

STATEMENT IN SUPPORT OF APPLICATION FOR MERGER AUTHORISATION

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED

Applicant

Statement of: **James Anthony Lane**

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Date: 05 July 2023

This document contains confidential information which is indicated as follows:

[Confidential to ANZ] [.....]

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Introduction

1. I am the State Manager of Business Banking – Queensland in the Australia Commercial division (**ANZ Commercial**) at Australia and New Zealand Banking Group Limited (**ANZ**).
2. This statement is made in support of ANZ's application to the Australian Competition and Consumer Commission for merger authorisation to acquire, directly or indirectly, 100% of the issued share capital in SBGH Limited from Suncorp Group Limited (the **Proposed Acquisition**). I am authorised to make this statement on behalf of ANZ.
3. I address the matters in this statement based on my knowledge of, and experience in, the Australian banking industry and in various roles at ANZ including my current role, and my review of business records which are available to me in my current role.
4. The statement contains information that is confidential to ANZ and its related entities. Disclosure of that confidential information would cause prejudice to ANZ and its related entities.

My role and experience

5. ANZ Commercial distributes banking products and services to four customer segments: Small Business Banking, Business Banking (**BB**), Specialist Distribution and Private Banking. These segments and ANZ's approach to segmenting customers are described by Isaac Rankin at paragraphs 15 and 16 and Exhibit IR-1 of his statement dated 30 November 2022. I have read these paragraphs and agree with them.
6. In my current role, I am responsible for general management of the BB segment in Queensland. This involves overseeing the performance of a team of bankers responsible for originating and servicing customers in the BB segment in Queensland. ANZ's BB segment customers include sole traders, partnerships, non-profit organisations, privately owned companies, subsidiaries of multinational companies and smaller listed entities across a wide range of industries (including property, professional services, retail services and agriculture).
7. I have been in my current role since about October 2018. My previous roles with ANZ were as follows:
 - (a) Head of Business Banking, Queensland (August 2016 to October 2018);
 - (b) Head of Small to Medium Enterprise Banking, Queensland and Northern Territory (July 2013 to August 2016);
 - (c) Project Director, Special Projects (July 2012 to July 2013);
 - (d) Area Manager, Small Business Banking, Melbourne (July 2009 to July 2013);
 - (e) Area Manager, Business Banking (January 2007 to July 2009); and
 - (f) Portfolio and Strategic Initiatives Manager, Corporate Division (January 2005 to January 2007).

8. While in my current position I also undertook a secondment role in the ANZ Mergers & Acquisitions team where I co-led a Due Diligence work stream.
9. Unless I specify otherwise, the comments I make in this statement are about the BB segment.

ANZ's approach to managing BB customers

10. The service model ANZ uses to manage customers in the BB segment is described by Isaac Rankin at paragraphs 34 to 37 of his statement dated 30 November 2022. I have read these paragraphs and agree with them. I make the following additional comments in relation to ANZ's approach to managing BB customers.
11. Based on what I have observed in my role, ANZ's approach to managing BB customers is generally "higher touch" than its competitors.
12. In the BB segment, each customer is allocated to a customer lending group (**CLG**). A CLG is an amalgamation of accounts and borrowers into one customer group based on common characteristics. Individual customers must be grouped into a CLG where there is a common linkage between them which results in a related risk. A related risk generally arises due to ownership, management, cash flow or security. For example, a common type of CLG in agribusiness is an intergenerational business, which includes the owners of the farm as well as their children, who may be carrying on other businesses.
13. Each CLG is assigned to an ANZ Relationship Manager who is supported by an Assistant Manager. Based on customer and banker feedback, I understand this structure is more typically used for larger and more complex emerging corporate and corporate banking customers. By applying this model to customers in the BB segment, ANZ Relationship Managers are better placed to offer a higher level of engagement to customers.
14. ANZ typically allocates each Relationship Manager between [Confidential to ANZ] ██████████ CLGs. [Confidential to ANZ] Consistently with ANZ's typical allocation there are ██████████ Relationship Managers, supported by ██████████ Assistant Managers, who are responsible for around ██████████ CLGs, in the BB segment in Queensland. The number of CLGs within an individual Relationship Manager's portfolio varies depending on factors such as the size and complexity of the CLG, and the Relationship Manager's working arrangements.
15. In addition, ANZ is undertaking work to increase automation and digitisation of ANZ's systems and propositions to further reduce the amount of manual work and intervention required by ANZ bankers.
16. The combination of the "higher touch" model and reduced manual work and intervention means ANZ Relationship Managers are better supported to consider the particular needs of their customer and have meaningful engagements.
17. ANZ's approach to managing BB customers is to maximise the time its bankers have to check-in with customers, visit customers at their premises and manage their customers' banking needs.

