

STATEMENT IN SUPPORT OF APPLICATION FOR MERGER AUTHORISATION

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED

Applicant

Statement of: **Isaac James Christian Rankin**

Address: 833 Collins Street, Docklands, Victoria

Occupation: Managing Director of Commercial and Private Banking, Australia and New Zealand Banking Group Limited

Date: 30 November 2022

This document contains confidential information which is indicated as follows:

[Confidential to ANZ] [REDACTED]

Contents

Document number	Details	Paragraph	Page
1.	Statement of Isaac James Christian Rankin dated 30 November 2022	1 - 105	2 - 25
2.	Exhibit "IR-1", being a confidential copy of ANZ Commercial's business lending segmentation flow chart and total business limits product listing.	16(a)	4
3.	Exhibit "IR-2", being a confidential copy of ANZ's Commercial Business Writing Strategy for 2022.	83	18
4.	Exhibit "IR-3", being a confidential ANZ Commercial's current "strategy on a page".	85	18
5.	Exhibit "IR-4", being a copy of NAB's announcement dated 4 October 2020.	93(a)(ii)	21

Restriction of Publication Claimed

A. INTRODUCTION

1. I am the Managing Director of the Commercial and Private Banking business unit of Australia and New Zealand Banking Group Limited (**ANZ**). I am authorised to make this statement on ANZ's behalf.
2. I make this statement in support of the application by ANZ for authorisation of its proposed acquisition of 100% of the issued share capital in SBGH Limited from Suncorp Group Limited, either directly or via a related body corporate of ANZ, in accordance with a share sale and purchase agreement between ANZ and Suncorp Bank executed on 18 July 2022 (the **Proposed Acquisition**).
3. I address the matters set out in this statement based on my experience in the banking industry and with ANZ as described in paragraphs 12 to 14, and on my review of the business records of ANZ available to me in my current role.
4. In preparing this statement, I also consulted with the General Manager, Small Business Banking ([Confidential to ANZ] ██████████), General Manager, Business Banking ([Confidential to ANZ] ██████████), Head of Emerging Corporate ([Confidential to ANZ] ██████████), General Manager, Commercial Broker, ([Confidential to ANZ] ██████████), Pricing Engagement Expert, Chapter Lead ([Confidential to ANZ] ██████████) and Head of Governance, Commercial ([Confidential to ANZ] ██████████) about the matters in this statement to verify that they are correct. Some of the information in this statement was extracted from ANZ's business records by those individuals or their delegates. Where I make statements based on the information provided to me, I believe that information to be true.
5. Exhibited to me at the time of signing this statement are the documents marked IR-1, IR -2, IR -3 and IR -4.
6. This statement (including its exhibits) contain information that is confidential to ANZ and its related entities. Disclosure of that confidential information would cause prejudice to ANZ and its related entities.

B. ROLE AND EXPERIENCE

My role at ANZ

7. I was appointed as Managing Director, Commercial Banking of ANZ in April 2019. In October 2020, my role expanded to include oversight of ANZ's Private Banking team, which services high-net-worth individuals and families in Australia.
8. Until March 2022, Commercial and Private Banking was part of ANZ's Australia Retail and Commercial division. In March 2022, ANZ created separate divisions for Australia Retail and Australia Commercial. Under the current structure, I report to the Group Executive, Commercial. The Group Executive, Commercial role reports to ANZ's Group CEO. ANZ's Group CEO is presently acting in the role of Group Executive, Commercial.
9. The Australia Commercial division (**ANZ Commercial**) comprises the Business Owners Portfolio and Commercial and Private Banking. ANZ Commercial provides banking products and services to private banking customers and to small and middle market business customers throughout their lifecycle. This covers ANZ's business customers in Australia, other than business customers serviced by ANZ's Institutional division and business customers managed by ANZ's specialist Lending Services, Collections or Hardship teams. The Institutional division services large corporate clients, both in Australia and globally, typically with lending requirements in excess of [Confidential to ANZ] ██████████ (depending on the particular

Restriction of Publication Claimed

customer or industry they operate in). Broadly speaking, the Lending Services, Collections and Hardship teams manage clients who are, or are at risk of being, in arrears, default or hardship.

10. In my current role, I am responsible for overseeing the Commercial Distribution business, which distributes ANZ's banking products and services to customers in ANZ Commercial. This includes specific responsibility for:
 - (a) overseeing business development and delivery of services across broker and direct customer channels, in accordance with ANZ's strategies;
 - (b) strategy development, overseeing projects to improve customer experience, identifying opportunities for growth, and allocating business resources accordingly;
 - (c) the financial and non-financial performance of ANZ Commercial, including revenue, margins, growth and customer satisfaction; and
 - (d) risk frameworks and policies specific to the business unit, including credit, operational risk and compliance.
11. The Business Owners Portfolio has responsibility for many other aspects of the ANZ Commercial offering, including product management (excluding products drawn from ANZ's Retail and Institutional divisions), data forensics for business lending, collateral, marketing and centralised customer communication. The Customer Service Operations Portfolio within the Retail division has responsibility for supporting ANZ Commercial in servicing and credit support activities of customers in the Small Business Banking, Business Banking and Private Banking segments described below.

Prior experience and qualifications

12. I commenced my employment with ANZ in February 2007. Prior to my current role, I held the following positions at ANZ:
 - (a) Investment Director, Private Equity from February 2007 to January 2009.
 - (b) State Head Western Australia, Institutional and Corporate Banking from January 2009 to January 2014.
 - (c) General Manager, Institutional, Corporate and Commercial Banking for Western Australia from February 2014 to March 2016.
 - (d) General Manager, Services to Natural Resources, Australia from March 2016 to April 2017.
 - (e) General Manager, Regional Business Banking, Australia from May 2017 to October 2017.
 - (f) General Manager, Business Banking from October 2017 to March 2019.
13. Prior to commencing at ANZ, I was employed by Westpac for 16 years, with my last role at Westpac being the Head of Corporate and Institutional Banking, America (based in New York) from December 2004 to January 2007.
14. I hold a Master of Applied Finance from Macquarie University and a Bachelor of Business from Curtin University of Technology.

