



ASB Update
Analyst Briefing

8th September 2006

Disclaimer

The material that follows is general background information about ASB's activities current at the date of the presentation, 8 September 2006. It is information given in summary form and does not purport to be complete. It is not intended to be relied upon as advice.

Note all financial numbers are reported in NZD.

Agenda

- Team Introductions

- Introduction

Hugh Burrett

- Financial Performance

Stewart McRobie

- Retail Banking

Ross McEwan

- Business & Rural Banking

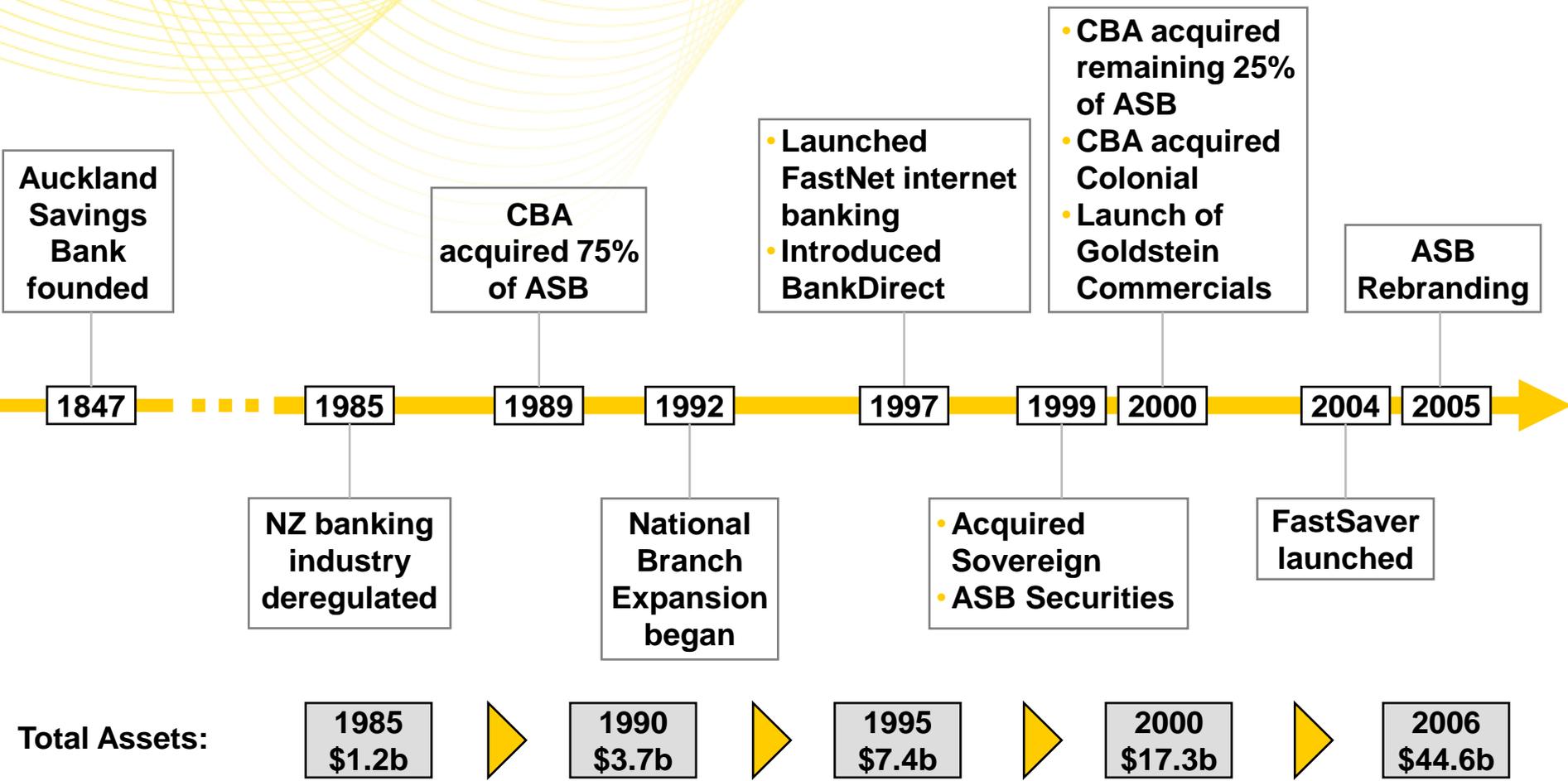
James Mitchell

- Q & A

Highlights

- **ASB delivered a strong financial performance and record profit in 2006**
 - **NPAT up 16% to \$440m**
 - **Total Assets up 15% to \$44.6b**
 - **Cost to Income down from 45.0% to 43.1%**
 - **Return on Ordinary Shareholder's Equity 21.3%**
- **ASB is well positioned to deliver quality growth and increase market share across the portfolio**
- **ASB's people and service model is rated world class and this makes ASB successful**
- **ASB's focus on operational excellence is delivering capacity for growth**

ASB History



Source: ASB



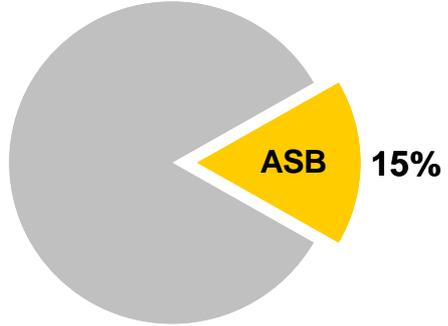
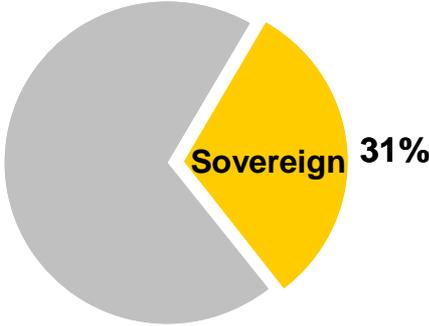
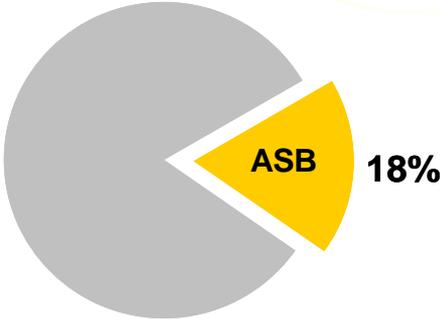
Overview of ASB Businesses

BANKING

LIFE INSURANCE

INVESTMENTS

Group Market Share:



Market Size:

Private sector credit – \$b
(.une)

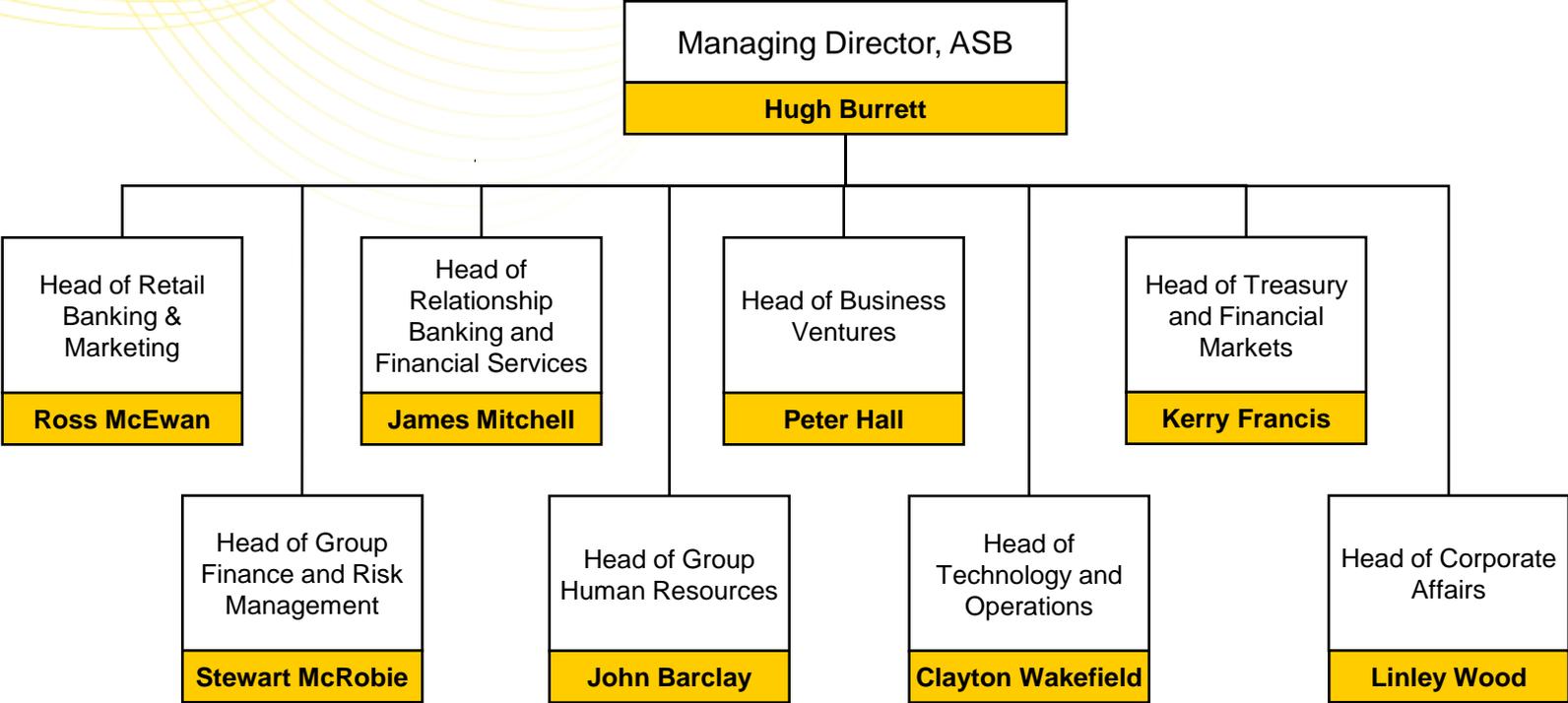
Force premium- \$, m
(\risk only – .une)

Net all . . . - \$b
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Source: RBNZ, ISI Statistics, FundSource



ASB Executive Management Structure



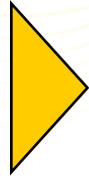
Corporate Governance

Own Board



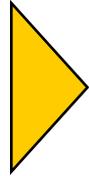
Local decision making

**Autonomous operation
(but group policy)**



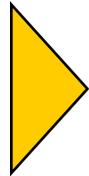
Better economies

**Flat organisational
structure**



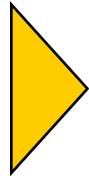
Close to people and customers

Separate brands



Greater market reach

NZ culture



Own identity

NZ continues to be a challenging operating environment

ENVIRONMENT:

Slowing Economy

Margin Contraction

Competitive Pressures

Changing Population

CHALLENGES:

- Continuing to grow assets in a slower housing market
- Maintaining a quality, skilled workforce in a tight labour market

- Sustaining revenue growth with continued margin compression across the industry

- New entrants, exits, finance company receiverships

- Developing products and services to meet needs of changing population

However ASB is well positioned for growth

To be New Zealand's best bank and financial services provider
excelling in customer service

