



METHODOLOGY

SAVINGS AND TRANSACTION ACCOUNT STAR RATINGS

June 2020

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

Canstar's *Savings and Transaction Account Star Ratings* uses a sophisticated rating methodology, unique to Canstar, which compares deposit 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.

Eligibility Requirements

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 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. These criteria do not apply to transaction accounts.

Profiles

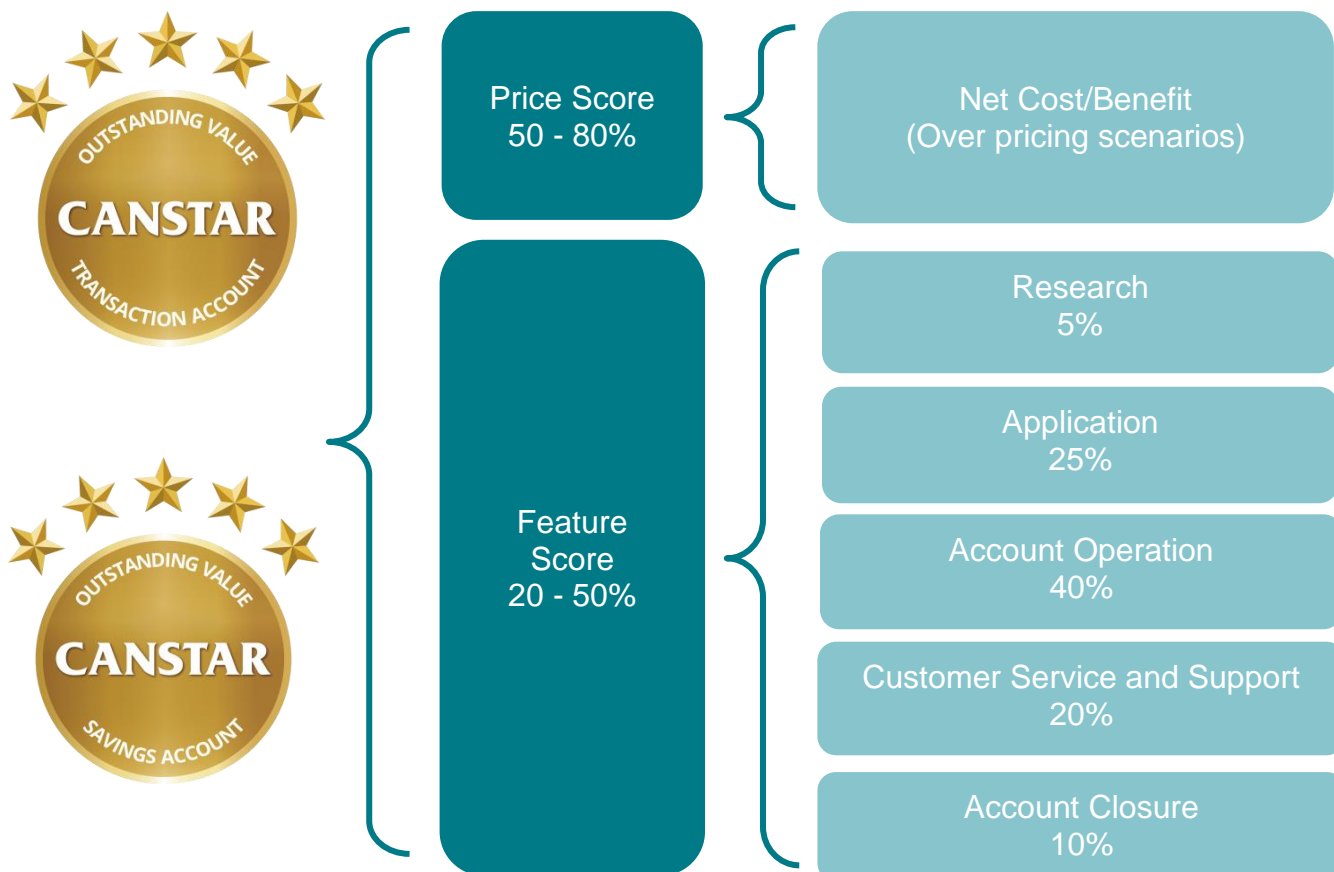
Canstar recognises that deposit account users have different needs in terms of saving and transacting. Hence the Canstar Savings and Transaction Account Star Ratings methodology has been designed to reflect a range of transacting and savings styles. The star ratings methodology differs for each customer segment in terms of the relative importance placed on the fees and features of the products assessed. Specifically, the ratings consist of the following sub-sections:

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 0.05% 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 BillPay 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.

