



Media release

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ASB full year results: Challenging operating environment sees profit decline 11% in second half

ASB today reported a cash net profit after tax (NPAT) of \$1,550 million for the 12 months to 30 June 2023, an increase of \$132 million or 9% on the prior year. The result reflects a strong first half, with performance softening for the six months to 30 June 2023, reflecting the more challenging operating environment.

Total operating income increased 12%, while operating expenses increased 13% reflecting continued investment in people, technology, and regulatory compliance.

Total lending for the 12 months to 30 June 2023 increased 4%, with home lending up 3% and business lending up 5%, while total customer deposits grew 3%. Cash net interest margin (NIM) increased by 22 bps.

ASB's loan impairment expense increased by \$23 million as a result of the impact of inflationary and interest rate pressures, and a decline in house prices.

When comparing the second half of the year to the first half, Cash NPAT declined 11%, due to a 7% decline in operating income, driven by a 16bp reduction in NIM.

ASB's total capital, an important measure of a bank's financial stability, increased by \$0.9bn to \$11.1bn with its Common Equity Tier 1 (CET1) ratio increasing by 2.0% to 14.3%. ASB's CET1 ratio is now 0.8% above the 13.5% 2028 final target set by the Reserve Bank of New Zealand as part of its transition to higher capital requirements.

ASB Chief Executive Vittoria Shortt says, "We are seeing clear signs that growth is slowing which reflects the broader economic environment. However, our balance sheet remains strong and resilient which positions us well to continue to support our customers and the New Zealand economy."

Supporting our customers

The current economic cycle has placed pressure on household budgets nationwide. ASB has taken proactive steps to provide customers with practical tools and guidance to help them make well-informed money-related decisions.

"We've proactively contacted more than 12,000 customers to provide support as they refix their home loan. While the majority seem to be well prepared and managing, we've deepened our support options for those feeling pressure.

"We have established a dedicated team to provide tailored assistance to customers who are concerned about their financial situation and we have grown our team of community bankers to improve access to banking services for those in vulnerable situations.

“This financial year our specialists have completed more than 72,000 financial wellbeing reviews with customers and more than 400,000 customers have accessed our digital financial wellbeing tools.”

To improve the experience for customers, ASB has invested almost \$95 million in new state-of-the-art lending and contact centre systems. Once fully embedded, these modern platforms will provide an enhanced experience, including reduced wait times, ‘request a call back’ capabilities and faster handling of customer queries as advice centre (branch) teams are able to assist the contact centre in supporting customer queries through phone and online channels.

“We have enhanced ASB’s mobile capabilities to provide more personalised experiences such as the ability to book in-person appointments with ASB bankers, and Card Tracker which enables customers to see their credit card subscriptions and other places their card details may be stored in one place.

“We completely removed monthly base fees and self-service transaction fees on advertised business transaction accounts in February. This move, combined with some fee removals on personal accounts, is expected to put more than \$14 million back in customers' pockets this year.”

Accelerating Ōhanga Māori is another important focus for ASB and involves collaboration with a broad range of stakeholders including Māori-owned businesses, community organisations, housing providers, and Government.

ASB’s specialist Māori banking team Te Waka Whaihua is partnering with Iwi and other Māori organisations to help fund housing developments across New Zealand, including papakāinga (community housing on Māori land).

Commerce Commission market study

ASB is actively engaged with the Commerce Commission in support of the personal banking market study into New Zealand banks announced in June.

“It’s important to us that New Zealanders have confidence in our banking system, and the study is an opportunity to provide this.”

Protecting customers from scams and frauds

As more New Zealanders are impacted by increasingly sophisticated frauds and scams, protecting customers remains a top priority.

“In addition to growing our financial crime and fraud teams by more than 60 people this financial year, we further invested in technology to prevent and manage online fraud and improve cybersecurity resilience. For example, a two-way push notification system introduced in April 2022 has helped more than 25,000 customers digitally respond to card fraud alerts.”

Education is another important element in helping to protect New Zealanders from scammers. ASB has worked closely with industry partners on campaigns to raise awareness of fraud and scams and help people to keep themselves safe and secure online. Partnerships include Cyber Skills Aotearoa, a collaborative initiative between the New Zealand Government and industry.

