Record of oral submission to the ACCC

<table>
<tr><td>Matter name:</td><td>ANZ application for merger authorisation (MA1000023)</td></tr>
<tr><td colspan="2">Attendees:</td></tr>
<tr><td>ACCC:</td><td>Deputy Chair Mick Keogh
Deputy Chair Catriona Lowe
Commissioner Anna Brakey
Commissioner Liza Carver
Commissioner Peter Crone
Commissioner Stephen Ridgeway
Wendy Peter – General Counsel
Daniel McCracken-Hewson – General Manager, Merger Investigations
Mark Basile – Executive Director, Merger Investigations
Alison Hill – Principal Lawyer
Vanessa Pham – Principal Economist
Stella Leung – Director, Merger Investigations
Kaitlin Hanrahan – Director (A/g), Competition Exemptions
Ellie Dwyer – Assistant Director, Competition Exemptions</td></tr>
<tr><td>ANZ:</td><td>Shayne Elliott – Chief Executive Officer
Ken Adams – General Counsel
Legal representatives
Peter Armitage – Partner, Ashurst
Justin Jones – Partner, Ashurst
Tihana Zuk – Partner, Ashurst</td></tr>
<tr><td>Suncorp Group:</td><td>Legal representatives
Linda Evans – Partner, Herbert Smith Freehills
Stephanie Panayi – Partner, Herbert Smith Freehills</td></tr>
<tr><td>Merger authorisation no.:</td><td>MA1000023</td></tr>
<tr><td>Date</td><td>Friday, 16 June 2023</td></tr>
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Time	03:00 pm AEST		
Phone to ☐	Phone from ☐	Meeting ☒	Other ☐

ACCC Commissioners and staff met with ANZ and its legal representatives, and Suncorp Group's legal representatives to discuss ANZ's application for merger authorisation relating to its proposed acquisition of SBGH Limited (Suncorp Bank) from Suncorp Group (the **Proposed Acquisition**).

ANZ provided a slide deck as an aide memoire to their presentation about the likely effects of the Proposed Acquisition (**attached**).

The following points were presented by ANZ's legal representatives.

1. ANZ submits there is no real commercial chance that Bendigo & Adelaide Bank (**Bendigo**) would acquire Suncorp Bank, or if it did, the merged Bendigo/ Suncorp Bank entity would be no more competitive than a merged ANZ/ Suncorp Bank.
2. ANZ submits that an acquisition of a business with market share of 2 to 3% by another business with market share of about 14%, which is the fourth largest in its market, is unlikely to be considered likely to lessen competition substantially, however acknowledged that other factors are relevant to the ACCC's assessment. In relation to these factors ANZ submits:
    a. **None of the relevant markets are concentrated,** nor will the Proposed Acquisition result in a material increase in concentration of the kind that antitrust regulators regard as potentially problematic.
    b. **Suncorp is not a maverick**: Suncorp Bank's competitive significance is in line with its market share, and it is not a maverick. ANZ submits that Professor King accepts that in one of his markets of concern, the national market for retail home loans, it appears that Suncorp Bank has not been a particularly effective competitor over the past decade.
    c. **Customers switch between competitors**: Over time, the dollar costs and the time and effort of switching have been materially reduced. The increasing importance of the role brokers play is partly because they effectively absorb much of the time and effort of switching. Establishment fees for new loans are zero and exit fees have been declining. ABS data on retail home loan refinancing indicates that external refinancing, switching between one financial institution to another, has increased dramatically. It has increased as a percentage of total refinancing from approximately 30% in 2016 to nearly 50% in March 2023. This is addressed in the supplementary statement of John Campbell at paragraph 28. The impact of this switching on competition is immediate and sustained. **[Confidential to ANZ]** ANZ experiences annual attrition of approximately [redacted] across home lending, commercial term lending and agribusiness lending. ANZ must compete vigorously to win new business, just to stand still. ANZ submits that this state of affairs will not be altered by the acquisition of Suncorp Bank.
    d. **Suncorp Bank** (~2-3% market share) **is not a close competitor of ANZ** (~14% market share). The evidence of each of the relevant ANZ managers is that while Suncorp Bank is a competitor, it is of no particular competitive significance for ANZ. The evidence of Suncorp Bank's CEO of the challenges it faces to be and remain competitive is consistent with the proposition it is not a close competitor. Voluminous data supplied to the ACCC on switching in relation to home loans is also consistent with this proposition.

e. **There is evidence of effective entry:** Judo Bank in small business, Rabobank in agribusiness. There's also evidence of effective expansion in home loans by Macquarie Bank. There's a wealth of detailed information and various ways of measuring how Macquarie Bank is expanding and winning new business.

3. ANZ submits that there is no market in which the Proposed Acquisition is likely to lessen competition substantially; and that the merged ANZ/ Suncorp Bank entity will not be able to profitably charge more or offer less without losing business to a range of effective competitors.

