



PUBLIC VERSION

## ANZ PROPOSED ACQUISITION OF SBGH LIMITED

APPLICATION FOR MERGER AUTHORISATION

2 DECEMBER 2022

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## ANZ PROPOSED ACQUISITION OF SBGH LIMITED

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2 DECEMBER 2022

### OVERVIEW

ANZ requests authorisation by the Australian Consumer and Competition Commission of its proposed acquisition of Suncorp Bank from Suncorp Group on the grounds that it will not be likely to substantially lessen competition and that it will result in public benefits that outweigh any public detriments.

Selling Suncorp Bank will enable Suncorp Group to have a singular focus on the development of its insurance businesses at a time when Australians need financial protection from natural disasters. Buying Suncorp Bank will enable ANZ to continue to invest in meeting evolving customer needs and play a bigger role in the continuing growth of the Queensland economy. If realised, both objectives will benefit Australians and the national financial system.

ANZ and Suncorp Bank are a natural fit. ANZ's and Suncorp Bank's businesses complement each other in terms of customer propositions and geographic coverage. The proposed acquisition will enable Suncorp Bank to participate in the transformational technology investment required for it to continue to be a capable competitor into the future.

The proposed acquisition arises in the context of national markets for retail and commercial banking products and services characterised by intense competitive dynamics, including the following.

- There are a large number of competitors, with around 80 retail and commercial banks, building societies and credit unions and an increasing number of non-bank providers, including at least 49 lenders, as well as buy-now-pay-later providers.
- New entrants and incumbents, such as Judo Bank and Macquarie Bank, have rapidly acquired market share without physical branch networks by taking advantage of evolving developments in the market including the growing significance of brokers as a distribution channel and a shift towards digital banking.
- Motivated and savvy consumers are using increased price transparency and ease of switching to move banks to get the best deal.
- Markets are national in scope, due to evolving consumer preferences trending strongly towards digital channels and away from physical (locally-oriented) channels and payment methods, like cash.

These and other drivers of competition have corresponded with a 42% decline in Australian bank return on equity above 10 year bond rates for major banks from 14.6% in 2007 to 8.4% in 2021. Similarly, the net interest margin of major banks in Australia was mid 3% in 2000 but is now below 2%.

In that context, the proposed acquisition – involving the smallest of ANZ, Westpac, CBA and NAB – will not substantially lessen competition in any market. ANZ and Suncorp Bank have largely complementary businesses in highly competitive markets, in which combined business would have modest shares of the supply of relevant products in the range of 15% to 20% . The combination will not result in a material increase in concentration in any market nor confer market power on the combined business.

## EXECUTIVE SUMMARY

### Introduction<sup>1</sup>

1. ANZ seeks authorisation of its proposed acquisition<sup>2</sup> of Suncorp Bank on the basis that it will not be likely to lessen competition substantially in any relevant market and it will result in public benefits that outweigh any public detriments.
2. The relevant markets in which ANZ and Suncorp Bank operate are intensely competitive. They are characterised by numerous competitors (with a credible and ongoing prospect of new entry), intermediaries which facilitate switching, motivated consumers who have choice, the ability to switch providers and expect innovation, and regulatory and policy settings that seek to reduce the barriers to entry and facilitate switching by customers. ANZ is the smallest of CBA, NAB and Westpac and, while the acquisition will allow ANZ to grow in Queensland where it has a smaller presence and acquire scale to compete better, it will not materially alter ANZ's market share or significantly increase concentration in any market.
3. Following the proposed acquisition there will be two entities: Suncorp Group, a well-capitalised and dedicated Trans-Tasman insurance company, and a combined business, which will be better placed to compete effectively.

### Transaction Rationale

4. Suncorp Group's decision<sup>3</sup> to sell Suncorp Bank to ANZ has been taken in circumstances in which the importance of insurance to the financial and personal wellbeing of Australians and the Australian economy is increasingly evident. The essential role of insurance has been highlighted by, among many other global and local challenges, the significant natural hazard events in Australia in recent years.<sup>4</sup> As a well-capitalised, dedicated insurer, with a singular focus on insurance, Suncorp will be well-placed in the future to provide competitive market insurance offerings to Australian individuals and businesses.
5. ANZ's decision<sup>5</sup> to acquire Suncorp Bank reflects its confidence that the combined ANZ/Suncorp Bank will be better placed than the two banks separately to compete effectively. The relevant markets are intensely competitive, with

<sup>1</sup> This application should be read with the glossary. Capitalised words, acronyms and initialisms have the meaning given to them in the glossary, which also provides an explanation for some of those terms.

<sup>2</sup> The proposed acquisition and the basis for authorisation of it are described in detail in Sections 1 Introduction and 3 The Proposed Acquisition of this Application.

<sup>3</sup> Suncorp's rationale for the sale of Suncorp Bank to ANZ is described in more detail in Section 3 The Proposed Acquisition of this Application.

<sup>4</sup> Insurance Council of Australia, *Insurance Catastrophe Resilience Report 2021-22* ([https://insurancecouncil.com.au/wp-content/uploads/2022/09/20683\\_ICA\\_Final\\_WebOptimised.pdf](https://insurancecouncil.com.au/wp-content/uploads/2022/09/20683_ICA_Final_WebOptimised.pdf) (Annexure 47)).

<sup>5</sup> ANZ's rationale for the acquisition of Suncorp Bank from Suncorp is described in more detail in Section 3 The Proposed Acquisition of this Application.

numerous competitors and new entrants responding to the rapidly evolving and intensifying demands of customers. The acquisition of Suncorp Bank by ANZ will not reduce the competitive pressures but it will create a combined bank which is better equipped to respond to them.

- 6. In contrast, if the proposed acquisition does not proceed, Suncorp Bank would continue to be held by Suncorp Group and operated in accordance with the approved business plan for Suncorp Bank. Suncorp Group would look to continue to support Suncorp Bank to pursue its strategic priorities in home lending, everyday banking, pursuing consumer service excellence and leveraging digital channels to facilitate online origination and customer self-service. However, the extent of this support will be limited by Suncorp Group’s funding and capital position and the need to balance competing capital requirements in its bank and insurance businesses.
  
- 7. Suncorp Bank has seen a recent return to portfolio growth in home lending<sup>6</sup> by improving customer and broker experiences and automation, but that growth has been limited. **[Confidential to Suncorp]** [REDACTED]  
[REDACTED]  
[REDACTED]
  
- 8. Suncorp Group recognises that, to deliver sustained growth, significant investment in transformational technology is required. **[Confidential to Suncorp]**  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]
  
- 9. **[Confidential to Suncorp]** [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

<sup>6</sup> Suncorp Group, *Sale of Suncorp Bank* (18 July 2022) at page 8 <https://www.suncorpgroup.com.au/announcements-pdf/1684679> (Annexure 48).

### Relevant markets

10. With some exceptions, ANZ and Suncorp Bank are active in the markets to supply the following products and services:
  - a. to retail banking customers:
    - i. home loans in Australia;
    - ii. deposit products (including transaction and savings accounts, and term deposits) in Australia; and
    - iii. personal lending (including credit cards and secured and unsecured loans in Australia);
  - b. to business customers (including SME, commercial property and agribusiness customers), commercial banking products and services, including:
    - i. deposit products (including transaction and savings accounts, and term deposits) in Australia;
    - ii. commercial lending products in Australia;
    - iii. merchant services in Australia; and
    - iv. risk management products in Australia.
11. The exceptions are the following:
  - a. ANZ issues credit cards, but Suncorp Bank does not. It distributes white label cards issued by NAB (under the Citibank brand);
  - b. ANZ supplies personal loans, but Suncorp Bank does not; and
  - c. Suncorp Bank supplies merchant services and, on a very limited basis, buy-now pay-later (**BNPL**) services, but ANZ does not.<sup>7</sup>
12. The markets in which these products and services are supplied are national:
  - a. The use of branches by bank customers has diminished significantly and this trend will continue because customers increasingly prefer the convenience and efficiency of acquiring and using banking services digitally or by telephone and making payments by electronic funds transfer instead of cash. Recent ABA analysis of consumer research indicates that less

<sup>7</sup> ANZ does offer the ability to convert credit card purchases into instalment of payments on some of its credit cards.

than 20% of Australians prefer to do any banking activities in branches.<sup>8</sup> The majority of both ANZ's and Suncorp Bank's retail customers now acquire products from them digitally, and the portion of business customers who acquire products digitally is growing. This shift in how retail customers bank means that physical distribution networks are no longer central to competitive strategies; competitors have the ability to target the national market through digital-first propositions.

- b. Product and pricing policy decisions are made by ANZ and Suncorp Bank at the national level, and products are accessible to consumers nationally on the same terms and conditions.<sup>9</sup>
- c. ANZ and Suncorp Bank monitor their competitors' decisions at the national level,<sup>10</sup> and expect their competitors do the same.
- d. Brokers are a critical distribution channel for lending products. They have taken advantage of digitisation to compare large panels of products from different providers nationally and to make recommendations to their customers irrespective of geography. Brokers are now the primary origination channel for home loans and small business lending.
- e. Competitors, some with no network of physical branches, have taken advantage of this trend and compete very effectively nationally. For example, Macquarie Bank, which only has 3 branches (none of which can assist with a home loan application<sup>11</sup>) grew its share in the national market for home loans over the two years from December 2020 to September 2022 by approximately half (from 3.25% to 4.80% of the national market for home loans).<sup>12</sup> Judo Bank, which has no branches, commenced supplying commercial lending and deposit services nationally approximately four years ago and has grown its commercial lending book from \$0 to \$6 billion.<sup>13</sup>

<sup>8</sup> Australian Banking Association, *Banking customers continue shift to digital* (19 October 2021) <https://www.ausbanking.org.au/banking-customers-continue-shift-to-digital/>

<sup>9</sup> Statements of John Campbell at [48], Yiken Yang at [20], Isaac Rankin at [64] and Clive van Horen at [31] and [80].

<sup>10</sup> Statements of John Campbell at [48], Yiken Yang at [35], Isaac Rankin at [92] and [93], and Clive van Horen at [31] and [80].

<sup>11</sup> Macquarie, *Can I apply for a home loan at one of your branches?* <https://www.macquarie.com.au/help/personal/home-loans/applying-for-a-home-loan/Can-I-apply-for-a-home-loan-at-one-of-your-branches.html>

<sup>12</sup> APRA Market Share Data (**Annexure 30.1**).

<sup>13</sup> Judo Bank FY22 Results (August 2022) at pages 13 and 40 (**Annexure 25**).



### The relevant markets are intensely competitive

13. Each of the relevant markets is intensely competitive. This competition rests in the evolving structure and environment of the markets. The dynamics responsible for this include:
  - a. the increase in the number and nature of competitors;
  - b. the change in customer expectations and behaviour, and the ease of switching;
  - c. intense technological advancement and innovation;
  - d. the increased significance and prominence of brokers and comparison websites;
  - e. a credible threat, and fact, of new entry and expansion; and
  - f. the changes to regulatory and policy settings intended to enhance competition.
14. In all cases, those features contribute to the competitiveness of the markets.<sup>14</sup> Each of these current market features is described in more detail below. None of these features will be removed, nor will their competitive significance be reduced by the acquisition of Suncorp Bank by ANZ. In fact, in several respects, the merged bank will have a greater capacity to compete.
15. That the relevant markets are intensely competitive is evidenced by the declines in key financial metrics that are indicative of bank profitability:
  - a. The Net Interest Margin (**NIM**) is the ratio of net interest income to interest earning assets. The NIM of the major banks in Australia was mid 3% in 2000; it is now below 2%.<sup>15</sup>
  - b. Fee income and commissions in the banking industry have reduced over the past 20 years.<sup>16</sup> RBA data indicated that, over this period, the ratio of fees to assets (based on fees charged on lending) has decreased by over half from just over 0.3% to just over 0.15% and the ratio of fees to deposits has decreased from over 0.5% to near zero.<sup>17</sup>

<sup>14</sup> The competitive significance of particular features in each of the relevant markets is described and evidenced in detail in Section 7 Competitive effects.

<sup>15</sup> RBA data published in October 2022.

<sup>16</sup> RBA, *Bank Fees in Australia* (18 June 2022) <https://www.rba.gov.au/publications/bulletin/2020/jun/bank-fees-in-australia.html> (Annexure 79).

<sup>17</sup> RBA, *Bank Fees in Australia* (18 June 2022) <https://www.rba.gov.au/publications/bulletin/2020/jun/bank-fees-in-australia.html> (Annexure 79).

- c. Analysis conducted by ANZ in early 2022 indicates that Australian bank return on equity (**ROE**) above 10 year bond rates for major banks declined from 14.6% in 2007 to 8.4% in 2021 (a 42% decline).

#### *Competitors and market concentration*

16. In the relevant markets, there are numerous competitors and competing products. There are around 80 Australian-owned ADIs, more than 49 non-ADI lenders, and a range of BNPL and other payment providers competing to supply various banking products. The Canstar website on 31 August 2022 indicated that Australian consumers could choose from more than 1,000 deposit products, over 5,000 different home loans, over 210 personal loans, over 200 business loan products and over 140 credit cards.<sup>18</sup>
17. In addition to the existing participants, there are numerous new entrants and a credible prospect of further new entry. Recent entry, the threat of new entry and the points at which they are entering the banking market, are addressed in more detail below.
18. In each of the relevant markets CBA, Westpac, NAB and ANZ are significant participants. However, this significance is not equal, as illustrated by a comparison of the total Australian lending by each bank as at September 2022. ANZ's total lending was approximately \$430 billion. NAB's lending was approximately \$559 billion (approximately 30% larger than ANZ). Westpac's was \$640 billion (nearly 50% larger than ANZ). CBA's was approximately \$758 billion (over 75% larger than ANZ).<sup>19</sup>
19. The variation in significance is also reflected in the market shares of these banks. ANZ's market share is not materially altered by the addition of Suncorp Bank. In the national markets for:
  - a. *home loans* - ANZ's share is 13.02%, Suncorp Bank's share is 2.39% and the combination is 15.41% which trails, by significant margins, CBA (25.8%) and Westpac (21.54%), and marginally exceeds NAB (14.89%);
  - b. *personal deposits* - ANZ's share is 12.07%, Suncorp Bank's share is 2.47% and the combination is 14.53% which trails, by significant margins, CBA (27.23%) and Westpac (20.16%), and marginally exceeds NAB (13.82%);
  - c. *credit cards* (to the extent it is separate from a broader lending market) - Suncorp Bank currently distributes a white label credit card product<sup>20</sup> from

<sup>18</sup> Canstar, <https://www.canstar.com.au/>

<sup>19</sup> APRA, Monthly ADI statistics, August 2022, Table 2 Loans and finance lease on Australian books of selected individual ADI, *Total residents loans and finance leases*.

<sup>20</sup> White label arrangements are arrangements where an institution issues a product with the branding of another institution.

NAB. ANZ's share of 17.61% trails CBA (28.67%) and NAB (25.28%) by significant margins, and Westpac (21.41%). Even if ANZ were to acquire the Suncorp Bank white label credit card portfolio from NAB without any attrition that increase would be *de minimis*;

- d. *commercial lending* - ANZ's share is [REDACTED], Suncorp Bank's share is [REDACTED] and the combination is [REDACTED] which trails NAB [REDACTED], CBA ([REDACTED]) and Westpac ([REDACTED]); and
- e. *commercial deposits* - ANZ's share is [REDACTED], Suncorp Bank's is [REDACTED] and the combination is [REDACTED] which trails, by significant margins, NAB ([REDACTED]), CBA [REDACTED] and Westpac [REDACTED].<sup>21</sup>

**[Figures and shares are confidential to a third party]**

20. In the agribusiness banking segment:

- a. *agribusiness banking* - ANZ's share is [REDACTED], Suncorp Bank's share is [REDACTED] and the combination is [REDACTED] which continues to trail [REDACTED] ([REDACTED]), passes [REDACTED] ([REDACTED]) and stays ahead of [REDACTED] ([REDACTED]) and [REDACTED] ([REDACTED]);
- b. *agribusiness deposits* - ANZ's share is [REDACTED], Suncorp Bank's share is [REDACTED] and the combination is [REDACTED] which continues to trail [REDACTED] ([REDACTED]), [REDACTED] ([REDACTED]) and [REDACTED] ([REDACTED]) but passes [REDACTED] ([REDACTED]); and
- c. *agribusiness lending* - ANZ's share is [REDACTED], Suncorp Bank's share is [REDACTED] and the combination is [REDACTED] which is slightly smaller than [REDACTED] ([REDACTED]) and exceeds [REDACTED] ([REDACTED]).<sup>22</sup>

**[Figures and shares are confidential to a third party]**

21. In short, ANZ does not now and will not, after the acquisition of Suncorp Bank, possess any market power in any of the relevant markets. The proposed acquisition will also not increase the likelihood of coordinated effects as ANZ and Suncorp face, and will continue to face, intense competition from other providers in the relevant markets.
22. This lack of market power is reflected in the substantial challenges that ANZ (and other banks) face every day to secure new business while seeking to retain existing business. The snapshot market share data above gives no indication of

<sup>21</sup> Home loan and deposit market shares are calculated using APRA statistics as at September 2022: APRA Market Share Data (Annexure 30.1). Commercial market shares are calculated using survey data by DBM, and include, for CBA, BankWest, and for Westpac, St George, BankSA and Bank of Melbourne: DBM Market Share Data (Annexure 30.2).

<sup>22</sup> DBM Market Share Data (Annexure 30.2). CBA's shares include BankWest and Westpac's shares include St George, BankSA and Bank of Melbourne.

the extent of the underlying 'churn' of customers and the growing source of competition from other providers.

23. For example, as shown in Table 1: each year below, ANZ's acquisition of customers is consistently in the range of its attrition of customers.

Table 1: ANZ's sales/acquisition and attrition for commercial term loans as a percentage of the opening balance each year<sup>23</sup>

PERIOD	SALES / ACQUISITION	ATTRITION
FY19		
FY20		
FY21		
FY22		

[Figures are confidential to a ANZ]

24. The minimal impact of the acquisition on market concentration is also evidenced by the Herfindahl-Hirschman Index (HHI) calculations for the relevant markets. The HHI is a common measure of market concentration.<sup>24</sup>
25. The HHIs and deltas for relevant markets, are:
- home loans* – 1,646 and a delta of 62;
  - personal deposits* – 1,601 and a delta of 60;
  - credit cards* – there is no change to concentration because Suncorp Bank does not issue credit cards, it distributes white labelled credit cards issued by NAB;
  - commercial lending* – [REDACTED] and a delta of [REDACTED];
  - commercial deposits* – [REDACTED] and a delta of [REDACTED];
  - agribusiness banking* – [REDACTED] and a delta of [REDACTED];
  - agribusiness deposits* – [REDACTED] and a delta of [REDACTED]; and

<sup>23</sup> IRIS Commercial.

<sup>24</sup> The HHI is calculated by squaring the market share of each firm competing in a market and then summing the resulting numbers. The ACCC states in its Merger Guidelines that it will generally be less likely to identify horizontal competition concerns when the post-acquisition HHI is less than 2000 or, if it is greater than 2000, the delta (ie the change resulting from the acquisition) is less than 100.

h. *agribusiness lending* – [REDACTED] and a delta of [REDACTED].<sup>25</sup>

**[Figures are confidential to a third party]**

*Customer expectations and behaviour and ease of switching*

26. Mirroring the supply-side pressure exerted by competitors in the relevant markets, competition is also being driven by the demands of customers, and their ability to exercise their decision to switch. Their expectations have risen in response to technological innovation in other sectors such as online food delivery and online retail, as well as innovation in the banking sector. They increasingly expect better services, including simpler products, the latest technology, 'one touch' access, services that are available 24/7, and fast 'real time' responses.<sup>26</sup>
27. These expectations manifest themselves in customer behaviour. Broadly speaking, customers:
- a. can easily, and increasingly do, switch between providers (bank and non-bank) to secure products and services that suit their needs and requirements;<sup>27</sup>
  - b. use brokers to identify the product best suited to their needs and to simplify the process of dealing with a lender, particularly in home loans and commercial lending;
  - c. increasingly multi-bank – data from 2020 indicates that over 70% of retail customers split their banking across multiple providers;<sup>28</sup>
  - d. are rapidly shifting away from cash, and largely abandoned cheques, in favour of online/digital payments – a trend which was accelerated by the COVID-19 pandemic and is evidenced by the significantly more than halving of ATM withdrawals since 2012 (from 71 million to 25 million in 2021)<sup>29</sup> and RBA research showing the total value of ATM withdrawals in January to June 2021 was around 17% lower than in the second half of 2019;<sup>30</sup>

<sup>25</sup> Home loans and deposits data is at September 2022 (APRA market share data (**Annexure 30.1**)). Commercial and agribusiness data is at October 2022 (DBM market share data (**Annexure 30.2**)).

<sup>26</sup> Statement of Shayne Elliott at [29(b)].

<sup>27</sup> Australian Banking Association, *3 million people make the switch* (23 September 2017) <https://www.ausbanking.org.au/3-million-people-make-the-switch/>

<sup>28</sup> RFI, Australian Mortgage Council (March 2021), Presentation to ANZ (**Annexure 49**).

<sup>29</sup> Australian Banking Association, *Banking customers continue shift to digital* (19 October 2021) <https://www.ausbanking.org.au/banking-customers-continue-shift-to-digital/>

<sup>30</sup> RBA, *Payments Sector Board Annual Report* (2021) at p 22 <https://www.rba.gov.au/publications/annual-reports/psb/2021/pdf/psb-annual-report-2021.pdf> (**Annexure 50**).

- e. prefer conducting their banking through digital means, as evidenced by ABA research showing that more than 80% of Australians prefer to check account balances and pay bills or transfer money online;<sup>31</sup> and
- f. have significantly reduced branch visits.

#### *Technological innovation*

28. The competition between market participants in response to these significant changes in customer expectations and behaviour has resulted in a technology arms race with innovation in all aspects of banking, including:
- a. new payment technologies, including physical cards, smartphones, wearables, and digital wallets, which have changed the way that customers use traditional banking products such as transaction accounts and credit cards,
  - b. the New Payments Platform which allows real-time, information-rich payments 24 hours a day;
  - c. new digital applications, such as ANZ Plus, which make it easier to bank, allow customers to track and manage their financial circumstances, and manage their expenses;
  - d. using data to make processes more efficient, such as integrating banking services with accounting software; and
  - e. innovative digital BNPL offerings which have significantly disrupted credit card services and personal lending.
29. These innovations, among other things: lead to quicker processing times; reduce (and often eliminate) the need to meet a relationship manager face-to-face to obtain a product; reduce search costs; and facilitate switching.

#### *Brokers and comparison websites*

30. Brokers are engaged by borrowers seeking funds from banks and other providers. They are able to compare large panels of products from different providers and make recommendations to customers based on competing offers from lenders.
31. A broker reduces the search costs for their customer and assists them to apply for and enter into an arrangement with a lender which suits their needs.

<sup>31</sup> Australian Banking Association, *Banking customers continue shift to digital* (19 October 2021) <https://www.ausbanking.org.au/banking-customers-continue-shift-to-digital>

32. The compelling utility of brokers to customers and the resulting importance to lenders are reflected in the very substantial proportion of product distribution for which they are responsible.
33. In home loans, for example, the MFAA has reported that, during the period January to March 2022, 69.5% of all new home loans were broker originated.<sup>32</sup> In the case of ANZ, mortgage brokers account for 55-60% of home loan applications<sup>33</sup> and, for Suncorp, 70% of home loan applications.<sup>34</sup>
34. In commercial finance, commercial brokers are already well established in asset finance and account for ~75% of SME asset finance origination according to research by East & Partners (**Annexure 26**).<sup>35</sup> They are becoming increasingly important in broader commercial lending markets and, in the case of ANZ, [REDACTED] of small business banking and [REDACTED] of business banking customer commercial lending is through the broker channel.

**[Figures are confidential to ANZ]**

35. Brokers significantly promote competition through transparency and reduction in friction (ie they have more experience navigating through relevant processes and reduce the administrative burden on customers). A failure by a lender to provide a competitive offering and to "appear on brokers' screens" will materially disadvantage the lender in winning new business and retaining existing business.
36. In addition to the services of brokers, customers are assisted in their search for and evaluation of products by comparison websites and financial tools, such as ASIC's Moneysmart website. These websites and tools further enhance price transparency and empower customers with a better understanding of their choices.

*Entry and expansion*

37. The dynamics described above, together with the unbundling of the banking value chain, has been associated with an expansion in the geographic scope of the markets in which banking products and services are supplied, a reduction in the barriers to entry or expansion in any one product or service area and a proliferation of ways for participants in the various markets to compete.

<sup>32</sup> MFAA, *Mortgage broker market share breaks records again* (31 May 2022) <https://www.mfaa.com.au/news/mortgage-broker-market-share-breaks-records-again>

<sup>33</sup> Statement of Douglas John Campbell at [63]. For FY22, 59% of ANZ home loans were originated by brokers.

<sup>34</sup> Statement of Clive van Horen at [31].

<sup>35</sup> East & Partners, *Australian Asset & Equipment Finance Markets: Market Analysis Report (Round 15 – 2021)* (**Annexure 26**).

38. Entry and the threat of entry exert significant competitive pressure on incumbent market participants. Incumbents can quickly lose customers to a new entrant with an attractive product because a large proportion of customers are willing and well-equipped to switch.
39. Some new entrants have been highly successful and are well positioned to continue to expand. For example:
- a. Macquarie Bank has significantly expanded its banking business over the last 5 years, offering home loans and retail and business transaction, savings and deposits accounts. Macquarie Bank has established itself as a key competitor in home loans, driven by a superior technology platform, shorter processing times and competitive (but not market leading) pricing;
  - b. Judo Bank has successfully entered the commercial banking market offering deposit and lending products and has begun aggressively recruiting relationship managers (including SME, business banking generalist relationship managers, health specialisation relationship managers and agribusiness banking specialists) to increase its exposure to customers;
  - c. a range of non-bank lenders, including Athena, AFG Home Loans (a subsidiary of a broker aggregator), Pepper Money, Liberty Financial Group, Resimac and Firstmac, are building portfolios in home loans, as well as asset finance;
  - d. neobanks, which are online banks with no physical store presence such as IN1Bank and Alex Bank, have successfully entered banking markets offering deposit and lending products; and
  - e. BNPL providers, such as Afterpay and Zip, have been successful in establishing alternative payment and credit options.

#### *Regulatory and policy settings*

40. The increased competitiveness in banking markets is also a function of a series of regulatory and policy changes designed to reduce barriers to new entry, increase consumer choice, and make competition a regulatory focus.
41. These include the ASIC regulatory sandbox, the major bank levy, the restricted ADI pathway which included allowing permitted restricted ADIs to hold a minimum of ~\$4 million,<sup>36</sup> mandatory comprehensive credit reporting, Open Banking as part of the consumer data right reforms, the Moneysmart mortgage calculator, the

<sup>36</sup> APRA, *ADI Licensing: Restricted ADI Framework Information Paper* (4 May 2018) at p 24 <https://www.apra.gov.au/sites/default/files/information-paper-adi-licensing-restricted-adi-framework-20180504.pdf> (Annexure 51).



ASIC competition mandate and the establishment of the ACCC Competition Enforcement and Financial Services Branch.

**The relevant markets will continue to be intensely competitive after the acquisition**

42. None of the market features described above will be materially altered by ANZ's acquisition of Suncorp Bank. In fact, the combined ANZ and Suncorp Bank will be better placed to compete effectively.

*Suncorp Bank is not more vigorous or effective than other competitors*

43. Suncorp Bank is currently no more vigorous or effective than other competitors in the supply of any of the relevant products. Suncorp's market share of the relevant markets has and continues to be relatively modest and static. It is **[Confidential to Suncorp]** [REDACTED] in personal or commercial banking markets.

44. If Suncorp Bank is not acquired by ANZ, it will continue to be part of Suncorp Group.<sup>37</sup> In those circumstances, as explained above, Suncorp Group **[Confidential to Suncorp]** [REDACTED]  
[REDACTED]  
[REDACTED].

*Suncorp Bank is not a close competitor of ANZ*

45. ANZ tracks the performance and offering of its competitors across the whole banking market. Suncorp Bank is one of many competitors that ANZ monitors and benchmarks itself against, but Suncorp Bank is not more closely monitored or considered than other banks.
46. ANZ's strategy and decisions about pricing and products are not influenced or driven to any material extent by the pricing and products offered by Suncorp Bank.

*There is no increased risk of coordinated conduct*

47. The acquisition of Suncorp Bank will not create an increased risk of coordinated conduct.
48. Features of the relevant markets currently militate strongly against coordinated conduct. They include:

<sup>37</sup> Statement of Steve Johnston at [70].

- a. the large number of competitors of varying sizes and with different business models across all markets makes coordination practically difficult, particularly when combined with the fact customers multi-bank and switch;
  - b. the significant role of brokers in home loans and commercial lending (especially for smaller business customers) facilitates comparison and switching that is disruptive to any attempt to coordinate;
  - c. banks have different funding and margin requirements, which cause them to seek to change their competitive position in deposit and lending markets in order to proactively manage their portfolios; and
  - d. home loan customers, large deposit holders, and commercial customers have the ability to, and do, negotiate on price and terms with banks either directly, or with the assistance of brokers. This means that banks' pricing and other terms are less visible to other banks, making coordination very difficult.
49. None of these features of the relevant markets will be altered by the proposed acquisition.

*ANZ and Suncorp Bank are a good fit and will be a more capable competitor together than separately*

50. Several aspects of ANZ's and Suncorp Bank's businesses complement each other. Both ANZ and Suncorp Bank are traditional banks in the sense that they have operated for a long time, still have broad physical distribution channels, and tend to offer a broad suite of products.
51. Compared with its presence in other States, ANZ is relatively underweight in Queensland, where Suncorp Bank has a greater presence due to its long history. **[Confidential to Suncorp]** [REDACTED]  
[REDACTED]  
[REDACTED] <sup>38</sup> ANZ's retail and commercial portfolios are more diverse, and ANZ has been more successful in securing larger SME businesses as customers. ANZ also has the capability to meet customer needs at very high lending levels (above \$50 million).<sup>39</sup>
52. **[Confidential to Suncorp]** [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED] ANZ is already making significant investment in technology through

<sup>38</sup> Statement of Clive van Horen at [37], [79] and [100] to [102].

<sup>39</sup> Statement of Isaac Rankin at [9].

its ANZ Plus platform. This is expected to directly benefit Suncorp Bank and its customers.<sup>40</sup>

53. For the above reasons, ANZ considers that the proposed acquisition will not substantially lessen competition in any market. This conclusion is consistent with the view expressed in the independent expert report prepared by Dr Philip Williams AM (Expert Report 3).

### Public benefits

54. The proposed acquisition will result in substantial benefits to the public.<sup>41</sup>
55. First, it will enable Suncorp Group to become a pureplay and more resilient insurer, facilitate the realisation of operational efficiencies and make it better placed to weather the volatility in reinsurance markets contributed to by climate events.<sup>42</sup> The proposed acquisition will allow for greater focus on Suncorp's insurance businesses in Australia (and New Zealand), at a time when the value of insurance to customers and the community has never been greater. Suncorp's singular focus on its insurance businesses will generate operational efficiencies, enabling Suncorp Group to continue to develop competitive and compelling insurance product offerings to its customers fulfilling customers' insurance needs.<sup>43</sup>
56. Divesting Suncorp Bank will also drive improvements to and streamlining of Suncorp Group's operating model and support functions reflecting the reduced complexity of a pureplay insurance business. [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]<sup>44</sup> **[Confidential to Suncorp]**
57. Secondly, with Suncorp Bank under ANZ ownership, benefits will accrue to customers, shareholders and the broader public. These include:
- a. Benefits from consolidating Suncorp Bank's operations with ANZ's operations and migrating Suncorp Bank's customers to ANZ platforms, including significant synergies that yield efficiencies that constitute or contribute to public benefits.<sup>45</sup>

<sup>40</sup> Statement of Shayne Elliott at [72].

<sup>41</sup> The public benefits are described in detail in Section 8 The Proposed Acquisition will deliver substantial public benefits.

<sup>42</sup> Statement of Steve Johnston at [35] to [40] and [92].

<sup>43</sup> Statement of Steve Johnston at [18(a)] and [92].

<sup>44</sup> Statement of Steve Johnston [92].

<sup>45</sup> Expert report of Patrick Smith, RBB.

- b. The combined business will have increased scale to enable continual investment in digital transformation and innovation. The increased scale in the combined retail and commercial businesses, in particular, will enable the investment required to meet customer expectations concerning digital capability and ongoing regulatory change to be more efficiently made.<sup>46</sup>
  - c. Reduced wholesale funding costs and greater access to funding for Suncorp Bank relative to the position in the counterfactual. Reductions in wholesale funding costs will benefit Suncorp Bank customers and/or ANZ and its shareholders. Greater access to funding for Suncorp Bank, particularly during periods of market downturns or other financial stress will mean that Suncorp Bank will have a greater ability to continue to provide credit to customers in those times than if Suncorp Bank remained owned by Suncorp Group.<sup>47</sup>
  - d. Increased prudential safety. Suncorp Bank customers and Australian taxpayers will benefit from increased protection against the potential costs of financial system shocks or crises, by reason of the combined business holding greater loss absorbing capital in reserve against the assets of Suncorp Bank.<sup>48</sup>
  - e. Greater contribution to government revenue through the major bank levy, as a result of the liabilities currently incurred by Suncorp Bank becoming subject to that levy if and when they become the liabilities of ANZ.
58. Thirdly, there will be additional benefits to Queenslanders and the Queensland economy from commitments agreed by ANZ and Suncorp Group, which were described in ANZ's announcement of 18 July 2022 regarding the proposed acquisition. These include substantial lending commitments made by ANZ, which will contribute to the economic and social prosperity of Queensland, and potential employment benefits relating to consideration of the establishment of 'Centres of Excellence'.<sup>49</sup>
59. None of these benefits will accrue if the proposed acquisition does not proceed.
60. The proposed acquisition will not result in any public detriments.

<sup>46</sup> Statement of Shayne Elliott at [46(b)(ii)].

<sup>47</sup> Statement of Adrian Went at [30] and [43].

<sup>48</sup> Expert report of Dr Jeffrey Carmichael.

<sup>49</sup> ANZ, *ANZ accelerates Australia Retail and Commercial* (18 July 2022) <https://www.media.anz.com/posts/2022/07/anz-accelerates-australia-retail-and-commercial>; Suncorp ASX announcement, *Suncorp Group announces the sale of Suncorp Bank to create a leading Trans-Tasman insurer* (18 July 2022) <https://www.asx.com.au/asxpdf/20220718/pdf/45bxsn636pb87f.pdf>

**Conclusion – the ACCC should authorise the proposed acquisition**

61. For the reasons set out above, as explained in further detail in this application, ANZ submits that the ACCC should authorise the proposed acquisition because the proposed acquisition:
- a. will not be likely to have the effect of substantially lessening competition in any market; and/or
  - b. will be likely to give rise to a net public benefit to the Australian public.

## 1. INTRODUCTION

### The proposed acquisition

- 1.1 This application is submitted by ANZ.<sup>50</sup>
- 1.2 ANZ proposes to acquire 100% of the issued share capital in SBGH from Suncorp Group, either directly or via a related body corporate of ANZ, in accordance with the SSPA between ANZ and Suncorp executed on 18 July 2022 (**Confidential Annexure 5**).
- 1.3 Suncorp Group owns 100% of the shares of SBGH, which in turn owns 100% of the shares of Suncorp Bank. Suncorp Bank and its subsidiaries own and operate Suncorp Group's banking business in Australia. SBGH is a non-operating holding company. That is, SBGH does not itself carry on a business other than the business of ownership of Suncorp Bank and Suncorp Bank's subsidiaries.
- 1.4 The **proposed acquisition** for which ANZ seeks authorisation is therefore:
- c. the acquisition of the shares in SBGH; and
  - d. the transfer of real estate and intellectual and other property rights held by other Suncorp Group entities to facilitate the operation of Suncorp Bank,
- as explained in more detail at Section 3 The Proposed Acquisition.
- 1.5 Suncorp Group also owns and operates, via other entities, an insurance business in Australia and a separate insurance business in New Zealand.<sup>51</sup> Those insurance businesses do not form part of the proposed acquisition and will continue to be operated by Suncorp Group if the proposed acquisition proceeds.

### Authorisation sought

- 1.6 ANZ is applying to the ACCC for merger authorisation for the proposed acquisition under section 88 of the CCA on the basis that the proposed acquisition (under section 90(7) of the CCA):
- e. would not have the effect, and would not be likely to have the effect, of substantially lessening competition in any market; and/or
  - f. would result, or be likely to result, in a benefit to the public, and the benefit would outweigh any detriment to the public that would result, or be likely to result, from the proposed acquisition.

<sup>50</sup> This application should be read with the glossary. Capitalised words, acronyms and initialisms have the meaning given to them in the glossary, which also provides an explanation for some of those terms.

<sup>51</sup> Suncorp Group FY22 Annual Report at page 4 (**Annexure 4**).

- 1.7 ANZ seeks authorisation on the basis that one or both of the above limbs are satisfied. ANZ considers that both limbs are satisfied, for the reasons set out in this application.

**Documents forming part of this application**

- 1.8 ANZ's application comprises this submission, and a number of supporting documents. A complete list of those documents is set out in Section 9 Other Documents and Information.

**Verification guide to the ACCC authorisation application form**

- 1.9 ANZ has also completed the validity assessment reference table in the form provided by the ACCC (**Annexure 1**).

## 2. THE PARTIES

Table 2: ANZ and Suncorp Group information

ITEM	ANZ	SUNCORP & SBGH
<b>Business details</b>	Australia and New Zealand Banking Group Limited ANZ Centre, 833 Collins Street, Docklands, Victoria, 3008 ACN: 005 357 522	Suncorp Group Limited & SBGH Limited Level 23, 80 Ann Street, Brisbane QLD 4000 Suncorp ACN: 145 290 124 SBGH ACN: 145 980 383
<b>Contact person's details</b>	Peter Armitage   Justin Jones Partners, Ashurst [REDACTED] [REDACTED]	Linda Evans Partner [REDACTED] [REDACTED]
<b>Business activities</b>	See "ANZ description of business activities" below.	See "Suncorp Group description of business activities" below.
<b>Address for service</b>	[REDACTED]	[REDACTED]
<b>Company structure chart</b>	See pages 212 and 214 of the 2022 Annual Report (Annexure 38).	See Figures Figure 1 and Figure 2
<b>Organisation chart</b>	See Confidential Annexure 3.1	See Confidential Annexure 3.2

### ANZ description of business activities

- 2.1 ANZ is an ASX-listed financial services group and the smallest of Australia's four largest banks by lending. ANZ trails CBA, Westpac and NAB by some margin.<sup>52</sup> It provides a range of banking products and services to retail and business customers in Australia and New Zealand, and to institutional customers globally.<sup>53</sup>
- 2.2 ANZ is headquartered in Melbourne, Victoria, and operates in 32 geographical markets globally.<sup>54</sup>
- 2.3 Since 1 March 2022, ANZ has six divisions:

<sup>52</sup> Table 2 of APRA's monthly authorised deposit-taking institution statistics show the value of each bank's market lending as at September 2022 is ANZ (\$430 billion); CBA (\$758 billion); Westpac (\$640 billion), and NAB (\$559 billion).

<sup>53</sup> ANZ, <https://www.anz.com.au/personal/>

<sup>54</sup> ANZ, <https://www.anz.com.au/about-us/our-company/>



- a. **Australia Retail** – serving retail customers across Australia and focussed on financial wellbeing;
  - b. **Australia Commercial**– servicing commercial and private banking customers across Australia;
  - c. **Institutional** – serving institutional and business customers across Australia, New Zealand, Asia, Europe and America including Papua New Guinea and the Middle East;
  - d. **Corporate Centre** – areas of the business that service the organisation globally;
  - e. **New Zealand** – serving retail, commercial and private banking customers in New Zealand; and
  - f. **Pacific** - serves retail customers, small to medium-sized enterprises, institutional customers and governments located in the Pacific Islands.<sup>55</sup>
- 2.4 On 26 October 2022, ANZ announced that shareholders will be asked to vote on a proposal to establish a non-operating holding company and create distinct banking and non-banking groups within the organisation.<sup>56</sup> Under this new structure, there will be no impact on customers and no material change to how ANZ's banking operations are regulated.
- 2.5 ANZ focusses on three customer segments:
- g. customers wanting to save for, buy and own a home in Australia and New Zealand;
  - h. customers wanting to start, buy, grow or sell their business in Australia and New Zealand; and
  - i. large companies moving capital and goods around the region.<sup>57</sup>
- 2.6 **[Confidential to ANZ]** [REDACTED]  
[REDACTED]  
[REDACTED]

<sup>55</sup> ANZ, *Business structure* <https://www.anz.com/shareholder/centre/about/business-structure/>. The new structure is reflected in the September 2022 half year reporting.

<sup>56</sup> ANZ, *Non-Operating Holding Company Restructure Explanatory Memorandum* (27 October 2022) <https://media.anz.com/posts/2022/10/non-operating-holding-company-restructure-explanatory-memorandum>

<sup>57</sup> ANZ, *Our Purpose and Strategy* <https://www.anz.com/shareholder/centre/about/our-purpose-and-strategy/>

### Suncorp Group description of business activities

- 2.7 Suncorp Group is an ASX listed provider of insurance and banking products and services. It has three core businesses:
- j. **Insurance (Australia)** – providing a range of personal and commercial insurance products, through a suite of brands including AAMI, Suncorp Insurance, GIO and Apia.
  - k. **Banking** – providing a range of banking products and services to retail and business customers in Australia. This business is operated by Suncorp Bank.
  - l. **Suncorp New Zealand** – providing insurance products and services to customers in New Zealand.<sup>58</sup>
- 2.8 Suncorp Group is headquartered in Brisbane, Queensland, and operates in Australia and New Zealand only.
- 2.9 Suncorp Group offers its banking products through Suncorp Bank. As at 30 June 2022, Suncorp Bank had approximately 1.2 million customers **[Confidential to Suncorp]** ( [REDACTED] ).
- 2.10 Suncorp Group's latest annual reports and other materials submitted with this application refer to its Banking business as "Banking & Wealth". Suncorp Group completed the sale of its wealth business, Suncorp Portfolio Services Limited, to LGIASuper on 1 April 2022 and as such no longer carries on such a business.<sup>59</sup>

<sup>58</sup> Suncorp Group FY 22 Annual Report at page 4 (**Annexure 4**).

<sup>59</sup> Suncorp Group, *Suncorp completes sale of its Australian Wealth business* (1 April 2022) <https://www.suncorpgroup.com.au/news/news/suncorp-completes-sale-of-its-australian-wealth-business>

### 3. THE PROPOSED ACQUISITION

#### Transaction structure and ancillary arrangements

- 3.1 ANZ (or a related body corporate nominated by ANZ) proposes to acquire:
- a. all of the issued share capital of SBGH, being 397,677,111 issued ordinary shares (the **Sale Shares**), in accordance with the SSPA (**Confidential Annexure 5**); and
  - b. the Property Leases (as defined in section 1.1 of the SSPA) relating to Suncorp Bank which are not held by an entity that is to be acquired by ANZ. These Property Leases (and related Property Assets, as defined in clause 1.1 of the SSPA) will be transferred to ANZ (or a related body corporate of ANZ) on completion of the proposed acquisition. The transfer regime is set out in the SSPA.<sup>60</sup>
- 3.2 Under clause 4.3 of the SSPA, within 180 days after the date of the SSPA, ANZ has the right to nominate a related body corporate of ANZ to acquire the Sale Shares. That right is subject to certain conditions, including that the related body corporate nominee is of "substantially similar substance" to ANZ and that the nomination does not adversely affect the prospects or timing or satisfaction of any of the conditions set out below. This right is included because ANZ intends to establish a non-operating holding company into its corporate structure, which may acquire and hold the Sale Shares.<sup>61</sup> Consequently, ANZ seeks authorisation for it, or its related body corporate, to acquire the Sale Share and Property Leases.
- 3.3 The proposed acquisition is conditional on the following matters set out in clause 2.1 of the SSPA:
- a. approval by the Federal Treasurer under the *Financial Sector (Shareholdings) Act 1998* (Cth), as set out in sub-clause 2.1(a) of the SSPA;
  - b. approval by the ACCC or the Australian Competition Tribunal, or a declaration by the Federal Court of Australia under section 50 of the CCA, as set out in sub-clause 2.1(b) of the SSPA; and
  - c. the *State Financial Institutions and Metway Merger Act 1996* (Qld) being either repealed or amended such that it does not apply to any holding company of Suncorp Bank nor to ANZ or any of its related bodies corporate (excluding Suncorp Bank and its subsidiaries). The Metway Merger Act may also be amended to reflect the agreed set of commitments offered by

<sup>60</sup> Clause 4.1(b) and Schedule 21 of the SSPA.

<sup>61</sup> See above at paragraph 2.4.

ANZ and Suncorp Group to the Queensland Government as set out in clause 2.6 and Schedule 17 of the SSPA (**Agreed Commitments**).

- 3.4 The Agreed Commitments set out in the SSPA<sup>62</sup> are that:
- a. in the case of ANZ – during the three-year period following completion, there will be:
    - i. no further reduction in Suncorp Bank branch numbers in Queensland as a result of the proposed acquisition; and
    - ii. no net job losses in Queensland for Suncorp Bank as a result of the proposed acquisition;
  - b. ANZ is willing to explore the establishment of one or more 'Centres of Excellence' in rural / regional areas in Queensland; and
  - c. in the case of Suncorp Group — the registered head office of the Suncorp Group remains in Queensland, and that the Suncorp Group will develop a claims centre of excellence in Queensland.<sup>63</sup>
- 3.5 Further, under the SSPA, ANZ and Suncorp Group have agreed to enter the following arrangements in connection with the proposed acquisition:
- a. **Brand Licence Deed:** no later than 1 business day prior to completion of the proposed acquisition, Suncorp Corporate Services Ltd (**SCS**), a wholly-owned subsidiary of Suncorp Group, and Suncorp Bank would enter a Transitional Trade Mark Licence Deed (**Brand Licence Deed**) that will enable Suncorp Bank to use certain Suncorp Group trade marks for a period of 5 years after completion of the SSPA, with an option for Suncorp Bank to extend that period for a further two years, subject to certain conditions being met.<sup>64</sup>
  - b. **Transitional Services Agreement:** on completion of the proposed acquisition, Suncorp Bank and SCS would enter into a TSA to provide transitional services to operate Suncorp Bank for a period of two years (with ANZ to have the right to extend the term for certain services for a further one year period).<sup>65</sup>
  - c. **Restructure Agreement:** Suncorp Group and Suncorp Bank to enter into Restructure Agreement to transfer certain assets that relate to Suncorp

<sup>62</sup> The Agreed Commitments may be amended or expanded prior to completion in accordance with clause 2.6 of the SSPA.

<sup>63</sup> Schedule 17 of the SSPA.

<sup>64</sup> Clauses 12.1(c) and (d) of the Brand Licence Deed.

<sup>65</sup> Clause 2.1 of the TSA.

Bank but are sitting in retained Suncorp Group entities or that relate to the retained insurance business but are sitting in Suncorp Bank or its subsidiaries. This includes the transfer of shares in certain out-of-scope entities and units in an out-of-scope trust by Suncorp Bank to the retained Suncorp Group. The Restructure Agreement will also require Suncorp Bank to execute an Intellectual Property Deed, relating to how intellectual property rights are transferred between Suncorp Group and Suncorp Bank, and will be executed prior to the Brand Licence Deed with Suncorp Bank.

**Diagrams showing change in ownership post-merger**

- 3.6 Figure 1 shows the current ownership structure of Suncorp Group and Suncorp Bank. It also shows the entities which would not be acquired as part of the proposed acquisition by reason of the internal restructure contemplated by the Restructure Agreement.
- 3.7 Figure 2 shows how the ownership structure will change under the proposed acquisition. ANZ would be substituted for Suncorp Group as the owner of SBGH. The diagram also assumes that the internal restructure contemplated by the Restructure Agreement will have occurred prior to completion, as described above. This diagram does not show ANZ's proposed non-operating holding company (referred to at paragraph 2.4).

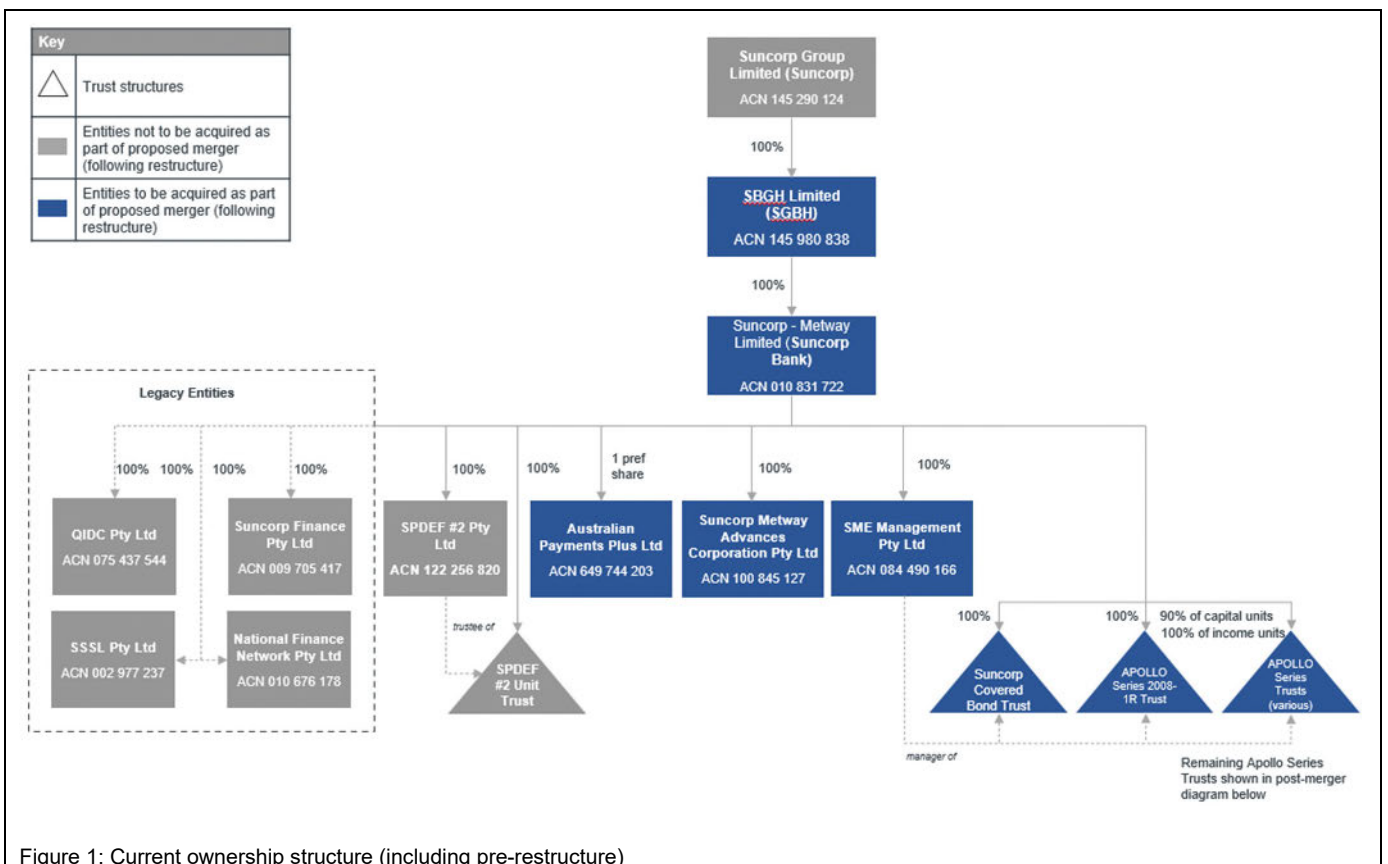


Figure 1: Current ownership structure (including pre-restructure)

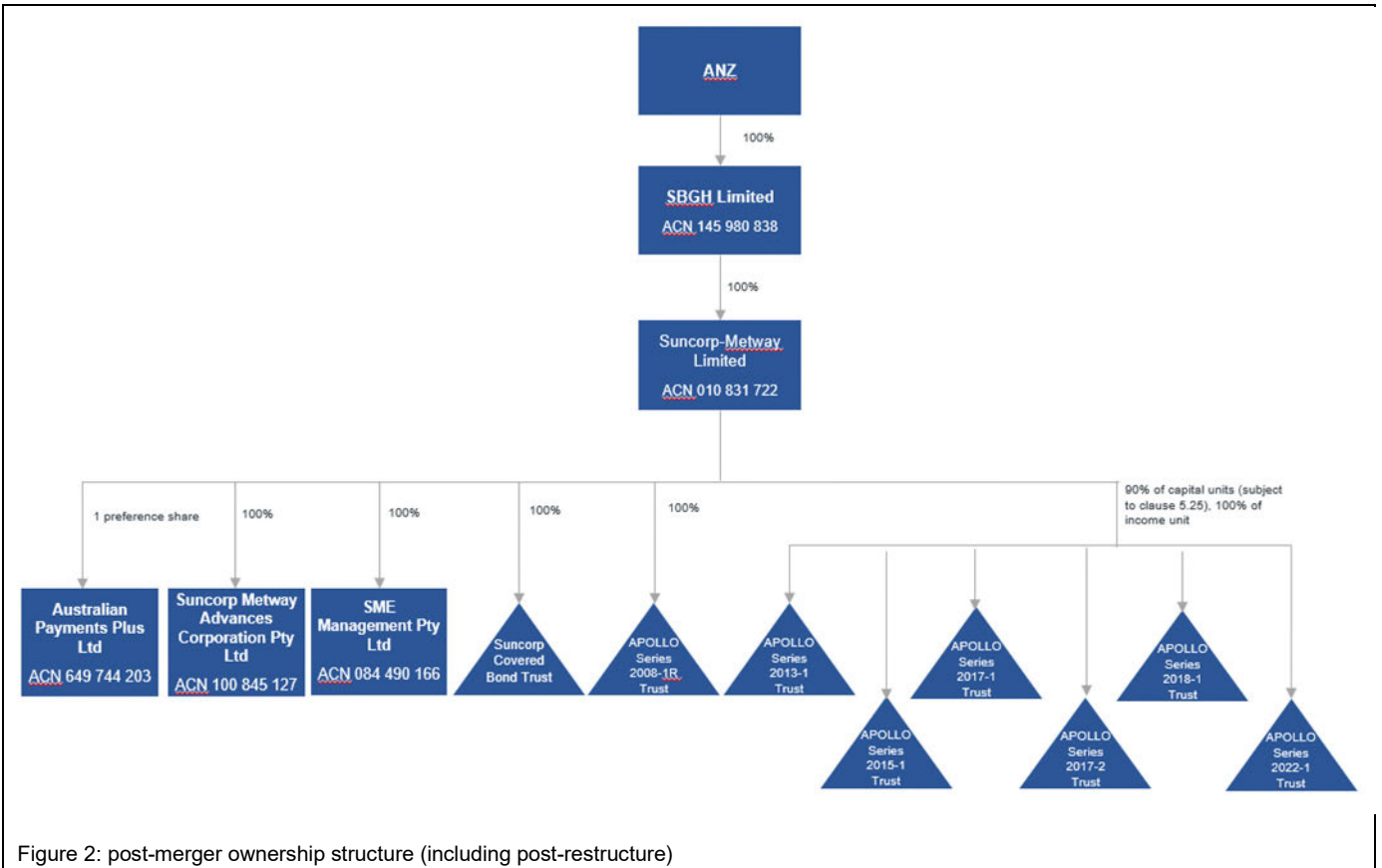


Figure 2: post-merger ownership structure (including post-restructure)

### ANZ rationale

- 3.8 ANZ has decided to pursue the proposed acquisition because it believes it will deliver the following benefits to ANZ, and ANZ's and Suncorp Bank's customers:
- a. **Acquisition of a strong customer franchise, providing immediate growth in areas that are attractive to ANZ:** Suncorp Bank has strong brand recognition in Queensland. It has achieved strong results in measures of customer satisfaction, including a sound net promoter score or **NPS** (a measure of the willingness of customers to recommend a brand<sup>66</sup>) of +14.6.<sup>67</sup> Suncorp Bank has also had positive business momentum, particularly in home loans where it has experienced approximately 12% of net home lending growth for the 6 month period to June 2022.<sup>68</sup> The proposed acquisition will provide immediate growth in areas that are attractive to ANZ—in particular, home loans, and help ANZ increase its presence in Australian retail and commercial banking.<sup>69</sup>
  - b. **Increased scale to enable continual and more efficient investment in digital transformation and innovation, helping ANZ build a superior bank for customers and better compete in the digital age:** ANZ expects that the proposed acquisition will result in an increase in ANZ's customer relationships by approximately 1.2 million, and its "main financial institution" (**MFI**) customer base<sup>70</sup> by approximately 0.4 million.<sup>71</sup> ANZ's customer relationships would increase from approximately [Confidential to ANZ] [REDACTED] to approximately [Confidential to ANZ] [REDACTED] and its customer base from approximately [Confidential to ANZ] [REDACTED] to approximately [Confidential to ANZ] [REDACTED] in Australia. Additionally, ANZ expects the proposed acquisition will increase its Australian mortgages FUM by 17% to \$326 billion, its Australian business lending FUM by 20% to \$67 billion and Australian retail deposits by 22% to \$179

<sup>66</sup> NPS is a widely used measure in the banking industry of a customer's or a broker's willingness to recommend a particular bank to others. Respondents who give a rating of 0-6 are classified as "detractors", those who give a rating of 7-8 are described as "passives", while a 9-10 rating classifies the respondent as a "promoter". The overall NPS is then calculated as the percentage of detractors subtracted from the percentage of promoters. This means a positive NPS indicates that a brand has more promoters than detractors, while a negative NPS means a brand has more detractors than promoters.

<sup>67</sup> Suncorp Annual Report (**Annexure 4**) at page 207 under the "Customer" table.

<sup>68</sup> Suncorp Group, *Sale of Suncorp Bank* (18 July 2022) at p 8 <https://www.suncorpgroup.com.au/announcements-pdf/1684679> (**Annexure 48**).

<sup>69</sup> Statement of Shayne Elliott at [63].

<sup>70</sup> MFI is the financial institution that a customer regards as its "main" or "primary" financial institution.

