



Australian Banking
Association

Bank On It: Customer Trends 2023

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Commissioned by



Research by



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Note: All dollar figures are in Australian dollars and accurate as of 2023.

Foreword by ABA CEO Anna Bligh



Like many other parts of our economy, banks in Australia are undergoing a major customer-led digital transformation.

Australians have always been early adopters of technology. But COVID-19 health restrictions accelerated this existing digital trend, resulting in even larger numbers of Australian households and businesses moving online.

Once online, many customers have found the accessibility and the 24/7 availability of digital banking a very convenient way to bank.

These digital shifts have also contributed to a dramatic reduction in the use of bank branches and a significant move to digital transactions. Customers are now undertaking 98.9 per cent of all bank transactions digitally and report the highest satisfaction using this channel (pages 12-16).

Cards overtook cash a decade ago, with cash representing just 13 per cent of customer payments by number, down from 70 per cent in 2007 (page 25).

Meanwhile, Australians are not just leaving their wallets at home, they are digitising them. The popularity of mobile wallet transactions has sky-rocketed from \$746 million in 2018 to more than \$93 billion in 2022, while the number of cards that were registered to mobile wallets rose from just over 2 million to 15.3 million over the same period (page 30).

Australians are now among the world's top users of cashless payments, exceeding the United Kingdom, the United States, France and Germany (page 32).

Where banks have reshaped their networks to reflect changing customer use, 98 per cent of branch closures have occurred within three kilometres of another branch of the same bank or one of 3,540 face-to-face Bank@Post locations across the country (page 20).¹

Banks have continued to invest where their customers have been moving, with an eight-fold increase in technology investments since 2005, from \$3.5 billion to \$28.5 billion (page 22).

To help unpack this rapidly evolving shift, the Australian Banking Association has partnered with Accenture to deliver the *Bank On It: Customer Trends 2023* report. Australia's digital landscape is changing to better serve customer needs – that you can bank on.

Yours sincerely,

A handwritten signature in blue ink that reads 'Anna Bligh'.

Anna Bligh
CEO, Australian Banking Association

1. For banks that are Bank@Post partners

01



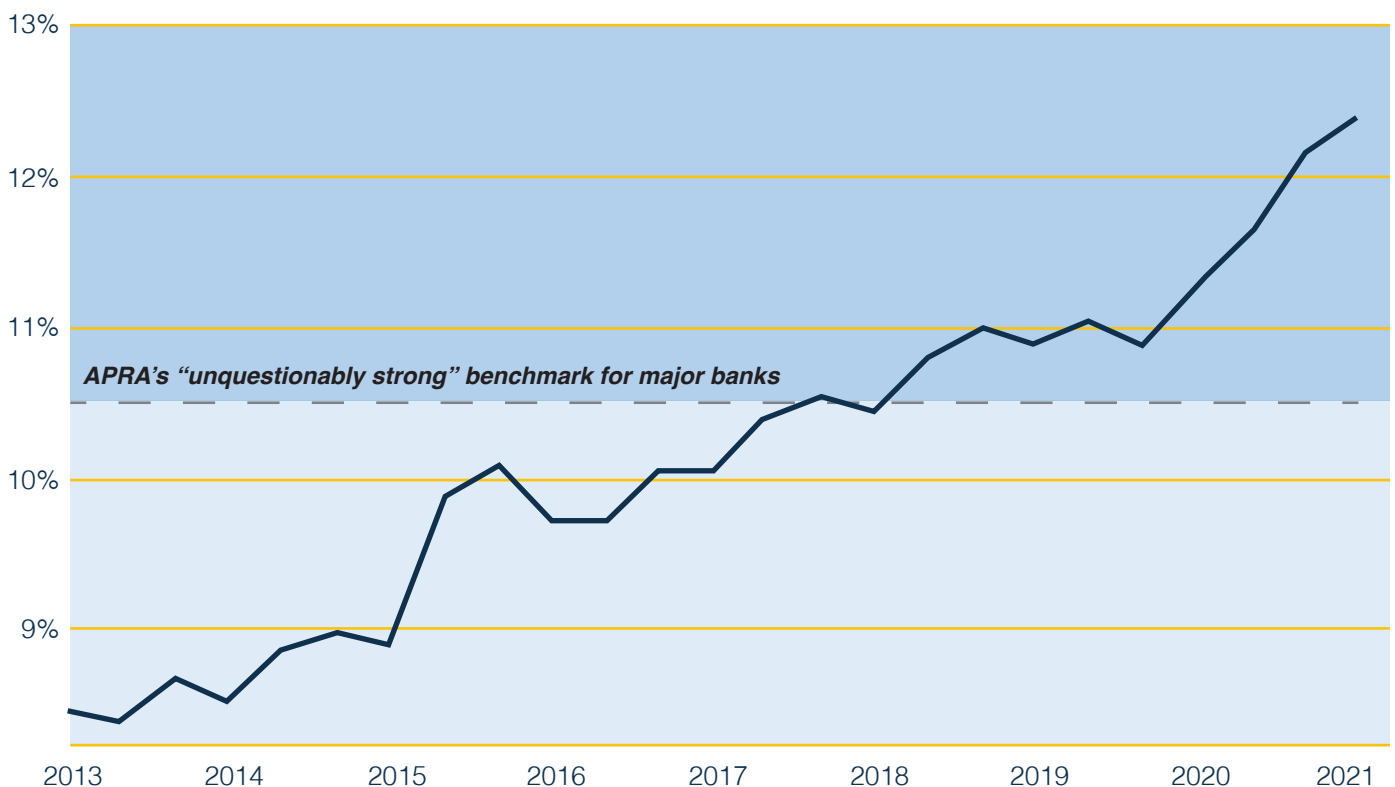
Economic context

Australian banks have strong capital positions that exceed APRA's requirements and global standards

- In 2013, Australia adopted the Basel III capital reforms, ahead of the timeline set by the Basel Committee on Banking Supervision.
- Australian banks were required to strengthen their capital position following the Financial System Inquiry in 2014.
- A 2023 Morgan Stanley analysis reported Australian banks as the best capitalised globally systemically important banks.
- In terms of capital levels, the four major Australian banks lead their peers in Canada, UK, Germany, Switzerland, Netherlands, France, Italy and China.

Common Equity Tier 1 (CET1) ratios of Australian banks have steadily increased

Average bank CET1 ratio (%)



Source: Estimates based on RBA Financial Stability Review (2021), APRA announces 'unquestionably strong' capital benchmarks (2017), Morgan Stanley

Note: The 'unquestionably strong' benchmarks are CET1 ratios of 10.5% for the four major Australian banks, 9.5% for other banks using the internal ratings-based approach for credit risk and 8.5% for other banks.

“ Australian banks learned the lessons of the 2008 global financial crisis and have significantly strengthened their liquidity, funding and capital... [and] are well capitalised vs global peers”

Morgan Stanley research, March 2023.

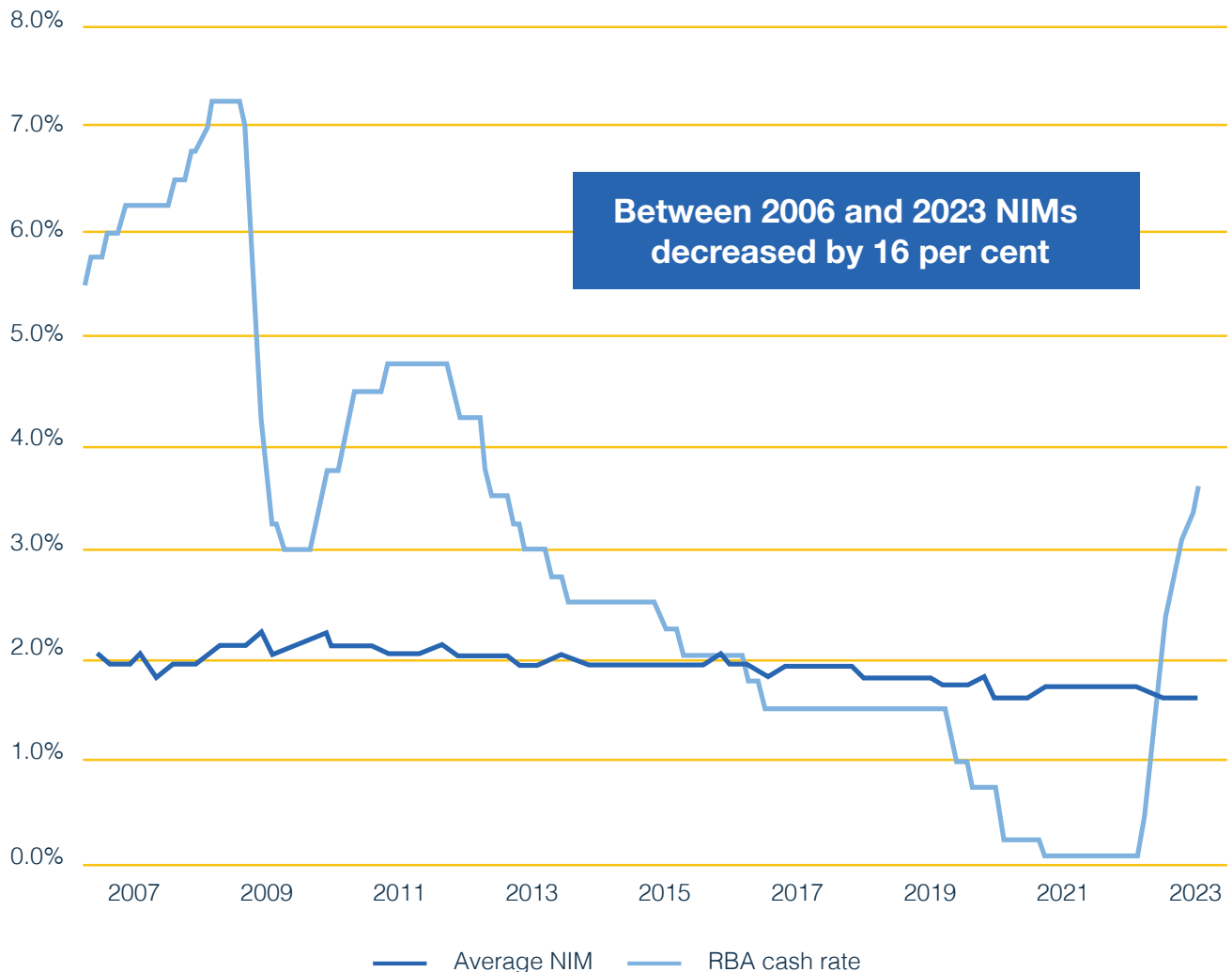


Net interest margins (NIMs) have been steadily reducing in part owing to competition between banks

- Despite fluctuations in RBA interest rates since 2006, banks' NIMs have contracted steadily.
- Banks have competed on deposit and lending rates, resulting in lower margins and favourable customer outcomes.

