



Rally of Otago

Quarterly percentage change

Ten of fourteen regions recorded a rise in economic activity in the June quarter. By far the largest increase was recorded in Otago, which expanded 3.5 percent from a depressed level measured three months earlier. Strong gains in building permits, house sales, accommodation guest nights and the labour market were noted in the region in June.

The nationwide measure of economic activity increased 0.4 percent in June, the fifth consecutive quarterly rise. Canterbury and Auckland were the only regions to match this span of consecutive growth. On an inter-Island basis, the South Island's economy expanded 1.2 percent in the quarter, while the North Island posted a 0.2 percent gain. All of the South Island regions grew at or above the nationwide rate of increase.

Year-on-year growth

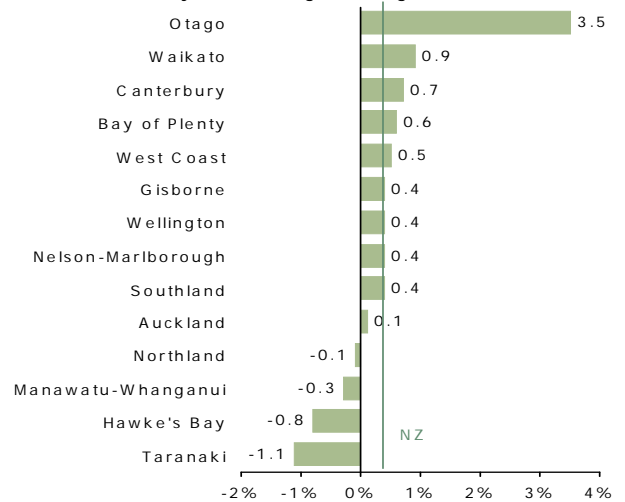
For the second successive quarter, year-on-year economic growth accelerated across all regions. At the nationwide level, annual economic growth was up 1.4 percent on the preceding twelve months – its highest rate of increase since March 2008. The North Island's annual average rate of economic growth was 1.5 percent, while the South Island expanded by only 0.9 percent. At 1.4 percent, the Hawke's Bay's rate of growth is the highest for 15 quarters, while at the other end the shortest span was measured in the West Coast and Southland, which is only the highest rate of annual growth since March 2009.

Three regions (Auckland, Gisborne and Otago) shared the strongest annual rate of economic growth, at 2.1 percent. At the other end of the spectrum, Southland has the lowest (and only negative) year-on-year rate of change (-0.3 percent).

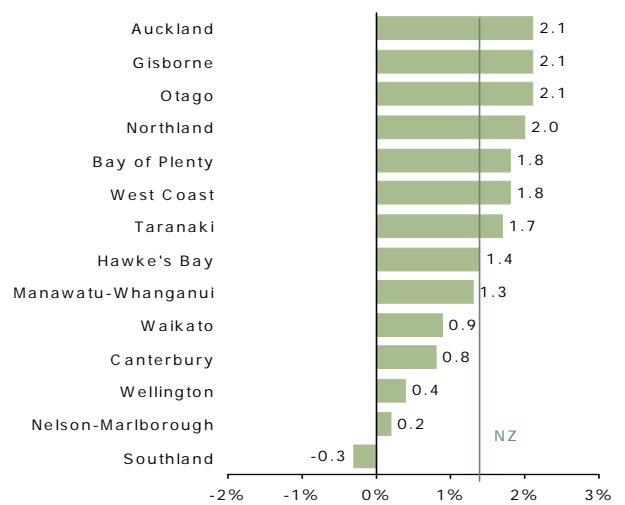
June quarter at a glance

- **Retail interest rates** inched up over the short-term maturities but longer-term maturities were unchanged.
- **The exchange rate** appreciated on a trade-weighted basis especially the Australian dollar, but weakened against the US dollar and Japanese yen.
- **Commodity prices** strengthened over the quarter, hitting a peak in the middle of the quarter before retracing over the second half.
- **Business confidence** was virtually unchanged at the nationwide level but increased in the South Island and decreased in the North Island. Taranaki recorded the highest level of business confidence for the third successive quarter.
- **Consumer confidence** lifted in all but three of the regions. Auckland recorded the highest level of sentiment, with Gisborne/Hawke's Bay recording the lowest level of confidence.
- **Retail sales** recorded a strong rise. The largest increase was measured in Gisborne.
- **House sales** were virtually unchanged from three months earlier. The largest fall was in Wellington, while the West Coast recorded the strongest gain.
- **Dwelling approvals** edged lower. The Bay of Plenty recorded the strongest increase and the West Coast the largest drop.
- **Commercial building permits** were virtually unchanged. Southland recorded the largest rise, Taranaki had the greatest fall.
- **Employment** eased over most regions. The largest fall was measured in Southland and the largest gain in Northland.
- **The unemployment rate** deteriorated over much of the nation. At 10.7 percent, Gisborne recorded the highest unemployment rate.

