

Media Release

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Resilient economy provides platform for ASB's strong performance

A resilient New Zealand economy has provided a platform for ASB to record a statutory net profit after tax of \$372 million for the six months ended 31 December 2011, an increase of 31.4 percent on the same period last year. In December 2010, ASB's profit was \$283 million. Contributing to statutory net profit after tax was a period on period increase in after tax fair value gains in Other Derivatives of \$48 million. Excluding these movements in Other Derivatives from both periods, statutory net profit after tax would have grown by 12.9 percent on the same period last year.

Commenting on the Bank's financial result, ASB's Chief Executive, Barbara Chapman says, "ASB's performance was influenced by a combination of factors, including healthy revenue growth, a continued focus on our customers and on delivering productivity gains across the business. More broadly, the strong result should also be seen in the context of the current low credit growth environment, which has seen constrained growth in lending and balance sheet size."

"Contributing to the performance was a fall in impairment losses of 61.1 percent compared to the same period last year, as a consequence of improving asset quality over all sectors, including business lending," says Ms Chapman. "Another key factor has been the ongoing trend among homeowners to switch from fixed to floating rate home loans - with floating rate home loans now representing a significant part of ASB's home loan portfolio."

"It is a credit to the commitment and hard work of ASB's more than 5,000 people that we have been able to produce such a strong result in what is clearly a fiercely competitive market," Ms Chapman says. "In the six months since July 2011, there has been growth in business lending as the market shows indications of increased activity. This contributed to the \$128 million increase in lending over the period from June 2011. Business customers have also continued to shift from fixed to floating rate loans."

"ASB's operational expenses remained almost unchanged on the previous comparable period. This comes as a result of a disciplined approach to expense management and productivity enhancements, allowing continued investment in strategic initiatives to benefit customers and drive returns."

ASB has experienced strong demand for retail savings products in a very competitive market with retail deposits in particular showing robust growth of 7.9 percent from a year ago to \$35.4 billion.

“While a level of ongoing caution in the market has seen New Zealanders focus on paying down debt and deleveraging, the sustained growth in deposits has helped to offset a relatively subdued lending market,” says Ms Chapman.

“Looking ahead, the current global economic uncertainty is a cloud on the horizon with the potential to jeopardise New Zealand’s fragile recovery. We are closely watching overseas markets as the European debt crisis unfolds, particularly the degree to which this will impact funding costs and business confidence over the next few months.”

INCOME STATEMENT

- **Operating income** increased by 10.8 percent (\$85 million) to \$874 million.
- **Operating performance** (profit before impairment and tax) increased by 19.1 percent to \$524 million, compared to the same period in 2010.
- **Operating expenses** were \$350 million, almost unchanged on the prior comparative period (\$349 million December 2010).
- **Net Interest Margin** increased by 0.15 percent to 2.19 percent.
- **Impairment losses** decreased by more than 61.1 percent to \$14 million (\$36 million December 2010).

BALANCE SHEET

- **Total Assets** have grown by almost \$2 billion (3.1 percent) to \$65.5 billion compared to \$63.5 billion in the comparative period.
- **Lending** (Advances) to customers grew by 0.2 percent (\$128 million) to \$52.6 billion over the six months. The same period last year recorded lending of \$53.2 billion.
- **Home Loan** market share has decreased slightly to 22.0 percent.
- **Total liabilities** are \$61.4 billion, compared to \$59.7 billion in December 2010.
- **Deposits** have grown 3.7 percent to \$58.2 billion over the year. **Retail Deposits** increased 7.9 percent to \$35.4 billion (\$32.8 billion December 2010). ASB’s retail deposit market share remains steady on 21.2 percent.
- **Impairment provisions** reduced 16.5 percent to \$218 million. Collective and individually assessed provisions now account for 0.41 percent of Advances (0.49 percent December 2010).

Beyond the numbers

ASB was recognised both in New Zealand and globally, winning several awards over the past six months. ASB was named the New Zealand Bank of the Year 2011 by London-based financial magazine The Banker. ASB also won the Socially Responsible Bank award in the Sunday Star-Times CANSTAR CANNEX Bank of the Year Awards and placed first among the banks and fifth overall in the New Zealand 2011 Corporate Reputation Index. ASB's commitment to innovation has also been honoured with the bank's Facebook Virtual Branch receiving the Service Innovation Award in the 2011 BAI Finance Global Banking Innovation Awards.

ASB's long-term commitment to customer service contributed to a further uplift in customer satisfaction, retention and market share. Nielsen rolling six-month data indicates that among the Main Banks* in New Zealand, ASB has the highest equal Main Provider Share at 16% for the rolling six month period to December 2011.

