



Agreement to reserve an interest rate for you

We've agreed to reserve an interest rate for you

We agree to hold a specific interest rate and apply it to your loan. We'll apply this rate to your loan, even if interest rates go up or down before your review date.

What happens if you don't use this interest rate?

If you change your mind and ask us for a different interest rate, we can do either of the following:

1. We can choose to apply the interest rate we held for you to your loan.
2. We can choose to apply a different interest rate to your loan.

We can charge you a non-utilisation recovery

If we choose to apply a different interest rate to your loan, we can also charge you a non-utilisation recovery.

A non-utilisation recovery is an amount you must pay us to compensate us for loss we incur. We incur this loss when we've reserved an interest rate for you and you ask us for a different interest rate or you repay all of your loan before you use the interest rate.

The non-utilisation recovery we charge you may be significant — talk to us first if you need to make changes to your interest rate.

How we calculate a non-utilisation recovery

Below we explain how we calculate the non-utilisation recovery. We compare:

- The first amount: all the scheduled loan repayments and interest charges that would have been made over the fixed-rate period. We calculate the interest charges using the wholesale swap interest rate which applied for the term of the fixed-rate period when the fixed-rate period was due to start.
- The second amount: all the scheduled loan repayments and interest charges that would have been made over the fixed-rate period. We then add these to the amount the loan amount. We calculate the interest charges using the wholesale swap interest rate which applied for the term of the fixed-rate period when the fixed-rate period was due to start.

We adjust the first amount to recognise that we receive the money now, instead of receiving it as income over the loan term. When we adjust the first amount, we use the wholesale swap interest rates applying to the fixed-rate period on the loan, as calculated by us. We also take into account the amount you would have owed on the loan at the end of the fixed-rate period.

Sometimes, there may not be an exact match between the term of your fixed-rate period and available wholesale swap interest rates. If this happens, we'll calculate the exact wholesale swap interest rates that will apply.

Once we have adjusted the amounts, we will then charge the difference between the first amount and the second amount as the non-utilisation recovery. We'll only charge you a non-utilisation recovery if the first amount is higher than the second amount.

Wholesale swap interest rates are interest rates banks and other large corporates use to borrow and lend money on the wholesale money market. Contact us for the wholesale swap interest rates that apply to your loan.