



## Media Release

For Release: 9 March 2012

### **ANZ March 2012 Interest Rate Review**

#### **- variable rates unchanged; funding pressures persist -**

ANZ today announced variable interest rates for Australian retail mortgages and small business lending will remain unchanged after its March interest rate review. ANZ's standard variable mortgage rate remains at 7.36%pa (7.46%pa comparison rate).

#### **Key Points**

- No change to variable rates for mortgages and small business this month.
- Trend for funding costs remains upward with average term wholesale debt costs continuing to rise.
- Intense deposit competition continues with at-call and term deposit costs higher.
- Partially offsetting this, short-term wholesale funding costs improved over the past month as markets had priced in an anticipated reduction in the Reserve Bank of Australia's Cash Rate in February.

ANZ CEO Australia Philip Chronican said: "Our monthly pricing decisions remain difficult. We are walking a tightrope between our customers' interest in keeping rates as low as possible and the commercial reality that while monthly funding costs go up and down, the upward trend is likely to continue as new funding is still coming on at a wider spread to the Cash Rate than the funding it is replacing.

"Given the structural shift that has occurred in the bank funding environment since 2008, including the additional cost of holding higher levels of capital and liquidity, we are working hard to ensure our commercial response helps our customers adjust and ensures we are competitive.

"Just as we absorbed part of the higher funding cost last month, and while funding pressures still exist, on balance we took the view that stability was important for our variable rate mortgage and small business customers this month," Mr Chronican said.

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.

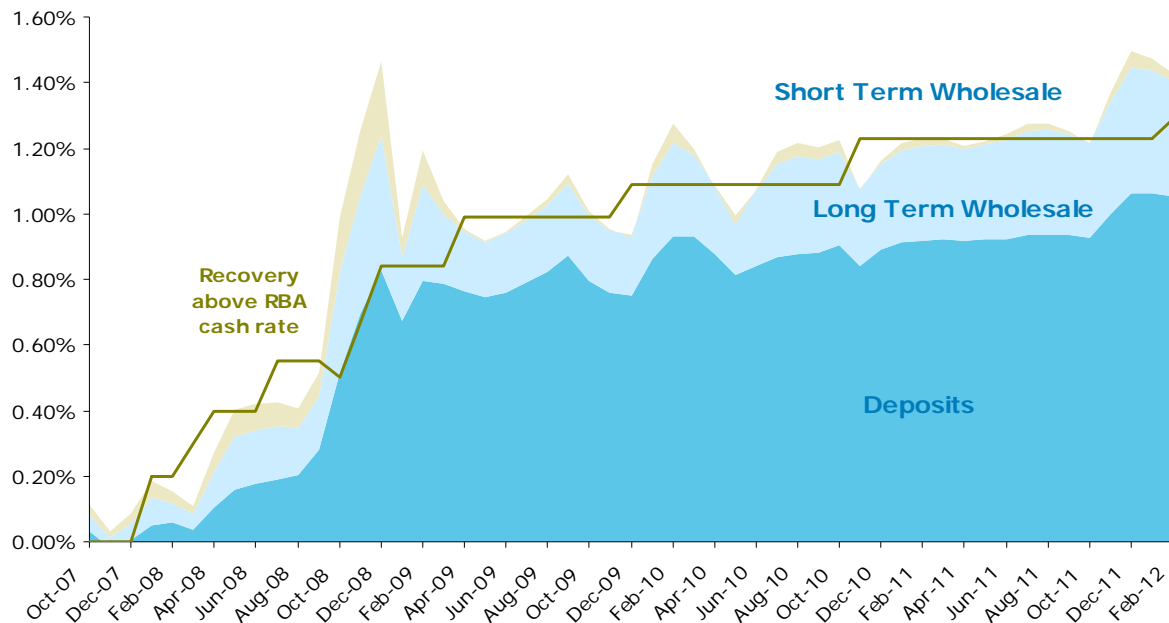
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## Notes for Editors:

- **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.