



Media release
10 August 2011

ASB's full year result reflects steady economy

Improved economic conditions have contributed to ASB recording a 27.6 percent increase in statutory net profit after tax to \$568 million for the year ended 30 June 2011. For the prior year, the result was \$445 million, excluding the one-off tax charge of \$209 million.

Commenting on the New Zealand economy and the ASB financial result, ASB's incoming Chairman, Gavin Walker says, "New Zealand is continuing along the road to recovery from the global economic downturn. Clear evidence of this is the significant reduction in ASB's impairment charges over the year, down 42.4 percent to \$72 million. Another key factor has been customers continuing to shift from fixed to floating rate loans, and the re-pricing of some new fixed rate loans has also contributed."

"ASB's balance sheet remains strong, with a 7.1 percent growth in retail deposits to \$33.7 billion and steady lending volumes. Demand for lending has definitely weakened as customers continue to choose to deleverage debt," Mr Walker says.

"On 27 May 2011, Moody's Investor Services announced the outcome of its review of New Zealand's four major banks, resulting in a one-notch downgrade of their long-term senior unsecured ratings to Aa3. ASB was the only bank to retain a C+ stand-alone rating for financial strength. Moody's noted that this reflected ASB's "stronger credit risk profile which has resulted in lower non-performing loan metrics compared to its New Zealand peers" as well as the Bank's lower reliance on wholesale funding because of its higher proportion of customer deposits."

"Looking ahead, New Zealand's improved export commodity prices, growing demand for limited housing stock in some regions and low interest rates are all expected to contribute to New Zealand's steady economic recovery."

Financial highlights:

Income statement

- **Operating performance** (profit before impairment and tax) was up 15.7 percent to \$886 million (June 2010: \$766 million). **Operating income** improved 12.8 percent to \$1.6 billion, while **operating expenses** rose 9.4 percent to \$721 million, driven by investment in strategic initiatives and Christchurch assistance and support packages, and partially offset by cost and efficiency gains.
- **Net Interest Margin** increased by 0.4 percent to 2.08 percent.
- **Impairment Expense** decreased 42.4 percent to \$72 million (June 2010: \$125 million).

Balance sheet

- **Total assets** remained steady at \$63.1 billion (June 2010: \$63.6 billion). **Lending** reduced 1.2 percent to \$53.2 billion (June 2010: \$53.8 billion). Home loan market share is steady at 22.2 percent.
- **Total liabilities** stood at \$59.1 billion (June 2010: \$60.0 billion), with **Deposits** marginally down 1.1 percent to \$55.6 billion (June 2010: 56.2 billion). Against this backdrop, **Retail Deposits** increased 7.1 percent to \$33.7 billion (June 2010: \$31.5 billion) with market share flat at 21.4 percent.
- **Loan impairment provisions** reduced to \$240 million (June 2010: \$261 million). Collectively and individually assessed provisions now account for 0.45 percent of average gross advances to customers (June 2010: 0.49 percent).
- **Ordinary dividends** of \$280 million were paid to ASB's New Zealand holding company.

Beyond the numbers

On 26 April 2011, ASB welcomed the return to New Zealand of Barbara Chapman to the role of Chief Executive. Barbara also joined the ASB Bank and ASB Group (Life) Boards at that time. Following the end of the financial year, we formally acknowledged the retirement of ASB's inaugural Chairman, Gary Judd, who has ably led the Board since the Bank's incorporation in August 1988.

ASB's new Chairman, Mr Walker, commented on ASB's areas of focus over the past year, a year marked by unprecedented natural and human disasters in New Zealand.

"ASB's focus has firmly been on supporting our customers, people and the community," says Mr Walker. "ASB is significantly investing in strategic initiatives to support and benefit our customers. This has resulted in the introduction of a number of new products and services, including online savings tool, Save the Change, which has already attracted savings of more than \$10 million, and a dedicated home equity release product, HomePlus. A new ASB Institutional brand was also launched in November 2010, providing corporate customers with the opportunity to capitalise on ASB's in-depth knowledge of New Zealand markets as well as the international specialist expertise and experience of our parent, the Commonwealth Bank of Australia."

"Our long term commitment to our customers has been acknowledged by several surveys and awards this year, including our top ranking in the July-August 2010 Colmar Brunton Customer Experience Survey for being "the most dedicated to providing the customer with the best possible services". Awards for innovation have included New Zealand's "Best use of Social Media" for ASB's Virtual Branch on Facebook and the Canstar Cannex Innovation Excellence Award for Save the Change. ASB was also rated fourth overall and the leading bank in AMR Interactive's 2011 Corporate Reputation Index."

