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Daniel McCracken-Hewson, General Manager
Merger Investigations
Australian Competition & Consumer Commission

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

18 January 2023

Dear Mr. McCracken-Hewson,

ANZ proposed acquisition of Suncorp Bank Submission from Rabobank Australia Limited

Rabobank Australia Limited (ACN 001 621 129) (“Rabobank”) welcomes the opportunity to provide a written submission to assist the Australian Competition and Consumer Commission (“ACCC”) in relation to considering the proposed ANZ/Suncorp merger.

General

1. *Provide a brief description of your business or organisation.*

Rabobank Australia Limited is part of the international Rabobank Group, the world’s leading specialist in food and agribusiness banking. Rabobank Group, whose ultimate parent entity is Coöperatieve Rabobank U.A. (“Rabobank”), has its headquarters in The Netherlands. As a co-operative bank, Rabobank is owned by its members in The Netherlands. Rabobank Australia Limited operates across 61 locations across Australia and specialises in food and agribusiness lending to profitable and progressive farming businesses. A large portion of the food and agribusiness lending portfolio is funded via retail deposits raised directly from the Australian public. Generally, retail deposits are sourced either via existing food and agribusiness clients via the branch network or via the Rabobank Online Savings platform sourcing deposits from the wider Australian public.

Being a food and agriculture specialist, our lending clients have a dedicated specialist relationship manager who understands the client’s business and is able to provide meaningful input into strategic discussions regarding the business in addition to ongoing client requests. This relationship covers all aspects such as business expansion, managing through natural disasters, risk related discussions and sustainability. Our lending products are tailored for the requirements of our clients and when combined with our strong client focus, results in enhanced client loyalty over the long term.

Competition in banking products and services

In answering the questions in this section, where possible and relevant please differentiate between the supply of:

- a. *retail banking products and services (including but not limited to home loans and deposit products)*
- b. *commercial banking products and services (including but not limited to business loans, deposit products and agribusiness products)*

- c. *credit cards*
- d. *any other products and services (for example, risk management products). (together, the banking products and services)*

3. *Provide any views on, or estimates of, market shares in the supply of any banking products and services*

Based upon publicly available estimates, ANZ and Suncorp's food and agribusiness debt market share is approximately 10% and 4% respectively, with Australian food and agribusiness debt resting at approximately \$94bln. The merger of these two entities will therefore result in an estimated food and agribusiness debt market share of 14% which maintains ANZ's current fourth ranking in the Australian food and agribusiness debt market.

4. *Does competition occur nationally or in particular geographical regions (for example, Queensland), or for a particular group of customers (for example, small to medium enterprise (SME) customers, or agribusiness customers)?*

With respect to food and agribusiness lending, competition from Suncorp appears to be predominantly based in their home state of Queensland. Some food and agribusiness lending is undertaken by Suncorp outside of Queensland, predominantly via brokers in the absence of a significant branch network.

Our experience is that ANZ's focus appears to be predominantly based in the southern states.

5. *What is the overall level of competition between ANZ, Suncorp Bank and other suppliers of banking products and services? Explain whether some suppliers compete more closely with each other than with other suppliers.*

Rabobank's competition within the food and agribusiness sector is strong amongst the key financiers being the big four banks, Suncorp and Bendigo Bank/ Rural Bank. Each appear to have particular segments of the market that they focus on, for example, Suncorp is focused primarily on Queensland whilst Bendigo is focused predominantly on the southern states. The big four banks have a national presence..

6. *What is the level of competition in the supply of banking products and services to agribusiness customers? Explain whether and why Suncorp Bank and/or ANZ are particularly strong competitors.*

In our experience, with respect to food and agribusiness lending in Queensland, both ANZ and Suncorp have been competitive from a pricing perspective in attracting new lending business, in what is a competitive market.

7. *Is ANZ, Suncorp Bank, or any supplier a vigorous or effective competitor, or uniquely placed to provide significant future competition, in the supply of any of the banking products or services?*

With respect to food and agribusiness lending in Queensland, we consider competition to be vigorous, with ANZ and Suncorp both competitors to Rabobank.

9. *What are the main factors that a business must overcome to enter or expand in the supply of banking products and services? Factors may include but are not limited to: regulatory requirements and approvals, estimates of financial costs and time required, personnel required, access to distribution channels (for example, brokers), building a*

brand to attract customers, effects of economies of scale. Provide any examples of recent new entry or expansion.

With respect to food and agribusiness banking, key factors in establishing or expanding a lending business include: recruiting appropriate personnel, obtaining appropriate funding for the loan book at cost which enables competitive pricing for loan products offered, investment in compliant products and systems to onboard and manage clients in accordance with the wide range of relevant obligations and regulations and achieving the scale of business to justify the investment and training required.