While the RBA cash rate has fluctuated, banks' NIMs have decreased

Average NIMs vs RBA cash rate (%)



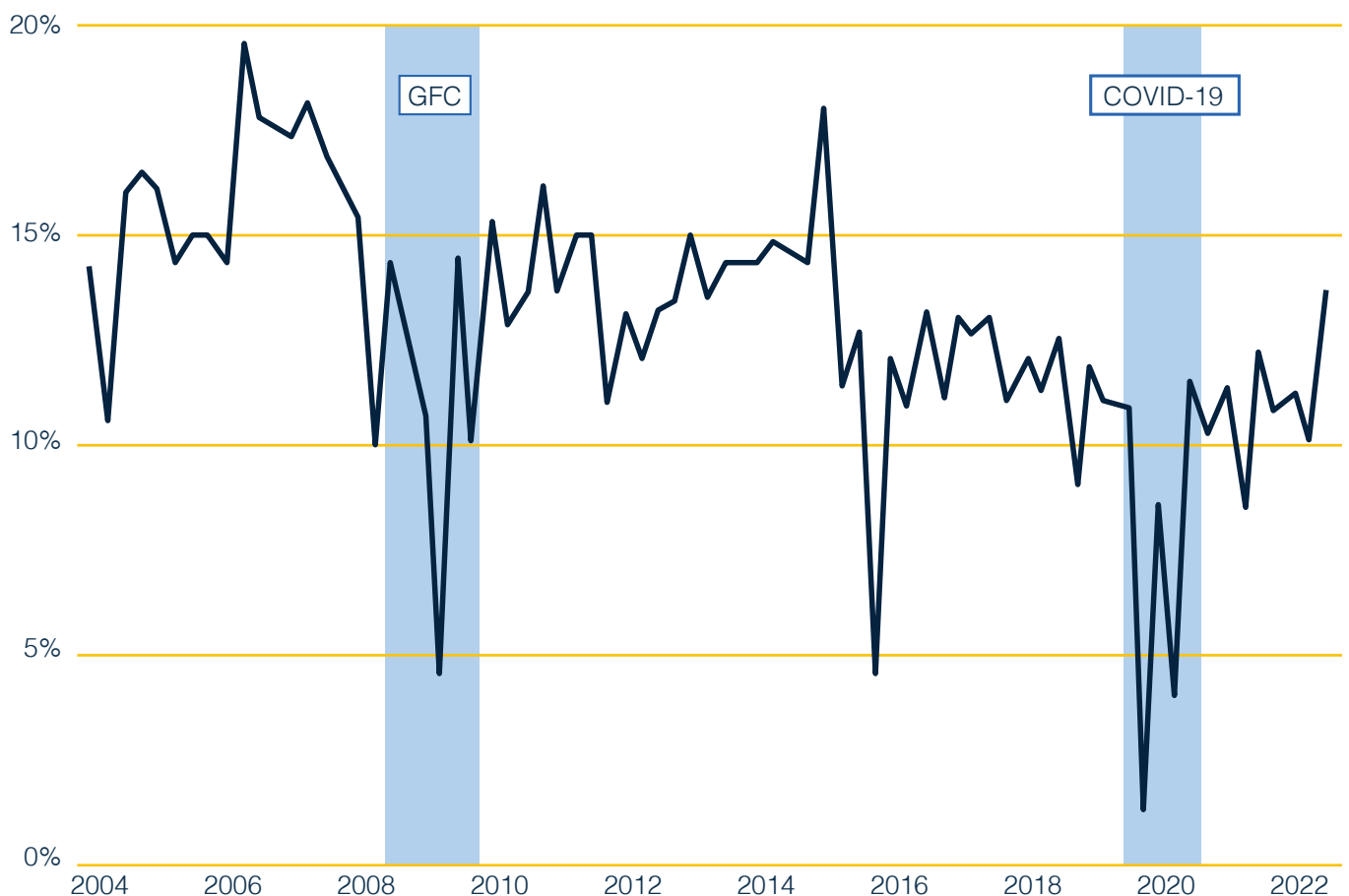
Source: Australian Prudential Regulation Authority Quarterly ADI statistics (2023) Accenture analysis, RBA Cash Rate Target (2023)

While still above the cost of capital, return on equity has declined driven by higher capital levels and increased competition

- Despite declining margins and economic shocks, banks are delivering solid capital returns.

Capital returns have also trended down

Headline return on equity across the (% , all ADIs)



Source: Australian Prudential Regulation Authority Quarterly ADI statistics (2023)

Note 1: Headline Return on Equity is the post-provision value of Return on Equity.

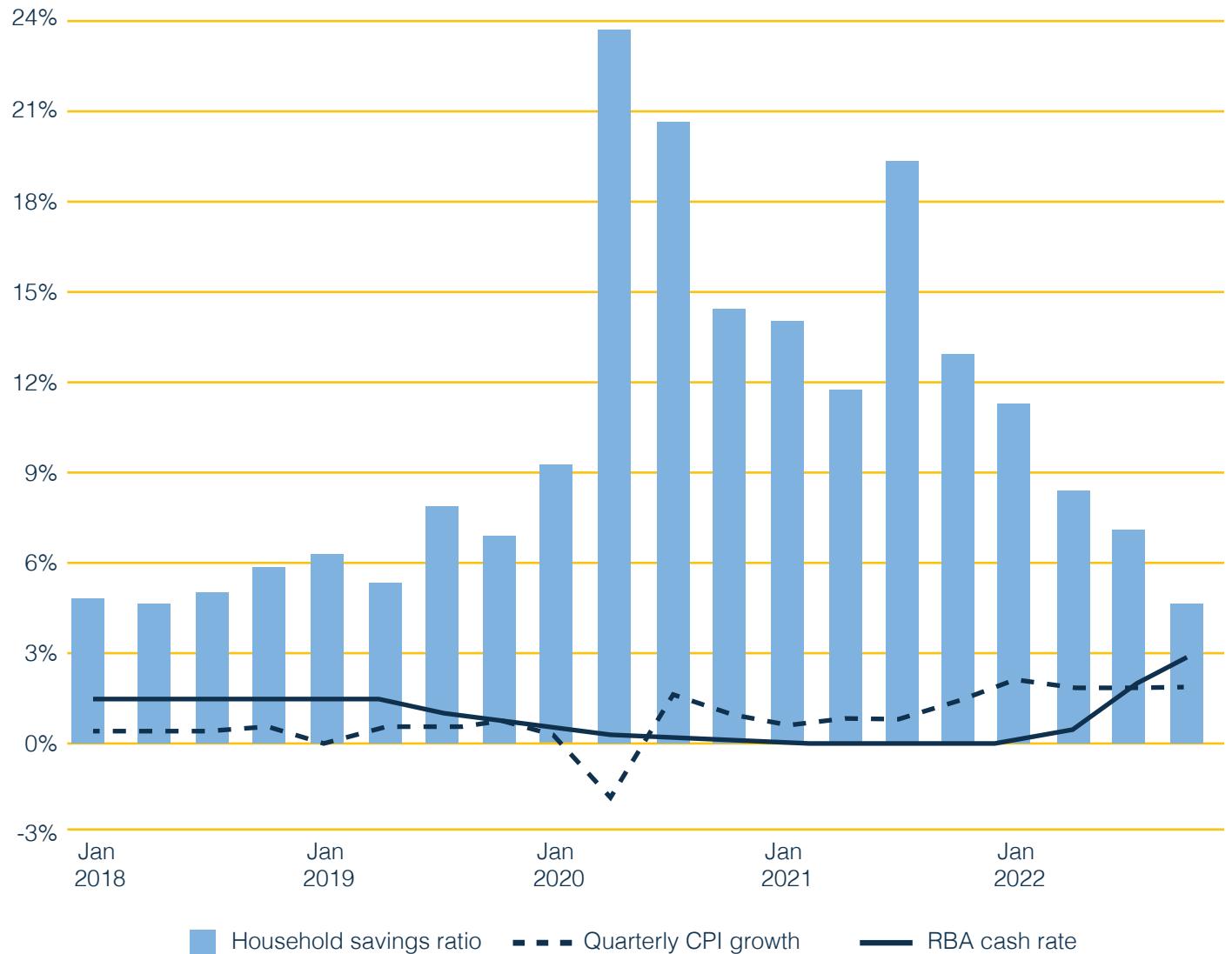
Note 2: In Q1 FY16 there was a lower ROE number as a result of accounting adjustments. Underlying performance remained steady, evidenced by double digit ROEs in the preceding and following quarters.

Household savings are back to pre-pandemic levels after a two-year high indicating a normalisation of savings behaviour

- 2020: Household savings grew significantly as a result of COVID-19 lockdowns.
- 2021: Household savings remained high due to restricted spending, pandemic stimulus and low interest rates.
- 2022: Household savings returned to pre-pandemic levels.

Impact of current economic conditions on household savings

% of income saved by households



Note: Household savings are a measure of changes in net savings plus changes in real net worth of household assets and investments
 Source: ABS National Accounts (2023); RBA cash rate target (2023); ABS Finance and Wealth (2023); ABS Leading Indicators (2023); Accenture analysis



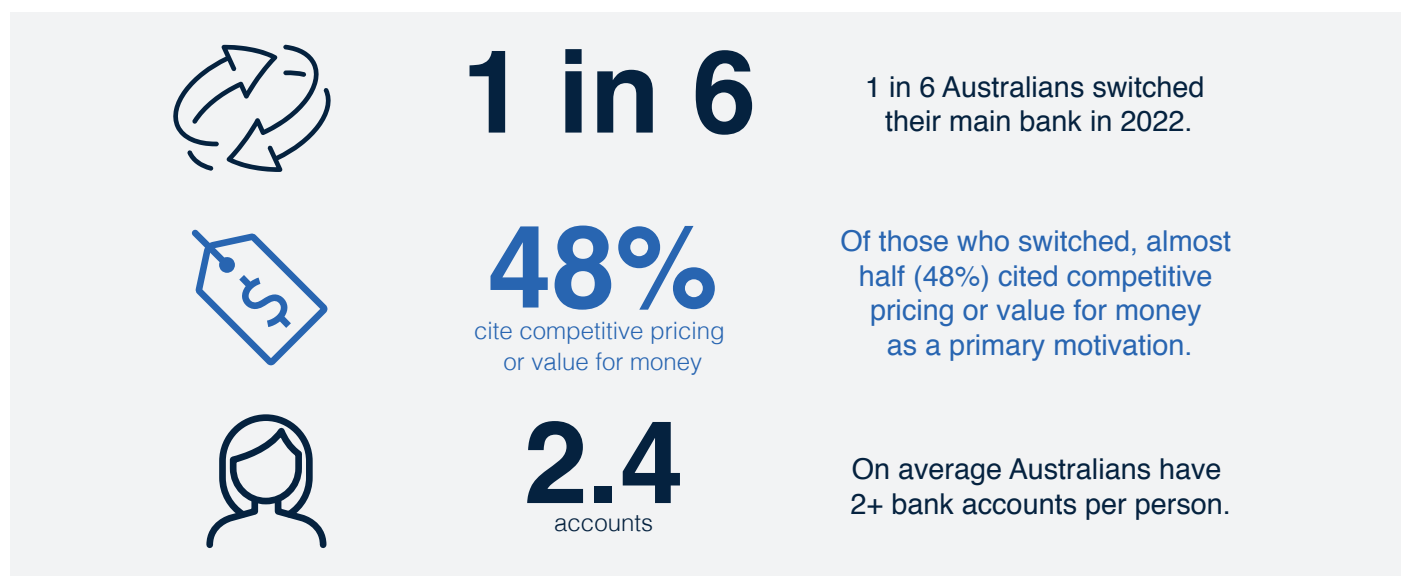
02



How customers bank

Sensitivity to interest rates, competition and low barriers to switching are fuelling customer mobility in Australian banking

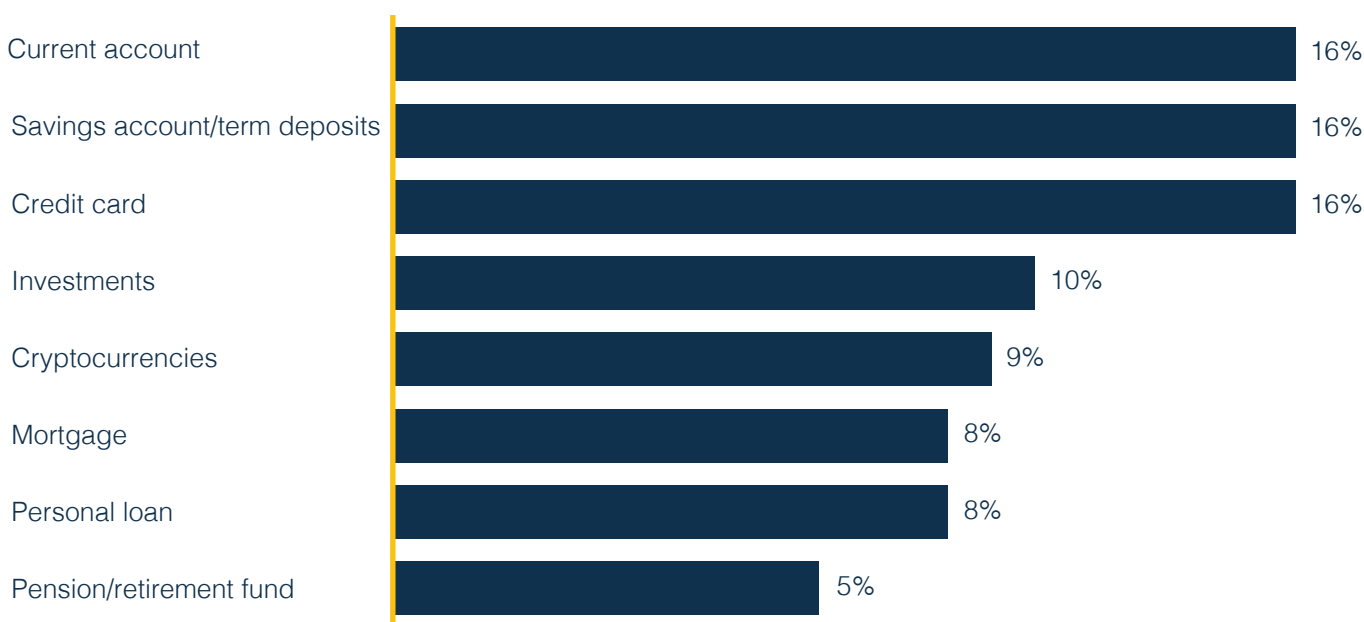
Australians are willing to switch banks...



