Media Release

For Release: 13 January 2012

ANZ January 2012 Interest Rate Review

ANZ today announced variable interest rates for retail mortgages and small business lending will remain unchanged after its January interest rate review.

ANZ's monthly review follows a statement in December 2011 that it would announce any changes to variable mortgage rates for retail mortgages and small business lending on the second Friday of each month.

ANZ CEO Australia Philip Chronican said: "By reviewing key variable lending rates each month we can more accurately reflect the sustained changes in funding costs we incur through the interest we pay to customers for their deposits and to investors in wholesale money markets.

"It helps us to contribute to an informed debate about how we fund our customers' loans and the effects of the continuing global financial crisis on Australia, particularly the significant economic instability which currently exists in Europe.

"We want the process of setting interest rates for our customers to be simple and transparent. This includes a promise to work hard to maintain competitive interest rates that will not disadvantage customers over the term of their loan.

"To increase certainty for our customers the effective date for any variable interest rate changes made as part of the monthly review process will now be one week after the announcement, regardless of whether interest rates are going up or down.

"In coming to our decision this month we wanted to be clear that these higher interest rates we are now paying our depositors and the elevated prices we are required to pay for wholesale funds are going to be sustained given the volatility we saw late last year.

"We also assessed our competitive position, the subdued state of credit demand and the overall state of the economy and decided it was prudent to maintain our current rates at this time," Mr Chronican said.

Information on the criteria used to determine interest rates and details on our funding costs are attached below.

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Notes for Editors

The following criteria are 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.

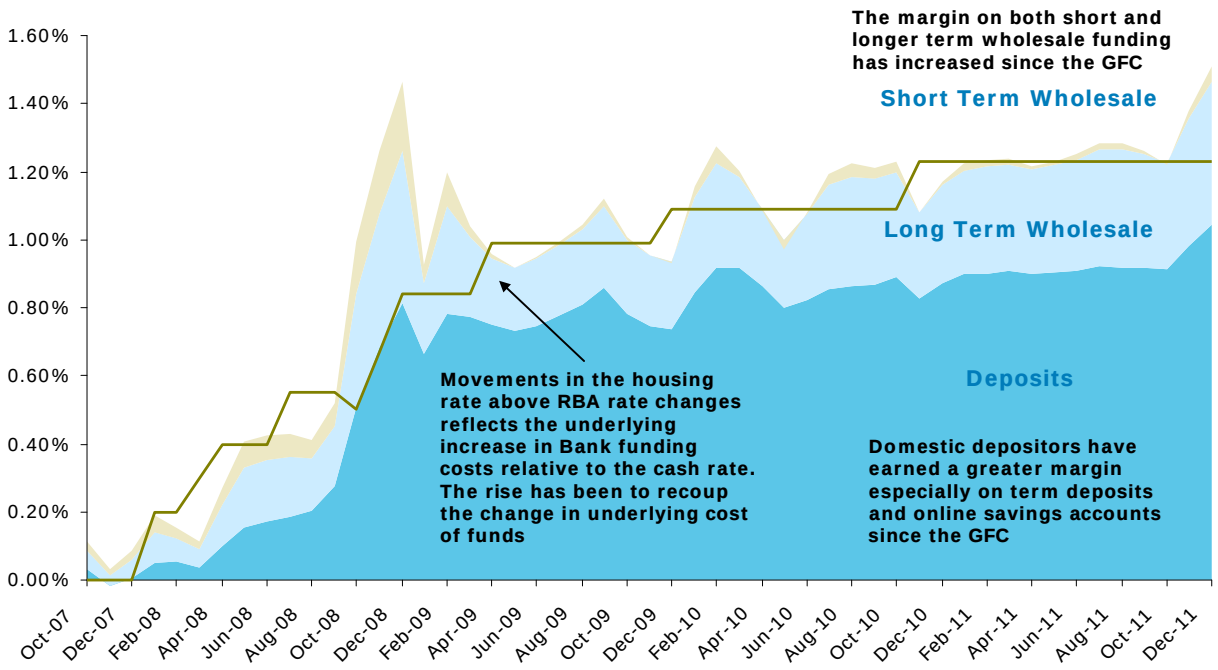
2. The cost of wholesale funding: This covers the interest we pay on funds from wholesale markets. The cost of these funds has become more volatile and expensive since the GFC and has been elevated in recent months as a result of the European debt crisis.

3. Our competitive position: ANZ is determined to remain competitive by attracting customers, winning business and managing our costs.

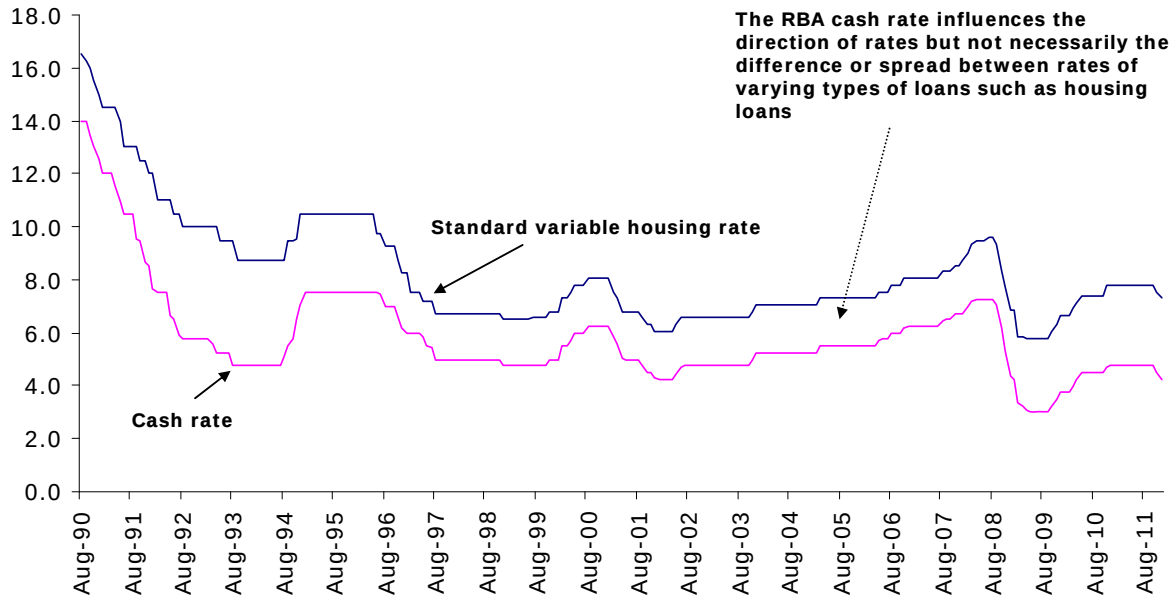
4. Our customers' ability to afford loan repayments: We are committed to pricing loans and lending in a responsible way and giving consideration to the financial health of our customers, the economy and the banking system in Australia.

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.

Cost of funds over the cash rate since the GFC



Cash and home loan rate



Source: RBA