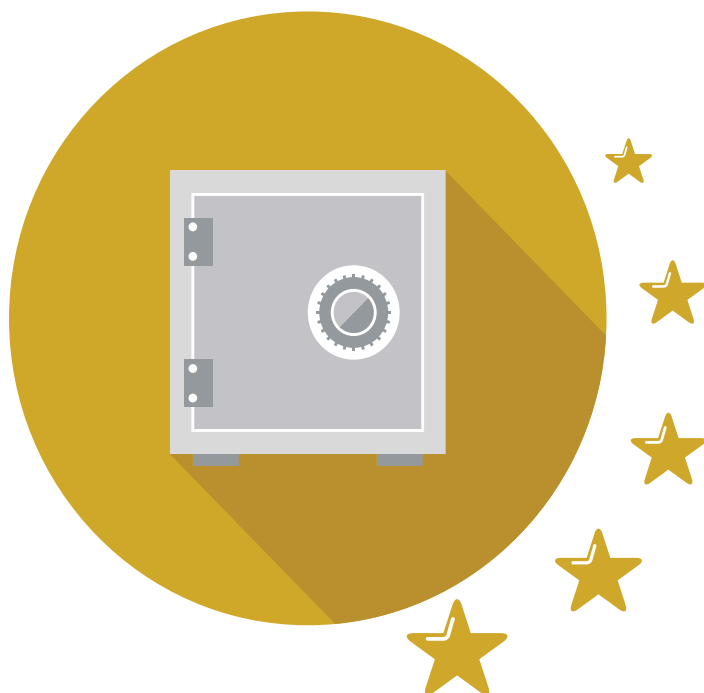


2015

AWARD
REPORT



Bank of the Year
Savings





Bank of the Year – Savings

July 2015

Foreword

When it comes to saving, the good news is that we are. New Zealand households have been spending less than they earn (in other words, saving) for several years now. Those savings need to be invested!

Our savings award analyses the term deposit and at-call savings accounts on offer by New Zealand's financial institutions; we have researched what is on offer from 7 institutions, assessing not just the interest rates available over the period of analysis but also the fees and other features.

We hope you enjoy the report.



Mitchell Watson
Research Manager

OUR SAVINGS HABITS



It seems that New Zealanders have indeed learned their lessons from the global financial crisis; according to Statistics New Zealand, households have been saving more than they spent, since 2011 - an impressive record. In fact the government figures show that before 2011 the household savings rate had been negative in all but one year since 1999.

So where do we put these savings? While some surely gets funneled into housing (Statistics New Zealand notes that housing costs continue to increase as a proportion of our household income – and anyone who glances at the news would be aware of rising property prices) some of those savings also end up as cash deposits. According to the Reserve Bank of New Zealand (RBNZ), we collectively hold deposits of around \$142 billion; this represents household deposits of New Zealand residents in registered banks. In the period to the start of June, that represented year on

year growth of 10.50%. Approximately \$10 billion of these funds are held within a PIE account.

Diligent savers were no doubt disappointed by the RBNZ decision in June to cut the official cash rate to 3.25% - although it may be some small consolation to note that this rate is still significantly higher than many countries around the world. And with official inflation running at just 0.30%, at least our savings are not being eaten away!

SOME CASH RATES AROUND THE WORLD...

Citing increased global volatility, low domestic inflationary pressures and an expected weakening in demand, the RBNZ cut the official cash rate in June by 25 basis points. But at 3.25%, our official cash rate is still healthy by global standards. Some other cash rates to consider are:



Argentina

The bank rate in Argentina was last recorded at 17.85%, a drop from the previous rate of 21.13%. Argentina's inflation rates are a legacy of previous debt defaults.

by the Bank of Japan's Policy Board during its Monetary Policy Meetings. Zero may seem extreme, but Japan has been suffering from continuing deflation since the 90's, and low rates are one of the easier ways to stimulate an economy.