C. STRUCTURE OF COMMERCIAL DISTRIBUTION

Overview

15. ANZ Commercial distributes banking products and services to private banking customers and small and middle market customers. These customers are divided into four segments based on customer types and needs, total business limits and complexity. Broadly speaking, a customer's "total business limit" is the sum of the total approved (drawn and undrawn) credit limits for the customer across all business facilities they have with ANZ Commercial. Each of the four segments are led by a General Manager (GM).
 - (a) **Small Business Banking (SBB)** typically services customers with total business limits of up to [Confidential to ANZ] [REDACTED].
 - (b) **Business Banking (BB)** typically services customers that have total business limits of between [Confidential to ANZ] [REDACTED] and [REDACTED].
 - (c) **Specialist Distribution (SD)** typically services customers who operate within a particular industry (agribusiness, property and health), and/or are considered to be medium sized business customers with credit requirements of up to ([Confidential to ANZ] [REDACTED]). SD customers are serviced by specialists within the SD business, which I describe in further detail below at paragraph 42.
 - (d) **Private Banking (PB)** services high-net-worth individuals and families.
16. There are some exceptions to the application of the monetary thresholds to which I have just referred. Some customers with total business limits below [Confidential to ANZ] [REDACTED] are managed by BB, rather than SBB, for example:
 - (a) Customers who are allocated to a different segment as a result of ANZ's segmentation rules. These rules concern both lending complexity (for example, a loan that requires ongoing management or supervision, such as a construction loan, which requires the monitoring of progressive payments) and product complexity (for example, interest rate hedging products, which require specialist banking support of the type provided by BB). Confidential Exhibit IR-1 is a confidential copy of ANZ Commercial's businesses segmentation flow chart and total business limit product listing.
 - (b) Customers who, for other reasons (including relationship continuity, growth potential or industry specialisation, for example) are more appropriately managed by BB rather than SBB, despite their total business limits.
17. In this statement, I address the distribution of products and services to SBB, BB and SD customers, and do not address the distribution of products and services to PB customers, and when I refer to "commercial customers", I mean small and middle market business customers.
18. ANZ Commercial also has a GM who oversees the Commercial Broker team, which is responsible for managing ANZ's relationship with commercial broker aggregator firms and commercial brokers. Customers referred to ANZ by commercial brokers are typically managed on an ongoing basis within each of the business segments. For example, a new ANZ Commercial customer who obtains a [Confidential to ANZ] [REDACTED] loan via a broker would typically be serviced by SBB on an ongoing basis, while oversight of the broker relationship continues to be managed by the Commercial Broker team. However, customers referred by certain accredited brokers are managed by the Commercial Broker team.

Restriction of Publication Claimed

19. Each of the GMs described above report to me, as well as a number of other managers with specialist roles. ANZ Commercial also includes a Head of Specialised Agribusiness and Commercial, who reports to the GM for the SD segment. While that role reports into SD, it also includes dual responsibility for servicing agribusiness customers in the SBB and BB segments, together with the GMs for those segments.
20. For completeness, I note that ANZ also offers merchant services to customers of ANZ Commercial and ANZ's Institutional division, which enables them to accept card payments, including payments made in-person, by telephone and via digital platforms. Since April 2022, these services have been provided by ANZ Worldline Payment Solutions (**Worldline JV**), a standalone independent business operated by Worldline Australia Pty Ltd (**Worldline Australia**). Worldline JV is a joint venture between ANZ and Worldline SA, a global payments provider. ANZ and Worldline SA hold a 49% and 51% interest, respectively, in Worldline Australia. Management of the joint venture relationship is undertaken within the Business Owners Portfolio. ANZ Commercial customers seeking a merchant services payment solution are referred by the Commercial Distribution business to Worldline JV.

Small business banking

Customers

21. SBB services just over [Confidential to ANZ] [REDACTED] customers. These customers collectively account for approximately [Confidential to ANZ] [REDACTED] in lending and [Confidential to ANZ] [REDACTED] in deposits as at August 2022. The vast majority of SBB customers ([Confidential to ANZ] [REDACTED]) are clients with working capital and transactional banking facilities. A smaller proportion of SBB customers ([Confidential to ANZ] [REDACTED]) have a mixture of working capital, business lending, home loan and/or transactional banking facilities. At my request for the purposes of preparing this statement, the figures in this paragraph were obtained from the ANZ IRIS system and provided to me by the ANZ Commercial Head of Governance.
22. There is a lot of variation in SBB, including with respect to:
 - (a) industries covered (examples include property, professional services, retail services and agriculture);
 - (b) business types, such as sole traders, partnerships, companies, non-profit organisations and unincorporated associations; and
 - (c) size and sophistication, in part due to customers being categorised as a SBB customer based on their total business limits, rather than their turnover, assets or some other measure of size.
23. While SBB does not focus on any particular industry or business type, the terms offered to customers on lending products reflect a risk assessment that takes into account the type of business operated by the customer (among other factors). I discuss those assessments further below at paragraph 65 and 66.

Service model

24. SBB deploys three service models, with customers managed in accordance with these three service models in accordance with segmentation rules:
 - (a) **Portfolio managed customers** do not have a dedicated relationship manager. [Confidential to ANZ] [REDACTED]

Restriction of Publication Claimed

- [REDACTED]
- (b) **Remotely managed customers** are managed remotely by Small Business Managers (SBM) located at ANZ's National Business Centre. [Confidential to ANZ] [REDACTED]
- (c) **Relationship managed customers** have a dedicated Business Banking Manager (BBM) assigned to them. [Confidential to ANZ] [REDACTED]
25. SBB managers and bankers tend to be 'generalists', given the diversity of customers they work with and manage. As at August 2022, SBB employed approximately [Confidential to ANZ] [REDACTED] full-time equivalents (FTEs), comprising individuals who hold the following roles:
- (a) **State Heads/Head of National Business Centre;**
 - (b) **Area Managers** who manage a geographic region and lead teams of BBMs and SBSs;
 - (c) **BBMs** who are generally based at a retail branch or business centre, and locally manage a relationship managed portfolio. BBMs are responsible for identifying and meeting customer needs and responding to customer requests. A business centre is a physical site dedicated to servicing ANZ Commercial customers, which can be co-located with a branch or a standalone site. Business centres do not have a retail offering;
 - (d) **SBMs** who are based at the National Business Centre and manage a remotely managed portfolio (i.e. over the telephone and by email). SBMs are responsible for identifying and meeting customer needs and responding to customer requests; and
 - (e) **SBSs** who are typically based in retail branches and serve customers for transactional banking needs and customers with total business limits of up to [Confidential to ANZ] [REDACTED] on a walk-in and/or appointment basis. Customers served by an SBS fall within the portfolio managed cohort and the SBS has no ongoing relationship management responsibility for these customers.
26. Other various roles (additional [Confidential to ANZ] [REDACTED] FTE) support customer service enquiries and initiatives that drive improved customer and banker experience (e.g. improving time to credit decisions and fulfilment), given the large volume of SBB customers relative to BB and SD and the resulting service and lending driven requests received.

Originating SBB business

27. There are different ways new SBB customers might first engage with ANZ. This varies significantly between customers, based on their individual preference and the complexity of their banking needs. The channels available to customers include:
- (a) contacting ANZ's call centre or submitting an online enquiry to "request a call back";

Restriction of Publication Claimed

need to increase their lending, through to BB customers who have multiple entities and trading structures to manage their business.

