



METHODOLOGY

Home Loans

What is the CANSTAR Home Loan Star Rating?

CANSTAR *Home Loan Star Ratings* use a sophisticated and unique ratings methodology that compares both Cost and Features across home loan products. CANSTAR star ratings represent a shortlist of financial products, enabling consumers to narrow their search to products. CANSTAR Home Loan Star Ratings are a transparent analysis comparing all types of home loan products.

Ratings range from five- to one-star. Five-star rated products have been assessed as offering outstanding value to consumers. Rising Stars are products that would be rated five-star but have not been in the market for six months; these products will be formally rated in the next report once more historical data is available.

How is the CANSTAR Home Loans Star Rating structured?

CANSTAR *Home Loan Star Ratings* consists of two separate star rating levels, low and high. The rating process for these two levels employs a separate star ratings methodology consistent with the pricing and features model of the CANSTAR star ratings.

Low Level Star Rating

CANSTAR recognises that consumers have different needs and wants when it comes to Home Loans that they need. Hence CANSTAR's Low Level Star Rating is aimed to provide consumers with results that suit their borrowing profile. It analyses products based on different loan amounts, product types and profiles so a consumer is able to identify a shortlist of products that are suited to their individual needs. The rating in each borrower profile recognised specific needs and features relevant for that particular consumer group.

Borrower profiles that are assessed in the Low Level Star Rating are as follows:

Profile	Product Type
First Home Buyer	An individual who is purchasing a property for a very first time
Investor	An individual who is either refinancing an existing investment property or purchasing an investment property
Established Home Owner	An individual who is either refinancing an existing property or purchasing a new property
Constructor	An individual who is constructing a new property

Profile	Product Type	Loan Amount
First Home Buyer	Variable Rate	\$200,000
Investor	1 Year Fixed	\$350,000
Established Home Owner	2 Year Fixed	\$500,000
Constructor	3 Year Fixed	\$750,000
Line of Credit*	5 Year Fixed	

*Line of Credit will only consider Variable Rate and different loan amounts

Products specific to certain groups or with restrictions on eligibility are not included in the ratings. Home loans that do not conform to the pricing scenario are also not included so as to ensure like-for-like comparison.

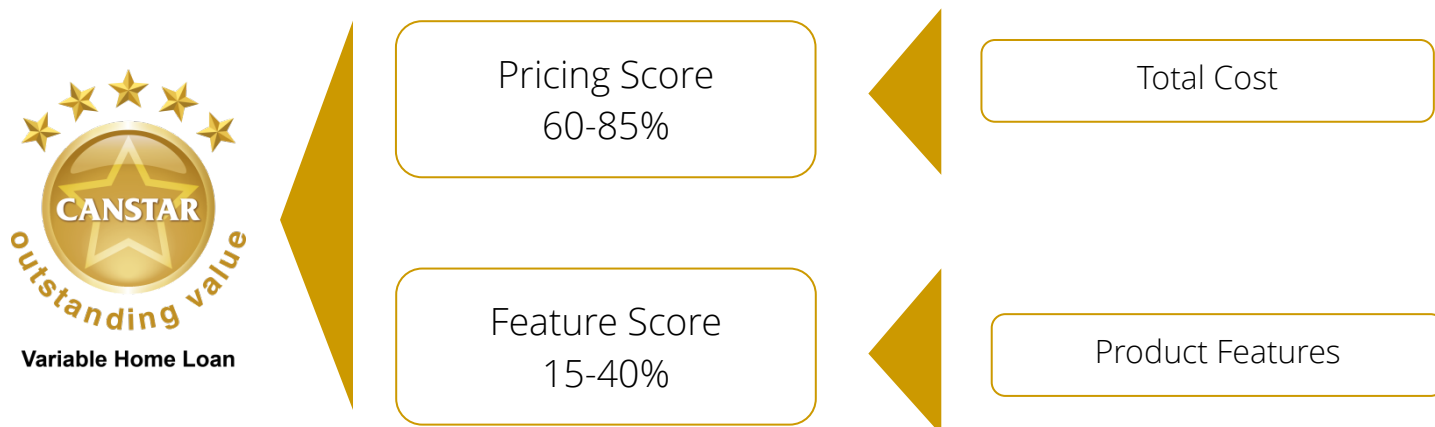


How is the Star Rating calculated?