Australia

Australia has its official cash rate (OCR, a term exclusive to Australian and New Zealand) set by the Reserve Bank of Australia, the central bank of Australia since 1960. The cash rate has been on a downwards trajectory over the past few years, and currently sits at a record low of 2%.



The UK

In the United Kingdom, the interest rate is decided by the Bank of England, and is known as the repo rate. The current repo rate is at a record low of 0.5%, and isn't expected to rise till 2016 due to extremely low inflation and very slow economic growth.



Canada

Canada's lending rate has remained at 0.75% since early in 2015, in an attempt to spur growth in the country's economy which, like the US's, has been sluggish as of late.



United States of America

In the United States the interest rate is currently at 0.25%, the lowest it's ever been; however an increase may be likely, with some saying the US economy is ready for growth.



Japan

Japan's rate currently sits at 0%, one of the lowest of any developed country. It's been at zero since about halfway through 2010, and is decided



European Union

The European Union/Euro Area's interest rate is decided by the Governing Council of the European Central Bank. The EU's rate has been at 0.05% since September last year, which is the lowest the rate has ever been. The rate is being left low to encourage the current economic growth.



SAVINGS ACCOUNTS YOU MIGHT NEED

CANSTAR's Bank of the Year - Savings Award recognises the banking institution that offers the strongest overall value for Kiwis when it comes to their savings account needs. To do this, CANSTAR compares a range of savings products that are available. This includes at-call accounts (online savings and bonus savings) and term deposits. We also consider a number of features that promote or educate consumers on saving. These features include calculators, personal financial management (PFM) tools, budget planners and saving articles.

Not all of us are the same, so the award also recognises the institution that is able to offer quality products for all different needs and uses and this year, CANSTAR has researched and rated the deposit products offered across seven institutions.

THE TYPES OF ACCOUNTS ON OFFER



Term deposits

These offer certainty of return, which can be reassuring in a falling market (as we appear to have at the moment). Having your savings locked away for a set period of time also helps to avoid spending temptation!

- Current average 12 month TD rate: 4.03%
- Current highest 12 month TD rate: 4.60%



Online savers

The interest paid on an online saver account tends to rise and fall in line with official cash rate changes. That's a good thing, of course, when rates are going up – but perhaps not so good at the moment. Since the RBNZ cut official cash rates in early June, 9 of the 11 online saver accounts on CANSTAR's database have reduced their interest rates.

- Current average online saver rate: 2.91%
- Current highest online saver rate: 4.00%



Incentive savers

Kiwis love incentives and on CANSTAR's database savvy savers can currently aim for an incentive rate of more than 4%. It is important though to read the terms and conditions of any bonus on offer.

- Current average incentive saver rate: 3.83%
- Current highest incentive saver rate: 4.05%

RATES – THEN AND NOW

When it comes to cash savings accounts, a major drawcard is understandably going to be the interest rates on offer. And while some savers may feel current rates to be disappointingly low the reality is that once inflation is taken into account, rates now are actually better than they were five years ago. So – what are they? Well, assuming a balance of \$50,000 to invest, the average and maximum savings account rates on CANSTAR's database in July 2015 and July 2010 were as follows:



Online saver accounts

Savvy savers who shop around for a good online savings rate can now end up with a healthy 1.40% more in their pocket, after inflation, than they could in 2010. Even the average interest rate, while lower than it was in 2010, still represents an extra 0.95% after inflation.

