Australian Banking Association

Bank On It:
Customer Trends 2024

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Commissioned by

Australian Banking Association

Research by

accenture

Note: All dollar figures are in Australian dollars and accurate as of 2024.

Foreword by ABA CEO Anna Bligh

The world is in the midst of a digital revolution and Australians are leading the way, with a willingness to embrace technological change and advancement in all aspects of their life. Banking is no exception, with customers continuing to shift to convenient digital banking channels at unprecedented rates.

At the same time, customers are interacting with their banks more than ever before. Between 2019 and 2023 banking interactions grew 37 per cent (from 10 million to 13.7 million) driven by increasing interactions online and through apps (pages 15-16).

Digital payments also continue to grow. In the last year alone, customers of major banks made $126 billion in payments with their mobile wallets, a growth of 35 per cent from the previous year and overtaking total ATM cash withdrawals for the first time (page 32).

Whilst the booming digital economy presents many opportunities, it doesn't come without risks. Banks continue to take proactive measures to protect customers from scammers through our world-leading *Scam Safe Accord*. Pleasingly, these efforts are making a difference, with this report showing monthly scam losses continue to trend down (pages 38 and 39).

We also continue to see remarkable resilience within our economy. Total commercial lending by banks grew 6.5 per cent between April 2023 and 2024. Loans to small and medium businesses account for half of Australia's total business lending, while lending to the construction industry accounts for 33 per cent of industry lending (pages 8 and 9).

Despite higher interest rates and cost of living pressures, the majority of Australians report being able to meet their expenses. For those that are facing financial difficulty banks stand ready to help, with hardship support increasing throughout early 2024 (page 13).

Banks will continue to invest where their customers need them, whether that is lending to grow our economy, supporting customers in hardship or investing in technology to support the digital revolution while protecting customers.

Partnering with Accenture, the Australian Banking Association's 'Bank On It' Report provides a valuable window into our rapidly changing industry. These insights allow banks to move with customers in the directions they lead, ensuring a robust and innovative banking system for the future.

Anna Bligh
CEO, Australian Banking Association

01

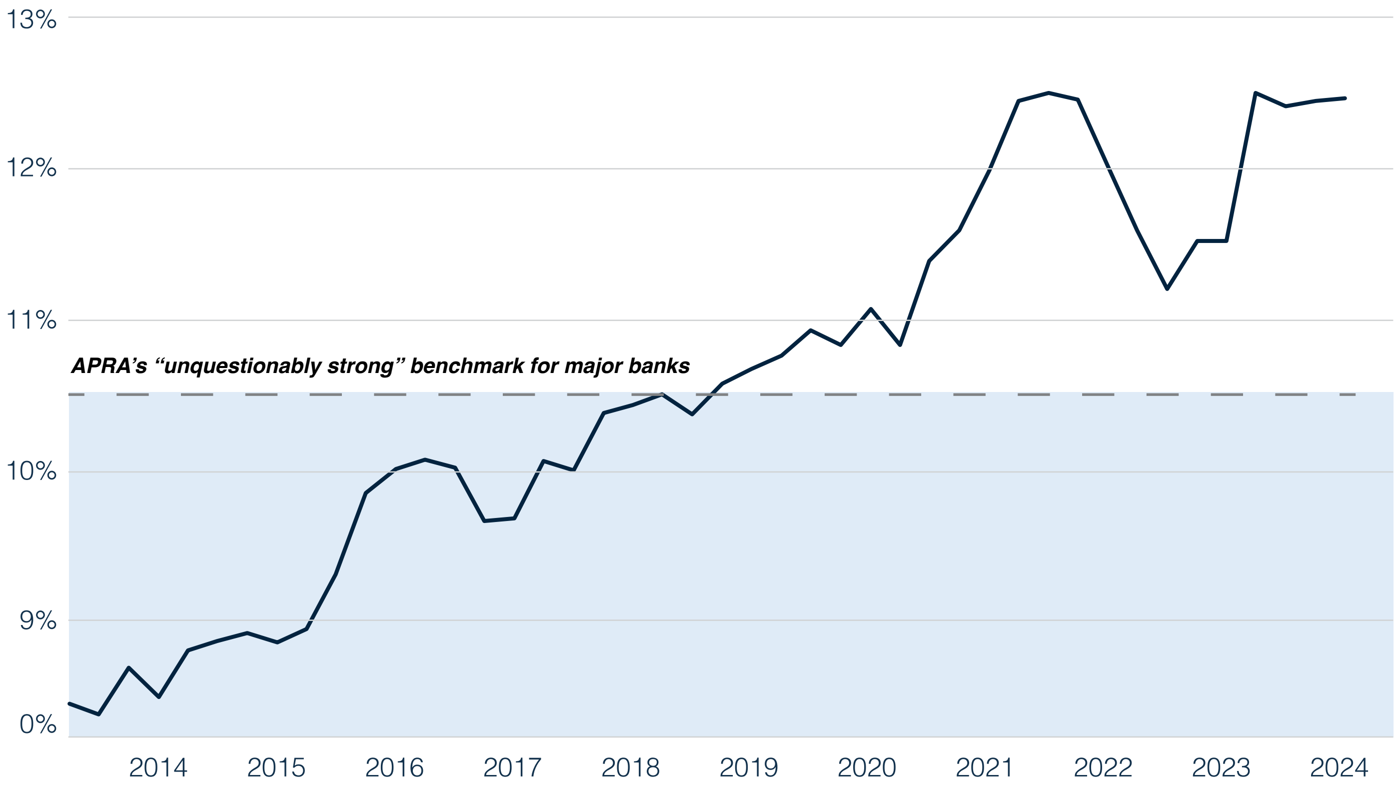
Economic context

Australian banks maintain strong capital ratios, allowing them to safely navigate changes in economic conditions

- The CET1 ratio measures how much Common Equity Tier 1 capital (CET1, mostly consisting of share capital and cash) banks are holding relative to their risk-weighted assets.
- Since 2018, Australian banks have been maintaining a CET1 ratio that is well above the regulator's APRA "unquestionably strong" benchmark of 10.5%.

Common Equity Tier 1 (CET1) ratios by Australian banks have steadily increased, as a result of Basel III reforms and the financial system inquiry in 2014

Average bank CET1 ratio (%, all ADIs), 2014 – 2024



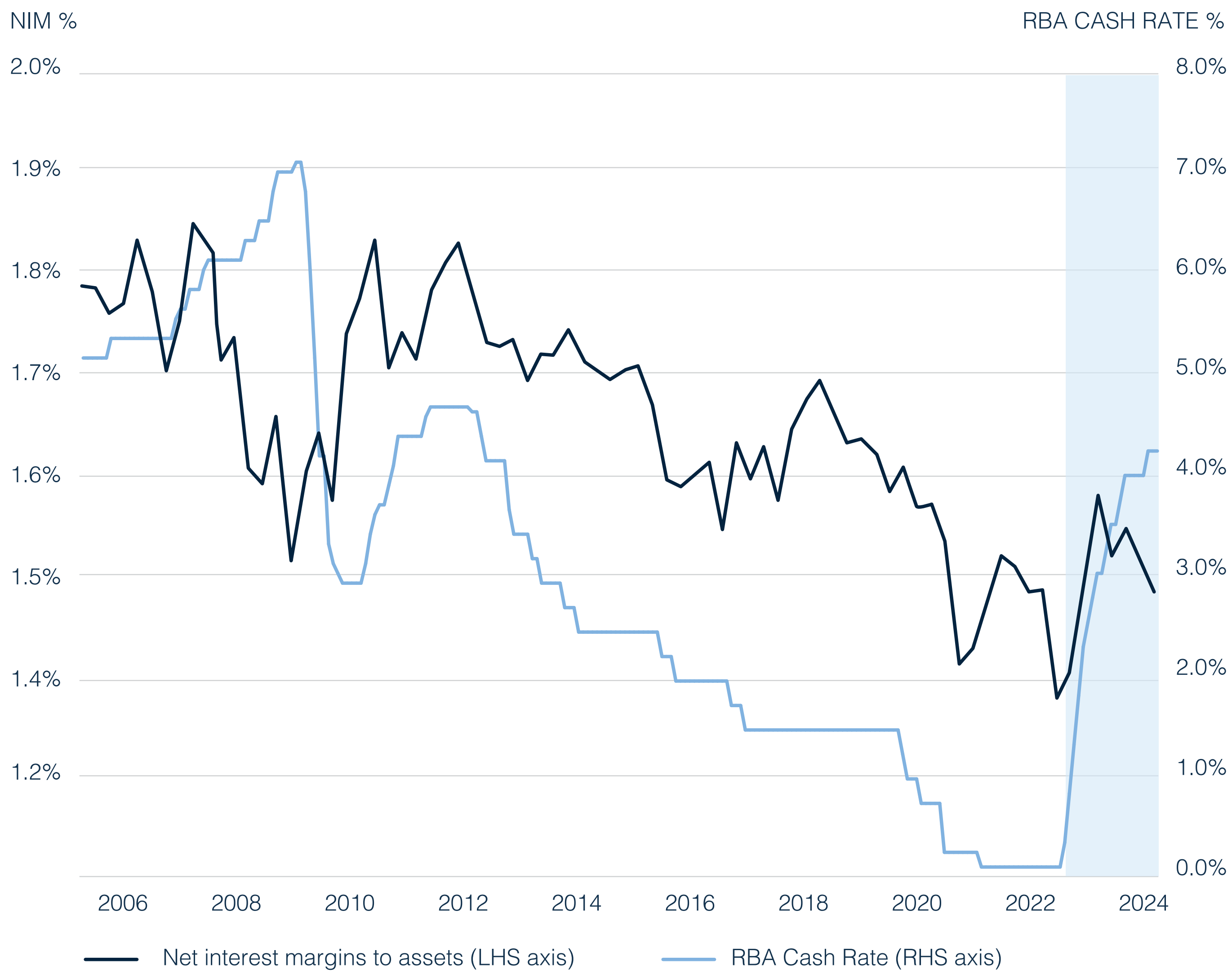
Source: Australian Prudential Regulation Authority, Quarterly ADI Statistics (Tab 1c).
Note: The 'unquestionably strong' benchmarks are CET1 ratios of 10.5% for the four major Australian banks.

In a higher interest rate environment **competition among banks continues to keep pressure on profitability**

- The Net Interest Margin (NIM) is the primary indicator of banks' profitability, and measures the difference between the interest income generated by lending and the interest paid on deposits and other capital.
- NIMs for Australian banks have continued to decline steadily over a long period of time, due to competition.

Since 2019 bank NIMs have hovered between 1.4% and 1.6%

Net Interest Margins (%, all ADIs) (LHS axis) vs. RBA cash rate (%) (RHS axis), 2006 – 2024

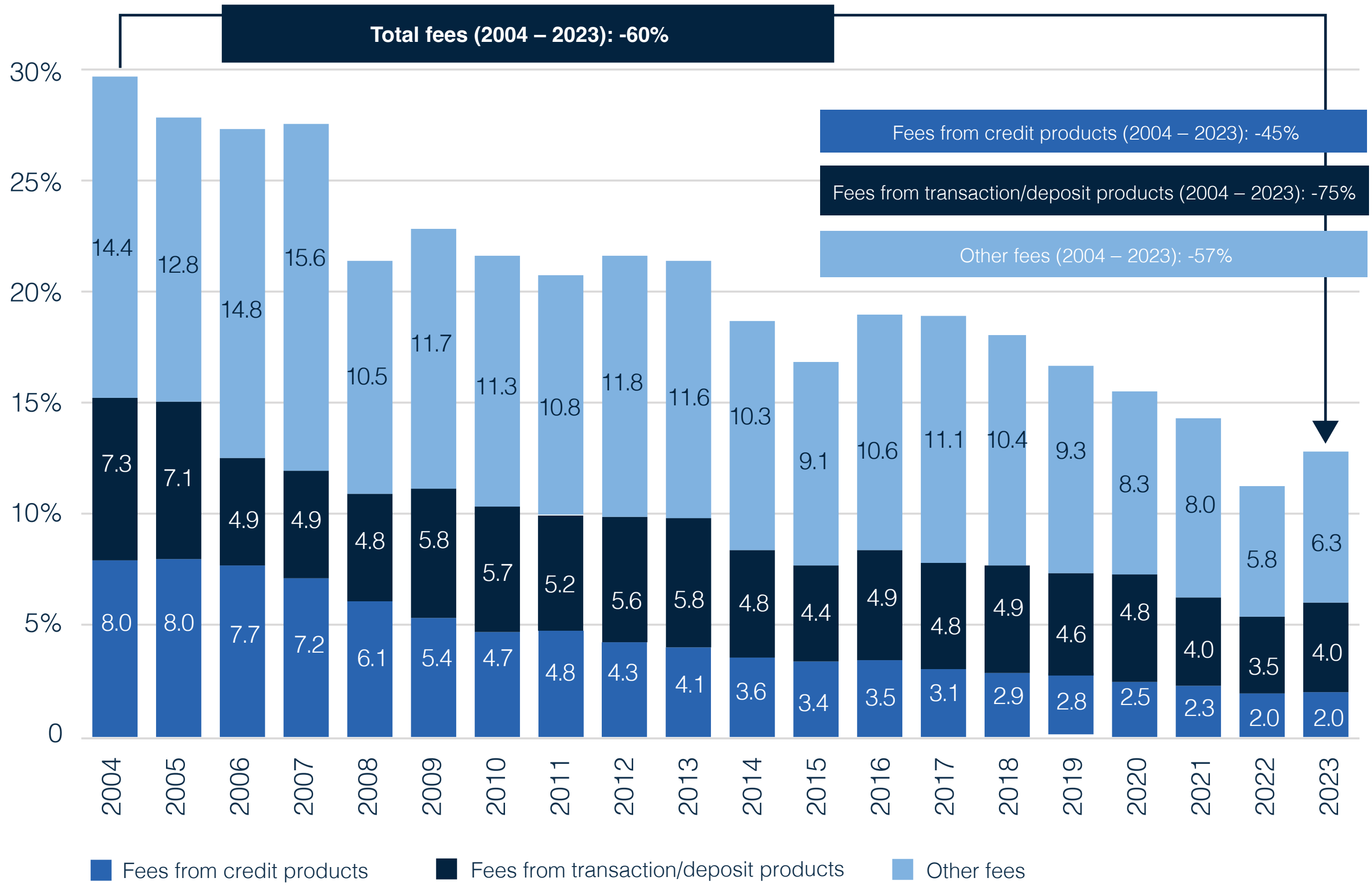


Source: Australian Prudential Regulation Authority, Quarterly ADI Statistics (Tab 1g), RBA, Interest Rates and Yields (F1.1).

