



# METHODOLOGY

## JUNIOR, YOUTH AND TERTIARY BANKING AWARDS

### 2018

#### What are the Canstar *Junior Banking, Youth Banking and Tertiary Banking* awards?

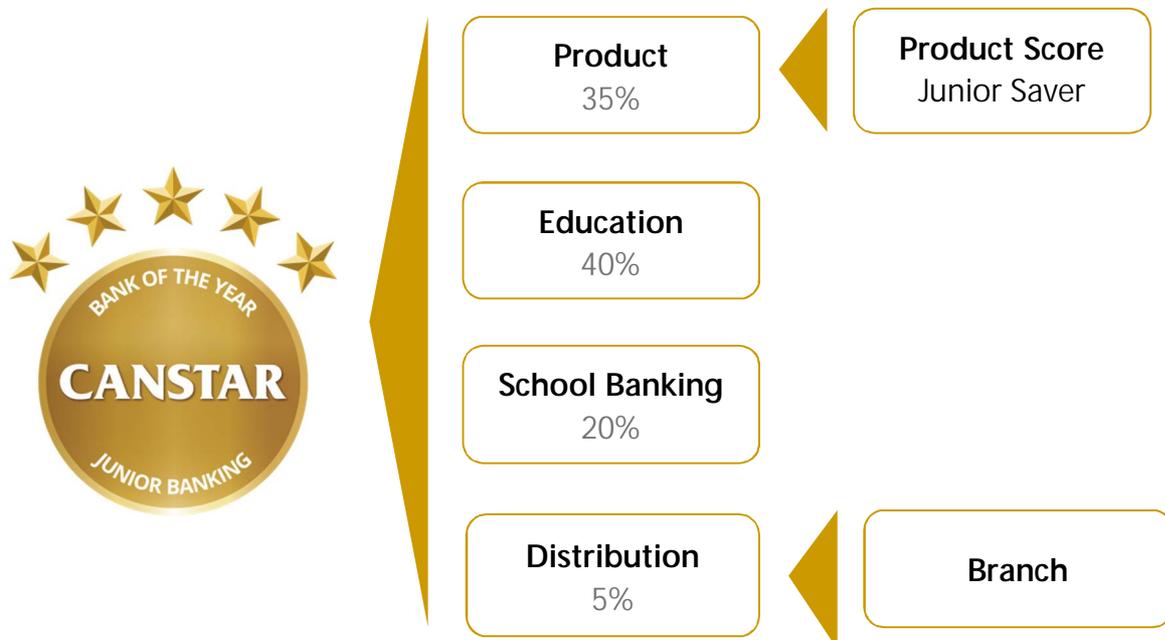
Canstar's *Junior Banking award, Youth Banking award and Tertiary Banking award* involve a sophisticated methodology which is unique to Canstar designed to recognise financial institutions that actively provide services to schools, parents, juniors, youth and tertiary students to promote financial education across New Zealand. In addition to this, it seeks to highlight strong performing products available to the three age groups.

#### How are the Canstar *Junior Banking, Youth Banking and Tertiary Banking* awards structured?

Canstar recognises that between the three different developmental stages (junior to youth to tertiary students), varying levels of support and needs are required. For example juniors have greater engagement with banking through available school banking programs. Youth on the other hand are transitioning into young adults and engagement is achievable through banking directly with the institution either online or in branch. As such Canstar has three separate awards. An award is presented to the institution which provides superior support for juniors, an award is presented to the institution which provides superior support for youth and an award is presented to the institution that provides a range of strong performing products relevant to Tertiary Students combined with superior institutional factors.

#### Junior Award

The *Junior Banking award* seeks to focus on institutional support in education, parental material, workshops, school banking and product offering.



## Product

To effectively compare the product offering in the market, children's accounts are assessed separately to that of accounts available for youth, this is to capture the change and differing needs of the child as they mature and start working. The table below illustrates how the product score is calculated for juniors.

As with all Canstar star ratings, the value of the product is determined by using a combination of price and feature scoring. The weights have been allocated to reflect the relative importance of each component which makes up the price and feature score for the Junior Saver.

Profile	Pricing	Features
Junior Saver	80%	20%

## Price Score

The pricing score is determined by the net cost or benefit to the consumer. This is calculated using a pricing scenario which uses a transaction scenario analysis to calculate the total cost of transacting on the account (including account keeping and transaction fees) for 100 hypothetical consumers which is then deducted from any interest that would be earned by each hypothetical consumer, based on their initial balance and the monthly deposits.

