

ASX Announcement



Commonwealth
Bank

ASB 2021 Full Year Financial Results Media Release

Wednesday, 11 August 2021 SYDNEY: Commonwealth Bank of Australia (CBA) today attaches ASB 2021 Full Year Financial Results Media Release released to the NZX this morning.

The release of this announcement was authorised by Kristy Huxtable, Company Secretary.

Danny John

Media Relations

02 9118 6919

media@cba.com.au

Melanie Kirk

Investor Relations

02 9118 7113

CBAInvestorRelations@cba.com.au



Media release

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ASB full year result – supporting a resilient and strong New Zealand

Following a determined focus to support its customers and New Zealand through an unpredictable year, ASB has reported a cash net profit after tax (NPAT)¹ of \$1,295 million for the 12 months to 30 June 2021. This represents an increase of \$330 million or 34% on the year prior, when ASB reported a 20% profit decline, largely due to the impacts of COVID-19.

The result is driven by a 10% growth in total lending, with home and business lending increasing 12% and 9% respectively compared with the year prior. Operating expenses grew 5% as ASB invested in its people and technology, while loan impairment expense decreased \$311 million.

Chief Executive Officer Vittoria Shortt says while the global pandemic is far from over, ASB's full year performance reflects New Zealand's stronger than expected recovery. "A decisive response from government and our banking system supported Kiwi businesses and households to be resilient during the pandemic. While a balanced recovery is still a significant way off, ASB is in a strong position to keep supporting Kiwis as we work together towards a productive and sustainable New Zealand."

Key performance drivers

Net interest margin improved by 6bps following a decline of 11bps in the year prior. This was primarily driven by stable funding costs and changes in ASB's deposits and lending portfolios, with increased preference for fixed term loans and at call accounts in the low interest rate environment.

New Zealand's buoyant property market drove 12% growth in home lending and saw ASB help thousands of home loan customers buy, move, build or refinance – including nearly 15,000 first home buyers. ASB's commitment to Kiwi businesses saw it increase business lending by 9% in a year when total business lending in New Zealand fell by almost 1.5%.

On a cash basis, ASB's cost to income ratio for the full year was 39%, a decrease of 80bps. Total operating income grew 8%, while operating expenses increased 5% as ASB continued to invest in its team and technology to make banking safer and simpler. Ms Shortt pointed to new tools such as ASB's biometric ID app which has already helped more than 1,000 new customers join ASB virtually since launching in April, as well as continued enhancement of compliance, risk and cybercrime capabilities.

¹ Cash NPAT reflects ASB's underlying operating results and excludes items that introduce volatility and/or one-off distortions which are not considered representative of the bank's ongoing financial performance. Items include hedging and IFRS volatility, the notional cost of capital charged by the Commonwealth Bank of Australia (the ultimate parent of ASB) and other material non-recurring items. These items are calculated consistently period on period and do not discriminate between positive and negative adjustments. Refer to the Consolidated Performance in Brief for a reconciliation of the statutory and cash net profit after taxation, and for further information on these items.

“We grew our workforce by 10% as we moved quickly to respond to customers’ needs. More than 500 new roles were created across the year to help us engage with our customers, bring products and services to market faster and meet regulatory change.”

Caring for our customers

“As the past year has tested Kiwis’ financial resilience, ASB has stepped up to help ease the pressure. As well as providing 35,000 customers with COVID-19 relief on more than \$13 billion in lending in FY21, we removed or reduced fees expected to save personal and business customers more than \$28 million in the year ahead.”

In a first for New Zealand, ASB recently launched Support Finder in partnership with Inland Revenue and the Ministry of Social Development. This new feature in ASB’s mobile app makes it easy for customers to explore their eligibility for a range of government benefits and payments.

“Mid last year ASB launched Compassionate Care, a free home loan insurance benefit in the case of death. This has seen ASB cover home loan interest payments for 147 customers to date, giving their loved ones much needed breathing space. We’re also resolute in our promise to keep Kiwis in their homes with no forced sales of owner-occupied homes in 2021.”

To support a more balanced and sustainable housing market, ASB increased its loan to value ratio (LVR) for investors during the year. “We continue to offer low home loan rates and have taken a responsible approach to LVR settings. The support and value we offer customers was acknowledged when Canstar named ASB the best bank for first home buyers.”

Customers increasingly preferred digital solutions to manage their everyday banking, with 87% of personal customers who interact with ASB now digitally active, including more than 100,000 customers who used online or mobile banking for the first time in the past year. ASB continues to run its Better Banking workshops for customers who may need extra help to make the transition and recently celebrated the completion of the 100th workshop as well as the launch of a Community Banker pilot programme in the upper North Island.

Investing in a sustainable New Zealand

ASB delivered on its promise to use the Reserve Bank’s Funding For Lending Programme to benefit all Kiwis, earmarking almost \$4 billion towards purpose led loans supporting a more productive and sustainable New Zealand.

These initiatives include Back My Build, targeted at home loan customers building from scratch as a way to help address New Zealand’s housing supply challenges. It offers a low 1.79% pa variable interest rate as well as a cash back contribution for customers who commit to a New Zealand Green Building Council Homestar rating to certify their home’s energy efficiency, or those building their first home.

Ms Shortt says, “Demand for Back My Build has significantly exceeded expectations – in just over a month, we received applications to support the construction of around 3,000 new homes.”

ASB has earmarked at least \$1 billion of this discounted lending to support businesses investing in infrastructure and sustainability projects with more than \$450 million already approved. More than

\$100 million in low-cost loans is also available to farmers who are taking positive steps to reduce their environmental impact, through ASB's new Rural Sustainability Loan.

Investing in Kiwis' financial future

ASB's KiwiSaver scheme continues to deliver great value, with its Conservative, Moderate, Balanced and Growth funds achieving top quartile returns in at least three of the past six years.² To ensure we continue to produce strong investment returns, last month ASB partnered with the world's largest asset manager BlackRock. ASB's investment customers, including its half a million KiwiSaver members, will benefit from BlackRock's global investment management expertise.

As designated investment partner, BlackRock has taken on the chief investment and portfolio management functions across ASB's suite of managed funds. Ms Shortt says the intent of the partnership is to deliver even better investment outcomes for customers.

"ASB recognises climate change as a key risk to our economy, businesses and communities and we're committed to meaningful climate action. We're currently in the process of excluding fossil fuel producers from our investment funds to respond to increasing customer expectations."

Key financial points

- Cash NPAT of \$1,295 million, an increase of 34% on the prior year
- Statutory NPAT of \$1,321 million, an increase of 39%
- Cash net interest margin increased by 6bps to 218bps
- Advances to customers up 10% to \$99 billion
- Total deposits up 5% to \$78 billion
- Impairment losses on financial assets decreased \$311 million
- Funds management income increased 5% to \$150 million
- Cost to income ratio (cash basis) of 39.0%, a decrease of 80bps
- Operating expenses increased 5% (cash basis)

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Released by:

Hannah Searle

ASB Corporate Affairs

hannah.searle@asb.co.nz

027 280 5450

ASB Corporate Communications

Level 6 | ASB North Wharf

asbcorporatecomms@asb.co.nz

² For the calendar year ending 31 December 2015-2020