



What is the CANSTAR Home Loan Star Rating?

CANSTAR *Home Loan Star Ratings* use a sophisticated and unique ratings methodology that compares both Cost and Features across home loan products. CANSTAR star ratings represent a shortlist of financial products, enabling consumers to narrow their search to products. CANSTAR Home Loan Star Ratings are a transparent analysis comparing all types of home loan products.

Ratings range from five- to one-star. Five-star rated products have been assessed as offering outstanding value to consumers. Rising Stars are products that would be rated five-star but have not been in the market for six months; these products will be formally rated in the next report once more historical data is available.

What types of products are evaluated by CANSTAR Home Loan Star Rating?

CANSTAR recognised that consumers have different needs and wants when it comes to Home Loans that they need. Hence CANSTAR's Home Loan Star Rating is aimed to provide consumers with results that suit their borrowing profile. Home Loans included in the Star Rating are assessed across the following product types:



Residential Floating

Residential Fixed

Investment Floating

Investment Fixed

Line of Credit

For the fixed rate product types (residential fixed and investment fixed), a weighted average of the fixed rate terms of 1, 2 and 3 years is taken by assigning weights to each term. Weightings are allocated to each of the fixed rate terms as follows:

Fixed Term	Weight
1 Year Fixed	40%
2 Year Fixed	40%
3 Year Fixed	20%

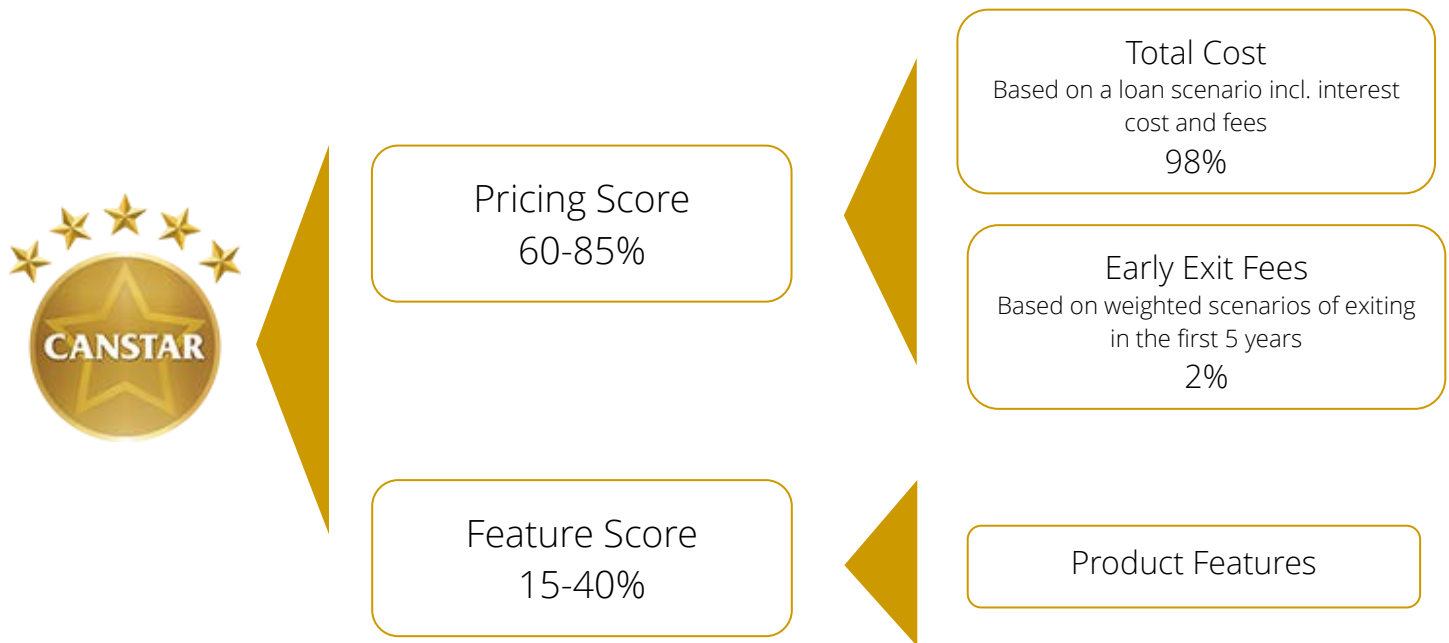
Products specific to certain groups or with restrictions on eligibility are not included in the ratings. Home loans that do not conform to the pricing scenario are also not included so as to ensure like-for-like comparison.

