

Bank of New Zealand

Tailored
Financial
Solutions

4 July 2003



Tailored Financial Solutions

Peter Thodey – Managing Director

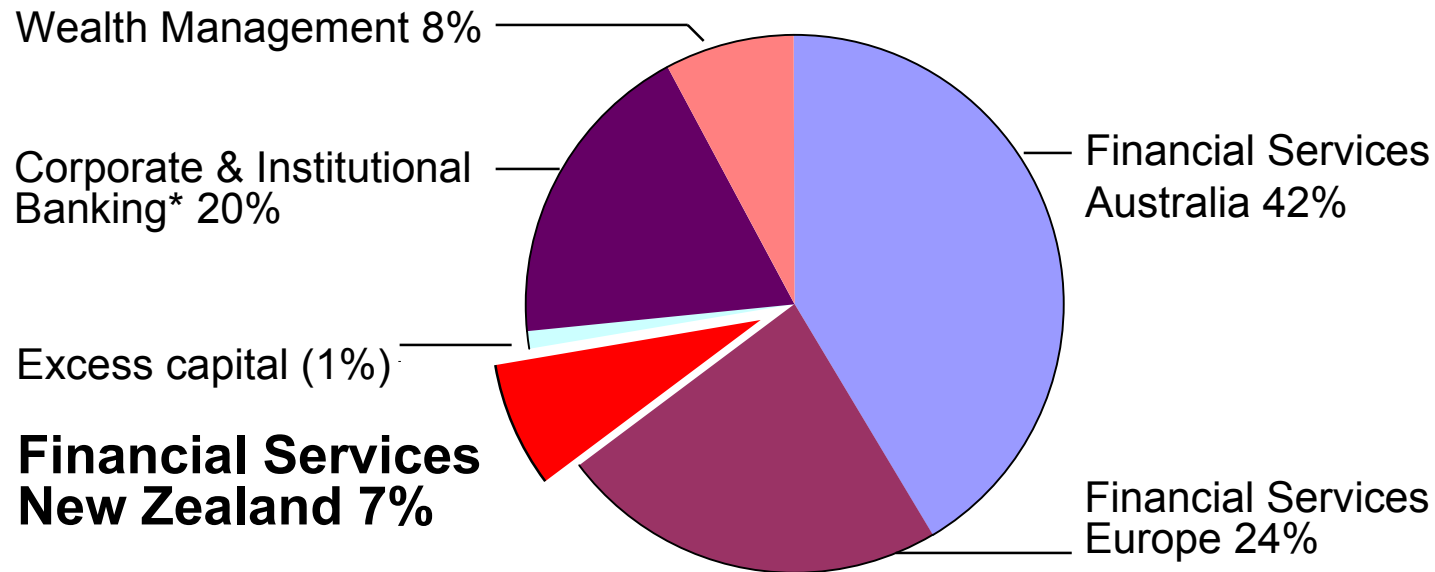
Chris Bayliss – GM Risk Management

Mark Hosking – GM Finance

Organisational Structure

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Cash Earnings by Business

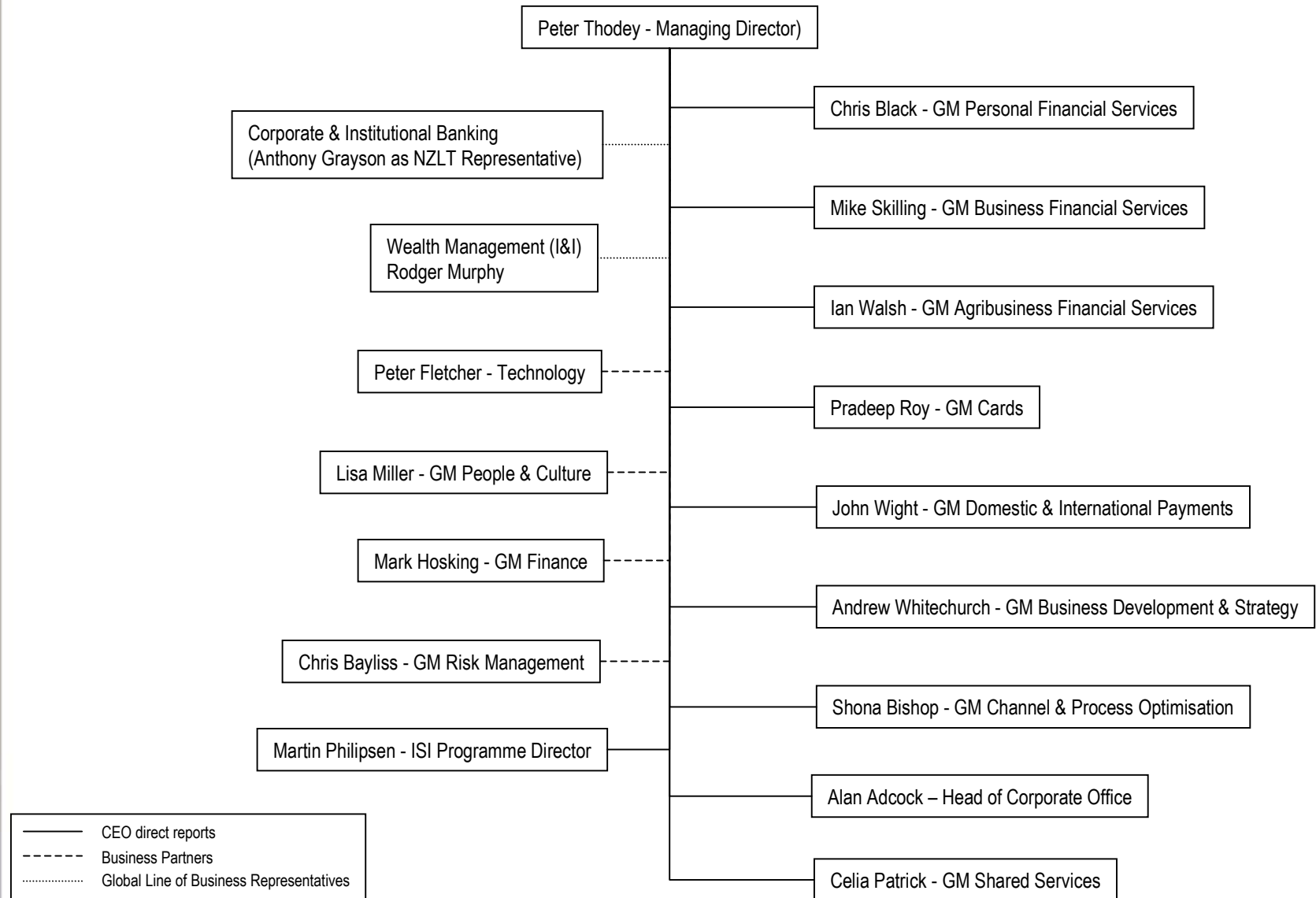


The New Zealand region produced 11.2% of the Group Cash Earnings for the 6 months to March 2003

*Formerly Wholesale Financial Services

- BNZ continues to report directly to Group MD, alongside Financial Services Australia (FSA) and Financial Services Europe (FSE)
- Corporate/Wholesale remains a global line of business
- Wealth Management was sold to another member of the NAB group on 1 January 2002 - BNZ retains key linkages
- Global support services such as Finance, People and Culture (HR), Technology and Risk Management also retain global reporting lines to maximise ongoing efficiency
- Freedom at regional level to 'own' the business drivers and outcomes and drive improved performance
- Development site for technology – centre for excellence

