

# ASB MARKET UPDATE

5 JUNE 2015



**ASB**

# Agenda

BARBARA CHAPMAN

Chief Executive Officer

JON RABY

Chief Financial Officer

IAN PARK

Executive General Manager  
Retail & Business Banking

STEVE JURKOVICH

Executive General Manager  
Commercial, Corporate & Rural

RUSSELL JONES

Executive General Manager  
Technology & Innovation

QUESTIONS AND ANSWERS

# Our Vision and Values

Unbeatable team. Unbeatable service.

First for Profitable Growth

Values

INTEGRITY



Doing the right thing

CARING



Respect & support

PASSION



Energy & enthusiasm

AMBITION



Striving to be the best

# Our strategy

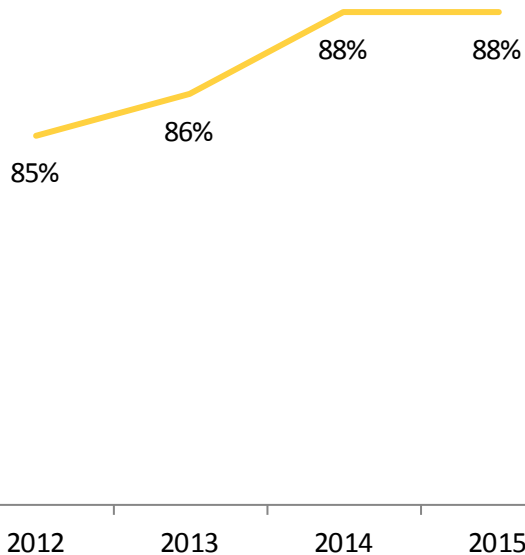
Unbeatable team. Unbeatable service.

First for profitable growth

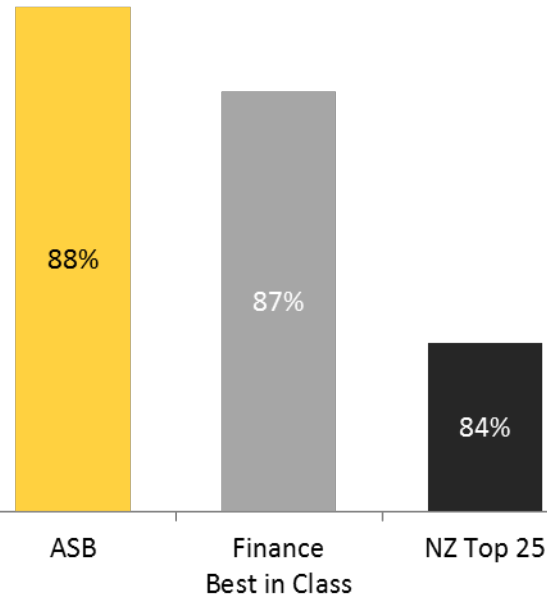
Themes	<b>TARGETED GROWTH</b> 	<b>AMPLIFY DIGITAL</b> 	<b>CREATE CAPACITY</b> 	<b>GET FUTURE READY</b> 
	Aspiration	Targeted business diversification	Significantly increase digital sales	Make things better and easier for our customers and our people
Focus Areas	<ul style="list-style-type: none"><li>• Business &amp; Rural</li><li>• Data driven conversations</li><li>• Pricing</li></ul>	<ul style="list-style-type: none"><li>• Digital sales</li><li>• Next generation distribution</li></ul>	<ul style="list-style-type: none"><li>• Continuous improvement</li><li>• End to end process transformation</li></ul>	<ul style="list-style-type: none"><li>• Future operating model</li></ul>

# Best in class staff engagement

## ASB Engagement Scores

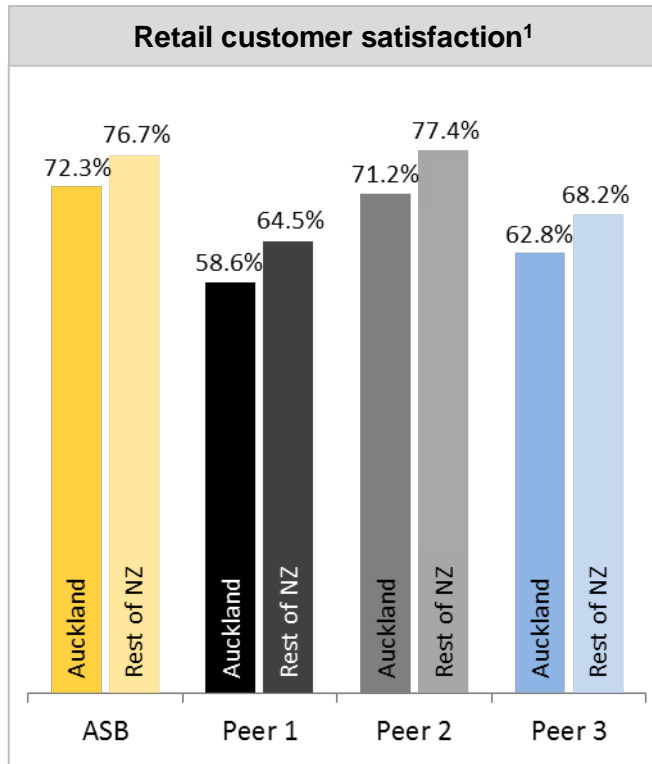


## Comparative Engagement Scores



Source: ASB People & Culture Survey February 2015, IBM Kenexa

# Strong customer focus



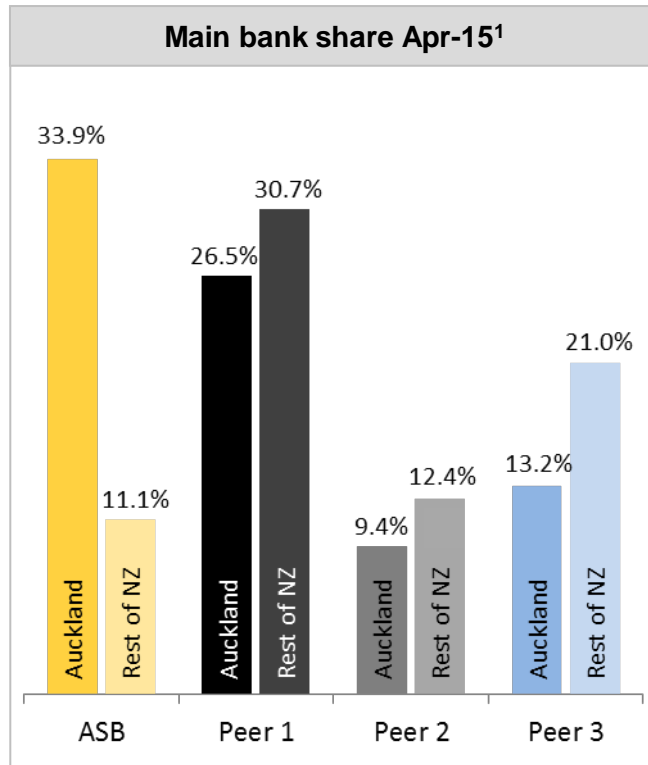
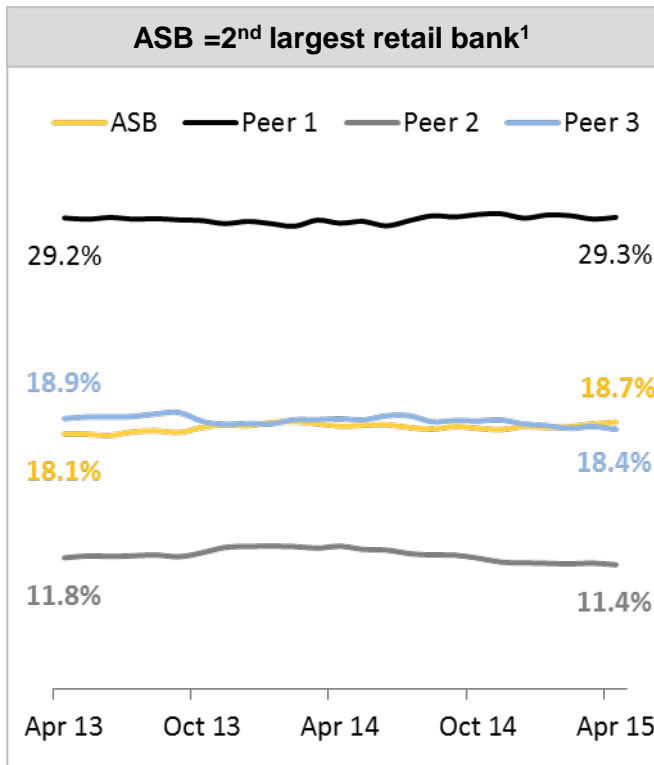
Area	ASB
Business < \$250k turnover <sup>2</sup>	=1 <sup>st</sup>
Business \$250k - \$2m turnover <sup>2</sup>	1 <sup>st</sup>
Commercial \$2m - \$25m turnover <sup>2</sup>	1 <sup>st</sup>
Corporate \$20m - \$150m turnover <sup>2</sup>	=2 <sup>nd</sup>
Agribusiness \$100k+ turnover <sup>2</sup>	2 <sup>nd</sup>
Mobile app <sup>1</sup>	=1 <sup>st</sup>
Premium <sup>1</sup>	=1 <sup>st</sup>
Call centre <sup>1</sup>	=2 <sup>nd</sup>
Branch satisfaction <sup>1</sup>	=2 <sup>nd</sup>

<sup>1</sup> Camorra Retail Market Monitor April 2015. % of respondents choosing “quite satisfied” or “very satisfied” to the question “Thinking about all aspects of the service provided to you by your [main bank], how satisfied are you with the overall performance of [main bank]”. Rolling 12 months average, maximum margin of error (MME) +/- 4.3%.

<sup>2</sup> TNS Business Finance Monitor Q1 2015. % of respondents choosing “very good” or “excellent” to the question “How would you rate [nominated main bank] overall i.e. it’s service and the institution itself over the last year?”. Rolling 4 quarter average.



