

PUBLIC VERSION

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STATEMENT IN SUPPORT OF APPLICATION FOR MERGER AUTHORISATION

SBGH LIMITED

Target Company

Statement of **Clive van Horen**

Address Level 23, 80 Ann Street, Brisbane QLD 4000

Occupation Chief Executive Officer, Suncorp Bank

Date: 25 November 2022

This document is subject to claims for confidentiality and is to be treated as wholly confidential.

The lodgment of this document will be followed by the lodgment of a public version.

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Restriction of publication claimed**A . INTRODUCTION**

1. I am the Chief Executive Officer of Suncorp Metway Limited (**Suncorp Bank**).
2. This document has been prepared in support of the application by Australia and New Zealand Banking Group Limited (**ANZ**) for authorisation of its proposed acquisition of 100% of the issued share capital in SBGH Limited (the entity which owns Suncorp Bank) from Suncorp Group Limited (Suncorp Group), either directly or via a related body corporate of ANZ, in accordance with a share sale and purchase agreement between ANZ and Suncorp executed on 18 July 2022.
3. Exhibited to me at the time of signing this statement is a bundle of confidential documents marked **CVH-1** and a bundle of non-confidential documents marked **CVH-2**.
4. The matters set out in this statement are based on my knowledge of Suncorp Bank's operations, my review of Suncorp Bank's business records, and my involvement with Suncorp Bank's business in my current role.

B . ROLE AND EXPERIENCE***Role at Suncorp Bank and reporting structure***

5. I joined Suncorp Bank as CEO in August 2020. At that time, the Bank was facing a real need for change, with disappointing historic performance across financial and customer dimensions. Together with the Bank's leadership team, I set about implementing a program of work to improve Suncorp Bank's performance, in particular, by improving broker and customer experience, reducing home lending turnaround times, improving the customer digital experience, reducing the physical distribution footprint and continuing to develop the everyday banking product portfolio. In addition, work was undertaken to migrate all app users to Suncorp Bank's core mobile banking smartphone application (**Suncorp App**), to revitalise the Bank's business banking portfolio and to improve employee engagement. I describe these matters in more detail in this statement.
6. Since I joined Suncorp Bank, I have had end-to-end accountability for the Bank's performance across all dimensions: financial, customer, risk and people. I report to the Suncorp Group CEO. My direct and indirect reports are set out in Table 1.

Restriction of publication claimed**Table 1: Direct and indirect reports**

Name	Position Title
<i>Direct Reports</i>	
Dean Cleland	EGM Business Banking
Michelle Constantine	EM Corporate Affairs
Nicholas Fernando	EGM Everyday Banking
Chris Fleming	EGM Consumer Distribution
Jessica Gleeson	EGM Delivery & Transformation
Tanya Johnson	EGM People & Culture
Larissa Paton	Executive Assistant
Bruce Rush	EGM Home Lending
Malcolm Stedman	CFO Suncorp Bank
<i>Indirect Reports</i>	
Johmar Gazo	EGM Suncorp Bank Technology
Leanne McDougall	Chief Risk Officer Suncorp Bank

7. My direct reports reflect the structure of Suncorp Bank's business, including its customer-facing dimensions. The EGMs for Home Lending, Everyday Banking (which covers retail deposits and transactions), and Business Banking have clear "profit and loss" accountability for these three parts of Suncorp Bank's performance. They are responsible for the full value chain in these areas, other than certain customer-facing distribution channels. Broker distribution sits within the Home Lending portfolio, and the EGM Consumer Distribution is responsible for distribution through branches, call centres and digital channels.

Prior experience and qualifications

8. Prior to joining Suncorp Bank, I was employed at the Commonwealth Bank of Australia for almost 10 years in the following roles:
- (a) Executive General Manager, Business Customer Solutions – July 2018 to July 2020.
 - (b) Executive General Manager, Retail Products – June 2016 to June 2018;
 - (c) Executive General Manager, Small Business – October 2014 to May 2016;
 - (d) General Manager, Home Loans – April 2012 to September 2014; and
 - (e) General Manager, Commercial Lending – September 2010 to April 2012.
9. Before starting at CBA, I was employed in various roles in banks in South Africa from January 2000 to July 2010, and prior to this in various public sector organisations.
10. I hold a Bachelor of Commerce, a Bachelor of Social Sciences (Honours) and a PhD in Economics. I am also a chartered accountant.

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C. SUNCORP BANK BOARD LEVEL DECISION MAKING

11. Suncorp Bank has a regular Board reporting rhythm, [REDACTED]. The key Board engagements during my tenure include: [REDACTED]. In addition, specific sessions occur throughout the year including, for example, [REDACTED].
12. Suncorp Bank's Business Plans, for which I am accountable, are prepared at my direction by my team. These Business Plans are prepared on a three-year rolling basis and are informed by the Suncorp Group strategy sessions that I attend in my capacity as CEO for Suncorp Bank. In my role as CEO for Suncorp Bank, I have responsibility for executing Suncorp Bank's Business Plans.

D. SUNCORP BANK'S COMPETITIVE STRATEGY

Suncorp Bank's strategy and ambition

13. When I joined Suncorp Bank in August 2020, Suncorp Bank had commenced implementing its FY21-FY23 Suncorp Bank Business Plan, a copy of which is at **Tab 1 of Confidential Exhibit CVH-1**. The ambition of the Bank was at the time 'to be Australia's fastest growing challenger bank'. In the two to three months after joining the Bank, my team and I developed and communicated a clear strategy. This strategy had five key priorities: win in home lending, accelerate digital and everyday banking, grow business banking, optimise distribution and simplify the business. The structure of Suncorp Bank was aligned to this strategy, with a number of changes to the leadership team in late 2020 and early 2021. A copy of Suncorp Bank's Strategy on a Page is at **Tab 2 of Confidential Exhibit CVH-1**.
14. Over the second half of 2021, Suncorp Bank engaged the services of and worked closely with Boston Consulting Group (**BCG**) on a project known as [REDACTED]. This project was aimed at examining future models for Suncorp Bank over the longer term [REDACTED].