Details of operating and management structure



Economy/Operating Environment

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- Strong GDP growth of 4.4% over 2002 calendar year from:
 - lagged effect of a low exchange rate and high commodity prices
 - below average interest rates
 - booming foreigner education
 - record net immigration
 - housing cycle turning upward
- Housing turnover up 32%, prices 10.4%, consents 32%
- Jobs growth mild at 2.4%
- Capital expenditure growth below average at 6.6%
- Strong fiscal surpluses continuing, 3% of GDP
- Current account deficit slowly deteriorating, 3.1% of GDP
- Private sector credit up 8.2% year to March, housing 9.9%

- GDP growth slowing to 2.5% (from 4.4% in 2002) over 2003 due to:
 - 20% exchange rate appreciation
 - 7.7% fall in terms of trade over 2002
 - drought
 - electricity shortages and price spikes
 - SARS
 - weak trading partner growth of 2.6%
 - good support however from:
 - population growth
 - low interest rates
 - business need to boost capacity

- Upturn over 2004 to 3% growth on:
 - lagged response to easing monetary policy
 - NZ dollar easing over 2004
 - trading partner growth accelerating

Industry Dynamics



Financial Services will continue to be a profitable industry in New Zealand despite intense competition from traditional rivals and substitute providers and the increasing leverage held by buyers.

Bank of New Zealand Strategy

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“Maintain Leading Position in the New Zealand Market”

Our Goals:

No. 1 in Business Banking

No. 1 in Corporate/Wholesale Banking

No. 1 in Personal Banking

No. 2 in Agribusiness

No. 2 in Wealth Management

No. 1 Employer in Financial Services

Strategic Approach:

Maintain/Extend/Grow

Maintain/Extend

Build/Grow

Maintain

Maintain/Extend

Maintain/Extend

	Personal	Small Business	Middle Business	Rural
Customer Penetration				
Sep-00	22%	24%		27%
Sep-01	23%	30%		27%
Sep-02	22%	25%	39%	28%
Market Share				
Total Assets				
Sep-00	14%	19%		20%
Sep-01	15%	27%		23%
Sep-02	14%	21%	23%	16%
Total Liabilities				
Sep-00	14%	22%		15%
Sep-01	19%	18%		20%
Sep-02	15%	27%	20%	21%

Notes:

1. Market shares for value data can be very volatile because of sampling and non-sampling error, so the results should be treated as indicative only.
2. Results for Small Business in 2001 appear to be an anomaly, based on long term trends in the small business sector

Sources:

Personal - ACNielsen Consumer Finance Monitor

Small Business - ACNielsen Small Business Monitor (businesses with turnover under \$5m)

Middle Business - ACNielsen Middle Market Survey (businesses with turnover \$5m-\$100m)

Rural - ACNielsen Rural Business Monitor

Strategy:

Enhance our reputation for service quality and reposition the Bank of New Zealand brand to represent the values our target customers relate to

Key Initiatives:

- Brand Strategy
- Customer Satisfaction
- Becoming Second to None/Own The Experience
- Tellers Platform Replacement
- Internet Banking
- Positioning for Growth

Strategy:

Grow our business and enhance profitability by focussing on profitable segments and products, enhancing the customer experience and building stronger relationships

Key Initiatives:

- Customer Retention Program
- Growth in Auckland Market (50% of market)
- Youth Strategy - attract younger customers and retain them
- Transformation of Personal Markets
- Sales & Service Revitalisation
- OFI / IFS & Workplace Financial Services
- Training and Career Development

Strategy:

Leverage and differentiate our strong position in Business Markets by extending value-adding services to our clients to deepen existing relationships and grow profitability

Key Initiatives:

- Customer Satisfaction: Research and Action Plans
- Staff Satisfaction: EOS and Action Plans
- Internet Banking for Business, Icehouse Programs, Product & Pricing Review
- Profitability - Profiler
- Salesforce Effectiveness - Increased Proactivity, Efficiency and Sales Support

Strategy:

Leverage strong position in Agribusiness by extending value-adding services to our clients to deepen existing relationships, and grow by targeting clients in high growth sectors & regions

Key Initiatives:

- Farm First Growth Program
- Internet Banking for Business
- Implement Sales Funnel and Support Tools
- e-Contact / e-mail Strategy
- Profiler – 'RAROC' - based pricing tool

Strategy:

- More with selected non-Clients
- More with existing Clients
- More Managed Risk Return Trade-Off
- More Products/Better Channels
- Less Costs

Key Initiatives:

- Industry Segmentation
- Corporate Structured Finance
- Hybrid Securities and Commodities
- Trans-Tasman Banking

Strategy:

Increase cross-sales to the Bank of New Zealand's customer base by de-cluttering our bankers and significantly enhancing the customer experience

Key Initiatives:

- Introduce auto-acceptance life insurance product for small sums insured & simplify sales process for more complex needs
- Expand business insurance team for BFS, Agribusiness high value clients and Private Banking
- Introduce business “super product”¹ to SMEs via business channel
- Introduce investment specialists to metro branches
- Introduce multi manager style

Strategy:

Build and sustain a high performance culture by developing 'great people', building a 'great workplace' and 'delivering winning performance'

Key Initiatives:

- Employee satisfaction
- Leadership development (Leadership Matters)
- Training strategy & capability development
- Talent and succession management
- Work / Life balance and Diversity
- P&C Transformation / ISI / Intranet

Asset Composition and Quality

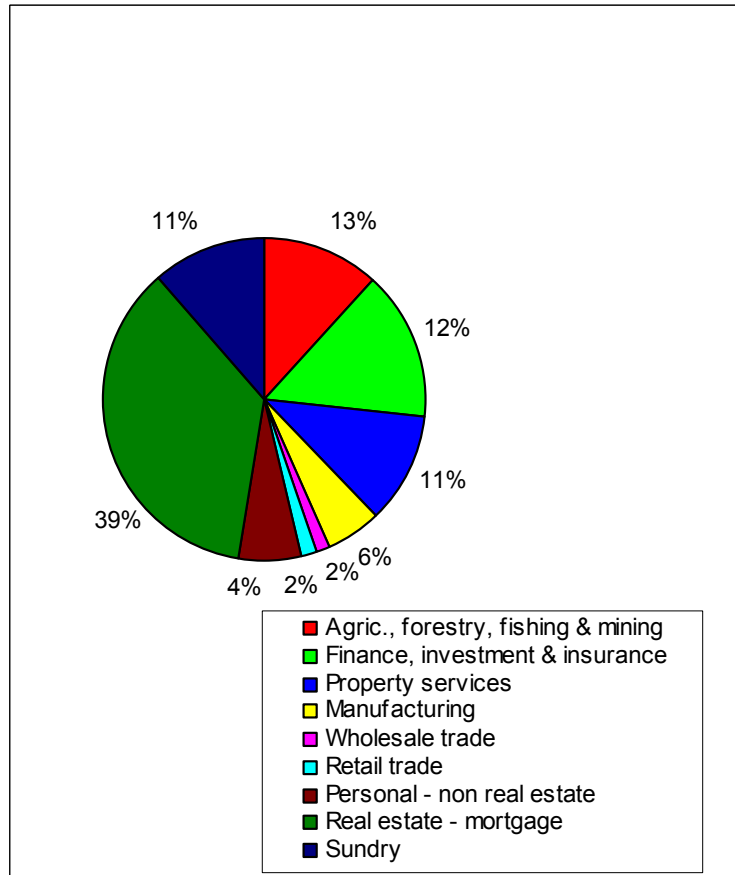
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- The Credit Policy of the Bank of New Zealand remains that of the National Australia Bank Group (amended where appropriate for local regulatory conditions)
- There has been no significant change in credit policy over the past year

