

ANZ-ROY MORGAN CONSUMER CONFIDENCE HOLDING STEADY

APRIL 2010

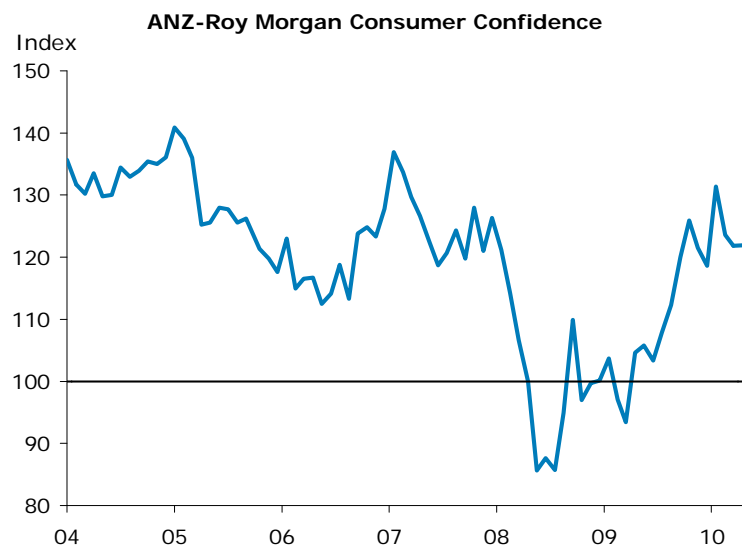
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SUMMARY

- Consumer confidence is broadly unchanged in April at 121.9. The absolute level remains healthy.
- The large gap between consumers' view of future conditions versus current conditions shows little sign of abating, pointing to a more sedate recovery relative to historical experience.
- Current conditions remain consistent with subdued spending activity.
- Looking at the details, we take some mild encouragement from the age-cohort mix in terms of current conditions, with those with spending power (the 25-49er's) showing a gain in confidence.



Sources: ANZ, Roy Morgan

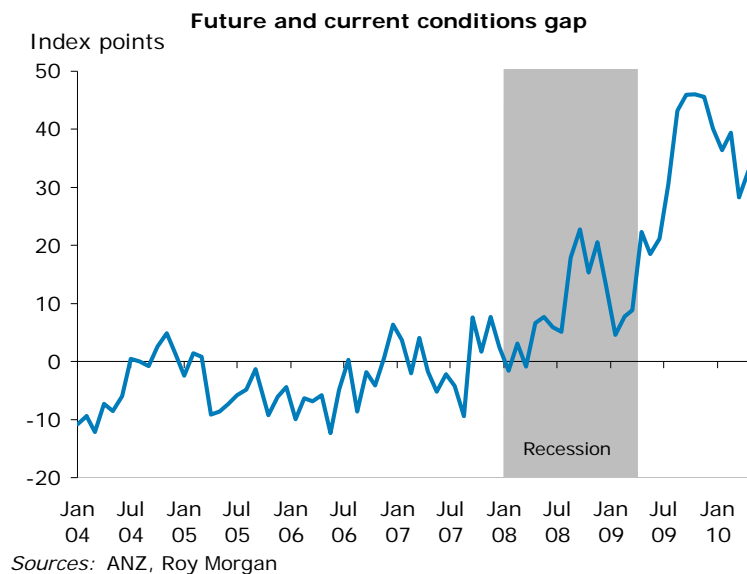
Three messages continue to permeate through the ANZ-Roy Morgan Consumer Confidence survey.

- **The aggregate level of confidence, at 121.9, remains robust.** This is effectively the same level of confidence recorded in March (121.8) and points to robust momentum being achieved across the economy, *at some stage*.
- **A material gap remains between consumers' assessment of future conditions and current conditions.** The future conditions index within the survey (a combination of expectations towards the economy 1 and 5 years out, and consumers' expected financial position a year out) rose to 135.1, up two points on the prior month. Conversely, the current conditions measure in our survey continues to wobble near the 100 level and at 102.3 is down nearly

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3 points on the month prior. A reading around 100 suggests consumers remain cautious in regards to spending.

