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Waipapa Taumata Rau
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Case Study 1: ANZ

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Case prepared by Ellie Xu under the supervision of Caterina Barton. This case has been prepared solely for the Champions Trophy Case Competition. All data in this case has been obtained from publically available sources and ANZ Company. This case is not intended to serve as an endorsement, a source of primary data, or an illustration of effective or ineffective management.


ANZ

From: Laura Abba
Sent: 1 February, 2023
To: Budding Consultants Strategy Team
CC: Antonia Watson, Amanda Owen, Ben Kelleher
Subject: ANZ Strategy Presentation

Given today's technological climate, I am coming to you today for consultation on the best course of action for ANZ.

From providing you with your first credit card to enabling you to get your first home, banks have always been central to life experiences. However, the banking industry is at a crossroads. The industry is seeing convergence between the finance sector and other sectors like retail, and with the rise of "super apps" and more digital touchpoints, one-on-one banker relationships are disappearing. There is less of a need for corporate branches, and the traditional role of banks is evolving. All of this change begs the question – how can we provide a service and advice that is still relevant for our customers?

As we consider our customer proposition going forward, there are five key areas that ANZ wants to emphasise: convenience, personalisation, connectivity, transparency, and sustainability.

I want your help in thinking through how we engage the 18-30-year-old customer segment in particular. ANZ's key challenge with this segment is that this age group has higher expectations of banks and their technology. They are digital natives interested in using 'digital one-stop shops' with everything in one place. If our platforms, app (goMoney), products and services don't keep up, we risk of losing these customers.

We are already seeing the shift to open data and ecosystem strategies, which have enabled Big Tech and fintech players to succeed in traditional banking revenue lines like saving, lending, and payments. However, it is clear that the strength of digital integration will be the differentiation point in the future. Data is vital in creating more personalised, connected, and convenient customer experiences. So, how do we capitalise on this and better engage our customers?

What role should ANZ play in the digital ecosystem of 18-30-year-olds? I'd love to hear your blue-sky thinking on this topic and hope you recognise the urgency of the burning platform here. I look forward to seeing what you come up with!

Kind regards,

Laura Abba
Head of Industry and Innovation
ANZ

The Company

Background

In 1840, a British bank named Union Bank of Australia (UBA) agreed with the New Zealand Company to accompany settlers on their journey to New Zealand to provide domestic banking services. The first UBA branch in New Zealand was in Petone and transferred to Wellington shortly thereafter. In 1951, UBA and the Bank of Australasia merged, forming Australia and New Zealand Bank (ANZ). About two decades later, ANZ Bank merged with the English, Scottish and Australian Bank, becoming ANZ Banking Group. In 1976, ANZ migrated its headquarters to Melbourne, Australia, and three years later, it was permitted to incorporate in New Zealand as ANZ Banking Group (New Zealand) Limited. It also sold 25% of its shares to the public. The company then acquired the National Bank from Lloyds TSB in December 2003; it operated under a separate brand until 2012, when the National Bank branches began operations under the ANZ brand.[1] The National Bank of New Zealand was amongst the oldest of New Zealand banks. Accordingly, this acquisition made ANZ the largest commercial bank in New Zealand.[2] The Group is now dual-listed on the Australian Stock Exchange (ASX) and New Zealand Stock Exchange (NZX).

In January 2017, ANZ agreed to sell its UDC Finance business to the Chinese conglomerate HNA Group. However, as a reminder of the heavy regulation in the industry, the Overseas Investment Office blocked the deal from proceeding in December 2017. In June 2020, ANZ instead sold UDC Finance to the Japanese Shinsei Bank. In November 2018, ANZ also sold its life insurance business (OnePath Life (NZ) Limited to Cigna Corporation.[3]

Australia and New Zealand Banking Group Limited is now the parent company of 25 subsidiaries, operating in over 30 countries, and employing ~40,000 people. Headquartered in Melbourne, its retail and commercial segment in Australia consists of retail, commercial, and private bank business units. Its institutional customer segment services governments as well as global institutional and corporate customers in Australia, New Zealand, and other countries. ANZ Group's New Zealand segment services personal and business customers. Its Pacific segment services retail customers, small to medium-sized enterprises (SMEs), institutional customers, and governments in the Pacific Islands. Its Group Centre segment serves to support operating divisions.

ANZ's business streams are banking and financial services for retail, business, institutional, and rural customers. For its retail customers, it offers savings accounts, term deposits, mortgages, personal loans, insurance packages, and credit cards. For small businesses, it offers commercial loan and overdraft facilities. ANZ offers more sophisticated financial solutions for large corporate and government customers.

The New Zealand segment of ANZ Group constitutes 16.1% of the group revenue and possesses 10.1% of its assets.[4] It holds 27.8% of the market share in the domestic banking market.[5]

Shareholders

On the 15th of December 2022, ANZ Group's shareholders voted to establish ANZ Group Holdings Limited – a non-operating holdings company expected to begin trading on the ASX and NZX on the 4th of January, 2023. This restructuring aims to distinguish the company's banking and non-banking businesses, to prevent ANZ's non-banking activities from affecting its banking customers.[6]

Key management personnel

Paul O'Sullivan: Independent Non-Executive Chairman (ANZ Group)

O'Sullivan has held the role of Chairman since October 2020 and has been an ANZ Non-Executive Director since November 2019. Prior to ANZ, O'Sullivan held senior executive positions with Singapore Telecommunications, was the CEO of Optus, and held management positions with the Colonia Group and Royal Dutch Shell Group. His career has taken him to work in Australia, Canada, the Middle East, Australia and the UK.[7]

Shayne Elliott: Group Chief Executive Officer (also appointed to the Board of Directors)

Elliott was appointed to the role of CEO of the ANZ Group in January 2016. He joined the company as CEO Institutional in June 2009 and was appointed CFO in 2012. He has over 30 years of experience in international banking across various jurisdictions, including Australia, New Zealand, the US, the UK, Asia Pacific, and the Middle East. Before ANZ, Elliott was at EFG-Hermes holding senior executive roles as COO. Elliott also had a range of senior roles at Citigroup, where he worked for 20 years. At Citigroup, his positions included CEO Global Transaction Services Asia Pacific and Country Head Australia/New Zealand.[8]

