

2015

AWARD
REPORT



Customer-
owned Banking





Customer-owned Banking

July 2015

Foreword

Some people feel strongly about being known by name rather than just a number. That sentiment underpins the attraction of choosing to use customer-owned over traditional banking services. The fact that profits go to improving products and services, rather than shareholder dividends, is also a strong incentive to choose a financial institution that is owned by its customers.

This is in no way a compromise. Collectively, mutual banks, credit unions and building societies are the fifth largest holder of household deposits in Australia – according to the Customer Owned Banking Association, as at March 2015, this figure stood at 10.2%. And when it comes to financial institutions, sometimes bigger is not better. Customer-owned financial institutions offer very competitive products. Not just occasionally either.

I appreciate that a slice of the population also places great importance on banking with a community-focused “local”. With internet banking now dissolving boundaries, the “local” customer-owned bank, credit union or building society is as free as the Big Four banks to accept customers nationwide into the fold. And that’s got to be of benefit for both parties.

In this report, we look at what 11 mutual banks, 38 credit unions and 7 building societies offer and how they rate against each other for products and services. Our aim was to uncover the best value for consumers by comparing products offered.



Mitchell Watson
Research Manager

WHY WE LIKE BANKING WITH CUSTOMER-OWNED

Happy customers who are less likely to switch are the sentiments many customers of mutual banks express. A recent Banking Satisfaction Survey, by Canstar Blue, found high levels of customer satisfaction across the mutual banks surveyed. Those who bank with a Customer-Owned Bank report a 91% overall satisfaction rate, with only 10% saying they would consider switching.

The Canstar Blue survey is not unusual. A string of banking satisfaction surveys over the years all report similar findings. The latest, from Roy Morgan's Customer Satisfaction Survey, April 2015, quotes 92.2% as being satisfied with their mutual bank.

It's not surprising that people value the overall package they get with a Customer-Owned Bank. Personalised service that doesn't come at the cost of higher-priced banking products is a big drawcard, as is the concept of profits being directed into products and services rather than shareholders' dividends. Collectively, mutual banks, credit unions and building societies are the fifth largest holder of household deposits in Australia. As at March 2015, this figure stood at 10.2% (Customer Owned Banking Association figures). They are a real, and valued, alternative to the Big Four.

The icing on the cake is that customer-owned institutions generally tend to offer sharper standard prices than the Big Four banks. Our comparison below shows the average difference in fixed and variable home loans, personal loans and three term deposit products. Some of the standard term deposits pay more and the standards loans charge less, according to our average of 10 customer-owned institutions. Is it any wonder customers of mutual institutions are reluctant to switch?



Product - Loans	Banks	Customer Owned	Difference
Standard Variable Home Loan	4.94%	4.93%	0.01%
1 Year Fixed Home Loan	4.59%	4.38%	0.21%
3 Year Fixed Home Loan	4.59%	4.48%	0.11%
Personal Loan (unsecured)	13.68%	12.64%	1.04%
Product - deposits			
4 Month Term Deposit	2.30%	2.45%	-0.14%
7 Month Term Deposit	2.11%	2.50%	-0.39%
1 Year Term Deposit	2.59%	2.47%	0.12%

Term deposits are the nominal rate based on an amount of \$10,000 for the terms stated within the table. Standard Variable, 1 and 3 year fixed are based on an amount available for a loan amount of \$300,000. Personal loan rate is based on a loan amount of \$10,000 for a unsecured loan. Bank rates are based off all banks listed on CANSTAR's database (excluding mutual banks) available for the products noted. Customer Owned Institution rates are based off of all mutual banks, building societies and credit unions on CANSTAR's database available for the products noted.

In defense of the larger institutions, it should be noted that while the loan rates above are based on the standard advertised rates available, many customers will negotiate a cheaper rate, or purchase a package product with their lender.

ONLINE OPENS UP THE WORLD



As we embrace the online medium and trust it to carry out a whole lot more of our daily functions, a new world of choices opens up. We are no longer restricted to shopping locally. We can now look around to see what's available elsewhere. The internet has levelled the playing field for competition with laser-sharp accuracy, and one of the industry sectors to benefit most is banking.

Competition for financial products is hot. Combine that with user-friendly banking websites and associated internet services and it's obvious that we now have more choice than ever. Smaller institutions, in particular, have been able to cast off the geographical shackles and compete on an equal footing with the big boys.