Supporting the people of Christchurch remains a major focus for ASB. \$1 million of funding is being provided to support local community organisations affected by the earthquakes, including Re:START, a temporary shopping precinct in the centre of Christchurch.

During 2011, ASB extended its regional community support to include the ASB Sports Centre, Ronald McDonald House and the zoo in Wellington, as well as the ASB Theatre in Blenheim. The Bank's 'Working Together' partnership with St John was also renewed for a further five years.

School financial literacy programme, ASB Getwise, attained another milestone, reaching 150,000 primary and intermediate students nationwide in just two years. The ASB Community Bursary Awards were also extended to become a national programme. In addition, ASB assumed naming rights for the 2011 ASB New Zealand Maths Challenge involving 145,000 students across New Zealand participating in an online maths challenge.

ASB's ongoing branch expansion and improvement programme saw the opening of five new branches over the six-month period, along with a number of additional branches being upgraded to include the latest self-service and personal service layouts. A further five new branches are due to open before the end of the financial year.

ENDS

*Main Banks in New Zealand as at December 2011 include ANZ, ASB, BNZ, Kiwibank, National Bank and Westpac.

Note: The Commonwealth Bank of Australia Group report their results on a Cash Net Profit after Tax basis, being profit after tax with adjustments for hedging and intra-Group charges. ASB's Cash NPAT for the six months ended 31 December 2011 is NZ\$302 million (31 December 2010: NZ\$246 million).

Released by Christian May, ASB Corporate Communications

021 305 398, christian.may@asb.co.nz

ASB Bank Limited

Consolidated Performance in Brief

For the 6 months ended 31 December 2011

<i>For the period ended</i>	Unaudited 31-Dec-11 6 Months	Audited 30-Jun-11 12 Months	<i>Unaudited</i> <i>31-Dec-10</i> <i>6 Months</i>	Audited 30-Jun-10 12 Months	Audited 30-Jun-09 12 Months	Audited 30-Jun-08 12 Months
INCOME STATEMENT (\$ MILLIONS)						
Interest Income	1,810	3,805	1,953	3,976	4,755	4,647
Interest Expense	1,138	2,540	1,331	2,943	3,775	3,646
Net Interest Earnings	672	1,265	622	1,033	980	1,001
Other Income	202	342	167	392	532	364
Total Operating Income	874	1,607	789	1,425	1,512	1,365
Total Operating Expenses	350	721	349	659	632	588
Operating Performance	524	886	440	766	880	777
Impairment Losses on Advances	14	72	36	125	238	40
Net Profit before Taxation	510	814	404	641	642	737
Taxation	138	246	121	405	217	222
Net Profit after Taxation	372	568	283	236	425	515
As at	31-Dec-11	30-Jun-11	<i>31-Dec-10</i>	30-Jun-10	30-Jun-09	30-Jun-08
BALANCE SHEET (\$ MILLIONS)						
Total Assets	65,451	63,050	63,496	63,557	65,230	59,350
Advances (includes Advances to Customers before Collective Provision for Impairment)	52,641	52,513	53,168	53,678	53,234	49,922
Collective Provision	147	162	181	201	178	87
Individually Assessed Provisions	71	78	80	60	83	22
Total Liabilities	61,430	59,103	59,686	60,009	62,072	56,151
Deposits (includes Deposits from Customers, Due to Financial Institutions, Liabilities at Fair Value through Income Statement and Debt Issues)	58,170	55,559	56,094	56,188	56,714	53,961
SHAREHOLDERS' EQUITY (\$ MILLIONS)						
Total Shareholders' Equity at End of Period	4,021	3,947	3,810	3,548	3,158	3,199
Dividends: Ordinary	340	280	80	160	180	610
Perpetual Preference	8	18	9	17	34	34
PERFORMANCE						
Return on Ordinary Shareholder's Equity	21.2%	17.2%	17.5%	7.8%	14.9%	18.4%
Return on Total Average Assets	1.2%	0.9%	0.9%	0.4%	0.7%	0.9%
Net Interest Margin ⁽¹⁾	2.19%	2.08%	2.04%	1.68%	1.64%	1.83%
Total Operating Expenses as a Percentage of Total Operating Income	40.0%	44.9%	44.2%	46.2%	41.8%	43.1%
Growth in Total Assets	3.8%	-0.8%	-0.1%	-2.6%	9.9%	12.2%
CAPITAL RATIOS						
Shareholders' Equity as a Percentage of Total Assets	6.1%	6.3%	6.0%	5.6%	4.8%	5.4%
BASEL II						
Tier One Capital as a Percentage of Total Risk Weighted Exposures	11.2%	11.2%	11.0%	10.9%	10.2%	9.4%
Total Capital as a Percentage of Total Risk Weighted Exposures	12.9%	12.8%	13.3%	13.2%	12.4%	11.8%

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