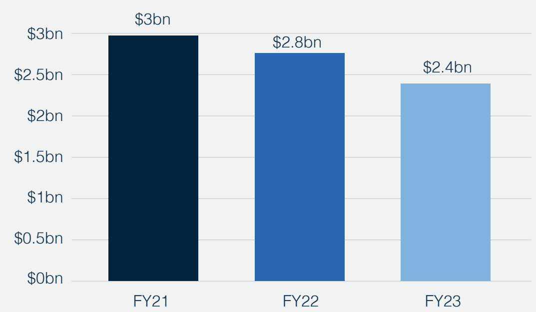
Over the past two decades, **reduced customer fees have resulted in lower fee income relative to total income**

Between 2004 and 2023, the contribution of fee income to banks' total operating income decreased by 60%

Income per fee type (% of total operating income for ADIs) at year ends, 2004 – 2023



Source: Australian Prudential Regulation Authority ADIs' Financial Performance (Tab 1a).
Note: Total operating income is the sum of net interest income and other operating income (including lending, transaction/deposit account service fees, other fee-based activities and other income).



Merchant Service Fee income declined by 13 per cent between 2022 and 2023

This is due to:

- consumers shifting from credit cards towards debit cards which have lower merchant fees, and
- the growing market share of retail payments services provided by non-banks.

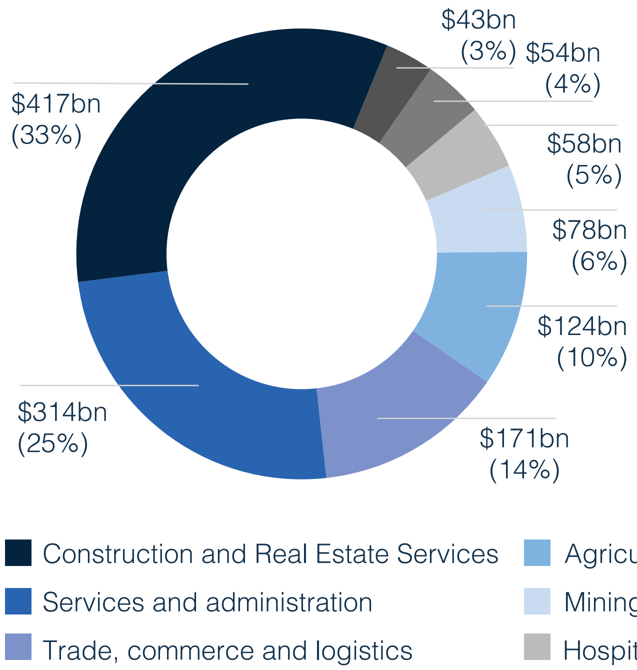
Source: RBA, Domestic Banking Fees, (C9).

Banks are supporting growth in Australian businesses, including in SMEs and regional industries such as agriculture

- Total commerical lending grew 6.5% between April 2023 – April 2024.

Construction receives the most credit of all Australian industries

Business finance outstanding by industry ($ billion, % of total outstanding)[1], April 2024

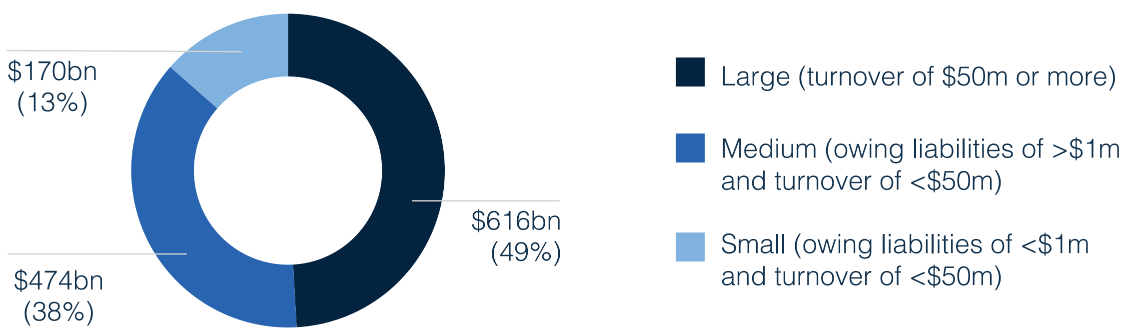


Residential and non-residential construction businesses account for $18bn and $10bn, respectively

Agriculture, forestry and fishing (2.7% of GDP in 2022-2023 but 10% of business lending) is one of the proxies for lending to regional businesses

Small and medium businesses collectively account for half of Australia's total business lending

Business finance outstanding by business size ($ billion, % of total outstanding), April 2024

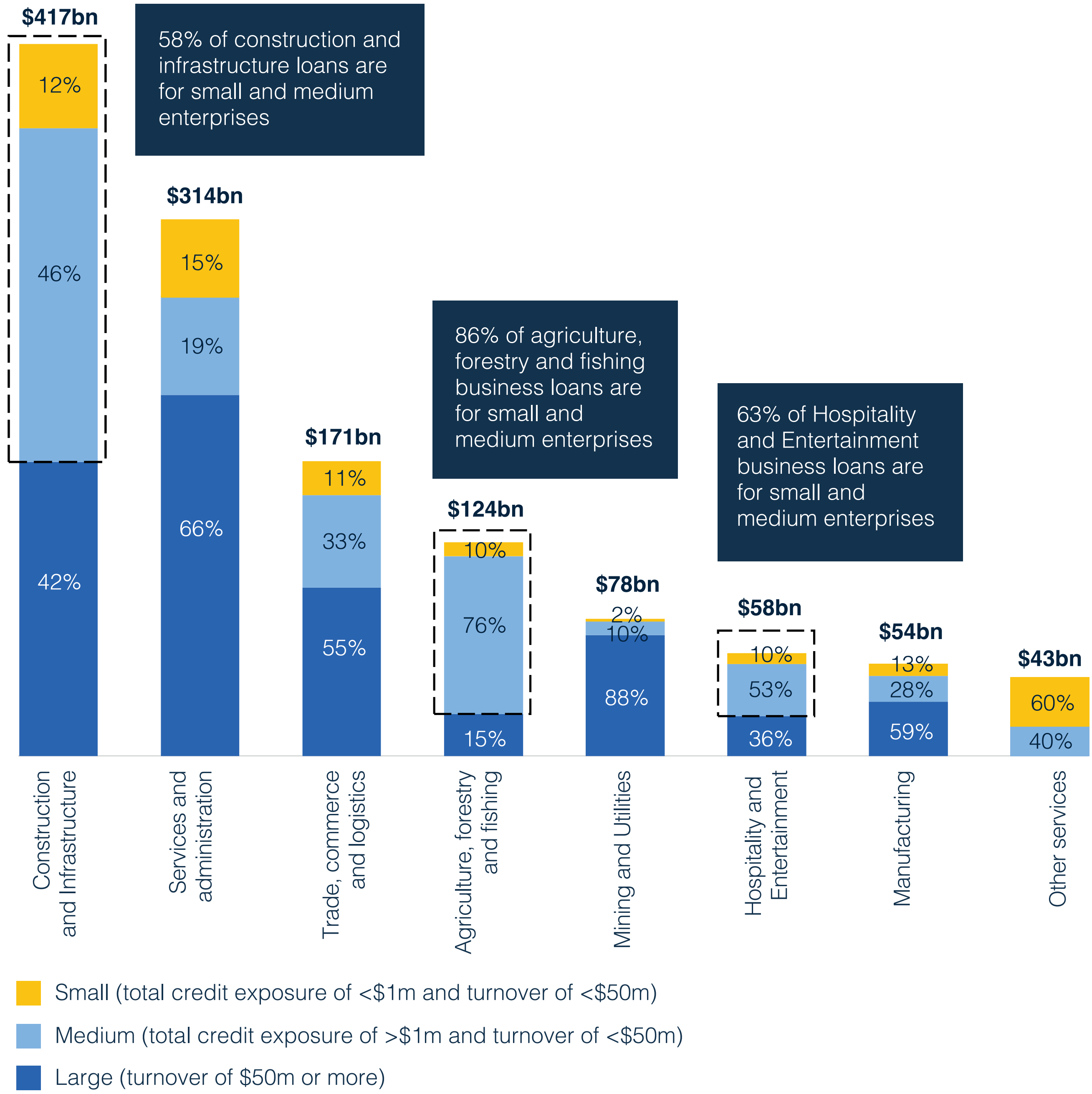


Source: RBA Lending to Business – Business Finance Outstanding by Business Size and Industry (D14.1).
Note: 1: Industries, have been categorised into groups for simplification. Construction and Real Estate Services compiles: Residential building construction, non-residential building construction, other construction, and Rental hiring and real estate services industries. Services and administration compiles: administrative and support services, education and training, health care and social assistance, information media and telecommunications, professional, scientific and technical services, and public administration and safety industries. Trade, commerce and logistics compiles: retail trade, transport, postal and warehousing, and wholesale trade industries. Mining and utilities compiles: mining, electricity, gas, water and waste services. Hospitality and Entertainment compiles: accommodation and food service, and arts and recreation services.

SME lending is particularly strong in the agriculture, construction and hospitality sectors

The distribution of SME lending across sectors shows big variances, reflecting those sectors with a higher proportion of SMEs

Business finance outstanding by industry[1] and by business size ($ billion, % of total oustanding), April 2024



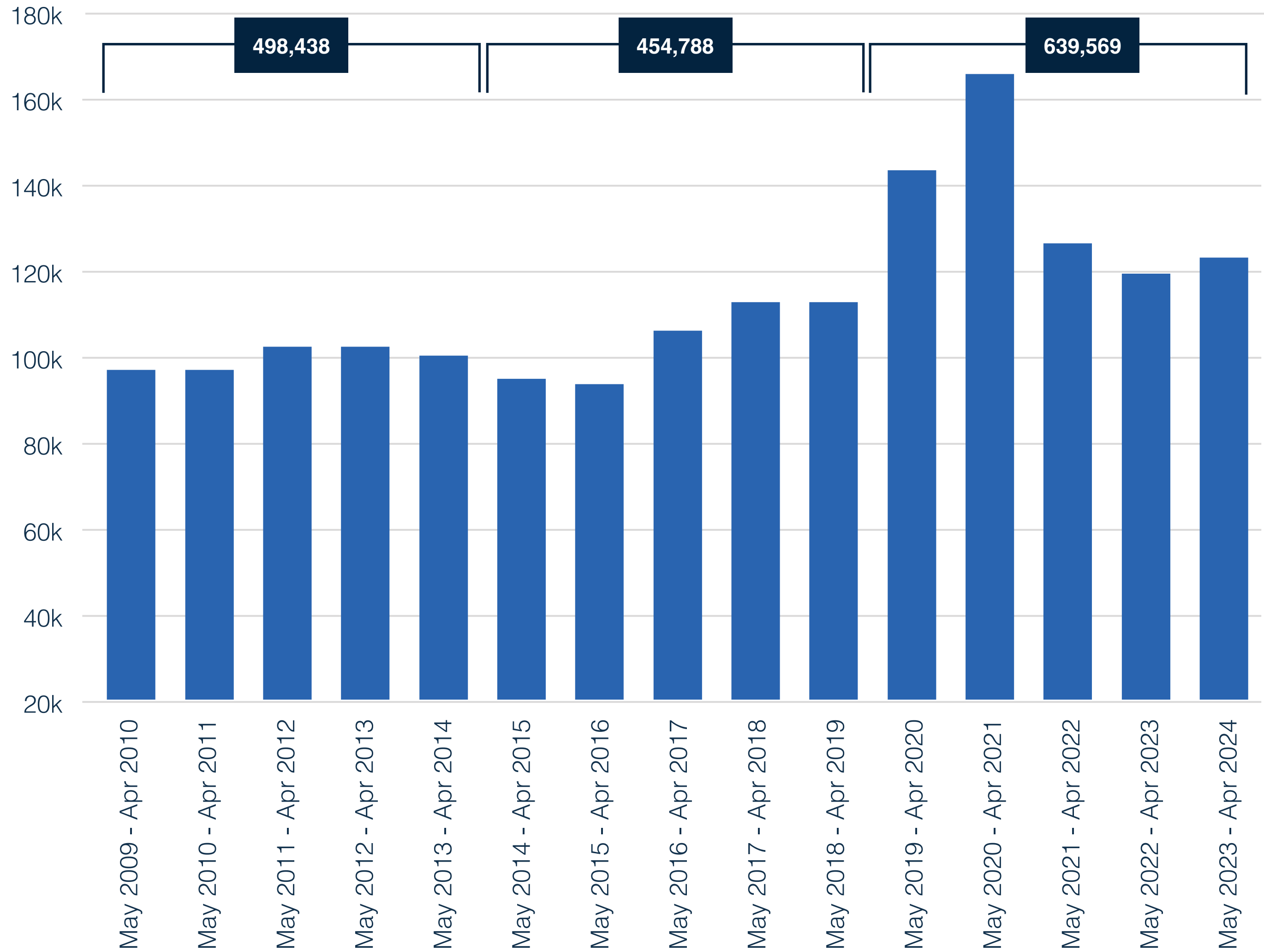
Source: RBA Lending to Business – Business Finance Outstanding by Business Size and Industry (D14.1).

