

BUSINESS CREDIT CARD STAR RATINGS

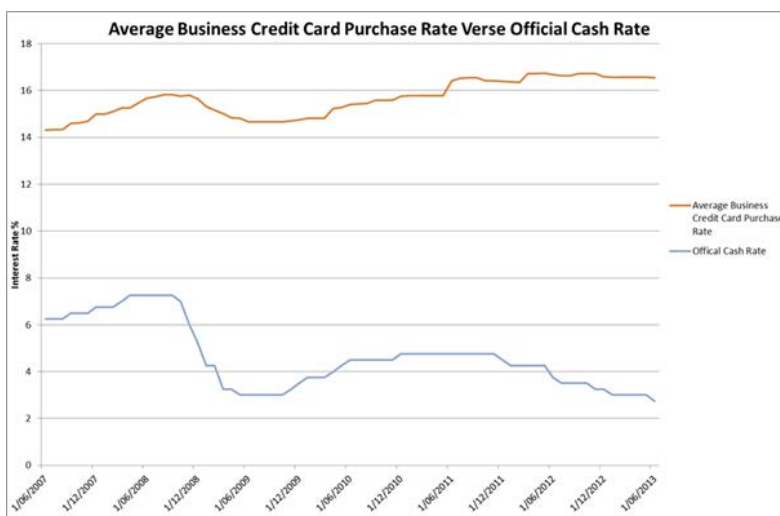
In this report we research & rate 62 credit cards offered by 19 financial institutions to find those cards that offer outstanding value for business owners.



According to the Australian Bureau of Statistics (ABS), small business in Australia is a community of more than 2 million businesses that account for almost half of employment in the private non-financial sector and over a third of production. The financial health of small businesses thus directly affects the financial health of a significant proportion of the Australian population and it is fair to say that many small businesses have struggled to remain in top condition post the GFC. Finance for small business is more expensive in relative terms than prior to the GFC and this increases the pressure on these businesses to outperform during a time of economic slowdown.

SIGNIFICANT MARGIN BETWEEN OFFICIAL CASH RATE AND AVERAGE CREDIT CARD INTEREST RATE...

Since the GFC many businesses have reportedly found it more difficult to access traditional funding facilities and have had to rely on their business credit card as an overdraft to cover any shortfall in their business cash flow. This has proven to be an expensive option, with the current margin between the average business credit card purchase rate and the official cash rate higher than at any point in the last six years. This is due to a combination of an increase in the average business credit card purchase rate and a decrease in the official cash rate. While it may seem illogical for the two rates to move in opposite directions, the official cash rate is only one consideration in terms of setting business credit card rates. Two other factors of several that will be taken into account by financial institutions include the lack of securitization and the general business outlook.



Source: Canstar



Date	Average Business Credit Card Purchase Rate	Official Cash Rate	Margin
1/06/2007	14.32%	6.25%	8.07%
1/12/2007	15.00%	6.75%	8.25%
1/06/2008	15.67%	7.25%	8.42%
1/12/2008	15.66%	5.25%	10.41%
1/06/2009	14.66%	3.00%	11.66%
1/12/2009	14.75%	3.50%	11.25%
1/06/2010	15.41%	4.50%	10.91%
1/12/2010	15.75%	4.75%	11.00%
1/06/2011	16.42%	4.75%	11.67%
1/12/2011	16.39%	4.50%	11.89%
1/06/2012	16.68%	3.75%	12.93%
1/12/2012	16.59%	3.25%	13.34%
1/06/2013	16.54%	2.75%	13.79%

... AND ANNUAL FEES HAVE RISEN

Over the same time period, the average annual fee on business credit cards has increased in dollar terms; from an average of less than \$80 in June 2007 to more than \$96 now. This average masks a wide variation in cost, with a minimum annual fee of \$0 on products surveyed to a maximum annual fee of \$300 on products surveyed.

HOW DO WE USE OUR CREDIT CARDS?

Most businesses operate with at least one credit card. For some, it is a regular spending tool that is paid off each month and for others it is an essential form of short-term lending to cover them when cash flow is down. In recognition of these differences, the CANSTAR *business credit card star ratings* methodology reflects two different spending and credit card usage styles.

Profile Name	Description
 Revolver	<i>Businesses that revolve a debt from month to month and pay interest on a balance owing.</i>
 Transactor	<i>Businesses that pay off their credit card balance in full each month.</i>

Details of our methodology form part of this report.