Interest rate	Maximum rate – July 2010 %	Maximum rate – July 2015 %	Difference
	4.00	4.00	
Less inflation	1.70	0.30	
Real rate	2.30	3.70	1.40

Term Deposits

The real (after inflation) rate of return on term deposits is more of a mixed bag. While those chasing the maximum rate of return are still better off now for timeframes up to five years, the rate of difference reduced as the investment term lengthened. Those savvy savers on the maximum rate were better off as follows:

	Maximum rate – July 2010 %	Maximum rate – July 2015 %	Difference
30 days	3.25	3.80	
Less inflation	1.70	0.30	
Real rate	1.55	3.50	1.95
180 days	5.20	4.40	
Less inflation	1.70	0.30	
Real rate	3.50	4.10	0.60
1 year	5.60	4.60	
Less inflation	1.70	0.30	
Real rate	3.90	4.30	0.40
3 years	6.25	5.00	
Less inflation	1.70	0.30	
Real rate	4.55	4.70	0.15
5 years	7.05	5.30	
Less inflation	1.70	0.30	
Real rate	5.35	5.00	-0.35

Bonus Saver accounts

Reward yourself – you're definitely doing better now! Those invested in bonus saver accounts are certainly doing better, after inflation, than they were before.

Interest rate	Maximum rate – July 2010 %	Maximum rate – July 2015 %	Difference
	3.75	4.05	
Less inflation	1.70	0.30	
Real rate	2.05	3.75	1.70



Saving money can be easier said than done, so if you need a few extras ways to end up with more cash in your pocket (or bank account), give some of these tips a try.

Be vigilant around electronics.

If you're feeling bored don't turn on the television; pick up a book or something non-electronic. If you get into the habit of avoiding electronics you could save major dollars on your electricity bill.

Don't make big purchases instantly.

Implement the 30-day rule, and wait for 30 days before making any non-necessary purchase. It'll help you avoid impulse buys, and in turn will save you money.

Don't be quick to trash things.

If your shirt or jeans pop a button or tear/rip, see if they can be mended before making the decision to throw them out. You'll save money and learn how to fix clothes if you haven't already.

Children are easily entertained.

If you've got small children, you don't need to spend big money for them to have a great time. Playing in your backyard with them, going for a walk, or going to the park; all of these are free ways to have fun with your kid.

Drink more water.

Drinking water is much cheaper than buying soft drink, juice, coffee, or alcohol – and it's also better for you. That's a win/win.

Learn how to cope with stress without spending.

Buying things can be an easy way to relieve stress (believe us, we know), but it's not good for your wallet or your mental state. Find a healthy and sustainable way to relieve stress and both your mind and your wallet will thank you.

Cancel memberships you don't use.

If you've got a gym membership, sports club membership, or something similar that you're paying for but not using, cancel that ASAP. You're just throwing money away.

The 10-second rule.

At the supermarket or corner store, whenever you add an impulse or luxury item to your cart, stop for 10 seconds and think about why you're buying it and whether you need it or not.

Price check.

If you're buying something relatively or absolutely expensive, check what other shops and websites are selling it for before spending an unnecessary amount.

Eat more vegetables.

When it comes to meat vs veggies, the latter is both cheaper and more nutritionally valuable. We're not saying go vegetarian, but eating less meat and more vegetables will help out your weekly budget.

Check your tyres.

For every two PSI under recommended level in your tyres your car is 1% less fuel efficient. Keep your tyres pumped up and save money on petrol.

Go to free events.

If you're stuck looking for something to do on a sleepy weekend, look around for free events such as a farmers market or a free concert in a park. Many neighborhoods will have similar events going on at least semi-regularly.

Keep spare change in mind.

We have a tendency to forget about the silver coins we're left with after a lot of purchases. Round them all up at the end of the week and use it to pay for something small you were going to buy, such as a coffee.



Savings

THE WINNER IS...

The CANSTAR Bank of the Year - Savings Award is presented to the institution that consistently offers outstanding value across the variety of savings accounts detailed earlier in our report. This year, CANSTAR is pleased to announce **Westpac as winner of the Bank of the Year - Savings Award.**

Westpac has a strong range of savings products across all product areas we assess and performs well across the board. Its Online Saver account offers a competitive rate of interest (currently 2.65% per annum), calculated daily on the full credit balance. While transactions made at another bank's ATM will incur a \$1 charge each time, this is a cost that is within the control of the account holder. All online and ATM transfers are free, as are electronic deposits. Savers also receive five free phone banking transfers per month and there is no account maintenance fee.

