



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

Ratings range from five to one-star. Five-Star rated products have been assessed as being approximately in the top 10% of products considered within the group of products being assessed.

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, Price and Feature information required to complete the review must be made available to Canstar.

Profiles

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.

| Profile | Description | Eligibility Requirements |
|-----------------------------------|---|--|
| Low Rate | For consumers seeking a credit card with a low interest rate and flexible repayment conditions | <ul style="list-style-type: none"> • Personal, unsecured credit cards • A credit limit of \$6000 must be available on application • Minimum credit limit cannot be higher than \$6000 |
| Low Fee | For consumers seeking a credit card with low ongoing fees and who may be looking to access some premium card facilities | <ul style="list-style-type: none"> • Personal, unsecured credit cards • Minimum credit limit cannot be higher than \$6000 |
| Reward Card \$12,000 annual spend | For consumers seeking | The card must offer a rewards program that |

| | | |
|--|--|--|
| Reward Card \$24,000 annual spend Reward Card \$36,000 annual spend Reward Card \$60,000 annual spend Reward Card \$120,000 annual spend | a credit or charge card that gives them the optimal return on their everyday spending | provides direct access to cash-back or Shopping vouchers. |
| Frequent Flyer Card \$12,000 annual spend Frequent Flyer Card \$24,000 annual spend Frequent Flyer Card \$36,000 annual spend Frequent Flyer Card \$60,000 annual spend Frequent Flyer Card \$120,000 annual spend | 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 are the Star Ratings 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 for the type of credit card usage.

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

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% |
| 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.



| 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.

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).

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).

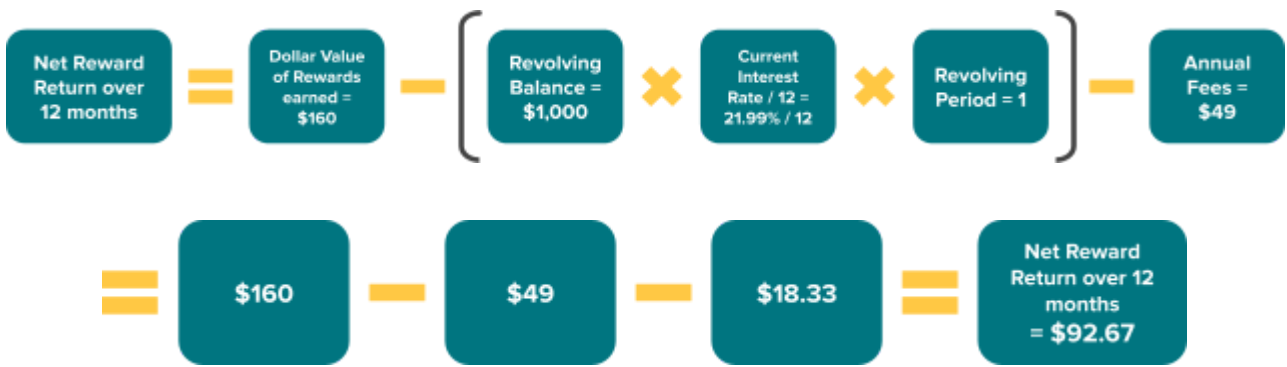
The Price Score for the Rewards credit cards is based on the Net Reward Return over 12 months. The card with the highest net reward return will receive the top price score. This is calculated by subtracting the net cost of owning the credit card for 12 months, taking into account any annual fees and 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

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



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

Additional factors included in Price Score for Rewards 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

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.

