

# CREDIT CARD STAR RATINGS

## IN THIS REPORT

We research & rate 52 credit cards offered by 10 institutions to determine the cards offering the best value for consumers across four spending profiles.



## CHRISTMAS ON CREDIT

Credit card debt is a fact of life for many New Zealand households and our spending tends to peak around the festive season. Our collective personal credit cards carry an additional \$109 million, on average, during December and January. The good news is that we do tend to pay a large proportion of this off over the succeeding months – although it is also worth noting that according to Reserve Bank of New Zealand (RBNZ) statistics, New Zealanders are currently paying interest on a record \$3.63 billion of credit card debt.

### *Amount of credit card debt accruing interest*



Source: Reserve Bank New Zealand – credit card statistics

With an official cash rate of just 2.50% it may be surprising for some to realise that, according to the RBNZ, the average interest rate being paid on a credit card in New Zealand is 17.60%. This means that with a national balance of approximately \$3.63 billion accruing interest, Kiwis are collectively paying an average annual credit card interest cost of \$639 million. .

The good news is that CANSTAR analysis has found significant variability of interest rates on offer, from a current low of 12.90% per annum to a high of 24.95% on the database. For those who carry an outstanding balance on their credit card, there is money to be saved by shopping around for a great deal.

	Credit card interest rates
Minimum	12.90%
Maximum	24.95%

Source: CANSTAR. Rates are as per CANSTAR database as at 1 December 2013

## RECENT MARKET CHANGES

Christmas is a time when consumers open their wallets – and financial institutions try to capture an increasing share of the spend. While some of this action may be unnoticed by consumers, the past few months have seen some changes in the credit card space.

Bank of New Zealand (BNZ) recently retendered some of their credit card business, with Mastercard winning the tender. BNZ's tender was in the area of low-rate cards, and Mastercard's win has seen the introduction of the BNZ HomeAdvantage credit card and BNZ low rate Mastercard – and the cessation of the BNZ low-rate Visa. The BNZ HomeAdvantage credit card is particularly interesting, offering a variable home loan interest rate for customers who have a BNZ home loan (and equity of at least 20%).

Another less permanent change in the market is ASB's announcement in November that it would charge 0% interest on purchases for the next five months for all new credit cards taken out with it. This is more a marketing push than a product change, however it could be a useful product for disciplined spenders.

## TYPES OF SPENDERS

Different credit card users have different spending habits and therefore value different aspects of their credit card. In recognition of this, the CANSTAR *credit card star ratings* methodology reflects a range of spending styles and credit card usage.

Profile Name	Description
<b>1</b> <b>Big Spender</b>	A monthly spend of \$5,000 or more, totaling \$60,000 over a 12-month period, with the balance paid off in full at the end of most months. For the CANSTAR analysis we have assumed a single one-month period of interest accruing on a balance of \$9,000.
<b>2</b> <b>Everyday Spender</b>	A monthly spend of approximately \$2,000, with the balance paid off in full at the end of most months. For the CANSTAR analysis we have assumed a single one-month period of interest accruing on a balance of \$3,000.
<b>3</b> <b>Occasional Spender</b>	An occasional large purchase that is slowly paid off over time. For the CANSTAR analysis we have assumed an annual spend of \$6,000, with two one-month periods of interest accruing throughout the year on a balance of \$1,500.
<b>4</b> <b>Habitual Spender</b>	Continual spending on credit with a constant running balance that accrues interest. For the CANSTAR analysis we have assumed an annual spend of \$14,000, with a running balance accruing interest of \$9,000.

These four different credit card user profiles broadly cover the majority of card spending and payment patterns in Australia. So what features should each “type” of user look for in a credit card? As a general rule:

**1**

**Tip:** Look for a card that provides features and perks that you use frequently. These may include free travel insurance, concierge service and a rewards program.

**Beware:** Cards aimed at big spenders have high interest rates, so a few missed payments, combined with a high annual fee, can negate the benefits you receive from the “extras”.

**2**

**Tip:** Look for a card that has a reasonable annual fee, has maximum interest-free days and a rewards program that provides benefits that are relevant to you.

**Beware:** Of high annual fees. Make sure that your annual spending attracts enough rewards to justify the annual fee.





**Tip:** Because you may have an ongoing balance for part of the year, try to find low rate card with a low or no annual fee. Look for interest free days but remember that they are null and void as soon as your fail to pay your full balance.

