



PUBLIC VERSION

ANZ PROPOSED ACQUISITION OF SUNCORP BANK

ANZ RESPONSE TO INTERESTED PARTY SUBMISSIONS

9 MARCH 2023

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Ref: 1000-122-202

9 MARCH 2023

1. Introduction

- 1.1 This submission responds to the interested party submissions published by the ACCC on its public register with respect to the application by ANZ dated 2 December 2022 for merger authorisation for the proposed acquisition of SBGH Limited by ANZ (the "**Application**" and the "**Proposed Acquisition**" respectively).¹ In this regard, ANZ notes the response to interested party submissions provided by Suncorp Group on 7 February 2023, with which ANZ agrees.
- 1.2 This submission does not include a response to any submission published on or after 9 March 2023, including the Bank of Queensland's submission dated 23 February 2023. ANZ may provide a separate response to that submission and any further submissions published by the ACCC once it has received and considered them.
- 1.3 Unless otherwise stated, defined terms used in this response have the same meaning as in the Application.
- 1.4 This response addresses the key contentions raised against the Proposed Acquisition in the interested party submissions. ANZ maintains that, for the reasons set out in the Application, the Proposed Acquisition should be authorised by the ACCC on the basis that it:
- a. would not have the effect, and would not be likely to have the effect, of substantially lessening competition in any market; and/or
 - b. would result, and be likely to result, in a benefit to the public, and the benefit would outweigh any detriment to the public that would result, or be likely to result, from the Proposed Acquisition.

¹ Submissions by Christopher Gellie (09 January 2023), John Curnow (10 January 2023), Consumers' Federation of Australia (11 January 2023), Sinclair Hill (13 January 2023), Nicholas Shea (14 January 2023), Roy Featherstone (16 January 2023), Carolyn Thomson (18 January 2023), Aon (18 January 2023), BMAgBiz (18 January 2023), Rabobank (18 January 2023), Robert Jacobucci (30 January 2023), Judo Bank (7 February 2023).

- 1.5 ANZ makes the following general comments in response to the matters raised in the interested party submissions:
- a. ANZ and Suncorp Bank are not particularly close competitors, and have businesses that are generally complementary in relation to customer propositions and geographic coverage. This includes those parts of ANZ's and Suncorp Bank's businesses that supply products and services to business ('commercial') customers, including agribusiness customers. These commercial services are supplied in a single national market. In commercial banking (including agribusiness banking), ANZ and Suncorp Bank have pursued different strategic decisions, which has resulted in differences in their customer cohorts. After the Proposed Acquisition, Suncorp Bank will continue to be able to service smaller commercial customers in geographic areas where ANZ is not as strong, and will be better able to meet the needs of Suncorp Bank customers as they grow, by having access to ANZ's expanded product range and ability to service larger customers with more complex needs.
 - b. The merged entity will also face a fierce competitive landscape post-acquisition. Recent public commentary, including from ANZ's competitors, underlines ANZ's view that there is strong competition in the supply of retail and commercial banking products and services. The Proposed Acquisition will result in the combination of complementary businesses rather than close competitors, which will need to continue to compete against a range of strong bank and non-bank service providers. The Proposed Acquisition will enhance ANZ's and Suncorp Bank's ability to compete against that range of strong bank and non-bank services providers by strengthening the competitive proposition of ANZ and Suncorp Bank, and provide the merged entity with greater geographic coverage nationally. The Proposed Acquisition will not substantially lessen competition in any relevant market.
 - c. Selling Suncorp Bank will enable Suncorp Group to have a singular focus on the development of its insurance business at a time when the value of and need for insurance for customers and the community has never been greater. Suncorp's singular focus on its insurance businesses will generate operational efficiencies, enabling Suncorp Group to continue to develop competitive and compelling insurance product offerings to its customers, which fulfil their insurance needs.
- 1.6 The Application already addresses, and identifies evidence in respect of, many issues raised in the interested party submissions.² ANZ refers to the Application and does not repeat the detail already provided therein in this response. In this

² For example, some interested parties make assertions about the level of competition between the major banks. ANZ has provided extensive material on competition in each of the relevant markets.

submission ANZ responds to two themes emerging from the interested party submissions in relation to:

- a. the supply of commercial banking products and services; and
- b. access to physical points of presence.

1.7 The fact that ANZ has not responded to each issue raised in interested party submissions should not be taken as agreement with or acceptance of positions asserted in interested party submissions.

2. **The supply of commercial banking products and services**

2.1 ANZ responds to the submissions that address the supply of commercial banking products and services as follows.

The interested party submissions are consistent with the proposition that there is a single product market for the supply of commercial banking products and services to small to medium enterprises, including small to medium agribusinesses

2.2 The interested party submissions are consistent with ANZ's view that the relevant product dimension of the market is a single product market for the supply of commercial banking products and services, including to small to medium enterprise (**SME**) and agribusiness customers.³

2.3 As outlined in the Application,⁴ business customers typically require a suite of deposit, lending and risk management products in order to carry on a business, and the same suite of commercial banking products and services is generally required by business customers, regardless of whether they are considered to be an SME, an agribusiness or a business customer in another segment. Judo Bank's submission is consistent with the foregoing, and refers to Judo Bank's "SME business lending" suite covering agribusiness banking, business loans, business banking products, SME banking and asset/equipment finance.⁵ The submissions from BMAgBiz and Rabobank, which focus on agribusiness/food, do not suggest that the customers they deal with require different products.