Banks – customer-owned, as well as the majors – have made the online process easier for customers by continually improving their websites and internet banking services, ironing out glitches and adding handy features to make sure the experience is what we expect – fast, accurate and convenient every time.

WHAT'S OUR PREFERENCE FOR BANKING ONLINE?

Phone banking is increasing in popularity but 59% of us still do at least some online banking on our desktop computer, with those using a laptop just behind at 57%, according to a Canstar Blue survey on banking satisfaction. Of the remaining devices used for online banking, 39% of us use our mobiles and only 20% use a tablet.



Canstar Blue also tells us that overall a huge number of those surveyed – 90% - bank online. Unsurprisingly, those aged 18 and under 50 years old have embraced the concept, with those surveyed reporting a very high rate of banking online. The 18-24 year olds have a 97% usage rate, trickling down to 91% for those in the 40-49 year age group.

Consumers in their fifties are not disgraced either – 89% of them access online banking services, as do 86% of sixty year olds. It's to be expected that those in their seventies and over are infrequent users of online banking but with a score of 76%, they may well be the quiet achievers in this survey.

POPULAR TASKS

Sometimes it's not all about moving money. One of the most frequent activities undertaken using a computer or mobile phone is simply checking account balances and researching products and services to buy.

Internet banking offers a wealth of banking options. The vast majority of

banking products can be applied for online. Other useful functions include:

- Transferring money between accounts
- Paying bills
- Accessing your transaction history
- Finding your nearest ATM
- Using tools such as home loan and savings calculators
- Setting up an online budget and frequent payments

And best of all, it can be done any day of the week and at any time to suit your schedule. How convenient is that?



BRANCHES ARE BEST IN SOME CASES

Despite urban myth, branches are far from dead. There has been a little reshuffling and readjusting going on but branch numbers are not falling dramatically as a result of most customers banking online.

Every year on behalf of the government, APRA collects data on the numbers of branches banks, building societies and credit unions operate around the country. APRA reports that as at June 2014, we had a total of 633 branches nationwide, a decrease of 52, or just 1%, from June 2013.



Unpacking that figure, we have:

- 5,483 bank branches – 18 more than the previous year.
- 244 building society branches – unchanged.
- 604 credit union branches – 70 less, although a large proportion of this decrease was driven by a credit union converting to a bank over the period.

State	Branches June 2014	Branches June 2013	Change
New South Wales	2,055	2,081	-26
Victoria	1,466	1,463	-3
Queensland	1,354	1,379	-25
Western Australia	628	633	-5
South Australia	508	507	+1
Tasmania	150	149	+1
ACT	100	102	-2
Northern Territory	71	70	+1
Total	633	6384	

Source: APRA

Banks are a service industry and they provide access to numerous channels to keep customers happy. We still need branches for things like:

- ✓ Personalised help with complex transactions
- ✓ Sorting out problems
- ✓ Organising petty cash for a retail operation
- ✓ Depositing a large amount of cash
- ✓ Depositing cash takings or child's piggy bank money through an automatic coin-counting machine
- ✓ Picking up foreign currency
- ✓ Organising a cheque or money order
- ✓ Opening a trust account
- ✓ Accessing wealth management and insurance products

One curiosity that lingers to this day is the need for those renting a house or apartment to obtain a cheque or money order to cover bond requirements. This must be posted to the Residential Tenancy Authority in their particular state. While you can download the accompanying bond form from the net, you must then make a visit to your bank branch to arrange a cheque or money order. With an estimated 30% of us renting our homes, that's potentially a lot of trips to bank branches, particularly for those who move around frequently, such as young people.





WHAT WE LOOK FOR

At CANSTAR, our research into Customer-owned Banking encompassed 11 mutual banks, 38 credit unions and 7 building societies. We compared who offers what in key product areas such as home loans for owner occupiers and investors, credit cards, personal loans and the full range of transaction and savings accounts.

We also took into account online banking functionality and the number of ATMs as well as physical branches to round out the customer's ease of accessibility.

The spread of ATM coverage is important to customers who want convenient service without incurring fees. Through various partnerships, mutual banking customers have a high level of ATM accessibility via the rediATM network as well as their own institution's branded ATMs.

If you would like to read more about our comparison, the methodology document is at the end of this report.

