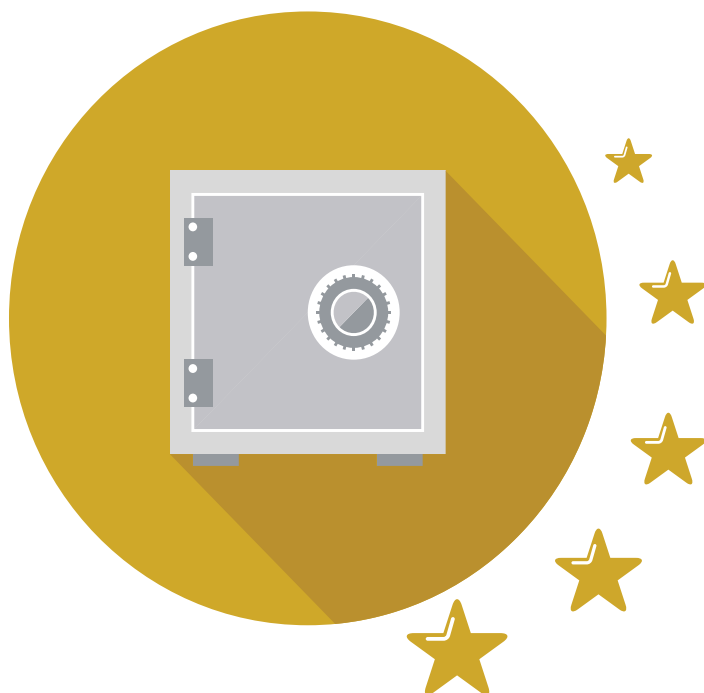


2015

AWARD
REPORT



Everyday
Banking





Everyday Banking

July 2015

Foreword

No matter where we are and what we're doing, we all conduct financial transactions every day of our lives. Sometimes we buy and sell things using good old-fashioned cash, but more commonly our financial transactions are happening behind the scenes. Interest payments, bills being direct-debited, automatic transfers from one account to another – they are out of sight and sometimes out of mind. Then there are the manual transactions; swiping or waving a card, jumping online to do some internet banking or even just checking to see if our salary has hit the bank account yet. We deal with money every day.

It stands to reason, then, that having great-value credit cards and transaction accounts is vitally important – yet we can take our everyday banking needs for granted. How often do you switch your transaction account or your credit card? It's worth crunching the numbers periodically to see whether you should.

Fortunately we have crunched the numbers for you, looking at ten New Zealand financial institutions and analysing their credit card and transaction account products, as well as the online functionality and availability of branches and ATMs to determine which institution is deserving of the CANSTAR Bank of the Year – Everyday Banking Award.

I hope you enjoy the report.



Mitchell Watson
Research Manager



OUR SPENDING HABITS

The concept of “money changing hands” has changed dramatically over the past two decades. Only one generation ago, banking meant waiting for your local bank branch to open and lining up to deposit or withdraw cash. It wasn’t until the early eighties that ATMs – those “holes in the wall” - were introduced to New Zealand, hence eliminating the stress of needing to get to the bank before it closed!

Perhaps a more significant introduction though was the first credit card – Bankcard – which arrived in New Zealand in 1979. Over the succeeding years the popularity of putting things on the plastic has boomed; According to the Reserve Bank of New Zealand (RBNZ) we now owe more than \$6 billion on those cards and we are paying interest on around \$3.9 billion of that.

We put plenty of stuff on EFTPOS, too. In fact overall, according to Statistics New Zealand, the total number of retail electronic card transactions in New Zealand average around 117 million per month. That’s the number of transactions (including both credit and debit) not the value. In fact that volume of transactions represents approximately 28 electronic transactions per New Zealand person aged 15 and older.