Sir John Key: Independent Non-Executive Director and Chair (New Zealand)

Appointed to the Board in October 2017, Sir Key has had a prolific career in politics and banking. From 2008 until 2016, he was the 38th Prime Minister and Minister of Tourism of New Zealand. Prior, Sir Key held roles with Merrill Lynch in Singapore, London, and New York, becoming the Head of Global Foreign Exchange at the latter. He was also appointed as a member of the Foreign Exchange Committee of the Federal Reserve Bank of New York.[9]

Antonia Watson: Chief Executive Officer (New Zealand)

Watson's role at ANZ encompasses overseeing ANZ New Zealand's operations, which include over two million consumers and businesses. Prior to Watson's role as CEO of ANZ New Zealand, she had been the company's Managing Director in Retail and Business Banking. Before ANZ, Watson was General Manager of Morgan Stanley's business services and technology centre in Budapest. She has also held several finance roles in Sydney and London, with over 25 years of experience in professional and financial services across these jurisdictions.[10]

Amanda Owen: Chief Financial Officer (New Zealand)

Owen's role at ANZ involves having responsibility for Finance, Taxation, Treasury, and Internal Audit in New Zealand. She joined in 2003 and has held other positions at ANZ, like Head of Finance Business Partnering and Divisional Financial Controller. Owen commenced her career at KPMG in Wellington and London.

1 https://www.anz.co.nz/about-us/our-company/anz-new-zealand/brands/anz/
2 IBISWorld Australia and New Zealand Banking Group Limited Premium Company Profile (September 2022).
3 IBISWorld Banking in New Zealand Industry Report (February 2022).
4 IBISWorld Australia and New Zealand Banking Group Limited Premium Company Profile (September 2022).
5 IBISWorld Banking in New Zealand Industry Report (February 2022).
6 https://www.nasdaq.com/articles/australias-anz-shareholders-approve-new-holding-structure
7 https://www.anz.com/shareholder/centre/about/board-of-directors/paul-osullivan/
8 https://www.anz.com/shareholder/centre/about/executive-committee/shayne-elliott-management/
9 https://www.anz.co.nz/about-us/our-company/anz-management/
10 https://www.anz.com/shareholder/centre/about/executive-committee/antonia-watson/

Ben Kelleher: Managing Director, Personal Banking (New Zealand)

Kelleher's role involves heading ANZ's Branch team, Contact Centre, Mobile Mortgage Managers, and product management and operational support teams. He was previously General Manager for Auckland and Northland's Retail and Business Banking team.

Astrud Burgess: GM Data and Marketing (New Zealand)

Burgess' responsibility includes brand, advertising, marketing, and sponsorship activities across ANZ in New Zealand. Her role involves using data to create competitively advantageous strategies, ensuring well-governed data analytics.[11]

Customers

ANZ segments its customers into three categories:

- Home-owners – this includes their whole journey through to homeownership;
- Small-medium enterprise owners; and
- Institutional customers – this segment is companies with interregional trading capital flows

The 18-30-year-old customer sub-segment

18-30-year-olds fall under the home-owners segment, where they are either already engaging with the real estate market or will aim to do so in the future.

Oracle's 2020-2021 Banking Survey reveals that the under-30 segment is often anxious and discerning, having lived through more than one recession.

For under 30-year-olds, trust is the number one priority when searching for a long-term financial partner. While Big Tech companies are undergoing heavy investments into personal finance solutions, traditional banks like ANZ have the vital advantage of being trusted providers. A 2021 BAI Banking Outlook report also found that 61% of Gen Z banking customers aged between 18 and 24 have the same financial services organisation as their parents.[12]

Statistics show that the under 30 customers are most interested in personalised advice in banking decisions, like securing a loan. When ANZ addresses personalised budgeting to aid the achievement of the financial goals of millennials and Gen Z, the opportunity arises for a long-term line of credit or future investment offers.[13]

Given this sub-segment's qualities, how can ANZ capitalise on its capabilities and create long-lasting relationships?

11 https://www.anz.co.nz/about-us/our-company/anz-management/
12 https://www.bai.org/research-and-benchmarking/banking-attitudes-generation-by-generation/

The Proposition

The product split in New Zealand's banking industry is: 53.4% in mortgages; 34.9% in business, personal, and credit card loans; and 11.7% in other banking services.

According to IBISWorld, in today's climate, banks need to ensure their products align with the following four critical success factors:

1. Banks must facilitate customer access to the newest and most efficient technologies. Banks must invest in new payment and financial technology created to deliver services as securely and efficiently as possible.
2. Banks must possess superior financial management and debt management. They must conservatively manage finances to guarantee the fulfilment of obligations to depositors and debtors – while complying with relevant regulations.
3. In a world where ESG is becoming increasingly prominent, banks must develop, maintain, and sustain a good reputation for prudent financial management. A well-known brand and strong credit rating exhibit this.
4. Banks need to sustain the ability to raise revenue from additional sources. By offering a multitude of products and services, banks can aid in offsetting any falling revenues from loans that may arise during periods of low or falling interest rates.[14]

The significance of innovating with open financial data

The New Zealand and international banking industries have experienced significant technological disruption caused by the rise of fintech advancements. New products and payment methods like contactless payments, mobile wallets, and buy-now-pay-later services are becoming central in consumers' lives. They are affecting how consumers and households interact with banks and spend money. The growing prevalence of fintech leaders across the personal and SME markets poses a significant threat to banks. Fintechs typically enter via a narrow vertical and occasionally own a category (e.g. Wise, Revolut, AfterPay); however, yet to be proven to expand beyond their niche. Others have concentrated on disrupting customer experiences that customers have traditionally viewed as complex. For example, Harmoney and Prospa are fintech firms and are more flexible when issuing loans.[15] (Harmoney offers secured and unsecured personal loans up to $70,000;[16] Propsa offers business loans up to $500,000 and unsecured funding up to $150,000. [17]) Neobanks are also potentially set to launch in New Zealand in the next five years. They are fully digital banking services solely purposed for online and mobile banking with no branch operations and have grown in popularity overseas.