- **The gap between future and current conditions is not surprising. However, the continuity of it is.** Divergences between expectations and reality are typical at turning points in the economic cycle. However, it is the persistence of this gap that continues to point to fundamental differences in the current recovery process relative to previous cycles (where historically strong recoveries have followed deep downturns). This “gap” has narrowed from a peak of 46 points in October 2009. However the current gap, at 33 points, remains large.



In terms of the key details, **confidence among male respondents ticked up** 4 points to 129.8, while females recorded a drop of 3 points to 114.5. Males were increasingly confident with regard to future conditions, lifting 8 points to 144.1. Females are more wary about current conditions, with April's figure slipping to the lowest since the end of last year.

Headline confidence across the age cohorts did not differ very much from last month. The 25-49 year age group was more confident about current conditions and less confident about future conditions. The younger and older age groups were the reverse, with future confidence increasing and current conditions easing.

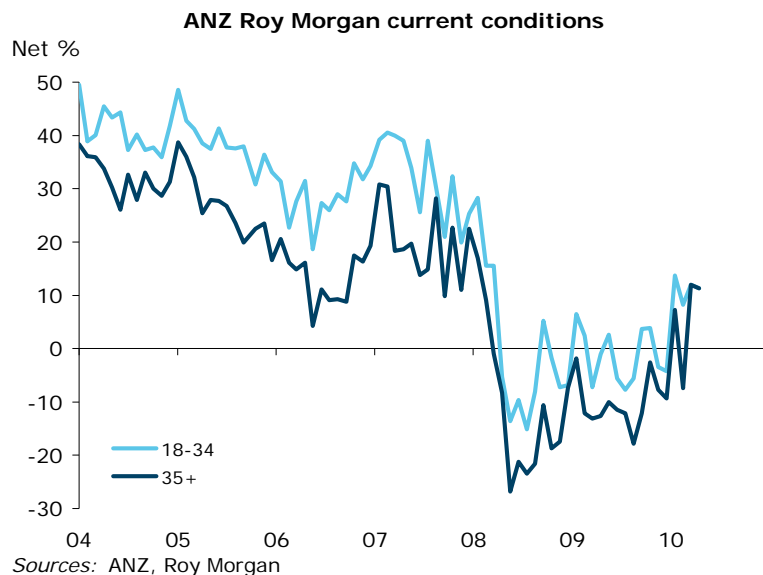
Confidence across the main centres showed an improvement in Auckland and Christchurch, but fell in Wellington. Auckland has the widest gap between current and future conditions. Current conditions in Auckland, at 99.5, slipped below the 100 level for the first time this year. Meanwhile, future conditions in the country's largest city lifted to a three month high of 144.5. The figures for Wellington and Christchurch are 125.0 and 137.0, respectively.

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FEATURE ANALYSIS

Over the past two years, there has been a pickup in consumer confidence, with the older aged cohorts recording the most dramatic turnaround in sentiment.

An analysis of core household expenditures by age shows that the younger age groups have been good spenders since the start of the decade. This has been a reflection of better access to consumer credit, a strong labour market and the possibility that they have given up saving for a home. Over the mid part of the last decade, expenditure by the 55+ age group also grew strongly, as they were the major beneficiaries of the house price boom.