**Beware:** Steer clear of high-interest rewards cards as the additional costs would likely outweigh the rewards benefits.



**Tip:** Find a low rate card with a very low or no annual fee. If you can get a suitable card that offers instant rewards or discounts at places you regularly use, that's even better.

**Beware:** Don't be swayed by cards offering big rewards, as these usually come with big monthly interest rates and/or large annual fees.

## WHO OFFERS OUTSTANDING VALUE?

With so many credit cards in the market, it can be confusing for consumers to know which one to choose. To help make the comparison of products easier, CANSTAR has looked at 61 credit cards across 11 lenders, assessing the value for each category of spender. We have found:

- 4 credit cards which offer outstanding value for big spenders
- 2 credit cards which offer outstanding value for everyday spenders
- 4 credit cards which offer outstanding value for occasional spenders
- 5 credit cards which offer outstanding value for habitual spenders

CANSTAR's *credit card star ratings* is an invaluable starting point when creating a shopping list of credit cards that match your spending profile. Cards rated five stars denote outstanding value.

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# Credit Card Star Ratings

REPORT DATE: DECEMBER 2013

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.

## BIG SPENDER

Company	Product	Rate	Free Days	Annual Fee (\$)		Credit Limit (\$)		Rewards Program Available
				Annualised Fee	Spend to Waive Annual Fee	Minimum	Maximum	
<b>★★★★★ "outstanding value"</b>								
ANZ Bank	Airpoints Visa Platinum	19.95%	44	150.00	N/A	10,000.00	No Max	✓
ANZ Bank	Qantas Visa Platinum	19.95%	44	150.00	N/A	10,000.00	No Max	✓
Bank of New Zealand	Visa Platinum	15.95%	55	174.00	60000	10,000.00	No Max	✓
Bank of New Zealand	Visa Platinum GlobalPlus	15.45%	44	200.00	60000	10,000.00	No Max	✓
<b>✦ "rising star"</b>								
ANZ Bank	Cashback Platinum Mastercard/Visa	19.95%	55	125.00	N/A	10,000.00	No Max	✓
Kiwibank	Airpoints Platinum MasterCard	19.95%	44	150.00	N/A	10,000.00	No Max	✓
Westpac	Platinum MasterCard	19.95%	55	125.00	60000	8,000.00	No Max	✓
<b>★★★★</b>								
American Express	Platinum Edge Credit Card	19.95%	55	149.00	N/A	5,000.00	100000	✓
