

# Banking Fees in Australia

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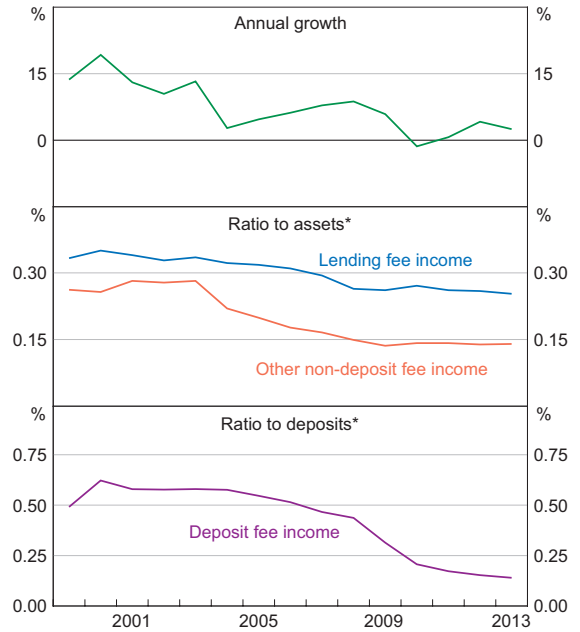
The Reserve Bank has conducted a survey on bank fees each year since 1997. The results of the most recent survey suggest that banks' fee income from both households and businesses rose moderately in 2013. However, deposit and loan fees have declined as a ratio to the outstanding values of deposits and assets, respectively.

## Overview

The Reserve Bank's annual bank fee survey provides information on the fees that banks earn from their Australian operations.<sup>1</sup> It focuses on fee income generated by banks in the process of taking deposits, making loans and providing payment services. The 2013 survey included 16 institutions, which together account for around 90 per cent of the total assets of the Australian banking sector. Other forms of non-interest income, such as income earned from funds management and insurance operations, are excluded from the survey. This article provides a summary of the results from the latest survey covering the banks' financial years ending in 2013.<sup>2</sup>

Total domestic fee income grew by around 2½ per cent in 2013 to \$11.6 billion, reflecting moderate growth in income from fees charged to both businesses and households (Table 1). The growth was driven by an expansion in banks' balance sheets, with deposit and loan fees declining as a ratio to the outstanding values of deposits and assets, respectively (Graph 1).

**Graph 1**  
**Banks' Fee Income**



\* Adjusted for breaks in series in 2002 due to a change in banks' reporting; financial-year average assets and deposits have been used  
Sources: APRA; RBA

\* The author is from Domestic Markets Department.  
1 The data from the survey are published in the Reserve Bank's Statistical Table C9, 'Domestic Banking Fee Income'.  
2 Apart from data in Table 3, all data in this article are based on individual banks' financial years, which differ between banks.

**Table 1: Banks' Fee Income**

	Households		Businesses		Total	
	Level	Growth	Level	Growth	Level	Growth
	\$ million	Per cent	\$ million	Per cent	\$ million	Per cent
2010	4 311	16.6	6 514	2.1	10 825	-1.4
2011	4 069	-5.6	6 830	4.8	10 899	0.7
2012	4 043	-0.6	7 292	6.8	11 335	4.0
2013	4 136	2.3	7 499	2.8	11 635	2.6

Source: RBA

## Households

Banks' fee income from households grew by 2.3 per cent in 2013 (Graph 2, Table 2), following declines in each of the previous three years. This primarily reflected growth in fee income from credit cards and personal loans. However, there were also increases in income from other fees, including deposit fee income, which had fallen noticeably in recent years.

Fee income from household credit cards increased in 2013, reflecting growth in the value of credit card transactions and a small rise in the number of credit cards on issue, which drove an increase in income from account-servicing and other fees (especially foreign currency conversion fees). Annual fees on credit cards were little changed over the year (Table 3), while income from exception fees on credit cards – which are charged when customers exceed their credit card limit or make a late payment on

**Graph 2**  
Growth in Household Fee Income



Source: RBA

their credit card – declined in 2013 (Table 4). This decline was partly due to a reduction in the average fee charged to customers for exceeding their credit limits (Table 3).

