What are the Canstar *Credit Card Star Ratings*?

Canstar Credit Card Star Ratings use a sophisticated rating methodology, unique to Canstar, which compares credit card products in Australia and presents the results in a simple, user-friendly format.

Our rating methodology is transparent and extensive. The methodology compares all types of personal unsecured credit cards in Australia and accounts for an array of characteristics such as:

- Fees/Interest rates
- Premium Features
- Number of Free Days
- Reward/Loyalty Programs
- Standard Features
- No Frills

The results are reflected in a consumer-friendly five-star concept, with Five Stars denoting a product offering outstanding value.

What are the profiles used for Canstar *Credit Card Star Ratings?*

Canstar appreciates that credit card users have different spending habits and therefore value different features in their credit cards. In recognition of these differences, the Canstar Credit Card Star Ratings reflects a range of spending styles and credit card usage patterns.

Products specific to certain groups or with restrictions on eligibility are not included in the ratings. Business accounts are rated separately as part of the Canstar *Business Credit Card Star Ratings*.

Eligibility Criteria

To be eligible for a Star Rating in the Low Rate and Low Fee profiles, 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. Rising stars are those products that would have received a 5-Star Rating 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.

What are the profiles used for Canstar Credit Card Star Ratings*?*

Canstar appreciates that credit card users have different spending habits and therefore value different features in their credit cards. In recognition of these differences, the Canstar Credit Card Star Ratings reflects a range of spending styles and credit card usage patterns.

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.

Canstar has adopted five different credit card user profiles in an attempt to cover the majority of card spending and payment patterns. The Star Ratings methodology differs for each profile in terms of the relative importance placed on the fees and features of the cards assessed. For example, the methodology recognises that interest rates will be more important to those who rarely pay off their card balance each month than they will be for those who always pay the balance owing on their card.

Profile	Description	Eligibility Requirements
CANSTAR OUTSTANDING VALUE LOW RATE CREDIT CARD	For consumers seeking a credit card with a low interest rate and flexible repayment conditions	• Personal, unsecured credit cards • A credit limit of $6000 must be available on application • Minimum credit limit cannot be higher than $6000 • Six months' worth of rates required to receive a Star Rating
CANSTAR OUTSTANDING VALUE LOW FEE CREDIT CARD	For consumers seeking a credit card with low ongoing fees and who may be looking to access some premium card facilities	• Personal, unsecured credit cards • Minimum credit limit cannot be higher than $6000 • Six months' worth of rates required to receive a Star Rating
CANSTAR OUTSTANDING VALUE PREMIUM CREDIT CARD	For consumers seeking a credit or charge card that comes with extensive benefits beyond the standard offerings. Rewards are an added benefit, but not a necessity	At least four out of seven of the following features must be available: • Extended warranty cover • (International) Travel Insurance • (Domestic) Travel Inconvinece Cover • Pricing Guarantee Scheme • Rental Vehicle Excess Cover • Rewards • Concierge
CANSTAR OUTSTANDING VALUE REWARDS CREDIT CARD	For consumers seeking a credit or charge card that gives them the optimal return on their everyday spending	The card must offer a rewards program that provides direct access to merchandise, cash-back, gift cards, lifestyle rewards or food and beverage rewards
CANSTAR OUTSTANDING VALUE CREDIT CARD FREQUENT FLYER	For consumers seeking a credit card or charge card that will allow them to redeem points for flights	Rewards points must be able to be transferred to one or more frequent flyer programs that collectively offer flights between Sydney and the six destinations considered.

How does it work? How are the 'stars' calculated?

Each credit card reviewed for the Canstar Credit Card Star Ratings is awarded points for its comparative costs and for the array of features attached to the card. These features include rewards programs, premium card facilities, repayment capabilities and conditions attached to interest charging.

To arrive at the total score, Canstar applies a weight against the Price Score and the Feature Score. This weight will vary for each profile of credit card usage. The weight will reflect the relative importance of either benefits / costs or features in determining an ounstanding value card for the type of credit card usage.