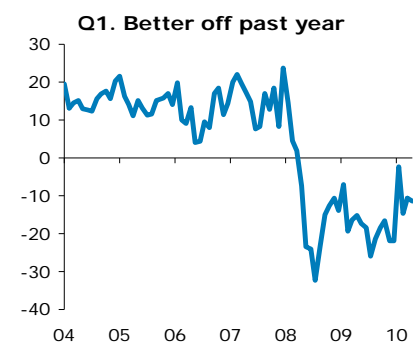


Those aged 35 years and over are feeling good about the current situation at present. In the above chart we have split the current conditions index into two age groups: 18-34 years old and 35+. January saw both age cohorts lifting into positive territory for the first time in two years, and positive confidence returned for both age cohorts in March and April. While both age groups have recorded a pick-up in current conditions from early 2008, the relative improvement has been more extreme for those aged over 35 years. The improvement in current conditions has been even more dramatic for the 35-49 year age group, which in mid-2008 had dropped to the lowest for any age cohort (a net balance of -35 percent). Also noteworthy is that readings for the 35+ age group have recently been on par with the 18-34 age group. This is the first time in the (admittedly short) history of the survey that the older cohort has matched the younger cohort.

Are the big spenders about to show us a good time? The improvement in the 35 year and over age group is more significant. This age band are the major "spenders" in the economy, given their income and wealth capacity. As such, the "mid-life" age group underpin a larger proportion of the consumption spending compared with the younger "early starters" age group.

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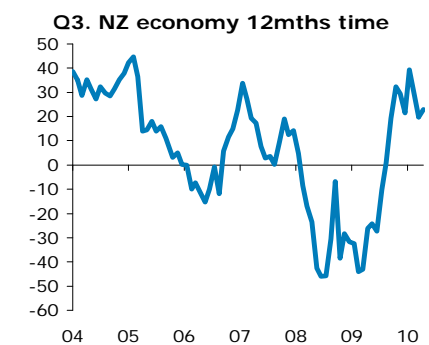
Survey Summary	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10
No. of Interviews	1,058	1,109	1,020	1,025	2,049	1,047	993	1,015
Q1. Would you say you and your family are better-off financially or worse off than you were at this time last year?								
Better Off	25	23	22	23	31	26	28	30
Worse Off	44	39	44	45	33	41	39	41
Net Balance	-18	-17	-22	-22	-2	-15	-11	-11
Q2. This time next year, do you and your family expect to be better-off financially or worse off than you are now?								
Better Off	56	56	57	55	61	57	53	56
Worse Off	12	12	13	15	10	17	20	18
Net Balance	44	43	44	40	50	40	33	38
Q3. Thinking of economic conditions in New Zealand as a whole. In the next 12 months, do you expect we'll have good times financially, bad times or some good and some bad?								
Good Times	48	53	52	47	57	53	48	48
Bad Times	28	21	22	25	17	24	28	26
Net Balance	19	32	29	22	39	29	20	23
Q4. Looking ahead, what would you say is more likely, that in New Zealand as a whole, we'll have continuous good times during the next five years or so, or we'll have bad times, or some good and some bad?								
Good Times	64	68	59	56	61	63	61	60
Bad Times	13	11	13	14	13	14	14	15
Net Balance	52	57	46	42	48	49	46	45
Q5. Generally, do you think now is a good time, or a bad time, for people to buy major household items?								
Good Time to Buy	45	48	48	48	53	49	52	50
Bad Time to Buy	41	35	38	37	32	34	32	34
Net Balance	3	13	10	11	22	15	20	16
ANZ Roy Morgan Consumer Confidence Rating (100 plus the unweighted average of the five net balances)								
Overall Index	120.0	125.9	121.5	118.6	131.4	123.6	121.8	121.9
Current Conditions	92.5	98.3	94.2	94.5	109.6	100.0	104.9	102.3
Future Conditions	138.4	144.3	139.7	134.6	146.0	139.4	133.1	135.1



