2011	2012	2013	2014	2015	2016
Deposit accounts	\$708	\$646	\$624	\$623	\$606	\$589	\$587	\$595
. change	-\$100	-\$62	-\$22	-\$1	-\$17	-\$17	-\$2	\$8
. %change	-12.4%	-8.8%	-3.4%	-0.2%	-2.7%	-2.9%	-0.3%	1.3%
Loans	\$2,263	\$2,716	\$2,885	\$3,182	\$3,264	\$3,372	\$3,405	\$3,488
. change	\$439	\$453	\$169	\$297	\$82	\$108	\$33	\$82
. %change	24.1%	20.0%	6.2%	10.3%	2.6%	3.3%	1.0%	2.4%
Merchant fees	\$1,796	\$1,839	\$1,910	\$2,067	\$2,241	\$2,427	\$2,651	\$2,739
. change	\$53	\$43	\$71	\$157	\$174	\$185	\$224	\$88
. %change	3.0%	2.4%	3.9%	8.2%	8.4%	8.3%	9.2%	3.3%
Bank bills	\$105	\$183	\$232	\$244	\$226	\$204	\$190	\$179
. change	\$9	\$79	\$49	\$12	-\$18	-\$22	-\$15	-\$11
. %change	9.1%	75.1%	26.6%	5.1%	-7.2%	-9.6%	-7.1%	-5.6%
Other	\$951	\$1,131	\$1,220	\$1,241	\$1,247	\$1,270	\$1,267	\$1,219
. change	\$147	\$180	\$89	\$21	\$6	\$23	-\$3	-\$49
. %change	18.3%	18.9%	7.9%	1.7%	0.5%	1.9%	-0.2%	-3.8%
Total	\$5,822	\$6,515	\$6,871	\$7,356	\$7,584	\$7,862	\$8,101	\$8,219
. change	\$548	\$693	\$356	\$485	\$228	\$278	\$239	\$119
. %change	10.4%	11.9%	5.5%	7.1%	3.1%	3.7%	3.0%	1.5%

Source: ABA

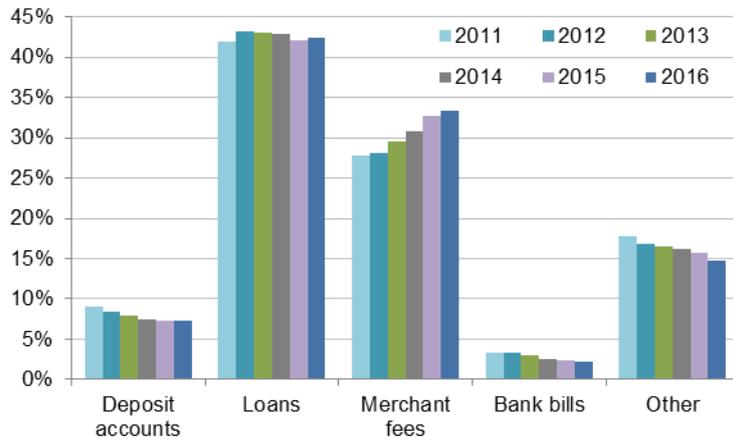
Figure 30: Bank service fees from businesses (2016)