Service model

34. Each BB customer has a dedicated Relationship Manager (**RM**). A typical portfolio for an RM includes around [Confidential to ANZ] customer lending groups, depending on the size and complexity of those groups. The RM is also responsible for identifying new customers to bring into their portfolio. Those customers may be growing customers from SBB or customers of other banks who they refinance or provide new lending to. Most BB portfolios also have a dedicated Assistant Manager (**AM**). As at August 2022, BB employed approximately [Confidential to ANZ] FTEs, comprising individuals in the following roles:
- (a) **State Heads**;
 - (b) **Regional Executives** who are responsible for a geographic region and leading teams of RMs and AMs;
 - (c) **RMs** who are generally based at a business centre and manage a portfolio of customers and are responsible for identifying and meeting customer needs, conducting periodic reviews of each customer and responding to customer requests; and
 - (d) **AMs** who assist RMs with managing their portfolio of customers and meeting customer needs.
35. BB customers also have access to specialised support teams that provide specialist advice in the areas of markets (including risk management and foreign exchange), vehicle and equipment finance, transactional banking and trade.
36. BB portfolios are considered generalist in the sense they may contain a wide range of industry types within one relationship managed portfolio. There are also portfolios that can be more specialised. For example:
- (a) some BB RMs are responsible for portfolios that are comprised largely or entirely of customers with agricultural or farming businesses (called "agribusinesses"). While "agribusiness" is not a distinct segment within the BB business, bankers who manage portfolios of agribusiness customers are supported by specialised State Agribusiness Managers from the SD business; and
 - (b) specialised State Property Managers from the SD business often provide support to BB RMs whose portfolios contain lending to customers who invest in commercial property. The support from State Property Managers includes advice on shaping portfolios, maintaining lending standards and specialist industry insights.
37. Generally speaking, BB customers are more likely than SBB customers to acquire complex banking products. However, the extent and complexity of BB customers' financing and transactional banking needs varies significantly, depending on the nature of each customer's business and industry.

Originating BB business

38. ANZ originates new BB customers in the same ways as SBB customers. Existing SBB customers may also be transferred to a BB RM because of an increase in their lending requirements and/or business complexity.

Restriction of Publication Claimed

39. Contact with BB customers can occur by phone or email, in-person at a branch or business centre, or at the customer's premises, depending on the particular preferences and needs of the customer.
40. Unlike SBB digital options, in BB, an ANZ representative must always meet the customer in-person before they can open an account for transactional banking or financing products (other than asset finance). However, once the account is open, they can generally conduct their day-to-day business banking online.

Specialist distribution

Customers and service model

41. Based on data provided to me in the way I described at paragraph 21, ANZ Commercial services approximately [Confidential to ANZ] [REDACTED] customers within its SD business, managing approximately [Confidential to ANZ] [REDACTED] in lending and [Confidential to ANZ] [REDACTED] in deposits across those customers as at August 2022.
42. The SD business provides banking products and services to the following customer segments:
 - (a) **Healthcare**, which has businesses that are segmented across SBB (approximately [Confidential to ANZ] [REDACTED]) BB (approximately [Confidential to ANZ] [REDACTED]) and SD (approximately [Confidential to ANZ] [REDACTED]). Customers in this segment cover a wide range of businesses such as general practitioners, dentists, veterinarians, aged care providers, pharmacists, and private hospital operators. This segment is led by the Head of Health. It is staffed by specialist RMs, who serve as dedicated relationship contacts for customers within the health portfolio. ANZ Commercial focuses on healthcare as a standalone segment both because it is a high growth industry and because ANZ Commercial can more effectively service, and compete for, customers by offering bankers with specialist industry knowledge. For example, RMs with knowledge of healthcare and the associated regulatory environment are better equipped to assist a medical practice with debt structuring options. ANZ Commercial focuses on helping these businesses to grow. In some cases, customers will transfer into ANZ's Institutional division – typically once their credit requirements reaches around [Confidential to ANZ] [REDACTED].
 - (b) **Agribusiness**, which has customers with limits typically in excess of [Confidential to ANZ] [REDACTED]. There are approximately [Confidential to ANZ] [REDACTED] customers in this segment, covering a wide range of large scale primary production and first stage food production farming businesses. This segment is led by the Head of Specialised Agribusiness and Commercial. It is staffed by Directors, Corporate Agribusiness Relationship Managers, Relationship Credit Managers and Assistant Managers, who each manage portfolios of customers or aspects of those portfolios, and State Agribusiness Managers who provide specialist input to BB RMs with their agribusiness customers. Relationship Credit Managers have a stronger focus on credit analysis and risk assessment and Relationship Managers on customer interaction and business development. A specialist focus for agribusiness is important because customers in this segment have unique finance needs, reflecting, amongst other things, the seasonal nature of their production cycles and therefore their cash flow. It is also important because banking in this segment is heavily driven by relationships and networks – customers often value stable, ongoing relationships with bankers who understand their business. ANZ Commercial focuses on helping these businesses to grow. In some cases, customers will transfer into ANZ's Institutional division – where there is increased complexity with the farming operations, and/or their turnover exceeds [Confidential to ANZ] [REDACTED].

Restriction of Publication Claimed

- (c) **Commercial property**, which has customers typically with limits in excess of [Confidential to ANZ] [REDACTED]. ANZ Commercial currently services about [Confidential to ANZ] [REDACTED] customers in this segment. This commercial property segment is led by the Head of Property. It is staffed by Directors, Specialist Property Relationship Managers, Relationship Credit Managers and Assistant Managers, who each manage portfolios of customers or aspects of those portfolios as well as State Property Managers who provide specialist input to BB RMs on commercial property lending. ANZ Commercial's dedicated focus on this segment reflects its size and the unique risks and opportunities in financing commercial property, including for developers and investors. Customers benefit from having specialist bankers with an in-depth and current understanding of commercial property markets, for example when considering market demand, leasing arrangements, construction risks, property valuations and the strength and projected cash flows of a development or investment proposal. ANZ Commercial focuses on helping these businesses to grow. In some cases, customers will transfer into ANZ's Institutional division – typically once their limits reach around [Confidential to ANZ] [REDACTED] for development transactions and [Confidential to ANZ] [REDACTED] for investment assets.
- (d) **Emerging corporate**, which is a diversified segment (i.e. drawn from various industries) of businesses that are not large enough to be serviced by ANZ's Institutional division, but whose finance needs are larger and more complicated than most BB customers. Currently, there are approximately [Confidential to ANZ] [REDACTED] customers in this segment. Emerging corporate customers tend to have limits of around [Confidential to ANZ] [REDACTED]. As larger and established businesses, they also tend to have more unsecured cash flow lending compared to BB (i.e. lending based on forecast cash flow without being well-secured against property or other assets). ANZ Commercial focuses on helping these businesses to grow. In some cases, customers will transfer into ANZ's Institutional division – typically once their limits reach around [Confidential to ANZ] [REDACTED]. This segment is led by ANZ's Head of Emerging Corporate and is staffed by Directors, Relationship Managers, Relationship Credit Managers and Assistant Managers. The nature of these roles are as described for BB in paragraph 34 and SD in paragraphs (b) and (c) above.

SD business origination

43. SD customers acquire the products which I describe in section D below, including some products which are specifically designed for a particular industry.
44. SD customers typically utilise products with more advanced features, compared to SBB and BB customers. By way of an example, SD customers typically have more advanced, customised and large scale transactional banking requirements than a BB and SBB customer. As such, SD customers typically use the ANZ Transactive Global platform rather than Internet Banking or Internet Banking for Business.
45. SD customers are originated in the same ways as SBB and BB customers. Customers may also move from the BB business into SD based on the complexity of their banking needs or when they cross one of the lending thresholds I described in paragraph 15.