<sup>71</sup> ANZ Acquisition of Suncorp Bank and Equity Raising: Investor Discussion Pack (18 July 2022) (**Annexure 6**) at p 7. As at December 2021, Suncorp Bank defines an MFI customer as a customer that transacts every two days and spends a minimum of \$5,000 over 90 day period.

billion.<sup>72</sup> The proposed acquisition is also expected to generate a \$1.2 billion increase in net operating income.<sup>73</sup> The increased scale in the Australia Retail and Australia Commercial Divisions, in particular, will enable ANZ to more efficiently make the investment required to meet customer expectations concerning digital capability and ongoing regulatory change. In an environment of intense competition on digital offerings, this will enable ANZ to become a stronger and more effective competitor.<sup>74</sup>

- c. **Synergies and attractive financial returns:** Based on the analysis conducted before the announcement of the acquisition, ANZ expects the proposed acquisition to generate pre-tax cost synergy benefits of ~\$260 million per annum.<sup>75</sup> While some savings may be able to be realised sooner, ANZ expects that material synergies will be phased in over 4 to 6 years post completion with full run rate synergies expected to be achieved by the end of year 6. Prior to the realisation of those synergies, ANZ expects that the proposed acquisition will be neutral in its impact on ANZ EPS and ROE on a pro forma FY23 basis.<sup>76</sup> If the full run rate synergies are included, the proposed acquisition is expected to be low single digit EPS accretive and marginally ROE accretive on a pro forma FY23 basis.<sup>77</sup> The proposed acquisition is also expected to generate a \$0.4 billion increase in net profit after tax.<sup>78</sup>
- d. **A better balanced bank, with larger Australian retail and commercial portfolios:** The proposed acquisition will increase the size of ANZ's Australian retail and commercial portfolios relative to other parts of ANZ's

<sup>72</sup> ANZ Acquisition of Suncorp Bank and Equity Raising: Investor Discussion Pack (18 July 2022) (**Annexure 6**) at page 18. ANZ Gross Loans and Advances (**GLA**) as at May 2022 for Australia Retail & Commercial, Suncorp Bank GLA as at December 2021; ANZ Australia retail deposits as at March 2022 (retail offsets included under transaction deposits). Suncorp Bank retail deposits (excluding treasury deposits) as at December 2021 (Suncorp Bank's split of term deposits by retail and commercial is not available. The retail portion of Suncorp Bank's term deposits is assumed to be 73%, in line with the retail portion of Suncorp Bank's savings accounts).

<sup>73</sup> Based on Suncorp P&L for the 12 months to the 30 June 2022.

<sup>74</sup> Statement of Shayne Elliott at [63].

<sup>75</sup> ANZ Acquisition of Suncorp Bank and Equity Raising: Investor Discussion Pack (18 July 2022) (**Annexure 6**). Includes expected annual cost synergies of ~\$260m pre-tax (assuming the preservation of an alternate brand post the expiry of the Suncorp Bank brand licence) and is net of a \$10m annual brand licence fee for the period of the brand licence. It is expected that synergies will be phased in over years 4 to 6 post completion with full run rate synergies expected to be achieved by the end of year 6.

<sup>76</sup> ANZ Acquisition of Suncorp Bank and Equity Raising: Investor Discussion Pack (18 July 2022) (**Annexure 6**). Based on forecast annual ANZ & Suncorp Bank earnings to 30 September 2023, and including the impact of capital raising. Excludes transaction and integration costs and amortisation of any purchase price adjustments recognised on acquisition. Calculated in accordance with Australian Accounting Standard AASB133 'Earnings per Share', with adjustments to reflect the bonus element of the Entitlement Offer.

<sup>77</sup> ANZ Acquisition of Suncorp Bank and Equity Raising: Investor Discussion Pack (18 July 2022) (**Annexure 6**).

<sup>78</sup> Based on Suncorp P&L for the 12 months to the 30 June 2022.



business.<sup>79</sup> It will also increase ANZ's exposure to Queensland, which has had higher annual growth than the rest of Australia over the past two decades<sup>80</sup> and is Australia's largest interstate migration destination.<sup>81</sup> The Suncorp Bank lending portfolio is geographically complementary to ANZ. The proposed acquisition will increase ANZ's Queensland retail customer base from approximately 1.1 million to approximately 1.8 million, and increase the Queensland proportion of ANZ's total lending from 14% of ANZ's total lending to 19% of ANZ's total lending (measured by gross loans and advances as at 1 May 2022), bringing ANZ's Australian business into better balance.<sup>82</sup> Greater geographic diversity provides lower risk and exposure to economic downturns and other events that impact particular geographies.<sup>83</sup> The acquisition of Suncorp Bank's portfolio will also rebalance ANZ's sources of income back to Australia, enabling better balanced returns, a more predictable income and higher levels of franking credits.<sup>84</sup>

### ANZ plans for Suncorp Bank

- 3.9 If the proposed acquisition completes, ANZ intends to operate Suncorp Bank on a largely standalone basis for a period of up to three to four years post completion (the **Separation Period**), before consolidating Suncorp Bank's operations with ANZ's operations and migrating Suncorp Bank's customers to ANZ platforms.<sup>85</sup> The Separation Period, which is described below, is largely driven by the complexity of customer migration to new platforms (including technology and products) which requires careful planning and execution in order to ensure that Suncorp Bank customers continue to receive quality services with minimal disruption. ANZ's incentives are to retain and grow Suncorp Bank customer relationships, in order to realise the commercial value of the proposed acquisition, and this is a key driver of its approach to migration and integration. The

<sup>79</sup> Statement of Shayne Elliott at [63(c)].

<sup>80</sup> Trade + Investment Queensland, *A growing and resilient economy* [www.tiq.qld.gov.au/international-business/doing-business-in-queensland/economy](http://www.tiq.qld.gov.au/international-business/doing-business-in-queensland/economy)

<sup>81</sup> Australian Bureau of Statistics, *Regional internal migration estimates, provisional* (3 August 2021) <https://www.abs.gov.au/statistics/people/population/regional-internal-migration-estimates-provisional/latest-release#:~:text=Queensland%20had%20the%20largest%20change.increasing%20from%2020%2C600%20to%2021%2C500>

<sup>82</sup> ANZ Acquisition of Suncorp Bank and Equity Raising: Investor Discussion Pack (18 July 2022) (**Annexure 6**) at page 18.

<sup>83</sup> Statement of Shayne Elliott at [63(c)(i)].

<sup>84</sup> Statement of Shayne Elliott at [63(c)(ii)(A)].

<sup>85</sup> The duration of the TSA, Agreed Commitments and Separation Period are related but not directly causally connected with each other (i.e. the duration of one period does not determine the duration of any other period). The TSA (up to 3 years) and the Agreed Commitments (3 years) are expected to end at or prior to the end of the Separation Period, being the point at which ANZ is ready to migrate Suncorp Bank to ANZ platforms and start realising the synergies and other benefits of integration (as discussed in Section 8 The Proposed Acquisition will deliver substantial public benefits) (as discussed in Section 8 The Proposed Acquisition will deliver substantial public benefits).

statement of Shayne Elliott explains, among other things, ANZ's plans for Suncorp Bank if the proposed acquisition proceeds and the considerations driving ANZ's approach to the migration of Suncorp Bank's customers to ANZ platforms.

- 3.10 ANZ is in the process of developing detailed plans for the migration of Suncorp Bank's customers to ANZ platforms, and the integration of Suncorp Bank's operations into ANZ.<sup>86</sup> ANZ's current, high level plans are described below.

#### *Steps involved in migrating customers*

- 3.11 The migration of Suncorp Bank customers from Suncorp Bank's technology and products to ANZ's technology and products would involve the same or similar steps as migration to any other bank's technology and products, including:
- a. completion of the proposed acquisition;
  - b. ANZ becoming the issuer of Suncorp Bank products pursuant to the *Financial Sector (Business Transfer and Group Restructure) Act 1999* (Cth);
  - c. analysis of terms and conditions of Suncorp Bank customers' existing products;
  - d. communication with customers regarding the migration; and
  - e. technology build and testing,

in addition to planning for migration at scale.

- 3.12 ANZ's detailed planning for customer migration is already underway, and ANZ will take steps towards migration of Suncorp Bank customers from completion of the proposed acquisition.

#### *Separation Period*

- 3.13 It is ANZ's intention that, during the Separation Period, although Suncorp Bank will become a subsidiary of the ANZ Group, Suncorp Bank will be operated on a largely standalone basis in the sense that:

<sup>86</sup> ANZ had undertaken preliminary analysis of options for the integration and migration of Suncorp Bank's operations and customers for the purpose of valuation of its offer for Suncorp Bank, prior to agreeing to the proposed acquisition. ANZ's actual plans for integration and migration will require detailed analysis, and will be substantially progressed in the next 12 months.

- a. Suncorp Bank will continue to distribute banking products under its existing licences<sup>87</sup> and its own brand.<sup>88</sup>
  - b. Suncorp Bank will remain the issuer of Suncorp Bank products, and have its own risk appetite and risk management strategy.
  - c. Suncorp Bank will have a distinct management team, led by Clive Van Horen (the current CEO of Suncorp Bank) and be governed by a separate board of directors (the composition of which is still being considered).
- 3.14 Consistently with the Agreed Commitments, for at least three years post-completion:
- a. there will be no changes to the total number of Suncorp Bank branches in Queensland; and
  - b. there will be no net job losses in Queensland for Suncorp Bank, as a result of the proposed acquisition.<sup>89</sup>
- 3.15 ANZ also intends to rely on transitional services from SCS for at least two years of the Separation Period (with an option to extend certain services for a further year), for the effective operation of Suncorp Bank.
- 3.16 ANZ intends to continue to maintain the quality of Suncorp Bank's services and products during the Separation Period, in order to maximise the prospects of retaining Suncorp Bank customers and winning new customers.
- 3.17 ANZ does not expect to achieve material cost synergies during the Separation Period and expects to incur integration costs of ~\$400 million in that period.<sup>90</sup>

<sup>87</sup> Being Suncorp Bank's authorisation as an ADI under the Banking Act (to carry on a banking business that includes the taking of deposits and making advances of money), its AFSL issued under the Corporations Act (to carry on the business of offering financial products) and its Australian credit licence issued under the NCCP Act (to engage in credit activity, including offering home loans and credit cards).

<sup>88</sup> In accordance with the Brand Licence Deed.

<sup>89</sup> ANZ Acquisition of Suncorp Bank and Equity Raising: Investor Discussion Pack (18 July 2022) (**Annexure 6**) at page 13. For the avoidance of doubt, these commitments apply to Suncorp Bank only and in Queensland only, and apply from completion. "As a result of the acquisition" means causally linked to the proposed acquisition (that is, beyond any branch closures or job losses that would occur under Suncorp Bank's normal operating policies and plans). For example, a Suncorp Bank branch that does not meet Suncorp Bank's criteria for branch retention may be closed. Similarly, a Suncorp Bank employee may lose their job during this period if, for example, their employment is terminated for misconduct in accordance with Suncorp Bank's usual employment practices and policies. To the extent that such branch closures or job losses occur, they would not be occurring as a result of the proposed acquisition.

<sup>90</sup> ANZ Acquisition of Suncorp Bank and Equity Raising: Investor Discussion Pack (18 July 2022) (**Annexure 6**) at page 21.

### *Migration and Transformation Period*

- 3.18 As set out in paragraph 3.10, ANZ is still developing detailed plans for the migration of Suncorp Bank's customers to ANZ platforms, and the integration and consolidation of Suncorp Bank's operations into ANZ. However, ANZ's current intention is that:
- a. Suncorp Bank's retail customers would be ultimately migrated to ANZ's Australia Retail platforms;
  - b. Suncorp Bank's Business Bank customers would ultimately be migrated to ANZ Australia Commercial platforms.<sup>91</sup> The timing of migrating these customers has not yet been determined;
  - c. **[Confidential to ANZ]** [REDACTED]  
[REDACTED]  
[REDACTED] and
  - d. cost saving synergies will be realised from rationalisation of technology and products, labour, and physical networks. As stated above, ANZ does not expect to achieve material synergies until after the Separation Period.

### *Migration of Suncorp Bank's retail customers*

- 3.19 Following the Separation Period, ANZ intends to migrate Suncorp Bank retail customers to the ANZ technology stack that is currently being developed and used for ANZ retail customers.

### *ANZ's technology stack and digital transformation*

- 3.20 **[Confidential to ANZ]** [REDACTED] ANZ has been pursuing a digital transformation program to improve its retail banking products offering, as well as the underlying technology systems—called the "technology stack"—which supports those products. This transformation program is referred to internally as "ANZx".<sup>92</sup>
- 3.21 ANZx launched its first customer proposition in March 2022, branded "ANZ Plus". ANZ Plus is part of a multi-year plan to provide modern, digital products and

<sup>91</sup> The Business Bank of Suncorp Bank is described in further detail in the Statement of Clive van Horen at [65] to [78].

<sup>92</sup> Statement of Shayne Elliott at [53] and [54].

services for ANZ customers, and significantly better systems and processes for ANZ.<sup>93</sup>

- 3.22 ANZ Plus currently includes a "save and transact" digital proposition, which consists of a mobile banking app, an everyday transaction account, a savings account with multiple savings goals and access to coaches who can provide product support via an in-app chat function and over-the-phone.<sup>94</sup> The ANZ Plus app aims to support customers' financial wellbeing and make managing money easy, allowing customers to self-serve in most instances, but supported by ANZ Plus coaches.
- 3.23 The ANZ Plus transact and save proposition is built on a simplified technology stack enabling a high degree of automation, which utilises modern platforms, custom-built services and some existing ANZ technology. The product is designed to improve customer experience and simplify the way ANZ administers the product—for example, compared to ANZ's legacy products, there are fewer fee types and terms and conditions have been simplified. This also supports ANZ's objectives to reduce the risk of errors requiring remediation through:
- a. a simplified product proposition: fewer products means less complexity and risk of errors;
  - b. fewer fees, which reduces the risk of fees being wrongly charged; and
  - c. a platform that will support primarily automated controls, which reduces the risk of manual processing errors.
- 3.24 In addition to the ANZ Plus transact and save proposition, ANZ is now focussing on expanding ANZ Plus to include home loans. To that end, ANZ is developing an improved underlying technology stack and product feature set for its planned home loan proposition, as it has done for the transact and save proposition.
- 3.25 ANZ's current intention is to migrate Suncorp Bank retail customers to ANZ's technology stack and ANZ Plus products. At this stage, ANZ expects this would involve migrating:
- a. customer "channels", being the mediums used to serve customers such as mobile applications and internet banking as well as contact centre, broker and branch channel technology;
  - b. customer sales and servicing systems, such as technology for customer origination and the customer relationship management (**CRM**) software

<sup>93</sup> ANZ, *ANZ introduces ANZ Plus – a powerful new banking service* (23 March 2022) <https://media.anz.com/posts/2022/03/anz-introduces-anz-plus---a-powerful-new-banking-service>; Statement of Shayne Elliott at [54(b)].

<sup>94</sup> ANZ Plus <https://www.anz.com.au/plus/>

used to track interactions with customers. This migration would include moving customer data; and

- c. customer products and contracts. This migration would include replacing the technology on which products 'sit' and altering customer contracts where applicable.

3.26 ANZ will strive to make these changes with a minimum of customer effort and inconvenience, in a way that avoids customer harm, while also reducing ANZ's costs to serve customers. Once the customer migration has occurred, ANZ would decommission products, systems and processes associated with Suncorp Bank's retail technology stack.

3.27 Although ANZ is still working through its approach and planning, ANZ's current best estimate is that the migration of Suncorp Bank retail customers to the ANZ technology stack and ANZ Plus will commence after the Separation Period.

3.28 **[Confidential to ANZ]** [REDACTED]

#### *Longer term plans following migration of Suncorp Bank's customers*

3.29 ANZ intends to continue to invest in its digital transformation to the benefit of all customers of the combined business, as explained in the statement of Shayne Elliott.<sup>95</sup>

3.30 ANZ has not yet made decisions about the exact products and services that will be offered by the combined business, and how those offerings will be branded beyond the Separation Period.

#### *Realisation of cost saving synergies*

3.31 As announced by ANZ,<sup>96</sup> the proposed acquisition is expected to deliver cost synergies of approximately \$260 million per annum. This represents approximately 35% of Suncorp Bank's reported FY22 cost base.

3.32 ANZ announced that it expected that these synergies will be materially phased in over years 4 to 6 post-completion, with full run rate synergies expected to be achieved by the end of year 6.

<sup>95</sup> Statement of Shayne Elliott at [63].

<sup>96</sup> See page 21 of ANZ Acquisition of Suncorp Bank and Equity Raising: Investor Discussion Pack (18 July 2022) (**Annexure 6**). Includes expected annual cost synergies of ~260m pre-tax (assuming the preservation of an alternative brand post the expiry of the Suncorp Bank brand licence) and is net of the \$10m annual brand licence fee for the period of the brand licence.

- 3.33 While the details of ANZ's plans for the integration of Suncorp Bank's operations into ANZ are yet to be finalised, ANZ expects that it will be able to realise annual cost savings from a combination of:
- a. technology, project and product rationalisation;
  - b. labour rationalisation (due to the anticipated increased automation and rationalisation of duplicative managerial roles, consolidation of enabling functions and retail functions);
  - c. branch and contact centre reduction enabled by the rationalisation of duplicative branches, the change of customer preferences and the enhanced digital self-serve capabilities of ANZ Plus; and
  - d. a reduction in procurement costs enabled by ANZ's greater buying power.
- 3.34 ANZ expects that it would incur ~\$240 million in one-off integration costs after the Separation Period, in addition to the ~\$400 million incurred during that period.<sup>97</sup> As set out at paragraph 3.10 above, work is now underway to develop detailed plans for integration.
- 3.35 While, as stated above, ANZ does not expect to achieve material synergies during the Separation Period, in developing its integration plans, ANZ is exploring opportunities to realise some cost saving synergies earlier than the previously estimated 4-6 years post completion. ANZ has not made any decisions about the numbers or roles of employees, or the numbers or locations of branches or contact centres that it will need to serve customers and run the bank following the Separation Period. Notwithstanding detailed plans are still being developed, ANZ continues to consider that \$260m is a reasonable estimate of the annual cost saving synergies that can be achieved.

### **Suncorp Group rationale**

- 3.36 Suncorp Group's decision to divest Suncorp Bank to ANZ positions both its insurance business and Suncorp Bank for ongoing growth and success as separate, monoline businesses:
- a. The proposed acquisition will continue a process of simplification and streamlining of Suncorp Group's businesses commenced since the global financial crisis (**GFC**). The GFC caused significant funding and liquidity issues for Suncorp Group (including in particular Suncorp Bank) and caused Suncorp Group to review and refresh its capital management and risk management frameworks. There was a dedicated program of work developed for Suncorp Bank aimed at de-risking and reshaping its product

<sup>97</sup> ANZ Acquisition of Suncorp Bank and Equity Raising: Investor Discussion Pack (18 July 2022) (**Annexure 6**) at page 7.

portfolios to ensure that it had a sustainable funding base attractive to depositors as well as wholesale funding markets and equity investors such that it could meet any future funding challenges like those experienced during the GFC. The proposed acquisition continues Suncorp Group's journey of simplification and will allow Suncorp Group to focus on its core insurance customer propositions.

- b. Banking and insurance markets will face challenges in the coming period and the simplified structure will remove the tension which currently arises with competing demands for capital investment from both businesses.
- c. Given the more challenging outlook for banking in Australia, coupled with increased digitisation driving material increases in data capture and storage, and potential for cyber and money laundering crimes, significant attention and investment is required to successfully respond to these challenges. Capital requirements for maintenance, renewal and improvement of Suncorp Group's regulatory and technology requirements, including cyber security requirements and anti-money laundering are ever present and increasing with Suncorp Group required to ensure the same level of compliance as that expected of stand-alone insurance and banking businesses.
- d. The proposed acquisition will allow Suncorp Group to have a singular focus on its insurance businesses which is important given anticipated volatility in insurance and reinsurance markets. That singular focus will:
  - i. mean that Suncorp Group is better placed to invest in and manage underwriting challenges; and
  - ii. generate operational efficiencies to address increasing costs.
- e. Suncorp Group has only been able to achieve limited operational and customer synergies from its conglomerate bancassurance model.

#### **Likely alternative if the proposed acquisition does not proceed**

- 3.37 If the proposed acquisition does not proceed, then Suncorp Group intends to continue to operate Suncorp Bank as part of Suncorp Group in accordance with the Suncorp Bank Business Plan (**Confidential Annexure 7**).

#### **Expected completion date**

- 3.38 ANZ expects the proposed acquisition to complete in the second half of calendar year 2023.



### Transaction and sale process

- 3.39 Suncorp Group did not conduct a sale process for Suncorp Bank (nor any sale process including a potential sale of Suncorp Bank). The executed SSPA is at **Confidential Annexure 5**.

## 4. PRODUCTS AND SERVICES SUPPLIED BY THE PARTIES

### Relevant products and services supplied by ANZ

- 4.1 ANZ supplies the following banking products and services to customers across Australia:
- a. home loans, transaction and savings accounts, term deposit products, credit cards, personal loans and related services (including branch and ATM services) to retail customers;<sup>98</sup>
  - b. transaction and savings accounts, term deposit products, commercial credit cards, lending products (including term loan, asset finance, and bank guarantees), and related services (including branch and ATM services) to business and institutional customers;<sup>99</sup> and
  - c. risk management products, such as interest rate swaps and foreign exchange hedging agreements, but these are generally only supplied to larger and more sophisticated business or corporate customers.<sup>100</sup>
- 4.2 ANZ draws a distinction between business customers and institutional customers. Through its Institutional division, ANZ supplies banking products to large corporate customers (with total borrowing limits typically in excess of **[Confidential to ANZ]** or turnover in excess of **[Confidential to ANZ]** ).<sup>101</sup> **[Confidential to Suncorp]** ).
- 4.3 ANZ also distributes personal insurance products that are issued by third parties (including QBE).<sup>102</sup>
- 4.4 ANZ ceased providing merchant acquiring services in April 2022.<sup>103</sup> ANZ customers requiring merchant acquiring services are referred to Worldline JV Payment Solutions (**Worldline JV**). Worldline JV is a standalone independent business operated by Worldline Australia, in which Worldline SA, a global payments acceptance services and products specialist headquartered in France, has a 51% interest, and ANZ has a 49% interest. Worldline JV independently determines whether or not to accept customers, customer pricing and terms and

<sup>98</sup> ANZ, <https://www.anz.com.au/personal/>

<sup>99</sup> ANZ, *Products and Services* <https://www.anz.com.au/business/>

<sup>100</sup> Statement of Guy Mendelson at [22] and [52].

<sup>101</sup> Statement of Isaac Rankin at [9].

<sup>102</sup> ANZ, *Personal Insurance* <https://www.anz.com.au/personal/insurance/>

<sup>103</sup> ANZ, *ANZ commences joint venture with Worldline* (1 April 2022) <https://media.anz.com/posts/2022/04/anz-commences-joint-venture-with-worldline>

conditions, and its customers are not required to use an ANZ settlement account.

[Confidential to ANZ] [REDACTED]

<sup>104</sup>

- 4.5 ANZ refers business customers seeking debtor/invoice finance to Scottish Pacific because it no longer provides this product to those customers.<sup>105</sup> Scottish Pacific is a third party issuer, which independently decides whether or not to offer the product to the customer, and the terms. [Confidential to ANZ] [REDACTED]
- 4.6 ANZ's banking products and services are otherwise supplied by ANZ on terms set by ANZ.
- 4.7 ANZ does not distribute or issue any white-labelled banking products, that is, ANZ does not:
- a. distribute any ANZ-branded banking products that are issued by a third party (apart from making payment infrastructure available to other banks); or
  - b. issue any banking products that are then distributed by a third party, with branding owned by that third party.
- 4.8 **Annexures 10.1 to 10.3** contain a list of the retail and commercial banking products offered by ANZ and a summary of their key features (as at the date of this application).
- 4.9 ANZ also supplies products and services via businesses within its New Zealand division.<sup>106</sup> However, the products and services supplied by those businesses are not also supplied by Suncorp Bank (or by Suncorp Group).
- 4.10 ANZ and Suncorp Group distribute certain insurance products, but Suncorp Bank does not supply or distribute any insurance products.<sup>107</sup>

<sup>104</sup> The Worldline arrangements are explained in the Statement of Guy Mendelson at [55] to [60].

<sup>105</sup> Statement of Guy Mendelson at [53(a)].

<sup>106</sup> ANZ, *Business Structure*, <https://www.anz.com/shareholder/centre/about/business-structure/>; ANZ, *Institutional*, <https://www.anz.com/shareholder/centre/about/business-structure/institutional/>; ANZ, *ANZ New Zealand*, <https://www.anz.co.nz/about-us/our-company/anz-new-zealand/>

<sup>107</sup> Suncorp Group, *Fast facts about Suncorp Group*, <https://www.suncorpgroup.com.au/uploads/About-Suncorp-group-A4P.pdf> (Annexure 53); ANZ, *Insurance*, <https://www.anz.com.au/personal/insurance/>; Suncorp, *Insurance*, <https://www.suncorp.com.au/insurance/>. Suncorp Bank staff with requisite training can distribute Suncorp Group insurance products, but the products are not distributed by Suncorp Bank.

## Relevant products and services supplied by Suncorp Bank

- 4.11 **[Confidential to Suncorp]** [REDACTED] 108
- Suncorp Bank supplies the following products to customers across Australia:
- a. home loans, transaction and savings accounts, term deposit products, credit cards (on a white label basis only) and related services (including branch and ATM services) to retail customers;<sup>109</sup>
  - b. transaction and savings accounts, term deposit products, lending products (including term loan, asset finance, and bank guarantees)<sup>110</sup> and related services (including branch and ATM services) to business (but, except to a very limited extent, not institutional) customers;<sup>111</sup>
  - c. merchant acquiring services (also called merchant services) to business customers; and<sup>112</sup>
  - d. to a limited extent, foreign exchange hedging agreements.<sup>113</sup>
- 4.12 As noted above, Suncorp Group offers personal and business insurance products, but those products are not supplied by Suncorp Bank.<sup>114</sup>
- 4.13 Suncorp Bank ceased offering personal loan products in 2021 following an announcement in February 2021.<sup>115</sup> As at December 2021, Suncorp Bank's personal lending portfolio was approximately \$93 million.<sup>116</sup> As the personal loan

<sup>108</sup> Statement of Steve Johnston at [27].

<sup>109</sup> Suncorp, *Banking* <https://www.suncorp.com.au/banking/#products>; Suncorp, *Savings Accounts & Term Deposits* <https://www.suncorp.com.au/banking/bank-accounts/savings-accounts.html?intCMP=SUN:BK:PD:NPS:OSL:20190630:0054>; Suncorp, *Visit a branch or Suncorp Bank ATM* <https://www.suncorp.com.au/locate-us.html>

<sup>110</sup> Suncorp, *Business Loans* <https://www.suncorp.com.au/banking/business/lending/loans.html>

<sup>111</sup> Suncorp, *Business Banking* <https://www.suncorp.com.au/banking/business.html>; Suncorp, *Business Premium Account* <https://www.suncorp.com.au/banking/business/bank-accounts/premium.html#choose>

<sup>112</sup> Suncorp, *Merchant Services* <https://www.suncorp.com.au/banking/business/merchant-services.html>

<sup>113</sup> Suncorp, *Foreign Exchange* <https://www.suncorp.com.au/banking/business/international/foreign-exchange.html>

<sup>114</sup> Suncorp Group, *Fast facts about Suncorp Group* <https://www.suncorpgroup.com.au/uploads/About-Suncorp-group-A4P.pdf> (Annexure 53); Suncorp, *Insurance* <https://www.suncorp.com.au/insurance/>

<sup>115</sup> Suncorp, *Can I apply for a new personal loan with Suncorp Bank?* <https://www.suncorp.com.au/banking/faqs/loans/home-loans/personal-loans.html>; Business News Australia, *Suncorp profit rises as group ditches travel insurance and personal loans* (9 February 2021) <https://www.businessnewsaustralia.com/articles/suncorp-profit-rises-as-group-ditches-travel-insurance-and-personal-loans.html>; Mortgagebusiness, *Suncorp to withdraw from personal lending* (9 February 2021) <https://www.mortgagebusiness.com.au/lender/15369-suncorp-to-withdraw-from-personal-lending>

<sup>116</sup> Suncorp Group, *Investor Pack: Financial results for the half year ending 31 December 2021* (8 February 2022) at p 28 <https://www.suncorpgroup.com.au/announcements-pdf/1618137> (Annexure 54).

products were offered as fixed term products, the personal loan book will continue to reduce until the loans are repaid.

- 4.14 Suncorp Bank offers credit card products on a white-label basis. That is, Suncorp Bank distributes those products with its branding, but the underlying facilities were issued by Citigroup (with NAB, following its acquisition of Citigroup's Australian consumer business, now being the credit provider and issuer of these credit card products). NAB is the credit provider and issuer of Suncorp branded credit cards. Suncorp Bank promotes and distributes the cards under an agreement with NAB.

**[Confidential to Suncorp]** [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

- 4.15 Suncorp Bank, like ANZ, refers business customers seeking debtor/invoice finance to Scottish Pacific<sup>117</sup> because it does not provide this product to customers. Suncorp Bank also refers customers seeking trade finance to Scottish Pacific (unlike ANZ which manufactures trade finance internally).<sup>118</sup> Scottish Pacific is responsible for all operational and credit risk, technology platforms, issuance and back office processing and portfolio management.

- 4.16 **Annexure 11** contains a list of the retail and commercial banking products offered by Suncorp Bank and a summary of their key features.

#### Vertical relationships

- 4.17 Suncorp Bank is a customer of ANZ's Institutional division. ANZ currently provides the following services to Suncorp Bank:

- a. agency clearing services comprising new payment platform processing, direct entry and cheque processing; and
- b. capital market expertise and balance sheet support for funding programmes and secondary trading desks.

- 4.18 **[Confidential to ANZ]** [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

<sup>117</sup> Suncorp, *Invoice Finance*, <https://www.suncorp.com.au/banking/business/lending/loans/invoice-finance.html>

<sup>118</sup> Suncorp, *Trade Finance*, <https://www.suncorp.com.au/banking/business/lending/loans/trade-finance.html>

### Product overlap areas

- 4.19 ANZ and Suncorp Bank overlap in the supply of:
- home loans, transaction and savings accounts, term deposit products, credit cards and related services (including branch and ATM services) to retail customers;
  - transaction and savings accounts, term deposits and lending products (including term loan, asset finance, and bank guarantees) and related services (including branch and ATM services) to business customers; and
  - foreign exchange hedging agreements.<sup>119</sup>
- 4.20 Drawing on the segments adopted by the ACCC in the *Westpac/St George* and *CBA/Bankwest* Public Competition Assessments,<sup>120</sup> the current areas of overlap between the parties are set out in Table 3 below.

Table 3: Current areas of overlap drawing on *Westpac/St George* and *CBA/Bankwest* product segments

Segment	Competitive Overlap?
<b>Personal</b>	
Home loans	✓
Transaction accounts	✓
Deposit/term products	✓
Credit cards	× (Suncorp Bank distributes retail credit cards on a white-labelled basis only)
Personal loans	× (Suncorp Bank no longer offers personal loans, and its personal lending book is running down as those loans are repaid <sup>121</sup> )
Hybrid personal loans (margin loans)	×
Buy Now Pay Later <sup>122</sup>	× (Suncorp Bank only, but ANZ is launching an instalment payment offering)
<b>Business</b>	

<sup>119</sup> ANZ and Suncorp Group also each supply insurance products but, as explained above, the proposed acquisition does not involve the acquisition of any Suncorp insurance business – Suncorp Bank does not offer insurance.

<sup>120</sup> ACCC, *Westpac Banking Corporation – proposed acquisition of St George Bank Limited Public Competition Assessment* (13 August 2008) [https://www.accc.gov.au/system/files/public\\_registers/documents/D08%2B80554.pdf](https://www.accc.gov.au/system/files/public_registers/documents/D08%2B80554.pdf) (Annexure 57); *Commonwealth Bank of Australia – proposed acquisition of BankWest and St Andrew's Australia Public Competition Assessment* (10 December 2008) [https://www.accc.gov.au/system/files/public\\_registers/documents/D08%2B123529.pdf](https://www.accc.gov.au/system/files/public_registers/documents/D08%2B123529.pdf) (Annexure 58).

<sup>121</sup> Statement of Clive van Horen at [28] and [38].

<sup>122</sup> This was not a segment at the time of the *Westpac/St* and *CBA/Bankwest* decisions.

Segment	Competitive Overlap?
SME banking	✓
Agribusiness banking	✓
Merchant acquiring services	× (Suncorp Bank only)
Asset/equipment finance	✓
Debtor/invoice and trade finance	× ANZ and Suncorp Bank refer debtor/invoice customers to Scottish Pacific under separate agreements. ANZ no longer offers trade finance loans to smaller business customers.
Corporate and institutional	× (ANZ only, but Suncorp Bank does have a small number of customers with requirements in excess of \$50 million)

- 4.21 There are no other areas of overlap between ANZ and Suncorp Bank, except that they each acquire a range of products and services which are customary for a full service bank – see "other upstream and downstream activities" below.

#### Industries affected by proposed acquisition

- 4.22 The proposed acquisition relates to the retail and commercial banking industry in Australia. The relevant industries are further discussed as part of the analysis of the product dimension of the relevant markets.

#### Other upstream and downstream activities

- 4.23 The parties' banking products are supplied directly to consumers, although the parties' lending products are also supplied to customers after being originated<sup>123</sup> by brokers. The role of brokers is discussed further at paragraph 5.54.
- 4.24 In addition to those downstream activities, both ANZ and Suncorp Bank acquire a wide range of products, services and equipment that are customary for the operation of a full service bank, including:
- funds from wholesale markets;
  - technology services, including subscription services and various outsourced IT services;
  - advertising and public relations services;
  - leasing of physical premises, and other costs associated with the operation of those premises and their equipment (eg energy);

<sup>123</sup> Origination refers to how a new product for a customer is brought to the supplier.

- e. professional services;
  - f. property valuation fees; and
  - g. freight, stationery, postage and communication services.
- 4.25 Each of the products and services above are supplied in very considerable quantities to numerous buyers other than the parties—not only to other banks, but many other organisations. The proposed acquisition would not result in anything more than a *de minimis* aggregation in the acquisition of any products or services in Australia. Accordingly, markets for the acquisition of these services are not addressed further in this application.

#### **Geographic locations in which products and services are supplied**

- 4.26 ANZ and Suncorp Bank have a national presence through digital channels, physical network of branches and business centres,<sup>124</sup> call centres, and ATM networks.<sup>125</sup> The overlapping products and services are distributed through those channels.
- 4.27 In addition, retail and business customers are also referred to ANZ and Suncorp Bank through intermediaries such as brokers and mobile lenders.<sup>126</sup>
- 4.28 The geographic aspects of the products are addressed further in Section 6 Market definition and Section 7 Competitive effects below.

#### **Sales revenue, volumes and gross revenue**

- 4.29 The parties' sales revenues<sup>127</sup> are set out in:
- a. **Confidential Annexure 12** for ANZ; and
  - b. **Confidential Annexure 15** for Suncorp Bank.
- 4.30 There are no relevant capacity limits on the banking products supplied by the parties, such that this application does not include capacity and utilisation data. However, ANZ, including through its Institutional division, has the ability to more readily meet larger lending requirements (in excess of **[Confidential to Suncorp]** ██████████) than Suncorp Bank.<sup>128</sup> ANZ also has an international presence that

<sup>124</sup> Business centres are offices that ANZ commercial bankers use, including to meet customers.

<sup>125</sup> Suncorp, *Locate Us*, <https://www.suncorp.com.au/locate-us.html>; Suncorp, *Business Banking contacts*, <https://www.suncorp.com.au/banking/business/help-support/contact-us.html>; ANZ, *Ways to Bank*, <https://www.anz.com.au/ways-to-bank/>

<sup>126</sup> Statements of Isaac Rankin at [74] and Douglas John Campbell at [38].

<sup>127</sup> The sales revenue is the also the appropriate measure of sales volume for banking products and services.

<sup>128</sup> Statements of Isaac Rankin at [9] and Clive van Horen at [78].



enables it to more easily secure funding from international markets.<sup>129</sup>

**[Confidential to Suncorp]** [REDACTED]  
 [REDACTED]  
 [REDACTED]  
 [REDACTED]  
 [REDACTED]  
 [REDACTED]  
 [REDACTED]

- 4.31 For each of the overlap products and for the calendar year to date, the parties' top 10 customers by revenue and the gross revenue earned from each of those customers is set out in:
- a. **Confidential Annexure 16.1** for ANZ; and
  - b. **Confidential Annexure 17.1** for Suncorp Bank.

<sup>129</sup> ANZ, *Business Structure*, <https://www.anz.com/shareholder/centre/about/business-structure/>; ANZ, *Institutional*, <https://www.anz.com/shareholder/centre/about/business-structure/institutional/>; Statement of Adrian Went at [10].

<sup>130</sup> Statement of Clive van Horen at [122].

## 5. CRITICAL FACTS

- 5.1 A number of the critical facts relevant to assessing the proposed acquisition are summarised in this section.
- 5.2 ANZ and Suncorp Bank, and their competitors, compete to supply banking products to retail and business customers nationally. The products, policies and pricing are set at a national level, and are not differentiated by State.<sup>131</sup> Neither party has a strategy to focus relatively more on Queensland than other States.<sup>132</sup>
- 5.3 Competition in those national markets is driven by a range of features including the following:
- a. There is a very large number of banks and other financial institution competitors offering a very wide range of competing products.
  - b. Customers' expectations and behaviours have evolved. Retail and business customers are moving away from cash and cheques and preferring electronic funds transfer methods. The decline in the extent to which retail and business customers visit branches or business centres has been significant and is ongoing. Access to ATM networks is no longer bank-specific.<sup>133</sup>
  - c. Innovation in payment services, and in banking services more generally, has made electronic banking accessible and convenient.<sup>134</sup>
  - d. Customers can choose between the broad range of banks and non-bank competitors with the assistance of tools such as comparison websites and brokers, who have disrupted traditional banking sales channels and play an important and expanding role in promoting choice. This is particularly the case in relation to home loans and business lending. Brokers have materially increased customer choice by reducing significant search costs for the customer, both in terms of expertise and in terms of the resources and time required to evaluate a greater variety of competing lenders to identify the proposition that is best suited to the particular circumstances of the customer.

<sup>131</sup> Statements of John Campbell at [48] Home Loans; Isaac Rankin at [64] Commercial; Y ken Yang at [20] Deposits; Mark Bennett at [48] and [66] Agribusiness; Clive van Horen at [30] to [34].

<sup>132</sup> Statement of Clive van Horen at [30] to [34].

<sup>133</sup> RBA, *Payments System* <https://www.rba.gov.au/payments-and-infrastructure/payments-system.html>

<sup>134</sup> RBA, *Payments System* <https://www.rba.gov.au/payments-and-infrastructure/payments-system.html>

- 5.4 New banks can enter and expand without having to invest in a significant, or any, physical network.<sup>135</sup> Examples include:
- a. Macquarie Bank's entry and expansion into offering home loans; retail and business transaction, savings and deposits accounts; and business lending with only three branches nationally;<sup>136</sup>
  - b. Judo Bank's entry and expansion focussing on business banking through a combination of digital networks and business relationship managers operating without any physical branches;<sup>137</sup> and
  - c. neobanks that only operate online, including, Tyro, in1bank, Alex, BNK, UBank, as well as other tech-driven providers of similar services who are not currently licensed as an ADI,<sup>138</sup> including Athena, Archa, Dough, Hay, Revolut and Up.<sup>139</sup>
- 5.5 Customer choice in these markets will not be materially lessened by the proposed acquisition.

#### **Competition is national**

- 5.6 Retail and business customers increasingly engage with banks and non-bank competitors digitally. They do not need to visit bank branches to obtain the services they need and increasingly they do not.
- 5.7 As a consequence, ANZ and Suncorp Bank, and their competitors, set products, policies and pricing at a national level and do not differentiate by State. They track competitors, and respond to competition, in the same way.
- 5.8 ANZ and Suncorp Bank do not design products, prices or policies that are focussed on a particular geographic area. This is the case for all of the banking products that they offer. The way this is done practically is discussed in detail in relation to each of the relevant markets.

#### **Numerous competitors provide extensive choice in financial products and services**

- 5.9 There are over 100 banks and other financial institutions competing to supply customers with an array of products and services.

<sup>135</sup> Statement of Guy Mendelson at [72(b)].

<sup>136</sup> Macquarie, *Can I apply for a home loan at one of your branches?* <https://www.macquarie.com.au/help/personal/home-loans/applying-for-a-home-loan/Can-I-apply-for-a-home-loan-at-one-of-your-branches.html>

<sup>137</sup> Judo Bank, Annual Review 2021 <https://cdn.unifii.net/judobank/40c6f7dd-01cf-4ba4-b66a-50b78c1bc18b.pdf> (Annexure 55).

<sup>138</sup> Authorisation as an ADI is necessary to accept deposits from customers.

<sup>139</sup> Canstar, *Neobanks* (September 2021) <https://www.canstar.com.au/savings-accounts/neobanks/>

5.10 Below is a list of Australian-owned ADIs as at 3 November 2022.<sup>140</sup>

1. AMP Bank Ltd
2. Australia and New Zealand Banking Group Limited
3. Australian Central Credit Union Ltd (trading as People's Choice Credit Union)
4. Australian Military Bank Ltd
5. Australian Mutual Bank Ltd
6. Australian Settlements Limited (provides industry services)
7. Australian Unity Bank Limited
8. Auswide Bank Ltd
9. B&E Ltd (trading as Bank of us)
10. Bank Australia Limited
11. BOQ Limited
12. Bendigo and Adelaide Bank Limited
13. Beyond Bank Australia Limited
14. BNK Banking Corporation Limited
15. Cairns Penny Savings & Loans Limited (provides general banking services)
16. Central Murray Credit Union Limited
17. Central West Credit Union Limited
18. Challenger Bank Limited
19. Coastline Credit Union Limited
20. Commonwealth Bank of Australia
21. Community First Credit Union Limited
22. Credit Union Australia Ltd (trading as Great Southern Bank)
23. Credit Union SA Ltd
24. Cuscal Limited (provides industry services)
25. Defence Bank Limited
26. Dnister Ukrainian Credit Co-operative Limited
27. Family First Credit Union Limited

<sup>140</sup> APRA, *Register of authorised deposit-taking institutions* (3 November 2022) <https://www.apra.gov.au/register-of-authorised-deposit-taking-institutions>. Note: This list excludes Extended Licensed Entities; any other entity not consolidated at Level 1 (for example, related parties such as subsidiaries, special purpose vehicles or parent entities); and overseas-based entities (for example, overseas-based branches and offshore banking units).

28.	Fire Service Credit Union Limited
29.	First Choice Credit Union Ltd
30.	First Option Bank Ltd
31.	Ford Co-operative Credit Society Limited (trading as Geelong Bank)
32.	G&C Mutual Bank Limited
33.	Gateway Bank Ltd
34.	Goulburn Murray Credit Union Co-operative Limited
35.	Greater Bank Limited
36.	Heritage Bank Limited
37.	Horizon Credit Union Ltd (trading as Horizon Bank)
38.	Hume Bank Limited
39.	IMB Ltd (trading as IMB Bank)
40.	Illawarra Credit Union Limited
41.	Indue Ltd
42.	Judo Bank Pty Ltd
43.	Laboratories Credit Union Limited
44.	Lithuanian Co-operative Credit Society 'Talka' Limited
45.	Lutheran Laypeople's League of Australia
46.	Macarthur Credit Union Ltd (trading as THE MAC)
47.	Macquarie Bank Limited
48.	Macquarie Bank Credit Union Limited
49.	Maitland Mutual Limited
50.	Members Banking Group Limited (trading as RACQ Bank)
51.	MyState Bank Limited
52.	National Australia Bank Limited
53.	Newcastle Permanent Building Society Limited
54.	Northern Inland Credit Union Limited
55.	Orange Credit Union Limited
56.	Police & Nurses Limited (trading as P&N Bank)
57.	Police Bank Ltd (trading as Border Bank)
58.	Police Credit Union Limited
59.	Police Financial Services Limited (trading as BankVic)

60.	QPCU Limited (trading as QBANK)
61.	Qudos Mutual Ltd (trading as Qudos Bank)
62.	Queensland Country Bank Limited
63.	Railways Credit Union Limited (trading as MOVE)
64.	Regional Australia Bank Ltd
65.	South West Slopes Credit Union Ltd
66.	Southern Cross Credit Union Ltd
67.	Summerland Financial Services Limited (trading as Summerland Credit Union)
68.	Suncorp-Metway Limited
69.	Teachers Mutual Bank Limited (trading as Firefighters Mutual Bank, Health Professionals Bank, Hiver Bank, Teachers Mutual Bank and UniBank)
70.	The Broken Hill Community Credit Union Ltd
71.	The Capricornian Ltd
72.	Traditional Credit Union Limited
73.	Transport Mutual Credit Union Limited
74.	Tyro Payments Limited
75.	Unity Bank Limited
76.	Victoria Teachers Limited (trading as Bank First)
77.	Warwick Credit Union Ltd (trading as Dalby Credit Union and Gympie Credit Union)
78.	WAW Credit Union Co-Operative Limited
79.	Westpac Banking Corporation
80.	Woolworths Team Bank Limited

5.11 There are also five restricted ADIs as follows:

1.	Alex Bank Pty Ltd
2.	Avenue Bank Limited
3.	1N1Bank Ltd
4.	International Bank of Australia Pty Limited
5.	Islamic Bank Australia Pty Ltd

5.12 There are numerous non-bank lenders. They include the following list of non-ADI entities that also supply lending products in Australia (such as home loans and/or business loans).<sup>141</sup>

1. AFG Home Loans
2. AIMS
3. AMO Group
4. Athena
5. Aussie
6. Bluestone
7. ClickLoans
8. Crown Money Management
9. Easy Street
10. eMoney
11. Express Reverse Mortgage
12. Firstmac
13. Fox Symes
14. Freedom Lend
15. Freedom Loans
16. Goldfields Money
17. Heartland Reverse Mortgages
18. homeloans.com.au
19. Homestar
20. HomeStart
21. Household Capital
22. Illawarra Home Loans
23. Keystart
24. Kogan Money
25. La Trobe Financial
26. Latitude
27. Liberty Financial
28. Loan Market

<sup>141</sup> This list is based on internet research as at November 2022.

29.	loans.com.au
30.	Morgan Brooks DIRECT
31.	Mortgage House
32.	Mortgageport
33.	Nano
34.	OneTwo
35.	Online Home Loans
36.	Pacific Mortgage Group
37.	Pepper Money
38.	RAMS
39.	Reduce Home Loans
40.	Resi
41.	RESIMAC
42.	Switzer Home Loans
43.	The Mutual
44.	Tic:Toc
45.	Unloan
46.	VMG
47.	Well Money
48.	Yard
49.	Yellow Brick Road

5.13 The bank and non-bank competitors include neobanks that operate online, including Athena, Tyro, Archa, Dough, 1N1Bank, Up, Alex, BNK and UBank. There are also tech-driven providers of similar services who are not currently licensed as an ADI, including Revolut and Hay.<sup>142</sup>

5.14 There are also:

- a. BNPL<sup>143</sup> providers: including Afterpay, Zip Pay, Humm Group, Klarna, Splitit, Payright and Openpay; and
- b. payment providers: including Paypal, Tyro and Square.

<sup>142</sup> Canstar, *Neobanks* (September 2021) <https://www.canstar.com.au/savings-accounts/neobanks/>

<sup>143</sup> BNPL arrangements enable a person to buy a product and pay in instalments in exchange for a fee instead of interest on the purchase.



- 5.15 The Canstar website identifies that there are more than 1,000 deposit products, over 5,000 different home loans, over 210 personal loans, over 200 business loan products and over 140 credit cards on offer.<sup>144</sup>

### Customer expectations and behaviour are evolving rapidly

#### *Digital expectations*

- 5.16 The Australian payments system includes four types of payment instruments: cash, cards, cheques and electronic funds transfers. As shown by the data discussed below, customers have decisively moved away from cash, and have all but abandoned cheques, in favour of electronic funds transfers.<sup>145</sup>
- 5.17 Electronic funds transfers are facilitated by:
- a. physical cards (also referred to as "plastic cards"), which facilitate electronic payments through debit and credit card schemes, including by swiping or inserting the card or by contactless payment;<sup>146</sup>
  - b. mobile payments, including mobile payments accessed through smartphones and, increasingly, wearables (such as watches or fitness trackers) using digital wallets (such as Apple Pay, Google Pay and Samsung Pay);<sup>147</sup> and
  - c. instalment payment arrangements, such as those facilitated by BNPL services.<sup>148</sup>
- 5.18 These options reflect changing customer preferences related to convenience, cost and security, their use was further accelerated by the COVID-19 pandemic.<sup>149</sup> The increasing shift in customer preferences to electronic funds transfers is one of the reasons why ANZ invests in ANZ Plus and other digital products and channels.

<sup>144</sup> Canstar, <https://www.canstar.com.au/>

<sup>145</sup> RBA, *Payments System* <https://www.rba.gov.au/payments-and-infrastructure/payments-system.html>

<sup>146</sup> Parliamentary Joint Committee on Corporations and Financial Services, *Mobile Payment and Digital Wallet Financial Services*, Chapter 3 (October 2021) (**Annexure 18**).

<sup>147</sup> RBA, *Consumer Payment Behaviour in Australia: Evidence from the 2019 Consumer Payments Survey* (June 2020) (**Annexure 20**).

<sup>148</sup> The ACCC examined these in determination of the application for merger authorisation to amalgamate BPAY, eftpos and NPPA – ACCC, *Proposed amalgamation of BPAY, eftpos and NPPA* (9 September 2021) <https://www.accc.gov.au/public-registers/mergers-registers/merger-authorisations-register/proposed-amalgamation-of-bpay-eftpos-and-nppa>

<sup>149</sup> For example, Australian Bureau of Statistics data indicate that the share of retail sales conducted online increased from 6.6% in the second half of 2019 to 11.1% in April 2020 as the initial COVID-19-related restrictions were introduced. The online share remained elevated even as restrictions were eased in many parts of Australia, suggesting the pandemic may have induced a more permanent shift to online transactions for some consumers.

5.19 RBA research shows that, throughout 2020-21, Australians made around 625 electronic transactions per person on average, compared with 275 a decade earlier (Figure 3: Transactions per capita, quarterly, annualised).<sup>150</sup> Payment cards (debit, credit and charge cards) are currently the most frequently used retail payment method in Australia, with debit cards accounting for 75% of transaction volumes in 2020-21.<sup>151</sup> Debit card volumes include payments with the physical card as well as payments made using digital wallets (such as Apple Pay and Google Pay) on smartphones and wearables.<sup>152</sup>

5.20 While cards continue to be the main payment method by transaction volumes, RBA research shows that a substantial number of consumers have heard of other payment methods and a sizeable number have used those methods (Figure 4: Non cash or card payment methods, 2019-20).<sup>153</sup>

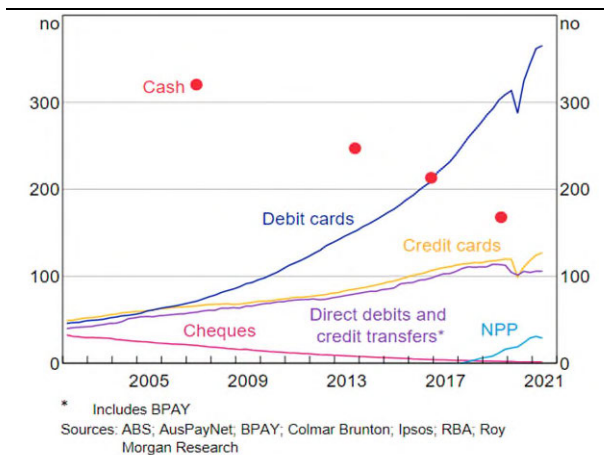


Figure 3: Transactions per capita, quarterly, annualised<sup>154</sup>

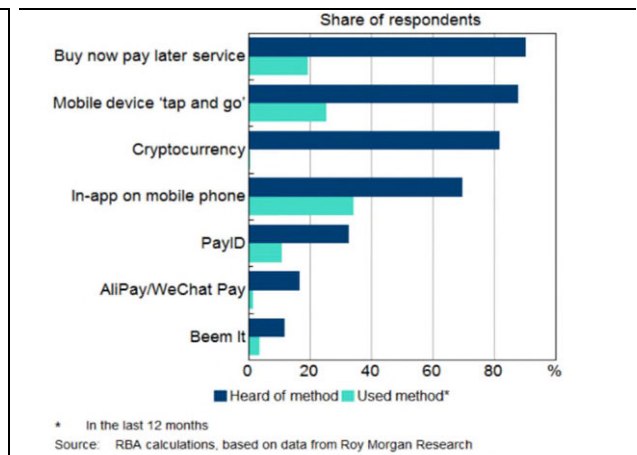


Figure 4: Non cash or card payment methods, 2019-20<sup>155</sup>

5.21 Data shows that customers are increasingly relying on their mobile devices for payments. In 2019, 8% of transactions were made using a tap-on from a mobile device and 40% of online payments were initiated by mobile devices and apps (Figure 5: Mobile device payments in Australia).<sup>156</sup>

<sup>150</sup> RBA, *The Evolving Payments Landscape* (2021) <https://www.rba.gov.au/publications/annual-reports/psb/2021/the-evolving-payments-landscape.html>

<sup>151</sup> RBA, *The Evolving Payments Landscape* (2021) <https://www.rba.gov.au/publications/annual-reports/psb/2021/the-evolving-payments-landscape.html>

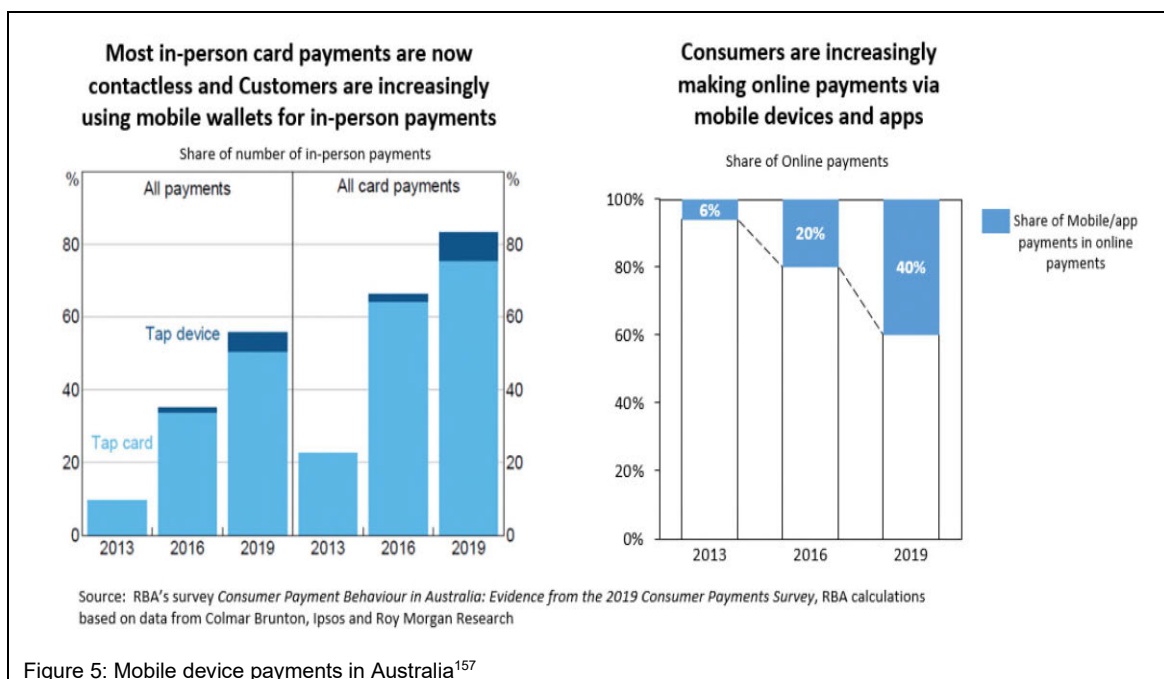
<sup>152</sup> Parliamentary Joint Committee on Corporations and Financial Services, *Mobile Payment and Digital Wallet Financial Services*, Chapter 3 (October 2021) (Annexure 18).

<sup>153</sup> Parliamentary Joint Committee on Corporations and Financial Services, *Mobile Payment and Digital Wallet Financial Services*, Chapter 3 (October 2021) (Annexure 18).

<sup>154</sup> RBA, *The Evolving Payments Landscape* (2021) <https://www.rba.gov.au/publications/annual-reports/psb/2021/the-evolving-payments-landscape.html>

<sup>155</sup> RBA, *Panic, Pandemic and Payment Preferences* (3 June 2020) (Annexure 19).

<sup>156</sup> RBA, *Consumer Payment Behaviour in Australia: Evidence from the 2019 Consumer Payments Survey* (June 2020) (Annexure 20).

Figure 5: Mobile device payments in Australia<sup>157</sup>

- 5.22 Customers with smartphones now have access to a "digital wallet", which is an app that stores credit and/or debit card information.<sup>158</sup> More recent data compiled by RFI for the ABA shows that more than one in three Australians who have a smartphone use a digital wallet and one in ten Australians regularly leave home without their wallet and instead use their phone to pay for items.<sup>159</sup> ABA research indicates that, in 2022, 71% of smartphone users use their digital wallet weekly compared with three years ago, when only 40% of smartphone users used their digital wallet weekly.<sup>160</sup>
- 5.23 Similar to retail customers, merchants and other businesses have shifted away from traditional payment methods to online methods. RFI's March 2022 survey of small to medium enterprises<sup>161</sup> identified that "digital banking capabilities" were one of the top 3 factors respondents considered when choosing a financial institution for borrowing products (31% of respondents identified that they considered this factor), and the importance of that factor has increased over the past three years.<sup>162</sup> The previous year, RFI's survey of small to medium

<sup>157</sup> RBA, *Consumer Payment Behaviour in Australia: Evidence from the 2019 Consumer Payments Survey* (June 2020) (**Annexure 20**).

<sup>158</sup> Parliamentary Joint Committee on Corporations and Financial Services, *Mobile Payment and Digital Wallet Financial Services*, Chapter 3 (October 2021) (**Annexure 18**).

<sup>159</sup> Australian Banking Association, *Banking customers continue shift to digital* (19 October 2021) <https://www.ausbanking.org.au/banking-customers-continue-shift-to-digital>

<sup>160</sup> Australian Banking Association, *Banking customers continue shift to digital* (19 October 2021) <https://www.ausbanking.org.au/banking-customers-continue-shift-to-digital/>; infogram, *Bank customers are going digital* <https://infogram.com/bank-customers-continue-to-shift-to-digital-1h7z2l810r0mg60>

<sup>161</sup> RFI defines small to medium enterprises as businesses with a turnover of less than \$10 million.