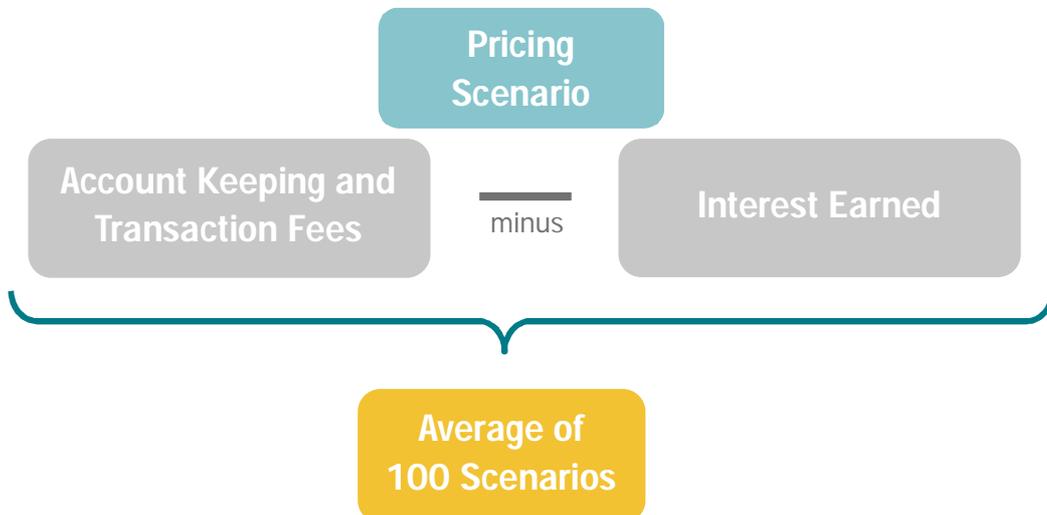
The average net cost or benefit for each product then receives a score that is indexed along a normal distribution between the least and most favourable outcome for the consumer. The below table outlines the scenario used for the Junior Saver profile:

### Savings Scenario:

Profile	Term (months)	Average Balance	Range of Balances	Base Rate	Conditional Bonus	Promotional Rate	Additional Details
Junior Saver	12	\$500	\$250 to \$750	✓	✓	✗	Saving deposit conditions are met in all months except for month 6, and a withdrawal is made in month 12.

### Transaction Scenario:

	Junior Saver
Average no. of transactions	2
Average Balance	\$500
Average Deposit	\$20
ATM withdrawal own network	-
Branch transaction	100%
Point of Sale	-
Internet transaction	-



## Feature Score

Each of the product features is allocated points that are awarded for positive deposit account traits such as greater flexibility or access to facilities. The table below outlines the weights allocated across each category.

Category	Junior Saver	Description
Account Facilities	50%	Branch facility, phone facility, internet facility etc.
Specific Conditions	50%	Rules relating to account operation i.e. min withdrawal or balance, interest calculated & paid

## Education

A key feature of providing a junior/youth banking program is the supporting tools and material available. For the award we looked at website resources as well as other resources for use by parents and teachers.

Category	Category Description	Weight
Tools	Junior Website, Youth Website, Savings Calculators, Budget Calculators, Games, Updated Games	30%
Workshops	Community and School Workshops, Facilitators	30%
Curriculum	Resources and Facilitators	30%
Parents	Control and support for parents	10%

