

This document explains in detail how ANZ will calculate the early repayment cost referred to in the ANZ Term Loans Specific Conditions of Use booklet. This document should be read with that booklet and the Finance Conditions of Use.

Capitalised or bold type words and phrases in this document have special meanings. You can find their meanings below.

### When will we make an early repayment cost calculation?

If an Early Repayment Event occurs, we will calculate the amount of any early repayment cost that is payable by you, unless the following exception applies to you.

We will not calculate an early repayment cost if the combined total of your **available tolerance amount** and **your next scheduled repayment amount** (if any), calculated just before the Early Repayment Event, is greater than either:

- the amount of your **early repayment** (if any); or
- (if you have asked us to change the current fixed interest rate, the current Fixed Rate Term, or certain other terms, of your Facility), the unpaid balance of your loan account at the time of the Early Repayment Event.

### How do we calculate any early repayment cost that is payable by you?

We will calculate the amount of any early repayment cost that is payable by you in the manner described below.

#### Calculation of the total of present values of pre-event cash flows

First, we will calculate the **total of present values of pre-event cash flows** for your Facility. Our calculation will be based on the following methodology.

Step 1: Based on the **pre-event balance**, we will determine for the period commencing on the date of the Early Repayment Event and concluding on the last day of the Fixed Rate Term (both dates inclusive) (the **calculation period**):

- (i) the amount of each interest charge (calculated using the **contract rate**) that we would have debited for your Facility and the days on which each interest charge would have been treated by us as debited;
- (ii) the amount of each repayment that would have become payable by you and the days on which each repayment would have become payable by you;
- (iii) the amount of each other fee or charge that would have become due under your Agreement and the days on which each fee or charge would have become due; and

- (iv) based on these **expected cash flows**, the expected unpaid balance of your loan account at the start of each **cash flow date** and at the end of the **calculation period**.

In this Step 1 and Step 3 below the amount of each interest charge, repayment and other fee or charge referred to in paragraph (i), (ii) or (iii) above is an **expected cash flow**.

Step 2: Using the **original market rate**, we will separately estimate the amount of interest (the **market interest**) that would accrue in respect of successive periods during the **calculation period**.

The initial period will start on the day after the Early Repayment Event and will end on the first **cash flow date** falling after the date of the Early Repayment Event. Each subsequent successive period will end on a **cash flow date** or, in the case of the last successive period, at the end of the **calculation period**.

For each period for which such **market interest** is calculated, we will use the unpaid balance of your loan account that we expect to be outstanding at the start of the last day of the period (assuming that the **pre-event balance** was outstanding at the start of the **calculation period**).

Step 3: We will then calculate:

- (i) the net aggregate of the present values of the **expected cash flows** (excluding any interest charge for a Facility other than a **principal and interest loan**, and any other fee or charge that we expect to be paid by you on the relevant **cash flow date**, for example, as a result of the fee or charge being debited to an ANZ account that is not your loan account);
- (ii) the total of the present value of the market interest for each period during the **calculation period**, calculated in accordance with Step 2; and
- (iii) the present value of the expected unpaid balance of your loan account at the end of the **calculation period**.

In determining the present value of these amounts, we will make the present value calculations using the **market rates at the date of the relevant Early Repayment Event** as discount factors (in each case, discounting from the relevant **cash flow date** or the end of the **calculation period** (as applicable) to the date of the Early Repayment Event).

Step 4: We will then calculate the total of all of the present values calculated under Step 3. The combined total of these present values will be the **total of present values of pre-event cash flows** for your Facility.

### **Calculation of the total of present values of post-event cash flows**

We will also calculate the **total of present values of post-event cash flows** for your Facility. We will do this using the same methodology that we use to calculate the **total of present values of pre-event cash flows**, except for the following differences:

- we will use the **post-event balance** (rather than the **pre-event balance**) when making the required calculations or assumptions; and
- for Step 4, the combined total of the calculated present values will be the **total of present values of post-event cash flows** for your Facility.

### **Calculation of the amount of the early repayment cost**

We will then calculate your early repayment cost using the following formula.

$$\text{early repayment cost} = PV_{\text{pre.event}} - (PV_{\text{post.event}} + ER)$$

where:

**PV<sub>pre.event</sub>** is the **total of present values of pre-event cash flows** for your Facility, as calculated by us

**PV<sub>post.event</sub>** is the **total of present values of post-event cash flows** for your Facility, as calculated by us

**ER** is the amount of:

- (i) in the case of an **excess Early Repayment Event** – the unpaid balance of your loan account just before the Early Repayment Event less the **net interest in advance charge**; or
- (ii) in all other cases – the **early repayment** or **deemed early repayment** (as applicable),

less the combined total of the **available tolerance amount** and **your next scheduled repayment amount** (if any), calculated just before the Early Repayment Event

If this calculation results in a positive number then you must pay the amount calculated as this amount will be your early repayment cost. If this calculation results in a negative number then we do not pay you any early repayment benefit.

If you would like to see some examples of how we calculate early repayment costs, please contact us.