American Express	Platinum MemberRewards Credit Card	19.95%	55	325.00	N/A	5,000.00	100000	✓
ASB Bank	Visa Platinum	18.95%	55	130.00	N/A	10,000.00	No Max	✓
Bank of New Zealand	Amex Gold Everyday	19.95%	55	80.00	N/A	5,000.00	No Max	✓
Bank of New Zealand	Amex Gold GlobalPlus	19.95%	44	105.00	N/A	5,000.00	No Max	✓
Bank of New Zealand	MasterCard/Visa Gold GlobalPlus	19.95%	44	104.00	N/A	5,000.00	No Max	✓
<b>★★★</b>								
American Express	Air New Zealand Platinum Card	19.95%	55	395.00	N/A	5,000.00	100000	✓
American Express	Gold Credit Card	19.95%	55	140.00	N/A	5,000.00	50000	✓
ANZ Bank	Airpoints Visa	19.95%	44	65.00	N/A	500.00	No Max	✓
ANZ Bank	Cashback Mastercard/Visa	19.95%	55	60.00	N/A	500.00	No Max	✓
ANZ Bank	Low Rate Mastercard	13.90%	55	58.00	N/A	500.00	No Max	✗
ANZ Bank	Mastercard/Visa Gold	19.95%	55	75.00	N/A	5,000.00	No Max	✗
ANZ Bank	Qantas Visa Classic	19.95%	44	75.00	N/A	500.00	No Max	✓
ASB Bank	Visa	19.95%	55	24.00	N/A	500.00	No Max	✓
ASB Bank	Visa Gold	19.95%	55	80.00	N/A	5,000.00	No Max	✓
Bank of New Zealand	All Blacks MasterCard	19.95%	55	48.00	N/A	500.00	No Max	✓
Bank of New Zealand	Amex Classic Everyday	19.95%	55	30.00	N/A	500.00	No Max	✓
Bank of New Zealand	Amex Standard GlobalPlus	19.95%	44	55.00	N/A	500.00	No Max	✓
Bank of New Zealand	MasterCard/Visa Gold Everyday	19.95%	55	80.00	N/A	5,000.00	No Max	✓
Bank of New Zealand	MasterCard/Visa Gold GlobalPlus	19.95%	44	55.00	N/A	500.00	No Max	✓
Kiwibank	Low Rate MasterCard	12.90%	55	50.00	N/A	500.00	20000	✗
Kiwibank	MasterCard Gold	16.90%	55	80.00	N/A	5,000.00	20000	✗
Kiwibank	MasterCard Zero	15.90%	55	0.00	N/A	500.00	20000	✗
Warehouse Fin SVCS NZ	Rewards MasterCard	19.95%	55	34.00	N/A	500.00	No Max	✓
Westpac	Low Rate MasterCard	12.95%	55	65.00	N/A	500.00	No Max	✗
<b>★★</b>								
ANZ Bank	MasterCard/Visa	19.95%	55	30.00	N/A	500.00	No Max	✗
ASB Bank	Low Interest MasterCard	13.60%	55	60.00	N/A	1,000.00	No Max	✗
Bank of New Zealand	MasterCard/Visa Classic Everyday	19.95%	55	30.00	N/A	500.00	No Max	✓
Diners Club New Zealand	Personal Credit Card	19.95%	44	68.00	N/A	500.00	No Max	✓
TSB Bank	Visa Card	18.50%	55	30.00	N/A	500.00	No Max	✗
Warehouse Fin SVCS NZ	Low Interest MasterCard	12.99%	55	65.00	N/A	500.00	No Max	✗
<b>★</b>								
Diners Club New Zealand	NZ Golf Credit Card	19.95%	44	0.00	N/A	1,000.00	No Max	✓
GE Money	Gem Visa	24.95%	55	55.00	N/A	500.00	20000	✗



