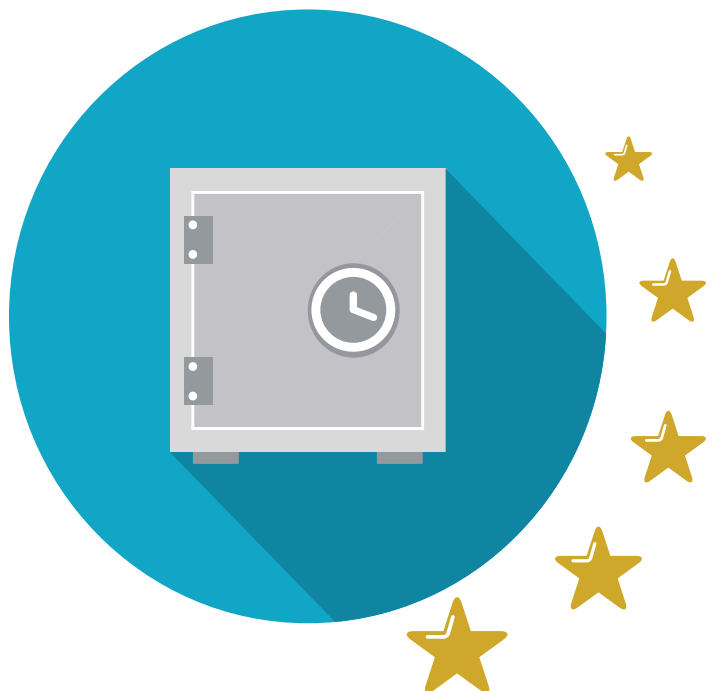


2015

STAR RATINGS

REPORT



Term Deposits



Term Deposits

July 2015

Foreword

If you have a large amount of money burning a hole in your pocket, parking it in a term deposit is still the favoured method of investment. But term deposits vary widely to cater for a range of customer needs. The interest rates, too, are up and down. That's why it's important to check all rates in the market place before committing your cash for the term of your choice.

While acknowledging that term deposits really are all about the money, our research also factors in other features that round out a bank's suite of term deposit offerings. These include features such as how you can open an account with the institution you would like to use for your term deposit, and interest payment options and penalties in the event of early withdrawal.

We also look at how maturity is handled – what sort of reminder or instruction do you receive, and how much it costs at maturity to transfer your money to another financial institution. Is there a free bank cheque or free direct credit? Or, if you decide to stay with the same institution, will you be rewarded with a rollover bonus?

While the interest rate is the interest rate for all to see, many of the features of term deposits are not top of mind for customers until the moment they are needed. A term deposit that considers the customer and makes it easy for them at every step guarantees a fuss-free and helpful experience – enhancing the desire to do repeat business with that particular financial institution.

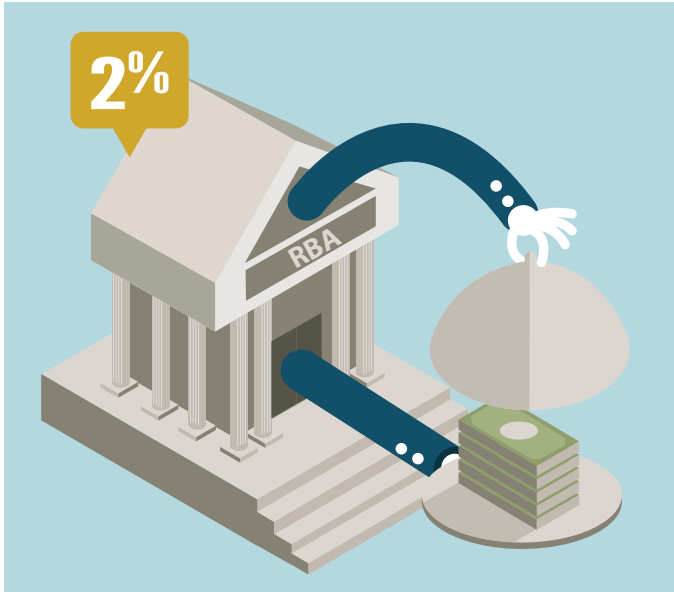
For this rating CANSTAR researched 99 term deposits offered by 79 providers. We compared each product across two term deposit amounts, \$10K and \$75K and six weighted term tiers. Our full methodology document is at the end of this report.