Each home loan reviewed for the CANSTAR *Home Loan Star Ratings Report* is awarded points for its comparative Pricing and for the array of positive Features attached to the product. Points are aggregated to achieve a Pricing score and a Feature score.

To arrive at the total score, CANSTAR applies a weight (w) against the Pricing and Feature scores. This weight will vary from profile to profile and will reflect the relative significance of either costs or features in determining the best-value home loan product. This method can be summarised as

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



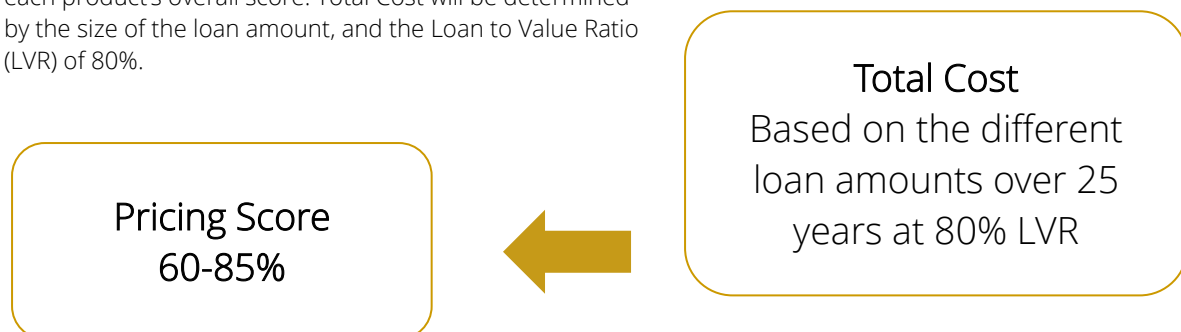
The weights for the borrowing profiles are as follows:

Profile	Variable Rate		Fixed Rate	
	Price Weight	Feature Weight	Price Weight	Feature Weight
First Home Buyer	75%	25%	80%	20%
Investor	80%	20%	85%	15%
Established Home Owner	80%	20%	80%	20%
Constructor	80%	20%	85%	15%
Line of Credit	60%	40%	-	-

Pricing Score

Variable Rate Cost Scenario

CANSTAR accounts for both current and historical interest rate in the calculation of the Pricing component of each product's overall score. Total Cost will be determined by the size of the loan amount, and the Loan to Value Ratio (LVR) of 80%.



Total Cost is based on the following:

- Six Months' historical data
- Interest rate cost plus upfront, ongoing & discharge fees
- For Introductory products the revert rate (interest rate to which the product reverts to after introductory period) is taken into total cost calculation

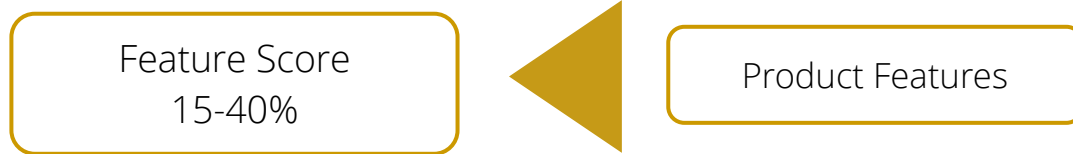
Fixed Rate Cost Scenario

Fixed Rate Total Cost Calculation accounts for both current and historical interest rate. Different loan amounts are considered in the total cost calculation at Loan to Value Ratio (LVR) of 80%. Total Cost Calculation will include the following:

- Six Months historical data
- Interest rate cost plus upfront, ongoing & discharge fees
- At Least one rollover of the fixed rate
- 60 Day period where a product reverts to a standard variable product interest rate (revert rate)

Product Category	Number of Rollovers	Loan Term
1 Year Fixed	1	2 years
2 Year Fixed	1	4 years
3 Year Fixed	1	6 years
5 Year Fixed	1	10 years