<sup>162</sup> RFI, Australian SME Banking Council (Presentation to ANZ) (March 2022) at p 14 (**Annexure 93**).

enterprises<sup>163</sup> identified that in response to the question "when choosing a financial institution for borrowing products, please state which of the following are important to the business" the statement "*online customer service that is good as face to face*" (23% of respondents) overtook "*more flexibility with loan repayments*" (15% of respondents) as the highest ranked issue for those businesses. This trend was consistent across all industries surveyed.<sup>164</sup> Similarly, respondents identified that one of the top three most helpful pieces of advice that a bank could offer was "*how to effectively market, sell and operate online*" (31% of respondents identified this factor).<sup>165</sup>

- 5.24 During the peak of the COVID-19 pandemic in 2020 and 2021, many merchants decided to stop accepting cash transactions due to hygiene/safety reasons and that preference for electronic payment over cash has remained.<sup>166</sup> Australian Payments Network (**APN**) announced that the payment industry would temporarily increase the maximum permitted value for contactless payments from \$100 to \$200 in April 2020 to reduce the need for physical contact with the payment terminal.<sup>167</sup> This had the consequence that merchants and consumers became more comfortable with contactless payment.
- 5.25 A survey commissioned by the RBA found that 45% of consumers reported they had encountered a business that did not accept cash in the month of September 2020, compared with less than 25% in April 2019.<sup>168</sup>
- 5.26 Online retail revenues increased dramatically during the COVID-19 pandemic (with sharp jumps in both of March 2020 and June 2021). While online retail revenues have decreased slightly over recent months, potentially reflecting the increased cost of living pressures on Australians, they are expected to remain at 1.5x pre-pandemic levels (Figure 6: Online retail sales in Australia, Jan 2019 to Mar 2022).<sup>169</sup> This further demonstrates the shift away from cash and cheques.

<sup>163</sup> RFI defines small to medium enterprises as businesses with a turnover of less than \$10 million.

<sup>164</sup> RFI, Australian SME Banking Council (Presentation to ANZ) (June 2021) at p 47 and 48 (**Annexure 94**).

<sup>165</sup> RFI, Australian SME Banking Council (Presentation to ANZ) (June 2021) at p 49 to 51 (**Annexure 94**).

<sup>166</sup> RBA, *Panic, Pandemic and Payment Preferences* (3 June 2020) (**Annexure 19**).

<sup>167</sup> Australian Payments Network, *Contactless card PIN limits to increase temporarily to help reduce the risk of COVID-19 transmission* (3 April 2020) <https://www.APN.com.au/insights/Media-Release/ContactlessLimitsCOVID-19>

<sup>168</sup> RBA, *Cash Demand during COVID-19* (18 March 2021) at Box A <https://www.rba.gov.au/publications/bulletin/2021/mar/cash-demand-during-covid-19.html>

<sup>169</sup> statista, *Monthly online retail revenue in Australia from January 2019 to April 2022* (May 2022) <https://www.statista.com/statistics/1186844/australia-monthly-online-retail-revenue/>

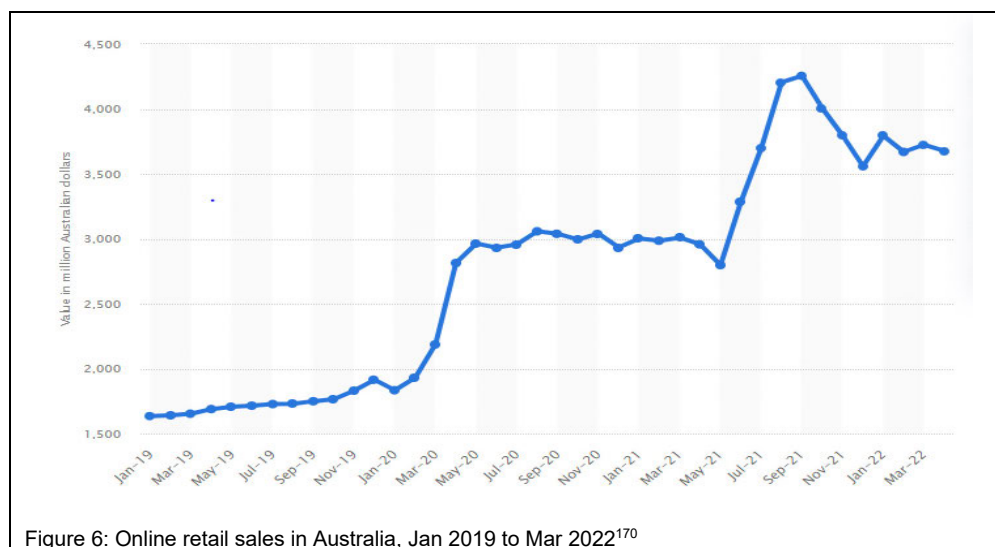


Figure 6: Online retail sales in Australia, Jan 2019 to Mar 2022<sup>170</sup>

- 5.27 The use of cheques is now extremely limited, with personal cheques accounting for only 0.2% of the payments made by respondents to the RBA's 2019 Consumer Payments Survey. Even those respondents who used cheques, indicated they represented less than 1% of their weekly payments.<sup>171</sup>

*Reduced importance of physical points of presence*

- 5.28 The growth and shift to digital payments has been part of a broader shift to conducting all aspects of banking through digital means. With improved digital technology, there is much less demand for in-person banking services in Australia, including in regional areas. RFI research provided to the Regional Banking Taskforce indicated that, as of June 2022, around 80% of regional Australians generally used internet banking or mobile applications to pay bills, while 5% used a branch.<sup>172</sup>
- 5.29 The most recent ABA data available reveals that:<sup>173</sup>
- more than 80% of Australians say they prefer to check account balances, pay bills or transfer money online;
  - less than 20% of Australians say they prefer to do any banking activities in branches;
  - 72% of Australians say they did not visit the branch of their main bank in the month leading up to September 2021; and

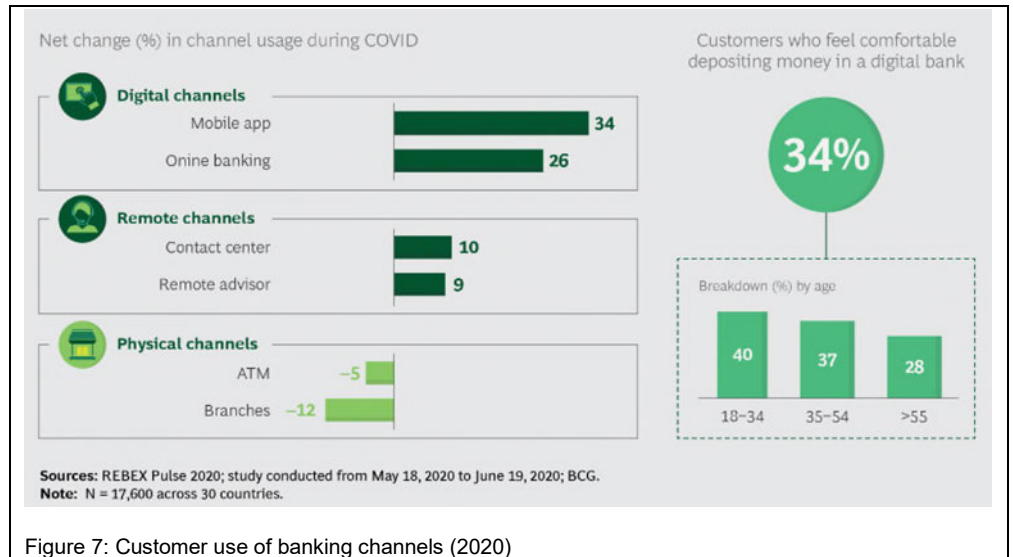
<sup>170</sup> statista, *Monthly online retail revenue in Australia from January 2019 to April 2022 (May 2022)* <https://www.statista.com/statistics/1186844/australia-monthly-online-retail-revenue/>

<sup>171</sup> RBA, *Consumer Payment Behaviour in Australia: Evidence from the 2019 Consumer Payments Survey (June 2020) (Annexure 20)*.

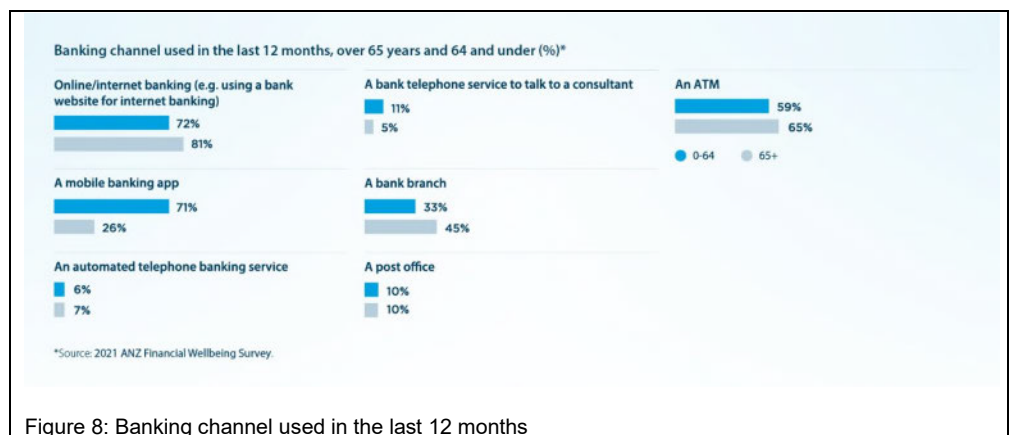
<sup>172</sup> The Treasury, *Regional Banking Taskforce: Final Report (September 2022) (Annexure 21)* at page 6.

<sup>173</sup> Australian Banking Association, *Banking customers continue shift to digital (19 October 2021)* <https://www.ausbanking.org.au/banking-customers-continue-shift-to-digital/>

- d. ATM withdrawals have more than halved since 2012 (from 71 million to 25 million in 2021).
- 5.30 Similarly, BCG analysis shows that customers are turning to digital banking channels over physical ones (Figure 7: Customer use of banking channels (2020)).<sup>174</sup>



- 5.31 Research conducted by UniSA using data across all age demographics demonstrates that all Australians, including older Australians, are embracing digital banking in line with the national average, as shown in Figure 8: Banking channel used in the last 12 months.<sup>175</sup> The research also shows that Australians, including older Australians, are comfortable with using digital banking.



- 5.32 With fewer customers visiting branches and ATMs, banks and financial institutions have responded by decreasing their points of presence and focusing

<sup>174</sup> BCG, *The Sun is Setting on Traditional Banking* (24 November 2020) <https://www.bcg.com/publications/2020/bionic-banking-may-be-the-future-of-banking>

<sup>175</sup> ANZ, *Exploring Digital Capability in Older Australians* (September 2022) citing Lowies B., Helliar C., Lushington K., and Whait R.B. (2019). *The Financial Capability of Older People, Final Report*, University of South Australia Business School (**Annexure 22**).

instead on investing in digital technologies and capabilities (such as ANZ's GoBiz). According to the latest APRA points of presence data, the number of bank branches has decreased by 23% and the number of ATMs has decreased by 44% over the past four years.<sup>176</sup> Suncorp Bank's FY23-25 Business Plan (**Confidential Annexure 7** at page 11) recognises this trend towards digital and self-service channels. In accordance with its strategy to follow its customer behaviour, Suncorp Bank made a decision to reduce its physical branches given customers are increasingly applying for products through digital channels or through brokers or aggregators. Suncorp Bank has reduced its physical distribution network over the last five years to 64 branches from 119 branches. At the same time, Suncorp Bank has upskilled the branch workforce to provide contact centre support and home lending support. **[Confidential to Suncorp]** of Suncorp Bank's non-lender branch staff are now cross-trained to support certain home lending activities (up from approximately **[Confidential to Suncorp]** in June 2021).<sup>177</sup>

- 5.33 The digital transformation and consumer preferences have led to a reduction in branches and ATMs by banks and other financial institutions, but the shift to entirely digital banking is not complete and customers who wish to can still undertake physical transactions.
- 5.34 ANZ data recording the value of new home loans originated at ANZ by way of branch and broker between the financial years ending June 2014 and June 2022, as shown in Figure 9 and Figure 10, highlights the same trend.

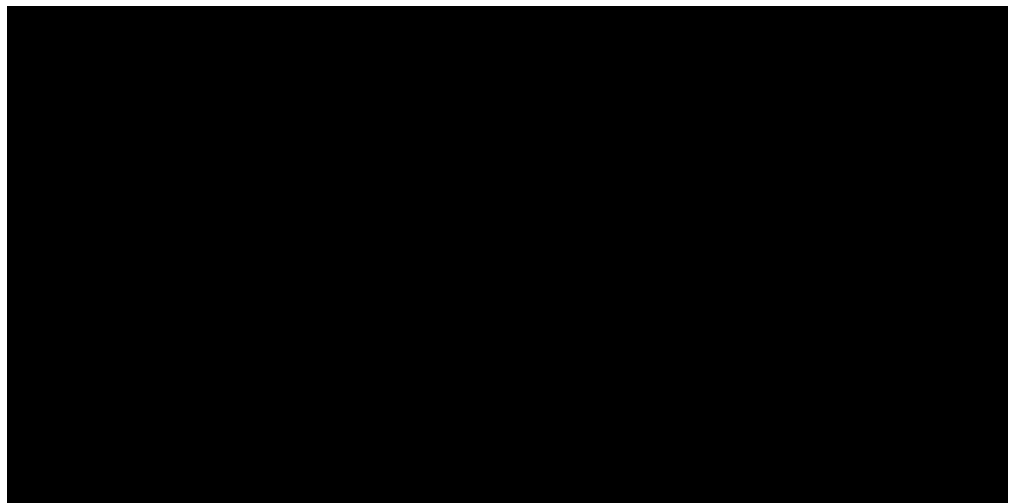


Figure 9: Percentage of ANZ new home loans originated by branch, FY14 to FY22

**[Figure 9 is confidential to ANZ]**

<sup>176</sup> APRA, *Annual – Authorised deposit-taking institutions' points of presence statistics* (19 October 2021) <https://www.apra.gov.au/authorised-deposit-taking-institutions-points-of-presence-statistics/>

<sup>177</sup> Statement of Clive van Horen at [34] and Confidential Exhibit CVH-1.8.

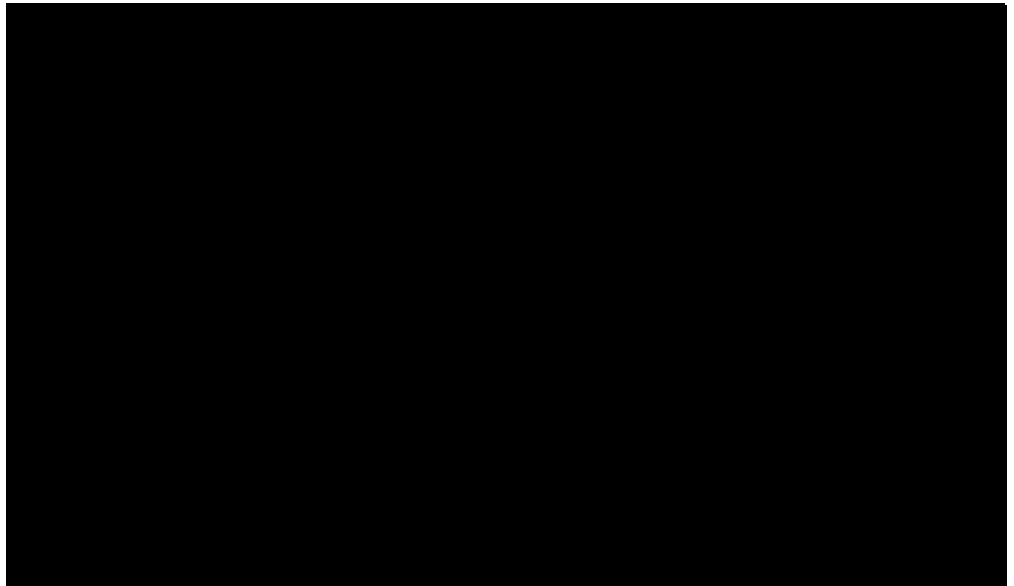
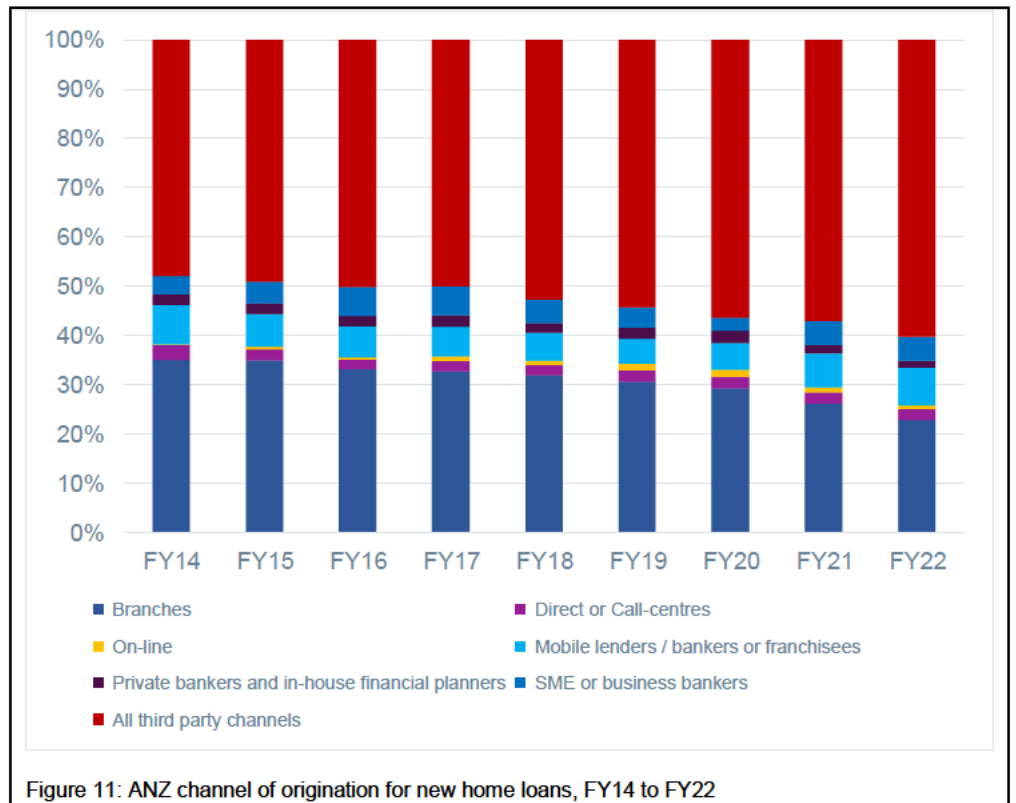


Figure 10: Percentage of ANZ new home loans originated via Broker, FY14 to FY22

**[Figure 10 is confidential to ANZ]**

- 5.35 Figure 11 also records ANZ data on the channels of origination for new home loans originated through the bank's proprietary channels and through third party channels which further evidences this shift. While branches are still available to the customers who wish to use them, their use has remained stagnant relative to the other channels of origination, like the broker channel, which have grown. Although their use has not completely tapered, it is in decline. This is clear from comparing origination of home loans by branch against ANZ's total value of home loans, and against and ANZ's other channels of origination of home loans.





5.36 All key banking services available at a branch are available to customers through at least one, if not two, other delivery modes. For example, customers of the banks and financial institutions that are part of Bank@Post,<sup>178</sup> an Australia Post service, can make deposits and withdraw cash at more than 3,500 Australia Post outlets in Australia.<sup>179</sup>

Table 4: Availability of key banking services by delivery model<sup>180</sup>

BANKING SERVICE	DELIVERY MODE				
	Branch	Bank@Post	App / Internet Banking	Telephone / Zoom	ATM
Open and close savings accounts	✓	X	✓ <sup>1</sup>	✓	X
Withdraw cash	✓	✓	X	X	✓
Deposit cash	✓	✓	X	X	✓ <sup>2</sup>
Check account details / balance	✓	✓	✓	✓	✓

<sup>178</sup> ANZ does not participate in Bank@Post.

<sup>179</sup> Australia Post, Bank@Post <https://auspost.com.au/money-insurance/banking-and-payments/bank-at-post>

<sup>180</sup> 1 Open only. 2 SmartATMs only. 3 Up to a limit. 4 Only on internet banking and not all banks. 5 Cash only.

BANKING SERVICE	DELIVERY MODE				
	Branch	Bank@Post	App / Internet Banking	Telephone / Zoom	ATM
Deposit cheques	✓	✓	✓ <sup>3</sup>	X	✓ <sup>3</sup>
Change for business floats	✓	✓	X	X	X
Lock card / report card stolen	✓	X	✓	✓	X
Activate card	✓	X	✓	✓	X
Set / change a PIN	✓	X	✓	X	✓
Apply for a personal loan or business loan	✓	X	✓ <sup>4</sup>	✓	X
Apply for a mortgage	✓	X	✓ <sup>4</sup>	✓	X
Pay a bill or transfer funds	✓	✓	✓	✓	X
Make credit card payment	✓	✓	✓	✓	✓ <sup>6</sup>

5.37 **[Confidential to ANZ]** [REDACTED]  
 [REDACTED]  
 [REDACTED]  
 [REDACTED]  
 [REDACTED] <sup>181</sup>

*Customers multi-bank*

- 5.38 The greater choice, and the competition between financial institutions, has led to customers picking and choosing different banking products from different financial institutions to suit their needs and requirements.<sup>182</sup>
- 5.39 In the past, both retail and business customers would tend to source their deposit and lending requirements from a single main bank (the customer’s MFI). (RFi research indicates that over 9 out of 10 customers will hold their primary transactions account with their MFI.<sup>183</sup>) However, while customers still tend to have a MFI, they are willing to hold multiple accounts across different providers.

<sup>181</sup> ANZ analysis.

<sup>182</sup> RFI, Australian Mortgage Council (March 2021), Presentation to ANZ, p 24 (Annexure 49).

<sup>183</sup> RFI, Australian Savings and Deposits Council (Transactions) (March 2022) at p 16 to 17 (Annexure 95).

An ABA survey conducted by Galaxy Research from 2017 showed that almost two thirds of Australians have more than one bank account.<sup>184</sup> More recent RFI data from 2020 shows that 71% of retail customers ‘multi-bank’ – splitting their banking across multiple providers.<sup>185</sup> **[Confidential to Suncorp]** [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

5.40 Retail customers access a range of different products from different financial institutions to address their needs. These needs include:

- a. access to a payment service that will allow them to transact;
- b. an ability to store value, such as with a deposit account for cash; and
- c. a source of finance, such as a credit card, personal loan or substitutes like BNPL products.

For example, a customer might have a transaction account and debit card with one bank, a personal loan with another, a home loan with yet another and also use one or more BNPL product.

5.41 Similarly, business customers are separating out their financing and payment needs in order to access financing and payment products from different providers that best suit their requirements rather than sourcing financing and payment products from the one provider, as discussed further at paragraph 6.123.

5.42 The functions of banking and related credit products are set out in Table 5: Banking and related credit products and their functions.

<sup>184</sup> Australian Banking Association, *3 million people make the switch* (23 September 2017) <https://www.ausbanking.org.au/3-million-people-make-the-switch/>

<sup>185</sup> RFI, Australian Mortgage Council (March 2021), Presentation to ANZ (Annexure 49).

<sup>186</sup> Statement of Clive van Horen at [71] to [72].

<sup>187</sup> Statement of Clive van Horen at [71] to [72].

Table 5: Banking and related credit products and their functions

PRODUCT	FUNCTIONS		
	Facilitate payment	Source of finance	Store of value
Transaction account (debit card)	✓	✗	✓
Savings account	✓	✗	✓
Term deposit	✗	✗	✓
Credit card	✓	✓	✗
BNPL	✓	✓	✗
Merchant acquiring services	✓	✗	✗
Unsecured loan (e.g. personal loan, overdraft, line of credit)	✓	✓	✗
Secured loan (e.g. home loan, business loan, asset finance)	✓	✓	✗

- 5.43 Customers are willing to consider separate products as substitutes for finance at the point of decision-making regarding particular transactions—for example, a customer may use a credit card or BNPL or even a personal loan depending on the context, such as whether they value the ease of transacting, loyalty benefits available and/or cashflow. It is not necessary for customers to switch all their accounts over from their current bank when they open an account with a new bank or open a BNPL account.

*Customers also switch providers*

- 5.44 In addition to sourcing products across multiple providers, retail and business customers can and do switch providers. In 2017, ABA research found that more than three million Australians had switched banks over the past three years with two-thirds finding it an easy process.<sup>188</sup> ANZ considers that switching has become even more simple and that the rate of switching has likely further increased. For example:

<sup>188</sup> Australian Banking Association, *3 million people make the switch* (23 September 2017) <https://www.ausbanking.org.au/3-million-people-make-the-switch/>

- a. brokers have reduced search costs and have encouraged customers to seek the products that best suits their needs, particularly in home loans and commercial lending;<sup>189</sup>
- b. real-time payments through the New Payments Platform<sup>190</sup> have made it much easier for consumers who have more than one transaction and/or savings account with more than one institution to move deposits immediately between those accounts;
- c. the PayTo service, which is being progressively rolled out in 2022 and 2023, will reduce the effort in switching transaction accounts by allowing customers and service providers to nominate their PayID (a universal code), rather than bank account, for payment requests;<sup>191</sup>
- d. Open Banking, part of the CDR reforms, which allows individuals and businesses to access and use information about their transactions with businesses in specified sectors, including other banks.<sup>192</sup> The enactment of the CDR in 2019 followed the recommendations of the Productivity Commission and the *Review into Open Banking*.<sup>193</sup> The CDR is intended to increase competition including by giving customers more choice about the services they acquire.<sup>194</sup> The ACCC has identified that the CDR, as applied to the home loan market, "will help borrowers compare the offers of different lenders and streamline the home loan application process".<sup>195</sup> It will also further reduce the administrative activities associated with obtaining new banking products from other banks, and switching banks;<sup>196</sup> and

<sup>189</sup> Deloitte, *The Value of Mortgage Broking* (July 2018) at p 19 <https://www2.deloitte.com/au/en/pages/economics/articles/value-mortgage-broking.html> (Annexure 56).

<sup>190</sup> RBA, *The Evolving Payments Landscape* (2021) <https://www.rba.gov.au/publications/annual-reports/psb/2021/the-evolving-payments-landscape.html>

<sup>191</sup> Payto, <https://payto.com.au/>

<sup>192</sup> The enabling regime for the CDR is set out in Part IVD of the *Competition and Consumer Act 2010* (Cth). This part was inserted by the *Treasury Laws Amendment (Consumer Data Right) Act 2019* (Cth) in August 2019.

<sup>193</sup> The Treasury, *Financial System Inquiry Final Report* (November 2014) <https://treasury.gov.au/sites/default/files/2019-03/p2014-FSI-01Final-Report.pdf> (Annexure 59); The Treasury, *Review into Open Banking* (December 2017) <https://treasury.gov.au/sites/default/files/2019-03/Review-into-Open-Banking-For-web-1.pdf> (Annexure 60).

<sup>194</sup> *Treasury Laws Amendment (Consumer Data Right) Bill 2019 Explanatory Memorandum* at p 5 [https://parlinfo.aph.gov.au/parlInfo/download/legislation/ems/r6370\\_ems\\_ce513d68-7222-49f4-a2fe-67e1c2b32fed/upload\\_pdf/712911.pdf;fileType=application%2Fpdf](https://parlinfo.aph.gov.au/parlInfo/download/legislation/ems/r6370_ems_ce513d68-7222-49f4-a2fe-67e1c2b32fed/upload_pdf/712911.pdf;fileType=application%2Fpdf) (Annexure 61).

<sup>195</sup> Australian Competition and Consumer Commission *Home Loan Price Inquiry Final Report* (November 2020) at p 15 <https://www.accc.gov.au/focus-areas/inquiries-finalised/home-loan-price-inquiry/final-report> (Annexure 62).

<sup>196</sup> Australian Banking Association, *Open Banking* <https://www.ausbanking.org.au/priorities/open-banking/>

- e. comparison websites and financial tools, which provide readily accessible information, enable customers to make informed decisions. For example, ASIC's Moneysmart website assists consumers to understand the average interest rate for new loans.<sup>197</sup> This contributes towards price transparency in the home loan market and the demand side pressure that consumers can exert.<sup>198</sup> The ACCC has recommended that this initiative be supplemented with a requirement that lenders provide borrowers with home loans originated three or more years ago with a prompt each year comparing the borrower's interest rate with the average interest rate paid for similar new home loans.<sup>199</sup>
- 5.45 RFI research indicates that the proportion of consumers who have never switched their MFI is decreasing. Their analysis suggests that in November 2018, when consumers were asked "in the past, have you ever considered a bank other than [your current institution] to be your MFI" about 65% of consumers answered "no". By November 2021, this had fallen to 55%.<sup>200</sup>
- 5.46 Roy Morgan research shows that the percentage of the population who has switched MFI in the past 12 months has steadily increased over the last 10 years as shown in Table 10: Proportion of broker introduced commercial agribusiness lending by FUM.

<sup>197</sup> moneysmart, *How much will my repayments be?* <https://moneysmart.gov.au/home-loans/mortgage-calculator>

<sup>198</sup> Deloitte, *The Value of Mortgage Broking* (July 2018) at p 7 <https://www2.deloitte.com/au/en/pages/economics/articles/value-mortgage-broking.html> (Annexure 56).

<sup>199</sup> ACCC, *Foreign Currency Conversion Services Inquiry Final Report* (July 2019) at p xiii <https://www.accc.gov.au/publications/foreign-currency-conversion-services-inquiry-final-report>

<sup>200</sup> RFI, Australian Savings and Deposits Council (Transactions) (March 2022) at p 21 (Annexure 95).

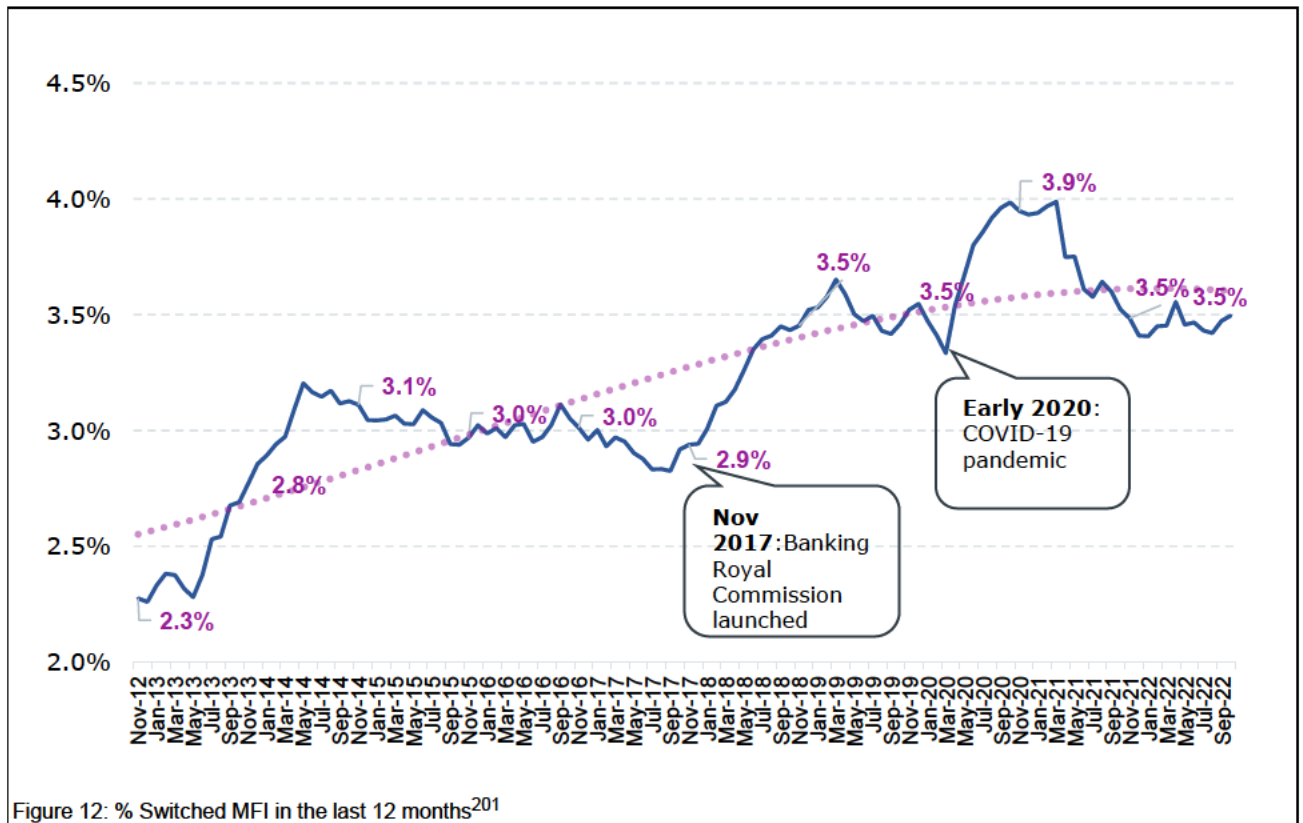


Figure 12: % Switched MFI in the last 12 months<sup>201</sup>

### Investment in technology and innovation is essential to compete effectively

- 5.47 The shift towards electronic funds transfers as the primary payment instrument has coincided with substantial innovation in the payments industry, including the introduction of the New Payments Platform in 2018.<sup>202</sup> The NPP enables consumers, businesses and government agencies to make real-time, information-rich payments 24 hours a day, every day of the year. The PayID service also allows NPP payments to be addressed to an account owner's registered mobile phone number, email address or Australian Business Number rather than to a BSB and account number.<sup>203</sup>
- 5.48 BNPL options like Afterpay and Openpay also offer innovative payment services. BNPL services enable consumers to purchase goods and services by paying part of the purchase price at the time of the transaction and the remainder to the BNPL provider in a series of instalments. The customer receives their purchase immediately and the merchant is paid upfront by the BNPL provider. In most cases, customers use a mobile app to access these services and repayments are drawn from a customer's linked debit or credit card (eg CBA/ MasterCard, Klarna/Visa, Zip Pay/Visa, Flexigroup/MasterCard etc). The RBA estimates that

<sup>201</sup> Source: Roy Morgan. Chart shows % of population aged over 18 who have switched MFI in the last 12 months as a rolling 12 month average.

<sup>202</sup> RBA, *The Evolving Payments Landscape (2021)* <https://www.rba.gov.au/publications/annual-reports/psb/2021/the-evolving-payments-landscape.html>

<sup>203</sup> RBA, *The Evolving Payments Landscape (2021)* <https://www.rba.gov.au/publications/annual-reports/psb/2021/the-evolving-payments-landscape.html>

BNPL providers processed more than \$11 billion of purchases in the first half of 2021.<sup>204</sup>

- 5.49 ANZ anticipates that the Australian payments landscape will likely continue to evolve as a result of competition from global players such as Google and Apple, who are globally continuing to disrupt (and bypass) the traditional payment systems providers. For example, Google has developed mobile and online payments through its e-wallet and Google Pay, and allows card issuers to use its card payment system in Australia free of charge.<sup>205</sup> Apple offers a similar payment system through its e-wallet and Apple Pay.<sup>206</sup>
- 5.50 Currently in Australia, both of these platforms rely upon the existing payment systems infrastructure (ie Google and Apple's apps facilitate payment processing but require a customer to have an underlying Visa, MasterCard or Amex card). However, overseas (and potentially in the future in Australia), Google Pay and Apple Pay are now distributing financial services products (Google Pay cheque accounts<sup>207</sup> and Apple Pay credit cards<sup>208</sup>), evidencing the push by these platforms into broader aspects of the payment space and leveraging the strength of their technological capability and brand recognition in consumer retail environments.
- 5.51 In addition to innovation specifically in payments, ANZ and Suncorp Bank each recognise that transformational technology investment is needed to ensure their core technology platforms are capable of delivering propositions and products that can keep pace with competition.
- 5.52 To this end, ANZ has made significant investment spend beyond "run the bank" costs, including the ANZx program discussed at paragraph 3.20, which will enable ANZ to continue to compete effectively and keep pace with the technology transformation occurring in banking products and services.
- 5.53 **[Confidential to Suncorp]** [REDACTED]  
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 [REDACTED]  
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<sup>204</sup> RBA, *The Evolving Payments Landscape* (2021) <https://www.rba.gov.au/publications/annual-reports/psb/2021/the-evolving-payments-landscape.html>

<sup>205</sup> M22: Proposed amalgamation of BPAY, eftpos and NPPA – Application (22 March 2021), 85 (Source confidential to parties).

<sup>206</sup> RBA, *The Evolving Payments Landscape* (2021) <https://www.rba.gov.au/publications/annual-reports/psb/2021/the-evolving-payments-landscape.html>

<sup>207</sup> Reuters, *Google Pay to offer checking accounts through Citi, Stanford Federal* (13 November 2019) <https://www.reuters.com/article/us-google-finance-idUSKBN1XN1IQ>

<sup>208</sup> Goldman Sachs, *Goldman Sachs Partners with Apples on a Game-Changing Credit Card* <https://www.goldmansachs.com/our-firm/history/moments/2019-apple-card.html>

<sup>209</sup> Statement of Clive van Horen at [16] and [23] to [22].



[REDACTED]

[REDACTED] 210

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### Brokers have significantly disrupted traditional distribution of banking products and drive competition in lending markets

- 5.54 Brokers have an influential role in the banking industry and their impact is expected to continue growing. Brokers are intermediaries who are engaged by customers to seek lending facilities from banks and other providers. Brokers materially reduce the significant search costs for customers by assisting them to identify the products that best suit their needs from a range of lenders. This promotes competition.<sup>213</sup> A customer is now able to compare a range of offers from competing providers by using the services of a single broker, fundamentally disrupting traditional direct bank distribution.
- 5.55 Lenders also benefit from brokers because they provide an additional distribution channel for lenders to reach customers across Australia. **[Confidential to Suncorp]** [REDACTED]
- [REDACTED] 214
- 5.56 Brokers make inquiries of lenders to see what is available, advise customers on suitable products, manage the application process and, in many cases, negotiate lending terms on behalf of a customer.<sup>215</sup> 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<sup>216</sup>
- 5.57 Most brokers are affiliated with an aggregator. Figure 13: Stylised model of the mortgage broker industry is a stylised diagram of the mortgage broker industry.

<sup>210</sup> Statement of Clive van Horen at [23].

<sup>211</sup> Statement of Clive van Horen at [16] and [87] to [88].

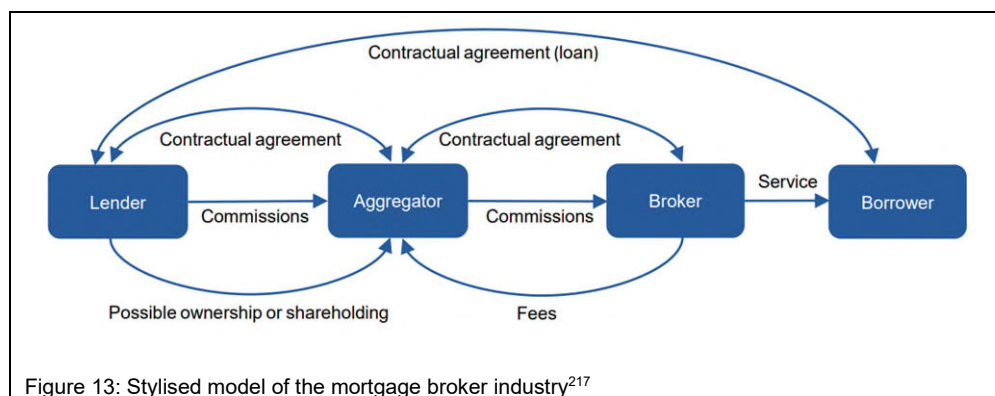
<sup>212</sup> Statement of Steve Johnston at [32(d)] and [76].

<sup>213</sup> Statements of John Campbell at [67], Isaac Rankin at [94] and Clive van Horen at [31], [84] and [103] to [104].

<sup>214</sup> Statement of Clive van Horen at [31], [47], [83] and [103] to [104].

<sup>215</sup> Statements of John Campbell at [67] and Isaac Rankin at [46] to [48].

<sup>216</sup> Statements of John Campbell at [69] and Isaac Rankin at [46] to [47].



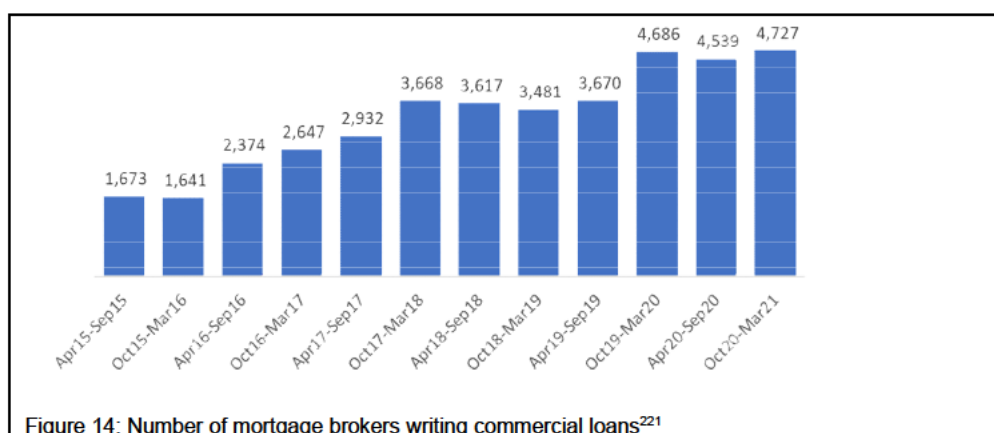
- 5.58 Since 2014 broker channels have been a greater source of new home loan customers than the lenders' direct channels. In 2018, the Productivity Commission reported that 54% of all new home loans in Australia were broker originated as at December 2017.<sup>218</sup> In Q1 2022, the MFAA reported that 69.5% of all new home loans in Australia were broker originated during the period January to March 2022.<sup>219</sup> This is a significant change over time—for example, APRA found that in 2003, broker introduced house loans accounted for only 23% of banking industry housing loans, 2% of credit union housing loans, and 35% of building society housing loans.<sup>220</sup>
- 5.59 This trend has extended to commercial lending. Data from the MFAA shows that mortgage brokers have expanded into commercial lending, especially in recent years.

<sup>217</sup> Productivity Commission, *Competition in the Australian Financial System Productivity Commission Inquiry Report* (No. 89, 29 June 2018) <https://www.pc.gov.au/inquiries/completed/financial-system/report/financial-system.pdf> (Annexure 23)

<sup>218</sup> Productivity Commission, *Competition in the Australian Financial System Productivity Commission Inquiry Report* (No. 89, 29 June 2018) <https://www.pc.gov.au/inquiries/completed/financial-system/report/financial-system.pdf> (Annexure 23)

<sup>219</sup> MFAA, *Mortgage broker market share breaks records again* (31 May 2022) <https://www.mfaa.com.au/news/mortgage-broker-market-share-breaks-records-again>

<sup>220</sup> APRA, *Report on Broker-Originated Lending* (January 2003) at p 5 cited in ASIC, A report to ASIC on the finance and mortgage broker industry (Report 19, March 2003) (Annexure 96).

Figure 14: Number of mortgage brokers writing commercial loans<sup>221</sup>

- 5.60 ANZ has compiled data from the MFAA Industry Intelligence Service Reports which shows the number of mortgage brokers writing commercial loans, the value of commercial loans written by those brokers (\$million) and average lending per broker (\$million) in Table 6: Commercial loans originated by mortgage brokers.

Table 6: Commercial loans originated by mortgage brokers<sup>222</sup>

END DATE	# OF MORTGAGE BROKERS WRITING COMMERCIAL LOANS	VALUE OF COMMERCIAL LOANS WRITTEN BY RESIDENTIAL MORTGAGE BROKERS (\$M)	AVG LENDING PER BROKER (\$M)
30/09/2015	1673	5736	3.4
30/03/2016	1641	4817	2.9
30/09/2016	2374	8051	3.4
30/03/2017	2647	7903	3.0
30/09/2017	2932	8847	3.0
30/03/2018	3668	8943	2.4
30/09/2018	3617	9047	2.5
30/03/2019	3481	8788	2.5
30/09/2019	3670	8995	2.5
30/03/2020	4486	9694	2.2
30/09/2020	4539	9375	2.1
30/03/2021	4727	10270	2.2
30/09/2021	5268	13399	2.5
30/03/2022	5396	15977	3.0

<sup>221</sup> MFAA, Industry Intelligence Service: Commercial Finance Snapshot for the period 1 October 2021 – 31 March 2021 (12th Edition) at 4.

<sup>222</sup> Compiled by ANZ from MFAA reports: <https://www.mfaa.com.au/professional-development/research/industry-intelligence-service-report>

5.61 The total value of commercial loans settled by mortgage brokers who have expanded into commercial lending has similarly increased.

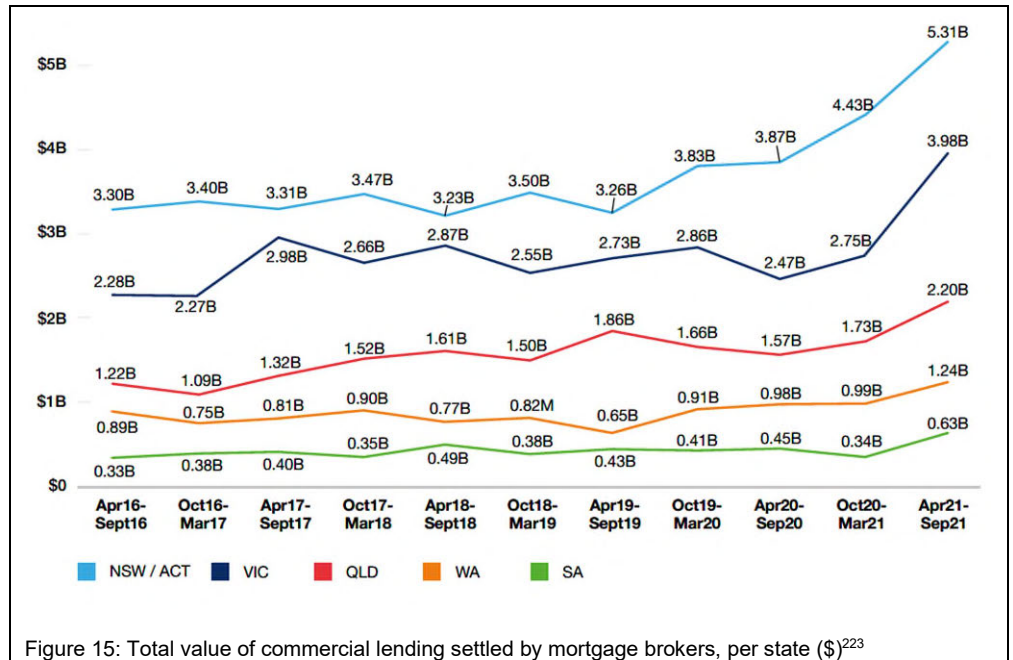


Figure 15: Total value of commercial lending settled by mortgage brokers, per state (\$) <sup>223</sup>

**Entry and the threat of entry impose significant competitive pressures**

5.62 The markets for supply of banking products to retail and business customers are dynamic. There is and has been entry and successful expansion by new entrants exploiting new technology. The reduced importance of physical points of presence, enables new entrants to serve and offer banking products to retail and business customers at lower cost than if they used a traditional banking model. The new entry and expansion include:

- a. Macquarie Bank – which has been a highly effective competitor, particularly since 2015 has significantly grown its market share in home loans from 1.80% in 2015 to 4.80% in September 2022. It has shown similar success in household deposits, growing from 0.82% in 2015 to 3.46% in October 2022.<sup>224</sup>
- b. Judo Bank – which obtained its banking licence in April 2019. It offers tailored lending products to SMEs and term deposit products to self-managed super funds and 'middle market' customers including charities, universities and high-net-worth individuals. In financial year 2021, its loan book increased by 97% from \$1.79 billion to \$3.51 billion and its deposit

<sup>223</sup> MFAA, Industry Intelligence Service: Commercial Finance Snapshot for the period 1 April 2021 – 30 September 2021 (13th Edition) (Annexure 24) at 7.

<sup>224</sup> APRA Market Share Data (Annexure 30.1).

book by 84% from \$1.39 billion to \$2.55 billion. As at June 2021, Judo Bank had 1,650 SME customers.<sup>225</sup> Judo Bank's FY22 results indicate that its deposit book has grown to \$4.091 billion and its lending portfolio to \$6.1 billion, and it is forecast to reach \$15-20 billion with an underlying NIM of 2.79%.<sup>226</sup> This book comprises business loans, asset finance, home loans and line of credit, with business loans the overwhelming majority. Judo Bank employs relationship managers to visit business customers, rather than building a physical network for customers to visit Judo Bank centres.<sup>227</sup>

- c. 86 400 – which obtained a restricted ADI licence in July 2019.<sup>228</sup> 86 400 was majority owned by Cuscal Ltd (an independent payments provider) and offered deposit products from September 2019 until it was acquired by NAB in 2021. In March 2021, the ACCC announced that it would not oppose the acquisition by NAB.<sup>229</sup>
- d. IN1Bank – which obtained a restricted ADI licence in December 2019 (the duration of which has been extended to December 2022).<sup>230</sup> It is yet to make its products generally available, but has announced its intention to offer digital banking products and services to individuals and SMEs, including by using "*leading, proven, agile and cloud-native technology without the legacy issues faced by traditional banks*".<sup>231</sup>
- e. Alex Bank – which obtained its restricted ADI licence in July 2021.<sup>232</sup> It offers personal loans and savings accounts, with a stated focus on using cutting-edge technology to develop a fast and seamless digital experience.<sup>233</sup>

<sup>225</sup> Judo Bank, Annual Review 2021 at pages 5 and 17 <https://cdn.unifii.net/judobank/40c6f7dd-01cf-4ba4-b66a-50b78c1bc18b.pdf>

<sup>226</sup> Judo Bank FY22 Results (August 22) at page 13 and 40 (Annexure 25).

<sup>227</sup> FinTech, *Australia's first SME challenges bank, Judo Bank, leverages technology to connect with customers* (18 May 2020) <https://fintechmagazine.com/company-reports/australias-first-sme-challenger-bank-judo-bank-leverages-technology-connect-customers>

<sup>228</sup> APRA, *APRA grants new authorised deposit-taking institution licence to 86400* (18 July 2019) <https://prod.apra.shared.skpr.live/news-and-publications/apra-grants-new-authorized-deposit-taking-institution-licence-to-86400>

<sup>229</sup> ACCC, *National Australia Bank Limited – 86 400 Holdings Ltd* (30 March 2021) <https://www.accc.gov.au/public-registers/mergers-registers/public-informal-merger-reviews/national-australia-bank-limited-86-400-holdings-ltd>

<sup>230</sup> APRA, *APRA extends IN1Bank's licence to operate as a restricted authorised deposit-taking institution* (14 September 2022) <https://www.apra.gov.au/news-and-publications/apra-extends-in1bank%E2%80%99s-licence-to-operate-as-a-restricted-authorized-0>

<sup>231</sup> In1bank, <https://www.in1bank.com.au/>

<sup>232</sup> APRA, *APRA grants new restricted authorised deposit-taking institution licence to Alex Bank* (7 July 2021) <https://prod.apra.shared.skpr.live/news-and-publications/apra-grants-new-restricted-authorized-deposit-taking-institution-licence-to-0>

<sup>233</sup> Alex Bank, <https://www.alex.bank/save>

- 5.63 In addition, Volt obtained a restricted ADI licence in May 2018<sup>234</sup> and offered deposit and home loan products until June 2022, when it announced its decision to return its ADI licence and customer deposits.<sup>235</sup> Xinja obtained a restricted ADI licence in September 2019<sup>236</sup> and offered retail deposit products until December 2020, when it announced its decision to return its ADI licence and customer deposits.<sup>237</sup> Xinja and Volt's decisions to exit the market do not undermine the argument that neobanks pose a credible threat to existing players. The decisions to exit indicate that the markets are intensively competitive and that not all entrants will succeed. Prior to the exit of Volt, this was also recognised by the ACCC in its submission to the Select Committee on Australia as a Technology and Financial Centre dated 29 June 2021. In this application, commenting on Xinja ceasing its retail operations and 86 400 being acquired by NAB, the ACCC noted that:

*"We do not see these particular market exits as indicative of competition substantially lessening, nor detracting from other signs of increasing competition we are seeing in the banking sector. For example, the exits do not appear to have deterred new entrants, with APRA Chair, Wayne Byres observing in March 2021 that APRA is considering licensing applications from upwards of a dozen ADIs. In addition, Judo (a bank focused on SME lending that was licenced around the same time as Xinja and 86 400) has built a loan book of over \$2 billion and has reportedly raised over \$500 million in equity to fund operations and growth."<sup>238</sup>*

#### **Regulatory changes to promote competition and improve customer choice**

- 5.64 The financial services sector is highly regulated, so the competitive dynamics in the relevant markets are heavily influenced by regulation and regulatory intervention. Entry into the home loan, deposit and transaction account, credit card and lending markets is regulated. For example, entrants must:

<sup>234</sup> The Treasury, *New banks to provide Australians with more choice* (22 January 2019) <https://ministers.treasury.gov.au/ministers/josh-frydenberg-2018/media-releases/new-banks-provide-australians-more-choice>

<sup>235</sup> APRA, *Volt Bank return of deposits successfully completed* (25 July 2022) <https://www.apra.gov.au/news-and-publications/volt-bank-return-of-deposits-successfully-completed>

<sup>236</sup> APRA, *APRA grants new authorised deposit-taking institution licence to Xinja Bank* (9 September 2019) <https://www.apra.gov.au/news-and-publications/apra-grants-new-authorised-deposit-taking-institution-licence-to-xinja-bank>

<sup>237</sup> APRA, *Xinja Bank return of deposits completed* (19 January 2021) <https://www.apra.gov.au/news-and-publications/xinja-bank-return-of-deposits-completed>

<sup>238</sup> ACCC, *Inquiry into Australia as a Technology and Financial Centre – third issues paper* (29 June 2021) <https://www.accc.gov.au/system/files/ACCC%20submission%20to%20the%20Senate%20Select%20Committee%20on%20Australia%20as%20a%20Technology%20and%20Financial%20Centre.pdf> (Annexure 64).

- a. be authorised by APRA as an ADI under the Banking Act to carry on banking business that includes the taking of deposits and making advances of money;<sup>239</sup>
  - b. hold an AFSL issued by ASIC under the Corporations Act to carry on the business of offering financial products, which include a deposit-taking facility made available by an ADI;<sup>240</sup> and
  - c. hold an Australian credit licence (**ACL**) issued by ASIC under the NCCP Act to engage in consumer credit activity, which includes offering home loans and credit cards.<sup>241</sup>
- 5.65 In addition to these requirements, APRA conducts prudential supervision of ADIs while ASIC is responsible for regulating the ongoing conduct of holders of AFSLs and ACLs.<sup>242</sup> There is no requirement to hold a licence in order to offer loans to businesses.
- 5.66 In its assessment of *Westpac/St George*, the ACCC considered that the combination of these regulatory requirements for ADIs meant that regulatory barriers to entry were high.<sup>243</sup> Since that assessment, the Government has considered the competitiveness of the Australian banking market through several reviews (summarised in **schedule 1 Key Regulatory Reviews**).
- 5.67 Important policy reforms have resulted from the recommendations of these reviews which were aimed at:
- a. improving the contestability of the Australian banking market by making it easier for competitors to enter the market and compete effectively;

<sup>239</sup> Section 8 of the *Banking Act 1959* (Cth) (**Banking Act**) prohibits a body corporate from carrying on 'banking business' unless the body corporate is an ADI (or the Reserve Bank). An ADI is a body corporate that holds an authority under section 9(3) of the Banking Act. Section 5 of the Banking Act defines 'banking business' to include business carried by a corporation to which paragraph 51(xx) of the Constitution applies and that consists of both taking money on deposit and making advances of money.

<sup>240</sup> Section 911A of the Corporations Act 2001 (Cth) requires that a person who carries on a financial services business in this jurisdiction must hold an AFSL covering the provision of that service. Financial service is defined by section 766A to include 'dealing' in a 'financial product'. Dealing is defined by section 766C to include 'issuing' a financial product. Section 764A specifically includes 'any deposit-taking facility made available by an ADI (within the meaning of the *Banking Act 1959*) in the course of its banking business...' as a financial product.

<sup>241</sup> Section 29 of the National Consumer Credit Protection Act 2009 (Cth) prohibits a person from engaging in credit activity if the person does not hold a licence authorizing the person to engage in the activity. Under section 6 of the NCCP Act, engaging in 'credit activity' includes being a credit provider and being a mortgagee under a mortgage.

<sup>242</sup> APRA, *The APRA / ASIC relationship* <https://www.apra.gov.au/sites/default/files/180423-apra-asic-relationship-statement.pdf> (Annexure 65).

<sup>243</sup> ACCC, *Westpac Banking Corporation – proposed acquisition of St George Bank Limited Public Competition Assessment* at p 13 <https://www.accc.gov.au/system/files/public-registers/documents/D08%2B80554.pdf> (Annexure 57).

- b. enhancing the ability of consumers to choose through improved price transparency, product comparability and switching costs;
- c. making it easier for customers to switch from their existing bank to another bank, or multi-bank; and
- d. increasing the focus of Government agencies on the degree of competition in the market.

*Policy measures concerning contestability*

- 5.68 Policy measures concerning contestability introduced in recent years have sought to reduce the regulatory barriers to entry for new entrants or impose an asymmetric burden on larger incumbents.

*ASIC regulatory sandbox*

- a. In 2016, the ASIC regulatory sandbox was established.<sup>244</sup> This provided certain entities with a dispensation from obtaining either an AFSL or an ACL for up to 12 months. It allowed the entities to test certain products or services without the need to obtain regulatory approval. From 1 September 2020, this sandbox was replaced with the "enhanced regulatory sandbox".<sup>245</sup> This measure allows testing for 24 months of more products and services by an increased range of entities. In its 2020-21 Annual Report, ASIC stated that six entities had been accepted to use the enhanced regulatory sandbox between 1 September 2020 and 30 June 2021.<sup>246</sup>

*Major bank levy*

- b. The major bank levy was introduced in 2017. Under the levy, ADIs with total liabilities greater than \$100 billion (indexed to grow in line with nominal GDP) are liable to pay a levy each quarter of 0.015% of the value of certain liabilities.<sup>247</sup> One of the reasons the levy was introduced was to "...contribute to a more level playing field for smaller, often regional, banks

<sup>244</sup> ASIC, *Comparison of Key Features of the ASIC Sandbox and the Australian Government's Enhanced Regulatory Sandbox* (August 2020) <https://download.asic.gov.au/media/5763623/comparison-asic-sandbox-enhanced-regulatory-sandbox-published-25-august-2020.pdf> (Annexure 66).