Commercial broker channel

Brokers

46. Brokers are intermediaries who are engaged by customers to seek lending facilities from banks and other providers. This includes advising customers on suitable finance options, managing the loan application process and, in many cases, negotiating lending terms on behalf of a customer. The brokers represent their customer, not ANZ, and will make recommendations to

Restriction of Publication Claimed

their customers about the products that are best suited to the customer's requirements. The broker will also make enquiries of lenders to see what is available, and provide that information to the customer.

47. Generally, brokers will approach more than one lender on behalf of their customer, and each lender is provided with an opportunity to respond to the request. I do not have access to any data that shows how many offers a broker will put to the customer, and expect that it will vary broker-to-broker. In my experience and based on feedback from ANZ Commercial bankers, it is not unusual for brokers to refer directly or indirectly to offers made by other lenders in those negotiations.
48. Brokers do not hold any credit decision authority and are required to submit applications to ANZ. For commercial lending, this means they seek approval for a proposed lending solution, with supporting documents, to an ANZ Commercial banker who then processes that application. ANZ Commercial may decline to proceed with the application, provide feedback on the structure or other aspects of the application, or proceed with the application (which may be approved as submitted, approved with additional conditions or declined). Brokers who intermediate asset finance (**Asset Finance Brokers**) can submit applications direct into ANZ systems, however, do not hold any credit decision authority.

Referrers

49. ANZ Commercial customers may also be referred to ANZ by individuals accredited with a broker aggregator firm (**Aggregator**) on ANZ's Commercial Aggregator Panel, or others, such as professional services firms, who have a referral arrangement with ANZ (**Referrers**).
50. Referrers who are accredited with an Aggregator are "Aggregator Referrers" and Referrers who have a direct referral arrangement with ANZ are "Direct Referrers". I describe these further at paragraph 57 below.

Aggregators

51. Aggregators handles the back-office arrangements for the brokers, such as managing compliance, reporting and payments. Aggregators do not decide which bank or non-bank lenders receive the customer lending opportunities—rather, that is a matter for the individual brokers and Aggregator Referrers.
52. ANZ will only deal with brokers and Aggregator Referrers who have an arrangement with an Aggregator on ANZ's Commercial Aggregator Panel. The Commercial Aggregator Panel comprises Aggregators with whom ANZ has agreements setting out the terms under which ANZ will engage with their members (brokers) including fees and commissions paid, required conduct and standards and other terms.
53. The Aggregators on ANZ's Commercial Aggregator Panel are likely to also be accredited with a number of bank and non-bank lenders.
54. ANZ pays Aggregators an upfront and/or trailing commission with the Aggregator managing the payments to the broker and aggregator referrers.
55. The number of aggregators in the industry has been rationalising. I expect this is partly because of rising compliance standards, which means there are advantages to having scale to reduce the costs of resourcing to meet those compliance standards. As at June 2022, based on data obtained by the ANZ Commercial Business Execution Team at my request, ANZ has agreements with [Confidential to ANZ] ██████████ Aggregators (being those on the Commercial Aggregator Panel), and has [Confidential to ANZ] ██████████ brokers and [Confidential to ANZ] ██████████ Referrers. Of these, ANZ considers [Confidential to ANZ] ██████████ brokers and

Restriction of Publication Claimed

[Confidential to ANZ] Referrers to be active (i.e. they have introduced at least one new customer, with a successful loan drawdown, to ANZ in the last 12 months).

Accreditation and management

56. ANZ Commercial will only deal with brokers and Referrers who have been accredited by ANZ. The Commercial Broker team is responsible for managing accreditations, as well as ANZ Commercial's broader relationship with commercial brokers, Referrers and Aggregators.
57. ANZ has two tiers of commercial broker accreditations and two types of Referrer accreditations. These are described below.
- (a) **Premium Brokers** are brokers who are assigned a dedicated relationship banker from the Commercial Broker Premium team (which is part of the Commercial Broker team). These bankers only manage customers introduced by Premium Brokers. Premium Brokers constitute [Confidential to ANZ] of all broker originated lending across ANZ Commercial.
 - (b) **Other commercial brokers** are assigned to generalist bankers and managed by SBB, BB and SD. Other commercial brokers constitute [Confidential to ANZ] of all broker originated lending across ANZ Commercial.
 - (c) **Aggregator Referrers** are individuals who are accredited with an aggregator on ANZ's Commercial Aggregator Panel. Aggregator Referrers constitute [Confidential to ANZ] of all broker originated lending across ANZ Commercial.
 - (d) **Direct Referrers** are generally professional services firms which have the ability to identify when their clients or members have commercial banking needs. These Referrers are not brokers working with an Aggregator, but have a direct referral arrangement where the organisation may be paid a commission for referring a customer to ANZ. ANZ has approximately [Confidential to ANZ] Direct Referrer arrangements with a range of organisations. Direct Referrers constitute [Confidential to ANZ] of all broker originated lending across ANZ Commercial.

Increasing flows from brokers and Referrers

58. A material proportion of new loans in ANZ Commercial are originated via brokers or Referrers. The data in Confidential Table 1 was provided to me for the purposes of this statement by the Commercial Broker Team from ANZ's IRIS Commercial¹ showing the proportion of total loans on ANZ's balance sheet that were originated through a broker. The combined total loans on ANZ's balance sheet originated by the broker channel for the SB and BB segments as at July 2022 is approximately [Confidential to ANZ].

Segment	Mar-21	Sep-21	Mar-22	Jul-22
SB				
BB				
SD				

¹ IRIS Commercial (also called IRIS B&PB) is ANZ's management reporting application in relation to commercial and private bank customers.

Restriction of Publication Claimed

59. Given the significance of commercial brokers as an origination channel, the Commercial Broker team competes vigorously against other lenders to ensure that ANZ Commercial's offering is considered. This includes ensuring that brokers receive a convenient and timely service from ANZ, as brokers value transparency and reliability in their dealings with ANZ, especially as to the expected timing of customer loan assessments and approvals. I discuss the initiative ANZ is working on to improve broker experience at paragraph 91(d).

D. PRODUCTS, POLICY, PRICING AND DISTRIBUTION

60. The products offered to ANZ's Commercial customers can be grouped into the following categories:
- (a) lending products;
 - (b) transactional banking products;
 - (c) commercial cards, which involve a hybrid of lending and transactional banking; and
 - (d) risk management products (such as foreign exchange and interest rate hedging).
61. The range of banking products and services offered by ANZ Commercial is comparable to other full-service banks.
62. In my experience, the majority of commercial customers require transactional banking products, and relatively simple lending products. For lending, commercial customers will typically seek a loan with a variable or fixed interest rate, or a split of fixed and floating rates. With the exception of sophisticated customers who are typically in the SD segment, they are less likely to seek other interest rate risk management products. Commercial customers may also seek services from ANZ Commercial to exchange and hedge foreign currency.
63. In most cases, the products of ANZ Commercial are distributed to customers across a wide range of industries. However, there are some products which are developed for and sought by customers in specific industries such as:
- (a) agribusiness customers are offered farm management deposit accounts, which allows agribusinesses to self-manage income requirements across different seasonal conditions; and
 - (b) Worldline JV offers a payments terminal called "ANZ HealthPay", which allows healthcare providers to process Medicare, private health fund claims and card payments. This product is supplied directly by Worldline JV, not by ANZ, but ANZ refers commercial customers to Worldline JV who may require this service.