Feature Score



The features component takes into account more than 200 product features and allocated points. These product features are grouped into 5 different categories with weights given to each relevant area. The following table outlines the weightings of each of the feature categories per profile:

Category	First Home Buyer	Investor	Established Home Owner	Constructor	Line of Credit
Loan Terms	50%	45%	40%	45%	40%
Lending Terms	65%	65%	65%	60%	40%
Security Requirements	10%	15%	15%	10%	10%
Guarantee Options	20%	15%	15%	10%	10%
Line of Credit Details	-	-	-	-	40%
Construction Loan	5%	5%	5%	20%	-
Product Functionality	40% (30%)	40% (30%)	45% (35%)	40% (30%)	45%
Additional Repayments	20%	15%	20%	20%	-
Redraw Facility/Transactional	20%	15%	20%	20%	60%
Offset Facility	25%	25%	25%	20%	-
Split Facility	25%	25%	20%	20%	30%
Top Up Facility	5%	10%	10%	10%	-
Portability	5%	10%	5%	10%	10%
Fixed Rate	0% (10%)	0% (10%)	0% (10%)	0% (10%)	-
Rate Details	100%	80%	100%	100%	-
Interest in Advance	-	20%	-	-	-
Loan Fees	5%	10%	10%	10%	10%
Switch Fees	75%	75%	75%	75%	65%
Mortgage Fees	25%	25%	25%	25%	35%
Loan Application	5%	5%	5%	5%	5%

High Level Star Rating

Low Level Star Rating is used to feed the High Level, which then gives recognition to institutions that provide Outstanding Value products across multiple profiles to consumers.

The High Level Star Rating aims to recognise products that perform well across different profiles, product types and loan amounts when compared to their peers. High Level Methodology is product based and considers the weighted average of different loan amounts and profiles (First Home Buyer, Investor and Established Home Owner). For the Fixed Rate Home Loan, weighted average of all fixed terms is considered as well.



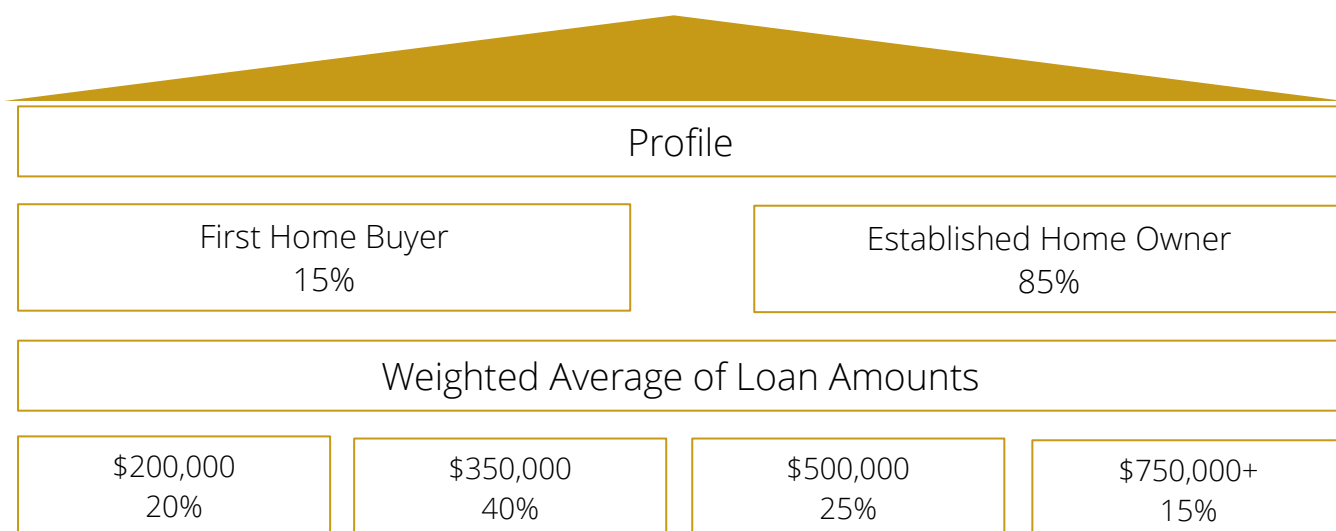
How is the High Level Star Rating calculated?