The interested party submissions are consistent with the proposition that there is a national market for the supply of commercial banking products and services

2.4 The submissions of Rabobank and Judo Bank are consistent with ANZ's view that competition occurs nationally, even though different financial institutions have different geographic areas of strength. BMAgBiz, based in central Queensland,

³ See in particular the submission of Judo Bank at 2.

⁴ Paragraphs [6.97] (citing the statements of Isaac Rankin and Guy Mendelson) and [6.133] (citing the statements of Isaac Rankin and Guy Mendelson).

⁵ Judo Bank at 2-3.

services rural clients in Queensland, Western Australia, New South Wales and the Northern Territory, and sources funding for clients between all major agribusiness providers. The geographic breadth of its clients is illustrative of competition occurring on a national basis.

- 2.5 Similarly, ANZ submits that customers can and do acquire products and services from suppliers nationally. ANZ understands that the underlying product, lending/risk management and pricing frameworks of suppliers can vary by degrees, but are typically undifferentiated across geographies, but pricing for commercial customers is often, for a range of products, tailored to the customer and their circumstances.⁶
- 2.6 The submissions of Rabobank,⁷ Judo Bank,⁸ and BMAgBiz⁹ also support the proposition that lending and pricing decisions for commercial customers are often tailored to the customer's individual circumstances, including the prevailing business conditions at the customer's location. The fact that financial institutions make customer-specific decisions and that pricing decisions may from time to time be influenced, in part, by localised considerations is not inconsistent with the relevant market having a national scope. Rather, customer-specific tailoring of credit and pricing reflects that each customer is different and that there is a wide spectrum of customers (in terms of size, complexity, and banking requirements) serviced by suppliers of commercial banking products and services. In the case of ANZ, lending decisions are based on a risk assessment of the individual circumstances of the customer and transaction, and pricing decisions are based on a holistic assessment of a range of considerations;¹⁰ which include risk assessments of the customer and the industry within which the customer operates, as well as the nature of the customer's broader relationship with ANZ, noting that many of these factors are judgemental.
- 2.7 None of these factors are inconsistent with the existence of a national market for the supply of commercial banking products and services. Rather, they illustrate that the features that drive competition, including pricing frameworks, and product and lending/risk management policies, are determined nationally, and that decisions about whether to lend and how much are determined on a transaction-by-transaction basis.¹¹

⁶ There are some commercial products that have a carded rate that is the same for all customers, rather than negotiated, such as credit cards and certain deposit products.

⁷ Rabobank at 1.

⁸ Judo Bank at 2.

⁹ BMAgBiz at 1.

¹⁰ These considerations are set out in paragraph 68 of the Isaac Rankin statement.

¹¹ Further information in support of the market being national in scope is set out in ANZ's Application at paragraph [6.137], citing the statements of Isaac Rankin and Clive van Horen.

Customer experience and relationship management is important and part of competition to supply commercial banking products and services and this will continue to be the case post-acquisition

- 2.8 ANZ agrees with the proposition, arising from some interested parties' submissions, that personal relationships can be important in business banking. ANZ offers a strong, relationship manager-led service model for customers. ANZ provides dedicated bankers to customers in its "Business Banking" and "Specialist Distribution" segments (which customers generally have total business limits of [Confidential to ANZ] [REDACTED] or more), as well as dedicated bankers to approximately [Confidential to ANZ] [REDACTED] of its "Small Business Banking" customers which typically have total business limits of between [Confidential to ANZ] [REDACTED], in addition to "Small Business Banking" customers which have a dedicated point of telephone and email contact through ANZ's National Business Centre.¹² "Small Business Banking" customers that do not have a dedicated banker are managed by a network of Small Business Specialists who specialise in servicing small business. As Mark Bennett and Clive van Horen both observe, this relationship-focussed method is common to the parties and competitors of ANZ and Suncorp Bank.¹³
- 2.9 [Confidential to Suncorp] [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
- 2.10 If ANZ stopped offering relationship-managed services to customers that value such services following the Proposed Acquisition, ANZ expects it would quickly lose customers and market share.
- 2.11 In addition, it is equally important to recognise that business customers are not homogeneous in their requirements and ANZ, like other financial institutions, seeks to tailor its offering based on the nature and complexity of customer needs, while managing the risks and costs to serve.¹⁵ Some of ANZ's customers place significant value on speed of process and ease of access, including digital access.¹⁶
- 2.12 Consequently, ANZ considers ways to improve customer experience and efficiency on an ongoing basis by providing connected, relevant and efficient

¹² See the statement of Isaac Rankin at paragraphs [34] and [42].

¹³ See the statements of Mark Bennett at [119] to [122], and Clive van Horen at [95].

¹⁴ [Confidential to Suncorp] [REDACTED]

¹⁵ See the statement of Isaac Rankin at paragraph [81].