Note: 1: Industries, have been categorised into groups for simplification. Construction and Real Estate Services compiles: Residential building construction, non-residential building construction, other construction, and Rental hiring and real estate services industries. Services and administration compiles: administrative and support services, education and training, health care and social assistance, information media and telecommunications, professional, scientific and technical services, and public administration and safety industries. Trade, commerce and logistics compiles: retail trade, transport, postal and warehousing, and wholesale trade industries. Mining and utilities compiles: mining, electricity, gas, water and waste services. Hospitality and Entertainment compiles: accommodation and food service, and arts and recreation services.

The banks have **made more loans to first home buyers in the last five years than the previous five**

First home buyers took out more than 640k loans worth $5bn in the last five years

New loan commitments for first home buyers (#,12 months to April), 2009 – 2024



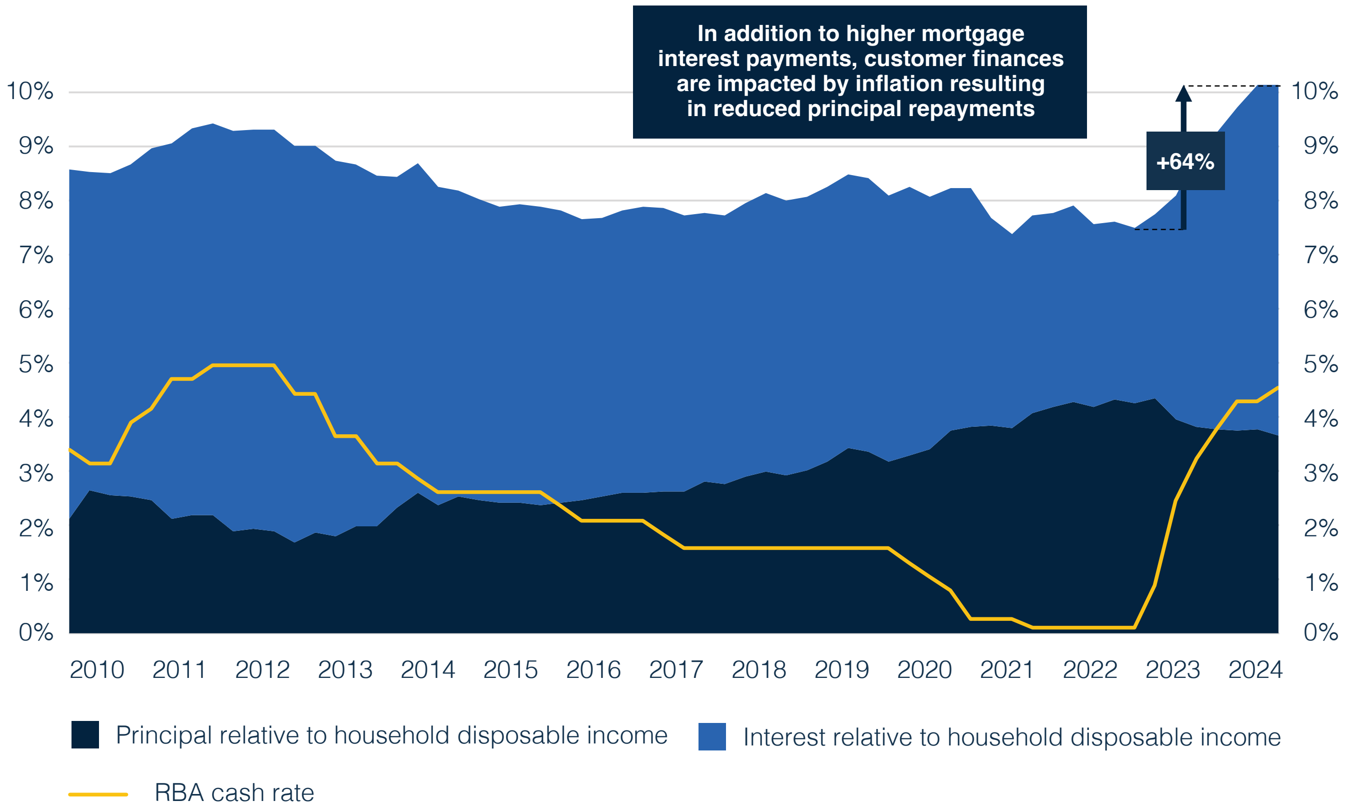
Source: ABS, Lending Indicators (Table 24).

Higher interest rates are resulting in bigger mortgage payments, and in higher interest payments at the expense of reduced principal repayments

- The average household disposable income spent on mortgage payments has fluctuated between 7 and 10 per cent since 2010.
- This is reflective of averages, as some people put higher proportions of their incomes towards mortgages payments.
- The ratio of interest payments relative to principal payments is now at its highest since the March 2017 quarter.

Interest payments on mortgages have increased with the RBA cash rate

Housing loan payments relative to household disposable incomes (%) (LHS axis) vs RBA cash rate (%) (RHS axis), 2010-2024



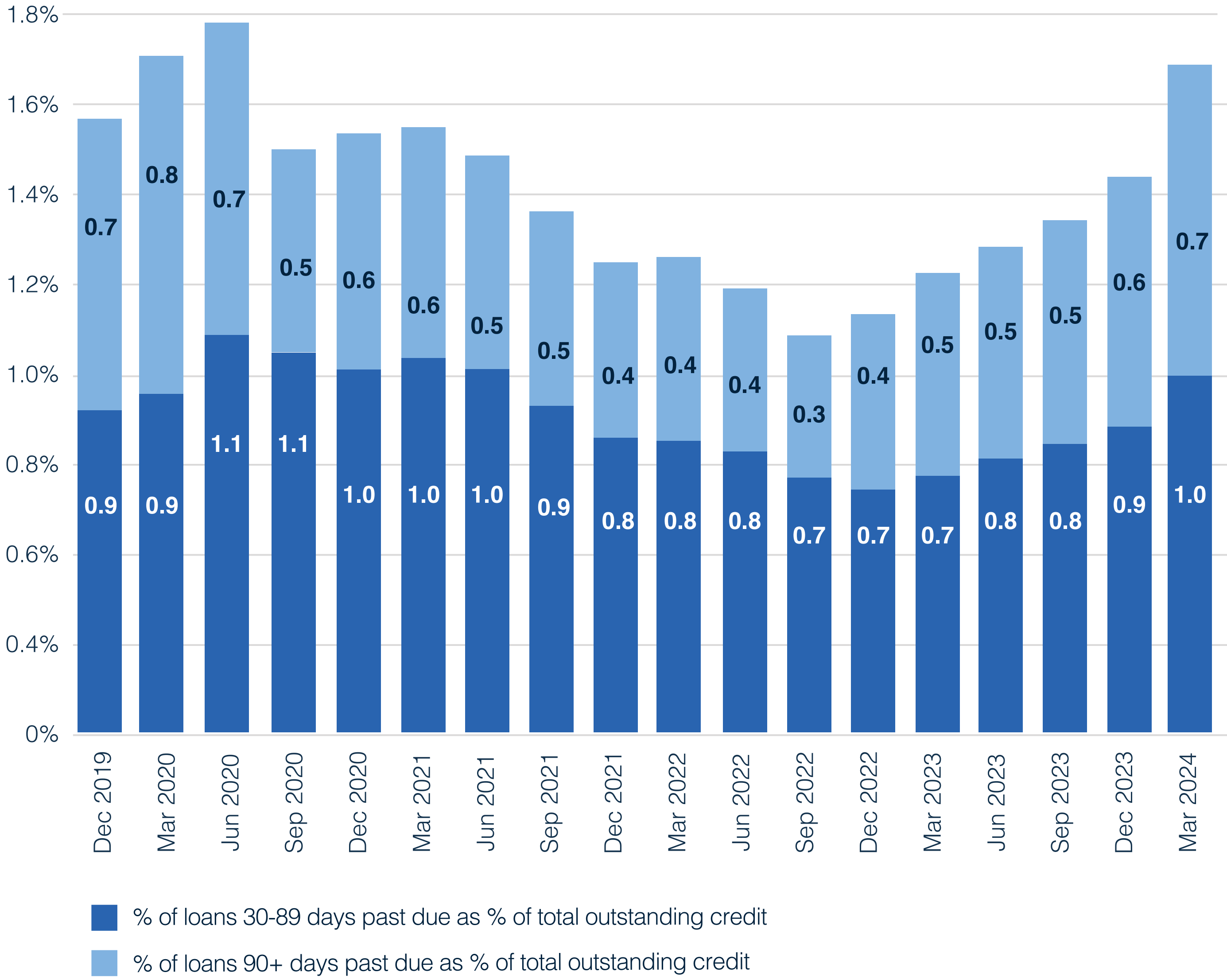
Source: RBA, Household Finances – Selected Ratios (F2), RBA, Interest Rates and Yields (F1.1).
Note: Credit stress is measured by the risk of consumers defaulting on their credit agreements

Despite higher repayments, **most households are managing to keep up with mortgage payments**

- More than 98% of mortgage holders continue to pay their mortgage on time.
- There is an increase in households that are late on payments; however, this hasn't resulted in a sharp rise in households defaulting on their loans.

Despite higher interest rates, there is no sharp increase in mortgage arrears or defaults

Loans 30-89 days past due and 90+ days past due (% of total outstanding) December 2019 – December 2023



Source: Australian Prudential Regulation Authority, Quarterly ADI Property Exposure Statistics (Table 1b).

Banks remain alert as **some people find it difficult to keep up with their financial commitments**

1 in 20

say they don't have the money to meet their expenses

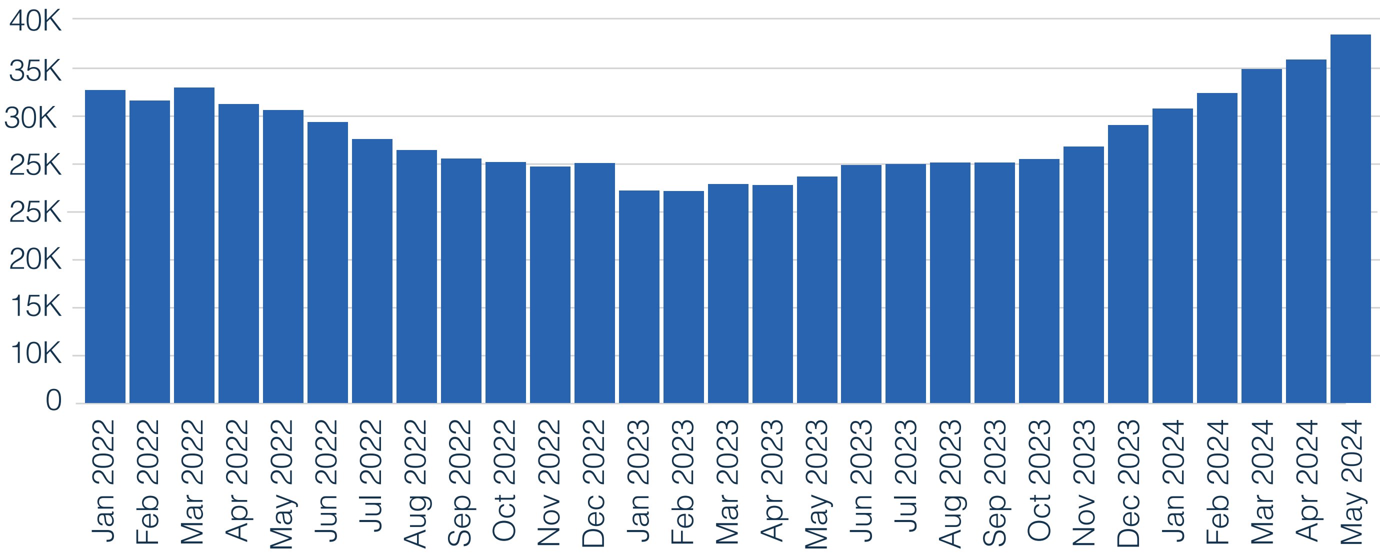
1 in 5

say they can meet expenses without savings

Source: CBA Consumer Insights delivered by Fifth Quadrant

Bank hardship support is increasing, with growth in mortgage accounts in hardship in past 12 months

Accounts in hardship (#), January 2022 - May 2024



Source: ABA Member Survey.