TOTAL SCORE = PRICE SCORE + FEATURE SCORE

The table below outlines the weights allocated to price and features by profile:

Profile	Price Score Weight	Feature Score Weight
Low Rate	70%	30%
Low Fee	70%	30%
Premium	40%	60%
Rewards	70%	30%
Frequent Flyer	70%	30%

Price Score

Low Rate and Low Fee Credit Card

The Price Score for the Low Rate and Low Fee credit card profiles is based on the net cost of owning the credit card for 12 months, taking into account any annual fees and interest charged on accrued (revolving) balances. The lowest cost product will receive the top score.

$$\text{Net cost over 12 months} = \text{Annual Fees} + (\text{Revolving Balance} \times \frac{\text{Avg. Interest Rate}}{12} \times \text{Revolving Period})$$

Profile	Annual Purchases	Revolving Balance	Revolving Period (months)
Low Rate	$12,000	$6,000	12
Low Fee	$6,000	$750	2

Additional factors included in Price Score:

- ✓ Annual fee waivers based on specific spending behaviours.
- ✓ Average interest rate is calculated from previous six months of historical interest rates.

Not considered in Price Score:

- ✗ Promotional annual fee waivers.
- ✗ Rewards points (see Feature Score).
- ✗ Balance Transfer or Promotional Rate offers (see Feature Score).
- ✗ Additional Fees and charges (see Feature Score).
- ✗ Interest charging methodology e.g. Interest charged from purchase date, statement date, or due date (see Feature Score).

Premium Credit Card

Premium Credit Cards are those which have a number of extra features as per the eligibility requirements.

There is recognition of the value of reward points earned in the price score, but these reward points do not directly offset any annual fees and interest charges.

The Price score is calculated based on the Net Reward Return over 12 months, which is made up of two categories:

- **The Reward Return score**: The card with the highest reward return will receive the top score, which is a calculated dollar value of rewards earned by spend level, and the dollar value of free extras. Both traditional and frequent flyer rewards are considered.

- **The Fees score** for Premium cards is the net cost of owning the card for 12 months, taking into account any annual fees and interest charged on accrued (revolving) balances over 12 months. The card with the lowest costs incurred will receive the top score.
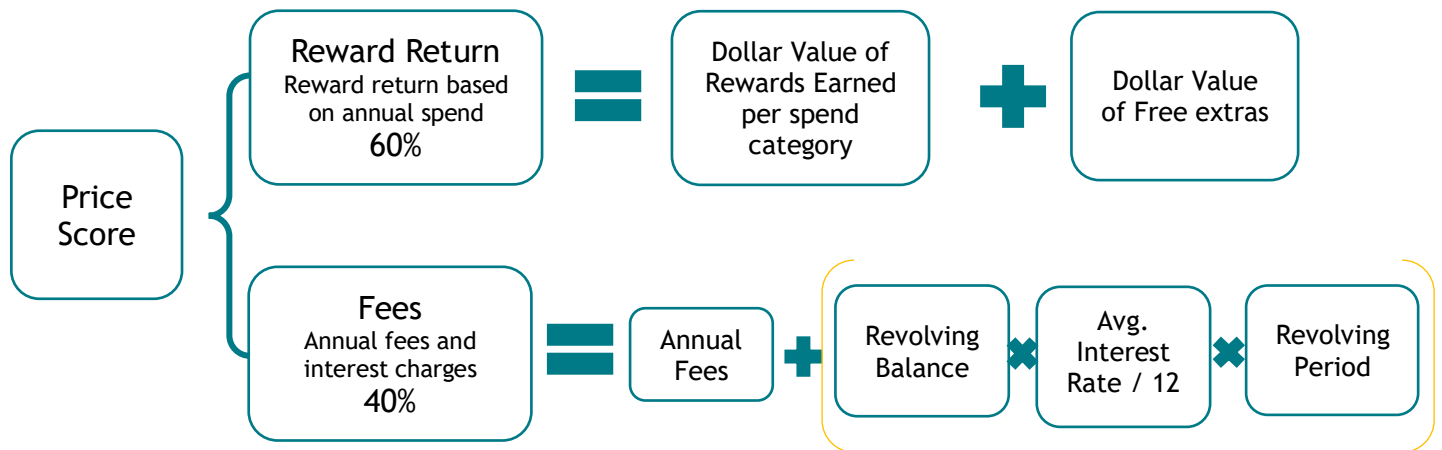

