

ANZ-ROY MORGAN CONSUMER CONFIDENCE

THE PRESENT IS LOOKING BETTER

JUNE 2010

CONTACTS

Khoon Goh, Senior Markets Economist
+64 4 802 2357
Khoon.Goh@anz.com

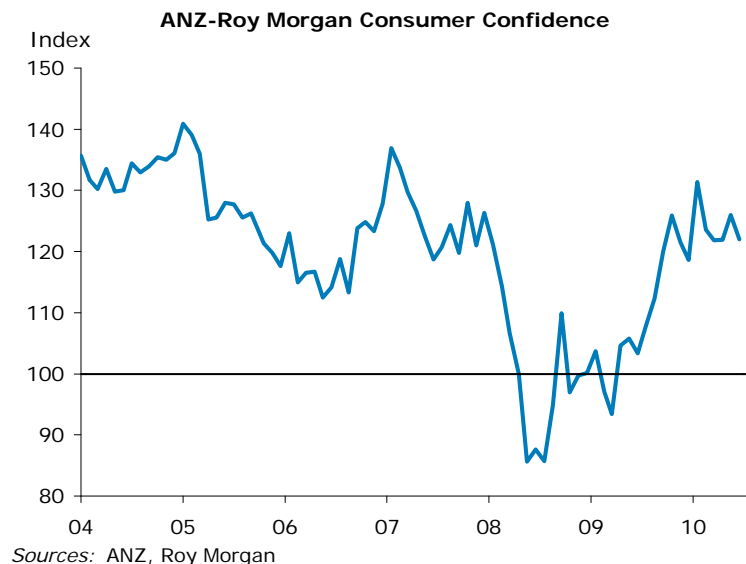
Mark Dansey, Roy Morgan
+64 9 912 7032
Mark.Dansey@roymorgan.com

SUMMARY

- Consumer confidence in June erased the previous month's gains, falling 4 points. But at 122.0, the index is still elevated and indicates more optimists than pessimists.
- The gap between current and future conditions has narrowed, with more consumers seeing it as a good time to purchase a major household item.
- Financially, consumers are yet to fully recover from the effects of the recession, but are getting close to doing so.

The ANZ-Roy Morgan Consumer Confidence measure fell 4 points in June. However, the overall level remains positive at 122.0, though it is off the recent peak of 131.4 recorded in January this year. Confidence has effectively been unchanged in trend terms over the past four months.

The gap between current and future conditions continue to narrow, courtesy of a 3.6 point increase in the former to 111.8 and a 9 point decline in the latter to 128.8.

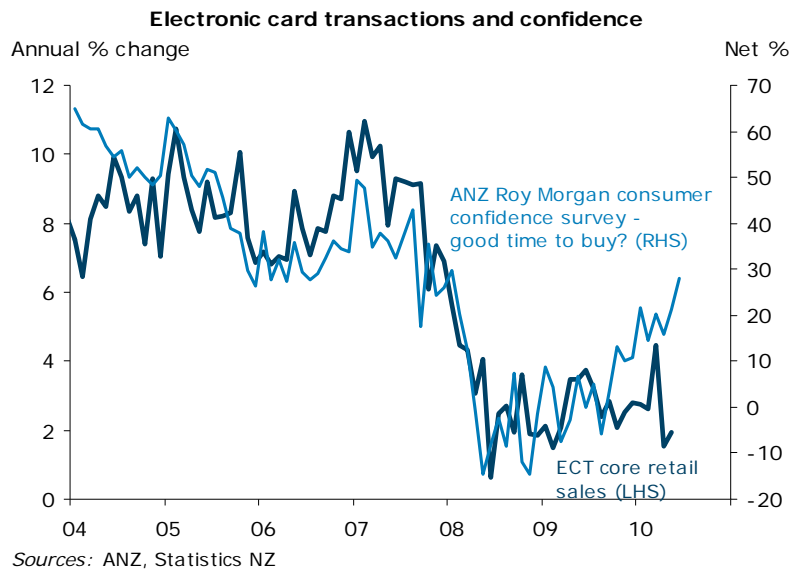


This month's survey captured some significant events that had the potential to influence consumers' perception towards their own situation and that of the broader economy. It is the first sample of data to take in the impact of the New Zealand Government's Budget, Fonterra's better than expected forecast payout for the 2010/11 season, the escalation of the sovereign debt crisis in Europe which resulted in global market volatility, and the decision by the Reserve Bank of New Zealand to increase the official cash rate by 25 basis points to 2.75 percent. While the headline confidence measure effectively erased the gain seen in May, there were some larger than usual movements within the component questions.

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There was a 10 point decline in the proportion of respondents who expect to be financially better off next year. It is uncertain how much of this has been influenced by the Budget's tax package, which sees a rise in GST from 1 October, but which has been more than compensated for by personal income tax cuts. There was a 9 point drop in the proportion of respondents who think the New Zealand economy will have better times over the next 12 months, and a 8 point drop in those expecting better times over the next five years.

Offsetting this was a 7 point increase in those thinking now was a good time to purchase a major household item. How much of this was partly influenced by pending GST increases is uncertain. If the rise in this component proves to be a temporary response to the GST increase, it suggests that the "true" level of confidence may be less optimistic than what the headline index implies. We note that a net 5 percent of respondents still feel financially worse off now than a year ago, which is unchanged from the previous month. In addition, expectations of the inflation rate two years out remain unchanged at 3.8 percent, an indication perhaps that respondents understand the one-off nature that the GST impact will have on inflation. Should the increase in those looking to buy a major household item translate through into action, we should see a pick-up in retail sales over the coming months, off current subdued levels. Interestingly, it is the 18-24 and 50+ age groups that recorded sharp increases in respondents thinking it is a good time to buy. The reading for the 50+ age group is the highest since November 2007.