“Cyber Skills Aotearoa provides classroom-ready challenges that develop students’ cybersecurity skills while empowering teachers to bring cybersecurity curriculum into their classrooms. We hope

this will inspire students to consider further education and careers in this field.”

Investing for a more sustainable New Zealand

“ASB is committed to playing our part in New Zealand’s climate transition and sustainability by supporting our customers with appropriate financial advice and funding for climate adaptation and resilience.”

Across FY23, ASB introduced more practical support to help business, rural and corporate customers develop solutions that best match where they are on their sustainability journey. This has included targeted financing options such as our Sustainability Linked Loan for clients which requires the borrower to commit to key environmental, social and/or governance targets, through to sustainable land and water use initiatives enabling customers to invest in fencing, waterways or planting to improve their land’s ecology.

The new ASB Better Homes Top Up loan has so far helped more than 2,100 personal customers improve the warmth, dryness and energy efficiency of their homes or make the switch to an electric or hybrid vehicle.

The bank has supported agribusinesses to reduce their emissions through \$600 million in sustainability lending, and also launched a new Business Sustainability loan in May. This new loan offers a discounted variable rate for business initiatives that will support positive environmental or social change.

“ASB is committed to supporting New Zealand’s climate transition and sustainability, and we were delighted to have our work recognised, as winner of the Corporate ESG Award at the 2023 Institute of Finance Professionals New Zealand (INFINZ) awards.

“Of course, sustainability is much more than climate. It encompasses environmental, social and financial wellbeing dimensions. For ASB, this shows up in how we’re contributing to positive change for our economy and communities. We are funding regional infrastructure initiatives, such as new hospital facilities, a new university campus and iwi social housing, and we are working with a range of community partners including Youthline, KidsCan and St John,” said Ms Shortt.

ASB will release its FY23 climate and sustainability reports in the coming weeks.

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Financial overview

- Advances to customers up 4% to \$108 billion (stat basis)
- Total deposits and other borrowings up 6% to \$90 billion (stat basis)
- Statutory NPAT of \$1,559 million, an increase of 6%
- Cash NPAT of \$1,550 million, an increase of 9% on the prior comparative period
- Cash net interest margin increased by 22bps to 244bps (cash basis)
- Impairment losses on financial assets increased \$64 million
- Operating expenses increased 13% (cash basis)
- Net interest income increased 16% to \$3,002 million (cash basis)
- Cost to income ratio (cash basis) of 36.3%, an increase of 60bps

Accelerating the progress of all New Zealanders

Supporting customers

- ASB specialists completed 72,000 Financial Wellbeing Reviews with customers in FY23, up 18% on the previous year.
- Community Bankers delivered 184 workshops in FY23.
- This financial year 404,000 customers have accessed ASB's digital financial wellbeing tools, up 39% on the previous year.
- During FY23, ASB's Support Finder has been used by 24,000 customers, helping customers to access \$14.3 million in additional government financial support.
- Card Tracker, used to help manage paid subscriptions, has been accessed by more than 166,000 customers since launching in November 2022.
- Our continued focus on behavioural science and testing through CCC direct marketing has resulted in more than 220,000 customers taking action to improve their financial wellbeing.

Supporting climate transition

- Certified net carbonzero by Toitū Envirocare. In FY23 carbon credits purchased were sourced from two domestic greenhouse gas removal projects under the Permanent Forest Sink Initiative.
- Performed Environmental and Social (E&S) assessment for 100% of loans to Corporate and Business Clients with >\$30m exposure; expanded E&S assessment to Clients with >\$1m exposure in high-risk sectors from June 2023.
- Supported more than 2,100 home lending customers with the Better Homes Top Up designed to help make their property warmer, drier, or more energy efficient, or to purchase a hybrid or electric vehicle.

Supporting social progress

- ASB has provided funding to enable partner Youthline to expand its midnight to 8am crisis line to a full phone and text Helpline, enabling full support 24 hours a day, every day of the year. This is expected to be fully operational by October 2023.
- Women hold 42% of all ASB senior leadership roles (Head of Department or higher).
- Over one million tamariki (children) now trained on injury prevention and how to respond in an emergency through the ASB St John in Schools programme.
- Launched first Māori and Pasifika internship pilot at ASB as part of our rangatiratanga pou enabling employment and development pathways for tangata whenua.

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