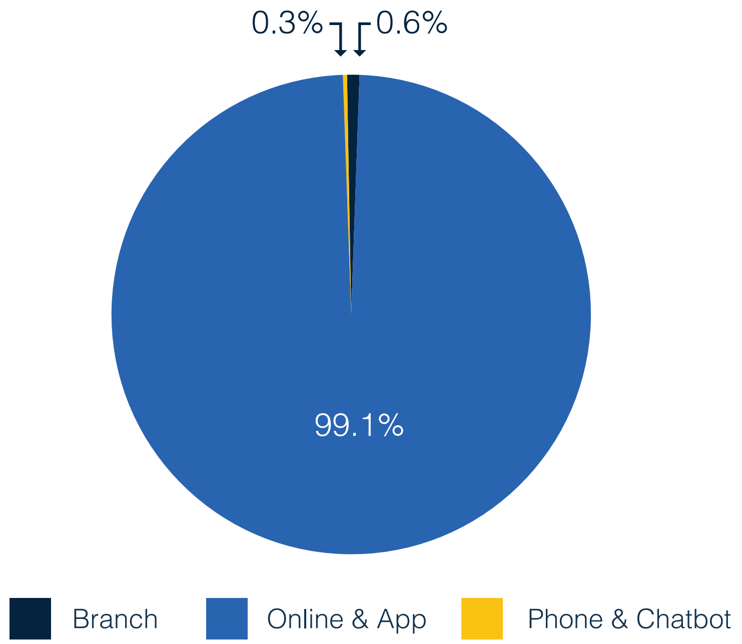
02

How customers bank

Australian bank customers continue their digital shift, **with over 99% of all interactions now via digital channels**

The majority of interactions are now handled through online channels…

Share of total interactions by channel (%, major banks), FY23



> **99.1%**
> of total interactions are now made via **online banking and apps**

… with in-person branch transactions rapidly falling

Change in volume of interactions (%, major banks), FY19 – 23

Branch — **47%** (FY19 to FY23) ↓

Online & App — **39%** (FY19 to FY23) ↑

Phone — **26%** (FY19 to FY23) ↓

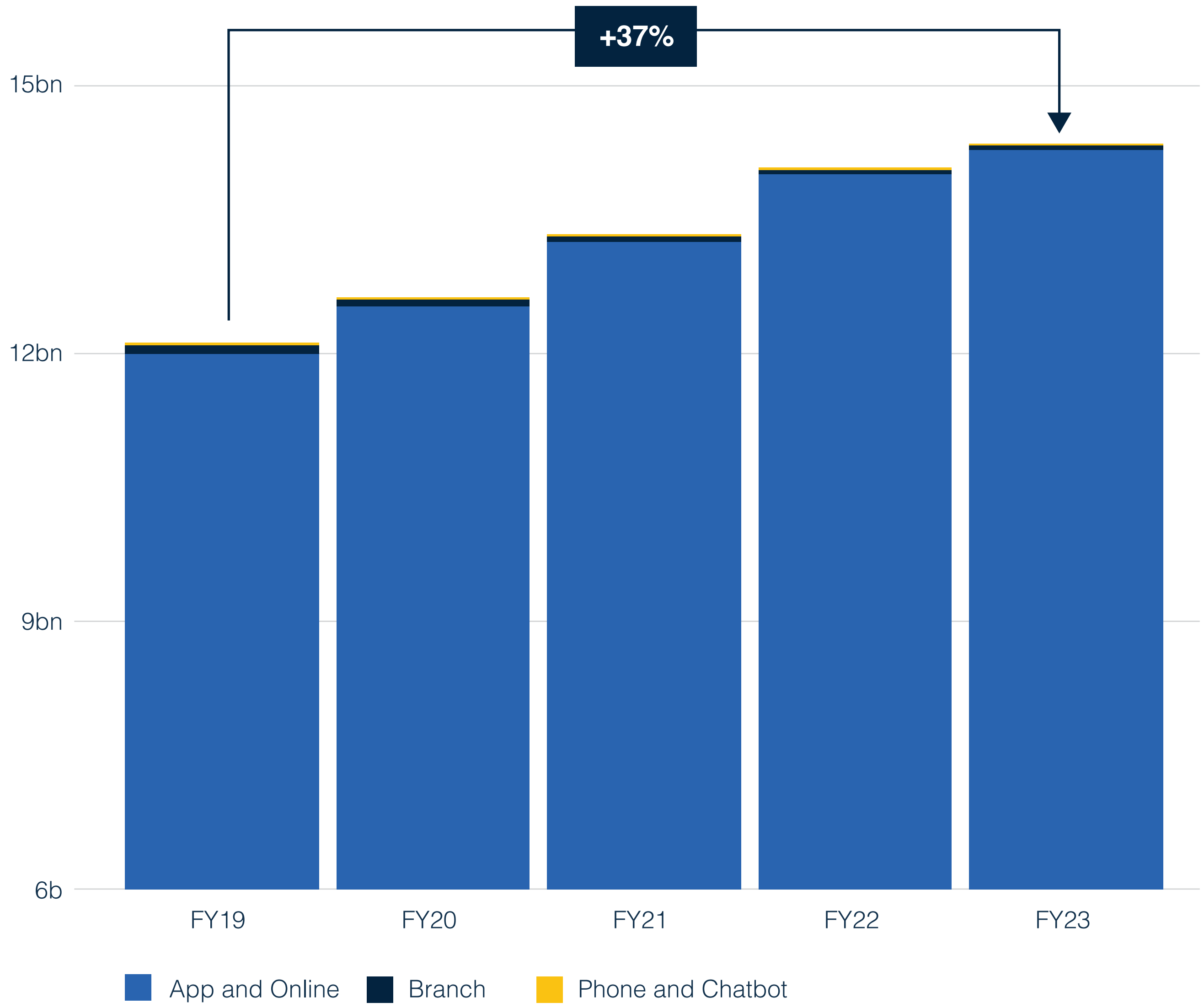
Chatbot — **1,236%** (FY19 to FY23) ↑

Source: ABA Member Survey, Accenture analysis.
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.

Australians are **interacting with banks more than ever before**

Digital banking is making it easier for Australians to do their banking with a 37% growth in interactions since 2019

Annual interactions with bank (#, major banks), FY19 – FY23



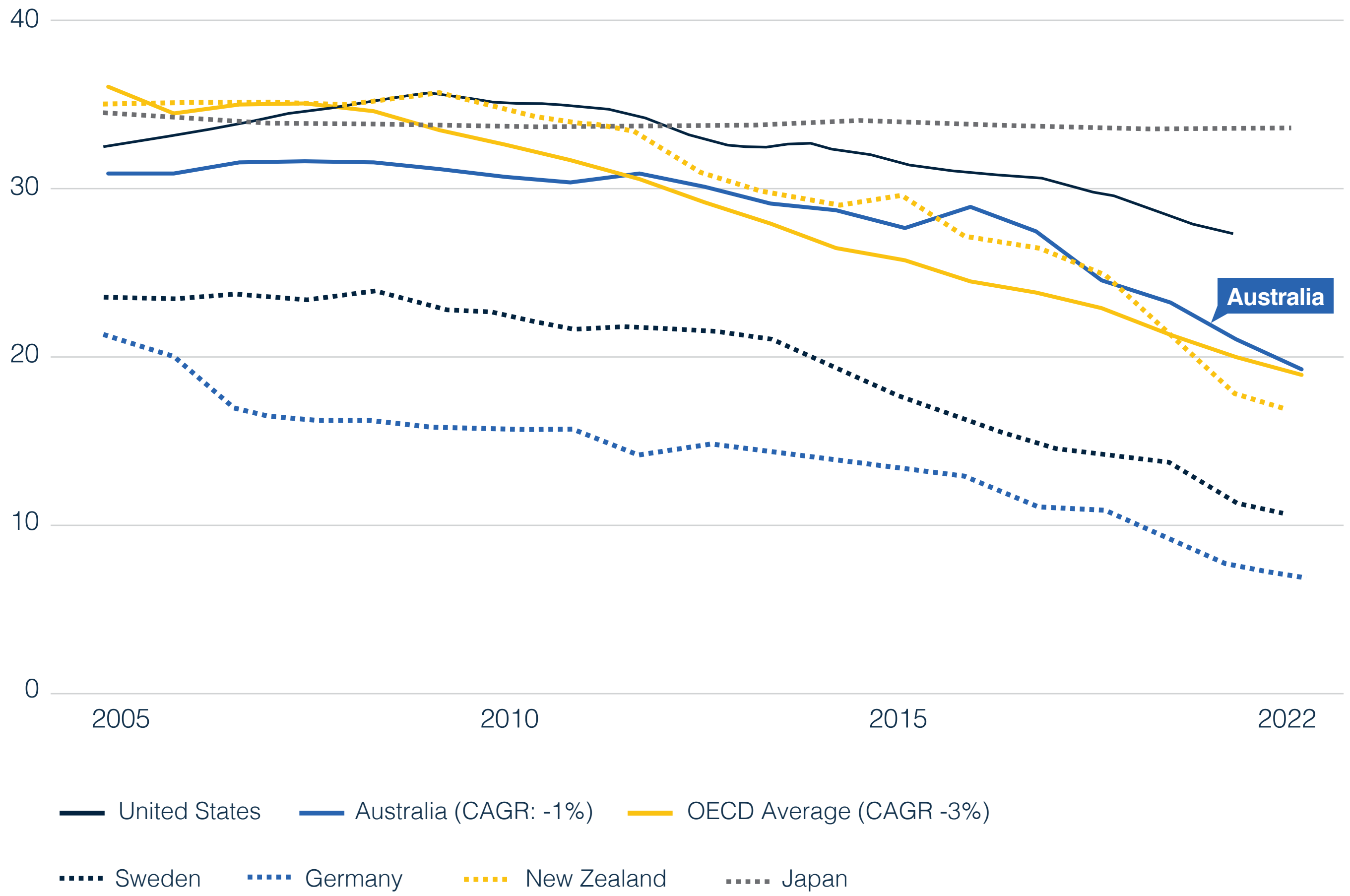
Source: ABA Member Survey, Accenture analysis.

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

- Australia has a higher branch density, at 19 bank branches per 100,000 adults, than the two most comparable OECD countries by urbanisation: New Zealand (17 per 100,000 adults; 87% urbanised) and Sweden (11 per 100,000 adults; 89% urbanised).
- 87% of the Australian population live in urban areas, 5ppt higher than the OECD average of 81%.

Australian branch density is slightly higher than the OECD average

Commercial bank branches per 100,000 adults, 2005 – 2022



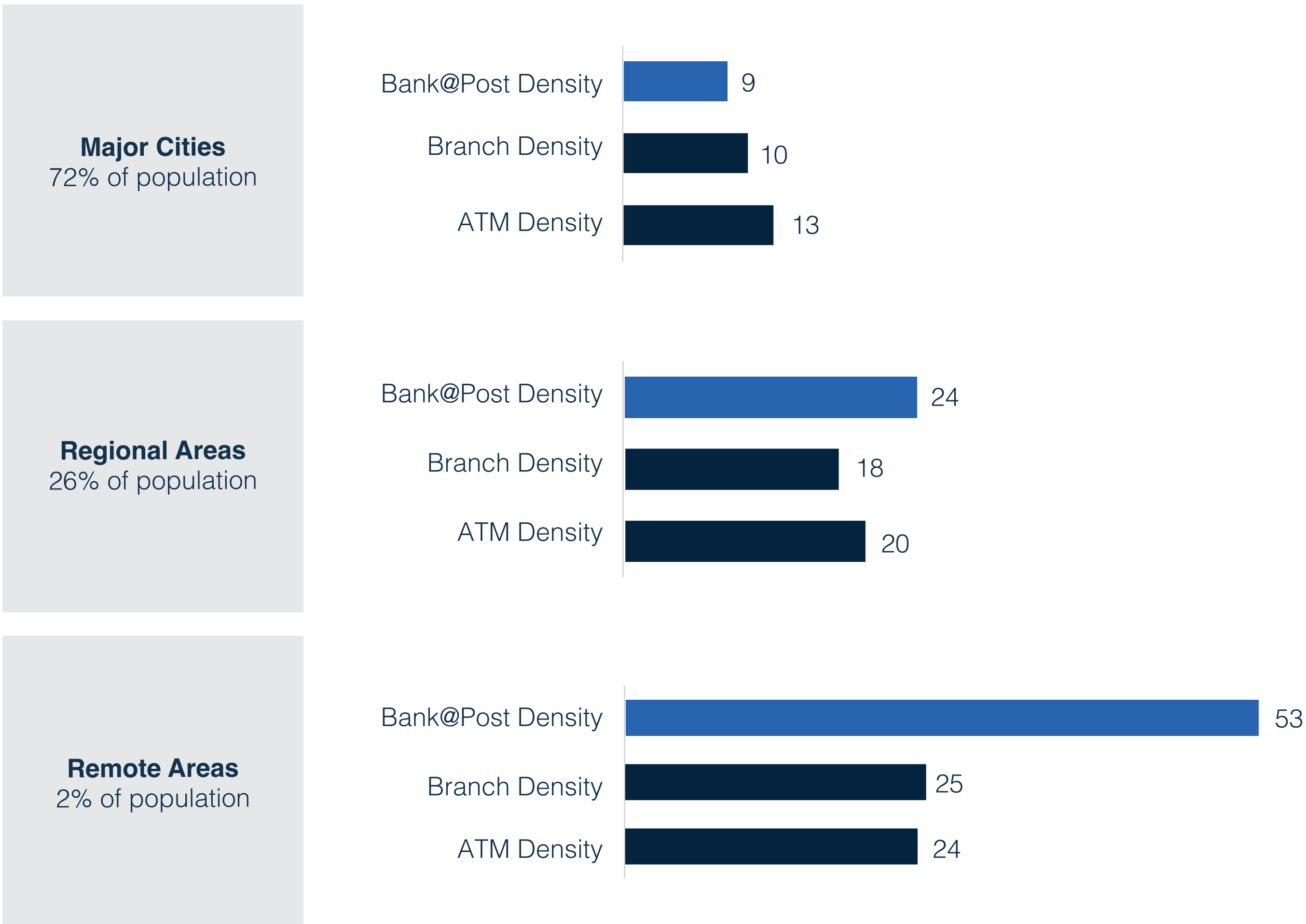
Sources: International Monetary Fund Financial Access Survey (FAS) (2024), The World Bank Urban Population (2024), Australian Prudential Regulation Authority (2024), ABS Population Statistics (2024), Accenture analysis.

Bank@Post provides an alternative for face-to-face transactions for regional banking customers of ABA member banks

- Bank@Post is more common in regional and remote Australia where 28% of the population lives.
- Bank@Post is paid for by particpating financial institutions, providing over 3,400 face-to-face banking access points.

