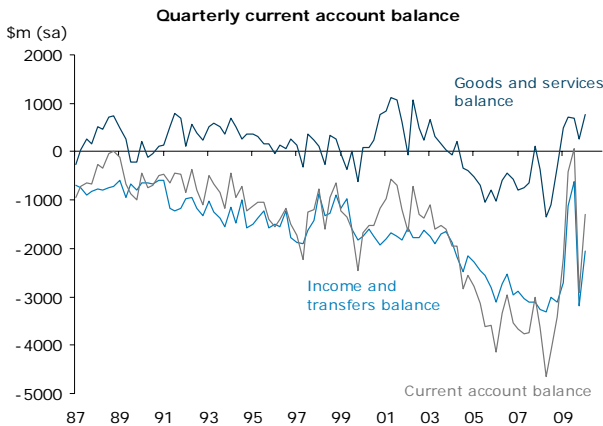


DATA REVIEW

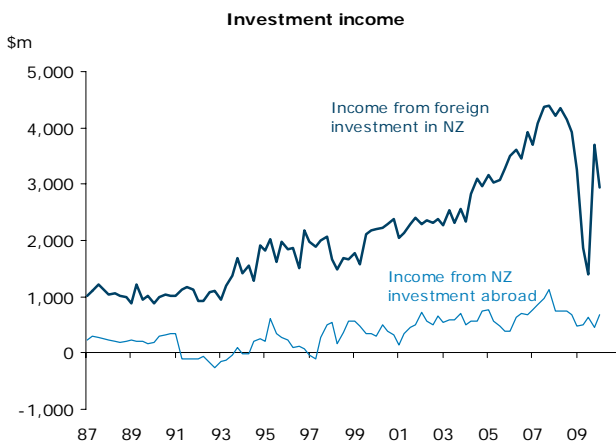
ASSESSMENT

A surplus of \$176m was recorded in the current account for Q1, better than market and our expectations. This resulted in a narrowing in the annual current account deficit to 2.4 percent of GDP (\$4.57bn), the narrowest since September 1989.



Sources: ANZ, National Bank, Statistics NZ

The biggest surprise was a lower than expected investment income deficit, which came in at \$2,265m, down from \$3,254m in the previous quarter. This largely reflected lower profits earned by direct investors on their NZ subsidiaries. Clearly, despite the economy continuing to expand, profitability remains challenging for corporate NZ. Also helping narrow the investment income deficit were higher returns from New Zealanders' investment abroad. Of the \$11bn turnaround in the annual current account deficit since its 2008 calendar year peak, more than half of this (\$6.1bn) has been driven by the declining investment income deficit.



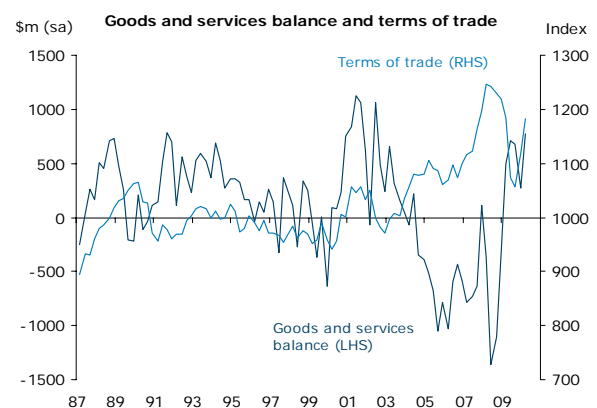
Sources: ANZ, National Bank, Statistics NZ

There were no further tax case related impacts in the March quarter. Recall that in the

December quarter around \$380m of the judgements were reversed adding to the investment income deficit. Even so, the decline from income in foreign investment in New Zealand was particularly noticeable. Over the last year the tax transactions were worth \$1.6bn; without them the current account deficit would have been 3.3 percent of GDP.

	Goods Balance (\$m) sa	Services Balance (\$m) sa	Inv. & Trsf. Balance (\$m) sa	Current Account Balance (\$m) sa	Current Account Balance (\$m) actual	Annual CAB as % of GDP
Dec-07	77	30	-3,107	-2,999	-3,464	-8.0
Mar-08	-350	-17	-3,273	-3,640	-2,081	-7.8
Jun-08	-1,162	-197	-3,301	-4,660	-3,830	-8.1
Sep-08	-867	-241	-3,008	-4,115	-6,061	-8.4
Dec-08	104	-420	-3,103	-3,418	-3,996	-8.7
Mar-09	738	-237	-2,699	-2,198	-681	-7.9
Jun-09	775	-64	-1,120	-409	367	-5.6
Sep-09	657	22	-617	62	-1,586	-3.2
Dec-09	295	-24	-3,190	-2,919	-3,414	-2.9
Mar-10	919	-146	-2,064	-1,291	176	-2.4
ANZ	-	-	-	-	-300	-2.7
Market	-	-	-	-	-275	-2.7

The goods and services balance was more or less in line with market expectations. In seasonally adjusted terms, the March quarter increase in goods exports was the first quarterly increase since December 2008, with the goods balance the highest since June 2001. Exports continue to benefit from improving commodity prices, with the value of dairy exports just below historical peaks. Rising import volumes for oil and intermediates contributed to the rise in seasonally adjusted import values, but these remain more than 10 percent below cyclical peaks.

