



# METHODOLOGY

## BUSINESS TRANSACTION AND SAVINGS ACCOUNT STAR RATINGS

### What are the CANSTAR Business Transaction and Savings Account Star Ratings?

CANSTAR's *Business Transaction and Savings Account Star Rating* involve a sophisticated rating methodology, unique to CANSTAR, which compares business accounts in New Zealand. This shortlist narrows the search for consumers to products that have been reviewed, assessed and ranked.

The CANSTAR *Business Transaction and Savings 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.

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.

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

The following account types are assessed in the ratings:

- Business Transaction Accounts
- Business Savings Accounts
- Business Cash Management Accounts

### Eligibility criteria

To be eligible for a star rating, the product must have been an offer for at least six months. Products that don't have the required six-month information can only achieve a rising star if the product achieves the equivalent of a five-star rating.

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

CANSTAR recognises that deposit account users have different needs in terms of saving and transacting. Hence the CANSTAR Business Transaction and Savings *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:



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.

Consumer Profile	Description
Business Saver	For business customers looking for a high interest savings account. To be eligible, the account must offer an interest rate of 0.15% or higher on a balance of \$20,000.
High Transactor	For business customers who make an average of 80 transactions per month on their account. Access to branch, ATM, Cheque, EFTPOS, Internet, Direct Credit and Direct Debit facilities must be available.
Low Transactor	For business customers who make an average of 30 transactions per month on their account. Access to branch, ATM, Cheque, EFTPOS, Internet, Direct Credit and Direct Debit facilities must be available.

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

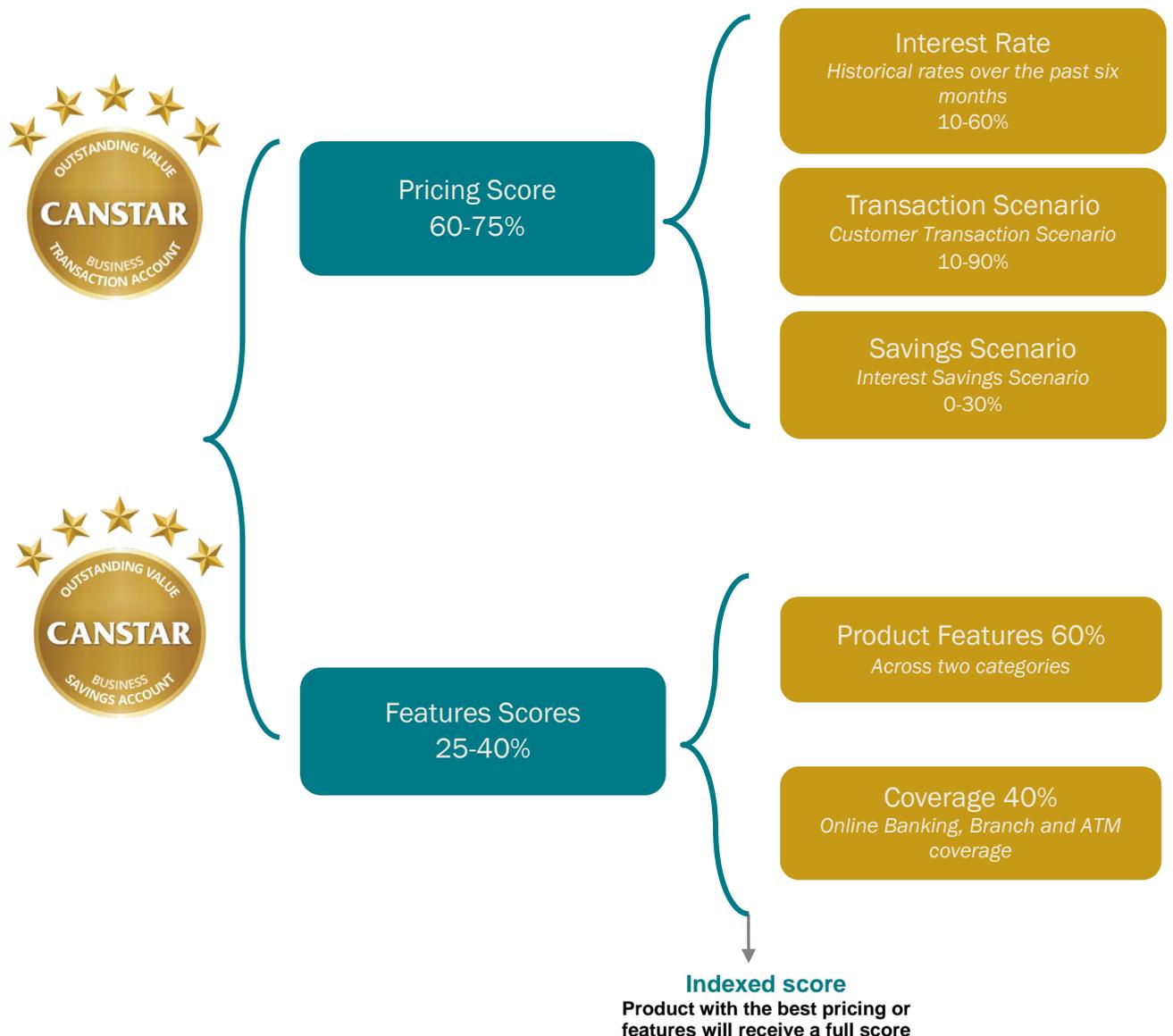
The table below outlines the weights allocated to price and features by profile.

