



# METHODOLOGY

## Term Deposit Award

### February 2018

### What are the Canstar *Term Deposit Award*?

The Canstar Term Deposit Award involves a sophisticated award methodology unique to Canstar that compares a shortlist of term deposit products in New Zealand, and awards the institution that offers a superior combination of both price and features.

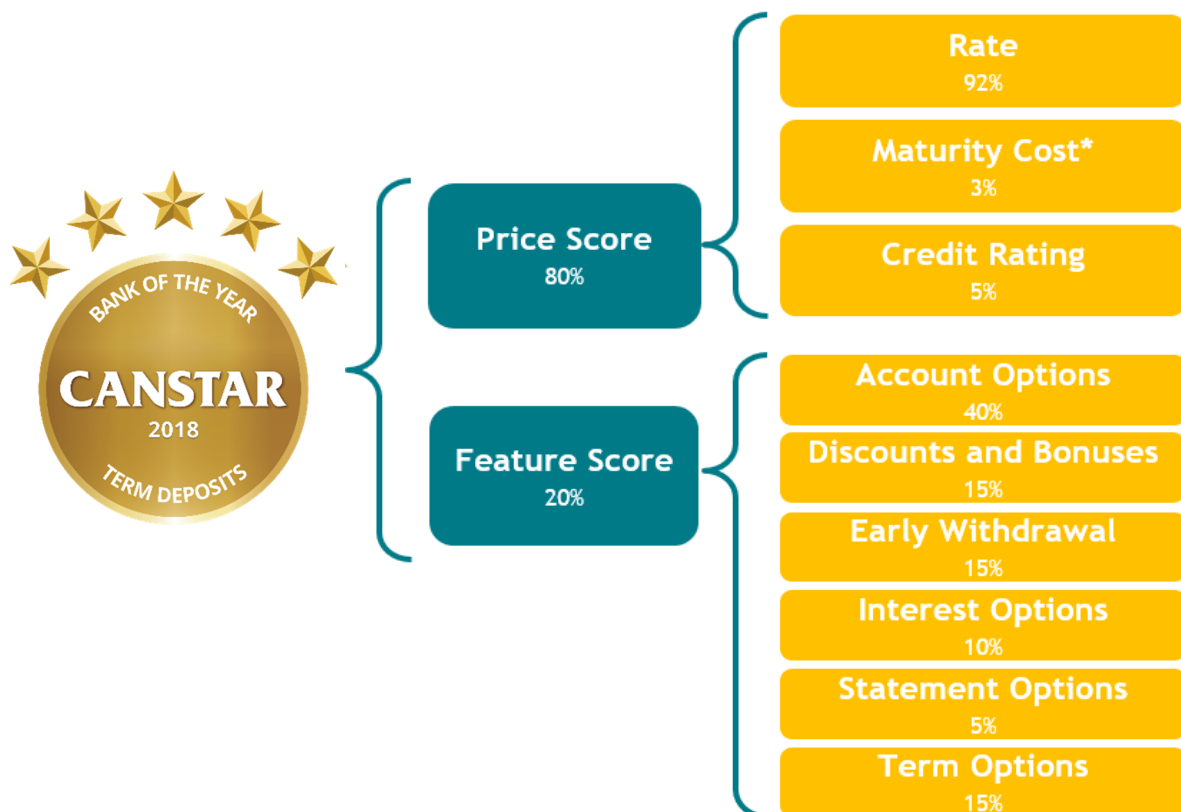
To be eligible for the Bank of the Year Term Deposit award, institutions must have a credit rating of at least Standard & Poor BBB or an equivalent with other agencies.

### How is the Canstar Term Deposit Award calculated?

Each term deposit product reviewed for the Canstar Term Deposit award is awarded points for its comparative pricing and for the array of positive features attached to the product. Points are aggregated to achieve a Price score and a Feature Score.

To arrive at the Total Score on which to base the award, Canstar applies a weighting against the product price and features. This weighting of price and features reflects the relative importance to the consumer of either price or features when looking to purchase the product. This method can be summarised as:

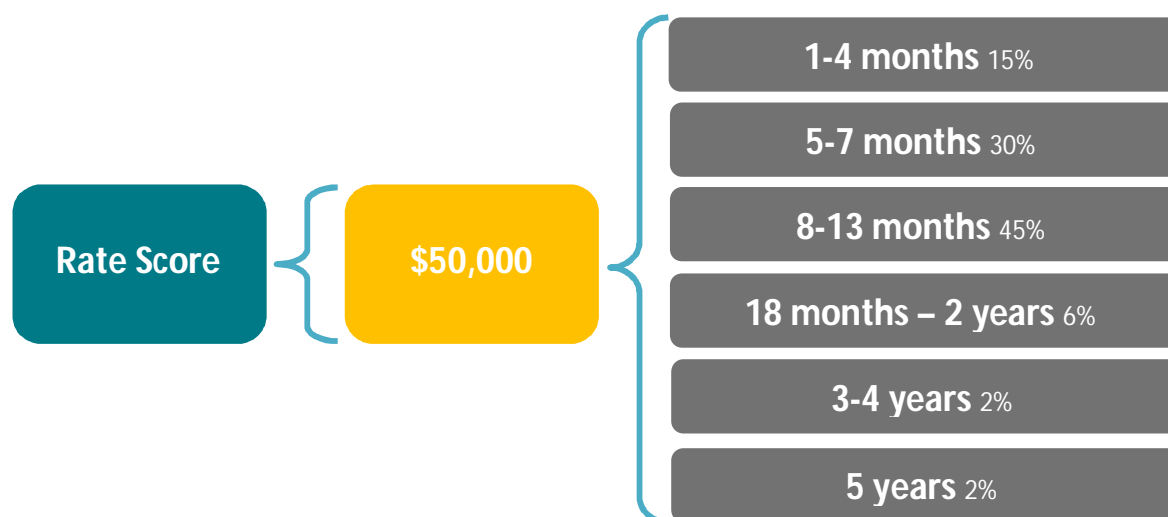
$$\text{Total Score} = \text{Price Score} + \text{Feature Score}$$



\*Maturity Cost is the cheapest option to transfer your money to another Financial Institution

## Price Score - Rate

The Rate Score is calculated by taking the maximum rate from the following term deposit periods (outlined in the tree below) over the span of 26 weeks. An average rate is then taken from the maximum rates and then indexed against the term deposit with the highest rate and weighted according to the following weight distribution.



The Maturity Cost component considers the costs to transfer the deposit balance at maturity through cheque or direct debit. The cheaper the cost, the more points they receive for this component. Nil fee options will score full points for this category.

## Feature Score

More than 40 product features of each term deposit are scored and categorised into six different categories. Based on the points received in the below categories, each product is indexed against the category leader. The category scores are then weighted as per the below table which determines the total feature score.

Category	Category Description	Weighting
Account Options	Open Account, Maturity Reminder, Maturity Instruct, Variation Period	40%
Bonus/Discounts	Rollover Bonus, Free bank cheque, Free direct credit	15%
Early Withdrawals	Prepayment Interest Penalty, Notice Period	15%
Interest Options	Interest penalties, Interest payment options	10%
Statement Options	3rd party reporting, Tax reporting	5%
Term Options	Account Facilities, Deposit amounts, Rollover facilities	15%

## How many products and financial institutions are analysed?

In order to calculate the award, Canstar analysed 11 products from 11 financial institutions in New Zealand.

## 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 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 12 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.)

## 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.



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