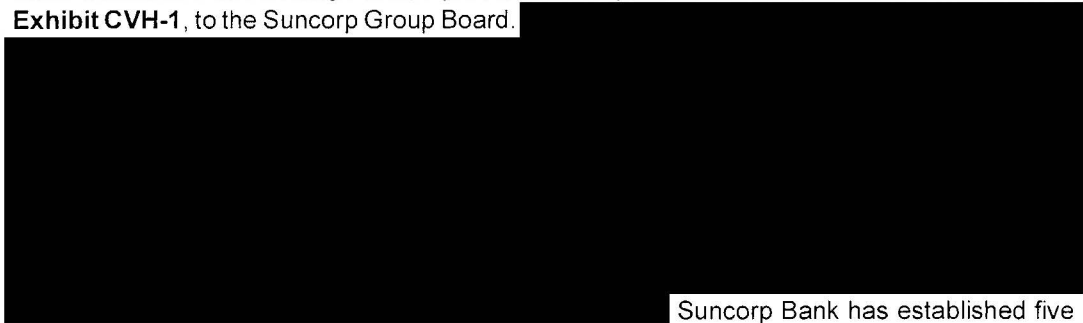
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15. Following this September 2021 meeting of the Suncorp Group Board, further work was done to identify growth opportunities for Suncorp Bank, focused on the narrower set of strategic options outlined above.

16. In November 2021, members of the executive leadership team (ELT) presented to the Suncorp Group Board and Suncorp Bank Board on different aspects of the pre-reading material at **Tab 5 of Confidential Exhibit-CVH-1**. These pre-reading materials outline the findings of the further work



17. Following the November 2021 Board meeting and having regard to the work outlined in paragraph 15 above, I, together with my leadership team, developed the FY23-25 Suncorp Bank Business Plan. In May 2022, I presented this plan, which is at **Tab 8 of Confidential Exhibit CVH-1**, to the Suncorp Group Board.



Suncorp Bank has established five strategic priorities for FY23-25 being:

- (a) Win in home, by leveraging foundational strategic investments, capitalising on the existing momentum in the portfolio and accelerating automation and digitisation.
- (b) Seamless everyday banking, growing our target customer main financial institution (MFI) base by providing an industry-leading everyday banking product offering.
- (c) Growing Suncorp Bank's business banking portfolio, executing our refined strategy and building growth momentum in target customer segments.
- (d) Customer service excellence, providing consistent high-quality service to customers through the channel of their choice.

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- (e) Digital first, leveraging digital channels to increase online origination and customer self-service.
18. These priorities are very similar to and build on the five strategic priorities Suncorp Bank established in November 2020 to execute over FY21-23, as outlined earlier in paragraph 13. The refinements to the earlier version of the strategy included changing 'simplify the business' to an 'enabler', and separating everyday banking and digital into separate priorities of their own. These changes reflected some of the progress made in simplifying the Bank (exiting sub-scale or non-core businesses such as wealth, share trading and personal lending) and the increasing importance of customers' digital preferences.
19. Suncorp Bank's progress in pursuing its key strategic priorities, including financial outcomes, are described in the FY23-25 Suncorp Bank Business Plan (**Tab 8 of Confidential Exhibit CVH-1**).

Suncorp's core technology platforms

20. Suncorp Bank currently operates a complex technology environment [REDACTED] [REDACTED] These span origination and servicing, maintenance, transaction monitoring, fraud and scam detection, treasury systems, digital and customer-assisted platforms, amongst many others. The most prominent of these applications are often referred to as 'core banking platforms' which are the underlying systems of record and transaction activity for most lending and deposits. Whilst these core platforms are central to the operation of the Bank, it is important to note that the successful operation of the Bank requires this complex technology ecosystem to be continually developed and maintained to keep pace with customer needs and competitive changes.
21. Suncorp Bank has two primary core banking systems – Hogan and the Oracle Banking Platform (OBP). Some of our lending continues to be housed on other, smaller core banking platforms [REDACTED] [REDACTED] A large and complex program of work was undertaken before I joined Suncorp, [REDACTED] [REDACTED] This part of the program was largely completed, [REDACTED] [REDACTED] the Bank therefore continues to operate with two legacy core platforms.

22. [REDACTED]

Suncorp's proposed plan for technological investment

23. Suncorp Bank has separately articulated a high level assessment of ongoing technological investment. [REDACTED]

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[REDACTED] With additional, transformative investment in Suncorp Bank's technology, I consider that the Bank would be able to improve customer experience, and drive incremental revenue growth. [REDACTED]

[REDACTED] it would be challenging to simultaneously increase investment levels whilst delivering on the financial turnaround expected by Suncorp Group's shareholders given the historic performance of Suncorp Bank. The Proposed Transaction with ANZ and the prospect of access to a larger balance sheet as well as the major technology transformation program in which ANZ is deeply engaged, could enable the technology transformation of Suncorp Bank's customer-facing platforms. This is an important reason why a combination with ANZ is attractive to Suncorp Bank. Within the current group structure, significant investment in Suncorp Group's insurance platforms will not deliver any material synergies for Suncorp Bank.

Suncorp Bank's strategy and ambition

24. Upon joining Suncorp Bank, I also initiated a process to review the Bank's strategic ambition. At the time I joined, Suncorp Bank's stated ambition was to be "Australia's fastest growing challenger bank". However, that statement lacked clarity because it did not make clear what Suncorp Bank was "challenging"; it did not differentiate Suncorp Bank from our competitors and it did not tell customers what Suncorp Bank stands for.
25. In early 2021, Suncorp Bank tested various propositions, including "building brighter futures" and "helping you bank smarter". Suncorp Bank settled on "creating a brighter future" as our ambition statement from 2021, which is described in the FY23-25 Suncorp Bank Business Plan at **Tab 8 of Confidential Exhibit CVH-1**.
26. This new ambition statement has two elements:
 - (a) Wellbeing - Wellbeing covers financial wellbeing but is also broader than financial wellbeing (for example, saving for a home loan or a holiday, or borrowing for a business). Suncorp Bank has tried to extend beyond financial wellbeing by:
 - (i) launching ATMs with braille interfaces and debit cards with tactile indicators;
 - (ii) enabling customers to digitally self-serve in high-stress moments, such as losing a bank card [REDACTED]; and
 - (iii) partnering with community organisations such as the Financial Basics Foundation to promote financial literacy; and
 - (b) Sustainability - Customers are increasingly focused on environmental, social and governance (ESG). Suncorp Bank has tried to increasingly embed ESG considerations in its strategies and customer propositions, including by investigating opportunities to support businesses in transitioning to a lower emissions future, particularly our Agribusiness portfolio, and considering ESG-linked products such as our solar home bonus, green upgrade home loan as well as transaction banking propositions.