# Credit Card Star Ratings

REPORT DATE: DECEMBER 2013

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.

## EVERYDAY SPENDER

Company	Product	Rate	Free Days	Annual Fee (\$)		Credit Limit (\$)		Rewards Program Available
				Annualised Fee	Spend to Waive Annual Fee	Minimum	Maximum	
<b>★★★★★ "outstanding value"</b>								
ANZ Bank	Cashback Mastercard/Visa	19.95%	55	60.00	N/A	500.00	No Max	✓
Bank of New Zealand	Visa Platinum	15.95%	55	174.00	60000	10,000.00	No Max	✓
<b>☆ "rising star"</b>								
Kiwibank	Airpoints Low Fee MasterCard	15.90%	44	25.00	N/A	500.00	No Max	✓
Kiwibank	Airpoints Platinum MasterCard	19.95%	44	150.00	N/A	10,000.00	No Max	✓
Kiwibank	Airpoints Standard MasterCard	19.95%	44	65.00	N/A	500.00	No Max	✓
Westpac	Platinum MasterCard	19.95%	55	125.00	60000	8,000.00	No Max	✓
<b>★★★★</b>								
ANZ Bank	Airpoints Visa Platinum	19.95%	44	150.00	N/A	10,000.00	No Max	✓
ANZ Bank	Qantas Visa Classic	19.95%	44	75.00	N/A	500.00	No Max	✓
ASB Bank	Visa	19.95%	55	24.00	N/A	500.00	No Max	✓
Bank of New Zealand	MasterCard/Visa Gold GlobalPlus	19.95%	44	104.00	N/A	5,000.00	No Max	✓
Kiwibank	MasterCard Zero	15.90%	55	0.00	N/A	500.00	20000	✗
<b>★★★</b>								
American Express	Platinum Edge Credit Card	19.95%	55	149.00	N/A	5,000.00	100000	✓
American Express	Platinum MemberRewards Credit Card	19.95%	55	325.00	N/A	5,000.00	100000	✓
ANZ Bank	Airpoints Visa	19.95%	44	65.00	N/A	500.00	No Max	✓
ANZ Bank	Low Rate Mastercard	13.90%	55	58.00	N/A	500.00	No Max	✗
ANZ Bank	Qantas Visa Platinum	19.95%	44	150.00	N/A	10,000.00	No Max	✓
ASB Bank	Visa Gold	19.95%	55	80.00	N/A	5,000.00	No Max	✓
ASB Bank	Visa Platinum	18.95%	55	130.00	N/A	10,000.00	No Max	✓
Bank of New Zealand	All Blacks MasterCard	19.95%	55	48.00	N/A	500.00	No Max	✓
Bank of New Zealand	Amex Classic Everyday	19.95%	55	30.00	N/A	500.00	No Max	✓
Bank of New Zealand	Amex Gold Everyday	19.95%	55	80.00	N/A	5,000.00	No Max	✓
Bank of New Zealand	Amex Gold GlobalPlus	19.95%	44	105.00	N/A	5,000.00	No Max	✓
Bank of New Zealand	Amex Standard GlobalPlus	19.95%	44	55.00	N/A	500.00	No Max	✓
Bank of New Zealand	MasterCard/Visa Classic Everyday	19.95%	55	30.00	N/A	500.00	No Max	✓
Bank of New Zealand	MasterCard/Visa Gold Everyday	19.95%	55	80.00	N/A	5,000.00	No Max	✓
Bank of New Zealand	MasterCard/Visa Gold GlobalPlus	19.95%	44	55.00	N/A	500.00	No Max	✓
Bank of New Zealand	Visa Platinum GlobalPlus	15.45%	44	200.00	60000	10,000.00	No Max	✓
Kiwibank	Low Rate MasterCard	12.90%	55	50.00	N/A	500.00	20000	✗
Kiwibank	MasterCard Gold	16.90%	55	80.00	N/A	5,000.00	20000	✗
Warehouse Fin SVCS NZ	Rewards MasterCard	19.95%	55	34.00	N/A	500.00	No Max	✓
Westpac	Low Rate MasterCard	12.95%	55	65.00	N/A	500.00	No Max	✗
<b>★★</b>								
American Express	Gold Credit Card	19.95%	55	140.00	N/A	5,000.00	50000	✓
ANZ Bank	MasterCard/Visa	19.95%	55	30.00	N/A	500.00	No Max	✗
ANZ Bank	Mastercard/Visa Gold	19.95%	55	75.00	N/A	5,000.00	No Max	✗
ASB Bank	Low Interest MasterCard	13.60%	55	60.00	N/A	1,000.00	No Max	✗
Diners Club New Zealand	NZ Golf Credit Card	19.95%	44	0.00	N/A	1,000.00	No Max	✓
TSB Bank	Visa Card	18.50%	55	30.00	N/A	500.00	No Max	✗
Warehouse Fin SVCS NZ	Low Interest MasterCard	12.99%	55	65.00	N/A	500.00	No Max	✗
<b>★</b>								
American Express	Air New Zealand Platinum Card	19.95%	55	395.00	N/A	5,000.00	100000	✓
Diners Club New Zealand	Personal Credit Card	19.95%	44	68.00	N/A	500.00	No Max	✓
GE Money	Gem Visa	24.95%	55	55.00	N/A	500.00	20000	✗



