



## 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 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 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.

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

Canstar Credit Card Star Ratings are the underlying star ratings used in the Canstar Credit Cards Awards calculations. 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 four 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
Low Rate	For consumers seeking a credit card with a low interest rate and flexible repayment conditions	<ul style="list-style-type: none"> <li>Personal, unsecured credit cards</li> <li>A credit limit of \$6000 must be available on application</li> <li>Minimum credit limit cannot be higher than \$6000</li> <li>Six months' worth of rates required to receive a Star Rating</li> </ul>
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"> <li>Personal, unsecured credit cards</li> <li>Minimum credit limit cannot be higher than \$6000</li> <li>Six months' worth of rates required to receive a Star Rating</li> </ul>
Reward Card \$12,000 annual spend Reward Card \$24,000 annual spend Reward Card \$36,000 annual spend Reward Card \$60,000 annual spend Reward Card \$120,000 annual spend	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
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 three 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.
- ✓ Average interest rate is calculated from the 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).

### 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).

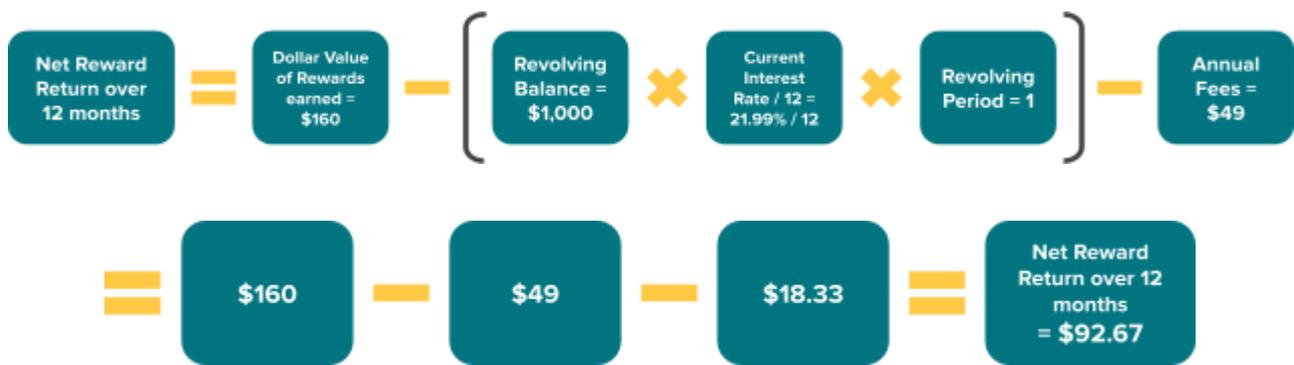
The Price Score for the Rewards credit cards is based on the Net Reward Return over 12 months. The card with the highest net reward return will receive the top price score. This is calculated by subtracting the net cost of owning the credit card for 12 months, taking into account any annual fees and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

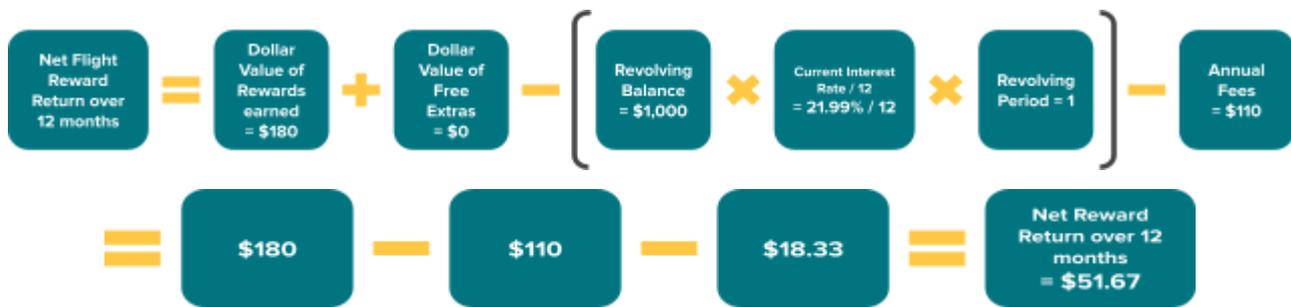


Annual Spend Profile	Monthly Spend	Revolving Balance	Revolving Period
\$12,000	\$1,000	\$500	1 month
\$24,000	\$2,000	\$1,000	
\$36,000	\$3,000	\$1,500	
\$60,000	\$5,000	\$2,500	
\$120,000	\$10,000	\$5,000	

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

- 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 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:

<b>Staple:</b>	Supermarkets
<b>Discretionary:</b>	Department stores
<b>Petrol:</b>	Major petrol stations
<b>Holidays:</b>	Airlines, Tour operations, Car Rental, Travel Agencies etc.
<b>Dining:</b>	Restaurants
<b>Other:</b>	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	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 \$24,000	\$500 \$1,000	1	X		
Frequent Flyer	✓	✓	\$36,000 \$60,000 \$120,000	\$1,500 \$2,500 \$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](http://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
- 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
- Youth banking



---

### COMPLIANCE DISCLOSURE and LIABILITY DISCLAIMER

To the extent that the information in this report constitutes general advice, this advice has been prepared by Canstar Research Pty Ltd A.C.N. 114 422 909 Australian Financial Services Licence ("AFSL") and Australian Credit Licence number ("ACL") 437917 ("Canstar"). The information has been prepared without taking into account your individual investment objectives, financial circumstances or needs. Before you decide whether or not to acquire a particular financial product you should assess whether it is appropriate for you in the light of your own personal circumstances, having regard to your own objectives, financial situation and needs. You may wish to obtain financial advice from a suitably qualified adviser before making any decision to acquire a financial product. Canstar provides information about credit products. It is not a credit provider and in giving you information it is not making any suggestion or recommendation to you about a particular credit product. Please refer to Canstar's FSG for more information.

The information in this report must 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 written 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.

The ratings and awards results do not include all providers and may not compare all features relevant to you. The rating or award is only one factor to take into account when considering these products. Canstar acknowledges that past performance is not a reliable indicator of future performance.

The word "CANSTAR", the gold star in a circle logo (with or without surmounting stars), "Be Canstar Sure", the word "WEALTHBRICKS" and versions of the foregoing are trademarks or registered trademarks of Canstar Pty Ltd A.C.N. 053 646 165. Reference to third party products, services or other information by trade name, trademark or otherwise does not constitute or imply endorsement, sponsorship or recommendation of Canstar by the respective trademark owner.

Copyright 2021 Canstar Research Pty Ltd A.C.N. 114 422 909.