One should also note that the rate of technological change in banking is high. Banks must invest in technology to maintain low operating costs and reduce customer attrition by processing transactions and delivering customer service and other value-added services efficiently and securely. The banking sector's strong consumer demand for convenience in day-to-day banking transactions has fuelled the call for continuous updates and developments in contactless payment methods too.[18]

With a heightened prevalence of non-traditional banking services and an increasing rate of technological change, banks are now engaging with open data through open banking, providing more personalised solutions that customers want.

What is open banking?

In 2021, the New Zealand Government agreed to establish a Consumer Data Right framework to help consumers share their data with trusted third parties.

Open banking equates to a 'consumer data right' for the banking sector – per the Ministry of Business, Innovation, and Employment. This 'right' (open banking) would enable customers to consent to secure data sharing with third parties to receive value-added services.[19]

A consumer data right would be a consumer's statutory right to authorise data held about themselves to be transmitted securely to accredited third parties or to authorise third parties to perform actions on their behalf.[20]

A banking application programming interface (API) is the software that exposes banking functions as a web service for third parties to access.[21] In New Zealand, Payments New Zealand leads the payments industry and is currently developing common API standards to catalyse the development of domestic open banking solutions. Security and customer data privacy are the focal points of these standards to ensure customer comprehension and maintenance of the use of their data. At present, the industry is working towards the preliminary Version 2.0 API standards, purposed for payment initiation and data sharing. Payment initiation enables third parties to securely and efficiently commence irrevocable domestic payments on behalf of banking customers; data sharing enables customers to share with approved third parties their account balances and transaction records across most of their online bank accounts and credit cards.

The API providers registered with Payments NZ are: ANZ, ASB, BNZ, Kiwibank, The Cooperative Bank, TSB, and Westpac. The registered third parties are: Accredo, Akahu, BlinkPay, Centrapay, Datacom, Equifax, Mastercard, Middleware NZ, Qippay, Visa, Worldline, Xero, Yodlee Envestnet, Youtap, and Zepto.[22]

Open banking in action

Benefits to customers

Firstly, customers can benefit from increased access to financial services. For example, where limited data from traditional documentary sources may disqualify consumers from loans, open financial data helps assess borrowers' creditworthiness in perhaps sourcing rent and paying phone and utility bills.

Secondly, there is greater user convenience. Open banking could mean open access to mortgage products' data. This could be pre-filled applications, where the middleman would be cut out, and customers could apply for loans without mortgage brokers. Customers could also benefit from the best rates. In 2018, the UK launched its open-banking system, where open data could enable quick and easy mortgage applications to participating providers for free – juxtaposed with how traditional mortgage brokers charge arrangement fees.

Thirdly, customers benefit from improved product options. In the open-data ecosystem, customers can easily switch accounts between institutions or have a slew of them but still see their net financial position in one place. There is potential for a broad range of money-saving products when banks shift to open banking.[23]

An example of efficiency to the customer is if they have a direct debit set up with, say, a utilities company. The company could ask to verify whether the account number is correct, whether the customer has enough funds, and check the veracity before it pings into the customer's direct debits. The customer could also see their net position at any time regardless of how many bank accounts they have across multiple banks.

14 IBISWorld Banking in New Zealand Industry Report (February 2022).
15 IBISWorld Banking in New Zealand Industry Report (February 2022).
16 https://www.harmoney.co.nz/personal-loans
17 https://www.prospa.co.nz/
18 IBISWorld Banking in New Zealand Industry Report (February 2022).
19 https://www.mbie.govt.nz/business-and-employment/business/competition-regulation-and-policy/consumer-data-right/
20 https://www.mbie.govt.nz/dmsdocument/15536-establishing-a-consumer-data-right-proactiverelease-pdf
21 https://sdk.finance/api-in-banking-types-and-benefits/
22 https://www.apicentre.paymentsnz.co.nz/
23 https://www.mckinsey.com/industries/financial-services/our-insights/financial-data-unbound-the-value-of-open-data-for-individuals-and-institutions

Benefits to financial institutions

Firstly, open banking brings with it increased operational efficiency. It shortens processes and erases intermediaries. With data being predominantly stored on paper or on a multitude of digital sources, open data would help financial institutions cut costs and experience heightened efficiency with more automation technologies. This ameliorated transparency and haste in interactions between banks and customers is quite apparent in its economic benefit. In India, its "know your customer" verification cut costs by 86% per retail customer for financial institutions. Sharing mortgagee data enables standard mortgages to go through automated underwriting. Further, financial data sharing aids in avoiding manual data handoffs that could result in errors and re-work – less efficient outcomes. Open banking greatly decreases the costs of remediating bad customer relationship management data – an issue that was prevalent following the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (Australia, 2017) and Bank Conduct and Culture Review (NZ, 2018).

Secondly, there is more advanced fraud protection. If financial institutions had real-time access to customer data, they could employ advanced techniques to identify and minimise fraud-related costs. Undoubtedly, data sharing leaves a trail of crumbs to suspicious activity. With open data, banks could construct predictive models of fraud and catch cases as they begin or before they even come to fruition.

Thirdly, financial institutions can experience improved workforce allocation by assigning staff to the highest-value activities. Banks can focus on high-risk activities and spend less time monitoring customers with higher creditworthiness. As such, banks are ultimately better equipped to recover outstanding debt.

Fourthly, open banking provides for a reduction in the friction associated with data intermediation. For example, before banks have direct knowledge of a prospective customer, they can seek data from third-party providers. As such, missing data, such as identification or behavioural information, can be considered. Open banking ecosystems use APIs to reduce the aforementioned friction.[24]

With open banking, banks can get an essence of trustworthiness of loan candidates or improve their anti-money-laundering checks. They could provide ID verification services and on-sell these, creating new revenue streams.

There is no clear strategy to ensure banks' success in open data systems. Large information technology firms like Apple and Google have innovative global capabilities that are simply incomparable. The only clear concepts now are centralisation in experience and decentralisation in competencies.

What can banks do in this time of technological disruption?

Undoubtedly, many ideas are bounced around in bank operations on what strategies they can employ in the climate of technological disruption.

Banks could partner, acquire or create new propositions or specialised subsidiaries to provide customers with new experiences and evolve their capabilities in open data. Given limited resources, perhaps acquiring or partnering is the best course of action.