Source: ABA

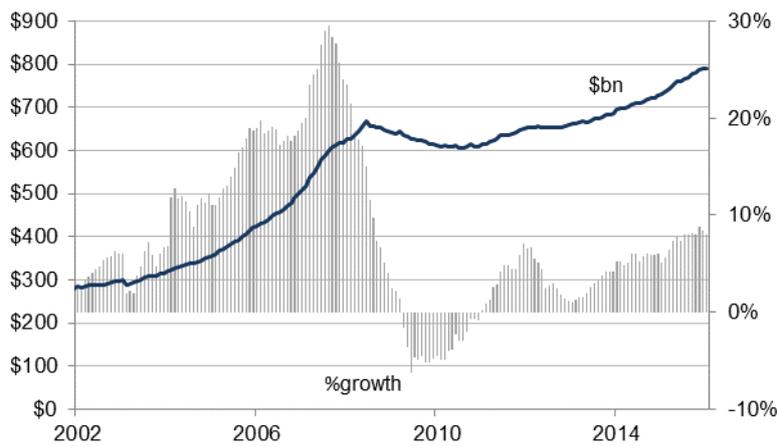


Figure 31: Distribution of bank service fees from businesses by product



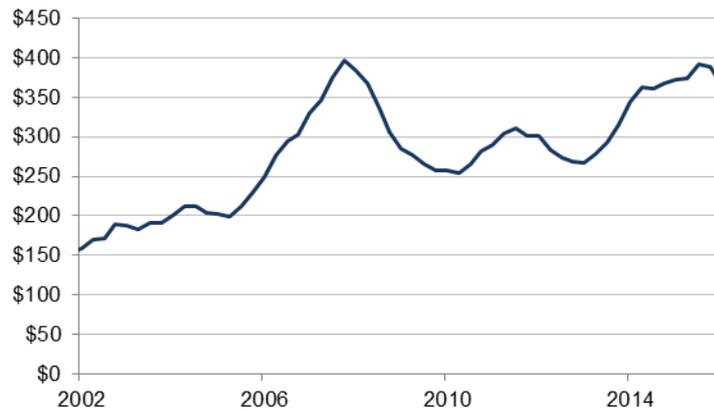
Source: ABA

Figure 32: Business loan outstandings (banks)



Source: RBA

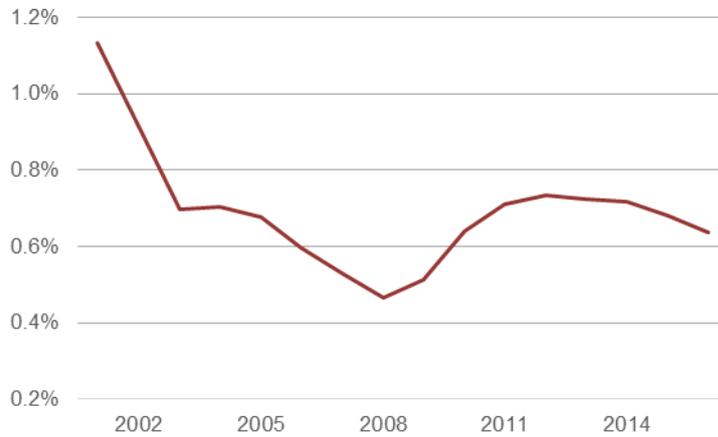
Figure 33: Banks' new business loan commitments (\$bn)



Source: RBA



Figure 34: Business loans – bank service fees as a proportion of loan outstandings



Sources: ABA/RBA

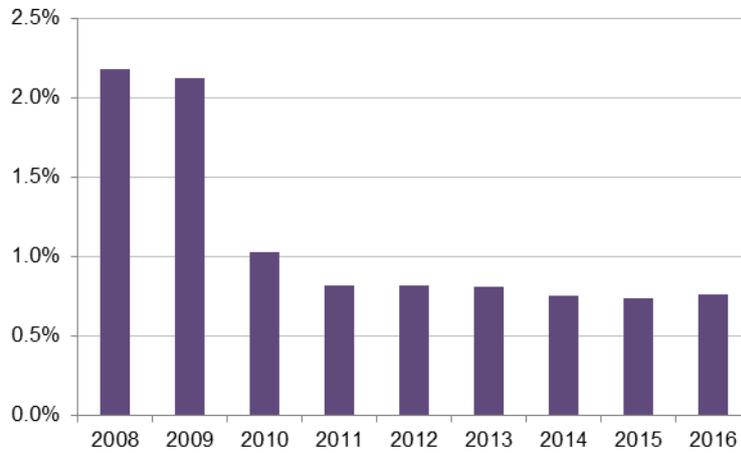
Figure 35: Exception fees – summary (\$m)

	2008	2010	2012	2014	2016
Households	\$1,183	\$669	\$572	\$593	\$611
Transaction accounts	\$688	\$297	\$257	\$315	\$345
Other accounts	\$13	\$2	\$3	\$3	\$2
Loans	\$482	\$370	\$312	\$274	\$264
. Housing	\$29	\$44	\$37	\$31	\$35
. Personal	\$38	\$33	\$25	\$25	\$27
. Credit cards	\$415	\$293	\$252	\$218	\$203
Other	\$0	\$0	\$0	\$0	\$1
Business	\$203	\$112	\$81	\$83	\$113
Small business	\$174	\$96	\$69	\$73	\$103
. Deposits	\$121	\$54	\$39	\$36	\$55
. Loans	\$53	\$42	\$29	\$37	\$48
. Merchant fees	\$0	\$0	\$0	\$0	\$0
. Bank bills	\$0	\$0	\$0	\$0	\$0
. Other	\$0	\$0	\$0	\$0	\$0
Large business	\$29	\$16	\$13	\$10	\$9
. Deposits	\$11	\$6	\$6	\$5	\$5
. Loans	\$18	\$10	\$7	\$5	\$5
. Merchant fees	\$0	\$0	\$0	\$0	\$0
. Bank bills	\$0	\$0	\$0	\$0	\$0
. Other	\$0	\$0	\$0	\$0	\$0
All businesses	\$203	\$112	\$81	\$83	\$113
. Deposits	\$132	\$60	\$46	\$41	\$60
. Loans	\$71	\$52	\$36	\$42	\$53
. Merchant fees	\$0	\$0	\$0	\$0	\$0
. Bank bills	\$0	\$0	\$0	\$0	\$0
. Other	\$0	\$0	\$0	\$0	\$0
Total	\$1,386	\$780	\$654	\$676	\$724

