

ANZ-ROY MORGAN CONSUMER CONFIDENCE FEELING LESS POSITIVE ABOUT NEXT YEAR

JULY 2010

CONTACTS

Khoon Goh, Head of Market Economics and Strategy
+64 4 802 2357
Khoon.Goh@anz.com

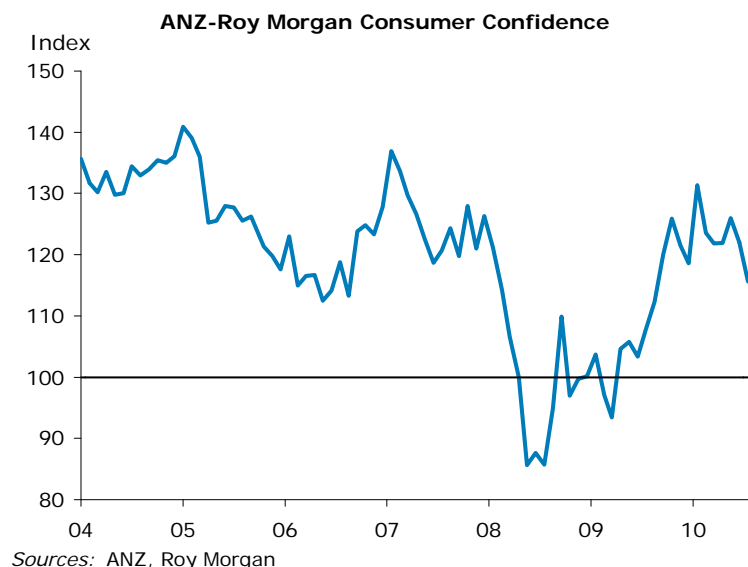
Mark Dansey, Roy Morgan
+64 9 912 7032
Mark.Dansey@roymorgan.com

SUMMARY

- Consumer confidence fell for the second consecutive month, as less people feel confident about the outlook for the economy in 12 months time.
- Consumers are also feeling the financial pinch, and last month's rise in intentions to purchase a major household item reverses.
- The labour market may be improving, but there are plenty of other influences working in the opposite direction. It looks like households will remain cautious with their spending for a while.

The ANZ-Roy Morgan Consumer Confidence measure fell 6 points in July. While off its recent peak of 131.4 in January, the overall level of household sentiment remains positive at 115.6. However, it has now fallen below the historical average of 119.6, and is the lowest reading in almost a year.

What is unclear is the extent that recent global market volatility played in this month's fall. Ongoing sluggishness in the housing market, with house prices still under downward pressure, is no doubt weighing. And price increases for electricity and petrol as the emissions trading scheme came into effect from 1 July could also have been a factor behind consumers feeling less confident. There are certainly positives out there, including an improving labour market, which official figures out in two weeks time will no doubt show. Longer term fixed mortgage rates have fallen, and those tax cuts are getting ever closer. But it seems the negatives are outweighing the positives in the consumers' minds at present.



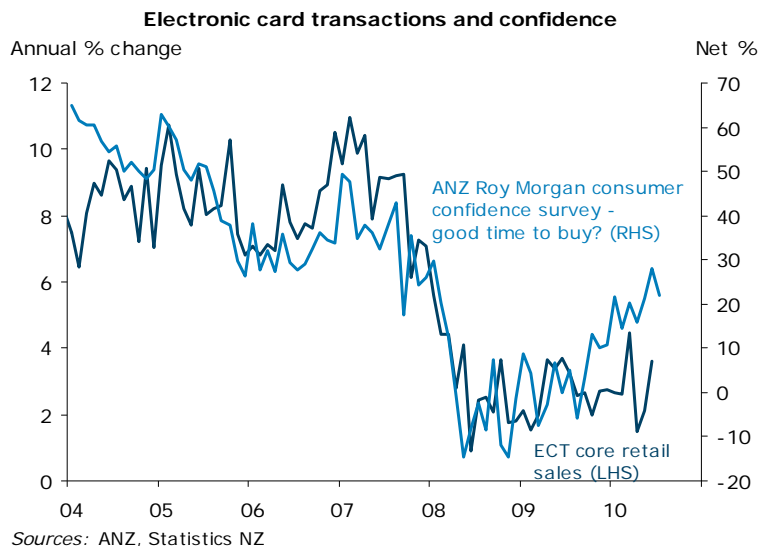
ANZ-ROY MORGAN CONSUMER CONFIDENCE

Out of the five component questions that make up the confidence measure, only one showed an increase. This was the question relating to consumers' prospects for the economy over the longer term. Even then, the increase was small at +3, and comes after an 8 point decline in the previous month.

The biggest drop among the component questions was the one regarding the outlook for the New Zealand economy in a year's time. Only a net 3 percent of respondents expected better times next year, down 15 points from the previous month. This is the largest monthly decline since October 2008, right after the collapse of Lehmans, which heralded the start of the Global Financial Crisis. While we do not think recent global concerns will have anywhere near the same effect this time, consumers are clearly getting worried.