AND THE WINNER IS



Banking Institution of the Year

CANSTAR is pleased to announce that CUA is our winner of the Customer-owned Institution of the Year.

Quite apart from CUA being the largest customer-owned financial institution, its products are impressive and stand up to microscopic scrutiny.

In the lending area, CUA excelled. Its hero product, 'Fresh Start' has a low rate of 4.18% - 0.72% below the current market average at time of writing – which makes it attractive to home buyers, whether they be owner occupiers or investors.

CUA also performed strongly in our deposit profiles, driven largely by its eSaver account which stood out with a generous

rate of 3.15%, consisting of a base interest rate of 2.25% plus a bonus rate of 0.90% when you make total deposits of at least \$200 and no withdrawals in a calendar month. Additional sweeteners include no fee for direct debits, branch cash withdrawals, cheque deposits and monthly account keeping fees. Overall CUA's eSaver account is a well-valued incentive saver account.

In this low-rate environment, making the most out of term deposits is a must if you want to maximise your savings. CUA consistently rose to the top of the leaderboard in most of the tiers we compared. For instance, on an amount of \$10,000 CUA offers 3.10% for a term of 12 months and 2.95% for 6 months. It is no wonder CUA has been awarded CANSTAR's Customer Owned Institution of the Year - Term Deposits for the last five years running!

It also comes as no surprise that CUA, with 59 branches across Australia, achieved full marks for customer accessibility. This is backed up by call centre availability between 8am and 8pm on weekdays and 8am to 4pm on weekends. The website also points you in the right direction with a clear locator for ATM, branch or mobile banker in your area. CUA offers online banking and a phone banking app for the increasingly popular banking on the go.

As the newly-minted Customer-owned Institution of the Year, CUA is deserving of the accolade and we congratulate it on this achievement.



CANSTAR Q & A

In light of its win, we caught up with CUA general manager, product and marketing, Jason Murray, for some insights into the opportunities and challenges of being customer-owned

Q: In various industry surveys, customer satisfaction with their chosen customer-owned institution tends to be very high. In your experience, what is that customers like much about the model?

CUA's personalised customer service through our branches and digital/ direct channels, and our competitive products which provide our customers with better value, help drive consistently high customer satisfaction scores for CUA. 87 per cent of CUA customers were satisfied or very satisfied during May 2015 (Roy Morgan). CUA customers appreciate being able to access a range of financial services under one roof, including banking products, general insurance and health insurance.

CUA customers also know that because we are customer-owned, there are no dividends to shareholders. That means we can return our profits to customers by providing better value products and services, supporting community and charity initiatives, and investing in CUA's future growth.

Q: CUA is Australia's largest customer-owned banking provider – what special opportunities and challenges (if any) does being the biggest raise?

A: As Australia's largest customer-owned financial institution, we have opportunities to deliver better value, innovative products and services, and a large branch network with a local focus.

Size and scale: CUA has been providing banking services to customers for nearly 70 years and now has more than \$11.5 billion in assets and over 430,000 customers. Customers can be confident that CUA is strong and sustainable, which allows us to give back to our customers by providing better value products and services.

Innovation: CUA can be more nimble than other larger players, which puts us in a strong position to be able to deliver innovative and unique products and services to our customers. Our size allows us to invest in technology and innovation, while still being small enough to be able to implement change quickly and efficiently.

National branch network with a local focus: CUA has a national footprint, with 59 branches and our customers have access to over 3,000 ATMs through the rediATM network – one of the largest in Australia. CUA is also small enough to maintain a strong grass roots presence in the local communities where we operate – this includes providing grants to local schools through CUA Community Care, supporting charities like SIDS and Kids, volunteering with local community groups and being recognised in local business awards.

Q: CUA has a large number of branches and also terrific online functionality. So – which do your customers seem to prefer? Does it differ according to demographic?

A: It's important to CUA that we give our customers choice over the channel they use to buy or browse our products and services, and how they transact with us as their banking provider. These channels include our 59 branches, CUA Direct call centres and digital channels, and also mortgage brokers.

Branches continue to be important to CUA's customers. We're also investing in upgrades to our digital platforms, like mobile banking, to provide an even better multi-channel customer experience.

The use of mobile banking by CUA customers is increasing significantly. The number of mobile banking logins each month has increased by 92 per cent in less than two years. CUA mobile banking log-ins now average more than 1.3 million log-ins per month – a similar number of log-ins to CUA web banking.