QUALITY GROWTH

BEST SERVICE

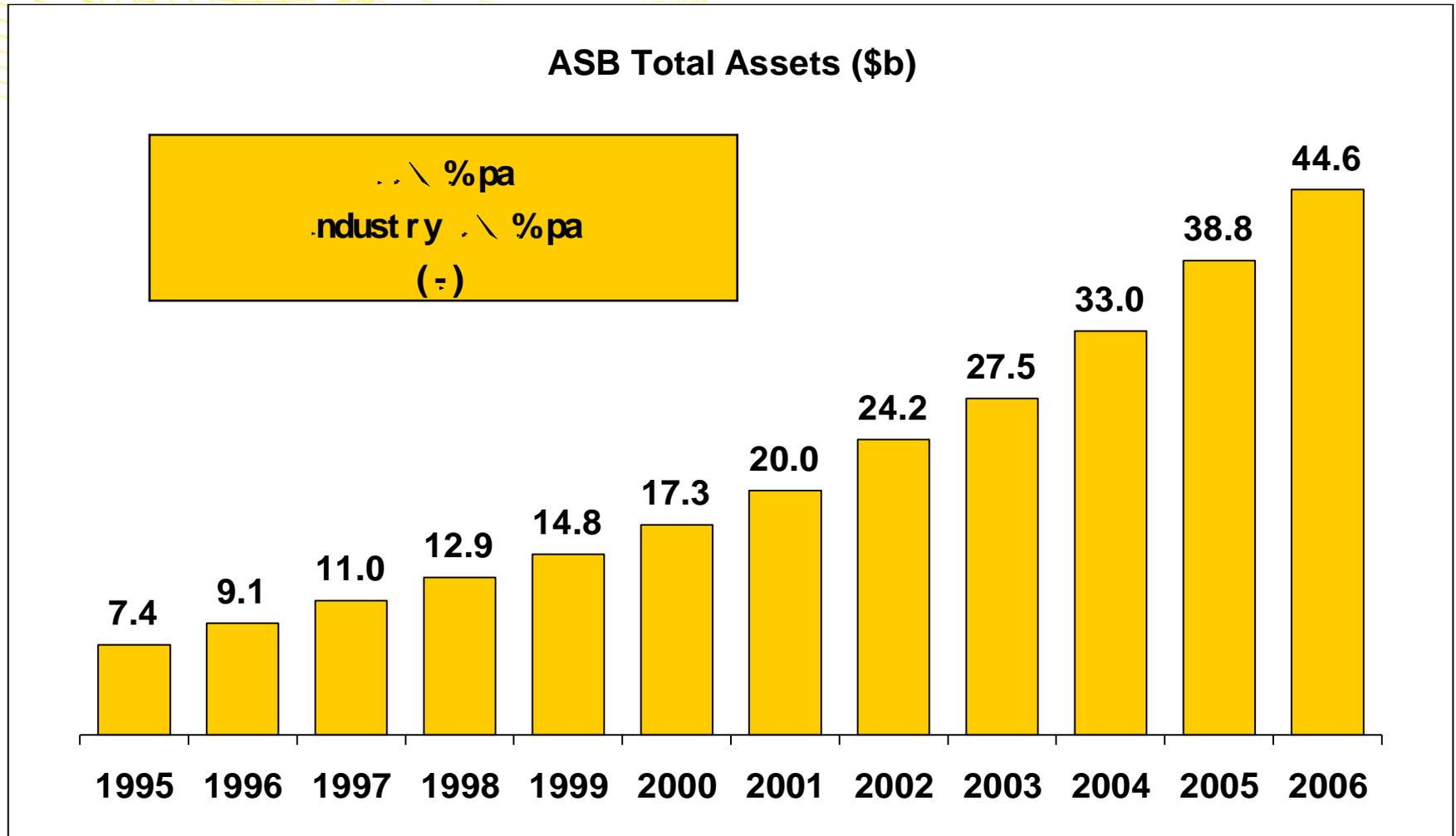
BEST DISTRIBUTION

BEST TEAM, Passionate People

BEST PROCESSES

DELIVER
CONTINUOUS
QUALITY GROWTH
and
ABOVE MARKET
SHAREHOLDER
RETURNS

ASB has consistently delivered double market growth

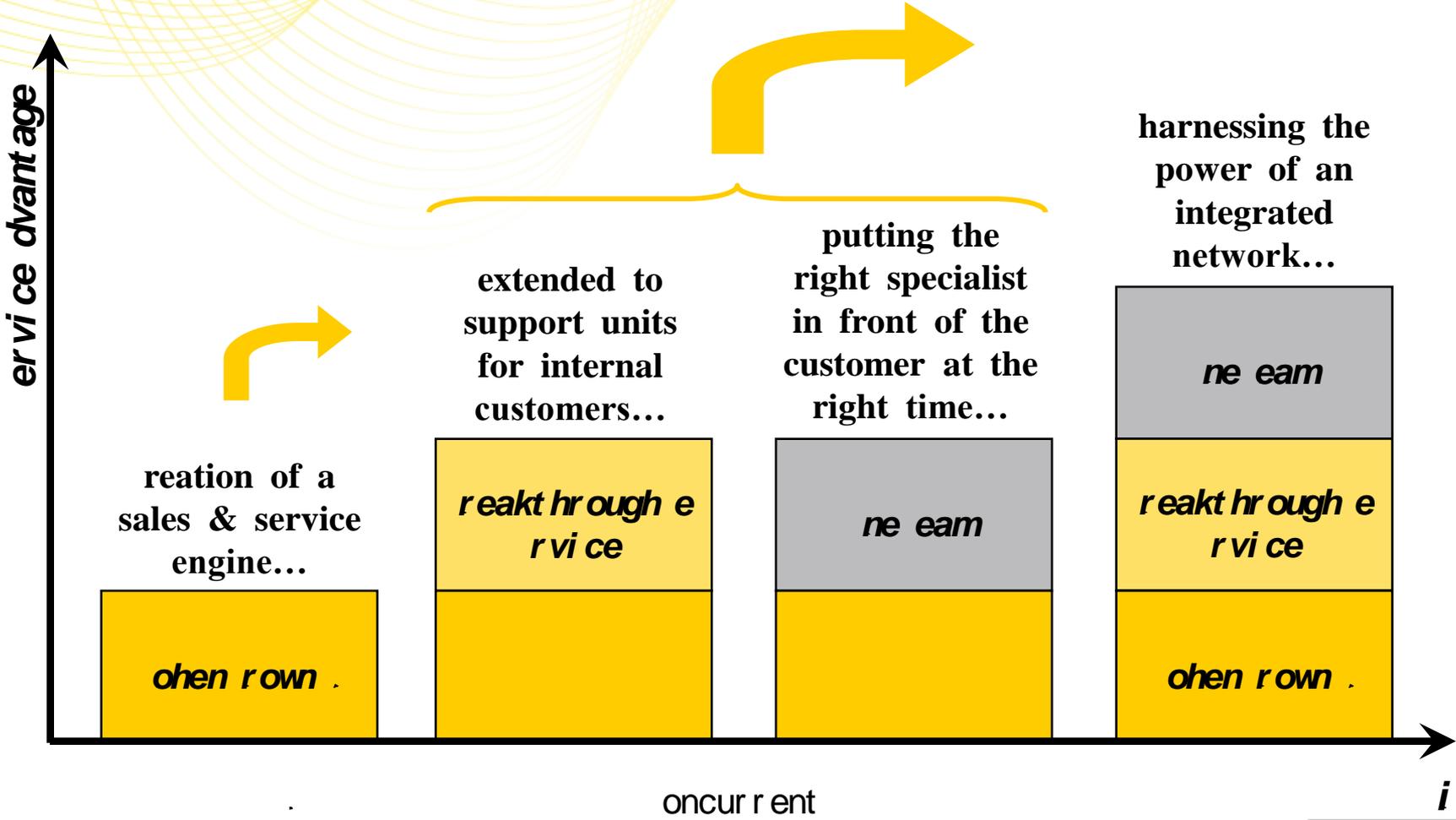


Source: RBNZ, ASB

2006 Industry data unavailable



Focus on SALES & SERVICE execution has made ASB successful

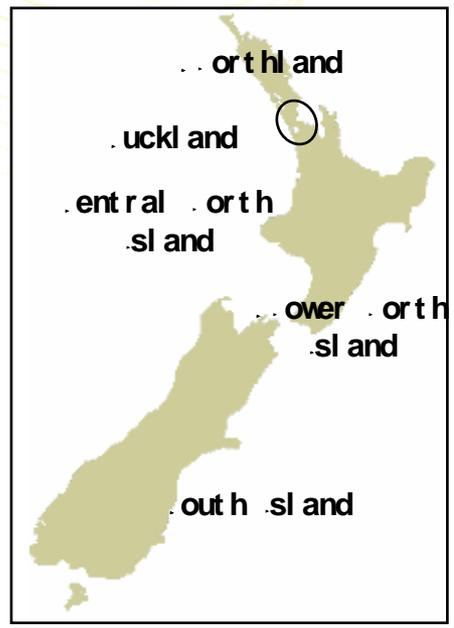
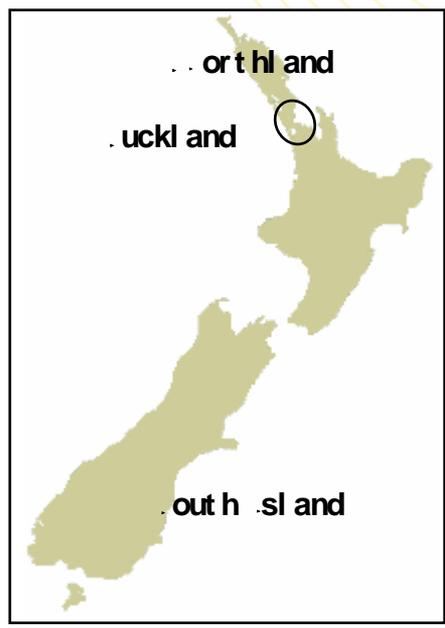


Increasingly diversified throughout New Zealand



Today

New branch fit-out and branding



Retail branches

Retail branches

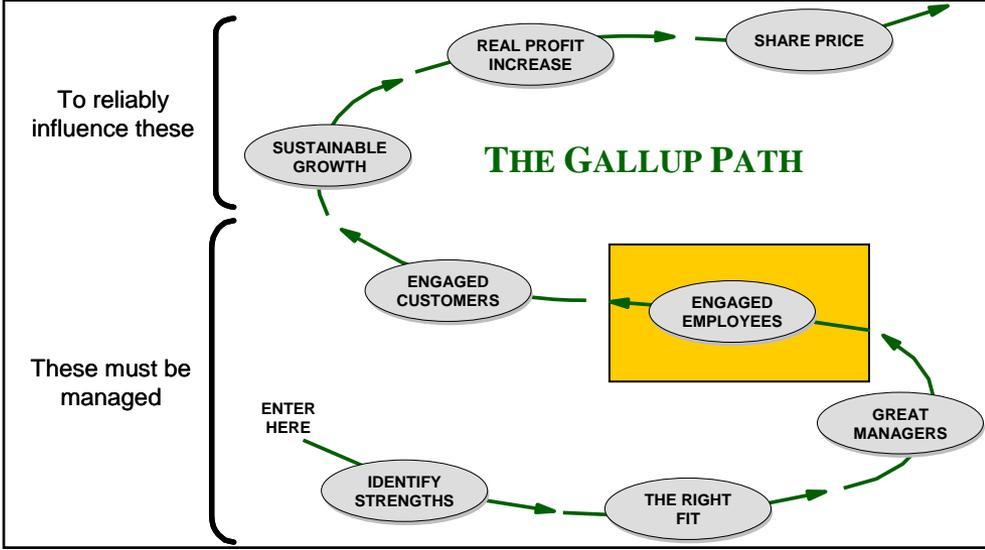
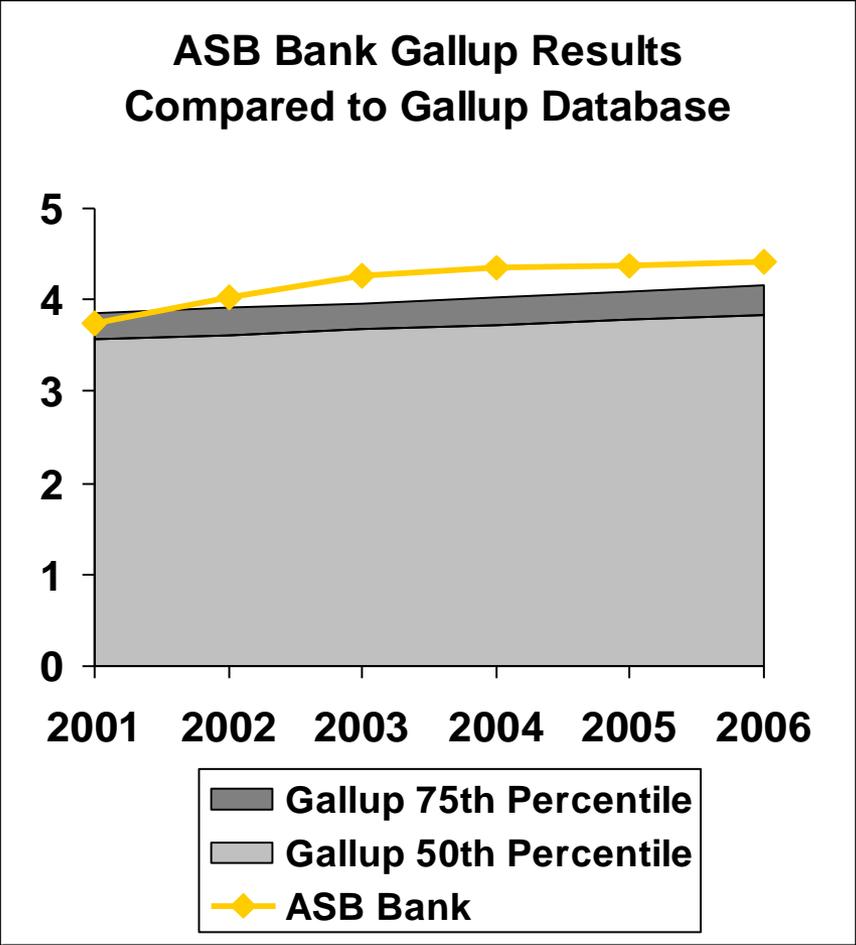
Urban & migrant business centres

Urban & migrant business centres

Rural centres

Rural centres

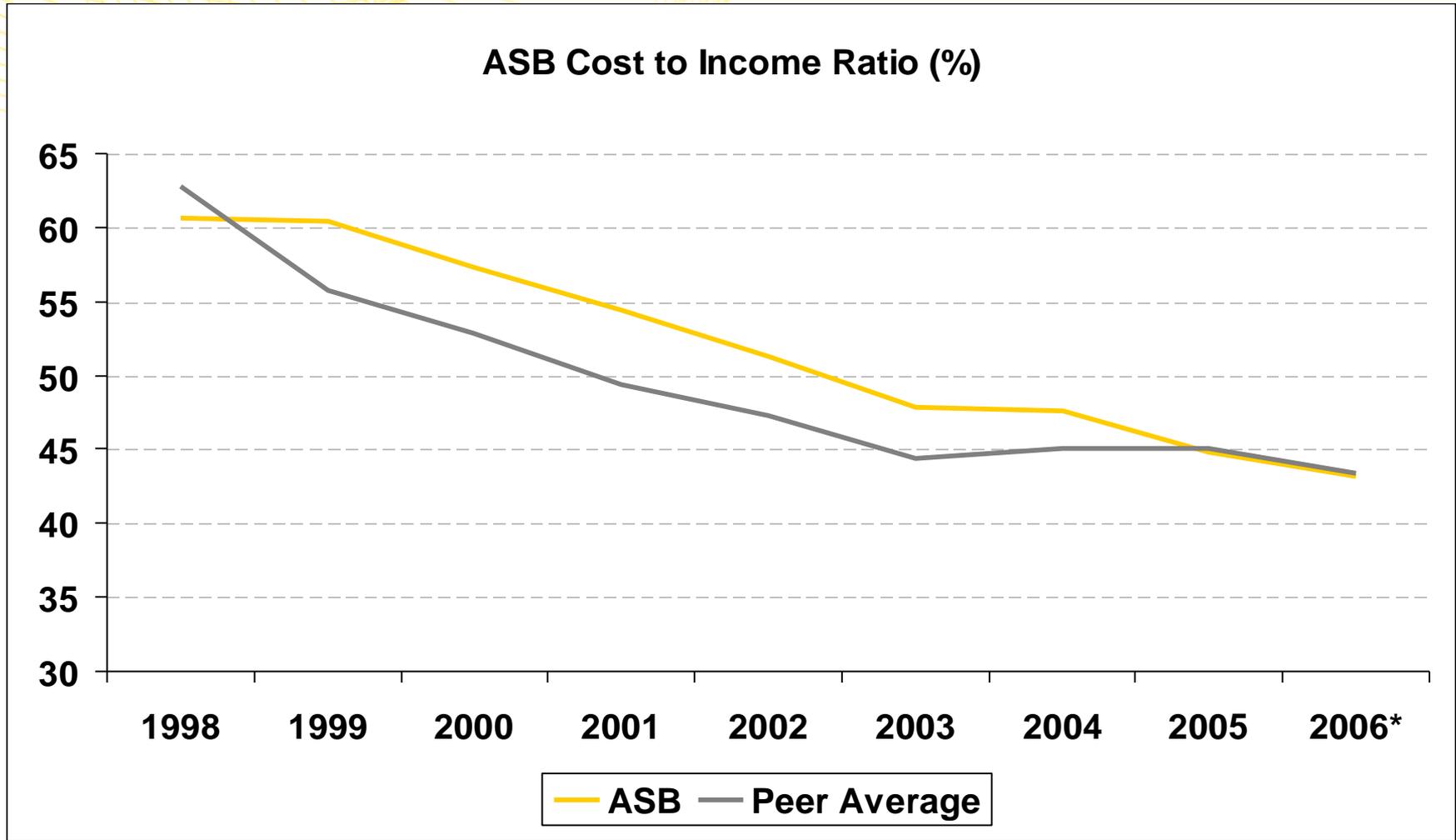
Our people are key to our success



Source: Copyright © 1996-2002 The Gallup Organization, Princeton, NJ. All rights reserved.