Suncorp Bank's product offering

27. Suncorp Bank offers lending products and services and deposit and transaction account products and services to retail, small and medium enterprise (SME), commercial and agribusiness customers. Suncorp Bank also supplies merchant acquiring services to

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merchants. At **Tab 1 of Non-confidential Exhibit CVH-2** is a listing of all of the products that Suncorp Bank offers to its customers in Australia as at June 2022.

28. In November 2020, Suncorp Bank ceased offering new personal lending products, with the result that Suncorp Bank currently manages only a small back book of personal loans. I discuss this strategy further in paragraph 38 below.

Key competitors

29. Suncorp Bank tracks and monitors pricing and product offerings of its competitors. There is no one competitor Suncorp Bank tracks and monitors more than any other. In each customer segment Suncorp Bank will look at the Major Banks (ANZ, CBA, NAB, Westpac), and their alternate brands (Bankwest and St George amongst others) and non-Major Banks (Bendigo, BOQ, ING, Macquarie amongst others). Set out in more detail in Section E below is the competitive set that Suncorp Bank tracks and monitors in each of the product categories in which it competes. At **Tabs 12 to 20 of Confidential Exhibit CVH-1** are a sample set of Suncorp Bank's pricing papers that show how Suncorp Bank monitors the pricing and product offerings of its competitors. It is important to note that we consider brands such as Bankwest and St George as separate competitors given their propositions and pricing strategies differ from their owners' brands.

Geographical strategy

30. Suncorp Bank has a long history in Queensland, with its predecessor Metway Bank originally being a Queensland-based bank and the Suncorp Group having a significant Queensland presence through its insurance operations. However, Suncorp Bank does not have a specific strategy to focus on Queensland.
31. Suncorp Bank has a national presence through digital channels, home lending brokers and business lending brokers as well as through the Bank's branch network, its business centres and its branded ATMs. Suncorp Bank also has arrangements with other ATM service providers through which Suncorp Bank's customers can access ATM services. Suncorp Bank also has Bank@Post arrangements with Australia Post which allows Suncorp Bank's customers to make deposits and withdrawals and allows customers living in remote and rural locations to access the Bank's banking services in their local areas. Specifically, Suncorp Bank customers can make deposits of up to \$9,995.95 in cash per day; they can deposit cheques and make withdrawals of up to \$2,000 per day at Australia Post outlets. Competition for all of Suncorp Bank's products and services occurs on a national basis, in particular because of the importance of mortgage brokers and digital channels. Brokers now account for over 70% of the Bank's home loan portfolio and █████ of business lending, whilst approximately 74% of new transaction and savings accounts are opened through digital channels. Suncorp Bank prices and distributes these products on a national basis.
32. At **Tab 2 of Non-confidential Exhibit CVH-2** is a slide pack that I caused to be prepared setting out as at October 2022 the number of Suncorp branches, Suncorp business centres, Bank@Post locations, Suncorp self-service devices (Suncorp-branded ATMs, coin deposit machines and cash exchange machines located within Suncorp branches or business centres) and ATMs where Suncorp Bank customers can access ATM services in Australia as well as the location of Suncorp Bank's branches. Suncorp Bank currently has 48 branches in Queensland, 12 branches in New South Wales and the Australian Capital Territory, and one branch in each of South Australia, Western Australia, Victoria and Tasmania. There are currently no branches in the Northern Territory.
33. Suncorp Bank sets its strategy to follow its customers' behaviour, rather than being based on geographical factors. Customer behaviour has shifted dramatically in the last decade. For example, Suncorp Bank has seen an approximately █████ reduction in over-the-counter branch

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transactions by customers since 2019. With the exception of some segments of Business Banking, which I address in further detail below at paragraph 68, customers are increasingly choosing to use digital channels as well as brokers to engage with Suncorp Bank. The uplift in digital self-service spans not just the application process for Suncorp's products and services but also to access and transact on customer accounts. Customers are also increasingly turning to brokers, particularly within home lending. In the June 2022 quarter, the broker share of home lending originations across all lenders in Australia was a record 68%, up nine percentage points on the prior comparable period.

34. In accordance with its strategy to follow its customer's behaviour, Suncorp Bank made a decision to reduce its physical branches given customers are increasingly applying for products through digital channels or through brokers or aggregators, who may be based anywhere in Australia. Suncorp Bank has reduced its physical distribution network over the last five years to 64 branches, down from 119 branches. At the same time we have upskilled the branch workforce to provide contact centre support and home lending support. I am aware that Suncorp Bank's FY23-25 Business Plan refers to the Bank reducing its footprint from 120 branches but this is an error and the correct number is 119 branches. Suncorp Bank closed proportionally more branches outside Queensland than in Queensland. The Bank's remaining branches continue to focus on higher value tasks with [REDACTED] of non-lender branch staff now cross-trained to support certain home lending activities (up from approximately [REDACTED] in June 2021).

E. SUNCORP'S BANKING BUSINESS

35. In this section I describe Suncorp's banking business, including its retail and business banking activities.


Retail / personal banking

36. Based on APRA ADI statistics as at 30 June 2022, Suncorp Bank has approximately a 2.4% share of housing lending and 2.5% share of the household deposit market in Australia.
37. In the FY23-25 Suncorp Bank Business Plan, the Bank noted that it has a significant cohort of [REDACTED] and this presents a risk if the Bank does not manage to transition these customers to digital solutions [REDACTED]. Suncorp Bank also outlined its intention to grow [REDACTED]. [REDACTED] The Bank's significant [REDACTED] is a product of the Bank's history as Metway Bank, which started as a building society and expanded to have a strong presence in Queensland by the mid-1990s.
38. Throughout FY21 and into FY22 I oversaw the simplification of the retail banking portfolio, to allow the Bank to focus on core areas. As part of this simplification, Suncorp Bank:
- (a) made the decision to exit personal lending in November 2020 and redirect resources to home lending. At **Tab 21 of Confidential Exhibit CVH-1** is a paper dated 13 November 2020 presented to [REDACTED] EGM Consumer Lending which sets out Suncorp Bank's review of its personal loan portfolio and reasons for exiting personal lending;
 - (b) ceased offering new share trading services from August 2021, transferring customers from June 2022 to CMC Markets Stockbroking Limited and ceasing to offer new trading accounts;
 - (c) rationalised its products by removing from sale approximately 50% of its deposit products and approximately 40% of its home loan products; and