# Main bank share

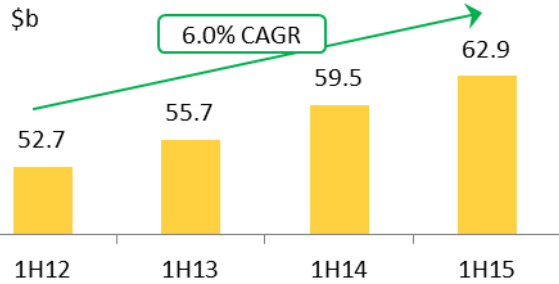


<sup>1</sup> Camorra Retail Market Monitor main bank share measure. % of respondents who selected ASB to the following question. "Please select ALL the financial service providers that you use in New Zealand...(multi response) . And which of these is your main provider of financial services? (single response)". Rolling 12 months average, maximum margin of error (MME) +/- 1.3%.

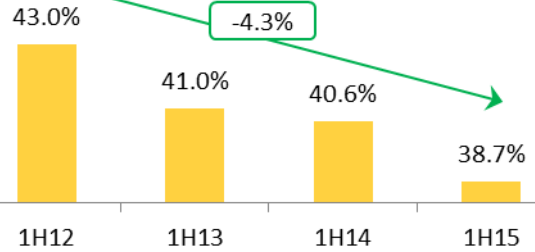


# Profitable growth

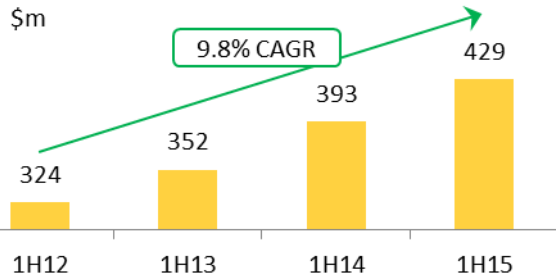
## Customer advances



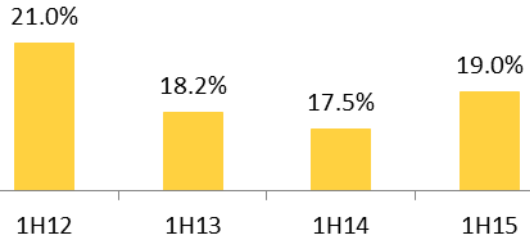
## Cost-to-Income Ratio



## Cash NPAT



## ROE (Stat)



All numbers are presented in NZD



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QUESTIONS AND ANSWERS

# Continuing growth

Key Metrics	1H15	1H15 vs 1H14
Statutory Profit	\$444m	↑ 7%
Cash NPAT	\$429m	↑ 9%
Net Interest Margin (Cash)	2.41%	↑ 15bps
Cost-to-Income ratio	38.7%	↓ (190)bps
ROE (Stat)	19.0%	↑ 150bps

# Strong margin performance

## Cash NIM (%)

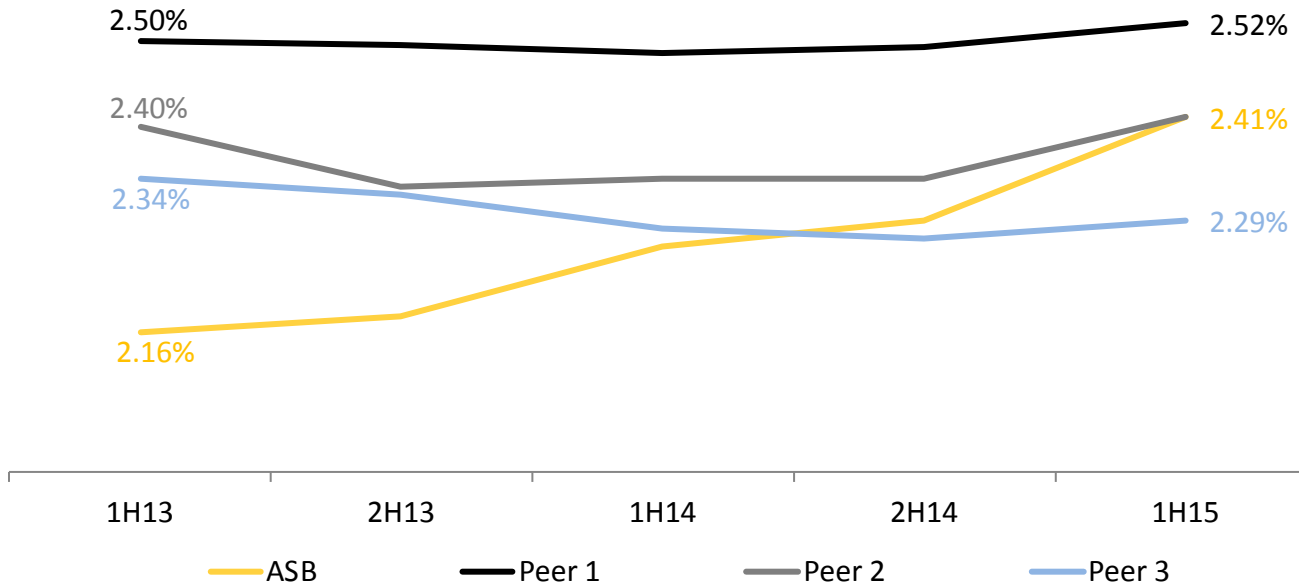
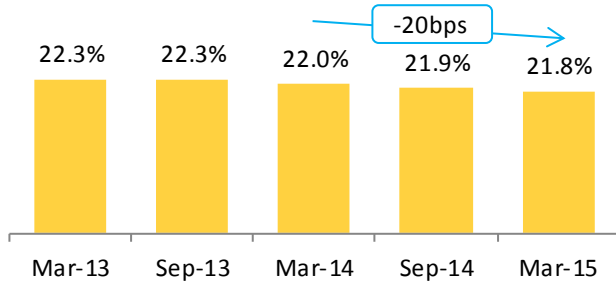


Chart based on financial year data (ASB: 31 December and 30 June; Peers: 31 March and 30 September).

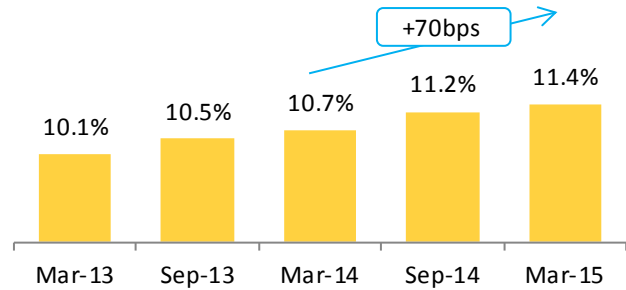


# Market share performance

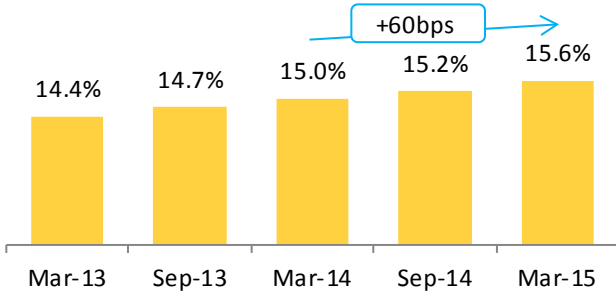
## Home lending



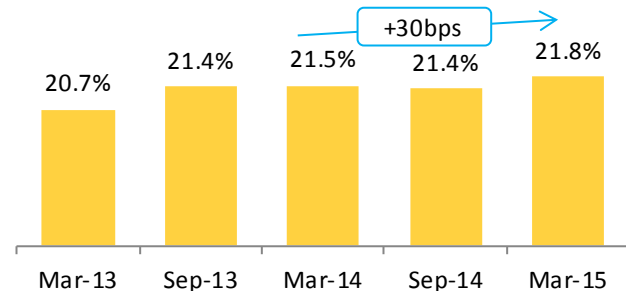
## Business, Commercial and Corporate



## Rural lending

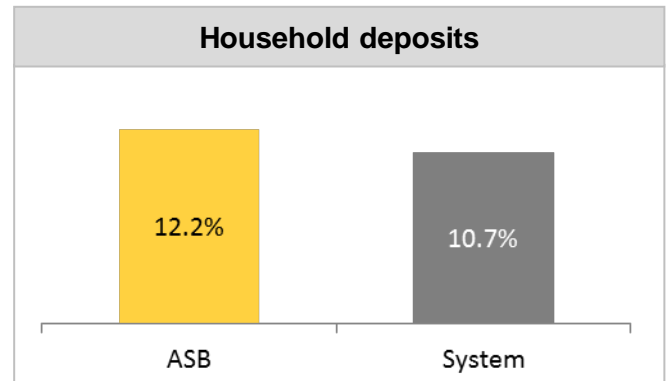
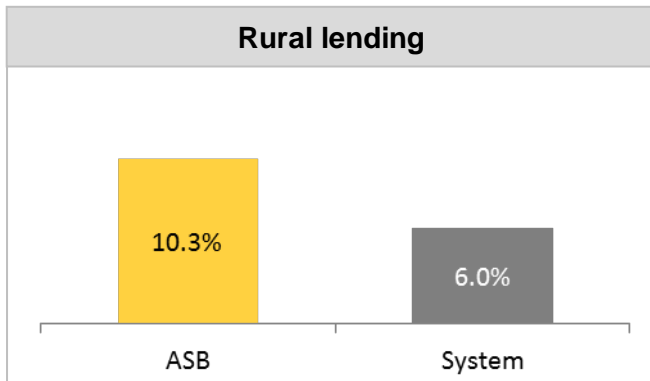
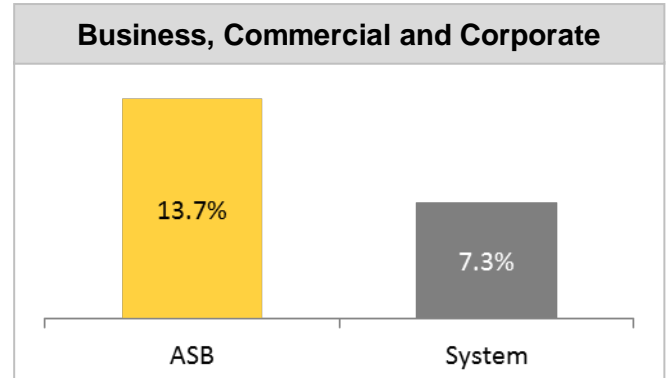
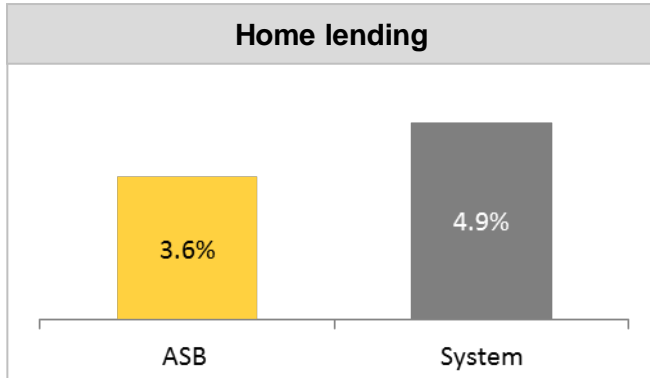


## Household deposits



Market data sourced from RBNZ Statistics (sector credit and funding by sector).