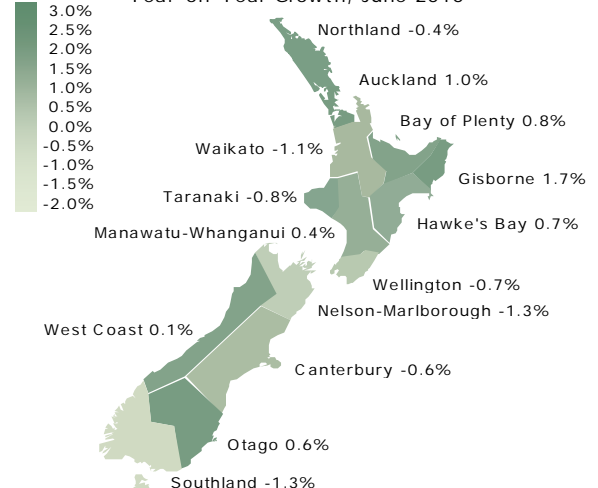
REGIONAL ECONOMIC ACTIVITY
Quarterly Percentage Change, June 2010



REGIONAL ECONOMIC ACTIVITY
Year-on-Year Growth, June 2010



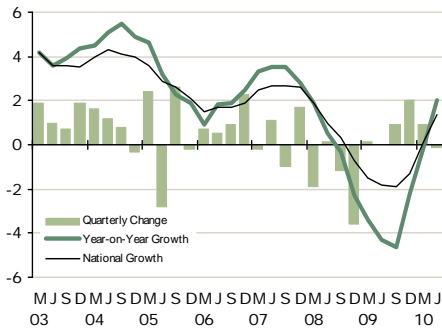
REGIONAL ECONOMIC ACTIVITY
Year-on-Year Growth, June 2010



Regional Summaries

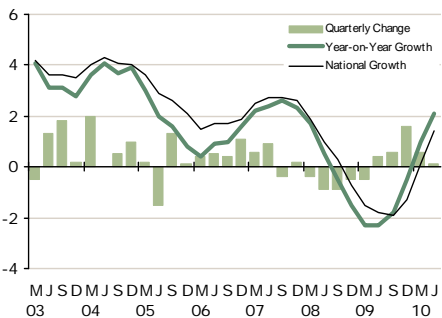
Northland

After three quarters of strong gains in economic activity, Northland posted a relatively flat outturn in June. Employment in Northland surged 7.3 percent in the June quarter – which represented the strongest rise across the regions, lifting regional employment back to its highest level since December 2007. Accommodation guest nights increased 2.2 percent in the quarter, contrasting a 0.2 percent dip nationally. The number of commercial construction consents lifted 2.5 percent but residential building approvals dropped 5.5 percent. New car registrations slipped 2.8 percent, contrasting with a 5.1 percent increase nationally.



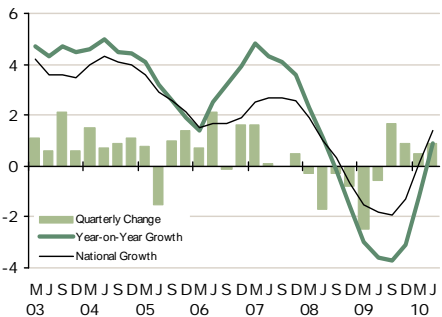
Auckland

For the third consecutive quarter, Auckland topped the consumer confidence survey, hitting a five-year high. Business confidence in the region lifted to an 11-year high. New motor vehicle registrations increased across all three categories, with the largest relative gains in tractors (up 45 percent) and commercial vehicles (14 percent). The number of commercial building permits were unchanged in June (mirroring the nationwide flatness), while residential building approvals edged down 1.4 percent (close to the nationwide decline of 1.7 percent). Overall, Auckland posted its fifth consecutive rise in economic activity in June, albeit the smallest quarterly rise to date.



