

QW11: What percentage of the mortgage book contains interest-only loans whereby borrower incomes are projected using a 'serviceability calculator'?

Answer: No Westpac Group mortgage loans are assessed/approved based on income projections. The 'Serviceability Calculator' is a tool used within the Westpac Group to calculate, at the point of application, the applicant(s)' net monthly income and expenses, including prospective interest payments on the loan being applied for. Income information provided by the customer is verified in accordance with bank policy to ensure it is an accurate reflection of the applicant's actual earnings. Additionally, sources of income which can be more volatile (for example overtime, commissions, rental and bonuses) are subject to a discount in the system calculation to ensure a more prudent point in time assessment given the potential for changes to these types of income. Buffers are also included in the calculation for potential expense increases such as interest rate rises and payments on undrawn credit card limits.