**Table 2: Banks' Fee Income from Households**

	2011	2012	2013	Growth	Contribution	Average
				2013	to growth	growth
	\$ million	\$ million	\$ million	Per cent	2013	2007–12
					Percentage	Per cent
					points	
Loans	2 838	2 848	2 930	2.9	2.0	2.1
– Credit cards	1 293	1 309	1 363	4.1	1.3	2.1
– Housing	1 228	1 221	1 226	0.4	0.1	2.5
– Personal	317	317	341	7.5	0.6	0.2
Deposits	1 140	1 096	1 102	0.5	0.1	-10.9
Other fees	91	99	104	4.8	0.1	2.5
<b>Total</b>	<b>4 069</b>	<b>4 043</b>	<b>4 136</b>	<b>2.3</b>	<b>2.3</b>	<b>-2.6</b>

Source: RBA

**Table 3: Unit Fees on Credit Cards<sup>(a)</sup>**

	2011	2012	2013	Change 2013 Per cent	Average change 2007–12 Per cent
<b>Annual fees (\$)<sup>(b)</sup></b>					
Low-rate cards	54	55	55	-0.1	2.8
Standard cards	29	29	29	0.0	0.0
Standard rewards-based cards	80	80	80	0.0	0.0
Platinum rewards-based cards	283	246	236	-4.1	1.4
<b>Cash advance fees (per cent of value)<sup>(c)</sup></b>					
Own bank's ATM	1.8	1.8	1.9	3.4	10.0
Other institution's ATM	1.8	1.8	1.9	3.4	4.7
Overseas ATM	1.8	1.8	1.9	3.4	4.7
<b>Other fees</b>					
Foreign currency conversion fee (per cent of value)	2.9	2.9	2.9	0.4	3.2
Late payment fee (\$)	14	14	14	0.0	-15.5
Over-limit fee (\$)	10	10	8	-23.1	-20.1

(a) Simple average fees for cards with interest-free periods issued by major banks, except for the annual fee on low-rate cards, which is based on a wider sample of banks; note that changes in the sample affect the average fee; as at June

(b) Includes fees for membership in rewards program where charged separately

(c) For low-value transactions, the banks charge a minimum cash advance fee, which represents a higher percentage of the transaction value

Sources: RBA; credit card issuers' websites

Fee income earned from personal loans also increased, although this represents only a small part of household fee income. This increase was reportedly driven by increased income from account-servicing fees as a result of higher customer volumes, as well as a small contribution from an increase in some unit fees charged on unsecured lending.

Deposit fee income from households rose slightly in 2013, which followed four consecutive years of declining revenue from this source. The rise in fee income from household deposits was driven by an increase in income received from exception fees (which include overdrawn account and cheque dishonour fees); these fees grew strongly for the second year in a row after declining from 2009 to 2011 (Table 4). The growth in exception fee income was accounted for by a rise in the number of times

that fees were charged, rather than the level of fees. In contrast, income from account-servicing and transaction fees on deposits declined despite around 10 per cent growth in the average value of household deposits over the year. In part, this was driven by a reallocation by customers toward accounts with no fees. For the household sector, the ratio of deposit fee income to the value of deposits has declined from 0.6 per cent in 2008 to 0.2 per cent in 2013.

Fee income from housing loans increased slightly in 2013. Account-servicing fee income from housing loans increased but this was offset by a fall in other fee income (including exception fees, fees for breaking fixed-rate loans and service fees from securitised loans). Much of the growth in account-servicing fee income in the year can be explained by growth in housing loan approvals. Growth in

**Table 4: Exception Fee Income from Households**

	2011	2012	2013	Growth 2013
	\$ million	\$ million	\$ million	Per cent
Loans	315	312	287	-8.1
– Credit cards	255	252	232	-8.1
– Housing	36	35	30	-16.2
– Personal	24	25	26	3.5
Deposits	235	260	292	12.4
<b>Total</b>	<b>550</b>	<b>572</b>	<b>579</b>	<b>1.2</b>