We hope you benefit from our extensive research, aimed at making these products more transparent.



Mitchell Watson
Research Manager

RBA ADOPTS WAIT-AND-SEE APPROACH



The Reserve Bank of Australia is currently holding the official cash rate steady at a record low 2%, after trimming the interest rate from 2.25% in May of this year. The board's decision to leave the rate unchanged in July was in line with expectations. This decision continues the downward pressure on the cash rate; the RBA has lowered the cash rate twice this year, cutting it by a quarter of a percentage point in February and again in May.

RBA governor Glenn Stevens held the door open for a further cut, saying economic data would indicate whether the current policy stance would foster sustainable growth and inflation consistent with the RBA's 2 to 3% target band.

Mr Stevens also said the Australian dollar had further to fall against a number of currencies.

"Further depreciation seems both likely and necessary, particularly given the significant declines in key commodity

prices," he said.

Current low interest rates were supporting borrowing and spending, but the key drag on private demand was weak business spending in the mining and non-mining sectors, according to the RBA.

While household spending had improved, including a rise in dwelling construction and exports, business investment was still weak and "likely to persist over the coming year."

Mr Stevens said house prices continue to rise strongly in Sydney, but trends in other cities are "more varied." He said the Reserve Bank was working with other regulators to "assess and contain risks" posed by the housing markets.

AND GLOBALLY...

The big news on global markets at the moment is, of course, the debt situation in which Greece finds itself. It is a situation that has caused turmoil in financial markets and may yet see further cuts in official cash rate in Australia.

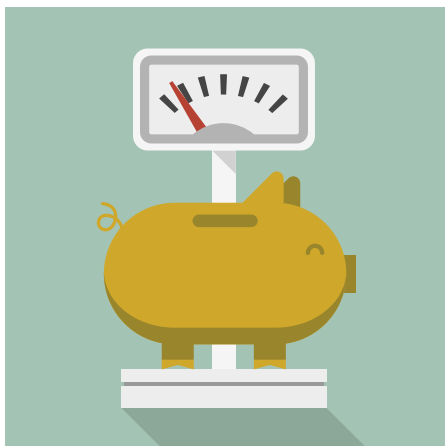
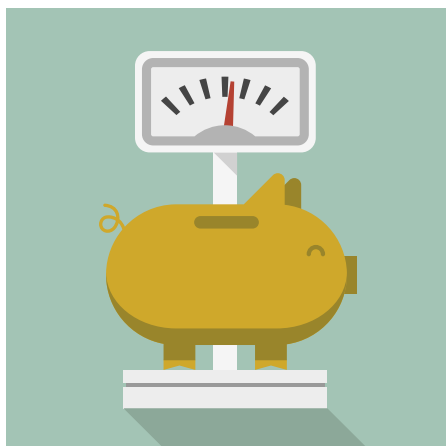
"Some central banks have found themselves doing extraordinary things because of the extraordinary circumstances to which they were required, by their mandates, to respond as best they could. Even among central banks that haven't quite had to do the extraordinary, many are operating outside their previous comfort zones and for the same reason." RBA Governor Glenn Stevens, 30th June 2015.

The other big news currently is the Chinese stock market which, at time of writing, has lost around 30% value over the past few weeks. While this is essentially a partial correction of overinflated values, it's nevertheless worrying.