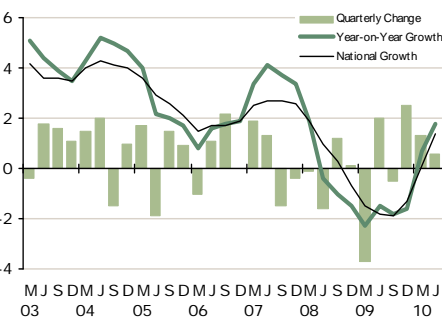
Waikato

Economic activity in Waikato has risen for the fourth successive quarter, with annual economic growth returning to positive territory for the first time in two years. Waikato recorded a 14 percent lift in the number of commercial building permits, contrasting with a minor dip nationally. Residential building approvals were weaker, dropping 4.8 percent from three months earlier. Business confidence eased in June but remained at the third highest level across the regions. Employment weakened 3.2 percent in the quarter, pulling the number employed back down to a twelve month low.



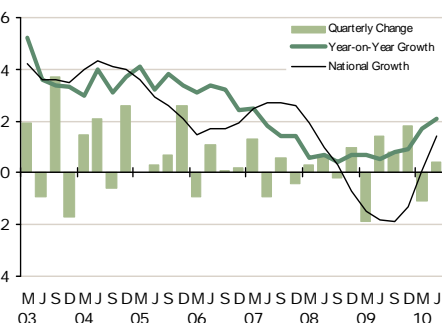
Bay of Plenty

The Bay of Plenty recorded the strongest lift (12 percent) in dwelling approvals, contrasting with a 1.7 percent fall nationally. Employment rose 1.7 percent, lifting the series to a three-year high. The number of farm sales in the region lifted to two-year high and sales of lifestyle blocks were the strongest for nearly a year. Commercial building permits fell 6.2 percent, to sit at a 15-month low. In aggregate, the Bay of Plenty recorded its third consecutive lift in economic activity, with annual economic growth lifting to a two-year high.



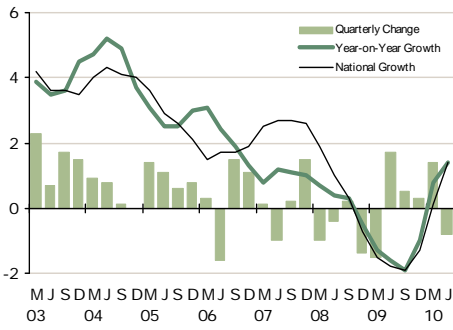
Gisborne

Economic growth in Gisborne rebounded 0.4 percent in June, after suffering a 1.1 percent drop in the preceding quarter. New commercial motor vehicle registrations lifted 55 percent from three months earlier, to hit an 18-month high. New car registrations rose 8.9 percent, which was the second strongest percentage rise in the nation and the highest level since December 2008. Accommodation guest nights rose 5.6 percent, contrasting a minor drop nationally. The average length of time to sell a house shortened to a twelve-month low of 53 days, from 61 days in the preceding quarter.



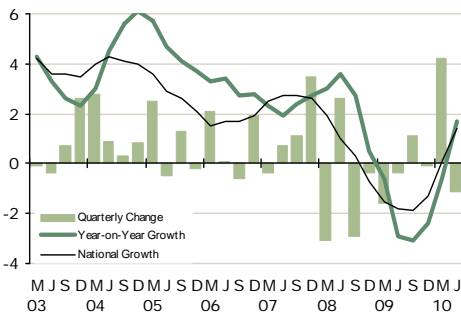
Hawke's Bay

Hawke's Bay recorded declines in both business and consumer confidence in the June quarter, with both the lowest for any region. A softening in the Hawke's Bay labour market resulted in the region's unemployment rate rising to a 12-year high of 9.0 percent. The number of commercial building permits issued in the Bay dropped 11 percent, easing from a strong surge three months earlier. The number of residential building approvals nudged up 2.9 percent to a twelve-month high. Overall, economic activity slipped 0.8 percent in the June quarter, the first decline in over a year.