Source: Accenture Global Financial Services Survey (2022). ABS Population Estimates by age and sex (2022). Bank Annual Reports (2022). ABA Member survey (2023).
Note: Estimated based on number of customers sourced from the ABA Survey of Member Banks and bank annual reports and the Australian population aged 15+.
Accenture Global FS Consumer Survey (n=2000, Australia)

..across lending, deposits and transactions products

Percent of respondents reporting they purchased/opened the following products or services in the past 12 months from a new provider (%)

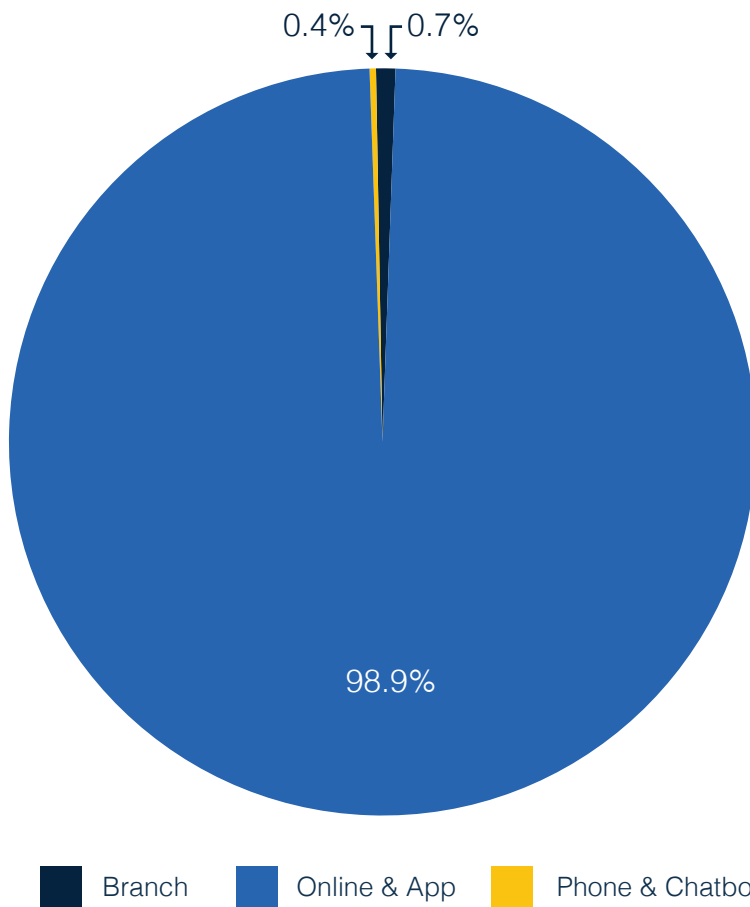


Source: Accenture Global Financial Services Survey (2022).

Australian bank customers have overwhelmingly shifted to digital continuing a pre-pandemic trend

The majority of transactions are now handled through online channels ...

Share of total transactions by channel (% , major banks) 2022



“

98.9%

of total transactions are now made via **online and apps**

”

Source: ABA Member Survey (2023).

Note: Online and app interactions are based on daily log ins. A single log in may lead to multiple interactions and hence is likely to be understated.

... with in-person branch transactions rapidly falling

Change in volume of interactions (% , major banks); 2019-22

Branch



46%
(FY19 to FY22)



Online
& App



26%
(FY19 to FY22)



Phone
& Chatbot



9%
(FY19 to FY22)



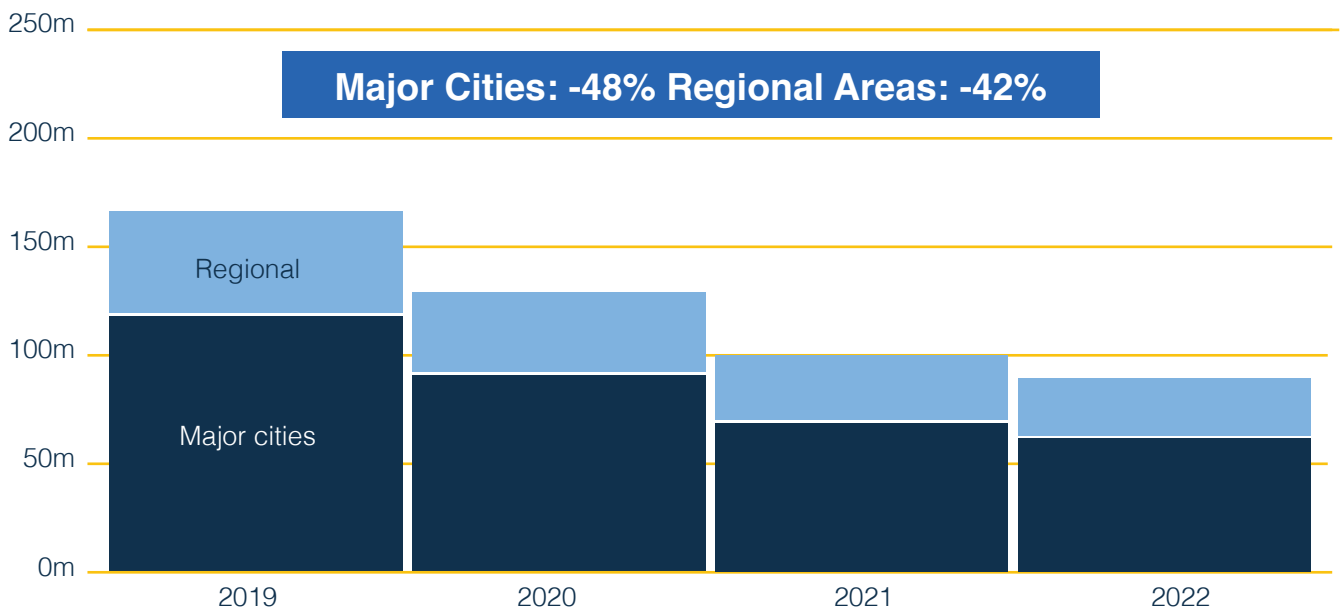
Source: ABA Member survey (2023).

Customers are increasingly turning to online banking, app and chatbots accelerated by COVID-19 lockdowns

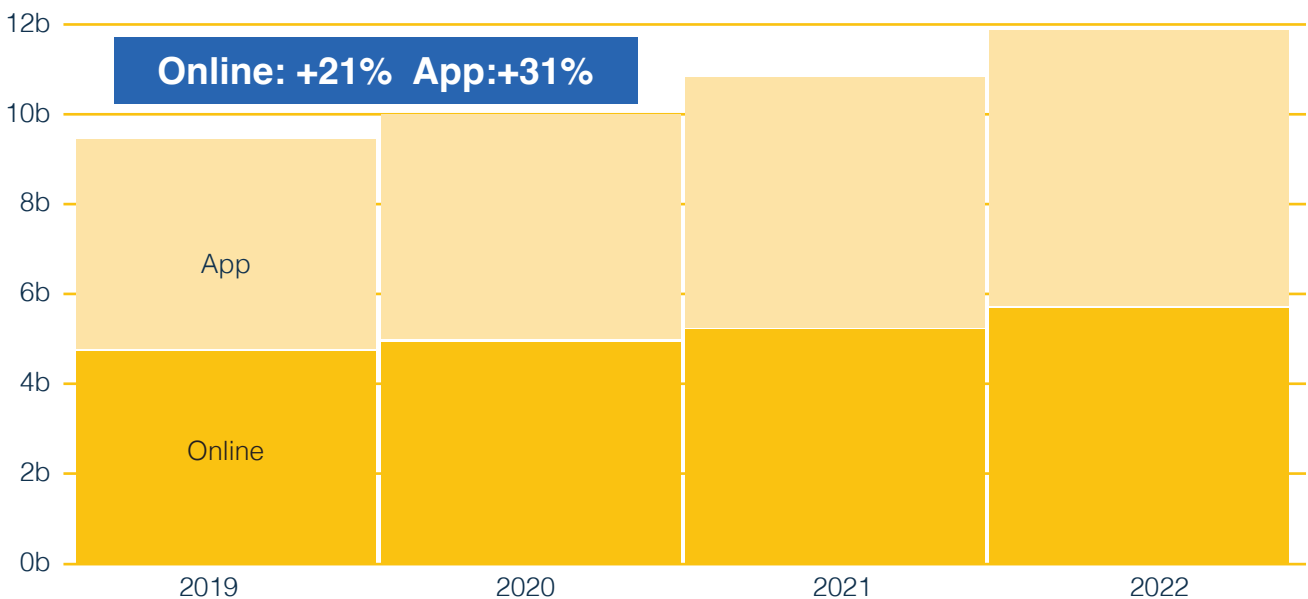
Trends in channel usage

Annual transactions by channel (number, major banks), 2019-2022

Branch interactions



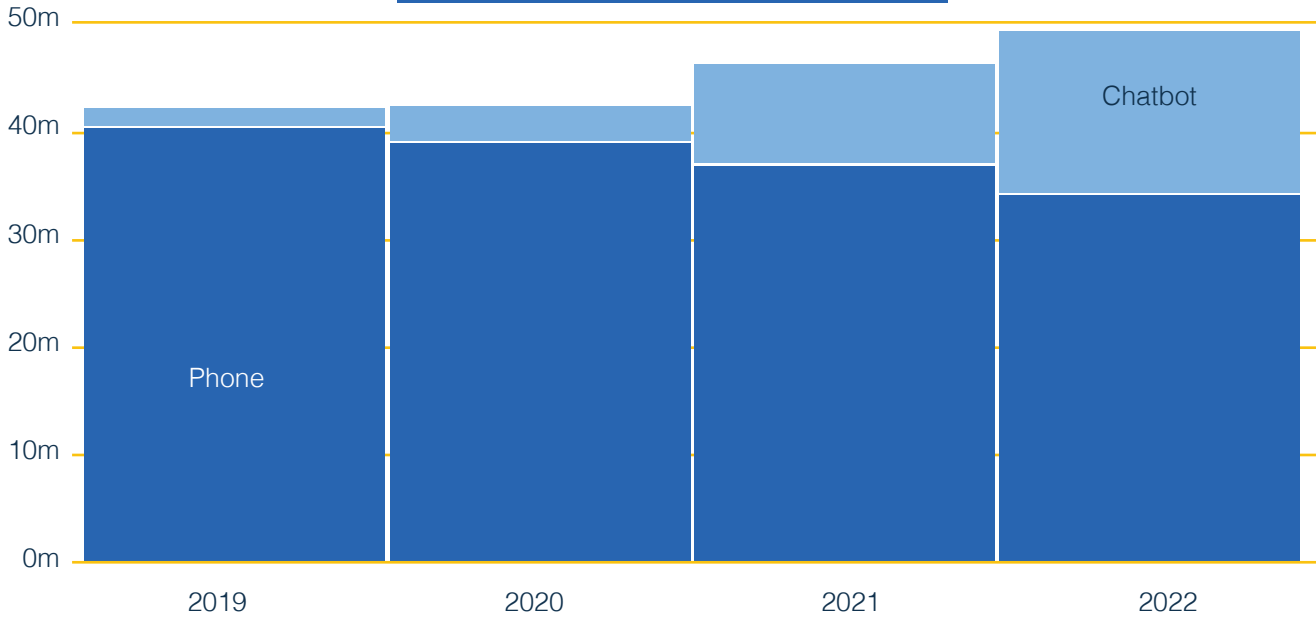
Online and app interactions



Source: ABA Member Survey (2023). Accenture analysis.