MONEY IN THE BANK STILL PREFERRED

Despite the low rates offered on term deposits and high-yield at-call accounts, many consumers still prefer to park their money in a bank deposit. According to the latest Westpac-Melbourne Institute Index of Consumer sentiment, 29.4% of consumers continue to favour bank deposits as the wisest place for savings. Real estate was cited by 24.6% of customers, followed by debt repayment at 16.5%.



WHO IS PAYING WHAT?

Locking in to the highest interest rate maximizes your profit, and this is particularly important when rates are sitting around the 2 - 3% mark. Even though the official cash rate is trending downwards, this is only one factor taken into consideration when banks map out their suite of term deposits. A lower cash rate doesn't automatically mean a lower term deposit rate. Banks will factor in where they think the cash rate will go during the term and, theoretically, what their exposure is on the money market. Obviously, 'home grown' deposits are a cheaper source of funds than borrowing on the wholesale market. That's why there is usually quite a discrepancy between what rate is offered for 6 months to that offered on a 3-year term deposit.

Here's a round-up of what investment terms are paying now, compared to 1st January 2015.

Average Rate for \$10,000

	3 Months	7 Months	1 Year	2 Year	4 Year
5/01/2015	3.02	2.96	3.25	3.35	3.61
15/07/2015	2.50	2.35	2.68	2.78	2.89

Source: www.canstar.com.au.

Based on terms available for the above at an amount of \$10,000

Our database of 76 term deposit providers shows the majority – 69 providers – cut their interest rate by less than 50 basis points in the last six months. This contrasts with 12 who went bigger and lowered their rates in excess of 50 basis points. Only four term deposit products on our database did not change their rates at all.

AND IN ADVANCE...

The words 'advance notice' are now being seen on some term deposit products ... but what actually is this?

The 'advance notice' products have arisen in response to the Basel III reforms, which require a new liquidity coverage ratio (LCR) as set out in Prudential Standard APS 210 Liquidity (APS 210).



Term deposits that require 31 days' notice for early withdrawal receive favourable liquidity treatment under APS 210 – hence a number of financial institutions have applied a requirement for an advance notice to be provided on term deposits, locked in for terms of one month to 5 years. One institution has provided the customer the choice of either a term deposit with a notice period or without a notice period; you may receive a slightly higher interest rate by locking your money into a bank's advance notice product (compared to the rate on offer by that institution for a standard term deposit).

If you are sure withdrawing your money early is not an issue, it may be a strategy that can squeeze a little more yield from your cash but if you do believe you require early access this should be a larger consideration on the term deposit you choose.

MIX UP YOUR TERM



In this low-rate environment, it can be worth splitting up your savings into different terms in order to work your money harder and to suit having some of your cash available more readily if you need it. Locking away all your money for years may mean you will forfeit some or all of your interest earnings in the event of breaking the conditions of the term. As at 15th July, the minimum, maximum and average term deposit rates on CANSTAR's database for a \$10,000 term deposit were as follows:

Term	Min	Max	New Average
30d	1.10	2.65	2.07
60d	1.70	2.95	2.19
90d	1.90	2.95	2.50
180d	1.85	3.05	2.59
270d	1.50	3.10	2.45
1 Year	2.15	3.10	2.68
2 Year	2.00	3.20	2.78
3 Year	2.05	3.30	2.86
4 Year	2.15	3.40	2.89
5 Year	2.35	3.50	3.01

Source: CANSTAR. Based on products on CANSTAR database.

WHAT IF YOU CHASED THE RATES?



How much better off would you be if you had actively pursued the best term deposit return you could over the past two years? We've done a hypothetical exercise for you – with a fascinating outcome.

If you started off with \$10,000 in January 2012 and chased the best 3 month term deposit rate possible until December 2014 you would end up marginally ahead – by a whole \$18.99 – in interest (counting two days earning no interest in the 13 changeovers made) compared to simply rolling over with the one institution.

If you managed to keep earning interest in that two-day changeover period, your bottom line would swell by a princely \$58.05, going from a starting figure of \$10,000 to \$11,630.77 at the end of two years. Handy for some but likely to be too much trouble for others. It all depends on your personal circumstances.