Outstanding Value – Variable Home Loan- Owner Occupied



Variable Home Loan Owner Occupied

Outstanding Value – Variable Home Loan – Owner Occupied considers the following:



Outstanding Value – Variable Home Loan- Investment



Variable Home Loan Investment

Outstanding Value – Home Loan - Investment considers the following:

Weighted Average of Loan Amounts

\$200,000
20%

\$350,000
40%

\$500,000
25%

\$750,000+
15%

Outstanding Value – Variable Home Loan- Line of Credit



Home Loan Line of Credit

Outstanding Value – Line of Credit considers the following:

Weighted Average of Loan Amounts

\$200,000
20%

\$350,000
40%

\$500,000
25%

\$750,000+
15%



Outstanding Value – Fixed Home Loan- Investment



Outstanding Value – Fixed Home Loan - Investment considers the following:

Weighted Average of Fixed Rates

1 Year Fixed
20%

2 Year Fixed
20%

3 Year Fixed
35%

5 Year Fixed
25%

Weighted Average of Loan Amounts

\$200,000
20%

\$350,000
40%

\$500,000
25%

\$750,000+
15%



Outstanding Value – Fixed Home Loan- Owner Occupied



Fixed Home Loan
Owner Occupied

Outstanding Value – Fixed Rate Home Loan - Owner Occupied considers the following:

Weighted Average of Fixed Rates

1 Year Fixed
20%

2 Year Fixed
20%

3 Year Fixed
35%

5 Year Fixed
25%

Profiles

First Home Buyer
15%

Established Home Owner
85%

Weighted Average of Loan Amounts

\$200,000
20%

\$350,000
40%

\$500,000
25%

\$750,000+
15%

Overlay on the Final High Level Star Ratings

There are instances when a product may be disadvantaged as it is not offered for one of the loan amounts or fixed rate terms. To overcome these disadvantages and award institutions that consistently offer an outstanding value product to consumers, CANSTAR applies an overlay to the High Level Star Ratings.

For a Variable Product to be eligible for an overlay and achieve a five star rating overall, it must receive five stars across all eligible profiles and at least three loan amounts considered in the High Level Methodology. For a Fixed Rate Product to be eligible for an overlay, it must achieve a five star rating either across all loan amounts and profiles and have limited fixed rate terms or have all of the fixed rate terms and achieve a five star across all profiles considered and at least 3 loan amounts.

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 complete coverage 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.

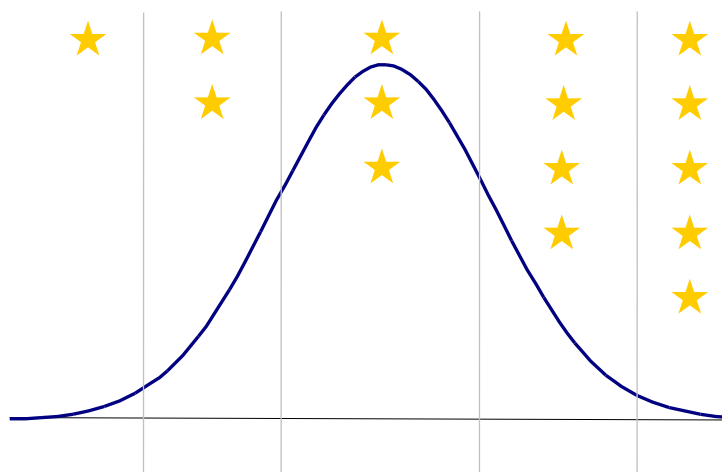


How often are products reviewed for awards or star ratings purposes?

All ratings are fully recalculated every six 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?

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.



Does CANSTAR rate other product areas?

CANSTAR researches, compares and rates the suite of banking and insurance products listed below. These star ratings and awards 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. Access the CANSTAR website at www.canstar.com.au if you would like to view the latest star ratings and awards reports of interest.



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|---------------------------|-------------------------|----------------------|
| • 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 cards |
| • Youth banking | | |

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