Annual Spend Profile	Monthly Spend	Revolving balance	Revolving Period
$24,000	$2,000	$1,000	
$60,000	$5,000	$2,500	1 month
$120,000	$10,000	$5,000	

Rewards Credit Card

Rewards credit cards are those that allow the cardholder to access one or more of the following types of reward schemes: cash, gift vouchers, lifestyle, food and beverage, merchandise and additional (charity donations, bank fees, etc).
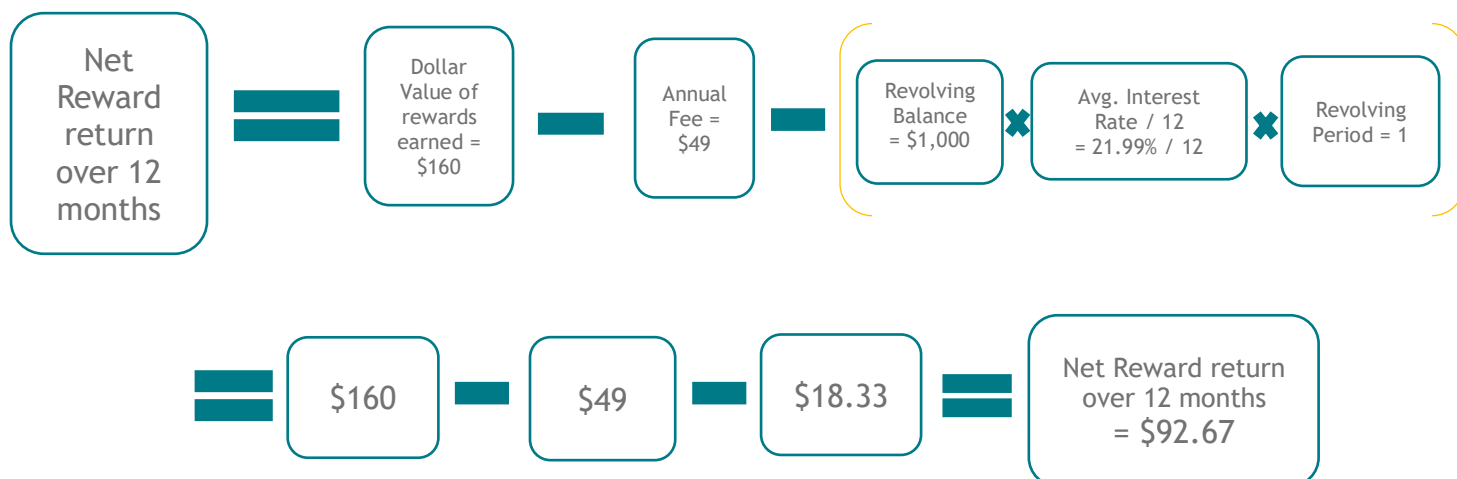
The Price Score for the Rewards credit cards is based on the Net Reward Return over 12 months. The card with the highest net reward return will receive the top price score. This is calculated by subtracting the net cost of owning the credit card for 12 months, taking into account any annual fees and interest charged on accrued (revolving) balances, and adding the dollar value of rewards earned.
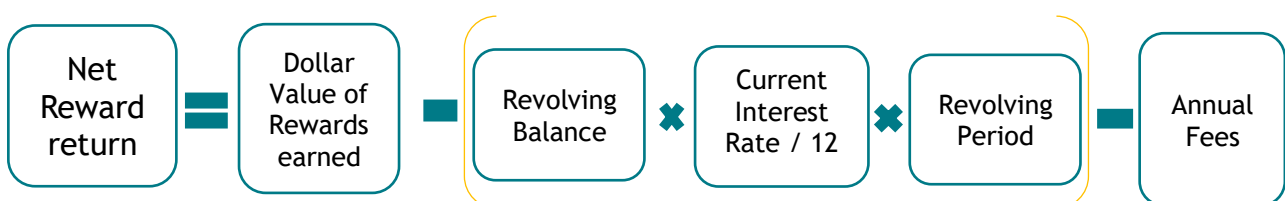
Example calculation:

- 1 rewards point earned per $1 spent
- 150 points can be redeemed for $1 in cashback
- $24,000 spent in one year on the card
- $49 annual fee
- 21.99% interest rate
- One month of interest paid on an accrued balance of $1,000

$$\text{Dollar value of rewards earned} = \frac{24{,}000 \text{ points earned}}{150 \text{ points} = \$1 \text{ cashback}} = \$160$$

| Net Reward return over 12 months | = | Dollar Value of rewards earned = $160 | − | Annual Fee = $49 | − | (Revolving Balance = $1,000 | × | Avg. Interest Rate / 12 = 21.99% / 12 | × | Revolving Period = 1) |

| = | $160 | − | $49 | − | $18.33 | = | Net Reward return over 12 months = $92.67 |

Annual Spend Profile	Monthly Spend	Revolving balance	Revolving Period
$12,000	$1,000	$500	
$24,000	$2,000	$1,000	
$36,000	$3,000	$1,500	1 month
$60,000	$5,000	$2,500	
$120,000	$10,000	$5,000	

Additional factors included in Price Score for Reward cards:

✓ Annual fee waivers based on specific spending behaviours.

✓ Bonus points earned at different merchants.

✓ Capping/tiered earn rates on spending.

✓ Liquidated damages fee in lieu of interest rate (for charge cards).

Not considered in Price Score:

✗ Promotional annual fee waivers (except when waived/lowered "for life").

✗ Points/vouchers/other incentives available only to new customers.

✗ Bonus points earned through rewards program that are not exclusive to the credit card (i.e. scanning a rewards card barcode to receive bonus points—these bonus points can be attained without the use of the credit card)

Frequent Flyer Credit Cards

Frequent Flyer Credit Cards are those that allow access to accrue frequent flyer points and make redemptions through frequent flyer programs on one or more of the following return routes:

Origin: Sydney ➡️ Destination: Brisbane / Melbourne / Perth / Singapore / Los Angeles / London

Current airline programs considered include: Qantas, Virgin Australia, Etihad, Singapore Airlines, Malaysia Airlines, Emirates, Air New Zealand, Cathay Pacific, Thai Airlines, Delta Airlines, and American Airlines.