Bank@Post has more locations per capita in regional and remote areas

Locations per 100,000 people by remoteness, 2023



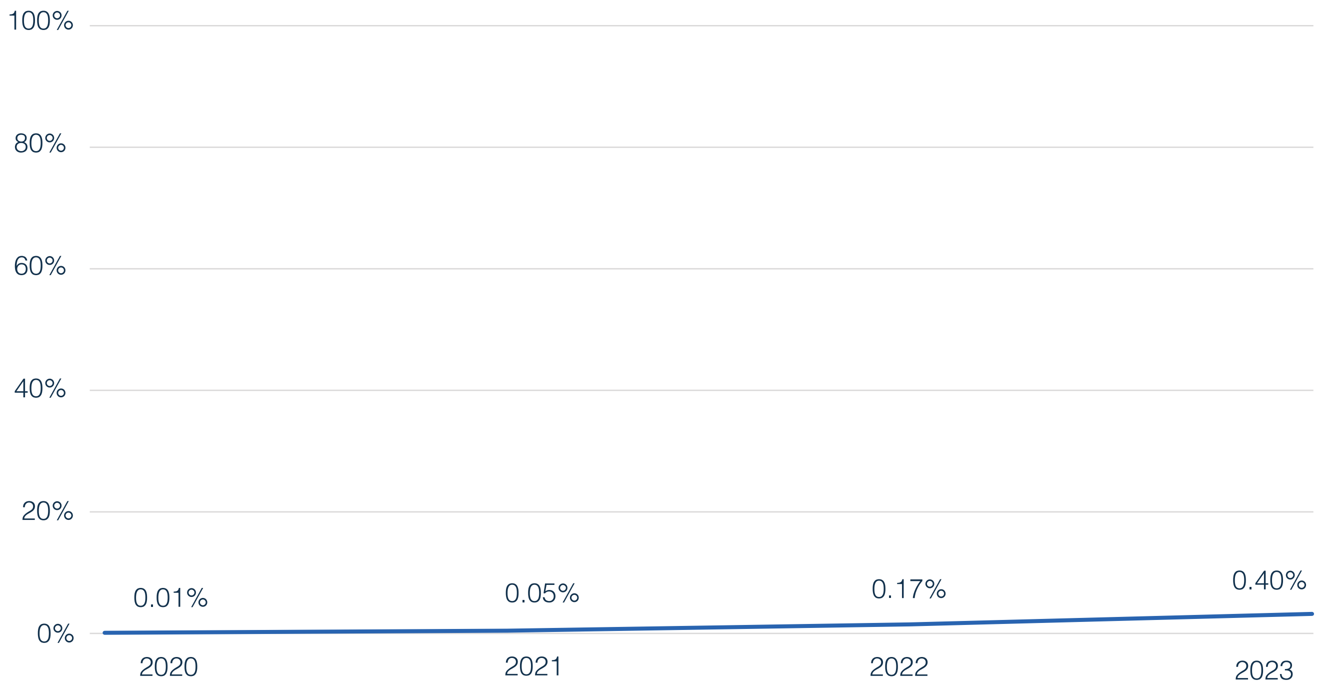
Sources: APRA, ABS, Accenture Analysis.
Note: Bank branch and ATM density based on ABA Members only.

Since launching in 2020, uptake of CDR remains very low as a small share of customers ask for their banking data to be shared

- The Government intitated Consumer Data Right (CDR, also referred to as open banking) enables banks to share data with accredited data recipients with consumer consent.

CDR uptake during each full year since 2020 remains very low

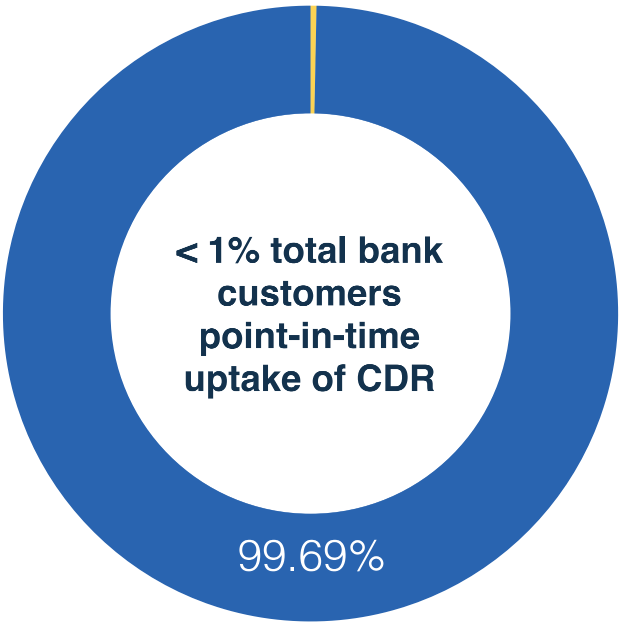
New CDR customers for the entire period (% to total bank customers)[2] 2020 – 2023



Source: ABA Member Survey, Accenture analysis.
Note: 1. Customer data has been provided by 3 Majors and 6 Mid-tier & International – it has been scaled up using stable ratios to represent population of 10 Banks; 2. Total bank customers is the average for the period and spans all bank customers based on bank publications.

Less than 1% of bank customers are sharing their data

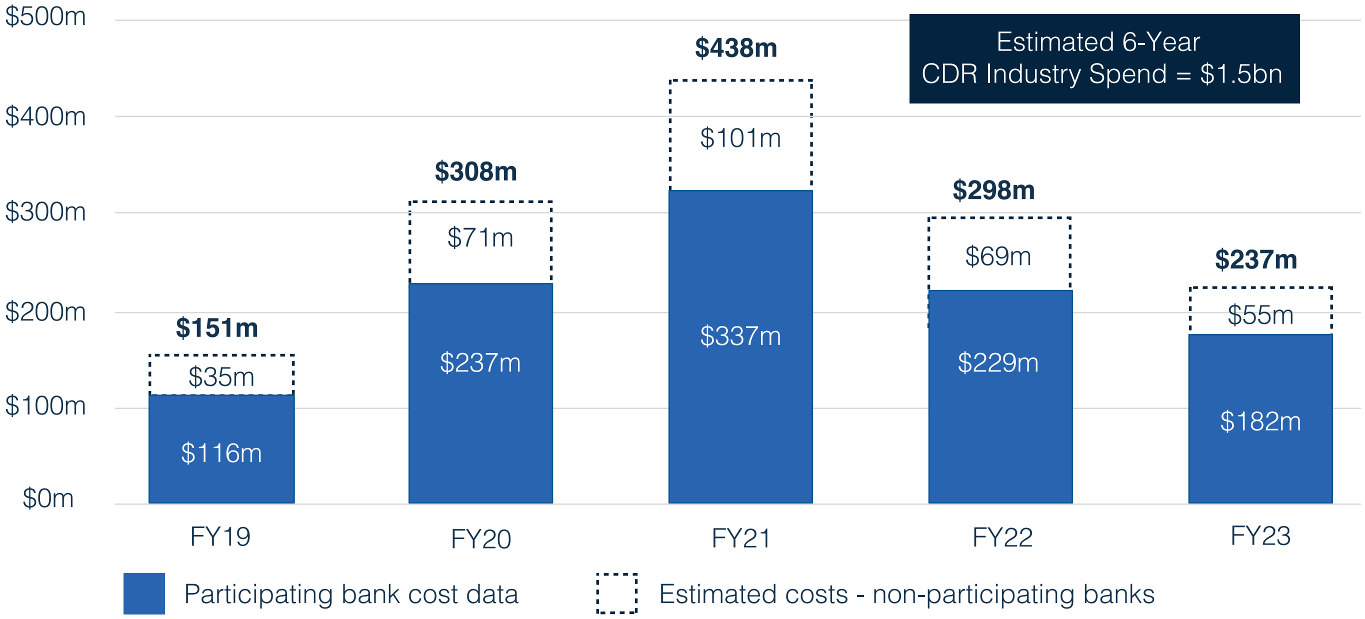
Active customers (% total bank customers)[2], December 31, 2023



Source: ABA Member Survey, Accenture analysis.
Note: 1. Customer data has been provided by 3 Majors and 6 Mid-tier & International – it has been scaled up using stable ratios to represent population of 10 Banks; 2. Total bank customers is the average for the period and spans all bank customers based on bank publications.

Government and industry have made significant investment in CDR with banks estimated to have spent $1.5bn to 2023

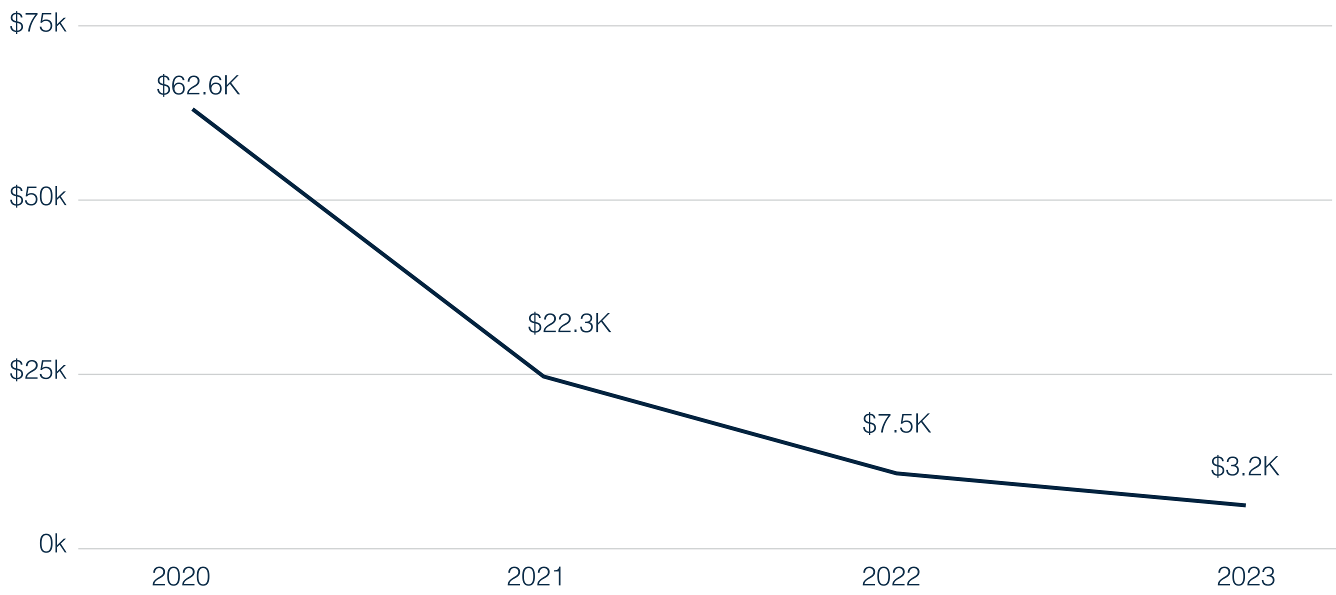
Identified and estimated CDR expenditure, ($) 2019 – 2023[1,2]



Sources: ABA Member Survey, Accenture analysis.
Note: 1. Customer data has been provided by 3 Majors and 6 Non-Majors – it has been scaled up using stable ratios to represent population of 10 Banks. 2. Forecasts (2024/25) not provided due to incomplete bank expenditure data. 3. The estimate of accrued new customers is likely to exceed actual unique customers due to duplication of customers who return after having lapsed.

The average historically incurred cost of CDR per customer remains high at around $3k per customer

Total accrued CDR expenditure at end of period per accrued customers at end of period ($)[1,3] 2020 – 2023



Sources: ABA Member Survey, Accenture analysis.
Note: 1. Customer data has been provided by 3 Majors and 6 Non-Majors – it has been scaled up using stable ratios to represent population of 10 Banks. 2. Forecasts (2024/25) not provided due to incomplete bank expenditure data. 3. The estimate of accrued new customers is likely to exceed actual unique customers due to duplication of customers who return after having lapsed.

03

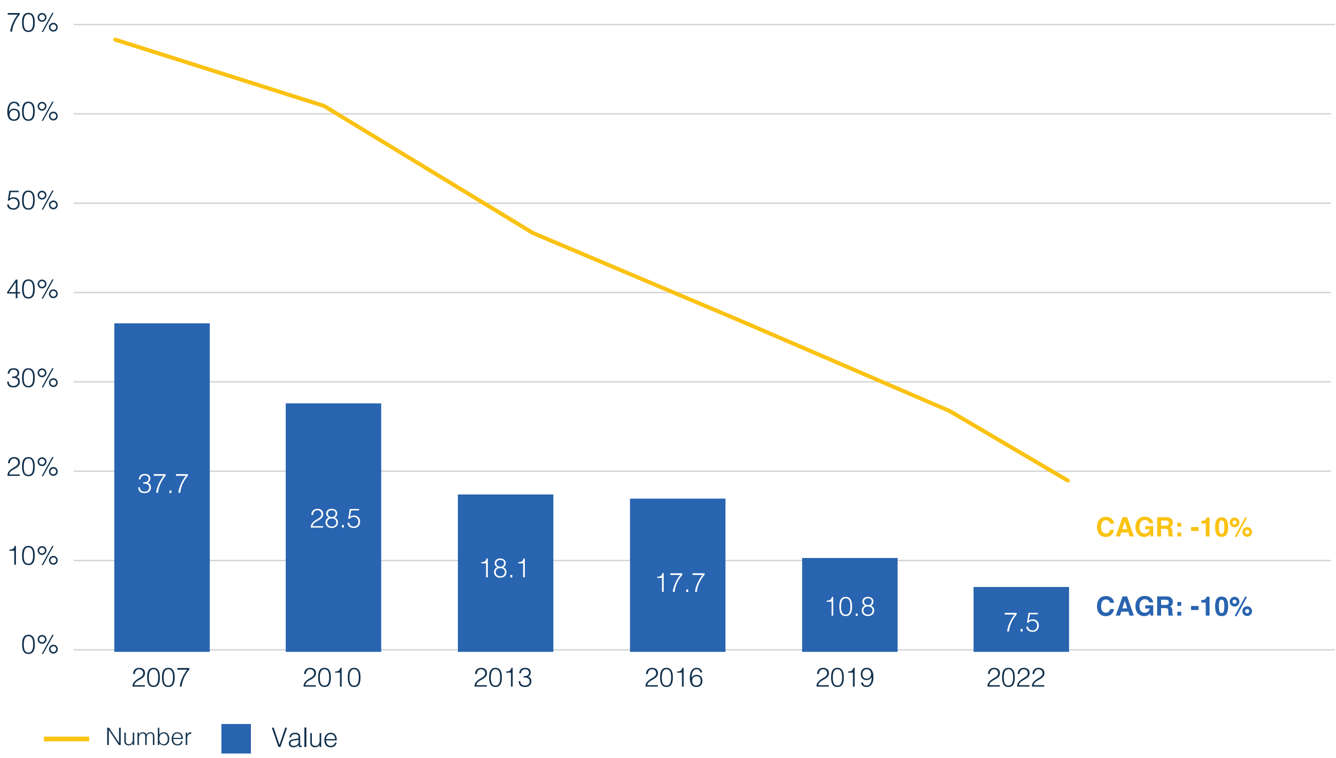
How customers pay

Consumer cash use has declined substantially over the past two decades,

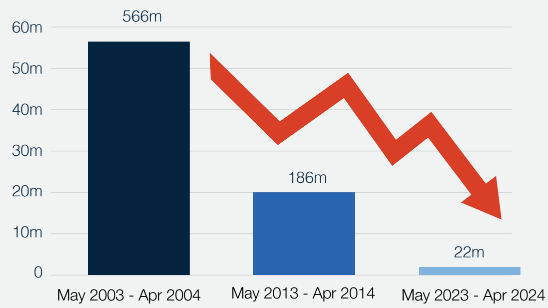
as both the relative number and value of cash payments continue to reduce

The share of retail payments made in cash has decreased, with ~10% decline year-on-year since 2007

Share of transactions (%) made in cash by number and value, 2007 – 2022



Source: RBA Consumer Payments Survey. (2022).
Note: Other payment methods include debit card, credit card, internet / phone banking, cheque, BPAY, gift/prepaid cards, other.



