

## HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

### REVIEW OF THE FOUR MAJOR BANKS

#### ANZ

##### ANZ26QW:

##### Interest rates:

**(a) Regarding principal and interest mortgages, for the last three rate cuts what was the rate cuts provided, and what was the aggregate dollar value reduction in interest repayments compared to each previous month?**

Answer: ANZ reduced interest rates on variable rate principal and interest products by 0.18% in June 2019, 0.25% in July 2019 and 0.14% in October 2019.

As noted in our response to ANZQW01, it is difficult to calculate on an account level the reduction in interest payments that solely occurs as a direct result of rate cuts. A rate reduction is one factor among many that may reduce interest payments. Customers may reduce interest payments because they may:

- negotiate additional discounts
- change products, eg moving from a variable rate loan to a fixed rate loan
- change repayment behaviours and make lump sum payments
- increase linked offset accounts.

Noting these limitations, we have estimated the reduction in interest due as a result of the reductions as approximately:

- \$23m between May and June 2019
- \$34m between June and July 2019
- \$19m between September and October 2019.

The aggregate amount of the three reductions is approximately \$76m per month.

**(b) Regarding interest-only mortgages, for the last three rate cuts what was the rate cuts provided, and what was the aggregate dollar value reduction in interest repayments compared to each previous month?**

Answer: ANZ reduced interest rates on variable rate interest only products by 0.18% in June 2019, 0.25% in July 2019 and 0.20% in October 2019 (weighted average of the owner occupier and investor rate reductions of 0.14% and 0.25% respectively).

Noting the limitations outlined above, we have estimated the reduction in interest due as a result of the reductions as approximately:

- \$6m between May and June 2019
- \$8m between June and July 2019
- \$5m between September and October 2019.

The aggregate amount of the three reductions is approximately \$19m per month.

**(c) Regarding interest-bearing deposits, for the last three rate cuts what was the rate cuts provided, and what was the aggregate dollar value reduction in interest repayments compared to each previous month?**

Answer: As noted in our response to ANZQW03, decisions about the interest rate offered on retail deposit products take into account a range of factors. These include changes in the RBA Overnight Cash Rate (OCR), market expectations about future OCR changes,

competitive conditions and the bank funding needs. As a result, we not able to estimate the reduction in interest rates solely resulting from overnight cash rate changes.

In addition, the OCR cuts and ANZ changes occurred during the calendar month and therefore do not reflect a full month of the rate change being in effect.

Noting this, we have estimated the reduction in interest paid (*excluding* term deposits and based on the difference in weighted average interest paid) as approximately:

- \$1m between May and June 2019 (~0.02% reduction in interest paid)
- \$12m between June and July 2019 (~0.23% reduction in interest paid)
- \$5m between September and October 2019 (~0.09% reduction in interest paid).

The aggregate amount of the three reductions is approximately \$18m per month.

The term of ANZ term deposits ranges from 7 days to 60 months, with the most common terms between 3 and 24 months. Changes in the rates offered for term deposits will reflect many factors over time.

Noting this limitation, we have estimated the reduction in interest paid for retail deposit products *including* term deposits (based on the difference in weighted average interest paid) as:

- \$3m between May and June 2019 (~0.03% reduction in interest paid)
- \$14m between June and July 2019 (~0.17% reduction in interest paid)
- \$9m between September and October 2019 (0.11% reduction in interest paid).

The aggregate amount of the three reductions is approximately \$25m per month (affected by rounding).