Media Release
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Focus on innovation contributes to ASB's strong first half result

ASB today reported Statutory Net Profit after Taxation (NPAT) of $416 million for the six months ended 31 December 2013. This represents a 14% increase on the prior comparative period of December 2012.

Cash NPAT was $393 million, an increase of 12% on the prior comparative period. Cash NPAT is the preferred measure of financial performance as it presents ASB's underlying operating results and excludes items which introduce volatility and/or one-off distortions, and are considered not representative of ASB's on-going financial performance.(1)

Key financial points

- Cash NPAT of $393 million, an increase of 12% over the December 2012 half
- Statutory NPAT of $416 million, an increase of 14%
- Solid growth in customer advances across all portfolios of 7% since December 2012
- Sustained momentum in the Wealth & Insurance business with revenue growth of 19%
- Continued focus on margin management resulting in strong margin performance, up 13bps period-on-period
- Loan impairment expense was $21 million, down 25% over the previous period

ASB's Chief Executive Barbara Chapman said the result reflected a strong performance across the Bank. "All divisions made significant contributions with an especially strong performance from ASB's Wealth & Insurance business that saw revenue growth period-on-period of 19% and growth in KiwiSaver funds under management of 30%. The momentum we have maintained over the first half of the financial year is a product of better market conditions as well as continued success in executing our strategy, focusing on customers and improving the productivity of our business."

"The needs of our customers are rapidly evolving and we have remained committed to leading the market with innovative products and services developed with the goal of making banking with ASB simple, straightforward and seamless. The essence of ASB's success is that we constantly look through the lens of the customer to find opportunities to make banking better," said Ms Chapman.

"Initiatives such as our first-to-market Rural Environmental Compliance Loan, continual market-leading enhancements to our award-winning ASB Mobile banking app and the launch of a comprehensive business banking app with ASB Mobile Business, have all been highlights of the past six months. We have also made great strides in leading the market in the payments field with the launch of ASB PayHere. This allows customers to pay securely online directly from their bank account using only their mobile phone number as identification. We believe our strategic focus on leadership in innovation positions us well to achieve sustainable revenue growth and build long-term value for our people, customers, and communities."

"As the New Zealand economy continues to strengthen, we have seen loan impairment expenses reduce significantly by 25% against the same period last year," said Ms Chapman. "Improving economic conditions, a low interest rate environment and a robust housing market, particularly in Auckland and Christchurch have impacted favourably on impairments."

ASB's focus on customer lending has seen the Bank record strong growth in customer advances across all portfolios of 7% since December 2012. Customer deposits increased 10%, driven by a particularly strong performance in retail deposits. "Growth in customer deposits has been stimulated by investment in customer product offerings combined with stronger demand as customers focus on building wealth and protecting assets," said Ms Chapman.

Income growth of 10% against the prior period has been partly offset by an increase in operating expenses of 8% resulting in an improved cost to income ratio of 39.3%. The expense growth is driven by a number of factors including ASB's move to its new corporate headquarters in Auckland's Wynyard Quarter and on-going investments in technology. At the same time, ASB has remained focused on driving productivity gains across the business. "Enhancing productivity remains a key pillar of our strategy as we look to streamline processes, increase responsiveness and make it easier for our customers to bank with us, however they choose to do so," said Ms Chapman.

Beyond the numbers, ASB has marked a number of achievements over the half year. In September, ASB's commitment to gender equality in the workplace saw the Bank win the Supreme Award in the White Camellia awards. In December, ASB was named as New Zealand's 'Bank of the Year' by global magazine, The Banker. ASB's fundraising efforts resulted in the donation of a portable St John ambulance station to the Canterbury community. ASB also provided funding towards the Starship Children's Hospital including a $28,500 donation in December to mark the Bank's 100,000th Facebook 'like'. In addition, ASB's GetWise financial literacy programme continues to go from strength to strength, setting more than 335,000 Kiwi kids on the path to financial literacy.

Ms Chapman said, "Rapid advancements in internet and mobile technology are continuing to change the way we do business and to reshape the financial services industry in New Zealand and globally. Thanks to the commitment of our people, we have established ASB as an innovation leader in a very competitive market. Our focus will remain on maintaining this momentum and on ensuring we are delivering the highest standards of service along with innovative products and offerings to our customers."