Phone and chatbot interactions

Phone -15% Chatbot +559%



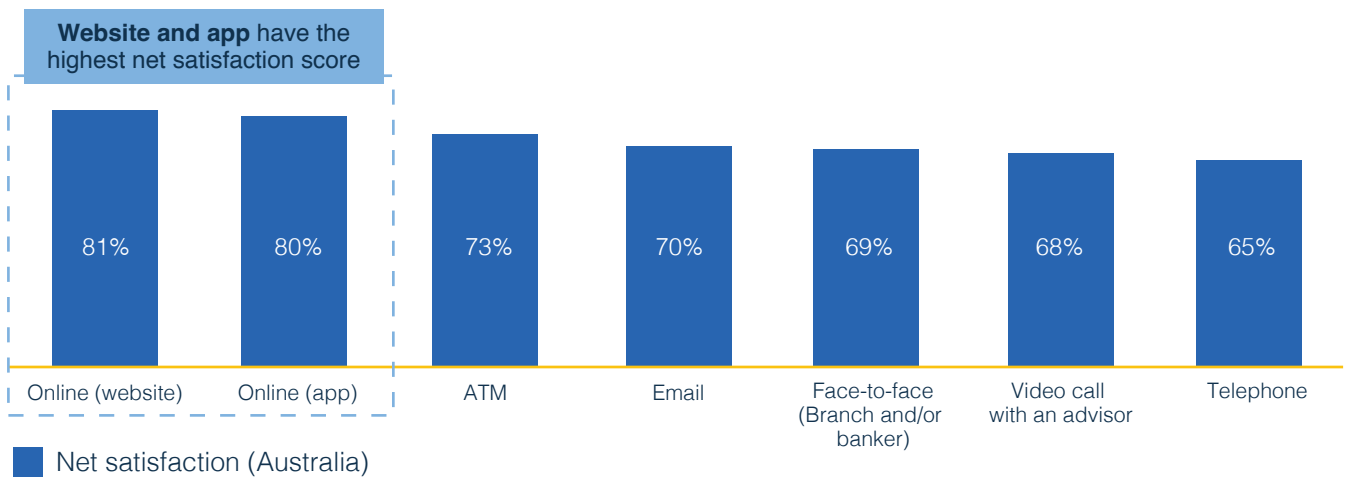
Source: ABA Member Survey (2023). Note: Online and app interactions are based on daily log ins. A single log in may lead to multiple interactions and hence is likely to be understated.



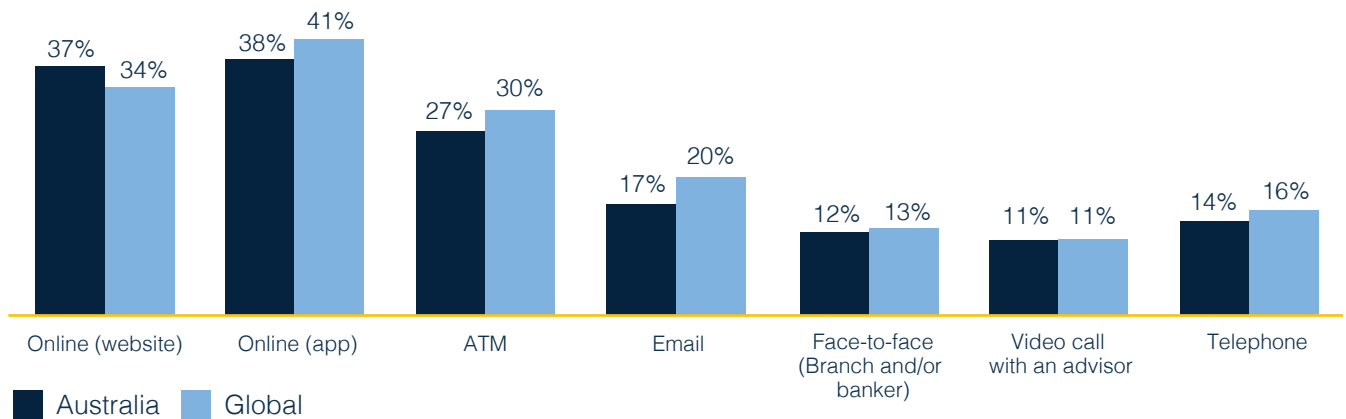
Australian banking customers are most satisfied with digital channels and just like their global peers use these channels most frequently

Australian customers use digital channels as much as their global peers

Share of customers by net satisfaction score (satisfied minus dissatisfied) by channel (%) 2022



Share of customers using specific banking channels at least once a week (%) 2022



Source: Accenture Global Financial Services Survey (2022), Accenture analysis



Australians everywhere are using branches less as most transactions can conveniently be done online or by phone

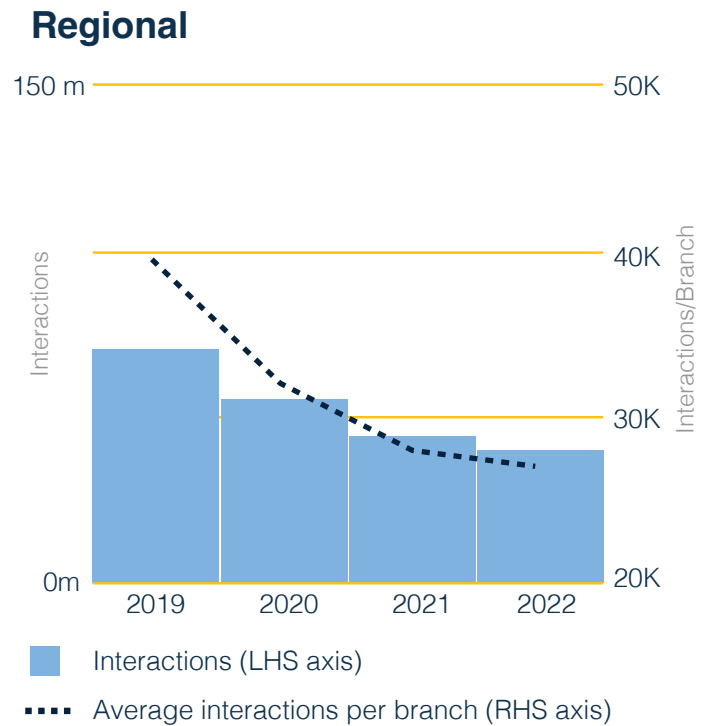
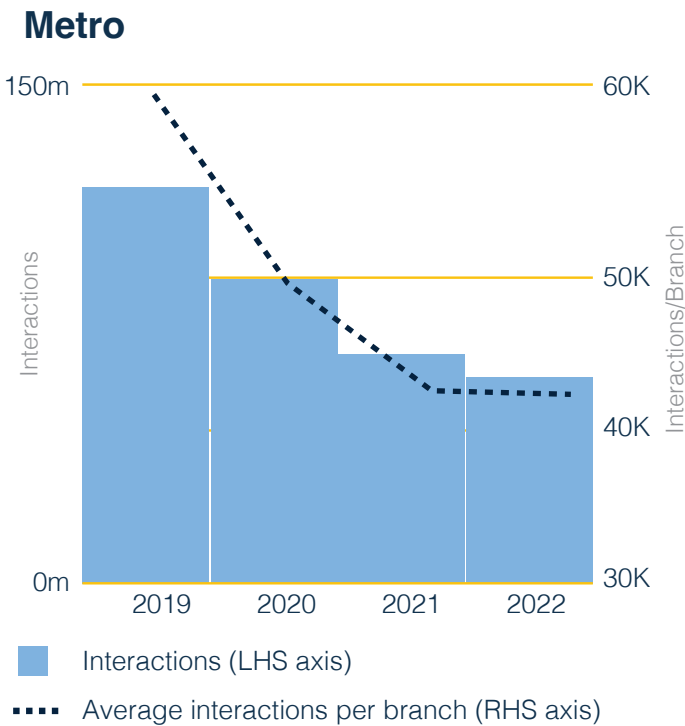
Regional customers are reducing their branch interactions for the same reasons as metro customers:

- >80% prefer online or phone channels for their main banking activities.

- 89% use online banking (93% in metro areas)
- Regional customers are reducing their branch interactions for the same reasons as metro customers: >80% prefer online or phone channels for their main banking activities and 89% use online banking.

Fewer simple branch interactions in metro, similar trend in regional areas

No. of branch interactions for four major banks (LHS axis) | Average annual interactions per branch for four major banks (RHS axis)



Source: ABA Member Survey (2023). ACMA.

Metro

-48% Number of interactions

-30% Average interactions per branch

Regional

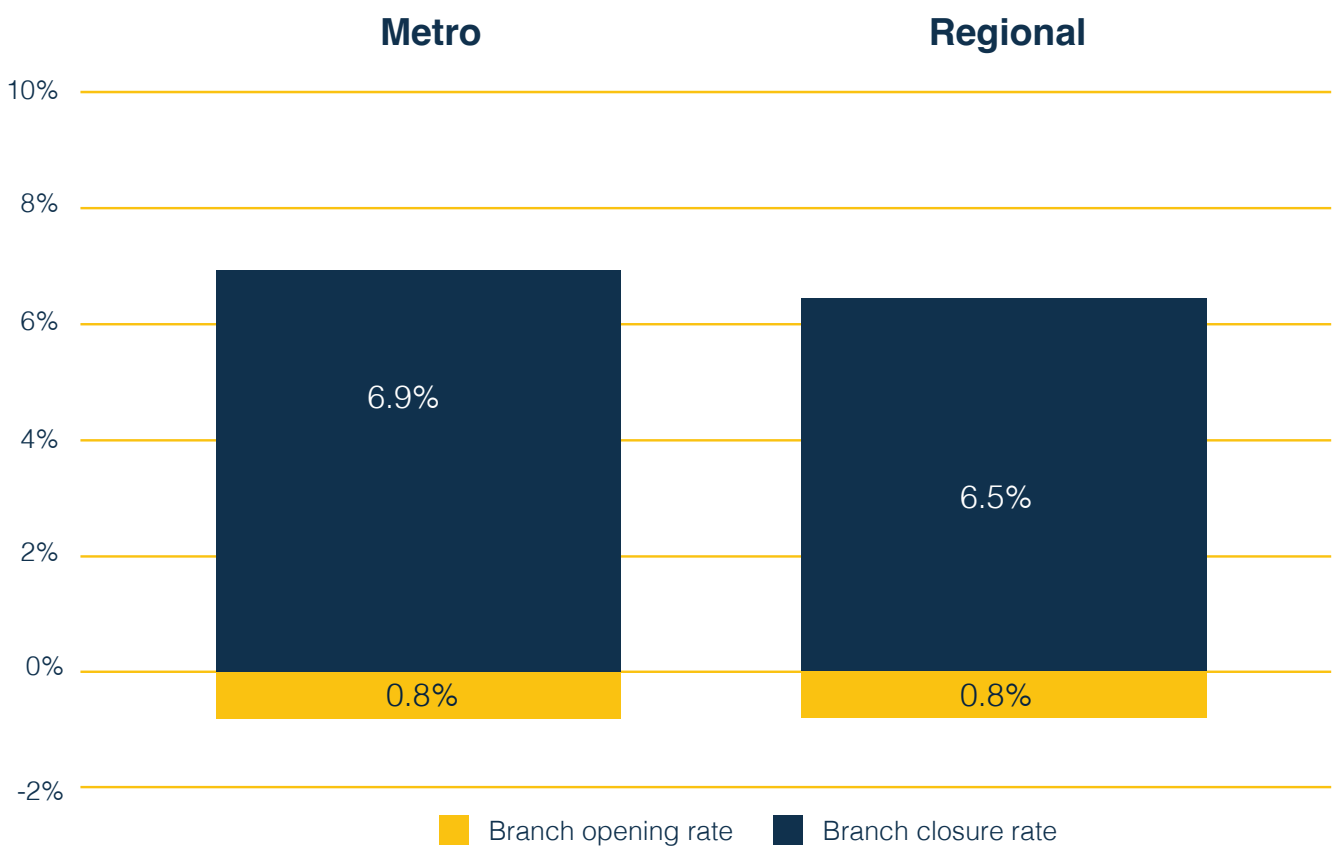
-42% Number of interactions

-33% Average interactions per branch

- Regional areas have a lower branch closure rate than metro areas.

The branch closure rate is lower in regional areas

Annual opening and closure rate over 2017-2022 (all ADIs)



Source: APRA Points of Presences (2022), Accenture analysis.

Customers affected by branch closures typically have access to face to face alternatives either from the same bank or Bank@Post

Bank branch openings and closures

Change in the number of branches operating between 2017 and 2022 (number, ADIs participating in Bank@Post only)

98% of closed branches had an alternative branch (of the same bank) or Bank@Post within 3km.

Of these:

- 38% of branches closed had an alternative branch of the same bank within 3km. Most of these closed branches were in metro areas (84%) compared to regional areas (16%).
- The remaining 60% of branches closed had a Bank@Post location within 3km. Most of these closed branches were in metro areas (62%) compared to regional areas (38%).



Source: APRA Points of Presence Data (2022), Accenture Analysis.