Banks also have to form a view as to what role they want to play in a digital ecosystem. They could pursue white-label partnerships, where banks would provide services and solutions embedded in another provider's website/app, platform or proposition. Non-financial providers typically power embedded finance, which enables lending or payments through financial tools and services. For example, embedded finance allows customers to make large credit payments at retail stores without visiting a physical banking branch to apply for the credit (as was the case before).[25] On the other hand, BaaS (Backend-as-a-Service) is a cloud service model that enables developers to outsource backend aspects (database management, cloud storage, user authentication, push notifications, and hosting). APIs allow for programmes to make requests of other programmes, and SDKs are software-building kits – these enable BaaS vendors to integrate backend functionality without building the backend.[26]

The main players in New Zealand's banking industry are all investing in developing a comprehensive mobile app that becomes the centre of customers' lives. For example, ANZ has invested in its 'View Bills' capability by partnering with Spark (a New Zealand telecommunications provider) for a joint "test and learn". It is a free service available on ANZ's goMoney app that allows you to view your Spark bill details like the amount and due date, make payments to Spark, and track your payment history.[27] (See media article in Appendix for more detail.)

Acknowledging the importance of effective leveraging of open data capabilities in open banking, ANZ has purchased Dot Loves Data – a Wellington-based company that offers proprietary analytics tools that generate real-time strategy insights to customers.[28] Additionally, ANZ's venture capital arm, 1835i, has equity stakes in Aider (an AI-based business intelligence platform that services SMBs and their advisors) and Bud (an open banking platform for global banks).[29]

Where should ANZ further invest to develop its digital experience and remain central to meeting customers' financial needs? How could ANZ continue to innovate? How should ANZ best capitalise on its capabilities and image to engage with its most digitally native customers?

24 https://www.mckinsey.com/industries/financial-services/our-insights/financial-data-unbound-the-value-of-open-data-for-individuals-and-institutions
25 https://www.forbes.com/sites/forbesfinancecouncil/2021/08/27/embedded-finance-what-it-is-and-how-to-get-it-right/?sh=253facf33677
26 https://www.cloudflare.com/learning/serverless/glossary/backend-as-a-service-baas/
27 https://www.spark.co.nz/help/account/bill/anz-view-bills-service/
28 https://www.nzherald.co.nz/business/anz-group-buys-wellington-tech-firm-dot-loves-data/B6AQJUTJ4NGJHHS24IZZD445CQ/
29 https://www.1835i.com/portfolio

The Industry

New Zealand's banking sector is relatively small by international standards. The Reserve Bank of New Zealand's (RBNZ) March 2022 data illustrates that banks possessed slightly over NZ$667 billion in assets; this is approximately 188% of New Zealand's GDP.[30]

A high level of government regulation and policy engulfs the industry, where the RBNZ is a crucial regulator. The Reserve Bank of New Zealand Act 1989 delegates power to the RBNZ to oversee registered banks' activities, with the primary goal of reducing financial risk and encouraging efficiency improvements.

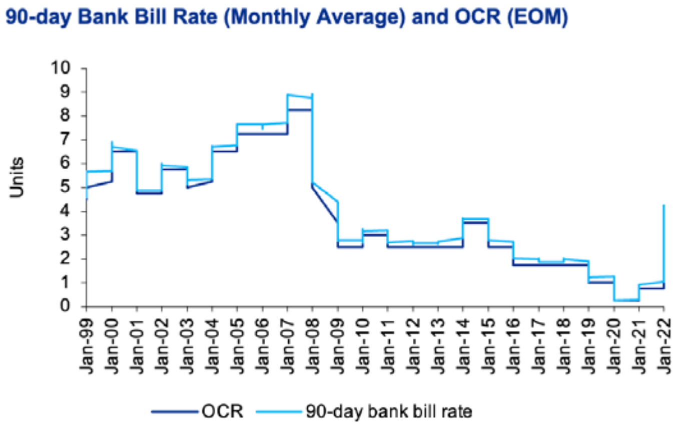
Touching on a few key statistics, the New Zealand banking industry expects:

- 2022 industry revenue: $19.1 billion
  - Annual growth rates:
    - 2017-2022: -6.4%
    - 2022-2027: 8.1%
- 2022 profit: $6.2 billion
  - Annual growth rates:
    - 2017-2022: -4.3%
- 2022 profit margin: 32.4%
  - Annual growth rates:
    - 2017-2022: 2.4%
    - 2022-2027: 1.4%

Over the past five years, there have been consistent official cash rate (OCR) cuts by the RBNZ that have caused industry revenue to decrease. The strong residential property market has aided growth in industry assets.

The New Zealand banking industry is now seeing the RBNZ raise the OCR in contractionary monetary policy to curb inflationary pressures. As such, New Zealand's monetary policy has been relatively aggressive when juxtaposed with similar developed countries. Correspondingly, increasing interest rates will likely increase borrowing costs and decrease business confidence. However, the projected OCR rise is anticipated to be a strong pillar to industry growth. This is an homage to the high revenue volatility in the industry that corresponds to OCR movements and interest rates, where the principal driver of industry revenue fluctuations is mortgages (which represent the largest product segment).[31]

On the 23rd of November 2022, the RBNZ increased the OCR from 3.50% to 4.25% - the largest percentage hike since the introduction of the OCR to the New Zealand economy in 1999. In a prior parliamentary hearing, Grant Robertson (New Zealand's Minister of Finance) stated that 2023 was to become a "year of reckoning" for the global economy.[32]



33

A key historical event influencing how banks are now acting is the Royal Commission into Misconduct in the Banking, Superannuation, and Financial Services Industry that took place from December 2017 – February 2019. It was a pivoting point for banks, and the way they solve issues and handle products now weighs even more heavily on senior management's minds. Banks are now triple-checking whom they are partnering with, and with the consumer data right coming into place, they must take the utmost care.

Macro trends

Geopolitical risk

To mitigate against local geopolitical risk, the RBNZ introduced the BS11 Outsourcing Policy that requires banks to have the capability to operate as autonomous standalone entities. BS11 protects New Zealanders should the country be shut off from international connections. For example, if there was a war, banks would need to prove they could operate by themselves in New Zealand.