<sup>245</sup> ASIC, *INFO 248 Enhanced Regulatory Sandbox* <https://asic.gov.au/for-business/innovation-hub/enhanced-regulatory-sandbox/info-248-enhanced-regulatory-sandbox/>

<sup>246</sup> ASIC *Annual Report 2020-21* at p 64 <https://download.asic.gov.au/media/2aaomxuz/asic-annual-report-2020-21-full-1.pdf> (Annexure 27).

<sup>247</sup> Sections 4 and 5, Major Bank Levy Act 2017 (Cth).



and non-bank competitors".<sup>248</sup> ADIs that are currently liable to pay the major bank levy are ANZ, CBA, Westpac, NAB and Macquarie Bank.

#### *Restricted ADI registration*

- c. In 2018, APRA introduced a new 'restricted ADI' pathway for entities to enter the banking market. This allows an entity to "conduct limited, lower risk banking businesses during its start-up phase" before qualifying as an ADI.<sup>249</sup> It provides new entrants with the time to develop the resources and capabilities that are required for full registration.
- d. Amendments to the Banking Act liberalised the use of the term "bank"<sup>250</sup> and also removed the requirement under section 66 of the Banking Act for ADIs to hold \$50 million in safe capital in order to be classified as a bank. Instead, Restricted ADIs are only required to hold a minimum of approximately \$4 million in safe capital (\$3 million plus wind-up costs of approximately \$1 million).<sup>251</sup>
- e. APRA restated its expectations concerning its restricted and direct licensing pathways in March 2021.<sup>252</sup> The restatement places an emphasis on "longer-term sustainability [to] improve the prospects of those who enter the market".<sup>253</sup> Requiring new entrants to have sustainable business models should contribute towards the competitive pressure they are able to exert on the market.
- f. In March 2021, APRA stated that since introducing the restricted ADI pathway, it had licensed five ADIs.<sup>254</sup> Two of these obtained their licence

<sup>248</sup> *Major Bank Levy Bill 2017 Explanatory Memorandum* (30 May 2017) at p 6 [https://parlinfo.aph.gov.au/parlInfo/download/legislation/ems/r5896\\_ems\\_f8a34a79-dc0f-4294-aa94-c912ebb30f71/upload\\_pdf/634259.pdf;fileType=application%2Fpdf](https://parlinfo.aph.gov.au/parlInfo/download/legislation/ems/r5896_ems_f8a34a79-dc0f-4294-aa94-c912ebb30f71/upload_pdf/634259.pdf;fileType=application%2Fpdf) (Annexure 67).

<sup>249</sup> APRA, *ADI Licensing: Restricted ADI Framework Information Paper* (4 May 2018) <https://www.apra.gov.au/sites/default/files/information-paper-adi-licensing-restricted-adi-framework-20180504.pdf> (Annexure 51).

<sup>250</sup> The Treasury Laws Amendment (Banking Measures No. 1) Act 2018 amended s 66(1AC) of the Banking Act 1959 (Cth) to clarify that it is not an offence for an ADI to assume or use the words **bank**, **banker** or **banking** in relation to the ADIs financial business.

<sup>251</sup> APRA, *ADI Licensing: Restricted ADI Framework Information Paper* (4 May 2018) at p 24 <https://www.apra.gov.au/sites/default/files/information-paper-adi-licensing-restricted-adi-framework-20180504.pdf> (Annexure 51).

<sup>252</sup> APRA, *New Entrants – A Pathway to Sustainability Information Paper* (March 2021) [https://www.apra.gov.au/sites/default/files/2021-03/Information%20paper%20-%20ADI%20New%20entrants%20-%20a%20pathway%20to%20sustainability\\_0.pdf](https://www.apra.gov.au/sites/default/files/2021-03/Information%20paper%20-%20ADI%20New%20entrants%20-%20a%20pathway%20to%20sustainability_0.pdf)

<sup>253</sup> APRA, *APRA Chair Wayne Byres – Speech to the 2021 AFR Banking Summit* (30 March 2021) <https://www.apra.gov.au/news-and-publications/apra-chair-wayne-byres-speech-to-2021-afr-banking-summit>

<sup>254</sup> APRA, *APRA's Approach to New Entrant Authorised Deposit-Taking Institutions Discussion Paper* (March 2021) at p 7 <https://www.apra.gov.au/sites/default/files/2021-03/Discussion%20paper%20-%20APRAs%20approach%20to%20new%20entrant%20authorised%20deposit-taking%20institutions.pdf> (Annexure 69).

through the restricted pathway. There was also one restricted ADI which is working towards full registration.

#### *Mandatory comprehensive credit reporting*

- g. Comprehensive credit reporting (**CCR**) concerns the reporting of 'positive' credit behaviour (eg timeliness of repayment) by credit providers to credit reporting bureaus. This data helps credit providers understand the credit risk of borrowers who have a relationship with a competitor.
- h. Participation in CCR by credit providers was initially voluntary. In 2014, the FSI recommended that if, over time, participation in comprehensive credit reporting is inadequate, the Government should consider legislating to make it mandatory. The FSI considered that CCR would "facilitate borrowers switching between lenders and greater competition among lenders". The FSI identified that participation by larger lenders would provide "initially, relatively larger benefits to other, smaller participants". This is because the smaller participants would gain access to the credit history of borrowers of larger lenders.<sup>255</sup>
- i. In 2021, the *National Consumer Credit Protection Amendment (Mandatory Credit Reporting and Other Measures) Act 2021* (Cth) was enacted and requires all 'large ADIs' to have CCR for consumer credit accounts.

#### *APRA capital framework*

- j. In November 2021, APRA finalised its new "unquestionably strong" framework for bank capital.<sup>256</sup> Under these revisions, APRA "sought to better support competition" between larger "advanced" banks and smaller "standardised" banks. To do this, APRA has:
  - i. "increased minimum capital requirements for advanced banks by 100 basis points more than standardised banks, in line with the unquestionably strong benchmarks;
  - ii. required advanced banks to hold higher capital buffers, and apply multipliers to risk weights for higher risk loan types; and

<sup>255</sup> The Treasury, *Financial System Inquiry Final Report* (November 2014) at p 190 to 192 <https://treasury.gov.au/sites/default/files/2019-03/p2014-FSI-01Final-Report.pdf> (Annexure 59).

<sup>256</sup> APRA, *Information Paper An Unquestionably Strong Framework for Bank Capital* (November 2021) <https://www.apra.gov.au/sites/default/files/2021-11/Information%20paper%20-%20An%20Unquestionably%20Strong%20Framework%20for%20Bank%20Capital.pdf> (Annexure 70).

- iii. reduced capital requirements for lower risk mortgage lending by banks on the standardised approach".<sup>257</sup>
  - k. APRA also introduced an overall capital floor which is a backstop measure that "caps the disparity" between advanced and standardised banks. It means that larger banks using the advanced approach to calculate their risk-weighted assets (which determine the amount of capital they must hold) cannot drop below 72.5% of what they would calculate under the standardised approach. APRA does not expect this to be consistently binding for all advanced banks on a system basis.<sup>258</sup>
- 5.69 These revisions reflect, in part, the recommendation of the FSI to narrow the difference in risk weights for advanced and standardised banks.<sup>259</sup> The objective of this measure was to "[i]mprove the competitive neutrality of capital regulation by limiting distortions caused by the differential regulatory treatment of different classes of ADI".<sup>260</sup>

#### *Regulatory focus on competition*

##### *ASIC competition mandate*

- 5.70 In 2018, the *Australian Securities and Investments Commission Act 2001* (Cth) was amended to "require ASIC to consider the effects that the performance of its functions and the exercise of its powers will have on competition in the financial system".<sup>261</sup> This followed a recommendation of the FSI that "Government should update ASIC's mandate to include a specific requirement to take competition issues into account as part of its core regulatory role".<sup>262</sup>

<sup>257</sup> APRA, *Information Paper An Unquestionably Strong Framework for Bank Capital* (November 2021) at p 15 <https://www.apra.gov.au/sites/default/files/2021-11/Information%20paper%20-%20An%20Unquestionably%20Strong%20Framework%20for%20Bank%20Capital.pdf> (Annexure 70).

<sup>258</sup> APRA, *Information Paper An Unquestionably Strong Framework for Bank Capital* (November 2021) at p 16 <https://www.apra.gov.au/sites/default/files/2021-11/Information%20paper%20-%20An%20Unquestionably%20Strong%20Framework%20for%20Bank%20Capital.pdf> (Annexure 70).

<sup>259</sup> The Treasury, *Financial System Inquiry Final Report* (November 2014) at p 60 <https://treasury.gov.au/sites/default/files/2019-03/p2014-FSI-01Final-Report.pdf> (Annexure 59). The recommendation was to: *Raise the average internal ratings-based (IRB) mortgage risk weight to narrow the difference between average mortgage risk weights for authorised deposit-taking institutions using IRB risk-weight models and those using standardised risk weights.*

<sup>260</sup> The Treasury, *Financial System Inquiry Final Report* (November 2014) at p 60 <https://treasury.gov.au/sites/default/files/2019-03/p2014-FSI-01Final-Report.pdf> (Annexure 59).

<sup>261</sup> See section 1(2A) of the *Australian Securities and Investments Commission Act 2001* (Cth), inserted by the *Treasury Laws Amendment (Enhancing ASIC's Capabilities) Act 2018* (Cth).

<sup>262</sup> The Treasury *Financial System Inquiry Final Report* (November 2014) at p 254 at <https://treasury.gov.au/sites/default/files/2019-03/p2014-FSI-01Final-Report.pdf> (Annexure 59).

*ACCC Competition Enforcement and Financial Services Branch*

- 5.71 In the 2017/2018 Federal Budget, the Treasurer announced that "a permanent team will be established within the ACCC to investigate competition in our banking and financial system".<sup>263</sup>

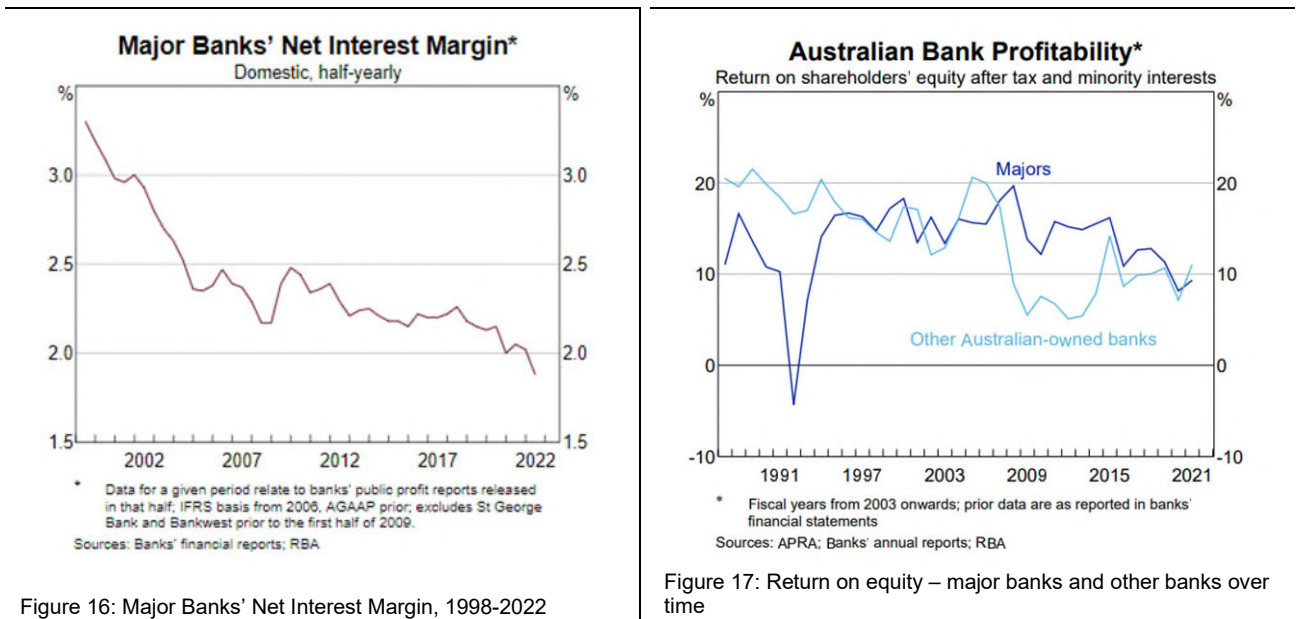
**Industry-wide declines in margins and profitability reflect competitive pressure**

- 5.72 These important changes to the industry and regulatory landscape have promoted competition in the banking industry by making it easier for customers to choose and switch providers across Australia, and significantly reduced barriers to expansion and new entry, leading to even more vigorous competition in the relevant markets.
- 5.73 Steve Johnston, Chief Executive Officer of Suncorp Group, observes that the increased competition has been a factor correlated with decreases in banks' margins, bank fees, and profitability over time.<sup>264</sup>
- 5.74 As shown in Figure 16: Major Banks' Net Interest Margin, 1998-2022, major banks' overall NIM has declined over time.<sup>265</sup> All other things being equal, when interest rates are low, the spread between lending assets and funding liabilities decreases resulting in NIMs being lower. When interest rates rise, lending is more costly and therefore NIMs increase.
- 5.75 NIMs have been tracking downwards. An historically low interest rate environment in Australia, and strong competition in banking markets, have exerted downward pressure on NIM. Competitive forces have prevented banks from responding to the decline by increasing margins to maintain NIM.
- 5.76 Another indicator that there is strong competition in banking markets is the decline in banks' return on equity (ROE) above 10 year bond rates for major banks over time as shown in Figure 17: Return on equity – major banks and other banks over time. ANZ estimates that the ROE has decreased by 29% across major banks from 2016 to 2022. At the same time, the ROE for other Australian banks has remained relatively constant and is currently higher than the major banks. **[Confidential to Suncorp]** [REDACTED]

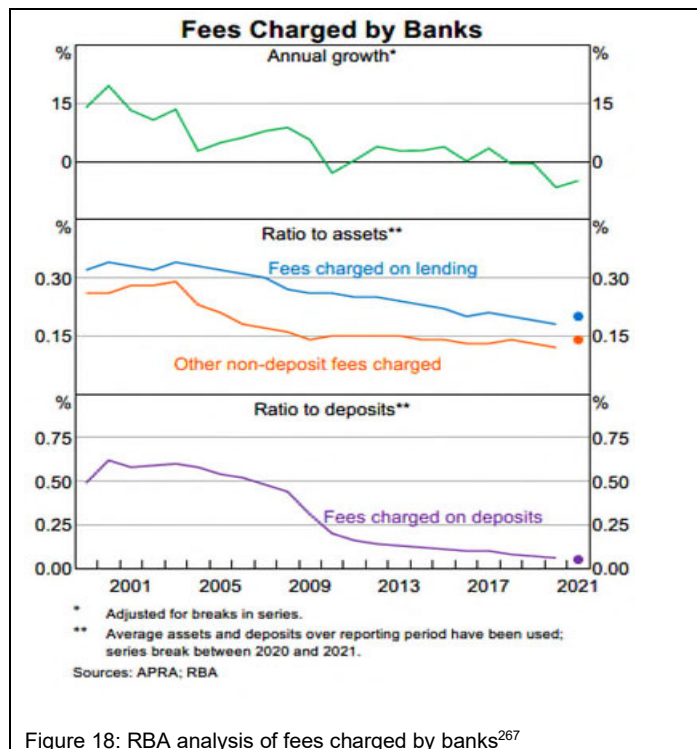
<sup>263</sup> The Honourable Scott Morrison MP Treasurer of the Commonwealth of Australia, *Budget Speech 2017-18 Delivered on 9 May 2017 on the Second Reading of the Appropriation Bill (No. 1) 2017-18* at p 9 [https://archive.budget.gov.au/2017-18/speech/Budget\\_speech.pdf](https://archive.budget.gov.au/2017-18/speech/Budget_speech.pdf) (Annexure 71).

<sup>264</sup> Statement of Steve Johnston at [29] to [33].

<sup>265</sup> Reserve Bank of Australia, *Banking indicators: Major banks' net interest margin* (September 2022) <https://www.rba.gov.au/chart-pack/banking-indicators.html>



5.77 Competition has also driven down bank fees over time. As shown in Figure 18: RBA analysis of fees charged by banks, banks have been reducing and removing fees on lending and deposit products over the past 20 years.



<sup>266</sup> Statement of Steve Johnston at [29] to [33].

<sup>267</sup> RBA, *Bank Fees in Australia* (16 June 2022) <https://www.rba.gov.au/publications/bulletin/2022/jun/bank-fees-in-australia.html> (Annexure 79).

### Customer choice will not be materially reduced by the acquisition

#### Access to branches

- 5.78 Despite the shift towards online and digital services, some personal and business customers value or need the ability to conduct in-person banking transactions. In each local area where there is an ANZ branch and a Suncorp Bank branch, there are at least four branches of other banks and Bank@Post outlets.
- 5.79 Nationally, there are 67 towns in which both ANZ and Suncorp Bank have a branch. Of those areas, 51 are in capital cities or metropolitan areas in which there are a significant number of branches operated by other institutions (including Brisbane, the Gold Coast and the Sunshine Coast in Queensland).
- 5.80 The remaining 16 overlaps are in rural and regional areas – 13 in Queensland and three in New South Wales. The number of branches of competing banks for each of those 16 locations is summarised in the table below.

Table 7: Number of branches in regional/rural overlap areas

Suncorp Bank location	ANZ	CBA	NAB	Westpac	BOQ	St. G.	Bendigo	Heritage Bank	Bank-West	Rabo-bank	Aus-wide	Other	Total non-Party
<b>QUEENSLAND OVERLAP AREAS</b>													
Bundaberg	1	1	1	1	1	0	1	1	0	1	3	0	10
Dalby	1	1	1	0	0	0	0	1	0	1	0	1	5
Gladstone	1	2	1	1	1	1	0	0	0	0	1	1	8
Gympie	1	1	1	2	1	0	1	1	0	0	1	0	8
Mackay	2	1	2	2	1	0	1	0	0	1	1	1	10
Toowoomba	2	3	2	2	1	1	1	4	0	1	0	0	15
Warwick	1	1	1	1	0	0	0	1	0	0	0	1	5
Cairns	1	2	2	1	1	1	2	0	0	0	0	2	11
Emerald	1	1	1	1	0	0	0	0	0	1	0	1	5
Innisfail	0	1	1	1	0	0	1	0	0	0	0	1	5
Roma	1	1	1	1	0	0	0	0	0	1	0	0	4
Townsville	1	1	1	2	1	1	2	0	0	1	1	1	11
Mt Isa	1	1	1	1	0	0	0	0	0	0	0	1	4
Rockhampton	1	1	1	1	1	0	1	0	0	1	1	2	9
<b>NEW SOUTH WALES OVERLAP AREAS</b>													
Dubbo	1	1	1	1	1	1	0	0	0	1	0	3	9
Tamworth	1	1	1	1	1	1	0	0	0	1	0	2	8
Moree	1	1	1	1	0	0	0	0	0	1	0	1	5

- 5.81 In addition to the ANZ and Suncorp Bank branches, based on the information above, each of the regional and rural overlap areas would, post-merger, feature at least four other branches of competing banks.
- 5.82 The analysis also does not take account of Bank@Post outlets.<sup>268</sup>
- 5.83 Further, while there are barriers to establishing a new branch network, there are relatively low barriers to expansion by existing players into new local markets. This was recognised by the ACCC in *Westpac/St George* and remains the case today.<sup>269</sup>
- 5.84 ANZ estimates that it would cost approximately \$1.8 million for an existing bank to establish a new branch (comprising \$1 million of set up costs and approximately \$800,000 per annum for operational costs). For example, a bank – which has an extensive existing branch network in regional Queensland and New South Wales – could open a new branch in any of the regions if it considered there were a competitive opportunity to do so. ANZ and Suncorp Bank would also be constrained by this possibility.
- 5.85 If the proposed acquisition proceeds, there will be no changes to the total number of Suncorp Bank branches in Queensland as a result of the proposed acquisition for a period of three years post-completion (in accordance with the Agreed Commitments).

#### *Access to ATMs*

- 5.86 ANZ and Suncorp Bank each operate ATM networks.
- 5.87 Suncorp Bank's ATM network includes Suncorp's self-service devices and ATMs that are leased through an arrangement for the atm<sub>x</sub> machines. Suncorp's self-service devices include Suncorp-branded ATMs, coin deposit machines and cash exchange machines. In total, Suncorp has 193 Suncorp self-service devices which are located at Suncorp branch and business centres, and 4 located at off-site locations and the atm<sub>x</sub> network includes 1771 ATMs.<sup>270</sup> ANZ's ATM network includes 780 ATMs at branches and 180 at off-site locations. In August 2020, ANZ sold 1,300 of its off-site ATMs to Armaguard, which are now operated by Armaguard under its atm<sub>x</sub> brand.<sup>271</sup>

<sup>268</sup> Australia Post, *Bank@Post* <https://auspost.com.au/money-insurance/banking-and-payments/bank-at-post>

<sup>269</sup> ACCC, *Westpac Banking Corporation – proposed acquisition of St George Bank Limited Public Competition Assessment* (13 August 2008) at [67] <https://www.accc.gov.au/system/files/public-registers/documents/D08%2B80554.pdf> (Annexure 57).

<sup>270</sup> Statement of Clive van Horen at [32] and Non-confidential Exh bit CVH-2.2.

<sup>271</sup> ANZ internal analysis.

- 5.88 According to device statistics prepared by the APN, there were 25,327 ATM terminals in Australia as at March 2022.<sup>272</sup> The number of ATMs in Australia has been steadily declining, consistent with a decline in cash transactions and a corresponding increase in the use of contactless payment technology. The APN estimates that there were 31,514 ATMs as at March 2015.<sup>273</sup>
- 5.89 In its Public Competition Assessment for *Westpac/St George* dated August 2008, the ACCC observed that customers value access to a comprehensive 'own bank' ATM network in order to avoid 'foreign ATM' fees. At that time, the owners of ATM networks charged 'interchange fees' to card issuers in exchange for allowing the issuer's cardholders to use ATMs in their network. The card issuers would then pass on the interchange fee (often plus a margin) to their cardholders each time they used the 'foreign' ATM. That charge to customers was often referred to as a foreign bank fee. In 2009, reforms to the ATM system were implemented by an industry Access Code developed by the Australian Payments Clearing Association and an Access Regime imposed by the RBA under the *Payment Systems (Regulation) Act 1998* (Cth).<sup>274</sup> Among other things, those reforms eliminated interchange fees (with limited exceptions for fees charged by smaller institutions or where an exemption is granted) and replaced those fees with an option for ATM owners to directly charge cardholders, in a transparent manner. The reforms were aimed, in part, at promoting competition between financial institutions for ATM services.<sup>275</sup>
- 5.90 Since 2017, neither ANZ nor Suncorp Bank has charged foreign bank fees for use of its ATMs.<sup>276</sup> Similarly, the majority of other financial institutions no longer charge foreign bank fees.
- 5.91 Accordingly, customers do not currently benefit from any price competition between ANZ and Suncorp Bank in relation to ATM fees. The location, number and services of off-site ATMs offered by ANZ and Suncorp Bank are also very similar.

<sup>272</sup> Australian Payments Network, *Device statistics* <https://www.auspaynet.com.au/resources/device-statistics>

<sup>273</sup> Australian Payments Network, *Device statistics* <https://www.auspaynet.com.au/resources/device-statistics>

<sup>274</sup> RBA, *ATM System* <https://www.rba.gov.au/payments-and-infrastructure/payments-system-regulation/regulations.html#atm-system>

<sup>275</sup> RBA, *Regulatory Framework* <https://www.rba.gov.au/payments-and-infrastructure/atms/regulatory-framework.html>; RBA, *Payments System Issues* (24 February 2009) <https://www.rba.gov.au/media-releases/2009/mr-09-03.html>

<sup>276</sup> ANZ, *ATM Direct Charging FAQ's* at page 2 <https://www.anz.com/resources/0/4/04fa8f004f1d3a98a238b258b54e5b8d/anz-direct-charging-faqs.pdf>; Suncorp, *FAQs What are Suncorp Bank's international transaction fees for credit cards and debit cards?* <https://www.suncorp.com.au/banking/faqs/international/transaction-fees.html#transaction-fees>



- 5.92 In addition to financial institutions, ATMs are also operated by independent providers – this includes the atmX (owned by Armaguard) and rediATM (owned by Cuscal) networks. Suncorp Bank has a partner arrangement with atmX and rediATM under which their usual fees of \$2.50 are not applied to withdrawals using Suncorp Bank Cards.<sup>277</sup> ANZ has such a partnership with atmX, but not rediATM.<sup>278</sup>
- 5.93 ANZ does not implement any additional off-site ATM's outside of the ATMx agreement, with one exception. When ANZ closes a branch it will leave an ATM (with deposit-taking capability in addition to a withdrawal function) in the town/suburb of the closing branch (subject to ANZ being able to obtain a suitable premises for the Smart ATM). ANZ looks to remove off-site ATMs where the transaction volume is not significant enough to sustain the device.<sup>279</sup>

<sup>277</sup> Suncorp, *Suncorp Bank and atmX ATMs* <https://www.suncorp.com.au/banking/help-support/ways-to-bank/atms.html>

<sup>278</sup> AtmX, *Cash when you need it* <https://atmx.com.au/>

<sup>279</sup> ANZ internal analysis.

## 6. MARKET DEFINITION

- 6.1 ANZ submits that the competitive effects of the proposed acquisition should be considered in the context of:
- a. separate markets for the supply to retail banking customers of:
    - i. home loans in Australia;
    - ii. deposit products (including transaction and savings accounts, and term deposits) in Australia; and
    - iii. credit cards in Australia;
  - b. a market for the supply to business customers of commercial banking products, comprising a cluster of products encompassing:
    - i. commercial lending products in Australia;
    - ii. deposit products (including transaction and savings accounts, and term deposits) in Australia;
    - iii. merchant services in Australia; and
    - iv. risk management products in Australia.
- 6.2 These banking markets have evolved since the ACCC's review of the *Westpac/St George* and *CBA/Bankwest* transactions.<sup>280</sup> Since then, the product and geographic dimensions of some of the markets have expanded and the level of competition in all of them has increased, for the reasons set out in this section and elsewhere in this application.

<sup>280</sup> ACCC, *Westpac Banking Corporation – proposed acquisition of St George Limited Public Competition Assessment* (13 August 2008) <https://www.accc.gov.au/system/files/public-registers/documents/D08%2B80554.pdf> (Annexure 57); ACCC, *Commonwealth Bank of Australia – proposed acquisition of Bank West and St Andrew's Australia Public Competition Assessment* (10 December 2008) <https://www.accc.gov.au/system/files/public-registers/documents/D08%2B123529.pdf> (Annexure 58).

## A NATIONAL MARKET FOR HOME LOANS

- 6.3 The overlap in the supply of home loan products should be assessed on the basis of a national market for the supply of home loan products.
- 6.4 ANZ relies on the statement of John Campbell. John Campbell is the General Manager, Home Loans (Australia) of ANZ and has held this position since July 2018.<sup>281</sup> In this position John Campbell has responsibility for developing and setting the strategy for ANZ's home loans business and has ultimate accountability for the balance sheet and profit and loss performance of this business.<sup>282</sup> John Campbell has worked in the finance industry for over 20 years and has been employed by ANZ for over 17 years.<sup>283</sup>

### Overview of home loans

- 6.5 ANZ and Suncorp Bank overlap in the supply of home loan products. A home loan is an amount of money lent to a customer by a lender to finance the purchase of a residential property, or to refinance an existing home loan, secured by that residential property.<sup>284</sup> On the demand side, home loan products are not readily substitutable for other products.

### *What borrowers and mortgage brokers consider when choosing or recommending a home loan or lender*

- 6.6 Home loan products may be distributed directly by the lender or may be originated through an intermediary such as a mortgage broker.<sup>285</sup> Mortgage brokers are discussed in more detail below.
- 6.7 Borrowers choose, and mortgage brokers recommend, a home loan product and lender based on a range of factors. As explained by John Campbell, the four most important factors are:
- a. **process:** how quickly the lender will approve the loan and how easy the bank is to deal with during that process;
  - b. **price / incentives:** the competitiveness of the interest rate and (to a lesser extent) other fees, and the availability of incentives (such as cashback offers and frequent flyer points);

<sup>281</sup> Statement of Douglas John Campbell at [1].

<sup>282</sup> Statement of Douglas John Campbell at [9].

<sup>283</sup> Statement of Douglas John Campbell at [7] and [11]-[12].

<sup>284</sup> Statement of Douglas John Campbell at [14].

<sup>285</sup> Statement of Douglas John Campbell at [38].

- c. **policy:** the lender's credit policy and approach to assessing the serviceability of the borrower (that is, whether the lender will lend to the borrower and the amount it is willing to lend); and
  - d. **product features:** the attributes and functionality associated with the home loan product, including whether the home loan product has as an offset account, redraw facility and the option for making additional repayments.<sup>286</sup>
- 6.8 Different customers may place different levels of emphasis on these factors depending on their preferences and circumstances. For example, if speed to settlement is considered most important, then the borrower is more likely to choose a lender that can process the loan to meet that timeline and might place less emphasis on the price. If price is considered most important, the borrower may preference a product with a low interest rate and low or no fees over other factors.

#### *Number of home loan suppliers*

- 6.9 As at October 2022, there were over 80 ADIs, the majority of which compete to supply borrowers with home loans in Australia.<sup>287</sup> Those ADIs span Australian-owned banks, foreign subsidiary banks and branches of foreign banks, credit unions, building societies and restricted ADIs.<sup>288</sup> A list of Australian-owned ADIs is at paragraph 5.10. There are also a large number of non-ADI lenders that supply customers with home loans in Australia, such as Athena, Firstmac, and Liberty Financial.<sup>289</sup> A list of non-ADI lenders is at paragraph 5.12.

#### *Home loan pricing*

- 6.10 Home loan pricing consists of two components: interest rates and fees.
- 6.11 Interest rates for home loans are either fixed for a set period of time or variable.
- 6.12 The interest rates offered to borrowers will typically vary according to the following factors:
- a. whether the purpose of the loan is to purchase an owner-occupier or an investment property;
  - b. whether the repayment type is principal and interest or interest only;

<sup>286</sup> Statement of Douglas John Campbell at [16].

<sup>287</sup> See paragraphs 5.10 and 5.11.

<sup>288</sup> Statement of Douglas John Campbell at [52].

<sup>289</sup> Statement of Douglas John Campbell at [52].

- c. the loan-to-value ratio (**LVR**), which is calculated by expressing the loan value as a percentage of the value of the property used as security for the loan (as valued by the lender);
- d. for fixed rate products, the term of the loan; and
- e. the size of the lending.<sup>290</sup>

6.13 Home loan pricing is further discussed in Section 7 Competitive effects.

#### *Home loans marketing and distribution*

6.14 Figure 19: Overview of the Australian home loan distribution system is a simplified outline of the distribution of home loans in Australia. The relevant channels are described in detail below.

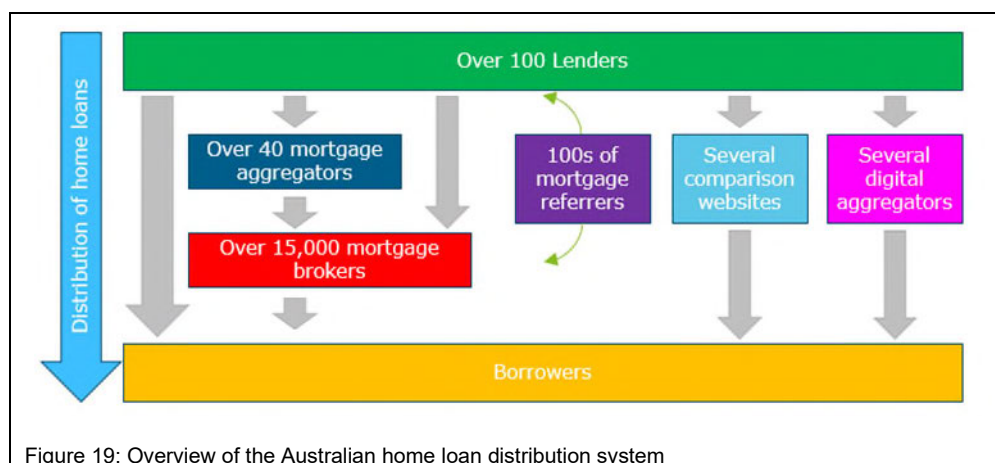


Figure 19: Overview of the Australian home loan distribution system

6.15 Home loans are distributed through two main types of channels:

- a. **lenders' direct/proprietary channels:** these include distribution via lenders' digital platforms (websites, apps), branch networks, mobile lenders<sup>291</sup> and customer call centres;<sup>292</sup> and
- b. **intermediaries:** these are businesses which arrange or facilitate home loans from lenders, and include:
  - i. **mortgage brokers**, which recommend home loans to prospective borrowers and submit loan applications to lenders on borrowers' behalf. Some mortgage brokers, such as Lendi, have online platforms which allow borrowers to input information and receive recommendations online. Examples of mortgage brokers include

<sup>290</sup> Statement of Douglas John Campbell at [23].

<sup>291</sup> In ANZ's case, mobile lenders are franchisees of ANZ that solely originate home loans on behalf of ANZ. For simplicity, they are categorised here as being part of lenders' direct/proprietary channels.

<sup>292</sup> Statement of Douglas John Campbell at [38].

Aussie, Australian Lending & Investment Centre, Shore Financial, Mortgage Choice and Catalyst Advisers;<sup>293</sup>

- ii. **mortgage aggregators**, which facilitate access to loan products (from their "panel" of lenders) to their affiliated brokers. Brokers then facilitate access to home loan products to borrowers. Examples of mortgage aggregators include Australian Finance Group (**AFG**), Connective, and PLAN Australia;
- iii. **comparison websites**, which provide an interactive tool allowing borrowers to search and compare products based on selected criteria. Comparison websites are free for consumers to use. These businesses earn commissions from referring prospective borrowers to lenders or brokers. Examples include RateCity, Canstar and Finder.com; and
- iv. **online marketplaces**, which provide auction and matching services to enable customers to receive home loan offers that are tailored to their requirements. Examples include Joust.

6.16 **Annexure 29** contains an overview of mortgage aggregators operating in Australia. Most mortgage aggregators will have large panels of home loan providers on their panel. For example:

- a. AFG has over 75 residential and commercial lenders on its panel;
- b. Connective has over 60 residential and commercial lenders on its panel; and
- c. PLAN Australia has over 75 residential and commercial lenders on its panel.<sup>294</sup>

6.17 In addition to acting as intermediaries between mortgage brokers and lenders, some mortgage aggregators also supply their own home loan products which are acquired from other lenders on a white-labelled basis and rebranded with the mortgage aggregator's brand.<sup>295</sup> Figure 19: Overview of the Australian home loan distribution system above does not illustrate direct supply of home loans by mortgage aggregators to borrowers, but such supply is becoming an increasingly material source of home loans, as described by John Campbell.<sup>296</sup>

<sup>293</sup> Statement of Douglas John Campbell at [16].

<sup>294</sup> AFG, *Our lender panel* <https://www.afgonline.com.au/loans/lender-panel/>; connective, *Connective lender panel* <https://www.connective.com.au/mortgage-broking/connective-lender-panel/>; Plan Australia, *Our lender panel* <https://www.planaustralia.com.au/what-we-do/our-lender-panel/>

<sup>295</sup> Statement of Douglas John Campbell at [71].

<sup>296</sup> Statement of Douglas John Campbell at [71].

- 6.18 Brokers act on behalf of borrowers. Since 1 January 2021, brokers have been subject to best interest duty obligations under the *National Consumer Credit Protection Act 2009* (Cth).<sup>297</sup> These obligations require brokers to make a decision about which home loans would be in a borrower's best interests based on a number of factors, including policy, price and process.
- 6.19 Since 2014, the mortgage broker channel has been a greater source of new home loan customers than lenders' direct/proprietary channels. In 2018, the Productivity Commission reported that, as at December 2017, 54% of all new home loans in Australia were broker originated.<sup>298</sup> In the first quarter of 2022, the MFAA reported that 69.5% of all new home loans in Australia were broker originated during the period January to March 2022.<sup>299</sup>

#### ACCC decisions

- 6.20 In *CBA/Bankwest* and *Westpac/St George*, the ACCC concluded that the relevant market was for the supply of home loans on a national basis. ANZ submits that the ACCC should adopt the same market definition in assessing the proposed acquisition.

#### Product dimension: home loans

##### *Demand-side substitution*

- 6.21 There is limited demand-side substitution between home loans and other lending products. Borrowers seeking to purchase a home, invest in residential property, refinance an existing home loan or undertake renovations will not typically consider other forms of funding, such as credit card debt or personal loans, to be suitable for these purposes due to materially higher interest rates and fees, and much smaller credit limits.<sup>300</sup>
- 6.22 While home loan products are not readily substitutable for other products, the home loan products offered by different lenders can readily be substituted from a demand-side perspective. Home loans are standardised products. To the extent there are variations between products, most lenders offer a suite of products to accommodate the preferences and needs of different customer types. For example, a customer that prefers a home loan with a redraw facility will be able to

<sup>297</sup> Sections 158LA and 158LE of the *National Consumer Credit Protection Act 2009* (Cth).

<sup>298</sup> Productivity Commission, *Competition in the Australian Financial System Productivity Commission Inquiry Report* (29 June 2018) <https://www.pc.gov.au/inquiries/completed/financial-system/report/financial-system.pdf>

<sup>299</sup> MFAA, *Mortgage broker market share breaks records again* (31 May 2022) <https://www.mfaa.com.au/news/mortgage-broker-market-share-breaks-records-again>

<sup>300</sup> There is arguably some degree of demand-side substitution in relation to borrowers seeking to invest in investments other than property. For example a borrower looking to borrow money to purchase shares may seek to obtain funds under their home loan using equity in their property or their redraw rather than acquire a margin loan at high cost.

choose from a large number of lenders that offer one or more products with redraw facilities.

- 6.23 Customers will often trade off price and features. For example, a customer might choose a home loan product with a higher interest rate because the product has an offset account allowing the customer to reduce the amount of interest they pay by depositing funds in their offset account.
- 6.24 Customers are regularly encouraged to shop around and compare different home loans and lenders, assisted by intermediaries such as mortgage brokers, mortgage aggregators and comparison websites, and prompted by increased levels of advertising including personalised advertising through social media and online.
- 6.25 Further, customers are highly motivated to consider alternative products and lenders and are better informed about their options than in the past. Research by ASIC indicates that 90% of home loan customers complete at least some research before speaking to a mortgage broker or lender, with bank websites, comparison websites and real estate websites among the most common online resources used for research.<sup>301</sup> Consumers are regularly encouraged to seek out better interest rates, and consider switching lenders, by government bodies, the media, consumer groups and regulators.<sup>302</sup>
- 6.26 Switching home loan providers is common, with ABS data showing that nearly 40% of home loan volumes in May 2022 were for refinancing purposes.<sup>303</sup>

#### *Supply-side substitution*

- 6.27 The different types of home loan products offered by lenders (for example, fixed rate loans and variable loans) are highly substitutable from a supply-side perspective. As noted above, lenders tend to offer a suite of products to meet different customers' needs, administered using centralised IT systems, policies and processes. If considered necessary, lenders can add new products or withdraw existing products from their offering using their existing set up.
- 6.28 Further, lenders can and do adjust their home loan products from a price, process, policy and features perspective to respond to competitive pressure (with smaller players and new entrants often having an advantage in terms of responsiveness due to their size and nimbleness and the simplicity of their IT systems and platforms). For example, ANZ regularly monitors competitor pricing and adjusts prices to remain competitive.

<sup>301</sup> Statement of Douglas John Campbell at [79].

<sup>302</sup> Statement of Douglas John Campbell at [79].

<sup>303</sup> Statement of Douglas John Campbell at [Figure 3].



- 6.29 For the reasons outlined above, ANZ submits that the relevant product dimension of the market is the supply of home loan products.

**Geographic dimension: home loans are a national market**

- 6.30 Lenders compete to supply, and borrowers choose, home loans on a national basis. ANZ, Suncorp Bank and their competitors:
- a. supply home loans throughout Australia;
  - b. develop home loan products and price them on a national basis;
  - c. advertise and market home loans on a national basis; and
  - d. monitor and benchmark themselves against competitors nationally.
- 6.31 Retail banking customers are increasingly preferencing digital interactions with their financial institution. Borrowers are typically able to apply for and secure a home loan online or over the phone without having to attend a physical branch. There are a large number of lenders that do not have a branch network and even for those that do many of their home loans are originated through their online and call centre channels.<sup>304</sup>
- 6.32 Mortgage brokers, by far the dominant channel for origination of home loans, **[Confidential to ANZ]** [REDACTED] [REDACTED],<sup>305</sup> have taken advantage of digitisation as it allows them to compare a large panel of lenders nationally and make recommendations to customers irrespective of geography. Mortgage brokers negotiate and arrange home loans for customers, mitigating the need for customers to interface with their lender in a face-to-face setting.
- 6.33 Banks that have been historically associated with a particular State or regional area, such as BOQ, Suncorp Bank, Bank of Melbourne, Bendigo and Adelaide Bank and Bankwest, supply home loans on a national basis, have operations around Australia and supply customers based throughout Australia. For example, approximately **[Confidential to Suncorp]** [REDACTED] of Suncorp Bank's home lending portfolio is based outside of Queensland **[Confidential to Suncorp]** [REDACTED] [REDACTED]<sup>306</sup> Mortgage brokers amplify the presence of regional players that lack, or have a smaller number of, physical locations outside their home region since they do not limit the lenders they consider for customers according to locality of the lender or customer.

<sup>304</sup> See the discussion about these factors at paragraphs 7.46 to 7.47.

<sup>305</sup> Statement of Douglas John Campbell at [65].

<sup>306</sup> Suncorp Bank information from FY20 to May 2022.

- 6.34 A lender's geographical location is not one of the key factors that John Campbell has identified as influencing a customer's decision to choose, or a broker's decision to recommend, a lender or home loan. As John Campbell sets out, the key parameters of competition in the supply of home loans are product features, price / incentives, policy and process – not geography.<sup>307</sup> Similarly, Clive van Horen considers that competition for all of Suncorp Bank's products, including home loans, occurs on a national basis, in particular because of the importance of mortgage brokers and digital channels.<sup>308</sup>
- 6.35 For the reasons outlined above, ANZ submits that the relevant geographic dimension of the market is national.

#### **Conclusion on market definition**

- 6.36 For the reasons outlined above, ANZ submits that the relevant market is the market for the supply of home loans on a national basis.

<sup>307</sup> Statement of Douglas John Campbell at [16].

<sup>308</sup> Statement of Clive van Horen at [49] to [51].

## NATIONAL MARKET FOR DEPOSIT PRODUCTS

- 6.37 ANZ submits that the overlap in the supply of transactions and savings accounts, and term deposits (each a type of "deposit product"), should be assessed on the basis of:
- a. a national market for deposit products for retail customers; and
  - b. a national commercial banking market that includes the supply of deposit products to business customers.
- 6.38 ANZ relies on the statements of Yiken Yang and Guy Mendelson. Yiken Yang is the General Manager of Deposits at ANZ, with broad responsibility for the development and management of ANZ's retail deposit products, as well as operational responsibility for ANZ's commercial deposit products. Yiken Yang has 16 years' experience in the banking industry, both at ANZ and ME Bank.
- 6.39 Guy Mendelson is the Managing Director of the Business Owners Portfolio in ANZ's Commercial division with responsibility for (among other matters) setting the strategy of the Australia Commercial Division (**ANZ Commercial**) (jointly with Isaac Rankin, the Managing Director of Commercial and Private Banking) and ensuring the ANZ Commercial product proposition is competitive. Guy Mendelson has 23 years' experience in the banking industry, all of which has been at ANZ.

### Overview of deposit products

- 6.40 A financial institution must be authorised to accept deposits from customers. ADIs, including ANZ and Suncorp Bank, offer products that allow retail and business customers to deposit money and use it for everyday transactions and savings (including term deposits).<sup>309</sup>
- 6.41 ADIs also use deposits as a source of funding to support their lending portfolios. ANZ and other banks will set funding targets and take these into account, along with competitive pricing and positioning, when adjusting price and terms for deposit products. Those decisions are made on a national basis.<sup>310</sup>

### Features of deposit products

<sup>309</sup> APRA, *List of authorised deposit-taking institutions covered under the Financial Claims Scheme* <https://www.apra.gov.au/list-of-authorised-deposit-taking-institutions-covered-under-financial-claims-scheme>

- 6.42 As explained by Yiken Yang and Guy Mendelson, deposit products fall into three main types:
- a. **transaction accounts**, which provide customers with the ability to receive funds or make payments using their own funds. Customers can transact through a number of different in-person and digital channels (eg debit card, ATMs, internet, apps, branches or branch-equivalents, such as Bank@Post, or accessing a payments service, such as Apple Pay and Google Pay). ADIs also offer offset accounts, which are transaction accounts linked to a home loan or business loan, with the balance in the offset account offsetting the outstanding balance of the home loan. There are examples where interest is also payable on amounts deposited in transaction accounts, but generally at a lower rate than for savings or term deposits;
  - b. **savings accounts**, which provide customers with the ability to earn interest on their deposited funds, and are generally not used on a day-to-day basis; and
  - c. **term deposits**, which provide customers with the ability to deposit their money for a fixed period, during which it cannot be accessed (without incurring a fee), in exchange for a guaranteed rate of return.<sup>311</sup>
- 6.43 These products are largely commoditised, but there are some specialist deposit products for business customers. As Guy Mendelson explains, these include:
- a. **Statutory trust accounts**: these are specialist transaction accounts for real estate agents, conveyancers and solicitors to hold funds in trust for their clients. No interest is paid to customers but interest is paid to applicable state-based regulatory bodies in accordance with applicable laws.
  - b. **Farm management deposit (FMD) accounts**: these are accounts which qualify for certain tax concessions under a government initiative that helps primary producers cope with uneven cash flows. ANZ offers a savings FMD account, where funds are available at-call with a variable interest rate, and a term deposit FMD account, where funds are available at the end of a fixed term with a higher, fixed rate of interest.
  - c. **Negotiator Investor account**: this is a savings account which is offered to high-net-worth business customers, yielding a relatively high rate of interest. Unlike the other products above, this product is not generally

<sup>311</sup> Statement of Yiken Yang at [14]; Statement of Guy Mendelson at [24].

advertised by ANZ and is only offered when negotiating directly with the customer.<sup>312</sup>

#### *What business and retail customers consider when choosing a deposit product*

- 6.44 Retail and business customers choose deposit products so they can have funds kept in an account with an ADI. They may choose transaction accounts to enable them to receive and make payments and carry out transactions, and choose savings and term deposit accounts to allow them to save and earn interest.<sup>313</sup>
- 6.45 While some aspects of these products can be substituted for other products, this is only to a limited extent. For example:
- a. transaction and savings accounts can be used to make payments, and therefore retail and business customers can use other payment methods in place of deposit products (such as credit cards), but those other products involve using credit instead of a customer's own money; and
  - b. deposit products can be used to earn interest on a customer's own money. Some customers might instead invest in shares, property, corporate bonds or other investment options to earn a return on their own money.

#### *Suppliers of deposit products*

- 6.46 As explained at paragraph 5.64, an institution must be an ADI in order to offer any deposit products. There are over 80 ADIs (including banks, building societies and credit unions) that can offer deposit products in Australia (see paragraphs 5.10 and 5.11).

#### *Distribution of deposit products*

- 6.47 Deposit products are generally distributed directly by the ADIs offering them, rather than through intermediaries.
- 6.48 There are retail customers who use an intermediary to open an account, but they make up only approximately [Confidential to ANZ] of ANZ's retail deposit product accounts.<sup>314</sup> There are two types of intermediary account:
- a. on platform: superannuation and investment platforms are used by financial advisers when they select investment options for their clients. The deposits are held in the name of the custodian (ie the financial adviser) and are

<sup>312</sup> Statement of Guy Mendelson at [26(c)].

<sup>313</sup> Statements of Yiken Yang at [15] and Guy Mendelson at [25].

<sup>314</sup> Statement of Yiken Yang at [22] based on ANZ data as at November 2022. This is ~61,000 intermediary accounts against ~7,700,000 total accounts.

classified as "retail look through" deposits. Examples of platform providers include Macquarie Wrap, IOOF, Colonial FirstState Wrap and Hub24.

- b. off platform: these intermediaries will refer their customer to ANZ. The customer will then open the account with ANZ and be onboarded by ANZ in the same way as other ANZ customers. ANZ classifies these as household deposits.
- 6.49 There is also an emerging competitive constraint arising from accounting software providers, which have software programmed to automatically recommend deposit products (and lending products) to users.<sup>315</sup>

### Product dimension: deposit products

#### *Demand-side substitution*

- 6.50 The deposit products offered by competing ADIs are highly substitutable with each other. As Yiken Yang explains, customers will choose products based on:
- a. **the utility of the product** including both product specific features and the associated services offered by the bank, including:
    - i. how easy it is to access funds, for example, any limits on the number of transactions a day, transaction amount limits, access to ATMs and branches, the ability to transfer money overseas, and other payments capabilities (eg OSKO and PayID, which allow real-time payments and money transfers);
    - ii. digital access to offerings through mobile applications, internet banking, use of mobile payment platforms (including ApplePay and Samsung Pay); and
    - iii. benefits provided for using the product, such as cashback offers – for example, ANZ customers can sign up with Cashrewards with both debit and credit card accounts for free to access cashback offers from more than 2,000 popular brands; and
    - iv. the availability of other channels, including a call centre and branch network;
  - b. **price**, including the amount of interest offered to the customer, and fees charged to the customer for using the account, for example, whether a monthly account fee applies, or whether there are fees for certain transactions, such as the transfer of funds overseas; and

<sup>315</sup> Statement of Guy Mendelson at [66] and [72(c)(i)].

- c. **brand, trust and security**—for example, a customer may consider whether an ADI has appropriate fraud and security measures in place and be less willing to put their life savings in an ADI that they do not trust to keep their money safe.
- 6.51 A distinction can be drawn between transaction accounts, on the one hand, and savings accounts and term deposits, on the other hand. Transaction accounts have higher utility, meaning that customers have greater access to funds and the generally more features. Savings and term deposits offer less access to funds and generally fewer features. The products viewed in isolation are therefore not perfect substitutes for each other. However, it is common for retail and business customers to hold multiple deposit products to serve their needs, either with a single bank or different banks, and customers are able to move their funds between these products (and banks) when it suits them—for example, to take advantage of particularly favourable interest rates, or special introductory rates, on savings accounts or term deposits, or to move funds between transaction and savings or term deposits, depending on whether they need to use those funds to transact.
- 6.52 It is not necessary for customers to move all of their funds from their current bank to their new bank when they open an account with their new bank, or to close their account with their current bank.<sup>316</sup> RFI research indicates that 48% of customers hold multiple transaction accounts; although 30% of them hold multiple transaction accounts with the same institution.<sup>317</sup> RFI research also indicates that 27% of transaction account holders would be "highly likely" to switch to another institution in order to access a better rate on a linked savings account.<sup>318</sup>

#### *Supply-side substitution*

- 6.53 The different deposit products offered by different ADIs are substitutable from a supply-side perspective. ADIs will offer a range of transactions and savings accounts, and term deposits of varying periods, which they administer using centralised IT systems, policies and processes.<sup>319</sup>
- 6.54 While the core features of deposit products have not materially changed, there has been innovation in the features and services associated with them. For example, ANZ Plus is feature-rich deposit product as discussed at paragraph 3.22.

<sup>316</sup> Statement of Yiken Yang at [18] to [19].

<sup>317</sup> RFI, Australian Savings and Deposits Council (Transactions) (March 2022) at p 85 (**Annexure 95**).

<sup>318</sup> RFI, Australian Savings and Deposits Council (Transactions) (March 2022) at p 39 (**Annexure 95**).

<sup>319</sup> Statement of Yiken Yang at [18].

- 6.55 In addition, as Yiken Yang explains, banks are increasingly offering budgeting and financial analysis tools connected to deposit products, such as ANZ's Your Money Report.<sup>320</sup> These developments in deposits products have not however had an impact on how these products are administered.

**Geographic dimension: a national market for transaction and deposit products for retail customers**

- 6.56 In *Westpac/St George* and *CBA/Bankwest*, the ACCC found that competition occurred on a national basis for personal banking and business banking markets, with the exception of transaction accounts, SME banking and agribusiness banking where there were local elements of competition in addition to national competition on price.<sup>321</sup> The ACCC noted that for these markets, a physical presence was a key determinant of customer choice.
- 6.57 ANZ submits that the position now is that competition overwhelmingly occurs on a national basis for deposit products. Relevantly:
- a. product and pricing decisions are made at a national level, not a State or regional level;<sup>322</sup>
  - b. the importance of physical presence to customers has significantly reduced as customers have the ability to open most accounts online or over the phone and because of the marked and permanent shift towards electronic funds transfers as the preferred payment method instead of cash for day-to-day purchases, as discussed in paragraphs 5.16 to 5.31, which means that customers do not need to use a local ADI;<sup>323</sup>
  - c. new entrants provide deposit products nationally without physical networks, or with much more limited branch network, as discussed at paragraph 5.31; and
  - d. as explained in Table 4: Availability of key banking services by delivery model at paragraph 5.36, key banking services are available through a range of delivery models, including alternative physical networks, such as

<sup>320</sup> Statement of Yiken Yang at [12(b)].

<sup>321</sup> ACCC, *Westpac Banking Corporation – proposed acquisition of St George Limited Public Competition Assessment* (13 August 2008) at p 6 <https://www.accc.gov.au/system/files/public-registers/documents/D08%2B80554.pdf> (Annexure 57); ACCC, *Commonwealth Bank of Australia – proposed acquisition of Bank West and St Andrew's Australia Public Competition Assessment* at p 7 (10 December 2008) <https://www.accc.gov.au/system/files/public-registers/documents/D08%2B123529.pdf> (Annexure 58).

<sup>322</sup> Statement of Yiken Yang at [20].

<sup>323</sup> RBA, *Consumer Payment Behaviour in Australia: Evidence from the 2019 Consumer Payments Survey* (June 2020) (Annexure 20).



Bank@Post which gives access to over 80 banks at over 3,500 locations throughout Australia, and ATM networks.<sup>324</sup>

- 6.58 Further, the mere fact that Suncorp Bank – or any other bank - has a higher share of supply to customers based in its home state only indicates that the bank may have greater recognition and history in that region. It does not indicate that there are state-based markets for those products. This is consistent with the conclusion reached by the ACCC in its review of the proposed acquisition of BankWest (primarily based in Western Australia) by CBA in 2008.<sup>325</sup> In the Public Competition Assessment for that matter, the ACCC did not suggest that there was a state-based market in Western Australia by reason of BankWest's greater presence in its home state. Suncorp Bank offers the same products across all States and competes against the same national offerings of other banks.


#### **Conclusion on market definition**

- 6.59 Accordingly, ANZ submits that the relevant market is the market for the supply of deposit products on a national basis to retail customers. This is because while transaction accounts are not perfect substitutes for savings and term deposits, customers acquire a combination of these deposit products in order to meet their requirements, which are readily offered by competing banks. Alternatively, ANZ submits that there are separate markets for the supply of transaction accounts on a national basis, and the supply of savings and term deposits on a national basis.
- 6.60 The role of deposit products within the commercial banking market is discussed further below in relation to the proposed market for the supply of commercial banking services commencing at paragraph 6.87.

<sup>324</sup> Australia Post, *Bank@Post* <https://auspost.com.au/money-insurance/banking-and-payments/bank-at-post>

<sup>325</sup> ACCC, *Commonwealth Bank of Australia – proposed acquisition of Bank West and St Andrew's Australia Public Competition Assessment* (10 December 2008) <https://www.accc.gov.au/system/files/public-registers/documents/D08%2B123529.pdf> (Annexure 58).


## NATIONAL MARKET FOR CREDIT CARDS TO RETAIL CUSTOMERS

- 6.61 ANZ submits that there is a national market for the supply of credit cards to retail customers, and that this is likely to be part of a broader national market for the supply of personal finance products. The role of credit cards within the commercial banking market is discussed further below in relation to the proposed market for the supply of commercial banking services commencing at paragraph 6.87.
- 6.62 ANZ submits that there is no overlap between ANZ's supply of personal lending products<sup>326</sup> including credit cards, and Suncorp Bank's distribution of white labelled credit cards issued by Citibank's Australian consumer business (where NAB, following its acquisition of Citibank, is the credit provider and issuer of the credit card product), and therefore retail credit cards are not relevant to the ACCC's competition analysis. Nonetheless, ANZ addresses the conservative position discussed at paragraph 6.66 below.<sup>327</sup>
- 6.63 ANZ submits that Suncorp Bank's personal loan portfolio is not relevant to the competition assessment because Suncorp Bank no longer offers personal loans to customers and is in the process of running down its backbook of loans.<sup>328</sup>
- 6.64 ANZ issues and supplies credit cards to retail and business customers. Suncorp Bank does not issue credit cards and instead distributes credit cards that have been issued by NAB, following its acquisition of Citigroup's Australian consumer business, and NAB is the credit provider and issuer of the credit card product.
- 6.65 If the proposed acquisition proceeds, Suncorp Bank will continue to have the right to distribute credit cards issued by NAB to Suncorp Bank customers under the white label arrangement. **[Confidential to Suncorp]** 

<sup>326</sup> ANZ, *Personal loans* <https://www.anz.com.au/personal-loans/ANZ>, ANZ, *Credit cards* <https://www.anz.com.au/personal/credit-cards/>

<sup>327</sup> Suncorp, *Compare Credit Cards: Things you should know* <https://www.suncorp.com.au/banking/credit-cards/comparison.html#things-you-should-know-nqnh6n>

<sup>328</sup> Suncorp, *Suncorp delivers 39.5% uplift in 1H21 cash profit* (9 February 2021) <https://www.suncorpgroup.com.au/announcements-pdf/1455313> (Annexure 88).

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- 6.66 For the purposes of this application, ANZ addresses the most conservative potential outcome which is that ANZ (through Suncorp Bank) acquires that part of NAB's credit card portfolio that supplies credit card services to Suncorp Bank customers.