Note: Includes newly opened branches. Branches of the same financial institution relocated within a comparable area of operation (e.g. within a shopping center or along a high street) are not considered to have closed or opened in this tally. This was defined as within 500m of the closed branch. Data on branch operations reported for June 30 of the respective year. Regional area defined using the Greater Capital City Statistical Areas classification in the Australian Statistical Geography Standard. Sources: Australian Prudential Regulation Authority Points of Presence Data (2022), Accenture analysis

Branch density remains higher in Australia than in global peer countries and is similar across states and territories

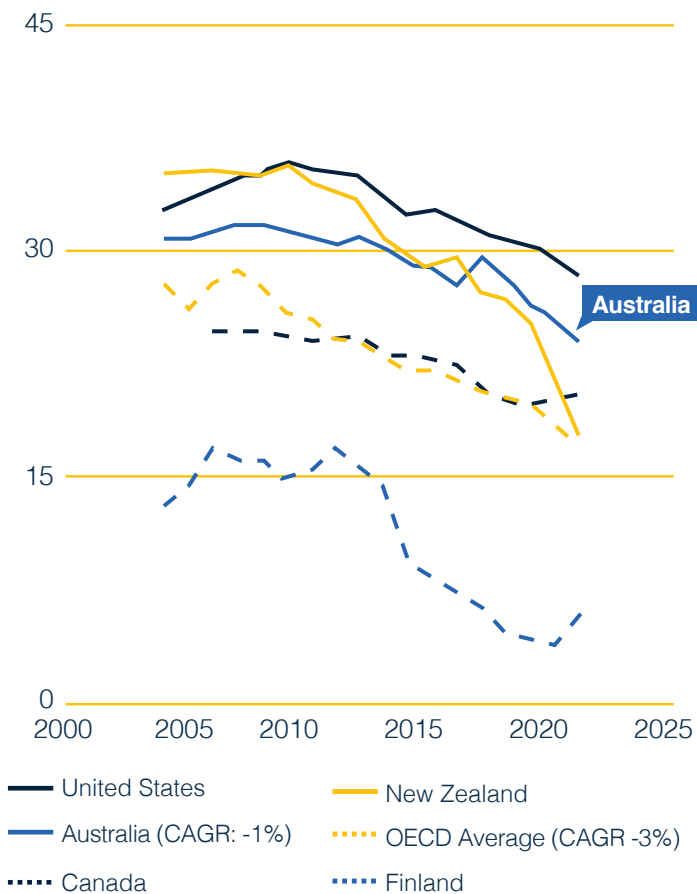
- 86% of the Australian population live in urban areas, 5ppt higher than the OECD average of 81%.
- Australia has a notably higher branch density, at 24 bank branches per 100,000 adults, than the two most comparable OECD countries by urbanisation: New Zealand (18 per 100,000 adults; 87% urbanised) and Finland (6 per 100,000 adults; 86% urbanised).
- Across states, branch density is lowest in Western Australia at 21 branches per 100,000 adults, where the

population is heavily concentrated in Perth (80% of the state's total population).

- The Northern Territory has the highest branch density at 33 branches per 100,000 adults, with more than 40% of the population living outside Darwin.
- Australia maintains a higher number of branches per 100,000 adults and this is falling at a slower rate than seen overseas.

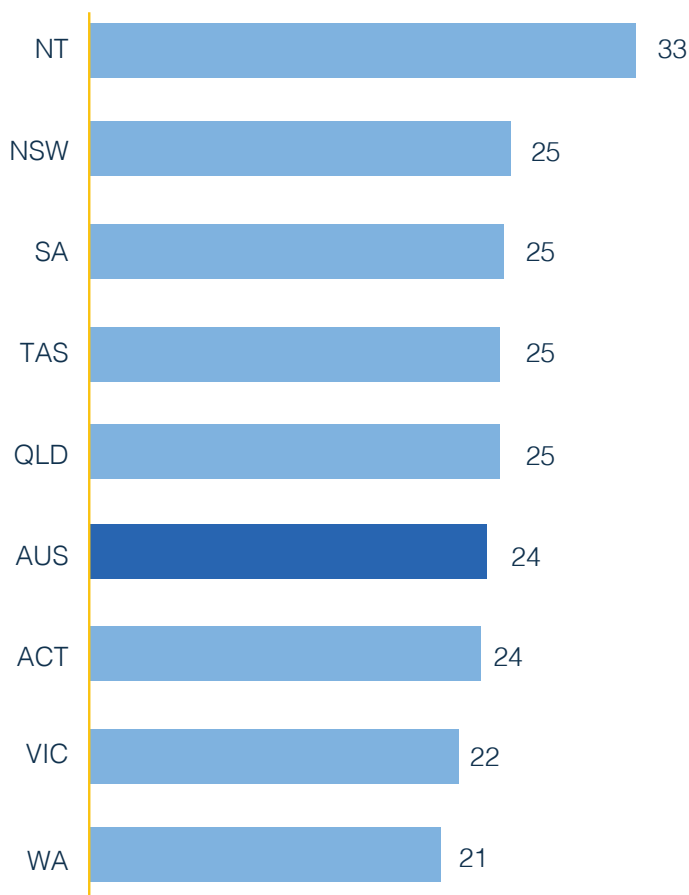
On a per capita basis, Australia has 1.4x more branches than overseas peers

Bank branches per 100,000 adults



Australian branch density is similar by state

Bank branches per 100,000 adults, 2022



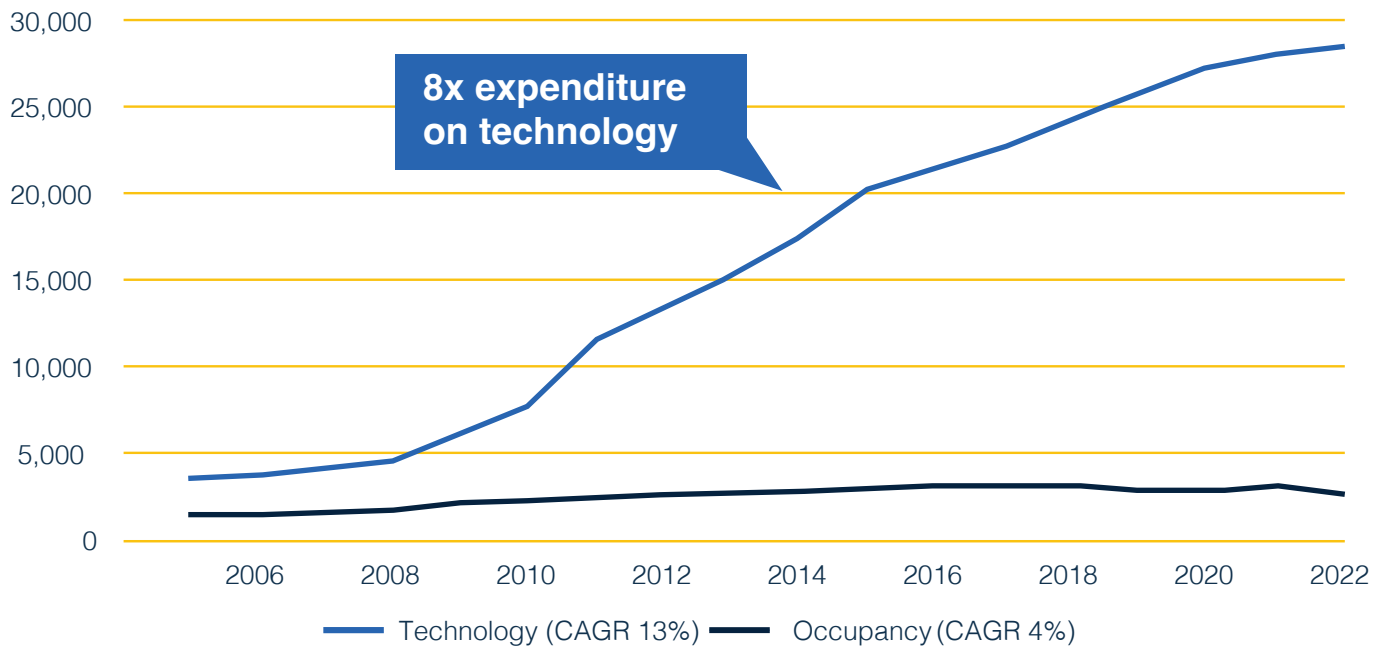
Source: World Bank (2023), Australian Prudential Regulation Authority (2022), ABS Population Statistics (2022), Accenture analysis

Banks are investing significantly in technology especially to meet changing (digital) customer needs

- Banks are spending increasingly on technology/IT. Capital expenditure on software accounts for most of this investment, growing from \$3.5 billion in 2005 to \$28.5 billion in 2022.
- This growth far outpaces occupancy costs such as lease costs for branches and offices. Banks are aligning with customer needs and increasing both their absolute and relative spend on digital infrastructure.
- Illustrating the growth in bank expenditure on meeting emerging customer needs, the number of bank employees covering CDR, cyber security and fraud has doubled between FY18 and FY22.

Technology expenses have increased eight fold compared to occupancy costs, which have nearly doubled, since 2005

Aggregate expenses (OpEx and CapEx) by type for three major banks (\$ millions)



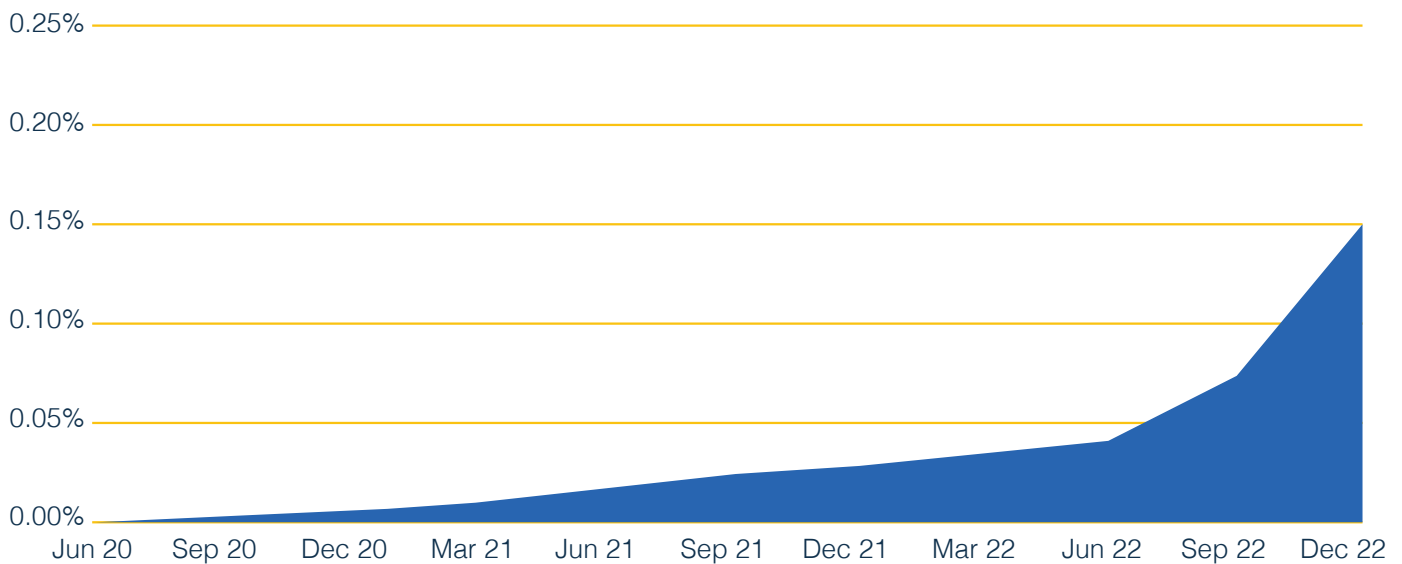
Source: Financial Statements of the major banks (CBA, Westpac, ANZ), Accenture Analysis, ABA Analysis.
 Note: Technology expenses includes both OpEx and CapEx. OpEx expenses include technology services, system development and support, IT infrastructure, communications/telecommunications, amortization of software assets and IT equipment depreciation, data processing etc. CapEx expenses include software costs and additions. Expenses have been aggregated from three of the four major banks. Expenses related to occupancy into lease expenses, depreciation of PPE and other occupancy expenses; CAGR stands for Compound Annual Growth Rate.

Despite the investment in CDR, customer uptake remains very low

- Open Banking, the banking sector's application of the Consumer Data Right (CDR) that lets customers share banking data with third parties, went live for major banks by July 2020.
- As of May 2022, banks have spent more than \$1 billion establishing data sharing under the CDR.
- A relatively small number of customers have actively consented for data sharing under the CDR.