Source: ABA

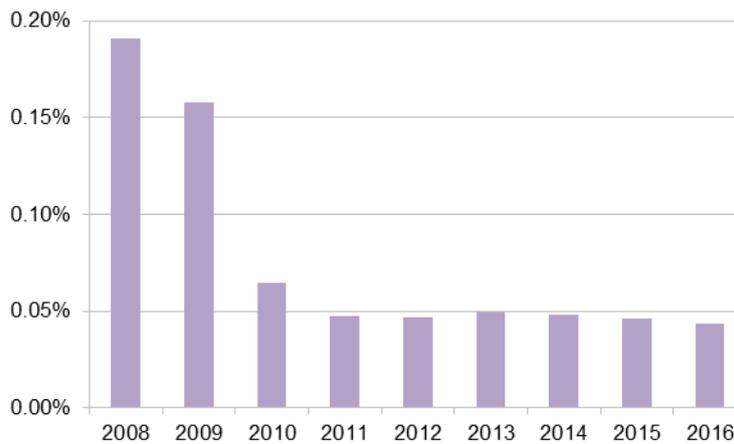


Figure 36: Exception fees as a % of operating income



Source: ABA

Figure 37: Exception fees on household transaction accounts as a % of deposits



Source: ABA

Figure 38: Exception fees as a proportion of transaction value

	2008	2010	2012	2014	2016
Exception fees (\$m)					
Transaction accounts	\$688	\$297	\$257	\$315	\$345
Credit cards	\$415	\$293	\$252	\$218	\$203
Transactions (\$bn)					
Transaction accounts	\$13,997	\$13,524	\$15,091	\$15,775	\$16,458
Credit cards	\$214.1	\$233.0	\$255.4	\$281.3	\$307.9
Ratio					
Transaction accounts	0.005%	0.002%	0.002%	0.002%	0.002%
Credit cards	0.19%	0.13%	0.10%	0.08%	0.07%

Source: ABA

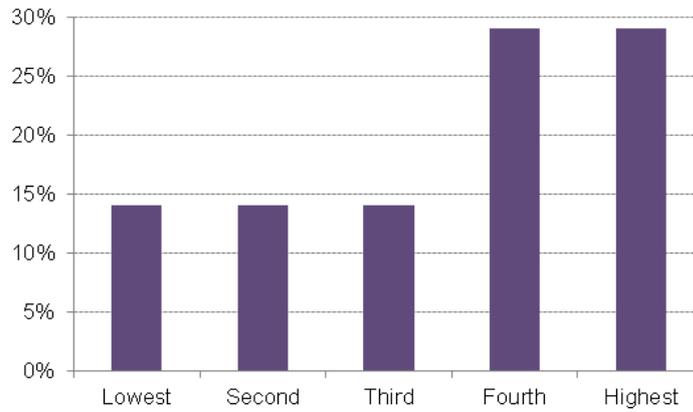


Figure 39: Duties, taxes and charges on financial institution accounts

	Gross Household Income Quintile					All
	Lowest	Second	Third	Fourth	Highest	
Duties, taxes, charges on financial institution accts	\$1.54	\$1.50	\$1.52	\$3.07	\$3.09	\$2.15
%Share	14%	14%	14%	29%	29%	

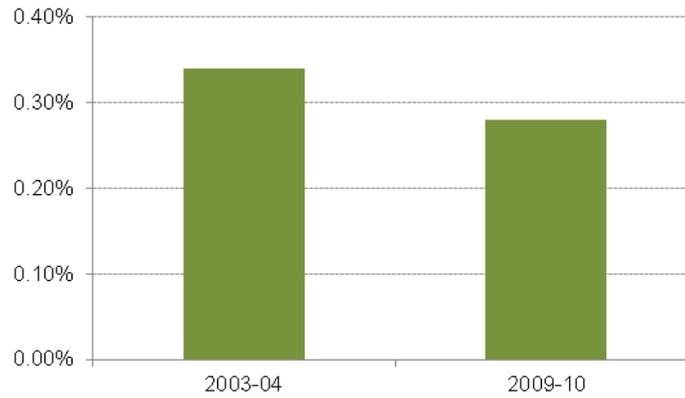
Source: ABS

Figure 40: Share of charges on financial institution accounts by income quintile



Source: ABS

Figure 41: Proportion of average weekly income paid on financial accounts by lowest income quintile