ASB's efficiency has continued to improve while the market has flattened



Source: ASB, Pre 2006 historical data non-IFRS, Peer Average calculated from competitor General Disclosure Statements, * 2006 Peer Average March 2006



In summary, ASB is a growth and service success

QUALITY GROWTH

BEST SERVICE

BEST DISTRIBUTION

BEST TEAM

BEST PROCESSES

- Strong financial performance with a record profit of \$440m in 2006 driven by continuing balance sheet growth (*Stewart McRobie*)
- A retail banking business focused on delivering the total customer experience and operational excellence (*Ross McEwan*)
- A business and rural bank focused on market share growth potential (*James Mitchell*)

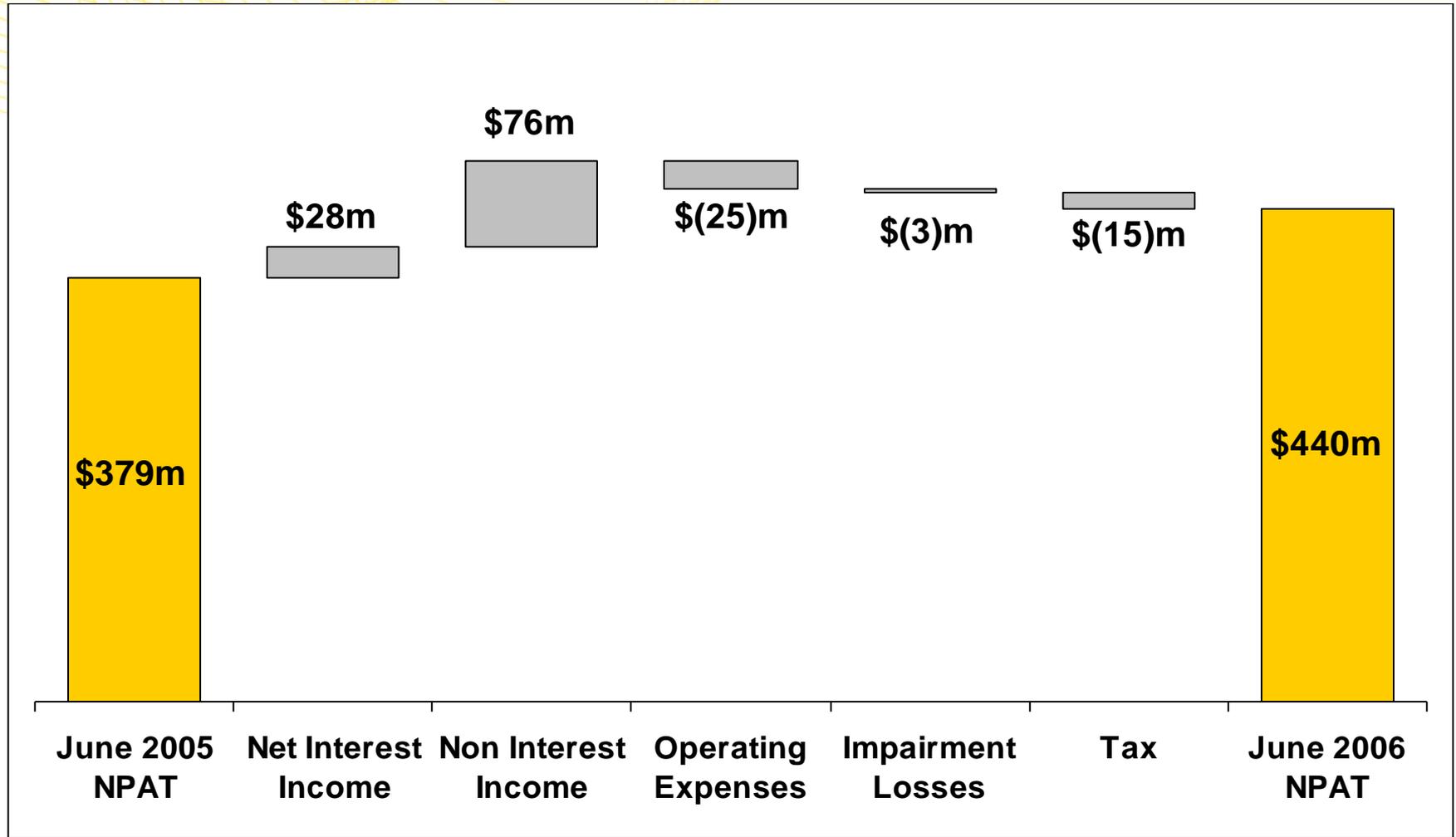
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- Team Introductions
- Introduction Hugh Burrett
- **Financial Performance** **Stewart McRobie**
- Retail Banking Ross McEwan
- Business & Rural Banking James Mitchell
- Q & A

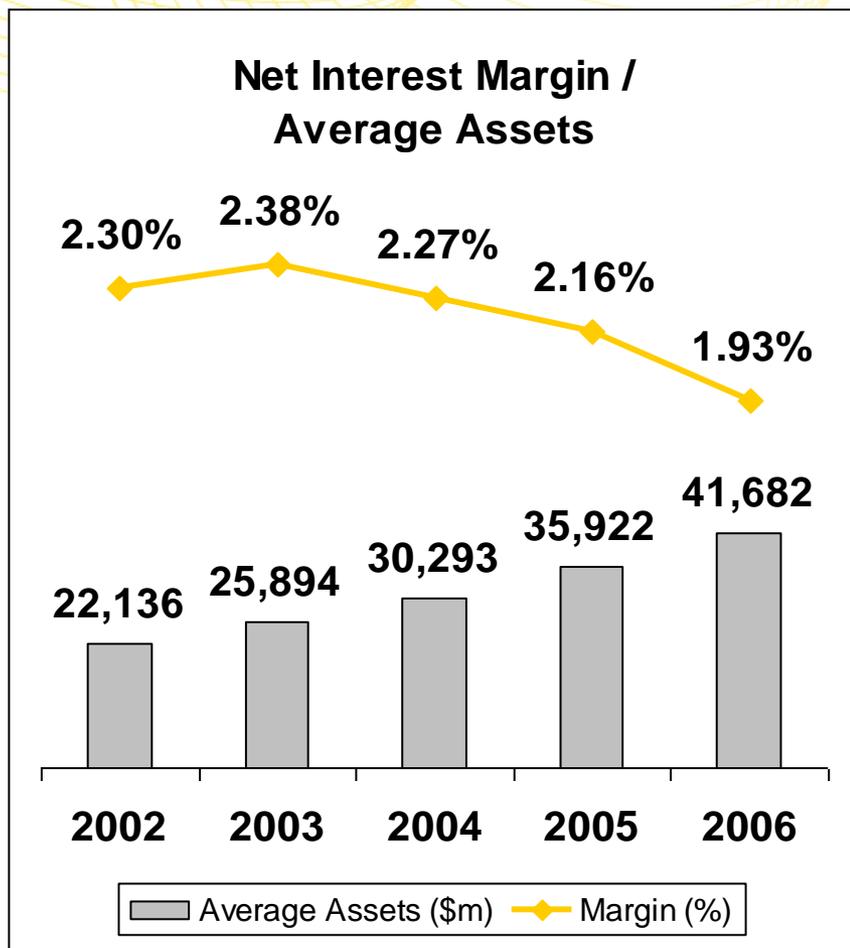
ASB delivered record profit and strong balance sheet growth in 2006

NZDm (ASB Bank)	June 05	June 06	06 vs. 05	
Net Interest Income	776	804	↑	4%
Non Interest Income	268	344	↑	28%
Operating Income	1,044	1,148	↑	10%
Operating Expenses	470	495	↑	5%
Underlying performance	574	653	↑	14%
Impairment Losses	16	19	↑	19%
NPBT	558	634	↑	14%
Taxation	179	194	↑	8%
NPAT	379	440	↑	16%
Total Assets	38,796	44,568	↑	15%
Total Liabilities	36,527	41,879	↑	15%

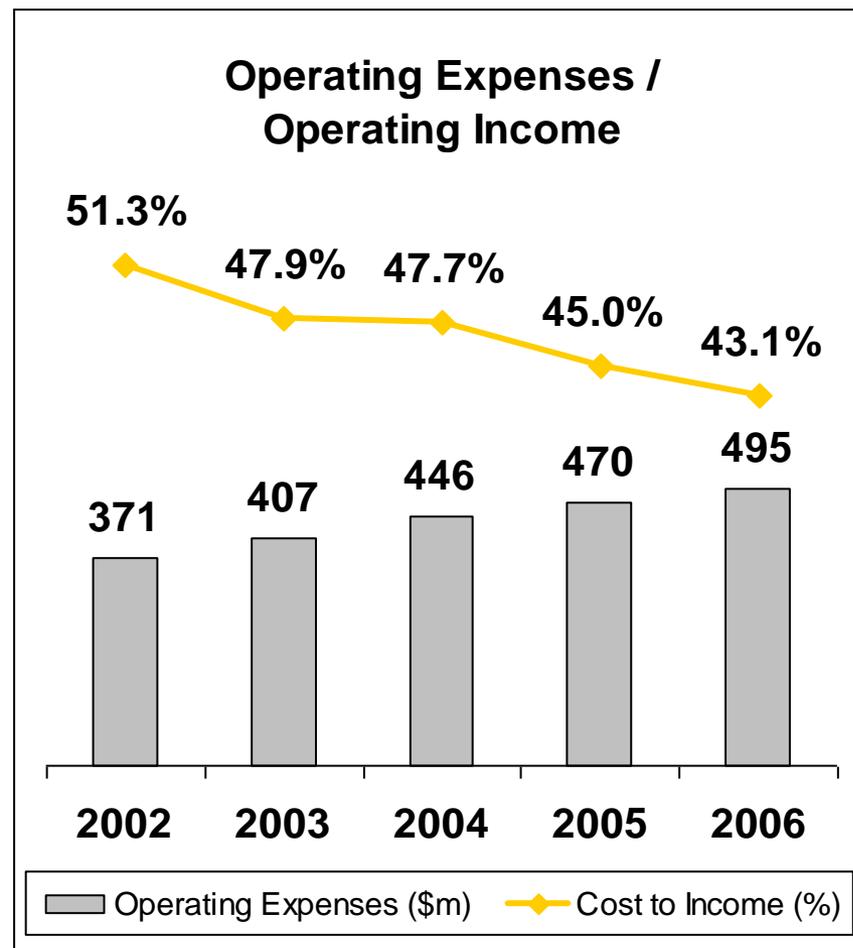
ASB's NPAT grew by 16% driven by strong income growth and cost containment