Coordinated effects

4. ANZ submits that a further area of enquiry for the ACCC is coordinated effects and whether acquisition of the ~2% business by the ~14% business changes the likelihood and nature of coordinated behaviour. In relation to this ANZ submits, applying the framework outlined in the report from Nicholas de Roos:

   a. **Rewards and punishments need to be understood:** Firms engaging in coordinated conduct rely on a mutual understanding of expected conduct, implicit expectations of future rewards and future punishments. ANZ submits that Dr Williams states that if participants engaging in coordinated conduct are not charging supra competitive prices, then the threat of punishment (reduction in prices) would be empty.

   b. **Overall level and share of profitability:** ANZ submits that Professor King states coordinated conduct is engaged in because it enables participants to raise overall level and share of profitability. ANZ submits that if a market, for example home loans, is characterised by coordinated conduct, participants would be deriving supra competitive profits. ANZ considers that Professor King relies on the Productivity Commission's report to support his proposition that the Proposed Acquisition will stabilise ongoing coordinated conduct by the major banks in the national market for home loans. ANZ submits that there have been significant changes in markets, particularly in home loans, since 2016/17 when the Productivity Commission was collecting data, and that it has provided evidence demonstrating these changes. ANZ submits that this factual evidence contradicts Professor King's assertion that the Proposed Acquisition will "stabilise the ongoing anticompetitive coordinated conduct by the major banks in the national market for retail home loans".

   c. **Symmetry between participants:** An important element in a market subject to coordinated conduct is symmetry between the participants. ANZ's share of home loans is less than half of that of Commonwealth Bank and Westpac's share is 50% greater than that of ANZ. The proposition that there is meaningful symmetry between these participants in home loans is not supported by facts. **[Confidential to ANZ]** It is implausible in the face of evidence which includes the fact that the banks, including ANZ, in competing to secure and retain home loan customers, when attrition is in excess of [redacted], have been offering home loans at less than the cost of capital. This is addressed in the supplementary statement of John Campbell at paragraph 42.

   d. **Return on equity:** If there was coordinated conduct in home loans, the major banks would be enjoying and seeking to maintain supra competitive returns on equity. ANZ submits that this is not the case, as illustrated by the graph on slide 9 of ANZ's slide deck. ANZ noted that Rod Sims has previously described alleged coordinated conduct in home loans as 'synchronised swimming'. **[Confidential to ANZ]** ANZ's return on equity has been declining on its back book - in 2014 it was [redacted], by 2018 it was [redacted] and in the first half of 2023 it was [redacted]. **[Confidential to ANZ]** ANZ submits that the position is even more stark in the front book, where in March 2023, the return on equity was [redacted]. This point is addressed in Shayne Elliott's supplementary statement at paragraphs 20 and 22. The Productivity Commission proposed that the return on equity for Australian banks was materially higher than their global peers. ANZ submits that this is not currently the case and that figure 4 in Shayne Elliott's supplementary statement shows that return on equity for Australian banks is in line with global peers. ANZ submits that if the major banks had been engaging in synchronised activity in relation to home loans in the past 5 years, it would better be described as drowning than swimming.

5. ANZ submits that the acquisition of Suncorp Bank will not stabilise any coordinated conduct of the major banks in home loans because there is no such conduct to stabilise.

Agribusiness in Queensland

In response to a query from the ACCC about whether the data in the graph on slide 4 of ANZ's slide deck were national figures, ANZ's legal representatives confirmed that they were, and added the following.

6. ANZ acknowledged that agribusiness in Queensland has been identified as an area for consideration by Professor King and Dr Williams. ANZ submits that it's harder to estimate market shares and use the Herfindahl-Hirschman Index (**HHI**) to measure market concentration in this area, but that it expects that the HHI in Queensland agribusiness would be higher than it is nationally. However, major participants in Queensland agribusiness include NAB - the largest, Rabobank - a very successful specialist participant, ANZ, Suncorp Bank, and then the other major banks.

7. ANZ submits that competition in agribusiness is different than in other markets. One feature is specialised relationship bankers and there is competition for those bankers, and when Rabobank entered the market, it recruited bankers from other participants. ANZ submits that if a merged ANZ/ Suncorp Bank entity sought to charge more or supply less in providing agribusiness products, it would lose customers to other participants, who would either win that work directly with their existing cohort of relationship bankers or they would recruit bankers employed by the merged ANZ/Suncorp Bank and benefit from their customer relationships.

Public benefits

8. ANZ stated that the ACCC's statement of preliminary views assisted ANZ in providing additional evidence to address issues raised in respect of public benefits claimed. ANZ submits that the benefits claimed by ANZ and Suncorp are robustly quantified and their causal connection to the Proposed Acquisition is clearly established by evidence. The evidence is summarised in the slide deck.

Shayne Elliott (Chief Executive Officer) made the following points on behalf of ANZ.

ANZ's strategy and transaction rationale

9. Shayne Elliott has been with ANZ for around 15 years. Prior to being CEO, he was the CFO and involved in strategy. ANZ submits that its portfolio is very different to the banks it continually gets compared to, the other major banks. In considering Australian retail and small business banking, ANZ submits it has been clear from the beginning of Shayne Elliott's time at ANZ that ANZ has a materially weak market position: ANZ is half the size of its largest competitor, has no material points of differentiation and while it was a participant in the market, it was not a particularly successful one. Over a period of time ANZ saw a gentle decline in its market share. ANZ submits that this was manageable when the economics were attractive, when returns were much higher.

10. ANZ submits that over the last 10 years there has been a consistent change in market dynamics through increased competition, through deregulation, new entrants, changes to the capital requirements, changes to regulatory requirements, and the return environment in retail, in particular, has vastly deteriorated. ANZ submits that in that environment, there is no option to muddle through in an inferior market position.