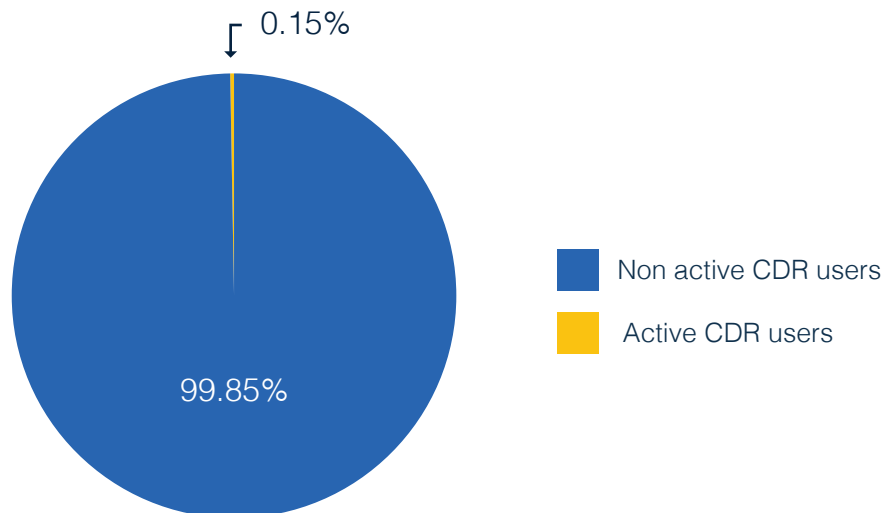
While CDR requests are growing, uptake remains very low

Active CDR consents divided by number of unique customers (% , major banks)



Source: ABA Member Survey (2023). Accenture Analysis.

Active CDR consents relative to total number of unique customers (% , major banks).



Source: ABA Member Survey (2023). Accenture Analysis

03

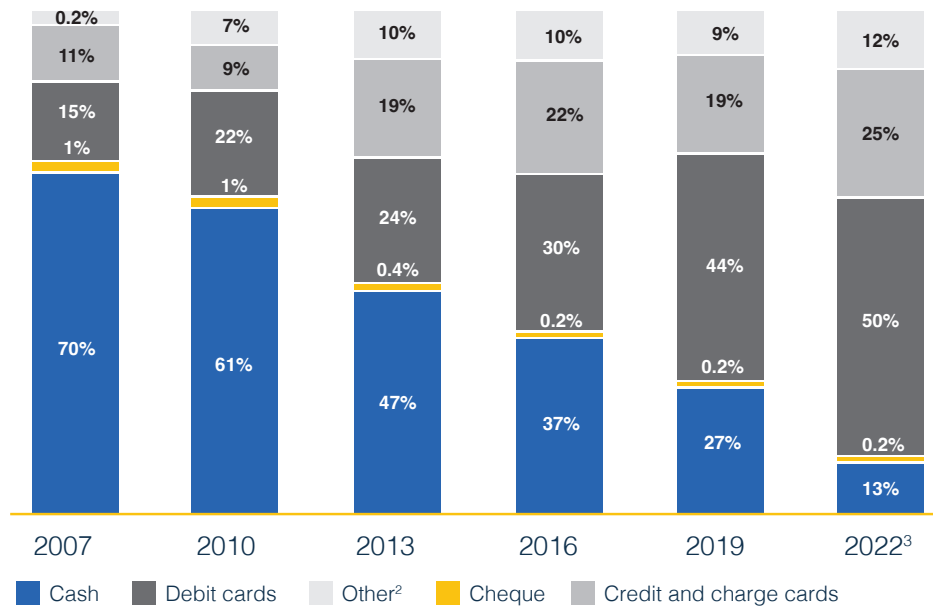


How customers pay

Cards are the preferred consumer payment mode replacing cash over the past 15 years

Cards have replaced cash for consumer payments...

Share of number of consumer payments by type¹ (%)

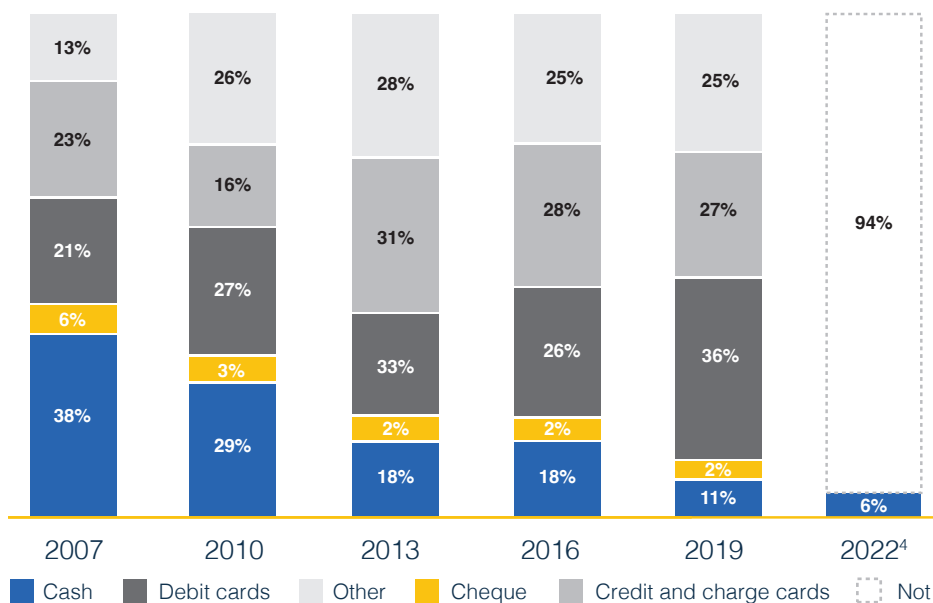


Change in share of consumer payments by number

Payment type	change 2007-2021
Cash	-57 ppt
Cheque	-0.8 ppt
Debit cards	+35 ppt
Credit cards	+14 ppt
Other	+11 ppt

...and account for the majority of consumer payment value

Share of value of consumer payments by type¹ (%)



Change in share of consumer payments by value

Payment type	change 2007-2021
Cash	-27 ppt
Cheque	-4 ppt
Debit cards	+15 ppt
Credit cards	+2 ppt
Other	+14 ppt

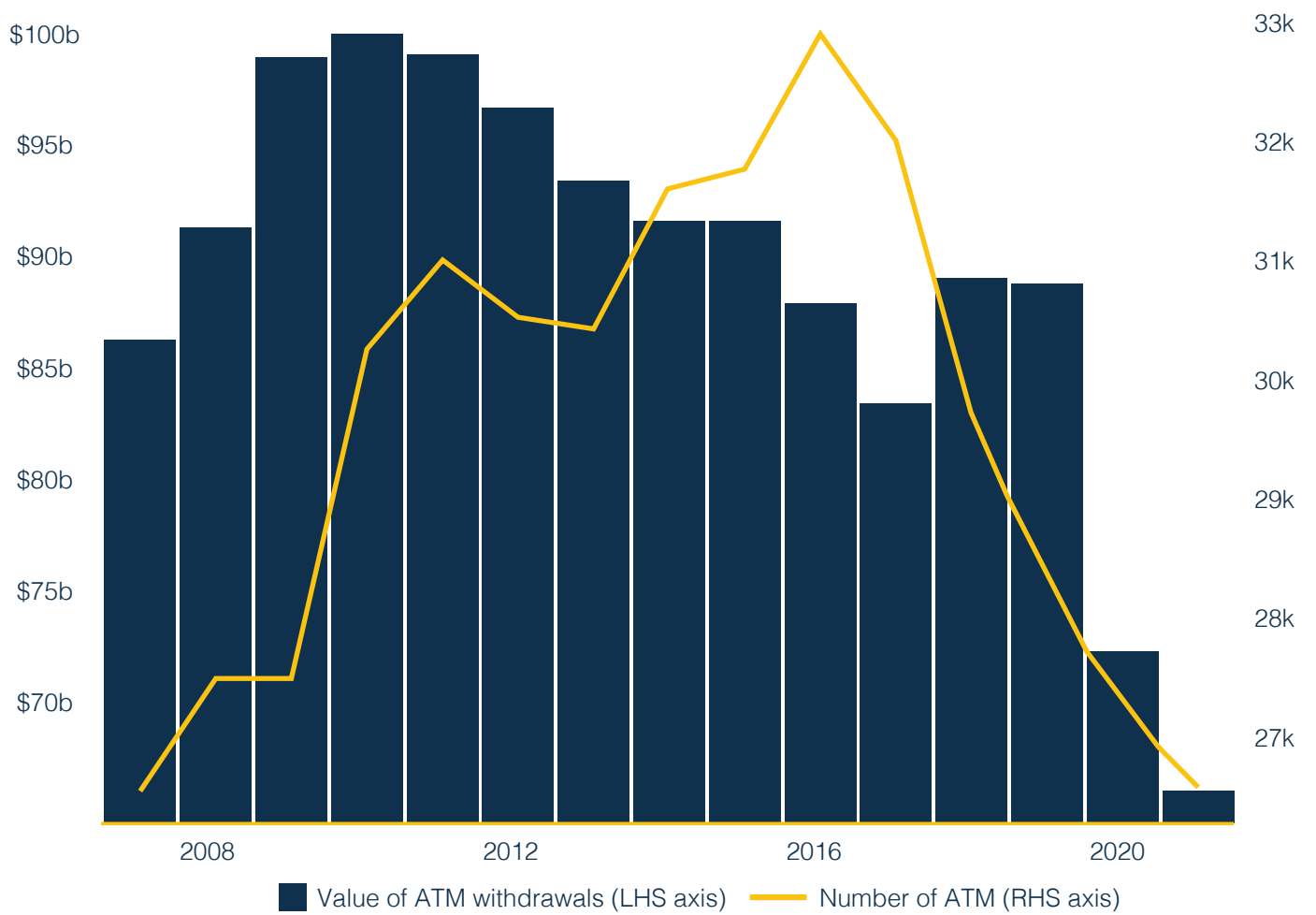
Source: RBA Consumer Payment Behaviour in Australia: Evidence from the 2019 Consumer Payments Survey (2020), RBA Payments Data, ATMs (2023), Number of ATM terminals Australia (2022).

Note: 1. Where numbers do not sum to 100 due to rounding, numbers have been scaled up to sum to 100; 2. Other includes Bpay, Internet/phone banking, Paypal, prepaid, gift and welfare cards, bank cheques, money order, BNPL, Cabcharge and Direct Entry; 3. Analysis drawn from RBA speech on The Shift to Electronic Payments - Some Policy Issues (2023) which contains early information on the results of the (2022) Consumer Payments Survey for cash and cards. Other and Cheque have been inferred. 4. Estimated based on FIS The Global Payments Report (2023) which states that 6% of value of all payments are cash. Robust information on the distribution across other values is not yet available. The (2022) consumer payments data is expected to be available mid (2023).

- Although cash use has been decreasing since 2007, the number of ATMs was not reduced until 2016.

