

2014

AWARD
REPORT



Customer-
owned
banking





IN THIS REPORT

The customer is always right...

That's why the customer-owned banking sector stands out, because it is owned by those who bank with it. Many customers appreciate the fact that the fees and charges they pay contribute to the operational costs of the institution – but not to a shareholder dividend.

If customer and community focus are important to you, you're not alone. One in five people in Australia is a customer of a credit union, mutual bank or building society. In fact, Australia has one of the largest and most successful customer-owned financial services systems in the world.



Who are they?

The customer-owned banking sector consists of:

- 79 CREDIT UNIONS
6 BUILDING SOCIETIES
10 MUTUAL BANKS

Collectively, these organisations bring with them the strength of over \$85 billion in assets.

Security is not an issue, either. This sector is subject to the same stringent, legally-enforceable standards under the Banking Act as all other publicly-listed Authorised Deposit-taking Institutions (ADIs) in Australia.

Equally, all credit unions, mutual banks, building societies and banks are protected by the government guarantee on deposits.

Deposits of up to \$250,000 with credit unions, building societies and mutual banks are covered by this guarantee.



Why customer-owned banking?

While the needs of every customer are different, here are a few mutual benefits to consider.

- **Their customers tend to be happy**

A recent Banking Satisfaction Survey, by [Canstar Blue](#), found high levels of customer satisfaction across the mutual banks surveyed. The finding is echoed by the Customer-Owned Banking Association, which quotes customer satisfaction figures for building societies at 92.5%, for customer-owned banks at 88.6% and for credit unions at 89.3%.

- **Personalised service**

Mutual banks tend to be small in size and, being customer-owned, have a customer-centric focus. This enables them to more easily offer a personalised service that many of their members value. It also means that the goals of the customers, as owners, are the goals of the institution.

- **Competitive rates across loans**

In terms of rates that are on offer, across both deposit and loan products, CANSTAR analysis indicates that customer-owned institution customers are doing okay. Across standard fixed and variable rate home loans, as an example, the average interest rate offered by customer-owned institutions tends to be lower. It should be noted though that this does not take into account discounts offered on the standard rate, either via a no-frills, low-rate loan or a package. These discounts can be substantial.

- **Competitive rates across savings**

When it comes to savings accounts, the current rates being offered by customer-owned institutions tend to be slightly lower, on average, across at-call accounts researched, but slightly higher, on average, across one- and three-year term deposits.

- **Your custom keeps the market diversified**

The benefits of diversification in any market include increased competition and increased choice for consumers. Customer-owned banking overall – across banks, credit unions and building societies – has a collective size of \$86.4 billion in assets. As a customer, you are helping to keep diversification in the banking sector a real and viable thing.



How customer-owned institutions' rates compare to larger institutions'...

| Product | Average rate of larger institutions | Average rate of customer-owned |
|------------------------------------|-------------------------------------|--------------------------------|
| Standard variable home loan | 5.83% | 5.52% |
| 1-year fixed rate home loan | 4.98% | 4.79% |
| 3-year fixed rate home loan | 5.22% | 5.08% |
| Bonus saver account | 3.84% | 3.14% |
| Online banking account (base rate) | 2.63% | 2.45% |
| 1-year term deposit | 3.37% (effective rate) | 3.40% (effective rate) |
| 3-year term deposit | 3.79% (effective rate) | 3.78% (effective rate) |

Source: Canstar.com.au
For parameters, see page 4

No compromise on cost

The majority of credit unions, customer-owned banks and building societies offer a full range of personal banking services.

As mentioned on the previous page, customer-owned banking institutions typically charge less than the larger institutions on standard home loans, while also offering attractive deposit rates on saving investment accounts and 90-day term deposits.

The advent and rapid take-up of online banking has also dissolved any banking accessibility issues that may have proved stumbling blocks in the past.

Particular attention has been paid by the customer-owned banking sector to its spread of ATMs around the country and it now boasts numbers comparable to the big banks, thanks to partnerships with some ATM networks, e.g. the redi-ATM network, as well as individually branded ATMs.

Further technological innovations, such as mobile banking, are available too.