11. ANZ submits that, some years ago, it identified this risk and asked how it could create good business for shareholders and how it could create a point of difference to compete effectively. This has been ANZ's consistent strategy through its documents over at least seven years. ANZ submits that it wants to be the best bank for people who want to buy and own a home, and the reality is that it requires massive investment. Not only in technology, but also to change the way it engages with customers, the way that it is able to add services and value to customers. ANZ submits that it must be cost effective because it must be competitive on price, and the only way it can do that is to be competitive in respect of its cost base. ANZ submits that that leads to the need to invest heavily, and the need to be able to be cost effective, and that requires scale. The more customers [a bank] has, the more [that bank] can defray those costs. ANZ submits that it was already on that path with its **[Confidential to ANZ]** [redacted] Australian customers and had committed to a significant investment. ANZ submits that this is most visible with ANZ Plus, on which it has already spent over **[Confidential to ANZ]** [redacted] investing in technology, to the point of starting to deliver some of those services.

12. **[Confidential to ANZ]** [redacted]
[Public version] ANZ started considering a potential acquisition of Suncorp Bank about 18 months ago. ANZ submits it was initially sceptical because of the risk of distraction and the large amount of time and effort that ANZ would need to put into it. ANZ submits that when it investigated and considered Suncorp Bank, it saw that there was a simplicity in the business and an alignment with what ANZ was doing. ANZ submits that, from its perspective, what it is really acquiring here is 1.2 million customers. ANZ submits that it has the ability to not only acquire these customers, but it can also service them well and treat them well – better than Suncorp Bank is able to do today – because of ANZ's capacity and the investments it has been making in things like cyber security and better digital channels. ANZ submits that the Proposed Acquisition would put ANZ in a position to defray some of that cost and to reduce the average cost of production to be even more competitive. It submits that it has the capacity to offer better customer outcomes for those customers - whether it is in terms of service provision, ability to invest because of scale or through better pricing. ANZ submits that the market today is about the ability to invest and deliver great customer outcomes in terms of price and engagement, and that requires massive investment capacity. ANZ submits that 2% growth will not transform ANZ, but it will help it be a more effective competitor.

13. ANZ submits that it is also attracted to the Proposed Acquisition from a diversification perspective, with Suncorp Bank's weighting towards Queensland providing some balance to ANZ's business. ANZ submits that it wouldn't be doubling down in Victoria or NSW, it would restore ANZ with a fairer share in Queensland. ANZ submits that diversification is positive from a bank's perspective, and allows ANZ to be a more effective competitor nationally, not only in Queensland.

14. ANZ submits that throughout the merger authorisation process, it has continued to do its own work to understand where it can drive value from the Proposed Acquisition and how it can be a more effective competitor, and its confidence in that has only grown. ANZ submits that in that period, market conditions have deteriorated even further. Newspapers and various broker reports are saying the market is the most competitive it has ever been in Australian retail banking and small business banking, in both home loans and also on the deposit side. ANZ submits that the economics have deteriorated further, which makes the

market less attractive, putting even more onus on ANZ to have the scale and the ability to be an effective competitor.

15. ANZ submits that while having a 15% share vs a 13% share won't change the world, it will help, and ANZ's intention is that it will provide a platform for growth. ANZ submits that it sees the Proposed Acquisition as a step to being a more effective competitor, providing better value for customers over the longer term. ANZ submits that without the Proposed Acquisition, given the deteriorating outlook, ANZ will continue to invest but its ability to be an effective competitor will be marginally less than it would otherwise be if the Proposed Acquisition proceeds.

Integration

ANZ made the following submissions in response to the ACCC commenting that integration of banks is a substantial distraction (that applies to both the factual and the alternative counterfactual) and asking about ANZ's confidence in succeeding in the integration and realising synergies.

16. ANZ submits it was not fully across the state of Suncorp Bank's business when it was first approached by Suncorp and assumed there would be a lot more clean-up required. ANZ submits that, in bank transactions generally, there would normally be significant parts of a portfolio that ANZ would not want because of differences in risk appetite or because parts would be in a distressed position, whether that's technology assets or customers. ANZ submits that that is not the case with the Proposed Acquisition. Suncorp Bank is a relatively simple business – it takes deposits, does home loans, has a small business section, doesn't offer credit cards outside of the white label arrangement. ANZ submits that the quality of Suncorp Bank's book is strong, and the distraction level would therefore be much lower than initially anticipated. ANZ wants all of Suncorp Bank's customers – all Suncorp Bank customers have a home at ANZ in the future, and that reduces the distraction level.

17. ANZ submits that over the past few years, it has built its delivery capacity partly because of experience with significant regulatory programs like BS11 in New Zealand (the single biggest regulatory program ANZ has ever undertaken). **[Confidential to ANZ]** ANZ has spent [redacted] on that program, and most of the work has been done out of Australia. ANZ submits that this is not dissimilar in nature to the kinds of things ANZ will need to do to integrate Suncorp Bank, so it has already built that capacity. ANZ submits that it also has experience in merging with the National Bank of New Zealand. While that acquisition was in 2004, the actual merging of systems and the migration of customers wasn't until 2013/2014. ANZ submits that many of the staff who worked on that acquisition are still with ANZ and it is drawing on that experience. ANZ submits that during this authorisation process, and before it announced the Proposed Acquisition, it built its confidence in its ability to execute the integration.