Changing data regulatory environment – Consumer Data Right framework

On the 5th of July 2021, the New Zealand Government made a decision to implement a new Consumer Data Right framework. The primary legislation to create the overarching framework will introduce basic obligations to those involved in a designated sector. The designations will encompass the data type covered and functionality enabled.

On the 1st of August 2022, the Government decided that banking will be the first designated sector. It also agreed to other framework aspects, specifically consumer redress functions, compliance, enforcement mechanisms, and cost recovery of the consumer data right. Third parties will need to be accredited as well.[34]

Although the official legislation is yet to be finalised, the industry is already getting the ball rolling (as discussed in an earlier section).

30 https://www.rbnz.govt.nz/financial-stability/about-the-new-zealand-financial-system/the-banking-sector
31 IBISWorld Banking in New Zealand Industry Report (February 2022).
32 https://www.bbc.com/news/business-63725212
33 Data obtained from: Exchange rates and Wholesale interest rates - Reserve Bank of New Zealand - Te Pūtea Matua (rbnz.govt.nz)
34 https://www.mbie.govt.nz/business-and-employment/business/competition-regulation-and-policy/consumer-data-right

Cybersecurity and trust

Cybercrimes are expected to cost US$10.5tn by 2025. On the current world trajectory, small businesses will bear the brunt of this – cyber-criminals are three times more likely to attack small businesses than large businesses. The COVID-19 pandemic exacerbated the situation, where cyber-attacks on small companies increased by over 150% between 2020 and 2021. Usually, it takes 200 days from the initial hacking until discovery. Often, companies become aware of issues when customers complain.[35] With cybercrime on the rise and heightened distrust and scepticism, how can something like open banking flourish?

As is expected of banks, consent and trust in banking systems are paramount. With people trusting ANZ with their data, it needs to ensure it has the appropriate mechanisms in place to deserve and honour this trust. ANZ clearly has a great challenge ahead – engaging its customers while also navigating the complex regulatory and cybersecurity environment.

The Competitors

Four major banks dominate the New Zealand banking industry – all subsidiaries of major Australian banks. These four banks account for 75% of New Zealand's banking industry revenue; thus, industry concentration is high.

Market share in New Zealand is split as follows: ANZ: 27.8%; ASB Holdings: 20.4%; Bank of New Zealand: 17.5%; Westpac: 17.1%; Other: 17.2% (inclusive of Kiwibank: 5% and Rabobak: 3.0%).

ASB Holdings is a subsidiary of the Commonwealth Bank of Australia (CBA) – Australia's largest bank and listed on the ASX. It is locally headquartered in Auckland and services retail, business, and rural customers. It was the first bank in New Zealand to introduce internet banking, mobile banking, and online share trading.

The Bank of New Zealand (BNZ) is a subsidiary of National Australia Bank Limited (NAB), servicing retail, business, agribusiness, and institutional customers. It is headquartered in Auckland. Although NAB traditionally placed a greater emphasis on business customers than its competitors, BNZ has prioritised home loan growth and the SME market in New Zealand.

Westpac New Zealand Group is a subsidiary of Westpac Banking Corporation. It is listed on the ASX, NZX, and New York Stock Exchange (NYSE). Westpac is headquartered in Auckland, providing banking, insurance, and wealth services for consumers, small businesses, and institutional customers. It also services the agribusiness sector, providing financing for farming equipment, plant, and machinery.

Kiwibank (Kiwi Group Holdings Limited) is a subsidiary of the state-owned enterprises New Zealand Post Limited, New Zealand Superannuation, and the Accident Compensation Corporation. It provides home loans, personal loans, commercial loans, savings accounts, term deposits, and online money transfers.

Rabobank (Rabobank New Zealand Limited) is a subsidiary of Rabobank Group based in the Netherlands. It has traditionally prioritised banking in the rural and agricultural sector.[36]

How banks are engaging with open banking

The major banks are all currently offering similar value propositions for open banking.

At ANZ in Australia, customers can start data sharing by initiating the process online or through the app of the selected Accredited Data Recipient – customers can stop sharing at any time. Similarly, nominated representatives can generate data sharing arrangements on behalf of the nominating business.[37] Before a full launch this year, ANZ AU will pilot each proposed service with staff and a small sample of customers to ensure a smooth market introduction.

For retail customers at BNZ, open banking benefits begin when the third party that the customer is engaged with sends through a request for information, perhaps when making a payment or sharing account data. Then, after customer verification, BNZ will carry out the request.[38] For business customers, BNZ has both standard and proprietary APIs available. The standard APIs are those developed according to the standards set by the Payments NZ API Centre. Third parties wishing to provide services or facilitate payments for BNZ customers may use standard APIs. On the other hand, BNZ developed its proprietary APIs to the bank's standards. These are for customers who wish to have direct connections to their BNZ accounts and for third parties that wish to advance their service capabilities to their BNZ customers. As is per usual, BNZ has a sandbox where developers can run pre-production.[39]

Via its public Open Banking Product API, Westpac began data sharing for product reference data in July 2019. It began consumer data sharing in July 2020, enabling eligible customers to share their data with Accredited Data Recipients (ADR) for in-scope products. In November 2021, eligible organisational customers could engage in data-sharing with an ADR. New business networks established from the 1st of November onwards have their data sharing authorities activated by default, but companies established prior to this must first activate theirs for their business networks. After an eligible organisation activates its data sharing authority, the organisation's business network administrators can appoint nominated representatives from its business network as representatives to grant, amend, and manage data-sharing consents on behalf of the nominating organisation for in-scope products.[40]

International solutions

DBS Bank has developed a range of services that demonstrate excellent standards for an advancing world that embraces open financial data.