¹⁶ See the statement of Guy Mendelson at paragraph [64].

services, tools and insights, directly and in partnership with others. This includes developing digital propositions and simplifying processes, such as through automation. Doing so is consistent with ANZ's strategy, which includes supporting customers to start or buy and sustainably grow their business.¹⁷ For example, some business customers value convenience and appreciate the ability to obtain credit through more automated processes and digital platforms like ANZ's GoBiz.¹⁸ By reducing inefficiencies that create friction in the banker-customer relationship, ANZ bankers and customers can spend more time having conversations about the issues that matter, such as understanding the customer's needs so that they can be offered banking services to address those needs, rather than spending time on administration or process.¹⁹ In ANZ's view, this is not a de-personalisation of its customer relationships, or "industrialisation" of banking.²⁰

- 2.13 Following the Proposed Acquisition, Suncorp Bank customers will continue to have access to a relationship-led service model, where applicable, and also will benefit from the significant investment ANZ has made in technology, and to automate processes and offer digital service propositions. This will be a result of very substantial technological investment that Suncorp Bank is unlikely to make on a standalone basis.²¹ The Proposed Acquisition will therefore enable better outcomes for Suncorp Bank's customers than would otherwise result in the absence of the Proposed Acquisition.²²
- 2.14 ANZ is, and intends to remain, focussed on providing compelling and competitive propositions for commercial customers, including agribusiness customers, throughout Australia, and the Proposed Acquisition will not change that focus.
- ANZ and Suncorp Bank's businesses are not each other's closest competitor*
- 2.15 As described in the Application,²³ ANZ and Suncorp Bank are not each other's closest competitor and are complementary in relation to customer propositions and geographic coverage.
- 2.16 By way of illustration, Suncorp Bank does not have the same ability and presence in servicing larger business customers, including larger customers in the

¹⁷ See Confidential Exhibit IR-3 to the witness statement of Isaac Rankin.

¹⁸ The development of GoBiz is addressed in the statement of Guy Mendelson at paragraphs [66] to [70].

¹⁹ For example, Confidential Exhibit IR-3 to the witness statement of Isaac Rankin identifies as point 3 of ANZ's commercial strategy [Confidential to ANZ] [REDACTED]

²⁰ Compare the submission of Judo Bank at page 3.

²¹ See the application at paragraph [5.53], citing the statement of Clive van Horen.

²² See the statement of Shayne Elliott at paragraph [77].

²³ Paragraphs [7.198] and [7.199] (citing the statements of Mark Bennett and Clive van Horen).

agribusiness segment.²⁴ Suncorp Bank, like other regional banks, is less equipped to service more sophisticated customers with complex banking needs.²⁵ On the other hand, ANZ has greater capacity, products and experience to service these customers, and is more able to price more competitively on larger transactions. ANZ notes that, contrary to a position put by BMAgBiz, not all businesses with lending requirements of less than \$50 million are “small to mid-sized borrowers”.²⁶ The considerable majority of agribusiness customers have lending requirements of less than \$50 million. This would include large-sized borrowers with complex banking requirements.

- 2.17 ANZ and Suncorp Bank are also complementary in their geographic coverage/strength.²⁷ The Proposed Acquisition is attractive to ANZ because Suncorp Bank has a strong position, customer base and set of bankers in agribusiness in Queensland and northern New South Wales, which are areas where ANZ is not as strong. As Mark Bennett observed in his statement, the acquisition is “an opportunity to attain bankers and customers as a package, gaining more scale rapidly [and] adopting best practices from both businesses”.²⁸
- 2.18 ANZ is pursuing the Proposed Acquisition because it believes it will deliver benefits to ANZ, and ANZ's and Suncorp Bank's customers. The Proposed Acquisition represents an opportunity to develop both businesses' strengths together. Some interested party submissions have expressed concern that Suncorp Bank offers a unique proposition for certain customers.²⁹ While ANZ submits that Suncorp Bank is not more vigorous and effective than other competitors and considers that the ANZ platform can offer Suncorp Bank customers real benefits, ANZ intends to continue to operate Suncorp Bank as a standalone bank for a period of at least 3 years. ANZ is also keen to understand and learn from Suncorp Bank to help both ANZ and Suncorp Bank better serve their customers. As a consequence, ANZ considers that customers will not lose the benefit of any points of difference that Suncorp Bank may represent. Additionally, ANZ considers that it can better assist Suncorp Bank's smaller agribusiness customers to grow their businesses, which will be especially important given the macro trends of industry consolidation.
- 2.19 Given the complementarity between ANZ and Suncorp Bank's businesses, the Proposed Acquisition will strengthen the competitive proposition of ANZ and

²⁴ ANZ notes the majority of agribusiness customers have borrowings are considerably less than \$50 million.

²⁵ See the Application at paragraphs 7.145, 7.198 and 7.199(c).

²⁶ Submission of BMAgBiz at Q.5.

²⁷ See the Application at paragraph [7.204], citing the statement of Mark Bennett.

²⁸ Paragraph [208].

²⁹ See the submission of BMAgBiz at Q.6; submission of Judo Bank at pages 2-3. In this respect, ANZ also notes the submission of Sinclair Hill, but recognises that it is difficult to draw meaningful inferences about the differences between the banks from their approach to a single credit decision.

Suncorp Bank as a whole, while offering the benefits of their combined practices to customers.

