



Media release
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Focus on simplicity and innovation drives ASB's solid performance

A continued focus on providing simple and innovative solutions for customers has contributed to ASB recording a 21% increase in Statutory Net Profit after Taxation to \$685m for the year ended 30 June 2012, up from \$568m in the prior year.

Contributing to the result was a year-on-year increase in after tax fair value gains on Other Derivatives of \$51m. Excluding this, Net Profit after Taxation would have grown by 11% to \$658m for the year ended 30 June 2012, up from \$592m in the prior year.

Commenting on the Bank's financial result, ASB's Chief Executive, Barbara Chapman says, "ASB has produced a solid annual result despite the combined headwinds of global economic turbulence and subdued credit growth.

"ASB's performance reflects the ongoing focus of our people on providing unbeatable service combined with innovative, simple solutions for our customers. This was highlighted with the recent launch of our enhanced ASB mobile app, which allows customers to make payments using mobile numbers, email addresses and, in a New Zealand first, using Facebook contact details. We were delighted to have been named New Zealand's Best Online Bank by CANSTAR in June 2012 as an acknowledgement of our achievements in this area," she says.

Also underpinning ASB's performance was an increase in operating income, partly as a result of the trend of customers shifting from fixed to floating rate home loans, although this trend has subsided in recent months.

Impairment Losses on Advances was \$47m, 35% down on the prior year expense of \$72m. "Impairment losses have reduced reflecting the non-recurrence of the Christchurch earthquake provision recorded in the prior year, with arrears and hardship levels in Christchurch improving," says Ms Chapman.

The 2012 financial year saw 6% annual growth in ASB's business lending. "We have experienced a marked increase in business activity, particularly over the second half of the financial year," says Ms Chapman.

ASB saw strong performance in its rural lending business over the year with the Bank securing its largest ever share of '1 June' farm settlements. As a result, the Bank saw an increase in its total share of the rural lending market in the month of June 2012.

The 2012 financial year was also a record year for ASB in terms of the performance of its insurance sales channel which has established the Bank as the largest bancassurance provider in the New Zealand market.

ASB's branded home loan lending grew above market share reflecting the strength of ASB branded products. However, the Bank's total lending book remains flat due to a decline in its third party distribution book.

"We are experiencing strong support for Customer Deposits which has reduced our reliance on wholesale funding markets," says Ms Chapman. "Customer Deposits balances have grown by 7% outpacing growth in lending, as ASB continues to focus on attracting deposits in a competitive market. ASB now has a 22.5% share of the total Customer Deposits market."

The Bank also successfully launched its covered bond programme with strong demand for ASB covered bond issues both domestically and internationally.

Robust control over expenses and a focus on improved productivity have seen operating expenses increase by 1%. "While disciplined cost management remains a key priority, we continue to implement initiatives to benefit customers. As a consequence, we have delivered several efficiency improvements such as enhancing online statements, and increasing the quality and range of services available online," says Ms Chapman.

"Our commitment to leading the market in technology innovation means that we are well placed to capitalise on the phenomenal growth in mobile and online banking. We will continue to make the right strategic investment decisions to ensure we are responding to our customers' needs and engaging with them how, where and when they want, whether through our online and mobile channels or through our people.

"Our financial results have been complemented by our ongoing commitment to working in the communities in which we operate through a combination of financial investment, in-kind involvement and support, as well as the direct contribution of ASB staff time. As part of this commitment, our community investment rose to over \$12m in the 2012 financial year."

Ms Chapman pointed to ASB's support for Christchurch as a particular highlight of the past year. "ASB's focus has now shifted towards supporting the city's longer-term future and rebuilding the urban landscape, as well as continuing to support ASB customers impacted by the earthquakes. We are committed to the Christchurch rebuild effort and we have a multi-pronged approach to assisting the community. We have also extended our physical presence in the area with the opening of a new

Regional Centre and two additional branches, growing our total number of branches in Canterbury to nine.

“Looking ahead, the ongoing global volatility creates a degree of uncertainty for our local economy. In addition, funding costs remain under pressure. However, despite this uncertainty, New Zealand’s situation continues to gradually improve, and we anticipate increased momentum for the domestic economy.”

ENDS

Note: The Commonwealth Bank of Australia Group report their results on a Cash Net Profit after Taxation basis. Cash Net Profit after Taxation is Statutory Net Profit after Taxation adjusted for fair value movements on Other Derivatives transacted as hedges but not qualifying for hedge accounting, non-recurring items and allocated costs from the ultimate parent of ASB Bank Limited. ASB’s Cash Net Profit after Taxation for the year ended 30 June 2012 was \$580m, up from \$504m from the prior year.

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Consolidated Performance in Brief

For the year ended 30 June **2012** 2011 2010 2009 2008

INCOME STATEMENT (\$ MILLIONS) ¹

Interest Income	3,547	3,760	3,976	4,755	4,647
Interest Expense	2,243	2,540	2,943	3,775	3,646
Net Interest Earnings	1,304	1,220	1,033	980	1,001
Other Income	427	393	392	532	364
Total Operating Income	1,731	1,613	1,425	1,512	1,365
Impairment Losses on Advances	47	72	125	238	40
Total Operating Income after Impairment Losses	1,684	1,541	1,300	1,274	1,325
Total Operating Expenses	737	727	659	632	588
Net Profit before Taxation	947	814	641	642	737
Taxation	262	246	405	217	222
Net Profit after Taxation	685	568	236	425	515

As at 30 June **2012** 2011 2010 2009 2008

BALANCE SHEET (\$ MILLIONS)

Total Assets	63,537	63,050	63,557	65,230	59,350
Advances to Customers	53,002	52,351	53,477	53,056	49,835
Total Liabilities	59,350	59,103	60,009	62,072	56,151
Customer Deposits (includes Term Deposits, On Demand and Short Term Deposits and Deposits Not Bearing Interest)	38,975	36,387	34,540	33,458	32,303

PERFORMANCE

Net Interest Margin ²	2.16%	2.01%	1.68%	1.64%	1.83%
Total Operating Expenses as a Percentage of Total Operating Income	42.6%	45.1%	46.2%	41.8%	43.1%

BASEL II

Tier One Capital as a Percentage of Total Risk Weighted Exposures	11.7%	11.2%	10.9%	10.2%	9.4%
Total Capital as a Percentage of Total Risk Weighted Exposures	12.6%	12.8%	13.2%	12.4%	11.8%

¹ The 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 2011. The remaining comparative periods are not impacted by this restatement.

² Net Interest Margin is calculated as net interest earnings divided by average interest earning and discount bearing assets.