In addition, Westpac's online banking is exceptional; Westpac has been working hard to take its online banking experience to a new level and its launch of the bank's new internet and mobile banking platform, Westpac One, earlier this year means that Westpac customers are provided the same experience on whatever device they choose to use - desktop, tablet, smartphone. Westpac's inclusion of savings tools within its online banking allows their customers to easily access their

spending behavior and have it categorized and graphed automatically into what they spend most of their money on. They also provide a budget planner for you to develop your own savings plan for the future as well as budgeting advice which provides their customers with the ability to make a detailed plan of what they can save on whether it being fuel, groceries or just general goods. Westpac One offers full banking functionality - 120 plus services - on its integrated platform.

Westpac term deposit products offer an easy to open account with competitive rates at time of assessment, as well as easy transfers at maturity to other accounts external or internal to Westpac. Westpac also offer a range of features including no penalties for partial withdrawal, an auto rollover facility and an array of interest options ranging from interest to be paid to a nominated 3rd party account to the interest being paid to another financial institution.

Westpac has a great incentive saver account; the Online Bonus Saver has a base rate of .10% but holds a bonus rate of 3.70%. The best part is the account does not require any specified deposit amount to gain this bonus interest, the only conditions to achieve this is to place a deposit in the account once per month as well as having no withdrawal.

Westpac's online bonus saver also has some great features including no minimum opening deposit amount and full functionality via Westpac's online banking platform. There is also access to facilities such as a direct credit facility and sweep facility and the option to be a 100% mortgage offset account to help maximise your saving potential.

CANSTAR congratulates Westpac on taking the Bank of the Year - Savings Award for 2015.



CANSTAR Q & A



In light of its win, CANSTAR caught up with two of Westpac's senior team: Simon Pomeroy, Chief Digital officer, and Jo McGregor, Director Deposits, Westpac New Zealand Strategy Products & Marketing.

CANSTAR Q: With the official cash rate falling recently, has there been a change in the types of products that savers are favouring?

JO MCGREGOR: We have seen continued growth in our personal online savings products, though customer preference for these accounts has pre-dated the recent OCR changes. In a relatively low interest environment, customers are seeking to maximise returns, and our Portfolio Investment Entities (PIE) products like Online Saver PIE, Online Bonus Saver PIE and the recently introduced 32 day Notice Saver PIE have become increasingly popular.

Regulatory changes tightening up on early withdrawals from term investments, greater accessibility for relative returns, as well as more enhanced features on savings products have helped drive the switch from term to on call savings accounts.

CANSTAR Q: What are savings trends overall in New Zealand at the moment?

JO MCGREGOR: Growth in deposits continues across the market at a rate of around 10% each year, reflecting a new preference for saving over spending. Westpac has also seen more customers select online savings options as customers choose online channels for their transactions. This is supported by an increase in savings among young people. Recent Westpac research showed security and financial stability were important to this group, as well as access to digital, online and mobile apps. We have also noticed an increase in the average age of our first home buyers, particularly in the larger cities and metropolitan areas. Many of these customers have taken advantage of our HomeSaver programme which offers practical support in helping them stay on track with their savings goals and incentivises them to save long term.

CANSTAR Q: Westpac's online banking is exceptional – what are some of your customers' favourite online banking tools?

SIMON POMEROY: Customers want easy and simple, and that is what we have strived to deliver with our new online banking platform, Westpac One. Westpac One offers the same functionality across all devices – smartphones, tablets, and desktop meaning the customer can bank when they want on the device of their choice. Some of its most popular features are the Quick Access services which allow customers to quickly check balances and transfer money between their own selected accounts without the need to log in.

In addition, our partnership with New York fin-tech start up Moven enables our customers to get real time insight and awareness of everyday spend with features like "Spending Meter". It lets them know what they've spent in the current month, compared to in previous months. We're already seeing customers using this up to five times a day.