Competition in the supply of commercial banking products and services is strong and the Proposed Acquisition will not substantially lessen that competition

- 2.20 The Proposed Acquisition will not substantially lessen competition by removing a key driver of competitive tension in the market.
- 2.21 ANZ considers that Suncorp Bank is not more vigorous and effective than other competitors in any of the relevant markets, including in the market for the supply of commercial banking products and services.³⁰ While some interested party submissions suggest that Suncorp Bank is a strong competitor in some areas, the submissions do not support the conclusion that Suncorp Bank is uniquely important to competition or that ANZ and Suncorp Bank are particularly close competitors.
- 2.22 Further, if the Proposed Acquisition is authorised, ANZ and Suncorp Bank will continue to face significant competition from a range of existing competitors in relation to the supply of commercial banking products and services, including from CBA, Westpac and NAB, which vigorously compete and differentiate themselves by their product offerings, policies and processes. ANZ identifies extensive evidence on this point in its Application and in the supporting witness statements.³¹
- 2.23 In addition, public commentary from ANZ's competitors, including those that provided submissions in response to the ACCC's market inquiries, are consistent with ANZ's view that there is strong competition among suppliers of commercial banking products and services, including to agribusiness customers. For example:
- a. Bendigo and Adelaide Bank's CEO recently observed that there was "crazy" competition in agribusiness banking, including from the largest banks, and that "agri lending competition was just as bad as the intense competition in mortgages".³²

³⁰ This is reflected in the witness statement of Isaac Rankin (at paragraphs [102] to [104]).

³¹ For example, see paragraph [7.60] a. to c., paragraph [7.146], at paragraph [7.196] a. to b. of the application, and the statement of John Campbell at paragraph [52](a) to (c), paragraph 90(b) and paragraph [99](b); the statement of Isaac Rankin at paragraph [93](a)(i) to (iii); and the statement of Mark Bennett at paragraphs [159] to [165].

³² Australian Financial Review, "Bendigo says majors driving competition with cashbacks" (20 February 2023) <https://www.afr.com/companies/financial-services/bendigo-says-majors-driving-competition-with-cashbacks-20230220-p5clsf>

- b. Judo Bank's CEO recently stated that there was "a lot of competition in the market, a lot of quite aggressive price competition".³³
- 2.24 For these reasons, ANZ submits that competition in the supply of commercial banking products and services will not be substantially lessened by the Proposed Acquisition.
- The merged firm will be further constrained by new entry and expansion*
- 2.25 The merged firm will be further competitively constrained by the prospect of new entry and expansion by suppliers seeking to identify opportunities in commercial banking and other markets.
- 2.26 While Judo Bank's submission identifies what it considers to be material barriers to entering and offering banking products to customers,³⁴ Judo Bank is itself a clear example of successful entry and expansion, demonstrating that challenges with entry and expansion are far from insurmountable.
- 2.27 ANZ notes that Judo Bank's CEO has recently stated that Judo Bank would consider growing organically in sectors such as agribusiness banking, indicating that it considers there are good opportunities for expansion.³⁵ Indeed, Judo Bank's submissions in relation to barriers to entry show how such challenges may be overcome:³⁶ Judo Bank suggests that a costly branch network is not actually necessary to enter banking markets successfully; Judo Bank indicates that the costs of compliance with regulatory requirements may be significant for banks, but non-bank fintech lenders can enter and compete; Judo Bank implies that both a costly "high touch, high tech" model and a digital, automated model can be viable in the right circumstances.
- 2.28 For the reasons stated above and set out in the Application, ANZ submits that the threat of entry and expansion will competitively constrain the merged business.

3. Access to physical points of presence

- 3.1 Several of the interested party submissions have raised concerns that the Proposed Acquisition will lead to a reduction in the number of physical bank

³³ Australian Financial Review, "Judo wins over angry bank customers as profit jumps" (21 February 2023) <https://www.afr.com/companies/financial-services/judo-on-track-for-9b-in-new-lending-as-profit-rises-20230221-p5cm46>

³⁴ Judo Bank submission at 3.

³⁵ Australian Financial Review, "Judo wins over angry bank customers as profit jumps" (21 February 2023) <https://www.afr.com/companies/financial-services/judo-on-track-for-9b-in-new-lending-as-profit-rises-20230221-p5cm46>

³⁶ At page 3.

branches with a consequent loss of access to banking services, particularly for customers in Queensland and in remote and regional areas.

- 3.2 ANZ considers that the Proposed Acquisition is not likely to have this effect, for the following key reasons.
- 3.3 First, ANZ acknowledges that there is a trend towards reduced numbers of physical bank branches. This trend exists independently of the Proposed Acquisition.³⁷
- 3.4 Secondly, the Proposed Acquisition will not alter that trend, which, as explained in the Application, is driven by changes in the way in which customers access banking services and by customer preferences.
- 3.5 Thirdly, even if the Proposed Acquisition were to result in some branch closures as compared to the counterfactual, this would not give rise to a substantial lessening of competition or constitute a public detriment because those customers who require physical access to a bank branch would continue to have alternative means to access banking products and services.

The trend towards fewer branches exists independently of the Proposed Acquisition

Decrease in face-to-face banking

- 3.6 The number of bank branches has been trending downwards for many years now.³⁸ While historically banks delivered many of their services through branches, like other sectors of the economy, how banking services are provided has changed over time. As the Regional Banking Taskforce noted in its final report in 2021, "*since at least the 1990s a variety of factors including technological developments, shifts in consumer demand, demographic shifts to larger cities and towns, and changes to financial regulation have contributed to pressure on banks to consolidate their branch networks*".³⁹
- 3.7 Customer expectations and behaviour have evolved and both retail and business customers have moved and are continuing to move to digital banking.⁴⁰ The decline in the extent to which retail and business customers visit branches has been significant and is continuing.⁴¹ This evolution, and consequent reduction in

³⁷ Application, para 5.3.