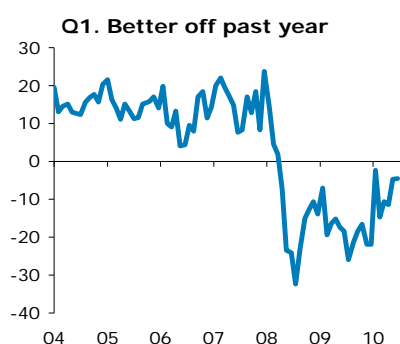


Looking at confidence levels across the country, Auckland still has the highest level of confidence, though the reading was broadly unchanged from the previous month, at 128.8. The South Island (excluding Canterbury) recorded a sizeable 14 point decline in confidence to 111.8, overtaking Wellington in becoming the least optimistic region in the country.

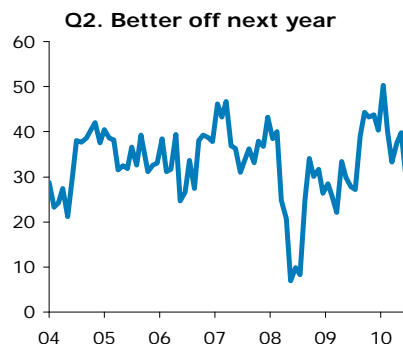
Amongst the age cohorts, confidence rose in the under 25 age bracket, while those 25+ recorded falls in confidence. This was driven by the perception among the younger respondents that they are financially better off now compared to a year ago, and that more of them expect to become financially better off next year.

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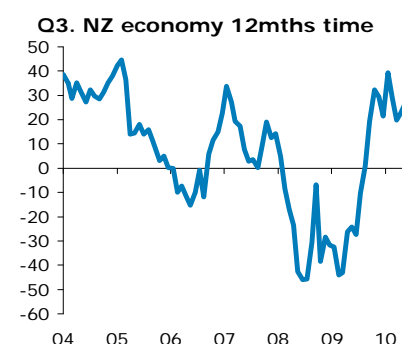
Survey Summary	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10
No. of Interviews	1,020	1,025	2,049	1,047	993	1,015	995	1,075
Q1. Would you say you and your family are better-off financially or worse off than you were at this time last year?								
Better Off	22	23	31	26	28	30	31	30
Worse Off	44	45	33	41	39	41	35	35
Net Balance	-22	-22	-2	-15	-11	-11	-5	-5
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	57	55	61	57	53	56	56	53
Worse Off	13	15	10	17	20	18	16	23
Net Balance	44	40	50	40	33	38	40	29
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	52	47	57	53	48	48	53	44
Bad Times	22	25	17	24	28	26	26	26
Net Balance	29	22	39	29	20	23	27	18
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	59	56	61	63	61	60	61	56
Bad Times	13	14	13	14	14	15	14	17
Net Balance	46	42	48	49	46	45	47	39
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	48	48	53	49	52	50	54	56
Bad Time to Buy	38	37	32	34	32	34	32	28
Net Balance	10	11	22	15	20	16	21	28
ANZ Roy Morgan Consumer Confidence Rating (100 plus the unweighted average of the five net balances)								
Overall Index	121.5	118.6	131.4	123.6	121.8	121.9	126.0	122.0
Current Conditions	94.2	94.5	109.6	100.0	104.9	102.3	108.3	111.8
Future Conditions	139.7	134.6	146.0	139.4	133.1	135.1	137.8	128.8



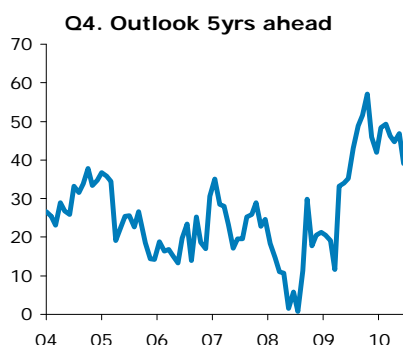
Sources: ANZ, Roy Morgan



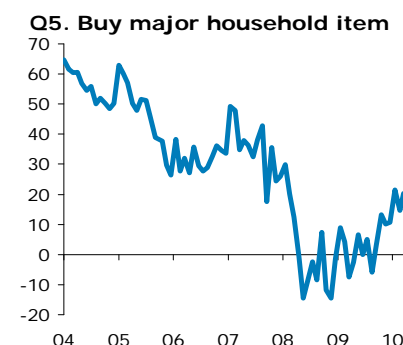
Sources: ANZ, Roy Morgan



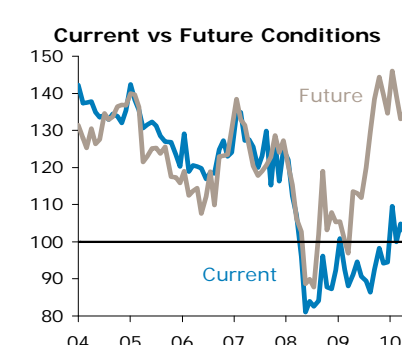
Sources: ANZ, Roy Morgan



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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.

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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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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.

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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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