In terms of getting outstanding value for money from a business credit card, business owners first need to identify their typical usage style and then look for a card that is tailored towards that usage type. Some general tips include:



Tip: When credit card debt becomes an ongoing business reality, the interest rate being charged should be the main thing on your mind. Look for a low-rate card with a very low annual fee.

Beware: Don't be swayed by cards offering big rewards, as these usually come with big monthly interest rates and/or large annual fees. As such the interest you will pay will likely erode any rewards benefits.



Tip: If your credit card is being used as a monthly cashflow tool and being paid off in full each month, then look for a card that has maximum interest-free days and a rewards program that provides benefits that are relevant to you.

Beware: Of high annual fees! Cards that have a rewards program often also have a comparatively high annual fee, so do the sums to ensure that your annual spending attracts enough rewards to justify the fee.

WHO OFFERS OUTSTANDING VALUE?

Irrespective of your user type, it always pays to shop around as there is no shortage of credit cards vying for your business. To help business owners compare the products available, CANSTAR has looked at 62 credit cards across 19 lenders, assessing the value for each category of spender. We have found:

- 3 credit cards which offer outstanding value for those who continuously revolve a debt
- 3 credit cards which offer outstanding value for those who pay their debt in full each month



CANSTAR's *business credit card star ratings* is an invaluable starting point when creating a shopping list of credit cards that match your spending profile. Cards rated five stars denote outstanding value.

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Credit Card Star Ratings

Report Date: July 2013

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REVOLVER

Company	Product	Rate (as at 08/01/13)	Free Days	Annual Fee (\$) (as at 08/01/13)		Credit Limit (\$)		Rewards Program Available
				Annualised Fee	Spend to Waive Annual Fee	Minimum	Maximum	
★★★★★ "outstanding value"								
ANZ	Business One - Low Rate	13.26%	0	150.00	20000	1,000.00	No Max	✗
Bankwest	Bus MasterCard Low Rate	13.25%	45	39.00	N/A	5,000.00	50000	✗
Newcastle Permanent	Business+ Credit Card	13.20%	44	55.00	N/A	500.00	No Max	✗
★★★★								
Heritage Bank	Visa Business Unsecured	12.95%	40	35.00	N/A	1,000.00	50000	✗
Queensland Country Credit Union	Business Visa Card	13.20%	55	90.00	N/A	500.00	No Max	✓
Westpac	Business Choice Everyday Visa/MasterCar	14.25%	45	75.00	15000	2,000.00	100000	✗
★★★								
ANZ	Business One-Int Free Days	17.74%	55	150.00	N/A	1,000.00	No Max	✗
Bank of Melbourne	BusinessVantage Visa	13.88%	55	55.00	N/A	500.00	No Max	✗
BankSA	Visa Business	17.15%	55	55.00	N/A	500.00	No Max	✗
Bankwest	Bus MasterCard LargeRwds	17.99%	55	69.00	N/A	5,000.00	50000	✓
Bendigo Bank	Business Credit Card	16.64%	44	48.00	N/A	500.00	No Max	✗
Coastline Credit Union	Visa Business Rewarder	17.00%	55	90.00	N/A	500.00	25000	✓
Commonwealth Bank	Business Credit Card Interest Free	17.57%	55	60.00	N/A	2,000.00	50000	✗
Commonwealth Bank	Business Credit Card Low Rate	14.55%	0	0.00	N/A	2,000.00	50000	✗
Hume Building Society	Business Credit Cards - Unsecured	14.75%	55	40.00	24000	5,000.00	No Max	✓
nab	Business Charge Card Mastercard/Visa	15.50%	35	108.00	N/A	5,000.00	No Max	✗
nab	Qantas Business Card	18.50%	44	144.00	N/A	5,000.00	No Max	✓
St.George Bank	BusinessVantage Visa	17.15%	55	55.00	N/A	1,000.00	No Max	✗
Suncorp Bank	Business Credit Card	18.45%	55	45.00	N/A	5,000.00	No Max	✓
Westpac	Business Choice Rewards Visa/MasterCar	18.99%	45	150.00	N/A	2,000.00	50000	✓