³⁸ Final report of the Regional Banking Taskforce, September 2022.

³⁹ Final report of the Regional Banking Taskforce, September 2022.

⁴⁰ See, for example, Application, para 5.28. See also [Rabobank's submission to the ACCC](#), 18 January 2023, p3: "There has been a trend over the past 30 years whereby retail banks have been closing physical branches due to customers moving to online and digital alternatives which are more user friendly and convenient."

⁴¹ Application, para 5.3.

the importance of physical points of presence, is described in detail in the Application.⁴² We provide some further context below.

- 3.8 In FY2021, only 8% of ANZ's customers relied solely on physical branches.⁴³ This reflects a longer term trend that has seen branch transactions at ANZ drop on average by approximately 60% over the five years to FY2021. Specifically:
- a. between FY2017 and FY2021, transactions conducted at ANZ's metropolitan branches decreased by 60%;
 - b. between FY2017 and FY2021, transactions conducted at ANZ's regional branches decreased by 57%;⁴⁴
 - c. as at the end of October 2021, just 6% of ANZ's customers in regional Australia were regularly using a branch to transact; and
 - d. in the 12-months to the end of October 2021, 82% of regional customers used online banking methods as their main transaction channel.⁴⁵
- 3.9 With fewer customers visiting branches, banks have responded by decreasing their points of presence as the costs to operate underutilised points of presence are not sustainable.⁴⁶ At the same time, banks are investing in automated and digital technologies in response to changing customer preferences and to provide customers with more options and the flexibility to access banking products and services more efficiently (discussed below).
- 3.10 The decline in points of presence has been observed across banks in Australia, as can be seen in the points of presence statistics compiled by APRA.⁴⁷ This trend is independent of the Proposed Acquisition, driven by changing customer demand. This will continue to be the case irrespective of the Proposed Acquisition.

Increase in digital banking

- 3.11 The decline in branch numbers has been driven by customers increasingly preferring to conduct banking through digital channels. For example:

⁴² Application, paras 5.16-5.37.

⁴³ [See [Flexible and sustainable branches, the way of the future \(anz.com\)](#).]

⁴⁴ See ANZ comments on the Regional Banking Taskforce - Issues Paper, 17 December 2021.

⁴⁵ See ANZ comments on the Regional Banking Taskforce - Issues Paper, 17 December 2021.

⁴⁶ This includes ATMs: the most recent ABA data available shows that ATM withdrawals have more than halved since 2012 (from 71 million to 25 million in 2021).

⁴⁷ APRA, Authorised deposit-taking institutions' points of presence statistics, June 2022 (issued 19 October 2022). We note that the APRA statistics reveal that Suncorp Bank has reduced its physical distribution network over the last five years to 64 branches from 119 branches, in accordance with its strategy to follow its customers' behaviour

- a. Between calendar year 2020 and calendar year 2022, digital payment volumes through ANZ's internet banking, mobile app and ANZ Plus channels increased from [Confidential to ANZ] ████% of total transaction volumes to [Confidential to ANZ] ████% while over-the-counter branch transaction volumes (cash deposits and withdrawals) decreased from [Confidential to ANZ] ████% of total transaction volumes to [Confidential to ANZ] ████%.⁴⁸ Registrations for ANZ Internet Banking and Internet Banking for Business were up 20% in 2021 compared to the year before, and transactions via this service increased by 11%, indicating that business owners are increasingly moving towards digital self-service.⁴⁹ These trends have continued into 2023.
- b. ACMA reported that almost 90% of internet users in regional areas had performed banking activities online in the previous six months to June 2021.⁵⁰
- c. As of June 2022, approximately 80% of regional Australians generally used internet banking or mobile applications to pay bills, compared to 5% who used a branch.⁵¹
- d. ABA data reveals that:
 - i. more than 80% of Australians say they prefer to check account balances, pay bills or transfer money online;
 - ii. less than 20% of Australians say they prefer to do any banking activities in branches; and
 - iii. 72% of Australians say they did not visit the branch of their main bank in the month leading up to September 2021.⁵²

⁴⁸ Similarly, ATM transaction volumes (cash deposits and withdrawals) decreased from [Confidential to ANZ] ████% of total transaction volumes to [Confidential to ANZ] ████% in the same period. In addition, ANZ customers increasingly prefer the convenience of the ANZ app and ANZ Plus over internet banking, with transactions using the app and ANZ Plus increasing from [Confidential to ANZ] ████% of total transaction volumes to [Confidential to ANZ] ████% in the same period while internet banking declined from [Confidential to ANZ] ████% to [Confidential to ANZ] ████%.

⁴⁹ See ANZ comments on the Regional Banking Taskforce - Issues Paper, 17 December 2021, <https://treasury.gov.au/sites/default/files/2022-03/c2021-222961-anz.pdf>.

⁵⁰ ACMA (Australian Communications and Media Authority) Communications and media in Australia: How we use the internet, 2021, Australian Government.

⁵¹ The Treasury, Regional Banking Taskforce: Final Report (September 2022) (Annexure 21) at page 6.

