Media Release
Wednesday 14 August 2013

Solid lending growth lifts ASB's annual result

Solid growth in customer advances across all lending portfolios saw ASB record a Statutory Net Profit after Taxation (NPAT) of $705 million for the year ended 30 June 2013. This is an increase of 3% compared to the previous financial year.

Cash NPAT was $699 million, an increase of 12% on the previous year. 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)]

Key points

- Cash NPAT of $699 million, an increase of 12% over the previous year
- Statutory NPAT of $705 million, an increase of 3% over the previous year
- Significant income growth of 22% for Wealth & Insurance business
- Prudent margin management resulted in strong net interest margin performance, rising from 2.16% to 2.25%
- Strong customer deposit growth of 6%, particularly in savings products
- Focus on productivity and cost containment reduced operating expenses as a percentage of total income from 42.6% to 41.1%
- Loan impairment expense was $56 million, an increase of 19% over the previous year. This increase was expected as provisioning returned to more normal levels after the prior period low

Commenting on the announcement, ASB's Chief Executive Barbara Chapman said: "ASB's strengthened performance over the past financial year was achieved against the background of a steadily improving New Zealand economy. Over the past 12 months, we have grown earnings and performed well against the market across our key segments, demonstrating the diversification and strength of our businesses. These successes have been underpinned by our continued focus on executing our long-term strategy while, at the same time, maintaining disciplined cost control and a prudent risk management profile."

ASB's Wealth & Insurance business saw marked income growth of 22% over the course of the financial year. Ms Chapman said: "We now have one integrated Wealth & Insurance team which is focused on developing simple, easy and innovative products for our customers. We have further developed our private wealth offering and consolidated our position as New Zealand's largest bancassurance provider. Our successful integration of ASB KiwiSaver Scheme balances into our internet and mobile banking service is one way in which we are contributing to the conversation on the importance of saving for retirement. Recent figures show that over 400,000 customers are now investing for their futures with ASB's KiwiSaver schemes. Investment in the ASB KiwiSaver Scheme has grown by 29% over the 12-month period to 30 June 2013 to $2.9 billion, and ASB KiwiSaver has been endorsed by successive CANSTAR awards for outstanding value."

"As part of our strategy, we have been managing our costs relative to our revenue growth and working to both increase productivity levels and make it easier for our customers to do business with us," said Ms Chapman. "This focus on productivity and cost containment resulted in a reduction of operating expenses as a percentage of total income from 42.6% to 41.1%."

Customer deposits have also seen a steady increase of 6% over the previous year, lifting ASB's New Zealand deposit base further.

"Over the past 12 months we noted an improvement in the average cost of new funding as some of the turbulence in the global markets abated," said Ms Chapman. "However, uncertainty remains around the recovery of Europe's economies as well as the markets' reaction over the Federal Reserve's intentions around the unwinding of its quantitative easing programme. Both factors may put pressure on the financial markets and the consequent cost of funding over the next few years."

"ASB's commitment to providing unbeatable customer service has seen the Bank maintain first or second position among the major banks in customer satisfaction across the key segments of our business," said Ms Chapman. "Over the past year we have maintained our focus on simplicity and on introducing innovative technologies to enable our customers to have more flexibility and control over their banking."

The rapid evolution of the banking market continued unabated over the course of the financial year with New Zealanders embracing mobile banking in unprecedented numbers. "The pace of the adoption of mobile banking is remarkable and ASB has remained focused on staying ahead of the market in terms of our mobile banking offering," said Ms Chapman. "Only last month, we reached a key tipping point with the number of customers using their smartphone or tablet for mobile banking outnumbering those using traditional internet banking for the first time. In addition, earlier this year we were particularly proud to have been recognised for the second year in a row as New Zealand's 'Best Online Bank' by CANSTAR in what is a very competitive market."

Ms Chapman said: "I am very confident that ASB will continue to deliver profitable growth and build value for our people, customers, shareholder and the communities in which we operate. As part of our commitment to New Zealand, ASB's annual community support budget was maintained at $12 million. Our people are dedicated to continuing to help build, strengthen and connect a wide range of charities and sports across New Zealand, including St John, Starship Children's Hospital, football and tennis. One highlight of the last year was the success of ASB's GetWise financial literacy programme, which passed the significant milestone of reaching 300,000 children through our school-based workshops, earning the inaugural CANSTAR award for Youth Banking and Education."

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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 year ended 30 June	2013	2012	2011
INCOME STATEMENT ($ MILLIONS)			
Interest Income	**3,476**	3,547	3,760
Interest Expense	**2,071**	2,243	2,540
Net Interest Earnings	**1,405**	1,304	1,220
Other Income	**407**	427	393
Total Operating Income	**1,812**	1,731	1,613
Impairment Losses on Advances	**56**	47	72
Total Operating Income after Impairment Losses	**1,756**	1,684	1,541
Total Operating Expenses	**744**	737	727
Net Profit before Taxation	**1,012**	947	814
Taxation	**307**	262	246
Net Profit after Taxation ("statutory profit")	**705**	685	568
RECONCILIATION OF STATUTORY PROFIT TO CASH PROFIT ($ MILLIONS)			
Net Profit after Taxation ("statutory profit")	**705**	685	568
Reconciling Items:			
Hedging and IFRS Volatility[(1)]	**4**	(37)	29
Disposal of Available for Sale Investments	**-**	(16)	-
Notional Inter-group Charges[(2)]	**(46)**	(25)	(27)
Taxation on Reconciling Items	**13**	17	(1)
Settlement of Historical Tax Matters	**23**	-	-
Cash Net Profit after Taxation ("cash profit")	**699**	624	569

As at 30 June	2013	2012	2011
BALANCE SHEET ($ MILLIONS)			
Total Assets	**66,570**	63,537	63,050
Advances to Customers	**57,726**	53,002	52,351
Total Liabilities	**61,545**	59,350	59,103
Customer Deposits (includes Term Deposits, On Demand and Short Term Deposits and Deposits Not Bearing Interest)	**41,289**	38,975	36,387
PERFORMANCE			
Return on Ordinary Shareholder's Equity	**17.0%**	19.0%	17.2%
Return on Total Average Assets	**1.1%**	1.1%	0.9%
Net Interest Margin[(3)]	**2.25%**	2.16%	2.01%
Total Operating Expenses as a Percentage of Total Operating Income	**41.1%**	42.6%	45.1%
CAPITAL RATIOS[(4)]			
Common Equity Tier One Capital as a Percentage of Total Risk Weighted Exposures	**10.4%**	N/A	N/A
Tier One Capital as a Percentage of Total Risk Weighted Exposures	**11.8%**	11.7%	11.2%
Total Capital as a Percentage of Total Risk Weighted Exposures	**11.9%**	12.6%	12.8%

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

(4) Capital ratios as at 30 June 2013 were prepared in accordance with the Basel III framework which came into effect 1 January 2013. Capital ratios for prior periods were prepared under the Basel II framework.