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- (d) sold the Suncorp Wealth business (which originally formed part of my accountability) to LGIAsuper.
39. Prior to me joining Suncorp Bank, during the global financial crisis Suncorp Bank also sold its credit card book to Citibank and entered an arrangement to offer Suncorp Bank-branded credit cards, issued by Citibank. With the subsequent sale of Citi's consumer banking business to NAB, this white labelling arrangement has continued but with cards issues by NAB.
40. Retail customers typically access Suncorp Bank branches more than is the case with business customers, with the exception of cash-oriented businesses who prefer to conduct their daily banking activities in cash. Suncorp Bank is now focused on simplifying its distribution network, customer-facing processes and internal procedures to enable more customers to conduct more activities digitally or by telephone.
41. Since October 2021, Suncorp Bank has operated a dedicated Automation Hub which is responsible for overseeing the management and delivery of automation processes to improve customer and employee experiences. Some of these initiatives are described in the FY23-25 Business Plan.
42. Suncorp Bank's current strategic priorities set out in the FY23-25 Suncorp Bank Business Plan include its 'Win in Home' strategy and 'Seamless Everyday Banking' strategy, which are addressed below.

Home lending

43. Suncorp Bank offers customers a range of home lending products. A description of these products as at June 2022 is set out at **Tab 1 of Non-Confidential Exhibit CVH-2**.
44. Since my commencement with Suncorp Bank, the Bank has been working to sustainably grow its home lending portfolio. This has been a key focus for several years.
45. In FY21 and FY22, Suncorp Bank reviewed and streamlined its product offering and internal processes, including by improving its home lending origination process through simplification, automation, cultural initiatives, and some technology changes. 
46. Even though Suncorp Bank has restored growth to its home lending portfolio since February 2021 and has made some market share gains, Suncorp Bank's home loan portfolio represents approximately 2.34% of overall ADI home lending share (based on APRA data). If non-ADI lenders were considered, Suncorp Bank's share would be lower than 2.34%.
47. Brokers are very active in home lending both in terms of arranging a new home loan for customers. In FY22, approximately 70% of Suncorp Bank's home loans were broker originated, up from 68% in FY21, as set out in Suncorp Group's Investor Pack, Financial results for the year ended 30 June 2022 dated 8 August 2022 at **Tab 3 of Non-Confidential Exhibit CVH-2**.
48. Suncorp has gained 4.8 basis points (0.048%) in home lending share in the period January to June 2022 and competes against all ADI lenders and non-ADI lenders who offer home lending

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- products. At **Tab 22 of Confidential Exhibit CVH-1** is the June 2022 Bank Market Share Monthly report.
49. Suncorp Bank's home loan products are priced nationally [REDACTED]
[REDACTED] At **Tabs 12 and 13 of Confidential Exhibit CVH-1** are pricing proposal papers dated 2 August 2022 and 8 December 2021, which set out recommendations for changes to home lending prices. When considering pricing changes and proposing changes to price points, Suncorp routinely compares itself against Bank of Queensland, Bankwest, Citi, Great Southern Bank, HSBC, ING, Macquarie Bank, the Major Banks, RACQ Bank and St George Bank. As noted previously, Suncorp Bank considers subsidiary brands of Major Banks (such as Bankwest and St George) to be independent competitors in the market because they offer different pricing, customer propositions and have different credit assessment policies. For completeness, I note that in some categories of products these suppliers do not offer a comparable product and Suncorp Bank therefore does not compare itself against those suppliers for that product. For example, as at 2 August 2022 ING does not offer a one-year fixed owner occupier interest only mortgage where the loan-to-value ratio is less than 80%.
50. Refinancing a home loan has become relatively easy in recent years as fees associated with refinancing are low, and lenders typically offer significant cash incentives to customers to refinance loans. Brokers are also very active in seeking better offers for their customers. Suncorp Bank tracks the ADI or non-ADI lenders that its customers move to in order to refinance their home loans. Of Suncorp Bank customers who refinanced their home loan away from the Bank in FY22, approximately [REDACTED] refinanced to CBA, approximately [REDACTED] refinanced to Westpac, approximately [REDACTED] refinanced to NAB and approximately [REDACTED] refinanced to ANZ. Macquarie Bank is over-represented, as compared to its national home lending share, with approximately [REDACTED] of Suncorp customers refinancing away from Suncorp Bank to Macquarie Bank. Set out at slide 4 of **Tab 23 of Confidential Exhibit CVH-1** is national home lending refinance data for FY22 which shows where Suncorp Bank customers move when they leave Suncorp Bank to refinance their home loans.
51. My view is that winning in home lending requires a competitive proposition across a range of considerations, which take on a differing level of importance to customers and brokers at different stages of the economic cycle, including price, credit policies, turnaround time, valuations, distribution effectiveness, retention strategies and product features. Over recent years where interest rates have been very low and the property market was very buoyant, quick turnaround times have been more important for winning home loan customers and a key area of competition between lenders. Suncorp Bank tracks its performance against the Major Banks as well as Macquarie Bank (based on data collected by mortgage aggregator AFG) on a monthly basis. At **Tab 24 of Confidential Exhibit CVH-1** is a home lending presentation that was presented to the Suncorp ELT on 31 August 2021 and at **Tab 25 of Confidential Exhibit CVH-1** is an extract of a home lending presentation that was presented to the Suncorp ELT on 8 August 2022. These presentations show that from July 2021 to August 2022 Macquarie Bank has continuously had the quickest, or second quickest, turnaround times amongst key competitors. Suncorp Bank's median home lending turnaround time was approximately [REDACTED] [REDACTED] in July 2022, behind Macquarie Bank and CBA.
52. Suncorp Bank's home lending NPS and broker NPS results were at or above the target for FY22, [REDACTED]
[REDACTED]

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53. In summary, since I joined Suncorp Bank, the Bank has been working to sustainably grow its home lending portfolio through a comprehensive end-to-end improvement program. Suncorp Bank is seeing some success with this strategy and in the period January to June 2022, Suncorp has gained 4.8 basis points (0.048%) in home lending share. However, Suncorp Bank has a very small share of overall home lending and maintaining this position in a highly competitive market requires continued investment [REDACTED] and ongoing improvement across the value chain.

