

ANZ-ROY MORGAN CONSUMER CONFIDENCE SUMMER FEEL GOOD FACTOR

JANUARY 2011

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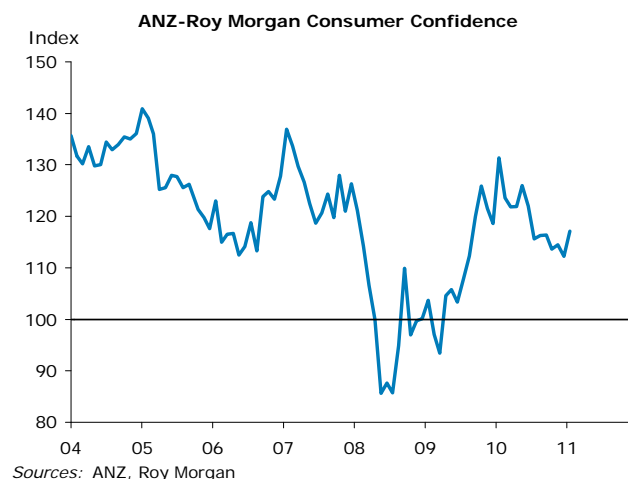
SUMMARY

- Consumer confidence lifted in January, though this appears somewhat seasonal in nature.
- Consumers' view regarding current conditions has returned above the 100 threshold for the first time in five months.
- While encouraged by the lift we see little in today's survey (the first for 2011) that flags a material change in household's cautious stance.

The ANZ-Roy Morgan Consumer Confidence measure lifted five points to 117.1 in January.

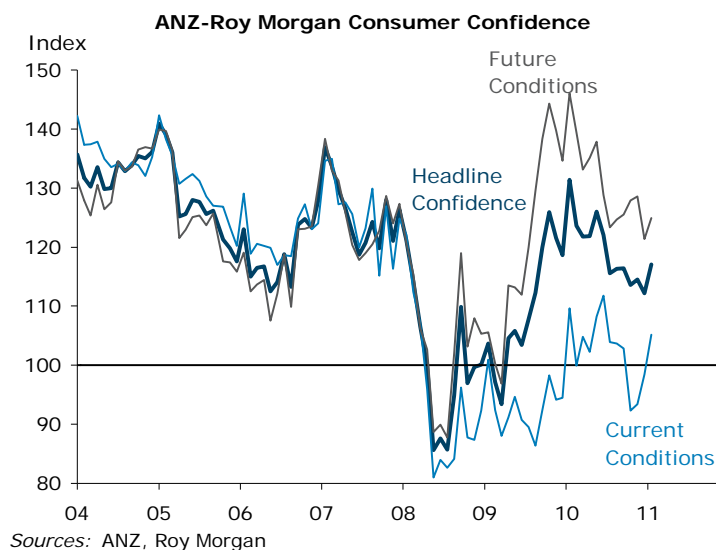
The Current Conditions index rose seven points to 105.2 (previously 98.5). This is the first time since September that consumer's perception towards current conditions has been above the key 100 threshold. Leading the lift in current sentiment was a recovery in the perception towards whether it was a good time to buy a major household item (from +10 to +20) and less negative perception by respondents towards their current financial position relative to a year ago. A net 9 percent of consumers still feel worse off relative to last year, but at least this was an improvement on the net -14 percent last month.

The Future Expectations component lifted from 121.4 to 125.0. This was underpinned by modest lifts in perception towards financial wellbeing and economic prospects over the coming year.



While encouraging, seasonal factors appear to account for the lift in sentiment. If we remove the mild seasonal factor apparent in consumer confidence, headline confidence was unchanged and the current conditions component was actually down marginally. Hence, **the overall message remains one of caution by households towards spending.**

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Looking at the detail, **males recorded a larger increase in confidence**, lifting 7 points to 124. Females recorded a 3 point increase in confidence to 110. The improvement was evident in current and future conditions, with males reporting relatively stronger increases in confidence than females. Both sexes recorded higher expectations of inflation and house price growth.

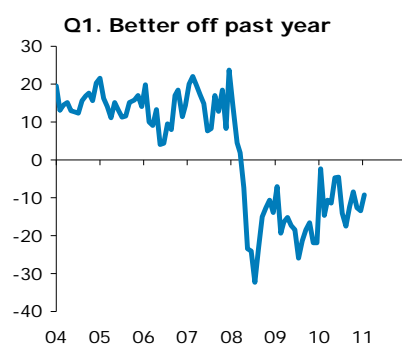
Confidence was up over all the age cohorts except the youngest group (14-17 years). **The largest increases were measured in the two middle age brackets: 25-39 and 35-49 year olds.** This augurs well for the retailing sector and the wider economy, as these groups hold the largest spending power. Current and future conditions were both higher for the older age brackets. Expectations of inflation and house price growth were higher across all age groups, with the younger groups generally expecting higher inflationary pressures.