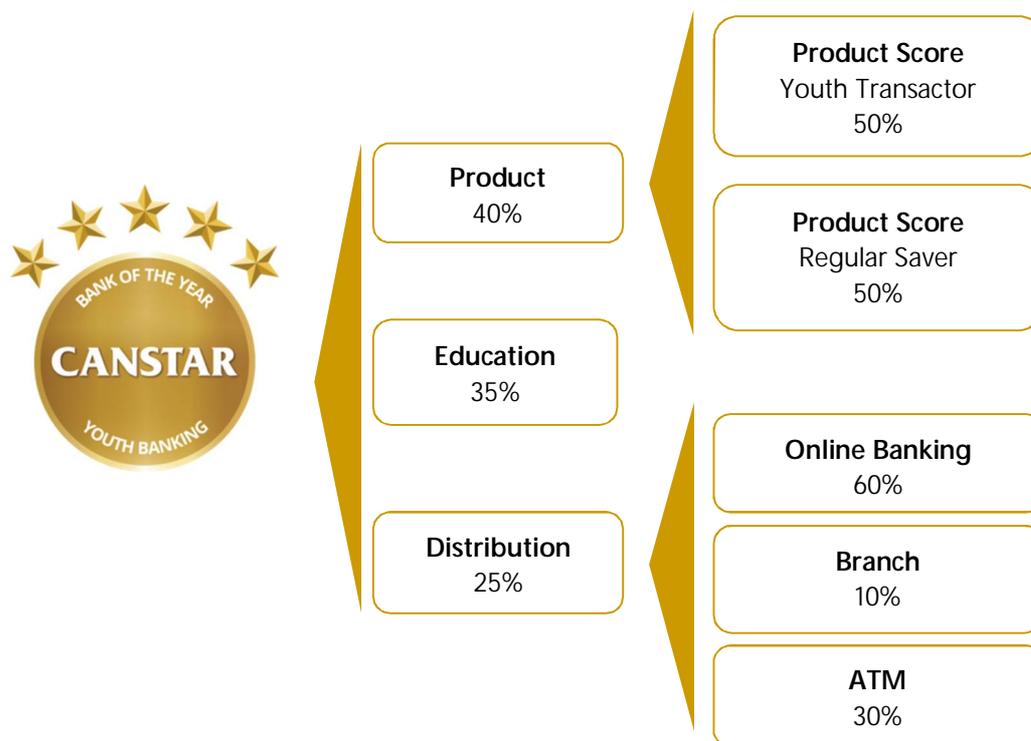
## Distribution

Branch access and school banking are excellent tools to help children learn about banking. Easy access to branches and ATMs are rewarded based on the CANSTAR distribution analysis.

Category	Category Description	Weight
Branch	Ratio of Branches to population	100%

## Youth Award

The transition from junior to youth can be hard enough for those snapping up their first job, nearing graduation or keeping up with the latest trend without the weight of trying to understand how to manage their finances. The *Youth Banking award* seeks to focus on institutional support in finance education, engagement through workshops and product offering.



## Product

As with all Canstar star ratings, the value of the product is determined by using a combination of price and feature scoring. The weights have been allocated to reflect the relative importance of each component which makes up the price and feature score for the Youth Transactor and Regular Saver.

Profile	Pricing	Features
Youth Transactor	65%	35%
Regular Saver	80%	20%

## Price Score

The pricing score is determined by the net cost or benefit to the consumer. This is calculated using a pricing scenario which uses a transaction scenario analysis to calculate the total cost of transacting on the account (including account keeping and transaction fees) for 100 hypothetical consumers which is then deducted from any interest that would be earned by each hypothetical consumer, based on their initial balance and the monthly deposits.

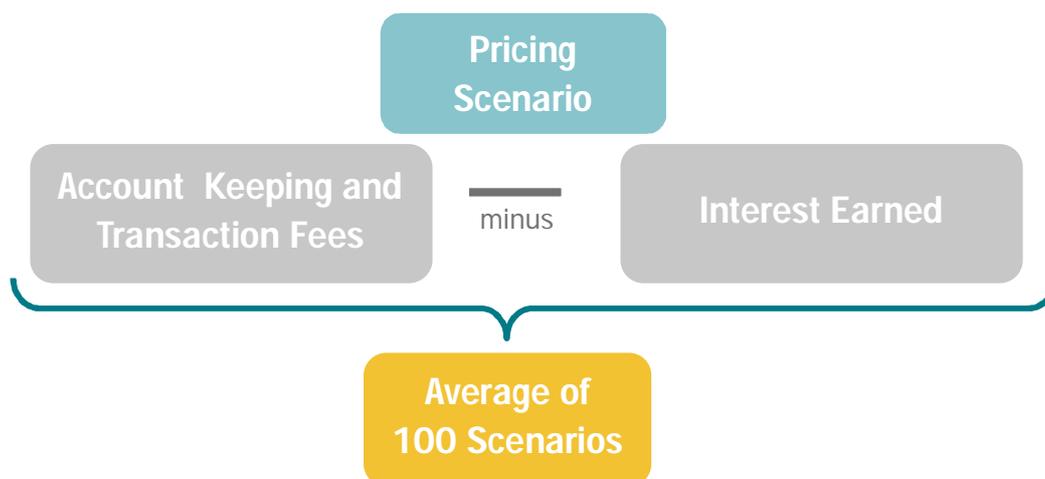
The average net cost or benefit for each product then receives a score that is indexed along a normal distribution between the least and most favourable outcome for the consumer. The below table outlines the scenario used for the two profiles:

### Savings Scenario:

Profile	Term (months)	Average Balance	Range of Balances	Base Rate	Conditional Bonus	Promotional Rate	Additional Details
Regular Saver	12	\$2,000	\$100 to \$4,000	✓	✓	✗	Saving deposit conditions are met in all months except for month 6, and a withdrawal is made in month 12.
Youth Transactor	1	\$125	\$0 to \$250	✓	✗	✗	-

### Transaction Scenario:

	Youth Transactor	Regular Saver
Average no. of transactions	15	2
Average Balance	\$125	\$2,000
Average Deposit	\$100	\$100
ATM withdrawal own network	10%	-
Branch Transaction	5%	-
Point of Sale	60%	-
Internet transaction	25%	100%



### Feature Score

Each of the product features is allocated points that are awarded for positive deposit account traits such as greater flexibility or access to facilities. The table below outlines the weights allocated across each category.

Category Description	Transactor	Regular Saver	Description
Account Facilities	55%	45%	Branch, ATM, EFTPOS access, facilities such as Bill Payment etc.
Specific Conditions	25%	55%	Rules relating to account operation i.e. min withdrawal or balance, interest calculated & paid
Exception Fees	20%	-	Fees such as overdrawn & dishonour fees

## Education

In the youth transactor profile, emphasis is placed on education. The reasoning is that the children of this age group will have the skill to go into a branch to make transactions and not have to rely on a school banking program.

Category	Category Description	Weight
Tools	Junior Website, Youth Website, Savings Calculators, Budget Calculators, Games, Updated Games, Information and Support for parents	35%
Workshops	Community and School Workshops, Facilitators	40%
Curriculum	Resources and Facilitators	25%

## Distribution

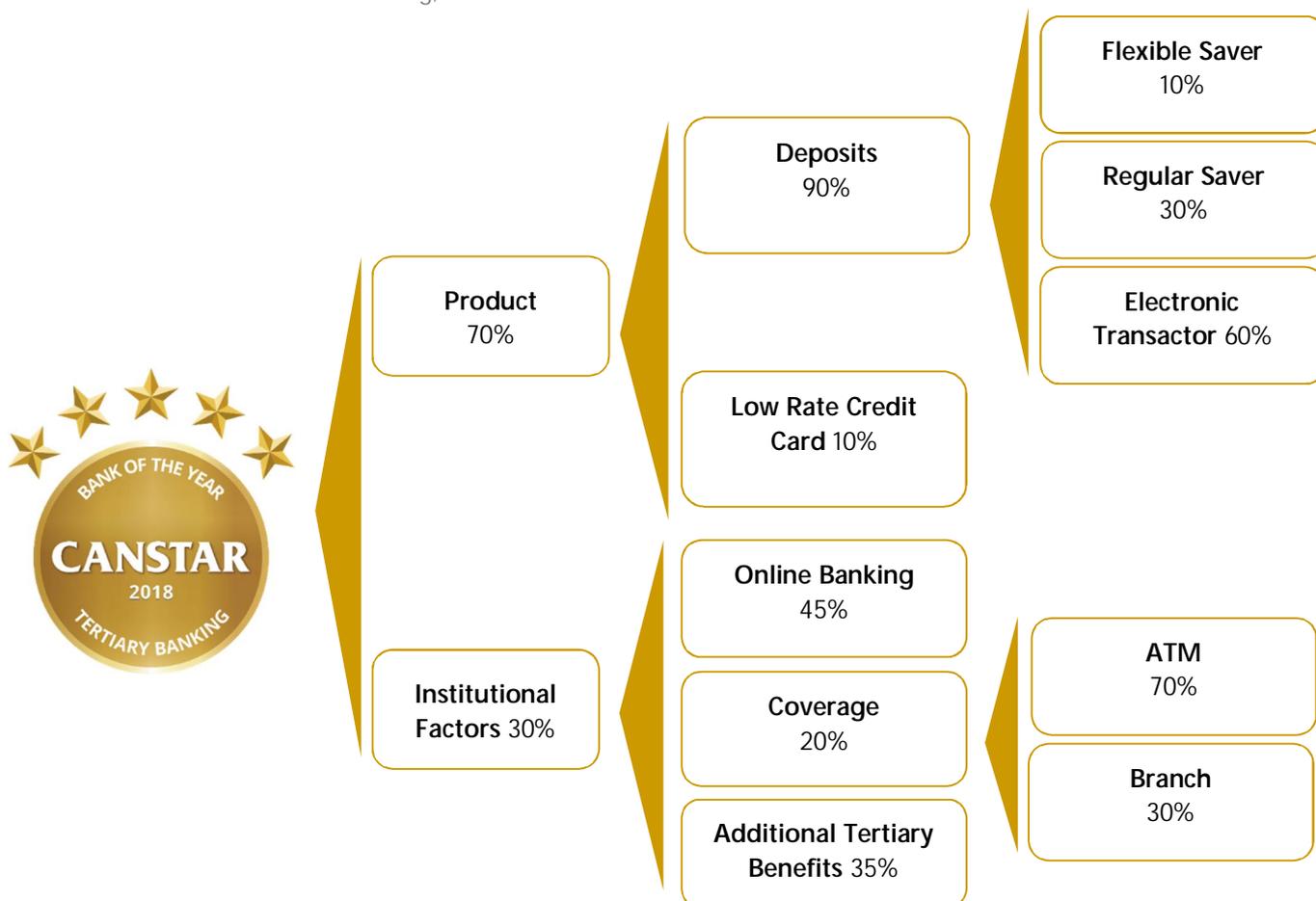
Easy access to branches and ATMs are rewarded based on the CANSTAR distribution analysis. Only for youth 12-17 profile we also look at online banking scores.