# Credit Card Star Ratings

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## HABITUAL SPENDER

Company	Product	Rate	Free Days	Annual Fee (\$)		Credit Limit (\$)		Rewards Program Available
				Annualised Fee	Spend to Waive Annual Fee	Minimum	Maximum	
<b>★★★★★ "outstanding value"</b>								
ANZ Bank	Low Rate Mastercard	13.90%	55	58.00	N/A	500.00	No Max	✗
ASB Bank	Low Interest MasterCard	13.60%	55	60.00	N/A	1,000.00	No Max	✗
Kiwibank	Low Rate MasterCard	12.90%	55	50.00	N/A	500.00	20000	✗
Warehouse Fin SVCS NZ	Low Interest MasterCard	12.99%	55	65.00	N/A	500.00	No Max	✗
Westpac	Low Rate MasterCard	12.95%	55	65.00	N/A	500.00	No Max	✗
<b>★★★★</b>								
Bank of New Zealand	Visa Platinum	15.95%	55	174.00	60000	10,000.00	No Max	✓
Bank of New Zealand	Visa Platinum GlobalPlus	15.45%	44	200.00	60000	10,000.00	No Max	✓
Kiwibank	MasterCard Gold	16.90%	55	80.00	N/A	5,000.00	20000	✗
Kiwibank	MasterCard Zero	15.90%	55	0.00	N/A	500.00	20000	✗
TSB Bank	Visa Card	18.50%	55	30.00	N/A	500.00	No Max	✗
<b>★★★</b>								
American Express	Platinum Edge Credit Card	19.95%	55	149.00	N/A	5,000.00	100000	✓
ANZ Bank	Airpoints Visa	19.95%	44	65.00	N/A	500.00	No Max	✓
ANZ Bank	Airpoints Visa Platinum	19.95%	44	150.00	N/A	10,000.00	No Max	✓
ANZ Bank	Cashback Mastercard/Visa	19.95%	55	60.00	N/A	500.00	No Max	✓
ANZ Bank	MasterCard/Visa	19.95%	55	30.00	N/A	500.00	No Max	✗
ANZ Bank	Mastercard/Visa Gold	19.95%	55	75.00	N/A	5,000.00	No Max	✗
ANZ Bank	Qantas Visa Classic	19.95%	44	75.00	N/A	500.00	No Max	✓
ANZ Bank	Qantas Visa Platinum	19.95%	44	150.00	N/A	10,000.00	No Max	✓
ASB Bank	Visa	19.95%	55	24.00	N/A	500.00	No Max	✓
ASB Bank	Visa Gold	19.95%	55	80.00	N/A	5,000.00	No Max	✓
ASB Bank	Visa Platinum	18.95%	55	130.00	N/A	10,000.00	No Max	✓
Bank of New Zealand	All Blacks MasterCard	19.95%	55	48.00	N/A	500.00	No Max	✓
Bank of New Zealand	Amex Gold Everyday	19.95%	55	80.00	N/A	5,000.00	No Max	✓
Bank of New Zealand	MasterCard/Visa Classic Everyday	19.95%	55	30.00	N/A	500.00	No Max	✓
Bank of New Zealand	MasterCard/Visa Gold Everyday	19.95%	55	80.00	N/A	5,000.00	No Max	✓
Bank of New Zealand	MasterCard/Visa Gold GlobalPlus	19.95%	44	104.00	N/A	5,000.00	No Max	✓
Bank of New Zealand	MasterCard/Visa Gold GlobalPlus	19.95%	44	55.00	N/A	500.00	No Max	✓
Diners Club New Zealand	NZ Golf Credit Card	19.95%	44	0.00	N/A	1,000.00	No Max	✓
Warehouse Fin SVCS NZ	Rewards MasterCard	19.95%	55	34.00	N/A	500.00	No Max	✓
<b>★★</b>								
American Express	Gold Credit Card	19.95%	55	140.00	N/A	5,000.00	50000	✓
American Express	Platinum MemberRewards Credit Card	19.95%	55	325.00	N/A	5,000.00	100000	✓
Bank of New Zealand	Amex Classic Everyday	19.95%	55	30.00	N/A	500.00	No Max	✓
Bank of New Zealand	Amex Gold GlobalPlus	19.95%	44	105.00	N/A	5,000.00	No Max	✓
Bank of New Zealand	Amex Standard GlobalPlus	19.95%	44	55.00	N/A	500.00	No Max	✓
Diners Club New Zealand	Personal Credit Card	19.95%	44	68.00	N/A	500.00	No Max	✓
<b>★</b>								
American Express	Air New Zealand Platinum Card	19.95%	55	395.00	N/A	5,000.00	100000	✓
GE Money	Gem Visa	24.95%	55	55.00	N/A	500.00	20000	✗