And yes, the big players may have more sophisticated technology and apps at the moment but consumers can still get a better deal from pretty much any financial institution, big or small, without the need to have a branch down the road.



Outstanding value for customers...

Recognising the ongoing importance and the specialist nature of the customer-owned banking sector across Australia, CANSTAR has widened its annual research to encompass the entire customer-owned banking sector.

We have undertaken extensive research to arrive at the institution we believe offers the best value to consumers.

We looked at all lending and savings products offered, along with conditions and sweeteners with appeal or otherwise to consumers, as well as institutional factors such as accessibility, online banking and other products.

A copy of our methodology is attached to this report.



And the winner is...

Best value customer-owned institution

Who is BankVic?

With its transformation from Police Credit on June 1, 2013, BankVic is a relatively new mutual bank.

It is not a new institution, however, having been established in 1974 to offer financial services to specific sectors of the community.

BankVic markets itself as a bank for police, health, public and emergency services.



BankVic



**Banking Institution
of the Year**

BankVic clearly demonstrated an unwavering focus on products tailored to members, which can only be a

good thing for customers. Competitive lending rates, competitive account fees and competitive deposit interest rates

proved a winning combination. In terms of products, CANSTAR was particularly impressed by the following...

Multipack Everyday Transaction account

- No account-keeping fees
- 20 free eftpos transactions
- 10 free ATM withdrawals at Westpac Group-branded ATMs
- Accrues interest at 0.10% on balances.

Bonus Saver

- Earns 3.75% when you deposit \$100 a month and make no withdrawals.

Home Loans

- Premium Package provides a competitive interest rate, with premium variable at 5.09% and a \$375 annual ongoing fee.

Personal Loans

- New Car Loan – 9.49% with no annual fees.
- Personal Loan unsecured – 12.95% with no annual fees.

Credit Cards

- Visa Silver introductory rate at 6.90% for the first six months, then reverts to 11.95% with no annual fee.

In addition to product pricing, BankVic also impressed on features. It has a strong online banking platform that allows members to personalise and customise their internet banking by changing the order of their accounts and renaming accounts to suit their purposes.

Members can also apply for a deposit or term deposit account through the internet, something that is not always possible with other institutions. BankVic is the only customer-owned institution that allows members to transfer money through a mobile number or email address via their mobile app.

CANSTAR congratulates BankVic for winning this award.



Parameters and assumptions for table, page 2

Larger institutions considered...

Adelaide Bank, ANZ, Bank of Melbourne, BankSA, Bankwest, Bendigo Bank, BOQ, Commonwealth Bank, Nab, Suncorp Bank, Westpac
Customer-owned institutions considered...

Sixty customer-owned institutions that were assessed in the award.

Home loans...

Average rate based on advertised residential standard fixed or variable home loans (no packaged rates were considered in the workings).

Online saver account...

Based on the base rate only with a \$10,000 balance.

Bonus saver account...

Based on the total rate (made up of a bonus rate and a base rate) with a \$10,000 balance.

Term deposits...

Rate based on term deposit balance of \$10,000. The effective rate is shown based on the annual percentage when taken into consideration the period interest is accrued and paid.

See important notices and disclaimer... [page 9](#)





CUSTOMER-OWNED BANKING

What is the CANSTAR Customer Owned Banking Institution of the Year Award?

CANSTAR's *Customer Owned Banking Institution of the Year Award* uses a sophisticated rating methodology, unique to CANSTAR, which compares the products and services of customer-owned institutions in Australia. The award aims to recognise the mutual bank, credit union or building society that offers a superior range of personal banking products, as well as a range of services such as branch access and internet banking.

How is the award calculated?

CANSTAR's star rating and award methodology is used for all components apart from the institutional factors. The profiles within each star rating and award are provided with a weight towards the overall *Customer Owned Banking Institution of the Year Award*.

An institution is represented by its own product that has received the highest score/performed the best in each profile/category.



Lending

50%

Deposits

40%

Institutional factors

10%

Lending

Within the lending portion of the comparison we consider the three main areas of retail lending: (1) Home loans, (2) Credit cards and (3) Personal loans.