Profile	Pricing Score	Features Score
Business Saver	75%	25%
High Transactor	60%	40%
Low Transactor	60%	40%

Each transaction or savings account reviewed for the CANSTAR Business *Transaction and Savings 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:

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



## Pricing score

The pricing score of the Business Transactions and Savings 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
Business Saver	60%	10%	30%
High Transactor	10%	90%	-
Low Transactor	10%	90%	-

## Rates

Interest paid on business savings accounts is an important component of the business 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 rate applicable for the online saver profile only. The product found to pay the highest average balance based on the weightings in the table below receives the highest *Rate* score.

	Weight	Business Saver	High Transactor	Low Transactor
Balance 1	40%	\$5,000	\$5,000	\$5,000
Balance 2	40%	\$20,000	\$10,000	\$10,000
Balance 3	20%	\$70,000	\$20,000	\$20,000

## 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
Business Saver	70%	30%*
High Transactor	100%	-
Low Transactor	100%	-

\*The total rate considers the base rate plus promotional 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 500 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.

	Business Saver	High Transactor	Low Transactor
Average no. of transactions	15	80	30
Average Balance	\$20,000	\$5,000	\$10,000
Average Deposit	\$5,000	\$50,000	\$100,000
ATM withdrawal own network	-	4%	8%
ATM withdrawal other network	-	1%	2%
Branch cash withdrawal	-	5%	5%
Branch cash deposit	-	5%	5%
Cheque withdrawal	-	5%	5%
Cheque Deposit	-	5%	5%
Direct Debit	-	15%	10%
Direct Credit	-	15%	15%
Points of Sale	-	10%	10%
Internet Transaction	100%	35%	35%

## Savings Scenario

A simple interest calculation is used to capture and differentiate the offerings in the market for promotional rates for Business Saver. The description of the scenario placed for interest calculation is below.

Profile	Initial Deposit Amount	Term (months)	Description
Business Saver	\$20,000	18	Interest calculation is based on the interest earned on an initial deposit of \$20,000 over 18 months, taking into account the promotional rate and it's length plus the base interest rate.

## Feature score

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

Profile	Product Features	Coverage
Business Saver	60%	40%
High Transactor	60%	40%
Low Transactor	60%	40%

## Coverage

The ratio of the total number of free ATMs and branches across New Zealand against its respective population is calculated against a cap of 10,000 people per ATM and 20,000 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. Access areas are weighted as follows:

Description	Business Saver	High Transactor	Low Transactor
ATM Coverage	-	10%	10%
Branch Coverage	10%	30%	30%
Online Banking*	90%	60%	60%

\* 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).

## 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	Business Saver	High Transactor	Low Transactor
Account Facilities			
- Reporting options: passbook statement, internet, email			
- Access channels: ATM, EFTPOS, phone, internet, cheque	40%	75%	75%
- Facilities: offset, overdraft, sweep, periodic payment			
Specific Conditions			
- Interest details: calculations and payment frequency, balance used (open/closed/min/max, entire/portion), bonus interest	60%	25%	25%
- Minimum: opening/subsequent deposit, ongoing balance, withdrawal			
- Maximum withdrawals per day/week: ATM, EFTPOS, combined			

## 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?

All ratings are fully recalculated every year based on the latest features offered by each institution. All awards are recalculated every year based on the latest ratings. CANSTAR also monitors rate changes on an ongoing basis.

## Does CANSTAR rate other product areas?

CANSTAR researches, compares and rates home loans and credit cards, as well as deposit accounts. 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.



- Agribusiness
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- Credit cards
- Credit card rewards
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- Savings accounts
- Transaction accounts

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