The Price Score for Frequent Flyer cards is based on the Net Flight Reward Return over 12 months. The card with the highest net flight reward return will receive the top price score.
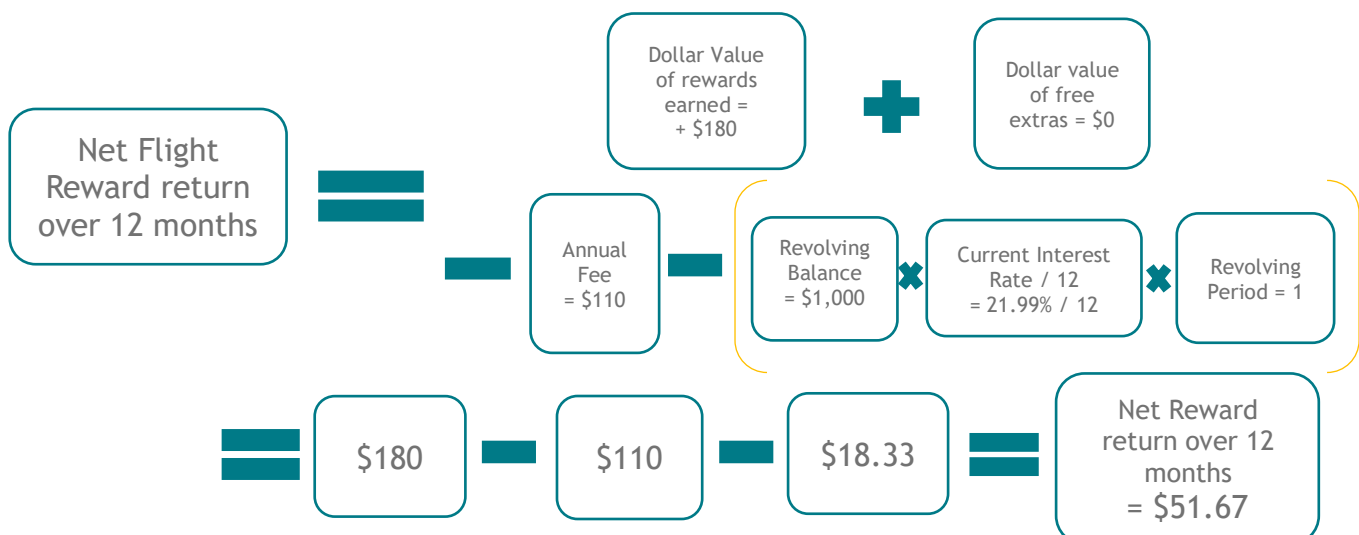
Net Flight Reward return = Dollar Value of Rewards earned + Dollar value of Free extras − (Revolving Balance × Avg. Interest Rate / 12 × Revolving Period) − Annual Fees

Annual Spend Profile	Monthly Spend	Revolving balance	Revolving Period
$12,000	$1,000	$500	
$24,000	$2,000	$1,000	
$36,000	$3,000	$1,500	1 month
$60,000	$5,000	$2,500	
$120,000	$10,000	$5,000	

Example calculation:

- 1 rewards point earned per $1 spent
- 1 reward point converts to 1 frequent flyer point
- $24,000 spent in one year on the card
- $110 annual fee
- 21.99% interest rate
- One month of interest paid on an accrued balance of $1,000
- No free extras

$$\text{Flight Reward Return} = \frac{24{,}000 \text{ frequent flyer points earned}}{24{,}000 \text{ frequent flyer points required for flight worth } \$180} = \$180$$

Net Flight Reward return over 12 months = Dollar Value of rewards earned = + $180 + Dollar value of free extras = $0 − Annual Fee = $110 − (Revolving Balance = $1,000 × Current Interest Rate / 12 = 21.99% / 12 × Revolving Period = 1)

= $180 − $110 − $18.33 = Net Reward return over 12 months = $51.67

Credit Cards Star Ratings Australia – Methodology

Calculating the reward return of flights by spend level

- Six routes are quoted from a number of different airlines
- Regular quotes are undertaken throughout the year to establish a martket value for each flight route
- Routes considered are Sydney return to Brisbane, Melbourne, Perth, Los Angeles, London and Singapore
- If more than one airline partner is available, the lowest cost airline redemption option is considered for each route.
- The points you earn are redeemed against the market value of the route to determine the market value of the redemption
- For each spend level, the split below is used to determine how you are spenidng your points to claim international or domestic flights

Annual Credit Card Spending	International Flights	Domestic Flights
$12,000	-	100%
$24,000	20%	80%
$36,000	30%	70%
$60,000	40%	60%
$120,000	40%	60%

Additional factors included in Price Score:

- ✓ Lowest cost airline redemption option for six different routes
- ✓ Taxes, fees and airline charges levied on reward redemptions
- ✓ Market value of the flight (based on airline quoting)
- ✓ Free extras such as flights and travel vouchers (when offered on an ongoing basis)