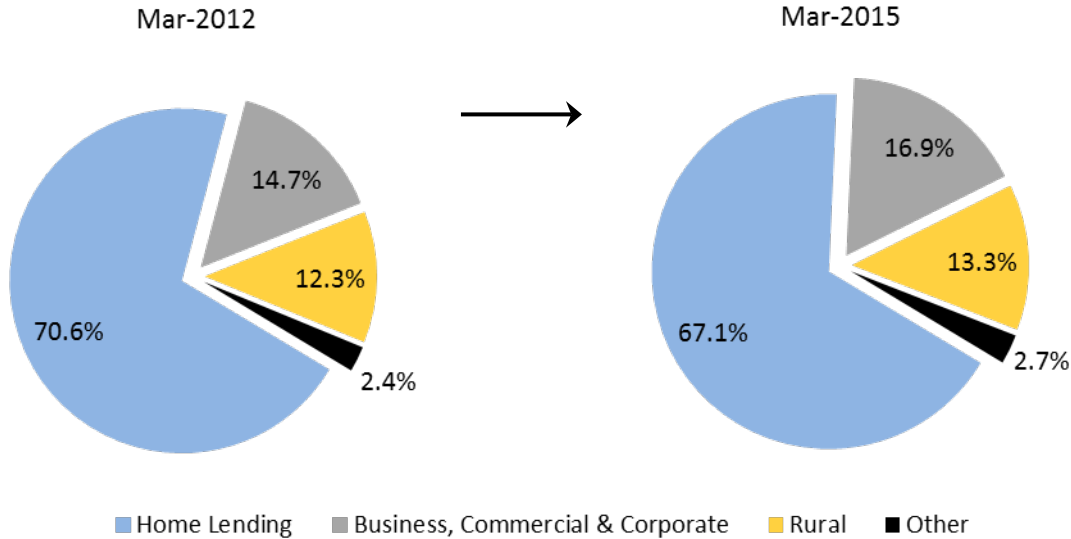
# Segment growth reflects strategy



Spot balance growth twelve months to Mar 15. System data sourced from RBNZ Statistics (sector credit and funding by sector).



# Mix of customer advances



# Continued focus on “JAWs”

## “JAWs”

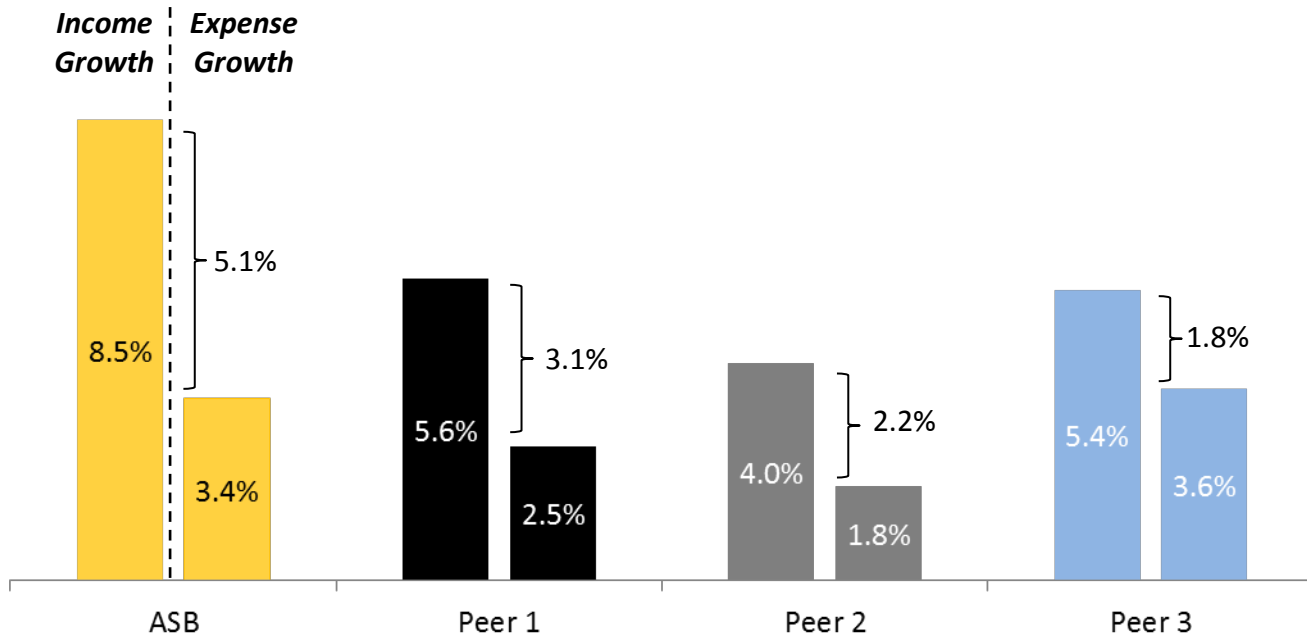


Chart based on Cash NPAT results for 1H15 vs. 1H14 (ASB: 31 December; Peers: 31 March).

# Continued productivity focus

## Cost-to-Income (%)

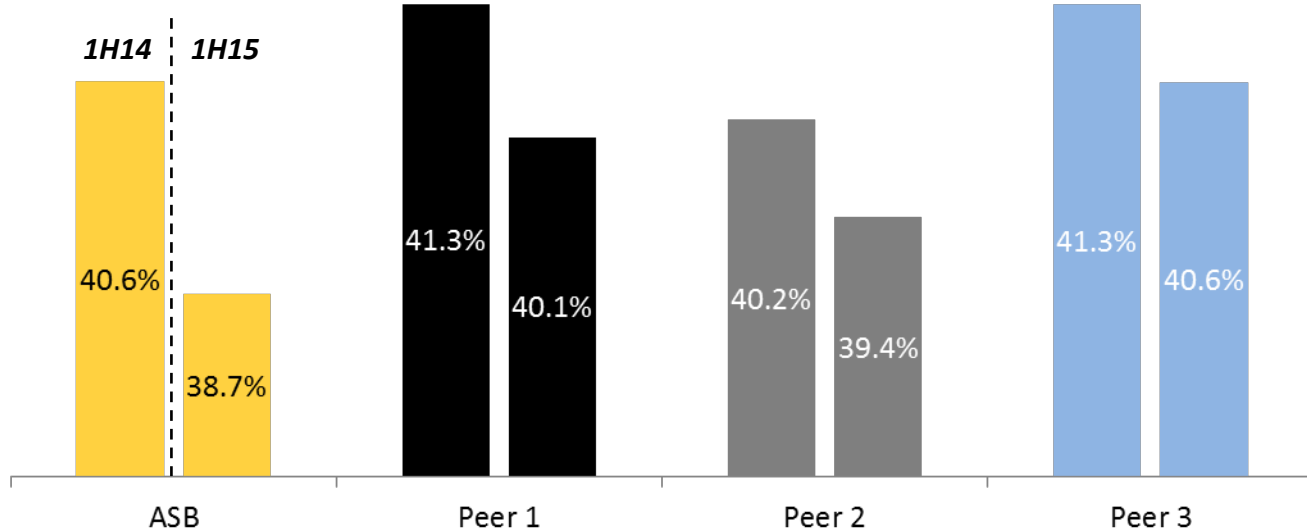
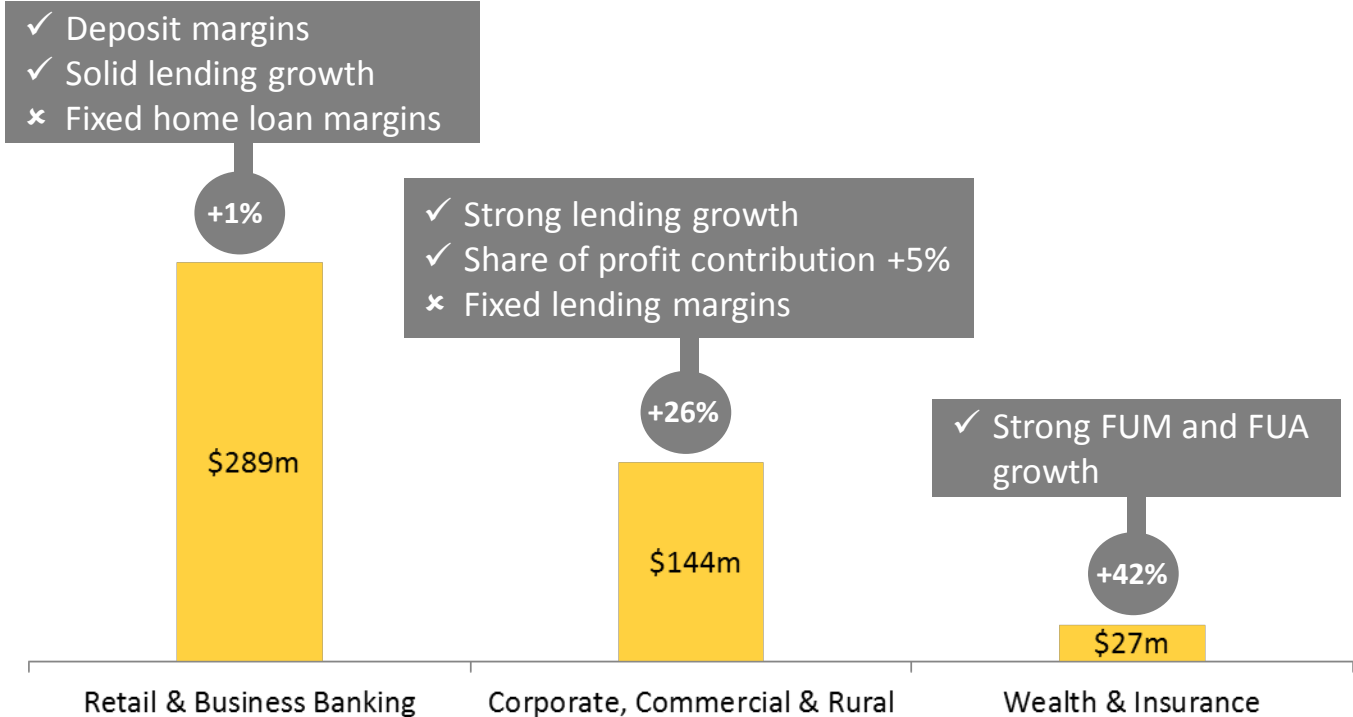