Lending

50%

Home loans

65%

Credit cards

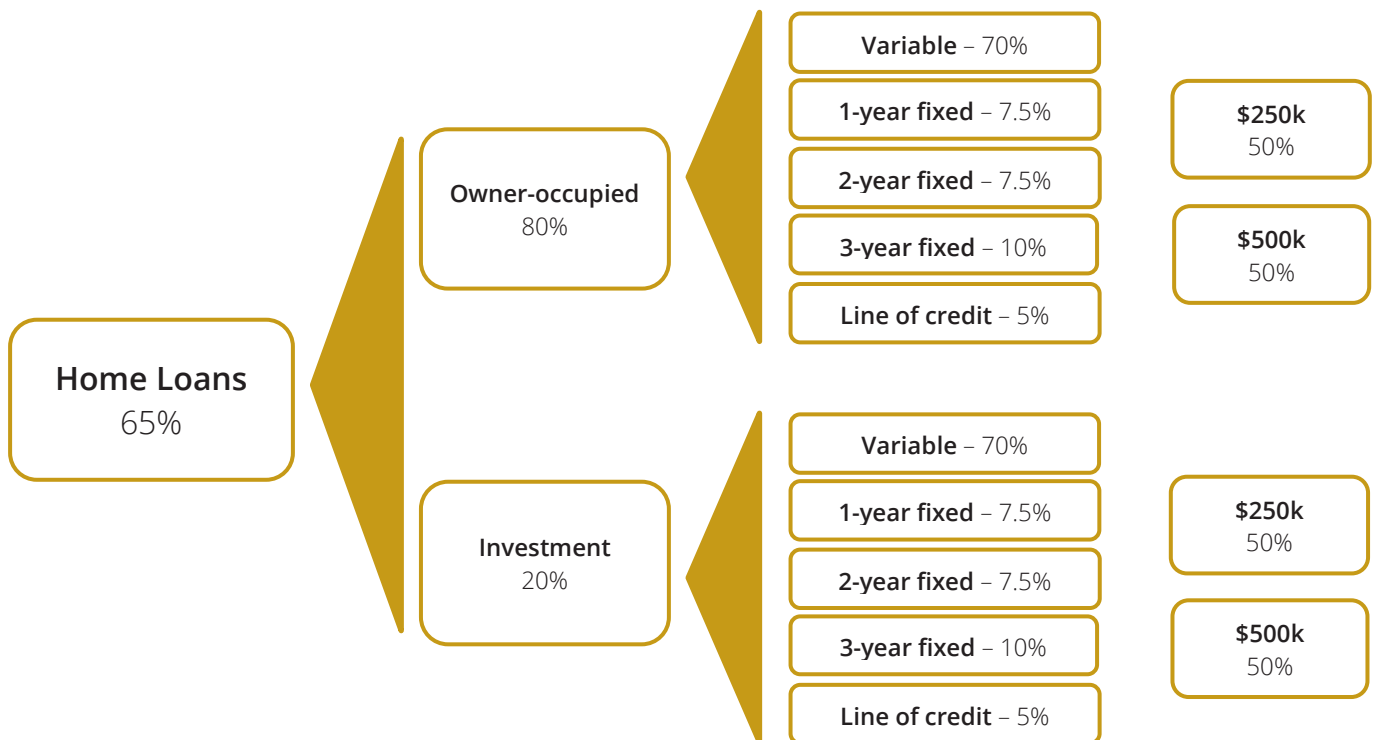
15%

Personal loans

20%

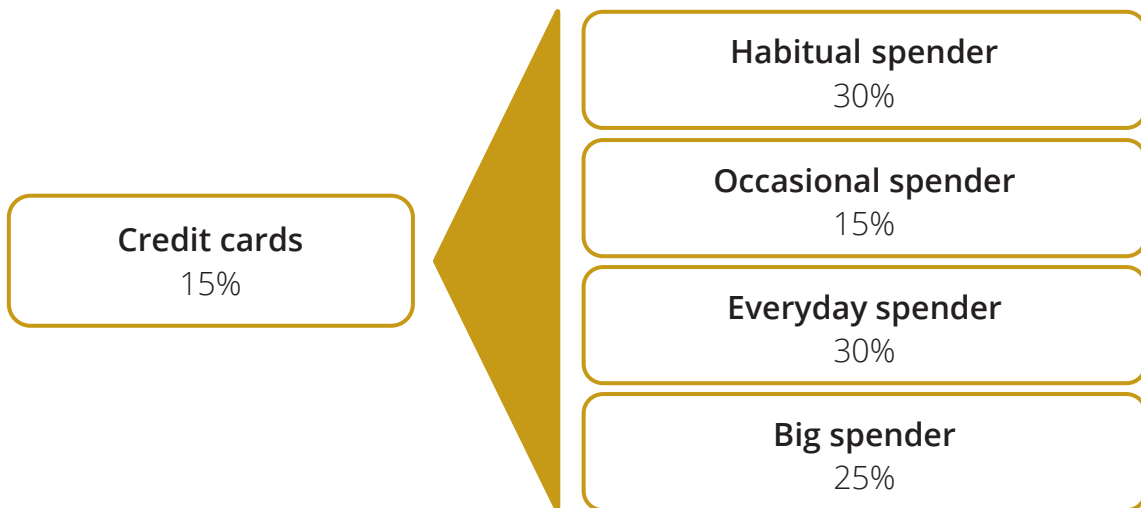
Home loans

The home loans portion of the lending category is calculated using the profiles from CANSTAR's *Home Loans Star Ratings*.



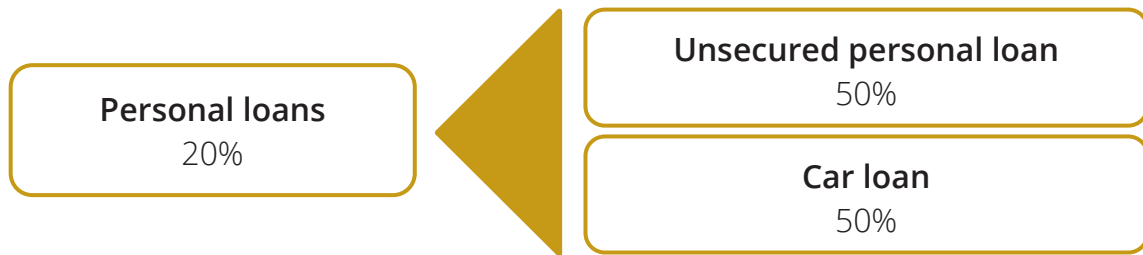