In terms of value, in the six months to the end of May, we spent the following amounts electronically in the following industries:

Industry	Six-monthly electronic spend
Consumables	\$10.2 billion
Durables	\$7 .0 billion
Hospitality	\$4.8 billion
Apparel	\$1.8 billion
Fuel	\$3.5 billion
Services	\$1.3 billion

Source: Statistics New Zealand



Despite all this electronic enthusiasm cash is still an important part of our transaction lives too – and it’s set to become brighter! In late 2014 the Reserve Bank of New Zealand (RBNZ) announced changes to our banknotes in order to take advantage of technological advances in security features. The notes will still be the same size, design and denomination – they’ll just be brighter and a bit more difficult to counterfeit!

The new notes will be released progressively, in order of denomination. The target release date for the \$5 and \$10 is October 2015, with the \$20, \$50 and \$100 likely released in April 2016.



IN TERMS OF TRANSACTIONS, WHAT PRODUCTS DO YOU NEED?

CANSTAR's Bank of the Year - Everyday Banking Award recognises the banking institution that offers the strongest overall value for Kiwis when it comes to their everyday banking needs.

access to branches and ATMs.

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.

To do this, CANSTAR compares a range of banking products and services that are used every day by New Zealanders. This includes transaction accounts, credit cards, online banking functionality, and

This year, CANSTAR has researched and rated the credit cards and deposit accounts that 10 institutions offer to New Zealand consumers, along the following lines.



Transaction Accounts

Whether you conduct many or few transactions each month (remember – the average number of electronic transactions per person is around 28 per year) you'll need a good transaction account. Some features to look out for on a transaction account, depending on your usage, can include:

Fees – Earning interest on your money isn't usually a major focus when it comes transaction accounts – but fees should be! Some potential fees that consumers may incur include a monthly account fee, over-the-counter transaction fees, EFTPOS and electronic transaction fees. Our recent research found the following average fees:

- An average monthly account keeping fee of \$2.67 among personal transaction accounts
- An average branch cash deposit or withdrawal fee of \$0.53 for deposits and \$0.92 for withdrawals
- An average ATM withdrawal fee of \$0.23
- Average internet bill pay fees of \$0.22
- Average EFTPOS transaction fees of \$0.23

Interest – Okay, so interest, as mentioned, isn't a major focus when it comes to transaction accounts. After all, the purpose of the transaction account is to transact, not to save. Nevertheless if you can score a transaction account that has low fees and pays interest, that's a win/win. Six of the 23 transaction accounts researched by CANSTAR offer an interest rate at a \$2,000 balance – although the average base rate of those accounts is just 0.25%.

Along with this, consumers should investigate any free transaction offers and any fee rebate conditions attached to their account.



Credit Cards

We do love flashing the plastic, and paying for just about anything via credit card is very convenient. So when it comes to determining value for everyday banking, the credit cards on offer are an important consideration.

Depending on how a card is used, different features will become increasingly important. Some features to look out for on a credit card, depending on your usage, can include:

The interest rate – If you pay your credit card balance in full each month then the interest rate attached to your credit card is irrelevant. Almost \$4 billion worth of credit, though, doesn't manage to be paid off our cards in full. In that case the interest rate on your credit card becomes very important indeed. Currently on CANSTAR's database, the credit card interest rates range from a low of 12.69% up to 25.45% – that's a significant difference if you owe a debt!

The annual fee – Whether you carry a debt or not, if your credit card charges an annual fee then you'll need to pay it. Similarly to the interest rate, the annual fee can vary significantly from zero to almost \$400. There are credit cards with an annual fee in excess of \$400, but they do tend to be the premium cards.

Rewards and features – We all love to be rewarded and we love flexibility. Plenty of credit cards have a rewards program attached and they can be a useful way to get something for nothing. With rewards programs though, just make sure that you really are getting something for nothing; sometimes you might find that the aforementioned interest cost and annual fees mean that you're getting something that you are indirectly paying for.

Other features such as the number of interest free days per month can also be important, and add-on features and perks of credit cards, such as free travel insurance and concierge services can be a fantastic benefit.

Distribution Features

Something else we consider in determining our Bank of the Year – Everyday Banking Award is the quality and availability of distribution channels. How many ATMS are available? What is branch presence like across both South and North Islands?