This awareness helps people slow down if they are in the red, or move money into their savings account if they are in the green. In the near future customers will be able to see their spend broken into categories, showing how much they're spending on things like eating out, grocery shopping and transport. Every time they spend in a category they can opt to receive a real time alert giving them an up to date position of how they are tracking.

CANSTAR Q: How important is continual innovation in the online banking sphere? How does Westpac stay ahead of the game?

SIMON POMEROY: Innovation in banking is key and more and more customers are wanting total control over their banking. The key for Westpac has been to actively seek customer feedback and use this to drive innovation - building a more collaborative approach with our customers in the way we innovate. Since launching Westpac One we've seen close to a 30% increase in online banking usage with more than 65% of our online customers now using mobile devices. We've focused on making it easier to get information like account balances and payments, and providing more insights so that customers can manage their

finances whenever they like, on the device of their choice.

CANSTAR congratulates Westpac on its well-deserved win.



METHODOLOGY

SAVINGS AWARD

What is the CANSTAR *Bank of the Year Savings Award*?

CANSTAR *Bank of the Year Savings Award* uses a sophisticated rating methodology, unique to CANSTAR, which compares institutions' saving products and tools available in the New Zealand market.

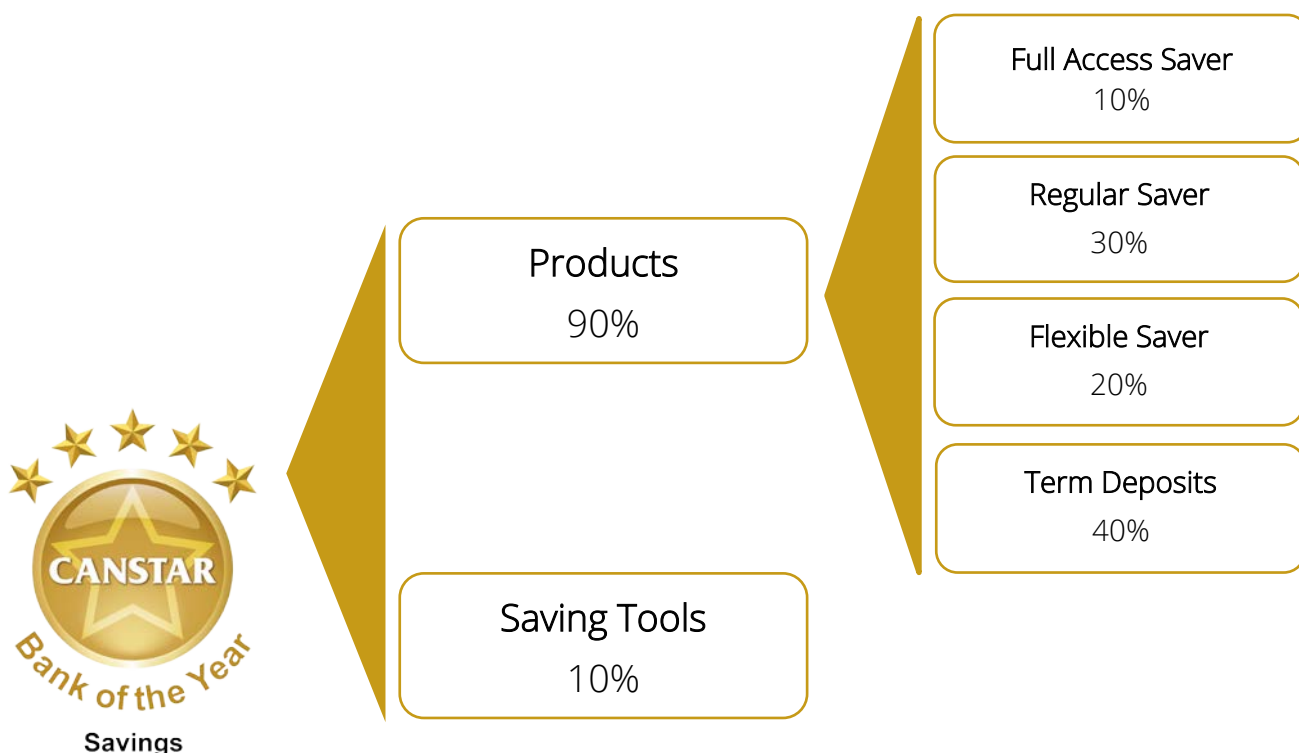
This CANSTAR award aims to give recognition to the institution that most effectively equips consumers with the products and tools to save up for goals, whether it be a holiday or a house. This includes providing product value across a variety of term deposits and saving accounts sourced from the relevant CANSTAR star rating profiles as well as a number of online saving tools to assist consumers in achieving their saving goals.

