Media release
9 February 2011

ASB's half-year result reflects improving economy

ASB has recorded a statutory net profit after tax of $283 million for the six months ended 31 December 2010. For the same period in 2009 the result was a profit of $199 million before making a provision of $209 million for the conduit tax dispute.

ASB Chairman Gary Judd QC says, "As the New Zealand economy slowly stabilises, we've seen loan impairment expenses reduce significantly, the impairment loss charge of $36 million recorded for the six months ended 31 December 2010 comparing very favourably to the $127 million for the same period in 2009. This shift has been the main contributor to the improved first half year profit result."

"Our Balance Sheet has again strengthened. Whilst total deposits have remained steady, finishing the half-year at $56 billion, retail deposits grew 5.8 percent year on year to $33 billion (December 2009: $31 billion), a result of our continued strong performance in a highly competitive market."

"Lending volumes have remained steady in an environment where consumers of credit are justifiably cautious. This meant home loan balances were flat, with demand across the rural and business markets also being weak as we saw a continued business focus on debt deleveraging and contraction," Mr Judd says.

Financial Highlights

- **Operating performance** (profit before impairment and tax) is up 7.1 percent to $440 million (December 2009: $411 million), **operating income** increasing 8 percent to $789 million (December 2009: $730 million) and **operating expenses** moving up 9 percent to $349 million (December 2009: $319 million).
- **Net Interest Margin** has increased 0.4 percent to 2.0 percent (December 2009: 1.6 percent), primarily as a result of home loan customers choosing to shift from fixed to floating rate mortgages.
- **Total Assets reduced to $63 billion** (December 2009: $65 billion) with ASB's overall home lending market share moving back to 22.4 percent (December 2009: 23.0 percent).
- **Total Liabilities stand at $60 billion** (December 2009: $61 billion).
- In addition to the significantly improved loan impairment expense, the **loan Impairment provisions** as at the end of December 2010 have decreased by 23.2 percent to $261 million (December 2009: $340 million). Collective and individually assessed impairment provisions now represent just 0.41 percent of total assets (0.53 percent in December 2009).
- **Ordinary dividends** totalling $80 million were paid to ASB's New Zealand holding company for the six month period. No dividends were paid across the Tasman to Commonwealth Bank of Australia, as it maintains its commitment to supporting its business in New Zealand.

Beyond the numbers

The ASB brand underwent a refresh during this reporting period, with the new "Creating Futures" brand promise being launched in November 2010. "The inspiration for ASB's new brand campaign came from our own ASB people", says Mr Judd. "Featuring real customer stories, the new campaign reflects the strong positive relationships and connections our people have and want to build further with our customers."

A new ASB Institutional brand has also been launched, providing corporate customers with the opportunity to capitalise on ASB's own in-depth knowledge of New Zealand markets as well as the international specialist experience of our parent, CBA.

ASB customers and potential customers have benefited over the past six months with the introduction of three new bank initiatives: the world's first Virtual Branch on Facebook, which is receiving international acclaim in social media circles (www.facebook.com/ASBBank); a dedicated Home Equity Release (or reverse mortgage) product called *HomePlus,* for our 65 year old + customers; and Save the Change, an online tool that helps customers save by rounding up their electronic payments to the nearest $1, $2, $5 or $10, with the rounded amount being saved.

ASB's strategy to expand its branch network into areas of greatest customer demand is well underway, with seven new branches opening during 2010 and another six due to be opened before August 2011. Resource consent has also been granted for our new head office building, ASB North Wharf in Auckland's Wynyard Quarter, with a move date in mid-2013 being targeted.

Our commitment to the communities in which we operate remains a key focus, with two new five year partnerships being announced - a multi-million dollar relationship with New Zealand Football to assist their nationwide implementation of a 'whole of football plan' from the grassroots up; and support for Wellington Zoo's new Malayan Sun Bear Exhibit due for completion at the end of 2011.

The ASB GetWise financial literacy programme surpassed its pre-launch targets, with almost 55,000 Years 1 to 6 primary school children from 280 schools across New Zealand benefiting from the wise money messages imparted by our team of independent facilitators since February 2010. To meet the overwhelming demand from schools, ASB is doubling the number of GetWise facilitators and extending the programme to year 7 and 8 students in 2011.

