



Media release
10 February 2010

ASB PERFORMANCE REMAINS SOLID DESPITE TOUGH SIX MONTHS

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

- **ASB's underlying after tax earnings 16.4% down at \$199m**
- **One-off tax payment reduces overall net profit**
- **Interest margin marginally down at 1.63%**

During a period when the global recession has severely impacted banks around the world, ASB's long-standing commitment to providing excellent service, with an emphasis on understanding customers' needs, has assisted the Bank to deliver a solid underlying after tax operating profit of \$199m for the six months ended 31 December 2009.

This is a 16.4% drop from the same period in 2008 (\$238m), before taking into account the one-off additional tax charge.

In December the Bank reached a settlement with the Inland Revenue relating to four structured finance transactions, agreeing to pay \$264m in tax and interest charges. ANZ National, BNZ and Westpac also entered into settlement agreements at that time. \$209m of this settlement amount impacts the Taxation expense charge in this period, resulting in an overall net loss of \$10m after tax for the half-year.

The higher cost of funding together with ASB's determination to continue to offer competitively priced deposits to local savers, intensified downward pressure on margins. As a result, ASB's **net interest margin** on interest bearing assets decreased marginally by 1 basis point from 1.64% in June 2009 to 1.63% in December.

The market experienced a marked fall-off in demand for borrowing during the year to December 2009, with the Bank's **total assets** decreasing marginally by 1.1% to \$64.6b. Over the same period, the Bank's lending balances grew by 3% to \$54.1b as ASB continued to support New Zealand households and businesses during this difficult time.

During the year to December 2009, home loan balances increased by 3.2% to \$38.3b, with market share remaining steady at 23.3%, while Rural, Commercial and Corporate lending was up 2.5% to \$13.5b.

Total deposits increased to \$57.6b, up almost 1% since December 2008. ASB's success in retaining and attracting new funding is reflected in the 2.9% growth in retail deposits to \$31b, with market share remaining steady at 21.4%. This is a very pleasing result, as the support of local investors is crucial to New Zealand's ongoing recovery from the recession. The increase in our pool of retail deposits has resulted in a slightly increased fee of \$18.5m being paid to the Government for the Retail Deposit Guarantee Scheme.

As expected, the impacts of the recession have also resulted in increased **loan impairment charges** across all asset classes; partially offsetting ASB's lending growth. The Bank lifted its loan impairment charge by \$60m to \$127m compared to December last year. Total provisions on the balance sheet now stand at \$340m (\$157m in December 2008). Provisions still represent only 0.53% of total assets (0.40% in June 2009).

For the six month period ordinary dividends totalling \$70m were paid to ASB's New Zealand holding company, although with our parent committed to supporting its businesses in New Zealand, especially during these challenging times, no dividends were paid across the Tasman to the Commonwealth Bank of Australia.

ASB is focused not only on its financial strength and stability, but also on its vision to be world class for its customers, colleagues and community.

Our commitment to our **customers** is demonstrated by the ASB job creation fund, which aims to provide lending to New Zealand businesses to create new employment opportunities or prevent people from losing their jobs. This is especially important in the current operating environment. Since its inception in February 2009, \$72.4m of loans have been approved, along with \$30m of associated lending, either saving or creating almost 900 jobs in our New Zealand communities.

In addition, we are seeing real tangible success through the work of ASB's Financial Help Team, which assists customers confronted with financial difficulties. Since its establishment in April 2009, the Financial Help Team has assisted almost 700 customers, with borrowings totalling \$200m, covering a range of issues from spending patterns and budgeting to reorganising accounts to suit changing customer needs.

For our **colleagues** we have delivered on our commitment to make no redundancies as a result of the recession. We have kept jobs at home in New Zealand. No jobs have been sent off-shore. We are absolutely committed to maintaining this no-offshoring policy. With the emerging recovery in the economy, in December we also lifted the salary freeze we had in place for our ASB people earning over \$50,000 per annum.

We are committed to maintaining our \$10m annual investment in our local **communities** through our numerous community partnerships. In August, ASB threw its support behind children in need through the Big Night In Telethon, which helped raise more than \$2m for KidsCan StandTall. As the banking partner for this event, ASB played a valuable role in providing over 500 volunteers to help raise the funds to provide children around New Zealand with basic necessities.

