



February 15, 2006

Media statement

## **ASB ACCELERATES GROWTH THROUGH BUSINESS BANKING**

*Statement made by Gary Judd, QC, Chairman, ASB Bank Limited*

Significant growth in our business banking divisions has spearheaded ASB's continued growth in the New Zealand banking sector, with the Bank posting a 19% increase in after tax profit of \$217 million for the six months ending 31 December 2005.

Within New Zealand we continued to improve our share of the business, rural, corporate and personal banking markets. One feature of the past 12 months has been our emerging trans Tasman presence.

Much of this trans Tasman growth is being achieved as a direct consequence of our strong corporate banking relationship with our Australian parent, CBA.

Through this, ASB is offering a more flexible, customer oriented service that is relevant to specific business requirements in the two separate markets. Nurturing relationships on both sides of the Tasman brings very real benefits for New Zealand business and our economy in general.

Within New Zealand, ASB's winning combination of market leading customer service and technology based banking has resulted in our maintaining high customer retention levels and gaining substantial additional business, particularly in the business, corporate and rural banking sectors.

Commercial and business lending grew by 8% and rural lending by 7% over the 6 months.

The Bank continued to receive loyal home mortgage lending support, and at period end our total personal lending was up 8% on June 2005.

During this six-month period ASB assets passed the \$40 billion milestone, our assets having grown from \$1 billion to \$41 billion in only 21 years. At 31 December 2005, total assets stood at \$41.7 billion, up 8% from June 2005, and 14% from 12 months ago.

Productivity gains and one off cost savings through the more effective use of information technology were also a feature of our financial performance, with the increase in total operating expenses being held to 3% at \$243 million.

Combined with an increase in operating income of 11% to \$567 million, this reduced our cost to income ratio to 42.86%.

Taxation expense was \$97 million, up 13%, and provisioning for impairment on advances \$10 million (\$8 million last year).

While interest income increased to \$1.534 billion, up 20%, the Bank's interest rate margin declined to 1.95% (from 2.19%). The fall is due to both the extremely competitive banking environment and the impact of NZ International Financial Reporting Standards, under which loan origination costs and fee income are amortised over the life of the loans.

During the six months, the Bank's commitment to service and technology leadership was recognised by independent surveys and organisations, with ASB

- Being rated #1 of the four major banks for customer satisfaction in the Auckland / Massey Universities retail banking customer survey
- Being rated top in customer satisfaction for business banking in the TNS New Zealand Ltd "Business Finance Monitor"
- Rural banking topping the overall performance ratings for the four major banks in the TNS New Zealand Ltd Business Finance Monitor – Agribusiness Market survey
- Winning the TUANZ Innovation Financial Services Award for Fastnet Classic
- Winning the online award in the CRM Contact Centre Awards
- Being rated New Zealand's "Bank of the Year" for the fourth time by *The Banker* magazine

In the product area, achievements of note have included

- Our online FastSaver savings product becoming the fastest growing in the Bank's history, with over 210,000 customers and \$2.5 billion in deposits at period end.
- BankDirect's low interest Visa card, which charges almost half the interest rate of traditional Visa cards, being ranked top credit card by independent research groups
- ASB and BankDirect Internet banking customers being the first in New Zealand to be offered the option of "token" or "mobile phone messaging" as their second factor authentication (Netcode).

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