The Christchurch Earthquake, the Southland Storm and the Pike River Mine Disaster have created devastating long-term impacts for the affected communities. To assist ASB has made significant direct financial contributions as well as providing ongoing support through special banking assistance packages.

ENDS

Note: Commonwealth Bank Group report their results on a Cash Net Profit after Tax basis, being profit after tax, with adjustments for preference dividends, hedging and intra-Group charges. ASB's Cash NPAT for the six months ended 31 December 2010 is $246 million (December 2009: $157 million).

Released by Linley Wood, ASB Corporate Communications, mobile 021 221 2121
For more information see ASB's Consolidated Performance in Brief (link)

ASB Bank Limited

Consolidated Performance in Brief

For the 6 months ended 31 December 2010

For the period ended	**Unaudited 31-Dec-10 6 Months**	Audited 30-Jun-10 12 Months	*Unaudited 31-Dec-09 6 Months*	Audited 30-Jun-09 12 Months	Audited 30-Jun-08 12 Months	Audited 30-Jun-07 12 Months
INCOME STATEMENT ($ MILLIONS)						
Interest Income	**1,953**	3,976	*1,977*	4,755	4,647	3,816
Interest Expense	**1,331**	2,943	*1,471*	3,775	3,646	2,926
Net Interest Earnings	**622**	1,033	*506*	980	1,001	890
Other Income	**167**	392	*224*	532	364	420
Total Operating Income	**789**	1,425	*730*	1,512	1,365	1,310
Total Operating Expenses	**349**	659	*319*	632	588	533
Operating Performance	**440**	766	*411*	880	777	777
Impairment Losses on Advances	**36**	125	*127*	238	40	18
Net Profit before Taxation	**404**	641	*284*	642	737	759
Taxation	**121**	405	*294*	217	222	227
Net Profit / (Loss) after Taxation ("Statutory Basis")	**283**	236	*(10)*	425	515	532
BALANCE SHEET ($ MILLIONS)						
Total Assets	**63,496**	63,557	*64,650*	65,230	59,350	52,893
Advances (includes Money Market Advances and Advances to Customers before Collective Provision for Impairment)	**53,275**	53,810	*54,112*	53,393	51,145	45,204
Collective Provision	**181**	201	*241*	178	87	84
Individually Assessed Provisions	**80**	60	*99*	83	22	7
Total Liabilities	**59,686**	60,009	*61,327*	62,072	56,151	49,773
Deposits (includes Money Market Deposits, Deposits from Customers and Amounts Due to Other Banks)	**56,094**	56,188	*57,626*	56,714	53,961	47,781
SHAREHOLDERS' EQUITY ($ MILLIONS)						
Total Shareholders' Equity at End of Period	**3,810**	3,548	*3,323*	3,158	3,199	3,120
Dividends: Ordinary	**80**	160	*70*	180	610	825
Perpetual Preference	**9**	17	*9*	34	34	31
PERFORMANCE						
Return on Ordinary Shareholder's Equity	**17.5%**	7.8%	*-1.4%*	14.9%	18.4%	21.3%
Return on Total Average Assets	**0.9%**	0.4%	*0.0%*	0.7%	0.9%	1.1%
Net Interest Margin as a Percentage of Total Average Assets	**2.0%**	1.6%	*1.6%*	1.6%	1.8%	1.8%
Total Operating Expenses as a Percentage of Total Operating Income	**44.2%**	46.2%	*43.7%*	41.8%	43.1%	40.7%
Growth in Total Assets	**-0.1%**	-2.6%	*-0.9%*	9.9%	12.2%	18.7%
CAPITAL RATIOS						
Shareholders' Equity as a Percentage of Total Assets	**6.0%**	5.6%	*5.1%*	4.8%	5.4%	5.9%
BASEL II						
Tier One Capital as a Percentage of Total Risk Weighted Exposures	**11.0%**	10.9%	*10.0%*	10.2%	9.4%	N/A
Total Capital as a Percentage of Total Risk Weighted Exposures	**13.3%**	13.2%	*12.4%*	12.4%	11.8%	N/A
BASEL I						
Tier One Capital as a Percentage of Total Risk Weighted Exposures	**10.3%**	9.5%	*9.1%*	9.2%	8.6%	9.0%
Total Capital as a Percentage of Total Risk Weighted Exposures	**12.7%**	11.8%	*11.3%*	11.4%	11.0%	10.5%