Credit cards

The credit card portion of the lending category is calculated using the profiles from CANSTAR's *Credit Cards Star Ratings*.



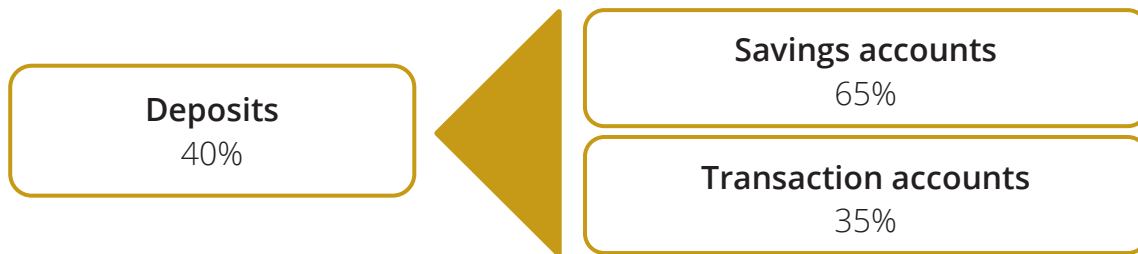
Personal loans

The personal loan portion of the lending category is calculated using the profiles from CANSTAR's *Personal Loans Star Ratings*.