In Hong Kong, it partners with companies like hutchgo.com, HKTaxi, Klook, and Openrice, connecting customers to the reward points redemption system and can use DBS$ to save on transactions instantaneously. In terms of mortgage loan applications, it enables customers to send mortgage loan applications via partner websites like mReferral – this provides customers with preferential interest rates and cash rebates.[41]

In Singapore, DBS has a one-stop financial planning tool called the DBS NAV Planner – available on DBS digibank online and on its digibank app. It enables customers to see all their money in one place (even money not stored in DBS accounts). Thus, customers can improve their money-savviness – tracking, protecting, and growing their net money position. DBS NAV Planner also provides personalised financial advice – curated investments, planning for individual protection needs, and customised insights to help customers strive towards their goals. Customers can consolidate their insurance policies on it too. The Singapore Financial Data Exchange (SGFinDex) underpins the DBS NAV Planner, so the tool retrieves data from government accounts and the Central Depository account under the Singapore Exchange.[42] Most interestingly, DBS leverages the opportunity to incorporate third-party products into its existing service channels. It aggregates and distributes third-party products via a "marketplace" using apps and online banking websites. In Singapore, its marketplaces are individualised, e.g. DBS Car Marketplace, DBS Electricity Marketplace.[43]

Could ANZ implement systems like DBS has done? Is this applicable to a New Zealand audience?

In the UK, the country's largest nine banks and building societies are required to offer open banking, with smaller banks and building societies able to choose to take part in it.[44] As such, the UK is likely the most advanced in open banking solutions. HSBC UK's open banking enables sharing information via regulated apps and websites, viewing all your accounts in one place. Customers can also use product comparison sites to check for more suitable accounts for their lifestyles. They can make instantaneous payments to others, set up sweeping payments to move funds between their accounts, and third parties can issue customers cards linking to HSBC accounts.[45]

Could the UK's approach to open banking work for ANZ in New Zealand?

36 IBISWorld Banking in New Zealand Industry Report (February 2022).
37 Open Banking Data Sharing Arrangements | ANZ
38 https://www.bnz.co.nz/about-us/open-banking
39 https://www.bnz.co.nz/about-us/open-banking/bnz-apis
40 https://www.westpac.com.au/about-westpac/innovation/open-banking/
41 https://www.dbs.com.hk/personal/deposits/digital-services/open-banking
42 https://www.dbs.com.sg/personal/deposits/digital-services/nav-planner
43 https://bankingblog.accenture.com/open-banking-cdr-how-to-adapt-your-channel-strategy
44 https://www.openbanking.org.uk/faqs/
45 https://www.hsbc.co.uk/help/open-banking/

Financial Reports

INCOME STATEMENTS

For the year ended 30 September	Note	Consolidated 2022 $m	Consolidated 2021 $m	The Company 2022 $m	The Company 2021 $m
Interest income[1]		23,609	19,529	18,408	15,347
Interest expense		(8,735)	(5,368)	(7,433)	(4,822)
Net interest income	2	14,874	14,161	10,975	10,525
Other operating income	3	4,235	3,325	6,424	4,854
Net income from insurance business	3	140	110	-	-
Share of associates' profit/(loss)	3	177	(176)	(12)	(1)
Operating income		19,426	17,420	17,387	15,378
Operating expenses	4	(9,579)	(9,051)	(8,123)	(7,594)
Profit before credit impairment and income tax		9,847	8,369	9,264	7,784
Credit impairment (charge)/release	14	232	567	265	469
Profit before income tax		10,079	8,936	9,529	8,253
Income tax expense	5	(2,940)	(2,756)	(1,933)	(1,922)
Profit after tax from continuing operations		7,139	6,180	7,596	6,331
Profit/(Loss) after tax from discontinued operations		(19)	(17)	-	-
Profit for the year		7,120	6,163	7,596	6,331
Comprising:					
Profit attributable to shareholders of the Company		7,119	6,162	7,596	6,331
Profit attributable to non-controlling interests		1	1	-	-

For the year ended 30 September	Note	Consolidated 2022	Consolidated 2021
Earnings per ordinary share (cents) including discontinued operations[2]			
Basic	7	250.0	215.3
Diluted	7	233.2	203.2
Earnings per ordinary share (cents) from continuing operations[2]			
Basic	7	250.7	215.9
Diluted	7	233.8	203.7
Dividend per ordinary share (cents)	6	146	142

STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 30 September	Consolidated 2022 $m	Consolidated 2021 $m	The Company 2022 $m	The Company 2021 $m
Profit for the year from continuing operations	7,139	6,180	7,596	6,331
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss				
Investment securities - equity securities at FVOCI	(55)	80	(119)	67
Other reserve movements[1]	127	(41)	132	(95)
Items that may be reclassified subsequently to profit or loss				
Foreign currency translation reserve	(759)	456	139	(14)
Other reserve movements	(4,180)	(1,052)	(4,132)	(1,003)
Income tax attributable to the above items	1,172	301	1,186	303
Share of associates' other comprehensive income[2]	(40)	(48)	-	-
Other comprehensive income after tax from continuing operations	(3,735)	(304)	(2,794)	(742)
Profit/(Loss) after tax from discontinued operations	(19)	(17)	-	-
Total comprehensive income for the year	3,385	5,859	4,802	5,589
Comprising total comprehensive income attributable to:				
Shareholders of the Company	3,399	5,858	4,802	5,589
Non-controlling interests[1]	(14)	1	-	-