ATM reductions have followed the cash decline

Number of ATMs in Australia (#); Value of ATM withdrawals (\$ billion)

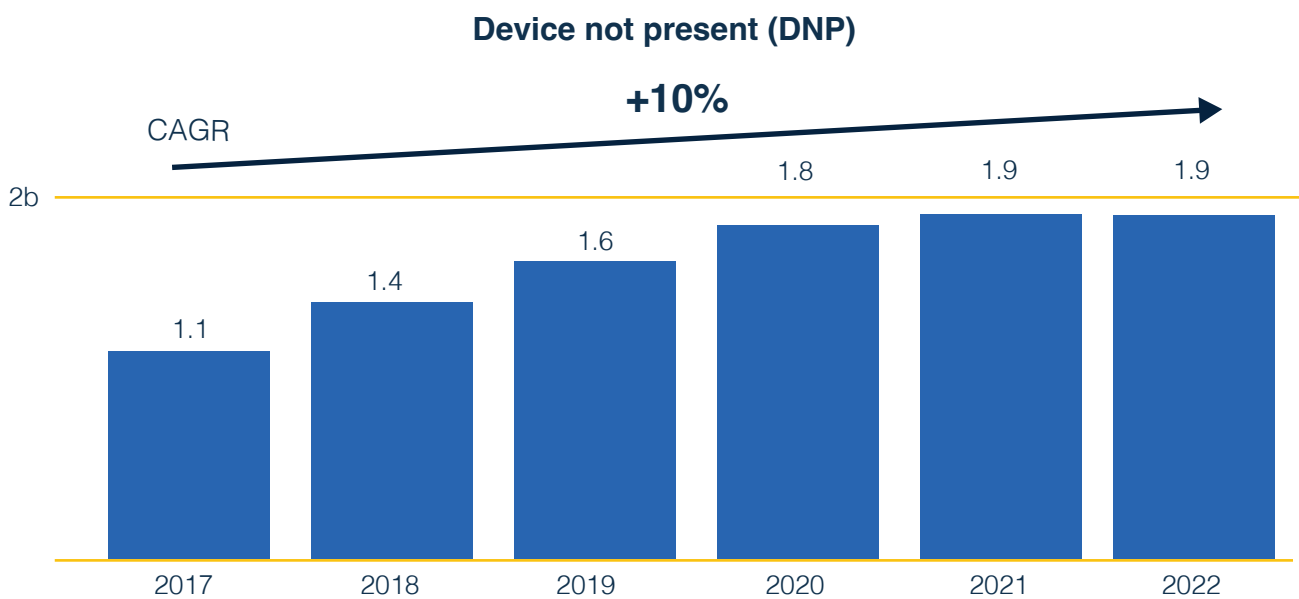
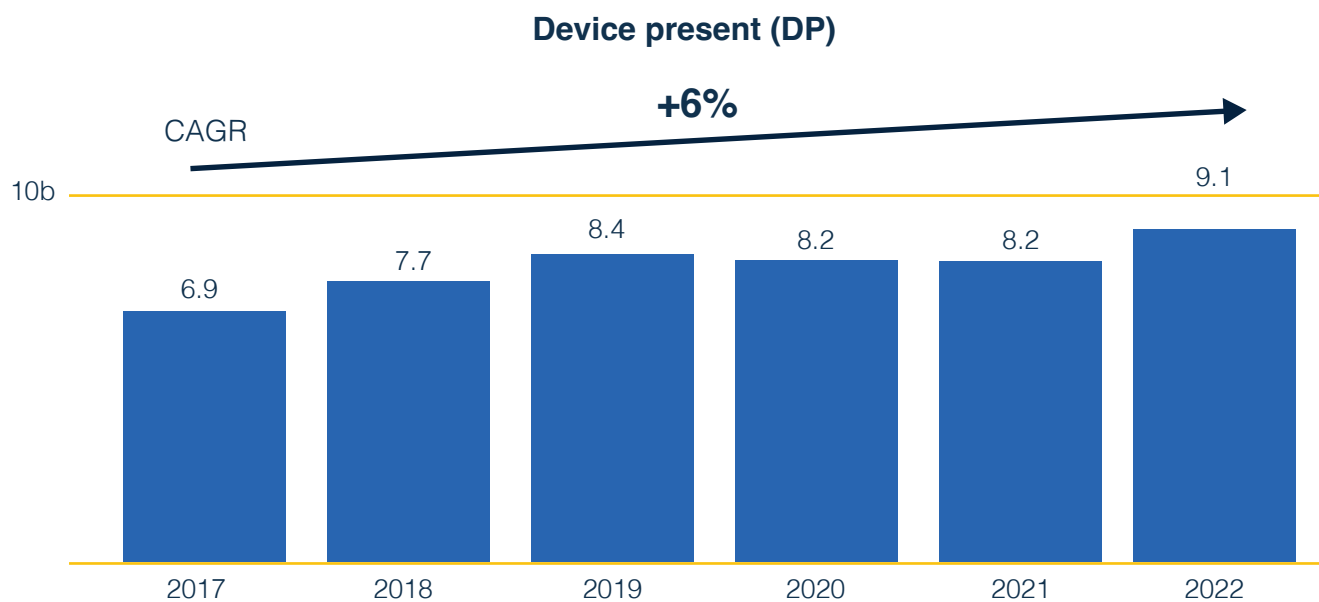


Convenience and strong growth in eCommerce shopping is driving customers to make remote card payments

- Although smaller in volume than physical transactions, remote transactions are **increasing at a faster rate**.

Cards are used for both physical and remote payments...

Number of device present (“physical”) and device not present (“remote”) transactions (#)



Source: RBA Payments Data: C1 Credit and Charge Cards (2023), RBA payments Data: C2 Debit Cards (2023).

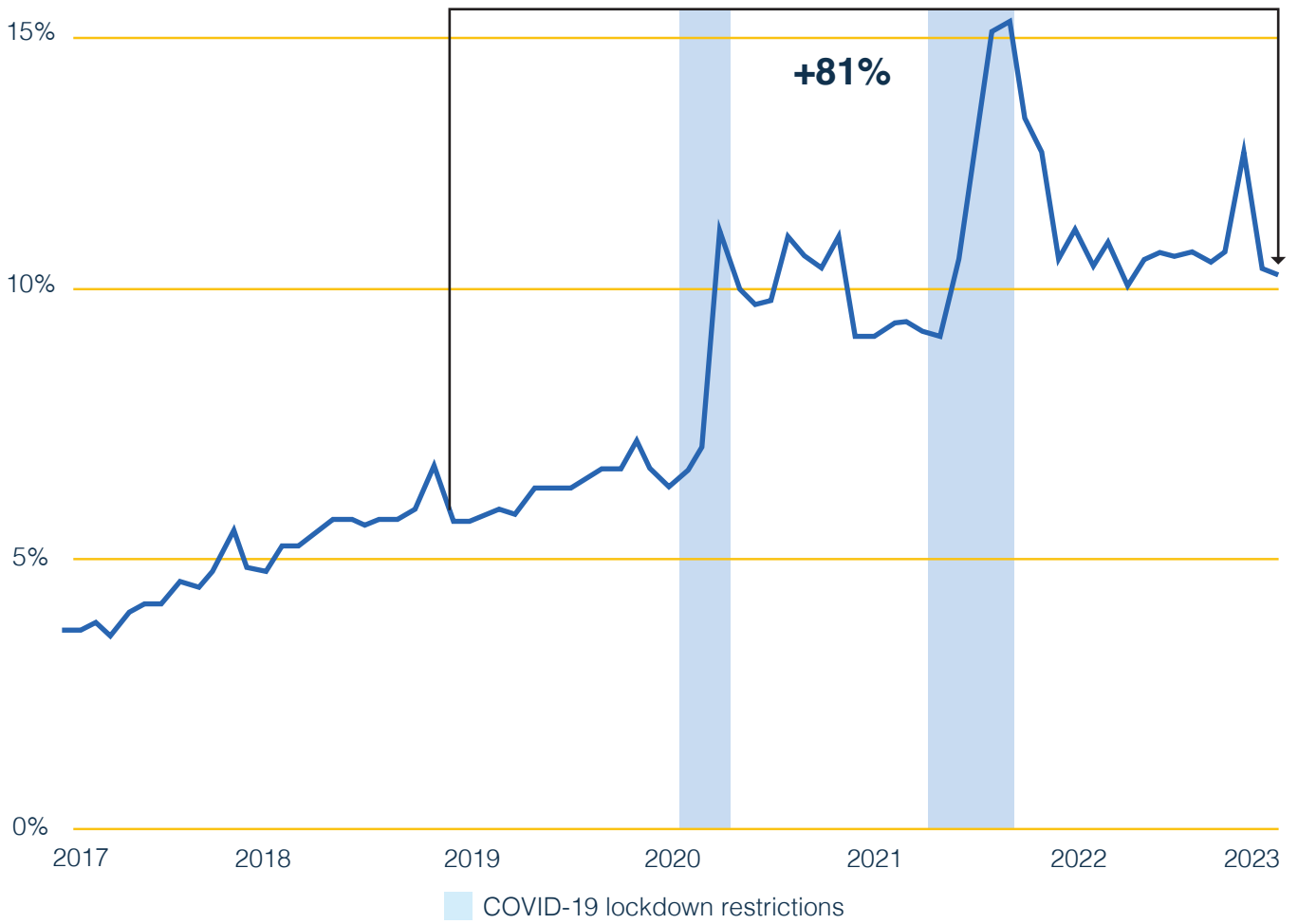
Note: Device Not Present transactions are transactions processed via 'remote' card acceptance technology, e.g. card detail entered through a website;

Nationwide lockdown from May to July (2020), lockdown in Victoria, ACT and NSW from September to November 2021;

CAGR is the Compound Annual Growth Rate, meaning the average annual growth rate of an index over the specified period of time. CAGR stands for compound annual growth rate (expressed p.a.)

eCommerce a big driver of growth in remote card payments

Online retail sales as share of total retail sales (%)



Source: ABS Retail Trade Australia 2023.

Note: Nationwide lockdown from May to July (2020), lockdown in Victoria, ACT and NSW from September to November 2021;

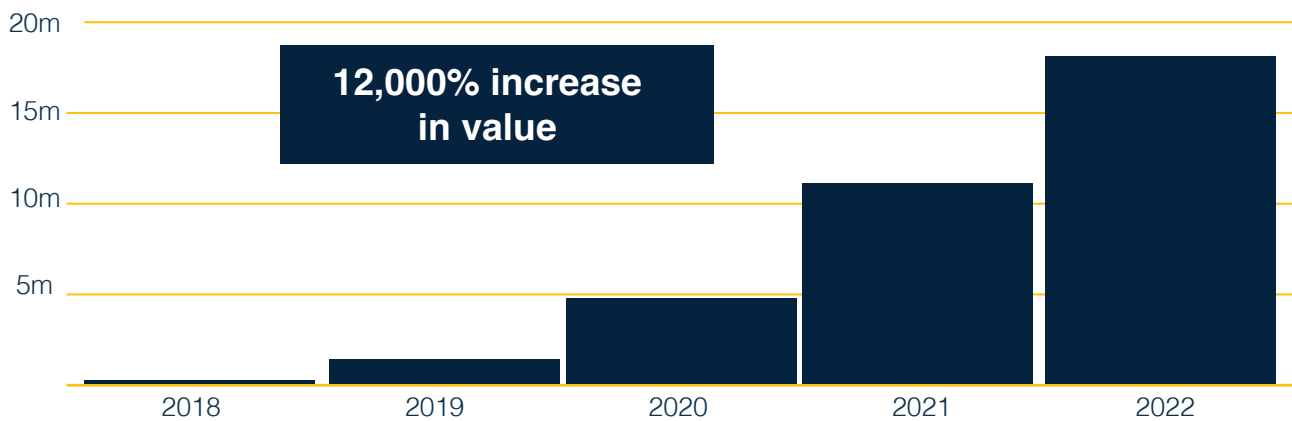


Customers are choosing to make mobile payments using mobile wallets and merchant apps for a seamless experience

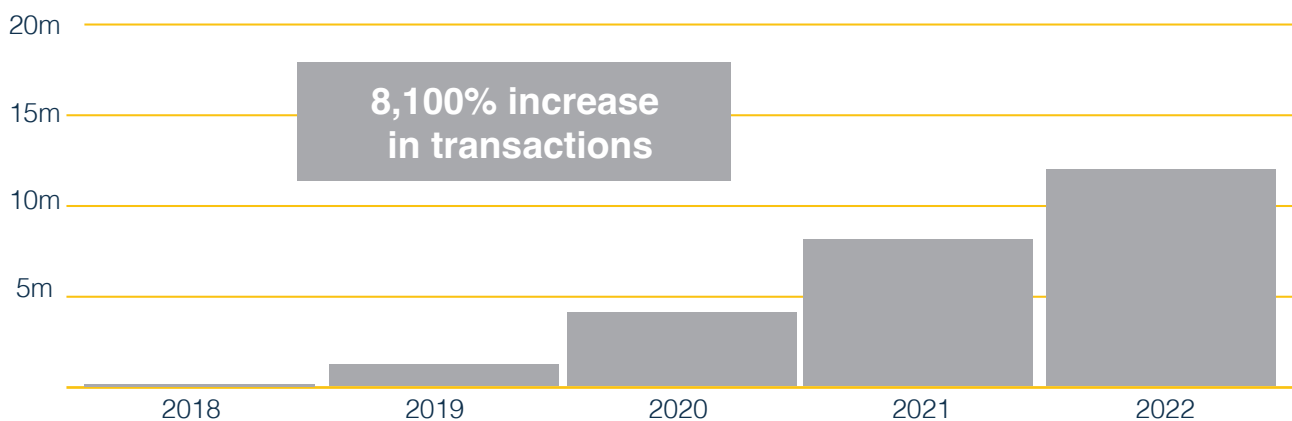
- Mobile wallets allow consumers to digitally 'store' their cards on a mobile device (e.g., phone or smart watch), which is then used to make contactless payments.

Customers are increasingly using mobile wallets...