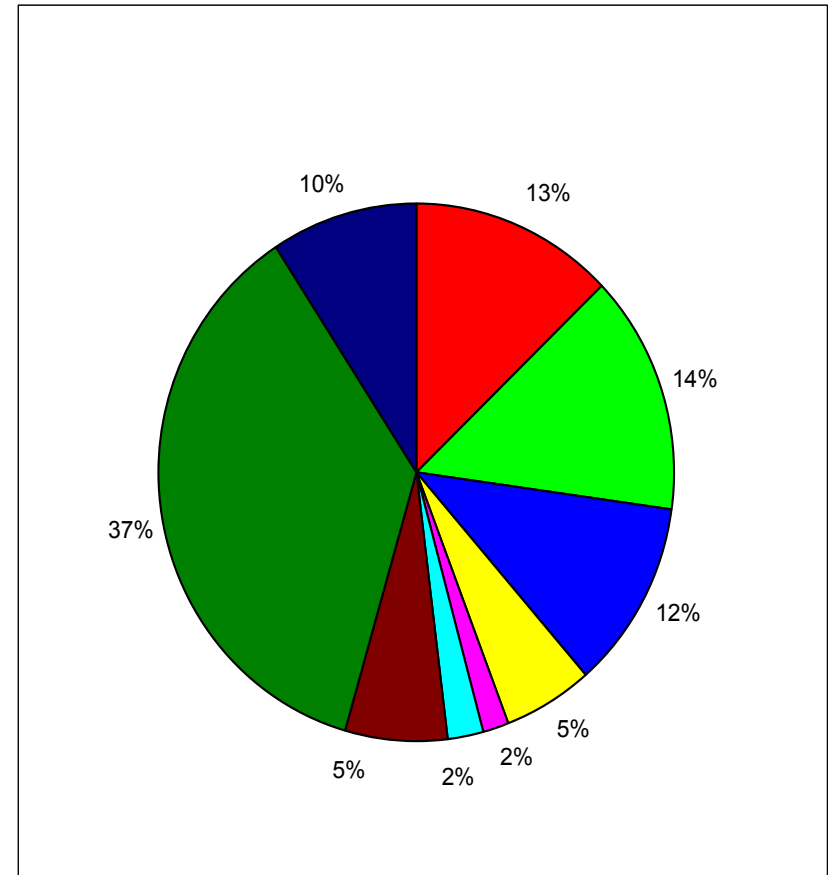
- Customer Rating System
- Watch/Sub-standard Loans and Other Indicators
- Real Time Provisioning
- Portfolio Management Tools / Statistical Provisioning
- Asset Quality Pack and Large Exposures return
- Rural Exposure Returns
- Risk Asset Review Teams
- Credit Score Cards (Personal Lending)
- Peer Group Analysis
- Industry Profiles, Ratings and Studies
- Investment Commercial Property return
- Asset Quality Management Teams

Gross Loans by Industry Sector (%)