Everyday Banking

54. Suncorp Bank offers customers a range of deposit products (including savings and transaction accounts), term deposit products and white-labelled credit cards, and currently services approximately [REDACTED] everyday banking customers. A description of the lending and deposit products that Suncorp Bank offers to its customers as at June 2022 is set out at **Tab 1 of Non-Confidential Exhibit CVH-2**.
55. [REDACTED] in FY21 Suncorp Bank had approximately 2.5% of the overall household deposit share.
56. Suncorp Bank's overall position in deposits has declined over the last 20 years. This is consistent with an overall decline in Suncorp Bank's share of loans over time but is also reflective of the changes that Suncorp Bank made following the GFC to reduce risk exposures and to exit certain products, including issuing of credit cards and later decisions to exit personal lending products. [REDACTED] Taking for example a 17 year period between 30 June 2002 and 30 June 2019, Suncorp Bank's share of total gross loans and advances (as reported to APRA) reduced from [REDACTED] and in that same period, its total deposits (as reported to APRA) reduced from [REDACTED]. I have used this time period because it reflects like for like data sets consistent with the data reported to APRA in that period. After June 2019, changes were made to the methodology underpinning the data reported to APRA.
57. Approximately 74% of new at-call accounts were originated through the digital channel as set out in Suncorp Group's Investor Pack, Financial results for the year ended 30 June 2022 dated 8 August 2022 at **Tab 3 of Non-Confidential Exhibit CVH-2**. All term deposits are distributed through Suncorp Bank's branch network. [REDACTED]
58. Suncorp Bank's current focus for its Everyday Banking portfolio is growing its [REDACTED] in alignment with its brand proposition, as well as sustainably funding Suncorp Bank's lending portfolio. [REDACTED]
59. Suncorp Bank actively adjusts pricing to manage the volume and margin trade-off across savings and term deposit accounts, much like other banks. [REDACTED]
60. On average, Suncorp Bank has offered better deposit interest rates than the Major Banks over recent years. [REDACTED]

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██████████ Suncorp Bank routinely compares its carded term deposit rates to those rates offered by Bank of Queensland, Bankwest, Bendigo and Adelaide Bank, Great Southern Bank, Heritage Bank, HSBC, ING, Macquarie Bank, the Major Banks, RACQ Bank and St George Bank, as well as any recently announced 'special' rates. ██████████

(a) ██████████

(b) ██████████

61. Throughout FY21 and FY22 the Everyday Banking portfolio delivered a number of improvements for Suncorp Bank's customers, including launching its PayLater product (described in more detail below) which allows customers to manage cashflow within the Suncorp App. ██████████

62. ██████████ the Bank, partnering with Visa, launched a new Buy Now Pay Later (BNPL) product on debit cards. This product is referred to as "PayLater" and is available to customers via the Suncorp App. As at 31 August 2022, Suncorp Bank's PayLater portfolio comprises ██████████ active accounts with debit balances of ██████████, against total available limits of ██████████. There were ██████████ PayLater purchases in August, an increase of ██████████ purchases from July 2022. It is now common for banks to offer BNPL products. For example, I am aware that CBA offers a BNPL product that is attached to a credit card through their banking application and that Visa and Mastercard also offer BNPL products through their issuing partner banks. However, Suncorp Bank was the first bank to offer a BNPL product tied to a customer's debit card noting that Suncorp Bank does not manufacture its own credit card product.

63. Suncorp Bank launched its PayLater offering in September 2021. ██████████

64. Suncorp Bank has had some success in Everyday Banking by growing its APRA household deposits share over the FY21 and FY22 period. ██████████

Business banking

Target operating model

65. Suncorp Bank's business bank (**Business Bank**) has traditionally operated three business portfolios – SME, agribusiness and commercial property. At **Tab 27 of Confidential Exhibit CVH-1** is Suncorp Bank's Business Banking Strategy May 2021 paper that I presented to the Suncorp Group Board and Suncorp Bank Board (**May 2021 Business Banking Paper**) and

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Exhibit 1 to that paper sets out the segment performance of the Business Bank including customer numbers for each portfolio, lending and deposit volumes and values, revenue forecasts and Suncorp Bank's key strengths in each portfolio.

66. Not long after I joined Suncorp Bank, the Business Bank presented a plan to the Suncorp Group Board in November 2020 that recognised the need for significant change and investment in the Business Banking portfolio.

This review identified a number of factors impacting the sub-scale performance of Suncorp's Business Bank and identified the investment needed to deliver meaningful customer value and delivery of customer growth and positive customer outcomes. In May 2021, I presented a multi-year plan

67. Throughout 2022, Suncorp Bank has been considering and ultimately making changes to its target operating model for its Business Bank. These changes are summarised in the paper from September 2022 at **Tab 28 of Confidential Exhibit CVH-1**, which notes the following changes to Suncorp target operating model:

- (a) re-organising its agribusiness portfolio so that it is divided into separate units for northern and southern portfolios and including other regional customers; and
- (b) retaining its SME portfolio as a standalone portfolio;
- (c) splitting up its commercial property portfolio into two portfolios: commercial and property finance.

These changes to the Business Bank's target operating model are now settled and Suncorp Bank is now undertaking the necessary steps to appoint individuals into the various roles created by the changes in organisation structure. The paper at **Tab 28 of Confidential Exhibit CVH-1** also sets out a draft organisational chart for the Business Bank.