Confidence was up in every region except Auckland. **Wellington topped the survey with an index value of 121.** Canterbury was the second most confident ranked region on 119. Looking at the current conditions measures reveals that Cantabrians were just as confident as Wellingtonians, but with respect to future conditions, Auckland was one point higher than the Capital region.

Both our inflationary gauges lifted in the month. House prices are expected to rise 2.1 percent per year on average over the next 2 years, lifting from December's 1.5 percent, but below 2.3 percent in November. Households expect general inflation to average 3.9 percent (up from 3.5 percent in December). It is too early to see if such movements flag a turning trend as allowing for the general positive bias in such measures, the rates are still low. However, it is an area worth watching.

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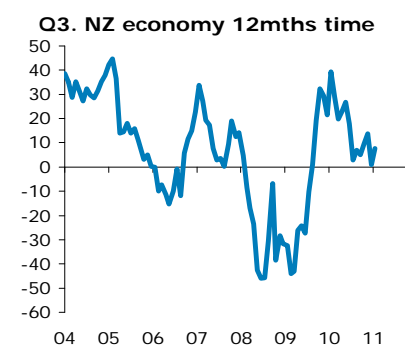
Survey Summary	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11
No. of Interviews	1,075	1,062	1,035	1,021	1,071	1,008	1,060	2,093
Q1. Would you say you and your family are better-off financially or worse off than you were at this time last year?								
Better Off	30	27	24	26	28	25	27	30
Worse Off	35	41	41	39	36	38	40	39
Net Balance	-5	-14	-18	-12	-9	-13	-14	-9
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	53	48	49	48	48	47	46	50
Worse Off	23	23	20	19	18	17	18	18
Net Balance	29	26	29	28	31	31	28	32
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	44	36	37	36	37	41	35	39
Bad Times	26	33	30	31	27	27	34	31
Net Balance	18	3	7	5	10	14	1	8
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	58	54	56	56	55	51	54
Bad Times	17	16	15	12	12	14	16	19
Net Balance	39	42	38	43	44	41	35	35
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	56	53	53	51	35	40	47	52
Bad Time to Buy	28	31	28	33	42	41	37	32
Net Balance	28	22	25	18	-7	-1	10	20
ANZ Roy Morgan Consumer Confidence Rating (100 plus the unweighted average of the five net balances)								
Overall Index	122.0	115.6	116.3	116.4	113.6	114.5	112.2	117.1
Current Conditions	111.8	104.0	103.7	102.9	92.3	93.4	98.5	105.2
Future Conditions	128.8	123.4	124.7	125.5	127.9	128.6	121.4	125.0



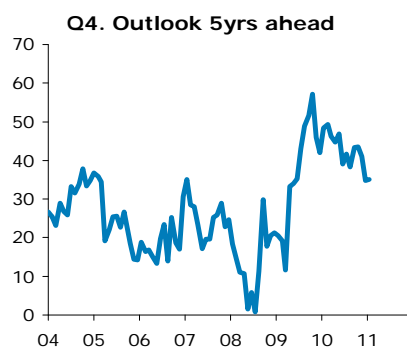
Sources: ANZ, Roy Morgan



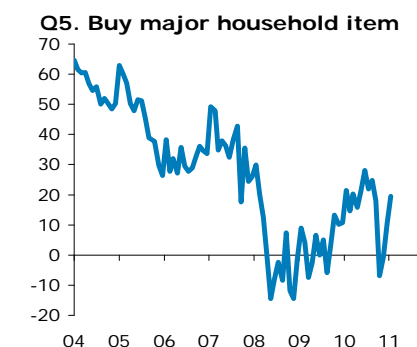
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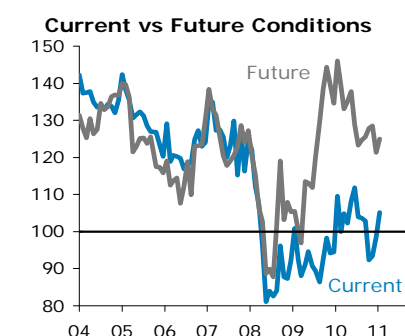
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The Bank (in respect of itself and its principal officers) makes the following investment adviser disclosure to you pursuant to section 41A of the Securities Markets Act 1988.

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.

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

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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.

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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;



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- 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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