

NEW ZEALAND ECONOMICS ANZ COMMODITY PRICE INDEX

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The next issue of the *ANZ Commodity Price Index* is scheduled for release on: 1 June 2011 at 1pm.

PICK OF THE CROP

The ANZ Commodity Price Index posted a 1.6 percent increase in April. This represents the eighth consecutive monthly rise in the series, and takes the index to a new record high. The index has now doubled in value since the low point that was reached in February 2009, following the global financial crisis.

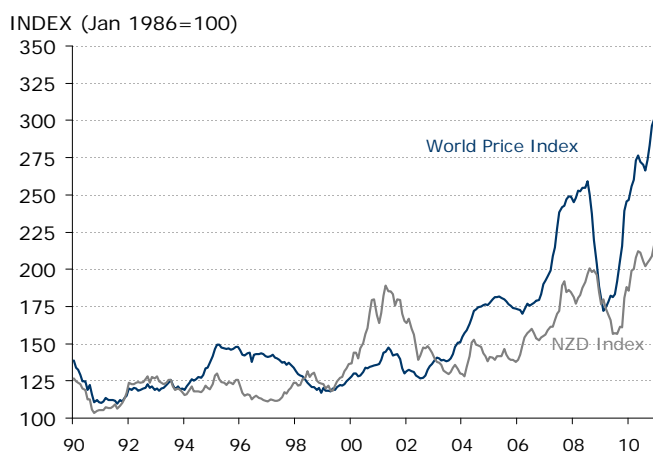
Price increases were measured across ten of the commodities included in the index, prices of three commodities were unchanged and four commodity prices weakened in April.

The largest increase recorded in April was for the price of apples. This reflects a lift in prices as the first of the new season export crop reached the northern hemisphere markets. While the export price of apples was up 41 percent from the end of last year's season, they are, nevertheless, 7 percent below the level recorded at the same time a year ago. **The price of skins recorded the second largest increase,** lifting 19 percent in the month. **Casein prices posted an 11 percent rise,** at a time when the prices of other dairy products were flat or weakening. Wool prices increased 8 percent and lamb prices increased 4 percent. Forestry prices were higher, primarily reflecting the effect of the Japanese tsunami. Log prices lifted 6 percent, while the prices of wood pulp and sawn timber both increased 4 percent. Aluminium and beef prices also increased in April, up 5 and 1 percent respectively.

The price of milk powders eased between 5 and 6 percent, dependent on the level of milk fat content. The price of butter decreased 1 percent, with the overall price level of all the dairy components combined dropping 2½ percent. Seafood prices eased a quarter of a percent in April, while the price of kiwifruit, venison and cheese were all unchanged in the month.

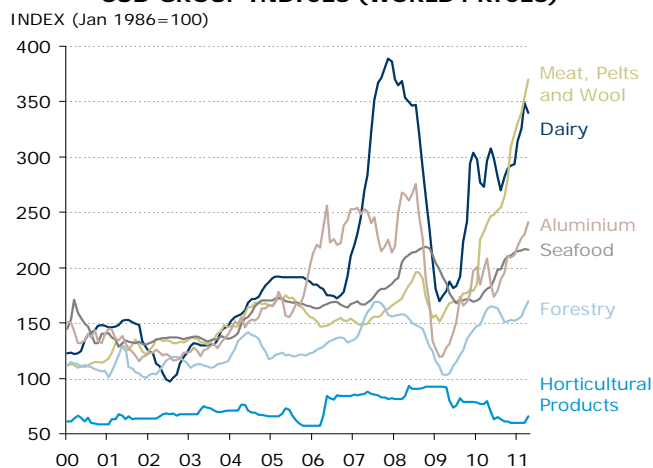
The value of the New Zealand dollar recovered in April, after dipping in March. Consequently **the ANZ NZD Commodity Price Index was weaker in April,** easing 3.9 percent from March. However, the NZD valued series remains elevated, with April's value the second-highest level since the series began in 1986.

