



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

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

The Canstar *Business Savings and Transaction Account Star Ratings* is a transparent analysis comparing all types of business 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.

### Eligibility Requirements

To be eligible for a star rating, the product must have been an offer for at least six months.

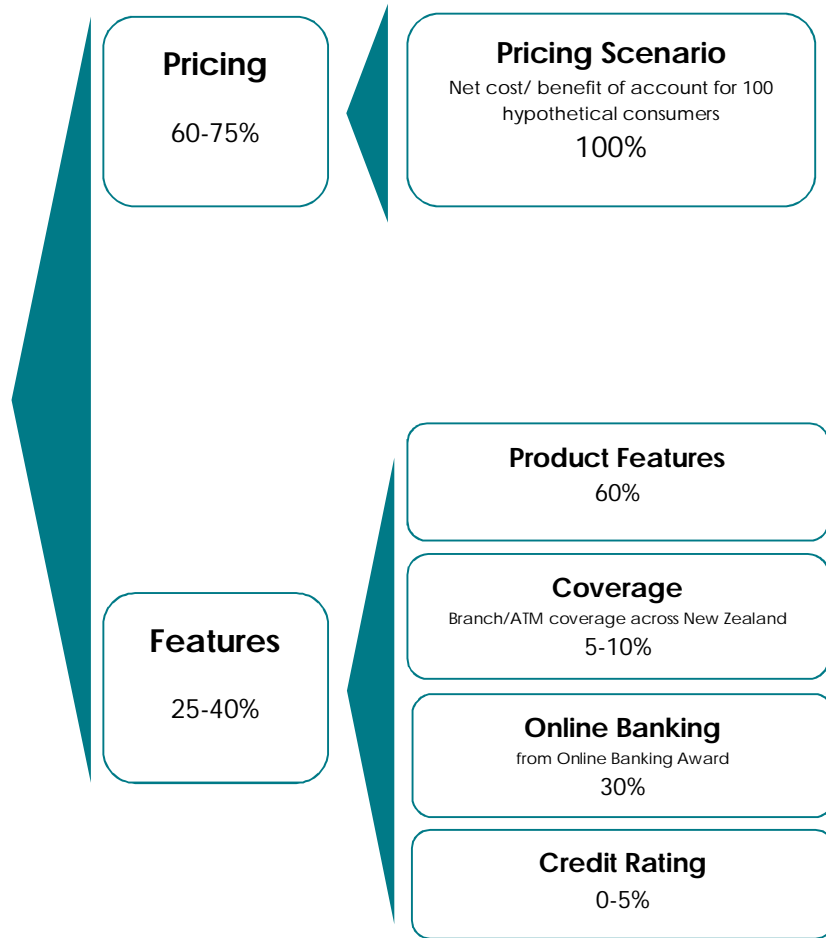
### Profile Description

Profiles	Requirements
Business Saver	<ul style="list-style-type: none"> <li>• For business customers looking for a high interest savings account.</li> <li>• To be eligible, the account must offer an interest of 0.01% or higher on a balance of \$20,000.</li> </ul>
Low Transactor	<ul style="list-style-type: none"> <li>• For business customers who make an average of 30 transactions per month on their account.</li> <li>• Access to branch, ATM, Cheque, EFTPOS Internet, Direct Credit and Direct Debit Facilities must be available.</li> </ul>
High Transactor	<ul style="list-style-type: none"> <li>• For business customers who make an average of 80 transactions per month on their account.</li> <li>• Access to branch, ATM, Cheque, EFTPOS, Internet, Direct Credit and Direct Debit facilities must be available.</li> </ul>

### Star Ratings Methodology

Canstar recognises that businesses have different needs in terms of saving and transacting. Hence the Canstar *Business 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:

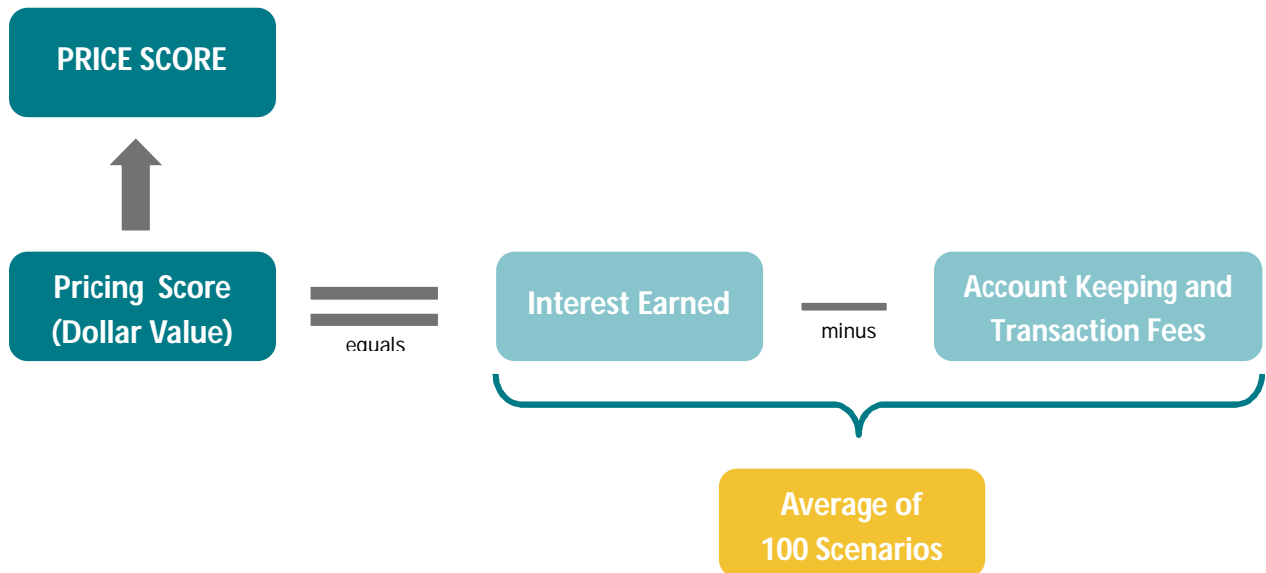
To arrive at the total score, Canstar applies a weight against the price score and the feature score. The weights reflect the relative importance of costs and features in determining the products offering outstanding value. This method can be summarised in the diagram below:



