



METHODOLOGY

Bank of the Year Savings

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.

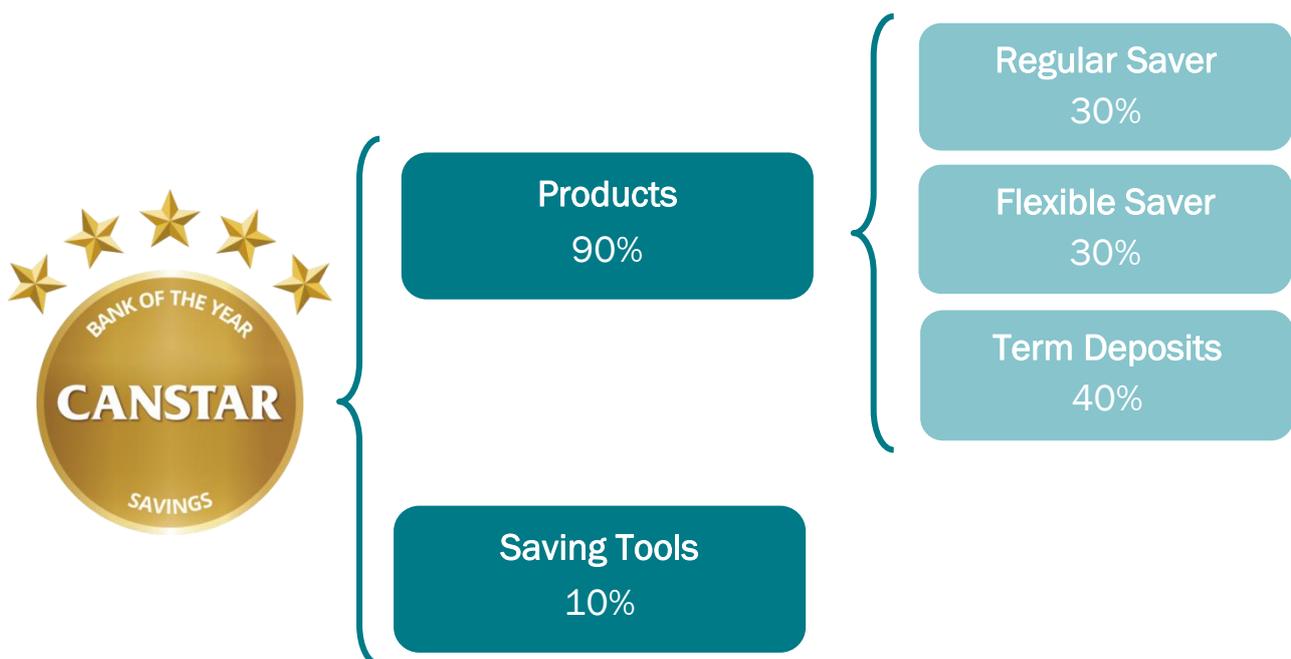
This CANSTAR award aims to give recognition to the institution that most effectively equips consumers with the products and tools to save up for goals, whether it be a holiday or a house. This includes providing product value across a variety of term deposits and saving accounts sourced from the relevant 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%		
	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%

*80% six months' bonus/promotional 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

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

	Base Rate	Total Rate
Regular saver	40%	60%
Flexible saver	70%	30%

Scenario component

Transaction fee scenarios based on 100 hypothetical customers. The following table outlines scenarios for each of the profiles:

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

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	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.
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.

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
Account facilities	45%	40%
Specific condition	40%	45%
Exempt for fee and charges	5%	5%
Account design options	10%	10%

Term deposit

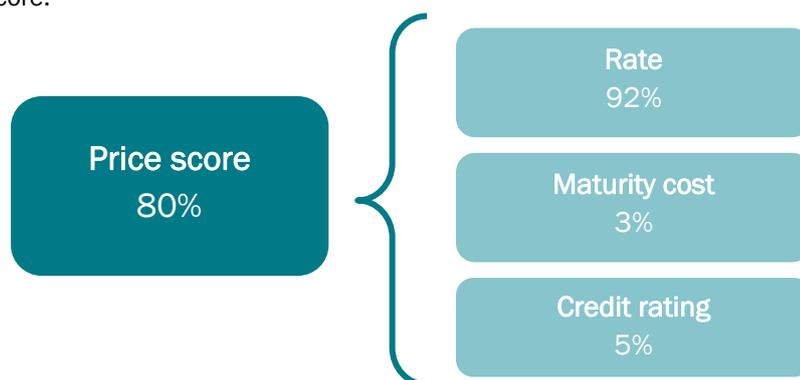
Each term deposit product reviewed for CANSTAR's *Term Deposit Award* is awarded points for its comparative Pricing and the array of positive Features attached to the term deposit. Its relative weighting is as follows:



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

Pricing component

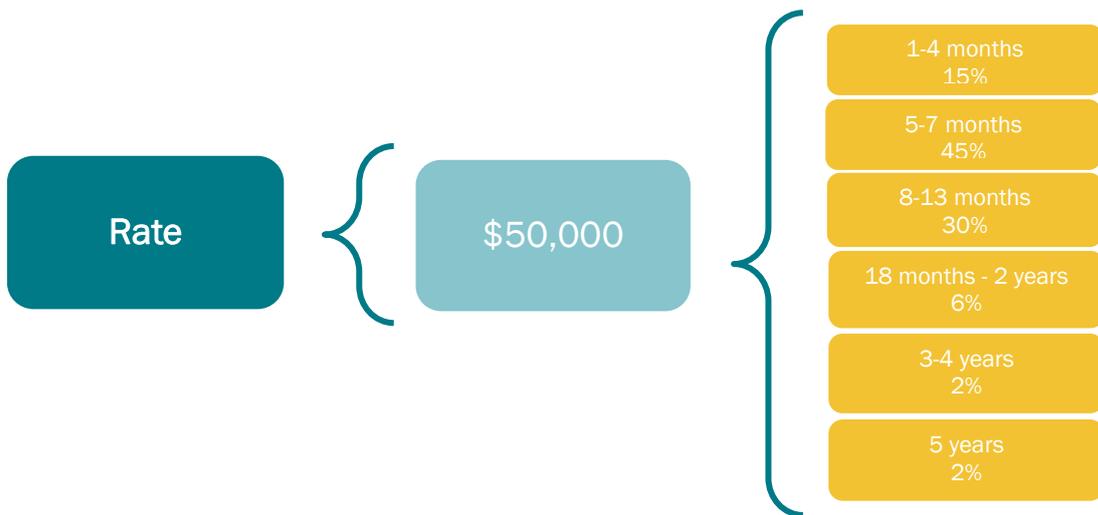
CANSTAR incorporates interest rates, terms and maturity costs into the calculation of the pricing score of the overall score.



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 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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