Mobile banking use is highest among CUA customers aged 18-32, while CUA web banking log-ins are highest among customers aged 48-62 years.



METHODOLOGY

CUSTOMER-OWNED BANKING INSTITUTION OF THE YEAR

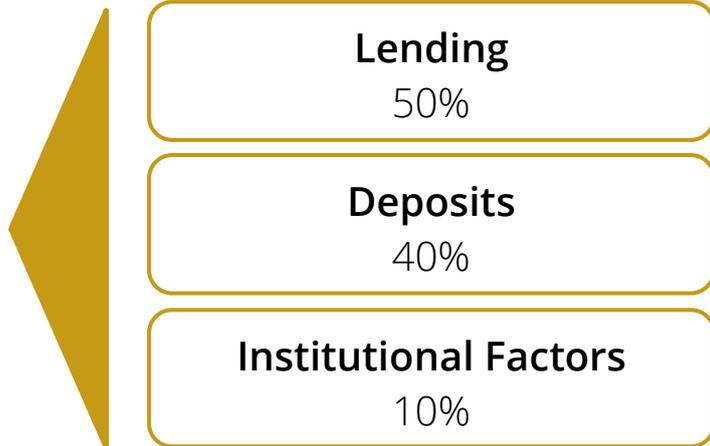
What is the CANSTAR *Customer Owned Banking Institution of the Year Award*?

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?

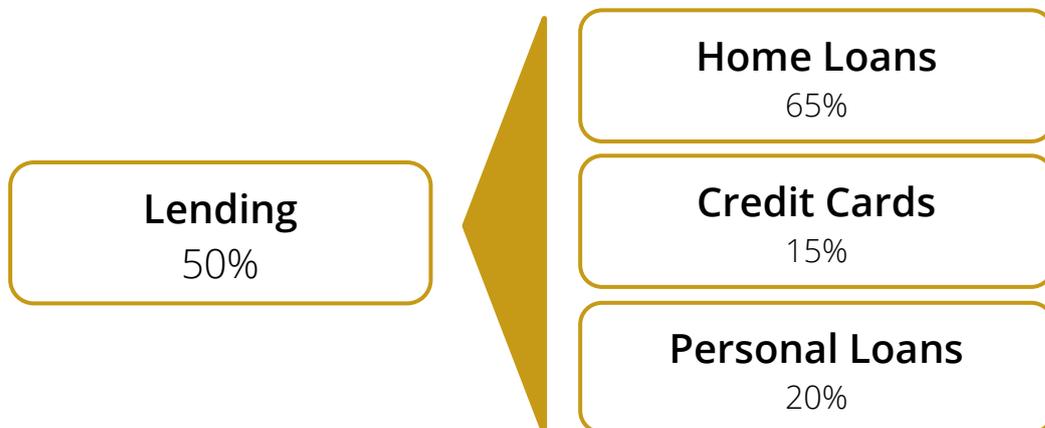
CANSTAR's star rating and award methodology is used for all components apart from the institutional factors. The profiles within each star rating and award are provided with a weight towards the overall *Customer Owned Banking Institution of the Year Award*.

