



Media release
11 August 2010

ASB returns solid performance

- **Net profit after tax flat at \$428m after one-off adjustment for structured finance tax charge and after perpetual dividend payments**
- **Loan impairment halved but still a significant \$125m**
- **Major \$460m investment initiated following strategy review**

ASB has maintained sound financial performance through the economic recession, reporting a solid net profit after tax of \$428m for the year ended 30 June 2010 (2009: \$431m) after taking into account the one-off additional tax charge of \$209m and the perpetual dividend payments of \$17m. ASB's statutory net profit after tax for the year is \$236m.

ASB Chairman Gary Judd QC says, "ASB continues to maintain a strong and stable position in a difficult market."

Key financial highlights

Intense competition for retail deposits and the continued high cost of funding has held the **net interest margin** on interest bearing assets stable at 1.6 percent.

While **total assets** have declined by 2.6 percent to \$63.6b over the 12 months, this is largely due to volatility in the derivative instrument market, with **lending** over the same period increasing by 0.8 percent to \$53.8b. "ASB led variable lending rates down back in September last year, our continued support of New Zealand homeowners being reflected in an almost 2 percent increase in **home loan balances**. Balances now stand at \$38.4b, with the bank's home loan market share remaining steady at 23 percent," says Mr Judd.

As a result of the slump in the commercial property market, debt deleveraging by businesses and a reduction in economic activity as a result of the recession, there has been an overall decline of 7.3 percent in the business lending market across New Zealand. Against this background, ASB's **business lending** fell only marginally by 1.9 percent to \$6.8b, increasing ASB's market share by 0.5 percent to 9.3 percent. **Rural lending** remained flat.

Total deposits stood at \$56.2b at year end, with **retail deposits** increasing strongly by 5.3 percent to \$31.5b. "During a period of intense competition, ASB's strength in customer service and competitive pricing has boosted our pool of domestic retail deposits. We are pleased that our customers have also chosen to support our community partner Term Deposit campaigns, with KidsCan Telethon, St John and Starship all benefiting significantly as a result," adds Chairman Judd.

Loan impairment charges reduced by a substantial 47.5 percent during the 2010 financial year, decreasing down to \$125m (\$238m in 2009). Impairment charges have thereby halved over the last year and have certainly turned the corner from the market peaks of 2009. "This sizeable reduction reflects both New Zealand's emergence from the current economic cycle and the underlying quality of the ASB loan book," Mr Judd says.

For the 12 month period ordinary dividends totalling \$160m were paid to ASB's New Zealand holding company. No ordinary dividends were paid on to parent company Commonwealth Bank of Australia, reflecting CBA's commitment to support and grow its businesses in New Zealand.

Beyond the numbers

ASB continues to look beyond financial success as a measure of performance, focusing on our vision to be world class for our customers, colleagues and community.

Our **customers** continue to benefit from our commitment to deliver top quality service everyday, with independent surveys continuing to rate ASB at the forefront of the banking industry.

ASB's new Financial Help team has now assisted over 1,100 customers to assess and address their financial difficulties, with issues ranging from spending patterns and budgeting to reorganising finances to cater for changing customer needs. The ASB Job Creation Loan also continues to boost New Zealand employment, contributing business loans of more than \$105m and a total of 1,281 new jobs having been retained or created.

ASB also created two new online banking services this year - 'Track my Spending, which has seen almost 80,000 active users already having categorized their spending' and 'ASB Business Cash Plan' – both allowing customers to easily monitor their spending.

In May 2010 the ASB KiwiSaver Scheme reached \$1 billion, making it the single largest KiwiSaver scheme in New Zealand.

For our **colleagues**, ASB and St John again partnered up to launch the largest ever corporate CPR training programme ever undertaken by St John. More than 3,500 ASB colleagues have now been trained in CPR, adding to the 10,000+ free courses offered to the New Zealand public the previous year. In July this year, the success of this ASB/St John Working Together CPR training initiative was acknowledged with the presentation of a Robin Hood Foundation Prime Minister's Social Heroes Award.

ASB has also maintained its commitment to keep all jobs here in New Zealand with no off-shoring of any roles.