### Overview of credit cards

#### *Features of credit cards*

- 6.67 A credit card is a type of payment card that enables the cardholder to make purchases against a line of credit, instead of the cardholder's deposit accounts. As such, a credit card is both a payments product and a lending product.<sup>329</sup> In the case of business customers, the lending function offered by credit cards means credit cards are also a means of managing working capital, as well as tracking expenses by employees.<sup>330</sup>
- 6.68 Credit cards usually offer two common features:
- a. the ability to make payments domestically and internationally, online and in person (either via the plastic credit card or digital wallet as discussed in paragraph 5.22);<sup>331</sup> and
  - b. an approved line of credit that customers can access.<sup>332</sup> Card issuers may provide customers with a certain number of interest-free days (typically 44 to 55 days), such that no interest is charged if the customer repays all of their outstanding balance by the due date.<sup>333</sup> If the customer chooses to not pay their balance in full by the due date, then interest at an agreed rate will be charged on the unpaid balance.<sup>334</sup>

<sup>329</sup> Canstar, *Beginners' guide to credit cards: 6 questions to ask before taking the plastic plunge* (25 February 2020) <https://www.canstar.com.au/credit-cards/how-to-use-credit-cards/>

<sup>330</sup> Statement of Guy Mendelson at [48] to [51].

<sup>331</sup> Canstar, *How to find the best credit card for first timers* (16 May 2022) <https://www.canstar.com.au/credit-cards/best-for-first-timers/>

<sup>332</sup> Canstar, *How do credit cards work?* (10 February 2022) <https://www.canstar.com.au/credit-cards/how-do-credit-cards-work/>

<sup>333</sup> Canstar, *How to find the best credit card for first timers* (16 May 2022) <https://www.canstar.com.au/credit-cards/best-for-first-timers/>

<sup>334</sup> Canstar, *How to find the best credit card for first timers* (16 May 2022) <https://www.canstar.com.au/credit-cards/best-for-first-timers/>

- 6.69 Credit cards can be classified into two categories: rewards cards and value cards.
- a. Rewards cards provide customers with the ability to earn points on their transactions. Points may include third party reward programs (such as airline loyalty points) or the issuers' proprietary rewards points (which can be redeemed for a range of products or services, including cashback, gift card, merchandise and other rewards programs).<sup>335</sup>
  - b. Value cards provide customers with either access to a line of credit at a lower interest rate, or a low (and sometimes no) annual fee.<sup>336</sup>
- 6.70 Credit cards can be substituted for other products that allow retail and business customers to make payments without using their own money. This includes:
- a. **charge cards:** charge cards are also a means of payment, there are no pre-set credit/spending limits, and customers are required to pay off their outstanding balance in full by the due date. <sup>337</sup> In the event that charge card customers do not pay off their balance in full, they will be charged a late payment fee, as opposed to interest on the outstanding balance;<sup>338</sup>
  - b. **BNPL:** BNPL products allow customers to buy goods or services immediately, and pay for them at a later time, in exchange for a fee; and<sup>339</sup>
  - c. **loans:** loans involve an advance of money up-front which the borrower must repay together with interest applied to the outstanding debt.

#### *Suppliers of credit cards*

- 6.71 Credit cards are issued by a majority of ADIs and also a number of non-ADIs (such as AMEX and Latitude Financial).
- 6.72 Credit cards may be supplied directly to consumers or may be distributed to consumers via white label partners (for example, supermarkets, retailers, banks and ADIs). Suncorp Bank distributes white labelled credit card products under an

<sup>335</sup> Mozo, *What are the benefits of a rewards card?* (20 February 2017) <https://mozo.com.au/rewards-credit-cards/guides/what-are-the-benefits-of-a-rewards-card>

<sup>336</sup> Mozo, *What are the benefits of a rewards card?* (20 February 2017) <https://mozo.com.au/rewards-credit-cards/guides/what-are-the-benefits-of-a-rewards-card>

<sup>337</sup> Canstar, *Debit cards vs credit cards* (18 October 2021) <https://www.canstar.com.au/transaction-accounts/debit-card-popularity/>

<sup>338</sup> Canstar, *Debit cards vs credit cards* (18 October 2021) <https://www.canstar.com.au/transaction-accounts/debit-card-popularity/>

<sup>339</sup> ASIC, *Buy now pay later: an industry update* (Report 672, November 2020) <https://download.asic.gov.au/media/5852803/rep672-published-16-november-2020-2.pdf> (Annexure 89).

arrangement with Citibank/NAB.<sup>340</sup> The largest supplier of white label credit cards is NAB.<sup>341</sup>

#### *What customers consider when choosing a credit card*

- 6.73 Customers choose credit cards based on the availability of the payment method, the amount of credit available to them, the total cost, including fees, interest rate and other charges, and other product features.
- 6.74 As mentioned above, customers can substitute credit cards for other products. In particular, the BNPL segment continues to show growth and operators in this space are increasingly offering products that resemble those of traditional banks. For example, Afterpay's active customer base globally grew 63% in FY21 to 16.2 million users.<sup>342</sup> Humm offers BNPL up to \$30,000, repaid over 5 years.<sup>343</sup>
- 6.75 Suncorp Bank offers a BNPL product called "PayLater" in conjunction with its Everyday Options Account. This product allows customers to use the Suncorp Bank PayLater Visa Debit card for purchases of \$50 or more, up to \$1,000. Suncorp Bank immediately deducts 25% of the price from the linked Everyday Options Account, and then three more equal automatic fortnightly payments.<sup>344</sup> As at 31 August 2022, Suncorp Bank's PayLater portfolio comprises [REDACTED] active accounts with debit balances of [REDACTED], against total available limits of [REDACTED]. There were [REDACTED] PayLater purchases in August, an increase of [REDACTED] purchases from July 2022.<sup>345</sup> **[Figures are confidential to Suncorp]**
- 6.76 ANZ does not offer a BNPL product but does offer the ability to convert credit card purchases into instalment payments on some of its credit cards.

#### *Credit card distribution*

- 6.77 The primary distribution channels are direct, including branches, by phone and online (the latter being the predominant channel as shown in Table 8: Consumer credit card sales by distribution channel). There is also a small amount of

<sup>340</sup> NAB, *NAB's acquisition of Citigroup's Australian consumer business* <https://www.nab.com.au/about-us/citi-sale-notice>

<sup>341</sup> In the ACCC's assessment of the *NAB/Citi* transaction, the ACCC found that at the time of the transaction Citi was the dominant supplier of white label credit cards in Australia. ACCC, *National Australia Bank Limited – Citigroup Pty Limited's Australian consumer business (Citigroup Consumer Business)* (25 November 2021) <https://www.accc.gov.au/public-registers/mergers-registers/public-informal-merger-reviews/national-australia-bank-limited-citigroup-pty-limited%E2%80%99s-australian-consumer-business-citigroup-consumer-business>

<sup>342</sup> Afterpay, *Afterpay Limited FY21 Annual Report* at page 2 <https://afterpay-corporate.yourcreative.com.au/wp-content/uploads/2021/08/APT-FY21-Annual-Report.pdf> (Annexure 90).

<sup>343</sup> Humm, *Why pay upfront? Buy Now Pay Later (BNPL) Australia wide* <https://www.shophumm.com/au/buy-now-pay-later/>

<sup>344</sup> Suncorp, *Pay for it your way* <https://www.suncorp.com.au/banking/paylater.html>

<sup>345</sup> Statement of Clive van Horen at [62] to [63].

distribution through the broker channel (often as part of a home loan package).<sup>346</sup> The application process can be completed online, over the telephone, or by post, and the plastic credit card is typically sent by post or access to it is provided digitally (such as through a digital wallet on a smartphone, or through wearables).

Table 8: Consumer credit card sales by distribution channel<sup>347</sup>

CHANNEL	FY19	FY20	FY21
ONLINE	73%	75%	80%
BRANCH	18%	16%	10%
DIRECT MARKETING	0%	1%	1%
OTHER	9%	8%	9%

### ACCC decisions

- 6.78 In *CBA/Bankwest* and *Westpac/St George*, the ACCC concluded that the relevant market was for the supply of credit cards on a national basis. This also appears to be implicit in the ACCC's review of *NAB/Citigroup's Australian consumer business*.<sup>348</sup> ANZ submits that the ACCC should adopt the same market definition in assessing the proposed acquisition.

#### Product dimension: credit cards

##### *Demand-side substitution*

- 6.79 The credit cards offered by competing suppliers are highly substitutable. Customers will choose between credit cards, and suppliers, based on:
- the price, including interest rate and any interest rate free period, and any fees;
  - the amount of credit they require and can be approved for; and
  - the other benefits, such as rewards.

<sup>346</sup> ANZ does not currently distribute any credit cards as part of a home loan package. All products are distributed through ANZ Branches, ANZ Private, ANZ Customer Contact Centre and Online channels, as reflected in the Target Market Determinations for each credit card product available on ANZ's website. ANZ, *Target Market Determination* <https://www.anz.com.au/support/rates-fees-terms/target-market-determinations/>

<sup>347</sup> Industry data obtained by ANZ from Argus. Direct marketing means direct marketing campaigns (eg email, postal). Other includes any other distribution channel, such as credit cards provided as part of a home loan package. Argus has not yet processed industry data as at the date of this application.

<sup>348</sup> ACCC, *National Australia Bank Limited – Citigroup Pty Limited's Australian consumer business (Citigroup Consumer Business)* (25 November 2021) <https://www.accc.gov.au/public-registers/mergers-registers/public-informal-merger-reviews/national-australia-bank-limited-citigroup-pty-limited%E2%80%99s-australian-consumer-business-citigroup-consumer-business>

- 6.80 There can be a trade-off between these features, as reflected in the distinction between rewards cards and value cards mentioned above.
- 6.81 Brand is also relevant to customers, as reflected by the fact that a number of banks and lenders, including Suncorp Bank, distribute white labelled credit cards issued by third parties such as Citigroup/NAB.
- 6.82 Customers may also substitute credit card products for charge cards, BNPL or personal lending, depending on whether the customer's overall requirements can be satisfied by those alternative products.

#### *Supply-side substitution*

- 6.83 The credit cards offered by different suppliers are highly substitutable from a supply-side perspective. Suppliers will typically offer a range of rewards and value credit cards, administered, issued and marketed using centralised IT systems, policies and processes.

#### **Geographic dimension: a national market for personal lending (including credit cards)**

- 6.84 Credit card issuers compete to supply, and customers choose, credit cards nationally. There is no need to attend any physical location to obtain a credit card.

#### **Conclusion**

- 6.85 For the reasons outlined above, ANZ submits that the relevant market is the market for the supply of credit cards on a national basis to retail customers. Because the credit cards can be substituted for charge cards, BNPL or loans, the market is likely to be part of a broader personal lending market, but, for the purposes of this application, it is not necessary to consider a broader product market.
- 6.86 The role of credit cards within the commercial banking market is discussed further below in relation to the proposed market for the supply of commercial banking services commencing at paragraph 6.87.

## NATIONAL MARKET FOR COMMERCIAL BANKING PRODUCTS

- 6.87 ANZ submits that the overlap in the supply of banking products to business customers should be assessed on the basis of a national market for the supply of commercial banking products and services to business customers.
- 6.88 ANZ relies on the statements of Isaac Rankin, Managing Director of Commercial and Private Banking and Guy Mendelson, Managing Director of the Business Owners Portfolio. Isaac Rankin is responsible for overseeing the distribution of ANZ's banking products and services to customers in ANZ's Commercial division. Isaac Rankin has 30 years' experience in the banking industry, including 15 years with ANZ and 16 years with Westpac.
- 6.89 Guy Mendelson's responsibilities and relevant experience are outlined in paragraph 6.39.
- 6.90 ANZ also refers to the statement of Clive van Horen, Chief Executive Officer of Suncorp Bank. Clive van Horen has over 10 years' experience in banking in Australia at CBA and Suncorp Bank, and was employed in various roles in banks in South Africa before emigrating to Australia.

### Overview of commercial banking products

#### *How the parties structure their businesses in respect of business customers*

- 6.91 ANZ's strategy in relation to commercial banking is to provide broad-based banking across the economy, in the sense that it seeks to serve a very wide range of industries and business types.<sup>349</sup>
- 6.92 ANZ segments business customers into three segments based on customer types and needs, total business limits and complexity. [Confidential to ANZ] [REDACTED]  
[REDACTED]  
[REDACTED]:
- a. Small Business Banking (**SBB**) customers are typically customers with total business limits of up to [Confidential to ANZ] [REDACTED].
  - b. Business Banking (**BB**) customers are typically customers with total business limits of between [Confidential to ANZ] [REDACTED]  
[REDACTED].
  - c. Specialist Distribution (**SD**) customers are typically customers which operate within a particular industry (agribusiness, property and health),

<sup>349</sup> Statement of Isaac Rankin at [81].



and/or are considered to be medium sized business customers with requirements of up to [Confidential to ANZ] [REDACTED]

[REDACTED]

[REDACTED]<sup>350</sup>

6.93 These limits are indicative, rather than firm rules. ANZ applies segmentation rules which concern both lending complexity and product complexity. For example, there may be individual SBB customers that are treated as BB customers. In general terms, BB and SD customers will have access to a dedicated relationship manager who may visit them in person or be available at a business centre. ANZ has the following service models for SBB customers:

a. **Portfolio managed customers** do not have a dedicated relationship manager. [Confidential to ANZ] [REDACTED]

[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

b. **Remotely managed customers** are managed remotely by Small Business Managers (SBM) located at ANZ’s National Business Centre.

[Confidential to ANZ] [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

c. **Relationship managed customers** have a dedicated Business Banking Manager (BBM) assigned to them. [Confidential to ANZ] [REDACTED]

[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]<sup>351</sup>

6.94 Suncorp Bank has traditionally operated three business portfolios: SME, agribusiness and commercial property. In summary:

a. SME: under this portfolio Suncorp Bank services small to medium business customers with under [Confidential to Suncorp] [REDACTED] million dollars in

<sup>350</sup> Statement of Isaac Rankin at [15].

<sup>351</sup> Statement of Isaac Rankin at [16] and [24].

turnover, less than [Confidential to Suncorp] million in lending and fewer than [Confidential to Suncorp] employees;

- b. agribusiness: under this portfolio Suncorp Bank services agricultural businesses such as family operated farms, broadacre farms and farms producing beef, cotton and dairy products; and
- c. commercial property: under this portfolio, Suncorp Bank services customers with property development and property investment needs.<sup>352</sup>

6.95 Suncorp Bank's portfolio is more strongly weighted to [REDACTED] than ANZ's portfolio.<sup>353</sup>

6.96 Consequently, the particular areas of overlap between the parties are business customers who are small to medium enterprises, including those who operate in commercial property and in agribusiness.

*Types of commercial banking products*

6.97 As Isaac Rankin and Guy Mendelson explain, business customers will typically require a suite of deposit, lending and risk management products in order to carry on a business.<sup>354</sup> Business customers will tend to acquire those products from their MFI, but can and do choose specific commercial products from different suppliers.

6.98 ANZ and Suncorp Bank offer the following banking services to business customers:

- a. transaction accounts, savings and term deposit products (which are broadly similar to the equivalent products offered to retail customers);
- b. commercial lending products, which may be divided into:
  - i. working capital / overdraft products (which are not standalone products, but are a feature linked to a transaction account that allows the customer's transaction account to be overdrawn and operate with a debit balance);
  - ii. term debt products;

<sup>352</sup> Statement of Clive van Horen at [65] to [70], [79], [89] and [106]. [Confidential to Suncorp Group]

[REDACTED] as described in the Statement of Clive van Horen at [67].

<sup>353</sup> Suncorp Bank FY23-25 Business Plan (Confidential Annexure 7).

<sup>354</sup> Statements of Isaac Rankin at [62] and Guy Mendelson at [21].

- iii. asset finance<sup>355</sup> (also called equipment finance); and
  - iv. bank guarantees;
- c. risk management products and hedging (such as foreign exchange hedging); and
  - d. commercial cards (but Suncorp Bank only distributes commercial cards issued by NAB under its white label arrangement).
- 6.99 In addition, Suncorp Bank offers merchant acquiring services to business customers.<sup>356</sup> ANZ no longer offers merchant acquiring services, as it divested that business.<sup>357</sup> ANZ refers business customers who require merchant acquiring services to the Worldline JV.<sup>358</sup>
- 6.100 ANZ and Suncorp Bank also both have a referral agreement with Scottish Pacific under which they refer business customers seeking debtor/invoice finance to Scottish Pacific.<sup>359</sup> Neither ANZ, nor Suncorp Bank, offers debtor/invoice finance to business customers.

*Product features: transaction and deposit products*

- 6.101 Commercial deposit products are very similar to retail deposit products except that they are targeted toward businesses rather than individuals. Arguably, business deposits could be treated as part of the same product market as personal deposit products, given their demand-side purpose and supply-side functionality is essentially the same (ie storing, accessing and moving money). However, ANZ has assessed all commercial products separately in this application given they are marketed to, and uniquely acquired by, business customers.
- 6.102 There are three main types of commercial deposit products: transaction accounts, savings accounts and term deposits. In addition, there are a subset of specialist accounts tailored to particular industries.<sup>360</sup>

<sup>355</sup> Following a strategic business review, ANZ decided to stop writing new consumer asset finance business in 2018.

<sup>356</sup> Suncorp, *Business banking payment & merchant services FAQs* <https://www.suncorp.com.au/banking/faqs/business-banking/payments-merchant-services.html>

<sup>357</sup> ANZ, *An update to your ANZ merchant agreement* <https://www.anz.com.au/business/help-support/merchant/worldline-partnership/>

<sup>358</sup> Statement of Guy Mendelson at [55] to [60].

<sup>359</sup> Statement of Guy Mendelson at [53(a)].

<sup>360</sup> ANZ, *Business accounts* <https://www.anz.com.au/business/accounts/>; ANZ, *Term deposits* <https://www.anz.com.au/personal/bank-accounts/term-deposits/>

*Product features: commercial lending*

- 6.103 Commercial lending is similar to retail lending except that the lending products are acquired by businesses and commercial lending is subject to different regulation than retail lending. As referred to above, there are four main types of commercial lending products:
- a. **working capital / overdrafts:** working capital products are lines of credit that allow businesses to access additional funds up to an approved limit and are typically linked to a business transaction account. Unlike term debt products, overdrafts and other working capital products do not include regular fixed repayment obligations. Instead, businesses can "repay" amounts borrowed by making deposits into the transaction account. Overdraft accounts can be either secured or unsecured;<sup>361</sup>
  - b. **term debt products:** these are lending products such as business loans with a set term and repayment schedule. Term debt products can be either secured or unsecured;<sup>362</sup>
  - c. **asset finance:** this is a type of commercial lending product relating to and secured against an asset (other than real property). It is discussed in further detail at paragraph 6.104 below;<sup>363</sup> and
  - d. **indemnity (bank) guarantees:** these are commitments by a bank to meet a liability that may be incurred by a customer to a third party, subject to the occurrence of certain events or conditions. If the third party makes a demand on the guarantee, then the bank pays the third party and recovers the payment from the ANZ customer.<sup>364</sup>

*Product features: asset finance*

- 6.104 Asset finance is a lending product which allows businesses to obtain finance for assets, such as vehicles or equipment, used in business operations.<sup>365</sup> There are three types of asset finance:
- a. **chattel mortgage:** this is a loan arrangement whereby the bank grants a loan to the business for the purchase of an asset and the business makes regular agreed repayments. The business obtains ownership of the asset from the date it is purchased, and the asset is security for the loan;

<sup>361</sup> Statement of Guy Mendelson at [29] to [30].

<sup>362</sup> Statement of Guy Mendelson at [32] to [39].

<sup>363</sup> Statement of Guy Mendelson at [40].

<sup>364</sup> Statement of Guy Mendelson at [45].

<sup>365</sup> ANZ, *ANZ business vehicle and equipment finance* <https://www.anz.com.au/business/loans-finance/buy-vehicles-equipment/>

- b. **hire purchase:** this arrangement involves the bank buying an asset and the business hiring the asset from the bank and paying regular agreed instalments to purchase it. The business obtains ownership of the asset after the final instalment is paid to the bank; and
- c. **finance lease:** this arrangement involves the bank purchasing an asset on behalf of the business, and leasing the asset to the business. On expiry of the lease term, the business can either return or purchase the asset.<sup>366</sup>

6.105 There are also operating lease and novated lease products which are not offered by ANZ's Commercial division or Suncorp Bank, but are substitutable for the above asset finance products.<sup>367</sup>

- a. **operating leases:** this arrangement is a type of rental agreement. The business pays regular payments to the owner of the vehicle or equipment in order to use it, which may include payments for maintenance. Unlike a finance lease, the payments are not equal to the full value of the vehicle or equipment. At the end of the lease, the vehicle or equipment will have a residual value, and the customer can either return it or take out a new lease; and
- b. **novated leases:** this involves an arrangement between a person's employer, a novated lease financier, and the borrower. The employer makes regular deductions from the borrower's pre-tax salary to pay for use of the vehicle. The financier procures the vehicle, establishes the lease, and manages administration. At the end of the lease, the vehicle will have a residual value (called a balloon residual amount). The borrower can pay that amount to gain ownership of the vehicle, refinance for another term, or sell the vehicle and claim any profit (or loss) against the residual amount.

*Product features: indemnity guarantees*

6.106 Indemnity guarantees (also known as bank guarantees) are used by customers to provide security to a customer's counterparty (eg a tenant providing security to a landlord for rental payments).<sup>368</sup> While these have been classified with lending products in this application, strictly speaking, indemnity guarantee facilities are not lending products, although a debt becomes payable by the customer if the guarantee is called upon.

6.107 There are broadly two types:

<sup>366</sup> Statement of Guy Mendelson at [40(c)].

<sup>367</sup> Statement of Guy Mendelson at [41].

<sup>368</sup> Statement of Guy Mendelson at [45] to [47].

- a. **Indemnity guarantee facility:** This is a facility which allows a customer to request ANZ to issue one or more bank guarantee instruments to third parties up to a facility limit. Bank guarantee instruments are a widely accepted formal financial obligation on ANZ to pay the holder of the instrument a defined sum upon receipt of a demand. Once issued by ANZ, the instrument is an agreement between ANZ and the Favouree, not ANZ and its customer (but ANZ continues to have a separate facility with the ANZ Commercial customer that entitles ANZ to recover any payment made to the instrument holder from the ANZ Commercial customer).
- b. **Cash cover indemnity guarantee facility:** This product operates in the same manner as an indemnity guarantee facility but it is a specific type of facility that is 100% secured with the customer's cash. The cash security must be held in a specific "Indemnity Guarantee Facility Account". Cash cover indemnity guarantee facilities are only sold in ANZ's SBB segment.<sup>369</sup>

*Product features: risk management products*

- 6.108 Larger or more sophisticated business customers may also seek risk management products, such as foreign exchange hedging. These products are generally not required and sought by SME customers, and do not comprise a significant part of ANZ's or Suncorp Bank's portfolios.<sup>370</sup>

- 6.109 **[Confidential to Suncorp]** [REDACTED]  
[REDACTED]<sup>371</sup>

*Product features: commercial and corporate cards*

- 6.110 The features of commercial and corporate credit cards are essentially the same as retail credit cards. These cards allow businesses to make payments, finance expenses and manage working capital. Corporate cards allow the business to have cards issued to employees who can make payments at the business's expense.<sup>372</sup>

*Product features: merchant acquiring services*

- 6.111 Merchant acquiring services are provided by financial institutions (including Suncorp Bank, but not ANZ) to businesses to enable those businesses to process the following types of electronic payments:

<sup>369</sup> Statement of Guy Mendelson at [46(b)].

<sup>370</sup> Statement of Guy Mendelson at [52].

<sup>371</sup> [REDACTED]

<sup>372</sup> Statement of Guy Mendelson at [50] to [51].

- a. **card present (CP) payments:** electronic payments that involve a POS terminal; and
  - b. **card not present (CNP) payments:** online, in-app or over-the-phone payments that use a digital payment gateway.<sup>373</sup>
- 6.112 Merchant acquiring services enable merchants to accept payments from customers using payment schemes, such as Visa, MasterCard, American Express and eftpos. Those schemes are networks which enable payment information to be exchanged between financial institutions. The credit cards issued by banks will be associated with a particular payment scheme.<sup>374</sup>
- 6.113 Neither ANZ nor Suncorp Bank are providers of payment schemes, but ANZ and Suncorp Bank have ownership interests in AP+ and both participate in the payment schemes operated by AP+.
- 6.114 For CP payments, the upstream services involve terminal providers and card schemes (eg Visa/MasterCard). For CNP payments, the upstream market involves digital payment gateway providers.
- 6.115 The downstream services involve merchant acquirers providing merchants with a merchant acquiring bundle, which generally includes the provision of a terminal (for CP transactions) and a digital gateway (for CNP transactions), as well as other capabilities that enable merchants to accept electronic payments and authorise and settle transactions. To offer these services, merchant acquirers must be licensed with the member of the relevant card schemes (eg Visa or MasterCard).<sup>375</sup>

<sup>373</sup> RBA, *The cost of card payments for merchants* (19 March 2020) at p 22 <https://www.rba.gov.au/publications/bulletin/2020/mar/the-cost-of-card-payments-for-merchants.html> (Annexure 81).

<sup>374</sup> Capgemini, *Challenges & opportunities for merchant acquirers* (July 2017) [https://www.capgemini.com/wp-content/uploads/2017/07/Challenges\\_Opportunities\\_for\\_Merchant\\_Acquirers.pdf](https://www.capgemini.com/wp-content/uploads/2017/07/Challenges_Opportunities_for_Merchant_Acquirers.pdf) (Annexure 84).

<sup>375</sup> A Frankel, *Towards A Competitive Card Payments Marketplace* at p 32 <https://www.rba.gov.au/payments-and-infrastructure/resources/publications/payments-au/paymts-sys-rev-conf/2007/5-compet-card-payment.pdf> (Annexure 85).

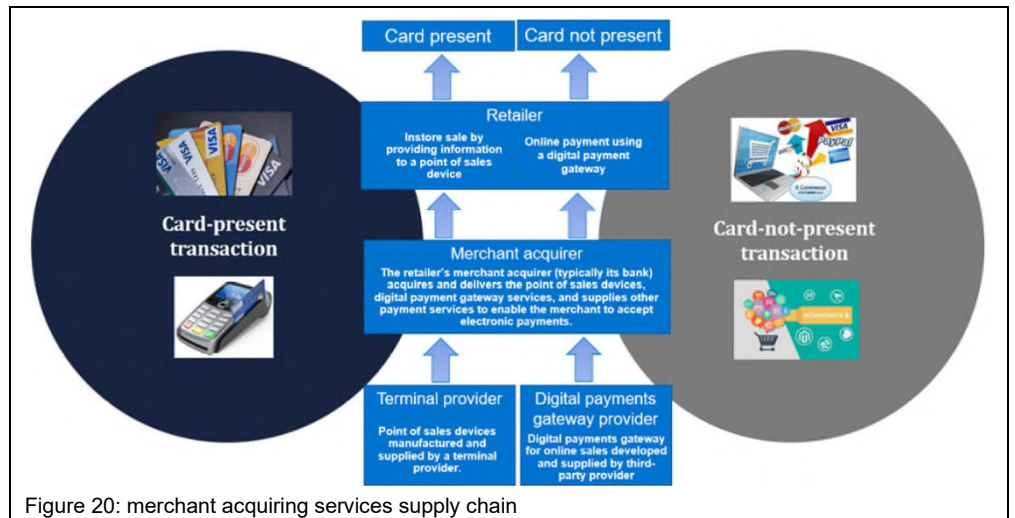


Figure 20: merchant acquiring services supply chain

6.116 ANZ is not a supplier of POS terminals and/or related POS services to merchant acquirers. ANZ is not a material supplier of digital gateway services. ANZ is not a supplier of merchant acquiring services. As explained at paragraph 4.4, ANZ divested its merchant acquiring services business in April 2022.

6.117 Suncorp Bank has a small team of payment specialists and primarily provides merchant services to small businesses and medium sized businesses that require POS terminals. The current services offered by Suncorp Bank include:

- a. mobile and integrated POS terminals for small to large businesses;
- b. POS terminals for health businesses which accommodate private health fund and Medicare claims;
- c. BPAY services;
- d. online, mail and telephone payment solutions; and
- e. batch payment services for processing bulk and recurring repayments or large volumes of transactions on a regular basis.<sup>376</sup>

6.118 Suncorp Bank’s mobile and integrated POS terminals are suitable for small to large businesses. **[Confidential to Suncorp]** [REDACTED]

[REDACTED]

<sup>377</sup>

<sup>376</sup> Statement of Clive van Horen at [116] to [119].

<sup>377</sup> Statement of Clive van Horen at [116] to [119].



*What customers consider when choosing a commercial banking products provider*

- 6.119 While the product features may vary between competing providers of commercial banking products, the underlying propositions are similar. The majority of business customers need:
- a. a transaction account that will enable them to manage their day-to-day transactions, and a savings account or term deposit to earn interest on any cash on hand that does not need to be immediately used for the business;
  - b. a business loan that will enable them to manage working capital so that they have cash available for the business, as well as to secure funding for business investments (e.g. to purchase commercial property) and costs;
  - c. a commercial credit card, which will be used for business expenses and working capital management; and
  - d. merchant services that will enable them to receive payments from customers at the point of sale.<sup>378</sup>
- 6.120 In the case of commercial lending, customers commonly consider the following four factors when choosing a provider:
- 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 and 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), eg 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, offset accounts and app functionality.
  - d. **Price:** the interest rate and other fees offered to the customer.<sup>379</sup>
- 6.121 In the case of commercial deposits, customers commonly consider the following four factors when choosing a provider:
- 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

<sup>378</sup> Statement of Guy Mendelson at [21(d)] and [54] to [60].

<sup>379</sup> Statement of Isaac Rankin at [89].

speed of loan approvals, ease of application process and the availability and quality of in-person support on an initial and ongoing basis. For deposits, this includes the responsiveness of 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.<sup>380</sup>

6.122 Consequently, depending on the circumstance of each individual customer, each component of a product will carry greater or less value and importance. While price is a factor, it is not always the determinative factor. 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 relationship manager and as a result, the customer considers that ANZ has a deeper understanding of the customer's business and/or likes to deal with the relevant relationship manager and wants to maintain the relationship.
- 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-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.<sup>381</sup>

6.123 Like retail customers, business customers can multi-bank. ANZ competes to become the MFI for customers, but customers can and do choose to obtain

<sup>380</sup> Statement of Isaac Rankin at [89].

<sup>381</sup> Statement of Isaac Rankin at [90].



6.126 The research indicates that larger customers are less reliant on brokers "owing to broader debt funding options and the panel banked nature of their borrowing arrangements".<sup>386</sup>

*Segments within business banking*

6.127 Many banks or lenders will tailor elements of their offering to particular customer segments, such as agribusiness, commercial property and SME. Customers within a segment may be attracted to banks / lenders and relationship managers who market themselves as being familiar with their industry.

6.128 There is however limited material difference between the banking products that SME, commercial property and agribusiness customers require. In the case of agribusiness, there are some minor product differences<sup>387</sup> as follows:

- a. **Lending:** agribusiness customers use the same products as other business customers, but the seasonal and cyclical nature of their businesses means they may require a degree of flexibility in their repayment schedule. Their core debt is generally secured against a farming property which may also serve as a residential property; and
- b. **Deposit products:** like other business customers, agribusiness customers require deposit products. Unlike other business customers, agribusiness customers can have an FMD account, which them to self-manage income requirements across different seasonal conditions. FMDs are provided under a government scheme managed by the Department of Agriculture, Fisheries and Forestry. Other types of businesses are not eligible for FMD accounts.

6.129 While brokers are an important and material intermediary for agribusiness customers, they are used to a lesser extent than in commercial lending generally. Brokers account for around [Confidential to ANZ] ■■■ of origination of SBB and BB lending, and [Confidential to ANZ] ■■■ of SD lending, to agribusiness customers, as shown in Table 10: Proportion of broker introduced commercial agribusiness lending by FUM:

Table 10: Proportion of broker introduced commercial agribusiness lending by FUM<sup>388</sup>

	Mar-21	Sep-21	Mar-22	Jul-22
SBB-Broker	■■■	■■■	■■■	■■■
BB-Broker	■■■	■■■	■■■	■■■

<sup>386</sup> East & Partners, Australian Asset & Equipment Finance Markets: Market Analysis Report (Round 15 – 2021) at page 10 (Annexure 26).

<sup>387</sup> Statement of Mark Bennett at [32] to [43].

<sup>388</sup> ANZ data.

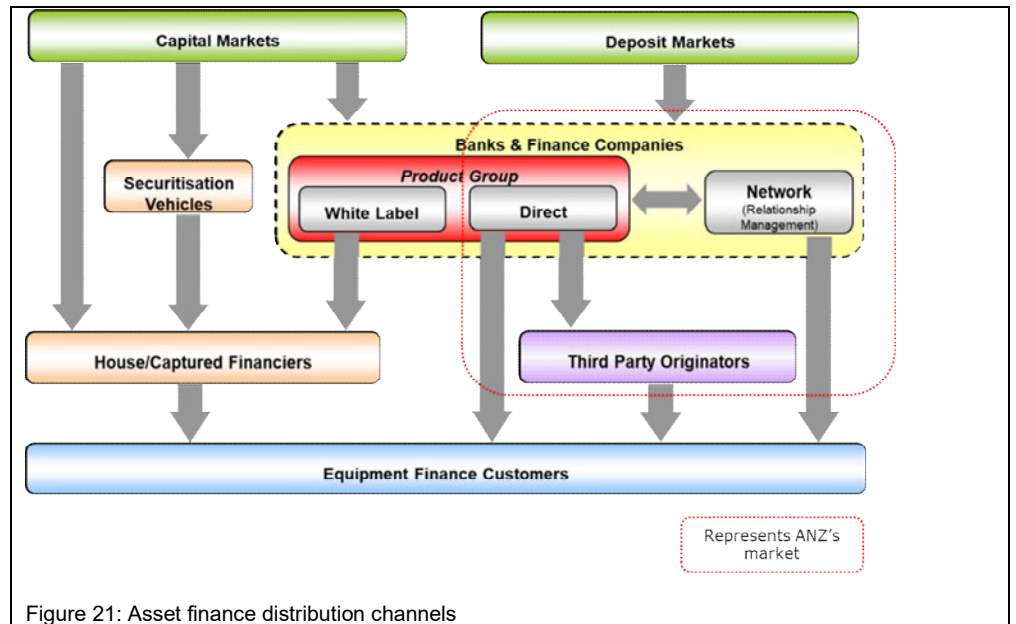
SD-Broker [REDACTED]

[Figures in Table 10 are confidential to ANZ]

*Suppliers of commercial products*

6.130 The suppliers of commercial products are as follows:

- a. deposit products: ADIs;
- b. lending (including asset finance): a range of ADIs and non-ADI lenders, with lending increasingly originated through commercial brokers; and
- c. asset finance: a range of ADIs, non-ADI lenders and "house captured" financiers (eg an equipment manufacturer such as John Deere that also provides finance), as illustrated in Figure 21: Asset finance distribution channels prepared by East & Partners (**Annexure 26**).



**ACCC decisions**

- 6.131 In *Westpac/St George*, the ACCC defined an SME banking "cluster" market to include a range of transaction, savings and lending products, but found there was increasing evidence that SMEs were "unbundling" certain products from the cluster.
- 6.132 ANZ submits that, while commercial banking products can be acquired from multiple banks, business customers continue to seek and prefer a suite or cluster of commercial banking products, and both ANZ and Suncorp Bank compete to be the MFI for business customers notwithstanding that only [Confidential to Suncorp] [REDACTED] of Suncorp Bank's business customers identify Suncorp Bank as their MFI). Competition for each "unbundled" product, and providers who focus

on those products, is a constraint on ANZ and Suncorp Bank because they must compete both to be the MFI and to retain the customer's business across the products their customers require.

### Product dimension

#### *Demand-side substitution*

- 6.133 As Guy Mendelson and Clive van Horen observe, the core commercial banking products are essentially commoditised. Business customers, whether they are SME, agribusiness, commercial property or another segment, generally require the same suite of commercial banking products and services. As Guy Mendelson observes, while the features offered on commercial banking products and services to customers may vary between providers, the underlying proposition is similar across competitors. Customers can and do switch between suppliers.
- 6.134 Business customers, irrespective of the segment they operate in, will typically seek to have a relationship with an MFI. This is because business customers value a bank (and relationship manager) that has a deep understanding of the customer's business.<sup>389</sup> This applies to all business customers, although it is often emphasised in agribusiness.<sup>390</sup>

#### *Supply-side substitution*

- 6.135 The products and services offered by a full-service bank to business customers are typically administered using centralised IT systems, policies and processes. They therefore are substitutable from a supply-side perspective, and decisions on pricing and policy are made on a centralised, national basis.
- 6.136 Banks compete to be a business customer's MFI, that is, the commercial bank that is able to provide the suite of deposit, lending and risk management products that a customer needs to carry on a business, and the product suite is tailored on that basis.<sup>391</sup> **[Confidential to Suncorp]** [REDACTED]

392

### Geographic dimension

- 6.137 In *Westpac/St George*, the ACCC found that pricing competition for SME banking is national but the markets were local. ANZ submits that pricing continues to be national, and that local elements of competition are far less important now such that the geographic dimension of other elements of competition is now national.

<sup>389</sup> Statement of Isaac Rankin at [86] and [90].

<sup>390</sup> Statement of Mark Bennett at [89].

<sup>391</sup> Statement of Isaac Rankin at [93].

<sup>392</sup> Statement of Clive van Horen at [71] to [76], and [85] to [88].

While having a direct relationship with a relationship manager is considered important by some business customers, business customers and banks regularly interact with each other digitally and over the phone, and banks compete with each other on pricing and non-pricing factors on a national basis. For example:

- a. for ANZ, product and pricing decisions for commercial lending and deposit products are considered and applied at a nationally divisional level, (ie there is no differentiation across narrower geographies)<sup>393</sup> and ANZ and Suncorp Bank monitor competitor product and pricing changes on the same basis;<sup>394</sup>
- b. brokers are an increasingly important distribution channel, reducing search costs for business customers and promoting choice across competing providers across broader geographic boundaries, as discussed in paragraph 5.54;
- c. the shift towards electronic funds transfers as preferred payment methods instead of cash for day-to-day purchases, as discussed in detail in paragraphs 5.16 to 5.31, which means that business customers (like retail customers) generally do not need to use a local ADI for banking;<sup>395</sup>
- d. while some business customers do require daily cash-handling facilities, this no longer needs to be provided at a bank branch. Alternative delivery models, include alternative physical networks, such as Bank@Post and smart ATM networks;<sup>396</sup>
- e. more generally, business customers can be served effectively remotely through call centres, online and supported by a relationship manager, who is able to periodically visit their property and who understands their needs, as illustrated by the emergence and success of banks and lenders that do not maintain any physical branch network (such as Judo Bank, which specialises in business customers); and
- f. while there are some business customers that value face-to-face discussions with a relationship manager, this does not have to occur in a bank's branch or business centre. For example, agribusiness customers in regional or remote locations value access to a bank manager who is able to periodically visit their properties and understand their business, given the

<sup>393</sup> Statements of Isaac Rankin at [64]; Clive van Horen at [30] to [34], [49] and [80].

<sup>394</sup> Statements of Isaac Rankin at [64] and [104]; Clive van Horen at [109] to [113].

<sup>395</sup> RBA, *Consumer Payment Behaviour in Australia: Evidence from the 2019 Consumer Payments Survey* (June 2020) (**Annexure 20**).

<sup>396</sup> Australia Post, *Bank@Post* <https://auspost.com.au/money-insurance/banking-and-payments/bank-at-post>

specialist lending needs involved, but do not need access to a branch as day-to-day banking is conducted online.<sup>397</sup>

### Conclusion

- 6.138 ANZ submits that the relevant market is the market for the supply of commercial banking products to business customers on a national basis. To the extent that the ACCC considers it necessary to examine the effect of the proposed acquisition in relation to specific commercial banking products, that examine should take into account that those commercial banking products are provided within that national commercial banking market.

<sup>397</sup> Statement of Mark Bennett at [108] and [109].



## CONCLUSIONS ABOUT MARKET DEFINITION

### National markets

- 6.139 ANZ submits that the proposed acquisition should be assessed having regard to the following markets:
- a. separate markets for the supply to retail banking customers of:
    - i. home loans in Australia;
    - ii. deposit products (including transaction and savings accounts, and term deposits) in Australia; and
    - iii. credit cards in Australia; and
  - b. a market for the supply to business customers of commercial banking products, comprising a cluster of products encompassing:
    - i. deposit products (including transaction and savings accounts, and term deposits) in Australia;
    - ii. commercial lending products in Australia;
    - iii. merchant services in Australia; and
    - iv. risk management products in Australia.
- 6.140 ANZ submits that the markets it has identified reflect the narrowest appropriate market definitions, and that the proposed acquisition would not have the effect, or likely effect, of substantially lessening competition in these markets, or any differently defined markets.

### Summary of market size and shares

- 6.141 **Annexure 30** contains market share tables for each of those relevant markets.
- 6.142 Table 11 is a summary of ANZ's estimates of ANZ's and Suncorp Bank's share of national supply for relevant products supplied in the relevant markets. The Table also provides the pre-merger and post-merger HHIs for those products.
- 6.143 When reviewing the data, it is important to recognise there are material limitations on the reliability of the commercial and agribusiness deposits and lending data, which is based on survey data. These limitations are discussed further at paragraph 7.106.

Table 11: The parties' share of supply of relevant products<sup>398</sup>

PRODUCT	ANZ	SUNCORP BANK	MERGED FIRM	PRE-MERGER HHI	POST-MERGER HHI	DELTA
<b>RETAIL BANKING PRODUCTS (SEPTEMBER 2022)</b>						
Home loans	13.02%	2.39%	15.41%	1,583	1,646	62
Deposits <sup>399</sup>	12.07%	2.47%	14.53%	1,541	1,601	60
<b>BUSINESS BANKING PRODUCTS (OCTOBER 2022)</b>						
Commercial deposits and lending <sup>400</sup>						
Commercial deposits						
Commercial lending						
Agribusiness deposits and lending						
Agribusiness deposits						
Agribusiness lending						

**[Figures in Table 11 are confidential to a third party]**

- 6.144 The table does not include shares for the supply of those products distributed only on a white-labelled basis by Suncorp Bank (credit cards), or which Suncorp Bank has ceased to offer (personal loans).
- 6.145 The tables in the Section 7 Competitive effects contain a more detailed breakdown of the parties' shares of supply, including shares for previous years, the estimated shares of other competitors, and information about the source for each estimate.
- 6.146 As can be seen from Table 11:
- there is no product in which the post-merger HHI would exceed 2,000 on a national basis, being the threshold under which the ACCC is generally "less likely to identify horizontal competition concerns";<sup>401</sup> and

<sup>398</sup> Market share data for retail banking products is based on APRA data. Market share data for business banking products is based on Business Bank data sourced from DBM Business Atlas, 12 months to Oct'22, weighted to reflect the Australian Business Population. Commercial Banking Deposit and Lending customers n=15,484, Agri n=1,222. ANZ Commercial Banking segment defined as "Australian businesses with less than \$100m turnover and lending less than \$35m, except Agribusiness where lending is up to \$100m". ANZ Agribusiness Commercial Banking segment defined as "Australian Agribusinesses including all businesses from Agriculture, Forestry and Fishing sector with less than \$100m turnover and lending up to \$100m".

<sup>399</sup> The Parties do not have access to separate market share data for transaction accounts and other term/deposit products.

<sup>400</sup> Commercial banking market share statistics includes agribusiness.

<sup>401</sup> ACCC Merger Guidelines 2008, paragraph 7.14.

- b. there is no product segment in which the combined business will have a national share of supply exceeding 20%. The combined business would have a 20% market share in agribusiness lending.

6.147 As explained in the following sections, a closer analysis of each of the relevant markets demonstrates that the proposed acquisition would not have the effect, and would not be likely to have the effect, of substantially lessening competition in any of those markets, or give rise to any public detriments.

## 7. COMPETITIVE EFFECTS

ANZ submits that, for the reasons explained in this section, the proposed acquisition would not have the effect, or be likely to have the effect, of substantially lessening competition in any relevant market.

Specifically:

- The proposed acquisition will not confer market power on the combined business. Retail and business customers will continue to have significant choice and the ability to exercise that choice. Any attempt by the combined business to raise prices, or reduce services, would not be sustainable as the combined business would swiftly lose customers to rivals.
- The proposed acquisition will not increase the likelihood of coordinated effects in any relevant market. The proposed acquisition will not result in a material increase in concentration in any market. Further, the relevant markets are intensely competitive, and have features that militate strongly against coordination.

ANZ also refers to the independent expert report prepared by Dr Philip Williams AM (**Annexure #**) which concludes that the proposed acquisition is not likely to substantially lessen competition in any relevant market.

## NO SUBSTANTIAL LESSENING OF COMPETITION IN THE SUPPLY OF HOME LOANS

- 7.1 ANZ submits that the proposed acquisition will not have the effect or likely effect of substantially lessening competition in the supply of home loans in Australia. This is because:
- a. the market for home loans is not concentrated and the proposed acquisition would result in a *de minimis* increase in concentration;
  - b. the home loans market is intensely competitive and will remain so post-acquisition;
  - c. Suncorp Bank is no more vigorous or effective than other competitors;
  - d. Suncorp Bank is not a particularly close competitor to ANZ; and
  - e. there is a credible prospect of effective entry and expansion, which will competitively constrain the combined business.
- 7.2 ANZ relies on the statement of John Campbell, as well as other information and data provided in this application, in support of its submissions on the home loans market. John Campbell's professional experience and qualifications are outlined in paragraph 6.4 above and further detailed in his statement.
- The market for home loans is not concentrated and the proposed acquisition would result in a *de minimis* increase in concentration**
- 7.3 The market for the supply of home loans in Australia is not concentrated and the proposed acquisition will not materially increase concentration.
- 7.4 Table 12 sets out the shares of supply of home loans by lender based on monthly statistics published by APRA (for ADIs and financial corporations that are required to report to APRA) as well as ANZ's estimate of the size of the market for the years 2012, 2017, 2020, 2021 and 2022.<sup>402</sup>

<sup>402</sup> Up to September 2022.

Table 12: National home loans market shares

LENDER	2012	2017	2020	2021	2022 <sup>403</sup>
ANZ	15.60%	15.99%	14.56%	13.43%	13.02%
SUNCORP BANK	2.79%	2.61%	2.35%	2.27%	2.39%
COMBINED BUSINESS	18.39%	18.59%	16.91%	15.70%	15.41%
CBA	27.34%	25.83%	25.89%	26.09%	25.80%
WESTPAC	25.62%	24.87%	22.53%	21.97%	21.54%
NAB	16.70%	15.73%	14.47%	14.48%	14.89%
MACQUARIE BANK	0.49%	1.79%	3.25%	4.13%	4.80%
BENDIGO AND ADELAIDE	2.25%	2.17%	2.67%	2.78%	2.83%
ING	3.28%	2.77%	2.87%	2.76%	2.72%
BOQ	1.97%	1.73%	1.60%	1.68%	2.97%
HSBC	0.68%	0.75%	1.23%	1.28%	1.36%
AMP	0.65%	0.78%	1.01%	1.03%	1.06%
ME BANK <sup>404</sup>	0.66%	1.18%	0.84%	1.28%	0.00%
HERITAGE BANK	0.42%	0.39%	0.42%	0.40%	0.40%
TEACHERS MUTUAL	0.23%	0.31%	0.39%	0.41%	0.42%
CITIGROUP <sup>405</sup>	0.68%	0.43%	0.36%	0.38%	0.00%
OTHERS	0.63%	2.67%	5.54%	5.60%	5.79%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

7.5 The table shows that:

- a. The market for home loans is not concentrated, and the aggregation that would arise from ANZ acquiring Suncorp Bank's 2.39% share is minimal. The HHI calculations indicate that the pre-merger HHI is 1,583 and post-merger HHI would be 1,646, well under the ACCC's indicative threshold, with a minimal delta of 62.
- b. The proposed acquisition would not change the relative market position of the combined business compared to ANZ's current position. The combined business, with a share of 15.41%, would continue to trail, by significant

<sup>403</sup> As at September 2022.

<sup>404</sup> NAB, NAB completes acquisition of Citigroup's Australian consumer business (19 July 2022) <https://news.nab.com.au/news/nab-citigroup-acquisition/>

<sup>405</sup> BOQ, BOQ completes acquisition of ME Bank (1 July 2021) <https://www.boq.com.au/About-us/media-centre/media-releases/2021-07-01ME>

margins, CBA (25.8%) and Westpac (21.54%), and would marginally exceed NAB (14.89%).

- c. Suncorp Bank's market share has been relatively static over the 10 years to 2022, decreasing from 2.79% in 2012 to 2.39% in 2022. Suncorp Bank's effort to improve its business momentum has not yielded sustained growth in its market share, such that its current share is indicative of its current and future competitive position.
- d. ANZ has experienced an appreciable decline in market share, from 15.60% in 2012 to 13.02% in 2022. This can be contrasted with the sustained growth in Macquarie Bank's share, as shown in the table and discussed further below, and the increase in the share of "Others".

**The home loans market is intensely competitive and will remain so post-acquisition**

7.6 The market for the supply of home loans is intensely competitive and the proposed acquisition would not change this dynamic.

7.7 As explained by John Campbell:

- a. There are a substantial and growing number of competitors in the supply of home loans in Australia, including the other major banks (NAB, CBA and Westpac), regional and second-tier banks (such as Macquarie Bank), foreign-owned banks (such as HSBC and ING), specialist lenders (such as AFG Home Loans, Pepper Money, Liberty Financial, Resimac and Firstmac) and neo-banks / fintechs (such as Athena Home Loans, Tic:Toc, and Nano Digital Home Loans).<sup>406</sup> Based on the number of ADIs and non-ADI lenders, ANZ believes there are over 100 suppliers of home loans in Australia.
- b. Macquarie Bank has been a highly effective competitor and, according to APRA statistics, as at September 2022, Macquarie Bank's year-on-year growth is 5.01x system and its month-on-month growth is 3.14x system. By way of contrast, year-on-year growth for the four largest banks (ANZ, CBA, Westpac and NAB) is 0.78x system and month-on-month growth is 0.94x system.<sup>407</sup> Macquarie Bank's strong growth is illustrative of the potential for existing competitors to expand and new entrants to win share from incumbent providers.
- c. Mortgage brokers account for a significant proportion of home loan application flows, and are increasingly referring applications to non-major

<sup>406</sup> Statement of Douglas John Campbell at [52].

<sup>407</sup> Statement of Douglas John Campbell at [52(d)].

bank lenders.<sup>408</sup> Brokers reduce search and switching costs for borrowers, facilitate price competition by comparing offers between lenders and putting competitive pressure on lenders to improve offers, process and service. Approximately [Confidential to ANZ] [REDACTED] of ANZ's home loan application flows by FUM were generated by its broker network in FY2022.<sup>409</sup>

- d. A number of mortgage aggregators offer white labelled home loan products independently and, as such, directly compete with lenders.<sup>410</sup>
- e. There is intense price competition in the home loans market. This is evidenced by strong and increasing levels of refinancing, the widespread and sustained use of cashback and promotional offers across the industry to attract customers, and increasing levels of repricing within ANZ's home loan book.<sup>411</sup> The statement of John Campbell refers to various data evidencing these trends and they are discussed further below.
- f. There is intense competition on policy and process in the home loans market, especially in relation to decision timeframes for home loan applications.<sup>412</sup> Neo-banks / fintechs have been leaders in developing fully or nearly fully automated processes for customers utilising technology to deliver fast decisions.<sup>413</sup> Macquarie Bank has developed a reputation for making intra-day decisions on simple loans.<sup>414</sup>
- g. A failure to remain competitive can adversely affect the ability of a lender to attract new and retain existing customers. For example, John Campbell's statement outlines the adverse business impact of ANZ's failure to manage turnaround times, which led to a reduction in referrals from mortgage brokers and mobile lenders, and in ANZ's growth.<sup>415</sup>
- h. There are more resources than ever available to consumers to inform their home loan acquisition decisions and consumers are more aware of these resources, which in turn has increased the visibility of, and lowered the barriers to entry and expansion by, smaller lenders.<sup>416</sup> Customers are regularly prompted to consider switching by advertisements and regularly compare home loan products and pricing using comparison websites such

<sup>408</sup> Statement of Douglas John Campbell at [61] to [66].

<sup>409</sup> Statement of Douglas John Campbell at [Table 2].

<sup>410</sup> Statement of Douglas John Campbell at [71].

<sup>411</sup> Statement of Douglas John Campbell at [50].

<sup>412</sup> Statement of Douglas John Campbell at [91] to [97].

<sup>413</sup> Statement of Douglas John Campbell at [60(c)].

<sup>414</sup> Statement of Douglas John Campbell at [60(c)].

<sup>415</sup> Statement of Douglas John Campbell at [91] to [97].

<sup>416</sup> Statement of Douglas John Campbell at [79].



as Canstar, Ratecity and Finder.com, or access the services of a broker.<sup>417</sup> Mortgage calculators published by ASIC, lenders and others make it easy to compare and model different mortgage repayment scenarios.<sup>418</sup>

*The home loans market is large and growing*

- 7.8 The home loans market is large and growing. According to PEXA, in FY22 over 472,000 home loans were taken out in the eastern states, with most residential new loans being generated in Queensland.<sup>419</sup> The home loan market, including Queensland, is therefore attractive for existing providers and new entrants.
- 7.9 ANZ estimates that the size of the home loans market increased from \$1.838 billion in May 2020 to \$2.087 billion in May 2022, a 13.5% increase over two years.
- 7.10 In addition, and as discussed further below, refinancing rates are increasing. PEXA reported 331,000 refinances in FY22, a 49.8% year-on-year increase from FY21 to FY22. The non-major banks were successful in winning more refinances than they lost.
- 7.11 The size and growth of the market, combined with significant refinancing activity, means there is substantial contestable business for current and new entrants to win and there are many examples of new entry and expansion, as discussed further below.

*Home loan refinancing is easy and increasingly common*

- 7.12 The ease with which customers can refinance and their growing willingness to exercise this option is a key driver of competition. Refinancing is when a customer switches from their existing lender to another lender.<sup>420</sup>
- 7.13 Refinancing has been trending upwards. The statement of John Campbell includes a graph based on ABS data showing that refinancing made up nearly 40% of home loan commitments in May 2022, up from approximately 18% in July 2002.<sup>421</sup>

<sup>417</sup> Statement of Douglas John Campbell at [79].

<sup>418</sup> Statement of Douglas John Campbell at [79]. For example: <https://moneysmart.gov.au/home-loans/mortgage-calculator>

<sup>419</sup> PEXA, *PEXA Mortgage Insights Report FY22*. (July 2022) <https://www.pexa.com.au/content-hub/mortgage-insights-report-financial-year-2022/> (Annexure 87).

<sup>420</sup> Sometimes a distinction is drawn between external refinancing (switching to a new lender) and internal refinancing (switching to a different product or lower price from borrower's current lender). References to refinancing in this section are to the former.

<sup>421</sup> Statement of Douglas John Campbell at [Figure 3].

- 7.14 There has been a substantial upwards trend in year-on-year refinancing to and away from ANZ in the last two years.<sup>422</sup>
- 7.15 ANZ submits that growth in refinancing<sup>9</sup> activity is attributable to, among other factors:
- a. the increased ease of switching, facilitated by brokers, comparison sites and initiatives by lenders to make the process easier. For example, some lenders have sought a point of difference by advertising how easy it is for customers to switch if they are not happy with the price and service they are receiving. For example, Athena markets itself under the slogan "love us and leave us" and does not charge any fees, including loan discharge fees;<sup>423</sup>
  - b. intense competition as evidenced by the large number of lenders offering "cashback" to entice customers to switch providers; and
  - c. growing consumer awareness of alternative offers available in the market as a result of the increasing use of brokers, social media campaigns and comparison websites. Home loan customers have been regularly encouraged to shop around in recent years by a range of stakeholders, from government, media, consumer groups and regulators.<sup>424</sup> Digital advertising has allowed smaller players to target select customer groups in a cost-effective manner that may not have been available to them through traditional mass media buying in the past.<sup>425</sup> Customers are also increasingly considering their options in an environment of rising interest rates.
- 7.16 Brokers play a significant role in this space, by encouraging borrowers to periodically test the market, and making it much easier for borrowers to do so by carrying out the search and comparison work for them.<sup>426</sup>
- 7.17 Research by RFi (September 2020) has found that competitive interest rates have become even more important in driving lender choice over time.<sup>427</sup> RFi (March 2021) has also found that recent borrowers engaged with a greater spread of lenders at all points during the application process than borrowers in previous years.

<sup>422</sup> Statement of Douglas John Campbell at [76].

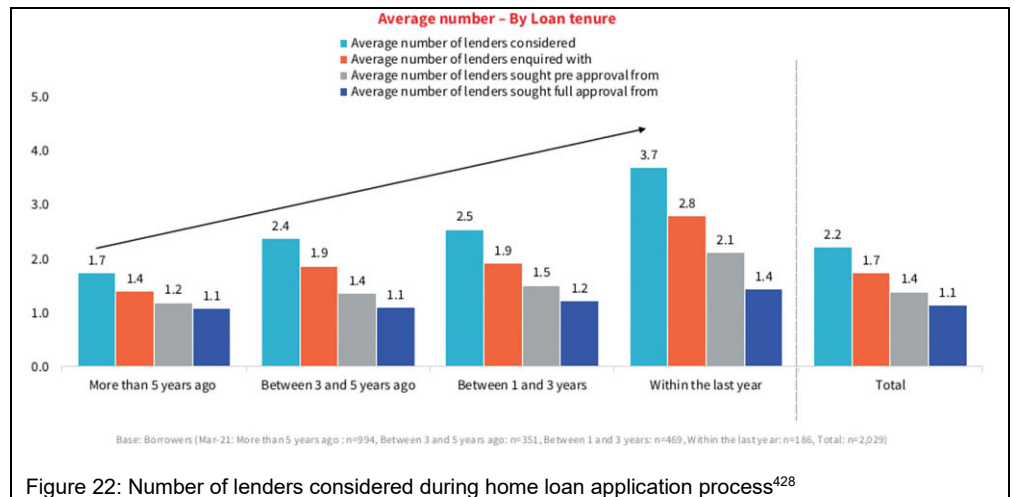
<sup>423</sup> Athena, <https://www.athena.com.au>

<sup>424</sup> Statement of Douglas John Campbell at [79].

<sup>425</sup> Statement of Douglas John Campbell at [79].

<sup>426</sup> Statement of Douglas John Campbell at [70].

<sup>427</sup> RFi, Australian Mortgage Council (September 2020) (**Annexure 86**).



- 7.18 Consumers have ready access to a variety of online comparison sites that allow them to quickly and seamlessly compare the offerings of different suppliers. For example, Canstar<sup>429</sup> allows consumers to search for home loan products based on the loan amount and purpose, and then filter results by the lender, LVR, repayment type and other features including offset and redraw functionality. Other comparison websites which provide similar services include Mozo<sup>430</sup> and CompareTheMarket.<sup>431</sup>
- 7.19 Consumer advocacy groups like Choice scrutinise the banking industry closely and actively run campaigns to encourage consumers to consider switching particularly from the major banks.<sup>432</sup>
- 7.20 The continuing rise in refinancing rates demonstrates that customers are increasingly willing to shop around and switch to obtain better rates, products or services, rather than remain with their existing home loan product over the full term.