your guide to product excellence



Credit Card Star Ratings

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REVOLVER

Company	Product	Rate (as at 08/01/13)	Free Days	Annual Fee (\$) (as at 08/01/13)		Credit Limit (\$)		Rewards Program Available
				Annualised Fee	Spend to Waive Annual Fee	Minimum	Maximum	
★★								
ANZ	Business One-Rewards Options	19.25%	40	150.00	N/A	1,000.00	No Max	✓
Commonwealth Bank	Business Awards	20.74%	55	100.00	N/A	2,000.00	50000	✓
Commonwealth Bank	Business Gold Awards	20.74%	55	150.00	N/A	4,000.00	50000	✓
Westpac	Altitude Business Credit Cards	19.99%	45	100.00	N/A	1,000.00	30000	✓
Westpac	Altitude Business Gold Mastercard/Visa	19.99%	45	150.00	N/A	5,000.00	50000	✓
★								
Commonwealth Bank	Business Platinum Awards	20.74%	55	300.00	N/A	8,000.00	50000	✓
nab	Velocity Business Amex	18.50%	55	149.00	N/A	5,000.00	No Max	✓



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TRANSACTOR

Company	Product	Rate (as at 08/01/13)	Free Days	Annual Fee (\$) (as at 08/01/13)		Credit Limit (\$)		Rewards Program Available
				Annualised Fee	Spend to Waive Annual Fee	Minimum	Maximum	
★★★★★ "outstanding value"								
Commonwealth Bank	Business Platinum Awards	20.74%	55	300.00	N/A	8,000.00	50000	✓
Suncorp Bank	Business Credit Card	18.45%	55	45.00	N/A	5,000.00	No Max	✓
Westpac	Business Choice Rewards Visa/MasterCard	18.99%	45	150.00	N/A	2,000.00	50000	✓
★★★★								
American Express	Gold Business Card	N/A	51	169.00	N/A	0.00	No Max	✓
ANZ	Business One-Rewards Options	19.25%	40	150.00	N/A	1,000.00	No Max	✓
Commonwealth Bank	Business Awards	20.74%	55	100.00	N/A	2,000.00	50000	✓
Commonwealth Bank	Business Gold Awards	20.74%	55	150.00	N/A	4,000.00	50000	✓
nab	Qantas Business Card	18.50%	44	144.00	N/A	5,000.00	No Max	✓
Westpac	Altitude Business Gold Mastercard/Visa	19.99%	45	150.00	N/A	5,000.00	50000	✓
★★★								
American Express	Business Card	N/A	51	109.00	N/A	0.00	No Max	✓
American Express	Platinum Business Card	N/A	51	1500.00	N/A	0.00	No Max	✓
American Express	Qantas Business Card	N/A	51	299.00	N/A	0.00	No Max	✓
American Express	Velocity Business Card	N/A	51	249.00	N/A	0.00	No Max	✓
ANZ	Business One - Low Rate	13.26%	0	150.00	20000	1,000.00	No Max	✗
ANZ	Business One-Int Free Days	17.74%	55	150.00	N/A	1,000.00	No Max	✗
Bank of Melbourne	BusinessVantage Visa	13.88%	55	55.00	N/A	500.00	No Max	✗
BankSA	Visa Business	17.15%	55	55.00	N/A	500.00	No Max	✗
Commonwealth Bank	Business Credit Card Low Rate	14.55%	0	0.00	N/A	2,000.00	50000	✗
Diners Club Australia	Business Card	N/A	51	95.00	N/A		No Max	✓
Newcastle Permanent	Business+ Credit Card	13.20%	44	55.00	N/A	500.00	No Max	✗

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Queensland Country Credit Union	Business Visa Card	13.20%	55	90.00	N/A	500.00	No Max	✓
St.George Bank	BusinessVantage Visa	17.15%	55	55.00	N/A	1,000.00	No Max	✗
Westpac	Altitude Business Credit Cards	19.99%	45	100.00	N/A	1,000.00	30000	✓
Westpac	Business Choice Everyday Visa/MasterCar	14.25%	45	75.00	15000	2,000.00	100000	✗
★★								
Bankwest	Bus MasterCard LargeRwds	17.99%	55	69.00	N/A	5,000.00	50000	✓
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Hume Building Society	Business Credit Cards - Unsecured	14.75%	55	40.00	24000	5,000.00	No Max	✓
nab	Business Charge Card Mastercard/Visa	15.50%	35	108.00	N/A	5,000.00	No Max	✗
★								
Coastline Credit Union	Visa Business Rewarder	17.00%	55	90.00	N/A	500.00	25000	✓
Heritage Bank	Visa Business Unsecured	12.95%	40	35.00	N/A	1,000.00	50000	✗
nab	Velocity Business Amex	18.50%	55	149.00	N/A	5,000.00	No Max	✓

BUSINESS CREDIT CARD STAR RATINGS

What are the CANSTAR *business credit cards star ratings*?

