



Media Release

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ANZ February 2012 Interest Rate Review

- variable rates for mortgages and small business increase by 0.06%pa;
three year fixed rate mortgage cut by 0.15% to 5.99%pa -

ANZ today announced it will increase interest rates for variable rate mortgages and small business lending by 0.06%pa while reducing the three year fixed rate package mortgage by 0.15%pa maintaining competitive interest rates for customers.

The decision follows ANZ's monthly interest rate review which considered:

- the intense pressure on retail and business margins in recent months being sustained following:
 - increased competition among banks for consumer and business deposits that has provided higher relative returns to ANZ's 2.9 million deposit customers;
 - higher costs paid by ANZ for \$8 billion in long-term wholesale funding raised since October 2011 as a result of the economic and financial crisis in Europe which has made money more expensive for all banks to borrow.
- the stable monetary policy setting announced this week by the Reserve Bank of Australia following successive reductions in the cash rate in late 2011.
- the competitive environment, the impact of higher rates on customers and on loan growth, and also the need to act in a considered way with growing pockets of weakness in the Australian economy.

Effective 17 February 2012, ANZ's new standard variable mortgage rate will be 7.36%pa (7.46%pa comparison rate). New small business rates are effective from 17 February.

The 0.06% increase will add \$6.50 per fortnight to the average home loan of \$280,000. For small-to-medium sized business customers, the increase will add \$3.00 per fortnight to an average loan of \$130,000. Most customers will not need to make additional repayments with 85% of ANZ mortgage customers already ahead on their repayments.

ANZ will cut its three year fixed rate mortgage by 0.15% to 5.99%pa as part of its Breakfree banking package. ANZ's Breakfree package currently provides the lowest fixed rates of the major banks across two, three, four and five year terms.

ANZ CEO Australia Philip Chronican said: "This month we faced a serious dilemma in our review, balancing the rising cost of bank funding including deposit customers' interests in receiving highly competitive rates, and the expectation of borrowers that we keep lending rates as low as possible.

"In December and January we absorbed the additional funding costs in the hope that funding pressures would ease and that no change in lending rates would be necessary. However, margins in retail and business banking have now been squeezed for a number of months and we've taken the difficult decision to pass on part of the higher costs to customers while we also get on with taking action to reshape the bank for tougher times.

"Our new monthly interest rate review process recognises that the Reserve Bank's cash rate alone is not an accurate reflection of bank funding costs, particularly since the global financial crisis which has left all banks with the task of raising funds in volatile global markets and through stronger competition for deposits.

"This change comes with a duty to explain to our customers what drives our decisions and provide greater transparency about our funding costs.

"We also want to assure customers that we are committed to providing competitive products and we hope there will be an opportunity to lower rates in the coming months as greater confidence returns to global funding markets," Mr Chronican said.

Mr Chronican added: "There has been much debate on banks in recent days. While we recognise our decision may leave some people frustrated and even angry, we believe Australia needs safe, well-run commercial banks that aren't a burden on taxpayers and that can continue to lend. The alternative of weak, constrained banks that we see in the United States and in Europe is a recipe for stagnation and recession in Australia."

ANZ has a number of options available to help customers concerned about interest rates manage their repayments. These include extending loan terms or switching to a fixed-rate loan to provide greater certainty on future repayments, or to an ANZ Simplicity PLUS home loan, with fewer features at a lower interest rate. Customers who would like assistance should visit any ANZ branch, log on to anz.com or contact ANZ on 13 13 14.

Today's monthly interest rate review follows an announcement by ANZ in December 2011 that it would review variable rates for retail mortgages and small business lending on the second Friday of each month.

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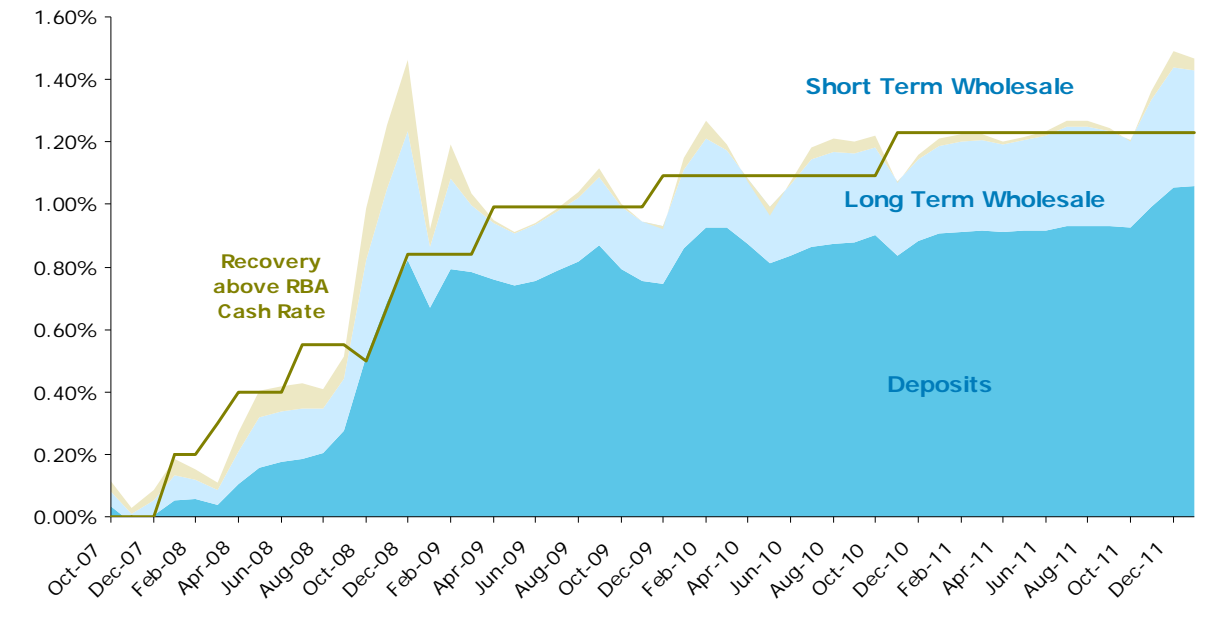
Notes for Editors:

- **ANZ Retains Competitive Mortgage Rates**

	ANZ	Westpac	NAB	Commonwealth
Standard Variable Rate	7.36%pa	7.36%pa	7.22%pa	7.31%pa
3 Year Fixed Rate*	5.99%pa**	6.19%pa	6.24%pa	6.33%pa

* Package discounts. ** For new loans drawn down from Monday, 13 February 2012.

- **Cost of Funds over the RBA Cash Rate since the Global Financial Crisis**



- **ANZ Criteria used to Assess Interest Rates**

1. Ensuring attractive returns for depositors: ANZ is committed to providing customers with competitive returns and absolute security for their savings.
2. The cost of wholesale funding: This covers the interest we pay on funds from wholesale markets. The cost of these funds has become more volatile and expensive since the GFC and has been elevated in recent months as a result of the European debt crisis.
3. Our competitive position: ANZ is determined to remain competitive by attracting customers, winning business and managing our costs.
4. The impact of economic conditions on our customers: We are committed to lending responsibly and giving consideration to the financial health of our customers, the economy and the banking system in Australia.
5. Regulatory requirements: As a bank, ANZ works within a strong prudential and regulatory environment. For example, we must hold capital reserves and levels of liquidity to operate safely and securely for customers.