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

## Price Score

The Price Score is determined by indexing all products within the rating against the product which is most favourable to the consumer (i.e. has the highest Net Benefit within a given profile), with the product that is most favourable to the consumer based on the Pricing Scenario receiving the maximum score and the least favourable receiving a score of zero. The Pricing Scenario is calculated by deducting all fees and charges incurred by a hypothetical account holder from the interest that would be earned on the account. To ensure a robust assessment of the product, this Pricing Scenario would be simulated with 100 hypothetical account holders, with the average value used to calculate the Price Score.



### Scenario

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:

The following scenarios are used to calculate the interest component of the Net Benefit/Net Cost:

### Interest Earned

Profile	Term	Description
High Transactor	1mth	Interest earned on the balance in each scenario, considering only the base interest rate.
Low Transactor	1mth	Interest earned on the balance in each scenario, considering only the base interest rate.
Business Saver	12mths	Interest calculation is based on the interest earned on an initial deposit of \$20,000 over 12 months, taking into account the promotional rate and it's length plus the base interest rate.

The interest earned in the above scenarios is then converted to a monthly total, dividing by 12 when necessary.

## Transaction Scenario

The fee 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 100 hypothetical depositors with the pricing structure of the deposit accounts.

	Business Saver	High Transactor	Low Transactor
Average no. of transactions	15	80	30
Average Balance	\$20,000	\$10,000	\$5,000
Average Deposit	\$5,000	\$100,000	\$50,000
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 (Internal)	100%	10%	10%
Internet Transaction (External)	-	25%	25%
Interest Earned	Interest Earned Scenario amount (1 month)	Return calculated for each scenario – Account and Transaction Fees deducted from this amount in each scenario.	

## Feature Score

The Feature score is broken up into four components: Product Features, Coverage, Credit Rating and Online Banking. The breakdown of weights by profile is shown below.

Profile	Product Features	Coverage	Online Banking*	Credit Rating
Business Saver	60%	5%	30%	5%
High Transactor	60%	10%	30%	-
Low Transactor	60%	10%	30%	-

\*The online banking score is the functionality score from Canstar's most recent Small Business Award.

## 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
<b>Account Facilities:</b> <ul style="list-style-type: none"> <li>Reporting Options: Passbook, statement, internet, email.</li> <li>Access Channels: ATM, EFTPOS, Phone, Internet, Cheque.</li> <li>Facilities: Offset, overdraft, sweep, periodic payment</li> <li>International: ATM, EFTPOS</li> </ul>	40%	75%	75%
<b>Specific Conditions:</b> <ul style="list-style-type: none"> <li>Interest Details: Calculation &amp; payment frequency, balance used-open/closed/min/max, entire/portion, bonus interest</li> <li>Minimum: Opening/subsequent deposit, ongoing balance, withdrawal</li> <li>Maximum: Withdrawal per day/week, ATM, EFTPOS, combined</li> </ul>	60%	25%	25%

## 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	-	15%	15%
ATM Coverage	-	50%	50%
ATM Features*	-	50%	50%
Branch	100%	85%	85%
Branch Coverage	50%	50%	50%
Branch Features*	50%	50%	50%

\*Branch and ATM feature information are taken from the most recent Small Business Audit and include availability of deposit boxes, coin counting machines, coin withdrawal and Smart ATM's as well as other functions offered by the institution such as business banking drop boxes.

## Online Banking

The online banking score is the functionality score from Canstar's most recent Small Business Award.

Online Banking Functionality	Weighting
Transaction History	25%
Payroll	25%
Payments	15%
Security Limits	15%
Self Service	20%

## Does Canstar rate all products available in the market?

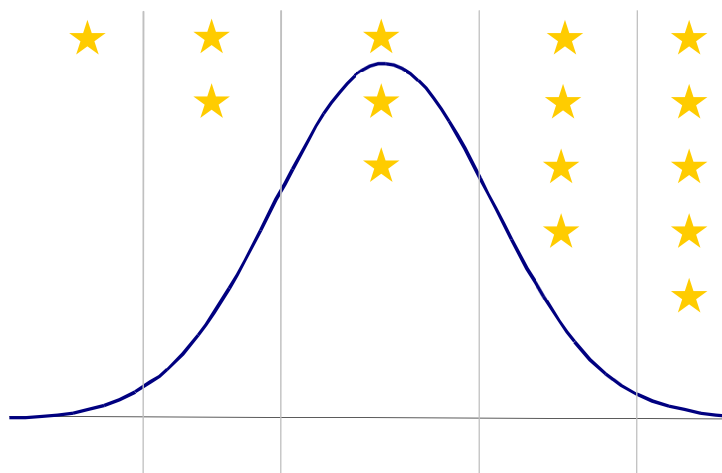
We endeavour to include the majority of product providers in the market and to compare the product features most relevant to consumers in our ratings. However, this is not always possible and it may be that not every product in the market is included in the rating nor every feature compared that is relevant 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.)

## How are the stars awarded?

Products are ranked based on the total score received for each profile. Stars are then awarded based on the distribution of the scores with the objective to award the top 5-10% of products with the Canstar five-star rating.



## 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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