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## OCCASIONAL SPENDER

Company	Product	Rate	Free Days	Annual Fee (\$)		Credit Limit (\$)		Rewards Program Available
				Annualised Fee	Spend to Waive Annual Fee	Minimum	Maximum	
<b>★★★★★ "outstanding value"</b>								
ANZ Bank	Low Rate Mastercard	13.90%	55	58.00	N/A	500.00	No Max	✗
Kiwibank	Low Rate MasterCard	12.90%	55	50.00	N/A	500.00	20000	✗
Kiwibank	MasterCard Zero	15.90%	55	0.00	N/A	500.00	20000	✗
Westpac	Low Rate MasterCard	12.95%	55	65.00	N/A	500.00	No Max	✗
<b>✦ "rising star"</b>								
Kiwibank	Airpoints Low Fee MasterCard	15.90%	44	25.00	N/A	500.00	No Max	✓
<b>★★★★</b>								
ANZ Bank	MasterCard/Visa	19.95%	55	30.00	N/A	500.00	No Max	✗
ASB Bank	Low Interest MasterCard	13.60%	55	60.00	N/A	1,000.00	No Max	✗
Bank of New Zealand	MasterCard/Visa Classic Everyday	19.95%	55	30.00	N/A	500.00	No Max	✓
Bank of New Zealand	Visa Platinum	15.95%	55	174.00	60000	10,000.00	No Max	✓
TSB Bank	Visa Card	18.50%	55	30.00	N/A	500.00	No Max	✗
Warehouse Fin SVCS NZ	Low Interest MasterCard	12.99%	55	65.00	N/A	500.00	No Max	✗
<b>★★★</b>								
ANZ Bank	Airpoints Visa	19.95%	44	65.00	N/A	500.00	No Max	✓
ANZ Bank	Cashback Mastercard/Visa	19.95%	55	60.00	N/A	500.00	No Max	✓
ANZ Bank	Mastercard/Visa Gold	19.95%	55	75.00	N/A	5,000.00	No Max	✗
ANZ Bank	Qantas Visa Classic	19.95%	44	75.00	N/A	500.00	No Max	✓
ASB Bank	Visa	19.95%	55	24.00	N/A	500.00	No Max	✓
Bank of New Zealand	All Blacks MasterCard	19.95%	55	48.00	N/A	500.00	No Max	✓
Bank of New Zealand	MasterCard/Visa Gold Everyday	19.95%	55	80.00	N/A	5,000.00	No Max	✓
Bank of New Zealand	MasterCard/Visa Gold GlobalPlus	19.95%	44	104.00	N/A	5,000.00	No Max	✓
Bank of New Zealand	MasterCard/Visa Gold GlobalPlus	19.95%	44	55.00	N/A	500.00	No Max	✓
Bank of New Zealand	Visa Platinum GlobalPlus	15.45%	44	200.00	60000	10,000.00	No Max	✓
Diners Club New Zealand	NZ Golf Credit Card	19.95%	44	0.00	N/A	1,000.00	No Max	✓
Kiwibank	MasterCard Gold	16.90%	55	80.00	N/A	5,000.00	20000	✗
Warehouse Fin SVCS NZ	Rewards MasterCard	19.95%	55	34.00	N/A	500.00	No Max	✓
<b>★★</b>								
American Express	Gold Credit Card	19.95%	55	140.00	N/A	5,000.00	50000	✓
American Express	Platinum Edge Credit Card	19.95%	55	149.00	N/A	5,000.00	100000	✓
ANZ Bank	Airpoints Visa Platinum	19.95%	44	150.00	N/A	10,000.00	No Max	✓
ANZ Bank	Qantas Visa Platinum	19.95%	44	150.00	N/A	10,000.00	No Max	✓
ASB Bank	Visa Gold	19.95%	55	80.00	N/A	5,000.00	No Max	✓
ASB Bank	Visa Platinum	18.95%	55	130.00	N/A	10,000.00	No Max	✓
Bank of New Zealand	Amex Classic Everyday	19.95%	55	30.00	N/A	500.00	No Max	✓
Bank of New Zealand	Amex Gold Everyday	19.95%	55	80.00	N/A	5,000.00	No Max	✓
Bank of New Zealand	Amex Gold GlobalPlus	19.95%	44	105.00	N/A	5,000.00	No Max	✓
Bank of New Zealand	Amex Standard GlobalPlus	19.95%	44	55.00	N/A	500.00	No Max	✓
GE Money	Gem Visa	24.95%	55	55.00	N/A	500.00	20000	✗
<b>★</b>								
American Express	Air New Zealand Platinum Card	19.95%	55	395.00	N/A	5,000.00	100000	✓
American Express	Platinum MemberRewards Credit Card	19.95%	55	325.00	N/A	5,000.00	100000	✓
Diners Club New Zealand	Personal Credit Card	19.95%	44	68.00	N/A	500.00	No Max	✓

## CREDIT CARD STAR RATINGS

### What are the CANSTAR *credit card star ratings*?

CANSTAR *credit card star ratings* are a sophisticated rating methodology, unique to CANSTAR, which compare the dominant credit card products in New Zealand and present the results in a simple, user-friendly format.

Our rating methodology is transparent and extensive. The methodology compares all types of personal unsecured credit cards in New Zealand and accounts for an array of characteristics such as;

- Free Days
- No Free Days
- Standard Features
- Premium Features
- Reward/Loyalty Programs
- No Frills

The results are reflected in a consumer-friendly 5-star concept. The star ratings from the CANSTAR *credit card star ratings* are described as follows:

### What are the Profiles used by CANSTAR *credit card star ratings*?

CANSTAR appreciates that credit card users have different spending habits and therefore value different aspects of their credit card. In recognition of these differences, the CANSTAR *credit card star ratings* methodology has been modified to reflect a range of spending styles and credit card usage.