	After cash rate change	After cash rate change
Chasing The Best Rate (2 Days non-Interest)	\$11,591.71	\$1,591.71
Remaining with same Institution	\$11,572.72	\$1,572.72
Chasing The Best Rate (without 2 Days non-Interest)	\$11,630.77	\$1,630.77

Comparison Between of Total Amount Earned

Based on \$10,000 Term Deposit





Term Deposits

TOP RATES, TOP SCORE

High interest rates in the majority of terms offered, from one month to five years, have propelled ME Bank to the top of the leaderboard in our comparison this year.

The combination of price and features offered by ME means that we are pleased to announce ME Bank the winner of CANSTAR's Bank of the Year for Term Deposits.

ME Bank, owned by industry super funds, has a great online presence and offers over-the-counter and fee-free banking at in excess of 3,000 Australia Post outlets throughout the country. Recently, ME Bank has stripped back the complexities of banking and concentrated on simplifying all its products and processes for customers. As part of this reinvention, ME Bank has now become simply ME.



And the Customer-owned Institution?

CUA, once again, has proved last year's win – and the four years before that – was no fluke. The largest credit union in the country continues to shine with the rates offered on term deposits and is a worthy six-time winner of CANSTAR's Customer Owned Institution of the Year for Term Deposits.

Resisting the urge to cut their rates in excess of RBA movements over the past year has paid dividends for CUA, as well as ME Bank, and ensured the institution remains a beacon for those considering parking their cash.

CUA scored highly for features researched in our comparison, making the all-round offering of term deposits from one month to five years an attractive proposition for cashed-up customers.

We congratulate ME Bank and CUA on their outstanding commitment to providing such a strong all-round suite of term deposits.



Institution of the Year Term Deposits





METHODOLOGY

TERM DEPOSITS

What is the CANSTAR *Term Deposit Award*?

The CANSTAR *Term Deposit Award* involves a sophisticated rating methodology unique to CANSTAR that compares a shortlist of term deposits in Australia, enabling consumers to narrow their search to products that have been assessed and ranked.

The award aims to give recognition to the institutions who offer quality term deposit products across rates, terms and product features. The award recognises both customer-owned institutions and banks due to the acknowledgment of the different offerings between the two types of institutions. To highlight the differences, an award is given to the strongest outstanding value term deposit for a customer-owned institution and bank.

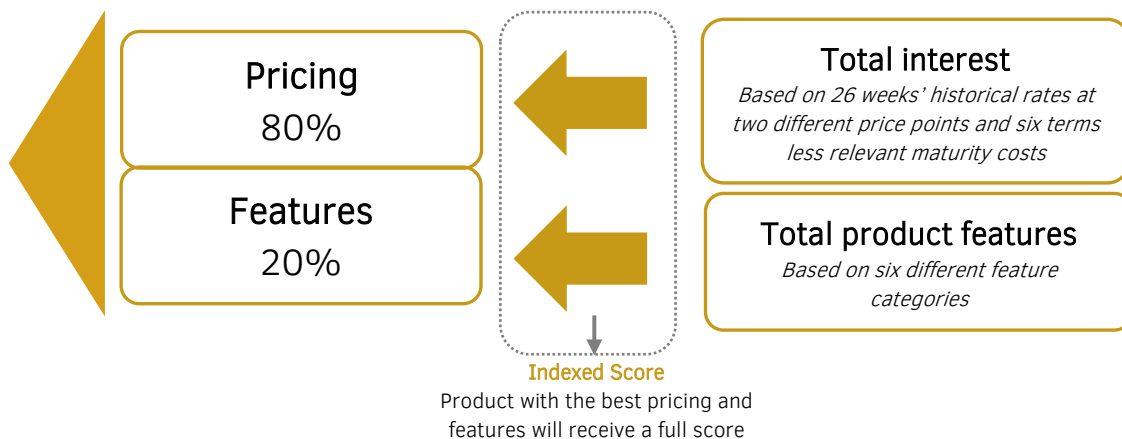


How are the CANSTAR Term Deposit Awards calculated?