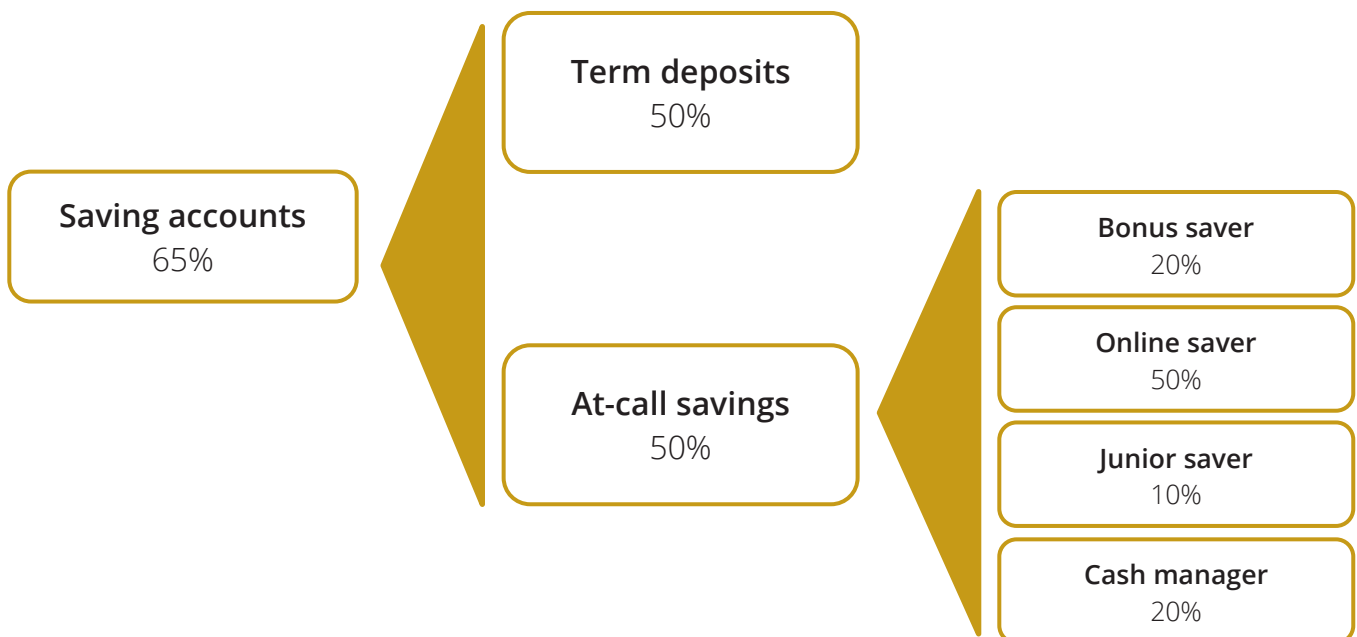
Deposits

Within the deposit portion of the comparison we consider the two main areas of retail deposits: (1) Savings accounts and (2) Transaction accounts.



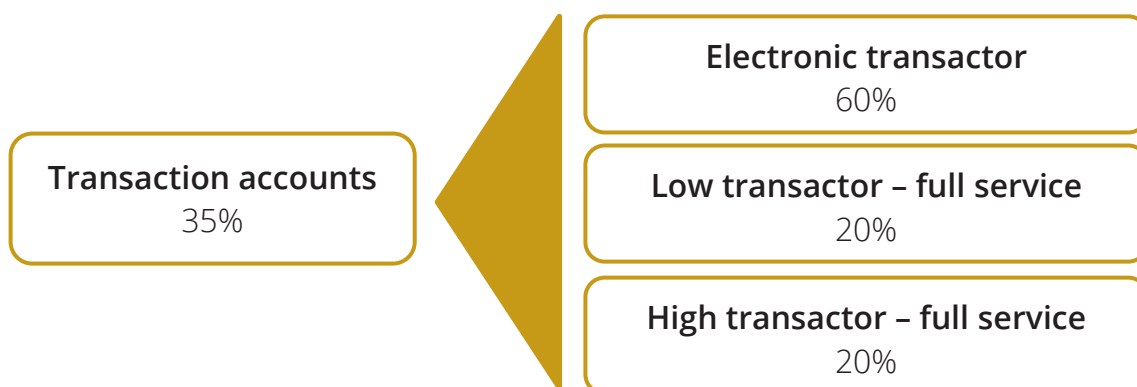
Saving accounts

The saving account portion of the deposit category is calculated using the profiles from CANSTAR's *Deposits Star Ratings* and *Term Deposits Award*.