Chart based on financial year data (ASB: 31 December ; Peers: 31 March).



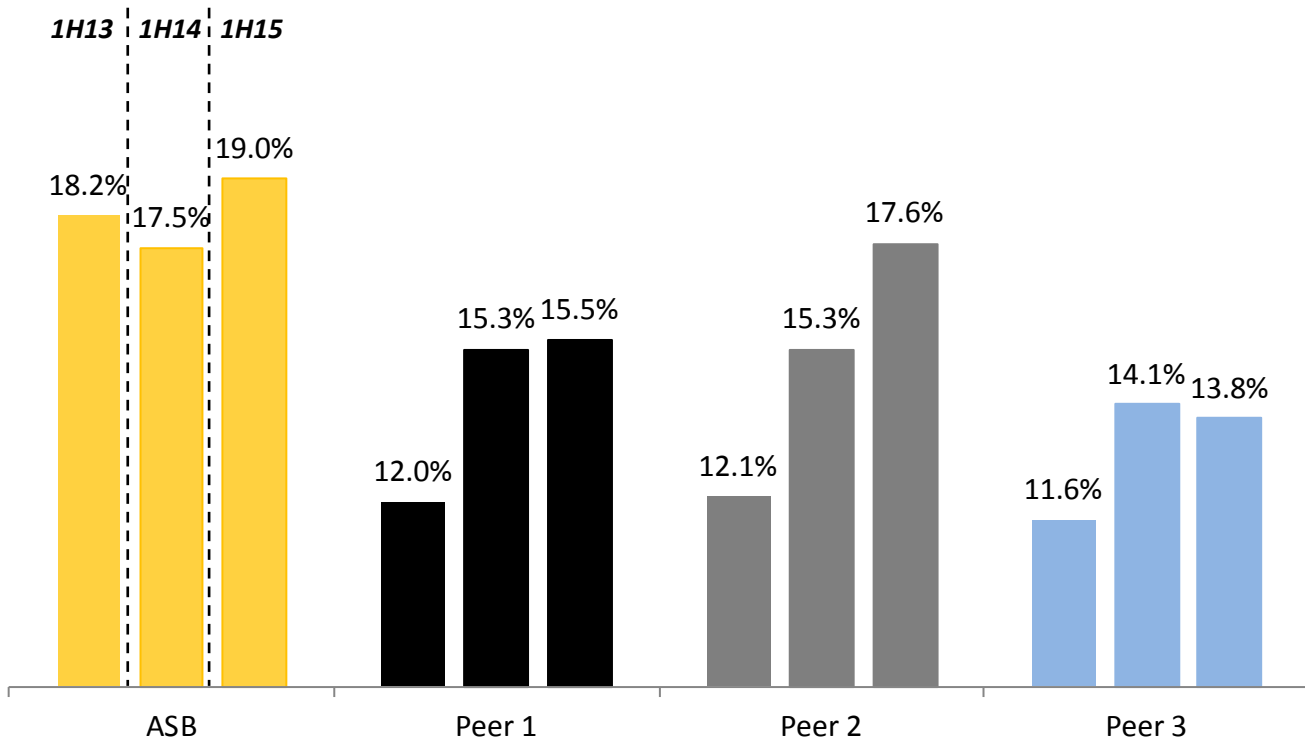
# Strategy execution driving results

## Cash NPAT 1H15



Excludes Corporate Centre and Other. All movements on prior comparative period.

# Leading Return on Equity

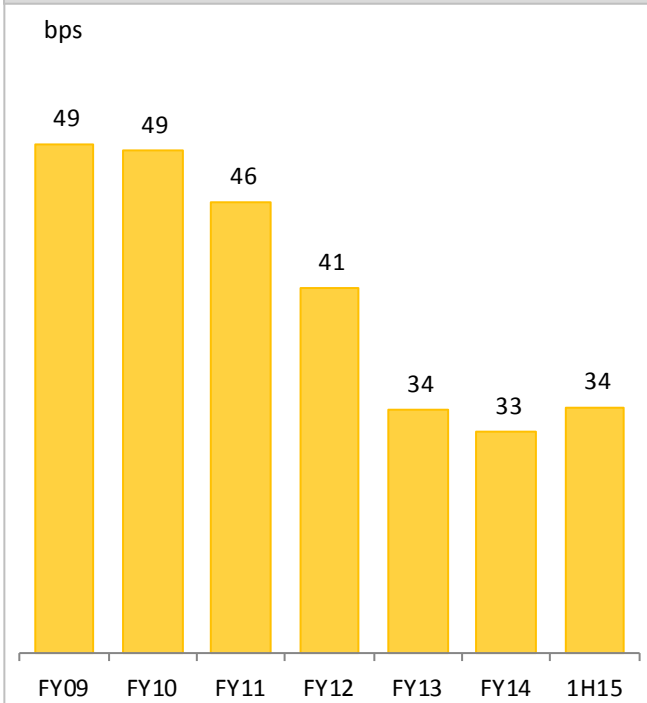


ROE (Stat). Chart based on financial year data (ASB: 31 December; Peers: 31 March).

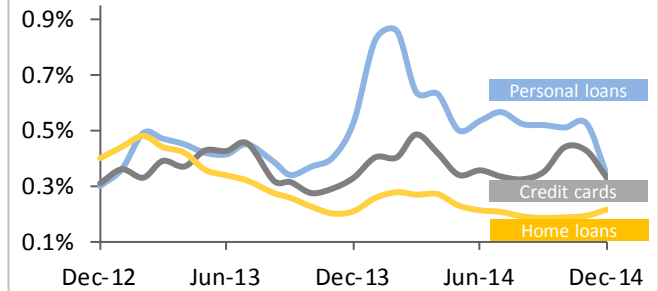


# Credit quality and provisioning

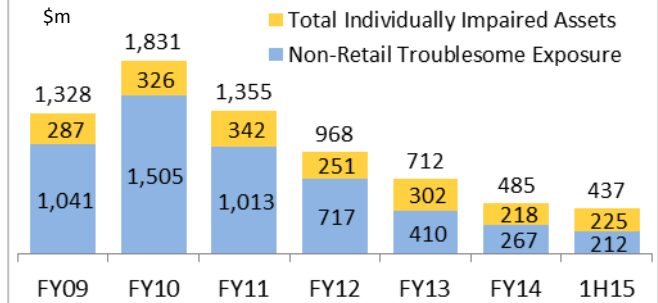
## Total provisions to gross loans



## 90 day arrears



## Troublesome and impaired assets



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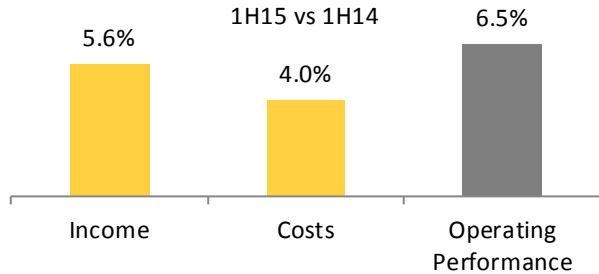
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Technology & Innovation

