



METHODOLOGY

SAVINGS AND TRANSACTION ACCOUNT STAR RATINGS

What are the CANSTAR Savings and Transaction Account Star Ratings?

CANSTAR's *Savings and Transaction Account Star Ratings* involve a sophisticated rating methodology, unique to CANSTAR, unique to CANSTAR which compares deposit accounts in New Zealand. CANSTAR star-rated products represent a shortlist of financial products. This shortlist narrows the search for consumers to products that have been reviewed, assessed and ranked.

The CANSTAR *Savings and Transaction Account Star Ratings* is a transparent analysis comparing all types of deposit accounts for an array of characteristics, such as:

- Interest rates
- Fees
- Free transactions
- Accessibility
- Rebates
- Features

The results are reflected in a consumer-friendly five-star concept, with five stars signifying outstanding value offered by the product.

What types of products are evaluated for the Savings and Transaction Account Star Ratings?

The following account types are assessed in the ratings:

- Personal Transaction Accounts
- Savings and Investment Accounts
- Online Savings Accounts
- Cash Management Accounts
- Notice Saver Accounts

Products specific to certain groups or with restrictions on eligibility are not included in the ratings. Business accounts are rated separately as part of the *CANSTAR Business Savings and Transaction Star Ratings*.

Eligibility Criteria

To be eligible for a star rating, the product must have been on offer for at least six months. Products that do not have the required six-month information can only achieve a rising star. Rising stars are those products that would be rated five-star or higher but have not been in the market for more than six months. Rising star products will be formally rated in the next period once more historical data is available.

How is the CANSTAR Savings and Transaction Account Star Ratings structured?

CANSTAR recognises that deposit account users have different needs in terms of saving and transacting. Hence the CANSTAR *Savings and Transaction Account Star Ratings* methodology has been designed to reflect a range of transacting and savings styles. Specifically the ratings consist of the following sub-sections:



Electronic Transactor

Full Service Transactor



Flexible Saver

Regular Saver

The star ratings methodology differs for each customer segment in terms of the relative importance placed on the fees and features of the products assessed. The table below provides a description on each profile.

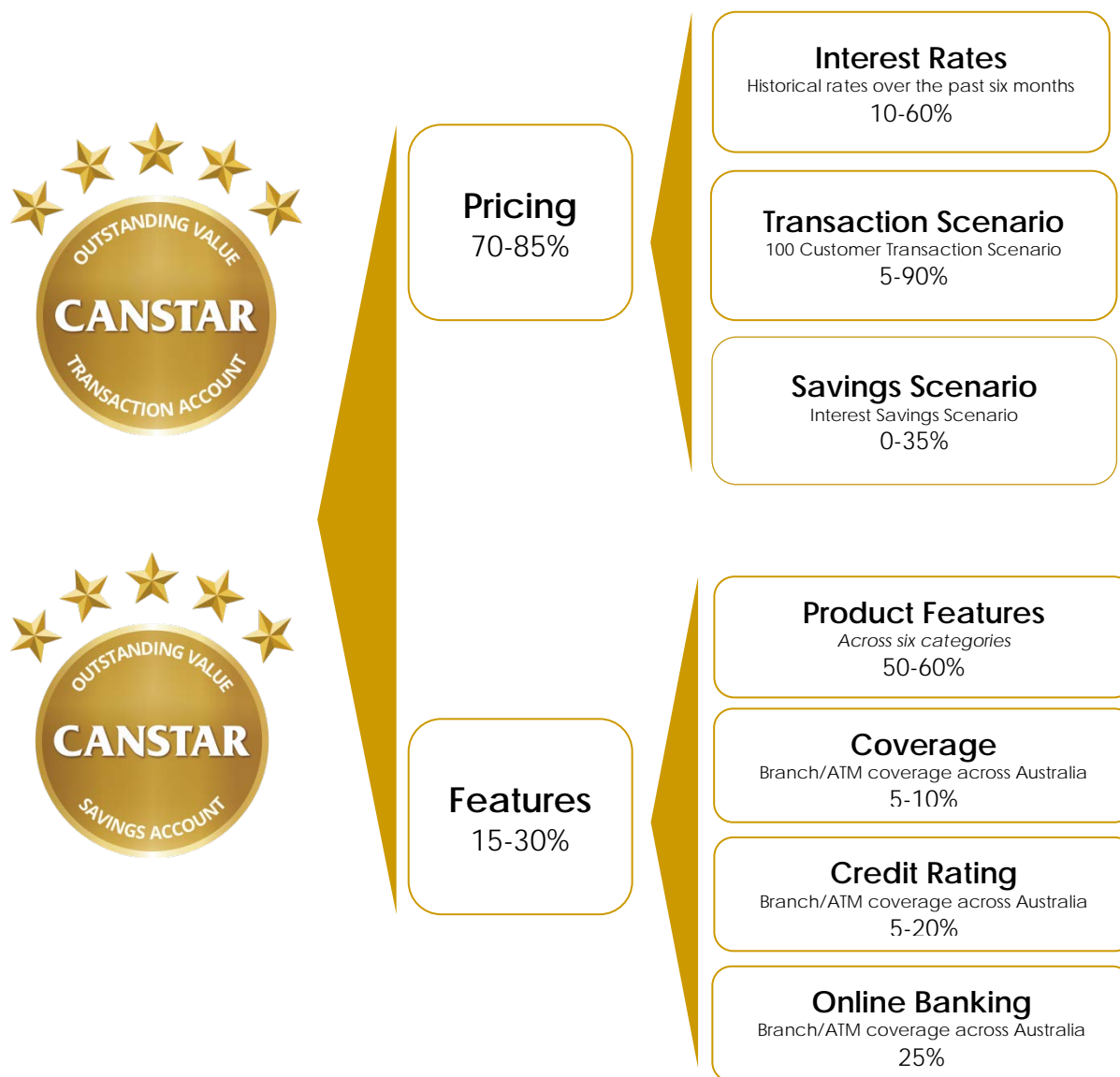
Profile	Description
Flexible Saver	For customers looking to maximize their savings with no restrictions. To be eligible, the account must offer a base rate of 0.50% or higher on a balance of \$25,000.
Regular Saver	For more active savers who are willing to meet stricter conditions to achieve higher levels of interest. To be eligible the account must offer a total rate of 0.50% or higher on a balance of \$10,000.
Electronic Transactor	For customers whose main channel to transact is electronically. Requires full access to the account including ATM, EFTPOS, point of sale and BPAY and conduct an average of 40 transactions per month.
Full Service Transactor	For customers who may occasionally transact through branch or phone on top of electronically. Requires full access to the account including ATM, EFTPOS, branch, point of sale and BPAY and conduct an average of 25 transactions per month.