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

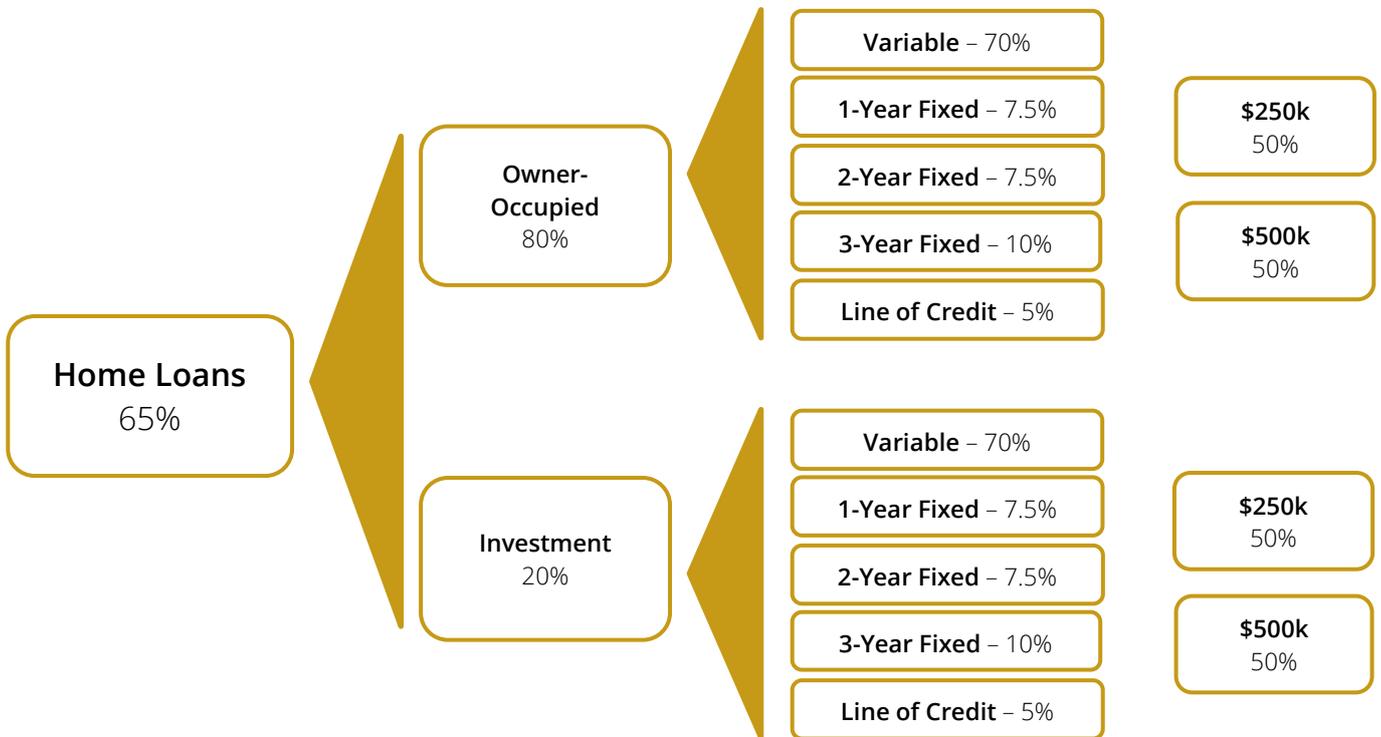


Lending

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.

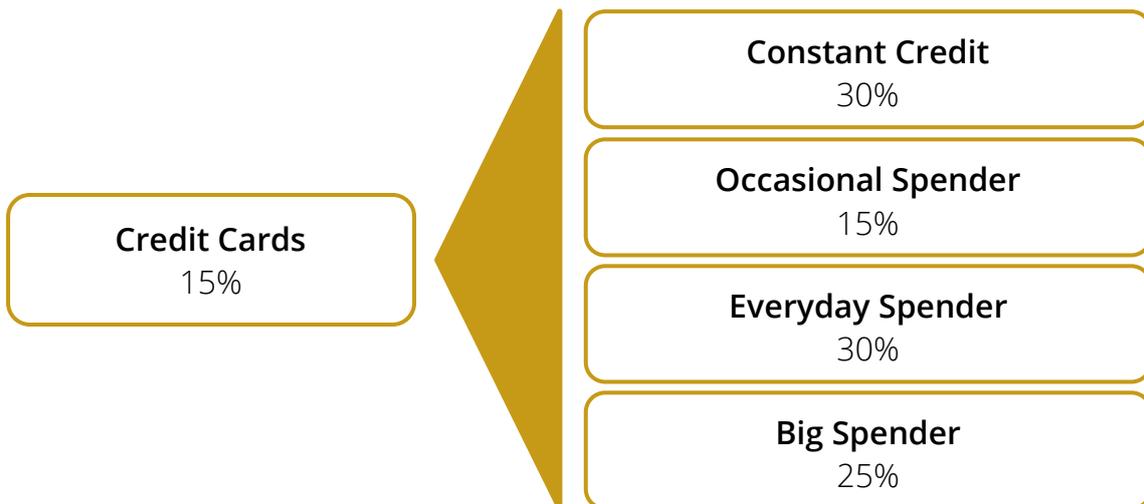


The home loans portion of the lending category is calculated using the profiles from CANSTAR's *Home Loans Star Ratings*.