18. ANZ submits that it has made agreements in its public statements about its intention to go relatively softly with integration and has been criticised for that by shareholders. ANZ submits that what it is buying in the Proposed Acquisition is a customer base and it must go cautiously. ANZ submits that it learned from its merger with National Bank of New Zealand that if it treats customers well and takes them along this path in a thoughtful way, chances of retention are higher and that reduces the risk not just of distraction but also reduces the delivery complexity by taking time.

Ken Adams, ANZ General Counsel, made the following comments on behalf of ANZ regarding the merger authorisation process.

19. ANZ considers that the merger authorisation process, being a regulatory process, is by definition more opaque than other processes. ANZ submits that it gave the ACCC a

substantial draft of its application eight months ago, the ACCC published the application and ANZ's initial body of evidence six months ago, and with six weeks until a decision is due, ANZ does not have a clear understanding of the ACCC's concerns or views on the transaction. ANZ has found this challenging.

20. ANZ submits that while there were helpful comments in the ACCC's Statement of Preliminary Views on public benefits, the document otherwise only highlights what the ACCC is considering. In respect of the competition analysis, the Statement of Preliminary Views says 62 times "the ACCC is considering", and there are a few variations of "also considering", "further considering" and "closely considering". The ACCC's Statement of Preliminary Views in the Armaguard / Prosegur transaction, and the indications given there on competition concerns, are quite a contrast to the ACCC's Statement of Preliminary Views on the Proposed Acquisition. This has meant it is difficult for ANZ to determine whether it has covered all the issues that the ACCC would wish it to address, and identify the evidence it needs to provide to the ACCC.

21. ANZ submits that it understands that it has the burden to satisfy the ACCC but that does not prevent the ACCC from articulating its views. ANZ submits that it has been hard to understand the target state, and it has inundated the ACCC with material. ANZ submits that the ACCC has considerable data points ANZ hasn't seen and that is difficult as an applicant, as the ACCC's decision might turn on something that ANZ has not been able to anticipate or address. ANZ submits it has been left to speculate on what the ACCC's concerns may be, and it is against that background that it has presented the submissions and materials it has. ANZ acknowledged that the ACCC indicated it was not in a position to, or was not willing to, make comments on the Proposed Acquisition in the meeting, but requested that if there is something that ANZ can provide in the next couple of weeks, it let ANZ know. There is a very limited window for ANZ to try and address any concerns the ACCC may have.

In response comments from the ACCC regarding the merger authorisation process, Ken Adams made these further observations.

22. ANZ submits that it accepts that the authorisation process is procedurally different to the informal clearance process. ANZ submits that it understood in part that the differences between transparency in the authorisation process and the informal clearance process were due to timelines (90 days vs 6 months). The ACCC has had a lot longer (more than 6 months) than it would ordinarily have so that it could have that exchange of views. ANZ agrees about the large volumes of material provided to the ACCC. ANZ tried hard to narrow the volume of documents the ACCC received because it was not sure the ACCC needed anywhere near the amount of materials it requested.

Regional banks

Shayne Elliott made the following comments in response to the ACCC noting ANZ's comments regarding the massive investments it is making in its technology and it standing to reason that scale will help defray those investments, and asking what he sees as the competitive future and significance of second tier banks (excluding Macquarie) given the technology imperatives.

23. ANZ agreed that it was appropriate to exclude Macquarie Bank from ANZ's comments on the outlook for regional/ second-tier banks as it 'helps to have rich parents'. ANZ submits that at a recent Australian Banking Association meeting it was raised by one of the regional banks (not Suncorp Bank) that the outlook for regional banks is dire. The need to invest, for a number of reasons, particularly compliance, in technology, to keep up, for issues like the BEAR regime, anti-money laundering, cyber security etc, places a burden on those banks that is disproportionate. ANZ submits that this has been observed in other markets, such as the United States, where there is continuing consolidation as the costs become too high for

smaller banks to digest. ANZ submits that it considers itself a small bank with competitors twice its size, with double the capacity and more ability to invest ahead of the curve. ANZ submits that it is a challenging outcome for the regionals.

Shayne Elliott responded as follows to a query about what a sustainable strategy for Suncorp might be if the Proposed Acquisition did not proceed.

24. ANZ submits that if the Proposed Acquisition does not proceed, combining two small banks together and increasing complexity is not the answer. ANZ submits that sort of transaction would be 'buying time' but is just making things more complicated - going from 2% to 4%, or 2% to 5%, buys a bit of time but doesn't solve the problem. ANZ submits that it doesn't know what the minimum scale is to be viable but contends that it is going up and up over time and that it is more than 5%. ANZ submits that without the Proposed Acquisition, Suncorp Bank would be in a very difficult position, particularly because it has the insurance business, and that industry is facing its own challenges with climate change etc. ANZ submits that this is different to Macquarie Bank which is a high performing business and can continue to invest, whereas Suncorp Group would face a very different outcome. ANZ submits that it is not surprised that Suncorp Group came to the conclusion that its model was unsustainable and that it has to divest one of the businesses.