How is the Star Rating calculated?

Each home loan reviewed for the CANSTAR *Home Loan Star Ratings Report* is awarded points for its comparative Pricing and for the array of positive Features attached to the product. Points are aggregated to achieve a Pricing score and a Feature score.

To arrive at the total score, CANSTAR applies a weight (w) against the Pricing and Feature scores. This weight will vary from profile to profile and will reflect the relative significance of either costs or features in determining the best-value home loan product. This method can be summarised as

$$.TOTAL SCORE = PRICING + FEATURES SCORE$$



The weights for each product type are summarised below:

Profile	Pricing Score Weight	Feature Score Weight
Residential Floating	75%	25%
Investment Floating	80%	20%
Residential Fixed	85%	15%
Investment Fixed	85%	15%
Line of Credit	80%	40%

Pricing Score

CANSTAR accounts for both current and historical interest rate in the calculation of the Pricing component of each product's overall score. Total Cost will be determined by the size of the loan amount, and the Loan to Value Ratio (LVR) of 80%.



Total Cost

CANSTAR accounts for both current and historical interest rate in the calculation of the Pricing component of each product's overall score. Total Cost will be determined by the size of the loan amount (\$350,000), and the Loan to Value Ratio (LVR) of 80% for Residential and Line of Credit Loans, and 75% for Investment Loans.



Total Cost is based on the following:

- Six Months' historical data
- Interest rate cost plus upfront, ongoing & discharge fees
- For fixed rate loans, there are at least two rollovers

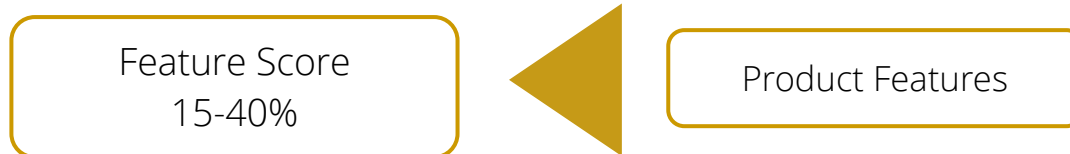
Product Category	Number of Rollovers	Loan Term
1 Year Fixed	2	3 years
2 Year Fixed	2	6 years
3 Year Fixed	2	9 years

Early Exit Fees

The fee to terminate the loan, excluding any interest adjustment cost where applicable, is included with the following weightings assigned:

Fixed Term	Weight
Year 1	5%
Year 2	5%
Year 3	20%
Year 4	30%
Year 5	40%

Feature Score



The features component takes into account more than 200 product features and allocated points. These product features are grouped into 5 different categories with weights given to each relevant area. The following table outlines the weightings of each of the feature categories per profile:

Category	Residential Floating	Residential Fixed	Investment Floating	Investment Fixed	Line of Credit
Loan Terms	50%	45%	45%	45%	40%
Lending Terms	65%	65%	65%	65%	40%
Security Requirements	15%	15%	15%	15%	10%
Guarantee Options	15%	15%	15%	15%	10%
Line of Credit Details	-	-	-	-	40%
Construction Loan	5%	5%	5%	5%	-
Product Functionality	40%	30%	40%	30%	45%
Additional Repayments	20%	35%	25%	35%	-
Redraw/Transactional Facility	25%	-	10%	-	60%
Offset Facility	25%	-	30%	-	-
Split Facility	15%	35%	20%	35%	30%
Top-up Facility	10%	15%	10%	15%	-
Portability	5%	15%	5%	15%	10%
Fixed Rate	-	10%	-	10%	-
Rate Details	-	100%	-	80%	-
Interest in Advance	-	-	-	20%	-
Loan Fees	5%	10%	10%	10%	10%
Switch Fees	55%	55%	55%	55%	50%
Mortgage Fees	45%	45%	45%	45%	50%
Loan Application	5%	5%	5%	5%	5%

Does CANSTAR rate all products available in the market?