Factors influencing Suncorp's Business Banking Strategy

68. Suncorp Bank's current business banking strategy is summarised in Suncorp Bank's FY23-25 Suncorp Bank Business Plan. Suncorp Bank's Business banking strategy is as follows:

- (a) SME – Suncorp Bank's strategy is to grow its SME business

- (b) Agribusiness – Suncorp Bank's focus is to grow its agribusiness portfolio

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- (c) Property finance – Suncorp Bank’s focus is to grow its development finance share and to win new customers in property finance. [REDACTED]

69. This strategy has not changed significantly with the change to Suncorp’s Business Banking target operating model.

Factors influencing Suncorp Bank’s Business Bank Pricing

70. Suncorp’s Business Banking product pricing is informed by a number of factors. [REDACTED]
- [REDACTED] For some products, Suncorp Bank also offers standard advertised rates (**carded rates**) and will consider competitor pricing for carded rates that is publicly available and routinely monitored by the Bank. Suncorp Bank also seeks to compete on discretionary pricing which includes discounts off carded rates that are communicated to bankers either by customers who “shop around” to find the best available rate or via formal and informal feedback from the Business Banking broker network. [REDACTED]
- [REDACTED]

Factors affecting Suncorp Bank’s Business Bank offering

71. [REDACTED]
- Suncorp does not have an established methodology for measuring MFI relationships with Business Banking customers. However, high level modelling conducted by Suncorp Bank indicates that Suncorp Bank holds an MFI relationship with approximately [REDACTED] of its Business Bank customers. This means that approximately [REDACTED] of its Business bank customers have their main relationship (generally indicated by a transaction relationship) with another bank. In this context MFI means that the customer has at least one other transaction banking product with another bank.

72. [REDACTED]

73. [REDACTED]

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74.

[REDACTED]

75.

[REDACTED]

76.

[REDACTED]

77.

[REDACTED]

78.

[REDACTED]

SME

79. Under this portfolio, Suncorp Bank serves approximately [REDACTED] SME customers with under [REDACTED] million dollars in turnover, less than [REDACTED] million in lending and fewer than [REDACTED] employees. For SME customers lending can be secured against either their home or their business assets. Of Suncorp Bank's Business Banking business, the SME portfolio contributes approximately [REDACTED] of total Business Banking revenue (which in turn is approximately [REDACTED] of total Bank revenue).

80. Suncorp Bank offers lending and deposit products to these customers on a national basis and Suncorp Bank competes with other banks for the supply of deposit products and other banks and non-bank lenders for the supply of lending products on a national basis. Suncorp Bank's target customers are [REDACTED]. A description of the lending and deposit products that Suncorp Bank offers to these customers as June 2022 is set out at **Tab 1 of Non-confidential Exhibit CVH-2**.

81. Suncorp Bank routinely monitors SME business lending products offered by other Authorised Deposit-taking Institutions (**ADIs**) with a national footprint including CBA, Westpac, ANZ, NAB, St George, ING, Bank of Queensland, Bendigo and Adelaide Bank and Macquarie Bank. At

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Tabs 17 and 18 of Confidential Exhibit CVH-1 are samples of Suncorp Bank's [REDACTED] dated 23 April 2021 and 18 September 2020 showing Suncorp Bank's competitive set for SME lending. The paper at **Tab 17 of Confidential Exhibit CVH-1** also includes reference to a level of pricing discretion but it is the case that Suncorp's competitive set is based on published rates of the named competitors and does not include discounting that banks may apply on a case by case basis.

82. In 2020 Suncorp Bank commenced offering loans in connection with the Federal Government's SME Recovery Loan Scheme which was designed to provide assistance to SMEs dealing with the economic impacts of the coronavirus pandemic (**Loan Scheme**). Under the Loan Scheme the Federal Government guaranteed a portion of the loan, being 80% of eligible loans issued by participating lenders until 31 December 2021 and 50% of eligible loans issued by participating lenders until 30 June 2022. In the period July 2021 to December 2021 Suncorp Bank's market offer under the Loan Scheme for eligible customers was 1.99%. [REDACTED]

83. Suncorp Bank engages with SME customers through a range of different channels including the broker channel, digital or call centre channels and Suncorp Bank's branch network. Suncorp Bank engages with business brokers through its BDMs who facilitate the relationship with brokers and assist them in the application process. Brokers originate approximately [REDACTED] of Suncorp Bank's SME lending, with the remainder originated through direct lenders.

84. Feedback from the business banking team is that brokers are increasingly facilitating switching between lenders for SME customers, providing these customers with the ability to easily understand and compare SME lending products.

85. [REDACTED]

86. [REDACTED]

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87. Suncorp Bank completed some systems simplification and consolidation in the period from 2021 up to early 2022

88. Overall my view is that while Suncorp Bank has a presence in SME banking,

Agribusiness

89. Under the agribusiness portfolio, Suncorp Bank services approximately [REDACTED] agribusiness customers. Included in this portfolio are agribusinesses such as family operated farms, broad-acre farms and farms producing beef, cotton and dairy products. Of Suncorp Bank's Business Banking business, the agribusiness portfolio contributes approximately [REDACTED] of total Business Banking revenue (which in turn is approximately [REDACTED] of total Bank revenue).
90. Like other banks offering agribusiness banking products and services, Suncorp Bank has a relationship-focused model of servicing its agribusiness customers. This model reflects a long history of Suncorp Bank's business bankers engaging face-to-face with its agribusiness customers at the customer's premises. Primarily, Suncorp's agribusiness customers are located in Queensland, New South Wales, Victoria and South Australia and agribusiness relationship managers are assigned agribusiness customers in different locations. A typical relationship manager will have around [REDACTED] customers in their portfolio, which may now include a mix of agribusinesses and regional businesses.
91. Agribusiness products offered by Suncorp Bank include Farm Management Deposit Accounts, which are designed to help primary producers who experience seasonal fluctuations in cash flow, and range of agribusiness loan products. These products are commonly offered by competitors. A description of the lending and deposit products that Suncorp Bank offers to these customers as at June 2022 is set out at **Tab 1 of Non-Confidential Exhibit CVH-2**.
92. Suncorp Bank's relationship-focused method of engaging with agribusiness customers creates an environment where the customer feels greater connection or proximity to credit decisions. Customers may approach Suncorp Bank by walking into a branch (where they will be referred to an agribusiness banker, who is typically not located within branches) or by calling Suncorp Bank.
93. [REDACTED]

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[REDACTED]

94. Previously, Suncorp Bank had one person leading agribusiness nationally. Now, agribusiness is organised to also include other non-agribusiness regional customers, [REDACTED]