ashurst

ANZ

ANZ's proposed acquisition of Suncorp Bank

Restriction of publication claimed - not for publication

16 June 2023

Executive summary

ANZ/SUNCORP

The proposed acquisition will not substantially lessen competition	The proposed acquisition will result in a modest increase in concentration that will not increase ANZ's market power because ANZ will continue to be constrained by the major banks, strong competitors (like Macquarie, ING, Rabobank and Judo Bank) and the prospect of other competitors entering or expanding in targeted ways in response to an increase in price or reduction in service quality
The proposed acquisition will not result in coordinated effects	There is no basis in any of the evidence to find that the proposed acquisition will give rise to or exacerbate coordinated effects – the evidence shows that competition is vigorous in each of the overlap markets/market segments and is only likely to increase in the future
The proposed acquisition will result in net public benefits	Stronger insurer, stronger bank and banking system, benefits to Queensland, and benefits through the major bank levy
The Second-Tier Merger Counterfactual is not likely, but these conclusions hold in either counterfactual scenario	The only commercially realistic counterfactual is the No Sale Counterfactual, but there will not be a substantial lessening of competition, and will be net public benefits, compared to either counterfactual
ANZ has put on substantial evidence that is not contradicted by any evidence put to ANZ	ANZ has put on substantial expert and lay evidence, and supporting data, which has not been materially contradicted by any evidence made available to ANZ

Key evidence the acquisition will not give ANZ market power

NO SUBSTANTIAL LESSENING OF COMPETITION

There is considerable evidence that the proposed acquisition will not give ANZ market power.

ANZ has not been made aware of any meaningful evidence contradicting its own evidence.

The interested party submissions are generally only assertions not supported by evidence.

This includes the submission by Bendigo and Adelaide Bank. That submission includes an report by Professor Stephen King, but that report almost exclusively relies on findings from the Productivity Commission Report, and those findings are not supported by the evidence available today.

1	Market share data shows there will only be a modest increase in concentration.
2	Customers have choice and exercise it, as shown in switching and multi-banking data.
3	Suncorp Bank is not a close competitor of ANZ, and is not a uniquely vigorous or effective competitor.
4	There is evidence of providers that have been able to grow, and grow quickly.
5	ANZ competes with all of the providers in the market, including the major banks.
6	ROE and NIM data show that bank profitability has consistently fallen since 2007. It cuts across the conclusion that banks have market power.

The increase in market concentration is modest and Suncorp Bank is not a maverick

NO SUBSTANTIAL LESSENING OF COMPETITION

- The increase in market share in each market / market segment is *de minimis* other than in supplying agribusiness customers in Queensland.
- ANZ does not consider agribusiness to be a separate or regional market but, even if it were, ANZ will continue to be constrained by strong competitors, including NAB (the clear market leader), Rabobank and Bendigo and Adelaide Bank, CBA and Westpac.
- Philip Williams expert evidence demonstrates why market concentration data is relevant to identifying whether there is likely to be any competition problem.
- The evidence of the ANZ executives, and Suncorp Bank's CEO, is that Suncorp Bank's competitive influence is consistent with its modest market share and ANZ and Suncorp Bank are not close competitors.

PRODUCT	ANZ	SUNCORP BANK	MERGED FIRM	PRE-MERGER HHI	POST-MERGER HHI	DELTA
RETAIL BANKING PRODUCTS (SEPTEMBER 2022)						
Home loans	13.02%	2.39%	15.41%	1,583	1,646	62
Deposits	12.07%	2.47%	14.53%	1,541	1,601	60
BUSINESS BANKING PRODUCTS (OCTOBER 2022)						
Commercial deposits	[redacted]					
Commercial lending						
Agribusiness deposits						
Agribusiness lending						

Customers have choice and exercise it

NO SUBSTANTIAL LESSENING OF COMPETITION

- ANZ must compete to stand still because of the constant attrition in its lending portfolios due to refinancing (ie switching) and paying down loans
- Customers multi-bank: Roy Morgan data shows that only 61% of customers who use ANZ regard it as their MFI and only 29.3% of customers who use Suncorp Bank regard it as their MFI
- Regulatory reforms, digital enhancements, and other innovation are making switching easier and faster
- Brokers facilitate and promote switching and have a strong incentive to do it

	Annual attrition
1	[redacted]
2	[redacted]
3	[redacted]

There are real world examples of highly successful expansion

NO SUBSTANTIAL LESSENING OF COMPETITION

Macquarie Bank	• Almost tripled market share in home loans from 1.76% in 2016 to 4.80% in 2022 • Rapid increase in deposits from 1.20% in 2019 to 3.46% in 2022 • Targeted proposition and operating without a material branch network
ING	• Maintained a solid position in deposits: 3.02% in 2016 to 3.45% in 2022 • Maintained a solid position in home loans: 2.70% in 2016 and 2.72% in 2022 • Online only proposition
Judo Bank	• Specialised pure play SME bank: grown loan book to $7.5 billion (2023 half year) compared to $3.5 billion (June 2021) • Only obtained its banking licence in April 2019
Rabobank	• Focussed on agribusiness: [redacted]% share of agribusiness lending at March 2023 (estimated from DBM survey data)

Suncorp Bank and ANZ and not close competitors, and it is not a vigorous and effective competitor

NO SUBSTANTIAL LESSENING OF COMPETITION

ANZ evidence

While Suncorp Bank is among the many providers that ANZ competes with, it is not treated as a close competitor and does not lead the market.