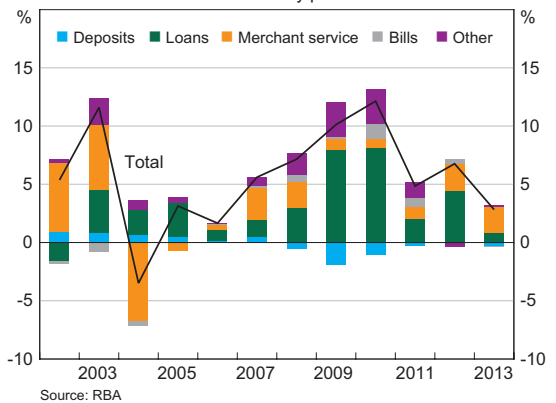
Source: RBA

housing loan approvals is usually associated with higher establishment fee income, although a number of banks have been waiving these fees for some customers. Despite growth in the number of housing loans, exception fee income (which includes, for example, late payment fees) continued to fall and has now declined by more than 50 per cent since 2009.

### Businesses

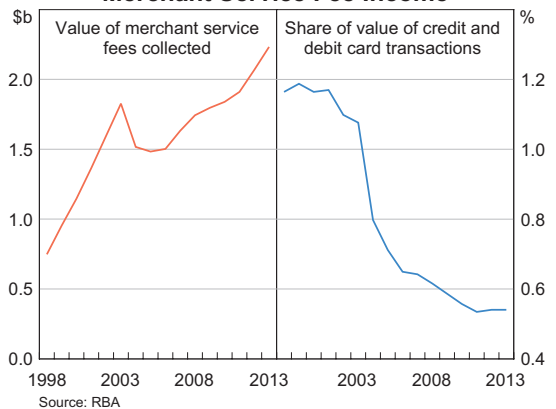
Total fee income from businesses increased by 2.8 per cent in 2013 (Graph 3, Table 5). A rise in the number of credit card transactions drove growth in income from merchant service fees (which cover the provision of credit and debit card transaction services). However, data from the bank fee survey suggest that merchant service fees have, on average, remained stable as a share of transaction values (Graph 4). Merchant service fees collected from both small and large businesses contributed to growth in business fee income, but the increase in these fees paid by small businesses was mostly offset by broad-based declines in other types of fee income derived from small businesses. As a result, growth in aggregate business fee income was largely driven by growth in fees collected from large businesses.

**Graph 3**  
**Growth in Business Fee Income**  
Contribution by product



Source: RBA

**Graph 4**  
**Merchant Service Fee Income**



Source: RBA

**Table 5: Banks' Fee Income from Businesses**

	2011	2012	2013	Growth 2013	Average growth 2007–12
	\$ million	\$ million	\$ million	Per cent	Per cent
Deposit accounts	624	623	603	-3.2	-5.7
– of which: exception fees	50	46	42	-8.0	na
Loans	2 837	3 142	3 204	2.0	13.5
– of which: exception fees	38	36	31	-12.4	na
Merchant service fees	1 910	2 067	2 232	8.0	4.8
Bank bills	236	262	254	-2.9	29.2
Other	1 222	1 198	1 205	0.6	10.9
<b>Total</b>	<b>6 830</b>	<b>7 292</b>	<b>7 499</b>	<b>2.8</b>	<b>8.2</b>
– of which: exception fees	88	81	73	-10.0	na

Source: RBA

Loan fee income from large businesses also contributed to the rise in banks' fee income from businesses, which mostly resulted from an increase in the value of account-servicing fees and was broadly in line with growth in the value of new loans.<sup>3</sup> A rise in some fees for packaged loans also made a small contribution to growth in large business loan fees. Exception fee income from businesses continued to decline in 2013, as did fee income from bank bills (which includes charges for arranging bank bill facilities and accepting or endorsing bills).

Despite growth in the value of business deposits, deposit fee income from businesses declined slightly in the year due to falls in income from account-servicing and transaction fees. This mirrored developments in household deposit fees. ↗

<sup>3</sup> Part of the increase in account-servicing fee income in 2013 arose from a reclassification of some fees that had previously been included in 'other' large business fees.