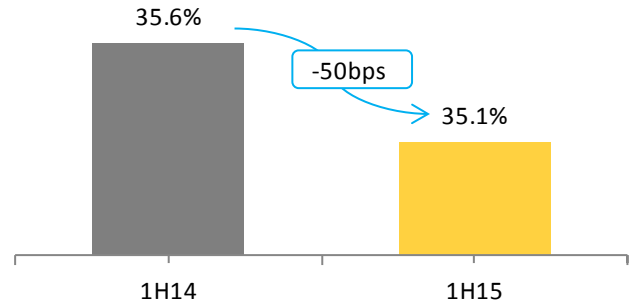
QUESTIONS AND ANSWERS

# Retail & Business Banking

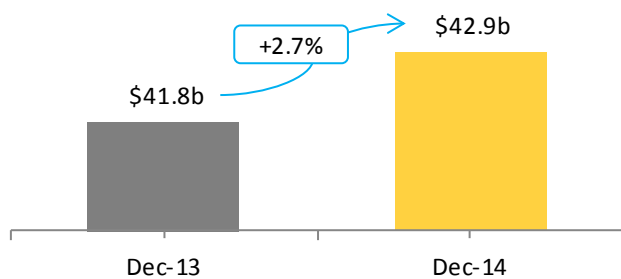
## Operating performance



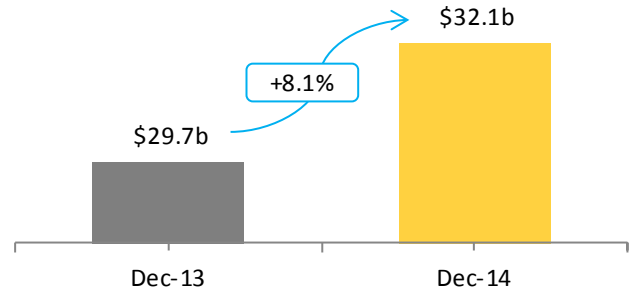
## Cost-to-Income ratio



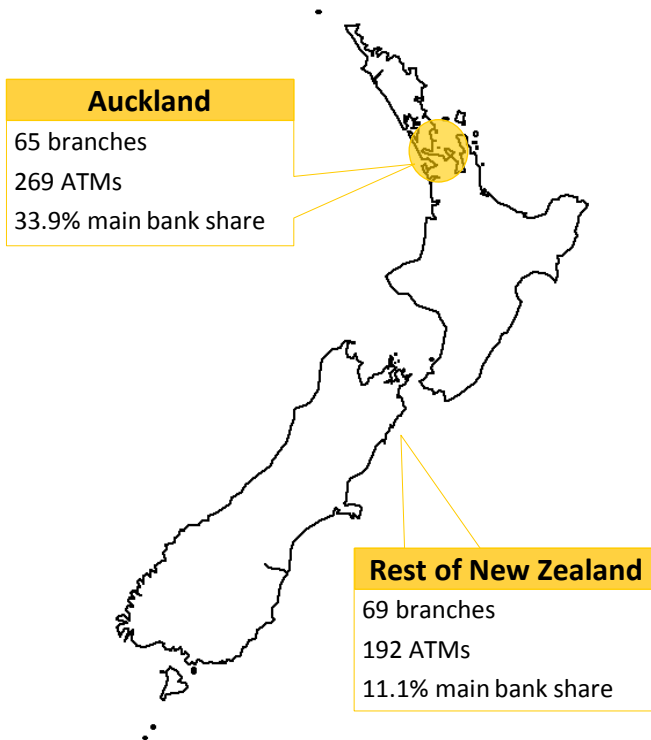
## Segment assets



## Segment liabilities



# Market leadership in Auckland



**1 in 3 Aucklanders view ASB as their main bank.<sup>1</sup>**

**Broad distribution footprint in Auckland.**

**#1 market share in youth<sup>1</sup> and schools.**

**=1<sup>st</sup> market share small business.<sup>2</sup>**

**Market leading community support and brand visibility.<sup>3</sup>**

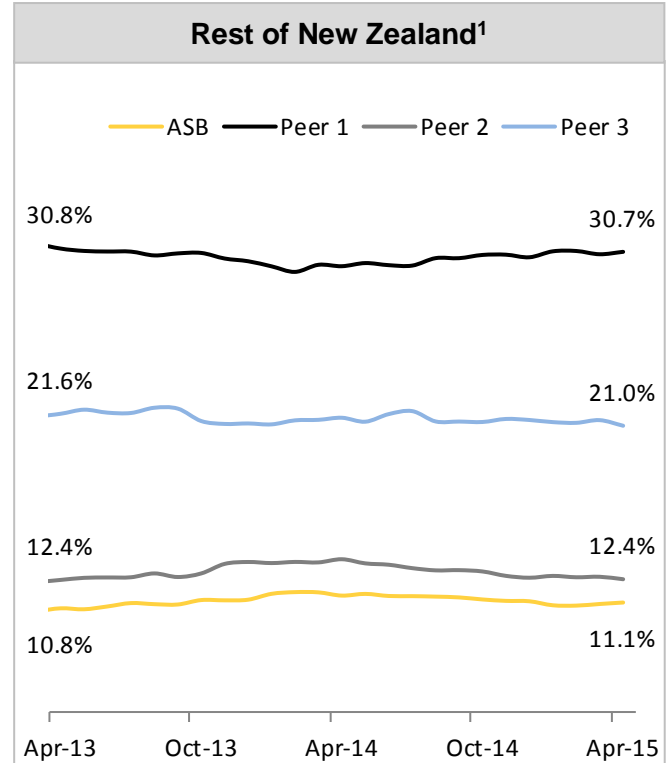
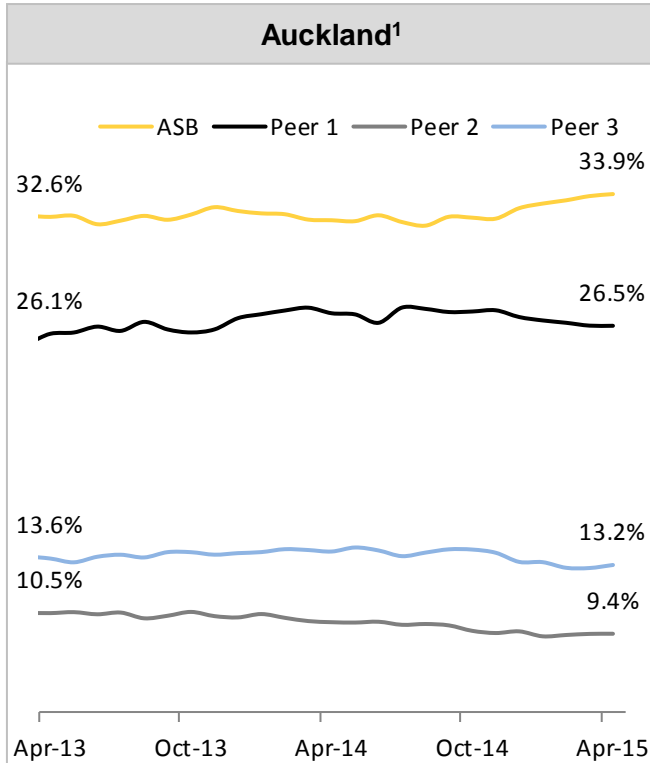
**Multi-brand capability in the home lending market.**

<sup>1</sup> Camorra Retail Market Monitor April 2015 main bank share measure.

<sup>2</sup> TNS Business Finance Monitor Q1 2015. First equal share in \$0-2m turnover business category.

<sup>3</sup> TRA Brand Image Monitor. First equal in % of respondents who select ASB when asked "Which of these banks support the community", and first in % of respondents who selected "See and hear about it all the time" when asked "Let's think about how often you see or hear about ASB".

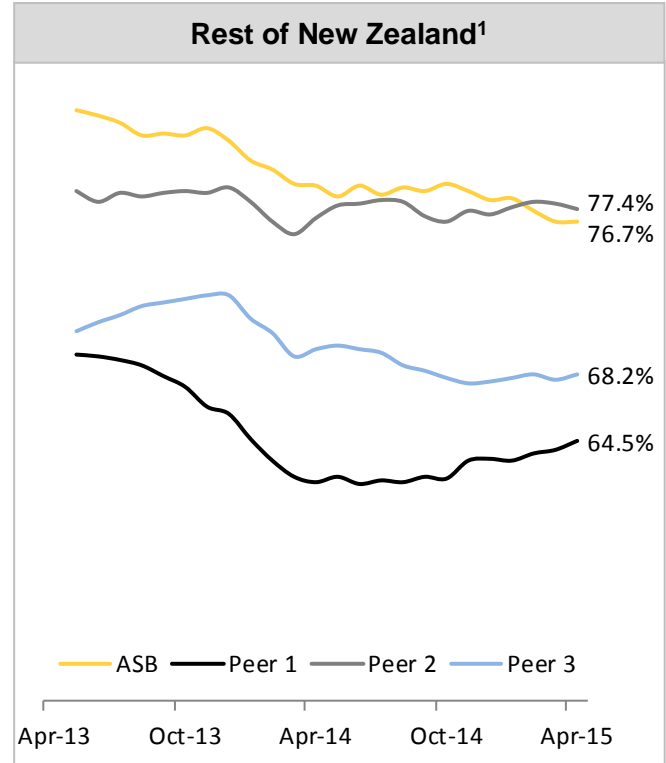
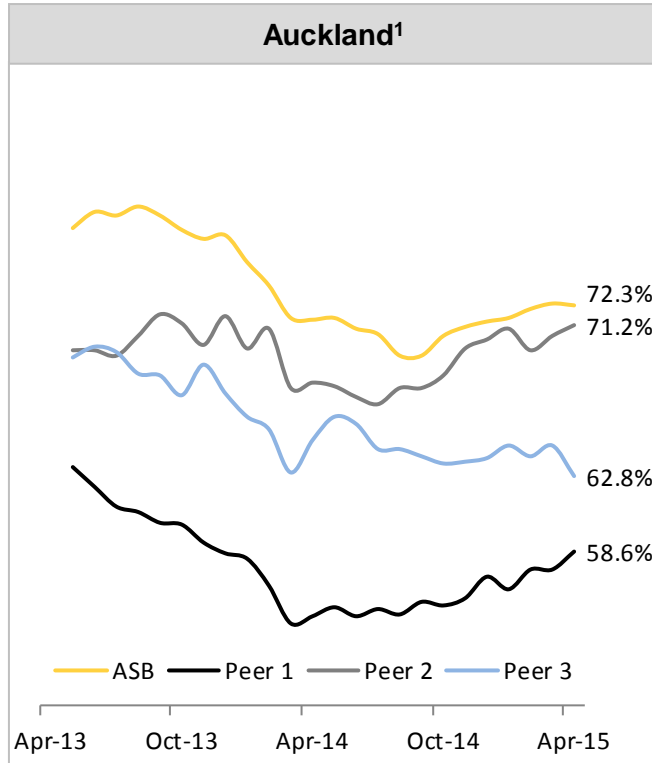
# Retail main bank share



<sup>1</sup> Camorra Retail Market Monitor main bank share measure. Rolling 12 months average, MME +/- 1.3%.