Then of course it's about online banking functionality, across desktop and mobile. Globally it's predicted that the number of mobile banking users will pass the 1 billion mark by 2017, up from 590 million two years ago. And here at home in New Zealand, Kiwi banking customers are embracing the increased functionality and user experience with equal enthusiasm.



HOW MUCH COULD YOU SAVE?

Sometimes it might seem all too difficult to change your transaction account or your credit card – but there's plenty of money to potentially be saved by doing so. For instance, using the example of someone who makes quite a few transactions each month – 40, let's say – and has \$5,000 owing on their credit card that they just can't budge, the difference in cost between holding a five star-rated transaction account and credit card rather than a two star-rated account and credit card could be around \$350 per year.

Table: Difference between Five star and Two star Products

Cost	Five star Product	Two Star Product	Difference per year
Account keeping fee & transactions	\$4.64	\$25.37	\$20.73
Credit Card Interest per year on revolving balance	\$659.92	\$997.50	\$337.58
Total	\$664.56	\$1,022.87	\$358.31

Source: www.canstar.co.nz

Credit Card interest is based on a consumer revolving a balance of \$5,000. Transaction cost average is taken from CANSTAR's high transactor profile for two and five stars within CANSTAR's deposit account rating. Credit card interest rate is based on the average of CANSTAR's five star and two star rated credit cards in the constant credit profile.



Everyday Banking

THE WINNER IS...

The CANSTAR Bank of the Year - Everyday Banking Award gives recognition to the institution that provides the best combination of transaction products, including both deposit accounts and credit cards, across its relevant CANSTAR star ratings profiles, as well as providing online banking and close access to branches and ATMs.

This year, our overall award for the institution offering the best value everyday banking across the country goes to BNZ. BNZ's strong product offering topped the score this year, with some highlights as follows.



Budget-conscious bonus

For the budget-conscious among us, BNZ's YouMoney account charges a \$5 account keeping fee with unlimited transactions. The YouMoney account allows you to open multiple sub-accounts which can be opened or closed in seconds. With internet banking, the drag and drop functionality makes paying bills quick and simple.

Credit cards are an everyday product and BNZ excels in offering a great range of credit cards to suit the customer's needs. For the consumers who like a low interest rate credit card BNZ's Low Rate Mastercard offers a competitive 13.45% with only a \$60 annual fee. For the customer who likes to enjoy the benefits of earning rewards BNZ offer the Platinum Visa has a \$1=1 rewards point ratio (20 platinum Rewards points:

1 flybuys point) for their fly buys rewards program with an annual fee of \$175 and a very competitive rate of 18.95%.

BNZ have great coverage across New Zealand on both the North and South islands, having 434 free ATMs available and 178 Branches available nation-wide. This makes it easy for customers to access bank branches and ATM's. While usage of branches and ATM's is declining, they are still an important resource that customers need access to.

Online functionality

BNZ has been busy enhancing the user functionality of its award-winning YouMoney, giving customers more control, insight and ultimately better decision making around the control of their financial affairs. The improvements include the introduction of personalised, relevant and timely tool tips and the introduction of improved credit card management and reporting capabilities.

BNZ's online banking is becoming better and better, their card management technology is a great way for the consumer to interact with their expenses via enabling their credit card to be used as an EFTPOS-only card, by allocating accounts to the cheque and savings channels on the card. An addition to this already interactive online banking tool is the "See Snap Save" functionality, available to smartphone users. It's a fun, interactive way to help the consumer save via taking photos of items they like and making this the profile picture for their savings account. Consumers can also open multiple accounts to have multiple savings goals.

While it did not form part of our analysis, it's worth noting that BNZ has also recently launched Touch ID – the fingerprint scanning technology built into Apple's newest devices – to log in to its personal mobile banking app.

BNZ's head of digital, Stephen Bowe said Touch ID will offer customers an easier way to use the bank's mobile app. Touch ID will be included in an app update for iOS, and customers will be asked if they'd like to switch their login to 'Touch ID' instead of a traditional password.