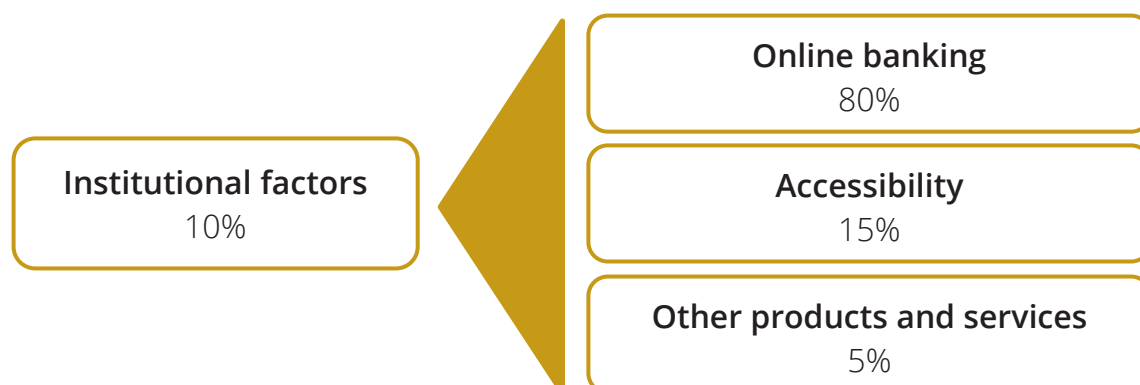
Transaction accounts

The transaction account portion of the deposit category is calculated using the profiles from CANSTAR's *Deposits Star Ratings*.



Institutional factors

The institutional factors component of the award takes into account the institution's accessibility i.e. number of branches, online banking functionality and availability of other products not considered in the deposit and lending categories.



Online banking

Assessment of a customer-owned institution's online banking platform is calculated using the results from the CANSTAR *Online Banking Award*.

Accessibility

Accessibility is based on the number of branches each customer-owned institution has Australia-wide. This is taken from the APRA points of presence data with the latest data coming from June 2013.

Other products and services

Features assessed include range of general and life insurances and other products such as travel money cards and reverse mortgages.

How many products and financial institutions are analysed?

In order to calculate the award, CANSTAR analysed 60 customer-owned institutions across a number of lending and deposit areas.

How often are products reviewed for awards or star ratings purposes?

Ratings and awards are fully recalculated every 12 months, based on the latest submissions from each institution. CANSTAR also monitors changes on an ongoing basis.

Does CANSTAR rate all products available in the market?

We endeavour to include the majority of product providers in the market and to compare the product features most relevant to consumers in our ratings and awards. However, this process is not always possible and it may be that not every product in the market is included nor every feature compared that is relevant to you.

Does CANSTAR rate other product areas?

CANSTAR researches, compares and rates the suite of banking and insurance products listed below. These star ratings and awards use similar methodologies to guarantee quality, consistency and transparency. Results are freely available to consumers, who use the star ratings as a guide to product excellence. The use of similar star ratings logos also builds consumer recognition of quality products across all categories. Access the CANSTAR website at www.canstar.com.au if you would like to view the latest star ratings and awards reports of interest.



- Account-based pensions
- Business life insurance
- Deposit accounts
- Health insurance
- Life insurance
- Online banking
- Personal loans
- Term deposits
- Youth banking
- Agribusiness
- Car insurance
- Direct life insurance
- Home & Contents
- Managed investments
- Online share trading
- Reward programs
- Travel insurance
- Business banking
- Credit cards
- First home buyer
- Home loans
- Margin lending
- Package banking
- Superannuation
- Travel money cards

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Customer Owned Institution of the Year Award