This is reflected in the evidence given by:

- Shayne Elliott
- John Campbell on home loans
- Yiken Yang on retail deposits
- Isaac Rankin and Guy Mendelson on commercial
- Mark Bennett on agribusiness

Suncorp Bank evidence

As reflected in Clive van Horen's evidence:

- A key focus has been to sustainably grow home lending. Suncorp Bank has a very small share of the overall market and maintaining this position in a highly competitive market requires continued investment and ongoing improvement.
- Suncorp Bank's performance in retail banking has been hampered by challenges in prioritising investment in digital platforms.
- Suncorp Bank is not the MFI for the majority of its business and agribusiness customers.

No evidence of coordinated effects

NO SUBSTANTIAL LESSENING OF COMPETITION

The assertions that the Proposed Acquisition could give rise to coordinated effects are not based on credible recent evidence:

Third parties including Professor King rely on the Productivity Commission Report as the evidence for their assertion of coordinated effects.

↓

The PC Report (which ANZ does not agree with) is based upon facts from 2016 and 2017.

↓

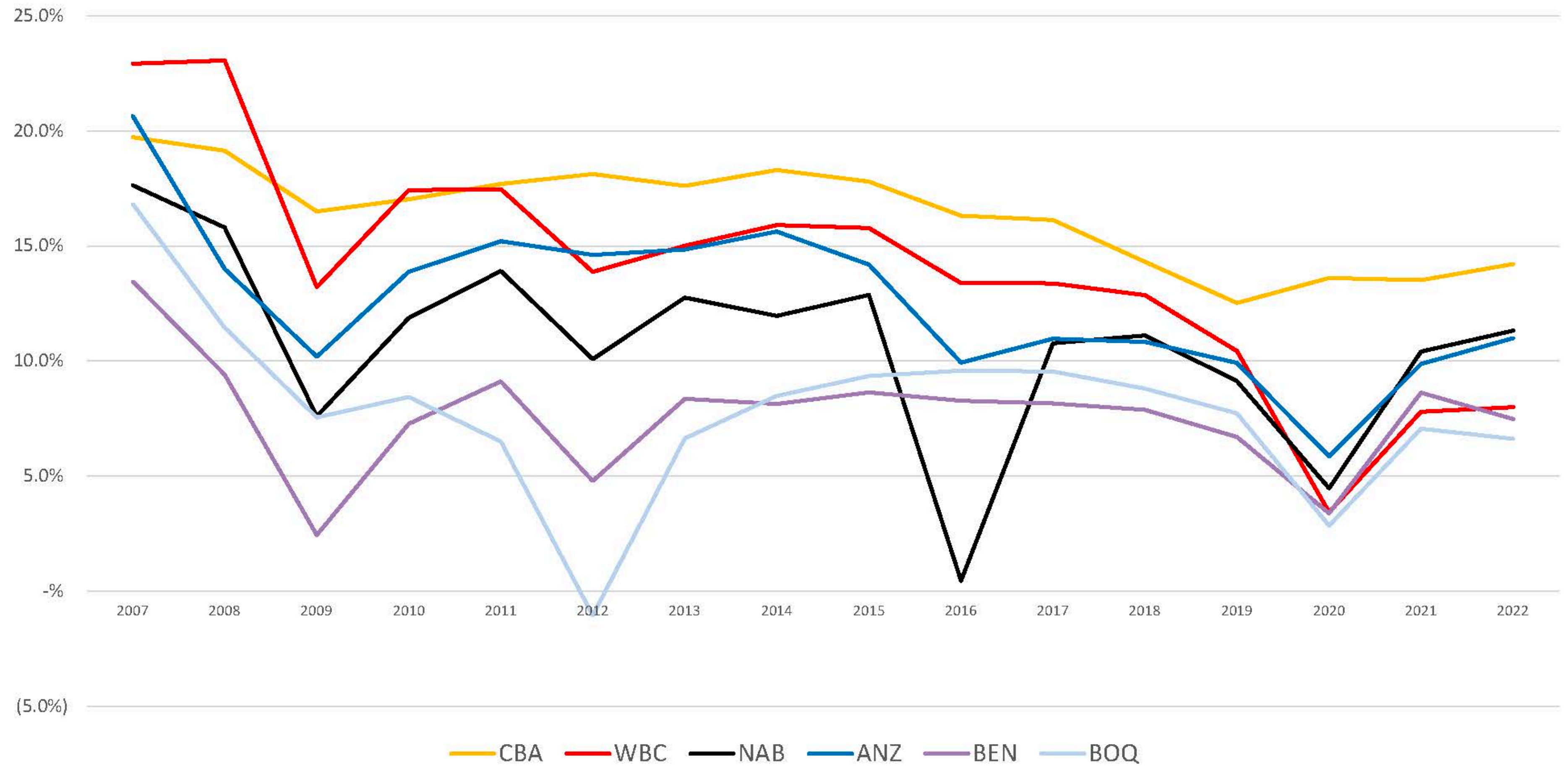
These facts are not relevant to the current competitive landscape.

