

13th April 2023.

ACCC

Reference # MA1000023

Email: ANZ-Suncorp-Merger@acc.gov.au

In response to the ANZ application for merger authorisation for proposed acquisition of Suncorp Bank – interested party consultation.

Please see listed below responses in relation to information panel #5 on page 29 within the Statement of Preliminary Views dated 4 April 2023.

5. The ACCC invites views and any further information on the likely effect of the Proposed Acquisition on competition in agribusiness banking, relative to the counterfactuals outlined in section 3, including:
- a. Do agribusiness banking customers require different products or services to other business banking customers? List and describe any differences.
 - i. How important is a local presence, such as branches and access to specialist bankers, to agribusiness banking customers?
 - ii. How easily can agribusiness banking customers switch to online offerings and services?
 - b. Is Suncorp Bank a strong competitor in agribusiness banking, in particular does it compete strongly in local or regional areas? Does Suncorp Bank drive competition in terms of its pricing, service quality and range, or innovation?
 - c. How closely do ANZ and Suncorp Bank compete in agribusiness banking? Who are their competitors and how strongly do they compete?
 - d. What are the requirements to enter as, or expand into, an effective competitor in agribusiness banking? How strongly do new entrants compete?
 - e. What is the role of brokers in facilitating customer switching?

Q. 5. The ACCC invites views and any further information on the likely effect of the Proposed Acquisition on competition in agribusiness banking, relative to the counterfactuals outlined in section 3, including:

- a. Do agribusiness banking customers require different products or services to other business banking customers? List and describe any differences.**

Yes, they do & currently the available options are very limited compared to what is available for other business banking customers.

- Agribusiness customers require products that can accommodate natural seasonality and variability in income and expense in line with environmental conditions & market vagaries, which regularly cause high levels of volatility.
- Agribusiness customers uniquely require farm management deposits and farm management deposit accounts with offset. This is due to the taxation laws being different to non-agribusiness banking customers.
- Agribusiness customers require funding facilities that recognize the long term, often intergenerational nature of agribusiness. This requires a different perspective on such things as loan terms, security & interest rate risk management.

- Agribusiness customers require services that accommodate the remote locations that many agribusiness customers live in & operate their businesses from. Service providers must have an understanding of their business & the capacity to service them in their places of business.

i. How important is a local presence, such as branches and access to specialist bankers, to agribusiness banking customers?

It is particularly important to smaller and innovative/new Agribusiness clients to have access to locally based agribusiness specialists. Without this local knowledge and support it is very difficult for these clients to secure funding and usually it will be on far poorer pricing and terms than if they have a local specialist who understands their business.

It is extremely important that Agribusiness customers have access to Specialist Agribusiness bankers.

A large part of our role as agribusiness consultants and brokers is to know who these highly skilled specialists are, and which banks have them in place to deliver the most competitive outcomes for our clients. Having multiple banks competing for specialist Agribusiness talent keeps this talent in the agribusiness banking industry and leads to Skilled specialist bankers, representing multiple banks, aggressively pursuing market share and delivering the competition the industry needs. As Agribusiness consultants and brokers facilitating this competition on behalf of our clients, we actively seek out skilled specialist bankers as an essential element of the bank selection criteria.

ii. How easily can agribusiness banking customers switch to online offerings and services?

Suitable online services for agribusiness customers are largely limited to generic working account style products. Their needs are often more specific & need to be tailored to meet the needs of their businesses. Poor internet in many areas is also a significant limitation to switching to online services & offerings.

b. Is Suncorp Bank a strong competitor in agribusiness banking, in particular does it compete strongly in local or regional areas?

Yes. As facilitators of competition in this space we rely on Suncorp's competition/offering in many circumstances as outlined in our original submission. We consider the removal of Suncorp Bank's competition from the Agribusiness lending market would be highly detrimental to the competitiveness of the Agribusiness lending market.

Does Suncorp Bank drive competition in terms of its pricing, service quality and range, or innovation?

Yes, particularly in the sub \$50m lend space for the reasons outlined in our original submission.

Suncorp is driving innovation in the Agribusiness space. A key example is the offset product for Farm management deposits. This agribusiness specific product is designed specifically for Agribusiness specific taxation laws.

Link to product:

<https://www.suncorp.com.au/banking/business/lending/loans/agribusiness-loan.html>

Suncorp has led the way in enabling Agribusiness customers to offset their farm management deposits against their lending facilities. This is highly beneficial to the client as without the offset product they generally have to hold money in farm management deposits at a lower rate and borrow money from the bank at a higher rate. This obviously benefits the bank at the expense of the customer. This situation is addressed with a farm management account with offset. Most of the bigger players do not provide this innovative product with 2nd tier Suncorp and Rural Bank being the key players developing and bringing these new and competitive products to market.

c. How closely do ANZ and Suncorp Bank compete in agribusiness banking?

As Agribusiness consultants and brokers, facilitating competition amongst banks on behalf of our clients for circa 30 years, we consider ANZ and Suncorp Bank to be direct competitors. It would be rare to find a client that Suncorp would bank that ANZ would not or vice versa.

Who are their competitors and how strongly do they compete?

NAB, CBA, WBC and Rabo. The level of competition varies according to numerous factors including each banks "appetite" for agribusiness lending which at times varies considerably. Our experience is that Suncorp Banks focus on agribusiness lending results in it being quite stable & constant in its competitiveness.

We note Money magazine has assessed Suncorp Bank "Bank of the Year" and "Business Bank of the year" 5 years in a row as further evidence of the Bank's competitiveness.

Link to Suncorp Bank Website Article:

<https://www.suncorpgroup.com.au/news/news/suncorp-wins-bank-and-business-bank-of-the-year>

d. What are the requirements to enter as, or expand into, an effective competitor in agribusiness banking? How strongly do new entrants compete?

We consider the requirements for an effective competitor to enter the Agribusiness banking market as a full-service operator like Suncorp to be significant and it is very rare to see a new full-service player. This is best demonstrated by the fact that there hasn't been a full service or even a significant new competitor in agribusiness lending since RABO expanded Australia wide from its limited base in WA in the 1990's.

New entrants tend to focus on areas of agribusiness finance with less competition from the bigger players eg. livestock and commodity finance. As facilitators of competition, we do not

see new entrants competing strongly with incumbents for the full service agribusiness banking arrangements most clients require to operate.

e. What is the role of brokers in facilitating customer switching?

Agribusiness commonly utilizes large amounts of capital and often a substantial amount of the capital is sourced from financiers. The cost of this funding can be a major factor in the viability of the business. A competitive agribusiness lending market is therefore vitally important & brokers play a pivotal role in stimulating competition in the market.

Brokers facilitate competition in the market through:

1. Addressing the substantial information gap between agribusiness borrowers and banks. Effective Brokers and Agribusiness consultants are skilled agribusiness banking specialists who work for the borrower to ensure that they are as informed as possible as to the most competitive and appropriate offerings in the agribusiness banking market.
2. Facilitating competition amongst banks. Through understanding the offerings across the market, brokers can bring to both the bank and agribusiness borrower's attention when the banks offering is not as competitive as could be found with another competitor.
3. Supporting clients in transitioning to a more competitive bank, utilising their knowledge and experience to assist with the process and giving agribusiness clients the confidence to and professional support they need to effectively "shop around" and move banks if they need to.

It should be noted that brokers and customers need genuine alternatives in order to facilitate effective competition and maximise the outcomes for agribusiness customers. The more genuine competitors in the market the more effective this competitive process is.

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