Policy

64. Lending decisions are made by ANZ Commercial in accordance with its underwriting standards, documented across a number of credit and lending policies, which collectively govern ANZ Commercial's risk appetite and lending approach for different areas of lending (e.g. asset finance, agribusiness, commercial property, health). These standards also set out the approval framework for applications which need to be escalated, requirements for tenor and covenants and details of the industries and activities which are outside ANZ Commercial's risk appetite. The policies and approval framework are set on a central basis and applied nationally. ANZ does not adopt different policies or approval frameworks for specific States or Territories.
65. As part of any lending decision, a risk assessment of the customer and transaction is undertaken which determines whether the transaction is within ANZ's risk appetite and on what basis ANZ is prepared to lend money. This assessment includes consideration of whether the

Restriction of Publication Claimed

customer can repay the loan, as required by paragraph 51 of the Banking Code of Practice. A particular risk rating may require that minimum criteria are met for lending or lending on particular terms. Those criteria involve metrics such as:

- (a) the **Security Indicator rating**, which compares the estimated realisable value of any security offered compared to the credit limits being provided;
- (b) **loan to value ratio**, which is calculated by dividing the loan amount by ANZ Commercial's assessment of the value of security;
- (c) **interest coverage ratio**, which is a measure of a customer's ability to pay interest based on its profitability;
- (d) a customer's **Calculated Credit Rating**, being the credit score calculated by ANZ, based on a customer's probability of defaulting over the next 12 months; and
- (e) a customer's **Comprehensive Credit Reporting rating**, being the credit score provided by an external credit reporting body.

66. Once a determination has been made on whether ANZ would extend a loan to a particular customer, an assessment is made on the pricing that can be offered to the customer to ensure an appropriate return is achieved.

Pricing

67. The variable interest rates applicable to ANZ Commercial for lending and deposit products typically comprises:

- (a) a headline or index rate, which could be an ANZ index or headline rate such as the Business Mortgage Index and Business Deposit Rate, or an external index such as BBSY; and
- (b) a margin specific to individual accounts for lending and in some instances, for deposits.

In addition, rates may be quoted on a fixed rate basis both for term deposits and fixed rate loans as applicable.

68. Pricing for individual lending decisions is determined by bankers taking into account the following:
- (a) the applicable pricing discretion framework and target financial hurdle;
 - (b) a risk assessment of the individual customer, taking into account the financial strength of the customer and their business (e.g. balance sheet, income statement, cash flow, business plan), credit check results from an external credit reporting body, and internal data, among other information;
 - (c) a risk assessment of the customer's industry such as historic performance, forecasts, emerging trends, and benchmarks (where available);
 - (d) an assessment of the value of any security provided;
 - (e) the nature of the customer's broader relationship with ANZ and any other products the customer may hold with ANZ; and
 - (f) the banker's assessment of the strength of ANZ's overall service/product proposition relative to competitors in each instance. Other aspects of the service/product

Restriction of Publication Claimed

proposition include speed and availability of credit, the amount other banks are prepared to lend, the amount and form of security required and the ongoing service proposition.

69. The price offered by a banker to an individual customer is a reflection of the above factors. These factors are considered by ANZ irrespective of the origination channel.
70. Customers will often seek to negotiate prices with the banker (either directly, or with the assistance of the customer's broker). The negotiation occurs in accordance with ANZ's pricing discretion frameworks. The extent of negotiation, and the end price, will depend on a range of factors, including whether the customer has obtained competing quotes from other financial institutions and the customer's negotiation approach. If the customer is assisted by a broker, then the broker's experience and expertise will also be a relevant factor.
71. The pricing discretion frameworks have a tiered system where the banker can negotiate discounts to a specified level, and larger discounts need to be approved by more senior staff. At my request for the purposes of this statement, the Pricing team has prepared Confidential Figure 1 based on data extracted from ANZ's Commercial Pricing Tool (which is used by SBB and BB bankers to price in accordance with the pricing discretionary frameworks). Confidential Figure 1 sets out the 'tier' at which deals are approved within the BB and SBB distribution segments (generalist and specialist), ranging in seniority from frontline bankers to a GM, between April and September 2022. A significant number of deals are escalated to a higher tier of approval, which in my view is consistent with ANZ Commercial competing vigorously to win customer opportunities.

[REDACTED]

[REDACTED]

72. Asset finance pricing via the broker channel is set by reference to base rates. A base rate is a rate that ANZ provides to the broker on top of which the broker will add a premium to achieve a commission, subject to a maximum premium (as a percentage of the amount financed) set by ANZ Commercial. Base rates are updated regularly based on market conditions and can differ depending on the nature of the asset being financed. In some instances, ANZ and a broker may negotiate a lower base rate for an individual transaction to achieve a rate that is acceptable to the customer. Ultimately, base rates are set to ensure ANZ makes a reasonable return and is competitive in market.
73. There are some cases where ANZ offers prices that apply to all customers without further customer-specific variations, including for the ANZ GoBiz product (discussed at paragraph 80

Restriction of Publication Claimed

below) and occasional "special" rates. I have consulted with the GM of SBB about these offers, who has provided the following examples:

- (a) Between 4 March 2019 and 31 October 2021, ANZ offered a 2 and 3 year fixed rate term loan special to SBB customers which, at times, was advertised on ANZ's website and directly to brokers. These special rates were periodically adjusted based on several factors. [Confidential to ANZ]

- (b) In July 2020, CBA released a 2.49% p.a. fixed rate special, which was seen as a particularly aggressive special rate. At that time, ANZ's fixed rate special was 2.95% p.a. [Confidential to ANZ] The GM of SBB ultimately approved an adjustment of ANZ's rates to 2.59% p.a., primarily in response to CBA's offer. [Confidential to ANZ]

- (c) In July 2022, ANZ increased its fixed and variable rates for the ANZ GoBiz unsecured lending product in response to the increase to the official cash rate in July 2022. [Confidential to ANZ]

74. With the exception of the instances identified above, prices on lending products are typically individually negotiated with customers, ANZ does not publish the rates available to particular customers or customer segments, and nor do its competitors. However, in my experience, customers have a general sense of expected pricing for commercial banking products. This is because customers will:

- (a) approach a number of banks to request quotes and information about products;
- (b) engage a broker; or
- (c) consult with other people in the industry, for example, accountants or financial advisors, to gauge whether the pricing offered is reasonable and comparable to that offered by other banks.

75. From time to time, ANZ receives information from customers or brokers about the prices offered by competitors to that customer as part of the negotiation process. However, that information is not necessarily accurate or reliable because customers and brokers are not required to provide evidence to verify the details of competing offers, including price or details of the terms applicable to the offer. Further, ANZ does not have visibility over what information the customer disclosed to the financial institution that offered the alternative price so it is possible that the price and terms offered to the customer by a competitor was made on a different basis. As a result, it is not possible for ANZ to determine with precision the price and non-price terms available for any particular customer segment.