How does it work? How are the 'stars' calculated?

Each transaction or savings account reviewed for the CANSTAR *Savings and Transaction 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 transaction security. Points are aggregated to achieve a Pricing score (P) and a Feature score (F).

To arrive at the total score, CANSTAR applies a weight (w) against the P and F. This weight will vary for each customer profile and will reflect the relative importance of either costs or features in determining the best deposit account. This method can be summarised as:

$$\text{TOTAL SCORE (T)} = \text{PRICING (P)} + \text{FEATURES SCORE (F)}$$



The table below outlines the weights allocated to price and features by profile.

Profile	Pricing	Features
Flexible Saver	80%	20%
Regular Saver	80%	20%
Electronic Transactor	60%	40%
Full Service Transactor	65%	35%

Pricing score

The pricing score of the Savings and Transaction Account Star Ratings is broken down into three components; Historical Rates, Transaction Scenario and Savings Scenario. The weighting of each component to the customer profile differs and the weightings we apply are displayed in the table below.

Profile	Rates	Transaction Scenario	Savings Scenario
Flexible Saver	60%	10%	30%
Regular Saver	60%	5%	35%
Electronic Transactor	10%	90%	-
Full Service Transactor	10%	90%	-

Rates

Interest paid on personal savings accounts is an important component of the saver profiles. The average interest rate paid across three nominated account balances as shown below is used to establish the account that pays the highest overall interest. The average interest rate is defined as the rate at the beginning of each month, covering a six-month period, plus any promotional and bonus rates. The product found to pay the highest average interest based on the weighted balances below will receive the highest *Rate Score*.

Historical rate balances

	Flexible Saver	Regular Saver	Electronic Transactor	Full Service Transactor
Balance 1	\$2,500	\$2,000	\$1,000	\$1,000
Balance 2	\$25,000	\$10,000	\$2,000	\$2,000
Balance 3	\$50,000	\$25,000	\$5,000	\$5,000

Balance Weightings

The historical balances have a different level of importance to the profiles. The historical rates score is calculated using the percentages below.

	All Profiles
Balance 1	40%
Balance 2	45%
Balance 3	15%

Rate Type Weightings

The types of rates relevant and offered in the market are considered in our calculations and weight is applied appropriately depending on profile.