# Strong customer satisfaction



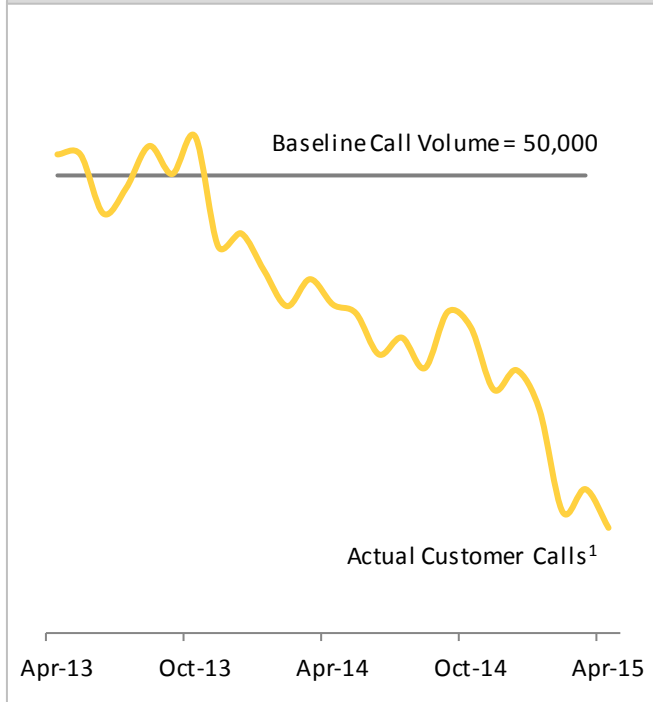
<sup>1</sup> Camorra Retail Market Monitor April 2015. % of respondents choosing “quite satisfied” or “very satisfied” to the question “Thinking about all aspects of the service provided to you by your [main bank], how satisfied are you with the overall performance of [main bank]”. Rolling 12 months average, MME +/- 4.3%.



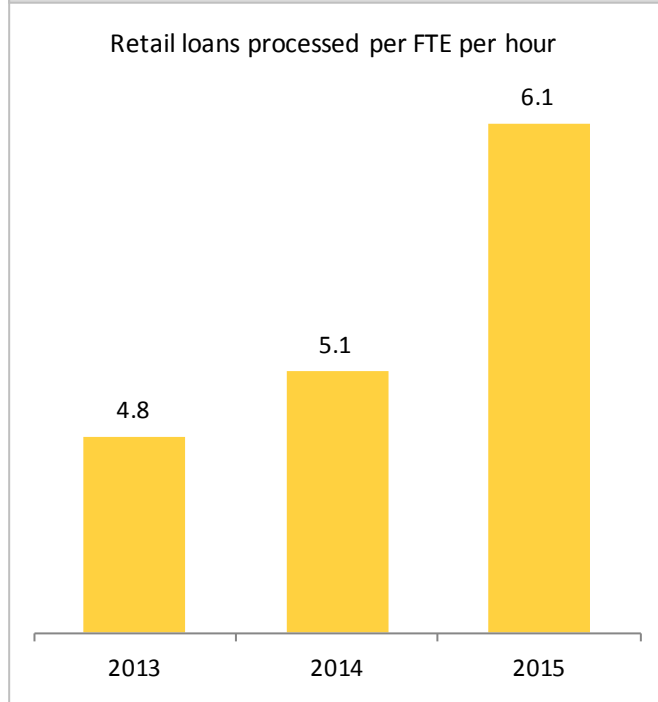


# Productivity leadership

## Call displacement

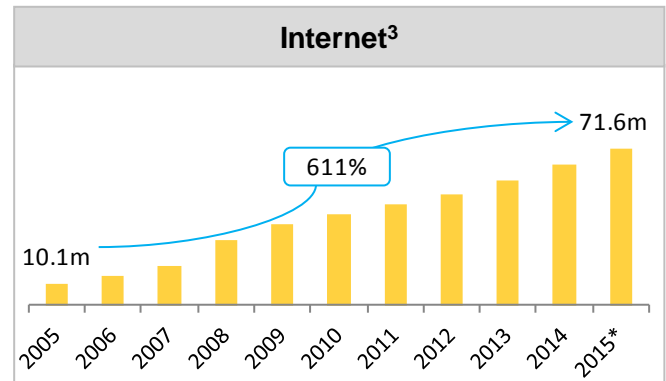
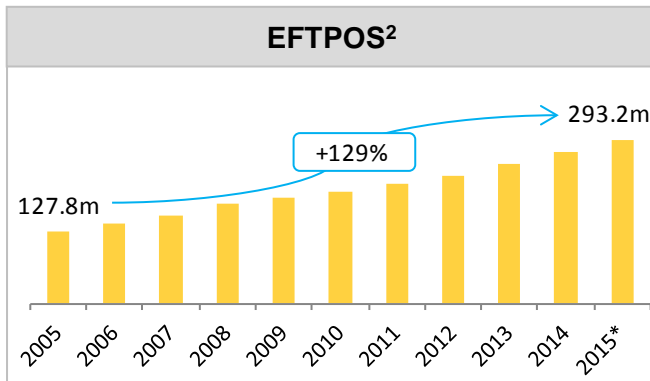
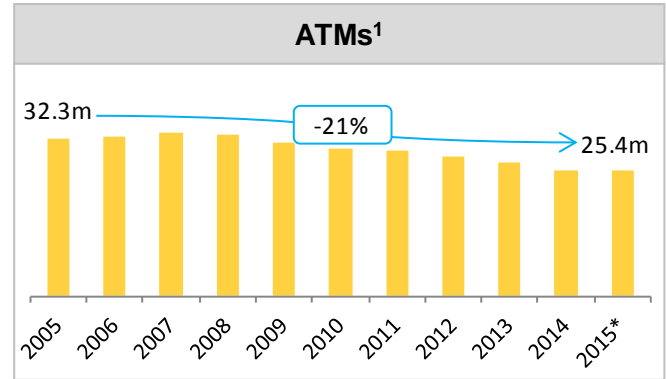
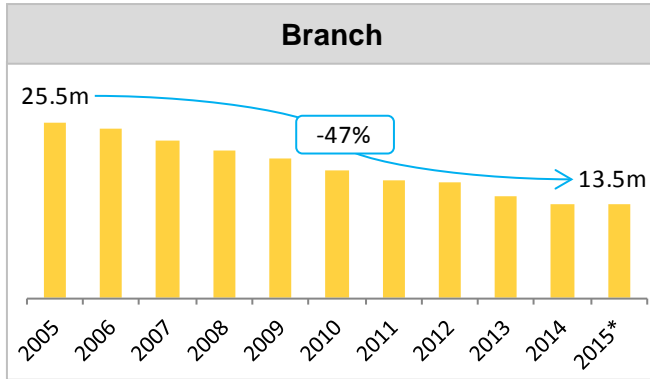


## Lending processing efficiency



<sup>1</sup> Targeted group of regular contact centre callers who were not digitally connected prior to the Calls Out Programme.

# Transaction volumes



1 All cardholder transactions on ASB ATMs.

2 EFTPOS and credit card transactions.

3 Online Internet and mobile financial transactions.

\*HY15x2

# Branch of the future

Tailored branch layouts  
to match local  
environment and  
customer needs

Performance metrics  
adapted to suit regional  
focus - grow, optimise,  
monitor

Integrated digital  
experiences from  
education through to  
sales fulfilment



Video conferencing  
enabled in all branches  
providing instant access  
to ASB specialists

Ongoing roll out of  
Smart self service  
Deposit taking ATMs

Concierge role in  
branches to optimise  
customer flows and  
service levels

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QUESTIONS AND ANSWERS

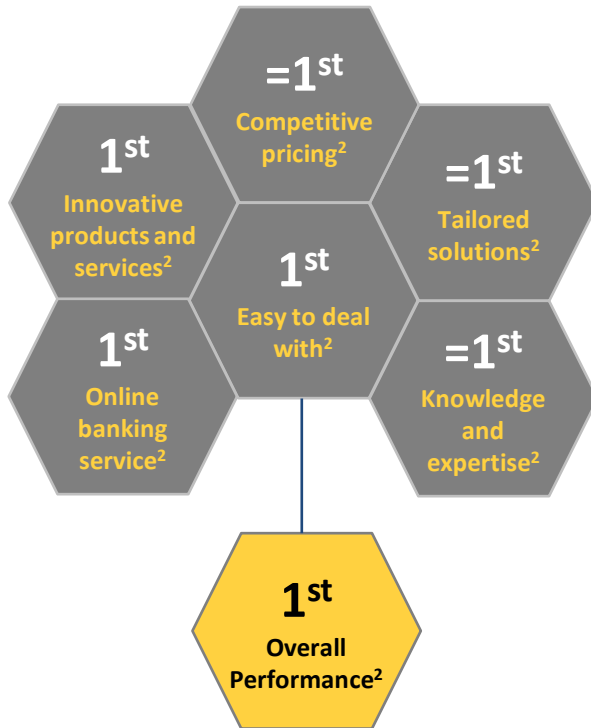
# Corporate, Commercial & Rural

**40% of total NZ banking profits are in business and rural**

**ASB currently below its 'natural' share in this market**

Corporate	Commercial	Rural
		
\$30m+ turnover	\$2m-\$30m turnover	All rural customers
Working capital solutions	Professionals	Rural corporate
Global Markets	Property Finance	Sustainability
Global Transaction Banking	Franchising	73% dairy
Wealth and Insurance	Industry specialisations	19% sheep and beef
	Working capital solutions	8% other

