

ANZ-ROY MORGAN CONSUMER CONFIDENCE INCREASED WARINESS

FEBRUARY 2011

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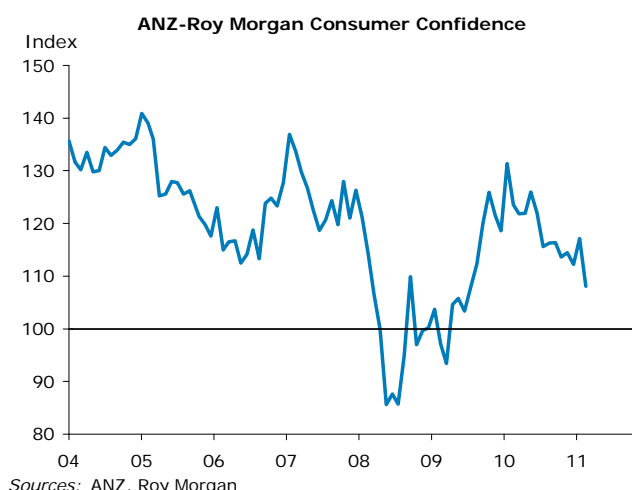
SUMMARY

- Consumer confidence dropped 9 points in February with sizeable declines in consumers' perceptions of current and future conditions.
- Seasonal influences account for the lion's share of the drop.
- Nervous undertones continue to percolate through consumer sentiment, which flags continued caution in regard to spending.
- The consumer is not going to be the bellwether of any recovery.

The ANZ-Roy Morgan Consumer Confidence measure dropped nine points to 108.2 in February. The index has been on a declining trend since early 2010.

Turning to components, **the Current Conditions index fell nine points to 96.6** (previously 105.2). This reverses the lift seen in January and takes the index back below the key 100 threshold. Leading the fall in current sentiment was a drop in the perception of whether it is a good time to buy a major household item (from +20 to +13) and more negative perceptions by respondents regarding their current financial position relative to a year ago. A net 20 percent of consumers still feel worse off relative to last year, compared to a net 9 percent in January.

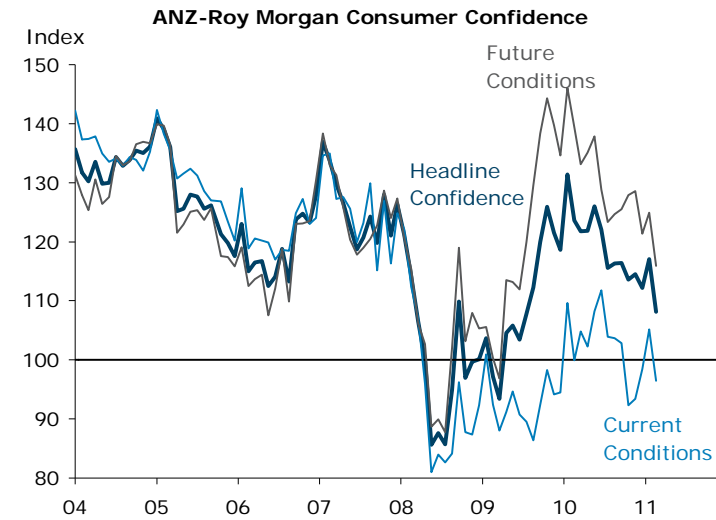
The Future Expectations component fell from 125.0 to 115.9. This was underpinned by declines in perception regarding financial wellbeing and economic prospects over the coming year.



While the decline in the month appears discouraging, seasonal factors account for the drop in sentiment. If we remove the seasonal factor apparent in consumer confidence, headline confidence was down only a point and the current conditions component was unchanged at 94.8. All the five subcomponent questions were

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largely unchanged on January once seasonal influences are removed. Hence, **the overall message is unchanged: households remain cautious towards spending and how they perceive the economy is evolving**, though more upbeat than the dark days of 2008.



Sources: ANZ, Roy Morgan

Looking at the detail, there was **a considerably larger drop in the confidence of males than females**. Male confidence fell 14 points to 109.6, while female confidence slipped only 3 points to 106.7. Females are more confident about the current economic environment than their male counterparts. Males, however, are more confident about perceived future economic conditions.

Confidence eased for most of the age cohorts, with **the 18-24 age cohort registering the largest loss in confidence**, dropping 16 points to 117.3. This deterioration in sentiment was reflected over both the current and future conditions measures.

