



METHODOLOGY

BUSINESS BANKING STAR RATINGS

What are the CANSTAR *Business Loans Star Ratings*?

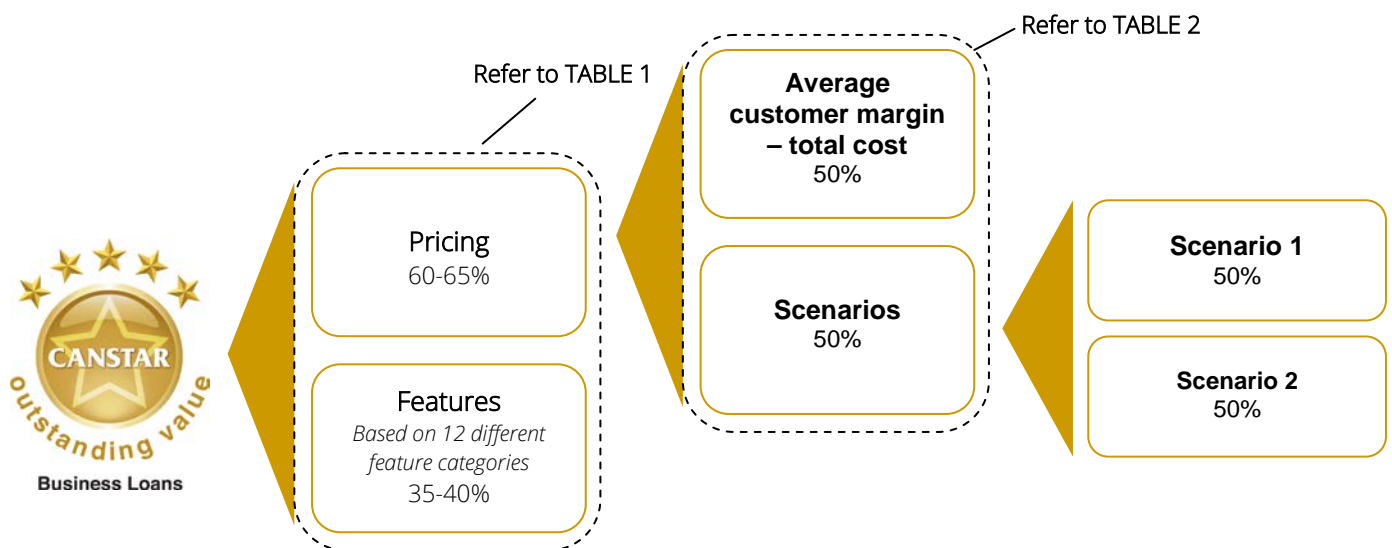
CANSTAR's *Business Loans Star Ratings* involve a sophisticated rating methodology unique to CANSTAR that compares business loan products in Australia. CANSTAR star ratings provide a transparent analysis of business loans, enabling consumers to narrow their search to products that have been independently assessed and ranked.

The results are reflected in a consumer-friendly five-star concept, with five stars signifying outstanding value offered by the product. Rising stars are awarded to 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.

How are the 'stars' calculated?

To arrive at the total score CANSTAR applies a weight (w) against the Pricing (P) and Features (F). This weight will vary for each product category and will reflect the relative importance of either costs or features in determining the best business loan. This method can be summarised as:

$$\text{TOTAL SCORE (T)} = \text{PRICING (P)} + \text{FEATURES SCORE (F)}$$



Residential and commercial-secured term loans and overdrafts were eligible to be considered in the *Business Loans Star Ratings*. CANSTAR understands that businesses use different forms of security. We also understand that some businesses require a one-time loan while others require access to a revolving line of credit. CANSTAR has separated the Business Loans star ratings into the four categories listed in TABLE 1 in recognition of these differences.

TABLE 1 also highlights the contribution of the pricing and features value components for each of the four categories.

TABLE 1 - Business Loans star ratings components

PRODUCT CATEGORY	PRICING	FEATURES
Residential secured term loans	65%	35%
Commercial secured term loans	65%	35%
Residential secured overdrafts	60%	40%
Commercial secured overdrafts	60%	40%

Pricing component

The purpose of the *Business Loans Star Ratings* is to determine which products are best suited for a broad cross-section of business loan users. Because of this general focus, CANSTAR calculated the total cost for each product using a combination of the base rate, customer margins supplied by institutions, upfront and ongoing fees on two different loan amounts and also for two different business scenarios (see TABLE 2). The product with the lowest average total cost is then awarded the highest pricing score for the product category to which it belongs.

