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# Media Release.

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## Westpac changes interest rates in response to increased capital requirements

Westpac today announced an increase in its variable home loan (owner occupied) and residential investment property loan rates by 20 basis points. The new rates take effect from 20 November 2015.

It follows Westpac's announcement today it was raising an additional \$3.5 billion in ordinary equity in response to new regulatory requirements that will increase the cost of providing mortgages.



- Headline owner occupier home loan variable rates<sup>1</sup> increased by 20 basis points per annum to 5.68% per annum (comparison rate 5.82% per annum\*).
- Headline residential investment property variable rates increased by 20 basis points per annum to 5.95% per annum (comparison rate 6.09% per annum).
- Most Westpac variable home loan customers who receive a Premier Advantage Package discount of 0.70% per annum will move to a discounted package rate of 4.98% per annum for the owner occupied home loan (comparison rate 5.35% per annum) and 5.25% per annum for the residential investment property loan (comparison rate 5.62% per annum).
- There are no changes to fixed rates, with the current Premier Advantage Package 2-year fixed rate for Owner Occupiers remaining at 4.29% per annum (comparison rate 5.06% per annum), and Residential Investment Property loans at 4.56% per annum (comparison rate 5.33% per annum).
- Depositors will benefit from a 25 basis point increase on selected new term deposits, effective from 16 October, 2015.

George Frazis, Chief Executive, Consumer Bank, said that following regulatory changes, the amount of capital that needs to be held against mortgages will increase by over 50%.

"To meet these new rules, including the significant amount of capital that we must now hold against residential mortgages, Westpac has announced today it is raising an additional \$3.5 billion in CET1 capital. This means the total amount of capital raised this year in direct response to regulatory changes is about \$6 billion.

"As we have always said publicly, while Westpac is well placed to meet these changes, a significant increase in capital ultimately increases the cost of providing home loans to customers.

"This is a difficult decision and one that is not taken lightly. We acknowledge that it does impact customers, even in an environment where interest rates remain near historic lows. We have sought to carefully balance the needs of our borrowers, depositors and our shareholders, as well as the competitive market we operate in. Increases in the cost of doing business inevitably influence business decisions, including price," Mr Frazis said.

"More than 70% of Westpac customers<sup>2</sup> are ahead on their home loan repayments, and we have a range of ways we can assist customers, including splitting loans between fixed and variable rates and putting in place offset arrangements. So, we encourage customers who are concerned about these changes to talk with us to understand all their options."

<sup>1</sup> Note that other variable rate products including Equity Access loans will also increase by 20 basis points per annum.

<sup>2</sup> On average over the last 12 months

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Homeowners looking for security and peace of mind about their home loan repayments could choose to fix all or part of their home loan through attractive fixed rate package discount offers, which include a two year rate for Owner Occupiers of 4.29% or a three year rate of 4.39% per annum.

New savers will benefit with a 25 basis point increase on four, seven and 12 month term deposit rates, effective from 16 October, 2015.

**Note to Editors:**

\*Comparison rates are based on a secured variable rate loan of \$150,000 over the term of 25 years. Warning: The comparison rate applies only to the example or examples given. Different amounts and terms will result in different comparison rates. Costs such as redraw fees or early repayment fees, and cost savings such as fee waivers, are not included in the comparison rate but may influence the cost of the loan.

Customers are encouraged to discuss their banking arrangements with their local Bank manager or contact Westpac on 132 558 or visit [www.westpac.com.au](http://www.westpac.com.au) to ensure they have the right home loan product to suit their individual needs.