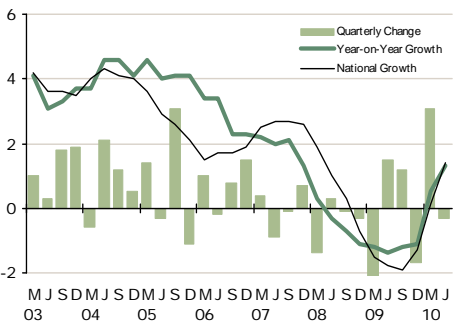
Taranaki

Following a strong surge in activity in the March quarter, economic activity in Taranaki retraced in June. The number of commercial building permits issued in Taranaki dropped 15 percent following a large gain three months earlier. Residential building approvals also posted a sizeable drop, down 10 percent. The housing market was quieter in June. The number of house sales weakened 4 percent from three months earlier, to its lowest quarterly total since March 2009. Additionally, the average time to sell a house increased to 61 days, from 44 days in March. A 9 percent lift in accommodation guest nights and 7.4 percent rise in retail trade were positive factors for the region.



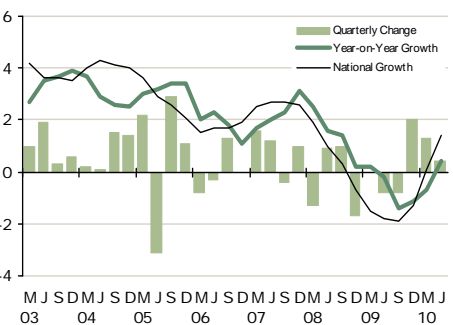
Manawatu-Whanganui

The number of commercial building permits issued in Manawatu-Whanganui fell 14 percent, from a two-year high in March. Similarly, the number of residential building approvals returned to more typical levels after a strong outturn in March. The number of house sales eased 2.5 percent to a two-year low of 650 sales in the June quarter. The number of farm sales eased after posting some stronger figures in the past two quarters. Sales of lifestyle blocks returned to a more usual level after dropping off sharply last quarter. Overall, Manawatu-Whanganui couldn't sustain the large rise in economic activity posted a quarter earlier, and consequently the level of activity slipped in June but remains well ahead of the figure six months earlier.



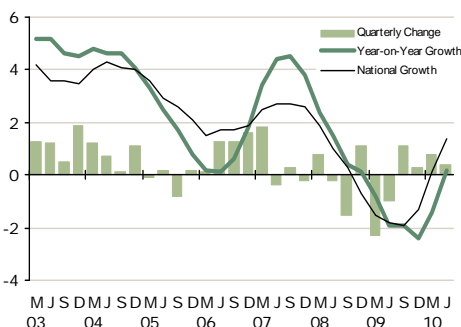
Wellington

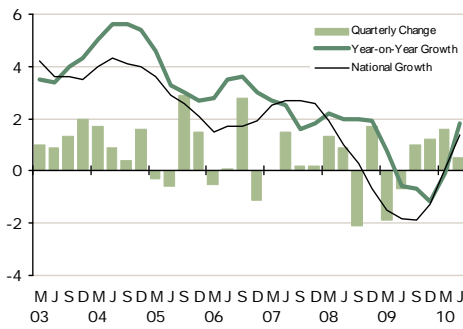
Wellington recorded its third successive quarterly rise in economic activity. Consumer confidence was the second highest across the regions, with Wellington's sentiment rising to its highest level since December 2006. Business confidence, although weaker, was slightly higher in Wellington than it was in New Zealand as a whole. The number of new car registrations increased 16 percent in the June quarter, returning the number of registrations to a level that prevailed two years earlier. The number of houses sold in Wellington eased 4.7 percent in the June quarter, to its lowest level in 18-months. Accommodation guest nights were weaker in June, dropping 2.2 percent from the three months earlier.