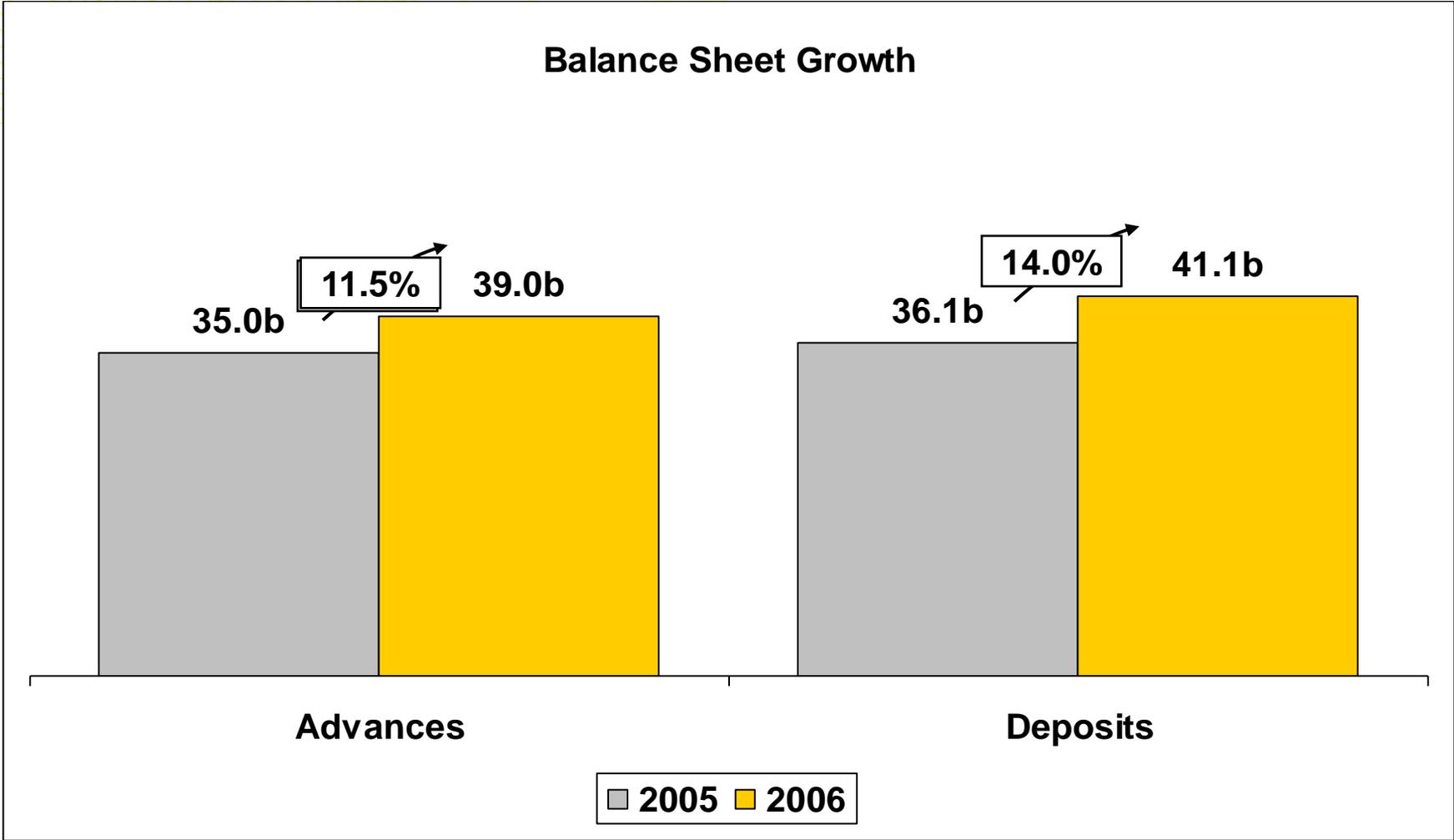
Margin pressure continues to be intense



Focus on growth with process efficiency is delivering positive results



Strong growth across all segments on both sides of the balance sheet

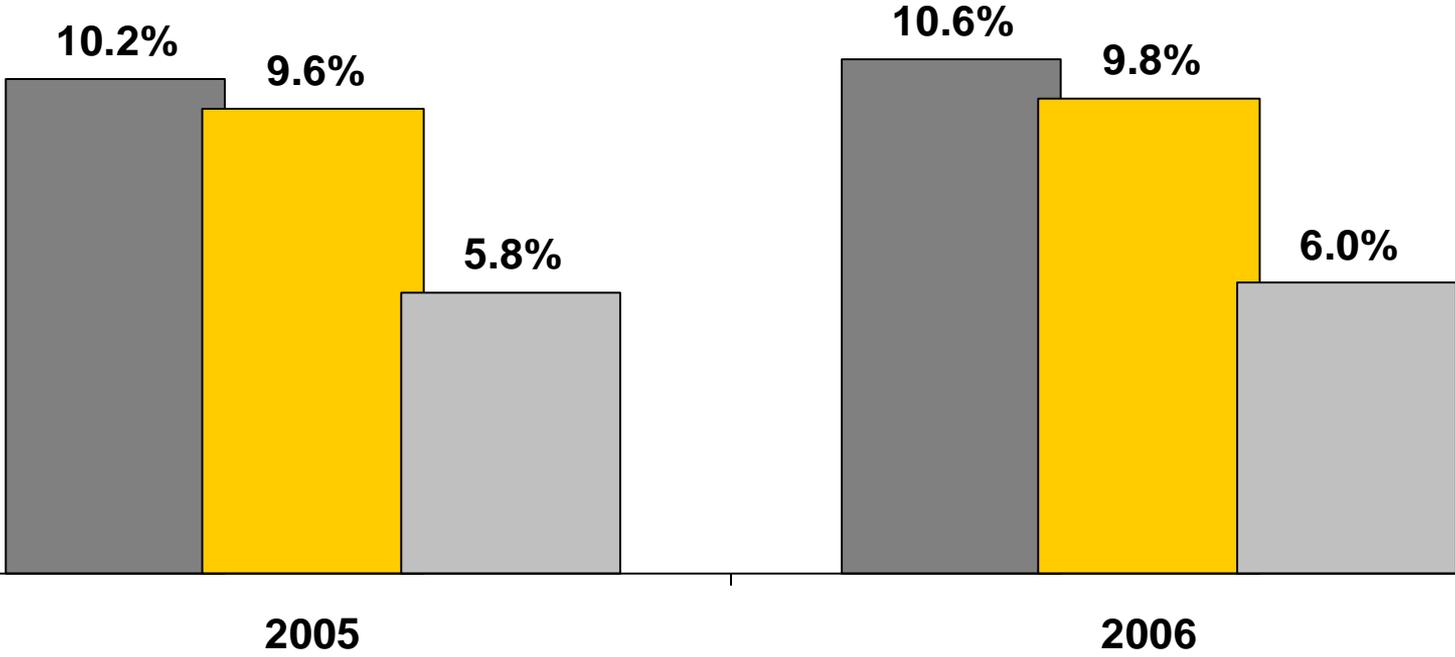


Underlying credit quality remains sound

- Provisions methodology has changed following the adoption of IFRS - \$80m of Collective and Specific Provisions are held as at 30 June 2006.
- Actual loan loss experience and specific provisioning levels continue to represent only a small part of both P&L Net Impairment Loss expense and Balance Sheet provisions for Bad Debts.

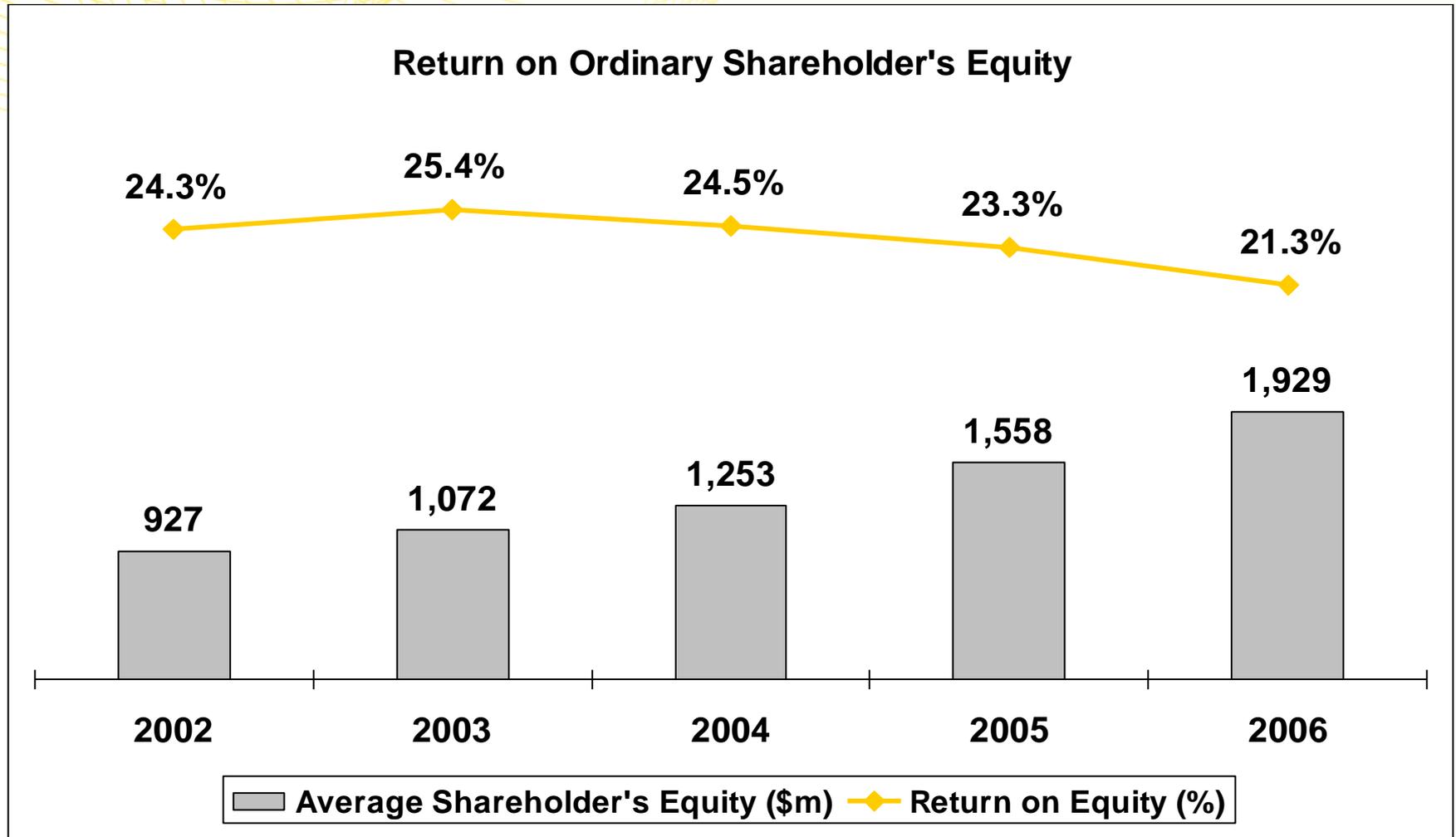
Capital levels remain healthy

Capital Growth



- Total Capital as % of Total Risk Weighted Exposures
- Tier One Capital as % of Total Risk Weighted Exposures
- Shareholder's Equity as % of Total Assets

Reduction in ROE driven by increase in Shareholder's Equity



Contingent Liabilities

- **IRD review of structured finance transactions**
 - **Notices of Proposed Adjustment and Notices of Assessment received**
 - **Net potential liability on all similar transactions of NZD 208m ***
 - **No provision made**

- **NZ Commerce Commission action against debit and credit card issuers re disclosure of international currency conversion fees**
 - **Proceedings served on 9 issuers, including ASB**
 - **No provision made for potential liabilities**

***including tax effected use of money interest, up to 30 June 2006**

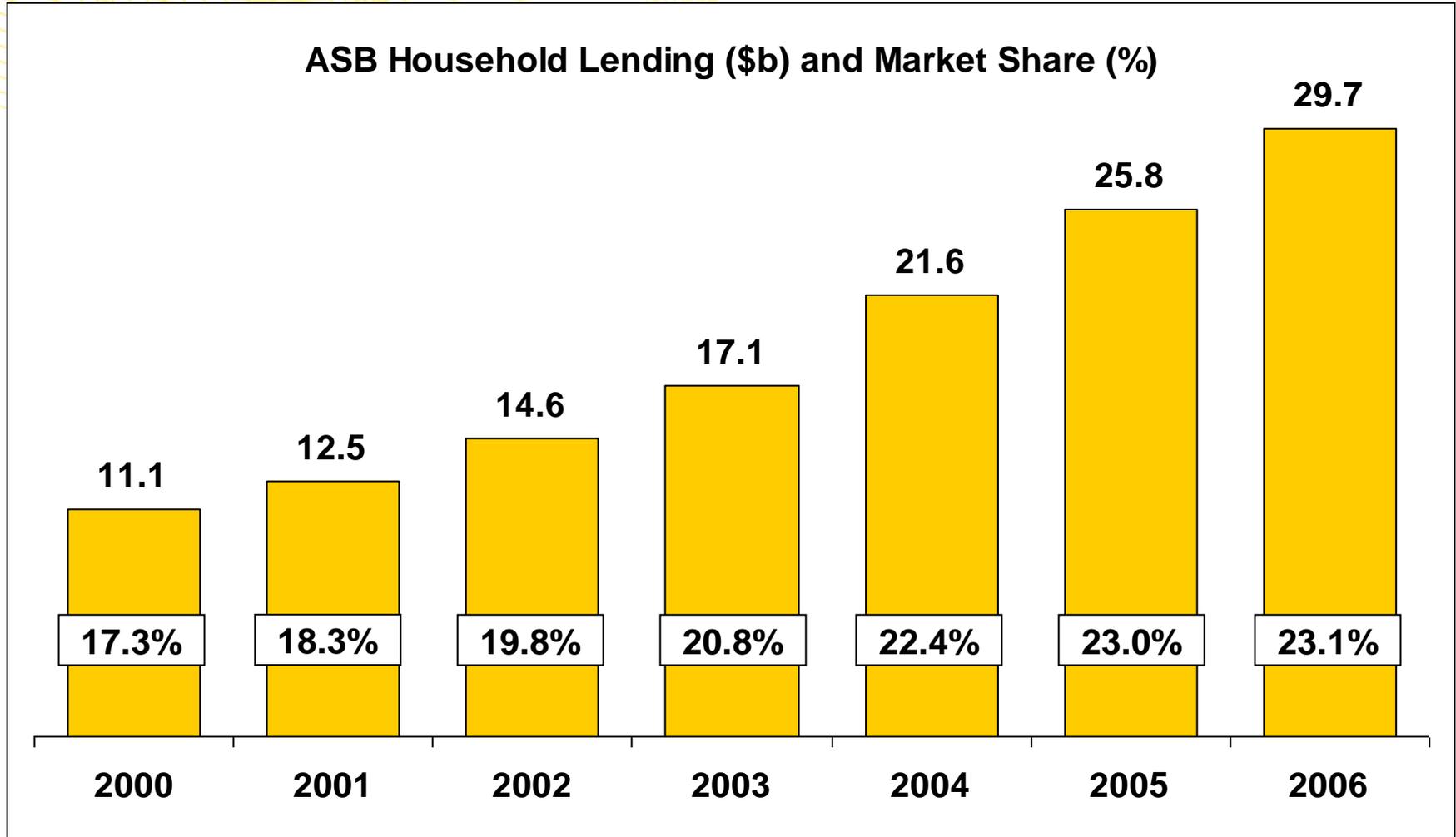
ASB's economic forecasts for 2007 indicate a more difficult period for growth

	2004-05 Actual	2006-07 Forecast
GDP Growth	2.7%	↓
Wage Growth	2.2%	↑
Consumer Price Index	2.8%	↑
Claims (Assets) Housing	15.4%	↓
Claims (Assets) Household Other	6.1%	↓
Average House Price	13.7%	↓
M3 Funding (Liability) Growth	4.9%	↑
Private Sector Credit Growth (Residential)	14.6%	↓
90 Day Bank Bill Rate	6.9%	↑