CANSTAR *business credit card star ratings* involve a sophisticated rating methodology, unique to CANSTAR that compares business credit cards in Australia. CANSTAR star ratings provide a transparent analysis of a shortlist of business credit card star rating, enabling consumers to narrow their search to products that have been independently assessed and ranked.

The results are reflected in a consumer-friendly 5-star concept, with 5 stars signifying outstanding value offered by the product.

Rising stars are those products that would be rated 5-stars but have not been in the market for six months. Rising star products will be formally rated in the next period once more historical data is available.

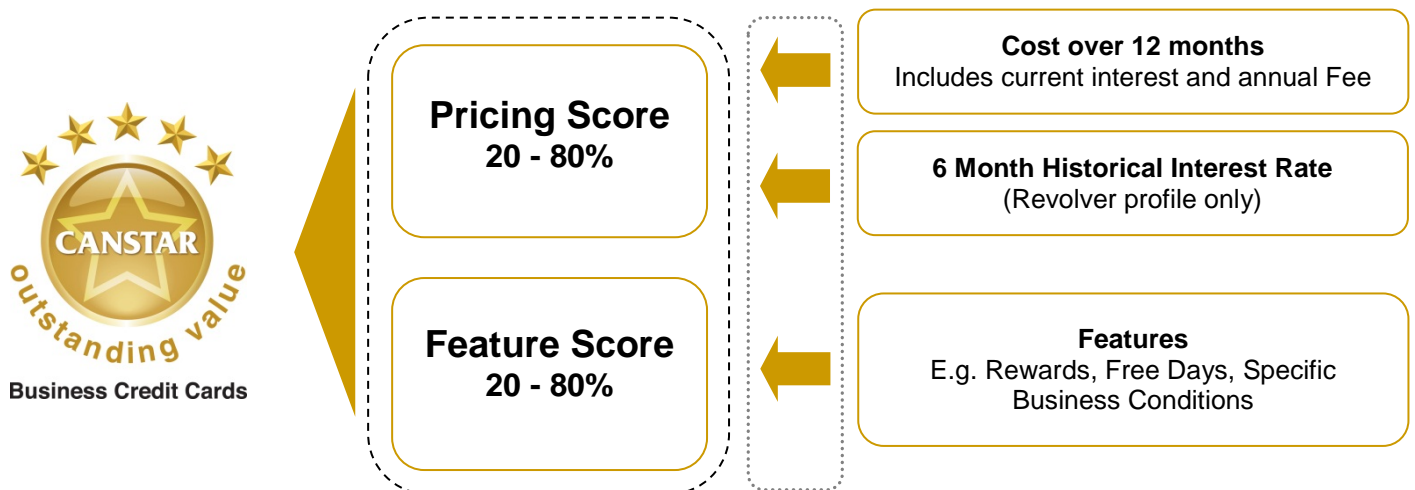
What types of products are evaluated in CANSTAR business credit card star ratings?

Profile Name	Description
Revolver	<i>For businesses that revolve a debt from month to month, excludes charges cards and requires 6 months of historical interest rates to be rated.</i>
Transactor	<i>For businesses that pay off their credit card balance in full each month. Includes charge cards</i>

Business credit card star ratings

To arrive at the total score CANSTAR applies a weight (w) against the P and F. This weight will vary for each customer behaviour profile and will reflect the relative importance of either costs or features in determining the best business credit card. This method can be summarised as:

$$\text{TOTAL SCORE (T)} = \text{PRICING (P)} + \text{FEATURES SCORE (F)}$$



Indexed Score

Product with the best pricing or features will receive a full score

Unsecured business credit and charge cards are eligible to be included in the *business credit card star ratings*. All eligible cards are assessed against two distinct business consumer behavior profiles (REVOLVER & TRANSACTOR). Revolvers carry an outstanding balance on their card while transactors pay off their outstanding balance each month. As charge cards do not encourage revolving, they were only eligible to be assessed against the transactor profile.

The star ratings consider PRICING & FEATURES to be the two components in the card user's value equation. The contribution of each of these components to the value proposition for the business revolver and the business transactor are explained in the table below.