Each term deposit product reviewed for the CANSTAR *Term Deposit Award* is awarded points for its comparative pricing and for the array of positive features attached to the product. Points are aggregated to achieve a Pricing score and a Features score.

To arrive at the total score on which to base the awards, CANSTAR applies a weighting against the product Pricing and Features. This weighting of Price and Features reflects the relative importance to the consumer of either price or features when looking to purchase the product. This method can be summarised as:

$$\text{TOTAL SCORE} = \text{PRICING} + \text{FEATURES SCORE}$$



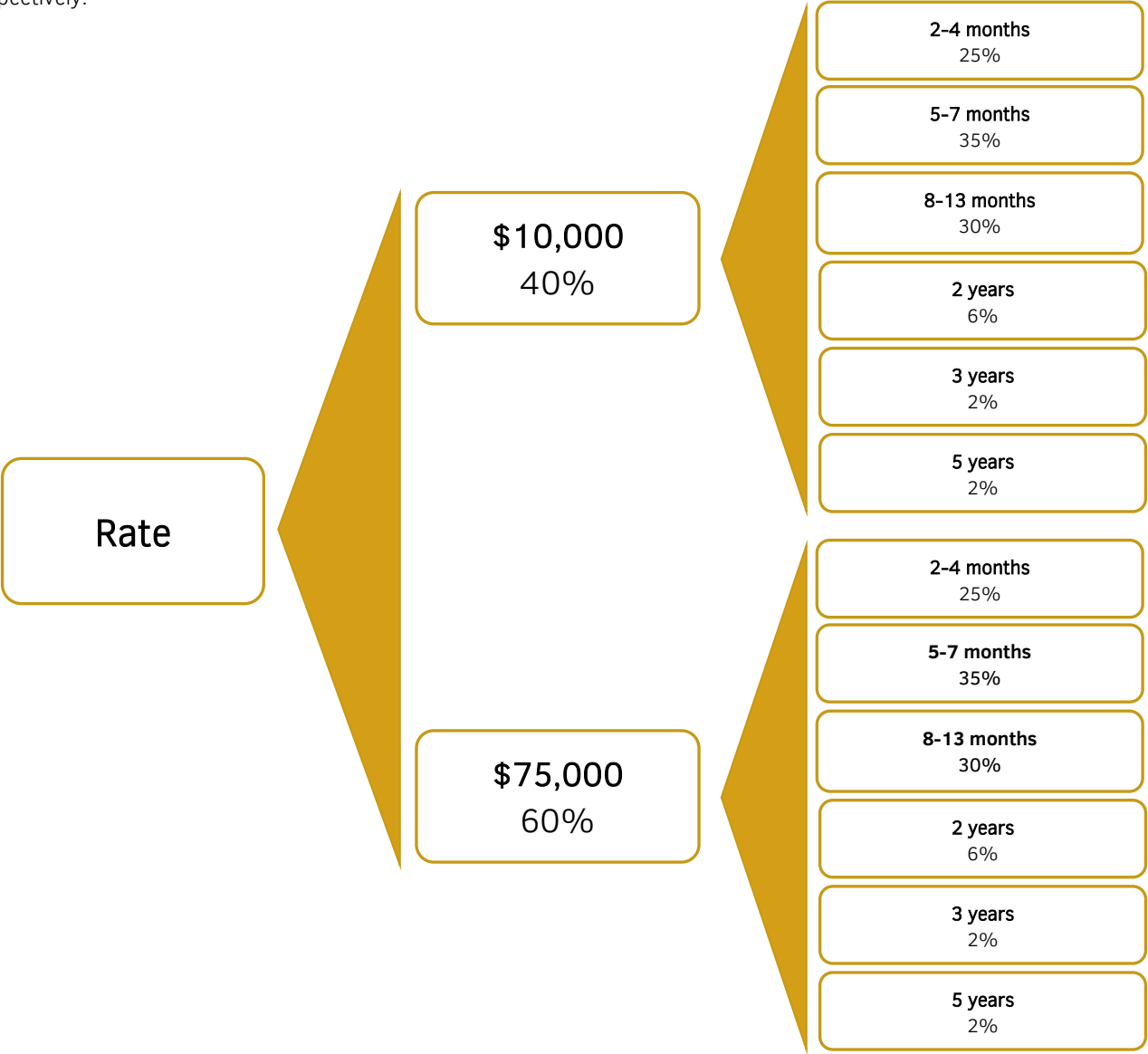
Pricing score

CANSTAR accounts for both current and historical interest rates, terms and maturity costs in the calculation of the pricing component of the overall score:



Rate

The rate score is calculated by taking the maximum rate from the following term deposit periods (outlined in the tree below) over the span of 26 weeks. An average rate is then taken from the maximum historical rates and indexed against the best rate from that term. This calculation is made across two term deposit amounts, \$10K and \$75, weighted 40% and 60% respectively.



Maturity cost

In addition to current and historical term deposit rates, we also assess maturity costs in the pricing score. Maturity costs include any cost associated with retrieving or transferring your funds at maturity such as the cost for a bank cheque. An institution with low or no charges receives the highest maturity cost score.

Feature score

More than 40 product features of each term deposit are scored and put into six different categories in the following table. Based on the points received in each category, the scores are weighted against each of the category weights provided in the table below for their respective total feature score. The total feature score is then indexed to provide final feature score.

Category	Category description	Category weight
Account options	<i>Open account, maturity reminder, maturity instruct, variation period</i>	40%
Bonus/discounts	<i>Rollover bonus, free bank cheque, free direct credit</i>	15%
Early withdrawals	<i>Prepayment interest penalty, Notice Periods</i>	10%