Credit cards

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



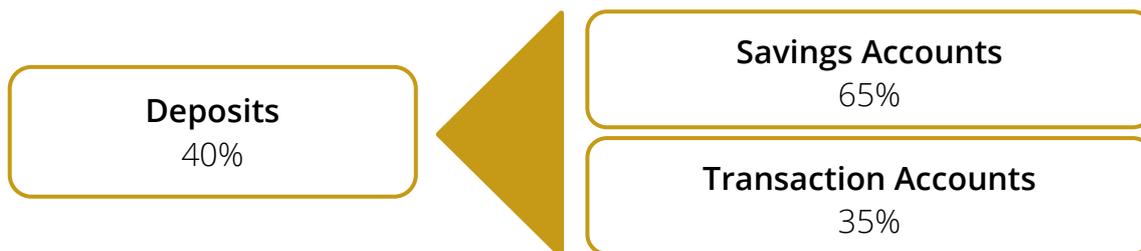
Personal loans

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



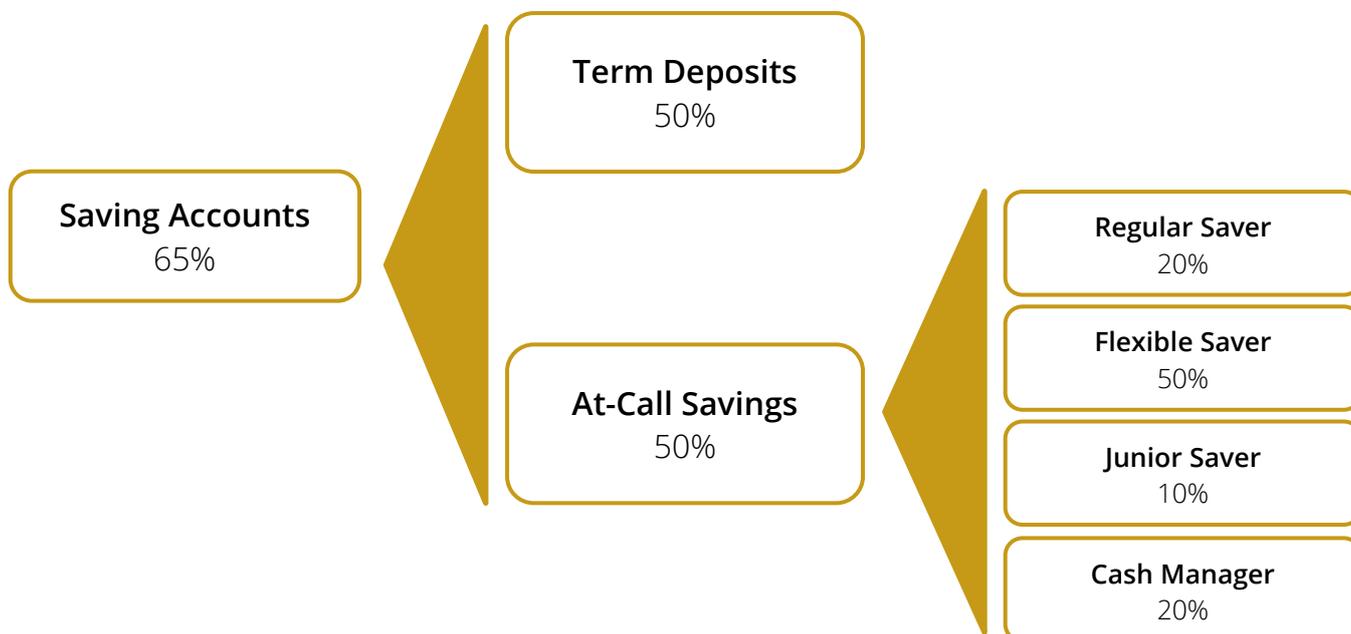
Deposits

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



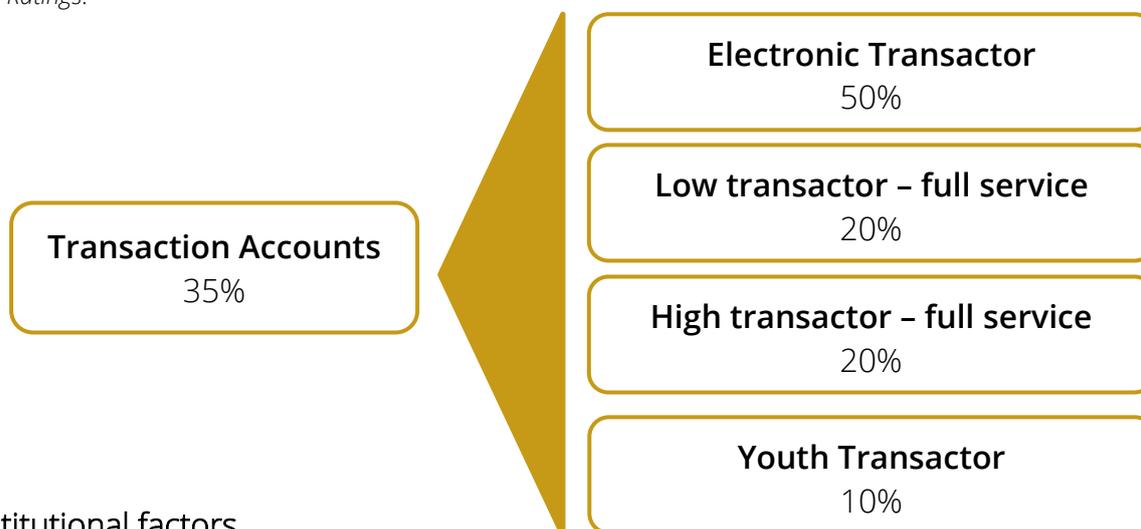
Saving accounts

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



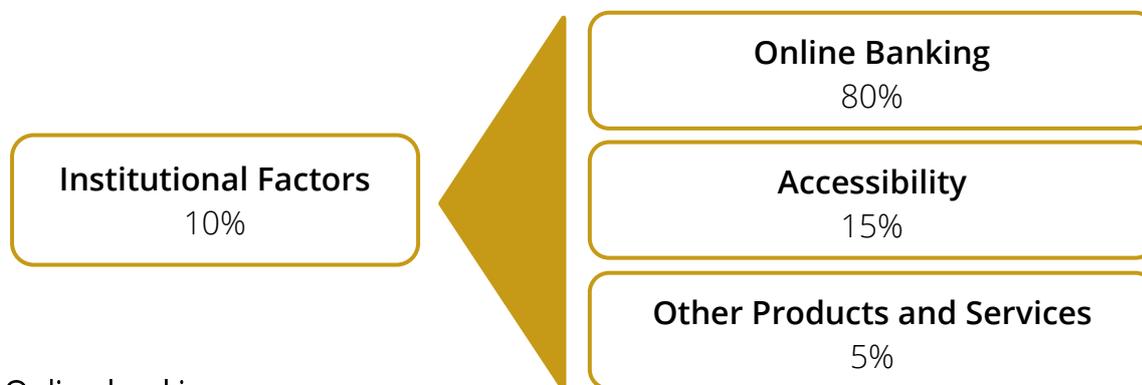
Transaction accounts

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 2014.

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 58 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 Award

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Customer Owned Institution

Company	Website	Interest Rate Variable Home Loan** (%)	Travel Insurance	Life Insurance	Landlord Insurance	Motor Vehicle Insurance	Number of Branches
ADCU	www.adcu.com.au	4.74%	✓	✗	✓	✓	37
Auswide Bank	www.widebayaust.com.au	5.48%	✓	✓	✓	✓	24