Restriction of Publication Claimed

Distribution channels

76. With the exception of standalone asset finance products, the products summarised in paragraph 60 above are available directly from ANZ via an ANZ branch or business centre, National Business Centre (call centre), online (where applicable) or otherwise via an ANZ Commercial banker. Lending products are also accessible to customers via brokers who are authorised to originate customer lending opportunities and recommend an overall lending proposition that include products from ANZ (refer to paragraphs 47 and 59 above).
77. From December 2021, standalone asset finance products are only distributed by ANZ through its direct channels. This means that standalone asset finance products are not available to customers through brokers, unless they are an existing ANZ customer.
78. I do not regard the different distribution channels as being in conflict or competition with each other. That is, I do not aim to increase distribution via one channel at the expense of the other. Ultimately, my focus is on growing ANZ Commercial's share of business via all channels.
79. ANZ also has a suite of self-service online platforms available to customers with different banking needs:
- (a) **ANZ App:** ANZ's mobile banking application, typically used by ANZ's Retail and SBB customers.
 - (b) **Internet Banking:** ANZ's online banking platform, typically used by ANZ's Retail and SBB customers.
 - (c) **Internet Banking for Business:** ANZ's online banking platform for businesses, typically used by SBB, BB and some SD customers.
 - (d) **ANZ Transactive Global:** ANZ's digital solution providing a single-entry point to cash, liquidity loans, commercial cards, trade and market services, typically used by SD customers, who have complex needs and ANZ's Institutional customers.
80. In 2021, ANZ launched an online unsecured lending portal called ANZ GoBiz. ANZ GoBiz can be used to apply for an unsecured business loan of up to \$500,000 and an unsecured business overdraft of up to \$300,000, provided customers meet certain eligibility criteria and have at least 12 months of financial data in either Xero, MYOB or Intuit Quickbooks accounting software. Eligible customers can complete an application and receive conditional approval within [Confidential to ANZ] [REDACTED], by linking their accounting software to the ANZ GoBiz portal and providing other information. Where conditional approval is granted, customers typically receive unconditional approval within two business days. After receiving unconditional approval, customers can then access the approved funds in as fast as [Confidential to ANZ] [REDACTED] business days. Previously, the approval process took up to [Confidential to ANZ] [REDACTED] days.

E. STRATEGY OF ANZ COMMERCIAL

81. ANZ Commercial has a strategy of providing broad-based banking across the economy, in the sense that it seeks to serve a very wide range of industries and business types. Within that wide customer base, ANZ Commercial seeks to tailor its offering to customers based on the nature and complexity of their needs, and manage the risks and costs to serve. That strategy is reflected in the segmentation of ANZ Commercial into the various distribution segments described at paragraph 15 above.
82. ANZ Commercial also pursues strategies at an industry level, which are reflected in its underwriting standards, and modifies its risk settings from time to time as ANZ's view of industry risks evolve.

Restriction of Publication Claimed

83. I am a responsible party for approving ANZ Commercial's annual Business Writing Strategy, which outlines the high-level strategy, risk appetite and management approach for ANZ Commercial. This strategy is then reflected in the underwriting standards communicated to bankers, among other policies and controls. Confidential Exhibit IR-2 is [Confidential to ANZ] [REDACTED]

[Confidential to ANZ] [REDACTED]

[REDACTED]

85. The focus areas above are also summarised in Confidential Exhibit IR-3, being ANZ Commercial's "Strategy on a page", approved by me and circulated to employees within ANZ Commercial.

F. WHAT COMMERCIAL CUSTOMERS TAKE INTO ACCOUNT WHEN CHOOSING A BANK OR BANKING PRODUCT

86. Generally speaking, commercial customers are more likely to deal with a bank when it is convenient, there is a value proposition, and a strong relationship exists. ANZ therefore focuses on the overall value proposition for the customer and strives to become the main financial institution (**MFI**) for its customers by providing a full service banking proposition to them to meet their banking needs.

Restriction of Publication Claimed

87. I describe the key drivers of customer choice in commercial lending and deposits below, based on my experience and information reported to me from time to time (including information about customer satisfaction and complaints).
88. In relation to commercial lending, the following factors can influence a customer's decision on whether to obtain a lending product from ANZ or another bank. The importance of these factors will vary from customer to customer.
- (a) **Service:** how each lender is proposing to service the customer in the initial application process and on an ongoing basis. This includes the speed of loan approvals, ease of application process as well as the availability and quality of in-person support on an initial and ongoing basis.
 - (b) **Credit policy:** how much each lender is willing to lend the customer, and requirements and features such as loan covenants (where required), e.g. periodic monitoring of customer financial performance, availability of interest only periods, security requirements and borrowing capacity.
 - (c) **Product features:** the availability and quality of features such as redraw facilities and offset accounts and app functionality.
 - (d) **Price:** the interest rate and other fees offered to the customer.
89. In relation to commercial deposits, the following factors can influence a customer's decision on whether to obtain a transactional or working capital product from ANZ or another bank. The importance of these factors will vary from customer to customer.
- (a) **Service:** how each provider is proposing to service the customer in the initial application process and on an ongoing basis. For working capital lending products (which are linked to a deposit account), this includes the speed of loan approvals, ease of application process as well as the availability and quality of in-person support on an initial and ongoing basis. For deposits, this includes the responsiveness of the bankers to questions about products, as well as the availability of bankers and, depending on the specific customer's needs, physical branch network or alternative points of presence.
 - (b) **Product features:** the availability and quality of features such as app functionality, ease of use, and payment capability (e.g. OSKO, PayID).
 - (c) **Price:** the interest rate and other fees offered to the customer.
 - (d) **Origination options:** the options available to the customer to obtain products. For commercial deposit products, this includes, for example, whether customers can open an account via digital or online means, in a branch or on an app.
90. In commercial banking, price is not always the determinative factor when a customer is deciding between banks. For example:
- (a) A customer may decide to continue to bank with ANZ even if a competitor's pricing is lower because the customer has a long-standing relationship with ANZ or a particular banker and as a result, it is perceived that ANZ has a deep understanding of the customer's business and/or physical presence in the local market.
 - (b) For many customers, the terms which apply to a product are equally as important as price. This is particularly the case for sophisticated customers. For example, in relation to property development, critical product terms might concern the percentage of pre-

Restriction of Publication Claimed

sales a developer is obligated to achieve as a condition to lending. These terms may arguably be more important than price for the developer, depending on how many pre-sales the developer is practically able to secure.

- (c) Some customers may prefer to engage with larger providers, because they are perceived as being more resilient in times of economic hardship and are more likely to support the customer.

