

Media release

10 August 2010

NAB super profits = cost of living pressure for customers

Today's announcement by the National Australia Bank that it made a cash profit for the June quarter of \$1.1 billion, up from \$0.9 billion in the same quarter of 2009, shows that the big banks were able to exploit the global financial crisis to increase their profits, according to The Australia Institute.

"A 22 per cent profit increase in a difficult economic climate shows how powerful the banks are due to a lack of competition," said Senior Research Fellow David Richardson.

"While it obviously served Australia well to have a healthy banking sector, this shouldn't be at the expense of the rest of the community.

"Some of the NAB's profit increase is because it, like the other banks, did not always pass on the full reductions in official interest rates and sometimes passed on more than the increases. In that way they were able to exploit the global financial crisis to increase their margins," said Mr Richardson.

"The NAB's results are no doubt a sign of things to come from the other big banks when they report their earnings this week.

"Both Prime Minister Gillard and Opposition Leader Tony Abbott have expressed concern about cost of living pressures during the election campaign. Looking at the excessive profits of our big banks which are at the expense of ordinary Australian home buyers and small businesses would be a good place to start.

"The banks might complain about their increased funding costs but these profit results and the Reserve Bank's recent Monetary Policy Statement put the lie to that. Funding costs are no excuse for extracting more from families and small businesses who are doing it tough," concluded Mr Richardson.

The Australia Institute recently published *Money and Power: The case for better regulation in banking* which recommended forcing banks to move interest rates in line with the Reserve Bank's cash rate and to advertise the mark-up over the official rate.

A copy of the report is available at www.tai.org.au

For media enquiries, please contact:

Serena Rogers 0421 759 262