Business credit card star ratings components

PROFILE	PRICING SCORE	FEATURES SCORE
Business Revolver	80%	20%
Business Transactor	20%	80%

Pricing score

The pricing score for the revolver profile is based on a 6-month average historical interest rate and the current cost of revolving \$5,000. 90% of the revolve amount is based on the purchase rate, with the remaining 10% based on the cash advance rate. For the revolver profile the cost score and the 6 month historical score are weighted evenly.

The pricing score for the Transactor profile is based on the annual cost of keeping the card active. Cards that do not charge an ongoing fee automatically receive the maximum pricing score while other cards are awarded a score based on their annualised fees.

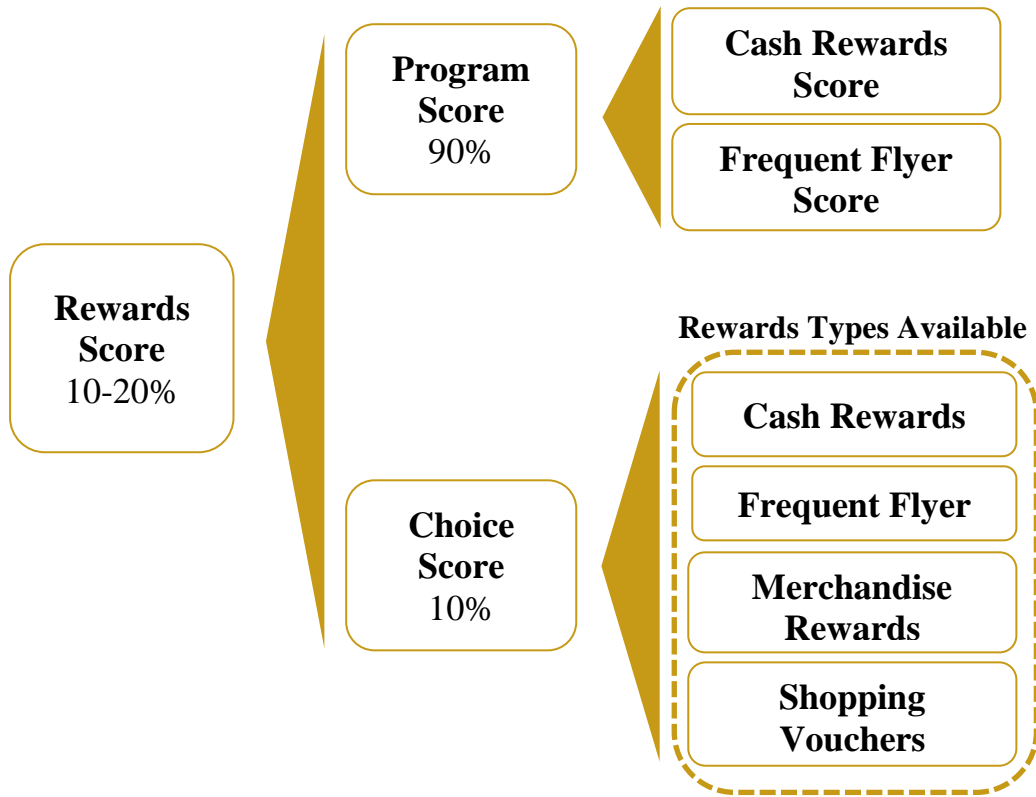
Features score

More than 100 individual features of each card are scored for positive traits and awarded a FEATURES scores. The table below highlights the contribution of the various groups of information to award the business credit/charge card FEATURES score.

Features Components	Revolver	Transactor
Specific Business Card Conditions	20%	20%
Merchant Acceptability	15%	5%
Premium Card Facilities	15%	15%
Online Transactions	15%	15%
General Card Terms	5%	5%
Fees & Charges	10%	5%
Late Payment/Interest Charged	5%	5%
Repayment Capabilities	5%	5%
Rewards	10%	20%
Free Days	0%	5%
Total	100%	100%

