



METHODOLOGY

Business Savings & Transaction

July 2019

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 Australia. 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.

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.

Eligibility Requirements

To be eligible for a star rating, the product 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 if the product achieves the equivalent of a five-star rating.

Profile Description

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.

The profiles considered are as follows:

Consumer Profile	Description
Business Saver	For business customers looking for a high interest savings account. To be eligible, the account must offer an interest rate of 0.10% or higher on a balance of \$50,000.
Business Cash Manager	For business investors who make an average of 40 transactions per month on their account. They are looking to earn interest on their money while retaining full account access. To be eligible, the account must offer an interest rate of 0.10% or higher on a balance of \$50,000.
High Transactor	For business customers who make an average of 100 transactions per month on their account. Access to branch, ATM, Cheque, EFTPOS, Internet, Direct Credit and Direct Debit facilities must be available.
Low Transactor	For business customers who make an average of 40 transactions per month on their account. Access to branch, ATM, Cheque, EFTPOS, Internet, Direct Credit and Direct Debit facilities must be available.
Electronic Transactor	For business customers who transact mainly electronically and make an average of 100 transactions per month on their account. Access to ATM, EFTPOS, Internet, Direct Credit and Direct Debit facilities must be available.

Star Ratings Methodology

Canstar recognises that business deposit account users 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:

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

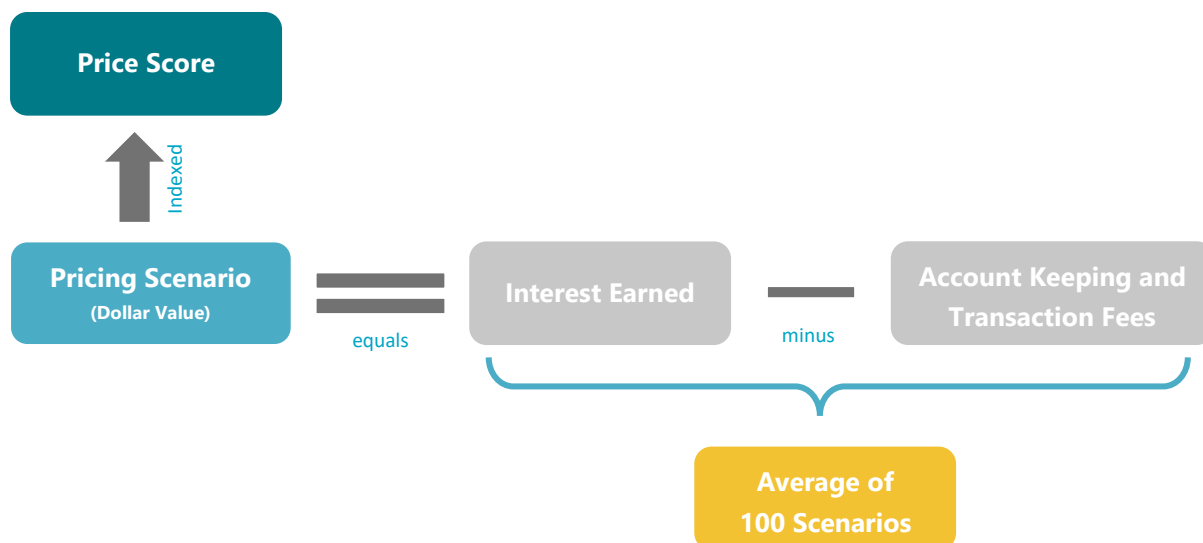
To arrive at the total score, Canstar applies a weight against the price score and the feature score. The weights reflect the relative importance of costs and features in determining the products offering outstanding value. This method can be summarised as follows:

$$\text{Total Score} = \text{Price Score} + \text{Feature Score}$$



Price Score

The Price Score is determined by indexing all products within the rating against the product which is most favourable to the consumer. To ensure a robust assessment of the product, this Price Scenario is simulated with 100 hypothetical account holders, with the average value used to calculate the Price Score.



Interest Earned Scenario:

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

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.
Electronic Transactor	1mth	Interest earned on the balance in each scenario, considering only the base interest rate.
Business Saver	12mths	Interest earned on the balance in each scenario, considering the base interest rate and any promotional rate that may be available to the account.
Business Cash Manager	12mths	Interest earned on the balance in each scenario, considering the base interest rate and any promotional rate that may be available to the account.