Agenda

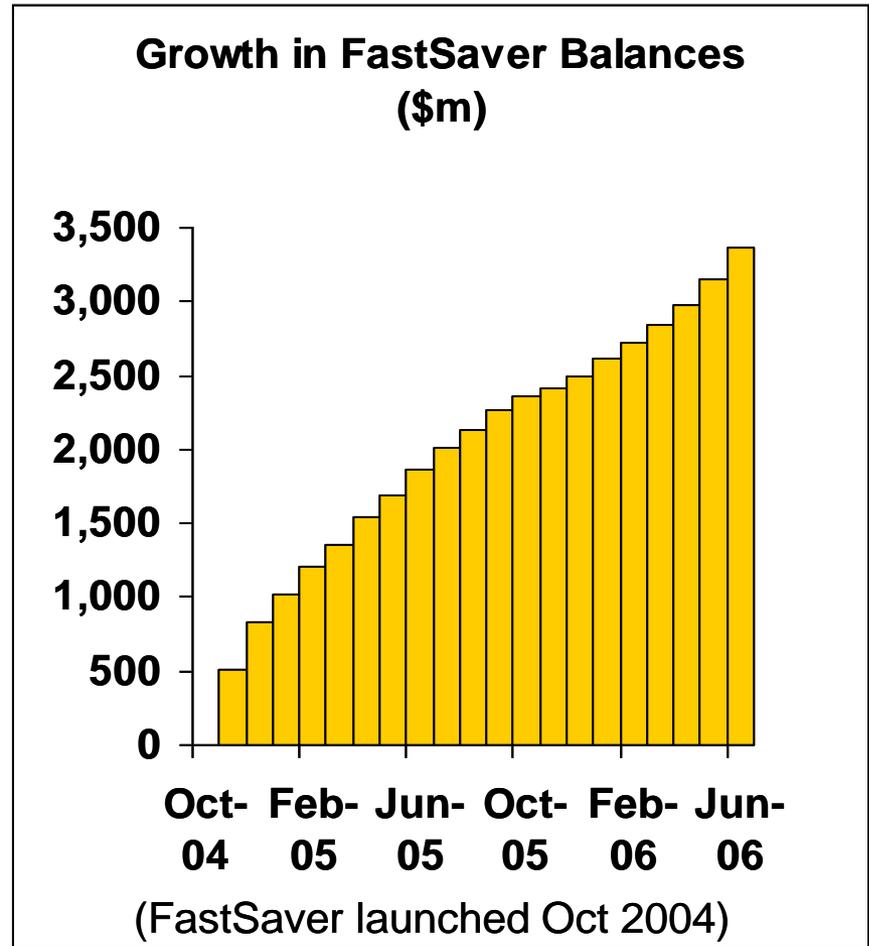
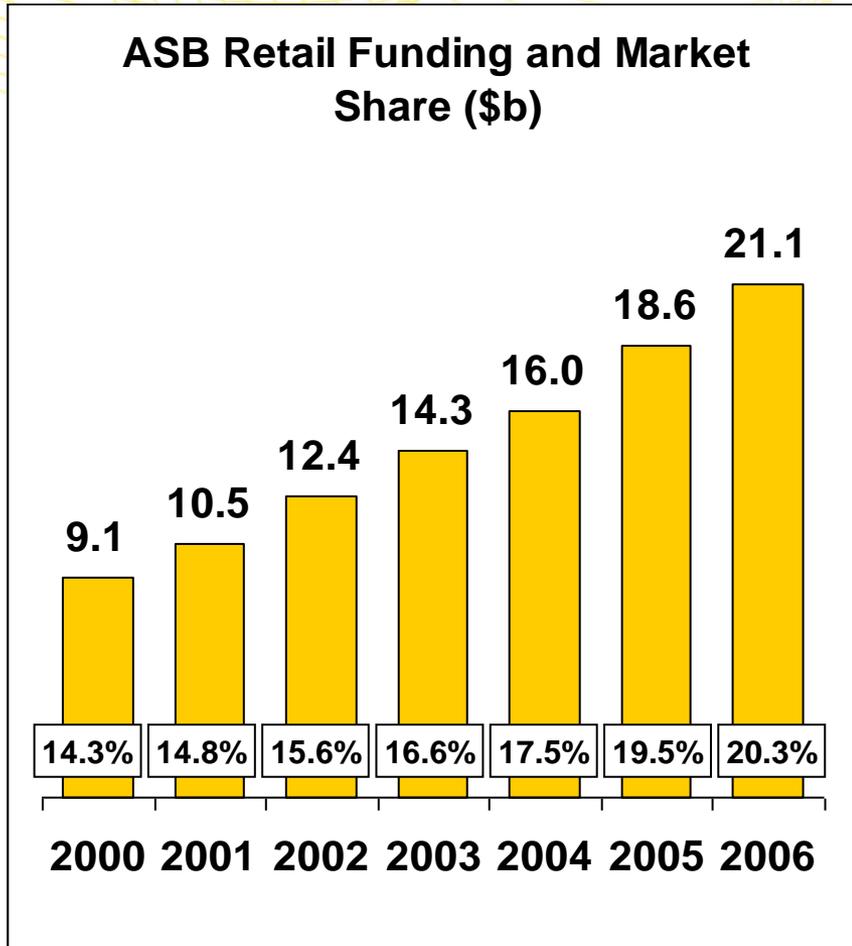
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- Financial Performance Stewart McRobie
- **Retail Banking** **Ross McEwan**
- Business & Rural Banking James Mitchell
- Q & A

ASB continues to grow market share in retail lending



Source: RBNZ, ASB, June Year End

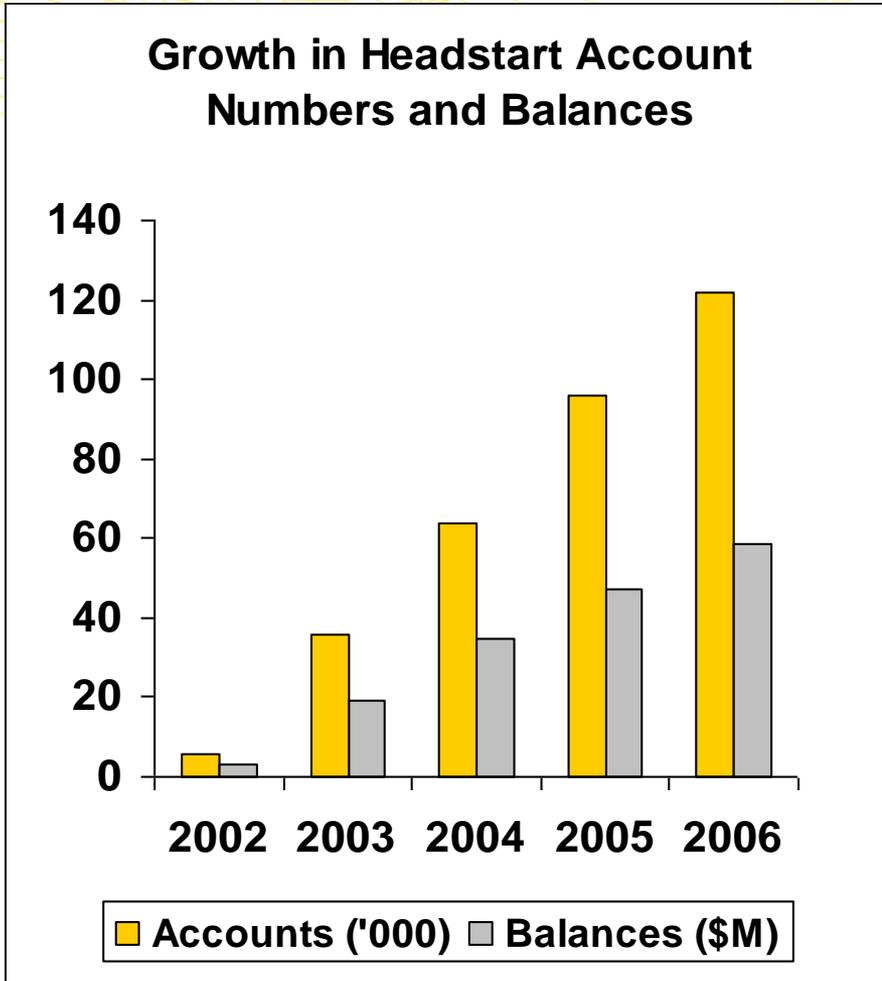
Simple, innovative products have stimulated ASB's growth in retail funding



Source: RBNZ, Market Share - from Dec 2004 denominator changed from M3 to Registered Banks



Focus on under 30's market - YOUTH



Grow your kid's savings with Headstart.

When it comes to teaching your children the importance of growing their savings, ASB's Headstart account and Kashin make it fun. Plus, if you open a Headstart account at any ASB branch before July 23 2006, your child will receive a \$10 credit in their account and a Kashin moneybox in a special bag.

ASB
one step ahead

www.asb.co.nz

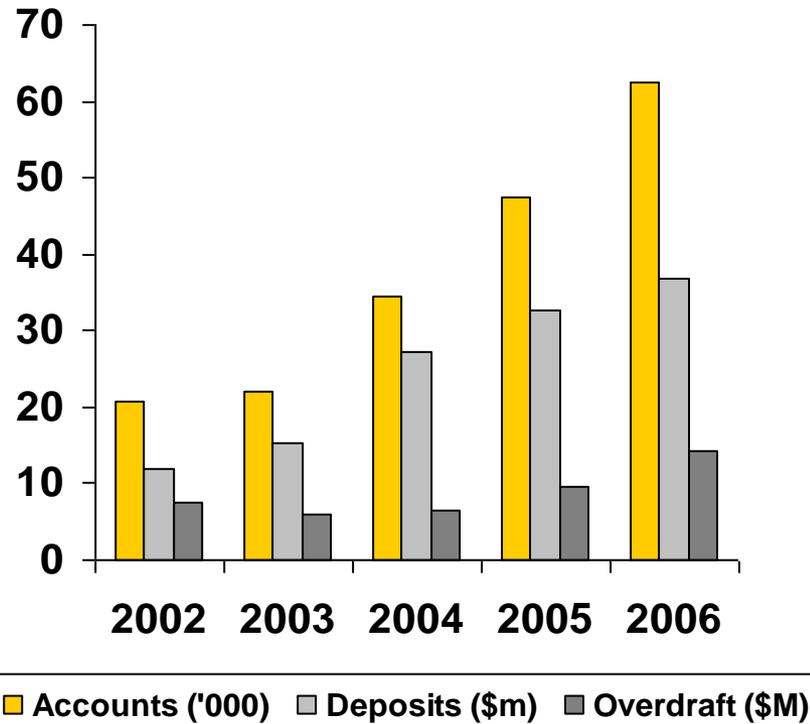
Sample Advertisement

Source: ASB

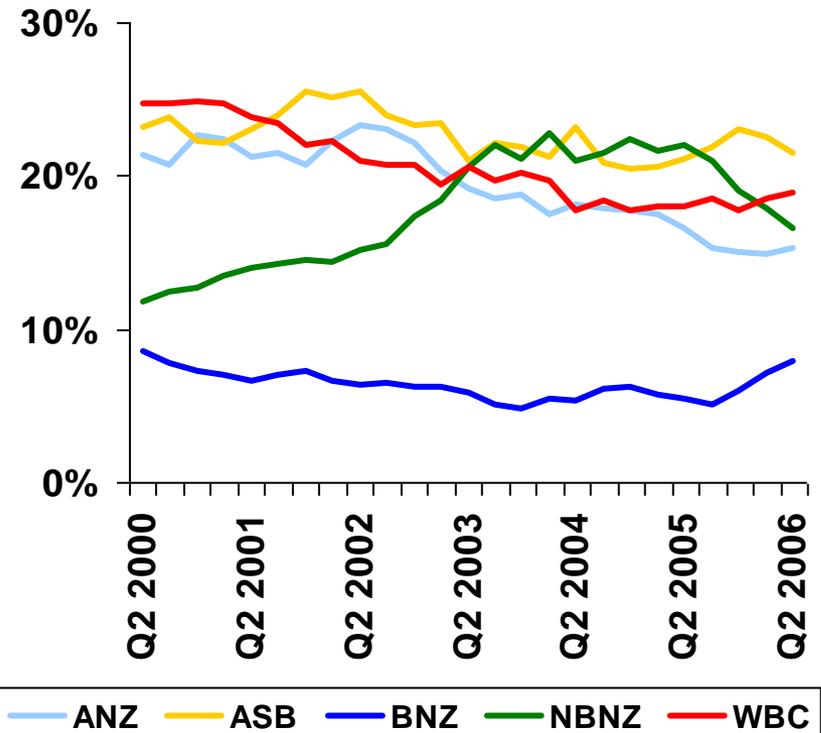


Focus on under 30's market - TERTIARY

Growth in Tertiary Account Numbers and Deposit & Overdraft Balances



Main Bank Share 15-24 year olds



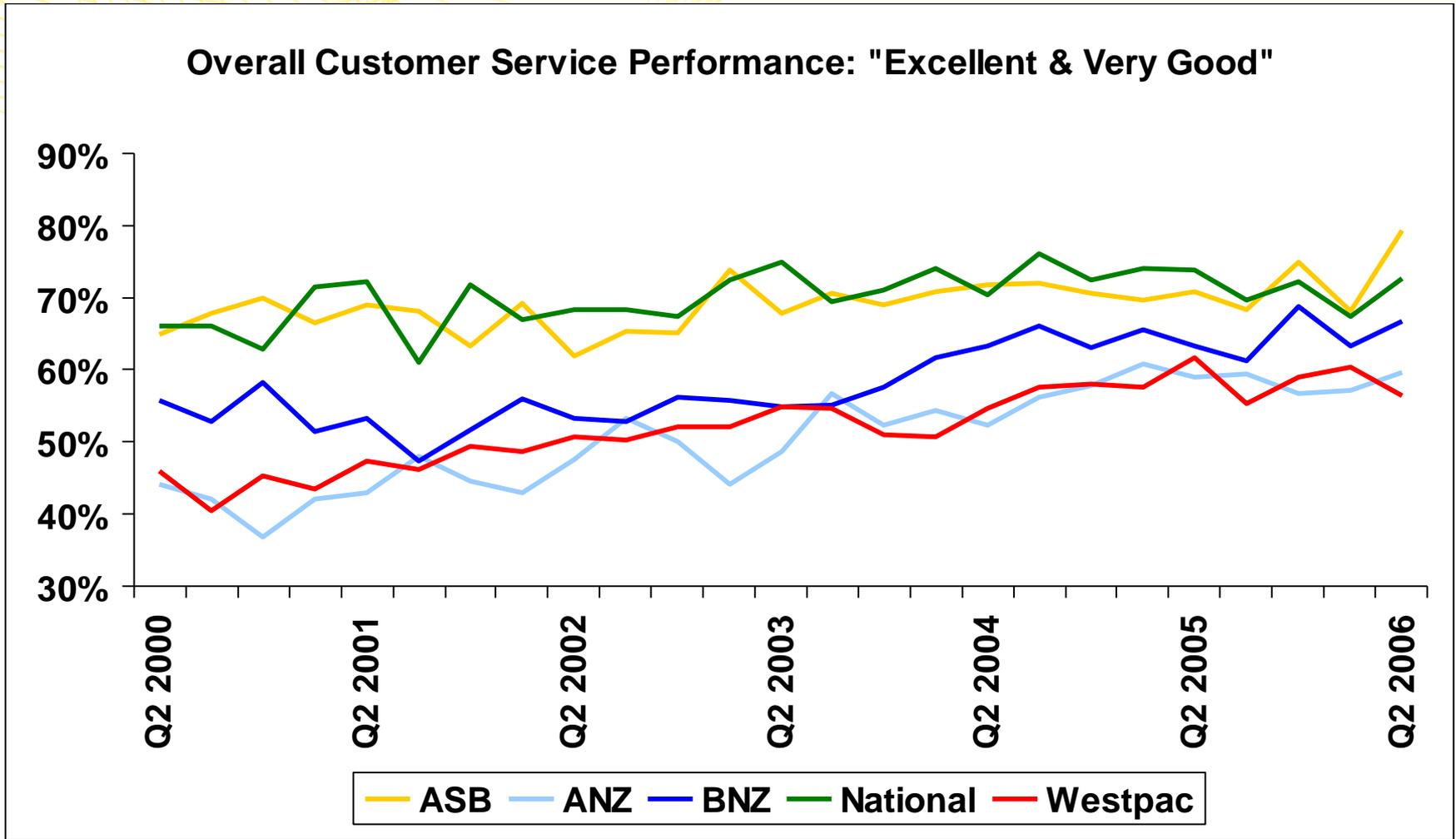
Source: ASB, ACNielsen, Rolling 4 quarters