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(1) Items include hedging and IFRS volatility, the notional cost of capital charged by the Commonwealth Bank of Australia (the ultimate parent of ASB Bank Limited) and other material non-recurring items. These items are calculated consistently period on period and do not discriminate between positive and negative adjustments. Refer to the Consolidated Performance in Brief for a reconciliation of the statutory and cash net profit after taxation, and for further information on these items.

ASB Bank Limited - Consolidated Performance in Brief

For the period ended	Unaudited 31-Dec-13 6 Months	Audited 30-Jun-13[6] 12 Months	Unaudited 31-Dec-12[6] 6 Months
INCOME STATEMENT ($ MILLIONS)			
Interest Income	**1,785**	3,476	1,724
Interest Expense	**1,014**	2,071	1,036
Net Interest Earnings	**771**	1,405	688
Other Income	**213**	401	205
Total Operating Income	**984**	1,806	893
Impairment Losses on Advances	**21**	56	28
Total Operating Income after Impairment Losses	**963**	1,750	865
Total Operating Expenses	**387**	738	358
Net Profit before Taxation	**576**	1,012	507
Taxation	**160**	307	142
Net Profit after Taxation ("statutory profit")	**416**	705	365
RECONCILIATION OF STATUTORY PROFIT TO CASH PROFIT ($ MILLIONS)			
Net Profit after Taxation ("statutory profit")	**416**	705	365
Reconciling Items:			
Hedging and IFRS Volatility[1]	**(2)**	4	1
Notional Inter-group Charges[2]	**(26)**	(39)	(17)
Reporting Structure Differences[3]	**(4)**	(6)	(2)
Taxation on Reconciling Items	**9**	11	5
Settlement of Historical Tax Matters	**-**	23	-
Cash Net Profit after Taxation ("cash profit")	**393**	698	352

As at	31-Dec-13	30-Jun-13	31-Dec-12
BALANCE SHEET ($ MILLIONS)			
Total Assets	**67,522**	66,570	65,309
Advances to Customers	**59,297**	57,726	55,485
Total Liabilities	**62,153**	61,545	60,600
Customer Deposits (includes Term Deposits, On Demand and Short Term Deposits and Deposits Not Bearing Interest)	**43,684**	41,289	39,864
PERFORMANCE			
Return on Ordinary Shareholder's Equity	**17.5%**	17.0%	18.2%
Return on Total Average Assets	**1.2%**	1.1%	1.1%
Net Interest Margin[4]	**2.35%**	2.25%	2.22%
Total Operating Expenses as a Percentage of Total Operating Income	**39.3%**	40.9%	40.1%
CAPITAL RATIOS[5]			
Common Equity Tier One Capital as a Percentage of Total Risk Weighted Exposures	**11.1%**	10.4%	N/A
Tier One Capital as a Percentage of Total Risk Weighted Exposures	**12.4%**	11.8%	12.2%
Total Capital as a Percentage of Total Risk Weighted Exposures	**12.5%**	11.9%	12.2%

(1) Hedging and IFRS Volatility includes unrealised fair value gains or losses on economic hedges that do not qualify for hedge accounting and also includes unrealised fair value gains or losses on the ineffective portion of economic hedges that do qualify for hedge accounting under IFRS. Fair value gains or losses on all of these economic hedges are excluded from cash profit since the asymmetric recognition of the gains or losses does not affect the Bank's performance over the life of the hedge.

(2) This represents the recognition of a notional cost of capital from the ultimate parent and other allocated costs which are not included in the statutory profit.

(3) Results of certain business units are excluded from cash profit for management reporting purposes, but included in statutory profit.

(4) Net Interest Margin is calculated as net interest earnings divided by average interest earning and discount bearing assets.

(5) Capital ratios as at 31 December 2013 and 30 June 2013 were prepared in accordance with the Basel III framework. Capital ratios as at 31 December 2012 were prepared under the Basel II framework.

(6) Certain comparatives have been restated to ensure consistency with the current period's presentation.