Interest options	<i>Interest penalties, interest payment options, interest options available</i>	10%
Statement options	<i>Third party reporting, tax reporting</i>	10%
Term options	<i>Account facilities, deposit amounts, rollover facilities</i>	15%

How many products and financial institutions are analysed?

In order to calculate the award, CANSTAR analysed 99 products from 79 financial institutions in Australia.

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. However, this process is not always possible and it may be that not every product in the market is included in the rating nor every feature compared that is relevant to you.

How often are products reviewed for award purposes?

All ratings 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 other product areas?

CANSTAR researches, compares and rates the suite of banking and insurance products listed below. These star ratings 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. Please access the CANSTAR website at www.canstar.com.au if you would like to view the latest star ratings 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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Bank										
Company	Investment Terms at \$10,000*						Maturity Reminder via Email	Complete Online Application	Auto Rollover Facility	Deposit Account from same Institution Required
	3 Months	6 Months	1 Year	2 Years	3 Years	5 Years				
AMP Bank	2.55	2.55	2.55	2.5	2.5	2.6	✗	✗	✓	✗
ANZ	2.45	2.49	2.58	2.67	2.72	2.97	✗	✓	✓	✗
Arab Bank Australia	2.95	3.1	3	3.05	3.1	3.3	✓	✗	✓	✓
Bank of Melbourne	2.25	2.25	2.7	2.75	2.75	3.2	✗	✓	✓	✗
Bank of Sydney	2.75	2.7	2.5	-	-	-	✗	✗	✓	✗
BankSA	2.25	2.25	2.7	2.75	2.75	3.2	✗	✓	✓	✗
Bankwest	2.25	2.7	2.87	2.87	2.97	3.11	✗	✗	✓	✗
Bendigo Bank	2.5	2.65	2.7	2.8	2.8	3.1	✗	✗	✓	✗
Beyond Bank	2.8	2.8	2.8	2.95	3	3.05	✗	✗	✓	✓
BOQ	2.7	2.9	3	3.05	3.1	-	✗	✓	✓	✗
CBA Online Only	-	-	2.4	-	-	-	✗	✓	✓	✗
Citibank	0.3	0.35	0.67	0.4	0.43	0.56	✗	✗	✓	✗
Commonwealth Bank	2.15	2.15	2.5	2.6	2.7	2.9	✓	✓	✓	✗
Delphi Bank	2.3	2.65	2.25	2.45	2.55	2.7	✗	✗	✓	✗
HSBC	2.55	1.85	2.4	2.2	2.3	2.6	✓	✓	✓	✗
ING DIRECT	2.7	2.9	2.9	3.2	-	-	✗	✓	✓	✗
ME Bank	3	3	3.3	3.35	3.4	3.6	✗	✓	✓	✗
NAB	2.45	2.5	2.6	2.65	2.7	3	✗	✓	✓	✗
Rabobank Australia	2.6	2.6	2.6	2.8	3	3.4	✗	✗	✓	✗
RaboDirect	2.8	2.9	2.9	3	3.15	3.5	✓	✓	✗	✓