Methodology Tree

Each transaction or savings account reviewed for Canstar's 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 Pricing Score and a Feature Score.

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



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 Price 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 Price 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 Saver¹	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 Saver²	12	\$25,000	\$12,500 to \$37,500	✓	✓	✗	\$50 deposit in month 1 with transaction behavior conditions not met. Conditions met in month 2 – 11, and a withdrawal is made in month 12.
Electronic Transactor	1	\$2,000	\$0 to \$4,000	✓	✗	✗	-
Full Service Transactor	1	\$2,000	\$0 to \$4,000	✓	✗	✗	-

¹Conditional Bonus linked to savings behaviour is not included, is included when condition is not dependent on savings stipulations.

²\$50 deposit in month 1 with transactional behaviour conditions not met. Conditions met in month 2 – 11, and a withdrawal is made in month 12

Transaction Scenario

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

	Savings Accounts		Transaction Accounts	
	Flexible	Regular	Electronic	Full Service
Average no. of transactions	5	1	50	25
Average Balance	\$10,000	\$25,000	\$2,000	\$2,000
Average Deposit	\$1,000	\$500	\$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 five components, Research, Application, Account Operation, Customer Service and Support, and Account Closure.

Categories	Weight
Research	5%
Application	25%
Account Operation	40%
Customer Service and Support	20%
Account Closure	10%

Research

Beginning of customer journey, involves the customer researching the account. The research category considers available information provided by the institution, and ease at which this information can be accessed.

Categories	Weight
Research	5%

Application

The Application stage of the customer journey considers the identification of the customer, the opening procedures and application channels. Also considered within the application category was the conditions that need to be met to open the account and the onboarding procedures once the account is active (e.g. how long it takes to receive the card, access to instant digital cards, etc).

	Transaction Profiles	Savings Profiles
Application Channels	40%	60%
Account Opening Conditions	20%	40%
Onboarding	40%	-

Account Operation

The Account Operations category considers the usage of the product reviewing an accounts transaction options, interest conditions, and account management. Transactions considers payment options and flexibility in making those payments. Interest conditions reviews the conditions that need to be met to obtain the interest payable, and how the interest is paid. Account management considers an accounts everyday usage, this includes managing debit card pins online, budgeting tools, and transaction history options and access.

Categories	Electronic / Full Service Transactor	Flexible / Regular Saver
Transactions	50%	20%
Point of Sale	20%	20%
Transfers	20%	40%
Bpay	10%	30%
Staff Assisted	10%	10%
Cheques	10%	-
ATM	10%	-
ATM access	50%	-
ATM Transactions	50%	-
Overdrawing Facilities	20%	-
Interest Conditions	-	50%
Account Management	50%	30%
Card Management	25%	-
Budgeting Tools	10%	30%
Statements and History	25%	20%
Alerts and Notifications	20%	30%
Security	20%	20%

Customer Service and Support

Customer service and support considers available communication options such as call centres and online chat. Branch availability is also taken into account.

Categories	Electronic / Full Service Transactor	Flexible / Regular Saver
Branch Availability	25%	-
Contact	75%	100%

Account Closure

This category represents the end of the customer journey and considers ease of closure and management of product after the closing of the account, e.g. availability of statements and access to transaction history after closure.

Categories	Weight
Account Closure	10%

Does Canstar rate all products 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 Savings and Transaction Accounts reviewed for star rating purposes?

All ratings are fully recalculated every twelve months. Canstar also monitors changes on an ongoing basis.

How are the stars awarded?

Canstar ranks Savings and Transaction accounts based on value-for-money measures and then awards a star rating according to rank. The top accounts will be awarded a five-star (or outstanding) rating. The number of accounts awarded each of the three- to five-star ratings will ultimately depend on the dispersion of final scores.

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.com.au if you would like to view the latest star ratings reports of interest.



- Agribusiness
- Business Credit Cards
- Business Deposits
- Credit Cards
- Customer Satisfaction
- Everyday Banking
- First Home Buyer Loans
- Home Loans
- Innovation
- KiwiSaver
- Online Banking
- Personal Loans
- Deposit Accounts
- Savings Award
- Small Business Banking
- Travel Insurance
- Travel Money Cards

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