CANSTAR congratulates BNZ on taking the Bank of the Year - Everyday Banking Award for 2015.



CANSTAR Q & A

IN LIGHT OF ITS WIN, CANSTAR CAUGHT UP WITH BNZ FOR SOME INSIGHT INTO CUSTOMER USE OF BOTH PHYSICAL AND DIGITAL BANKING CHANNELS.

Q: Do ATM withdrawals remain as popular as ever?

A: Yes, they do – although the volume of withdrawal transactions are pretty flat, the values of these transactions are increasing all the time. We know from the Reserve Bank that cash in circulation is rising so what we're seeing here makes sense.

For BNZ, we are fortunate to have a really well positioned network of ATM's that are easily accessible for BNZ and non-BNZ customers alike (including our international visitors). And with exciting innovations in payments and the choices of denominations we offer customers, our ATM's will continue to play a key role ensuring that our customers have easy and convenient access to cash.

Q: When it comes to transactional banking, it seems that online is it. What has the trend been towards online banking over the past few years? And what is breakup between desktop and mobile?

A: There's no doubt that a bank's digital capability and its products are now inextricably linked. Our digital channels are the primary place where customers interact our products. In fact we often talk about the interface being the product. At BNZ we care deeply about the experiences we create for our customers, so with You Money we've tailored the product to reflect the experience we wanted to create online. It's not just a case of taking what you've got and making it available online. Most of our digitally active customer base are now using a combination of both desktop and mobile, so it's not really a case of one channel being more important than another. Instead it's about respecting the context the customers are in when they are using that channel, that's why at BNZ we build native apps, because the experience we create for our customers is paramount

Q: Touch ID: can you tell us more about it? Why are you introducing it?

A: The digital world is all about convenience. With Touch ID we've been able to improve the customer experience associated with accessing the BNZ mobile app, without compromising security. As a result, our customers are already telling us they love this new feature.

Q: When it comes to term deposits versus at call savings accounts, what seems to be the customer preference at the moment?

A: There is clearly a demand and a need for both. Savings accounts are generally more flexible and suit those that either need to add to or withdraw from their accounts regularly. As term deposits are more suited to customers who are able to invest a fixed amount for a fixed term there will always be a need for high quality and innovative savings accounts. However in a falling interest rate environment we would expect more customers to fix their returns and for longer than a few months ago, and this is what we are seeing.