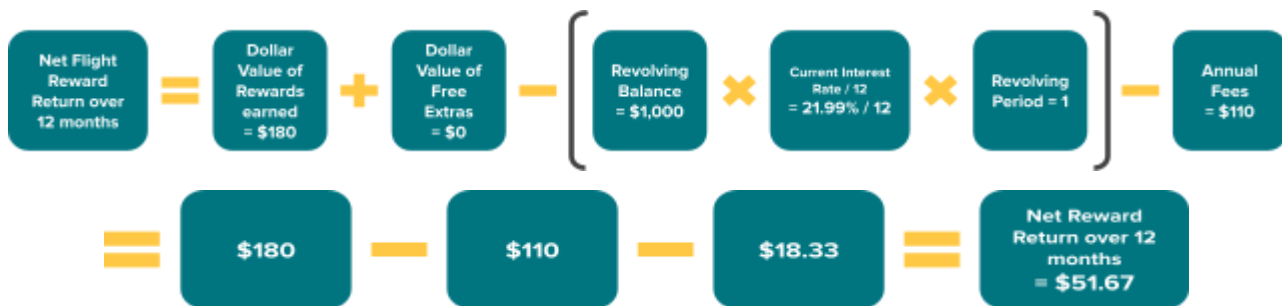


| Annual Spend Profile | Monthly Spend | Revolving Balance | Revolving Period |
|----------------------|---------------|-------------------|------------------|
| \$12,000 | \$1,000 | \$500 | 1 month |
| \$24,000 | \$2,000 | \$1,000 | |
| \$36,000 | \$3,000 | \$1,500 | |
| \$60,000 | \$5,000 | \$2,500 | |
| \$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

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



Calculating the reward return of flights by spend level

- Three routes are quoted from a number of different airlines
- Regular quotes are undertaken throughout the year to establish a market value for each flight route
- Routes considered are Sydney return to Brisbane, Melbourne, Perth
- 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

Additional factors included in Price Score:

- ✓ Lowest cost airline redemption option for three 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

- Current 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 two categories: Cashback or statement credit or major retail shopping voucher.

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) |
| Low Rate | X | X | \$12,000 | \$6,000 | 12 |
| Low Fee | X | X | \$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. | | | | | |
| Rewards | ✓ | ✓ | \$12,000 | \$500 | 1 |
| Frequent Flyer | ✓ | ✓ | \$24,000 | \$1,000 | |
| | | | \$36,000 | \$1,500 | |
| | | | \$60,000 | \$2,500 | |
| | | | \$120,000 | \$5,000 | |
| ✓ Included X 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.

| Subcategory | Low Rate | Low Fee | Rewards | Frequent Flyer |
|---|----------|---------|---------|----------------|
| Research | | | 5% | |
| Application and Onboarding | | | 15% | |
| Application and Identification | | | 60% | |
| Onboarding | | | 40% | |
| Account Operation | | | 55% | |
| Transactions | 25% | | | 15% |
| Purchasing | | | 65% | |
| Cash Advance | | | 25% | |
| Merchant Acceptability | | | 10% | |
| Repayments and Interest Charging | 40% | | | 15% |
| Repayments | 35% | 35% | | 50% |
| Interest Charging | 40% | 40% | | 20% |
| Interest Free Days* | 10% | 25% | | 30% |
| Balance Transfers and Introductory Rate | 15% | - | | - |
| Account Management | 25% | | | 10% |
| Card Management | | | | 25% |

| | | | |
|------------------------------------|------|-----|-----|
| Alerts and Notifications | 20% | | |
| Statements and Transaction History | 25% | | |
| Additional and Replacement Cards | 30% | | |
| Rewards Program | - | 50% | 50% |
| Earning Policies | - | 40% | |
| Rewards Redemption | - | 30% | |
| Account status Information | - | 30% | |
| Premium Card Facilities | 10% | 10% | 10% |
| Insurance | 90% | 45% | |
| Airline Lounge | - | 35% | |
| Services | 10% | 20% | |
| Customer Service and Support | 15% | | |
| Support Services | 50% | | |
| Branch Access | 25% | | |
| Security and Fraud Detection | 25% | | |
| Account Closure | 10% | | |
| Closure | 100% | 70% | |
| Impact on Rewards Points | - | 30% | |

*Interest free days: The products in the market with the highest number of interest free days receive the top score.

How often are products reviewed for Star Ratings and award purposes?

Ratings and awards are recalculated monthly 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, magazine, television, websites, etc.).

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.

Does Canstar rate other product areas?

Canstar researches, compares and rates the suite of banking, wealth 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
- Travel insurance
- Agribusiness
- Car insurance
- Direct life insurance
- Home & contents
- Life insurance
- Online banking
- Personal loans
- Superannuation
- Travel money cards
- Business banking
- Credit cards
- First home buyer
- Home loans
- Managed investments
- Online share trading
- Pet insurance
- Term deposits



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