Term Deposits

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Bank										
Company	Investment Terms at \$10,000*						Maturity Reminder via Email	Complete Online Application	Auto Rollover Facility	Deposit Account from same Insitution Required
	3 Months	6 Months	1 Year	2 Years	3 Years	5 Years				
Rural Bank Limited	2.6	2.75	2.75	2.1	2.15	2.35	✗	✗	✓	✗
Rural Bank ONE	2.75	2.85	2.9	-	-	-	✗	✓	✓	✗
St.George Bank	2.25	2.25	2.7	2.75	2.75	3.2	✗	✓	✓	✗
Suncorp Bank	2.65	2.8	2.8	2.9	2.9	3	✗	✗	✓	✓
UBank	2.76	2.86	2.91	-	-	-	✓	✓	✓	✗
Westpac	2.45	2.5	2.6	2.65	2.65	3.1	✗	✓	✓	✗



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Customer Owned

Company	Investment Terms at \$10,000*						Maturity Reminder via Email	Complete Online Application	Auto Rollover Facility	Deposit Account from same Institution Required
	3 Months	6 Months	1 Year	2 Years	3 Years	5 Years				
ADCU	2.85	3	3.05	3.2	-	-	✓	✓	✓	✗
bankmecu	2.8	2.8	2.9	3.1	3.2	-	✗	✓	✓	✗
BankVic	2.5	2.5	2.7	2.8	2.95	3.15	✓	✗	✓	✓
bcu	2.65	2.75	2.85	2.9	3	-	✗	✗	✓	✗
Cairns Penny	2.45	2.55	2.65	2.7	-	-	✓	✗	✓	✗
Catalyst Money	2.4	2.45	2.55	2.45	2.35	-	✗	✗	✓	✗
Coastline Credit Union	2.2	2.15	2.15	2.15	-	-	✗	✓	✓	✗
Community First CU	2.5	2.55	2.7	2.85	2.9	-	✗	✗	✓	✓
CUA	2.8	3	3	3.1	3.2	-	✓	✓	✓	✗
Defence Bank	2.75	2.85	2.95	3.1	-	-	✗	✗	✓	✗
ECU Australia	2.7	2.9	2.95	-	-	-	✗	✗	✓	✓
Encompass Credit Union	2.4	2.4	2.6	2.7	-	-	✗	✗	✓	✓
FCCS Credit Union	2.4	2.45	2.5	-	-	-	✗	✗	✓	✗
First Option Credit Union	2.05	2.15	2.45	2.65	-	-	✗	✓	✓	✓
G&C Mutual Bank	2.75	2.75	2.7	2.9	3	3.2	✗	✗	✓	✓
Gateway Credit Union	2.8	2.96	2.96	3.01	3.01	3.26	✗	✓	✓	✗
Greater Building Society	2.8	2.8	2.8	3.2	3.3	3.5	✗	✓	✓	✗
Heritage Bank	3.05	3	3	3.1	3.25	3.5	✓	✓	✓	✓
Holiday Coast CU	2.4	2.15	2.8	3	3.05	3.25	✗	✗	✓	✓
Horizon Credit Union	2.5	2.5	2.6	2.7	2.7	-	✗	✓	✓	✓