# Market sentiment



Our employees rank ASB higher than “Finance best in class”<sup>1</sup>

Our customers rank ASB 1st for Overall Performance<sup>2</sup>

ASB’s business ‘consideration’ has never been higher<sup>2</sup>

Increasing market share in Corporate<sup>2</sup>

=1st for market share in Auckland business markets<sup>2</sup>

Increasing market share in Rural<sup>3</sup>

1 ASB People & Culture Survey February 2015, IBM Kenexa.

2 TNS Business Finance Monitor Q1 2015.

3 RBNZ Statistics (lending market share by rural sector).

# Corporate, Commercial & Rural strategy



## Corporate

*Connecting people,  
ideas and capital*



## Commercial and Rural

*Supporting  
customer ambition*



### Investment in sales force effectiveness

Small, high performing team	Stable and experienced teams in market
Ambition brand building market reputation	Nationwide footprint
Service leadership	Leading technology solutions to empower clients
Banking the best clients	Future ready core systems and processes
Seamless agility	Sustainable farming future commitment
Strong product partnership models	Extensive community & intermediary networks

### Real time banking

**The bank with the best Xero and MYOB integration**

**Strong, sustainable partnerships**

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QUESTIONS AND ANSWERS



# New Zealand's technology bank

<b>1<sup>st</sup></b> bank to offer internet banking in Australasia	<b>=1<sup>st</sup></b> customer satisfaction in Auckland for website <sup>1</sup>	<b>=1<sup>st</sup></b> customer satisfaction in mobile app banking <sup>2</sup>
<b>#1</b> NZ bank for social media engagement <sup>3</sup>	<b>1<sup>st</sup></b> bank to integrate with Xero	<b>1<sup>st</sup></b> NZ bank to offer digital credit limit management
<b>1<sup>st</sup></b> NZ bank to offer mobile payments	<b>Over 700k</b> digital customers	<b>1<sup>st</sup></b> NZ online share trading service

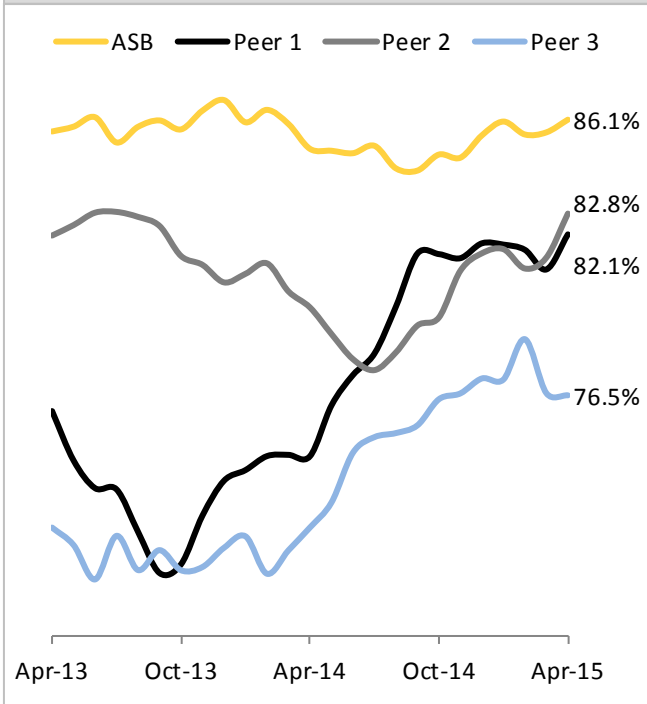
1 Camorra Retail Market Monitor April 2015. % of respondents choosing "very good" or "excellent" to the question "How would you rate ASBs website overall?". Rolling 12 month average.

2 Camorra Retail Market Monitor April 2015. % of respondents choosing "very good" or "excellent" to the question "How would you rate the ease of use and functionality of ASBs mobile banking app overall?". Rolling 12 month average.

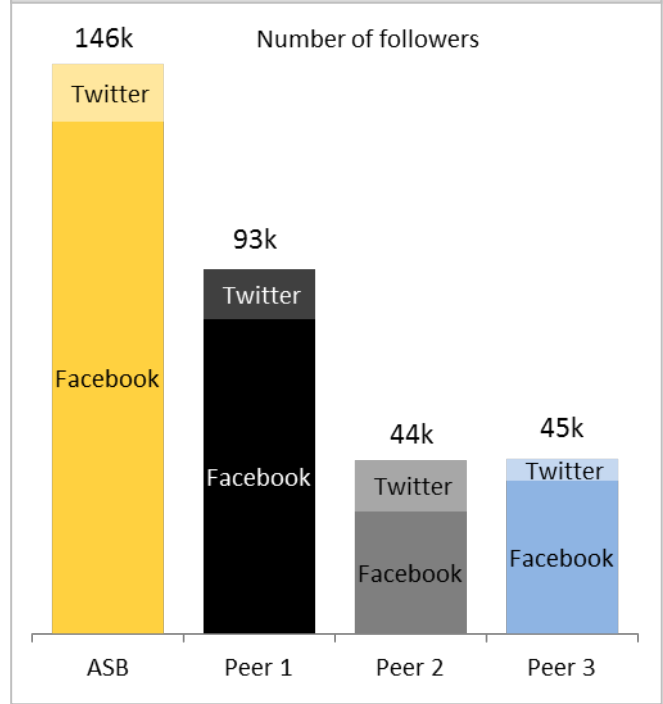
3 As measured by the number of Twitter and Facebook followers of NZ banks at 30 April 2015.

# Digital engagement

**Mobile banking app satisfaction<sup>1</sup>**



**#1 NZ bank in social media engagement<sup>2</sup>**



<sup>1</sup> Camorra Retail Market Monitor. % of respondents choosing “very good” or “excellent” to the question “How would you rate the ease of use and functionality of ASBs mobile banking app overall?”. Rolling 12 month average, MME: +/- 3.5%.

<sup>2</sup> As measured by the number of Twitter and Facebook followers of NZ banks at 30 April 2015.



# We are the leading social bank

The world's first real-time, person-to-person banking application on Facebook

Welcome to ASB Virtual Branch.

**OPEN**

Enter branch Watch intro

Just like a regular branch, only right here on Facebook.

Which means you can now 'live chat' with us about anything from home loans to term deposits to smart ways of managing your money - from virtually anywhere. And all securely and privately too.

**OPENING HOURS**  
8am-6pm Mon to Fri  
9am-5pm Sat to Sun

**Talk to us in real time**  
Chat live and online with our banking specialists.

**Safe and secure**  
Everything we discuss in live chat is strictly confidential, and will not be posted on your Timeline.

**Everyone's welcome**  
Talk to us whether you're an ASB customer or not.

ASB Bank on Twitter ASB Bank on YouTube Log In to FastNet Classic

Multi-award winning Facebook campaigns

LIKE LOAN

2.3123% Per Annum

1 year fixed Home Loan - 1 day only - 1 winner

The more likes the rate gets the lower it will go

ASB

Kathy M James T Stella V

2.38680% Per Annum Home loan fixed for 1 year

1.21928% Per Annum Home loan fixed for 2 years

0.00000% Per Annum Home loan fixed for 3 years

ASB SNAP SCHOLARSHIPS

Be into win a mean feed at Macca!!!

GET READY!!

FRIES F\_N\_S!!!

ASB BANK ON SNAPCHAT

The first bank to utilise Snapchat to engage with customers

Using LinkedIn to engage with New Zealand businesses

Win tickets to an exclusive evening with Arianna Huffington

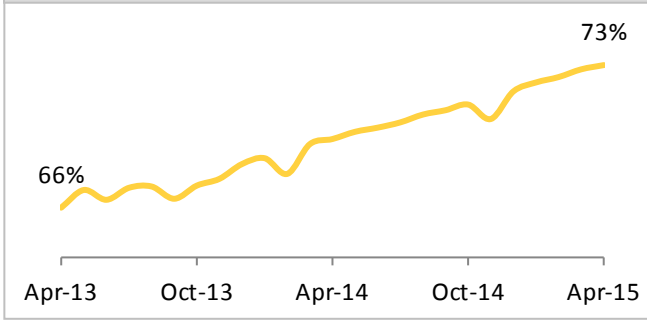
17 September 2014, Auckland

Connecting Kiwi businesses to their AMBITION

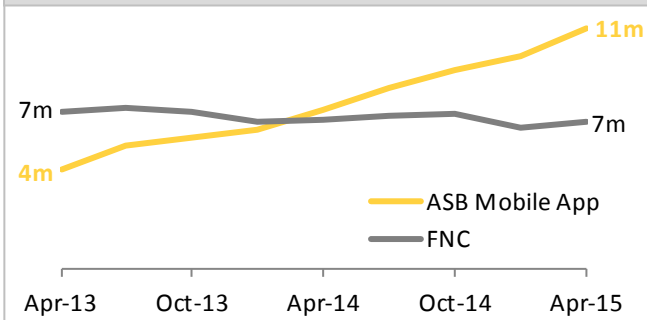
What are your main measures of success in business?