Source: RBA, Cheques (C5.1).

Cheque use continues to decline

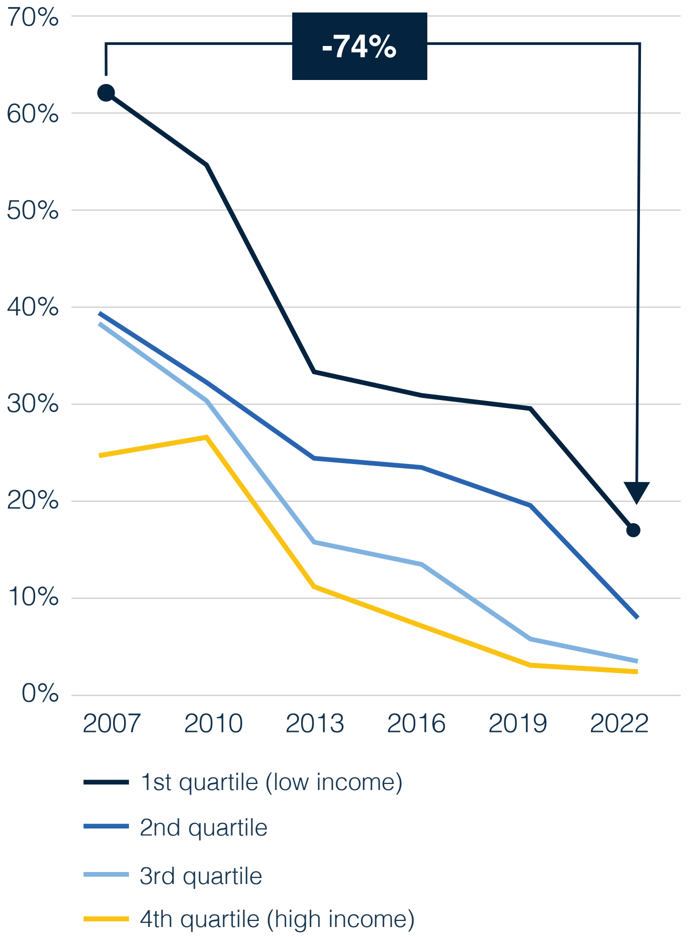
- Cheque usage continues to fall, with the number of cheques used in the 12 months to April 2024, just 3.5 per cent of the number drawn in the 12 months to April 2004.
- In just the last 12 months there has been a further 37 per cent decline in the number of cheques drawn, from 2.15m in May 2023 to 1.35m in April 2024.

Declining cash use is universal regardless of income, age or geographic location

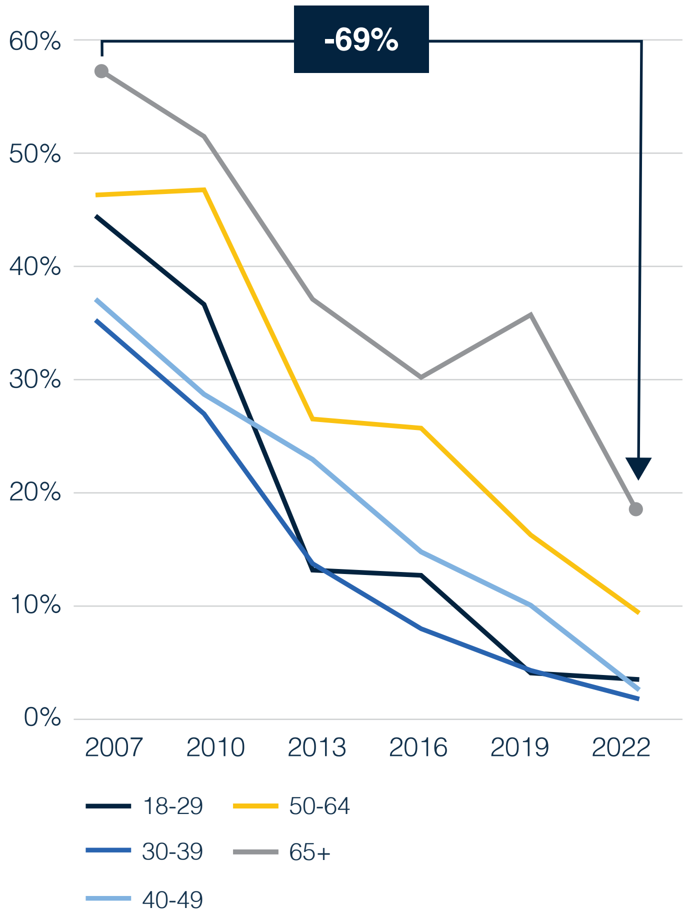
Some of the strongest decline has been in customer segments with historically high cash usage

High cash users by income quartile, age group & geographic location (%), 2007 – 2022

Income

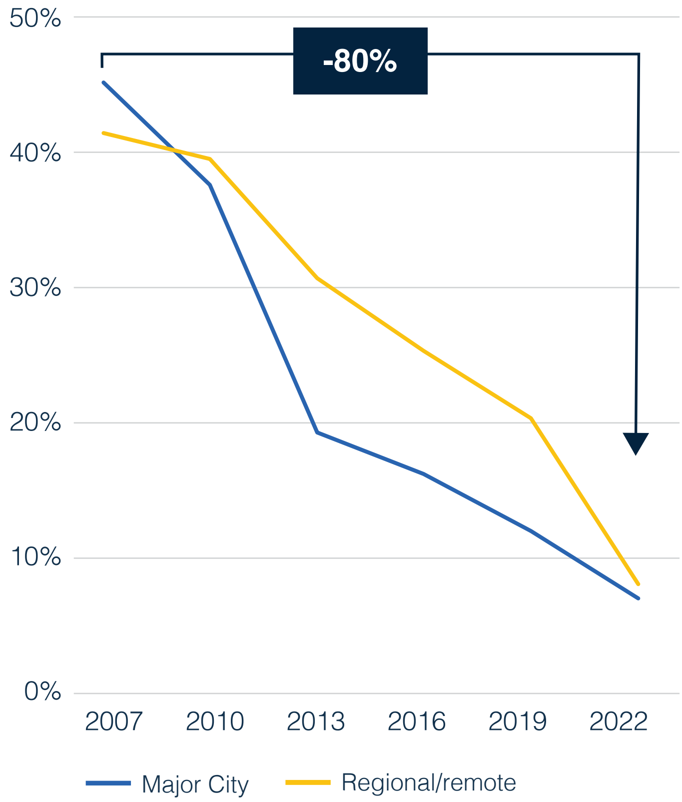


Age



Source: RBA, Cash Use and Attitudes in Australia, (June 2023).
Note: High cash users are those who use cash for at least 80% of their in-person transactions.

Location



> **Groups that have traditionally had the highest cash users tended to see the largest declines in cash use...**
>
> - In particular, the oldest age bracket – those aged 65 and above – experienced the largest percentage point decline in the share of high cash users.
> - Similarly, the share of high cash users in regional and remote areas decreased by more than in major cities, such that there is now little difference between these locations…
> - The lowest household income quartiles recorded the largest decline in the share of high cash users.
>
> As a result, cash use is now more similar across age, location and household income than at any time since the [RBA's] Consumer Payment Survey began in 2007.

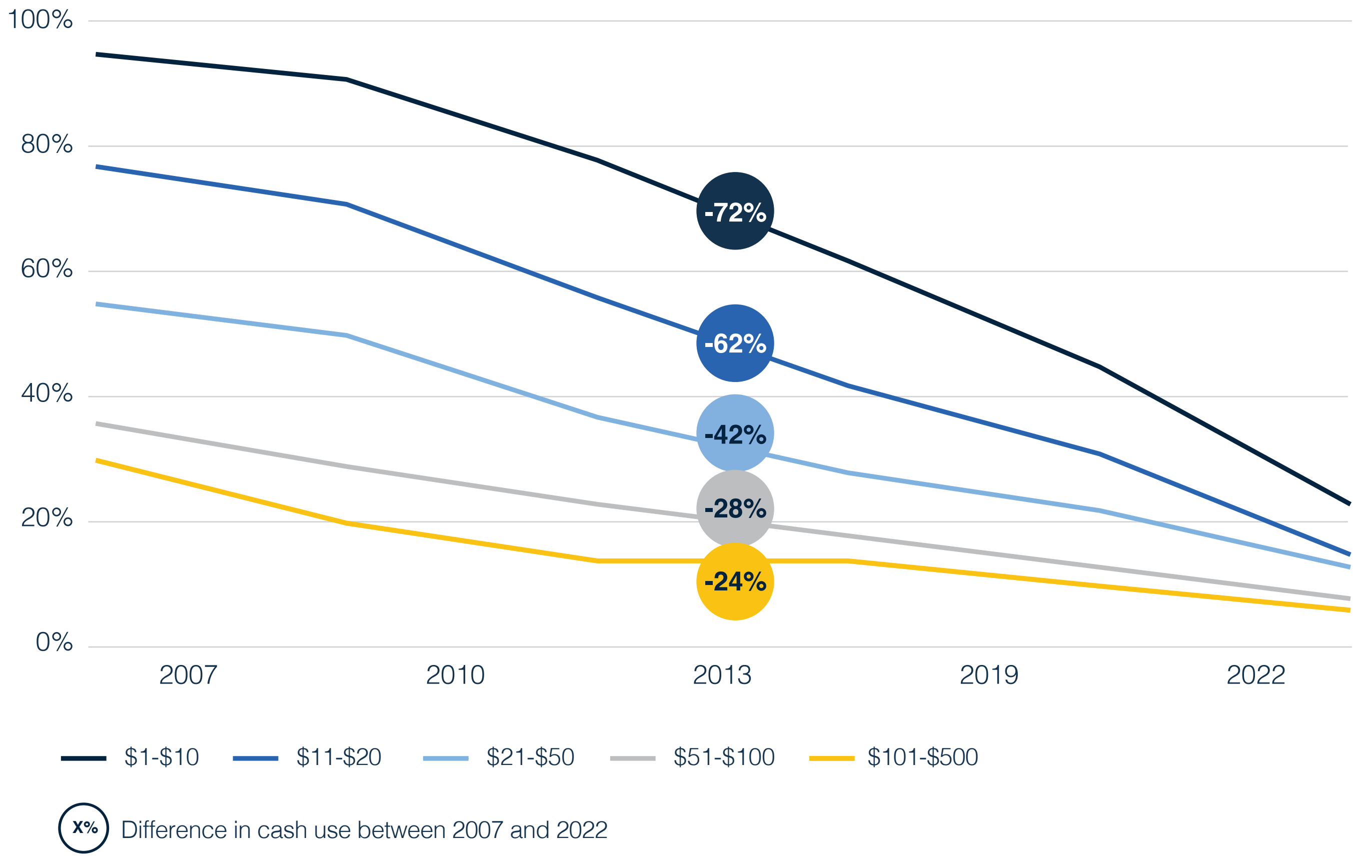
Understanding the Post-pandemic Demand for Australia's Banknotes
RBA Bulletin, January 2024

Regardless of payment size, **cash payments have decreased substantially over the past two decades**

- Transaction sizes less than $20 have seen the largest drop in use of cash over the past two decades.
- While cash payments have declined across all transaction sizes, the decline has been strongest for lower transactions values.

In 2007 nearly all payments of $1-10 were made with cash, this is now just over 20%

Share of transactions (%) paid in cash by transaction size, 2007 – 2022



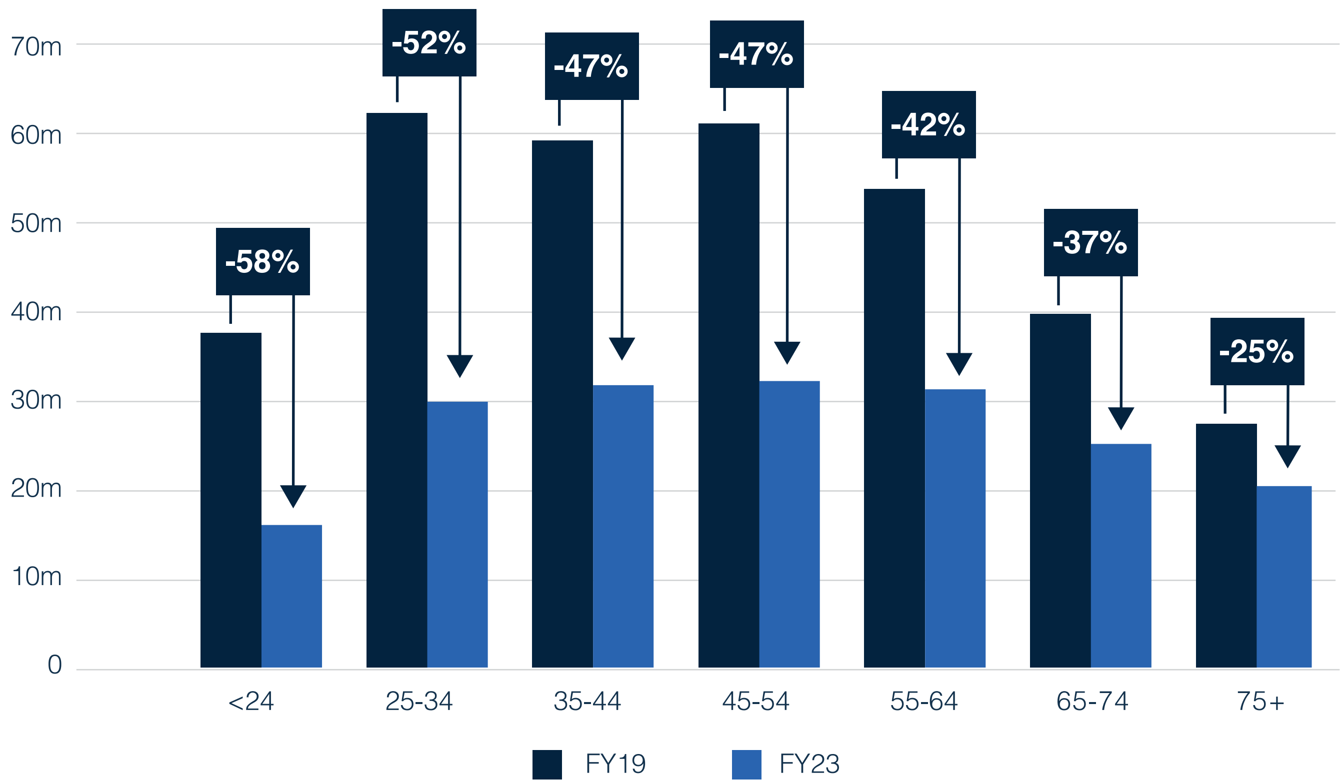
Source: RBA Consumer Payments Survey (2022).