March 2003



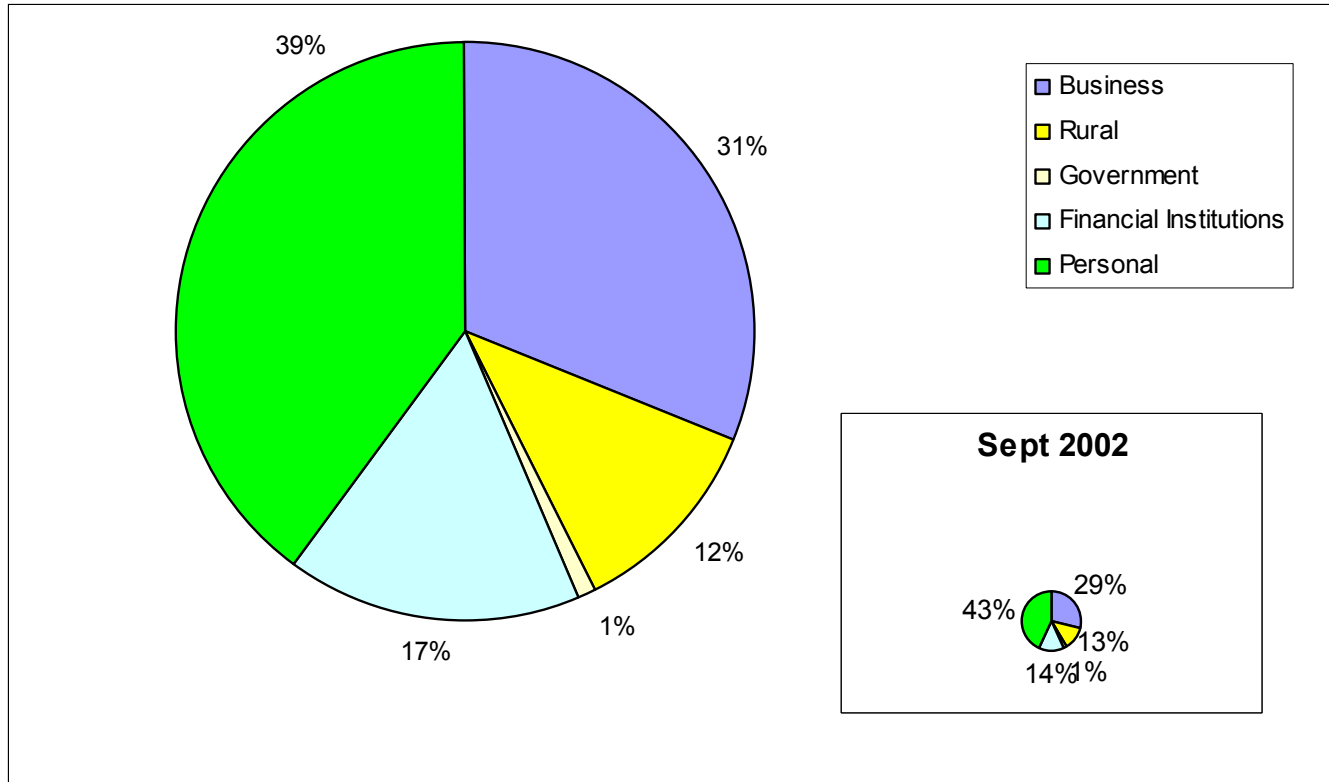
September 2002



The industry profile of Gross Loans as at March 2003, as compared to September 2002 profiles, is relatively unchanged.

Loan Portfolios (by Business Mix)

March 2003



The profile for the Bank's loan portfolio has largely remained unchanged during the period with lending growth occurring in similar proportions.

Financial Performance - FSNZ

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NZ\$m	H1 02	Change	H2 02	Change	H1 03
Net Interest Income	315	27	342	19	361
Other Operating Income	168	3	171	13	184
Total Revenue	483	30	513	32	545
Total Expenses	257	17	274	3	277
Operating Profit	226	13	239	29	268
Provisions:	10	25	(15)	(23)	8
Profit Before Tax	216	38	254	6	260
Taxation	72	(18)	90	5	85
NPAT	144	20	164	11	175

Key Drivers and Performance Measures

FSNZ

Cash Earnings NZ\$m

	Mar 02	Sep 02	Mar 03
Cash Earnings NZ\$m	144	164	175
Cost to Income Ratio	53.2%	53.4%	50.8%
Return on Assets (avg)	1.11%	1.29%	1.29%
Net Interest Margin	2.54%	2.68%	2.78%
Profit per average FTE NZ\$000	66	77	83

Cost to Income Ratio

Return on Assets (avg)

Net Interest Margin

Profit per average FTE NZ\$000

Other key drivers/performance measures:

- Product volume growth
- Product margins
- Transaction volumes (driving fee income)
- Credit quality

The economic outlook is weakening...

Challenges:

- Growth impacted by slowdown in trading conditions
- Continue to meet / exceed systems growth
- Maintain margins
- Improve OOI collection level
- Focus on strong cost disciplines
- Maintain excellent record on asset quality