What institutions are evaluated in CANSTAR Bank of the Year Savings Award?

Our Award extends to all financial institutions in New Zealand with a Standard & Poor credit rating (or equivalent) of at least BBB+.

How is the CANSTAR *Bank of the Year Savings Award* calculated?

To arrive at the overall score, CANSTAR assesses two components consumers look for when seeking the best institution to help achieve their saving goals. While an institution's product offering takes up the majority of the institution's overall score, consideration must be made to the available saving tools from its website or internet banking such as calculators, financial or budgeting advice and personal financial management tools.



Product assessment

Each institution is represented by its highest scoring product in the CANSTAR deposit and term deposit rating. Each of the products' star ratings is calculated as follows.

Deposit accounts

Each deposit account reviewed for the CANSTAR *Deposit Account Star Ratings* is awarded points for its comparative Pricing and for the array of positive Features attached to the account. These features include accessibility, conditions attached to interest payments and S&P rating of the institution offering the product. Points are aggregated to achieve a Pricing score and the Features score (see table below for weightings).

Profile	Pricing			Features		
Flexible Saver	80%			20%		
Regular Saver	80%			20%		
Full Access Saver	70%			30%		
	Rates	Savings Scenarios	Transaction Scenario	Credit rating	Product features	Access
Flexible Saver ⁺⁺	60%	30%	10%	30%	70%	-
Regular Saver	60% ^{^^}	35%	5%	25%	65%	10%
Full Access Saver	65%	-	35%	25%	60%	15%

^{^^}80% six months' bonus/promo historical rate and 20% six months' base rate

Please see the CANSTAR *Deposit Account Star Ratings* Methodology for more information.

Rate component

The rate component accounts for the tiered interest rate structure of deposit accounts. The tiers for historical rate calculations are applied in the following manner:

	Tier 1, \$	Tier 2, \$	Tier 3, \$
Interest rate tier weighting	40%	45%	15%
Flexible Saver	2,500	25,000	50,000
Regular Saver	2,000	10,000	25,000
Full Access Saver	5,000	10,000	25,000

The calculation of rates for each profile are based on the following:

	Base Rate	Total Rate
Regular saver	25%	75%
Full Access saver	100%	-
Flexible saver	50%	50%

Scenario component

Transaction fee scenarios based on 500 hypothetical customers. The following table outlines scenarios for each of the profiles:

	Flexible Saver	Regular Saver	Full Access Saver
Average balance	\$25,000	\$25,000	\$10,000
Average deposit	-	\$1,000	-
Average no. of transactions	5	2	5
ATM withdrawal, own network	-	-	10%
Branch cash transactions	-	-	10%
Direct credit	-	-	15%
Direct debit	-	-	15%
eftpos transaction	-	-	20%
Internet transaction	100%	100%	20%
Phone banking	-	-	10%

Savings scenario component

For the Regular Saver and Flexible Saver profiles, a simple interest calculation is used based on the following conditions:

Profile	Deposit Amount	Term (months)	Scenario Conditions
Regular Saver	\$2,000	12	The interest calculation is based on the interest earned on an initial deposit of \$2,000, \$100 monthly deposits on day one of each month, no deposit in month 6 and \$100 withdrawal on the last day of month 12
Flexible Saver	\$2,000	12	Interest calculation is based on the interest earned on an initial deposit of \$2,000 over 12 months taking into account the promotional rate and its length plus the base interest rate

Credit rating component

The higher the credit rating of the institution, the more points it will receive for this category. The total number of points each institution receives is indexed against the institution with the highest credit rating to receive the total credit rating score.