*Customers are increasingly challenging lenders to reprice their loans*

- 7.21 Even where customers do not ultimately switch, they are increasingly challenging their existing lender to provide improved rates (known as repricing).
- 7.22 Data in the statement of John Campbell shows the total FUM attributed to home loans that were repriced by ANZ between August 2021 and August 2022 increased from approximately [Confidential to ANZ] ██████████ in August 2021 to approximately [Confidential to ANZ] ██████████ in August 2022.<sup>433</sup> Generally

<sup>428</sup> RFI Group, AMC – Presentation for ANZ (March 2021) at 70.

<sup>429</sup> Canstar, <https://www.canstar.com.au/>

<sup>430</sup> Mozo, <https://mozo.com.au/>

<sup>431</sup> Compare The Market, <https://www.comparethemarket.com.au/>

<sup>432</sup> Choice, Home Loans <https://www.choice.com.au/money/credit-cards-and-loans/home-loans>

<sup>433</sup> Statement of Douglas John Campbell at [Confidential Figure 4].

speaking, this year on year repricing represents the increasing number of customers that are asking for additional discounts on existing home lending and ANZ's response of increasing discounts for existing customers in order to retain customers' business.<sup>434</sup>

*Cashback and other promotional offers have increased in prevalence*

- 7.23 Cashback and promotional offers have become a standard offering among lenders to entice customers to switch. John Campbell has observed an increase in the value of cashbacks offered to customers over time, with ANZ currently offering a cashback of up to \$4,000 (up from \$1,200 in 2017).<sup>435</sup>
- 7.24 Other lenders offering cashbacks for refinancers as of June 2022 include CBA (\$2,000), NAB (\$2,000), Westpac (\$2,000), Bank of Melbourne (\$4,000), Bank of South Australia (\$4,000), St George (\$4,000), Bankwest (\$2,000), BOQ (\$3,000), RAMS (\$4,000), ME Bank (\$2,500), ING (\$3,000), Suncorp (\$3,000), BCU (up to \$5,000), Citibank (up to \$6,000). More recently, in November 2022, ubank launched a cashback offer of \$6,000 for borrowers taking out a new home loan or refinancing their existing home loan to ubank (for lending in excess of \$1 million).
- 7.25 In addition to cashbacks for refinancers, some banks have been offering other types of cashbacks and incentives for new customers. For example, ANZ was offering up to 300,000 Qantas frequent flyer points for new and refinancing loans, BCU was offering 0.75% of the value of the loan back in cash, up to \$5,000, AMP was offering \$3,000 for a purchase *application* and Reduce Home Loans was offering up to \$10,000 in cashbacks for new and refinancing loans.
- 7.26 Various lenders have also been offering incentives for first home buyers, such as waiving LMI under the First Home Loan Deposit Scheme, charging no annual fee, and making payments towards conveyancing fees.
- 7.27 Given the services available to consumers to assist them with refinancing, the range of competitive alternatives and the ease with which switching occurs, the merged firm will have every incentive to offer competitive home loans post-acquisition or risk losing share to competitors.

**Suncorp Bank does not drive price, innovation or product development**

- 7.28 Suncorp Bank is no more vigorous or effective than other competitors in the supply of home loans. It has not been a key driver of pricing, innovation or product development in the market.

<sup>434</sup> Statement of Douglas John Campbell at [80].

<sup>435</sup> Statement of Douglas John Campbell at [84].

- 7.29 Instead, Suncorp Bank's significance as a competitor is commensurate with its relatively modest and static market position.
- 7.30 Data collected from brokers, including approval times and NPS data, also support the proposition that Suncorp Bank is not a particularly vigorous competitor relative to peers. **Annexure 37** is a copy of the Jarden Mortgage Competition Tracker dated 20 July 2022, which shows that Suncorp Bank is not the market leader. The Jarden Mortgage Competition Tracker ranks home loan lenders based on volume growth, broker experience and pricing, using data from Broker Pulse, the ABS, APRA and bank websites. This data shows that Suncorp Bank is not a market leader in any category. In relation to Suncorp Bank's service levels, in the period covered by the tracker (September 2019 to March 2022):
- a. Along with BOQ, Suncorp Bank has generally had the slowest approval times of its smaller lending peer group – AMP, Bendigo, ING and BOQ. Suncorp Bank is currently ranked behind AMP, ING and Bendigo in this group. It is also significantly behind the clear market leader, Macquarie Bank. However, Suncorp Bank has improved approval times later in 2022.
  - b. Suncorp Bank has also generally ranked behind the same peer group on its broker NPS for home loans, with the exception of BOQ. Its latest score is around the same as Bendigo, ranked behind AMP and ING. Suncorp Bank is also currently ranked behind two of the major banks – CBA and NAB – and significantly behind the clear market leader, Macquarie Bank.

#### Suncorp Bank is not a particularly close competitor to ANZ

- 7.31 Suncorp Bank is one of many banks that ANZ regularly monitors and benchmarks itself against.<sup>436</sup> ANZ also systematically monitors and benchmarks itself against the home loan products and customer experience of **[Confidential to ANZ]** [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]<sup>437</sup> ANZ does not monitor or track Suncorp Bank any more closely than any of the other banks it compares itself to from time to time.<sup>438</sup>
- 7.32 Likewise, when considering pricing changes and proposing changes to price points, Suncorp Bank routinely compares itself against the major banks (CBA, Westpac, ANZ and NAB), RACQ Bank, HSBC, St George Bank, Great Southern Bank, Citi, ING, BOQ, Macquarie Bank and Bankwest. It does not consider ANZ more closely than the other banks it routinely monitors.

<sup>436</sup> Statement of Douglas John Campbell at [46(c)] and [102].

<sup>437</sup> Statement of Douglas John Campbell at [51] to [54].

<sup>438</sup> Statement of Douglas John Campbell at [102].

- 7.33 ANZ's home loan strategy and decisions about pricing, policies, processes and features are not influenced or driven by Suncorp's product offering or presence to any significant degree.<sup>439</sup>

#### *Pricing*

- 7.34 The pricing of different lenders tends to move around from week to week or month to month,<sup>440</sup> so any static comparison of the pricing of lenders at a point in time will not capture the positioning of lenders in previous or future periods. That said, over the last 12 months, of the larger competitors, John Campbell observed that Macquarie Bank and Westpac have had particularly low headline interest rates.
- 7.35 As noted above, since John Campbell commenced in his role in July 2018, decisions about pricing have not been influenced or driven to any significant degree by Suncorp Bank's home loan offering, or otherwise by Suncorp Bank's presence.
- 7.36 Regardless of whether the price positions of ANZ and Suncorp Bank coalesce from time to time, or Suncorp Bank offers a leading price for one or more home loan products from time to time, the competitiveness of the market and the fluidity of pricing means there are invariably other lenders that will quickly overtake the current price leader within a short period of time.

#### *Features*

- 7.37 In relation to product features, Table 37 in schedule 2 summarises the main home loan products offered by ANZ, Suncorp, CBA, Westpac, NAB, ING, Macquarie Bank, BOQ, Athena and ubank. The comparison table is divided by home loan product (variable, basic and fixed) and contains information about product features including applicable fees, interest rates, minimum loan amounts, offset and redraw functionality, interest only options and LVR conditions. The table, as a snapshot of a small number of lenders, does not suggest ANZ and Suncorp Bank compete more closely with each other on product features, compared to others in the market.
- 7.38 While home loans are generally standardised products, an example of innovation on product features in recent times is the introduction of products with reducing interest rates over the term of the loan. Athena led the way, introducing its AcceleRATES product in 2019.<sup>441</sup> Since then some other lenders have sought to launch similar products, including CBA through its offshoot Unloan and OneTwo,

<sup>439</sup> Statement of Douglas John Campbell at [102].

<sup>440</sup> Statement of Douglas John Campbell at [60].

<sup>441</sup> Statement of Douglas John Campbell at [60] and [99].

a start-up digital bank that is jointly owned by ANZ's investment arm 1835i and Lendi.<sup>442</sup> Suncorp Bank does not offer a rate reducing home loan.

#### *Policy and process*

- 7.39 The turnaround time from application to decision is a key area of competition between lenders.<sup>443</sup> Faster turnaround times increase the likelihood that a consumer or broker would choose a lender. A lender's turnaround timeframe is primarily a function of its operational processes, capacity and technology. Generally, the more automated the process, the shorter the assessment timeframe.<sup>444</sup>
- 7.40 As set out in John Campbell's statement, ANZ experienced a sharp increase in turnaround times for home loan applications in 2020 as a result of operational capacity constraints and business disruption caused by the pandemic, with application turnaround times peaking at nearly 30 days for the mobile lending channel and 34 days for the broker channel.<sup>445</sup> This increase in turnaround times led to a substantial reduction in customer flows from these channels and coincided with ANZ underperforming the market on home loan growth.<sup>446</sup> ANZ implemented a "momentum program" in late 2020 to better manage its turnaround times and improve its processing capacity and operations which included work streams to invest in the capacity of ANZ's people, implement a range of operational and policy changes, and automate some processes that were previously manual (such as document processing).<sup>447</sup> ANZ's work on the momentum program is continuing.
- 7.41 Suncorp Bank has not been a significant beneficiary of ANZ's turnaround time delays because it has also had slow turnaround times. The Jarden Mortgage Competition Tracker dated 20 July 2022, contained in **Annexure 37**, indicates that along with BOQ, Suncorp Bank has generally had the slowest approval times of its smaller lending peer group – AMP, Bendigo, ING and BOQ. Suncorp Bank is currently ranked behind AMP, ING and Bendigo in this group. It is also significantly behind the clear market leader for fast turnaround times, Macquarie Bank, but has improved since July 2022.

<sup>442</sup> Statement of Douglas John Campbell at [60] and [99].

<sup>443</sup> Statement of Douglas John Campbell at [91].

<sup>444</sup> Statement of Douglas John Campbell at [91].

<sup>445</sup> Statement of Douglas John Campbell at [94].

<sup>446</sup> Statement of Douglas John Campbell at [96].

<sup>447</sup> Statement of Douglas John Campbell at [97].

*Refinancing information shows that ANZ and Suncorp Bank are not particularly close competitors*

7.42 Consistently with this, Suncorp Bank does not account for a disproportionate level of refinancing to or away from ANZ, or vice-a-versa. Table 13 and Figure 23 contain the rates of home loan refinancing to and from each of the parties on a national basis. The data shows that there is not a materially disproportionate amount of refinancing to ANZ from Suncorp Bank, or from ANZ to Suncorp Bank compared to their respective market shares. Suncorp Bank represented █████ of refinancing from ANZ, the fifth highest in the period (or sixth when BOQ is combined with ME). Suncorp Bank represented █████ of refinancing to ANZ, the seventh highest of the competitors analysed. Of note, Suncorp Bank’s FY22 data shows that when customers refinance their home loan away from Suncorp Bank the top 5 lenders they refinance to are CBA, Westpac, Macquarie Bank, St George, NAB and ANZ with ANZ winning the smallest share of those lenders. ANZ lags Macquarie Bank and the other major banks for refinancing activity in respect of Suncorp Bank, and second-tier banks ING, Bankwest, HSBC and BOQ are not far behind ANZ despite having much smaller shares. Macquarie Bank is particularly effective, accounting for [Confidential to Suncorp] █████ of customers refinancing from Suncorp Bank.<sup>448</sup>

Table 13: ANZ Refinancing Nationally – Top 10 for 12 months ending June 2022

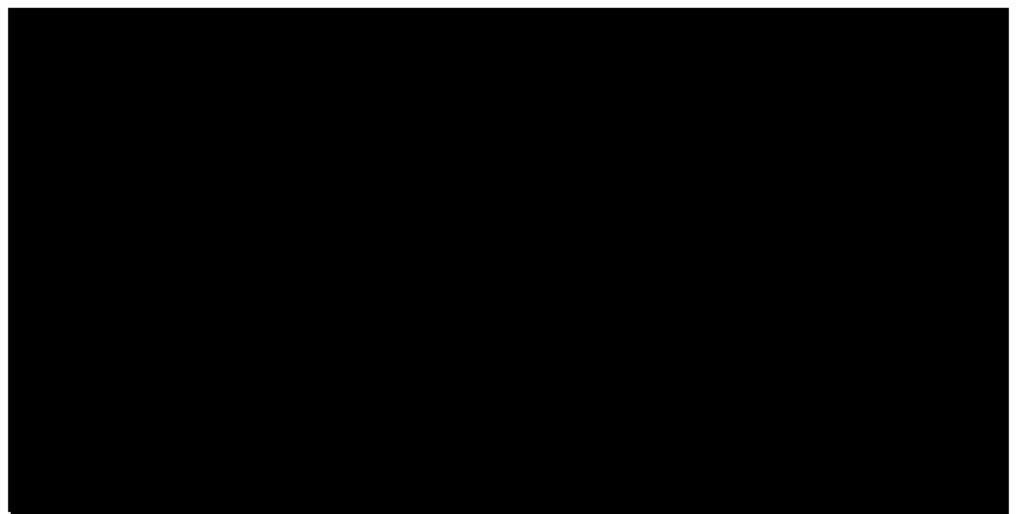
RANK	INSTITUTION	REFINANCING \$	% OF TOTAL REFINANCING
<b>REFINANCING FROM ANZ</b>			
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			
<b>REFINANCING TO ANZ</b>			
1			
2			
3			

<sup>448</sup> Statement of Clive van Horen at [50].



RANK	INSTITUTION	REFINANCING \$	% OF TOTAL REFINANCING
4			
5			
6			
7			
8			
9			
10			

[Figures in Table 13 are confidential to ANZ]



[Figure 23 is confidential to Suncorp]

*ANZ and Suncorp Bank have complementary portfolios*

- 7.43 While competition in home loans occurs nationally, ANZ's and Suncorp Bank's home loan portfolios are geographically complementary. Suncorp Bank's portfolio weighting towards Queensland will add geographic diversity to ANZ's home loans business. Geographic diversity allows a bank to cope better in the event of an economic downturn or natural disaster in a particular region, and therefore have greater capacity to continue to compete.<sup>449</sup>

**Effective entry and expansion will competitively constrain the combined business**

- 7.44 In addition to established lenders, the combined business will be competitively constrained by new and growing lenders.
- 7.45 Macquarie Bank is a key example of a home loan provider that has experienced strong growth, growing its market share from 0.49% in 2012, to 3.25% in 2020

<sup>449</sup> Statement of Shayne Elliott at [63(c)(i)].

and then to 4.71% in July 2022, to become a key competitor in the home loans market.<sup>450</sup> According to the APRA, as at September 2022, Macquarie Bank's year-on-year growth was 5.01x system and its month-on-month growth was 3.14x system. By way of contrast, year-on-year growth for the four largest banks (ANZ, CBA, Westpac and NAB) was 0.78x system and month-on-month growth was 0.94x system.<sup>451</sup> Macquarie Bank's point of difference is the speed with which it delivers decisions on home loan applications and the strength of its relationships with mortgage brokers.<sup>452</sup>

7.46 An example of new entry is Athena which launched in February 2019 as a specialist online-only supplier of home loans.<sup>453</sup> Athena is a 'non-bank' lender, meaning it obtains funding at wholesale rates from a range of major financial institutions. As mentioned above, one of its innovative offerings is a product launched in September 2020 called AcceleRATES, which enables customers to pay off their home loans faster by offering rates that are automatically lowered as the customer pays off their loan.<sup>454</sup>

7.47 Other new entrants or existing players that have expanded include:

- a. Nano Digital Home Loans, which launched publicly in June 2021 following a soft launch phase. It claims to be "Australia's first end-to-end digital home lender" and "set[s the] benchmark with sub 10 minutes unconditional approval".<sup>455</sup>
- b. Tic:Toc, which launched in 2017 and "turned the home loan process on its head". Tic:Toc's proprietary technology enabled a world-first: a low-cost home loan that can be delivered to customers – with a contract – in less than 58 minutes, from the time they start their application.<sup>456</sup>
- c. Reduce Home Loans, which launched in 2010 as the exclusive agent for Mortgage Ezy. It provides "exceptional loans at the lowest possible price". It has been recognised as Australia's Best Non-Bank Lender of 2021 and has for six consecutive years won Money Magazine's "Best of the Best"

<sup>450</sup> Statement of Douglas John Campbell at [52].

<sup>451</sup> Statement of Douglas John Campbell at [52].

<sup>452</sup> Statement of Douglas John Campbell at [60(c)].

<sup>453</sup> SmartCompany, *Surpassing expectations: Fintech Athena sees \$250 million in home loan applications within three days of launch* (1 March 2019) <https://www.smartcompany.com.au/startupsmart/news/fintech-athena-launch/#:~:text=Home-loan%20fintech%20Athena%20has%20finally%20launched%2C%20and%20according,on%20Februar y%2025%2C%20offering%20refinancing%20for%20home%20loans>

<sup>454</sup> Statement of Douglas John Campbell at [60(a)].

<sup>455</sup> Nano, *Australia's first end-to-end digital home lender Nano opens to public* (30 June 2021) <https://nano.com.au/newsroom/australias-first-end-to-end-digital-home-lender-nano-opens-to-public/>

<sup>456</sup> Tic:Toc, <https://tictoc.com.au/about>

Cheapest Flexible Loan home loan and multiple Canstar 5 Star Ratings, Mozo Expert Choice Awards and Rate City Home Loan Gold Awards.<sup>457</sup>

- d. Pepper Money, which is a publicly listed (ASX: PPM) provider of home loans, asset finance and personal loans, which listed on the ASX in 2021 and was first established in 2000. According to its annual report for calendar year 2021, Pepper Money grew its home loan originations by 89% and asset finance originations by 70% compared to calendar year 2020.<sup>458</sup> Pepper Money's half year CY22 results indicate it has continued to grow its home loan volumes with a 48% increase in originations.<sup>459</sup>

7.48 John Campbell considers that new entry and expansion will continue into the future and will be driven by new and existing lenders finding solutions to address inefficiencies in the home loans market.<sup>460</sup> New entrants in recent years have identified an opportunity to develop solutions to address inefficiencies in the home loans market, for example, to deploy technology to obtain data (rather than documentation) from customers to assist with home loan application assessments.<sup>461</sup> There are opportunities for new entrants and existing players to harness data analytics and sophisticated algorithms to identify and win customers of other banks that are most likely to be open to refinancing.<sup>462</sup>

7.49 New entry, expansion and innovations in related activities such as mortgage broking and advisory services will drive increased competition in the supply of home loans as these players seek better and more efficient ways to assist borrowers to find and negotiate lower interest rates or better products.<sup>463</sup>

#### **No increased risk of coordinated conduct**

7.50 The proposed acquisition will not create an increased risk of coordinated conduct in relation to the supply of home loans for the reasons outlined at paragraphs 7.222 to 7.222 below.

<sup>457</sup> Reduce Home Loans, <https://www.reducehome.com.au/about-reduce/>

<sup>458</sup> Pepper Money, *CY2021 Annual Report* (24 February 2022) <https://www.peppermoney.com.au/about/shareholders>

<sup>459</sup> Pepper Money, *Investor Presentation First Half CY2022* (24 August 2022) at p 23 and 25 <https://www.peppermoney.com.au/about/shareholders>

<sup>460</sup> Statement of Douglas John Campbell at [58].

<sup>461</sup> Statement of Douglas John Campbell at [58].

<sup>462</sup> Statement of Douglas John Campbell at [58].

<sup>463</sup> Statement of Douglas John Campbell at [58] and [59].

### Home loans – conclusion

- 7.51 For the reasons set out above, ANZ submits that the proposed acquisition will not substantially lessen competition in the supply of home loans in Australia. In summary, this is because:
- a. the market for home loans is not concentrated and the proposed acquisition would result in a de minimis increase in concentration;
  - b. the home loans market is intensely competitive and will remain so post-acquisition;
  - c. Suncorp Bank is no more vigorous or effective than other competitors;
  - d. Suncorp Bank is not a particularly close competitor to ANZ; and
  - e. effective entry and expansion will competitively constrain the combined business.
- 7.52 With or without the proposed acquisition, borrowers will be able to choose from a very large number of lenders competing to secure their business.

### NO SUBSTANTIAL LESSENING OF COMPETITION IN THE SUPPLY OF DEPOSIT PRODUCTS TO RETAIL CUSTOMERS

- 7.53 ANZ submits that the proposed acquisition will not substantially lessen competition in the supply of retail deposit products in Australia. This is because:
- the market for deposit product is not concentrated and the proposed acquisition will result in a *de minimis* increase in market concentration;
  - the deposits market is intensely competitive and will remain so post-acquisition;
  - Suncorp Bank does not drive price, innovation or product development in the supply of deposit products;
  - Suncorp Bank is not a particularly close competitor to ANZ; and
  - there is a credible prospect of effective entry and expansion which will competitively constrain the combined business.
- 7.54 ANZ relies on the statements of Yiken Yang in support of its submissions on this market, as well as the other information and data provided in this application. Yiken Yang's experience and qualifications is addressed at paragraph 6.38.

**The market for deposit products is not concentrated and the proposed acquisition will result in a *de minimis* increase in market concentration**

- 7.55 Table 14: National deposit market share sets out national market shares for retail deposit products as at 2012, 2017, 2020, 2021 and September 2022, based on monthly statistics published by APRA.
- 7.56 The market shares for deposits include both transaction accounts and other term/deposit products supplied to retail customers. Neither ANZ nor Suncorp Bank has access to separate market share data for transaction accounts, but they expect that the shares of supply for transaction accounts would be similar to the broader market shares for all deposit products.

Table 14: National deposit market share

INSTITUTION	2012	2017	2020	2021	2022 <sup>464</sup>
ANZ	13.85%	13.48%	12.64%	12.50%	12.07%
SUNCORP BANK	2.78%	2.30%	2.54%	2.51%	2.47%
COMBINED BUSINESS	16.64%	15.78%	15.17%	15.01%	14.53%
CBA	29.09%	28.45%	27.19%	27.57%	27.23%

<sup>464</sup> As at 31 July 2022.

INSTITUTION	2012	2017	2020	2021	2022 <sup>464</sup>
WESTPAC	23.14%	23.42%	20.90%	20.62%	20.16%
NAB	14.79%	14.25%	13.40%	13.29%	13.82%
MACQUARIE BANK	1.31%	0.83%	1.91%	2.42%	3.46%
BENDIGO AND ADELAIDE	3.48%	2.98%	3.07%	3.15%	3.16%
ING	3.27%	3.28%	3.64%	3.45%	3.45%
BOQ	2.87%	2.19%	1.50%	1.58%	2.44%
HSBC	0.91%	0.97%	1.20%	1.11%	1.14%
AMP	0.33%	0.30%	0.43%	0.52%	0.70%
ME BANK	0.36%	0.78%	0.88%	0.80%	0.00%
HERITAGE BANK	0.58%	0.57%	0.61%	0.60%	0.57%
TEACHERS MUTUAL	0.54%	0.61%	0.63%	0.66%	0.61%
CITIBANK	0.58%	0.64%	0.51%	0.49%	0.00%
OTHERS	1.50%	4.49%	8.46%	8.35%	8.32%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

7.57 The table shows that:

- a. The market for deposits is not concentrated. The HHI is well under the ACCC's indicative threshold, with a post-merger HHI of 1,601 and a minimal delta of 60.
- b. The aggregation and change in market positions that would arise from ANZ acquiring Suncorp Bank's 2.47% share is minimal. In relation to market positions, the share held by the combined business (14.53%) would continue to trail, by significant margins, CBA (27.23%) and Westpac (20.16%), and would only be marginally more than NAB's share (13.82%);
- c. Suncorp Bank's market share has been relatively static and is reasonably indicative of its competitive position. Suncorp Bank's static market share can be contrasted with the growth in Macquarie Bank's market share.

**The deposits market is intensely competitive and will remain so post acquisition**

7.58 The deposits market is intensely competitive and this will not change following the proposed acquisition.

### *Customers have significant choice*

- 7.59 Customers can choose from a large number of deposit product providers which compete intensely to win and retain customers. As set out in paragraph 5.10, there are 80 ADIs in Australia the majority of which offer retail deposit products.<sup>465</sup>
- 7.60 The suppliers of deposit products include:
- a. **CBA**, the clear market leader, with a strong brand, presence, and a technology and product proposition which is attractive to consumers;
  - b. **NAB**, a strong competitor that has made differentiated product offerings from time to time (for example, its platinum deposit product). Its sub-brand, ubank, is also active in competing for deposit customers;
  - c. **Westpac**, a significant competitor that is competing more aggressively in certain segments to attract deposits. For example, Westpac offers a high interest savings account targeting under 30s. Analysis by RFI suggests that this has been effective, with Westpac's share of this customer segment steadily increasing since the product was announced in July 2020 from around 11% of that customer segment to about 18% by November 2021. This campaign also led to Westpac increasing its share of MFI among under 30s, increasing from 9% to about 14% over the same period;<sup>466</sup>
  - d. **Macquarie Bank**, a strong competitor which has achieved significant growth in deposits by offering a fast digital account opening experience and competitive interest rates. Macquarie Bank also has a lower cost to serve, including because it has a very limited branch network (only 3 branches in Australia). Deposits are also likely to be an important part of Macquarie Bank's funding to support the successful expansion of its home loans business;
  - e. **ING**, a significant competitor in deposits, with a lower cost to serve which appeals to consumers who are comfortable using a primarily digital bank. Due to its lower cost to serve, ING can use price to support its overall deposit product proposition;
  - f. **regional banks**, such as Bendigo and Adelaide Bank, Suncorp Bank and Bank of Queensland;

<sup>465</sup> Australian Prudential Regulation Authority (APRA), *Monthly Authorised Deposit-taking Institution Statistics* (30 November 2022) <https://www.apra.gov.au/monthly-authorised-deposit-taking-institution-statistics>. Note: This list excludes Extended Licensed Entities; any other entity not consolidated at Level 1 (for example, related parties such as subsidiaries, special purpose vehicles or parent entities); and overseas-based entities (for example, overseas-based branches and offshore banking units).

<sup>466</sup> RFI, Australian Savings and Deposits Council (Transactions) (March 2022) at p 14 and 15 (**Annexure 95**).

- g. **credit unions / building societies**, such as Police Credit Union, and Teachers Mutual Bank offer deposit products and appeal to customers who want to deal with a credit union or building society instead of a bank;
- h. **international banks**, such as HSBC and Bank of China, offer deposit products; and
- i. **neobanks and fintechs**, which are also an emerging source of competition. While these competitors appear to have been more active in lending rather than deposits, they are a competitor set that ANZ considers and assesses from time to time.

7.61 Following the proposed acquisition, customers will continue to be able to choose from a large number of ADIs who typically offer a suite of deposit products to ensure they have an attractive offering to customers.<sup>467</sup> Customers can engage with those ADIs through a range of channels, including online, by telephone and in person.

7.62 ANZ recognises there will be some customers who value the ability to conduct in-person transactions, including at branches and ATMs, notwithstanding the fact that since early 2020, deposit products have been primarily originated through digital channels.<sup>468</sup> In 2022, 74% of Suncorp Bank's new at-call accounts were originated through digital channel. As shown by the analysis at paragraphs 5.78 to 5.93, even in regional and rural areas, the proposed acquisition will not result in customers having access to fewer than four bank branches (including at least two major banks) in any location, and there will continue to be an extensive ATM network.

7.63 In addition, Bank@Post provides access to banking services from participating banks, including in the areas and regions served by ANZ and Suncorp Bank, which gives customers of those banks an ongoing competitive alternative to the merged firm and facilitates customers who value the ability to conduct in-person transactions choosing a bank that does not have a branch that is local to them.

#### *Switching is common*

7.64 Customers can and do exercise choice by switching financial institutions, and can do so easily.<sup>469</sup> Roy Morgan research into the source of new MFI customers for the 12 month period to June 2022 showed that approximately 56% of new MFI customers were switchers. This was a 43% increase compared to before the COVID pandemic (that is, April-March 2020 compared to May 2021-June

<sup>467</sup> Statement of Yiken Yang at [16].

<sup>468</sup> Statement of Yiken Yang at [24], [25] and [Confidential Figures 1 & 2].

<sup>469</sup> Statement of Yiken Yang at [19].



2022).<sup>470</sup> In other words, over half of customers choosing an MFI were switching from another Australian bank. To put this into context, Roy Morgan estimates that 685,000 of 1,225,000 new MFI customers had switched from another Australian bank (that is, customers who had a bank account with another Australian bank for at least 12 months).

7.65 Roy Morgan research also shows that since the pandemic, the percentage of customers who have switched transaction accounts in the last 12 months has been increasing.

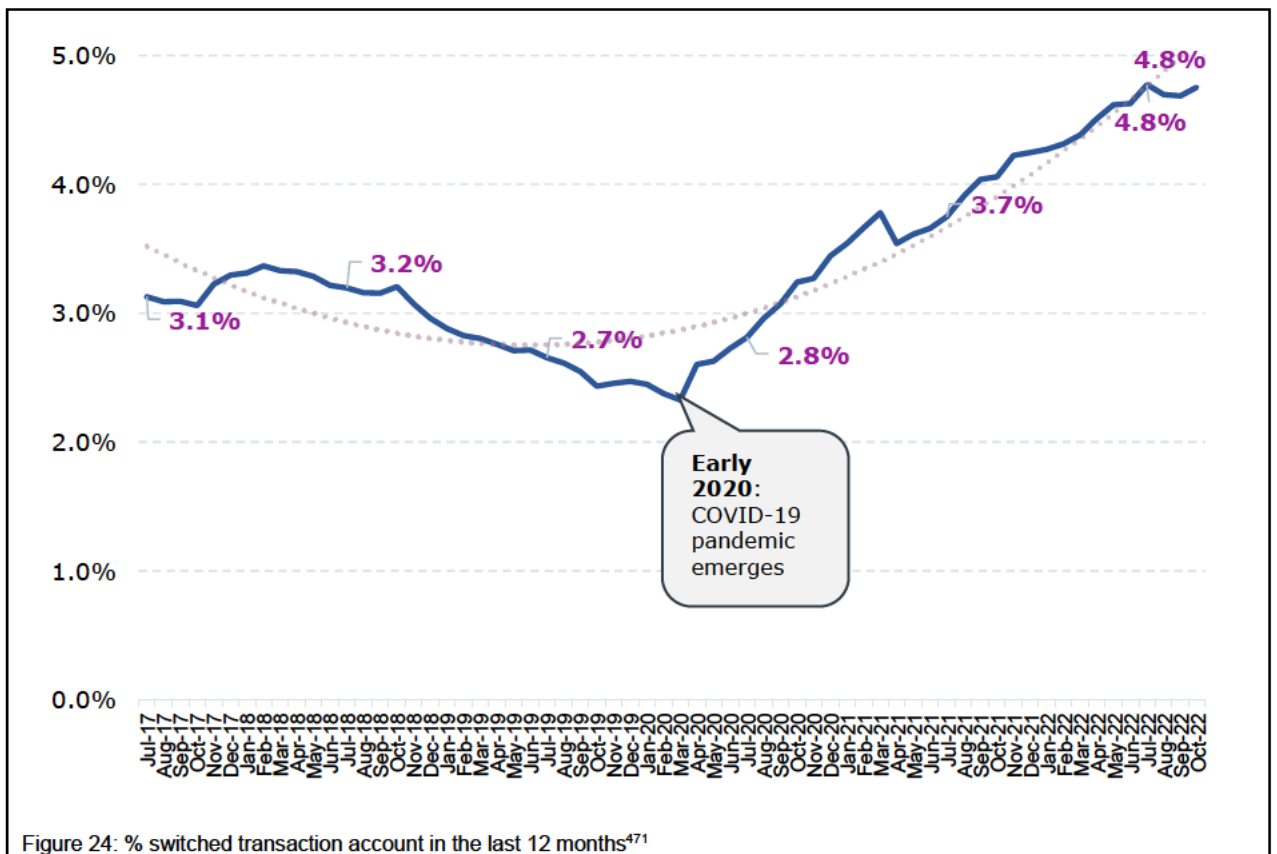


Figure 24: % switched transaction account in the last 12 months<sup>471</sup>

*Multi-banking is common*

7.66 Customers need not obtain all of their deposit products from a single bank. It is common for customers to have more than one deposit product, and deposit products from more than one ADI.<sup>472</sup> As explained in paragraphs 5.38 and 5.39, many customers multi-bank, making use of products from multiple banks to meet their needs.

<sup>470</sup> Roy Morgan, *Sources of New MFIs – latest trend update (June '22 quarter) (Annexure 14)*.

<sup>471</sup> Roy Morgan, Data shows % of population over 18 that indicated that they had switched transaction accounts in the last 12 months on a rolling basis.

<sup>472</sup> Statement of Yiken Yang at [18].





7.72 While Suncorp Bank does have sound NPS scores, it is not recognised as a leader in NPS scores. Figure 25: Brand NPS Scores – Retail customers is a summary of ANZ’s NPS data for each month from July 2018 to July 2022, ranked by the NPS for July 2022. The NPS for each month is a 6 month rolling average.

7.73 The NPS data indicates that ING and Bendigo Bank have the highest NPS, and are significantly ahead of the next group of banks, which includes Suncorp Bank (behind BOQ, BankWest and St George).

7.74 **Confidential Annexure 32** contains the latest retail NPS data for ANZ, which is benchmarked against a range of competitors.

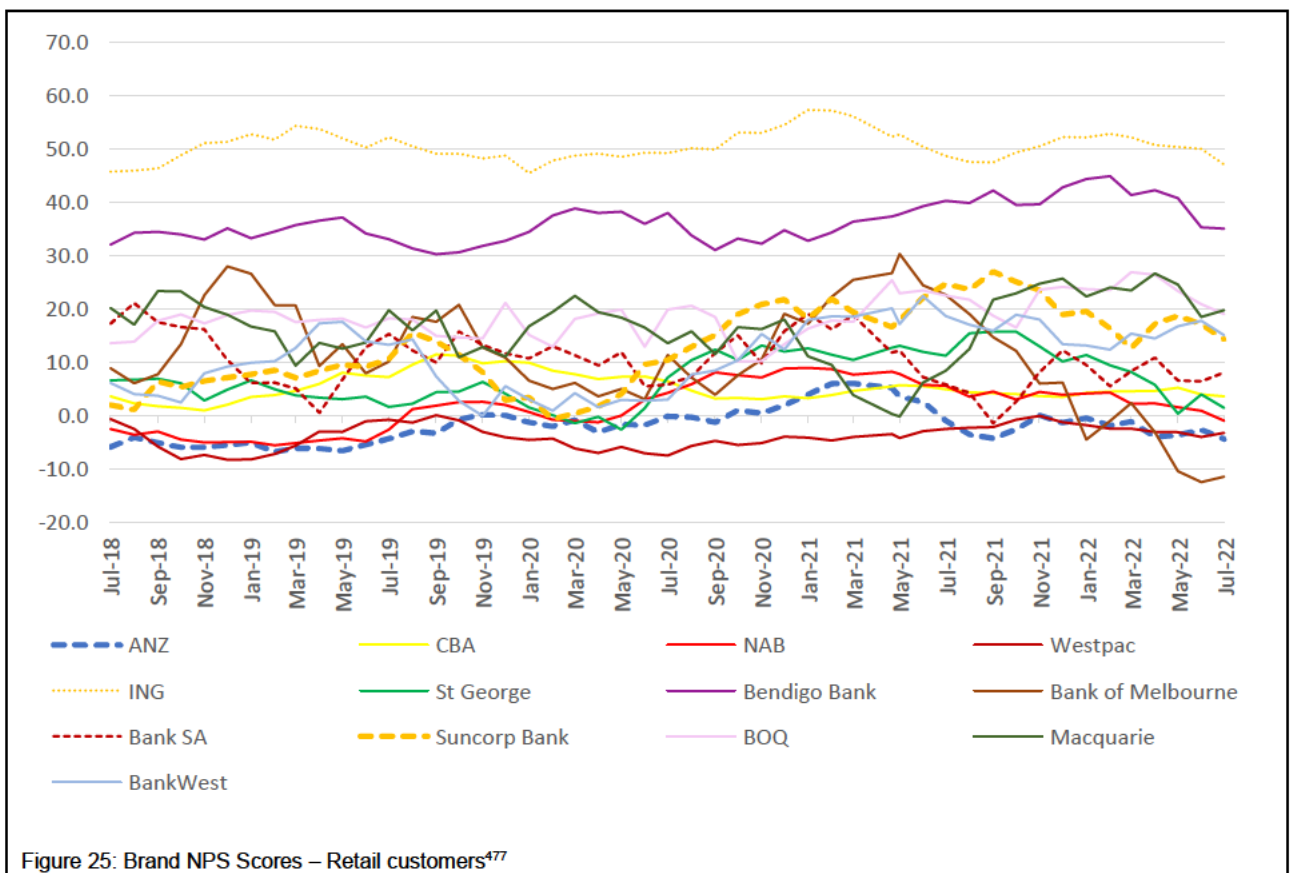


Figure 25: Brand NPS Scores – Retail customers<sup>477</sup>

*Market position is also reflected in MFI data*

7.75 ANZ also commissions Roy Morgan to ask customers to identify their MFI when calculating NPS (also set out in **Confidential Annexure 32**). Figure 26: MFI Share shows the MFI for ANZ, Suncorp Bank and a selection of competing banks. The analysis shows CBA is a clear market leader. The other majors (Westpac,

<sup>477</sup> Roy Morgan (Confidential Annexure 32).

ANZ, NAB) have a much smaller share of MFIs, followed by other banks, which is broadly reflective of their market position.

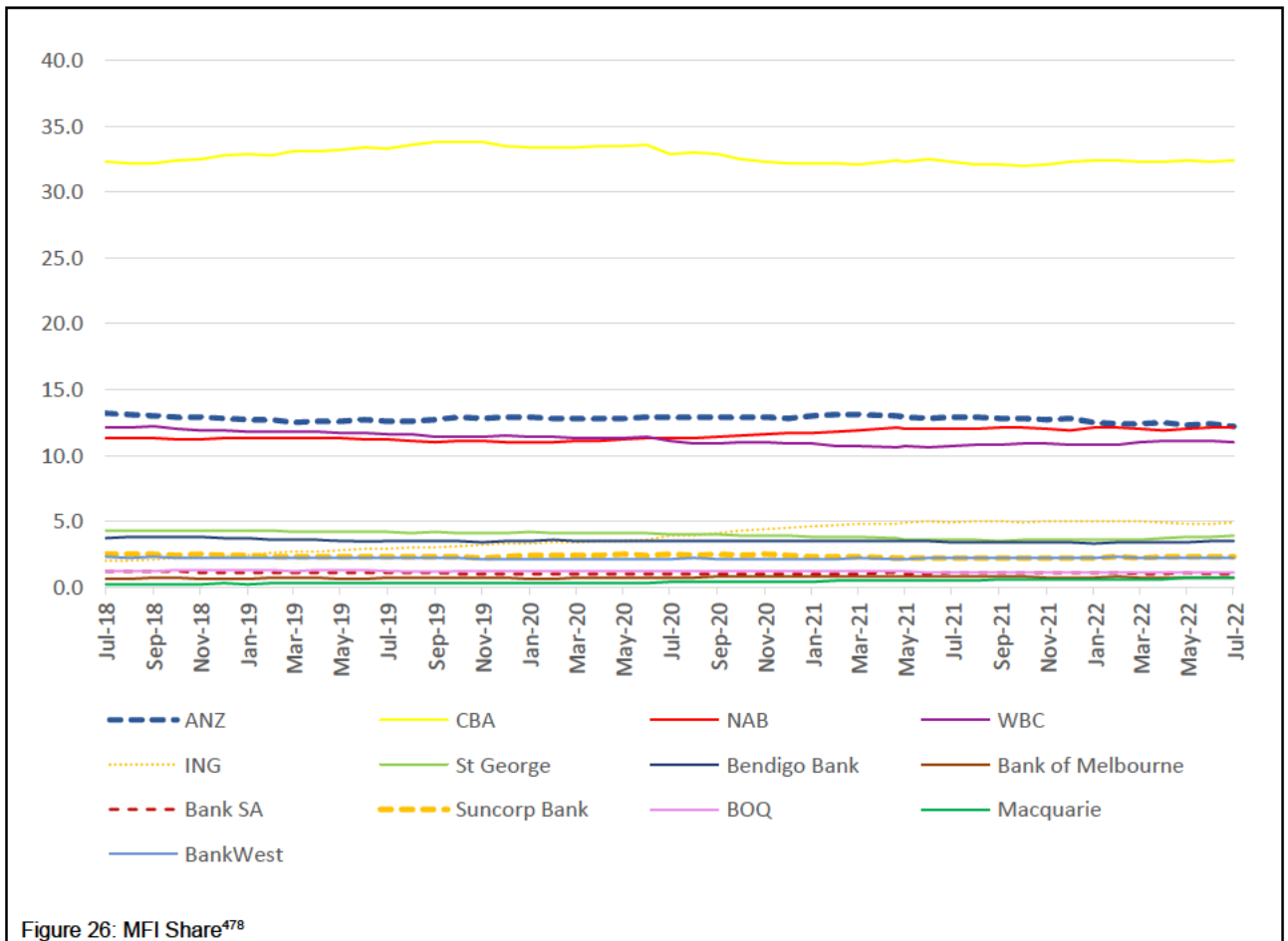


Figure 26: MFI Share<sup>478</sup>

**Suncorp Bank is not a particularly close competitor of ANZ**

7.76 Suncorp Bank is not a particularly close competitor of ANZ. Suncorp Bank is one of many banks that ANZ monitors from time to time but, Suncorp Bank’s deposits offering has not been particularly compelling nor influential in ANZ’s strategy or decisions relating to deposit products.<sup>479</sup> The proposed acquisition will not result in a material reduction of rivalry in the market or competitive pressure on ANZ.

**Entry and expansion, and the threat of entry and expansion, will further competitively constrain the combined business**

7.77 In order to accept deposits from retail customers, a financial institution must be licensed by APRA as an ADI. Notwithstanding this requirement, there has been substantial new entry of ADIs in Australia in recent years, as discussed at paragraph 5.10.

<sup>478</sup> Roy Morgan (Confidential Annexure 32).

<sup>479</sup> Statement of Yiken Yang at [41].

- 7.78 Since the regulatory reforms in 2018 (described at paragraph 5.68), at least seven neobanks have commenced operations in Australia.<sup>480</sup> A number of these neobanks have offered, or are proposing to offer, deposit products to retail banking customers, as discussed in paragraph 5.62. In addition, Islamic Bank Australia obtained a licence in July 2022<sup>481</sup> and Revolut Payments Australia Pty Limited, a financial technology company which offers banking services, has reportedly been in discussions with APRA to obtain an ADI licence.<sup>482</sup>
- 7.79 Yiken Yang expects new entry and expansion by ADIs providing deposit products to continue and that innovations in payment methods will create opportunities for new entrants.<sup>483</sup> Consequently, providers of deposit products, particularly transaction accounts, are subject to competitive pressure not only from other ADIs, but also from new entrants offering alternative payment services, which requires providers of transaction accounts to ensure they have payment features that meet consumer demand. As the ACCC found in its determination to authorise the amalgamation of BPAY, eftpos and NPP,<sup>484</sup> the payments industry is experiencing rapid change as large technology companies like Google, Apple and Samsung offer mobile payment and digital wallet services<sup>485</sup> through their respective Google Pay, Apple Pay and Samsung Pay products, and are likely to expand their offerings in the future.
- 7.80 In addition to new entry, there will be further opportunity for existing players to expand and win more deposits business. Both ING and Macquarie Bank have demonstrated that banks can be successful in growing market shares in deposits. ING has grown to have the fifth largest market share, and continues to have strong NPS results as shown in Figure 25: Brand NPS Scores – Retail customers. Macquarie Bank has grown very quickly, particularly since 2018 when it had

<sup>480</sup> Canstar, *Neobanks: what are they and what are your options?* (17 September 2021) <https://www.canstar.com.au/savings-accounts/neobanks/> (Refers to Alex, BNK, Up, Volt, Revolut, Hay, Judo and Tyro).

<sup>481</sup> APRA, *Authority to carry on banking business for a limited time 2022 – IBA Group Ptd Ltd* (5 July 2022) <https://www.apra.gov.au/sites/default/files/2022-07/IBA%20Group%20Pty%20Ltd-%20Banking%20Authority%20Statutory%20Instrument.pdf> (Annexure 91); Federal Register of Legislation, *Notice of name change of ADI 2022 – Islamic Bank Australia Pty Ltd* <https://www.legislation.gov.au/Details/C2022G00841>

<sup>482</sup> APRA, *Letter from Revolut Payments Australia Pty Ltd to APRA* (23 April 2021) <https://www.apra.gov.au/sites/default/files/2021-08/Submission%20Revolut%20Payments%20Australia%20Pty%20Ltd.pdf> (Annexure 92). Note: Page 1 of the letter states that Revolut Payments Australia Pty Limited "is not a bank in Australia but has been in discussions with APRA and notified its intention to lodge an ADI application".

<sup>483</sup> Statement of Yiken Yang at [39].

<sup>484</sup> ACCC, *Determination – Application for merger authorisation in respect of proposed amalgamation of BPAY, eftpos and NPPA* (9 September 2021) at paragraphs 7.159 and 7.313 <https://www.accc.gov.au/public-registers/mergers-registers/merger-authorisations-register/proposed-amalgamation-of-bpay-eftpos-and-nppa>

<sup>485</sup> Digital wallets enable consumers to store a digital representation of their debit and/or credit cards in their smartphone or other devices (such as a smart watch), which can then be used to make contactless payments at the point of sale and in some cases online payments.

0.98% household deposit market share compared with 3.46% market share now.<sup>486</sup>

**Conclusion: no substantial lessening of competition in deposit products**

7.81 ANZ submits the proposed acquisition would not substantially lessen competition in the deposits market. This is because, in summary:

- a. the market for deposit products is not concentrated and the proposed acquisition will result in a *de minimis* increase in market concentration;
- b. the deposits market is intensely competitive and will remain so post-acquisition;
- c. Suncorp Bank does not drive price, innovation or product development in the supply of deposit products and is not a particularly close competitor to ANZ; and
- d. entry and expansion, and the threat of entry and expansion, will further competitively constrain the combined business.

<sup>486</sup> APRA Market Share Data (**Annexure 30.1**).

**NO SUBSTANTIAL LESSENING OF COMPETITION IN THE SUPPLY OF CREDIT CARDS TO RETAIL CUSTOMERS**

- 7.82 ANZ submits that the proposed acquisition will not substantially lessen competition in the supply of credit cards in Australia. This is because:
- a. the retail credit card market is highly competitive, with a range of suppliers offering highly-substitutable and readily available products to retail (and business) customers, such as BNPL products;
  - b. Suncorp Bank is not a supplier of credit cards, and so the proposed acquisition would not automatically result in ANZ acquiring the white labelled credit card customers; and
  - c. even adopting the most conservative potential scenario, where Suncorp Bank stops distributing a white labelled credit card issued by NAB and all of Suncorp Bank's customers migrate to an ANZ credit card (ie there is no attrition), the proposed acquisition will result in a de minimis increase in concentration and the issuer will have an incentive to try and win those Suncorp Bank customers.

7.83 ANZ relies on the data, information and analysis below to support this conclusion.

**How will the proposed acquisition affect the Citigroup white label agreement?**

7.84 As discussed in paragraph 6.65, in the immediate term, Suncorp Bank will continue to distribute white label credit cards if the proposed acquisition is completed. If the white label arrangement continues, then the price and terms of the credit cards issued by NAB and distributed by Suncorp Bank will be set by **[Confidential to ANZ]** Suncorp Bank customers with existing Suncorp branded credit cards will be entitled to keep them as long as NAB continues to issue them, and they (as with other customers) will also remain able to obtain credit cards from a wide range of other issuers and distributors of credit cards in the market.

7.85 **[Confidential to ANZ]**

[Redacted text block]

487

### The credit card market is highly competitive

- 7.86 Competition in the supply of credit cards to retail customers is vigorous. There are a large number of credit card providers (as demonstrated by the market share information below), and competitors compete on pricing, features, and rewards programs.<sup>488</sup>
- 7.87 The ACCC acknowledged in its recent review of NAB/Citibank that NAB would hold a dominant position in white label credit cards but concluded NAB would be unlikely to have the incentive to engage in a foreclosure strategy given the threat posed by white label partners' ability to invest in their own card issuing platforms.<sup>489</sup>
- 7.88 Further, NAB would not have any incentive to stop competing with ANZ in the retail supply of credit cards.

### Even if ANZ acquired the credit card portfolio without any customer attrition, the increase in concentration would be *de minimis*

- 7.89 ANZ's estimate of national market shares for retail credit cards is set out in Table 15: National credit card market shares below, which presents market shares based on FUM – that is, based on who issues the credit card and supplies the underlying funding, rather than who distributes the card. ANZ does not have market share data for credit cards which separates out the shares of white label partners from these "direct" shares. The table also sets out the size of the market as at May 2020, 2021 and 2022 and individual providers' growth compared with overall system growth from May 2020 to 2021, and 2021 to 2022.
- 7.90 Further, the APRA data for September 2022 indicates that ANZ's market share is 17.61% and trails CBA (28.67%), NAB (25.28%) and Westpac (21.41%). This market share is overstated because APRA's data does not include entities that do not report to APRA, such as non-ADI providers.
- 7.91 In both the table below, and the APRA data, the market share for NAB & Citibank includes the Suncorp Bank credit cards distributed by Suncorp Bank.

<sup>487</sup> As the ACCC would be aware from its recent review in NAB/Citigroup, Citi credit cards are distributed via a number of white label partners.

<sup>488</sup> Statement of Guy Mendelson at [48] to [50].

<sup>489</sup> ACCC Informal Merger Register, *National Australia Bank Limited - Citigroup Pty Limited's Australian consumer business (Citigroup Consumer Business)* <https://www.accc.gov.au/public-registers/mergers-registers/public-informal-merger-reviews/national-australia-bank-limited-citigroup-pty-limited%E2%80%99s-australian-consumer-business-citigroup-consumer-business>



7.92 Consequently, even if the white labelling arrangement with NAB is terminated, and Suncorp Bank credit card customers migrate to ANZ, the impact on the market would be de minimis.

Table 15: National credit card market shares (based on issuers)<sup>460</sup>

	MAY-20	MAY-21	MAY-22	FUM GROWTH RATE VS SYSTEM (MAY-20 TO MAY- 21)	FUM GROWTH RATE VS SYSTEM (MAY-21 TO MAY-22)
CBA	23.16%	24.15%	24.55%	2.9x	1.5x
NAB & CITIBANK	22.60%	22.03%	21.79%	(1.4x)	(1.2x)
WESTPAC	19.85%	19.30%	18.88%	(1.4x)	(1.5x)
ANZ	15.70%	16.01%	15.55%	1.4x	(1.6x)
HSBC	1.93%	1.75%	1.61%	(2.4x)	(2.7x)
MACQUARIE BANK	1.31%	1.36%	1.32%	2.9x	(1.7x)
NON-ADI PROVIDERS	12.56%	12.27%	13.05%	(1.4x)	1.3x
OTHER (ADI) PROVIDERS	2.88%	3.13%	3.25%	1.3x	5.8x
<b>Estimated size of market</b>					
YEAR	<b>May 2020</b>	<b>May 2021</b>	<b>May 2022</b>		
\$(B)	36	34	32		

#### BNPL is a further competitive constraint on credit cards

7.93 In addition, BNPL products provide a competitive constraint in the already vigorous retail credit card market. As discussed in paragraph 6.70, BNPL products allow customers to buy products without an up-front payment, instead paying through instalments, thereby offering an alternative to buying products using a credit card.

#### No increased risk of coordinated conduct

7.94 The proposed acquisition will not create an increased risk of coordinated conduct in relation to the supply of credit cards to retail customers for the reasons outlined at paragraph 7.22 below.

<sup>460</sup> ANZ analysis of APRA and RBA data.

## Conclusion

- 7.95 For the reasons set out above, ANZ submits that the proposed acquisition will not substantially lessen competition in the supply of credit cards to retail customers in Australia. In summary, this is because:
- a. ANZ will continue to be constrained by competition from other credit card suppliers, and decisions about the pricing and terms of the Suncorp Bank credit card portfolio will continue to be made by NAB independently from decisions about ANZ's credit card portfolio unless and until the white label arrangement is terminated; and
  - b. even in the event that ANZ acquired the Suncorp Bank credit card portfolio from NAB, the proposed acquisition would not result in any material change in the wide range of credit cards, and credit card providers, that Suncorp Bank and other customers will be able to choose from. Further, in that scenario, NAB would have an incentive to compete to win those Suncorp Customers back.

## NO SUBSTANTIAL LESSENING OF COMPETITION IN THE SUPPLY OF COMMERCIAL BANKING PRODUCTS

- 7.97 ANZ submits that the proposed acquisition will not substantially lessen competition in the supply of commercial banking products to business customers in Australia. This is because:
- a. the commercial banking products market is not concentrated and the proposed acquisition will not materially increase concentration;
  - b. the commercial banking products market is intensely competitive and will remain so after the acquisition;
  - c. ANZ and Suncorp Bank are not particularly close competitors in the supply of commercial banking products;
  - d. **[Confidential to Suncorp]** [REDACTED]; and
  - e. the combined business will be competitively constrained by new entry and expansion.
- 7.98 This section primarily focuses on the supply of commercial banking products to business customers generally. The supply of commercial banking products to agribusiness customers, a segment of business customers, represents approximately **[Confidential to Suncorp]** [REDACTED] Suncorp Bank's business banking portfolio,<sup>491</sup> is specifically addressed in the next section.
- 7.99 ANZ relies on the statements of Isaac Rankin, Guy Mendelson and Mark Bennett in support of its submission in this section together with the information, data and analysis set out below. The experience and qualifications of Issac Rankin and Guy Mendelson are described at paragraphs 6.88 and 6.39, respectively.
- 7.100 Mark Bennett is the Head of Agribusiness with responsibility for ANZ's dealing with business customers who operate in agribusiness. Mark Bennett has over 30 years' experience in agribusiness banking, primarily with ANZ and Rabobank.
- 7.101 ANZ also relies on the statement of Clive van Horen. Clive van Horen's experience is set out at paragraph 6.90.

### **The commercial banking products market is not concentrated and the proposed acquisition will not materially increase concentration**

- 7.102 The market for the supply of commercial banking products is not concentrated and the proposed acquisition will not result in a material increase in concentration.

<sup>491</sup> Statement of Clive van Horen at [89].

7.103 ANZ does not have access to comprehensive market share data for business customers. However, ANZ and Suncorp Bank provide information to the RBA and ABA, and the RBA publishes industry data on lending to businesses that the RBA classifies as:

- a. small if the reporting entity has exposure to the business of less than \$1 million and the business has turnover of less than \$50 million;
- b. medium if the reporting entity has exposure to the business of \$1 million or more and the business has turnover less than \$50 million; and
- c. large if it has a turnover of \$50 million or more. 'Exposure' refers to all liabilities that a borrower has owing to the reporting entity.

7.104 Comparing the industry data for small and medium businesses against ANZ's and Suncorp Bank's submissions to the RBA and ABS, ANZ's and Suncorp Bank's market share has marginally declined since October 2019 to [Confidential to ANZ] [REDACTED] and [Confidential to ANZ] [REDACTED] respectively. This is shown in Table 16.

Table 16: ANZ and Suncorp Bank share of small and medium business lending (\$b)<sup>492</sup>

	INDUSTRY VALUE	ANZ VALUE	ANZ %	SUNCORP BANK VALUE	SUNCORP BANK %
Oct-19	\$423.47				
Nov-19	\$429.47				
Dec-19	\$425.95				
Jan-20	\$423.97				
Feb-20	\$423.84				
Mar-20	\$425.33				
Apr-20	\$426.22				
May-20	\$428.60				
Jun-20	\$432.50				
Jul-20	\$426.92				
Aug-20	\$425.03				
Sep-20	\$424.39				
Oct-20	\$425.48				
Nov-20	\$422.69				
Dec-20	\$420.65				

<sup>492</sup> ANZ's and Suncorp Bank's submissions to the RBA and RBA's Statistical Tables, D14, Lending to Business: Business Finance Outstanding by Business Size & Industry. ANZ reports at the end of the month, and Suncorp Bank reports as at the beginning of the month, so there are marginal differences in the data.

	INDUSTRY VALUE	ANZ VALUE	ANZ %	SUNCORP BANK VALUE	SUNCORP BANK %
Jan-21	\$419.44				
Feb-21	\$421.17				
Mar-21	\$421.34				
Apr-21	\$422.29				
May-21	\$422.78				
Jun-21	\$431.53				
Jul-21	\$429.52				
Aug-21	\$430.38				
Sep-21	\$433.66				
Oct-21	\$435.17				
Nov-21	\$436.43				
Dec-21	\$435.47				
Jan-22	\$439.28				
Feb-22	\$440.84				
Mar-22	\$444.56				
Apr-22	\$450.31				
May-22	\$452.70				
Jun-22	\$460.62				
Jul-22	\$461.57				
Aug-22	\$467.85				
Sep-22	\$470.32				

[Figures in Table 15 are confidential to ANZ and Suncorp]

7.105 The published RBA data does not provide information about other competitors (but the RBA has data for other providers whose data are included in the industry figures). However, NAB has published its market share against RBA data, which indicates it had 27.3% as at August 2022.<sup>493</sup>

7.106 [Confidential to a third party] [REDACTED]

<sup>493</sup> NAB, *Full Year Results 2022: Investor Presentation* (9 November 2022) at p 46 <https://www.nab.com.au/content/dam/nab/documents/reports/corporate/2022-full-year-investor-presentation.pdf> (Annexure 78).

[REDACTED]

7.107 **[Confidential to a third party]** [REDACTED]

[REDACTED]

**[Figures in Tables 17, 18 and 19 are confidential to a third party]**

Table 17: National shares of commercial deposits and lending (DBM survey data)<sup>494</sup>

	OCT-12	OCT-17	OCT-20	OCT-21	OCT-22
ANZ (including Landmark <sup>495</sup> )					
Suncorp					
Combined business					
Commonwealth Bank					
NAB					
Westpac					
St George					
Bankwest					
Bendigo					
Rabobank					
Citibank					
HSBC					
Macquarie Bank					
Bank of Queensland					
Adelaide Bank					
ING					
AMP					
Bank SA					

<sup>494</sup> Base: Business Bank data sourced from DBM Business Atlas, 12 months to Oct'22, weighted to reflect the Australian Business Population. Base: Business Bank data sourced from DBM Business Atlas, 12 months moving average, weighted to reflect the Australian Business Population. Commercial Banking Deposit and Lending customers; Oct'12 n=18,036, Oct'17 n=18,378, Oct'20 n=17,897, Oct'21 n=17,304, Oct'22 n=15,484

<sup>495</sup> ANZ acquired Landmark in 2009.