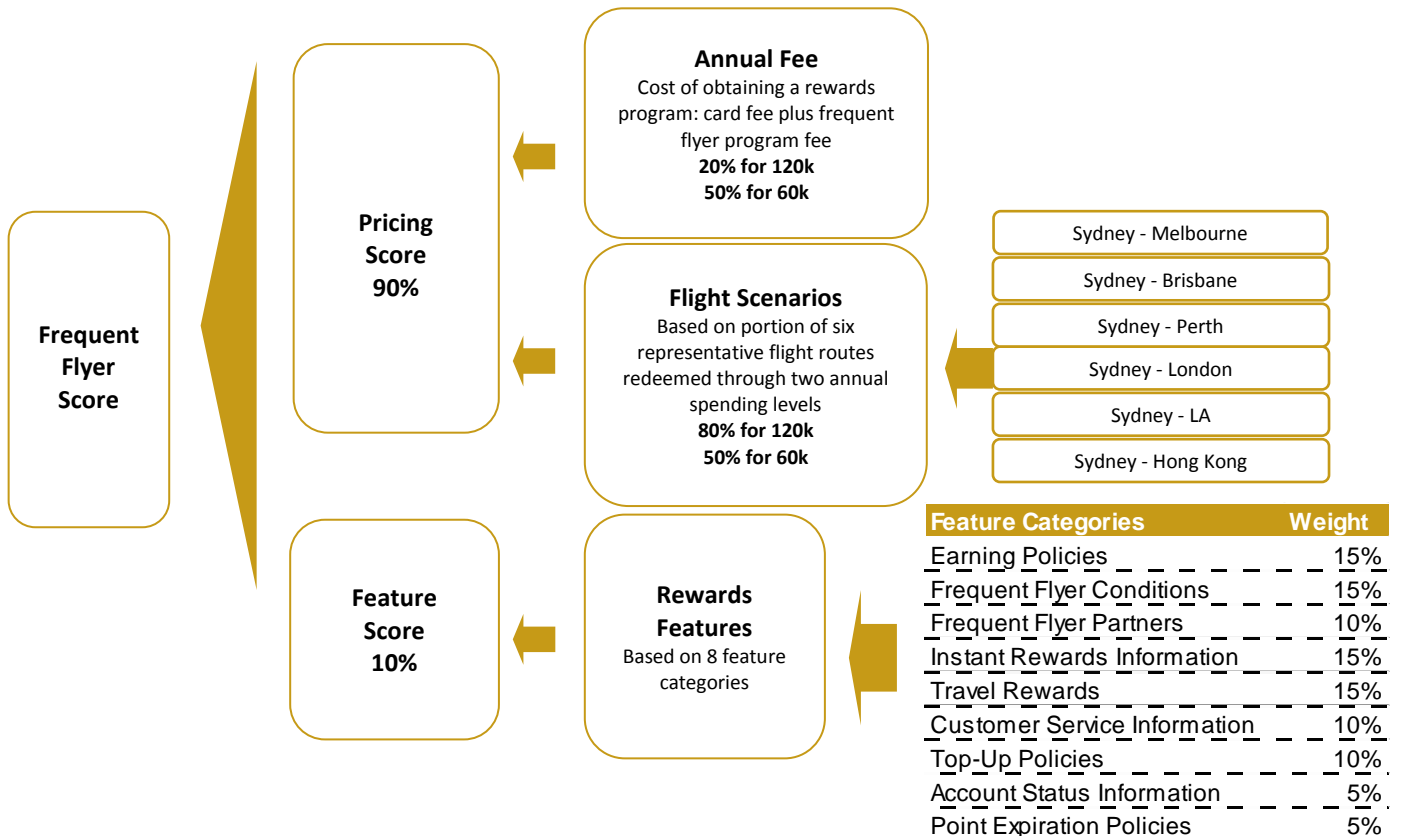
Rewards

The rewards component of both profiles is made up of the best score from the Frequent Flyer or Cash Rewards Methodologies. This score is combined with a choice score which looks at if Cash, Merchandise, Frequent Flyer and Shopping Vouchers are available.