95. Suncorp Bank's relationship-focused method is not unique to Suncorp Bank, and in my view can be and is currently readily replicated. Each of Rabobank, NAB and CBA, who are active in agribusiness in the regions in which Suncorp Bank operates and often Bendigo and Adelaide Bank, Westpac and ANZ also currently compete with a model focused on relationship managers. As with competitors, Suncorp Bank's relationship managers are given credit mandates, and can typically make credit decisions up to a nominated level. [REDACTED]

96. [REDACTED] Suncorp Bank does not have carded rates for its agribusiness products [REDACTED] In my experience other lenders are also likely to price products for agribusinesses in a similar, bespoke, manner. It is therefore difficult for me to comment on where Suncorp Bank's agribusiness products and services sit in terms of the overall competitive set. [REDACTED]

97. [REDACTED]

98. Suncorp has traditionally held a strong agribusiness lending base in Queensland, where it services customers in beef, cotton, fruit, grain and mixed farming, sheep and livestock and sugar. Suncorp also has a sound agribusiness lending base in New South Wales and continues to also offer agribusiness lending products in Victoria and other states.

99. The majority of Suncorp Bank's agribusiness customers will have a relationship with at least one other bank. [REDACTED]

[REDACTED] Suncorp Bank tends to provide mainly lending products to its agribusiness customers as its customers' secondary bank [REDACTED]

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[Redacted]

100.

[Redacted]

Suncorp Bank agribusiness lending by TBRE (as at 31 October 2022)				
TBRE bucket	Number of Groups	Proportion of Total Groups	TBRE	Proportion of TBRE
[Redacted]				

101.

[Redacted] there have been trends in recent times which have increased the sophistication of the banking needs of Suncorp Bank's key customer demographic. [Redacted]

[Redacted] The third is the consolidation of agribusinesses which increases their size, scale and sophistication of their banking needs. [Redacted]

102.

[Redacted]

103.

Brokers are active in agribusiness and increasingly Suncorp Bank's agribusiness lending customers are broker originated, with the broker mix increasing by [Redacted] over the last five years

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to [REDACTED]. These customers will have relationships with brokers as well as with Suncorp Bank relationship managers. Whilst bankers generally maintain a relationship with broker-originated customers, [REDACTED]

104. Further, customers may sometimes develop a close working relationship with their relationship manager and, for Suncorp Bank, there is some risk to retention of agribusiness customers if a relationship manager joins a competitor. However, there is a greater risk to retention if a relationship manager leaves to become a broker. Brokers are increasingly facilitating switching by providing the ability for consumers to easily understand and compare banking products and in my experience, when a relationship manager leaves the employment of Suncorp Bank for an alternative position as a broker, that places customer retention at greater risk. At **Tab 33 of Confidential Exhibit CVH-1** is a [REDACTED] paper dated 21 July 2022 paper prepared for the Suncorp Bank [REDACTED]. The paper explains that external refinances continue to be driven by intense broker competition, particularly in agribusiness. At **Tab 34 of Confidential Exhibit CVH-1** is a paper which I received for a meeting I attended on 1 April 2022 which shows the number of agribusiness customers who have refinanced away from Suncorp Bank over time.
105. In summary, Suncorp Bank's agribusiness banking portfolio is relationship managed and many of Suncorp's customers will have a relationship with at least one other bank. Suncorp Bank often provides only lending products to its agribusiness customers as their secondary bank [REDACTED]. Brokers are increasingly facilitating switching by providing the ability for customers to easily understand and compare banking products and the growth in broker origination makes it more difficult for Suncorp to use customer service as a differentiator.

Commercial and property finance

106. Suncorp Bank's commercial and property portfolio services approximately [REDACTED] customers and contributes approximately [REDACTED] of Business Banking revenue (which in turn is approximately [REDACTED] of total Bank revenue).
107. Suncorp Bank does not have a large commercial and property offering [REDACTED]. Suncorp Bank's commercial and property portfolio comprises two core sub-segments:
- (a) property development – the typical profile in this segment is [REDACTED] loan to finance construction; and
 - (b) property investment – the typical profile is a loan for a customer to buy and hold property for some time.
108. Suncorp Bank will also fund trading businesses through its commercial and property portfolio, which are almost always property or asset secured.
109. Suncorp Bank's commercial and property lending and deposit products are developed centrally and promoted nationally. A description of the lending and deposit products that Suncorp Bank

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offers to these customers as at June 2022 is set out at **Tab 1 of Non-confidential Exhibit CVH-2**.

110.



111. In my experience, based on my discussions with my business banking team, there is keen competition for the supply of commercial and property services with a number of banks and other lenders active in this segment, including the Major Banks. Suncorp Bank's commercial and property customers tend to be located in metropolitan areas and have an abundance of choice among banks. Any significant commercial and property customer is likely to have relationships with multiple banks. When they have a big development or investment coming up, I expect that these customers would have relationship managers from multiple banks making them offers.

112. Commercial and property customers will usually have a working relationship with both a broker and a bank, often through relationship managers. Customers develop a close relationship with their bank and their relationship manager through the credit assessment process. Brokers may separately also establish working relationships with bankers as applications for commercial and property services are often placed with individual bankers. As at May 2022, approximately [REDACTED] of Suncorp's commercial and property loans were originated via a broker, up from [REDACTED] in FY20 and [REDACTED] in FY21.

113. The key factors that banks compete on for commercial and property loans are price, credit risk appetite, speed and knowledge of both the industry and a customer's business. [REDACTED]

[REDACTED] The paper includes analysis of the pricing offered by a competitive set for commercial lending which shows that on an ad hoc basis Suncorp Bank formally monitors and tracks pricing by CBA, NAB, Westpac, ANZ, Bank of Queensland, Macquarie, ING, Bendigo and Adelaide Bank, Heritage Bank and St George.

114. [REDACTED] when Suncorp Bank makes decisions about how to position itself against other suppliers of commercial and property services, the Bank has historically been more focused on building and maintaining relationships with customers and less focused, at least initially, on competing on price [REDACTED]

115. My experience is that customers and brokers typically see major banks and their alternate brands such as CBA, and BankWest, Westpac and St George as different lenders as they may have different credit criteria despite their common ownership. Although relatively new, Judo Bank has also become a real competitor in this segment.