Category	Category Description	Weight
Branch	Ratio of Branches to population	10%
ATM	No. of ATMs	30%
Online Banking*	Availability of online banking	60%

*\*For Online banking, the final score for Banking Component from Canstar's Online Banking Award.*

## Tertiary Award

The Tertiary Banking award seeks to focus on additional product offerings relevant to tertiary students combined with institutional factors such as online banking, branch and ATM access.



## Product Score

### Eligibility

Product	Criteria
Flexible Saver	<ul style="list-style-type: none"> <li>Internet Transfers Same Institution</li> <li>Current base rate must be greater than 0.10% at \$1,000</li> </ul>
Regular Saver	<ul style="list-style-type: none"> <li>Internet Transfers Same Institution</li> <li>Current total rate must be greater than 0.50% at \$5,000</li> <li>Pays a conditional bonus interest rate</li> <li>Notice saver accounts included</li> </ul>
Electronic Transactor	<ul style="list-style-type: none"> <li>ATM Access</li> <li>Direct Debit</li> <li>Direct Credit</li> <li>EFTPOS</li> <li>Internet Bill Payment</li> <li>Internet Transfers Same Institution</li> </ul>
Low Rate Credit Card	<ul style="list-style-type: none"> <li>Personal, unsecured credit cards</li> <li>Minimum credit limit cannot be higher than \$2,000</li> <li>Six months' worth of rates required to be included.</li> </ul>

## Weighting

	Flexible Saver	Regular Saver	Electronic Transactor	Low Rate Credit Card
Price	80%	80%	50%	70%
Features	20%	20%	50%	30%

## Price Score Deposits

The pricing score is determined by the net cost or benefit to the consumer. This is calculated using a pricing scenario which uses a transaction scenario analysis to calculate the total cost of transacting on the account (including account keeping and transaction fees) for 100 hypothetical consumers which is then deducted from any interest that would be earned by each hypothetical consumer, based on their initial balance and the monthly deposits.

## Savings Scenario

To recognise the various rates offered on different accounts for varying balance tiers, the interest component is the average interest earned across the 100 different balances. Scenario balances are randomly generated along a normal distribution with a profile appropriate range around the average balance for the profile.

