Media Release
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Lending growth drives ASB's strong first half result

ASB today reported Statutory Net Profit after Taxation (NPAT) of $365 million for the six months ended 31 December 2012, which represents a 2% decrease on the prior half of December 2011.

Cash NPAT was $348 million, an increase of 7% on the prior half of December 2011. Cash NPAT is the Group's 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)

Commenting on the announcement, Chief Executive Barbara Chapman said ASB's financial result was driven by solid balance sheet growth and the sustainable control of expenses. "This result builds on the positive momentum established in the previous financial year with good balance sheet growth across all customer segments including home, business and rural lending."

Rural and Business lending both grew above market levels, recording growth of 12.7% and 9.4% respectively. "The performance of these two key market segments is a reflection of growing confidence among farmers and business owners as business conditions in New Zealand steadily improve," said Ms Chapman.

ASB has remained focused on developing its Wealth and Insurance business through offering customers professional and trusted advice along with a full range of investment and insurance solutions. ASB Kiwisaver, as New Zealand's largest KiwiSaver scheme with around 370,000 customers, achieved 31% growth in funds under management over the 12 month period to December 2012, which compares to 44% growth over the prior year.

"ASB has reinforced its position as a leading bancassurance provider with a significant rise in new accounts for General and Life Insurance over the period," said Ms Chapman.

“Customer deposits, with growth of 3.6% on December 2011, have increased steadily,” said Ms Chapman. “Lifting our New Zealand deposit base has contributed to funding the lending growth, although competition has increased the cost of deposits. The launch of our new saving product – Savings on Call - has been well received by customers.”

Operating expenses increased 2.3% over the December 2011 period. This increase is primarily a product of inflation driven staff and property costs, and additional technology costs, partly offset by productivity improvements across the business.

Loan impairment expense for the half year ended 31 December 2012 was $28 million. Coming off cyclical lows, this was an increase of 100% on the prior comparative period. Arrears across the retail lending portfolio continue to trend downwards and are currently at the lowest level seen in recent years.

Ms Chapman said: “Our strong performance assists us to maintain our community support at over $12 million. In addition to continuing to support a wide range of charities and sports across New Zealand, including St John, Starship Children's Hospital, football and tennis, at the end of 2012 the ASB GetWise financial literacy programme passed the important milestone of reaching 250,000 children through our school-based saving and budgeting workshops.”

ASB has been focusing investment on upgrading infrastructure and developing new services to reinforce the Bank’s leadership in innovation, particularly in relation to online and mobile services. ASB Mobile has quickly become New Zealand’s most popular banking app with over 140,000 registered devices. “We have continued to push the boundaries, becoming the first bank to launch Facebook payments in New Zealand and allowing app users to pay for items bought off Trade Me directly from their smartphone,” said Ms Chapman. “Our focus will remain on looking for new ways to simplify banking for our customers to make it possible for them to enjoy the widest range of services whenever and from wherever they choose.”

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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-12 6 Months**	Audited 30-Jun-12 12 Months	Unaudited 31-Dec-11 6 Months
INCOME STATEMENT ($ MILLIONS)			
Interest Income	**1,724**	3,547	1,794
Interest Expense	**1,036**	2,243	1,148
Net Interest Earnings	**688**	1,304	646
Other Income	**208**	427	231
Total Operating Income (1)	**896**	1,731	877
Impairment Losses on Advances	**28**	47	14
Total Operating Income after Impairment Losses	**868**	1,684	863
Total Operating Expenses	**361**	737	353
Net Profit before Taxation	**507**	947	510
Taxation	**142**	262	138
Net Profit after Taxation ("statutory profit")	**365**	685	372
RECONCILIATION OF STATUTORY PROFIT TO CASH PROFIT ($ MILLIONS)			
Net Profit after Taxation ("statutory profit")	**365**	685	372
Reconciling Items :			
Hedging and IFRS Volatility (2)	**1**	(37)	(29)
Disposal of Available for Sale Investments	**-**	(16)	(16)
Notional Inter-group Charges (3)	**(25)**	(25)	(16)
Taxation on Reconciling Items	**7**	18	13
Cash Net Profit after Taxation ("cash profit")	**348**	625	324

As at	**31-Dec-12**	30-Jun-12	31-Dec-11
BALANCE SHEET ($ MILLIONS)			
Total Assets	**65,309**	63,537	65,451
Advances to Customers	**55,485**	53,002	52,494
Total Liabilities	**60,600**	59,350	61,430
Customer Deposits (includes Term Deposits, On Demand and Short Term Deposits and Deposits Not Bearing Interest)	**39,864**	38,975	38,486
PERFORMANCE			
Return on Ordinary Shareholder's Equity	**18.2%**	19.0%	21.0%
Return on Total Average Assets	**1.1%**	1.1%	1.1%
Net Interest Margin (4)	**2.22%**	2.16%	2.08%
Total Operating Expenses as a Percentage of Total Operating Income	**40.3%**	42.6%	40.3%
BASEL II			
Tier One Capital as a Percentage of Total Risk Weighted Exposures	**12.2%**	11.7%	11.2%
Total Capital as a Percentage of Total Risk Weighted Exposures	**12.2%**	12.6%	12.9%

(1) The December 2011 comparative information has been restated for the reallocation of Interest Income and Interest Expense on Other Derivatives from Other Income to Interest Income and Interest Expense. This restatement has also impacted the calculation of Net Interest Margin for December 2011.

(2) 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.

(3) 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.

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