Simplification of transaction products to drive customer service and growth

Transaction Accounts	OMNI	Unlimited	Streamline
Monthly Base Fee	\$0	\$12	\$0 if statements stopped
Electronic Transactions	\$0.40	\$0	\$0
Manual Transactions	\$0.80	\$0	\$3
Credit Interest	Nil	\$0-99,999 – 5.0%pa \$100,000+ - 7.0%pa	Nil

Success of ASB's service model reflected in customer experience



Source: ACNielsen Consumer Finance Monitor



ASB's multi-channel, multi-brand model creates greater distribution reach



ALL CHANNELS

- Branch
- Broker
- Mobile Lending Managers
- Internet
- Phone



DIRECT ONLY

- Internet
- Phone
- Mobile Lending Managers



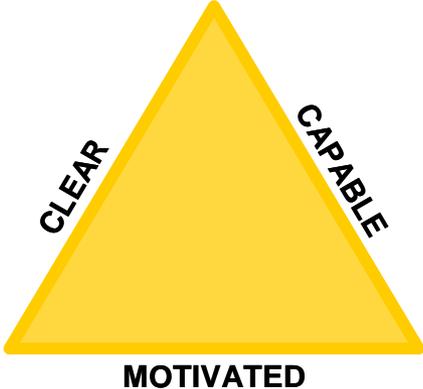
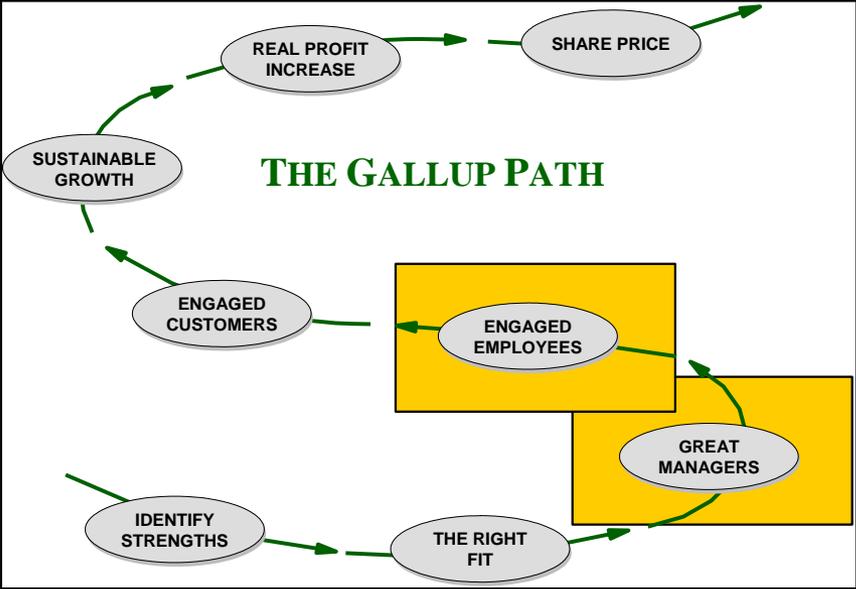
3rd PARTY ONLY

- Broker
- IFA

Focus on leadership to deliver high performing teams

**Strong leadership across ASB
important to achieve high employee
engagement levels**

**ASB focuses on a simple framework to
deliver Great Leaders
and Engaged Employees**



- Clear – appropriate delegations
- Capable – right skills and tools
- Motivated – the right incentives

Source: Copyright © 1996-2002 The Gallup Organization, Princeton, NJ. All rights reserved.

Source: Cohen Brown



Operational excellence critical to lowering costs and creating capacity for growth

Remove paper from branches

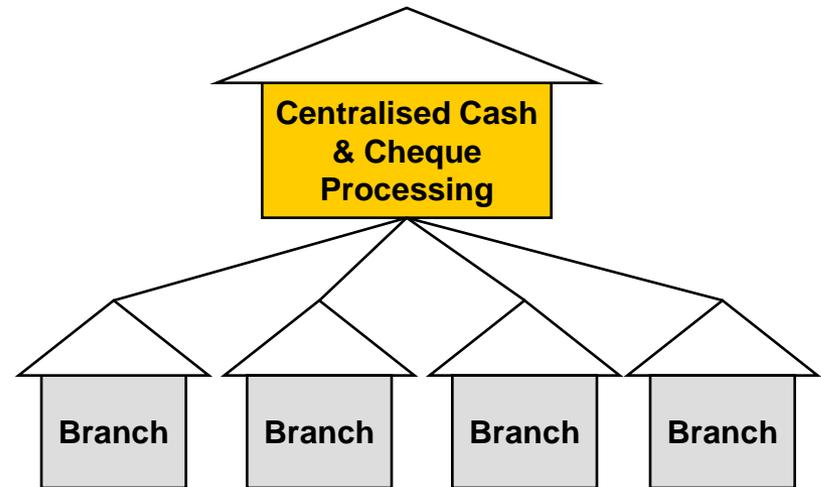
Stage 1 (Progressive rollout) :

- Remove deposit & withdrawal slips
- Web-based forms
- Results to date – 50% reduction in paper within 8 days

Stage 2 (To come):

- Electronic customer signature
- Straight through processing

Centralised cash and cheque processing unit for greater Auckland region



This improves

- Economies of scale in processing
- Resource management within branches
- Utilisation of branch space

Leading technology solutions generate capacity in business for growth

New self-service technology progressively rolled out to branches, enabling faster service delivery and freeing staff for higher value transactions.

Account security is critical. ASB was the first NZ bank to launch 2nd factor security authentication for Internet transactions.

ASB's Internet banking service has won the TUANZ Innovation Award for Financial Services 3 years in a row.



A screenshot of the ASB FastNet internet banking interface. The browser window shows the URL "https://fncqa.asbbank.co.nz/086F604C9610C6CF055SAFE8DD19DD8F/OnlineBanking.asp". The page title is "ASB FastNet : FastCheque - Microsoft Internet Explorer". The interface includes a navigation menu with "Banking", "Sharetrading", and "Account Services". The main content area shows a "Banking Services" list on the left and a "Enter Netcode" form on the right. The form includes a "netcode" input field, "Submit" and "Cancel" buttons, and a "Sign off" link. A timestamp indicates the user is logged in as of 4:01 PM, Friday 18 August 2006. The footer contains copyright information for ASB Bank Limited 2006 and links to "Privacy Statement", "FastNet Classic Terms", and "Internet Access Terms".



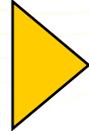
In summary, ASB Retail is a growth and service success

QUALITY GROWTH



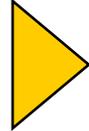
- A strong business with focus on key segments to maintain long term growth

BEST SERVICE



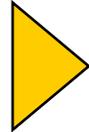
- Outstanding service performance

BEST DISTRIBUTION



- Broad distribution reach

BEST TEAM



- Focus on leadership excellence at all levels

BEST PROCESSES



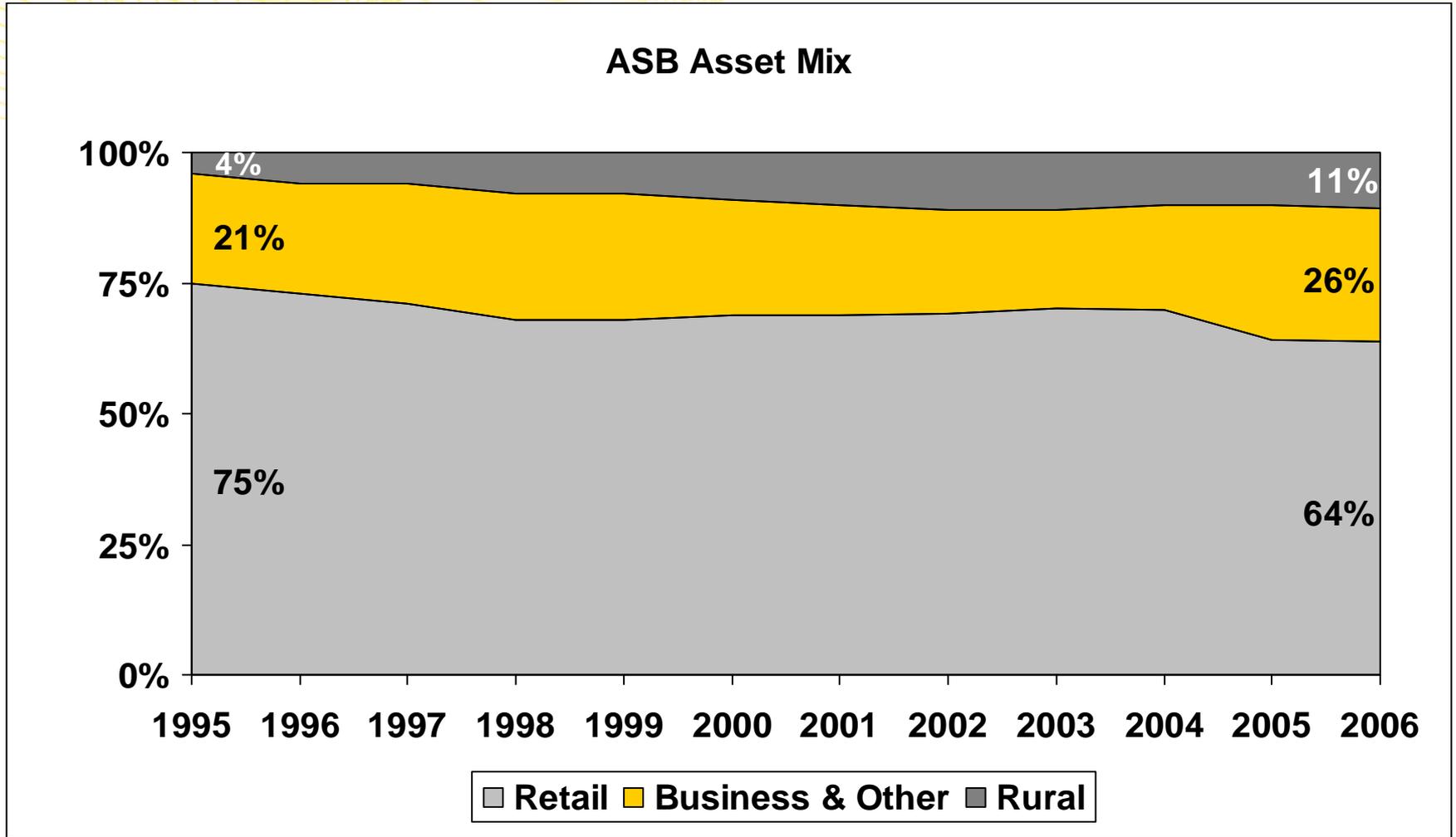
- Technology and process redesign building capacity for growth

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Business and Rural lending have become a significant part of ASB's portfolio