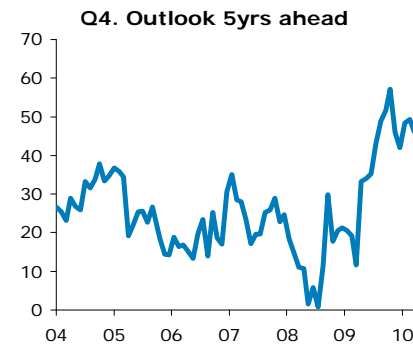
Sources: ANZ, Roy Morgan



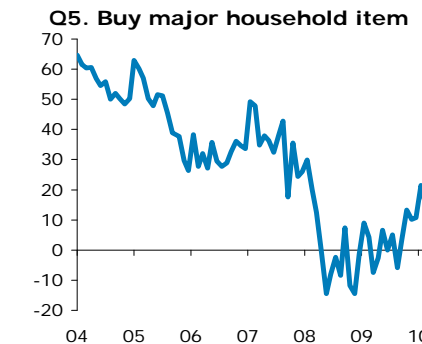
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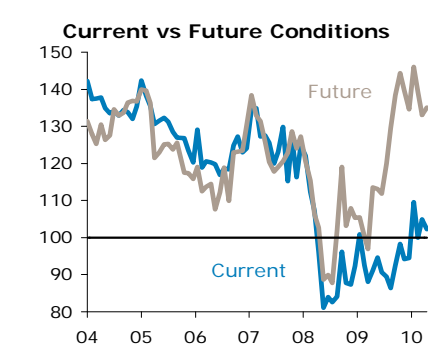
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The Bank (in respect of itself and its principal officers) makes the following investment adviser disclosure to you pursuant to section 41A of the Securities Markets Act 1988.

The Bank (in respect of itself and its principal officers) makes the following investment broker disclosure to you pursuant to section 41G of the Securities Markets Act 1988.

Qualifications, experience and professional standing

Experience

The Bank is a registered bank and, through its staff, is experienced in providing investment advice about its own securities and, where applicable, the securities of other issuers. The Bank has been selling securities, and providing investment advice on those securities, to customers as a core part of its business for many years, drawing on the extensive research undertaken by the Bank and its related companies and the skills of specialised staff employed by the Bank. The Bank is represented on many bank, finance and investment related organisations and keeps abreast of relevant issues by running seminars and workshops for relevant staff and having its investment adviser staff attend external seminars where appropriate. The Bank subscribes to relevant industry publications and, where appropriate, its investment advisers will monitor the financial markets.

Relevant professional body

The Bank is a member of the following professional bodies relevant to the provision of investment advice:

- New Zealand Bankers Association;
- Associate Member of Investment Savings & Insurance Association of NZ;
- Financial Markets Operations Association; and
- Institute of Finance Professionals.

Professional indemnity insurance

The Bank (and its subsidiaries), through its ultimate parent company Australia and New Zealand Banking Group Limited, has professional indemnity insurance which covers its activities including those of investment advisers it employs.

This insurance covers issues (including 'prior acts') arising from staff fraud, electronic crime, documentary fraud and physical loss of property. The scope of the insurance also extends to third party civil claims, including those for negligence. The level of cover is of an amount commensurate with the size and scale of the Bank.

The insurer is ANZcover Insurance Pty Limited.

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The Bank has a process in place for resolving disputes. Should a problem arise, you can contact any branch of the Bank for more information on the Bank's procedures or refer to any of the Bank's websites.

Unresolved complaints may ultimately be referred to the Banking Ombudsman, whose contact address is PO Box 10-573, Wellington.

Criminal convictions

In the five years before the relevant investment advice is given none of the Bank (in its capacity as an investment adviser and where applicable an investment broker) or any principal officer of the Bank has been:

- Convicted of an offence under the Securities Markets Act 1988, or the Securities Act 1978 or of a crime involving dishonesty (as defined in section 2(1) of the Crimes Act 1961);
- A principal officer of a body corporate when that body corporate committed any of the offences or crimes involving dishonesty as described above;
- Adjudicated bankrupt;

- Prohibited by an Act or by a court from taking part in the management of a company or a business;
- Subject of an adverse finding by a court in any proceeding that has been taken against them in their professional capacity;
- Expelled from or has been prohibited from being a member of a professional body; or
- Placed in statutory management or receivership.

Fees

At the time of providing this disclosure statement it is not practicable to provide accurate disclosure of the fees payable for all securities that may be advised on. However, this information will be disclosed to you should you seek advice from one of the Bank's investment advisers on a specific investment.

