



Media release

Wednesday 14 February 2024

ASB half-year profit down 12%: focus on customer support continues, including tackling financial crime

ASB today reported a cash^[1] net profit after tax (NPAT) of \$707 million for the six months to 31 December 2023, a decrease of \$96 million or 12% on the prior year. This reflects a lower net interest margin (NIM), down 26bps on the prior year. Statutory NPAT is \$749 million for the six months to 31 December 2023, a decrease of \$91 million or 11% on the prior period.

ASB Chief Executive Vittoria Shortt says, “Bank profitability is inextricably linked to the New Zealand economy and the environment in which we are operating, and the interest rate cycle has been a big influencing factor on the results we’ve posted.

“The past five years have seen the official cash rate fall to a record low, followed by the steepest increase in the history of the OCR. This increase has had an impact on bank funding costs, including higher offshore funding costs”.

ASB’s total lending for the six months to 31 December 2023 declined 1% with home, business and rural lending down 1%, reflecting a very competitive housing market and subdued agricultural and business lending market demand. Total customer deposits grew 4% as customers took advantage of higher term deposit rates.

“This financial year we’ve offered some of the best term deposit rates New Zealand has seen in 15 years. We have more than 1.2 million savings and deposit customers, compared with around 230,000 customers with home loans and we’ve been pleased to see deposit customers benefiting from increased interest rates, after a period of low interest rates.”

Reduced NIM has resulted in a decline in total operating income of 8%. Operating expenses have increased 6% including further investment in technology and increased salary and wage costs. In the six months to December, ASB has invested more than \$37 million in regulatory and risk projects, and \$43 million in the prevention of financial crime including fraud, scams and cybercrime.

ASB's capital position, an important measure of a bank's financial stability, remains very strong with total capital of \$10.9 billion at December 2023, this represents a capital ratio of 15.5%, which is well above the 12.5% required by the Reserve Bank of New Zealand (RBNZ), including the prudential capital buffer ratio.

^[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. Refer to Note 18 of ASB Bank Disclosure Statement for a reconciliation of the statutory and cash net profit after tax, and for further information on these items.

Supporting our customers

“Our teams are proactively contacting business and personal lending customers to provide support as they move to higher interest rates. More than two-thirds of our home lending customers are now paying rates higher than 6% and we are pleased the vast majority are managing well. I would really encourage any customers who do have concerns to reach out to us, our team is here to help.

“In November we launched Spend Tracker, the newest in our suite of financial wellbeing tools to help customers better understand and manage their finances. We also recently removed a range of fees, including Visa Debit account fees, on around 800,000 accounts, in addition to removing monthly fees on around 160,000 business and personal accounts in the prior financial year.

“At the end of last year, we rolled out state-of-the-art new systems for our contact centres and other front-line teams. We opened a second regional contact centre in Hamilton in August, and we’ve introduced a new messaging channel to help with customers’ day to day banking needs. Average wait times on the phone are now below four minutes.

Fraud and Scams

“The global threat of fraud and scams and the exponential growth we’re seeing is a concern for all of us. Within ASB we are laser focused on this problem and expect to spend almost \$100 million this financial year on preventing fraud and scams, financial crime and on cybersecurity, including a team of more than 350 people dedicated to fighting fraud and financial crime. From the end of this month, we’ll extend our fraud line to operate 24/7 so customers can contact us any time on 0800 ASB FRAUD with their concerns.

“We are about to launch a significant campaign to help raise awareness about fraud and scams. Any one of us could get caught out at any time by a scammer and we know how devastating this can be. Our goal is to arm as many New Zealanders as we can with information that will help them to stay safe. When it comes to many of the scams we’re seeing, the first and best line of defence are the actions people can take to avoid being scammed.

“Scammers are increasingly targeting victims in all areas of daily life, by text message and email, on social media platforms and dating apps, and on the phone. This is not an issue banks can solve in isolation. Banks and other private sectors like telecommunications and social media, as well as police and other government agencies, and all New Zealanders have a part to play.

“We are taking an active role in helping to drive this cooperative effort. For example the first phase of Anti-Scam Centre collaboration between banks and police launched in December, with new information sharing protocols which are helping to identify and reduce fraudulent payments to mule accounts.

Building a prosperous and thriving New Zealand

“We’ve challenged ourselves to find new ways to approach lending to help enable social and environmental transformation and ensure New Zealand is ready for, and harnessing, the opportunities of the future.

“Over this half year we’ve earmarked more than \$500 million for a number of innovative, purpose-led lending initiatives, including ASB Access to support food and fibre exporters with much needed growth funding.

“We also launched our Accelerated Housing Fund to support affordable and social homes and improve access to capital for Māori housing, and our CleanTech fund, to boost innovation and development in this critical sector that is the clean tech industry.

“This week, we’ve announced we will partner with Rewiring Aotearoa, the New Zealand energy transition charity. ASB intends to finance a pilot to identify barriers and opportunities for consumers around energy transitions. This will help us better meet our customers’ needs going forward.”

ENDS

Financial overview

Compared to June 2023

- Advances to customers down 1% to \$108 billion
- Total customer deposits up 4%
- Total capital decreased by \$0.2bn to \$10.9bn
- Total capital ratio down 0.2% to 15.5%, (vs. RBNZ requirement of 12.5%, including buffer)

Compared to the December 2022 prior comparative period (cash basis)

- NPAT decreased 12% to \$707 million
- Net interest income decreased 7% to \$1,403 million
- Net interest margin decreased 26bps to 221bps
- Operating expenses increased 6% to \$648 million
- Impairment losses on financial assets decreased \$39 million to \$10 million
- Cost to income ratio increased 510bps to 39.5%

Compared to the December 2022 prior comparative period (stat basis)

- NPAT decreased 11% to \$749 million
- ROE decreased 230bps to 14.1%

Accelerating the progress of all New Zealanders

Supporting financial progress

- We have more than 350 people in our fraud and financial crime teams.
- ASB was awarded the Canstar Digital Banking win for the second consecutive year for being intuitive, user-friendly and having a broad set of tools for saving, budgeting and money management tools.
- Launched Spend Tracker in November, as at 31 December 2023, more than 80,000 customers used the tool.
- Over 450,000 customers have used at least one of ASB’s Financial Wellbeing tools in the past year.
- ASB specialists completed over 35,000 Financial Wellbeing Reviews with customers in the six months to December.
- Community Bankers delivered more than 250 workshops in the six months to December 2023.
- Proactively contacted more than 14,000 customers in the 2023 calendar year where mortgage rates were rolling over.

Supporting environmental progress

- Reached \$1.17bn in lending towards our target of \$6.5b in new sustainable business and corporate lending by 2030.
- Launched ASB Access programme to support high-growth food and fibre businesses.

- Advanced more than 4,300 Better Homes Top Up loans since launch. These loans are designed to help customers make their property warmer, drier, or more energy efficient, or to help with the purchase of a hybrid or electric vehicle.
- Announced we will partner with Rewiring Aotearoa to help support New Zealand's transition to net zero carbon emissions and reduce household costs.

Supporting social progress

- Introduced a \$500m Accelerated Housing Fund supporting affordable housing developments and social housing investment sectors. A portion of this has been set aside to improve access to capital for Māori.
- 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.
- Extended the ASB GetWise financial literacy programme, delivered in Te Reo Māori and developed with Te Ao Māori principles in mind. To date more than 160 children have participated in the new programme, with more than one million children taking part in GetWise since 2010.

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