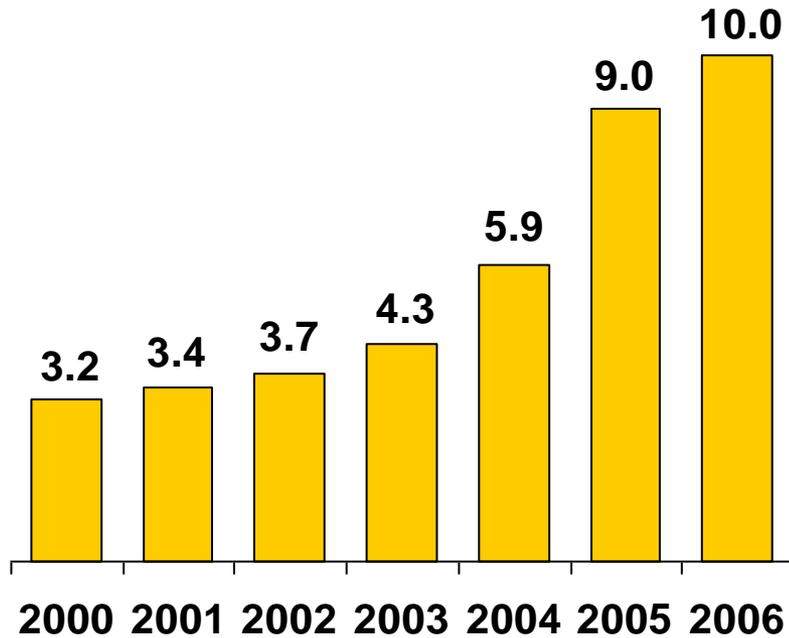
ASB Asset Mix



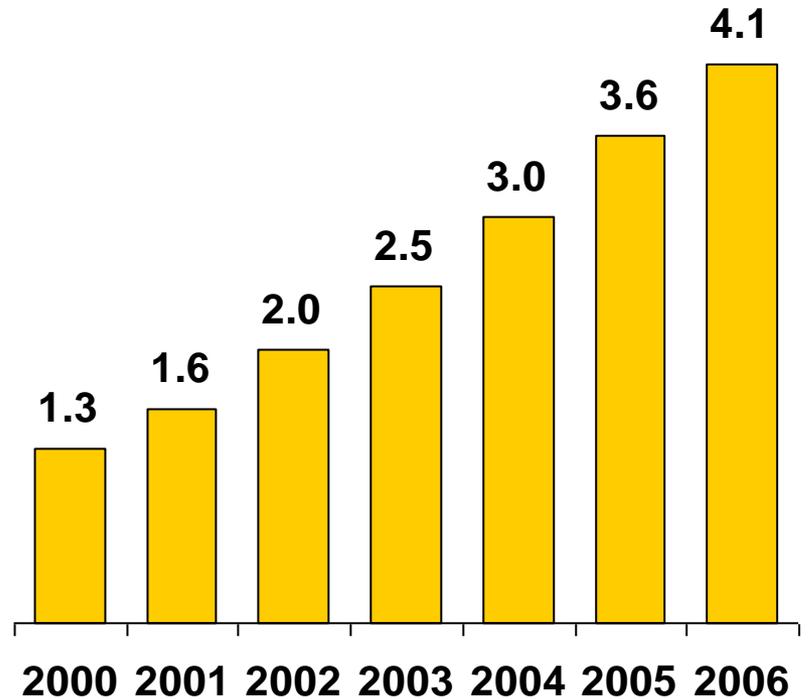
Source: ASB, June Year End

Segment has been growing but opportunities to further increase ASB's share

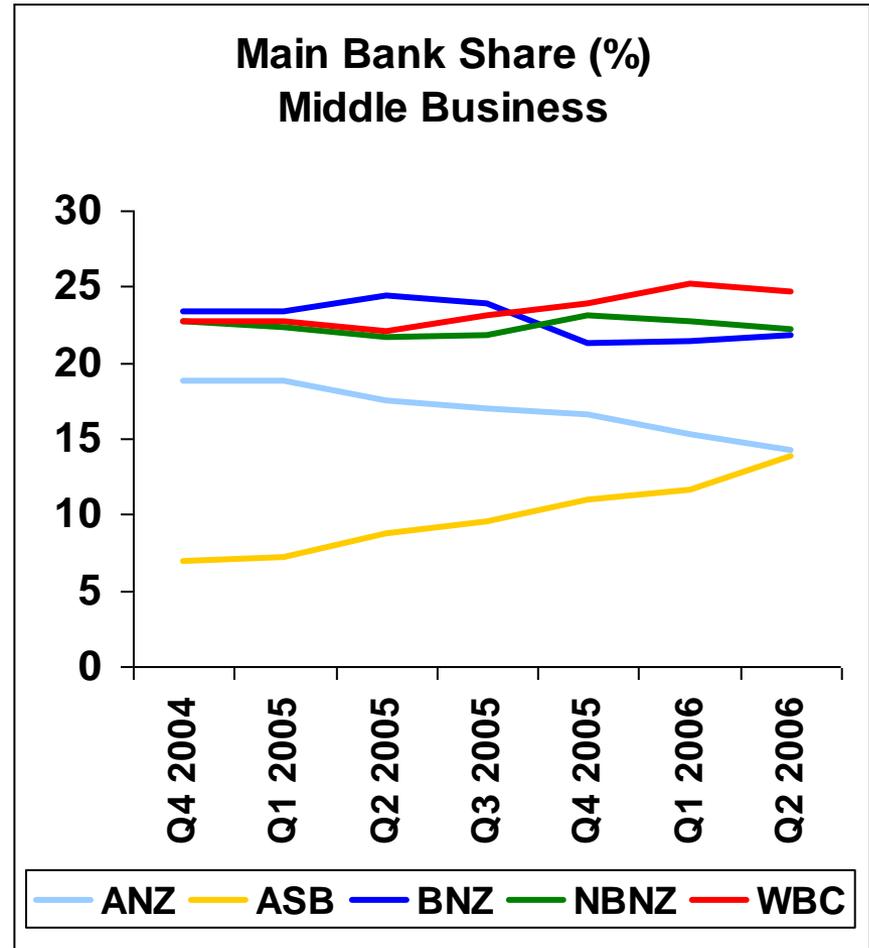
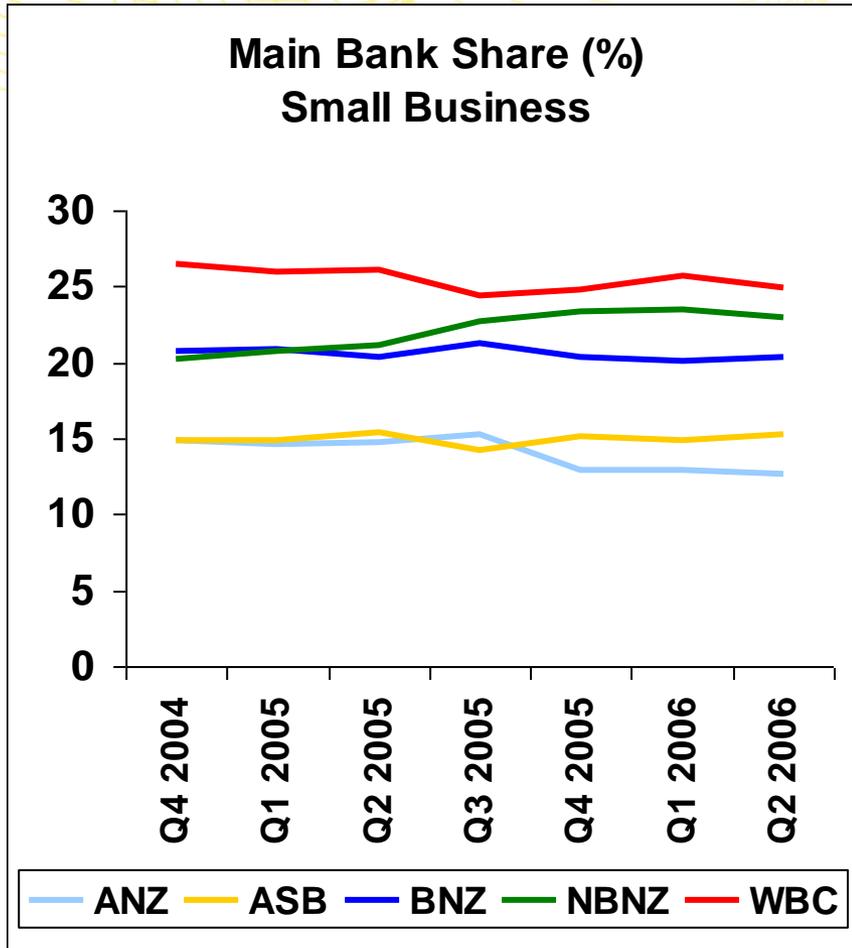
ASB Business and Other Assets (\$b)



ASB Rural Assets(\$b)



Opportunities to further increase ASB's share



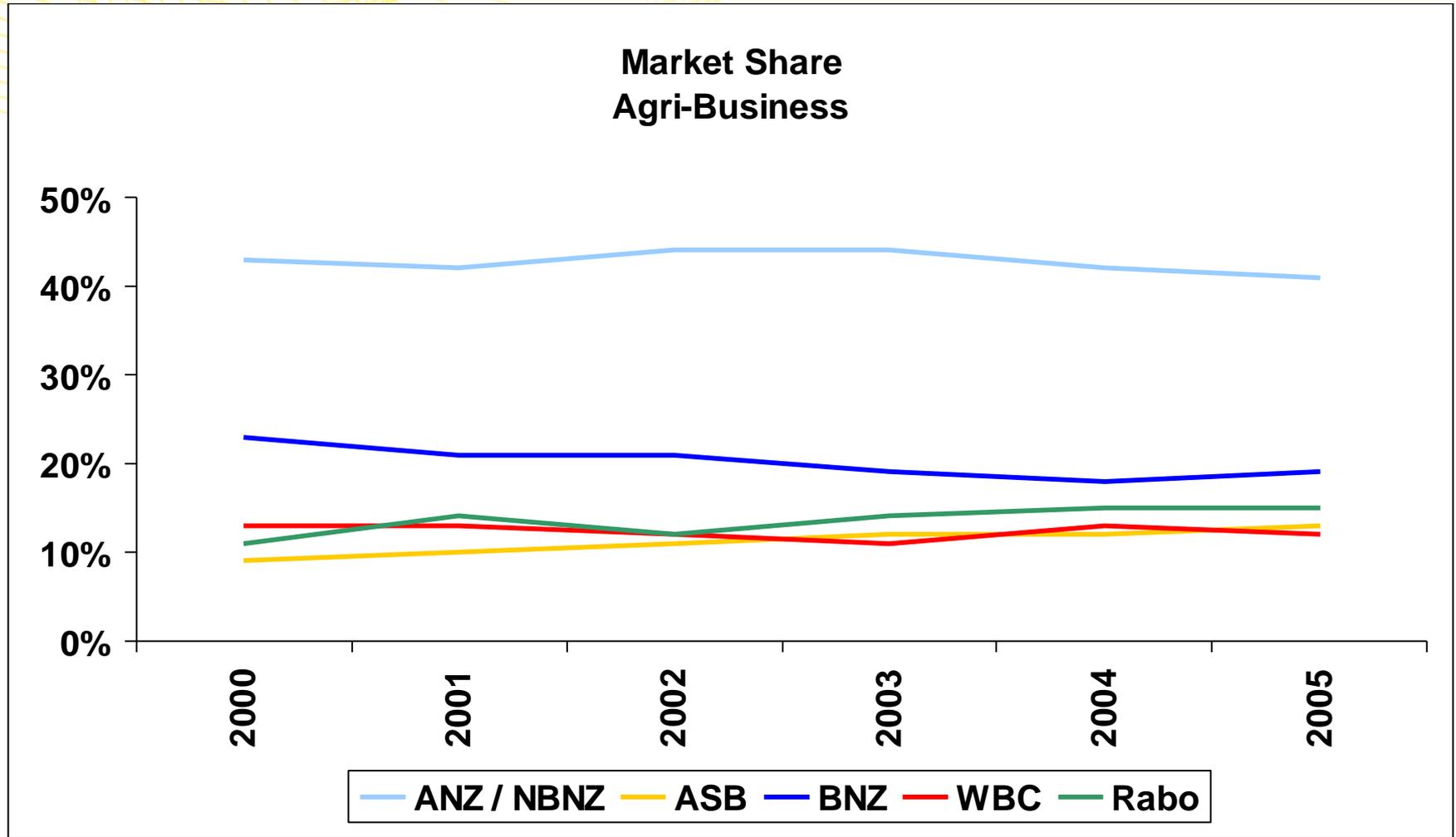
Source: TNS, 4 quarter roll

Small Business <\$5m turnover

Middle business \$5m to \$100m turnover

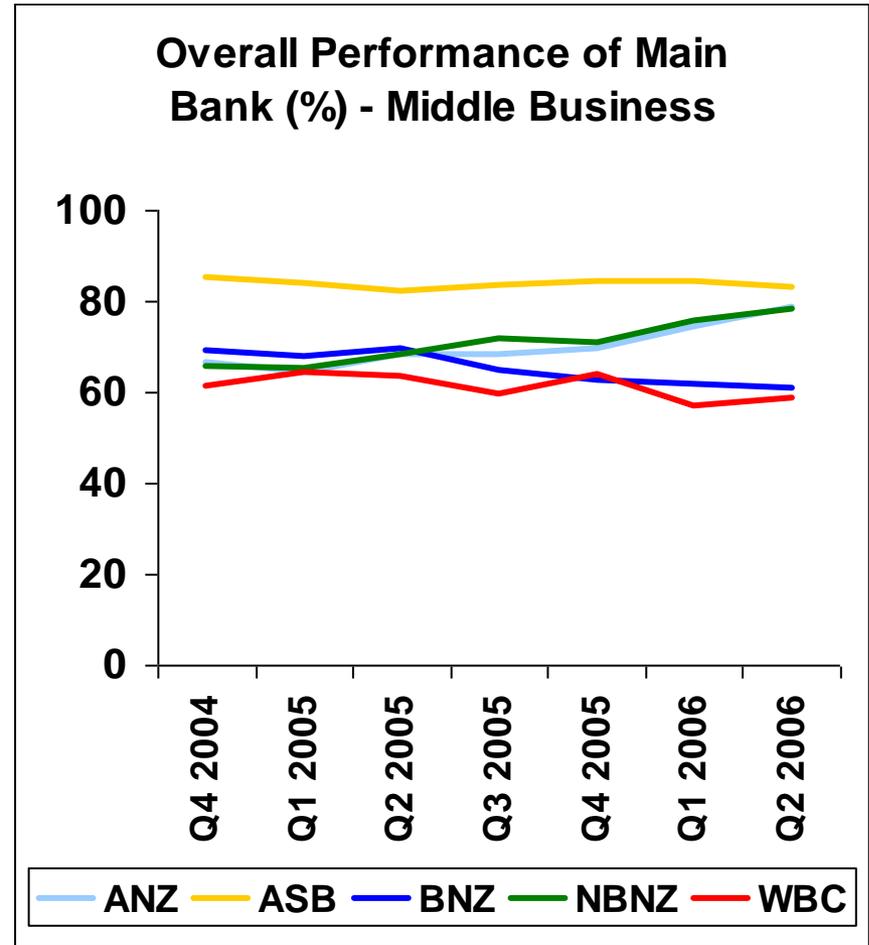
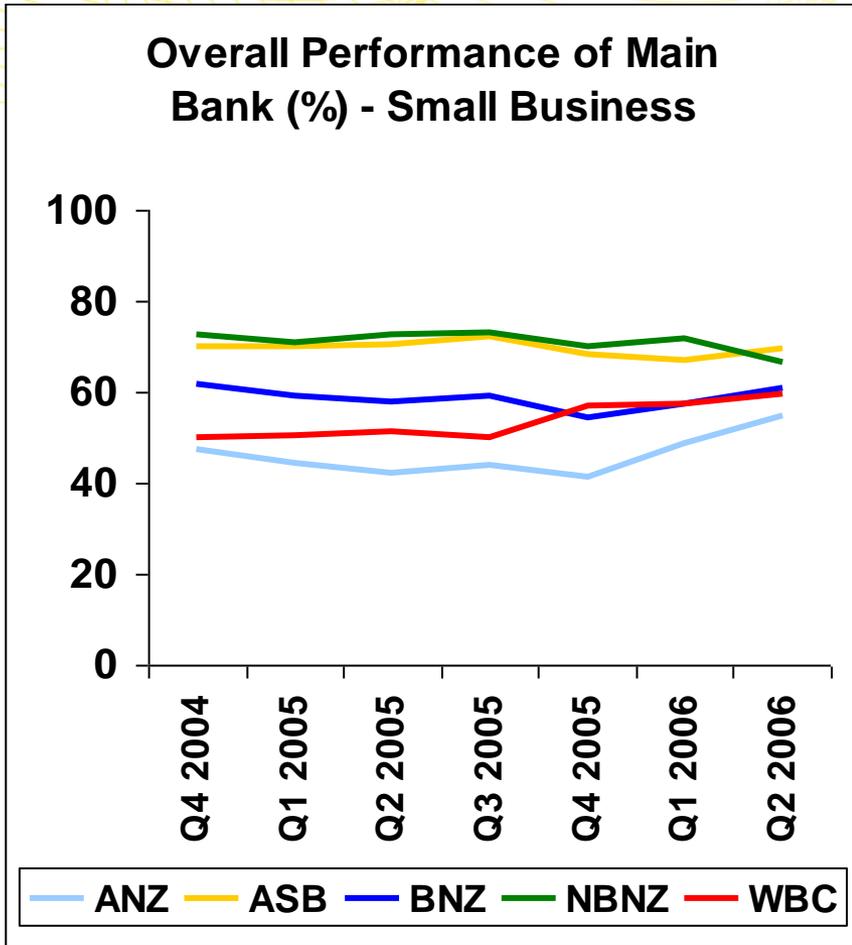