Profile Name	Description
Big Spender	Do you Spend \$5000 each month and then pay off your balance?
Everyday Spender	Do you Spend \$2000 each month and then pay off your card?
Occasional Spender	Do you make the occasional big purchase and then slowly pay it off?
Habitual Spender	Do you keep spending on your credit card before you have paid it off?

CANSTAR has adopted four different credit card user profiles in an attempt to cover the majority of card spending and payment patterns. The star ratings methodology differs for each profile in terms of the relative importance placed on the fees and features of the cards assessed. For example the methodology recognizes that interest rates will be more important to someone who rarely pays off their card balance each month than they will be for someone who always pays the balance owing on their card.

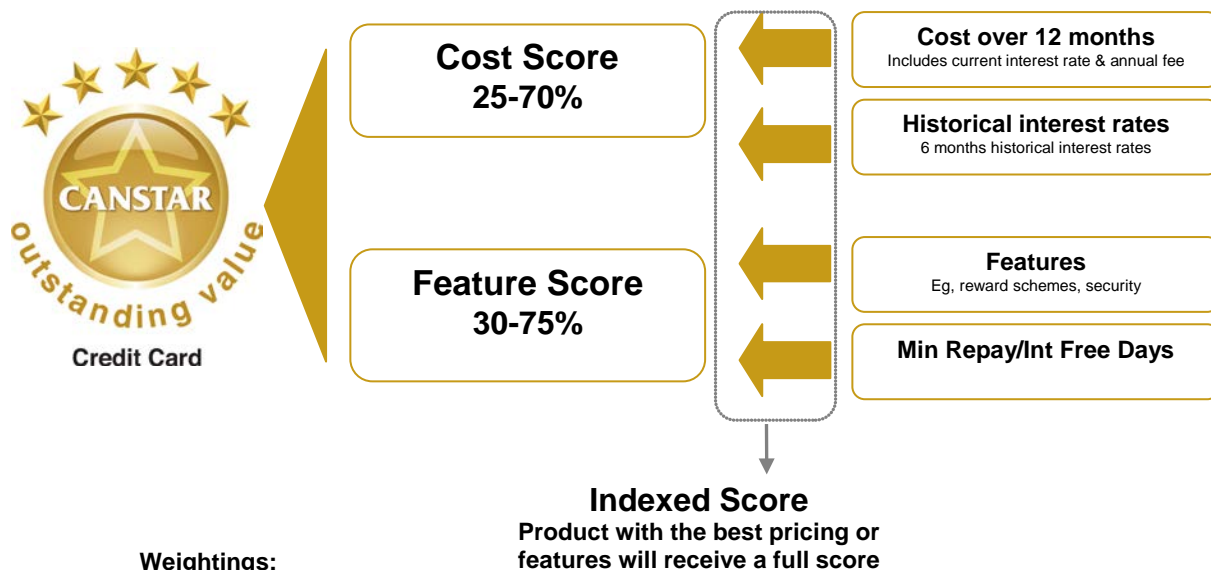
### How does it work? How are the 'stars' calculated?

Each credit card reviewed for the CANSTAR *credit card star ratings* is awarded points for its comparative Costs and for the array of positive Features attached to the card. These features include rewards programs, premium card facilities, repayment capabilities and conditions attached to interest charging.

To arrive at the total score CANSTAR applies a weight (w) against the Cost score (C) and the Features score (F). This weight will vary for each profile of credit card usage. The weight will reflect the relative importance of either costs or features in determining the best card for the type of credit card usage and payment.

$$w_1 \text{ COST SCORE ( C ) } + w_2 \text{ FEATURES SCORE ( F ) } = \text{ TOTAL SCORE ( T ) }$$





Profiles	COST			FEATURES			
	COST	Cost over 12 months	Historical Rates	Product FEATURES	Product features	Free days	Min Repayment
Habitual Spender	<b>70%</b>	50%	50%	<b>30%</b>	83%	0%	17%
Occasional Spender	<b>60%</b>	50%	50%	<b>40%</b>	87%	13%	0%
Everyday Spender	<b>35%</b>	70%	30%	<b>65%</b>	90%	10%	0%
Big Spender	<b>25%</b>	70%	30%	<b>75%</b>	90%	10%	0%

### Costs (C)

CANSTAR compares both current and historical credit card pricing data to calculate the COST (C) component of each product's overall score. 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.