BALANCE SHEETS

As at 30 September	Note	Consolidated 2022 $m	Consolidated 2021 $m	The Company 2022 $m	The Company 2021 $m
Assets					
Cash and cash equivalents[1]	9	**168,132**	151,260	**155,483**	141,436
Settlement balances owed to ANZ		**4,762**	7,530	**4,024**	7,183
Collateral paid		**12,700**	9,166	**11,368**	8,343
Trading assets	10	**35,237**	44,688	**28,073**	34,752
Derivative financial instruments	11	**90,174**	38,736	**88,056**	38,292
Investment securities	12	**86,153**	83,126	**72,399**	67,940
Net loans and advances	13	**672,407**	629,719	**537,345**	488,487
Regulatory deposits		**632**	671	**249**	213
Due from controlled entities		**-**	-	**22,860**	23,530
Shares in controlled entities	26	**-**	-	**17,630**	15,693
Investments in associates	27	**2,181**	1,972	**53**	20
Current tax assets		**46**	57	**43**	55
Deferred tax assets		**3,384**	2,339	**2,992**	1,887
Goodwill and other intangible assets	22	**3,877**	4,124	**935**	1,017
Premises and equipment		**2,431**	2,734	**2,171**	2,415
Other assets		**3,613**	2,735	**2,402**	1,909
Total assets		**1,085,729**	978,857	**946,083**	833,172
Liabilities					
Settlement balances owed by ANZ		**13,766**	17,427	**10,224**	14,922
Collateral received		**16,230**	5,657	**14,425**	5,148
Deposits and other borrowings	15	**797,281**	743,056	**665,607**	606,723
Derivative financial instruments	11	**85,149**	36,035	**84,500**	37,005
Due to controlled entities		**-**	-	**25,305**	23,079
Current tax liabilities		**829**	419	**488**	193
Deferred tax liabilities		**83**	70	**54**	70
Payables and other liabilities	16	**9,835**	8,647	**8,562**	7,244
Employee entitlements		**549**	602	**409**	447
Other provisions	23	**1,872**	2,214	**1,648**	1,873
Debt issuances	17	**93,734**	101,054	**75,828**	81,088
Total liabilities		**1,019,328**	915,181	**887,050**	777,792
Net assets		**66,401**	63,676	**59,033**	55,380
Shareholders' equity					
Ordinary share capital	24	**28,797**	25,984	**28,720**	25,907
Reserves	24	**(2,606)**	1,228	**(2,546)**	341
Retained earnings	24	**39,716**	36,453	**32,859**	29,132
Share capital and reserves attributable to shareholders of the Company	24	**65,907**	63,665	**59,033**	55,380
Non-controlling interests	24	**494**	11	**-**	-
Total shareholders' equity	24	**66,401**	63,676	**59,033**	55,380

CASH FLOW STATEMENTS

	Consolidated		The Company	
	2022	2021	2022	2021
For the year ended 30 September	$m	$m	$m	$m
Profit after income tax	7,120	6,163	7,596	6,331
Adjustments to reconcile to net cash provided by/(used in) operating activities:				
Allowance for expected credit losses	(232)	(567)	(265)	(469)
Depreciation and amortisation	1,008	1,087	867	959
(Profit)/Loss on sale of premises and equipment	(8)	(11)	(1)	(11)
Net derivatives/foreign exchange adjustment	(4,434)	(6,350)	(4,687)	(4,374)
(Gain)/Loss on sale from divestments	(252)	238	(246)	(12)
Other non-cash movements	(909)	(237)	(488)	(456)
Net (increase)/decrease in operating assets:				
Collateral paid	(2,638)	4,995	(2,054)	4,484
Trading assets	8,020	10	6,355	(2,778)
Net loans and advances	(46,378)	(8,259)	(42,003)	(300)
Net intra-group loans and advances	-	-	978	(1,212)
Other assets	685	143	655	89
Net increase/(decrease) in operating liabilities:				
Deposits and other borrowings	48,879	48,896	45,058	41,908
Settlement balances owed by ANZ	(3,486)	(4,928)	(4,769)	(4,671)
Collateral received	9,468	(3,466)	8,074	(2,728)
Other liabilities	3,333	6,108	3,426	5,579
Total adjustments	13,056	37,659	10,900	36,008
Net cash (used in)/provided by operating activities[1]	20,176	43,822	18,496	42,339
Cash flows from investing activities				
Investment securities assets:				
Purchases	(34,292)	(52,639)	(30,065)	(23,040)
Proceeds from sale or maturity	32,797	63,445	28,201	35,493
Proceeds from divestments, net of cash disposed	394	13	(5)	-
Net movement in shares in controlled entities	(65)	-	(133)	(175)
Net investments in other assets	(651)	(561)	(667)	(650)
Net cash (used in)/provided by investing activities	(1,817)	10,258	(2,669)	11,628
Cash flows from financing activities				
Deposits and other borrowings drawn down	1,226	9,310	-	8,091
Debt issuances:[2]				
Issue proceeds	23,422	12,624	20,145	9,517
Redemptions	(26,017)	(27,709)	(21,985)	(23,104)
Dividends paid[3]	(3,784)	(2,834)	(3,782)	(2,834)
On market purchase of treasury shares	(117)	(79)	(117)	(79)
Repayment of lease liabilities	(218)	(330)	(226)	(288)
Share buyback	(846)	(654)	(846)	(654)
ANZ Bank New Zealand Perpetual Preference Shares	492	-	-	-
Share entitlement issue	3,497	-	3,497	-
Net cash (used in)/provided by financing activities	(2,345)	(9,672)	(3,314)	(9,351)
Net (decrease)/increase in cash and cash equivalents	16,014	44,408	12,513	44,616
Cash and cash equivalents at beginning of year	151,260	107,923	141,436	98,083
Effects of exchange rate changes on cash and cash equivalents	858	(1,071)	1,534	(1,263)
Cash and cash equivalents at end of year	168,132	151,260	155,483	141,436

Media Reports

New Zealand government to introduce 'open banking' for consumers

By Lucy Craymer (7 December, 2022)

https://www.rnz.co.nz/news/business/480268/nz-fintech-sector-launches-survey-to-find-out-where-it-s-lacking

WELLINGTON, Nov 10 (Reuters) - New Zealand will introduce open banking over the next two years, the government said in a statement on Thursday, making the sector the first to have rules giving consumers full control of their financial data.

"Open banking ensures banks must share customer information if they request it, making it easier for New Zealanders to compare mortgage rates, apply for loans and switch banks," Minister of Commerce and Consumer Affairs David Clark said in a statement.

"Open banking" is already in place in a number of markets overseas, including Australia and the United Kingdom. It is the process of banks and other traditional financial institutions giving customers and third parties easy digital access to their financial data.

In July 2021, the government agreed to establish a consumer data right framework (CDR), and the banks will be the first sector to implement the mechanism, said Clark.

Proponents of "open banking" say it may allow consumers to share their banking data with other providers to get better and cheaper services than what they already have.

Clark said if customers can shop around, banks will also have to work harder to retain their customers, leading to savings for consumers.

"At a moment in time where cost of living is high around the world, consumers should have the power to shop around for better deals," he said.