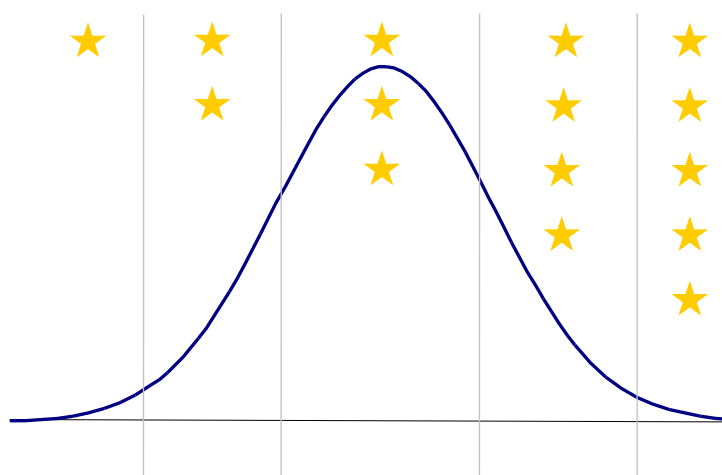
We endeavour to include the majority of product providers in the market and to compare the product features most relevant to consumers in our ratings. However complete coverage is not always possible and it may be that not every product in the market is included in the rating nor every feature compared that is relevant to you.

How often are products reviewed for awards or star ratings purposes?

All ratings are fully recalculated every twelve months based on the latest features offered by each provider. CANSTAR also monitors changes on an ongoing basis. The results are published in a variety of mediums (newspapers, magazines, television, websites, etc.)

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 with the objective to award the top 5-10% of products with the CANSTAR five-star rating.



Does CANSTAR rate other product areas?

CANSTAR researches, compares and rates the suite of banking and insurance products listed below. These star ratings and awards 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. Access the CANSTAR website at www.canstar.co.nz if you would like to view the latest star ratings and awards reports of interest.



- Agribusiness
- Business banking
- Credit cards
- KiwiSaver
- Deposit accounts
- First home buyer
- Home loans
- Online banking
- Personal loans
- Reward programs
- Term deposits
- Travel insurance
- Youth banking

DISCLAIMER:

To the extent that the information in this report constitutes general advice, this advice has been prepared by CANSTAR Research Pty Ltd A.C.N. 114 422 909 AFSL and ACL 437917 ("CANSTAR"). The information has been prepared without taking into account your individual investment objectives, financial circumstances or needs. Before you decide whether or not to acquire a particular financial product you should assess whether it is appropriate for you in the light of your own personal circumstances, having regard to your own objectives, financial situation and needs. You may wish to obtain financial advice from a suitably qualified adviser before making any decision to acquire a financial product. CANSTAR provides information about credit products. It is not a credit provider and in giving you information it is not making any suggestion or recommendation to you about a particular credit product. Please refer to CANSTAR's [ESG](#) for more information.

The information in this report must not be copied or otherwise reproduced, repackaged, further transmitted, transferred, disseminated, redistributed or resold, or stored for subsequent use for any purpose, in whole or in part, in any form or manner or by means whatsoever, by any person without CANSTAR's prior written consent. All information obtained by CANSTAR from external sources is believed to be accurate and reliable. Under no circumstances shall CANSTAR have any liability to



any person or entity due to error (negligence or otherwise) or other circumstances or contingency within or outside the control of CANSTAR or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication, or delivery of any such information. Copyright 2014 CANSTAR Research Pty Ltd A.C.N. 114 422 909

The word "CANSTAR", the gold star in a circle logo (with or without surmounting stars), are trademarks or registered trademarks of CANSTAR Pty Ltd. 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.