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Other Business Banking services

116. Suncorp Bank has a small team of payment specialists and primarily provides merchant services to small and medium-sized businesses that require point-of-sale (POS) terminals. The current services offered by Suncorp Bank include:
- (a) mobile and integrated POS terminals for small to large businesses;
 - (b) POS terminals for health businesses which accommodate private health fund and Medicare claims;
 - (c) BPAY services;
 - (d) online, mail and telephone payment solutions; and
 - (e) batch payment services for processing bulk and recurring repayments or large volumes of transactions on a regular basis.
117. Suncorp Bank's mobile and integrated POS terminals ((a) above) are suitable for small to large businesses. [REDACTED]
118. Suncorp's merchant acquiring business is very small in terms of scale with approximately 2.1% share as at June 2022. Other Bank suppliers of merchant acquiring services include CBA, NAB, Westpac and Bank of Queensland, Bendigo, Tyro Bank and non-banks such as Square, Stripe, Adyen and PayPal. ANZ also supplies these services through a joint venture with Worldline. [REDACTED]
119. Suncorp Bank also offers asset finance products via its white label arrangement with Scottish Pacific. The size of this business is very small, with a total of approximately [REDACTED] Suncorp Bank-referred accounts recorded on the books during the month of May 2022 with a total average exposure as at May 2022 of approximately [REDACTED].

F. COMBINATION WITH ANZ

120. I consider that the following key benefits will arise from a combination of Suncorp Bank with ANZ. These are in addition to the specific transaction mechanics and commitments made as part of the proposed acquisition which are set out in Suncorp Group's ASX announcement of its proposed transaction with ANZ released on 18 July 2022, set out at **Tab 4 of Non-confidential Exhibit CVH-2**.
121. Combined with ANZ, Suncorp Bank will have better access to capital and funding [REDACTED] Both ANZ and Suncorp Group are AA rated, but Suncorp Group has been downgraded recently to A+. Based on my experience in the industry, I understand that the Major Banks enjoy what I would describe as an implicit government guarantee. That is, from an investor perspective, these banks are "too big to fail" and therefore benefit from an implicit government guarantee which is reflected in their ratings from ratings agencies. As a result, they benefit from a cheaper cost of capital and wholesale funding. In my opinion, a cheaper cost of capital and a lower cost of funds means that Suncorp Bank as part of ANZ can offer better customer pricing and service experience than Suncorp Bank can, absent the sale. Higher cost of funds and more restricted access to capital are currently a potential constraint for Suncorp Bank.
122. Combined with ANZ, Suncorp Bank will have the scale to be able to offer a more diverse product suite that will in many cases fill in the gaps in Suncorp Bank's service offering, in

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particular when it comes to more complicated transactions or offering more complicated features. For example:

(a) Suncorp Bank presently does not have the scale to be able to offer all of its Business Banking customers a more complex end-to-end banking service and these customers must engage and interact with more than one bank if they want to acquire end-to-end banking services. [REDACTED]

[REDACTED] Suncorp Bank is presently unable to offer to its customers more complex transactional payment solutions and foreign exchange services. [REDACTED]

(b) [REDACTED]

123. Acquisition by ANZ is likely to result in access to technology investment synergies that will benefit customers. Post-acquisition, ANZ's investments in (for example) its ANZ Plus platform, its Know Your Customer (KYC) platform, or its transaction monitoring rules to counter money laundering, are likely to also benefit Suncorp Bank. Suncorp Bank's investment needs are varied and complex [REDACTED]

[REDACTED] ANZ's investments may assist Suncorp Bank [REDACTED]

124. Small Banks are subject to a disproportionate regulatory and compliance burden, particularly as further regulatory and compliance mandates are introduced. For example, compliance with the Open Banking/Consumer Data Right obligations has as at 30 June 2022 cost Suncorp Bank over [REDACTED] million yet only [REDACTED] Suncorp customers had provided consent for their data to be used under this regime. [REDACTED]

125. Investing in the current market presents a significant challenge, with increasing competition for finite talent and resources. We compete not only against domestic Banks for this talent, but also global technology firms ('Big tech') and smaller Fintechs. [REDACTED] significant further investment is required [REDACTED]

126. [REDACTED]

127. The Bank has a complex legacy technology stack to support the Bank's home lending, everyday banking and business banking portfolios. [REDACTED]

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128. Overall, a bank owning a bank is likely to have benefits from a technology point of view, and in being able to deliver better capabilities for customers. Having said this, I understand that there may be some Suncorp Bank customers who have concerns about the acquisition. For customers who choose to bank with a non-Major Bank, I understand there may be a concern that Suncorp Bank will no longer offer the features that customers may consider unique to Suncorp Bank or to non-Major Banks in general, such as the relationship model, close proximity to customers, and a community connection. However, I do not consider that it is necessarily the case that, when a non-Major Bank combines with a Major Bank, their unique identity and service offering ceases. I also consider that in home lending, brokers also value what I would describe as the “sub-brands” to the Major Banks, such as Bankwest and St George because there are often differences in credit policy, pricing, relationships, community connection and approach to credit assessment that provide genuine differentiation and customer choice.

129. I understand that for customers who choose to bank with Suncorp because it is a non-Major Bank, the proposed acquisition is a moment of uncertainty during which I expect competitors will target Suncorp Bank's customers to encourage them to switch. For customers who choose to continue banking with a non-Major Bank, there are a range of options:

- (a) for business customers, I expect that Bank of Queensland, Bendigo and Adelaide Bank, Rabobank and Judo Bank would compete strongly by offering their relationship manager model to Suncorp Bank's customers; and
- (b) for retail consumers, Macquarie Bank (for the reasons already mentioned in paragraph 51 above), ING and Bendigo and Adelaide Bank are likely to compete strongly as will the other Major Bank-owned brands such as Bank of Melbourne, Bankwest, St George and UBank. Each of these brands offers a unique proposition to retail customers around Australia.

I do not consider there to be any meaningful benefits to Suncorp Bank customers of the Suncorp Group distributing both bank products and insurance products, particularly given licensing and other distribution obligations on financial institutions.

130. Ultimately, there is no shortage of choices for customers. If the transaction proceeds, ANZ and Suncorp Bank would need to continue to compete hard in order to keep their existing customers, and ideally grow their customer franchises.

Signature of witness



Clive van Horen