⁵² Australian Banking Association, *Banking customers continue shift to digital* (19 October 2021) <https://www.ausbanking.org.au/banking-customers-continue-shift-to-digital/>; Application, para 5.29.

- e. As noted in the Application, BCG and UniSA analysis also shows that customers are turning to digital banking channels over physical ones⁵³ across all age demographics, including older Australians.⁵⁴
- 3.12 As a result of the powerful customer preferences for digital banking, banks and other financial institutions have focused on investing in digital technologies and capabilities. The closure of underutilised points of presence has allowed for the efficient re-allocation of resources into greater investment in digital capabilities. Banks and other financial institutions are increasingly offering digital banking services and self-service options which are comparable, and in many respects superior, to services available at a physical branch.⁵⁵ The witness statement of Peter Dalton describes ANZ's significant and ongoing investment in its digital capabilities.
- 3.13 The shift in customer preferences has led to digital capabilities becoming an increasingly important driver of competition in the relevant markets. Digital channels have afforded customers significant advantages over in-person banking, such as the ability to conduct banking transactions outside of branch hours; to conduct transactions from home, at work, on-the-go or overseas without needing to visit a branch or wait in line; and to avoid fees that are charged for in-person transactions at branches (reflecting the additional costs to banks of facilitating such transactions).⁵⁶ For business customers, a number of digital applications have been introduced to make banking easier no matter where they are located⁵⁷ and commercial relationship bankers continue to engage frequently with local business owners, including regular visits to customer premises.
- 3.14 ANZ acknowledges that there will be some customers who prefer to continue to bank in person and who will be affected by decisions to close branches. Irrespective of the Proposed Acquisition, ANZ has limited incentive to close branches where there is sufficient demand for branch services to justify the presence of a physical branch to serve its customers. Decisions by ANZ to close

⁵³ BCG, *The Sun is Setting on Traditional Banking* (24 November 2020), <https://www.bcg.com/publications/2020/bionic-banking-may-be-the-future-of-banking>; Application, para 5.30.

⁵⁴ ANZ, *Exploring Digital Capability in Older Australians* (September 2022) citing Lowies B., Helliar C., Lushington K., and Whait R.B. (2019). *The Financial Capability of Older People*, Final Report, University of South Australia Business School (Annexure 22); Application, para 5.31.

⁵⁵ See Table 4 of the Application.

⁵⁶ For example, ANZ Quick Assist uses financial information already held for existing customers to assess capacity to service credit. A credit decision can be provided within three-five business days from application. Customers are not required to provide additional financial documents making it easier for them to obtain funding of up to \$500,000. See ANZ's comments on the Regional Banking Taskforce - Issues Paper, dated 17 December 2021, <https://treasury.gov.au/sites/default/files/2022-03/c2021-222961-anz.pdf>.

⁵⁷ For example, ANZ's recently launched GoBiz self-service online lending platform for new and existing customers enables eligible customers to use their accounting software data to apply for an unsecured loan for up to \$200,000 (\$100,000 for overdrafts), in around 20 minutes. Full approval is provided within two-days. See ANZ's comments on the Regional Banking Taskforce - Issues Paper, dated 17 December 2021, <https://treasury.gov.au/sites/default/files/2022-03/c2021-222961-anz.pdf>.

a branch are made after a careful and comprehensive review of the data regarding customer preferences and likely future use/demand. In relation to business customers, as described above, ANZ's relationship-led service model includes the provision of dedicated bankers and dedicated points of contact to customers (see paragraphs 2.8 – 2.14).⁵⁸ Indeed, where sufficient customers continue to prefer to bank with ANZ in person, ANZ continues to invest in branches, including in regional and remote Australia. For example, in FY2021, ANZ invested \$11.5 million across 10 branches in regional Australia, including in Mt Barker SA, Atherton QLD and Albany WA.⁵⁹

- 3.15 When ANZ plans a branch closure, it follows robust processes to ensure that its customers are informed and have alternative options.⁶⁰ This will not be affected by the Proposed Acquisition. Indeed, in line with the recommendations of the Regional Banking Taskforce,⁶¹ ANZ is participating in the work of the Australian Banking Association to amend the branch closure protocol.

Conclusion

- 3.16 In short, the trend towards fewer branches is an industry dynamic that commenced many years ago and is entirely independent of the Proposed Acquisition.

The Proposed Acquisition will not alter the trend towards digital banking

- 3.17 The Proposed Acquisition will have no impact on the shift in consumer preferences away from in-person banking and the corresponding industry trend towards fewer physical bank branches.
- 3.18 Moreover, ANZ has committed not to reduce the total number of Suncorp Bank branches in Queensland as a result of the Proposed Acquisition for three years following completion of the Proposed Acquisition.⁶²

⁵⁸ For example, ANZ Agribusiness includes almost 300 bankers the majority of whom live and work in regional Australia to support customers and future industry growth. See ANZ's comments on the Regional Banking Taskforce - Issues Paper, dated 17 December 2021, <https://treasury.gov.au/sites/default/files/2022-03/c2021-222961-anz.pdf>.

⁵⁹ See ANZ's comments on the Regional Banking Taskforce - Issues Paper, dated 17 December 2021, <https://treasury.gov.au/sites/default/files/2022-03/c2021-222961-anz.pdf>.