Nelson-Marlborough

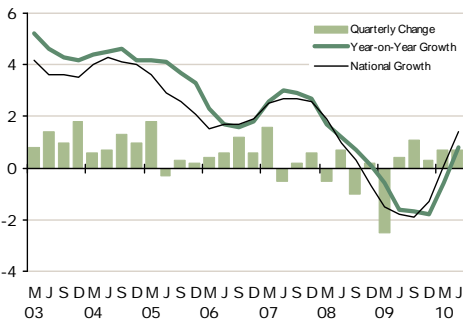
The number of houses sold in Nelson-Marlborough rebounded 7.4 percent in June, after a similarly sized fall in the preceding quarter. Rural real estate sales also picked up in June, with farm sales lifting to a 12-month high and sales of lifestyle blocks rising modestly. Conditions in the labour market improved in June, with employment rising 0.4 percent and the unemployment rate improving to a 12-month low of 3.2 percent. Both residential and commercial building permits edged lower by 5 percent and accommodation guest nights weakened 6 percent. Overall, Nelson-Marlborough recorded its fourth consecutive rise in economic activity, with the annual rate of economic growth shifting into positive territory.





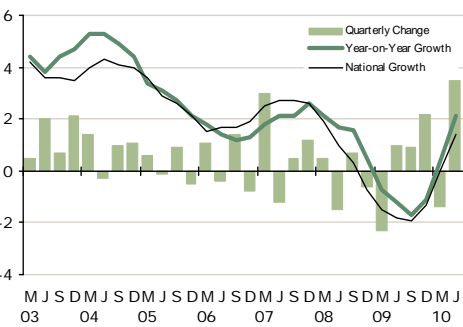
West Coast

The West Coast recorded a fourth consecutive lift in economic activity, with the region's annual average rate of economic growth lifting to an 18-month high. The real estate market recovered from a weaker March quarter. House sales lifted from 70 to 91 and the average time to sell shortened from 82 days in March to 58 in June. The number of permits issued for commercial construction projects rose from 60 to 63 but the number of residential building permits dropped from 215 in March to 179 in June. Rural real estate sales fell, with the number of lifestyle blocks sold in the June quarter being the lowest three monthly total since 1999.



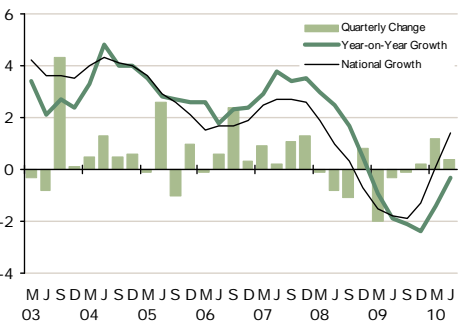
Canterbury

Business confidence improved in Canterbury, with the region's ranking moving from fourth in March to second in June. The region recorded a large rise (5.7 percent) in retail trade and a noteworthy rise (0.6 percent) in employment. Accommodation guest nights lifted 0.8 percent, in contrast to a 0.2 percent drop nationwide. The number of commercial building permits issued in the region eased 3.9 percent, a larger drop than recorded by the national figure (down 0.1 percent), while residential building approvals mirrored the national decline, with a 1.4 percent reduction. Canterbury has recorded five consecutive rises in quarterly economic activity, with the annual growth rate lifting to a two-year high.



Otago

Otago blitzed the rest of the nation with the quarterly rise in economic activity overshadowing all other regions. Employment in the region lifted 1.0 percent, compared with a 0.3 percent decrease nationally. The number of commercial building permits rebounded 26 percent from a soft March figure, to reach an 18-month high in June. The value of commercial permits rose by considerably more, increasing nearly three-fold from March. The number of residential building permits lifted 2.1 percent, with a strong increase (13 percent) in the value of permits. The number of house sales rose 11 percent from a very weak figure in March. Accommodation guest nights lifted 2.8 percent and retail trade in the Otago region increased 5.6 percent from three months earlier.



Southland

The number of commercial building permits recovered 28 percent from a very weak figure in March. However, the value of permits issued was a third lower. The number of residential building permits issued lifted 4.7 percent, which was the second strongest percentage rise regionally and contrasted with a 1.7 percent decline nationally. Employment in the region fell 3.5 percent, resulting in the region's unemployment rate hitting a six-year high of 4.5 percent. The housing market slowed in March with a small drop (-0.7 percent) in sale numbers, with a lengthening in the average time to sell a house, from 31 to 36 days in June. In aggregate, Southland posted a third successive rise in economic activity.



The National Bank

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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.

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- 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:

- 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.
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The Bank provides investment advice on the following types of securities:

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- 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.

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If you wish to pay investment money to the Bank you can do this in several ways such as by:

- 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.

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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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