TABLE 2 – Business Loans pricing scenarios

	RESIDENTIAL PROPERTY SECURITY		COMMERCIAL PROPERTY SECURITY	
	TERM LOAN	OVERDRAFT	TERM LOAN	OVERDRAFT
LOAN CALCULATION TERM	10 YEARS	5 YEARS	10 YEARS	5 YEARS
AMOUNT 1	\$250,000 (50%)	\$50,000 (50%)	\$250,000 (50%)	\$50,000 (50%)
AMOUNT 2	\$500,000 (50%)	\$125,000 (50%)	\$500,000 (50%)	\$125,000 (50%)

The overdraft pricing calculation is based on a 50% utilisation of the facility.

Features component

More than 100 individual features of each loan and overdraft are scored for positive traits and awarded a FEATURES score. TABLE 3 below highlights the contribution of the various groups of information to award the business loans FEATURES score.

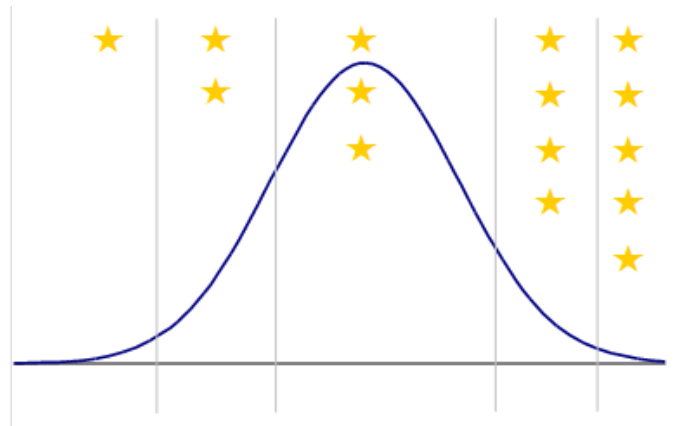
TABLE 3 – Business Loans feature weights

Feature category	Term loans	Overdrafts
Lending terms	30%	20%
Security accepted	5%	5%
Redraw facility	15%	-
Lending area	5%	5%
Portability	10%	5%
Loan purposes availability	10%	10%
Repayment capabilities	10%	-
Split facility	5%	-
Switching facility	5%	-
Overdraft terms	-	50%*
Online security	5%	5%

*Overdraft terms takes the linked accounts score from the business transaction account star ratings with a weighting of 50% High and 50% Low Transactor.

How are the stars awarded?

The total score received for each profile ranks the products. The 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.



The results are reflected in a consumer-friendly CANSTAR star rating concept, with five stars denoting outstanding value.

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 CANSTAR *Business Loans Star Ratings* re-rated?

All ratings are fully recalculated every 12 months based on the latest features offered by each institution. CANSTAR also monitors rate 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.com.au if you would like to view the latest star ratings reports of interest.



- Account based pensions
- Agribusiness
- Business banking
- Business life insurance
- Car insurance
- Credit cards
- Deposit accounts
- Direct life insurance
- First home buyer
- Health insurance
- Home & contents
- Home loans
- Life insurance
- Managed investments
- Margin lending
- Online banking
- Online share trading
- Package banking
- Personal loans
- Reward programs
- Superannuation
- Term deposits
- Travel insurance
- Travel money card
- Youth banking

DISCLAIMER

To the extent that any CANSTAR data, ratings or commentary constitutes general advice, this advice has been prepared by CANSTAR Research Pty Ltd ABN 29 114 422 909 AFSL 437917 and does not take into account your individual investment objectives, financial circumstances or needs. Information provided does not constitute financial, taxation or other professional advice and should not be relied upon as such. CANSTAR recommends that, before you make any financial decision, you seek professional advice from a suitably qualified adviser. A Product Disclosure Statement relating to the product should also be obtained and considered before making any decision about whether to acquire the product. CANSTAR acknowledges that past performance is not a reliable indicator of future performance. Please refer to CANSTAR Research's FSG for more information at www.canstar.com.au.

All information contained herein shall not be copied or otherwise reproduced, repackaged, further transmitted, transferred, disseminated, redistributed or resold, or stored for subsequent use for any purpose, in whole or in part, in any form or manner or by means whatsoever, by any person without CANSTAR's prior consent. All information obtained by CANSTAR from external sources is believed to be accurate and reliable. Under no circumstances shall CANSTAR have any liability to any person or entity due to error (negligence or otherwise) or other circumstances or contingency within or outside the control of CANSTAR or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication, or delivery of any such information. Copyright 2012 CANSTAR Pty Ltd ABN 21 053 646.