⁶⁰ These processes include putting in place a local customer care team to work with customers to upskill them in using alternative banking methods, including online, telephone and mobile banking. This team also makes calls to customers who are likely to be the most affected by the changes (eg senior citizens). Alternative options for customers affected by branch closures include: a) installing SMART ATMs (with deposit-taking capability in addition to a withdrawal function) where possible; b) relationship bankers for business customers who continue to visit local businesses and are available by phone/electronically; c) mobile lenders to assist customers with home loan needs. See ANZ's comments on the Regional Banking Taskforce - Issues Paper, dated 17 December 2021, <https://treasury.gov.au/sites/default/files/2022-03/c2021-222961-anz.pdf>.

⁶¹ <https://treasury.gov.au/sites/default/files/2022-09/p2022-260600-final-report.pdf>.

⁶² Application, para 3.4.

- 3.19 ANZ observes that, to the extent that Suncorp would have closed branches in Queensland in the next three to four years absent the Proposed Acquisition, the Proposed Acquisition will avert such potential closures.
- 3.20 ANZ's plans for its own branch network in Australia over the next three years will not be affected by the Proposed Acquisition.⁶³
- 3.21 ANZ has not yet made any actionable decisions in relation to the Suncorp Bank branch network beyond the three-year post-completion period.⁶⁴
- 3.22 In any event, the Proposed Acquisition is unlikely to have a material impact on the ability of customers of ANZ and Suncorp Bank to access banking services that are available at branches, and the trend towards digital banking will continue as customer preferences continue to change.

Even if the Proposed Acquisition were to result in some branch closures this would not give rise to a substantial lessening of competition or constitute a public detriment

- 3.23 Even if the Proposed Acquisition were to result in some branch closures (as compared to the counterfactual), through consolidation of branches in locations in which both an ANZ branch and a Suncorp Bank branch are present, this would not result in a substantial lessening of competition or constitute a public detriment. This is because:
- a. customers would continue to have access to the relevant ANZ/Suncorp Bank branch in the local area that was not closed;
 - b. customers would continue to have access to branches operated by other financial institutions in those locations and/or Bank@Post services operated by Australia Post. As set out in the Application, in each area of local 'overlap' between an ANZ and a Suncorp Bank branch there are numerous branches of other financial institutions in addition to the parties' branches and there are no material impediments to customers multi-banking and/or switching to other banks that have a branch and/or enable their customers to access Bank@Post services, where applicable;⁶⁵
 - c. customers would continue to have the ability to access banking services using:

⁶³ For completeness, ANZ has decided to postpone the announcement of any new regional branch closures until after the conclusion of the Senate Rural and Regional Affairs and Transport References Committee – Inquiry into bank closures in regional Australia. See ANZ's letter to Senator Canavan at <https://www.aph.gov.au/DocumentStore.ashx?id=1885a654-94bb-46d9-bb73-e71348ab5e71>.

⁶⁴ Application, para 3.35: "ANZ has not made any decisions about the numbers or roles of employees, or the numbers or locations of branches or contact centres that it will need to serve customers and run the bank following the Separation Period."

⁶⁵ Application, paras 5.78 to 5.80 and Table 7.

- i. ATMs operated by the parties, other financial institutions and independent providers, such as atmX and rediATM;⁶⁶
 - ii. mobile banking services provided by the parties and other financial institutions;
 - iii. telebanking services provided by the parties and other financial institutions; and
 - iv. digital banking services provided by the parties and other institutions;
- d. customers use brokers to enable them to compare and acquire banking products and services from a range of providers across Australia.
- 3.24 ANZ notes that a concern has been raised that ANZ will remove current Suncorp Bank customers' access to Bank@Post services through the Australia Post network. ANZ has publicly stated that Suncorp Bank will continue to contract with Australia Post post-acquisition, provided that the commercial terms offered by Australia Post are equivalent to those currently offered.
- 3.25 In any event, the Proposed Acquisition will not change the availability of Bank@Post services. Approximately 80 other financial institutions offer Bank@Post services through Australia Post.⁶⁷ Thus, customers who value the ability to transact through Australia Post highly are able to choose from a very large number of financial institutions offering that service.
- 3.26 In short, customers will continue to have numerous choices for their banking services. The Proposed Acquisition will not therefore give rise to a substantial lessening of competition, and branch closures in 'overlap' locations, if they were to occur, would not constitute a public detriment.

4. Other matters

- 4.1 Some interested party submissions suggest that there is limited competition between the largest four banks in Australia, namely CBA, Westpac, NAB and ANZ.⁶⁸
- 4.2 ANZ submits that this is not the case, and there is significant evidence of vigorous competition among all the banks, including (and, in many cases, particularly) between the large banks. The Application and the supporting witness statements address this evidence at length. For example, for home loans, the witness

⁶⁶ Application, para 5.92. As noted in the Application, Suncorp Bank has a partner arrangement with atmX and rediATM under which their usual fees of \$2.50 are not applied to withdrawals using Suncorp Bank Cards. ANZ has such a partnership with atmX, but not rediATM. ANZ's customers can transact on Armaguard's atmX ATMs (approximately 2,400 ATMs) without withdrawal fees.

⁶⁷ A full list of participating institutions is available at Bank@Post - Australia Post (auspost.com.au).