10. Are there any industry developments or trends that may impact competition in the supply of banking products and services (for example, regulatory changes, technology/digitisation)? Provide specific examples where possible.

Compliance with regulatory obligations has been a key trend towards banking businesses simplifying their business models and product range. This trend is one of the drivers towards investment in technology/digitalisation to increase efficiency/ client convenience and ensure compliance with obligations. This simplification may result in more specialisation by banks in certain markets/ product offerings.

11. Is a digital strategy and/or digital offering important to the competitive positioning of a supplier of banking products and services? Provide specific examples where possible.

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. In relation to food and agribusiness banking, the distances involved for clients to travel to town are at times considerable and with the loss of local services, which increases the need to provide a digital approach to banking services. As a farming business expands and matures, it often requires faster, safer and more comprehensive banking services using reliable internet services. Digital offerings are therefore a key requirement for food and agribusiness customers.

13. Are physical bank branches important to the competitive position of a bank? Provide specific examples where possible.

A physical branch provides customers with visible local presence for the brand. The local community sees that there is a commitment from the bank to the area and creates employment locally.

In our experience, the reason why customers visit a physical branch is mainly related to 'transactional' services and also to discuss their business with their relationship managers when they are in town. With digitisation, there is less need for physical transactions, however, physical meetings in the branch are still important.

14. How do comparison sites, brokers, and other intermediaries influence competition between suppliers of banking products and services? Consider their impact on:

- a. the visibility of home loan and commercial loan lending rates to customers and competitors*
- b. facilitating customer switching*
- c. generating discounts or other incentives to attract customers.*

Provide specific examples where possible.

Comparison sites are focussed heavily on the home loan mortgage and deposit markets. Within the food and agribusiness lending market however, interest rates are predominantly sourced via published rates in newspapers and bank websites.

As rates, features and products vary for business loans, prospective borrowers generally contact the bank directly or utilise the services of brokers.

In our experience, brokers appear to look more to pricing, rather than to the value and level of products and services offered, specifically for food and agribusiness lending.

15. What is the likely effect of the Proposed Acquisition on competition in the supply of banking products and services? Explain whether and why the merged entity could increase prices or decrease quality in the supply of any banking products and services.

The likely effect is that there will be one less standalone food and agribusiness competitor in the Queensland market.

Public benefits

In assessing the benefits that are likely to flow from the Proposed Acquisition, the ACCC may consider anything of value to the community generally.

ANZ submits the Proposed Acquisition will deliver public benefits to customers, shareholders, and the broader public. These benefits include:

- a. Suncorp Group will become a stronger, pureplay insurer*
- b. ANZ will become a stronger bank through \$260 million in cost synergies*
- c. reduced wholesale funding costs and greater assurance of access to wholesale funding for Suncorp Bank*
- d. increased prudential safety*
- e. ANZ's lending commitments and ANZ's and Suncorp Group's employment-related commitments in Queensland*
- f. increased contribution to the major bank levy.*

17. Are any public benefits, including the ones listed above and described in more detail in the application, likely to result from the Proposed Acquisition? If so, explain:

- a. how those benefits flow from the Proposed Acquisition (including why they would not occur without the Proposed Acquisition)*
- b. the class of persons likely to receive those benefits (for example, customers of ANZ and/or Suncorp Bank)*
- c. to what extent those benefits may flow to the broader public*
- d. how significant those benefits may be in terms of likely size/magnitude (for example, on a scale from very small to significant)*
- e. the timing of when those benefits are likely to eventuate*
- f. whether those benefits are likely to be enduring or a one-off benefit.*

In theory, a stronger merged bank should be in a better position to provide the continuation of banking products and services to the food and agribusiness market in Queensland. Historically, this is not always apparent especially where the expected synergies of the merger adversely impact the level of service being delivered to the customers. Importantly, there will be one less standalone competitor in the marketplace, should the merger proceed.



Other information or issues

19. Provide any additional information or comments, or identify other competition or public benefit issues, that you consider relevant to the ACCC's consideration of the Proposed Acquisition.

Although the home loan market is not a core focus for Rabobank Australia Limited, given that the concentration of ANZ and Suncorp branches in Queensland is predominantly located in the larger coastal cities/ towns, the merger could remove a local competitor from the home loan market which will potentially impact the level of competition and service within the market.

We welcome the opportunity to discuss our submission with the ACCC further, if required.

Should you have any queries, please do not hesitate to contact me.

Yours sincerely,



Peter Knoblanche
Chief Executive Officer, Rabobank