



METHODOLOGY

SAVINGS AND TRANSACTION

ACCOUNT STAR RATINGS

2018

What are the Canstar *Savings and Transaction Account Star Ratings*?

Canstar's *Savings and Transaction Account Star Ratings* involve a sophisticated rating methodology, unique to Canstar, which compares savings and transaction accounts in New Zealand. Canstar star-rated products represent a shortlist of financial products. This shortlist narrows the search for consumers to products that have been reviewed, assessed and ranked.

The Canstar *Savings and Transaction 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.

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

The following account types are assessed in the ratings:

- Personal Transaction Accounts
- Savings and Investment Accounts
- Online Savings Accounts
- Cash Management Accounts
- Notice Saver Accounts

Products specific to certain groups or with restrictions on eligibility are not included in the ratings. Business accounts are rated separately as part of the Canstar *Business Savings and Transaction Star Ratings*.

Eligibility Criteria

To be eligible for a star rating, savings accounts must have been on offer for at least six months. Products that do not have the required six-month information can only achieve a rising star. 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. This criteria does not apply to transaction accounts.

How is the Canstar *Savings and Transaction Account Star Ratings* structured?

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



Electronic Transactor

Full Service Transactor



Flexible Saver

Regular Saver

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.

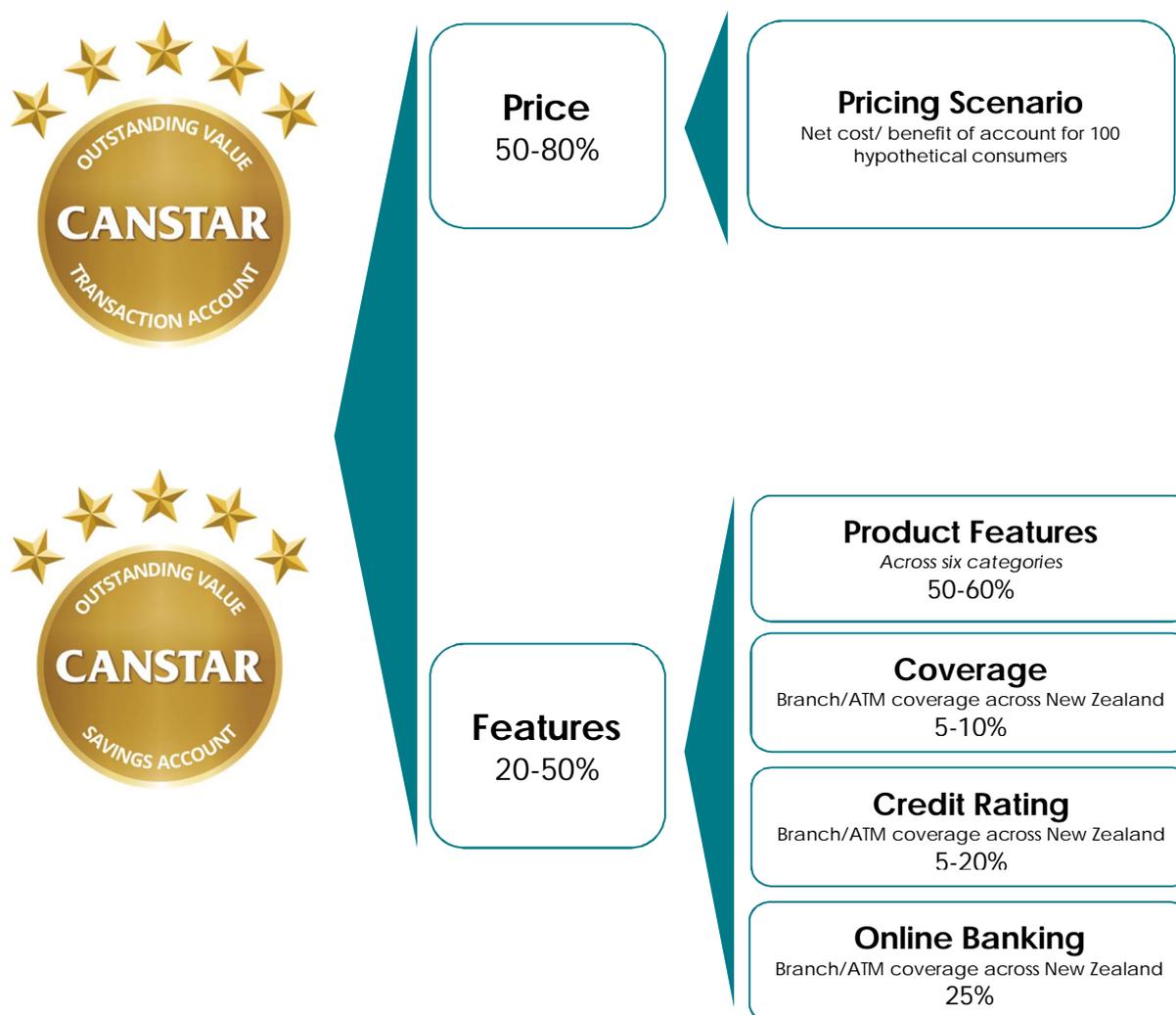
Profile	Description
Flexible Saver	For consumers looking to maximize their savings with no restrictions. To be eligible, the account must offer a base rate of 0.10% or higher on a balance of \$10,000.
Regular Saver	For more active savers who are willing to meet stricter conditions to achieve higher levels of interest. To be eligible the account must offer a total rate of 0.50% or higher on a balance of \$25,000.
Electronic Transactor	For consumers who mainly transact electronically. Requires full access to the account including ATM, EFTPOS, point of sale and BPAY and conduct an average of 50 transactions per month.
Full Service Transactor	For consumers who may occasionally transact through branch or phone on top of electronically. Requires full access to the account including ATM, EFTPOS, branch, point of sale and BillPay and conduct an average of 25 transactions per month.