bankmecu	www.bankmecu.com.au	4.64%	✓	✓	✓	✓	25
BankVic	www.bankvic.com.au	4.99%	✓	✓	✓	✓	4
bcu	www.bcu.com.au	4.93%	✓	✓	✓	✓	23
Beyond Bank	www.beyondbank.com.au	5.34%	✓	✓	✓	✓	48
Big Sky Building Society	www.bigsky.net.au	4.20%	✓	✓	✓	✓	5
Cairns Penny	www.cairnspenny.com.au	5.25%	✓	✗	✗	✗	1
Catalyst Money	www.catalystmoney.com.au	4.35%	✓	✓	✓	✓	8
Coastline Credit Union	www.coastline.com.au	4.59%	✓	✓	✓	✓	6
Community First CU	www.communityfirst.com.au	4.35%	✓	✗	✓	✓	11
Community Mutual Group	www.necu.com.au	4.63%	✓	✓	✓	✓	30
CUA	www.cua.com.au	4.18%	✓	✓	✓	✓	60
Defence Bank	www.defencebank.com.au	5.43%	✓	✗	✓	✓	38
Easy Street Fin Services	www.easystreet.com.au	3.99%	✓	✗	✓	✓	11
ECU Australia	www.ecu.com.au	5.37%	✓	✓	✓	✓	11
Encompass Credit Union	www.encompasscu.com.au	5.10%	✓	✓	✓	✓	4
FCCS Credit Union	www.fccs.com.au	4.84%	✓	✓	✓	✓	3
First Option Credit Union	www.firstoptioncu.com.au	5.35%	✓	✓	✓	✓	3
G&C Mutual Bank	www.sgecu.com.au	5.37%	✓	✓	✓	✓	9