Profile	Base Rate	Total Rate
Flexible Saver	70%	30% *
Regular Saver	40%	60% **
Electronic Transactor	100%	-
Full Service Transactor Transactor	100%	-
*The total rate considers the base rate plus promotional rate		
** The total rate considers the base rate plus bonus rate		

Transaction Scenario

The scenario analysis is conducted using CANSTAR's unique transaction calculator, which incorporates essential transaction fees and charges, rebates and free transactions. The calculator interlinks the transaction behaviour of 100 hypothetical depositors with the pricing structure of the deposit accounts. The products with the lowest cost receive the highest score in the scenario analysis.

The following table describes the number of transactions and channels used in the scenarios.

	Flexible Saver	Regular Saver	Electronic Transactor	Full Service Transactor
Average no. of transactions	5	1	40	25
Average Balance	\$25,000	\$10,000	\$2,000	\$2,000
Average Deposit	\$1,000	\$1,000	\$2,500	\$2,500
ATM withdrawal own network	-	-	10%	10%
ATM withdrawal other network	-	-	5%	5%
Branch cash withdrawal	-	-	-	5%
Direct Debit	-	-	5%	5%
Points of Sale*	-	-	45%	45%
Internet transaction	100%	100%	-	-
Internet BPAY	-	-	15%	10%
Internet Pay anyone	-	-	20%	15%
Phone Banking#	-	-	-	5%
*Split of 50% to Paypass/Paywave and 50% to EFTPOS if Paypass/Paywave is available. Otherwise EFTPOS will make up 100% of the cost.				
#Phone transaction via a voice recognition system.				

Savings Scenario

A simple interest calculation is used to capture and differentiate the offerings in the market on promotional rates for Flexible Saver and conditional bonus rates for Regular Saver, SMSF Saver and Junior Saver. The description of the scenario placed for interest calculation is below.

Profile	Initial Deposit Amount	Term (months)	Description
Flexible Saver	\$2,500	18	Interest calculation is based on the interest earned on an initial deposit of \$2,500 over 18 months, taking into account the promotional rate and it's length plus the base interest rate.
Regular Saver	\$2,000	12	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 six, and a \$100 withdrawal on the last day of month twelve.

Feature score

The Feature score is broken up into two components, features and accessibility to ATM and/or branch. The breakdown of weights between features and accessibility by profile is shown below.

Profile	Product Features	Coverage	Credit Rating	Online Banking
Flexible Saver	50%	5%	20%	25%
Regular Saver	50%	5%	20%	25%
Electronic Transactor	60%	10%	5%	25%
Full Service Transactor	60%	10%	5%	25%

Product features

Each of the product features is allocated points that are awarded for positive deposit account traits such as no fees or greater flexibility. As features are relatively static, they are not measured over time. The following table outlines the weightings of each of the feature categories per profile:

Category Description	Flexible	Regular	Electronic Transactor	Full Service Transactor
Account Facilities	45%	40%	50%	50%
Specific Conditions	40%	45%	20%	20%
Exception Fees	-	-	10%	10%
Exemptions From Fees & Charges	5%	5%	10%	10%
Account Design Options	10%	10%	10%	10%
Total	100%	100%	100%	100%

Coverage

The ratio of the total number of free ATMs and branches across all Australian states and territories (excluding ACT) against its respective population is calculated against a cap of 15,000 people per ATM and 30,000 people per branch. Any institution that exceeds the branch and or ATM cap will receive full points, with the remaining institutions being indexed against the cap. Access areas are weighted differently depending on the profile:

Description	Flexible Saver	Regular Saver	Electronic Transactor	Full Service Transactor
ATM Coverage	-	-	60%	60%
Branch Coverage	100%	100%	40%	40%
Total	-	100%	100%	100%

Credit Rating

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.

Online Banking

CANSTAR assesses the features on the online banking capability of New Zealand institutions. Institutions will receive a high score if they offer extensive coverage across categories like banking and other services (e.g. transfers, bill payments, transfer limits, schedule and manage payments), personal finance management (e.g. account information,

budgeting tools, finance tools and calculators), self-service (e.g. ability to change personal details, personalization) and product applications (e.g. ability to apply for new products and monitor product application progress).

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 all the products reviewed for rating purposes?

This award is 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
- Term Deposit
- Credit cards
- Credit card rewards
- Home loans
- Kiwisaver
- Online banking
- Personal loans
- Savings accounts
- Transaction accounts



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