Despite the economy out of recession for well over a year now, consumers are still feeling the recessionary effects on their own finances. More respondents felt financially worse off now compared to last year (down 9 points), and this reading has been in negative territory since April 2008. There was also a decline in the proportion of respondents expecting to be better off next year.

Last month's increase in the proportion of respondents thinking it is a good time to purchase a major household item was reversed this month. We wondered if last month's reading was influenced by a "beat the GST increase" dynamic. The pullback this month suggests there may be some of that at play. While the current reading at +22 is still consistent with a pick-up in retail spending in the months ahead, it is not pointing to a big spending surge that the retail sector had been hoping for.



Both the future and current conditions indexes fell, with the latter falling by more, leading to a slight widening in the gap between the two. The trend since early this year has been for the large gap between future and current conditions to narrow, mainly from the former falling towards the latter, as the reality of a slower than usual cyclical recovery starts to dawn on consumers.

ANZ-ROY MORGAN CONSUMER CONFIDENCE

The drop in confidence was mirrored across both sexes. Males recorded a slightly larger drop in confidence, falling 7 points from a month earlier, to 120.2. Females recorded a 6 point drop in sentiment, trimming the overall level of confidence down to 111.3.

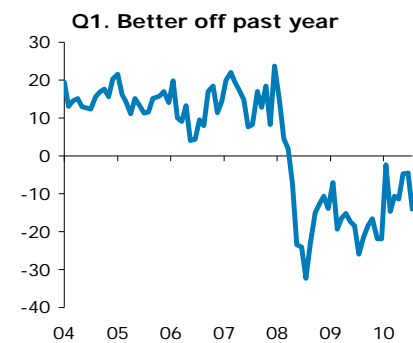
Confidence dropped across the age bands except for the 25-34 year old cohort. The two youngest age cohorts had the largest drop in confidence. After a lift last month, confidence among the 18-24 year olds dropped 12 points to 128.3. The 14-17 year old age band reported a 10 point drop in confidence, to 134.7. Confidence slipped 7 points for the 35-49 year age group, while the over 50 year olds recorded an 8 point fall in confidence, to 104.1. The 25-34 year old group recorded a 4 point rise in confidence, to 129.9.

Consumer sentiment was down in the North Island and Canterbury but rose in the remainder of the South Island.

Auckland reported the largest fall in confidence, dropping 14 points to 114.8 – behind Wellington on 116.0 (down 4 points) and Canterbury's 119.3 (down 3 points). The South Island excluding Canterbury recorded a 9 point lift in confidence to 120.3 – the highest of the five areas we measure.

ANZ-ROY MORGAN CONSUMER CONFIDENCE

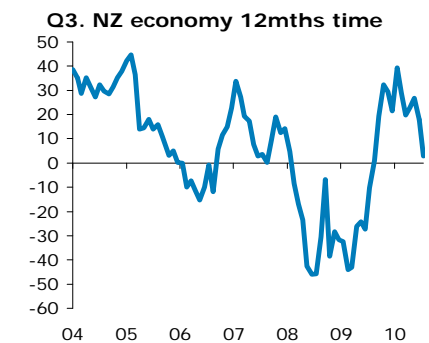
Survey Summary	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10
No. of Interviews	1,025	2,049	1,047	993	1,015	995	1,075	1,062
Q1. Would you say you and your family are better-off financially or worse off than you were at this time last year?								
Better Off	23	31	26	28	30	31	30	27
Worse Off	45	33	41	39	41	35	35	41
Net Balance	-22	-2	-15	-11	-11	-5	-5	-14
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	55	61	57	53	56	56	53	48
Worse Off	15	10	17	20	18	16	23	23
Net Balance	40	50	40	33	38	40	29	26
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	47	57	53	48	48	53	44	36
Bad Times	25	17	24	28	26	26	26	33
Net Balance	22	39	29	20	23	27	18	3
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	56	61	63	61	60	61	56	58
Bad Times	14	13	14	14	15	14	17	16
Net Balance	42	48	49	46	45	47	39	42
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	53	49	52	50	54	56	53
Bad Time to Buy	37	32	34	32	34	32	28	31
Net Balance	11	22	15	20	16	21	28	22
ANZ Roy Morgan Consumer Confidence Rating (100 plus the unweighted average of the five net balances)								
Overall Index	118.6	131.4	123.6	121.8	121.9	126.0	122.0	115.6
Current Conditions	94.5	109.6	100.0	104.9	102.3	108.3	111.8	104.0
Future Conditions	134.6	146.0	139.4	133.1	135.1	137.8	128.8	123.4