# Digital adoption

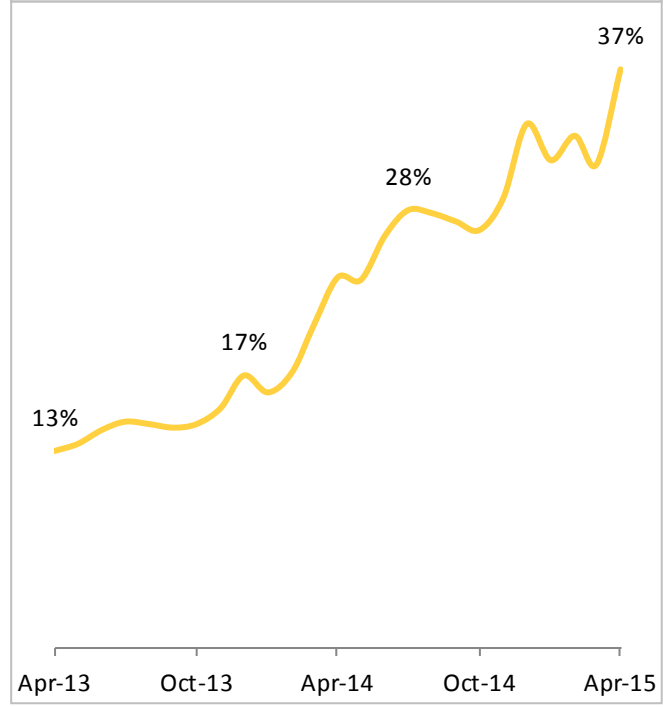
**% retail customers using FNC<sup>1</sup> or app**



**Number of visitor sessions per month**



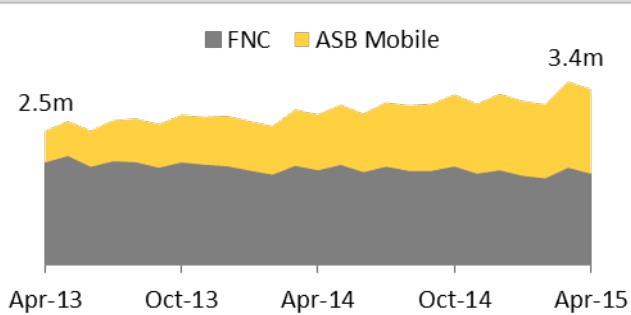
**Monthly FNC logins via mobile device**



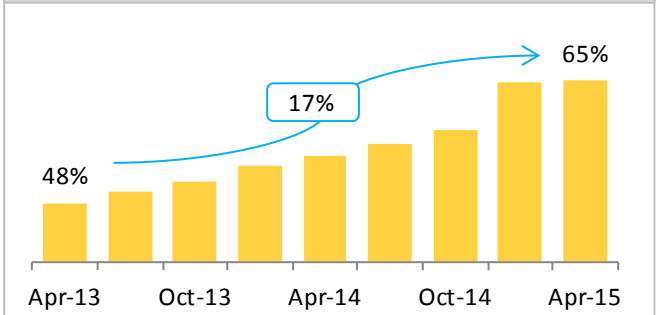
<sup>1</sup> Fastnet Classic, ASB's online banking system

# Transaction volume growth in digital

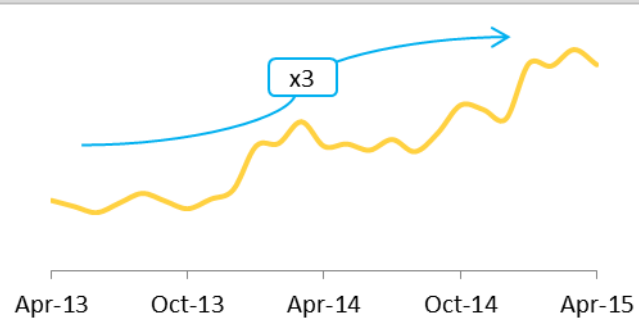
Digital transfers via mobile app vs FNC



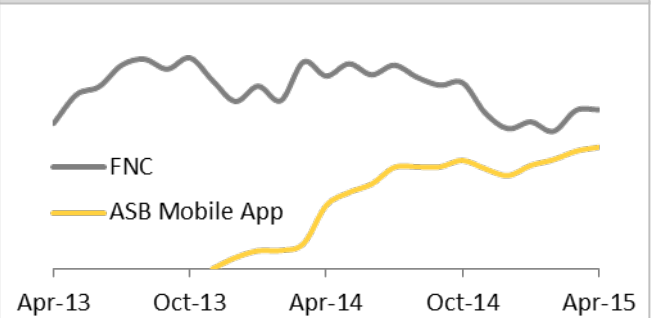
Transaction and savings accounts with e-statements



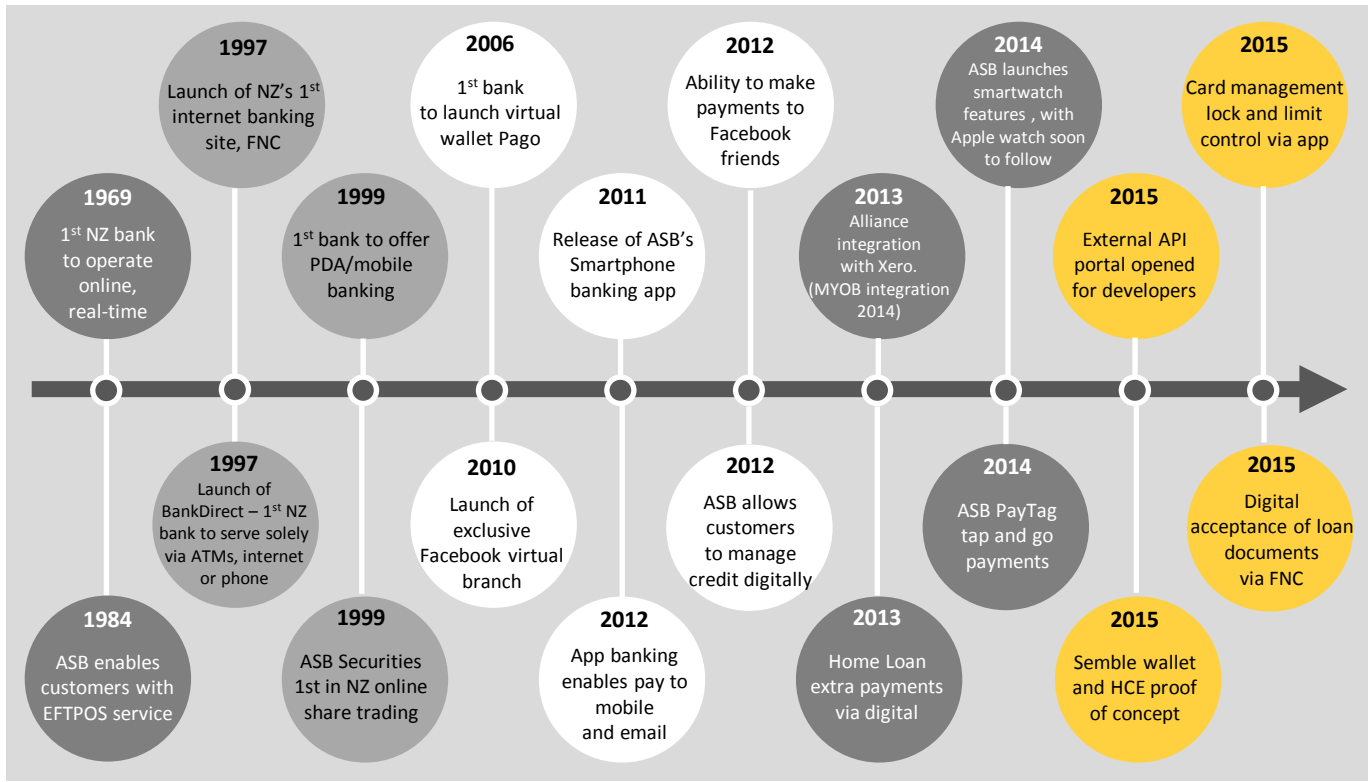
New transaction accounts opened digitally (per mth)



Home-loan one-off payments via mobile app vs FNC



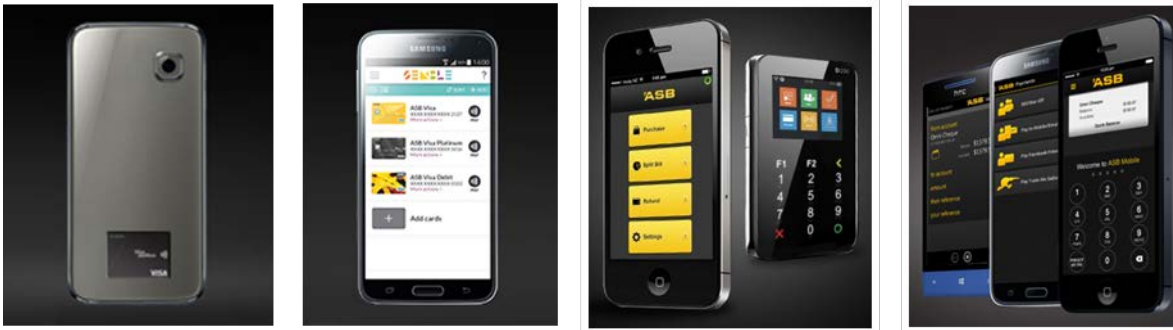
# A history of innovation



# We are now thinking like a tech company

...that is licensed and trusted to provide financial services

This means **giving customers choice**



ASB offers customers a choice of ways to pay

**PayTag** can be used on any phone, and customers can turn it on and off

NZ's industry-wide **mobile wallet** (Semble) initiative is underway with ASB and BNZ

ASB **mPOS** allows businesses to accept card payments via mobile devices

ASB is the only bank to offer its **mobile banking app for Windows Mobile**.

# We are now thinking like a tech company

...that is licensed and trusted to provide financial services

This means **giving customers control**



**ASB enables customers to manage their finances online**

**>95% of credit card limit changes managed through digital channels**

**ASB Card Control within the ASB Mobile app**

**Digital acceptance of loan documents via FastNet Classic.**

**1st to market with KiwiSaver transfers via our online banking and mobile app.**



# We are now thinking like a tech company

...that is licensed and trusted to provide financial services

This means **building bridges as well as walls**



## Security of customer data remains paramount

ASB works with **extended business partners** to embrace new ideas

ASB has launched NZ's first **public banking API technology**

**Online account provisioning and integration** with Xero and MYOB,  
New Zealand's main accounting software providers.

# We are now thinking like a tech company

...that is licensed and trusted to provide financial services

This means **innovating for customers**



**ASB innovation is all about creatively solving customer problems**

**Active adoption of technology** company culture and practices

**Innovation** lab capability in partnership with CBA.

**20+ new releases** of digital technology annually.

**Customers are involved** in shaping the innovation agenda.

# Agenda

BARBARA CHAPMAN

Chief Executive Officer

JON RABY

Chief Financial Officer

IAN PARK

Executive General Manager  
Retail & Business Banking

STEVE JURKOVICH

Executive General Manager  
Commercial, Corporate & Rural

RUSSELL JONES

Executive General Manager  
Technology & Innovation

QUESTIONS AND ANSWERS