

Annexure – “Break Costs”

Prepayments

You may prepay all or any part of the total amount owing at any time.

If you prepay all of the total amount owing in full or more than an additional \$25,000 of the amount of credit during any one calendar year and, at the time you prepay, are under a fixed rate option, then you must pay us break costs for “breaking” the fixed rate period. Break costs are payable on the day you prepay.

Break Costs

If you “break” the fixed rate period you must pay us the break costs that we determine as set out in this document to compensate us. Break costs comprises any economic loss suffered by us as a result of the break, as calculated below.

Depending on the terms and conditions applicable to your loan, an administration charge (relating to the break) and/or Early Repayment Fee may also be payable by you, in addition to any Break Cost.

You will break a fixed rate if you are under a fixed rate option and before the end of the fixed rate period you:

- repay all of the total amount owing; or
- repay early more than \$25,000 of the amount of credit during any one calendar year; or
- switch to another product, interest rate or payment type; or
- are in default and the total amount owing becomes immediately due for payment.

At any time, you can request an estimate of what Break Costs may apply, or ask for a statement showing the calculations we’ve used. You can also find more information and examples in the *Break Costs and Fixed Interest Rate Guide*.

We calculate our economic loss and our calculation binds you. However, you are entitled to dispute any matter connected with this agreement as set out in the *Important Information about Mortgage Loans and Home Equity Loans*.

Disclosure date 1 July 2021 or later

The following section describes how we calculate Break Costs on your fixed rate home loan if the disclosure date shown on your Mortgage Loan Schedule is 1 July 2021 or later. This method for calculating the Break Cost on your fixed rate home loan will also apply if you convert your fixed rate home loan and your application to convert your loan is received by us on 1 July 2021 or later.

We calculate the Break Cost (our economic loss) as our reasonable estimate of our loss on a fixed rate loan as a result of an early repayment or switch in accordance with our formula which takes into account the difference between our:

- Wholesale interest rate for the fixed interest period on the date the interest rate was fixed; and
- Wholesale interest rate as at the date of the break for the remaining term of the fixed interest rate period. We also take into account any scheduled principal repayments and the present day value of the Break Cost in our calculation.

The wholesale interest rate is the rate at which we can borrow money to fund our loans.

The approximate amount of the Break Cost can be determined as:

$$\text{Adjusted Home Loan Balance} \times \text{Difference in Wholesale Interest Rate} \times \text{Remaining Term}$$

If you elect to make payments in addition to the scheduled repayments, that is prepay more than \$25,000 of the amount of credit in any one calendar year, our economic loss is calculated as the difference between (a) the Break Cost which would apply if the loan were to be repaid in full and (b) the Break Cost which would apply for the loan balance which would remain after the partial payment.

Disclosure date prior to 1 July 2021

The following section describes how we calculate Break Costs on your fixed rate home loan if the disclosure date shown on your Mortgage Loan Schedule is prior to 1 July 2021. This method for calculating the Break Cost on your fixed rate home loan will also apply if you convert your fixed rate home loan and your application to convert your loan is received by us prior to 1 July 2021.

Depending largely on movements in market interest rates, we may suffer an economic loss if you break the fixed rate period. You must pay us any economic loss we determine as set out below.

We calculate our economic loss as the excess of:

- the present value of the repayments we would have received from the time of the break up to the end of the fixed rate period current at the time of the break if the fixed rate period had not been broken

over

- the present value of the repayments we would receive from the time of the break (if the total amount owing at the time of the break was repaid on the same terms as under this agreement from the time of the break) up to the end of the fixed rate period current at the time of the break but at the “current market rate”. The “current market rate” is the approximate interest rate at which we could lend that amount for that period at the time of the break.

We use the current market rate as the discount rate.

If you elect to make payments in addition to the scheduled repayments, that is prepay more than \$25,000 of the amount of credit in any one calendar year, our economic loss is a proportion of the amount by which the amount under paragraph (a) exceeds the amount under paragraph (b) being the same proportion that the amount prepaid bears to the total amount owing at the time of the break.

Warning

Break costs can be quite high. We suggest you ask us for an estimate of the break costs and seek independent financial advice before you make any changes or early repayments to your fixed rate loan.

In this annexure, the following words have the following meanings:

amount of credit is stated in your Mortgage Loan Schedule or Home Equity Loan Schedule (as applicable).

adjusted home loan balance, for calculating break costs, we deem the home loan balance to be the balance owing on the fixed rate loan as of the 1st day of the month preceding when we process the break cost, minus \$25,000.

total amount owing means, at any time, the balance owing on your loan account at that time, plus all accrued interest charges, default charges and other amounts which you must pay under this agreement but which have not been debited to your loan account at that time.