The decline in cash withdrawals is strong across all age groups, states and geographic areas

- There is a strong preference for ATMs over branch transactions with ATM transactions making up 91% of cash transactions in FY23.
- The highest drop in cash use is seen in the age groups below 55. These age groups also have the lowest use of branches transactions to withdraw cash.
- The smallest drop in cash use is seen in the 65+ and 75+ age groups.

Cash withdrawals are decreasing regardless of age...

Cash withdrawals, By age groups (#, ATMs and branches), FY19 & FY23

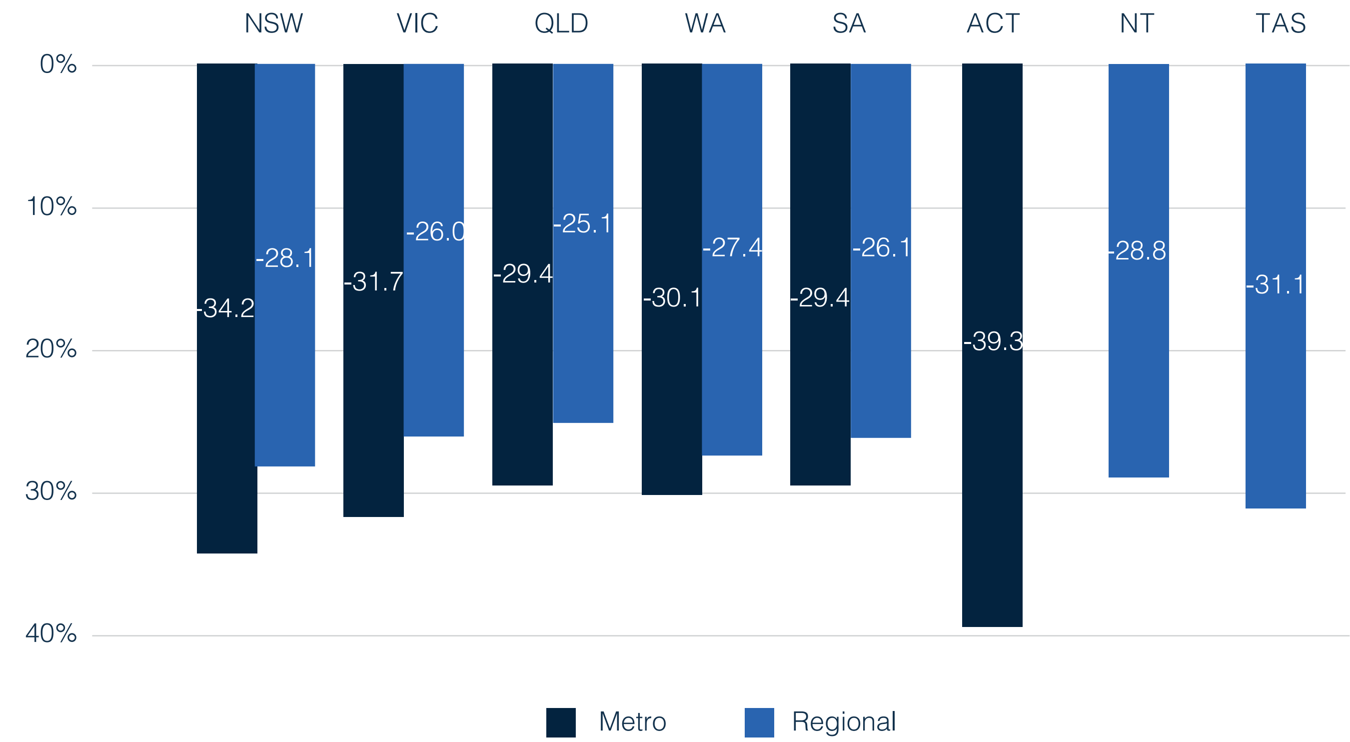


Proportion of ATM withdrawals in FY23	96%	96%	95%	94%	92%	87%	71%

Source: ABA Member Survey.

...and geographic location

Cash withdrawals, By states and region (#, ATMs and branches), FY19 & FY23



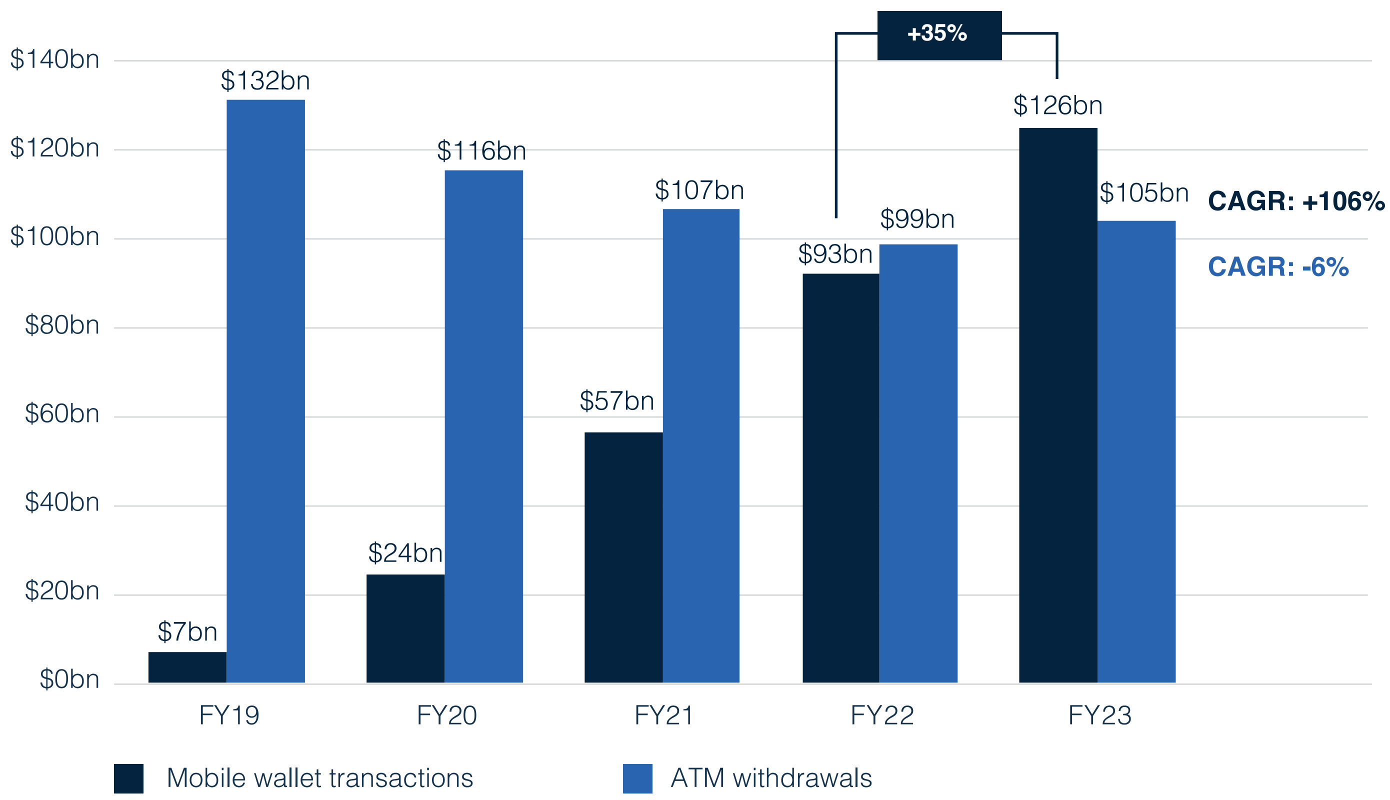
	NSW	VIC	QLD	WA	SA	ACT	NT	TAS
Proportion of ATM withdrawals in FY23	84%	84%	85%	83%	80%	84%	74%	82%

Source: ABA Member Survey.
Note: NT and TAS are considered regional areas only (i.e., not metropolitan). ACT is considered a metropolitan area only, (i.e., not regional). The location of a significant proportion of ATMs were unable to be categorised, resulting in a seemingly lower proportion of ATM withdrawals by geographic region.

The acceleration in popularity of **mobile wallets has seen them overtake ATM cash since their launch by the major banks five years ago**

Customers are increasingly using mobile wallets

Mobile wallet transactions vs ATM withdrawals ($ billion), FY19 – FY23



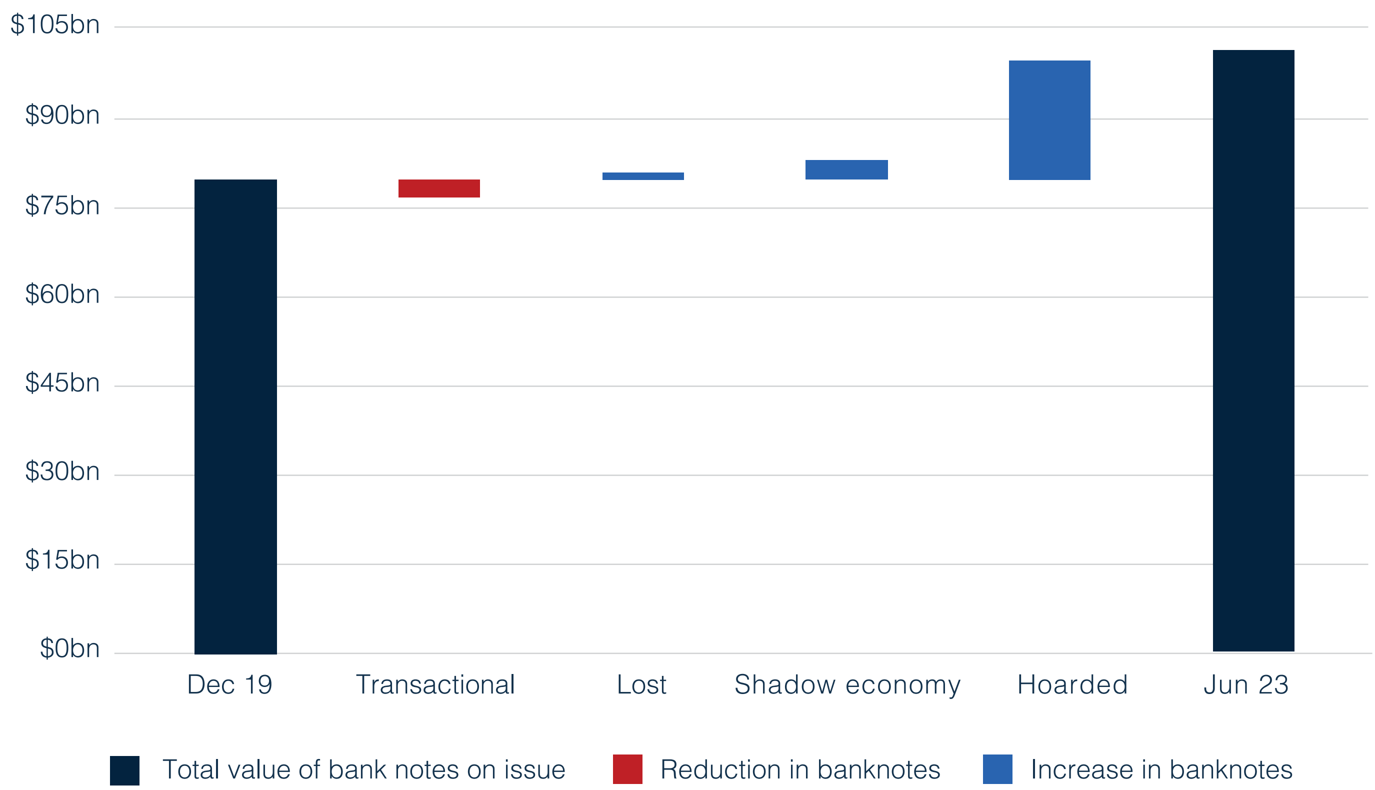
Sources: ABA Member Survey, RBA, ATM statistics (C4).

The number of **banknotes on issue continues to grow**, despite the decline in use of cash for payments

- In 2022 just 13 per cent of retail payments were made using cash, down from 69% in 2007.[1]
- Analysis by the RBA attributes the majority increase in banknotes to cash hoarding.
- As at May 31, 2024 the value of $50 and $100 notes on issue comprised 94% of the total $101.2bn banknotes on issue.

