

Media Release



Corporate Communications

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ANZ lowers variable mortgage rates - Promises further rate cuts as market conditions ease -

ANZ announced it will lower interest rates for variable rate mortgages by 0.80%pa following the Reserve Bank of Australia's decision today to reduce the Official Cash Rate with further reductions as global market conditions ease.

ANZ's decision passes most of the 1.0%pa reduction in the RBA Official Cash Rate to home loan customers, while deposit rates on ANZ's Online Saver and Progress Saver will fall by only 0.5%pa.

ANZ Chief Executive Officer, Australia, Brian Hartzler said: "ANZ understands higher interest rates are stretching many household budgets and we are pleased to be able to pass on most of the 1.0%pa reduction in the Official Rate to our variable rate home loan customers. We are maintaining competitive rates on our key deposit products."

Effective Monday, 13 October 2008, the interest rate on ANZ's standard variable rate home loan will decrease by 0.80%pa to 8.57%pa (8.67%pa Comparison Rate) for new and existing customers. Other variable rate home loan products will also decrease 0.80%pa from 13 October 2008. The new rates include: Simplicity PLUS – 7.87%pa and Equity Manager – 8.57%pa.

The 1.0%pa cut to the Official Cash rate does not fully offset the increase in wholesale funding costs in recent weeks as a result of the global financial crisis. This has seen wholesale interest rates – from which Australian banks obtain a significant proportion of their funding – rise around 0.9%pa above the normal long term level and around 0.4%pa above the level prevailing when the RBA cut the Official Cash Rate in September.

"Funding cost have increased even for strong, well capitalised banks such as ANZ. The result is that 0.80%pa is the maximum reduction we can pass on our variable rate home loan customers at this time," Mr Hartzler said.

"Australian banks are strongly positioned but maintaining acceptable financial performance has become even more important given the financial turmoil. The decision has been difficult as high interest rates are not in anyone's interests – they are stretching household budgets and impacting the broader economy.

"We will continue to monitor our funding costs and will pass on further rate relief to our customers as soon as global markets settle and our funding costs return to more normal levels," Mr Hartzler said.

For those customers experiencing hardship, a number of assistance options are available to help manage repayments including extending loan terms to maintain existing repayment levels or short-term repayment 'holidays'. Other options include switching to a fixed rate loan to provide greater certainty on future repayments or to a home loan with fewer features at a lower interest rate.

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