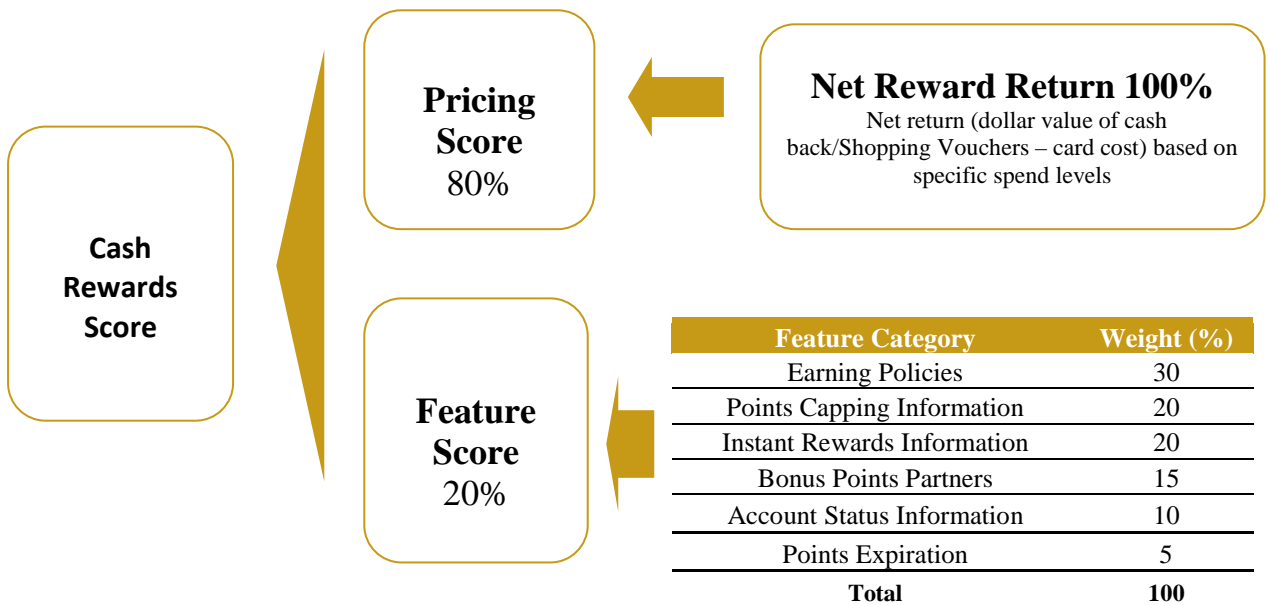


The rewards feature score is calculated based on the level of return as well as specific features relating to the programs. The methodologies used are in the trees below.

Frequent flyer rewards methodology



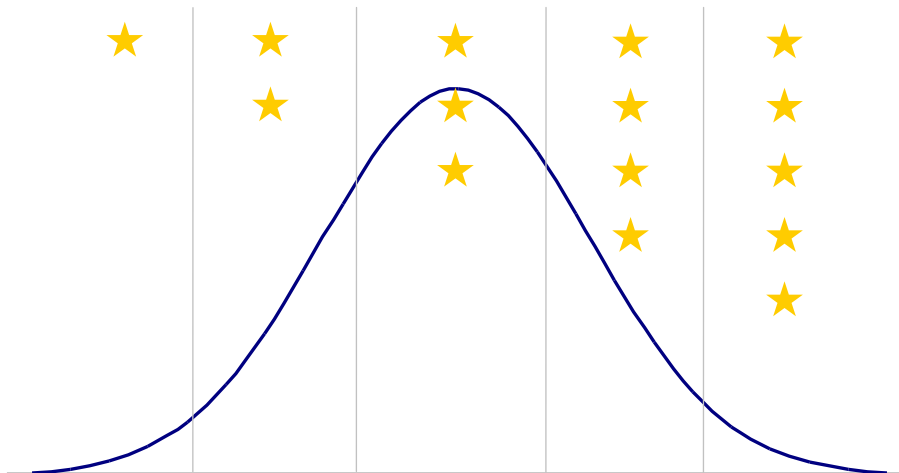
Cash/Shopping voucher rewards methodology



Where companions American Express /MasterCard/Visa programs exist the weighted score is used based on 60% Visa/MasterCard and 40% American Express

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. As you can see, only the products that obtain a score in the top 10% of the of the score distribution receive a 5 star rating.



The results are reflected in a consumer-friendly 5-star concept, with 5 stars denoting an outstanding product.

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.

How often are products reviewed for star ratings purposes?

All ratings are fully recalculated every six months, based on the latest submissions from each institution. CANSTAR also monitors changes on an ongoing basis.

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.



- Agribusiness
- Business banking
- Business life insurance
- Car insurance
- CFD trading
- Credit cards
- Deposit accounts
- Direct life insurance
- Health insurance
- Home & Contents
- Home loans
- Life Insurance
- Low-doc home loans
- Margin lending
- Online Banking
- Online Share Trading
- Package banking
- Personal loans
- Reward programs
- Travel insurance

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