91. Understanding these factors is important to setting strategy and competing for customers. For example, ANZ has developed a range of policy, process, pricing initiatives and service propositions to attract and retain customers, including:

- (a) developing a number of tools and resources to support business customers, including via the ANZ Financially Ready Business Hub. The ANZ Financially Ready Business Hub is a publicly accessible webpage that contains template documents (e.g. a business plan template) and tip sheets (e.g. a cybersecurity guide) to assist small businesses;
- (b) launching the ANZ GoBiz platform in May 2021 to simplify and speed up the approval process for unsecured business lending, as described at paragraph 80 above;
- (c) enhancing existing, and introducing new, policies and processes to support customers to start, run and grow their businesses. Examples include:
 - (i) enhancing ANZ's policy to allow loan terms of up to 30 years (from a maximum of 15 years previously) for eligible SBB and BB customers. Among other things, this policy change was made to improve the competitiveness of ANZ's offering, to support trading businesses with the purchase of long-term commercial assets, to release cash flow back into the business, and to increase efficiency by removing the need to renegotiate loans which have traditionally held shorter tenors. I understand that competitors, including NAB and CBA, have made changes to their policies in response;
 - (ii) enhancing ANZ's policy to allow interest-only terms of up to 10 years (from a maximum of five years previously) for eligible SBB and BB customers. Among other things, this policy change was made to improve the competitiveness of ANZ's offering and provides greater flexibility for eligible customers to manage their cash flow. I understand that competitors, including NAB and CBA, have made changes to their policies in response;
 - (iii) introducing rapid refinancing, which is designed to assist with both refinance opportunities for customers who are new to ANZ, and lending increases for existing customers who meet minimum lending criteria and have proposed borrowing limits up to \$3 million for eligible customers (covering generalist, commercial property and agribusiness commercial customers). Rapid refinancing is also available for some dual applications (where the customer has their home loan and business loan application assessed by a single decision point). This process improves customer experience by making the process easy for the customer, and by reducing "time to decision" (meaning the time between receipt and approval of a loan application, which is also referred to as "time to yes" within ANZ) and "time to cash" (meaning the time between loan approval and funds being made available to the customer, which is also referred to as "time to money" within ANZ). Among other things, ANZ's decision to introduce streamlined lending processes took into account the presence of streamlined processes and fast turnaround times by Westpac, NAB, and Judo Bank;

Restriction of Publication Claimed

- (iv) introducing a streamlined process for eligible customers, which will reduce documentation requirements and result in faster turnaround times;
 - (v) continued focus to increase existing customer eligibility ([Confidential to ANZ]) for QuickAssist, [Confidential to ANZ] . This information is then used in a streamlined credit application process. I understand QuickAssist is a competitive difference for ANZ, and has improved time to decision/cash for customers and customer experience;
 - (vi) commencing a program of work to improve ANZ's turnaround times, to improve banker and customer experience, and therefore the competitiveness of ANZ's offering. So far, this work has focused on improving turnaround times through operational changes, such as ensuring processes are adhered to, thereby reducing the need for rework handling and duplicative activity. [Confidential to ANZ] and
 - (vii) updating the criteria for commercial property lending, including to allow for a higher LVR and loan terms of up to five years. Among other things, this change was made to improve the competitiveness of ANZ's offering.
- (d) ongoing work to manage the relationship with brokers and improving their experience with ANZ, including by facilitating training and professional development courses for brokers, launching a rapid refinance process for business lending up to \$1 million, and developing the [Confidential to ANZ]
- (e) offering a discount to small to medium sized business customers on their asset finance rate for eligible energy efficient related assets and projects, in partnership with the Clean Energy Finance Corporation, to support their transition to net zero emissions and differentiate ANZ's offering on clean energy finance; and
- (f) providing ongoing end-to-end customer support through specialist (rather than centralised) functions including asset finance and transactional banking, and through a dedicated workforce focused on commercial clients, including for certain industries through the SD segment.

G. COMPETITIVE LANDSCAPE IN COMMERCIAL BANKING

- 92. ANZ Commercial faces intense competition to win and retain customers across all its distribution segments, product offerings and distribution channels, and throughout Australia.
- 93. In particular, based on the reports provided to me from time to time, as described in paragraph 99, and my consultation with the Commercial Leadership Team for the purposes of this statement, I consider that:

Restriction of Publication Claimed

- (a) ANZ Commercial faces significant competition from CBA, NAB and Westpac, in the sense that these banks compete across all areas of ANZ Commercial's business, offering a comparable full service banking proposition and striving to be the MFI for their customers. In aggregate, noting there are some variations in particular areas of competition (described below), these are the banks most often taken into account by me when making strategic decisions and by the GMs for SD, BB and SBB when setting strategies for their respective segments and making decisions about individual customer opportunities. Of these banks, my perception is that:
- (i) **CBA** is competing particularly aggressively to win business from ANZ and other institutions, covering all of the customer types serviced by ANZ's SBB, BB and SD segments. For example, I am informed by the GMs for those segments that they have observed a recent pattern of CBA competing strongly on the "credit policy" element described above. That is, CBA has been offering to lend in circumstances, or on credit terms, that ANZ Commercial has been unable, or found difficult, to match. The GMs and I have also observed that CBA is hiring a significant number of new commercial bankers (including from ANZ Commercial), which strongly indicates to me that CBA is focused on expanding its already significant position in commercial banking.
 - (ii) **NAB** is a consistently strong competitor across all areas of ANZ Commercial's business. NAB has a significantly greater 'footprint' than ANZ Commercial, both in terms of the number of bankers specialising in commercial banking and the physical centres from which they operate. Like CBA, NAB's recent recruitment activities also indicate to me that NAB is seeking to grow its commercial banking business. For example, in October 2020 NAB publicly announced that it is hiring 500 new employees "aimed at positioning NAB to grow its leading Business and Private Banking franchise..." Exhibit IR-4 is a copy of that announcement. NAB is also a particularly strong competitor in certain areas. For example, along with Rabobank, I consider that NAB has a leading position in the provision of banking services to agribusiness customers.
 - (iii) **Westpac** also has a strong position in commercial banking, with a full service offering that is comparable in coverage to NAB, CBA and ANZ. Further, Westpac has a particularly strong presence in certain areas, such as in lending to management rights businesses (being businesses that maintain and manage body corporate properties) and to not-for-profit organisations. Unlike CBA and NAB, I have not observed clear signs that Westpac is currently investing to further expand its position in commercial banking (for example, via recruitment), but I fully expect that it would do so if it identified opportunities to grow its share. For that reason, I pay close attention to Westpac's activity in commercial banking.
- (b) In addition to CBA, NAB and Westpac, ANZ faces particularly strong competition in specific product areas, including from:
- (i) **Rabobank** in agribusiness banking. As I mentioned above, Rabobank and NAB are ANZ's strongest competitors in relation to agribusiness customers. Rabobank is front of mind for me when I think about how to grow, and competitive threats to, ANZ Commercial's position in agribusiness.
 - (ii) **Judo Bank** in commercial lending. Judo Bank is a new competitor bank which has grown from \$0 to \$6 billion in lending in 3-4 years and has stated ambitions to grow to \$15-20 billion in the next 5-6 years. Judo Bank has been aggressively building and growing its business, including business from customers in property investment, agribusiness and health industries, and customers based in regional and non-metropolitan areas, and hiring, including by recruiting personnel from