The parties have provided meaningful evidence of the following features of the relevant markets which, in the De Roos framework, negate the likelihood of coordinated conduct:

1	markets that are **not concentrated** and have a **diverse range of vigorous and effective competitors**
2	**dynamic market structures** with evidence of entry and expansion, facilitated by a digital revolution and regulatory changes
3	**providers win and lose customers from and to other competitors of all sizes** - there is no bifurcation of competition between "majors" and other banks

Returns on Equity have steadily fallen since 2007

NO SUBSTANTIAL LESSENING OF COMPETITION



The proposed acquisition will deliver substantial public benefits that outweigh any potential public detriments

SUMMARY OF SUBMISSIONS

STRONGER INSURER	Suncorp Group will be able to focus more efficiently and effectively on and run its insurance business, which will result in substantial benefits to its customers, shareholders and the broader public.
STRONGER BANK AND STRONGER BANKING SYSTEM	Substantial benefits will accrue to customers, shareholders and the broader public including: • <u>Integration efficiencies</u>: benefits to the public, to customers of the combined business and to shareholders of ANZ as a result of efficiencies that will arise from the consolidation of Suncorp Bank's operations with ANZ's. ANZ expects to achieve cost saving synergies of $260m per year from year 6 post completion, [redacted] • <u>Reduced wholesale funding costs</u>: benefits to Suncorp Bank and its customers, and to shareholders of ANZ as a result of a reduction in the cost of funding for Suncorp Bank. • <u>Greater and better access to wholesale funding</u>: benefits to Suncorp Bank and its customers as a result of Suncorp Bank having greater assurance of continued access to wholesale funding during periods of financial stress. • <u>Increased prudential safety</u>: benefits to Suncorp Bank depositors and the public by reason of a material increase in the capital adequacy requirements that apply in respect of the assets of Suncorp Bank.
BENEFITS TO QUEENSLAND	• Direct and substantial benefits to the Queensland economy and Queenslanders as a result of lending commitments [redacted] made by ANZ to the State of Queensland, [redacted]
MAJOR BANK LEVY	• Benefits to the public as a result of the merged entity making a greater contribution to the public purse through the MBL.

The public benefits are substantial and supported by comprehensive evidence

PUBLIC BENEFITS

ANZ and Suncorp have provided **comprehensive evidence** demonstrating that the public benefits claimed by ANZ are likely and substantial.

- Senior executives of ANZ, Suncorp Bank and Suncorp Group have explained in detail why the proposed acquisition will strengthen their respective businesses to the benefit of customers and the broader public ("stronger insurer"; "stronger bank"; "funding benefits"; "benefits to Queensland").
- Highly qualified, independent experts have explained the substantial benefits that will flow through to consumers, as a matter of economics (Patrick Smith), and to the financial system, as a matter of prudential safety (Dr Jeff Carmichael).

This substantial body of evidence is **weighed against**:

- A lack of evidence of any public detriments flowing from the proposed acquisition, noting that the SOPV contained no concrete views on any detriments (beyond consideration of potential impacts on competition).
- Bendigo's unsubstantiated assertions, based on a speculative counterfactual, that a Bendigo/Suncorp Bank merger would deliver public benefits.

Three points are clear from the material before the ACCC:

1	**Comprehensive evidence addressing any 'gaps'.** Contrary to the ACCC's preliminary view, ANZ's evidence is sufficient to substantiate the nature, likelihood and extent of the claimed benefits. All of the potential 'gaps' raised by the SOPV have been comprehensively addressed in ANZ's evidence.
2	**Benefits would not arise under Bendigo transaction.** Even if the speculative Bendigo merger were an appropriate counterfactual (it is not), the claimed benefits would not arise under that merger. A Bendigo merger would likely result in public detriments, given [redacted] and Dr Carmichael's evidence about residual systemic risk.
3	**Substantial benefits based on established principles.** The claimed benefits are legitimate public benefits within the meaning of the Act, applying established principles.

1. The public benefits are supported by comprehensive and compelling evidence

PUBLIC BENEFITS

(a) The detailed evidence of witnesses and experts, drawing on deep and relevant expertise

Each of the public benefits is supported by detailed evidence, including from witnesses and experts who are eminently qualified to speak to those matters.

This includes:

Suncorp Group's CEO (Steve Johnson) has provided two statements explaining why Suncorp Group will become a stronger insurer, how that will benefit Queensland and Australia, and why that benefit is uniquely delivered by the cash transaction with ANZ.

ANZ's CEO (Shayne Elliott) has provided two statements explaining how the transaction will enable ANZ to provide more competitive offerings to customers, and extend ANZ's offerings to Suncorp Bank customers.

Suncorp Bank's CEO (Clive van Horen) has provided two statements explaining how ANZ's ownership of Suncorp Bank will benefit Suncorp Bank and its customers.

ANZ's Group Treasurer (Adrian Went) has provided two statements explaining why Suncorp Bank will benefit from ANZ's lower wholesale funding costs and greater access to wholesale funding.

Dr Jeff Carmichael, a former chairman of APRA with over 50 years of experience in financial regulation, has provided two expert reports explaining in detail why the transaction will substantially improve the safety and soundness of Suncorp Bank, and reduce systemic risk in the Australian financial system.

ANZ's MD of Suncorp Integration Australia (Louise Higgins) provides detailed evidence showing that ANZ's synergies estimates are robust and likely to result in substantial cost savings.