METHODOLOGY

EVERYDAY BANKING AWARD

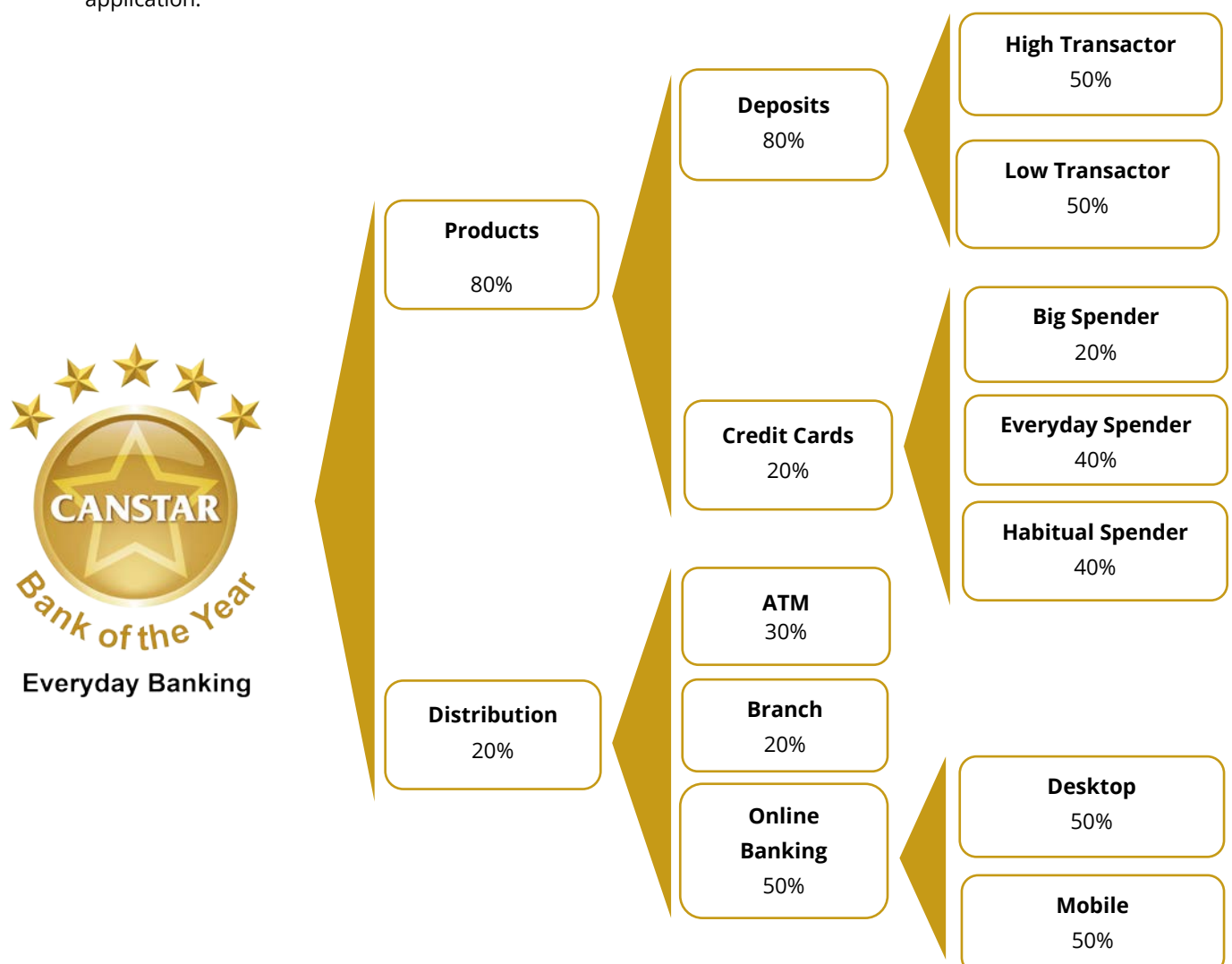
What is the CANSTAR *Bank of the Year Everyday Banking Award*?

CANSTAR's *Bank of the Year Everyday Banking Award* uses a sophisticated rating methodology, unique to CANSTAR, which compares institutions' everyday banking products and accessibility throughout New Zealand.

This CANSTAR award aims to give recognition to the institution that provides the strongest combination of transactional products such as deposit accounts and credit cards across its relevant CANSTAR star ratings profiles, as well as providing online banking and close access to branches and ATMs.

How is the CANSTAR *Bank of the Year Everyday Banking Award* calculated?

To arrive at the overall score, CANSTAR assesses two components consumers look for when seeking the best institution for their everyday banking needs. While an institution's product offering makes up the majority of the institution's overall score, consideration must be given to how accessible the institution is through the number of branches and free ATMs, as well the practicality of its online banking functionality with respect to transferring money, paying bills or checking balances on the go with a smartphone application.



Product assessment

Each institution is represented by its highest scoring product in each deposit product or credit card profile. How each of the products' star rating is calculated is 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 a features score (see table below for weightings).

Profile	Pricing		Features		
Low Transactor	65%		35%		
High Transactor	60%		40%		
	Rates	Scenarios	Credit rating	Product features	Access
Low Transactor	5%	95%	5%	70%	25%
High Transactor	5%	95%	5%	70%	25%

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%
Low Transactor	1,000	2,000	5,000
High Transactor	1,000	2,000	5,000

Scenario component

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

	Low Transactor	High Transactor
Average balance	\$2,000	\$2,000
Average deposit	\$2,500	\$2,500
Average no. of transactions	15	40
ATM withdrawal own network	15%	15%
Branch cash withdrawal	5%	5%
Direct credit	-	5%
Direct debit	-	5%
eftpos transaction	45%	40%
Internet transaction	30%	25%
Phone banking	5%	5%