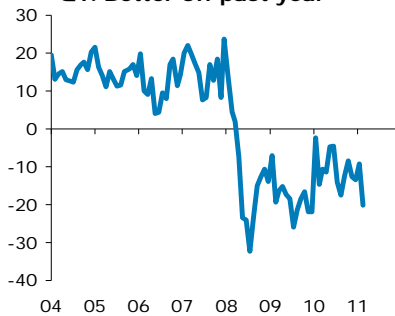
Confidence was weaker across every region. Wellington had the smallest reduction in confidence (down 4 points to 116.8) and remains the most confident locality. **The South Island recorded a large fall in current conditions**, dropping 21 points to 88.4. This was primarily due to a drop in current conditions in Canterbury, which slipped 12 points to a twelve month low of 91.5. **The North Island recorded a larger fall in future conditions**, dropping 11 points to 115.0.

General inflation expectations lifted, while house price expectations dropped. Households expect general inflation to average 4.1 percent per annum over the next two years (up from 3.9 percent in January). This has been trending up since October. While such measures are generally a poor bellwether for inflation itself, they do provide some value in terms of wage bargaining expectations, an area we will watch with interest. House prices are expected to rise 1.8 percent per year on average over the next 2 years, down from January's 2.1 percent. Such measures typically have a positive bias and we view the measure as flagging limited movement and declines in real house prices.

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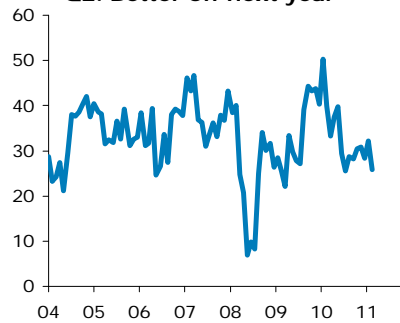
Survey Summary	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11
No. of Interviews	1,062	1,035	1,021	1,071	1,008	1,060	2,093	1,040
Q1. Would you say you and your family are better-off financially or worse off than you were at this time last year?								
Better Off	27	24	26	28	25	27	30	24
Worse Off	41	41	39	36	38	40	39	44
Net Balance	-14	-18	-12	-9	-13	-14	-9	-20
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	48	49	48	48	47	46	50	47
Worse Off	23	20	19	18	17	18	18	22
Net Balance	26	29	28	31	31	28	32	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	36	37	36	37	41	35	39	31
Bad Times	33	30	31	27	27	34	31	36
Net Balance	3	7	5	10	14	1	8	-5
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	58	54	56	56	55	51	54	46
Bad Times	16	15	12	12	14	16	19	20
Net Balance	42	38	43	44	41	35	35	27
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	53	53	51	35	40	47	52	48
Bad Time to Buy	31	28	33	42	41	37	32	35
Net Balance	22	25	18	-7	-1	10	20	13
ANZ Roy Morgan Consumer Confidence Rating (100 plus the unweighted average of the five net balances)								
Overall Index	115.6	116.3	116.4	113.6	114.5	112.2	117.1	108.1
Current Conditions	104.0	103.7	102.9	92.3	93.4	98.5	105.2	96.5
Future Conditions	123.4	124.7	125.5	127.9	128.6	121.4	125.0	115.9

Q1. Better off past year



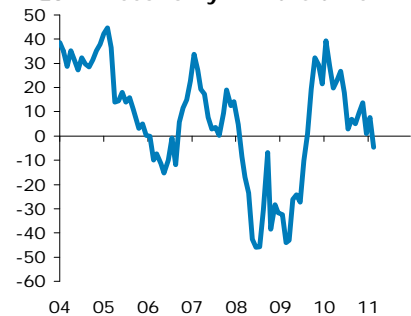
Sources: ANZ, Roy Morgan

Q2. Better off next year



Sources: ANZ, Roy Morgan

Q3. NZ economy 12mths time



Sources: ANZ, Roy Morgan

Q4. Outlook 5yrs ahead



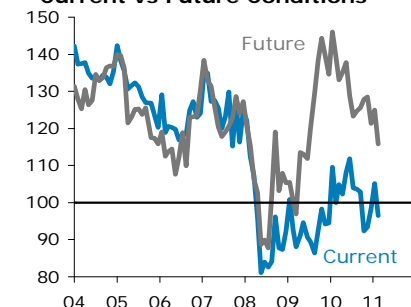
Sources: ANZ, Roy Morgan

Q5. Buy major household item



Sources: ANZ, Roy Morgan

Current vs Future Conditions



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.

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The Bank is a member of the following professional bodies relevant to the provision of investment advice:

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- Associate Member of Investment Savings & Insurance Association of NZ;
- Financial Markets Operations Association; and
- Institute of Finance Professionals.

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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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- 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.

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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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