ANZ COMMODITY PRICE INDEX

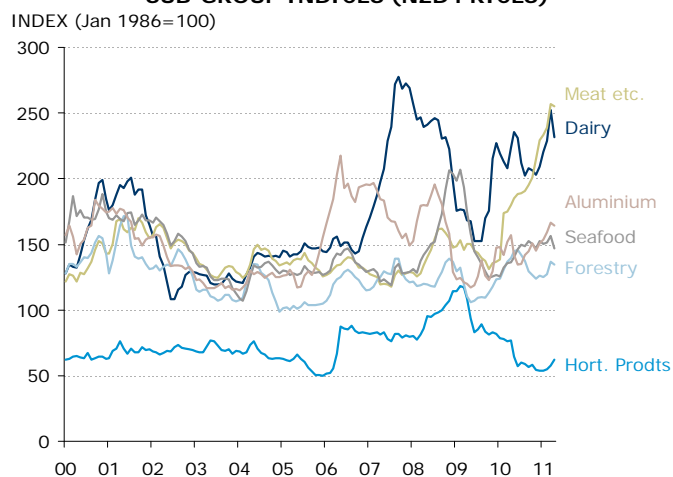


ANZ COMMODITY PRICE INDEX

SUB-GROUP INDICES (WORLD PRICES)



SUB-GROUP INDICES (NZD PRICES)



	World Price Index	Monthly % Change	Annual % Change	NZ\$ Index	Monthly % Change	Annual % Change
Apr-07	209.0	n.a.	21.0	161.3	n.a.	4.5
Apr-08	252.3	n.a.	20.7	182.9	n.a.	13.4
Apr-09	178.4	n.a.	-29.3	169.2	n.a.	-7.5
Apr-10	273.2	n.a.	53.2	207.7	n.a.	22.8

Nov-10	296.1	4.5	23.7	208.9	1.3	15.7
Dec-10	301.9	2.0	23.0	218.3	4.5	16.1
Jan-11	313.3	3.8	27.2	223.2	2.3	20.4
Feb-11	321.8	2.7	25.9	229.7	2.9	15.3
Mar-11	337.1	4.8	29.6	248.4	8.1	24.2
Apr-11	342.5	1.6	25.4	238.7	-3.9	14.9

Commodity Price Index weights are based on contributions to merchandise exports. Weights for the 2011 year are: Wool 3.3%; Beef 8.8%; Lamb 12.4%; Venison 0.9%; Skins 2.0%; Dairy 41.6%; Apples 1.5%; Kiwifruit 4.5%; Logs 6.1%; Sawn Timber 4.7%; Wood Pulp 2.8%; Seafood 5.9%; Aluminium 5.5%

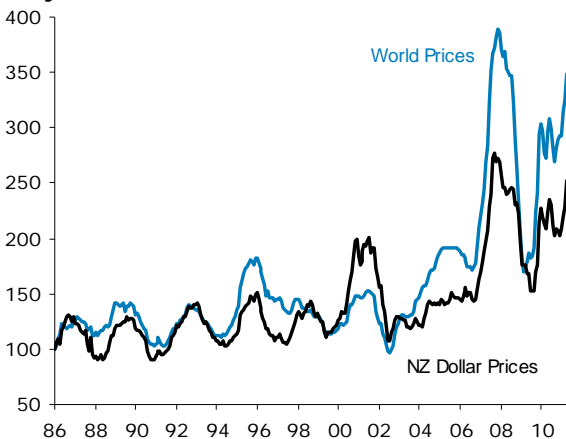
FEATURED COMMODITY: DAIRY

International dairy prices have had a rollercoaster ride over recent years. In 2007, prices doubled within 12 months, then slipped back to previous levels equally rapidly, only to recover 90 percent of the fall over the next two years.