Report Date: JULY 2014

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Customer Owned Institutions

| Institution Name | Website | Total Branch Numbers | Interest Rate (as at 7 July 2014) | | Travel Money Card | Life Insurance | Car Insurance |
|---------------------------|--|----------------------|-----------------------------------|-------------------|-------------------|----------------|---------------|
| | | | Variable Home Loan* | Savings Account** | | | |
| ADCU | www.adcu.com.au | 39 | 5.59% | 2.50% | ✗ | ✗ | ✓ |
| bankmecu | www.bankmecu.com.au | 24 | 5.14% | 2.75% | ✓ | ✓ | ✓ |
| Bankstown City CU | www.bccu.com.au | 1 | 5.80% | 3.55% | ✓ | ✗ | ✓ |
| BankVic | bankvic.com.au | 7 | 5.49% | 2.75% | ✗ | ✓ | ✓ |
| bcu | www.bcu.com.au | 24 | 5.08% | 2.45% | ✗ | ✗ | ✓ |
| Beyond Bank | www.beyondbank.com.au | 44 | 5.79% | 2.85% | ✓ | ✓ | ✓ |
| Big Sky Building Society | www.bigsky.net.au | 4 | 5.15% | 2.70% | ✓ | ✓ | ✓ |
| Cairns Penny | www.cairnspenny.com.au | 1 | 5.50% | 2.90% | ✗ | ✗ | ✗ |
| Catalyst Money | www.catalystmoney.com.au | 9 | 4.70% | 2.80% | ✓ | ✗ | ✓ |
| Circle Credit Co-op | www.circle.com.au | 3 | 5.25% | 2.85% | ✓ | ✗ | ✓ |
| Coastline Credit Union | www.coastline.com.au | 6 | 5.09% | 3.56% | ✓ | ✓ | ✓ |
| Community First CU | www.communityfirst.com.au | 11 | 5.87% | 3.10% | ✓ | ✗ | ✓ |
| Community Mutual Group | www.necu.com.au | 32 | 5.95% | 2.50% | ✗ | ✓ | ✓ |
| CUA | www.cua.com.au | 61 | 5.40% | 3.00% | ✓ | ✓ | ✓ |
| Defence Bank | www.defencebank.com.au | 40 | 5.19% | 4.05% | ✓ | ✗ | ✓ |
| Easy Street Fin Services | www.easystreet.com.au | 11 | 5.26% | 2.80% | ✗ | ✗ | ✓ |
| ECU Australia | www.ecu.com.au | 12 | 5.80% | 3.00% | ✓ | ✓ | ✓ |
| Encompass Credit Union | www.encompasscu.com.au | 4 | 5.55% | 1.75% | ✓ | ✓ | ✓ |
| FCCS Credit Union | fccs.com.au | 4 | 5.29% | 2.50% | ✓ | ✓ | ✓ |
| First Option Credit Union | www.firstoptioncu.com.au | 3 | 5.85% | 3.00% | ✓ | ✓ | ✓ |
| Gateway Credit Union | www.gatewaycu.com.au | 1 | 5.49% | 3.00% | ✗ | ✓ | ✓ |

your guide to product excellence

* Variable home loan rate based on the standard variable rate at loan amount \$250,000 at 80% LVR. If standard variable rate is not available, their basic variable rate is listed.

** Savings account rate based on the online savings account rate for an account balance of \$10,000. If online savings account rate is not available, their bonus saver or if that is not available, cash management account is listed.