ASB's five-year branch expansion programme is well underway, with new branches being opened in Kilbirnie in Wellington, Upper Hutt and Taradale in Napier during the year. Further new branches have now opened in Mosgiel, Mount Maunganui and Constellation Drive in Auckland.

The construction of ASB's new, sustainable head office in Auckland's Wynyard Quarter is also well underway and on schedule for completion by mid 2013.

ASB chose to take a leadership position to support the people and businesses in Canterbury, with relief packages for customers after the September earthquake and a further \$250 million investment programme to kick-start the rebuild following the massive February aftershocks. There is also an additional support package to assist Red Zone homeowners. To date we've processed more than \$274 million of concessional lending for our Christchurch customers, as well as providing much needed funds to community organisations.

During the year, significant donations have also been made to the communities affected by the Pike River Mine disaster and the Southland Snow Storm.

Our commitment to investment and involvement in the New Zealand communities in which we operate has always been important to ASB and our people. In addition to our existing partnerships, this year ASB announced a multi-million dollar relationship with New Zealand Football, support for the New Zealand Olympic Committee and Olympics in Schools programme and a new partnership with Wellington Zoo. We have doubled our facilitator numbers under the ASB GetWise financial literacy programme, and these workshops have now reached more than 100,000 Year 1 to 8 children from 532 schools nationwide.

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Released by Linley Wood, ASB Corporate Communications, mobile **021 221 2121**

Note: The Commonwealth Bank of Australia Group report their results on a Cash Net Profit after Tax basis, being profit after tax with adjustments for hedging and intra-Group charges. ASB's Cash NPAT for the 12 months ended 30 June 2011 is NZ\$504 million (June 2010: NZ\$354 million).

ASB Bank Limited

Consolidated Performance in Brief

<i>For the year ended 30 June</i>	2011	2010	2009	2008	2007
INCOME STATEMENT (\$ MILLIONS)					
Interest Income	3,805	3,976	4,755	4,647	3,816
Interest Expense	2,540	2,943	3,775	3,646	2,926
Net Interest Earnings	1,265	1,033	980	1,001	890
Other Income	342	392	532	364	420
Total Operating Income	1,607	1,425	1,512	1,365	1,310
Total Operating Expenses	721	659	632	588	533
Operating Performance	886	766	880	777	777
Impairment Losses on Advances	72	125	238	40	18
Net Profit before Taxation	814	641	642	737	759
Taxation	246	405	217	222	227
Net Profit after Taxation ("Statutory Basis")	568	236	425	515	532
BALANCE SHEET (\$ MILLIONS)					
Total Assets	63,050	63,557	65,230	59,350	52,893
Advances (includes Money Market Advances and Advances to Customers before Collective Provision for Impairment)	53,153	53,810	53,393	51,145	45,204
Collective Provision	162	201	178	87	84
Individually Assessed Provisions	78	60	83	22	7
Total Liabilities	59,103	60,009	62,072	56,151	49,773
Deposits (includes Money Market Deposits, Deposits from Customers and Amounts Due to Other Banks)	55,559	56,188	56,714	53,961	47,781
SHAREHOLDERS' EQUITY (\$ MILLIONS)					
Total Shareholders' Equity at End of Period	3,947	3,548	3,158	3,199	3,120
Dividends: Ordinary	280	160	180	610	825
Perpetual Preference	18	17	34	34	31
PERFORMANCE					
Return on Ordinary Shareholder's Equity	17.2%	7.8%	14.9%	18.4%	21.3%
Return on Total Average Assets	0.9%	0.4%	0.7%	0.9%	1.1%
Net Interest Margin ¹	2.08%	1.68%	1.64%	1.83%	1.87%
Total Operating Expenses as a Percentage of Total Operating Income	44.9%	46.2%	41.8%	43.1%	40.7%
Growth in Total Assets	-0.8%	-2.6%	9.9%	12.2%	18.7%
CAPITAL RATIOS					
Shareholders' Equity as a Percentage of Total Assets	6.3%	5.6%	4.8%	5.4%	5.9%
BASEL II					
Tier One Capital as a Percentage of Total Risk Weighted Exposures	11.2%	10.9%	10.2%	9.4%	N/A
Total Capital as a Percentage of Total Risk Weighted Exposures	12.8%	13.2%	12.4%	11.8%	N/A

¹ Net Interest Margin is calculated as net interest earnings divided by average interest earning and discount bearing assets.