- 1) **Current Data** –includes a scenario for each of the four credit card spending profiles
  - Habitual Spender - spends \$14,000 per year while revolving \$9,000
  - Everyday Spender - spends \$24,000 per year and revolves \$3000 for one month
  - Occasional Spender - spends \$6,000 per year and revolves \$1,500 for two months
  - Big Spender - spends \$60,000 per year and revolves \$9,000 for one month
- 2) **Historical Performance of Interest Rate** – takes into account the product history in the last 6 months.

### Features (F)

Each card Feature (F) is allocated points. Points are awarded for positive credit card traits such as no fees or greater flexibility. The total features score for each category of information (e.g. repayment capabilities) is ranked and weighted with each category contributing to the overall Features Score (F). As Features are relatively static, they are not measured over time.

### Weightings

The Costs and Features are weighted differently for each spending profile. This is done in recognition of the relative importance of the different product components to each profile.

The methodology for each profile is subtly adjusted to account for the differences between them. The process considers each profile separately and assigns weights representative of that profile (see table below). For the Habitual spender for example, the rates and fees associated with a card account for 70% of that card's total score and the features account for the remaining 30%. The cards targeting this user demographic have fewer features, less flexibility and compete mainly on pricing. The cards targeting the Big Spender on the other hand (e.g. Gold, Platinum or rewards cards) typically offer more features. The Big spender profile has therefore been adjusted so that features

account for 75% of the total score, while rates and fees account for 25%.

The Costs (C) plus Features (F) point scores are indexed and totalled to provide the Total Index Points. Together they form the basis of the credit card star ratings.

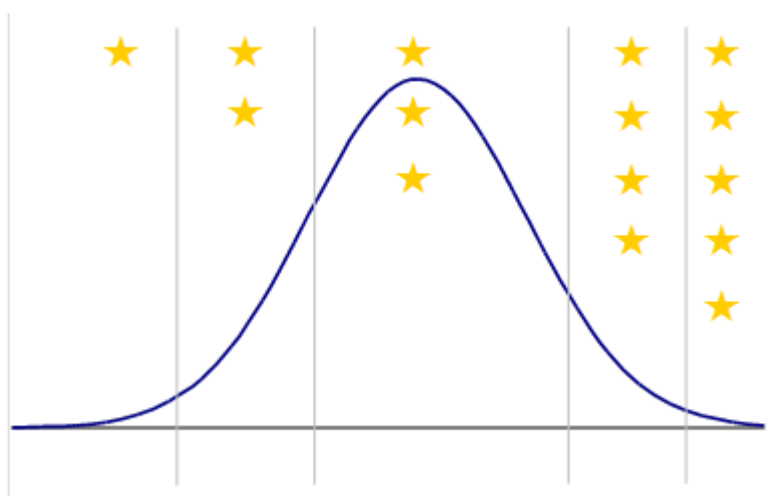
FEATURES WEIGHTS USED IN STAR RATINGS SCORING				
FEATURES CATEGORY	HABITUAL SPENDER	OCCASIONAL SPENDER	EVERYDAY SPENDER	BIG SPENDER
Additional Fees & Charges	14%	21%	6%	5%
Lending Terms	22%	17%	7%	6%
Late Payment Interest Charging	12%	12%	11%	9%
Merchant Acceptability	16%	15%	10%	8%
Online Transactions/Card Security	14%	16%	7%	6%
Premium Card Facilities	3%	3%	17%	24%
Repayment Capabilities	7%	6%	4%	3%
Rewards Program	4%	4%	33%*	35%**
Special Purchasing Policies	1%	1%	1%	1%
Application Process	7%	5%	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)

### How are the stars awarded?

The total score received for each profile ranks the products. The stars are then awarded based on the distribution of the scores according to the following guidelines. As you can see, only the products that obtain a score in the top 10% of the of the score distribution receive a 5 star rating.



The results are reflected in a consumer-friendly CANSTAR star rating concept, with five stars denoting outstanding value.

### 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 many products and financial institutions are analysed?

In order to calculate the ratings, CANSTAR analyses 46 Credit Card products from 10 financial institutions in New Zealand. In addition, over 100 parts of a product are analyzed which includes product parameters, flexibility and operating terms and conditions.

## How often are CANSTAR *credit card star ratings* re-rated?

All ratings are fully recalculated every 12 months 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](http://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
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- Term deposits

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