Opportunities to further increase ASB's share



Source: Competitor GDS (Total Credit Exposures), Market Share of Major Banks & Rabobank, ANZ/NBNZ (Sept), ASB (Jun), BNZ (Sep), WBC (Sep), Rabo (Dec)

Success of ASB's service model reflected in customer experience



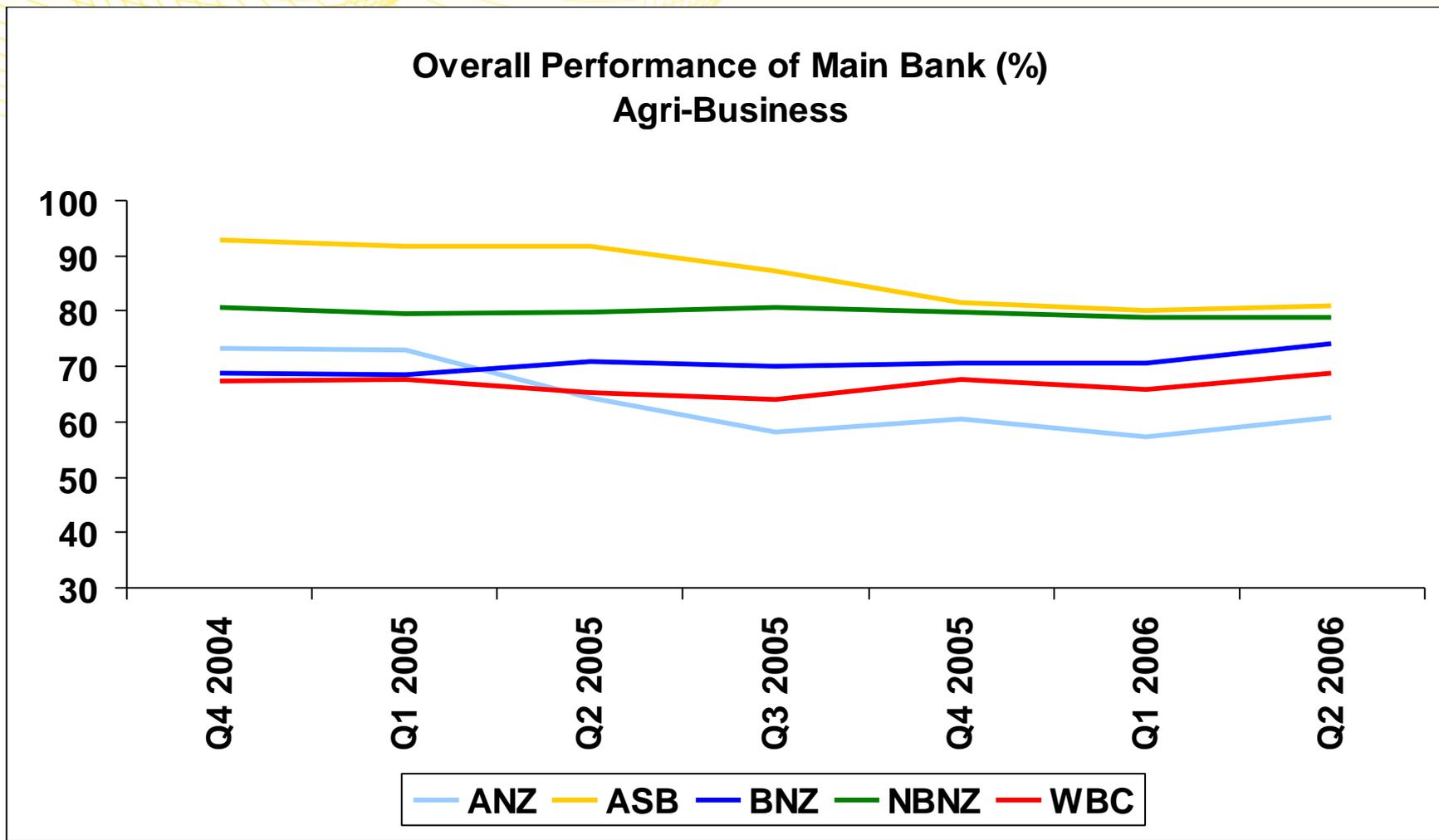
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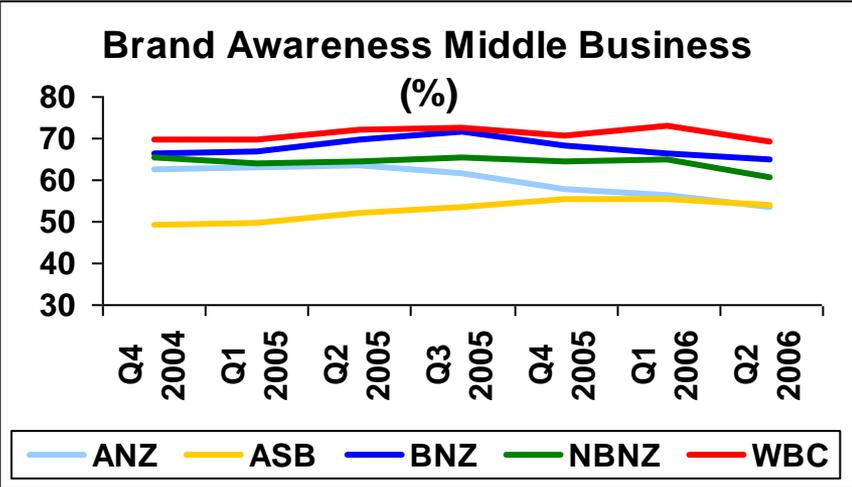
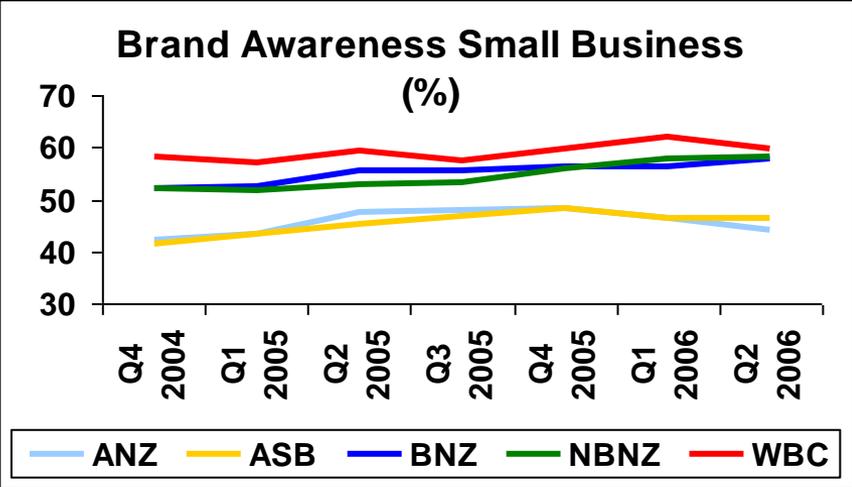
Success of ASB's service model reflected in customer experience



Source: TNS, 4 quarter roll



Increasing ASB brand awareness

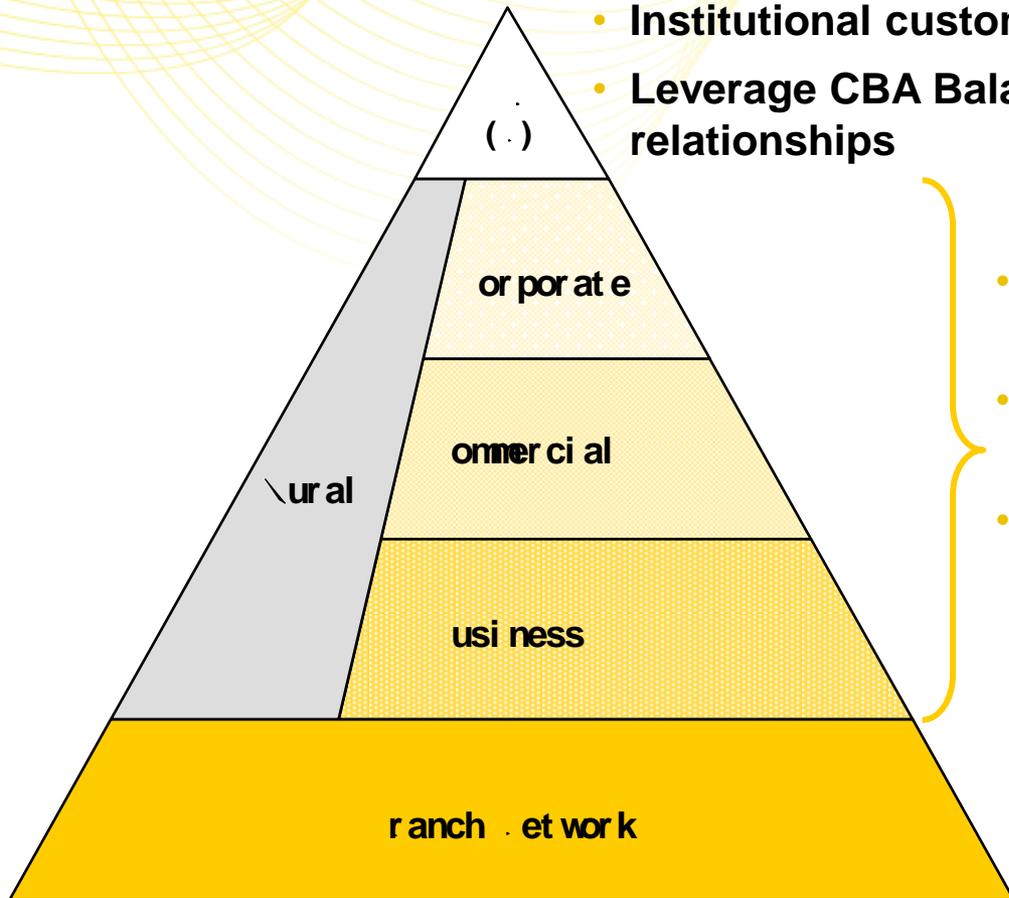


- Selective sponsorships are increasing awareness of ASB as a business bank.



Source: TNS, Brand Awareness (Total Spontaneous), 4 quarter roll

Leveraged group capabilities to provide best service



- Institutional customers
- Leverage CBA Balance Sheet & Trans-Tasman relationships

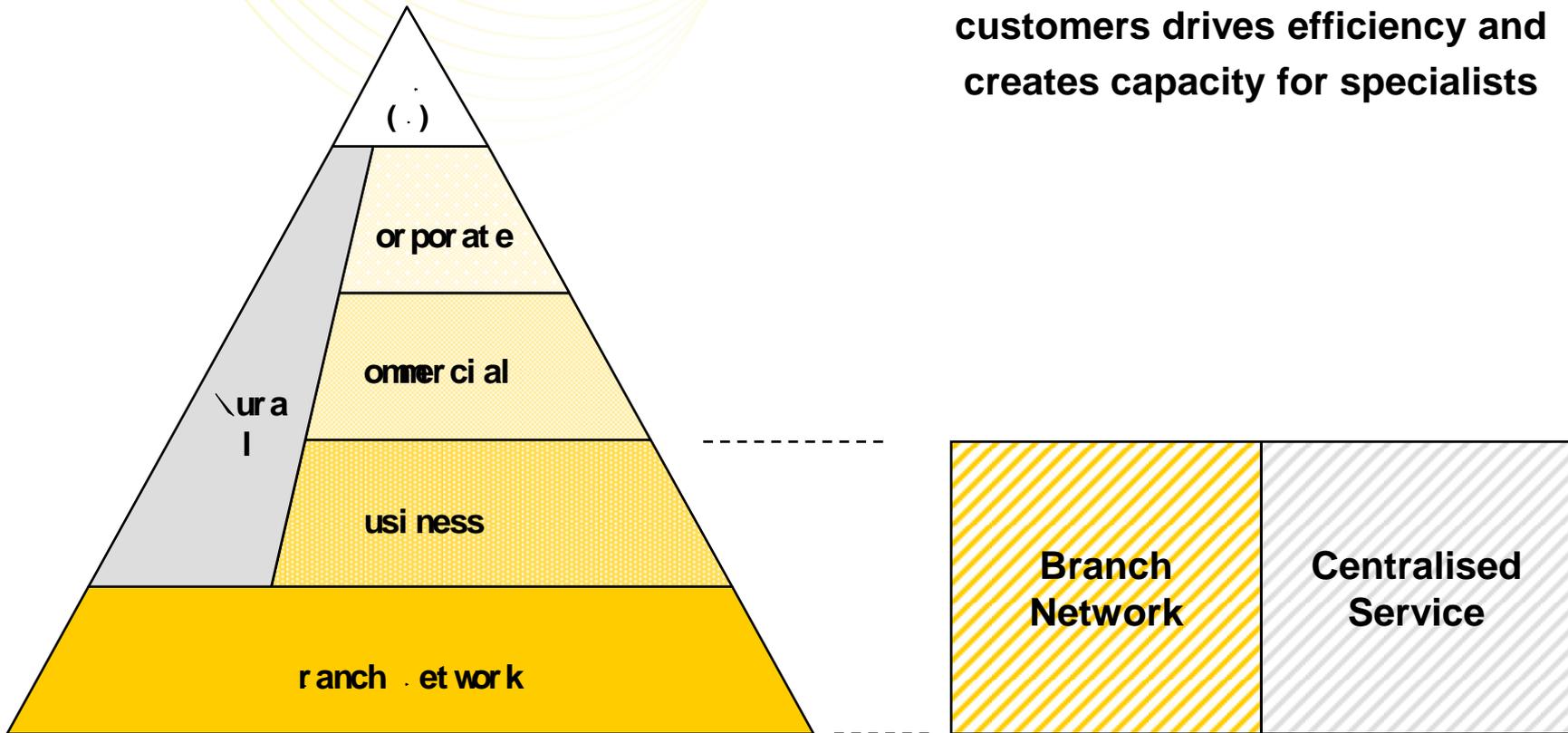
- Corporate to small business customers
- Full range of financial solutions with tailored packages
- Specialist lenders supported by financial markets and international trade experts

- Micro business customers
- Transaction focus

Unique service model lowers cost of delivery and creates capacity for growth

Decentralised distribution model drives high service levels for all segments

ASB's unique combination of branch based and centralised service models for small business customers drives efficiency and creates capacity for specialists



In summary, ASB Business and Rural is a growth and service success

QUALITY GROWTH



- Strong growth with significant potential to increase market share

BEST SERVICE



- Outstanding service performance

BEST DISTRIBUTION



- Building brand awareness to increase distribution reach

BEST TEAM



- Leveraging group capabilities to provide best service

BEST PROCESSES



- Unique service model lowers cost of delivery and creates capacity for growth

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