Access component

The ratio of the total number of free ATMs and branches across New Zealand (both islands) against the New Zealand population is calculated against a cap of 10,000 people per ATM and 25,000 people per branch. Any institution that exceeds the cap will receive full points for this category with the remaining institutions being indexed against the caps.

Profile	ATM	Branch	Online Banking
Flexible Saver	-	10%	90%
Regular Saver	-	10%	90%

Product features component

CANSTAR's methodology takes into account more than 100 product features with weights given to each relevant area. Examples include minimum opening deposit, minimum withdrawal and ATM facilities.

Feature category	Flexible Saver	Regular Saver	Full Access Saver
Account facilities	45%	45%	55%
Specific condition	30%	35%	25%
Exempt for fee and charges	5%	5%	5%
Account design options	10%	10%	10%
Fees and charges	5%	5%	5%

Term deposit

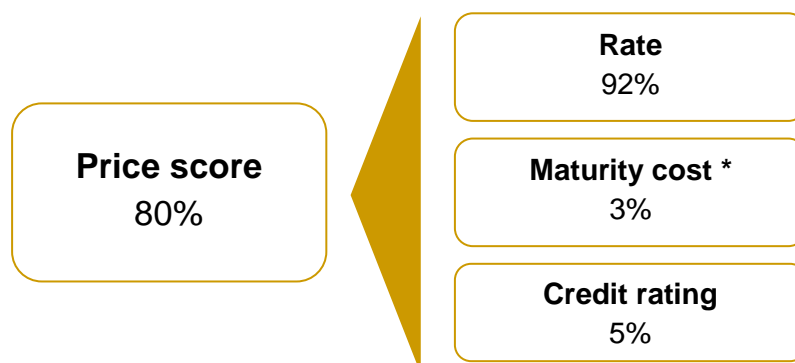
Each term deposit product reviewed for CANSTAR's *Term Deposit Award* is awarded points for its comparative Pricing and the array of positive Features attached to the term deposit. Its relative weighting is as follows:



Please see the CANSTAR *Term Deposit Award* Methodology for more information.