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
Transaction Profiles	30%	10%	60%

Product features component

The CANSTAR 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	All transactor profiles
Account facilities	50%
Specific condition	25%
Exempt for fee and charges	10%
Account design options	5%
Fees and charges	10%

Credit cards

As with the deposit star ratings, the CANSTAR *Credit Card Star Ratings* is awarded points for its comparative Pricing and for the array of positive Features attached to the account. Its relative weighting is as follows:

Profile	Pricing		Features		
Constant Credit	70%		30%		
Everyday Spender	35%		65%		
Big Spender	25%		75%		
	Cost over 12 months	Historical rates	Product features	Free days	Minimum repayment
Constant Credit	60%	40%	83%	-	17%
Everyday Spender	70%	30%	90%	10%	-
Big Spender	70%	30%	90%	10%	-

Please see the CANSTAR *Credit Card Star Ratings* Methodology for more information.

Rate component

Current data is used to calculate the annual cost to the cardholder for using each card. The cost of each card varies depending on the characteristics of the spending profile. Below are some of the spending and revolving details used in the calculation of the cost of each credit card.

- Constant Credit: spends \$14,000 per year while revolving \$9,000
- Everyday Spender: spends \$24,000 per year and revolves \$3,000 once a year
- Big Spender: spends \$60,000 per year and revolves \$9,000 once a year

Historical rate component

The historical rate component looks at the product's interest rate in the last six months.

Feature component

Like the *Deposit Account Star Ratings*, the *CANSTAR Credit Card Star Ratings* take into account more than 150 product features with weights given to each relevant area.

Features category	Constant Credit	Everyday Spender	Big Spender
Additional fees & charges	14%	6%	5%
Lending terms	22%	7%	6%
Late payment interest charging	12%	11%	9%
Merchant acceptability	16%	10%	8%
Online transactions/card security	14%	7%	6%
Premium card facilities	3%	17%	24%
Repayment capabilities	7%	4%	3%
Rewards program	4%	33%*	35%**
Special purchasing policies	1%	1%	1%
Application process	7%	4%	3%

*based on the best \$24k rewards star ratings (for companion cards, 35% of weight allocated to AMEX program, 65% to Visa/MasterCard)

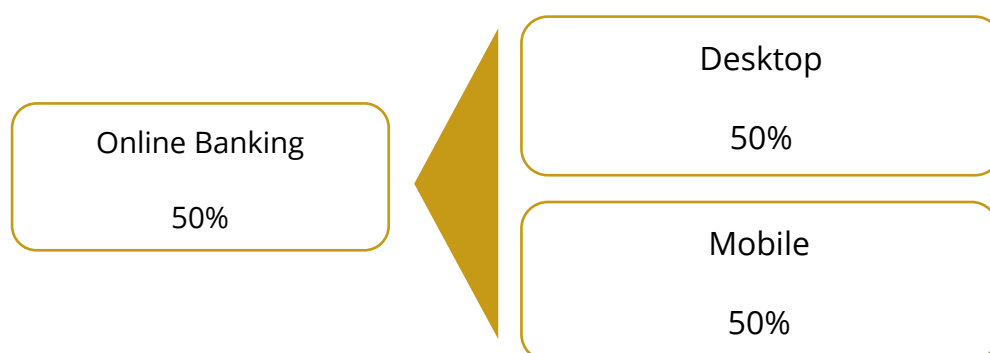
**based on the best \$60k rewards star rating (for companion cards, 40% of weight allocated to AMEX program, 60% to Visa/MasterCard)

Accessibility assessment

ATM and branch

The ratio of the total number of branches and free ATMs across New Zealand (both islands) against the New Zealand population is calculated against a cap of 12,500 people per ATM and 25,000 people per branch. Any institution that is lower than the cap will receive full points for this category with the remaining institutions being indexed against the caps.