### **Definitions**

In this document, the following terms have the following meanings.

**Agreement** has the meaning given in your Letter of Offer.

**ANZ, us or we** means Australia and New Zealand Banking Group Limited (ABN 11 005 357 522). If we assign or transfer our rights or obligations under your Agreement then it also includes the assignee or transferee.

**available tolerance amount** means that part of the then current **tolerance amount** that exceeds the total **early repayments** that have already been made since that **tolerance amount** was set by us.

**cash flow date** is a day identified in paragraph (i), (ii) or (iii) of Step 1 above, as applicable to your Facility.

**contract rate** means the fixed interest rate that applies to your Facility during the current Fixed Rate Term.

**Customer, you or your** means each person named as a borrower or customer for each Facility in a Letter of Offer. When more than one person is named as a borrower or customer, it means each person individually and any two or more of those people. It also includes each person's executors, administrators or permitted assigns or transferees.

**deemed early repayment** means, if you have asked us to change your current fixed interest rate to a new fixed interest rate or to a variable interest rate, or to change the current Fixed Rate Term or certain other terms of your Facility, the unpaid balance of your loan account just before that Early Repayment Event.

**early repayment** means early repayment of the whole, or part, of the unpaid balance of your loan account, before the end of the Fixed Rate Term that was current at the time.

**Early Repayment Event** has the meaning given in the Finance Conditions of Use.

**excess Early Repayment Event** means an Early Repayment Event that occurs during an interest payment period where interest was payable by you in advance on your Facility and where the amount of the **early repayment** or **deemed early repayment** exceeds the amount that is equal to the unpaid balance of your loan account just before the Early Repayment Event less the **net interest in advance charge**.

**Facility** means any of the term loan facilities that we make available to you under your Agreement.

**Finance Conditions of Use** means the ANZ booklet titled 'finance conditions of use'.

**Fixed Rate Term** has the meaning given in the Finance Conditions of Use.

**Letter of Offer** means the letter titled 'letter of offer' between a Customer and ANZ.

**market rates at the date of the relevant Early Repayment Event** means each interest rate that, at the time of the Early Repayment Event, is current and has been set by us and which, in our view, best reflects the applicable external wholesale market interest rate for each relevant period over which we are required to calculate the present value of an amount in Step 3 above.

**net interest in advance charge** means the amount of interest that has been paid by you in advance in respect of your Facility for an interest payment period less the daily interest amounts calculated for the relevant interest payment period up to the occurrence of the Early Repayment Event (or, if the result of that calculation is a negative number, zero).

**original market rate** means a wholesale market interest rate that was set by us at the start of your current Fixed Rate Term and which we determined (at that time) was sufficiently reflective of the applicable external wholesale market rate that would be (or could have been) applicable for that Fixed Rate Term under your Facility.

**pre-event balance** means the unpaid balance of your loan account just before the Early Repayment Event, less the combined total of your **available tolerance amount** and **your next scheduled repayment amount** (if any), each as measured just before the Early Repayment Event.

**post-event balance** means:

- (a) in the case of an **excess Early Repayment Event** – the **net interest in advance charge**; and
- (b) in all other cases – the unpaid balance of your loan account just after the **early repayment**, or an assumed balance of zero if you have asked us to change your current fixed interest rate to a new fixed interest rate or to a variable interest rate, or to change the current Fixed Rate Term or certain other terms of your Facility.

**principal and interest loan** means a Facility under which you are required, during the relevant Fixed Rate Term, to make regular repayments of instalments made up of principal and interest.

**principal reducing loan** means a Facility under which you are required, during the relevant Fixed Rate Term, to make regular repayments of instalments made up of principal only, as well as regular payments to cover interest charges.

**tolerance amount** means the amount allowed to you by us as a tolerance at the start of your current Fixed Rate Term, and reset by us on each anniversary of that date while that Fixed Rate Term continues. The **tolerance amount** is generally the lesser of:

- \$5,000.00; and
- an amount equal to 5% of the unpaid balance of your loan account at the start of that Fixed Rate Term, except where the remaining Fixed Rate Term is for less than a year (in which case the **tolerance amount** is reduced proportionally).

If the unpaid balance of your loan account when the **tolerance amount** is set by us is less than the amount calculated above then the **tolerance amount** will be equal to that unpaid balance. When your tolerance amount is reset on each anniversary any **available tolerance amount** from the previous 12 months will be cancelled and not carried forward.

**your next scheduled repayment amount** means:

- (a) for a **principal and interest loan**, the amount of your next scheduled repayment (together with any outstanding arrears for a previous scheduled repayment) less the **early repayments** (if any) made since the last scheduled repayment became due; and
- (b) for a **principal reducing loan**, the amount of your next scheduled principal repayment (together with any outstanding arrears for a previous scheduled principal repayment) less the **early repayments** (if any) made since the last scheduled repayment became due,

(in each case as calculated on the date of the Early Repayment Event and just before that Early Repayment Event), and, in every other case, zero.