	OCT-12	OCT-17	OCT-20	OCT-21	OCT-22
Rural Bank					
ME Bank					
Bank of Melbourne					
Net: Credit Unions and Building Societies					
Others					

Table 18: National shares of commercial lending (DBM survey data)<sup>496</sup>

	OCT-12	OCT-17	OCT-20	OCT-21	OCT-22
ANZ (including Landmark <sup>497</sup> )					
Suncorp Bank					
Combined firm					
Commonwealth Bank					
NAB					
Westpac					
St George					
Bendigo					
Bankwest					
Rabobank					
Citibank					
HSBC					
Macquarie Bank					
Bank of Queensland					
Adelaide Bank					
ING					
AMP					
Bank SA					
Rural Bank					
ME Bank					
Bank of Melbourne					
Net: Credit Unions and Building Societies					

<sup>496</sup> Base: Business Bank data sourced from DBM Business Atlas, 12 months moving average, weighted to reflect the Australian Business Population. Commercial Banking Lending customers; Oct'12 n=14,713, Oct'17 n=14,660, Oct'20 n=13,691, Oct'21 n=13,169, Oct'22 n=11,732

<sup>497</sup> ANZ acquired Landmark in 2009.

Others	
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Table 19: National shares of commercial deposits<sup>498</sup>

	OCT-12	OCT-17	OCT-20	OCT-21	OCT-22
ANZ (including Landmark <sup>499</sup> )					
Suncorp Bank					
Combined firm					
Commonwealth Bank					
NAB					
Westpac					
St George					
Bendigo					
Bankwest					
Rabobank					
Citibank					
HSBC					
Macquarie Bank					
Bank of Queensland					
Adelaide Bank					
ING					
AMP					
Bank SA					
Rural Bank					
ME Bank					
Bank of Melbourne					
Net: Credit Unions and Building Societies					
Others					

7.108 The DBM data suggests that ANZ has a higher market share than RBA data. In addition, NAB's published results suggests that the DBM data materially

<sup>498</sup> Base: Business Bank data sourced from DBM Business Atlas, 12 months moving average, weighted to reflect the Australian Business Population. Commercial Banking Deposit customers; Oct'12 n=17,671, Oct'17 n=18,168, Oct'20 n=17,732, Oct'21 n=17,147, Oct'22 n=15,362.

<sup>499</sup> ANZ acquired Landmark in 2009.



underestimates its market share—NAB indicates it had 27.3% of SME lending as at August 2022.<sup>500</sup>

- 7.109 Nonetheless, even if the higher market share suggested by the DBM data is accepted, the DBM data shows that:
- a. The market for commercial banking products is not concentrated. The post-merger HHI for commercial lending and deposits is [REDACTED] and [REDACTED] respectively, well under the ACCC's indicative threshold for mergers that could raise competition concerns.
  - b. The change in concentration that would arise from the proposed acquisition is not material. The estimated HHI deltas of commercial lending and deposits are [REDACTED] and [REDACTED] respectively, well below the ACCC's indicative threshold.
  - c. The proposed acquisition would not significantly alter ANZ's market position. In relation to commercial deposits, the combined business would remain in fourth position with a share of [REDACTED], while [REDACTED], [REDACTED] and [REDACTED] would each have shares exceeding [REDACTED]. In relation to commercial lending, the combined business ([REDACTED]) would continue to trail [REDACTED] ([REDACTED]), [REDACTED] ([REDACTED]) and [REDACTED] ([REDACTED]).

**[Figures and names are confidential to a third party]**

- 7.110 Given Suncorp Bank's status as a bank with Queensland roots, ANZ has also prepared the following tables based on DBM data which contain ANZ's best estimates of the share of commercial lending and commercial deposits (including agribusiness) in Queensland. **[Confidential to a third party]** [REDACTED]

[REDACTED]

**[Figures in Tables 20 and 21 are confidential to a third party]**

<sup>500</sup> NAB, *Full Year Results 2022: Investor Presentation* (9 November 2022) at p 46 <https://www.nab.com.au/content/dam/nab/documents/reports/corporate/2022-full-year-investor-presentation.pdf> (Annexure 78).

Table 20: QLD shares of commercial lending (DBM survey data)<sup>501</sup>

	OCT-12	OCT-17	OCT-20	OCT-21	OCT-22
ANZ (including Landmark <sup>502</sup> )					
Suncorp Bank					
Combined firm					
Commonwealth Bank					
NAB					
Westpac					
St George					
Bendigo					
Bankwest					
Rabobank					
Citibank					
HSBC					
Macquarie Bank					
Bank of Queensland					
Adelaide Bank					
ING					
AMP					
Bank SA					
Rural Bank					
ME Bank					
Bank of Melbourne					
Net: Credit Unions and Building Societies					
Others					

<sup>501</sup> [Redacted]

<sup>502</sup> ANZ acquired Landmark in 2009.

Table 21: QLD shares of commercial deposits (DBM survey data)<sup>503</sup>

	OCT-12	OCT-17	OCT-20	OCT-21	OCT-22
ANZ (including Landmark <sup>504</sup> )					
Suncorp Bank					
Combined firm					
Commonwealth Bank					
NAB					
Westpac					
St George					
Bendigo					
Bankwest					
Rabobank					
Citibank					
HSBC					
Macquarie Bank					
Bank of Queensland					
Adelaide Bank					
ING					
AMP					
Bank SA					
Rural Bank					
ME Bank					
Bank of Melbourne					
Net: Credit Unions and Building Societies					
Others					

7.111 Even if the ACCC were inclined to consider a potential market or sub-market in Queensland (which ANZ submits would not reflect the geographic dimension of the market), any such market or sub-market would not exhibit high degrees of concentration.

<sup>503</sup>

<sup>504</sup> ANZ acquired Landmark in 2009.

- 7.112 The post-merger HHI for Queensland commercial deposits and lending is [REDACTED] and [REDACTED] respectively, compared with a pre-merger HHI of [REDACTED] and [REDACTED] (that is, the deltas for commercial deposits and lending are [REDACTED] and [REDACTED], respectively).

**[Figures are confidential to a third party]**

*ANZ and Suncorp Bank are not significant players in asset finance and the segment is not concentrated*

- 7.113 In *Westpac/St George*, the ACCC considered that "Equipment finance" was a separate product market. For reasons explained above, ANZ considers that the ACCC does not need to assess the proposed acquisition using such segmentation. However, to assist the ACCC's assessment, ANZ also provides estimated segment size and shares for the supply of equipment finance below (referred to here as asset finance).
- 7.114 The Asset Finance Institute of Australia has calculated that total net receivables in the 12 months to June 2022 for asset finance were \$982.1 billion.<sup>505</sup> About 75% of the net receivables were for chattel mortgages. The value of ANZ's asset finance book is about \$5 billion (May 2022) and Suncorp Bank's asset finance book is about \$290 million, meaning ANZ had a share of supply of 0.5% and Suncorp had a share of supply of 0.03%.
- 7.115 An alternative source of information is East & Partners which conducts an annual survey of the providers of asset finance using a structured sample of 1,297 businesses (**Annexure 26**). The 2021 survey asked customers to (relevantly) identify the institutions they used for asset finance products. The results are summarised in Table 22: Asset Finance share of supply - % of total.<sup>506</sup>
- 7.116 East & Partners' survey analysis indicates that ANZ had a share of supply of 5% and Suncorp Bank had a share of supply of less than 1% (**Annexure 26**).

Table 22: Asset Finance share of supply - % of total<sup>507</sup>

FINANCIER	2020	2021
NAB	17.0	16.8
CBA	14.8	15.3
Ex-GE <sup>508</sup>	13.7	13.2

<sup>505</sup> Data from Asset Finance Institute of Australia.

<sup>506</sup> East & Partners, *Australian Asset & Equipment Finance Markets: Market Analysis Report* (Round 15 – 2021) (**Annexure 26**).

<sup>507</sup> East & Partners, *Australian Asset & Equipment Finance Markets: Market Analysis Report* (Round 15 – 2021) (**Annexure 26**).

<sup>508</sup> This represents total of divested individual entities including Latitude, Wells Fargo, Element / Custom Fleet, Loxton and Other GE / N/A.

FINANCIER	2020	2021
Westpac	11.6	11.2
BOQ	9.8	9.9
House / Captured <sup>509</sup>	9.2	9.4
Other	4.9	5.8
<b>ANZ</b>	<b>4.8</b>	<b>5.0</b>
Macquarie Bank	3.6	3.8
St George	3.6	3.4
Esanda	2.6	2.2
Capital Finance	2.3	1.9
Maia Financial	1.8	1.8
Suncorp Bank	0.3	0.3
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>

*No relevant overlap in merchant acquiring services*

- 7.117 In *Westpac/St George*, the ACCC considered that merchant acquiring services were part of the SME banking market identified in that case but noted that some customers had suggested these services were being 'unbundled' from the broader cluster of banking products.
- 7.118 Regardless of whether merchant acquiring services are considered separately in this case, there is no relevant overlap between ANZ and Suncorp Bank in the supply of these services. As noted above, ANZ ceased providing merchant acquiring services in April 2022. ANZ refers customers to Worldline JV and has no ability to determine whether or not the Worldline JV accepts customers or what commercial terms it offers. **[Confidential to ANZ]** [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED] 510
- 7.119 ANZ also includes indicative shares of supply for this segment at Table 23: Shares for merchant acquiring services as at April 2022 based on RFI data. The

<sup>509</sup> This represents asset finance provided by the equipment manufacturer or supplier.

<sup>510</sup> Statement of Guy Mendelson at [60].

shares are based on the total value of transactions and are shown for offline / in-store payments and online payments.

Table 23: Shares for merchant acquiring services as at April 2022<sup>511</sup>

PROVIDER	OFFLINE / IN-STORE PAYMENT	ONLINE PAYMENT
Worldline JV	15%	12%
Suncorp Bank	2%	2% <sup>512</sup>
CBA	32%	27%
NAB	16%	14%
Westpac	11%	10%
Square	8%	6%
Tyro	2%	-
PayPal	-	10%
Others	14%	19%
Total	100%	100%

- 7.120 As evidenced by the shares above, even if Worldline JV was considered to be controlled or materially influenced by ANZ and the ACCC considered this to give rise to a relevant overlap (which would necessarily misconstrue ANZ's relationship with Worldline JV) the combined share of Worldline JV and Suncorp Bank would only be 14% and 17% for offline/in-store payments and online payment respectively, the increment would be de minimis (2%) and there would continue to be many other competitors supplying merchant acquiring services.

*Market share data does not reveal the significant churn faced by ANZ each year*

- 7.121 ANZ (like other banks and providers) faces significant churn each year, which means it needs to compete to win customers in order to maintain its position in the market. Table 24: Acquisition and attrition as a percentage of opening FUM shows the percentage of acquisition and attrition for term loan products for SBB, BB and SD customers for FY19 to FY22. It also shows the difference in acquisition and attrition between broker originated loans and other loans. While attrition between broker originated and other lending is similar, the data also show the relative importance of the broker channel to originating new loans.

<sup>511</sup> RFi Customer Research.

<sup>512</sup> Suncorp Bank estimates the market share to be 2.1%; Statement of Clive van Horen at [116] to [119].

Table 24: Acquisition and attrition as a percentage of opening FUM<sup>513</sup>

		ACQUISITION	ATTRITION
Broker	FY19		
	FY20		
	FY21		
	FY22		
Non broker	FY19		
	FY20		
	FY21		
	FY22		
Total	FY19		
	FY20		
	FY21		
	FY22		

**[Figures in Table 24 are confidential to ANZ]**

**The commercial banking products market is intensely competitive and will remain so after the proposed acquisition.**

- 7.122 As Isaac Rankin and Clive van Horen observe, competition to be a business customer's MFI and supply commercial banking products and services is vigorous.<sup>514</sup>
- 7.123 As referred to in paragraph 5.9, there are a wide variety of banks and other lenders competing to supply commercial banking products and services. Such competitors include:
- a. a large number of established banks that compete to provide a broad suite of services to business customers, such as NAB, Westpac, CBA, Bendigo and Adelaide Bank, BOQ and HSBC;
  - b. various other competitors that have low cost to serve by having limited or no physical points of presence, and simplified product offerings, and that rely on bankers to engage with customers at their premises or online, including Macquarie Bank, Rabobank (in agribusiness), and Judo Bank. Judo commenced offering commercial loans in 2019 and has since experienced rapid growth (as discussed at paragraph 5.62b) focussed on commercial banking; and

<sup>513</sup> IRIS Commercial. The products covered by this data are business loans, commercial bills and tailored commercial facilities. This comprises 87% of commercial lending, with asset finance, credit cards and overdraft being the remaining amount. Data is for SBB, BB and SD segments.

<sup>514</sup> Statement of Isaac Rankin at [92] and [93].

- c. bank and non-bank lenders that focus on particular products or services, such as asset finance (for example, Latitude, Wells Fargo, Element / Custom Fleet, and Capital Finance) and commercial property (for example, MaxCap and Wingate). Non-bank lenders are able to offer specific products without the costs associated with meeting regulatory requirements imposed on ADIs.<sup>515</sup>

7.124 By way of illustration, Table 25: Commercial banking products by competitor contains a comparison of commercial banking products offered by ANZ, Suncorp Bank, and other competitors and competitor-groups.

Table 25: Commercial banking products by competitor/competitor groupings<sup>516</sup>

COMPETITOR	DEPOSITS	WORKING CAPITAL	TERM DEBT	ASSET FINANCE	MERCHANT SERVICES	CREDIT CARDS
ANZ	✓	✓	✓	✓	X	✓
Suncorp Bank	✓	✓	✓	✓	✓	✓
CBA, Westpac, NAB	✓	✓	✓	✓	✓	✓
Regional banks	✓	✓	✓	✓	✓	✓
Macquarie Bank	✓	✓	✓	✓	✓	✓
Judo Bank	✓	✓	✓	✓	X	X
Rabobank	✓	✓	✓	✓	X	X
Neobanks	✓	✓	✓	✓	✓	✓
Specialist lenders	X	X	✓	✓	✓	✓
Foreign owned and other banks	✓	✓	✓	✓	✓	✓

7.125 Banks like ANZ and Suncorp Bank must compete to both offer a broad enough range of commercial banking products to satisfy the customer's core requirements, as well as compete with specialist or niche competitors who offer specific products or target specific customer groups.<sup>517</sup>

7.126 As one of many providers of commercial banking products, the removal of Suncorp Bank as a standalone competitor will not reduce competition to supply those products. Post-acquisition, competition will remain intense.

*Business customers can and do switch, and multi-bank*

7.127 Business customers, like retail customers, can and do multi-bank, choosing the products that suit their requirements and needs. While many providers seek to be

<sup>515</sup> Statements of Isaac Rankin at [92] and [93], and Guy Mendelson at [72(c)(i)].

<sup>516</sup> See schedule 4 for further information about this analysis. Green ticks indicate the competitor/all competitors in this category offer this product. Orange ticks indicate that some competitors in this category provide this product.

<sup>517</sup> Statement of Isaac Rankin at [86] and [93]. Statement of Guy Mendelson at [73] and [74].



a customer's MFI and win a large share of its banking requirements, if business customers are not satisfied with the service or prices offered by their existing supplier, they would be expected to switch some or all of their requirements to other institutions that better meet their needs.<sup>518</sup>

- 7.128 Survey research into small businesses by Cameron Research suggests that about 8% of small businesses change bank every two years, and that a further 21% have considered changing banks. When they do switch, it is not necessarily to another single bank, but sometimes to multiple banks.
- 7.129 In addition, Cameron Research found that 14% of small businesses have commenced dealing with another bank while continuing a relationship with their existing bank over the past 2 years. Cameron Research observes that multi-banking (which it calls "splicing") has been steadily trending up.<sup>519</sup> While switching can be an administrative burden, business customers can and do switch and multi-bank.

*Business customers have strong negotiating positions*

- 7.130 Many business customers seek to negotiate pricing and terms with their bank, either directly or with the assistance of a broker. Relationship managers at ANZ and Suncorp Bank, and their competitors, have the flexibility to negotiate with customers within specified frameworks.<sup>520</sup> They exercise the ability to bargain,

[Confidential to ANZ] [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]<sup>521</sup>

- 7.131 Brokers assist business customers with choice and play an increasingly important role in commercial banking, advising customers of alternative options and assisting with negotiating with commercial banking providers.<sup>522</sup> Brokers now account for, in the case of ANZ, over [REDACTED] of new lending for SBB and BB customers.<sup>523</sup> Similarly, Suncorp Bank's FY23-25 Business Plan (**Confidential Annexure 7** at page 5) forecasts that brokers will continue to play an important role in business lending as interest rates begin to rise.

<sup>518</sup> Statement of Isaac Rankin at [96] and [97].

<sup>519</sup> Cameron Research, *The Australian Small Business Market for Financial Services: 2022, Banks and the Small Business Market (Volume 1) (Annexure 97)*.

<sup>520</sup> Statement of Isaac Rankin at [67] to [71].

<sup>521</sup> Statement of Isaac Rankin at [71].

<sup>522</sup> See the discussion about brokers in paragraph 5.54 to 5.60.

<sup>523</sup> Statement of Isaac Rankin at [58].

*Competition on price is reflected in NIM*

- 7.132 ANZ's NIM in commercial lending is modest as shown in Table 26: ANZ NIM (SBB/BB/SD). While a number of factors contribute to NIM, competition to win and retain business is one such factor.<sup>524</sup>

Table 26: ANZ NIM (SBB/BB/SD)<sup>525</sup>

	FY19	FY20	FY21	FY22X
Commercial deposits				
Commercial lending (excluding asset finance)				
Asset Finance				
Agribusiness lending (including asset finance)				
Agribusiness deposits				

**[Figures in Table 26 are confidential to ANZ]**

*Providers compete across a range of factors*

- 7.133 A relationship with a relationship manager is an important element of commercial banking, both in terms of competing to originate customers and as part of the service provided to customers which is an important part of retaining customers. While small business customers (with lending requirements below **[Confidential to ANZ]** ) will generally not have a dedicated relationship manager, they generally will be provided key points of contact to assist them with their banking requirements.<sup>526</sup>
- 7.134 The prices for commercial products (both lending and deposits) generally include:
- headline or index interest rates which may be advertised (but, in practice, commercial lending rates are only rarely advertised<sup>527</sup>); and
  - customer-based decisions – being the lending pricing decisions for individual accounts that are made under the pricing discretion framework settings of the bank or lender, and decisions made in respect of negotiated term deposits and negotiated call deposit accounts.<sup>528</sup>
- 7.135 In the case of commercial lending, pricing is a function of the bank's assessment of the risk of the customer and the customer's industry, the security the customer

<sup>524</sup> Statement of Steve Johnston at [29] to [33].

<sup>525</sup> IRIS Commercial, Sep20 (FY19), Sep 21 (FY20) and June 22 (FY21 and FY22x).

<sup>526</sup> Statement of Isaac Rankin at [21], [31] and [39].

<sup>527</sup> Statement of Isaac Rankin at [67].

<sup>528</sup> Statement of Isaac Rankin at [67] to [71].

can offer, the relationship the customer has with the relationship manager, and the extent to which other providers are competing to supply that customer.<sup>529</sup> In the case of deposit products, pricing is a function of factors including the amount to be deposited and the broader banking relationship with the customer.<sup>530</sup>

7.136 While price is often important, there are other factors that can be equally, and sometimes more important, for a customer (as discussed at paragraphs 6.120 to 6.121).<sup>531</sup>

7.137 As a consequence, the actual pricing and terms agreed between business customers and commercial banking service providers is typically tailored to the particular circumstances of the customer and its business.<sup>532</sup>

7.138 Providers of commercial banking products compete to improve product features and services for commercial banking products, including in the way customers interact and engage for origination and ongoing relationship management. This is evidenced by the use of cashback offers on purchases, continued innovation in the development of product features including budgeting features, multi-currency options, reduction in overseas transaction fees, the ability to create sub-accounts, and investment in digital features.<sup>533</sup> A useful illustration is ANZ's development of GoBiz, ANZ's online lending application platform that launched in May 2021, which is currently available for applications for unsecured business finance. GoBiz simplifies the lending application process and reduces the "time to decision" for customers seeking a commercial lending product.<sup>534</sup>

7.139 The proposed acquisition will not affect the incentives for providers of commercial banking products to compete vigorously to win and retain business customers.

*Customers will continue to have significant choice*

7.140 The proposed acquisition will not materially reduce the alternatives available to customers – customers will continue to have significant choice in providers. The breadth of providers, including those described at paragraph 7.123.

**Suncorp Bank does not drive price, innovation or product development**

7.141 Suncorp Bank is no more vigorous or effective than other competitors in the supply of commercial banking products because it does not drive pricing, innovation or product development in relation to commercial banking products,

<sup>529</sup> Statement of Isaac Rankin at [68].

<sup>530</sup> Statement of Yiken Yang at [26].

<sup>531</sup> Statement of Isaac Rankin at [90].

<sup>532</sup> Statement of Isaac Rankin at [70] and [81], and Clive van Horen at [70] and [95].

<sup>533</sup> Statement of Guy Mendelson at [61], [64] and [65].

<sup>534</sup> Statement of Guy Mendelson at [67].



[REDACTED]

[REDACTED]

[Figures 27 and 28 are confidential to ANZ]

- 7.145 Suncorp Bank does not have the same presence as ANZ in servicing larger business customers. Suncorp Bank's average deal size has been increasing, [Confidential to Suncorp] [REDACTED]. For example, Suncorp Bank's SME Narrative FY21/F22 (June 2022) (Confidential Annexure 36) states that Suncorp Bank's average deal size for SME customers has increased by [Confidential to Suncorp] [REDACTED] from [REDACTED] in FY20 to [REDACTED] in FY22 as it focussed on lending over [Confidential to Suncorp] [REDACTED] and following a decision to stop offering a regulated lending product (at [3]).
- 7.146 Consequently, while ANZ and Suncorp Bank do compete, other competitors compete more closely with the parties. For example, as mentioned by Isaac Rankin and Guy Mendelson, CBA and NAB are competing aggressively to win business and recruiting relationship managers to expand that business.<sup>542</sup> Judo Bank is becoming more significant.<sup>543</sup> [Confidential to ANZ] [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]
- 7.147 ANZ has undertaken a manual review of the extent to which it loses commercial lending customers to particular institutions using the following approach:

- a. Where a commercial lending product is secured and a release of the security is sought to facilitate refinancing to another institution, a form must

<sup>541</sup> IRIS Commercial. Lending FUM is the total drawn amount. It does not include any undrawn amounts.

<sup>542</sup> Statements of Isaac Rankin at [100] and Guy Mendelson at [72].

<sup>543</sup> Statement of Isaac Rankin at [93] and [100].

be filled out and sent to ANZ. The form contains a section noting the institution that is requesting the release of the security.

- b. ANZ has manually reviewed these forms for the period from January 2021 to April 2022, covering [Confidential to ANZ] requests for release of security. Table 27: Top 10 institutions requesting release of ANZ security below lists the proportion of requests submitted by the top 10 institutions to ANZ.

- 7.148 As Table 27: Top 10 institutions requesting release of ANZ security shows, Suncorp Bank is not within the top 10 institutions requesting release of security, and no single institution accounts for more than 13.6% of refinancing requests.

Table 27: Top 10 institutions requesting release of ANZ security<sup>544</sup>

INSTITUTION	SHARE OF REFINANCING REQUESTS
BANK SA	
BANKWEST	
BENDIGO BANK	
BOQ	
CBA	
FIRST MORTGAGE SOLUTIONS	
MACQUARIE BANK	
MSA NATIONAL	
NAB	
WESTPAC	

[Figures in Table 27 are confidential to ANZ]

**The merged firm will be competitively constrained by new entry and expansion**

- 7.149 The combined business will be competitively constrained by new entrants and existing players continuing to expand, and the threat of such entry and expansion.<sup>545</sup>
- 7.150 Judo Bank is an example of a new entrant that has been highly successful in entering and expanding in the supply of commercial banking products after obtaining its banking licence in April 2019. It is focussed on business customers and operates without a physical network of branches and instead employs

<sup>544</sup> Manual review of requests for release of security received from January 2021 to April 2022. The information is shown in alphabetical order.

<sup>545</sup> Statement of Isaac Rankin at [105].

relationship managers to engage with customers online, over the phone and by visiting their premises.

7.151 Other examples of new entry and expansion include the following:

- a. Prospa is a publicly listed (ASX: PGL) provider of SME lending and deposit products, which launched in 2012 and listed on the ASX in 2019.<sup>546</sup> According to its half year report for the 6 months ended 31 December 2021, Prospa has over 13,200 active customers, an NPS of 80 and is experiencing significant growth – its loan originations in the period grew by 75.1% compared with the first half of 2021 (\$315.1 million, compared with \$180.1 million).<sup>547</sup> Prospa has a proprietary "Credit Decision Engine" platform which enables fast approvals and dynamic risk-based pricing (where interest rates are based on credit risk assessments for individual customers). Prospa has announced plans to launch an innovative all-in-one Business Account in the second half of 2022, with a transaction account, lending products and various financial management tools all available via a single platform.<sup>548</sup>
- b. Liberty Financial Group is a publicly listed (ASX: LFG) provider of asset finance, SME lending products, and other financial products and services.<sup>549</sup> It first listed on the ASX in December 2020. According to its annual report for the 2021 financial year, Liberty Group originated \$4.1 billion in new assets, an increase of 17% from the previous year.<sup>550</sup>
- c. Tyro Payments was founded in 2003, obtained a full ADI licence in 2016 and listed on the ASX in 2019. Tyro specialises in the provision of merchant acquiring services and also provides some commercial lending products. According to its annual report for the 2021 financial year, Tyro is the fifth largest merchant acquiring bank in Australia, having grown 67% in this segment since the 2020 financial year.<sup>551</sup>
- d. Zeller was founded in 2020 and provides SME banking products with a focus on merchant acquiring services. Zeller provides a bundled product

<sup>546</sup> Prospa, *Web Page* <https://www.prospa.com/>

<sup>547</sup> Prospa Group Limited, *Half Year Report* [https://investor.prospa.com/FormBuilder/Resource/module/go8tyD0GVUy3PSokdCCntA/file/Prospa\\_Appendix\\_4D\\_and\\_FY22\\_Half\\_Year\\_Report.pdf](https://investor.prospa.com/FormBuilder/Resource/module/go8tyD0GVUy3PSokdCCntA/file/Prospa_Appendix_4D_and_FY22_Half_Year_Report.pdf) (Annexure 72).

<sup>548</sup> Prospa, *Investor Day Presentation* (21 October 2021) at p 10 to 17 <https://investor.prospa.com/FormBuilder/Resource/module/go8tyD0GVUy3PSokdCCntA/file/Investor%20Strategy%20Day%20Presentation.pdf> (Annexure 73).

<sup>549</sup> Liberty Financial, <https://www.lfgroup.com.au/about-us/about-liberty>

<sup>550</sup> Liberty Financial, *2021 Annual Report* at p 7 <https://www.lfgroup.com.au/assets/pdf/Liberty-Group-Annual-Report-FY21.pdf> (Annexure 74).

<sup>551</sup> Tyro Payments Limited, *Annual Report 2021* p 7: <https://investors.tyro.com/FormBuilder/Resource/module/rO0GIGGrEkqPqF-ICBnw8w/file/annualreports/AR-2021.pdf> (Annexure 75).

offering, providing SMEs with a complimentary transaction account and MasterCard credit card alongside every purchase of an eftpos terminal. Zeller has indicated its intention to obtain an ADI licence from APRA in due course.<sup>552</sup>

- e. Novatti listed on the ASX in 2016. Novatti is a payment services company and, relevantly, provides merchant acquiring services. According to its annual report for the 2021 financial year, Novatti intends to establish a new banking business as part of its long term strategy and has entered into a partnership with BC Investment Group Holdings Limited for this purpose.<sup>553</sup> More recently, according to its half yearly report for the 2022 financial year, Novatti has submitted an application to APRA for a Restricted ADI licence.<sup>554</sup>

7.152 Research by the Productivity Commission indicates that business customers have access to a growing number of non-bank lenders, which provide an expanded range of products and have higher risk appetites compared with banks.<sup>555</sup> The emergence of non-bank commercial lenders in Australia can be attributed to a number of factors including:

- a. lower regulatory barriers to entry for non-bank lenders, which are not required to comply with prudential regulation unless they qualify for ADI status; and
- b. improvements in technology and data sources, which are increasingly utilised by non-bank lenders to assess the creditworthiness of SME customers.<sup>556</sup>

7.153 RFI's survey of small to medium enterprises found that among respondents who indicated they intend to borrow, alternative lenders/fintechs<sup>557</sup> were the lender they would most likely turn to (55% of respondents). Among all respondents who were borrowers, CBA was first (39%) and alternative lender/fintech second (25%).<sup>558</sup>

<sup>552</sup> AFR article, *How fintech Zeller went from zero to \$1b in two years* (3 March 2022) at comments <https://www.afr.com/technology/how-fintech-zeller-went-from-zero-to-1b-in-2-years-20220301-p5a0ml>

<sup>553</sup> Novatti, *2021 Annual Report* at p 17 <https://novatti.com/wp-content/uploads/2021/08/Novatti-2021-Annual-Report.pdf> (Annexure 76).

<sup>554</sup> Novatti, *2022 Half Yearly Report and Accounts* at p 4 <https://novatti.com/wp-content/uploads/2022/05/Half-Yearly-Report-and-Accounts.pdf> (Annexure 77).

<sup>555</sup> Australian Government Productivity Commission, *Small business access to finance: The evolving lender market* (Research Paper, September 2021) <https://www.pc.gov.au/research/completed/business-finance/business-finance.pdf> (Annexure 80).

<sup>556</sup> Statement of Guy Mendelson at [66].

<sup>557</sup> RFI indicates this includes Moula, Banjo, Get Capital, Capify, Propell, Liberty, Prospa, Merchant Cash, Ondeck, Tyro, Judo, Square and ZIP Business.

<sup>558</sup> RFI, Australian SME Banking Council (Presentation to ANZ) (June 2021) at p 77 (Annexure 94).



### Technology-led disruption is likely to occur

- 7.154 Innovative tech companies are likely to be a further source of competitive constraint. A range of non-bank providers are offering or developing services that may disrupt the traditional distribution of banking products to business customers.<sup>559</sup> For example:
- a. accounting software providers, such as **Xero** and **MYOB**, are pursuing a strategy of enabling customers to access products directly through their software platform; and
  - b. payment and merchant service businesses, such as **Tyro**, **Zeller** and **Square** are providing new and easy to access payment technologies for customers who would traditionally use bank provided merchant facilities. Overseas, Square's parent, Block, has started lending to merchant customers and relies on a seamless customer experience that makes it easy for its customers to access funds, by simply clicking a button through an app and/or terminal. Block, and others, are likely to expand to provide lending and other services in Australia in the same way.
- 7.155 Suncorp Bank's FY23-25 Business Plan (**Confidential Annexure 7** at page 5) also identifies the emerging maturity of banking-as-a-service providing low-investment entry channels for fintech companies and big tech firms into bank, and forecasts that competition will increase form this sector.
- 7.156 The threat from new entrants will continue, and will ensure that existing players will continue to have every incentive to ensure their offerings are competitive and to seek out new and innovative ways to address the requirements of customers.<sup>560</sup>

### No increased risk of coordinated conduct

- 7.157 The proposed acquisition will not create an increased risk of coordinated conduct in relation to the supply of commercial banking products for the reasons outlined at paragraphs 7.222 to 7.222 below.

### Commercial banking – conclusion

- 7.158 For the reasons set out above, ANZ submits that the proposed acquisition will not substantially lessen competition in the supply of commercial banking products to business customers, or in relation to any individual products supplied in this market. In summary:

<sup>559</sup> Statement of Guy Mendelson at [72(c)].

<sup>560</sup> Statement of Guy Mendelson at [73].

- a. the commercial banking products market is not concentrated and the proposed acquisition will not materially increase concentration;
- b. the commercial banking products market is intensely competitive and will remain so after the proposed acquisition;
- c. ANZ and Suncorp Bank are not particularly close competitors in the supply of commercial banking products;
- d. **[Confidential to Suncorp]** [REDACTED] and [REDACTED];
- e. the combined business will be competitively constrained by new entry and expansion.

7.159 With or without the proposed acquisition, there will be a large number of suppliers of commercial banking products competing to win and retain business customers.

**NO SUBSTANTIAL LESSENING OF COMPETITION IN  
RELATION TO THE SUPPLY OF COMMERCIAL BANKING  
PRODUCTS TO AGRIBUSINESS CUSTOMERS**

- 7.160 ANZ submits that the supply of commercial banking products to agribusiness customers is part of the market for the supply of commercial banking products and services and need not be assessed separately. However, in the event the ACCC considers it necessary to assess the competitive effects of the proposed acquisition in relation to agribusiness banking, ANZ has provided information in this section to support its submission that there would be no substantial lessening of competition.
- 7.161 ANZ submits that the proposed acquisition will not substantially lessen competition in the supply of commercial banking products to agribusiness customers in Australia. This is because:
- a. the proposed acquisition will not result in a material increase in market concentration;
  - b. competition to supply commercial banking products and services to agribusinesses is intense and will remain intense following the proposed acquisition;
  - c. ANZ and Suncorp Bank have propositions that complement each other;
  - d. Suncorp Bank has not driven pricing, innovation or product development in the supply of commercial banking products and services to agribusinesses;
  - e. the threat of effective new entry and expansion, as evidenced by Judo Bank's entry, will competitively constrain the combined business; and
  - f. brokers are a material and growing constraint on incumbent financial institutions.
- 7.162 Consistent with its submission in Section 6 Market definition above in relation to commercial banking products and services, ANZ considers that the supply of commercial banking products and services to agribusiness customers should be analysed at a national level. However, given Suncorp Bank's presence in and legacy as a Queensland regional bank, ANZ refers to information at the Queensland State level where appropriate.
- 7.163 ANZ relies on the statements of Mark Bennett and Clive van Horen, together with the information, data and analysis set out below, in support of its submissions in relation to the supply of commercial banking products to agribusiness customers in Australia.

**The supply of commercial banking products to agribusiness customers is not concentrated, and the proposed acquisition will not materially increase competition**

7.164 As discussed at paragraph 7.103, ANZ does not have access to comprehensive market share data for business customers. However, the RBA publishes industry data on lending in relation to small, medium and large businesses, including specifically in relation to agribusinesses. ANZ has set out that RBA information against the financial information that ANZ and Suncorp Bank provided to the RBA and ABA to estimate their share of lending to small to medium agribusinesses. ANZ's share has fluctuated around [Confidential to ANZ] [REDACTED] and Suncorp Bank's has declined to [Confidential to ANZ] [REDACTED] since October 2019, as shown in Table 28: ANZ and Suncorp Bank share of agribusiness lending to small to medium businesses (\$b).

Table 28: ANZ and Suncorp Bank share of agr business lending to small to medium businesses (\$b)<sup>561</sup>

	INDUSTRY VALUE	ANZ VALUE	ANZ %	SUNCORP BANK VALUE	SUNCORP BANK %
Oct-19	\$67.15				
Nov-19	\$67.93				
Dec-19	\$66.36				
Jan-20	\$66.10				
Feb-20	\$67.00				
Mar-20	\$67.93				
Apr-20	\$68.68				
May-20	\$69.70				
Jun-20	\$72.72				
Jul-20	\$71.78				
Aug-20	\$71.82				
Sep-20	\$72.41				
Oct-20	\$73.78				
Nov-20	\$71.71				
Dec-20	\$70.02				
Jan-21	\$69.54				
Feb-21	\$71.25				
Mar-21	\$72.51				

<sup>561</sup> ANZ's and Suncorp Bank's submissions to the RBA and RBA's Statistical Tables, D14, Lending to Business: Business Finance Outstanding by Business Size & Industry. This table only includes agribusiness customers. ANZ's and Suncorp Bank's submissions to the RBA and RBA's Statistical Tables, D14, ANZ reports at the end of the month, and Suncorp Bank reports as at the beginning of the month, so there are marginal differences in the data.

	INDUSTRY VALUE	ANZ VALUE	ANZ %	SUNCORP BANK VALUE	SUNCORP BANK %
Apr-21	\$73.58				
May-21	\$73.12				
Jun-21	\$76.45				
Jul-21	\$75.90				
Aug-21	\$76.08				
Sep-21	\$76.78				
Oct-21	\$77.38				
Nov-21	\$76.55				
Dec-21	\$74.69				
Jan-22	\$74.40				
Feb-22	\$75.36				
Mar-22	\$76.81				
Apr-22	\$77.49				
May-22	\$78.86				
Jun-22	\$83.06				
Jul-22	\$81.70				
Aug-22	\$83.69				
Sep-22	\$84.43				

[Figures in Table 28 are confidential to ANZ and Suncorp]

7.165 Table 29 contains estimated shares for agribusiness lending on a national basis for October 2012, 2017, 2020, 2021 and 2022. This is based on figures prepared by ANZ Research using DBM data. [Confidential to a third party] [REDACTED]

Table 29: National agribusiness lending shares (DBM survey data)<sup>562</sup>

	Oct-12	Oct-17	Oct-20	Oct-21	Oct-22
ANZ/Landmark					
Suncorp Bank					
Combined firm					
Commonwealth Bank					
NAB					
Westpac					

<sup>562</sup> [REDACTED]

	Oct-12	Oct-17	Oct-20	Oct-21	Oct-22
St George					
Bendigo					
Bankwest					
Rabobank					
Citibank					
HSBC					
Macquarie Bank					
Bank of Queensland					
Adelaide Bank					
ING					
AMP					
Bank SA					
Rural Bank					
ME Bank					
Bank of Melbourne					
Net: Credit Unions and Building Societies					
Others					

**[Figures in Tables 29 are confidential to a third party]**

7.166 The DBM survey data indicates that the combined business would have a higher share of supply (**[Confidential to a third party]**) than the RBA/ABA data (**[Confidential to ANZ]**). ANZ also considers that NAB's share of supply is likely to be materially higher than the share suggested by DBM. This is because NAB reports an agribusiness market share of 34% as at August 2022.<sup>563</sup>

7.167 The table above shows that:

- a. Nationally, Suncorp Bank does not have a significant position in agribusiness lending, most recently holding share of just under **[Confidential to a third party]**. The proposed acquisition would therefore not remove a large national competitor.
- b. The post-merger HHI of **[Confidential to a third party]** is below 2,000, indicating that the level of concentration will not be substantial post-acquisition.

<sup>563</sup> NAB, *Full Year Results 2022: Investor Presentation* (9 November 2022) at p 46 <https://www.nab.com.au/content/dam/nab/documents/reports/corporate/2022-full-year-investor-presentation.pdf> (Annexure 78).

7.168 Table 30 contains estimated shares for agribusiness deposits on a national basis for October 2012, 2017, 2020, 2021 and 2022. This is again based on figures prepared using DBM data.

Table 30: National agribusiness deposit shares (DBM survey data)<sup>564</sup>

	Oct-12	Oct-17	Oct-20	Oct-21	Oct-22
ANZ/Landmark					
Suncorp Bank					
Combined firm					
Commonwealth Bank					
NAB					
Westpac					
St George					
Bendigo					
Bankwest					
Rabobank					
Citibank					
HSBC					
Macquarie Bank					
Bank of Queensland					
Adelaide Bank					
ING					
AMP					
Bank SA					
Rural Bank					
ME Bank					
Bank of Melbourne					
Net: Credit Unions and Building Societies					
Others					

[Figures in Table 30 are confidential to a third party]

7.169 The above table shows that:

<sup>564</sup> [Redacted]

- a. Neither of the parties is significant in agribusiness deposits nationally. Suncorp Bank’s share of supply of deposits on a national basis is small at **[Confidential to a third party]** [REDACTED]
- b. On a national basis the proposed acquisition would not result in any significant change to the relative share position of ANZ. The combined business would continue to trail behind **[Confidential to a third party]** [REDACTED], which would remain the largest provider in this segment. For the reasons explained at paragraph 7.166, ANZ submits it is likely that NAB has a materially higher share than suggested by this table.

*Market share statistics do not show the significant churn and competitive pressures in agribusiness customers*

7.170 The market share data does not reveal the significant churn in agribusiness customers and the competitive pressures faced by providers. Table 31: Agribusiness acquisition and attrition shows acquisition and attrition for FY19 to FY22 for agribusiness customers shown as a percentage of the opening FUM for core lending products. Similar to business customers more generally, ANZ there is significant churn in ANZ’s agribusiness lending book. The data also shows the significance of broker origination, which is discussed further at paragraph 7.189.

Table 31: Agribusiness acquisition and attrition<sup>565</sup>

		ACQUISITION	ATTRITION
Broker	FY19	[REDACTED]	[REDACTED]
	FY20	[REDACTED]	[REDACTED]
	FY21	[REDACTED]	[REDACTED]
	FY22	[REDACTED]	[REDACTED]
Non broker	FY19	[REDACTED]	[REDACTED]
	FY20	[REDACTED]	[REDACTED]
	FY21	[REDACTED]	[REDACTED]
	FY22	[REDACTED]	[REDACTED]
Total	FY19	[REDACTED]	[REDACTED]
	FY20	[REDACTED]	[REDACTED]
	FY21	[REDACTED]	[REDACTED]
	FY22	[REDACTED]	[REDACTED]

**[Figures in Table 31 are confidential to ANZ]**

<sup>565</sup> IRIS Commercial. The products covered by this data are business loans, commercial bills and tailored commercial facilities. Data is for agribusiness customers in SBB, BB and SD segments.



**Competition to supply agribusiness customers is intense and will remain intense following the proposed acquisition**

- 7.171 Competition to supply commercial banking products and services to agribusiness customers is intense and will remain intense following the proposed acquisition.<sup>566</sup>
- 7.172 The underlying product proposition offered to agribusiness customers is the same as that offered to other business customers, but with some additional flexibility to account for the particular circumstances of agribusiness customers such as seasonal revenue and the availability of legislated taxation concessions for primary producers.
- 7.173 Similar to other business customers, agribusiness customers value dealing with relationship managers that understand their businesses and, depending on the size and requirements of the customer, tend to seek a personal relationship with their relationship manager.<sup>567</sup> As a consequence, the set of banks with specialised relationship managers and agribusiness offerings is a subset of those banks operating in the broader commercial banking market, and providers with agribusiness-focused offerings compete intensely for agribusiness customers. However, there is nothing to prevent agribusiness customers from obtaining products from providers of commercial banking products that do not have specialised relationship managers and agribusiness offerings for agribusiness customers.
- 7.174 The key trends and dynamics are as follows.
- Consolidation of agribusiness leading to a smaller number of larger agribusiness customers*

- 7.175 There is a national and industry-wide trend towards consolidation of agribusinesses.<sup>568</sup> ABA research indicates that farm numbers in the agribusiness sector have been declining over the last decade (to 173,131 in June 2021, down from 204,503 in June 2009), even though there was small growth in farm numbers in the most recent year measured (0.8% growth in June 2021 compared with the previous year).<sup>569</sup> This means there will be fewer potential customers, but bigger and better businesses.<sup>570</sup>
- 7.176 Agribusiness is an attractive sector for banks to offer services to, given its strong performance over the past 10 to 15 years, and favourable conditions for

<sup>566</sup> Statement of Mark Bennett at [115] to [118], and [126].

<sup>567</sup> Statements of Mark Bennett at [91] and Clive van Horen at [90] and [92] to [95].

<sup>568</sup> Statement of Mark Bennett at [81].

<sup>569</sup> ABA, *Agribusiness Report 2022* <https://www.ausbanking.org.au/wp-content/uploads/2022/05/ABA-AgriBusiness-Lending-Report-2022-Web.pdf>

<sup>570</sup> Statement of Market Bennett at [81].

continued growth.<sup>571</sup> Overall, the risk profile of the sector is attractive for relationship managers, with agribusinesses generally seeking secured transactions against their property or assets, and with limited recent instances of foreclosure in the sector.<sup>572</sup> These factors make agribusinesses an attractive customer segment for lenders, which has resulted in the significant competition in attracting and retaining agribusinesses that Mark Bennett has observed in the 30 years that he has worked in agribusiness banking.<sup>573</sup>

- 7.177 At the State level, these trends are also evident. For example, the growing banking requirements in agribusiness in Queensland are reflected in a QRIDA survey. QRIDA conducts a rural debt survey every two years, and has recently published the results of the 2021 survey.<sup>574</sup> This survey found that:
- a. as of 31 December 2021, total rural debt in Queensland is \$24.06 billion, up 25.97% from the 31 December 2019 survey, with 60% of that increase in the beef industry;
  - b. average debt per borrower is \$1.39 million, up 32.67% from 2019;
  - c. total rural borrowers decreased by 920 to 17,312, down 5.05% from 2019; and
  - d. the proportion of total rural debt in Queensland rated "viable" or "potentially viable long term" increased from 93.15% in 2019 to 94.96% in 2021.
- 7.178 Analysis by ABARES shows demand for lending has grown significantly. This is reflected in the substantial increase in farm business debt, shown in Figure 29: Total agricultural lending at 30 June, by state, 2016-17 to 2020-21. The analysis shows that much of the increase in borrowing was for on-farm investment, particularly land purchases. Rising land prices and low interest rates have allowed farmers with greater equity to support increased borrowings, while historically high farm incomes have improved farmers debt servicing capability.<sup>575</sup>

<sup>571</sup> Statement of Mark Bennett at [77] to [80].

<sup>572</sup> Statement of Mark Bennett at [77] to [80].

<sup>573</sup> Statement of Mark Bennett at [115] to [118].

<sup>574</sup> QRIDA, *Queensland Rural Debt Survey 2021* <https://www.qrida.qld.gov.au/queensland-rural-debt-survey>

<sup>575</sup> Fred Litchfield & Vernon Topp, *Trends in farm debt: Agricultural lending data 2020-21* (ABARES Research Report 22.14, September 2022) at page 1.

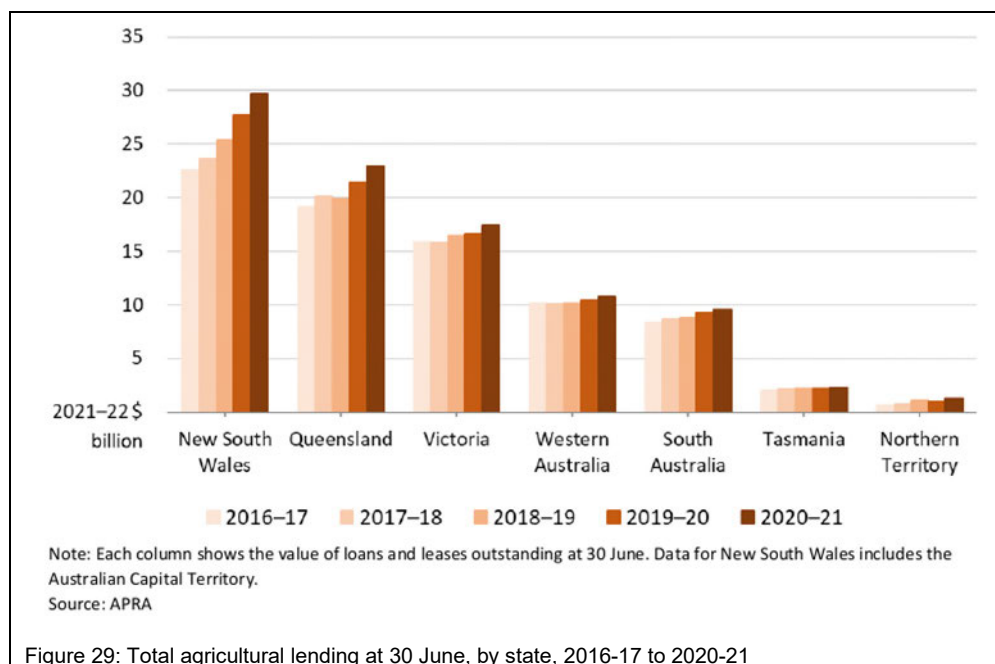


Figure 29: Total agricultural lending at 30 June, by state, 2016-17 to 2020-21

### *Strong competition on pricing*

- 7.179 Providers of commercial banking products and services, including to agribusiness customers, offer similar products and there appear to be limited material differences in the average margins banks earn from agribusiness banking (though publicly available information on these matters is limited and has not been consistently released by banks).<sup>576</sup>
- 7.180 However, at a given time or for a particular type of transaction, the pricing of commercial banking products and services can vary significantly between providers and even between customers of the same provider.<sup>577</sup> For lending products, this is because pricing is influenced by a range of factors at any given time, including the customer's characteristics, the lender's risk appetite, and the competitive environment.<sup>578</sup> While overall banks tend towards similar average margins for customers across their portfolios, individual transactions can have significantly different pricing.
- 7.181 While there is variation in pricing between customers and between transactions, agribusiness customers keep informed about the industry and offers available in the market, and are willing to press their current provider for a better deal if, for example, they consider the interest rate on their debt is not reasonable compared to possible alternatives. The statement of Mark Bennett details his experience of

<sup>576</sup> Statement of Mark Bennett at [124].

<sup>577</sup> Statements of Mark Bennett at [125] and Clive van Horen at [96] to [97].

<sup>578</sup> Statement of Mark Bennett at [125].

agribusiness customers pushing their current relationship managers for a better deal.<sup>579</sup>

- 7.182 Reflecting the relevance of pricing in competition for agribusiness customers, and the strength of this competition in recent years, **[Confidential to ANZ]** [REDACTED]  
 [REDACTED]  
 [REDACTED] While a number of factors contribute to NIM, competition to win and retain business is a key factor. **[Confidential to Suncorp]** [REDACTED]  
 [REDACTED]  
 [REDACTED]<sup>580</sup> [REDACTED]  
 [REDACTED]  
 [REDACTED]<sup>581</sup>

Table 32: ANZ's agribusiness State and Territory lending NIMs<sup>582</sup>

	LENDING			
	FY19	FY20	FY21	FY22
<b>Total agribusiness</b>	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
SBB	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
BB	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
SD	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Asset Finance	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

**[Figures in Table 32 are confidential to ANZ]**

- 7.183 To further illustrate the increased competition, lending for ANZ's BB agribusiness customers grew from [REDACTED] in FY21 to [REDACTED] in FY22, but revenue fell from [REDACTED] to [REDACTED].

**[Figures are confidential to ANZ]**

*"Relationship" model of banking*

- 7.184 In addition to price, a customer's relationship with their relationship manager is a particularly important factor for agribusiness customers in choosing a financial institution.<sup>583</sup> This includes the personal reputation of the relationship manager and the trust the customer has in them.

<sup>579</sup> Statement of Mark Bennett at [99].

<sup>580</sup> Statement of Clive van Horen at [97].

<sup>581</sup> Statement of Clive van Horen at [16].

<sup>582</sup> IRIS Commercial, Sep20 (FY19), Sep 21 (FY20) and June 22 (FY21 and FY22).

<sup>583</sup> Statement of Mark Bennett at [91] to [94].

7.185 As Mark Bennett observes, agribusiness customers seek relationships with relationship managers who will help them develop their businesses and are willing to be flexible when required such as during periods of drought or wet weather or flooding.<sup>584</sup> In selecting a relationship manager and financial institution, these customers may be particularly influenced by their reputations in the customer's local community.<sup>585</sup> Successful relationship managers cultivate their network in particular regions, to give them the visibility, reputation and access needed to be able to credibly put propositions before agribusiness customers. For example, ANZ supported its customers very strongly throughout the 2018 Queensland and NSW drought periods, offering a 1% discount on interest rates and other supporting packages, including moratoriums on taking action in the event of default, and providing \$1 million in support.<sup>586</sup> ANZ also provided a relief package in 2019 to assist in rebuilding north Queensland's livestock industry following flooding. Conversely, a negative reputation of a relationship manager in an regional or rural community can persist for a significant amount of time and affect the relationship manager's ability to do business in that region.<sup>587</sup>

7.186 **[Confidential to Suncorp]** [REDACTED]  
 [REDACTED]  
 [REDACTED]  
 [REDACTED]  
 [REDACTED]  
 [REDACTED] <sup>588</sup>

7.187 One of the ways financial institutions compete for agribusiness customers is to attract and retain successful relationship managers with strong reputations and networks in agribusiness.<sup>589</sup> Providers also aim to demonstrate their commitment to agribusiness communities by being visible at industry events and otherwise supporting their agribusiness customers and communities.<sup>590</sup>

7.188 These activities represent vigorous competition as banks with existing relationships with customers must continue to nurture those relationships and continue to meet the needs of customers or risk customers switching. For larger agribusiness customers (with assets of over \$20 million), who can maintain active relationships with multiple banks, switching may mean seeking a loan from a new

<sup>584</sup> For example, in the circumstances Mark Bennett describes at [90] and [91] of his statement.

<sup>585</sup> This dynamic, with examples, is described in further detail in the statement of Mark Bennett at [111] to [113].

<sup>586</sup> <https://media.anz.com/posts/2018/08/drought-relief-measures>

<sup>587</sup> Statement of Mark Bennett at [111] to [113].

<sup>588</sup> Statement of Clive van Horen at [89] to [90], and [93].

<sup>589</sup> Statement of Mark Bennett at [129] to [134].

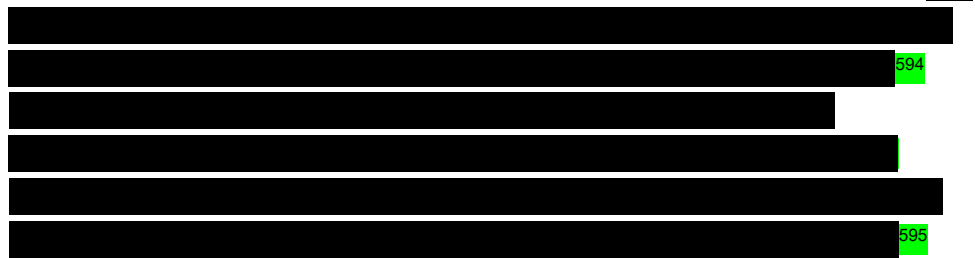
<sup>590</sup> Statement of Mark Bennett at [134] to [146], which refers to ANZ's activities as well as the efforts it sees other banks make in this regard.

bank when a "trigger" event (such as a new asset purchase) occurs.<sup>591</sup> For smaller agribusiness customers, who typically do not maintain core debt with multiple banks, this may mean moving their entire active banking relationship to another bank.<sup>592</sup>

#### *Increasing importance of brokers*

7.189 While agribusiness customers (like other business customers) seek a trusted relationship, brokers (particularly those with experienced former relationship managers with strong reputations who have or can develop their own strong, direct relationships with customers) have over the last five to 10 years increasingly driven material amounts of lending to agribusinesses.<sup>593</sup>

7.190 The material proportion of ANZ's agribusiness commercial lending which is introduced by brokers is evident in Table 10: Proportion of broker introduced commercial agribusiness lending by FUM above. **[Confidential to Suncorp]**



7.191 For example:

- a. Sprout AG is a finance and family business advisory that specialises in the agribusiness and food industry, and was founded by a former executive of Suncorp Bank.<sup>596</sup> ANZ understands that earlier in 2022, Sprout AG recruited one of Suncorp Bank's relationship managers as a broker based in Goondiwindi.
- b. Three Suncorp Bank relationship managers joined Homestead Agribusiness as brokers in Queensland.

7.192 Brokers' recruitment of relationship managers experienced in agribusiness represents another material and growing constraint on incumbent providers as

<sup>591</sup> Statement of Mark Bennett at [101] and [105].

<sup>592</sup> Statement of Mark Bennett at [106].

<sup>593</sup> Statement of Mark Bennett at [148].

<sup>594</sup> Statement of Clive van Horen at [103] and [104].

<sup>595</sup> Statement of Clive van Horen at [103] and [104].

<sup>596</sup> Sprout Agribusiness, <https://www.sproutag.com.au/>

brokers offer another means for agribusinesses to test the market and what other banks may be able to offer.<sup>597</sup>

#### *Diminished importance of branches and business centres*

- 7.193 While having a branch or business centre for relationship managers to operate can assist with building a relationship manager's profile in a region and its access to customers, it is not necessary for a provider to have an office or business centre in every town or locality.
- 7.194 Agribusiness customers do not rely on branches for day-to-day banking.<sup>598</sup> Face-to-face relationships with agribusinesses are important for many customers (as observed by the ACCC in *Westpac/St George*),<sup>599</sup> but that contact can occur at a customer's premises instead of the bank's. It is more important that relationship managers are available when customers need them, often at the customer's premises, and relationship managers can effectively operate from regional hubs.<sup>600</sup>
- 7.195 ANZ's data also supports the proposition that most agribusinesses do not need to visit a branch and, of those who do, over [Confidential to ANZ] do so less than five times within a year, and only [Confidential to ANZ] visit the branch two or more times per month.<sup>601</sup>

#### **Range of strong competitors**

- 7.196 A range of strong competitors, both banks and non-banks, impose and will continue to impose strong constraints on the combined business' dealings with agribusiness customers post-acquisition:
- a. **NAB and Rabobank** are particularly aggressive in their agribusiness lending, consistent with their leading positions in lending and deposits for the agribusiness customers—[Confidential to ANZ]  
[REDACTED]  
[REDACTED]<sup>602</sup>
  - b. **CBA and Westpac** also are also aggressively competing, whether generally across agribusiness (in the case of CBA) or in respect of particular segments (Westpac).<sup>603</sup> Westpac is strong, for example, in South

<sup>597</sup> Statement of Mark Bennett at [152] to [154].

<sup>598</sup> Statement of Mark Bennett at [109].

<sup>599</sup> *Westpac/St George* at [37].

<sup>600</sup> Statement of Mark Bennett at [108] to [110].

<sup>601</sup> ANZ Data.

<sup>602</sup> Statement of Mark Bennett at [159] and [163].

<sup>603</sup> Statement of Mark Bennett at [164] and [165].

West Victoria and in Cloncurry in Queensland, has indicated it intends to bank "lifestyle" farmers, and is currently seeking to recruit relationship managers experienced with corporate agribusiness customers.<sup>604</sup>

- c. Outside the major banks and Rabobank, there are (and will remain post-transaction) other banks. Examples are BOQ in Queensland, Rural Bank in Victoria and Queensland and Judo Bank. The regional banks tend to be strongest in their home States due to the customer portfolio and loyalty they have built up and maintained in these States.<sup>605</sup> These banks can also offer different servicing models to ANZ in certain cases – for example, Rural Bank typically has higher pricing for customers in return for stronger service levels.<sup>606</sup> Similarly, Judo Bank appears to be focused on the segment of the agribusiness market that seeks lending of less than \$5 million.<sup>607</sup>
- d. There are **non-bank agricultural goods and service providers** that also compete with the banks to provide seasonal finance products, often on an unsecured basis.
- e. Finally, there are also **"new technology" finance companies** providing credit to agribusiness customers without replicating the platforms and other infrastructure that banks use. An example is Farmpay which provided seasonal finance products using blockchain technology alongside supply chain management services for agribusinesses (but is no longer available).