Online banking



The online banking component looks at the institution's mobile and internet banking facilities. Information regarding both categories is taken from CANSTAR's *Online Banking Award* (see below). The indexed score from both categories is used towards the overall Online Banking score and is weighted equally.

Feature Category	Desktop	Mobile	Examples of data captured
Banking and Other Services	40%	65%	
Transactions	70%	70%	Transfers, Bill payments, Transfer Limits, Processing
Payment Management	20%	20%	Create, Schedule and Manage Payments
Other Services	10%	10%	Access to other products through same login
Personal Finance Management	35%	15%	Online Statements, Transaction history, Graphing tools
Account Status and Statements	70%	70%	Account Balances, Statements, Transaction History
Budgeting Tools	20%	20%	Integrated budgeting tools, spend categorisation and graphing
Other Tools	10%	10%	Access to other finance tools within same login
Self Service	15%	10%	Change personal details, Personalisation, Modify limits
Product Applications	10%	10%	Product applications through login

How many products and financial institutions are analysed?

In order to calculate the award, CANSTAR analysed 13 institutions in New Zealand.

How often are all the products reviewed for rating purposes?

CANSTAR's *Bank of the Year Everyday Banking Award* is recalculated every 12 months based on the latest rates and features offered by each institution. CANSTAR also monitors rate 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. However this process is not always possible and it may be that not every product in the market is included in the rating or every feature compared that is relevant to you.

How often are all the products reviewed for rating purposes?

All ratings are fully recalculated annually based on the latest features offered by each institution. CANSTAR also monitors rate 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
- Cash PIE
- Credit cards
- Credit card rewards
- Home loans
- KiwiSaver
- Online banking
- Personal loans
- Savings accounts
- Transaction accounts
- Term deposits

DISCLAIMER

To the extent that any CANSTAR data, ratings or commentary constitutes general advice, this advice has been prepared by CANSTAR New Zealand Limited (3225469) FSP 200146 and does not take into account your individual investment objectives, financial circumstances or needs. Information provided does not constitute financial, taxation or other professional advice and should not be relied upon as such. CANSTAR recommends that, before you make any financial decision, you seek professional advice from a suitably qualified adviser. A Product Disclosure Statement relating to the product should also be obtained and considered before making any decision about whether to acquire the product. CANSTAR acknowledges that past performance is not a reliable indicator of future performance.

COPYRIGHT & TRADEMARKS

© CANSTAR New Zealand Limited (3225469), 2008-2014. The recipient must not reproduce or transmit to third parties the whole or any part of this work, whether attributed to CANSTAR or not, unless with prior written permission from CANSTAR, which if provided, may be provided on conditions.

The word "CANSTAR", the gold star in a circle logo (with or without surmounting stars), are trademarks or registered trademarks of CANSTAR Pty Ltd A.C.N. 053 646 165. Reference to third party products, services or other information by trade name, trademark or otherwise does not constitute or imply endorsement, sponsorship or recommendation of CANSTAR by the respective trademark owner.



Everyday Banking Award

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. This 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.

Bank								
Company	Products and Services					Tools		
	Credit Card	Transaction Account	Mobile Application	Free ATM's *	Branches Available	Bank Statement Online	Spend Category Graphing	24hr Help
ANZ Bank	✓	✓	✓	✓	✓	✓	✗	✓
ASB Bank	✓	✓	✓	✓	✓	✓	✓	✓
BNZ	✓	✓	✓	✓	✓	✓	✗	✓
Co-operative Bank	✗	✓	RTB	✗	✓	RTB	RTB	RTB
Heartland Bank	✗	✓	RTB	✗	✓	RTB	RTB	RTB
Kiwibank	✓	✓	✓	✓	✓	✓	✓	✗
NZCU Baywide	✗	✓	RTB	✓	✓	RTB	RTB	RTB
SBS Bank	✗	✓	✗	✗	✓	✓	✗	✗
TSB Bank	✓	✓	RTB	✓	✓	RTB	RTB	RTB
Westpac	✓	✓	✓	✓	✓	✓	✓	✗