Our most recent community initiative has been a drive to improve financial literacy through the launch of GetWise, a free, independently delivered financial literacy programme available now to New Zealand primary schools.

Other notable community partnerships include our \$2m per annum support of the ASB Community Trust and our major support of the work of the Order of St John, helping this essential service provider with their mission to save lives in local New Zealand communities.

ENDS

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ASB Bank Limited

Consolidated Performance in Brief

For the 6 months ended 31 December 2009

<i>For the period ended</i>	Unaudited 31-Dec-09 6 Months	Audited 30-Jun-09 12 Months	Audited 30-Jun-08 12 Months	Audited 30-Jun-07 12 Months	Audited 30-Jun-06 12 Months	Audited 30-Jun-05 12 Months
INCOME STATEMENT (\$ MILLIONS)						
Interest Income	1,977	4,755	4,647	3,816	3,210	2,682
Interest Expense	1,471	3,775	3,646	2,926	2,406	1,906
Net Interest Earnings	506	980	1,001	890	804	776
Other Income	224	532	364	420	344	268
Total Operating Income	730	1,512	1,365	1,310	1,148	1,044
Impairment Losses on Advances	127	238	40	18	19	16
Total Operating Income after Impairment Losses	603	1,274	1,325	1,292	1,129	1,028
Total Operating Expenses	319	632	588	533	495	470
Net Profit before Taxation	284	642	737	759	634	558
Taxation on Operating Profit	85	177	222	227	194	179
Taxation on New Zealand structured finance transactions	158	40	-	-	-	-
Taxation interest costs on New Zealand structured finance transactions	51	-	-	-	-	-
Net (Loss) / Profit after Taxation	(10)	425	515	532	440	379
BALANCE SHEET (\$ MILLIONS)						
Total Assets	64,650	65,230	59,350	52,893	44,568	38,796
Advances (includes Money Market Advances and Advances to Customers before Collective Provision for Impairment)	54,112	53,393	51,145	45,204	39,034	34,978
Collective Provision	241	178	87	84	79	123
Individually Assessed Provisions	99	83	22	7	1	9
Total Liabilities	61,327	62,072	56,151	49,773	41,879	36,527
Deposits (includes Money Market Deposits, Deposits from Customers and Amounts Due to Other Banks)	57,626	56,714	53,961	47,781	41,066	36,050
SHAREHOLDER'S EQUITY (\$ MILLIONS)						
Ordinary Shareholder's Equity at End of Period	2,773	2,608	2,649	2,570	2,139	1,719
Total Shareholder's Equity at End of Period	3,323	3,158	3,199	3,120	2,689	2,269
Dividends: Ordinary	70	180	610	825	860	43
Perpetual Preference	9	34	34	31	30	16
PERFORMANCE						
Return on Ordinary Shareholder's Equity	-1.4%	14.9%	18.4%	21.3%	21.3%	23.3%
Return on Total Average Assets	0.0%	0.7%	0.9%	1.1%	1.1%	1.1%
Net Interest Margin as a Percentage of Total Average interest bearing Assets	1.6%	1.6%	1.8%	1.8%	1.9%	2.2%
Total Operating Expenses as a Percentage of Total Operating Income	43.7%	41.8%	43.1%	40.7%	43.1%	45.0%
Growth in Total Assets	-0.9%	9.9%	12.2%	18.7%	14.9%	17.4%
CAPITAL RATIOS						
Shareholder's Equity as a Percentage of Total Assets	5.1%	4.8%	5.4%	5.9%	6.0%	5.8%
BASEL II						
Tier One Capital as a Percentage of Total Risk Weighted Exposures	10.0%	10.2%	9.4%	N/A	N/A	N/A
Total Capital as a Percentage of Total Risk Weighted Exposures	12.4%	12.4%	11.8%	N/A	N/A	N/A
BASEL I						
Tier One Capital as a Percentage of Total Risk Weighted Exposures	9.1%	9.2%	8.6%	9.0%	9.8%	9.6%
Total Capital as a Percentage of Total Risk Weighted Exposures	11.3%	11.4%	11.0%	10.5%	10.6%	10.2%