New Zealand has one of the lowest-cost milk production systems in the world. This comparative advantage has helped in NZ contributing about a third of the world's trade in dairy products; and accordingly dairy products form the largest chunk of New Zealand's merchandise export basket. In the twelve months to March 2011 dairy products amounted to over \$11.6 billion of the \$44.2 billion of our total overseas merchandise trade. Dairy products can be broadly broken down into milk powders, butter and cream products, cheese, casein and whey. Milk powders account for nearly half of New Zealand's dairy product exports. Casein is a by-product from milk that is used to make baking products, emulsifiers, adhesives and plastics. Whey is the portion of milk left after cheese and casein is made, and is primarily used to make food products.

New Zealand's dairy farming industry is concentrated in the North Island, which has over three quarters of all dairy farms. The South Auckland and Waikato areas account for a third of all dairy cattle in New Zealand. Canterbury is the next most populated region, with 15 percent of dairy cattle. Taranaki and Southland have 10 and 9 percent respectively.

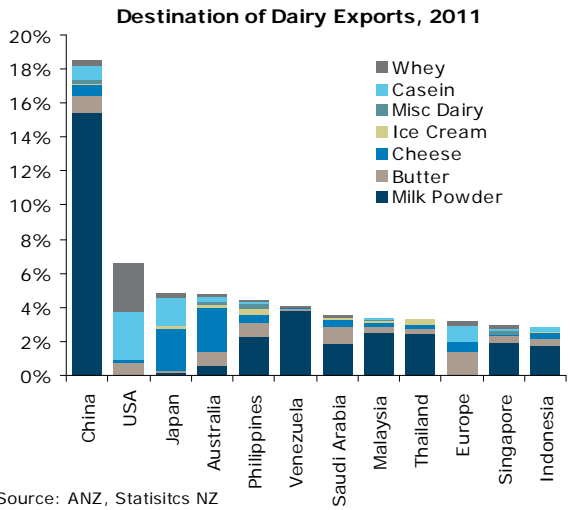
Dairy Price Index



Source: ANZ

International dairy prices have had a roller coaster rise over the past few years. The surge over 2006-07 was due to an Australian drought restricting supply, combined with news of European countries phasing out export subsidies. As a consequence of the global financial crisis and some fringe dairy

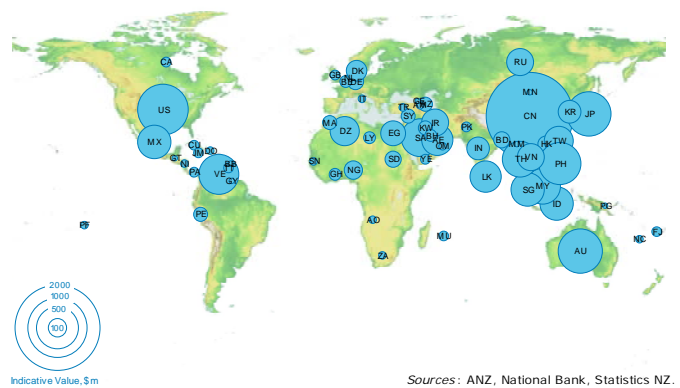
exporting nations gradually increasing production, global dairy prices fell back sharply. An improvement in the world economy and renewed demand from China has resulted in dairy prices rising since 2009.



Source: ANZ, Statistics NZ

The range of markets to which New Zealand's dairy products are exported to is large and diverse. Nearly half of New Zealand's dairy products are exported to East Asia, 17 percent is sent to the Arab and the Middle East, and 10 percent is shipped to North and Central America. Milk powder is predominantly sent to developing countries. The main dairy products supplied to the United States are casein and whey. Japan and Australia are major markets for cheese.

Destination of NZ's Dairy Exports (>NZ\$10m)



Sources: ANZ, National Bank, Statistics NZ.

In 2009, China overtook the United States as our largest single market for dairy product exports. In the last two years milk powder exports to China have surged, so much so that China now takes three times the value of the United States. This is partly due to consumer switching from locally produced milk powder, following the melamine tainted milk scare

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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.

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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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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:

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- 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.
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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:

- Providing cash;



IMPORTANT NOTICE

- 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.

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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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