Source: ABS

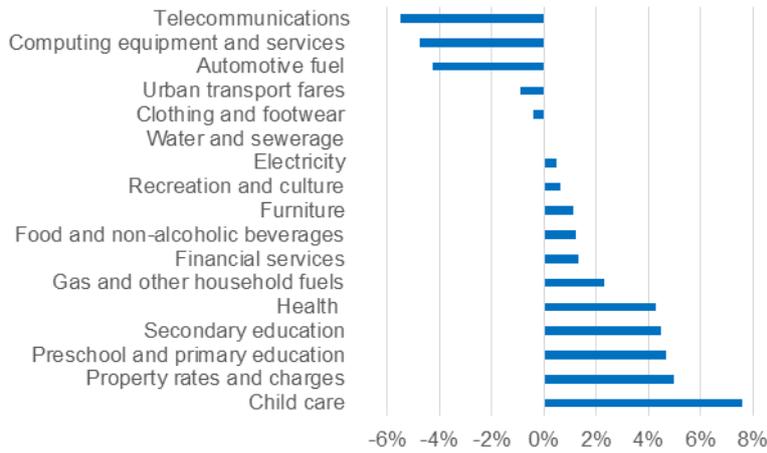


Figure 42: Price change comparisons

	Year to March 2017	Avg 3 years
Child care	6.0%	7.6%
Property rates and charges	4.0%	5.0%
Preschool and primary education	2.9%	4.7%
Secondary education	4.1%	4.5%
Health	3.8%	4.3%
Gas and other household fuels	2.7%	2.3%
Financial services	0.9%	1.3%
Food and non-alcoholic beverages	1.8%	1.2%
Furniture	-1.5%	1.1%
Recreation and culture	-0.2%	0.6%
Electricity	7.5%	0.5%
Water and sewerage	-1.8%	0.0%
Clothing and footwear	0.3%	-0.4%
Urban transport fares	1.2%	-0.9%
Automotive fuel	16.2%	-4.2%
Computing equipment and services	-3.3%	-4.7%
Telecommunications	-5.2%	-5.5%
CPI	2.1%	1.6%

Source: ABS

Figure 43: Price change over the three years to March 2017



Source: ABS

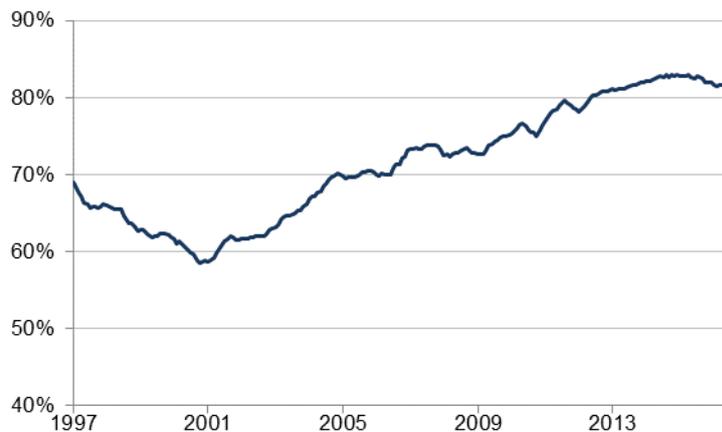


Figure 44: Summary of bank service channels

	Number	%
Face-to-face: Total		
Banks	7,456	63.8%
Building Societies	81	0.7%
Credit Unions	559	4.8%
Other ADIs	4	0.0%
Bank@Post	3,585	30.7%
Total: All ADIs	11,685	100.0%
Face-to-face: Branch Level		
Banks	5,357	90.7%
Building Societies	76	1.3%
Credit Unions	468	7.9%
Other ADIs	3	0.1%
Subtotal: Branch	5,904	100.0%
Face-to-face: Other		
Banks	2,099	36.3%
Building Societies	5	0.1%
Credit Unions	91	1.6%
Other ADIs	0	0.0%
Bank@Post	3,585	62.0%
Subtotal: Other	5,780	100.0%
ATMs	32,156	
EFTPOS	934,001	

Sources: APRA, APCA

Figure 45: Banks' customer satisfaction



Source: Roy Morgan Research