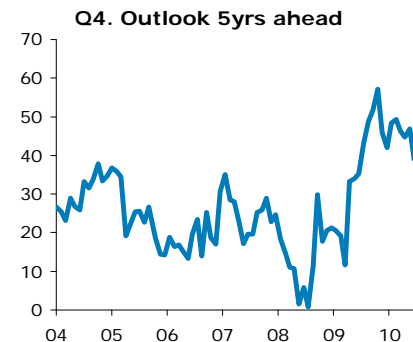
Sources: ANZ, Roy Morgan



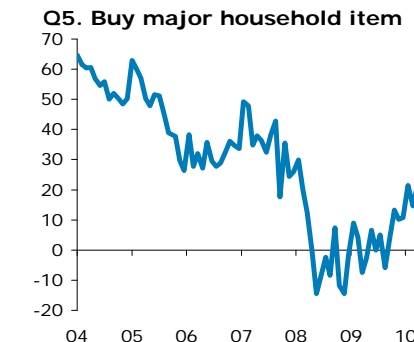
Sources: ANZ, Roy Morgan



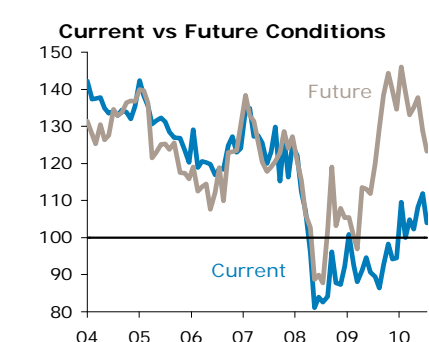
Sources: ANZ, Roy Morgan



Sources: ANZ, Roy Morgan



Sources: ANZ, Roy Morgan



Sources: ANZ, Roy Morgan

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.

NEW ZEALAND DISCLAIMER

The Bank does not provide investment advice tailored to an investor's personal circumstances. It is the investor's responsibility to understand the nature of the security subscribed for, and the risks associated with that security. To the maximum extent permitted by law, the Bank excludes liability for, and shall not be responsible for, any loss suffered by the investor resulting from the Bank's investment advice.

Each security (including the principal, interest or other returns of any security) the subject of investment advice given to the investor by the Bank or otherwise, is not guaranteed, secured or underwritten in any way by the Bank or any associated or related party except to the extent expressly agreed in the terms of the relevant security.

This document is provided for informational purposes only and does not constitute an offer to sell or solicitation to buy any security or other financial instrument. No part of this document can be reproduced, altered, transmitted to, copied to or

distributed to any other person without the prior express permission of the Bank.

This document is a necessarily brief and general summary of the subjects covered and does not constitute advice. You should obtain professional advice before acting on the basis of any opinions or information contained in it. The information contained in this document is given in good faith, has been derived from sources perceived by it to be reliable and accurate and the Bank shall not be obliged to update any such information after the date of this document. Neither the Bank nor any other person involved in the preparation of this document accepts any liability for any opinions or information (including the accuracy or completeness thereof) contained in it, or for any consequences flowing from its use.

UNITED STATES DISCLAIMER

This document is being distributed in the United States by ANZ Securities, Inc. (Member of FINRA [www.finra.org] and SEC) ("ANZ S") (an affiliated company of Australia and New Zealand Banking Group Limited ("ANZBG") and the Bank), which accepts responsibility for its content. Further information on any securities referred to herein may be obtained from ANZ S upon request. Any US person(s) receiving this document and wishing to effect transactions in any fixed income securities referred to herein should contact ANZ S 277 Park Avenue, 31st Floor, New York, NY 10172, USA, Tel: 1-212-801-9160, Fax: 1-212-801-9163, not its affiliates.

This document is issued on the basis that it is only for the information of the particular person to whom it is provided. This document may not be reproduced, distributed or published by any recipient for any purpose. This document does not take into account your personal needs and financial circumstances. Under no circumstances is this document to be used or considered as an offer to sell, or a solicitation of an offer to buy.

In addition, from time to time ANZBG, the Bank, ANZ S, their affiliated companies, or their respective associates and employees may have an interest in any financial products (as defined by the Australian Corporations Act 2001), securities or other investments, directly or indirectly the subject of this document (and may receive commissions or other remuneration in relation to the sale of such financial products, securities or other investments), or may perform services for, or solicit business from, any company the subject of this document. If you have been referred to ANZBG, the Bank, ANZ S or their affiliated companies by any person, that person may receive a benefit in respect of any transactions effected on your behalf, details of which will be available upon request.

The information herein has been obtained from, and any opinions herein are based upon, sources believed reliable. The views expressed in this document accurately reflect the author's personal views, including those about any and all of the securities and issuers referred to herein. The author however makes no representation as to its accuracy or completeness and the information should not be relied upon as such. All opinions and estimates herein reflect the author's judgement on the date of this document and are subject to change without notice. No part of the author's compensation was, is or will be directly or indirectly related to specific recommendations or views expressed in this document. ANZBG, the Bank, ANZ S, their affiliated companies, their respective directors, officers, and employees disclaim any responsibility, and shall not be liable, for any loss, damage, claim, liability, proceedings, cost or expense ("Liability") arising directly or indirectly (and whether in tort (including negligence), contract, equity or otherwise) out of or in connection with the contents of and/or any omissions from this communication except where a Liability is made non-excludable by legislation.