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Customer Owned Institutions

| Institution Name | Website | Total Branch Numbers | Interest Rate (as at 7 July 2014) | | Travel Money Card | Life Insurance | Car Insurance |
|------------------------------|--|----------------------|-----------------------------------|-------------------|-------------------|----------------|---------------|
| | | | Variable Home Loan* | Savings Account** | | | |
| Greater Building Society | www.greater.com.au | 64 | 5.50% | 3.70% | ✓ | ✗ | ✓ |
| Heritage Bank | www.heritage.com.au | 54 | 5.64% | 2.75% | ✓ | ✓ | ✓ |
| Holiday Coast CU | www.hccu.com.au | 13 | 5.25% | 1.75% | ✗ | ✓ | ✓ |
| Horizon Credit Union | www.horizoncreditunion.com.au | 9 | 5.39% | 2.50% | ✓ | ✗ | ✓ |
| Hume Bank | www.humbank.com.au | 19 | 5.85% | 3.50% | ✓ | ✓ | ✓ |
| Hunter United Credit Un | www.hunterunited.com.au | 8 | 5.20% | 2.40% | ✗ | ✓ | ✓ |
| Illawarra CU NSW | www.illawarracu.com.au | 9 | 4.70% | 2.80% | ✓ | ✗ | ✓ |
| IMB | www.imb.com.au | 43 | 5.66% | 4.00% | ✓ | ✗ | ✓ |
| Intech Credit Union | www.intechcu.com.au | 4 | 5.25% | 3.00% | ✓ | ✓ | ✓ |
| Macquarie Credit Union | macquariecu.com.au | 1 | 5.53% | 2.70% | ✓ | ✗ | ✓ |
| ME Bank | www.mebank.com.au | 8 | 5.38% | 2.90% | ✗ | ✗ | ✓ |
| MyState | mystate.com.au | 10 | 4.88% | 2.50% | ✓ | ✓ | ✓ |
| Newcastle Permanent | www.newcastlepermanent.com.au | 52 | 5.55% | 3.55% | ✓ | ✓ | ✓ |
| Northern Beaches CU | www.nbcu.com.au | 4 | 5.84% | 1.00% | ✓ | ✗ | ✓ |
| P&N Bank | www.pncs.com.au | 17 | 5.70% | 2.65% | ✓ | ✓ | ✓ |
| People's Choice Credit Union | www.peopleschoicecu.com.au | 50 | 5.87% | 2.90% | ✓ | ✓ | ✓ |
| Police Bank | www.policebank.com.au | 7 | 5.64% | 2.80% | ✓ | ✓ | ✓ |
| Qantas Credit Union | www.qantascu.com.au | 9 | 5.33% | 2.65% | ✓ | ✓ | ✓ |
| Qld Police Credit Union | www.qpcu.com.au | 3 | 5.64% | 2.60% | ✗ | ✓ | ✓ |
| Qld Professional CU | www.qldprofcu.com.au | 1 | 5.30% | 3.25% | ✓ | ✗ | ✗ |
| QT Mutual Bank | www.qtmb.com.au | 14 | 5.82% | 2.65% | ✓ | ✓ | ✓ |

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| Quay Credit Union | www.quaycu.com.au | 1 | 5.24% | 1.25% | ✗ | ✗ | ✗ |
| Queensland Country Credit Union | www.qccu.com.au | 24 | 5.79% | 2.80% | ✗ | ✓ | ✓ |
| Queenslanders CU | www.queenslanders.com.au | 5 | 5.00% | 2.90% | ✓ | ✓ | ✓ |
| SCU | www.scu.net.au | 19 | 4.87% | 3.80% | ✓ | ✓ | ✓ |
| Select Credit Union | www.selectcu.com.au | 9 | 5.29% | 2.70% | ✓ | ✓ | ✓ |
| SERVICE ONE Members Banking | www.somb.com.au | 12 | 5.75% | 0.25% | ✓ | ✓ | ✓ |
| SGE Credit Union | www.sgecu.com.au | 9 | 5.87% | 0.75% | ✗ | ✓ | ✓ |
| Summerland CU | www.summerland.com.au | 12 | 5.29% | 2.50% | ✓ | ✓ | ✓ |
| Teachers Mutual Bank | www.tmbank.com.au | 2 | 5.07% | 2.75% | ✓ | ✓ | ✓ |
| The Capricornian | www.capricornian.com.au | 6 | 6.02% | 1.20% | ✗ | ✓ | ✓ |
| The Mac | www.themaccu.com.au | 4 | 5.74% | 2.50% | ✓ | ✓ | ✓ |
| The Mutual | www.themutual.com.au | 6 | 5.58% | 4.00% | ✓ | ✗ | ✓ |
| The Rock Building Soc | therock.com.au | 7 | 4.79% | 2.75% | ✗ | ✓ | ✓ |
| The Shire Credit Union | shirecu.com.au | 4 | 5.37% | 2.75% | ✓ | ✗ | ✓ |
| Transport Mutual Credit Union | www.transportmutual.com.au | 1 | 5.81% | 0.30% | ✓ | ✗ | ✓ |
| Unicredit-WA | www.unicredit.com.au | 3 | 5.25% | 4.00% | ✓ | ✓ | ✓ |
| Victoria Teachers Mutual Bank | www.victeach.com.au | 2 | 5.64% | 2.80% | ✓ | ✓ | ✓ |
| Wide Bay Australia | www.widebayaust.com.au | 26 | 5.93% | 2.75% | ✓ | ✓ | ✓ |

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