Other interests and relationships

When a security is sold by the Bank, the Bank may receive a commission, either from the issuer of a security or from an associated person of the Bank. Whether that commission is received and, if received, its value depends on the security sold. At the time of providing this disclosure statement it is not practicable to provide a detailed list of each security that may be advised on, the name of the issuer of that security and the rate of the commission received by the Bank. However, this information will be disclosed to you should you seek advice from one of the Bank's investment advisers on a specific investment.

In addition to the interest that the Bank has in products of which it is the issuer, the Bank, or an associated person of the Bank, has the following interests or relationships that a reasonable person would find reasonably likely to influence the Bank in providing the investment advice on the securities listed below:

- ANZ Investment Services (New Zealand) Limited (ANZIS), as a wholly owned subsidiary of the Bank, is an associated person of the Bank. ANZIS may receive remuneration from a third party relating to a security sold by the Investment Adviser.
- UDC Finance Limited (UDC), as a wholly owned subsidiary of the Bank, is an associated person of the Bank. UDC may receive remuneration from a third party relating to a security sold by the Investment Adviser.
- ING (NZ) Holdings Limited (ING), as a wholly owned subsidiary of the Bank, is an associated person of the Bank. ING and its related companies, including ING (NZ) Limited, may receive remuneration from a third party relating to a security sold by the Investment Adviser.
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The Bank provides investment advice on the following types of securities:

- Debt securities including term and call deposits, government stock, local authority stock, State-Owned Enterprise bonds, Kiwi bonds and corporate bonds and notes;
- Equity securities such as listed and unlisted shares;
- New Zealand and overseas unit trusts;
- Share in a limited partnership;
- Superannuation schemes and bonds;
- Group investment funds;
- Life insurance products;
- Derivative products including interest rate and currency forward rate contracts and options; and
- Other forms of security, such as participatory securities.

PROCEDURES FOR DEALING WITH INVESTMENT MONEY OR INVESTMENT PROPERTY

If you wish to pay investment money to the Bank you can do this in several ways such as by:



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- Providing cash;
- Providing a cheque payable to the relevant product or service provider and crossed 'not transferable'; or
- Making an automatic payment or payment through another electronic delivery mechanism operated by the Bank.

Investment property (other than money) may be delivered to the Bank by lodging the relevant property (for example, share certificates) with any branch of the Bank offering a safe custody service, or by posting (using registered post) the documents or other property to a branch of the Bank, identifying your name, account number and investment purpose.

Any investment money lodged with the Bank for the purchase of securities offered by the Bank, its subsidiaries or any third parties will be deposited in accordance with your instructions, to your nominated account or investment. Such money will be held by the Bank according to usual banking terms and conditions applying to that account or the particular terms and conditions relating to the investment and will not be held by the Bank on trust unless explicitly accepted by the Bank on those terms. Any investment money or property accepted by the Bank on trust will be so held until disbursed in accordance with your instructions. Any investment property lodged with the Bank will be held by the Bank as bailee according to the Bank's standard terms and conditions for holding your property.

Record Keeping

The Bank will keep adequate records of the deposit of investment moneys or property and all withdrawals and dealings with such money or property, using the account/investment number allocated to your investment. You may have access to those records upon request.

Auditing

The Bank's systems and operations are internally audited on a regular basis. The financial statements of the Bank and its subsidiaries are audited annually by KPMG. However, this does not involve an external audit of the receipt, holding and disbursement of the money and other property.

Use of Money and Property

Money or property held by the Bank for a specific purpose communicated to the Bank (e.g. the purchase of an interest in a security) may not be used by the Bank for its own purposes and will be applied for your stated purpose. No member of the Bank's staff may use any money or property deposited with the Bank, for their own purposes or for the benefit of any other person. In the absence of such instructions, money deposited with the Bank may be used by the Bank for its own purposes, provided it repays the money to you upon demand (or where applicable, on maturity), together with interest, where payable.

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