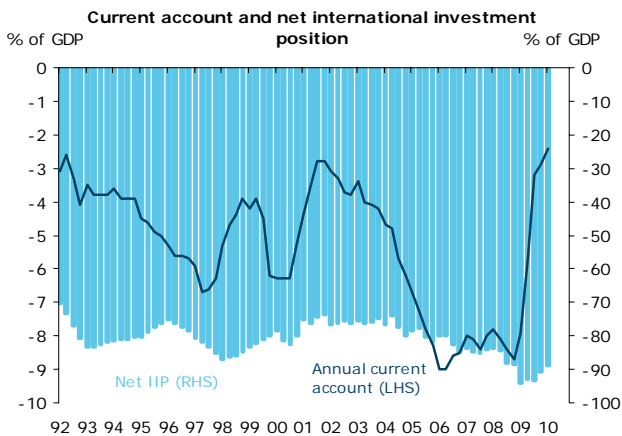


Sources: ANZ, National Bank, Statistics NZ

Over the last year, the \$5.1bn turnaround in the annual goods balance has been the second major driver of the narrowing current account deficit. Much of this is attributable to weaker import values, which are \$8.9bn lower than in the 2008 year. Whilst the higher NZD is playing a role, the demand for imports is likely to be at (or close to) a cyclical trough.

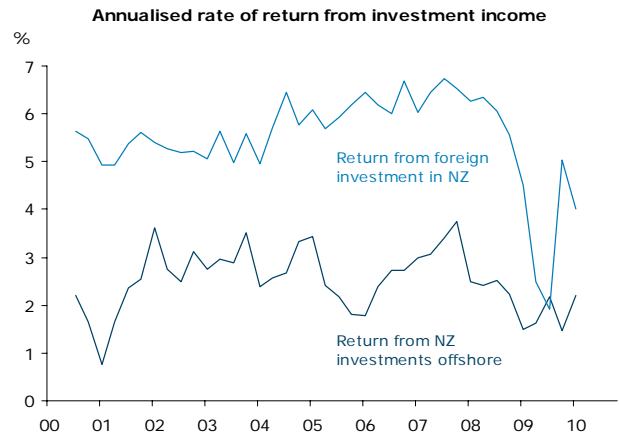
DATA REVIEW

The net international investment income position continued to improve, declining to -88.9 percent of GDP from -90.6 percent (negative \$166.7bn to \$168.2bn). Higher market values in overseas equities and lower short-term debt held by the banking system contributed to the decline. NZ's short-term overseas debt at 40.4 percent of total overseas debt is the lowest since the series began in Q2 2000, and reflects the RBNZ's new prudential liquidity policy.



We believe the trough in the current account deficit is near. As the economy continues to recover, we expect profitability of foreign owned firms to follow suit. The demand for imports is also expected to continue climbing from low levels. We expect the current account deficit to approach 4 percent by the end of the year.

However, at the heart of NZ's current account story is a structurally large investment income deficit due to the high net international liability position. This reflects a lack of private sector (and more recently government) saving and will take some time to improve. Not helping this situation is the fact that NZ owned assets offshore earn a substantially lower rate of return (2.2 percent annualised in Q1) compared to foreign owned assets in NZ (4 percent annualised).



Today's numbers point to ongoing rebalancing of the NZ economy. The improving goods and services balance suggests that the income earning part of the economy is becoming a more important driver of the economic expansion. While valuation impacts are temporarily lowering the value of overseas liabilities, the reality is that higher spending will need to be funded by increasing income to ensure our external position remains manageable. Failure to do so will have adverse consequences as markets reassess the risk of lending to New Zealand.

At the margin, we are comfortable with our 0.5 percent expectation for tomorrow's Q1 GDP release. Export volumes look to be slightly weaker than expectations, but this appears to be partly offset by weaker than expected import volumes. Whilst nominal GDP appears likely to surprise on the upside, lower income from overseas owned New Zealand companies suggest that profitability remains tight.

There are limited monetary policy implications from today's data. The current account deficit came in lower than the June MPS expectation, most likely on account of a lower investment income deficit. It also highlighted potential downside risks to Q1 GDP. However, evidence that the required rebalancing of the New Zealand economy is continuing will reassure the RBNZ.

IMPORTANT NOTICE

NEW ZEALAND DISCLOSURE INFORMATION

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.

Dispute resolution facilities

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.
- Direct Broking Limited (DBL), as a wholly owned subsidiary of the Bank, is an associated person of the Bank. DBL may receive remuneration from a third party relating to a security sold by the Investment Adviser.

Securities about which investment advice is given

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:



IMPORTANT NOTICE

- 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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