Not considered in Price Score:

- ✕ Promotional annual fee waivers (except when waived/lowered "for life").
- ✕ Points/vouchers/other incentives available only to new customers.
- ✕ Bonus points earned through rewards program that are not exclusive to the credit card (i.e. scanning a rewards card barcode to receive bonus points—these bonus points can be attained without the use of the credit card)
- ✕ Redemption of frequent flyer points for other types of rewards (e.g. gift cards or merchandise)

Other considerations taken:

Annual Fees
- Annual fee waivers included depending on spending behaviour profile.

Interest Charges on Revolving (Accrued) Debt
- Six-month average historical interest rate used in Low Rate and Low Fee profile.
- Where a charge card is included the "liquidated damages" fee will be considered in lieu of an interest rate.

Reward Return
- Reward return based on annual spend amount.
- Does not include bonus points that are not exclusive to the credit card (i.e. scanning a rewards card barcode to receive bonus points—these bonus points can be attained without the use of the credit card).
- Monthly and annual caps are considered as well as tiered earning structures.
- All airline transfer rates are considered where there are multiple options.
- Reward redemption rates are divided into seven categories: Cashback or statement credit, major retail shopping voucher, lifestyle, food and beverage, merchandise and additional rewards.

Free Extras

- Free extras are considered for inclusion where their value is measurable in dollar terms and where relevant to the consumer profile.
- Free flight or travel voucher considered as a free extra in the Frequent Flyer profile.
- Free extras must be ongoing (not sign-up bonuses).

Merchant Categories

Where credit cards offer bonus earn rates for spending at different types of merchants, an assumption is made that a proportion of total card spending will fall into one of six different categories:

Staple:	Supermarkets
Discretionary:	Department stores
Petrol:	Major petrol stations
Holidays:	Airlines, Tour operations, Car Rental, Travel Agencies etc.
Dining:	Restaurants
Other:	All other merchants where a 'standard earn rate' would apply

Purchases Per Annum	Proportion of spending / Purchases per week											
	Staple		Discretionary		Petrol		Holidays		Dining		Other	
$12,000	35%	$81	10%	$23	10%	$23	5%	$12	5%	$12	35%	$81
$24,000	30%	$138	17%	$78	8%	$36	5%	$23	5%	$23	35%	$162
$36,000	28%	$194	18%	$125	7%	$48	5%	$35	7%	$48	35%	$242
$60,000	25%	$288	19%	$219	7%	$81	6%	$69	8%	$92	35%	$404
$120,000	20%	$462	20%	$462	6%	$138	7%	$162	10%	$231	37%	$854

For companion cards, Canstar assumes that companion cards are used optimally when earning points, therefore, the assumption is that AMEX/Diners Club is used on Staple, Discretionary, and Petrol, whereas Visa/MasterCard is used on Holidays, Dining and Other.

For American Express and Diners Club cards, 40% of the "Other" spending earns no points, whilst the remaining 60% will earn points at the 'standard earn rate'. This recognises the lower rates of merchant acceptability of these cards.

Price Score Summary

The following scenarios are used for the various profiles to calculate the Price Score:

Profile	Reward Return	Charge Cards Included	Annual Purchases	Revolving Debt		
				Amount	Period (months)	Six-month average rate used
Low Rate	✘	✘	$12,000	$6,000	12	✔
Low Fee	✘	✘	$6,000	$750	2	✔
The below profiles are each rated for different amounts of annual spending. A range of spending levels 20% either side of the target values below are considered, to account for caps or earning tiers. *Premium cards are not rated for $12,000 or $36,000 spending levels.						
Premium*	◯	✔	$12,000 $24,000 $36,000 $60,000 $120,000	$500 $1,000 $1,500 $2,500 $5,000	1	✘
Rewards	✔	✔				
Frequent Flyer	✔	✔				

✔ Included   ✘ Not Included   ◯ Partially Included

Feature Score

Each card feature is allocated points. Points are awarded for positive traits such as low fees or greater flexibility. The total features score for each category of information (e.g. onboarding) is ranked and weighted with each category contributing to the overall Feature Score.