⁶⁸ Submission by Consumers' Federation of Australia (CFA) at page 2.

statement of John Douglas Campbell at paragraph [90] identifies examples

[Confidential to ANZ] [REDACTED]

[REDACTED]. Paragraph [95] of this statement also identifies that CBA and NAB had loan assessment times which were significantly better than those of ANZ and competitive with the assessment times of second-tier banks – this undermines the proposition that the largest four banks are a monolith unconstrained by the activities of other banks. For deposits, the Application at paragraph [7.60] identifies the differentiated propositions of NAB and Westpac in deposits, which suggests that the largest banks compete strongly in this market as well. In respect of commercial banking, the statement of Isaac Rankin identifies an example of ANZ needing to respond to a "particularly aggressive special rate" CBA had launched for business lending,⁶⁹ and reasons why ANZ considers it faces "significant competition" from CBA, NAB and Westpac.⁷⁰

- 4.3 The CFA's submission suggests that the threat to the largest four banks that is posed by smaller banks like Suncorp is "muted", but simultaneously that the acquisition of Suncorp Bank would "substantially lessen competition".⁷¹ ANZ submits that the true position is instead that there are a range of competitors who are competitive alternatives to the largest four banks and that, even if some of them compete hardest for particular customer segments, the overall effect is a real competitive constraint on the largest four banks, which is additional to the constraint those four banks impose on each other. In this context, Suncorp Bank is a competitor but not a particularly unique or vigorous one, and a number of other competitors will remain in the relevant markets following the Proposed Acquisition. The Proposed Acquisition will therefore not substantially lessen competition.
- 4.4 The CFA's submission acknowledges that there are other regional banks, including in Suncorp's home state of Queensland, that "offer a full-service alternative to the big four banks" and will continue to exist.⁷² The prospect of "further bank mergers" that the CFA identifies is simply not relevant to the assessment of the Proposed Acquisition on its merits.⁷³
- 4.5 The CFA's submission suggests that demand-side drivers of competition such as switching and use of brokers are of limited effectiveness.⁷⁴ The support cited for

⁶⁹ At paragraph [73(b)].

⁷⁰ At paragraph [93(a)].

⁷¹ Submission by CFA at page 4.

⁷² Submission by CFA at page 4.

⁷³ Submission by CFA at page 2.

⁷⁴ Submission by CFA at pages 5 and 6.

this view is, however, outdated.⁷⁵ The Application includes references to more recent data supporting increased broker usage and switching behaviour in home loans and deposits, for example.⁷⁶ This demonstrates that there has been increasing competition recently in respect of retail banking products and services such that the Proposed Acquisition could not substantially lessen competition in these markets.

5. Conclusions

The supply of commercial banking products and services

- 5.1 ANZ and Suncorp Bank are not particularly close competitors, and have businesses that generally complement each other in terms of customer propositions and geographic coverage. This complementarity includes ANZ's and Suncorp Bank's commercial banking businesses generally, and specifically in relation to agribusiness customers.
- 5.2 ANZ and Suncorp Bank operate in a highly competitive national market for the supply of commercial banking products and services, including agribusinesses customers. The Proposed Acquisition will not substantially lessen competition in that market or in any segment of commercial banking products and services. ANZ and Suncorp Bank are not particularly close competitors in the supply of commercial banking products and services, Suncorp Bank is not a uniquely vigorous or effective competitor, and the merged firm will be constrained by existing competitors and the threat of new entry and expansion.

Access to physical points of presence

- 5.3 Bank customers, both retail and business, increasingly prefer the convenience and efficiency of acquiring and using banking services remotely and making payments electronically instead of using cash and, so, the use of branches by customers has diminished significantly and will continue to do so. The vast majority of customers prefer conducting all aspects of banking through digital means, and branch visits have significantly declined over time. With fewer customers visiting branches, banks and financial institutions have responded by decreasing their points of presence and focusing instead on investing in digital technologies and capabilities. None of these industry dynamics will change as a result of the Proposed Acquisition.
- 5.4 ANZ is committed to providing accessible and inclusive banking services, and, as part of this commitment, continues to invest in both its regional branch network

⁷⁵ The CFA cites the Productivity Commission's Inquiry into Competition in Financial Services, and submissions to that inquiry, at footnotes 20, 22 and 23. This inquiry's final report was published in August 2018, with submissions to it made earlier than that. The CFA also cites the RBA's Submission to the Inquiry into Competition in the Banking and Non-Banking Sectors from July 2008 at footnote 21.

⁷⁶ For home loans, see the statement of John Douglas Campbell at paragraphs [61] to [83]. For deposits, see the Application at paragraphs [7.64] to [7.65] citing data from Roy Morgan.

and its digital banking options in-line with customer banking preferences. In addition, as regards business customers, ANZ has strengthened its relationship manager-led service model, with a personalised service including dedicated bankers for customers.

- 5.5 Even if ANZ were to consolidate ANZ and Suncorp Bank branches after the post-completion period of three years, there is no evidence to support any proposition that the Proposed Acquisition would therefore result in customers (retail or business) facing a material reduction in access to, or a substantial lessening of competition in, banking services. This is the case for customers generally, and specifically for customers in Queensland and in remote and regional areas of Australia.
- 5.6 Accordingly, the Proposed Acquisition will not negatively affect the availability of banking services for customers or result in a substantial lessening of competition or in any consumer detriment.