



## Media Release

For Release: 8 December 2011

### **ANZ cuts interest rates for mortgages and small business lending by 0.25 % pa**

- introduces special 2-year fixed term mortgage at 5.95 % pa –**
- future pricing decisions to be made on the 2<sup>nd</sup> Friday each month -**

ANZ today announced it will lower interest rates for variable rate mortgages and small business lending by 0.25%pa.

- Effective 16 December 2011, ANZ's new standard variable mortgage rate will be 7.30%pa (7.40%pa comparison rate). New small business rates are also effective from 16 December.
- ANZ will offer a special 2-year fixed term mortgage at 5.95%pa available from 12 December – a reduction of 0.20%pa on the current 2-year rate and 1.35%pa lower than ANZ's new standard variable rate - allowing home borrowers to lock in the benefit of market expectations of further reductions in interest rates.

ANZ CEO Australia Philip Chronican said: "In the face of the economic and banking crisis in Europe, our decision on the size of the interest rate change has been one of the most difficult we have made in recent times. Retail banking margins have been contracting as the cost of funds has progressively risen over the last six months.\*

"Bank funding costs are now largely unrelated to movements in the Reserve Bank's Official Cash Rate. We have therefore taken a decision to announce future pricing changes for retail and small business variable interest rates on the second Friday of each month.

"This provides a measure of predictability for customers on when rate changes will occur and it provides us with the flexibility to reflect movements in funding costs across the full spectrum of funding sources – not solely in response to the Reserve Bank's cash rate.

"We know many people in the community are doing it tough at the moment and, on this occasion, we felt that a decision to reduce interest rates by 0.25%pa for home borrowers and for small business was the right one in the circumstances.

"The significance of the crisis in Europe however has real consequences for the global economic outlook, for the Australian economy and for bank funding costs," he said.

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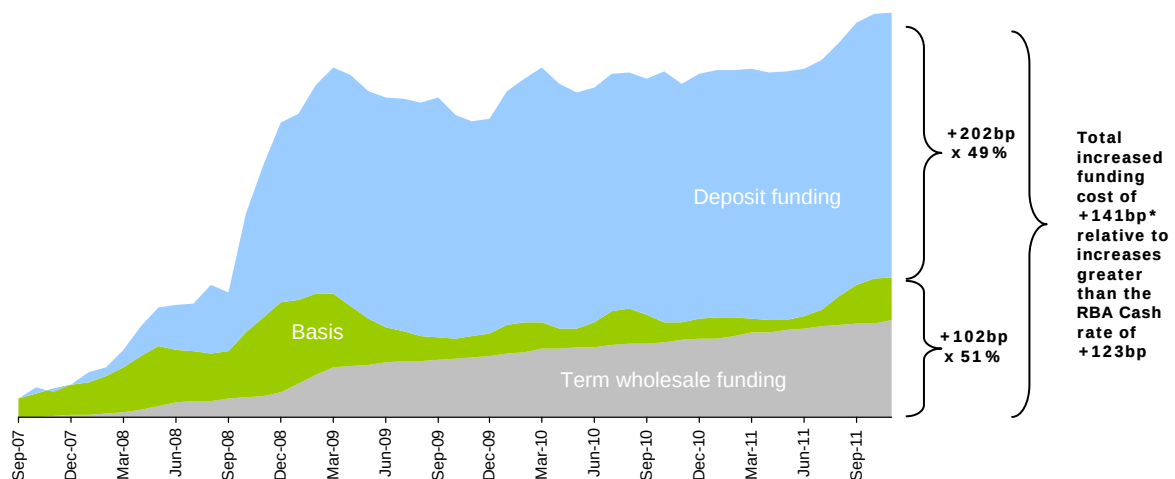
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\* See notes for editors.

## Notes for Editors:

**Chart 1: Change in funding costs of Australian Retail Portfolio**



- Incremental funding cost over pre-crisis level for Retail segment only using Retail deposits and Australia region wholesale funding costs as the funding cost for Australian mortgages.

**Chart 2: Indicative Term Funding Costs as at 7 October 2011 (basis points over 3 month BBSW)**

Basis Points