Patrick Smith, an independent expert economist (RBB), has provided two reports explaining that the synergies and funding cost benefits are likely to be passed onto customers, and are public benefits.

- This also accords with Shayne Elliott’s experience that cost savings are 'competed away' in the form of lower prices or improved non-price offerings.

1. The public benefits are supported by comprehensive and compelling evidence (cont.)

PUBLIC BENEFITS

(b) Any potential evidence 'gaps' have been comprehensively addressed

In each case where the SOPV suggested there may be any 'gap' or weakness in ANZ's evidence, those areas have been comprehensively addressed:

This includes:

Stronger insurer: Steve Johnson's evidence makes clear that the benefits of Suncorp's 'pureplay' insurance business:

a) will flow through to customers;

b) are not offset by other factors (e.g. a loss of synergies); and

c) could not be achieved via a merger with Bendigo.

Stronger bank: The further statements of Shayne Elliott, Louise Higgins and Patrick Smith address the issues raised in the SOPV, by detailing:

a) the basis on which synergy estimates were prepared;

b) the pass-through of synergies to customers; and

c) the fact that integration will not diminish the quality or type of services offered to Suncorp Bank customers.

Funding costs: ANZ's submission explains why its funding costs are not 'offset' by other costs, and ANZ has provided further evidence that cost savings are likely to be passed on to consumers in the form of lower prices or improved services.

Prudential safety: Dr Carmichael's latest report responds directly and comprehensively to the ACCC's suggestion that any improvement in prudential safety is unlikely to be substantial.

- Dr Carmichael's opinion, as a highly qualified independent expert, is that the proposed transaction would substantially improve the safety and soundness of Suncorp Bank, increasing prudential stability.

Queensland benefits: Shayne Elliott's further statement contains confidential details which address the ACCC's concerns about whether the benefits of the Queensland commitments would arise without the proposed acquisition. ANZ and Suncorp have provided further details about their commitments to the State of Queensland.

2. Benefits do not arise in the '2nd Tier Merger Counterfactual'

PUBLIC BENEFITS

Even if the Bendigo transaction had any realistic prospect of occurring, it would not deliver any of the public benefits realised by the proposed acquisition. In fact, in some cases, the public benefits of the transaction are even more substantial if compared to the Bendigo transaction than the status quo counterfactual.

- The **stronger insurer** benefits are realised from the proposed acquisition, a cash sale, and other transactions would not achieve the same result.
- The **stronger bank** benefits would not be achieved by a Bendigo transaction.
  - Bendigo's assertion that it could achieve "substantially similar efficiency gains" from a Suncorp merger are wholly unsubstantiated, in stark contrast with the detailed evidence of Louise Higgins (supported by the report of Patrick Smith).
  - Bendigo's assertion that it could integrate with Suncorp Bank considerably earlier than ANZ is unsubstantiated. It is also implausible in light of evidence from Adam Bennett and Steve Johnson of Suncorp Group, Clive van Horen of Suncorp Bank, and Louise Higgins and Shayne Elliott of ANZ, regarding the challenges that would confront Bendigo.
  - Bendigo's assertion that Suncorp Bank would have a superior service offering if it merged with Bendigo (compared to the proposed acquisition) is speculative and not reflected in the reality of Bendigo's market position.
- The **wholesale funding benefits** (costs and access) are specific to the proposed acquisition, for the reasons explained by ANZ's Group Treasurer, Adrian Went. Bendigo's assertions that a merged Bendigo/Suncorp Bank would benefit from lower capital requirements, reduced cost of capital and improved credit ratings are unsubstantiated. We note the substantial, confidential evidence provided by Suncorp Bank on these matters.
- The **prudential safety benefits** would not arise under a Bendigo transaction, for the reasons explained by Dr Carmichael. In fact, Dr Carmichael concludes that the Bendigo transaction would unambiguously *increase* residual systemic risk in the Australian financial system, while the ANZ transaction would *reduce* that risk (compared to if Suncorp Bank remained owned by Suncorp Group).
- The **Queensland commitments** would not be given in the absence of the proposed transaction. Bendigo would not have the balance sheet, expertise or experience to make equivalent commitments.
- The **major bank levy** would not be imposed on Suncorp Bank's liabilities if it merged with Bendigo.

3. The claimed benefits are substantial and reflect established principles

PUBLIC BENEFITS

ANZ's response to the SOPV has also addressed the ACCC's doubts about the nature of, or weight to be afforded to, some of the public benefits.

First, while there is evidence that some cost savings will be passed onto consumers, it is also the case that cost savings retained by ANZ are public benefits that must be taken into account by the ACCC.

- The Tribunal has recognised that benefits to shareholders, or savings returned to the company for future investment, are legitimate public benefits that should be afforded due weight.
- Given ANZ's and Suncorp Group's shareholder bases, benefits to shareholders will be shared widely in the community and must be given weight as substantial public benefits in the ACCC's assessment.

Secondly, the impacts on funding costs and major bank levy contributions do not involve mere transfers of cost/risk from one section of the public to another. For the reasons explained in ANZ's SOPV response, they each give rise to substantial, incremental benefits.

Paragraph 9.7 of the SOPV Response sets out a broader list of established principles to be applied when the ACCC engages with the evidence on public benefits submitted by ANZ and Suncorp.

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