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4 July 2008

St.George to increase standard home loan variable interest rate and deposit rates

St.George today announced that it would increase interest rates on a range of deposit and lending products due to the sustained increase in the difference between cash rates and 90 day rates.

As a result, the St.George Standard Home Loan Variable Rate will increase by 0.20% pa to 9.67% pa, from 8 July 2008 for new and existing customers.

St.George has also increased a range of special deposit rates by an average of 0.50% pa. For example, 12 month term deposits with a minimum amount of \$20,000 increased to 8.60% pa effective 30 June 2008. Additionally, from Tuesday 1 July, a promotional deposit rate of 8.10% pa is available for new accounts and "top-up" funds with our directsaver online account, previously at 7.00% pa (for a limited period and conditions apply).

Michael Cameron, Chief Financial Officer said; "Since August 2007 banks have been absorbing a significant increase in funding costs due to the impacts of the US sub-prime lending crisis on global liquidity and the wholesale funding markets."

Michael said; "While we have already completed our wholesale funding requirements for this financial year, the spread between cash rates and 90 day rates in particular remains significantly higher for the industry than a year ago."

Les Matheson, Group Executive Retail Bank said; "This is a decision that has been made only after very careful consideration. Even with this change we will not be fully recovering all of our increased funding costs for this financial year. St.George maintains its commitment that if funding costs were to reduce for a sustained period of time, we would then look to adjust our rates."

"While customers who have deposits with St.George will see increased interest on their savings as a result of this announcement, we are very mindful of the impact of increased home loan rates on customers. For people who are concerned about rising rates and would like the certainty of fixed home loan repayments, they may want to consider our competitive three or five year fixed rates, which are currently 9.45% pa. To allow our customers to easily switch to this option, for the next four weeks, should a switching fee apply, we will waive this fee saving customers up to \$500."

"It's reassuring that the majority of St.George customers already pay more than their regular minimum repayment and have a buffer in place for any rate changes. However we encourage any customers who are experiencing hardship to contact us immediately and we can discuss their personal situation. Assistance for eligible customers includes delaying repayments or restructuring their loans," Les continued.

This 0.20% rate rise equates to an increase in repayments of approximately \$10 per week on an average size loan of \$250,000 over a 30 year loan term.

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