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

Each transaction or savings account reviewed for the Canstar Savings and Transaction 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 Price score and a Feature score.

To arrive at the total score, Canstar applies a weight against the price and feature scores. This weight will vary for each customer profile and will reflect the relative importance of either costs or features in determining the strongest performing deposit accounts. This method can be summarised as:

$$\text{TOTAL SCORE} = \text{PRICE SCORE} + \text{FEATURES SCORE}$$



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

Profile	Price	Features
Flexible Saver	80%	20%
Regular Saver	80%	20%
Electronic Transactor	50%	50%
Full Service Transactor	55%	45%

Price score

The pricing score is calculated using the behaviour of 100 hypothetical consumers, with transaction behaviour determining the transaction fees, account keeping fees and interest earned on each account, with the average net cost or benefit obtained by the consumers across the scenarios indexed along a normal distribution, determining the Pricing Score. The methodology is outlined in the below diagram:



Interest 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	\$10,000	\$5,000 to \$15,000	✓	✗	✓	Conditional Bonus linked to savings behaviour is not included, is included when condition is not dependent on savings stipulations.
Regular Saver	12	\$25,000	\$12,500 to \$37,500	✓	✓	✗	Saving deposit conditions are met in all months except for month 6, and a withdrawal is made in month 12.
Low Transactor	1	\$2,000	\$0 to \$4,000	✓	✗	✗	-
High Transactor	1	\$2,000	\$0 to \$4,000	✓	✗	✗	-

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	Full Service Transactor
Average no. of transactions	5	1	50	25
Average Balance	\$10,000	\$25,000	\$2,000	\$2,000
Average Deposit	\$1,000	\$1,000	\$4,000	\$4,000
ATM withdrawal own network	-	-	10%	10%
ATM withdrawal other network	-	-	5%	5%
Branch cash withdrawal	-	-	-	5%
Direct Debit /Credit	-	-	5%	5%
Points of Sale*	-	-	45%	45%
Internet transaction	100%	100%	-	-
Internet Bill Payment	-	-	15%	10%
Internet Pay anyone	-	-	20%	15%
Phone Banking#	-	-	-	5%
*Split of 50% to Paypass/Paywave and 50% to EFTPOS if Paypass/Paywave is available. Otherwise EFTPOS will make up 100% of the cost.				
#Phone transaction via a voice recognition system.				

Feature score

The Feature score is broken up into four components: product features, coverage, online banking and credit rating. The breakdown of weights between features and accessibility by profile is shown below.

	Product Features	Credit Rating	Coverage		Online Banking
			ATM	Branch	
Flexible Saver	50%	20%	-	5%	25%
Regular Saver	50%	20%	-	5%	25%
Electronic Transactor	60%	5%	7%	3%	25%
Full Service Transactor	60%	5%	6%	4%	25%

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	Flexible	Regular	Electronic Transactor	Full Service Transactor
Account Facilities	55%	50%	60%	60%
Specific Conditions	35%	40%	20%	20%
Exception Fees	0%	0%	10%	10%
Exemptions from Fees & Charges	10%	10%	10%	10%

Coverage

Coverage considers two components, the number of branches accessible and the number of ATM's available to customers. The following table outlines the weights assigned to each access point.

Description	Flexible Saver	Regular Saver	Electronic Transactor	Full Service Transactor
ATM Coverage	-	-	70%	60%
Branch Coverage	100%	100%	30%	40%

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.

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.

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).

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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