Feature Category	Profile				
	Low Rate	Low Fee	Premium	Rewards	Frequent Flyer
Research	5%				
Application and Onboarding	15%				
Application and Identification	60%				
Onboarding	40%				
Account Operation	55%				
Transactions	25%		10%	15%	
Purchasing	65%				
Merchant Acceptability	10%				
Cash Advance	25%				
Repayments and Interest Charging	40%		15%		
Repayments	35%	35%	50%		
Interest Charging	40%	40%	15%		
Interest Free Days**	10%	25%	35%		
Balance Transfers	15%	0%	0%		
Account Management	25%		10%		
Card Management	25%				
Alerts and Notification	15%				
Statements and Transaction History	20%				
Additional and Replacement Cards	10%				
Security and Fraud Detection	30%				
Rewards Program*	-		25%	50%	50%
Premium Card Facilities	10%		40%	10%	10%
Customer Service and Support	15%				
Call Centres	75%				
Branch Access	25%				
Account Closure	10%				
Closure	100%		80%	70%	70%
Impact on Rewards Points	-		20%	30%	30%

*see weighting table for details of Reward Program
**Interest free days: The products in the market with the highest number of interest free days receive the top score.

Rewards Program Weightings

The following table outlines the weightings that are given to individual features of rewards profiles for both the Rewards, Frequent Flyer and Premium profiles.

Feature Category	Rewards	Frequent Flyer
Airline Lounge Access	**5%**	**40%**
Rewards Choices	**75%**	**10%**
Shopping Rewards	25%	-
Frequent Flyer Rewards	10%	50%
Merchandise Rewards	20%	-
Travel/Accommodation Rewards	10%	50%
Point For Cash / Credit	15%	-
Entertainment Rewards	5%	-
Food & Beverage Rewards	5%	-
Lifestyle Rewards	5%	-
Additional Rewards	5%	-
Program Conditions	**20%**	**50%**
Earning Policies	20%	20%
Bonus Points Partner Information	10%	10%
Points Capping Information	10%	10%
Customer Service Information	10%	10%
Reward Program Fees	10%	10%
Earning Policy Flexibility	10%	10%
Account Status Information	10%	10%
Top-Up Policies	10%	10%
Expiration Policies	10%	10%

Airline Lounge Access: is scored based on the availability of lounges to travellers in Australia and Overseas as well other factors:

- Number of lounge passes (e.g. 2, unlimited, or a discount-only on membership)
- Whether or not a purchase is required before the lounge passes are given (e.g. must use the credit card to make a purchase with the airline).

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 *Credit Cards* re-rated?

All ratings are fully recalculated every six months based on the latest features offered by each institution. Canstar also monitors rate changes on an ongoing basis.

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 according to the following guidelines. Only the products that obtain a score in the top 10% of the of the score distribution receive a five-star rating. The results are reflected in a consumer-friendly Canstar star ratings concept, with five stars denoting outstanding value.
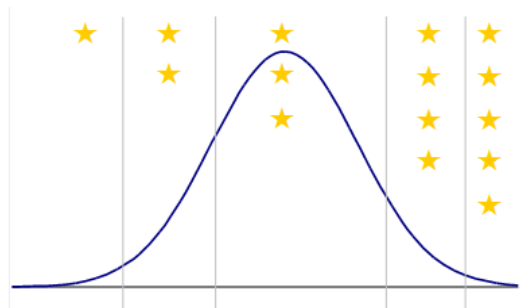
Does Canstar rate other product areas?

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
- Health insurance
- Home & contents

- Home loans
- Life Insurance
- Managed investments
- Margin lending
- Online banking
- Online share trading
- Package banking
- Personal loans
- Reward programs
- Travel insurance
- Youth banking & education