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Customer Owned Institution

Company	Website	Interest Rate Variable Home Loan** (%)	Travel Insurance	Life Insurance	Landlord Insurance	Motor Vehicle Insurance	Number of Branches
Gateway Credit Union	www.gatewaycu.com.au	5.04%	✓	✓	✓	✓	1
Greater Building Society	www.greater.com.au	4.44%	✓	✓	✓	✓	62
Heritage Bank	www.heritage.com.au	5.19%	✓	✓	✓	✓	186
Holiday Coast CU	www.hccu.com.au	4.79%	✓	✓	✓	✓	11
Horizon Credit Union	www.horizoncreditunion.com.au	4.89%	✓	✗	✓	✓	9
Hume Bank	www.humebank.com.au	5.35%	✓	✓	✓	✓	12
Hunter United Credit Un	www.hunterunited.com.au	4.75%	✓	✓	✓	✓	8
Illawarra CU NSW	www.illawarracu.com.au	4.35%	✓	✓	✓	✓	8
IMB	www.imb.com.au	5.21%	✓	✗	✓	✓	43
Intech Credit Union	www.intechcu.com.au	4.80%	✓	✓	✓	✓	4
Macquarie Credit Union	www.macquariecu.com.au	5.08%	✓	✗	✓	✓	1
MyState	www.mystate.com.au	4.34%	✓	✓	✓	✓	10
Newcastle Permanent	www.newcastlepermanent.com.au	5.10%	✓	✓	✓	✓	56
Northern Beaches CU	www.nbcu.com.au	4.84%	✓	✓	✓	✓	4
P&N Bank	www.pncs.com.au	5.25%	✓	✓	✓	✓	17
People's Choice Credit Union	www.peopleschoicecu.com.au	5.42%	✓	✓	✓	✓	84
Police Bank	www.policebank.com.au	5.14%	✓	✓	✓	✓	7
Qld Police Credit Union	www.qpcu.com.au	5.14%	✓	✓	✓	✓	3
QT Mutual Bank	www.qtmb.com.au	5.32%	✓	✓	✓	✓	14
Queenslanders CU	www.queenslanders.com.au	4.60%	✓	✓	✓	✓	5



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Customer Owned Institution

Company	Website	Interest Rate Variable Home Loan** (%)	Travel Insurance	Life Insurance	Landlord Insurance	Motor Vehicle Insurance	Number of Branches
SCU	www.scu.net.au	4.72%	✓	✓	✓	✓	18
Select Credit Union	www.selectcu.com.au	4.64%	✓	✓	✓	✓	9
SERVICE ONE Members Banking	www.somb.com.au	5.30%	✓	✓	✓	✓	11
Teachers Mutual Bank	www.tmbank.com.au	4.57%	✓	✓	✓	✓	8
The Capricornian	www.capricornian.com.au	4.89%	✓	✓	✓	✓	6
The Mac	www.themaccu.com.au	4.44%	✓	✓	✓	✓	4
The Mutual	www.themutual.com.au	5.08%	✓	✗	✓	✓	6
The Rock Building Soc	www.therock.com.au	4.34%	✓	✓	✓	✓	44
Transport Mutual Credit Union	www.transportmutual.com.au	5.36%	✓	✗	✓	✓	1
Unicredit-WA	www.unicredit.com.au	4.90%	✓	✓	✓	✓	3
Victoria Teachers Mutual Bank	www.victeach.com.au	5.14%	✓	✓	✓	✓	2
Your Credit Union	www.qldprofcu.com.au	4.80%	✗	✗	✗	✗	1