The following scenarios are used to calculate the interest component of the Net Benefit/Net Cost, with balance details and types of interest considered:

Profile	Term (months)	Average Balance	Range of Balances	Base Rate	Conditional Bonus	Promotional Rate	Additional Details
Flexible Saver	18	\$1,000	\$100 to \$2,000	✓	✗	✓	Conditional Bonus linked to savings behaviour is not included, is included when condition is not dependent on savings stipulations.
Regular Saver	12	\$5,000	\$1,000 to \$10,000	✓	✓	✗	Saving deposit conditions are met in all months except for month 6, and a withdrawal is made in month 12.
Electronic Transactor	1	\$1,000	\$0 to \$2,000	✓	✗	✗	-

## Transaction Scenario

The following scenarios are used to calculate the Account Keeping Fees and Transaction Charges component of the Net Benefit/Net Cost:

	Flexible Saver	Regular Saver	Electronic Transactor
Avg. no. of transactions	5	3	50
Avg. Balance	\$1,000	\$5,000	\$1,000
Avg. Deposit	\$500	\$500	\$1,500
ATM withdrawal (own network)	-	-	10%
ATM withdrawal (other network *)	-	-	5%
Direct Debit/ Credit	-	-	5%
Points of Sale*	-	-	45%
Internet transaction	100%	100%	-
Internet Bill payment	-	-	15%
Internet Pay anyone	-	-	20%

## Price Score Credit Card

The Pricing Score for the Low Rate and Low Fee credit card profiles is based on the net cost of owning the credit card for 12 months. The lowest cost product will receive the top score.



Profile	Annual Purchases	Revolving Balance	Borrowing Period (months)
Low Rate	\$6,000	\$500	12

#### Additional factors included in Pricing Score:

- ✓ Annual fee waivers based on specific spending behaviours.
  - ✓ Including tertiary package waiver if applicable
- ✓ Average interest rate from previous six months.

#### Not considered in Pricing Score:

- ✗ Promotional annual fee waivers.
- ✗ Availability of rewards points (see Feature Score).
- ✗ Balance Transfer or Promotional Rate offers (see Feature Score).
- ✗ Additional Fees and charges (see Feature Score).
- ✗ Interest charging methodology e.g. Interest charged from purchase date, statement date, or due date (see Feature Score).

#### Feature Score Deposits

	Product Features	Credit Rating
Flexible Saver	80%	20%
Regular Saver	80%	20%
Electronic Transactor	95%	5%

#### Product Features

Each of the product features is allocated points that are awarded for positive deposit account traits such as greater flexibility or access to facilities. The table below outlines the weights allocated across each category.

Category Description	Electronic Transactor	Flexible Saver	Regular Saver
Account Facilities	60%	55%	50%
Specific Conditions	25%	45%	50%
Exception Fees	5%	-	-

#### Credit Rating

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.

## Feature Score Credit Card

Category Description	Low Rate
Credit Terms and Conditions	45%
Card Terms	40%
Minimum Repayment Score <sup>^</sup>	40%
Special Purchasing Policies	10%
Interest Charging	10%
Additional Fees and Charges	20%
Cash Advance	25%
Foreign Currency Purchase	25%
Miscellaneous Fees & Charges	25%
Additional Cardholder	15%
Replacement Card	10%
Digital Wallet & Security	15%
Application Process	5%
Ease of access	5%
Repayment Capabilities	50%
Merchant Acceptability	50%
Interest free days <sup>*</sup>	5%
Premium Card Facilities	5%

<sup>^</sup>Minimum repayment score: making the minimum repayment would not be enough to cover the annual fees and interest on a revolving debt, a product receives a score of zero. All other products receive the full score.

<sup>\*</sup>Interest free days: The products in the market with the highest number of interest free days receive the top score.

## Institutional Factors

Category	Weight
Online Banking	45%
Additional Tertiary Benefits	35%
Coverage	20%
Branch	30%
ATM	70%

### Online Banking

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), and self-service (e.g. ability to change personal details, personalization).

### Coverage

Coverage considers two components, the number of branches accessible and the number of ATM's available to customers.

#### ATM

The ratio of the total number of ATMs across New Zealand (both islands) against the New Zealand population is calculated against a cap of 10,000 people per ATM. Any institution who exceeds the cap will receive full points for this category with the remaining institutions indexed against the caps.

#### Branch

The ratio of the total number of branches across New Zealand (both islands) against the New Zealand population is calculated against a cap of 25,000 people per branch. Any institution who exceeds the cap will receive full points for this category with the remaining institutions indexed against the caps.

### Additional Tertiary Benefits

Considers any benefits available to Tertiary students including any discounts/waivers that are available (such as an interest free overdraft or fee waivers).

## 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 products reviewed for award 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](http://www.canstar.co.nz) if you would like to view the latest star ratings reports of interest.



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