Australian banks, which dominate New Zealand's banking sector, are increasing their reliance on data to approve loans and better sharing of data supports this. The ability to automate large parts of loan processing is seen by banks as a way to cut costs, which are a headwind due to rising interest rates and staff wages.

New Zealand Bankers' Association chief executive Roger Beaumont said it is important to get the open data sharing right for consumers and they needed time to implement.

"There may also be lessons from other countries the government could take into account as it develops the legal framework," he added.

ANZ Bank goes digital in automated home loan push

By Clancy Yeates (8 December, 2022)

https://www.smh.com.au/business/banking-and-finance/anz-bank-goes-digital-in-automated-home-loan-push-20221207-p5c4gw.html

ANZ Bank says fully automated digital home loans will be able to service up to 30 per cent of the Australian mortgage market by 2024, as it prepares to start offering digital mortgages next year.

ANZ, which has been trying to recover from a period of poor performance in home lending, on Thursday said it was on track to launch digital mortgages - which could be approved in as few as 10 minutes without human involvement - in the second half of 2023.

The move will be a key step for ANZ's new digital banking platform, ANZ Plus, which the lender is hoping can fend off competition from technology-based rivals.

Managing director of design and delivery at the bank's digital arm ANZx, Peter Dalton, said on Wednesday that ANZ research had shown more than a quarter of customers started their home loan applications online. However, almost none of these customers completed their loans digitally because banks used manual processes to assess borrowers.

Dalton said banks in Australia and overseas were increasingly heading towards digital mortgages, and ANZ's product would initially focus on simpler owner-occupied loans where a customer was refinancing. It plans to roll out digital loans for a wider range of customers such as property investors and loans arranged via mortgage brokers.

The bank expects that by 2024 digital mortgages will be capable of servicing up to 30 per cent of the market.

"We think that we will get to quite a viable percentage of the market - 20 or 30 per cent of the market within the first 12 months. But there will always be some things that we're adding to it," he said.

Mortgages are a lucrative product for Australia's banks, and the Commonwealth Bank also unveiled plans to offer a digital home loan earlier this year as it seeks to entrench its dominant position.

National Australia Bank and Westpac have also invested in speeding up their mortgage approvals by using technology, with Westpac flagging its own 10-minute mortgage earlier this year. Dalton said most other banks still used humans in their credit assessments, and he stressed that ANZ Plus would also provide staff to help customers where clients wanted that. "We are going as fast as we can, and we think this is where the industry is going," he said.

ANZ has been seeking to turn around a period of market share losses in mortgages, and latest data showed the bank had a strong month in October.

Figures from the Australian Prudential Regulation Authority last week showed ANZ's annualised housing credit growth in the three months to October was the fastest of the big four banks at 1.4 times the industry average, according to Goldman Sachs analysts.

ANZ plans to eventually move its retail banking customers on to the ANZ Plus platform, which launched earlier this year with a limited range of features.

The bank said this week that ANZ Plus had attracted more than $2 billion in deposits and 100,000 customers. Dalton said about 30 per cent of ANZ Plus customers had joined the platform from another bank.

Smart New Billing Service Wins Top Award

(19 May, 2021)

https://news.anz.com/new-zealand/posts/2021/05/bill-payment-infinz-award

An innovative and industry-leading bill payment service - which gives ANZ customers greater visibility and control of what they need to pay, and when - has won a top prize at the 2021 INFINZ awards.

The service, which securely incorporates bills from companies like Spark into ANZ's goMoney app – won the award for Excellence in Institutional Banking.

"It's great to see the team win an award like this because it validates the work we've been doing to help large companies find a better way to process bill payments," says ANZ NZ's Managing Director, Institutional, Stuart McKinnon.

"It's also an innovation that will help more than a million customers get on top of their bills."

The service is the first time a New Zealand bank is offering customers a bill payment feature of this type and is an important step towards more Open Banking.

"From our research, we know a lot of people struggle to remember when a bill is due, and often forget to pay it on time," says McKinnon.

"Bringing those bills into our mobile banking app goMoney puts them all in one place and this means a customer can manage them more easily - especially when they might be juggling their everyday expenses."

How It Works

Once a customer agrees to use the new service, their bills are shown in goMoney.

Upcoming payment details and particulars, including how much is due and when, are automatically populated within the app, and it even shows the customer whether there is an existing direct debit or recurring credit card transaction set up.

This ensures payment details are correct, and removes the need for customers to hunt out details like account numbers and references from other apps or emails, which can cause errors.

This simple change in process will help customers retain visibility and control over their finances.

"Research tells us that it's the small, everyday decisions that have the greatest impact on people's longer term financial health," says McKinnon.

"So although it may seem like a relatively minor change to the way we do things, I think it has the potential to make a big difference to many people's lives."

Helps Large Companies

The new feature makes managing and paying bills much simpler and more streamlined for customers, but it also has benefits for the companies that adopt it.

In a trial, ANZ discovered that customers using the service paid their bills earlier, on average, than they did prior to having the service.

The difference will be of great benefit to companies aiming to better manage their cash flow, while also reducing the number of missed or late payments that can result in bad debts.

"From talking with these large companies we also know that many of their customers don't use the correct reference codes when they make a payment online," says McKinnon.

"This means they have to put a lot of effort into reconciling payments with bills issued – so by pre-populating the payment details, we can avoid this and save them a lot of hassle and cost."

Bringing the bills directly into goMoney also saves companies the considerable expense of printing and posting millions of bills to customers each year.

Where To From Here

Many large telecommunications, energy, utility and insurance companies could benefit from using the service, with ANZ sharing technical specifications openly.

This collaborative approach is considered critical to supporting development of services like this and broader Open Banking services in New Zealand.

"Initiatives like this have the potential to dramatically change the financial services landscape," says McKinnon.

"They create the opportunity for banks and other parties to work together openly to harness their combined capabilities, and to empower customers with more choice, control and transparency over the sharing of their financial data with other parties."

"As the ideas around Open Banking develop in New Zealand and we see new ways of giving consumers greater choice, I think the service we are trialing here has given us some really good insights into the direction we need to take in the future, especially when we collaborate with other businesses," says McKinnon.

"ANZ has a proven record of protecting customer privacy and keeping their data safe and secure, so it's only natural we would be at the forefront of this type of innovation."

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