Restriction of Publication Claimed

- ANZ Commercial. Judo competes particularly strongly on the "service" and "credit policy" aspects of competition, but tends to have slightly higher pricing. This is because it offers a dedicated relationship banking for each customer and appears to have appetite for lending which would not necessarily pass ANZ Commercial's underwriting standards.
- (iii) **Macquarie** has a very strong position in the supply of commercial banking services to professional services companies such as real estate and legal firms.
 - (iv) **Non-bank providers** in a range of specialist areas. Rather than looking to offer a full suite of commercial banking products, their focus is often on identifying an attractive proposition for one or two products, developing new or different offerings and solutions, and targeting customers for those products. This includes non-bank providers of:
 - (A) **merchant services**, such as Tyro and Square, in relation to the services in which ANZ has an interest through Worldline JV;
 - (B) **asset finance**, such as Liberty Financial Group, Pepper Money and Resimac as well as many vehicle and equipment finance providers whose financing is available directly from dealers of those assets. There are a significant number of other asset finance providers, reflecting the fact that it is common for the same customer to have multiple assets financed by different providers;
 - (C) **other commercial lending services**, such as Qualitas, MaxCap, Metrics, Trilogy and GPS are particularly strong competitors to ANZ Commercial for property development finance and investment lending transactions. These banks tend to compete most effectively in relation to the "credit policy" aspect of competition, typically on deal structure and risk appetite; and
 - (D) **foreign exchange products**, such as Western Union and Wise.
 - (c) **"Regional banks"** – by which I mean **Bendigo and Adelaide Bank, Suncorp and Bank of Queensland** – also offer a comparable range of commercial banking services to ANZ and exert a degree of competitive pressure on ANZ Commercial, albeit to a lesser extent than CBA, NAB and Westpac. While these banks tend to win a higher volume of business in their 'home' regions due to their historical footprint, my assessment is that this largely reflects the value of their brand and greater physical presence in those regions rather than any material geographic differences in any of the drivers of competition I set out above (service, credit policy, product features, price or origination options).
 - (d) There are many other providers of commercial banking services, who compete to a degree with ANZ Commercial but to a lesser extent than the other institutions set out above. For example, in commercial lending:
 - (i) Some **non-bank lenders** such as Prospa focus on customers that would not typically meet ANZ's lending requirements. ANZ does not compete as closely with these players as those customers typically fall outside of ANZ's risk appetite.
 - (ii) **International banks** such as HSBC, Bank of China, China Construction Bank occasionally compete with ANZ Commercial for customers served by the SD segment, typically if the customer is a subsidiary of a multinational entity that

Restriction of Publication Claimed

has an establishing banking relationship with an institution headquartered overseas.

94. Commercial brokers also play a significant role in driving competition for commercial lending, given a significant proportion of the new loans supplied and managed by the SBB, BB and SD segments are first originated via the broker channel. Brokers are obliged to act on behalf of their clients in seeking, and making recommendations about suitable lending products. I therefore expect that any new opportunity ANZ Commercial is offered through a broker will also be offered to two to three other lenders. Similarly, brokers representing ANZ Commercial customers that are seeking better terms or price will put the opportunity out to ANZ as the incumbent and two other lenders. In order to win or retain customers, it is critical that ANZ Commercial bankers make timely and competitive lending offers through the broker channel. More generally, it is important that the ANZ Commercial Broker team establishes strong and trusted relationships with brokers, founded on a reputation for convenience, reliability and transparency.
95. In addition to the existing competitors outlined above, in my view new entrants with digital propositions that allow them to build scale quickly have the potential to present strong competition to ANZ Commercial in future.

Customer switching

96. Generally speaking, commercial customers tend to be more 'sticky' than retail customers, particularly if they acquire a mix of products from the same institution or have developed a relationship with a particular banker.
97. However, my observation is that switching activity has increased over the past few years. With the trends towards using digital invoicing and accounting software, customers can and do switch relatively easily. Switching can occur for a variety of reasons, for example:
- (a) direct customer feedback has indicated that it can be prompted by an institution refusing to lend to a customer because of risk appetite (or lending on unacceptable terms) or dissatisfaction with other aspects of the banking relationship, such as responsiveness or service levels;
 - (b) if the customer has a broker, the broker may have encouraged the customer to 'test the market'; or
 - (c) the customer may have received advice from their accountant or other business advisor to review their banking arrangements.
98. ANZ does not have access to comprehensive refinancing or 'win/loss' data about where ANZ customers switch from or to. For commercial lending, ANZ Commercial monitors its own win/loss rates by comparing its quote activity to loan drawdown activity, but that does not provide insight into movements to and from any particular competitors.
99. However, I have regular discussions with GMs and others in the business in standard management meetings and ad hoc discussions about their understanding of the competitors to whom existing customers or opportunities have been lost, based on direct feedback they have received, including from customers and brokers. Those discussions also often touch on the reasons that ANZ Commercial is losing business – for example, due to more favourable pricing and terms offered by the competitor.
100. My impressions from this feedback is consistent with the observations I set out at paragraph 93 above, including that:

Restriction of Publication Claimed

- (a) in aggregate (i.e. across the full spectrum of ANZ Commercial's product and customer offering), [Confidential to ANZ] [REDACTED] are most often identified by customers and brokers as the competitors to whom existing customers or opportunities are lost;
- (b) to a lesser extent, customers and brokers report opportunities being lost to [Confidential to ANZ] [REDACTED]; and
- (c) smaller banks and other institutions are identified as competitors to whom customers or opportunities are lost in certain specialist or focus areas for those competitors, examples of which I provided above.

101. Another key form of competitor activity which I monitor, together with the Commercial Leadership Team, is the recruitment activities of our competitors. An uptick in the recruitment of bankers by a competitor is a significant 'lead indicator' that the institution is seeking to expand. I have provided some examples in relation to CBA, NAB and Judo Bank at paragraph 93(a)(i), (ii) and 93(b)(i) above.

Competition with Suncorp Bank

102. I do not regard Suncorp Bank as a particularly strong competitor to ANZ in commercial banking.
103. Suncorp Bank does not come up often in my discussions and decision-making with respect to pricing or strategy. Similarly, I am informed by the GMs for SBB, BB, SD and Commercial Broker that Suncorp Bank has not been particularly competitive in discussions they have about possible changes to products or prices within their respective distribution businesses.
104. More specifically:
- (a) Suncorp Bank is not typically or regularly considered in ANZ's decisions with respect to pricing of commercial banking products and services. I am not aware of any occasion where ANZ Commercial has made a product or pricing change that was primarily in response to an offer by Suncorp Bank in the market.
 - (b) Suncorp Bank is not a market leader in any of the key areas I described at paragraphs 88 to 89 above (service, policy, product, price, origination options). I am not aware of any product or product changes by Suncorp Bank that might be described as innovative or market-leading.
 - (c) Suncorp Bank is not particularly strong in any specialist segments, having regard to the information reported to me from time to time, as described in paragraph 96 above.
105. I do not expect that the Proposed Acquisition would reduce the incentives or pressure for ANZ Commercial to offer its products and services on competitive terms and/or to pursue innovation and improvements in its products and services. In my view, ANZ Commercial will continue to face intense levels of competition from the many other competitors listed at paragraph 93 above.

Restriction of Publication Claimed

Signed by Isaac James Christian Rankin

on 30th November 2022

A large black rectangular redaction box covers the signature of Isaac James Christian Rankin.

Signature of Isaac James Christian Rankin