The majority of new bank notes in circulation have been hoarded

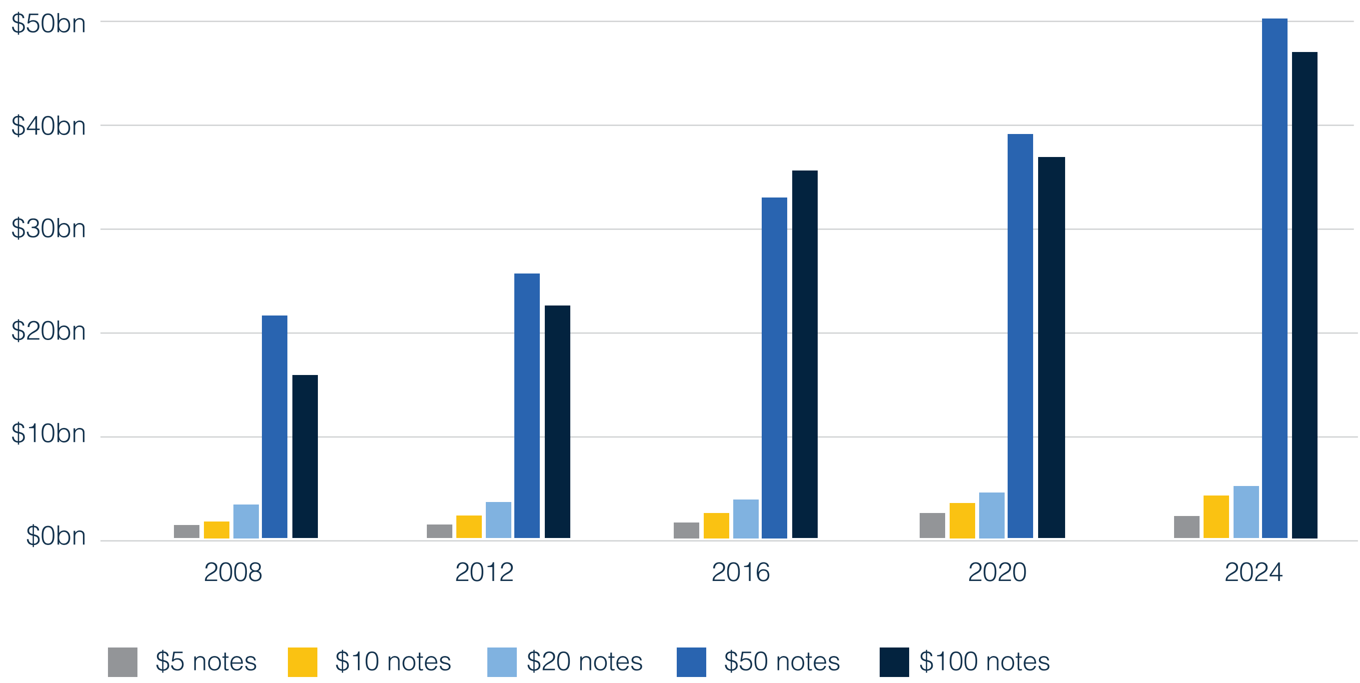
Value of banknotes in circulation by component, mid-point estimates*



Source: RBA, Understanding the Post-pandemic Demand for Australia' Banknotes (January 2024).
Note: 1. RBA, The Evolving Retail Payments Landscape, Payments System board Annual Report (2023).

In 2024, the value of $50 notes in circulation was 13x greater than $20 notes, up from 7x in 2008

Value of banknote in circulation, by denomination ($ billion), 2008-2024



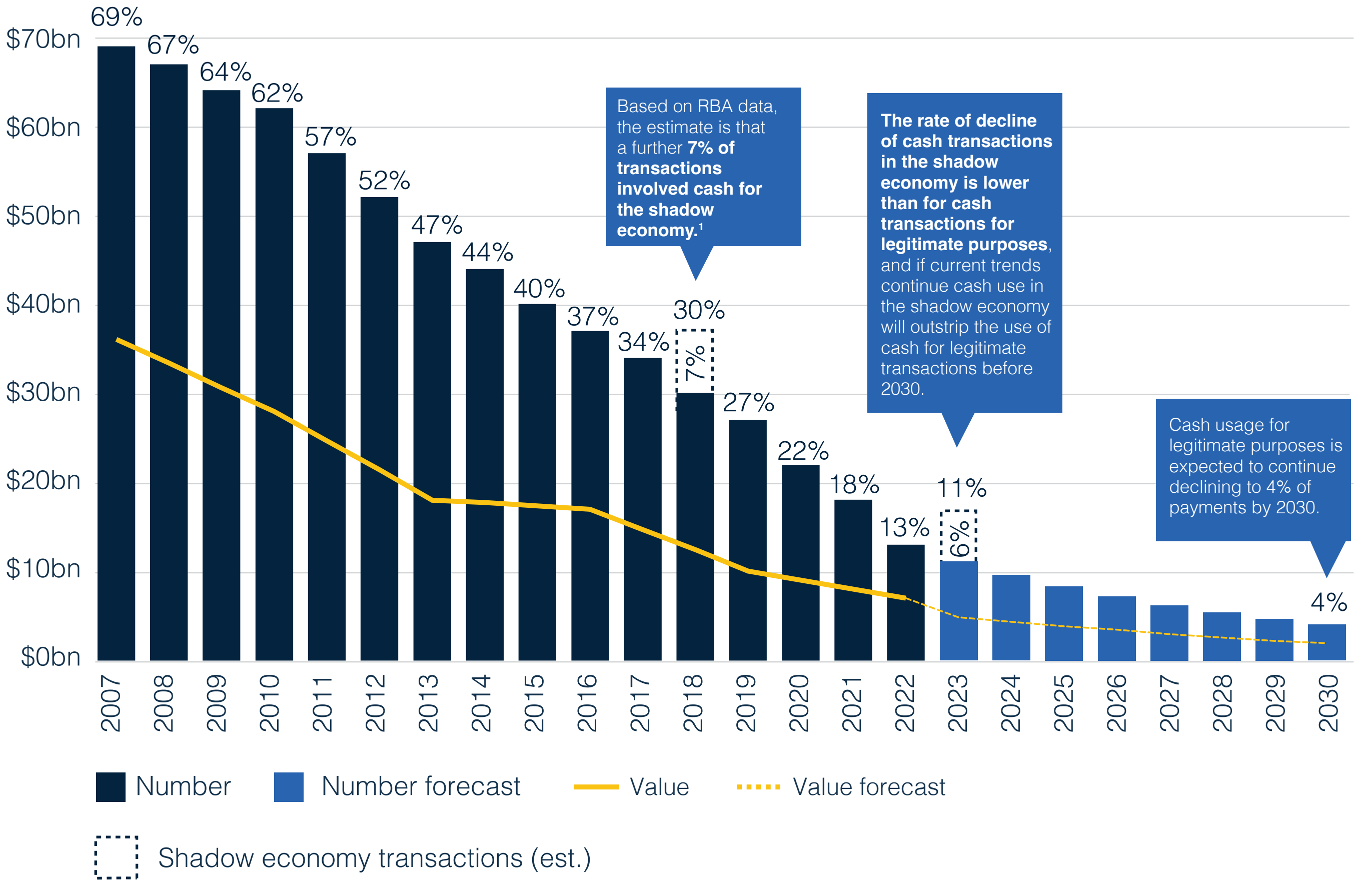
Source: RBA Banknotes on Issue by Denomination (F1.1).

> **Hoarding, both domestically and internationally, is the most significant component of banknote demand.**
>
> Understanding the Post-pandemic Demand for Australia's Banknotes
> RBA Bulletin, January 2024

The use of cash for legitimate transactions is expected to continue to decline

Cash payments will become marginal in the next decade; however, cash use in the shadow economy is declining only slowly

Percentage of payments that are cash (%), by # (bar) and value (line), 2007 – 2030



Sources: RBA, Cash Use and Attitudes in Australia, 2023; RBA, Annual Report – Banknotes; ABS, Population Time Series, Mar 2023; Centre for Population, Intergenerational Report: Population Projections, 2023; Accenture analysis. Note: Forecast made by projecting the relative size and transaction volume of cash payments, weighted by projected population age bracket distributions. Data is based on a survey where participants recorded details about every transaction they made over a week; they also completed a questionnaire on payment preferences, cash holdings and perceptions of cash access. Around 1,000 individuals completed the survey, recording about 13,000 transactions, around 9,000 of which were made in person.

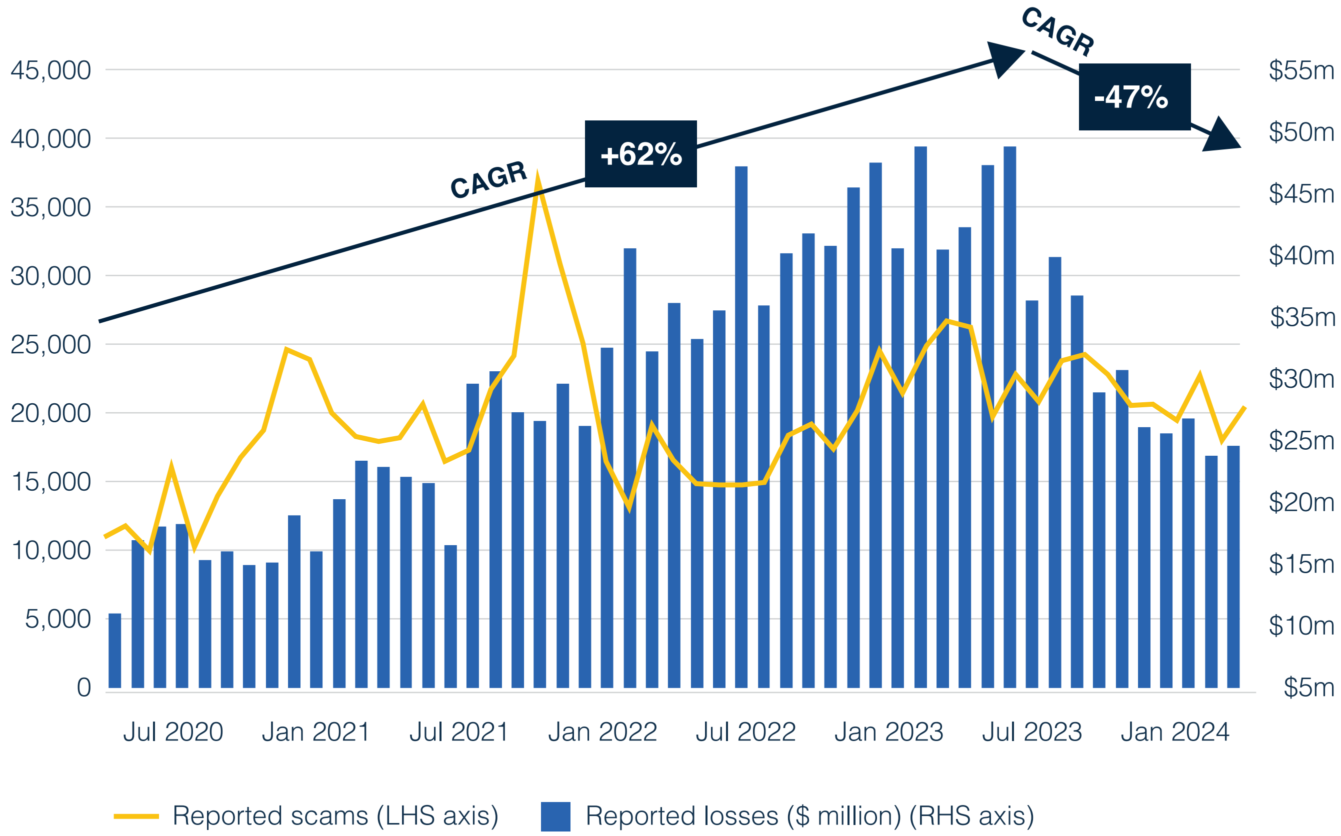
Note: 1. As this data is self-reported, we expect it does not account for some if not all, cash payments used for tax avoidance purposes or for illegal activities/crime. Accounting for these payments would increase the numbers shown. In 2018, the RBA reported that of outstanding banknotes, 15–35 per cent are used to facilitate legitimate transactions and 4–8 per cent are used in the shadow economy. We have estimated that c.7% of transactions are shadow economy by applying the ratio of banknotes used for legitimate transactions to shadow economy transactions in 2018. Estimates are indicative only as data on the shadow economy is limited. 2. Based on RBA data that reports debit and credit card payments, which make up 76% of payments, where worth $710bn in 2022. See footnote 8 (RBA)

The digital revolution has increased opportunities for scams, but government & bank interventions have seen a reversal of the upwards trend

- Several interventions may have contributed to the reduction in amounts lost to scams over the past year.
- The National Anti-Scam Centre (NASC) was launched in July 2023, enabling sharing of scams intelligence across government, law enforcement and the private sector.
- NASC has worked with other federal agencies to deliver several initiatives, such as removing websites with malicious phishing and investment scam information.
- From mid-2023, most banks have also enforced measures to limit transactions to ‘high risk’ cryptocurrency exchanges.
- Scam victims have also been automatically referred to the national identity theft and cyber support service (IDCARE) for support and advice.
- Additional interventions (e.g., from telcos and digital platforms) could help to make further progress.

While scam reports has trended upwards over the past four years, several interventions has reversed this

Number of reported scams (#) (LHS axis) vs. value of reported scam losses ($ million (RHS axis), January 2023 - April 2024



Sources: National Anti-Scam Centre Scamwatch Scam Statistics (2024). Australian Government & National Anti-Scam Centre Targeting scams: Report of the National Anti-Scam Centre on scams activity. (2024)

> **"…the Government recognises effective planning and coordination amongst regulators and industry is required to ensure Australia can capitalise on the opportunities and manage the risks of new payment methods and services."**
>
> A Strategic Plan for Australia's Payments System,
> The Australian Government the Treasury, June 2023

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 742,000 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**.

Australian Banking Association Member Survey (2024)

To complement the publicly available data used in this report, the ABA 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 2024 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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