Pricing component

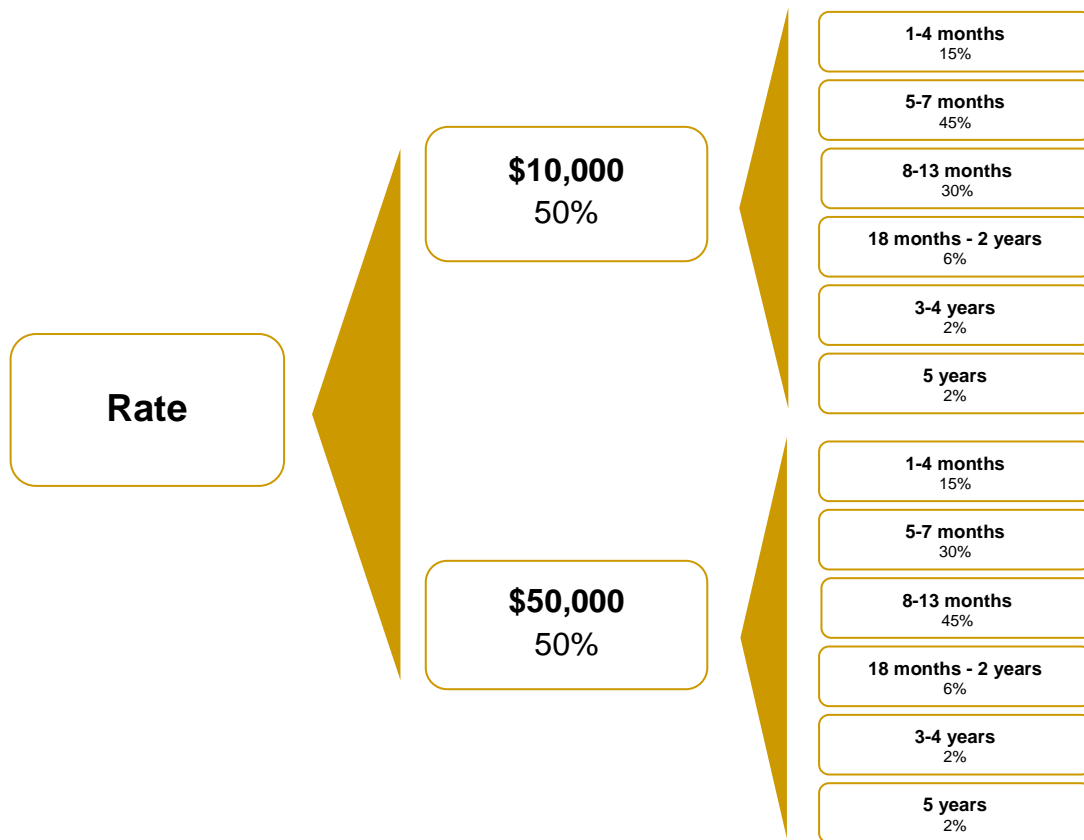
CANSTAR incorporates interest rates, terms and maturity costs into the calculation of the pricing score of the overall score.



Maturity costs included any cost associated with retrieving or transferring your funds at maturity such as the cost for a bank cheque.

The institution's credit rating was also taken into account where a higher S&P, Fitch or Moody credit rating attracted a higher score for its credit worthiness.

For the rate score, the pricing assessment accounts for both current and 26 weeks of historical rates and terms.



Feature component

The CANSTAR *Term Deposit Award* takes into account more than 40 product features with weights given to each relevant area.

Category	Category weighting
Account options	40%
Bonus/discounts	15%
Early withdrawals	10%
Interest options	15%
Statement options	5%
Term options	15%

Saving tool assessment

A consumer needs more than a savings account to achieve his or her goals. Saving tools can help paint a picture of a consumer's saving horizon and give directions into how much per week to save for a particular goal or show areas within the budget to generate extra savings.

We consider a number of features that promote or educate consumers on saving which is sourced from CANSTAR's *Online Banking Award*. These features include:

- Calculators (e.g. projected savings, regular savings)
- Graphing facilities based on transaction history within internet banking
- Budget planner
- Saving and budgeting articles

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 star ratings 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.co.nz if you would like to view the latest star ratings reports of interest.



- Business deposits
- Credit cards
- Credit card rewards
- Home loans
- KiwiSaver
- Online banking
- Personal loans
- Savings accounts
- Transaction accounts
- Term deposits

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Savings Award

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Bank								
Company	Savings Products		Savings Tools					
	Online Saver	Term Deposit	Savings Calculator	Goal Progress	Automatic Spend Category Graphing	Projected Savings Graphing	Spend Category Graphing	Budget Planner
ANZ Bank	✓	✓	✓	✗	✗	✗	✗	✗
ASB Bank	✓	✓	✓	✗	✓	✗	✓	✓
BNZ	✓	✓	✓	✓	✗	✗	✗	✗
Kiwibank	✓	✓	✓	✓	✓	✗	✓	✓
RaboDirect	✓	✓	RTB	RTB	RTB	RTB	RTB	RTB
TSB Bank	✓	✓	RTB	RTB	RTB	RTB	RTB	RTB
Westpac	✓	✓	✓	✓	✓	✓	✓	✓