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Customer Owned

Company	Investment Terms at \$10,000*						Maturity Reminder via Email	Complete Online Application	Auto Rollover Facility	Deposit Account from same Institution Required
	3 Months	6 Months	1 Year	2 Years	3 Years	5 Years				
Hume Bank	2.3	2.6	2.8	2.8	3	-	✗	✗	✓	✗
Hunter United	2.95	2.8	2.8	3.15	-	-	✗	✓	✓	✗
Illawarra CU NSW	2.4	2.45	2.55	2.45	2.35	-	✗	✗	✓	✗
IMB	2.7	2.65	2.62	3.01	3	3.2	✗	✓	✓	✗
Macquarie Credit Union	2.61	2.61	2.6	-	-	-	✗	✓	✓	✓
MyState	3.1	2.95	3.05	3.1	-	-	✗	✗	✓	✗
Newcastle Permanent	3.1	3.1	3	-	-	-	✓	✓	✓	✗
Northern Beaches CU	2.45	2.65	2.65	3	3	-	✗	✗	✓	✗
P&N Bank	2.15	2.25	3.05	2.7	2.8	2.8	✗	✗	✓	✗
People's Choice Credit Union	2.75	2.75	2.9	3	3	3.25	✗	✗	✓	✗
Police Bank	3	3	3	3.2	3.4	3.6	✗	✓	✓	✗
Qantas Credit Union	2.9	3	3	3.25	3.5	-	✗	✓	✓	✗
Qld Police Credit Union	2.8	2.9	2.9	3.1	3.15	3.1	✗	✗	✓	✗
QT Mutual Bank	3	3	3	3.1	3.15	-	✗	✗	✓	✗
Quay Credit Union	2.25	2.5	2.9	3.05	-	-	✗	✗	✓	✓
Queenslanders CU	2.85	2.95	2.95	3	3.05	-	✓	✗	✓	✓
SCU	2.8	2.7	3	3	3.1	3.2	✗	✗	✓	✗
Select Credit Union	2.5	2.5	2.7	2.9	-	-	✗	✓	✓	✗
SERVICE ONE Alliance Bank	2.6	2.75	2.8	2.9	3	3.2	✗	✗	✓	✗
Summerland CU	2.25	2.35	2.45	2.65	2.75	2.75	✓	✗	✓	✗



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Customer Owned

Company	Investment Terms at \$10,000*						Maturity Reminder via Email	Complete Online Application	Auto Rollover Facility	Deposit Account from same Institution Required
	3 Months	6 Months	1 Year	2 Years	3 Years	5 Years				
Teachers Mutual Bank	2.8	2.9	3.1	3.1	3.15	-	✗	✗	✓	✗
The Capricornian	2.4	2.5	2.7	-	-	-	✗	✗	✓	✗
The Mac	2.3	2.2	2.2	2.5	-	-	✗	✗	✓	✓
The Mutual	2.8	2.9	2.8	3.2	3.3	-	✗	✓	✓	✗
The Rock Building Soc	3.1	3	3.05	3.15	3.2	-	✗	✗	✓	✗
Transport Mutual Credit Union	2.8	2.55	2.55	2.25	-	-	✗	✗	✓	✓
Unicredit-WA	2.75	2.85	2.9	3.1	-	-	✗	✗	✓	✗
Victoria Teachers Mutual Bank	2.65	2.75	3	2.95	3	3.15	✗	✓	✓	✗
Your Credit Union	2.7	2.75	2.8	2.8	-	-	✗	✗	✓	✓