Transaction Scenario:

The following scenarios are used to calculate the fees and charges component of the Net Benefit/Net Cost:

	High Transactor	Low Transactor	Electronic Transactor	Business Saver	Business Cash Manager
Average no. of transactions	100	40	100	10	15
Average Balance	\$10,000	\$10,000	\$10,000	\$50,000	\$50,000
Average Deposit	\$100,000	\$20,000	\$100,000	\$5,000	\$10,000
ATM withdrawal own network	5%	5%	5%	-	5%
Branch cash withdrawal	5%	5%	-	-	5%
Branch cash deposit	10%	7%	-	-	5%
Cheque withdrawal	5%	5%	-	-	5%
Cheque deposit	5%	5%	-	-	5%
Direct debit	8%	8%	5%	-	5%
Direct credit	27%	22%	25%	-	25%
Points of Sale	5%	8%	10%	-	10%
Internet Transaction (Same Institution)	5%	10%	15%	100%	10%
Internet Transaction (Other Institution)	25%	25%	40%	-	25%

The fees and charges are deducted from the interest earned for each hypothetical consumer to give a net cost or net benefit. The average net cost or benefit across the 100 hypothetical consumers is then used to determine the Pricing Score, with the most favourable net cost/benefit being awarded the maximum score.

Feature Score

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

Profile	Product Features	Coverage	Online Banking
Business Saver	65%	5%	30%
Business Cash Manager	65%	5%	30%
High Transactor	60%	10%	30%
Low Transactor	60%	10%	30%
Electronic Transactor	55%	5%	40%

Product features

Each of the product features is allocated points that are awarded for positive business 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	Business Cash Manager	High Transactor	Low Transactor	Electronic Transactor
Account Facilities: <ul style="list-style-type: none"> - Reporting Options: Passbook, statement, internet, email. - Access Channels: ATM, EFTPOS, Phone, Internet, Cheque, - Facilities: Offset, overdraft, sweep, periodic payment - International: ATM, EFTPOS 	40%	55%	70%	70%	70%
Specific Conditions: <ul style="list-style-type: none"> - Interest Details: Calculation & payment frequency, balance used-open/closed/min/max, entire/portion, bonus interest - Minimum: Opening/subsequent deposit, ongoing balance, withdrawal - Maximum: Withdrawal per day/week, ATM, EFTPOS, combined 	60%	45%	30%	30%	30%

Coverage

The ratio of the total number of free ATMs and branches across all Australian states and territories (excluding ACT) against its respective population is calculated against a cap of 15,000 people per ATM and 30,000 people per branch. Any institution that exceeds the branch cap will receive full points, with the remaining institutions being indexed against the cap.

Description	High Transactor	Low Transactor	Electronic Transactor	Business Saver	Business Cash Manager
Branch	70%	70%	30%	100%	70%
Branch Coverage	80%	80%	80%	80%	80%
Deposit Box/ Coin Counting Machine	20%	20%	20%	20%	20%
ATM	30%	30%	70%	-	30%
Smart ATM's	80%	80%	80%	-	80%
ATM Coverage	20%	20%	20%	-	20%

Online Banking

Information from the Online Banking Award and the Small Business Award is used to assess the institutions offering of relevant features and functionality of online banking platforms to businesses.

	Weight
Online Banking Functionality (From Online Banking Award)	90%
Additional Business Functionality (From Small Business Award)	10%

Does Canstar rate all products available in the market?

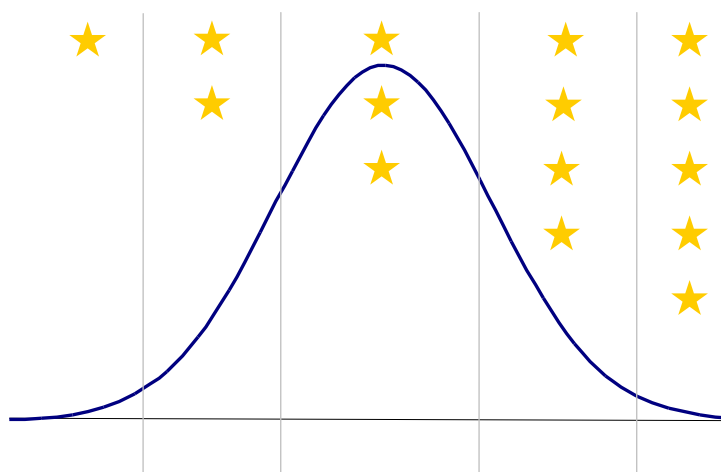
We endeavour to include the majority of product providers in the market and to compare the product features most relevant to consumers in our ratings. However, this is not always possible and it may be that not every product in the market is included in the rating nor every feature compared that is relevant 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.com.au if you would like to view the latest star ratings reports of interest.



- Account based pensions
- Business life insurance
- Deposit accounts
- Health insurance
- Landlord insurance
- Margin lending
- Package banking
- Reward programs
- Travel insurance
- Agribusiness
- Car insurance
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- Home & contents
- Life insurance
- Online banking
- Personal loans
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