Value of mobile wallet transactions

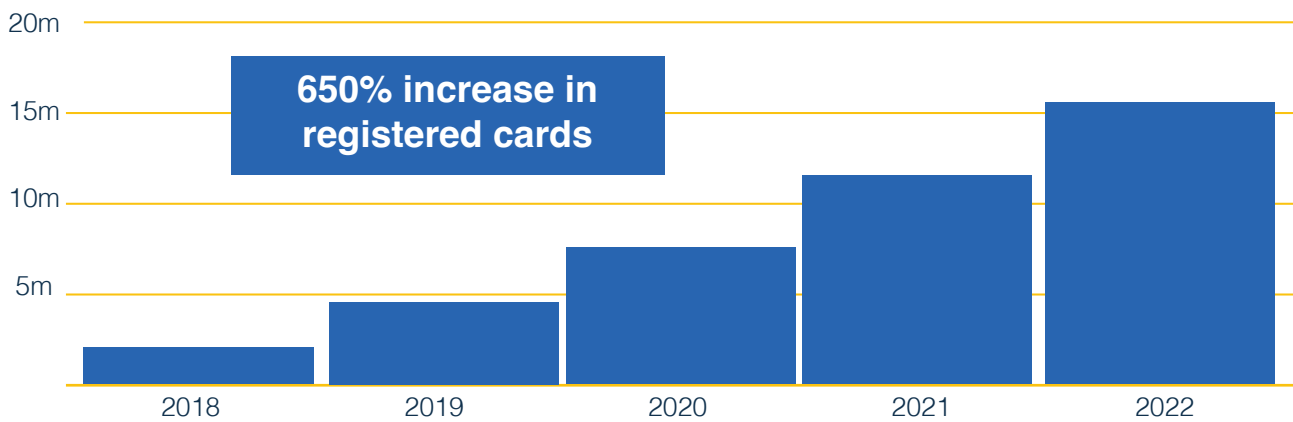


Number of mobile wallet transactions



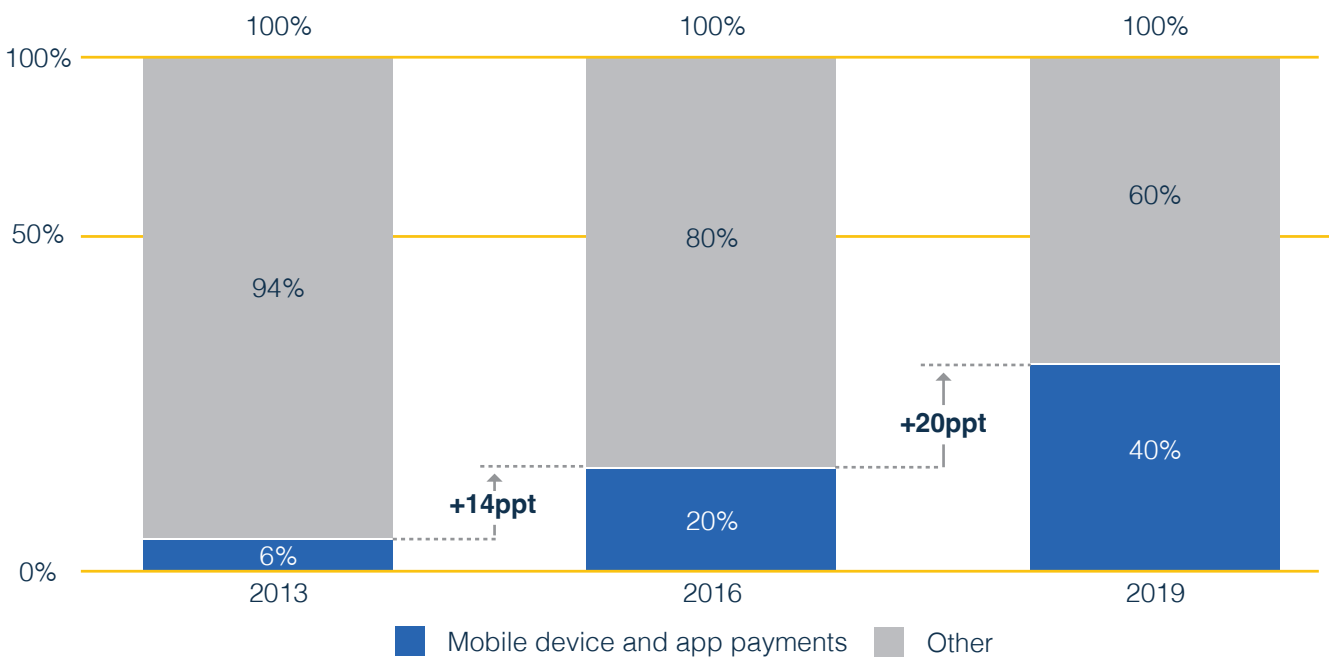
Source: ABA Member Survey (2023), RBA Payment Systems Board Annual Report (2022), RBA Consumer Payment Behaviour in Australia: Evidence from the 2019 Consumer Payments Survey (2020)
 Note: Other includes transactions not paid through a mobile device or app, e.g. through providing card details through a desktop browser.

Number of cards registered to a mobile wallet (LHS)



...especially to make online payments via mobile devices

Mobile device and app payments as share of online payments (%)

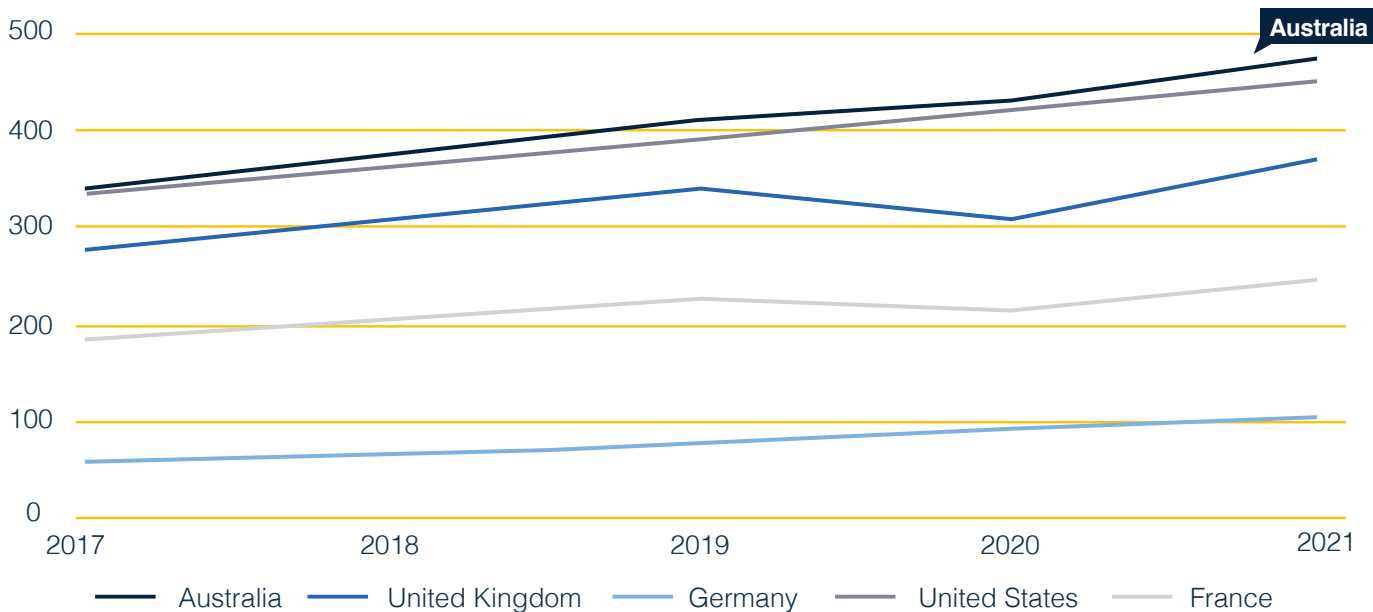


Source: RBA Payment Systems Board Annual Report (2022), RBA Consumer Payment Behaviour in Australia: Evidence from the 2019 Consumer Payments Survey (2020)
 Note: Other includes transactions not paid through a mobile device or app, e.g. through providing card details through a desktop browser.

Australian consumers are fast adopters of cashless and mobile payments ahead of their global peers – enabled by a world-class payments infrastructure

Australians rank among the top users of cashless payments...

Average number of cashless payments per person per year (#)

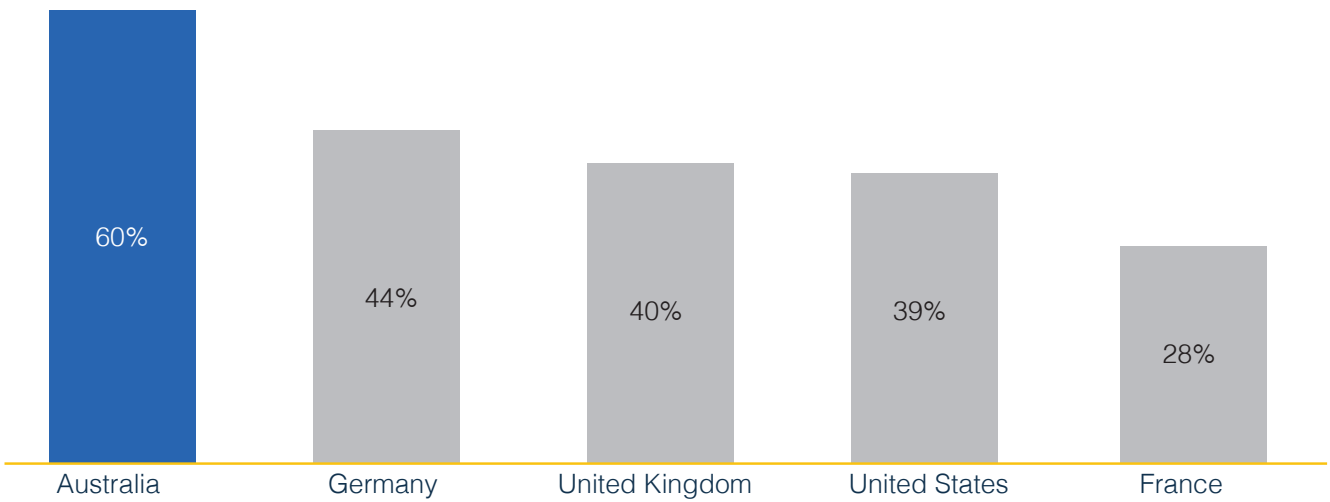


Source: BIS (2020), 'CT6C: Use of Payment Services/Instruments: Volume of Cashless Payments Per Inhabitant' (2020)

- Mobile commerce accounts for 60% of e-commerce transactions, including transactions completed via a mobile device like a phone or smart watch.

...and mobile commerce transactions

Mobile commerce transactions as % of e-commerce transactions (2022, %)



Source: Global Data





About Australian Banking Association

The ABA is an association of 20 member banks in Australia. The ABA works with government, regulators and other stakeholders to improve public awareness and understanding of the industry's contribution to the economy and to ensure Australia's banking customers continue to benefit from a stable, competitive and accessible banking industry. The ABA is led by Anna Bligh, Chief Executive Officer, who is supported by a team of senior public policy staff. Anna started in the role in April 2017 and is focused on strengthening trust and confidence in banking and delivering better outcomes for customers. The ABA is governed by a Council which comprises Chief Executive Officers of member banks. More information is available at www.ausbanking.org.au/

About Accenture

Accenture is a leading global professional services company that helps the world's leading businesses, governments and other organisations build their digital core, optimise their operations, accelerate revenue growth and enhance citizen services— creating tangible value at speed and scale. We are a talent and innovation led company with 738,000 people serving clients in more than 120 countries. Technology is at the core of change today, and we are one of the world's leaders in helping drive that change, with strong ecosystem relationships. We combine our strength in technology with unmatched industry experience, functional expertise and global delivery capability. We are uniquely able to deliver tangible outcomes because of our broad range of services, solutions and assets across Strategy & Consulting, Technology, Operations, Industry X and Accenture Song. These capabilities, together with our culture of shared success and commitment to creating 360° value, enable us to help our clients succeed and build trusted, lasting relationships. We measure our success by the 360° value we create for our clients, each other, our shareholders, partners and communities. Visit us at www.accenture.com.

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Australian Banking Association Member Survey (2023)

To complement the publicly available data used in this report, the Australian Banking Association surveyed member banks for additional information on branch interactions, non-branch interactions (online banking, app, phone and chatbot), mobile wallet transactions, cheque usage data and CDR consents. When this data has been used throughout this report, the source 'ABA Member Survey' is noted in the source footnote. Data was collected in May 2023 and is only presented when at least three of the four major banks provided information and when both the ABA and Accenture were comfortable that the results were representative. Registered users for bank app was the only data point which included data from three major banks, not all four.

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