

18 April 2023

The Executive General Manager
Mergers, Exemptions and Digital
Australian Competition and Consumer Commission
GPO Box 3131
Canberra ACT 2601
BY EMAIL: anz-suncorp-merger@acc.gov.au

Dear Sir,

Judo Bank submission in response to the Statement of Preliminary Views issued by the Australian Competition & Consumer Commission (ACCC) on 4 April 2023 (Statement) regarding the proposed acquisition by Australia and New Zealand Banking Group Limited (ANZ) of the shares in SBGH Limited (the parent company of Suncorp-Metway Limited, trading as Suncorp Bank) (Proposed Acquisition)

Thank you for providing interested parties with the opportunity to further respond to the issues discussed in the Statement. This submission should be read in conjunction with our original submission dated 7 February 2023 (**Original Submission**).

Our additional observations are as follows.

1. State, regional or local markets versus national markets

Based on our experience, we respectfully reiterate that the markets for non-corporate banking, in particular:

- agribusiness banking; and
- small and medium-sized enterprise (SME) banking,

demonstrate state, regional or local characteristics that counter the argument that these markets are 'national' and homogenous. If these markets were truly national, more favourable pricing (something more easily offered by the 'first-tier banks' or 'Majors') would be a key determinant. But customers, particularly SME and agribusiness customers, place great value (non-price-related value) on their relationship with a banker who understands their particular circumstances, needs and local conditions. For that reason, the Proposed Acquisition must satisfy the ACCC's 'Competition Test' and 'Net Public Benefit Test' on the basis that the relevant markets for these banking products are on a state, regional or local basis, rather than on a national basis.

The fact that current Suncorp Bank customers have chosen to bank with Suncorp Bank over ANZ, or any other Major, exemplifies this. Multiple submissions have indicated that ANZ and Suncorp Bank are effective and significant competitors in these market segments across a range of local and regional locations in Queensland. On its face, the removal of Suncorp Bank as an effective and independent competitor in these locations, further concentrating already concentrated markets dominated by a small number of Majors controlling a substantial share of those markets, would not appear to meet the Competition Test nor the Net Public Benefit Test in those markets.

2. Barriers to entry and expansion

We reiterate our general comments made in our Original Submission that there continue to be real and continued barriers to entry for new entrants into the Australian banking market (including barriers to customer switching arising out of factors such as inertia and market concentration, giving rise to better brand awareness and greater risk of coordinated conduct by market incumbents).

As the only bank to have listed on the ASX in over 25 years, we consider any argument that the merged ANZ-Suncorp Bank entity will be competitively constrained by the prospect of new entry and expansion by suppliers seeking to identify opportunities in commercial banking and other markets to be speculative and unsubstantiated. While we may be a 'clear example of successful entry and expansion, demonstrating that challenges with entry and expansion are far from insurmountable', we are the *only* recent ASX-listed challenger bank to have entered the Australian banking industry and thrived.

3. The counterfactuals that the ACCC is considering

We fully support an Australian banking sector characterised by strong competition, greater product and service innovation, customer choice, and better levels of customer service, that represents a more level playing field as between the Majors and smaller banks, including regional banks (**Competition Principles**).

The Statement outlines the ACCC's preliminary views about the scenarios that may occur in the future without the Proposed Acquisition, including Suncorp Bank:

- continuing to operate under the ownership of Suncorp Group (**No-Sale Counterfactual**), or
- merging with another second-tier bank (**Second-Tier Merger Counterfactual**).

We respectfully submit that a viable counterfactual outside the No-Sale Counterfactual and Second-Tier Merger Counterfactual, that may enhance the above Competition Principles and has not been adequately explored, is a counterfactual involving the ability of one or more second-tier banks to acquire aspects of Suncorp Bank's existing loan and/or deposit books. Such a counterfactual is a scenario that, in the ACCC's words, has a 'non-trivial' or 'realistic' prospect of occurring, and would enable such banks to better compete against each other and/or the 'first-tier'/Major banks in respect of the relevant markets (such as home loans, SME lending, deposits and Agribusiness lending).

This third counterfactual – namely, allowing certain Suncorp Bank portfolios to be acquired by a range of second-tier competitors – may assist smaller players to enhance their competitive advantages, deliver material public benefit(s) and/or counter the concentration of the Majors in the relevant markets.

4. Our purpose and approach

Judo Bank's purpose is to be the most trusted SME business bank in Australia. Judo Bank was built as a specialist pure play SME bank specifically to support and advocate for the Australian SME economy – why we exist, and how we operate, is purpose-built for Australian SMEs.

Our core philosophy is that every SME is unique, and that relationships are built on deep understanding and trust. Our relationship promise is that our SME customers deal directly with the decision maker(s) in market, who are empowered SME specialists.

We reiterate that, in our experience, SMEs do not prefer or value an industrialised operating model and a fundamentally diminished relationship proposition. For that reason, we consider our relationship-centric approach to be increasingly unique.

I would be pleased to discuss any aspect of this submission with you. You can either contact me, or my colleague Yien Hong, General Counsel and Company Secretary (+61 [REDACTED]; [REDACTED]).

Yours sincerely,



Joseph Healy
Chief Executive Officer