In our **community** ASB is delighted with the success of GetWise, our new school-based financial literacy programme launched in February 2010. The first two terms of the ASB GetWise programme saw huge support from schools around New Zealand for the programme, with almost 30,000 children already having taken part.

Looking forward

Having completed a strategic review of our business in 2009, ASB is now well underway with the delivery of a wide range of initiatives to further strengthen our relationships with customers, colleagues and local communities.

Key initiatives include the decision to upgrade our already market-leading core banking systems by investing over \$200m in technology renewal, leveraging the more than \$0.5b investment in its systems being made by our parent, CBA; planning for our July 2013 move to a \$160m new sustainable ASB head office building based at Auckland's North Wharf in the Wynyard Quarter; and committing to an additional \$100m investment in our branch network through the opening of 25 new ASB branches and refurbishment of a further 117 over the next 5 years. Twelve of these new branches are planned to open over the next 12 months.

"This very significant investment programme shows ASB's confidence in both our future and the future of New Zealand," says Mr Judd.

ENDS

For further information please contact:

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ASB Bank Limited

Consolidated Performance in Brief

<i>For the year ended 30 June</i>	2010	2009	2008	2007	2006
INCOME STATEMENT (\$ MILLIONS)					
Interest Income	3,976	4,755	4,647	3,816	3,210
Interest Expense	2,943	3,775	3,646	2,926	2,406
Net Interest Earnings	1,033	980	1,001	890	804
Other Income	392	532	364	420	344
Total Operating Income	1,425	1,512	1,365	1,310	1,148
Impairment Losses on Advances	125	238	40	18	19
Total Operating Income after Impairment Losses	1,300	1,274	1,325	1,292	1,129
Total Operating Expenses	659	632	588	533	495
Net Profit before Taxation	641	642	737	759	634
Taxation	405	217	222	227	194
Net Profit after Taxation ("Statutory Basis")	236	425	515	532	440
Taxation on New Zealand Structured Finance Transactions	209	40	-	-	-
Less Perpetual Preference Dividends	17	34	34	31	30
Net Profit after Taxation (Underlying)	428	431	481	501	410
As at 30 June					
BALANCE SHEET (\$ MILLIONS)					
Total Assets	63,557	65,230	59,350	52,893	44,568
Advances (includes Money Market Advances and Advances to Customers before Collective Provision for Impairment)	53,810	53,393	51,145	45,204	39,034
Collective Provision	201	178	87	84	79
Individually Assessed Provisions	60	83	22	7	1
Total Liabilities	60,009	62,072	56,151	49,773	41,879
Deposits (includes Money Market Deposits, Deposits from Customers and Amounts Due to Other Banks)	56,188	56,714	53,961	47,781	41,066
SHAREHOLDERS' EQUITY (\$ MILLIONS)					
Shareholders' Equity at End of Year	3,548	3,158	3,199	3,120	2,689
Dividends: Ordinary	160	180	610	825	860
Perpetual Preference	17	34	34	31	30
PERFORMANCE					
Return on Ordinary Shareholder's Equity	7.8%	14.9%	18.4%	21.3%	21.3%
Return on Total Average Assets	0.4%	0.7%	0.9%	1.1%	1.1%
Net Interest Earnings as a Percentage of Total Average Assets	1.6%	1.6%	1.8%	1.8%	1.9%
Total Operating Expenses as a Percentage of Total Operating Income	46.2%	41.8%	43.1%	40.7%	43.1%
Growth in Total Assets	-2.6%	9.9%	12.2%	18.7%	14.9%
CAPITAL RATIOS					
Shareholders' Equity as a Percentage of Total Assets	5.6%	4.8%	5.4%	5.9%	6.0%
BASEL II					
Tier One Capital as a Percentage of Total Risk Weighted Exposures	10.9%	10.2%	9.4%	N/A	N/A
Total Capital as a Percentage of Total Risk Weighted Exposures	13.2%	12.4%	11.8%	N/A	N/A
BASEL I					
Tier One Capital as a Percentage of Total Risk Weighted Exposures	9.5%	9.2%	8.6%	9.0%	9.8%
Total Capital as a Percentage of Total Risk Weighted Exposures	11.8%	11.4%	11.0%	10.5%	10.6%