ANZ's approach to winning and retaining BB customers

18. ANZ competes to win and retain BB customers by offering an attractive overall proposition, which comprises a competitive price, product, service and policy offering. This includes offering the "high touch" service model described at paragraphs 11 to 17 to customers and developing strong relationships with brokers.
19. As part of the ongoing management of BB customers, I expect Relationship Managers to visit customers, and at the customers' premises, at least once a year. Meeting with customers is important for retaining the customer and from a risk management perspective because it enables the Relationship Manager to better understand the customers' business.
20. In practice, Relationship Managers visit customers much more regularly than once a year, with almost all face-to-face interactions occurring at the customers premises. By way of illustration, Relationship Managers are required to submit records of interactions with customers into ANZ's Customer Relationship Management tool, iKnow. [Confidential to ANZ] Based on data recorded on iKnow, BB Relationship Managers in Queensland have so far recorded [REDACTED] interactions with existing customers this financial year (that is, in the period 1 October 2022 to 30 June 2023). The data available to me does not differentiate between telephone calls and face-to-face visits. However, I expect it would include many face-to-face interactions as Relationship Managers are instructed to only record interactions that are meaningful because they added value or were a quality interaction, and given the focus that ANZ Commercial places on visiting customers face-to-face.
21. I will allocate Relationship Managers to locations where BB customers are based or where there may be opportunities to grow, either because I believe that we can win market share or there is existing growth in the region. However, the location of a banker does not limit their ability to service customers within proximity of that location. This is especially the case in a large state like Queensland, where Relationship Managers often need to travel long distances and arrange overnight accommodation to visit customers.
22. Brokers are becoming an increasingly important origination channel. As a result, Relationship Managers also allocate time to developing strong relationships with brokers to ensure they understand ANZ's proposition, and give ANZ an opportunity to pitch for any new business.

ANZ's approach to reviewing the performance of Relationship Managers

23. ANZ Commercial has a balanced scorecard approach to reviewing the performance of its Relationship Managers. This means that ANZ evaluates banker performance across a range of dimensions, including financial outcomes, customer retention, customer feedback, and risk and compliance.
24. The result of this approach is that ANZ Relationship Managers are as focussed on customer relationships, credit standards, and retention, as they are on winning new customers.

Competitive landscape

25. In Queensland, the competitors that I see most often in the BB segment are (in order) NAB, CBA, Westpac and, more recently, Judo Bank. I also see Suncorp Bank and BOQ from time to time, but they are not as strong. I rarely see Bendigo and Adelaide Bank/Rural Bank.
26. Specifically for agribusiness customers, I would also include Rabobank as one of the stronger competitors.
27. I consider a competitor to be strong if the bank is identified as a competing bank when ANZ is tendering for deals, sends representatives to networking functions and events, and have a consistent and stable banker presence. From what I have observed in my role, NAB satisfies all of these criteria in Queensland. NAB appears on more tenders than other banks, is visible at functions, and generally appears to have a greater number of bankers throughout Queensland. It is common for NAB to have significantly more Relationship Managers at a location than any other bank, including ANZ.
28. I consider that ANZ competes very aggressively and hard across all competitors. While each competitor tries to differentiate itself in some way, I do not see any particular competitor being relatively stronger than ANZ on price, product or service quality. There can be differences in policy, that is, whether or not a bank is willing to lend to a particular customer given their assessment of their risk and loan serviceability, or the amount of information they need to make that assessment. This depends on the Relationship Manager's assessment of the particular customer and nuances in each bank's appetite, which changes over time. For example, if a bank has strong exposure to one industry in a region, then it may have a greater appetite to lend to a different industry to manage its overall risk exposure.
29. While the number of bankers on the ground is relevant, the model of local people only dealing with local banks is increasingly less relevant. The BB segment is becoming less about the local bank, and more about access to a Relationship Manager that the customer considers can serve their needs. That Relationship Manager may be based in another town. This is facilitated by the ability of the customer to conduct their day-to-day banking online or over the telephone. In addition, the prevalence of brokers increases choice by giving customers access to more banks, including banks that are not physically present in the customers' location.


The Proposed Acquisition

30. If ANZ acquires Suncorp Bank, then this will provide it with additional scale across Queensland. The increase in scale and combined presence of ANZ and Suncorp Bank will allow ANZ to deliver a more sustainable relationship proposition to customers. If this were to happen, I believe it will help strengthen ANZ's competitive significance in Queensland, by bringing stability to locations where ANZ is currently underweight and give customers the confidence that ANZ is committed to supporting them in the long-term.
31. I do not consider that acquiring Suncorp Bank will mean that ANZ's Relationship Managers will be able to compete less vigorously at any location. I expect the change will trigger competitors to try and win customers away from ANZ or Suncorp Bank, as well as try and persuade Relationship Managers to leave.

Acquisition of Suncorp Bank by Bendigo and Adelaide Bank

32. If Bendigo and Adelaide Bank acquires Suncorp Bank, I do not see how it would make any difference to competition.
33. In many locations, Bendigo and Adelaide Bank is not present at all, or only has a very limited presence, in the BB segment. An acquisition by Bendigo and Adelaide Bank would not provide the scale on the ground to enable it to compete any more strongly. It is more likely that that combination would become an ineffective competitor for a period of time.
34. Further, it is also not clear that the experience for Suncorp Bank bankers would be enhanced, particularly compared to ANZ acquiring Suncorp Bank. This would also limit the ability of Bendigo and Adelaide Bank to effectively compete.

Signed by James Anthony Lane on
05 July 2023



Signature of James Anthony Lane