#### ANZ and Suncorp Bank have complementary propositions

7.197 ANZ and Suncorp Bank have complementary propositions for supplying commercial banking products to agribusiness customers.

7.198 As Mark Bennett explains, regional banks do not compete as strongly with the majors across all customer segments. In particular, as customers become larger and their needs become more complex, the majors, together with Rabobank, are more likely to be able to meet customer needs, including because they will have the capacity, products and experience, and because they are more likely to be able to price more competitively on larger transactions than the regional banks.

<sup>608</sup>

7.199 **[Confidential to Suncorp]** [REDACTED]

<sup>604</sup> Statement of Mark Bennett at [165].

<sup>605</sup> Statement of Mark Bennett at [166].

<sup>606</sup> Statement of Mark Bennett at [174].

<sup>607</sup> Statement of Mark Bennett at [180].

<sup>608</sup> Statement of Mark Bennett at [167] and [168].





agribusiness customers will have a dedicated relationship manager,<sup>614</sup>

**[Confidential to ANZ]** [REDACTED]  
 [REDACTED]  
 [REDACTED]  
 [REDACTED]

Table 33: ANZ's managed vs portfolio managed SBB customers, July 2022<sup>615</sup>

STATE/TERRITORY	MANAGED	PORTFOLIO MANAGED	% MANAGED
NATIONAL			
AGRI SBB CUSTOMERS			
OTHER SBB CUSTOMERS			
NSW/ACT			
AGRI SBB CUSTOMERS			
OTHER SBB CUSTOMERS			
VIC/TAS			
AGRI SBB CUSTOMERS			
OTHER SBB CUSTOMERS			
QLD			
AGRI SBB CUSTOMERS			
OTHER SBB CUSTOMERS			
WA			
AGRI SBB CUSTOMERS			
OTHER SBB CUSTOMERS			
SA/NT			
AGRI SBB CUSTOMERS			
OTHER SBB CUSTOMERS			
OTHER			
AGRI SBB CUSTOMERS			
OTHER SBB CUSTOMERS			

**[Figures in Table 33 are confidential to ANZ]**

7.202 **[Confidential to ANZ]** [REDACTED]  
 [REDACTED]

<sup>614</sup> Statement of Mark Bennett at [59] and [60].

<sup>615</sup> IRIS Commercial. SBB customers in the collections process are excluded.

[REDACTED]

7.203 The proposed acquisition will strengthen the competitive proposition of Suncorp Bank and ANZ:

- a. Suncorp Bank will be able to take advantage of ANZ's greater capability to provide lending for customers with larger and more sophisticated lending requirements **[Confidential to Suncorp]** [REDACTED], and benefit from ANZ's greater investment in technology to materially uplift their processes and digital service proposition; and
- b. ANZ will be able to take learnings and insights from Suncorp Bank's proposition in SBB to better serve its customers in that segment, and benefit from a deeper pool of relationship managers, particularly in Queensland.<sup>616</sup>
- c. The combined balance sheet capacity; credit appetite; and sub-sector and geographical diversity would be in a stronger position to collectively support family farms to actively participate in the consolidation trend playing out in the agribusiness sector.

7.204 Additionally, the combined ANZ and Suncorp Bank will have greater geographic coverage nationally. For example, **[Confidential to ANZ]** [REDACTED] In these geographic areas, ANZ considers that Suncorp Bank is a more prominent competitor.<sup>617</sup>

7.205 Differences in the parties geographical coverage also reflected in the locations from which their agribusiness relationship managers operate in Queensland. ANZ's relationship managers operate from the locations identified in the Table 34: ANZ agribusiness presence in Queensland:

Table 34: ANZ agribusiness presence in Queensland

ANZ AGRIBUSINESS LOCATION
79 Main Street Atherton QLD 4883

<sup>616</sup> Statement of Mark Bennett at [209].

<sup>617</sup> Statement of Mark Bennett at [207].

14/15 Lake Street Cairns QLD 4870
181 Sturt Street Townsville QLD 4810
2 Mangrove Road Mackay QLD 4740
214 Bolsolver Street Rockhampton QLD 4700
1 Anakie St, Emerald QLD 4720
70 Kariboe St, Biloela QLD 4715
1/64 Bourbong Street Bundaberg QLD 4670
56 McDowall Street Roma QLD 4455
114 Heeney Street Chinchilla QLD 4413
81 Cunningham Street Dalby QLD 4405
1/468 Ruthven Street Toowoomba QLD 4350
74 Marshall Street Goondiwindi QLD 4390
17/111 Eagle Street Brisbane QLD 4000
154 Queen Street, Ayr QLD 4807

7.206 Suncorp Bank has mobile agribusiness managers who service nominated areas (which may cover areas of several hundreds of kilometres) as described on its website: <https://www.suncorp.com.au/banking/business/help-support/contact-us/agribusiness.html#SAAM>. Suncorp Bank's agribusiness customers<sup>618</sup> approach Suncorp Bank by walking into a branch (where they will be referred to a banker experienced with agribusiness, who is typically not based at a branch) or by calling Suncorp Bank. Set out below are the locations serviced by Suncorp's agribusiness managers in each state. Suncorp Bank's website lists the names and telephone numbers for the agribusiness managers in these locations:

Table 35: Suncorp Bank locations serviced by an agr business manager

STATE	AREA
Queensland	Ayr Bundaberg Cairns Central Qld Dalby Emerald Goondiwindi Longreach Mackay Northern Qld Miles Richmond Rockhampton Roma South-West Qld St George Toowoomba Townsville
NSW	Dubbo Northern NSW Moree Orange

<sup>618</sup> Statement of Clive van Horen at [92].

	Tamworth Wagga Wagga
Victoria	Melbourne Geelong/Warrnambool
SA	Adelaide

As the two preceding tables show, there is some overlap in locations agribusiness bankers for ANZ and Suncorp Bank operate from in Queensland, but a number of these are in "regional hubs" such as Cairns and Townsville where banks are likely to cluster anyway. Otherwise, there is differentiation between where, in Queensland ANZ and Suncorp Bank bankers operate from. This demonstrates the complementary nature of ANZ's and Suncorp Bank's agribusiness businesses in Queensland.

**Suncorp Bank does not tend to drive pricing, innovation or product development in the supply of commercial banking products to agribusinesses**

7.207 Suncorp Bank is not a significant driver of pricing, innovation or product development in relation to the supply of commercial banking products to agribusiness customers.

7.208 The market shares at paragraph 7.164 above show that Suncorp has a small market share of agribusiness lending nationally. **[Confidential to Suncorp]**

[Redacted]

7.209 This is exacerbated by the increased sophistication of the banking needs of Suncorp Bank's key customer demographics. There are two key aspects of this. First is that mid-sized agribusiness customers are increasingly seeking to export product to international destinations which increases the complexity of their business banking needs. The second is the consolidation of agribusinesses which increases their size, scale and sophistication of their banking needs. Together, these factors impact Suncorp Bank's ability to be an effective and vigorous competitor in agribusiness.

7.210 **[Confidential to Suncorp]**

[Redacted]



### **Threat of effective entry and expansion will constrain the combined business**

- 7.211 The merged firm will be competitively constrained by the threat of new entry and expansion.
- 7.212 An existing bank with an agribusiness offering expanding its offering in scale or to new types of customers and/or new geographies can leverage and develop its existing resources (in particular, appropriately skilled and qualified relationship managers, premises and vehicles) for this purpose.<sup>620</sup>
- 7.213 For a bank to enter agribusiness for the first time, it would need to recruit suitable bankers, invest in other key resources such as premises and vehicles, establish a reputation and trust among agribusiness customers, and demonstrate that it is committed to agribusiness and the communities it intends to bank.<sup>621</sup> This is possible for a bank committed to this entry.<sup>622</sup>
- 7.214 There are several recent examples of successful new entry.
- 7.215 Judo Bank is a key example of successful new entry. Judo Bank began lending to agribusiness customers in 2022 and has recruited a number of agribusiness banking specialists nationally, including in Queensland.<sup>623</sup> Judo Bank plans to utilise the third party distribution channel (ie brokers) to grow its agribusiness exposure.<sup>624</sup>
- 7.216 In addition to banks, a number of non-bank lenders have begun to supply commercial banking products to agribusiness customers, including StockCo (a specialist livestock financier), Agrifunder and Merricks Capital; and Legacy Livestock.<sup>625</sup>
- 7.217 In 2019, the Commonwealth government established the Regional Investment Corporation, which offers farm businesses loans on concessional terms. As at 30 June 2022, it reported having approved 2,840 loans with a value of over

<sup>619</sup> Statement of Clive van Horen at [95].

<sup>620</sup> Statement of Mark Bennett at [192].

<sup>621</sup> Statement of Mark Bennett at [191].

<sup>622</sup> Statement of Mark Bennett at [195].

<sup>623</sup> Statement of Mark Bennett at [179] and [180].

<sup>624</sup> The Adviser, *Brokers key to Judo's push into health, agriculture* (16 May 2022) <https://www.theadviser.com.au/lender/42918-brokers-key-to-judo-s-push-into-health-agriculture>

<sup>625</sup> Merricks Capital, <https://www.merrickscapital.com/capital-partners/agriculture/>; <https://www.legacylivestock.com.au>

\$3 billion.<sup>626</sup> Its key lending products, including the AgriStarter Loan and Farm Investment Loan, have limits of \$2 million and service the smaller end of agribusiness segment which Suncorp Bank has also focused on servicing.<sup>627</sup>

#### **No increased likelihood of coordinated effects**

7.218 The proposed acquisition will not increase the likelihood of coordinated effects in relation to the supply of commercial banking products and services to agribusiness customers for the reasons outlined at paragraphs 7.222 to 7.222 below.

#### **Agribusiness - conclusion**

7.219 For the reasons set out above, ANZ submits that the proposed acquisition will not substantially lessen competition in the supply of commercial banking products to agribusiness customers. This is because:

- a. competition to supply agribusiness customers is intense and will remain intense following the proposed acquisition;
- b. ANZ and Suncorp Bank have propositions that complement each other;
- c. Suncorp Bank does not tend to drive pricing, innovation or product development in the supply of commercial banking products to agribusinesses; and
- d. the threat of effective new entry and expansion will competitively constrain the combined business.

7.220 Without the proposed acquisition, agribusiness customers would have a number of existing effective banks and lenders, and potentially new entrants, competing to supply them with commercial banking products.

7.221 With the proposed acquisition, competition will remain strong, but with the addition of a merged ANZ/Suncorp Bank entity that will be better equipped to compete vigorously for all sizes of agribusiness customers.

<sup>626</sup> Regional Investment Corporation, <https://www.ric.gov.au/>; and Department of Finance, *Regional Investment Corporation* <https://www.finance.gov.au/government/australian-government-investment-funds/regional-investment-corporation>

<sup>627</sup> Regional Investment Corporation, *AgriStarter Loan* <https://www.ric.gov.au/agristarter>; Regional Investment Corporation, *Farm investment loan* <https://www.ric.gov.au/farm-investment>

**NO INCREASED RISK OF COORDINATED CONDUCT**

- 7.222 ANZ's proposed acquisition of Suncorp Bank will not create an increased risk of coordinated conduct in any market.
- 7.223 Features of the relevant markets currently militate strongly against coordinated conduct. They include:
- a. the large number of competitors of varying sizes and with different business models across all markets makes coordination practically difficult, particularly when combined with the fact customers multi-bank and switch;
  - b. the significant role of brokers in home loans and commercial lending (especially for smaller business customers) facilitates comparison and switching that is disruptive to any attempt to coordinate because brokers have an incentive to identify compelling offers to new and existing clients to demonstrate that their services are valuable;
  - c. banks have different funding and margin requirements, meaning that they will seek to change their competitive position in deposit and lending markets in order to proactively manage their portfolios and therefore will have differing objectives and incentives from competitors; and
  - d. home loan customers, large deposit holders, and business customers have the ability to, and do, negotiate on price and terms with banks either directly, or with the assistance of brokers. This means the pricing and other terms are less visible to competitors, making coordination very difficult.
- 7.224 None of these features of the relevant markets will be altered by ANZ's acquisition of Suncorp Bank.



## 8. THE PROPOSED ACQUISITION WILL DELIVER SUBSTANTIAL PUBLIC BENEFITS

8.1 The proposed acquisition will deliver substantial public benefits:

- a. **(Stronger insurer)** From completion, Suncorp Group will be able to more efficiently and effectively focus on and run its insurance business, which will result in benefits to its customers, shareholders and the broader public.
- b. **(Stronger bank and stronger banking system)** With Suncorp Bank under ANZ ownership, benefits will accrue to customers, shareholders and the broader public, including:
  - i. **(integration efficiencies)** benefits to the public, and to customers of the combined business and/or ANZ shareholders as a result of efficiencies that arise from the consolidation of Suncorp Bank's operations with ANZ's operations;
  - ii. **(reduced wholesale funding costs)** benefits to the public, and to customers of the combined business and/or ANZ shareholders as a result of a reduction in the cost of funding for Suncorp Bank;
  - iii. **(greater access to wholesale funding)** benefits to the public and to Suncorp Bank customers as a result of Suncorp Bank having a greater assurance of continued access to wholesale funding during periods of financial stress; and
  - iv. **(increased prudential safety)** benefits to Suncorp Bank depositors and Australian taxpayers, by reason of a material increase in the capital adequacy requirements that apply in respect of the assets of Suncorp Bank.
- c. **(Benefiting Queensland)** There will be direct benefits to the Queensland economy and Queenslanders as a result of:
  - i. Lending commitments by ANZ that will contribute to the economic and social prosperity of Queensland; and
  - ii. Employment benefits as a result of ANZ's and Suncorp Group's commitments relating to the establishment of "Centres of Excellence" in Queensland, as well as enhanced career opportunities for Suncorp Bank employees as part of a significantly larger and dedicated bank.
- d. **(Increased contribution to major bank levy)** benefits to the public as a result of the combined business making a greater contribution to



- c. The sale will allow Suncorp Group to re-focus its capital investment on its insurance business and make available funding for capital improvement projects including technology improvements **[Confidential to Suncorp]**  
 [REDACTED]  
 [REDACTED]  
 [REDACTED] 633
- d. By divesting Suncorp Bank, Suncorp Group will benefit from better access to sources of funding. Suncorp Group has a conglomerate structure and, as set out in the statement of Steve Johnston, Suncorp Group's market valuation has mostly traded at a discount to the theoretical sum of its parts. **[Confidential to Suncorp]** [REDACTED]  
 [REDACTED]  
 [REDACTED] A well-capitalised business that has strong shareholder support will ultimately lead to better outcomes for customers.<sup>634</sup>

- 8.5 Further, as part of the Agreed Commitments under the SSPA, Suncorp Group has committed to establish a Disaster Response Centre of Excellence in Brisbane, incorporating the latest technology to monitor, prepare for and respond to extreme weather and natural disasters.<sup>635</sup>

**ANZ will become a stronger bank, benefitting customers, shareholders, the broader public and the banking system**

*Integration efficiencies which constitute or contribute to public benefits*

- 8.6 As explained at paragraph 3.31 above, ANZ estimates that the proposed acquisition will deliver cost synergies of approximately \$260 million per annum.<sup>636</sup>
- 8.7 The expert report of RBB Economics (the **RBB Report**) finds that the synergies arising from the proposed acquisition are likely to enhance productive efficiency, in the sense that the combined business will be able to serve ANZ and Suncorp Bank customers at a lower cost, compared to the costs that would be collectively incurred by ANZ and Suncorp Bank to serve their respective customers in the absence of the proposed acquisition.

<sup>633</sup> Statement of Steve Johnston at [41] to [46], and [89].

<sup>634</sup> Statement of Steve Johnston at [101] to [106].

<sup>635</sup> Suncorp ASX announcement, *Suncorp Group announces the sale of Suncorp Bank to create a leading Trans-Tasman insurer* (18 July 2022) <https://www.asx.com.au/asxpdf/20220718/pdf/45bxsn636pb87f.pdf> (Annexure 52).

<sup>636</sup> ANZ Acquisition of Suncorp Bank and Equity Raising: Investor Discussion Pack (18 July 2022) (Annexure 6) at page 21.

*Productive efficiencies arising from the proposed acquisition*

- 8.8 Productive efficiency occurs when a given set of products or services is supplied at the lowest possible cost (given the technologies currently available).
- 8.9 Based on synergies identified by ANZ, the RBB Report concludes that the following types of productive efficiency gains will result from the proposed acquisition, compared to the situation if Suncorp Bank remained owned by Suncorp Group:
- a. **(economies of scale)** the majority of the efficiency gains derive from the elimination of various fixed costs that would otherwise be duplicated across ANZ and Suncorp Bank. These savings represent an increase in economies of scale and, as a result, enhance productive efficiency; and
  - b. **(improved processes)** cost savings that arise because ANZ is able to perform particular processes at a lower cost than Suncorp Bank, primarily because ANZ's greater use of automated processes would reduce labour costs associated with certain activities of Suncorp Bank. This enhances productive efficiency by enabling customers of Suncorp Bank (as part of the merged entity) to be served at a lower cost. To the extent that Suncorp Bank performs any processes at a lower cost than ANZ, any such process advantages can either be retained under ANZ ownership or, where they cannot be retained, are taken into account as a "dis-synergy" in RBB's analysis. For example, RBB's analysis takes into account an annual dis-synergy related to Suncorp Bank's "Risk" functions because costs associated with regulatory compliance processes for Suncorp Bank (or Suncorp Bank's products) are expected to increase as a result of Suncorp Bank becoming part of a major bank.
- 8.10 Section 3 of the RBB Report quantifies these productive efficiencies, based on the available information and assumptions set out in the report. For that purpose, RBB's quantification:
- a. excludes any synergies which RBB considers are not "merger-specific", in the sense that they do not arise uniquely as a result of the proposed acquisition (compared to the situation if Suncorp Bank remained owned by Suncorp Group);
  - b. takes into account any merger-specific integration costs and any 'dis-synergies' (such as the increased regulatory costs noted above), such that the productive efficiencies are calculated 'net' of those amounts; and
  - c. takes into account the times at which each of the merger-specific synergies (or dis-synergies) and integration costs are currently expected to take

effect, based on the available information and assumptions stated in the RBB Report.

- 8.11 Both types of productive efficiencies identified in the RBB Report – economies of scale and improved processes – include substantial efficiencies relating to the migration of Suncorp Bank customers to ANZ platforms (as described under the section "ANZ Plans for Suncorp Bank" above). In relation to economies of scale, as explained in the statement of Shayne Elliott, the acquisition of 1.2 million customer relationships from Suncorp Bank will provide a scale advantage for ANZ's continued investment in ANZ Plus, and ongoing innovation.<sup>637</sup> The increased scale in ANZ's Australia Retail and Australia Commercial Divisions, in particular, will enable ANZ to more efficiently make the investments required to meet customer expectations concerning digital capability and ongoing regulatory change.

*Public benefits to customers and/or shareholders of the combined business and the broader public*

- 8.12 The productive efficiencies described above constitute public benefits. As recognised by the ACCC's Merger Authorisation Guidelines (October 2018), costs savings arising from increases in productive efficiency can constitute public benefits, whether or not those savings are passed on to end consumers in the form of lower prices. This reflects the interest of the community at large in resource savings.<sup>638</sup>
- 8.13 Further, as explained in the RBB Report, there are three mechanisms by which productive efficiency gains are likely to result in consumer benefits.
- 8.14 First, to the extent ANZ is able to provide services of a higher quality than those that would be provided by Suncorp Bank in the absence of the proposed acquisition, then the application of higher quality offerings by ANZ to Suncorp Bank customers will result in a direct benefit to Suncorp Bank customers (in addition to productive efficiencies arising through the elimination of costs associated with the separate Suncorp Bank offerings). As explained in the statement of Shayne Elliott, with its already significant investment, and progress, in digital transformation, ANZ is well placed to deliver better outcomes for Suncorp Bank's customers over time compared to outcomes for those customers if Suncorp Bank remains owned by Suncorp Group.<sup>639</sup> Further, once Suncorp Bank retail and business customers are migrated to ANZ platforms, those customers will benefit from access to a wider range of products and services from

<sup>637</sup> Statement of Shayne Elliott at [63(b)(ii)].

<sup>638</sup> Merger Authorisation Guidelines (October 2018) at [8.15].

<sup>639</sup> Statement of Shayne Elliott at [77].

their MFI. Suncorp Bank customers will therefore benefit from increased quality of service, including digital capabilities.<sup>640</sup>

- 8.15 Secondly, in a competitive market, the combined business would have an incentive to pass on a portion of its productive efficiency cost savings to consumers in the form of better quality or lower priced services. For the reasons outlined in Section 7 Competitive effects, the relevant markets for banking services will remain intensely competitive, and it is therefore appropriate to assume that a portion of cost savings will be passed onto customers of the combined business.
- 8.16 Thirdly, to the extent customers respond to investments in improving the quality of banking services, ANZ will have an incentive to apply a portion of its cost savings toward further such investments. As explained in the statement of Shayne Elliott, ANZ's significant investment in its ongoing digital transformation is partly driven by consumer and public expectations concerning technology. Customers increasingly expect better services, including simpler products, the very latest technology, 'one touch' access, services that are available 24/7, and fast 'real time' responses.
- 8.17 Accordingly, the productive efficiencies arising from the proposed acquisition are likely to result in benefits to:
- a. the broader public, by reason of the interest that the public has in economic resource savings;
  - b. Suncorp Bank customers, to the extent that the combined business delivers (or enables Suncorp Bank to deliver) higher quality services to those customers;
  - c. customers of the combined business (including of ANZ), to the extent that cost savings are passed on to customers in the form of better quality or lower priced services, including via investments to improve banking services; and/or
  - d. ANZ shareholders, to the extent that cost savings are retained by the combined business.
- 8.18 The precise extent to which, or form in which, savings would flow through to customers or shareholders, will depend on investment and pricing decisions to be made after the relevant efficiencies are realised. That said, taking all relevant factors into account, including the competitive market conditions described above

<sup>640</sup> Statement of Steve Johnston at [97].

in Section 7 Competitive effects, the efficiencies generated by the acquisition are an enabler of lower prices, increased profitability or improved service levels.

### **Reduced wholesale funding costs**

- 8.19 From completion of the proposed acquisition, Suncorp Bank is likely to obtain wholesale funding at a lower cost than if Suncorp Bank remained owned by Suncorp Group, as explained in the statement of Adrian Went (the ANZ Group Treasurer).
- 8.20 Section 4 of the RBB Report finds that a reduction in wholesale funding costs is a productive efficiency, in the sense described at paragraph 8.7 above, which constitutes a public benefit. This efficiency will also result in substantial benefits to Suncorp Bank customers and/or to ANZ and its shareholders.

### *Nature of wholesale funding*

- 8.21 ANZ and Suncorp Bank each rely on wholesale funding, among other funding sources such as deposits. Wholesale funding is obtained by issuing debt securities, such as bonds and notes, to wholesale investors. Wholesale investors are sophisticated investors such as investment managers, public sector entities, large corporate institutions and other banks, as distinct from retail investors.
- 8.22 Debt securities are, broadly, securities issued by ANZ into domestic and international capital markets under which a wholesale investor provides funds to ANZ, in exchange for ANZ making pre-agreed interest payments under the terms of the security (if the security is interest bearing) and repaying the principal funds under the terms of the security after a pre-agreed period (usually the "maturity" date of the security). Debt securities may also be issued as discounted securities, meaning the security is priced at a discount to the principal amount due at maturity.
- 8.23 As explained in the statement of Adrian Went, the price paid by an issuer for wholesale debt is ultimately determined by investor demand in a given market. In particular, the price paid by issuers reflects:
- a. the risk that investors will not be repaid, based on an assessment by investors of the credit worthiness or credit strength of the issuer and features of the particular security being issued (e.g. the maturity); and
  - b. the investors' assessment of the price they can obtain from the issuer, having regard to a wide range of factors including demand and supply dynamics in the markets in which the securities are issued.
- 8.24 Given the factor in paragraph 8.23(a), debt securities issued by banks with higher credit ratings tend to have a lower interest rate than the same securities issued by

banks with a lower credit rating. As explained in the statement of Adrian Went, ANZ's credit ratings from each of the major credit rating agencies – S&P Global Ratings, Fitch and Moody's – are higher than the equivalent ratings assigned to Suncorp Bank. Therefore, as a result of its higher credit rating, ANZ is able to source funds from wholesale markets at a lower interest rate than Suncorp Bank.

*Impact of proposed acquisition on Suncorp Bank funding costs*

- 8.25 ANZ currently sources funds from wholesale markets at a lower cost than Suncorp Bank. The statement of Adrian Went sets out the difference in historical wholesale funding costs for ANZ and Suncorp Bank.
- 8.26 During the Separation Period, Suncorp Bank would initially continue to obtain wholesale funding as a distinct issuer, via the Suncorp Bank Treasury function. All else being equal, the price that Suncorp Bank is able to obtain for long-term wholesale debt during the Separation Period is likely to be lower than if Suncorp Bank remained owned by Suncorp Group. This is because:
- a. the pricing of that debt by investors would reflect an assumption that ANZ, as owner of Suncorp Bank, would support Suncorp Bank in the event that it faced financial difficulties; and
  - b. as explained above, ANZ has (and would continue to have) stronger credit ratings than Suncorp Bank from each of the major rating agencies.
- 8.27 It is not possible to reliably predict the precise extent to which Suncorp Bank's wholesale funding costs will reduce during the Separation Period, as this will depend on investor demand at the time, having regard to the dynamics referred to in paragraph 8.23 above.

8.28 **[Confidential to ANZ]** [REDACTED]

- 8.29 The proposed acquisition is not expected to impact ANZ's credit rating or cost of funds.

*Impact of lower funding costs*

- 8.30 A lower cost of funds for Suncorp Bank will mean that Suncorp Bank is a more efficient (lower-cost) supplier of lending products to its customers, and is therefore able to compete more effectively in the supply of those products, compared to if Suncorp Bank remained owned by Suncorp Group. As explained in the RBB Report, a reduction in funding costs would amount to a productive efficiency that



itself constitutes a public benefit, whether or not the cost reduction is passed on to end consumers in the form of lower prices.

- 8.31 Further, this efficiency will mean that Suncorp Bank can offer lower prices (interest rates and other charges) while achieving the same level of profitability or, conversely, achieve greater profitability at the same pricing, benefitting customers and/or shareholders respectively. Whether Suncorp Bank offers lower prices or achieves increased profitability or does a combination of both, across its lending portfolio, will depend on a range of factors, including any responses to competition faced by the combined business to win specific customer opportunities. As explained at paragraph 8.15 above in relation to the synergies achieved by the combined business, given the competitive banking markets described in this application, Suncorp Bank will have an incentive to pass on a portion of its funding cost savings to consumers in the form of better quality and/or lower priced services.

*Public benefits to customers and/or shareholders and the broader public*

- 8.32 From completion of the proposed acquisition, the reduction in funding costs would result in benefits to:
- a. customers of the combined business and/or ANZ shareholders, depending on the extent to which cost savings are passed on to customers. In particular, the reduced costs will benefit:
    - i. customers of the combined business, to the extent that reduced funding costs are passed on to Suncorp Bank customers in the form of lower lending prices (i.e. interest rates and other charges); and/or
    - ii. ANZ shareholders, to the extent that cost savings are retained by the combined business; and
  - b. the broader public, by reason of the interest that the public has in economic resource savings. The broader public would also indirectly benefit to the extent savings are passed on in the form of lower lending prices, by lowering the cost of the economic activities to which customers apply loaned funds.
- 8.33 ANZ is not currently in a position to confirm which of these particular benefits will arise from the funding cost reductions, or in what combination they will arise, as that would depend on investment and pricing decisions to be made after completion of the proposed acquisition.

### Greater assurance of access to wholesale funding

- 8.34 As explained above, the lending activities of ANZ and Suncorp Bank are funded in part by wholesale debt funding. In addition to lowering the *cost* of funding Suncorp Bank, the proposed acquisition gives greater assurance of *access* to funding for Suncorp Bank, particularly during periods of financial stress.

#### *Risk of reduction or withdrawal of wholesale funding*

- 8.35 In periods of financial stress, there is a risk that global debt investors will withdraw or reduce funding for institutions including in Australia. The likelihood of this occurring is greater for smaller banks such as Suncorp Bank, than it is for ANZ, Westpac, CBA and NAB.
- 8.36 For example, as explained in the statement of Adrian Went, during the Global Financial Crisis (**GFC**) Suncorp Bank and other non-major banks had a much greater and more extended reliance on the Australian Government Guarantee Scheme for Large Deposits and Wholesale Funding (the **Funding Guarantee Scheme**). Under the Funding Guarantee Scheme, eligible ADIs – including Suncorp Bank and ANZ – could choose to issue securities benefitting from a government guarantee, in exchange for the payment of a monthly fee to the Australian Government.
- 8.37 The greater use of the Funding Guarantee Scheme by Suncorp Bank and other non-major banks indicates that those banks found it more challenging to secure wholesale funding, and/or faced proportionately greater price increases for wholesale funding, compared to major banks during that period of financial stress. ANZ expects that these types of banks would face the same challenges and price pressures in periods of financial stress in the future.

#### *Public benefits to Suncorp Bank customers*

- 8.38 If the Proposed Acquisition proceeds, Suncorp Bank is likely to have a greater assurance of continued access to wholesale funding during periods of financial stress, compared to the situation if Suncorp Bank remained owned by Suncorp Group. This is because debt investors would assume that ANZ, as owner of Suncorp Bank, would support Suncorp Bank in the event that it faced financial difficulties. In particular, as explained in the statement of Adrian Went:
- a. during the Separation Period, Suncorp Bank would have a greater assurance of continued access to wholesale funding during periods of financial stress, compared to if Suncorp Bank remained owned by Suncorp Group. This is because debt investors would assume that ANZ, as owner of Suncorp Bank, would support Suncorp Bank in the event that it faced financial difficulties; and

- b. after the Separation Period, the merged entity would have the full benefit of ANZ's access to funds as a major bank, which is more assured than Suncorp Bank's access as part of Suncorp Group and may be more assured than Suncorp Bank's access during the Separation Period.
- 8.39 This means that Suncorp Bank customers would, in turn, benefit from a greater assurance that they would continue to receive credit from Suncorp Bank during periods of financial stress. A corresponding benefit accrues to the broader public, by reason of the incremental economic activities that may be funded by Suncorp Bank in those periods.

#### **Increased prudential safety**

- 8.40 The proposed acquisition would result in a material increase in the capital adequacy requirements that would apply in respect of Suncorp Bank assets, compared to the situation if Suncorp Bank remained owned by Suncorp Group.
- 8.41 Although Suncorp Bank and the financial system as a whole is currently well capitalised, the increased capital requirements as a result of the proposed acquisition will have a net public benefit. In particular, they will yield public benefits to:
- a. Suncorp depositors, by materially improving the safety and soundness of Suncorp Bank's assets which, in turn, will reduce the probability of failure of the entity guaranteeing those deposits; and
  - b. Australian taxpayers and the broader public, by reducing the net systemic risk of the Australian financial system and, in turn, reducing the probability that taxpayer funding will be called on to support Suncorp Bank.
- 8.42 The increased capital requirements and resulting public benefits are described in detail in the independent expert report of Dr Jeffrey Carmichael AO. Dr Carmichael specialises in regulation of the Australian financial system, with more than 50 years' experience in the field, including five years as Chairman of APRA.<sup>641</sup>

<sup>641</sup> Dr Carmichael's experience is described on page 2 of his report.

*Background – loss absorbing capital regulations applicable to ANZ and Suncorp*

- 8.43 All banks need to hold a minimum level of capital under APRA's prudential regulations.<sup>642</sup> Capital acts as a "buffer" to absorb any unexpected losses from loans going into default and being written off.<sup>643</sup>
- 8.44 The minimum level of capital is calculated as a ratio of the bank's capital base and risk-weighted assets (**RWAs**). This ratio is referred to as the risk-weighted capital ratio. RWAs, in simple terms, are the loans and other assets of the bank, weighted for their respective level of risk of loss to the bank. RWAs mainly comprise credit RWAs (loans). Other RWAs include Operational Risk, Traded Market Risk and Interest Rate Risk in the Banking Book or IRRBB (which is only applicable to ADIs accredited to use an advanced internal ratings-based approach to calculating the regulatory capital they are required to hold).
- 8.45 There are several different types of capital, with the core, highest quality measure known as Common Equity Tier 1 (**CET1**) capital. CET1 capital provides a permanent and unrestricted commitment of funds, is freely available to absorb losses, does not impose any unavoidable servicing charge against earnings and ranks behind the claims of depositors in the event of winding-up of the issuer.
- 8.46 The minimum CET1 capital ratio for ADIs is set as 4.5%, plus a capital buffer that provides an additional cushion. These buffers make up an additional 2.5% to 3.5% of CET1.
- 8.47 In Australia, all ADIs have capital positions and capital targets that meet the "unquestionably strong" benchmarks set by APRA for banks.<sup>644</sup> Compliance with these benchmarks requires banks to maintain a capital position in excess of the prudential minimum requirements inclusive of capital buffers.
- 8.48 Relative to Suncorp Bank, ANZ's capital requirements are greater as APRA has deemed it to be a domestic systemically important bank (**D-SIB**).<sup>645</sup> D-SIBs are required by APRA to hold additional capital, and therefore to meet a higher "unquestionably strong" capital benchmark compared to other banks.

<sup>642</sup> Prudential regulation includes Prudential Standard APS 110 Capital Adequacy (APS 110), Prudential Standard GPS 110 Capital Adequacy (GPS 110) and Prudential Standard LPS 110 Capital Adequacy (LPS 110).

<sup>643</sup> APRA, *Capital buffers* <https://www.apra.gov.au/capital-buffers#:~:text=APRA%20determined%20that%20the%20additional,to%20the%20capital%20conservation%20buffer>; APRA, *Prudential Standard APS 110 Capital Adequacy* [https://www.legislation.gov.au/Details/F2015L02076/Html/Text#\\_Toc397420621](https://www.legislation.gov.au/Details/F2015L02076/Html/Text#_Toc397420621)

<sup>644</sup> APRA, *Capital buffers* <https://www.apra.gov.au/capital-buffers>

<sup>645</sup> APRA, *Domestic systemically important banks in Australia* (December 2013) <https://www.apra.gov.au/media-centre/media-releases/apra-releases-framework-domestic-systemicallyimportant-banks-australia>. Other D-SIB banks are CBA, Westpac and NAB.

- 8.49 First, D-SIBs must hold an additional amount of CET1 capital (relative to other ADIs such as Suncorp Bank). This additional amount is equivalent to 1% of their RWA.<sup>646</sup>
- 8.50 Secondly, D-SIBs are subject to additional loss absorbing capacity (**LAC**) requirements (relative to other ADIs such as Suncorp Bank). This represents an additional amount of Tier 2 capital<sup>647</sup> equivalent to 4.5% of their RWA.<sup>648</sup> This additional requirement does not fully come into effect until 2026 – as an interim setting, D-SIBs are required to issue an additional 3% of Tier 2 capital by January 2024 and must then meet the full 4.5% increase from 1 January 2026. However, in practical terms, ANZ and other D-SIBs will likely meet the new Tier 2 requirement well in advance of the 1 January 2026 deadline due to the need to raise the additional Tier 2 capital in an orderly fashion and to reduce the risk of non-compliance with the APRA requirement in the event that market conditions prohibit large issuance volume closer to the implementation deadline. In fact, as APRA noted in its December 2021 letter to D-SIBs finalising the new LAC requirements, D-SIBs had already met the interim 3% requirement due to come into effect in January 2024.<sup>649</sup>
- 8.51 As APRA has noted, the enhanced capital requirements for D-SIBs seek to "reduce the probability of failure of banks deemed to be systematically important by increasing their ability to absorb losses on an ongoing basis" and to "reduce the probability of failure compared with non-systemic institutions, as well as to avoid the possibility that any direct costs of support may be borne by taxpayers".<sup>650</sup>
- 8.52 The table below estimates the additional LAC that the merged entity would issue in respect of Suncorp Bank assets as a result of the proposed acquisition (based on Suncorp Bank's balance sheet as at 30 June 2022), compared with the situation if Suncorp Bank continued to be owned by Suncorp Group.

Table 36: Incremental capital to be held by ANZ from proposed acquisition

<sup>646</sup> APRA, *Prudential Standard APS 111 Capital Adequacy: Measurement of Capital* at [30] to [38] <https://www.legislation.gov.au/Details/F2021L01299>

<sup>647</sup> Tier 2 capital includes other components of capital that contribute to the overall strength of an ADI and its capacity to absorb losses but fall short of the quality of CET1 capital and a further category called "Tier 1" Capital.

<sup>648</sup> APRA, *Finalising loss-absorbing capacity requirements for domestic systematically important banks* (2 December 2021) <https://www.apra.gov.au/finalising-loss-absorbing-capacity-requirements-for-domestic-systemically-important-banks> (Annexure 82).

<sup>649</sup> APRA, *Finalising loss-absorbing capacity requirements for domestic systematically important banks* (2 December 2021) at p 1 <https://www.apra.gov.au/finalising-loss-absorbing-capacity-requirements-for-domestic-systemically-important-banks> (Annexure 82).

<sup>650</sup> APRA, *Information Paper on domestic systematically important banks in Australia* (December 2013) at p 19 <https://www.apra.gov.au/sites/default/files/information-paper-domestic-systemically-important-banks-in-australia-december-2013.pdf> (Annexure 83).

ITEM	AMOUNT (\$ MILLION)
Suncorp Bank RWA (as at June 2022)	34,797
A. CET-1 capital from D-SIB Buffer (1% of RWA)	348
B. Additional Tier 2 capital (4.5% of RWA)	1,566
<b>TOTAL INCREMENTAL CAPITAL (SUM OF A AND B)</b>	<b>1,914</b>

8.53 In relation to the figures in the table above:

- a. **RWA:** The Suncorp Bank RWA in the table is the latest externally reported RWA for Suncorp Bank (as at June 2022). As discussed in Dr Carmichael's report, aspects of APRA's "unquestionably strong" capital framework reforms due to come into effect in January 2023 are expected to result in an average reduction in RWAs across banks. However, ANZ's due diligence in respect of Suncorp Bank indicates that the combined impacts from APRA's reforms and APRA's accreditation to use the "internal-ratings based approach" to calculating RWAs would not result in any material change to Suncorp Bank's RWA.
- b. **CET-1:** The incremental CET-1 capital in Item A does not include a further 1.25% increase in the minimum CET-1 requirements for D-SIBs to apply from January 2023, as a result of APRA increasing the minimum Capital Conservation Buffer (CCB) for D-SIBs. This increase in CCB is a calibration outcome as part of APRA's unquestionably strong capital framework reforms to ensure capital levels (measured in dollar terms) for D-SIBs are not reduced as a result of the expected reduction in RWA following APRA's reforms. This CCB increase has been conservatively excluded from Item A to avoid the risk of over-estimating the additional LAC requirements in the event that there is a material reduction in Suncorp's RWA (contrary to ANZ's expectations) following implementation of the APRA capital reforms in 2023.
- c. **Tier 2:** The incremental Tier 2 LAC of 4.5% of RWA reflects APRA's fully transitioned additional LAC requirements for major banks, which would take effect by January 2026, as explained in paragraph 8.50.

8.54 The expert report of Dr Jeffrey Carmichael AO concludes that the additional capital requirements that will apply to Suncorp Bank as a result of the proposed acquisition, as outlined above, would materially improve the safety and soundness of Suncorp Bank's assets and reduce systemic risk in the Australian financial system.

*Other capital implications relating to "IRB approach" have zero or minimal net effect*

- 8.55 APRA prudential regulation specifies two approaches to calculating credit RWAs for the purposes of calculating capital requirements: the internal ratings-based (**IRB**) approach;<sup>651</sup> and the standardised approach.<sup>652</sup> The IRB approach involves an ADI using its own ratings system to calculate RWAs. The standardised approach involves the ADI using a set of prescribed risk-weights to calculate RWAs. Suncorp Bank currently uses the standardised approach – which is the default approach for ADIs unless approval from APRA is obtained to use the IRB approach (i.e. advanced accreditation). The accreditation process typically requires significant uplifting in rating systems, risk management, internal capital allocation, governance and other requirements as outlined by APRA in their prudential standards.<sup>653</sup> ANZ has approval from APRA to use the IRB approach.
- 8.56 There is substantial investment involved in obtaining and maintaining APRA's approval to use the IRB approach. In addition to the need for sufficient data to establish and validate the ratings system, an ADI would need to invest in a modelling team. As a result, smaller banks including Suncorp Bank generally use APRA's standardised approach.
- 8.57 ANZ and other banks that use the IRB approach are also required to hold regulatory capital against interest rate risk in the banking book (**IRRBB**).<sup>654</sup>
- 8.58 Subject to APRA's approval, if the proposed acquisition proceeds, ANZ intends to use the IRB approach to calculate Suncorp Bank's RWA. This change would have two implications for the capital that ANZ and other IRB banks are required to hold:
- a. on the one hand, the RWA calculations under IRB modelling generally require ANZ to hold less capital for Credit RWA than if the calculations had been performed using the standardised approach; and
  - b. on the other hand, the IRRBB regulations require ANZ to hold more capital against interest rate risks.

<sup>651</sup> APRA, *Prudential Standard APS 113 Capital Adequacy: Internal Ratings-based Approach to Credit Risk* (1 January 2013) (APS 113) <https://www.legislation.gov.au/Details/F2012L02329>

<sup>652</sup> APRA, *Prudential Standard APS 112 Capital Adequacy: Standardised Approach to Credit Risk* (1 July 2019) <https://www.apra.gov.au/industries/1/standards>

<sup>653</sup> ADIs can apply for APRA's approval to use the IRB approach under paragraph 26 of APS 113.

<sup>654</sup> APRA, *Prudential Standard APS 117 Capital Adequacy: Interest Rate Risk in the Banking Book (Advanced ADIs)* <https://www.legislation.gov.au/Details/F2012L02334>

- 8.59 ANZ estimates that the net effect of these two implications would be minimal, in the sense that they would offset each other. These implications are also discussed in the expert report of Dr Carmichael.
- 8.60 As mentioned above, Suncorp Bank and the banking system at large is currently well capitalised in light of APRA's supervision activities, prudential requirements and calibration of system capital to meet APRA's "unquestionably strong" benchmarks.

#### *Benefits to customers and the broader public*

- 8.61 As a result of the regulatory features set out above, and other matters described in the expert report of Dr Carmichael, the proposed acquisition would result in the following substantial public benefits:
- a. **Safety and soundness benefit:** The proposed acquisition will benefit Suncorp Bank's depositors by materially improving the safety and soundness of Suncorp Bank's assets which, in turn, will reduce the probability of failure of the entity guaranteeing those deposits; and
  - b. **Systemic risk benefit:** The proposed acquisition will reduce the net systemic risk of the Australian financial system. This will deliver a benefit to Australian taxpayers and the broader public by reducing the probability that taxpayer funds will be called on to resolve Suncorp Bank.

#### **Substantial benefits for the Queensland economy and Queenslanders**

##### *ANZ lending commitments – contribution to the economic and social prosperity of Queensland*

- 8.62 As part of the announcement of the proposed acquisition, demonstrating ANZ's intention to continue investing and growing in Queensland post the proposed acquisition, ANZ made the following public commitments:
- a. \$15 billion of new lending and banking solutions to support the Queensland Government's renewable energy targets, and to support infrastructure development in preparation for the 2032 Olympic Games;
  - b. \$10 billion of new lending to support new energy projects in Queensland, including hydrogen and bioenergy projects over the next decade; and
  - c. \$10 billion of lending to support Queensland businesses over the next three years.<sup>655</sup>

<sup>655</sup> ANZ, *Acquisition of Suncorp Bank and Equity Raising – Investor Discussion Pack* (18 July 2022) at page 13 (**Annexure 6**).





branch numbers in Queensland, and no net job losses in Queensland for Suncorp Bank, as a result of the proposed acquisition. There is no guarantee that in the counterfactual Suncorp Bank would retain its current branch network and current workforce. To the extent that job losses are avoided during this period compared to the counterfactual, this would be an employment-related public benefit. ANZ also intends to continue Suncorp Bank's contract with Australia Post for Bank@Post services (provided the commercial terms offered by Australia Post are equivalent to those currently offered to Suncorp Bank), such that Suncorp Bank would continue offering services via Bank@Post post-acquisition.

- 8.68 Further, as part of a significantly larger and dedicated bank, that employs more than 28,000 people in Australia, New Zealand, Asia, the Pacific, UK/Europe, India and the USA,<sup>660</sup> Suncorp Bank's employees are likely to have better career opportunities at the combined business relative to those they would have in the Suncorp Group on a standalone basis.<sup>661</sup> The creation of these enhanced opportunities also constitutes an employment-related public benefit.

#### **Public benefits flowing from increase in the major bank levy paid**

- 8.69 The major bank levy was introduced on 1 July 2017 and applies to ADIs with liabilities over \$100 billion.<sup>662</sup> The levy is an annual tax of 6 basis points on those ADIs' liabilities.<sup>663</sup>
- 8.70 Since its introduction, only ANZ, CBA, NAB, Westpac and Macquarie Bank have been subject to the major bank levy. Suncorp Bank does not currently exceed the threshold and is unlikely to do so in the foreseeable future.
- 8.71 Once the liabilities of Suncorp Bank become liabilities of the combined business, those liabilities will be subject to the levy. ANZ estimates that this will increase its levy payments by approximately \$24 million each year (an increase of about 7% in the 2021 levy payment).
- 8.72 ANZ's increased major bank levy contributions, as a result of the proposed acquisition, will contribute to the Commonwealth's policy objectives of the levy. The Government's primary objective for introducing the major bank levy was budget repair, as outlined in the Explanatory Memorandum to the relevant

<sup>660</sup> ANZ, *Our People* <https://www.anz.com/aus/about/ourPeople.asp>

<sup>661</sup> Statement of Steve Johnston at [100].

<sup>662</sup> *Major Bank Levy Bill 2017 Explanatory Memorandum* (30 May 2017) [https://parlinfo.aph.gov.au/parlInfo/download/legislation/ems/r5896\\_ems\\_f8a34a79-dc0f-4294-aa94-c912ebb30f71/upload\\_pdf/634259.pdf;fileType=application%2Fpdf](https://parlinfo.aph.gov.au/parlInfo/download/legislation/ems/r5896_ems_f8a34a79-dc0f-4294-aa94-c912ebb30f71/upload_pdf/634259.pdf;fileType=application%2Fpdf) (Annexure 67); *Major Bank Levy Act 2017*.

<sup>663</sup> *Major Bank Levy Bill 2017 Explanatory Memorandum* (30 May 2017) [https://parlinfo.aph.gov.au/parlInfo/download/legislation/ems/r5896\\_ems\\_f8a34a79-dc0f-4294-aa94-c912ebb30f71/upload\\_pdf/634259.pdf;fileType=application%2Fpdf](https://parlinfo.aph.gov.au/parlInfo/download/legislation/ems/r5896_ems_f8a34a79-dc0f-4294-aa94-c912ebb30f71/upload_pdf/634259.pdf;fileType=application%2Fpdf) (Annexure 67); *Major Bank Levy Act 2017*.

legislation.<sup>664</sup> The Explanatory Memorandum also noted that it was fair for the defined major banks to make an additional contribution to budget repair due, in part, to the impact that a failure of one or more of them would have on the financial system. The Government is not committed to any ongoing fiscal exposure that supports Australia's banks in the event of their distress except for the financial claims scheme, which applies to all ADIs,<sup>665</sup> and the regulatory support that would be provided by APRA. Amounts raised through the major bank levy form part of the Government's consolidated revenue, leaving the Government discretion with respect to expenditure.

- 8.73 As noted in the "increased prudential safety" section above, the acquisition will contribute to the stability of Australian financial system, including through the prudential strength of the merged entity. As such, the acquisition will both raise additional revenue for the Government and decrease the risk of bank distress.
- 8.74 The availability of additional funds to government for uses beneficial to the public constitutes a public benefit. For example, the Australian Competition Tribunal found in its consideration of AGL – MacGen that the proceeds of the sale would be used by the NSW Government in a manner that would be "clearly beneficial to the NSW public", and that this gave rise to significant benefits to the public.<sup>666</sup>

## NO PUBLIC DETRIMENTS

- 8.75 To the extent that there are likely to be any public detriments from the proposed acquisition, they are de minimis and are outweighed by the substantial public benefits

<sup>664</sup> According to the *Major Bank Levy Bill 2017 Explanatory Memorandum*, 2.5 *The levy will raise around \$1.5 billion per year over the next four years and will contribute to budget repair over the forward estimates period. The levy will also contribute to strengthening the structural position of the budget for the long term – providing greater fiscal capacity to deal with shocks such as those seen in the global financial crisis. ...*

2.7 *Repairing the budget and maintaining the Australian Government's AAA credit rating will also benefit the largest banks, as their credit ratings, and hence funding costs, are more closely linked to the Government's credit rating.*

2.8 *In addition to the bank levy contributing in the shorter term to budget repair and to strengthening the structural fiscal position for the long term, it will have a number of beneficial impacts related to ongoing stability and competition settings, notably:*

- *ensuring a fair contribution from major banks to the economy given risks to the economy arising from large leveraged banks;*
- *providing a more level playing field for smaller banks and non-bank competitors; and*
- *complementing broader prudential reforms being implemented by APRA and the Government...*

<sup>665</sup> APRA, *Financial Claims Scheme* <https://www.apra.gov.au/financial-claims-scheme-0>

<sup>666</sup> Federal Court of Australia, *Application for Authorisation of Acquisition of Macquarie Bank Generation by AGL Energy Limited* [2014] ACompT 1 at paragraphs [37], [231] and [232] <https://www.judgments.fedcourt.gov.au/judgments/Judgments/tribunals/acompt/2014/2014acompt0001>

- 8.76 The proposed acquisition will not substantially lessen competition in any market, and will make ANZ a more effective competitor in an intensely challenging and competitive banking industry.
- 8.77 The proposed acquisition will not give rise to any public detriments. To the extent that there are likely to be any public detriments, they are de minimis and are outweighed by the substantial public benefits.
- 8.78 As described in paragraph 5.28, the use of branches by bank customers has diminished significantly and this trend will continue because customers increasingly prefer the convenience and efficiency of acquiring and using banking services remotely (ie telephone or online) and making payments by electronic funds transfer instead of cash. The vast majority of customers prefer conducting all aspects of banking through digital means, and branch visits and ATM withdrawals have significantly declined over time. With fewer customers visiting branches and ATMs, banks and financial institutions have responded by decreasing their points of presence and focusing instead on investing in digital technologies and capabilities.
- 8.79 As described in paragraph 3.4 above, ANZ has agreed to the Agreed Commitments which include that during the three-year period following completion, there will be no further reduction in Suncorp Bank branch numbers in Queensland and no net job losses in Queensland for Suncorp Bank as a result of the proposed acquisition. Subject to ANZ's integration plans, which are still being developed, following this period, ANZ is likely to conduct some rationalisation of the branch network potentially including duplicative branches.<sup>667</sup> The RBB Report finds that savings due to the removal of duplicative branches amount to increases in productive efficiency and are therefore a public benefit.<sup>668</sup>
- 8.80 ANZ's plans are still being developed as discussed at paragraphs 3.9 to 3.10. In the context of the trends outlined above, any perceived public detriment from any future branch closures is difficult to assess, and is likely to be de minimis. For any branches that are rationalised, the assessment of impact on customers that may have used those branches ought to take into account digital services available to those customers, and any detriments would in any event be far outweighed by substantial public benefits of the proposed acquisition, including the efficiencies arising from those branch closures and improvements in digital offerings.

<sup>667</sup> ANZ has not made any actionable decisions on the number of branches that ANZ may close following the Separation Period, the geographic location of those branches and whether these branches are branded ANZ or Suncorp. ANZ's decisions concerning branches will depend, in part, on how it integrates Suncorp Bank within ANZ.

<sup>668</sup> RBB Report at [section 3.2].

- 8.81 Additionally, to the extent there is any loss of jobs resulting from branch rationalisation or consolidation of other functions in the longer term, these would only amount to relevant detriments for the purposes of this application insofar as they would not have occurred without the proposed acquisition. The RBB Report finds that savings due to the removal of duplicative roles represent an increase in productive efficiency, which is a public benefit even if it involves redundancies, and is likely to outweigh any potential detriment in the form of unemployment, given that the current unemployment rate in Australia is the lowest it has been in almost 50 years.<sup>669</sup> In any event, to the extent these may be considered a public detriment, they should be weighed against the employment-related benefits described in paragraph 8.65, and the efficiencies and other public benefits described above.

#### **CONCLUSION: SUBSTANTIAL PUBLIC BENEFITS OUTWEIGH ANY DETRIMENTS**

- 8.82 ANZ submits that the proposed acquisition will result in substantial benefits to the public, which will outweigh any potential public detriments. This is because, in summary:
- a. Suncorp Group will become a stronger insurer, benefitting customers, shareholders and the broader public;
  - b. ANZ will become a stronger bank, benefitting customers, shareholders, the broader public and the banking system;
  - c. the proposed acquisition will result in substantial benefits for the Queensland economy and Queenslanders, and public benefits will also flow from the increase in the major bank levy paid by ANZ; and
  - d. to the extent that there are likely to be any public detriments from the proposed acquisition, they are de minimis.

<sup>669</sup> RBB Report at [section 3.2].

## 9. OTHER DOCUMENTS AND INFORMATION

### Complete list of documents

- 9.1 This application comprises the documents set out below. ANZ claims confidentiality over parts of this submission and the documents as indicated below as set out in further detail in the confidentiality submission provided with this application.

REFERENCE	DESCRIPTION	RESTRICTION OF PUBLICATION CLAIMED
<b>Submission</b>	This document.	Part
<b>Confidentiality claims table</b>	ANZ Suncorp Confidentiality claims	Whole
<b>Undertaking</b>	ANZ Undertaking not to complete	Whole
<b>Declaration</b>	Declaration by Target (SBGH Limited) and Vendor (Suncorp Group Limited)	Not claimed
<b>ANZ Statement 1</b>	Statement of Shayne Elliott (Confidential version)	Part
	Statement of Shayne Elliott (Public version)	Part
	SCE-1	Whole
	SCE-2	Whole
	SCE-3	Whole
	SCE-4	Whole
	SCE-5	Whole
	SCE-6	Not claimed
	SCE-7	Whole
	SCE-8	Not claimed
SCE-9	Whole	
<b>ANZ Statement 2</b>	Statement of Adrian Went (Confidential version)	Part
	Statement of Adrian Went (Public version)	Part
	AW-1	Not claimed
	AW-2	Not claimed
	AW-3	Not claimed
<b>ANZ Statement 3</b>	Statement of (Douglas) John Campbell (Confidential version)	Part

REFERENCE	DESCRIPTION	RESTRICTION OF PUBLICATION CLAIMED
	Statement of (Douglas) John Campbell (Public version)	Part
	DJC-1	Whole
	DJC-2	Whole
	DJC-3	Whole
<b>ANZ Statement 4</b>	Statement of Isaac Rankin (Confidential version)	Part
	Statement of Isaac Rankin (Public version)	Part
	IR-1	Whole
	IR-2	Whole
	IR-3	Whole
	IR-4	Not claimed
<b>ANZ Statement 5</b>	Statement of Guy Mendelson (Confidential version)	Part
	Statement of Guy Mendelson (Public version)	Part
<b>ANZ Statement 6</b>	Statement of Yiken Yang (Confidential version)	Part
	Statement of Yiken Yang (Public version)	Part
<b>ANZ Statement 7</b>	Statement of Mark Bennett (Confidential version)	Part
	Statement of Mark Bennett (Public version)	Part
	MSB-1	Not claimed
	MSB-2	Whole
	MSB-3	Not claimed
	MSB-4	Not claimed
	MSB-5	Not claimed
	MSB-6	Not claimed
	MSB-7	Not claimed
	MSB-8	Whole
<b>Suncorp Statement 1</b>	Statement of Steve Johnston (Confidential version)	Whole
	Statement of Steve Johnston (Public version)	Not claimed
	SJ-1	Whole
	SJ-2	Not claimed

REFERENCE	DESCRIPTION	RESTRICTION OF PUBLICATION CLAIMED
<b>Suncorp Statement 2</b>	Statement of Clive van Horen (Confidential version)	Whole
	Statement of Clive van Horen (Public version)	Not claimed
	CVH-1	Whole
	CVH-2	Not claimed
<b>Expert Report 1</b>	Statement of Jeff Carmichael	Not claimed
<b>Expert Report 2</b>	Statement of Patrick Smith (Confidential version)	Part
	Statement of Patrick Smith (Public version)	Part
<b>Expert Report 3</b>	Statement of Dr Philip Williams AM (Confidential version)	Part
	Statement of Dr Philip Williams AM (Public version)	Part
<b>Annexure 1</b>	Validity assessment reference table	Not claimed
<b>Annexure 2</b>	ANZ, 2022 Full Year Results: Results Presentation and Investor Discussion Pack (27 October 2022)	Not claimed
<b>Confidential Annexure 3.1</b>	ANZ organisation chart	Whole
<b>Confidential Annexure 3.2</b>	Suncorp Bank organisation chart	Not claimed
<b>Annexure 4</b>	Suncorp Group FY 22 Annual Report	Not claimed
<b>Confidential Annexure 5</b>	Share Sale and Purchase Agreement dated 18 July 2022	Whole
<b>Annexure 6</b>	ANZ Acquisition of Suncorp Bank and Equity Raising: Investor Discussion Pack (18 July 2022)	Not claimed
<b>Confidential Annexure 7</b>	Suncorp Bank FY23-25 Business Plan	Whole
<b>Confidential Annexure 8.1.1</b>	ANZ – Board Paper dated 24 November 2021	Whole
<b>Confidential Annexure 8.1.2</b>	ANZ – Board Paper dated 3 July 2022	Whole
<b>Confidential Annexure 8.1.3</b>	ANZ – Board Paper dated 28 June 2022	Whole



REFERENCE	DESCRIPTION	RESTRICTION OF PUBLICATION CLAIMED
<b>Confidential Annexure 8.1.4</b>	ANZ – Board Paper dated 15 July 2022	Whole
<b>Confidential Annexure 8.1.5</b>	ANZ – Board Paper dated 10 July 2022	Whole
<b>Confidential Annexure 8.1.6</b>	Flagstaff, Valuation Supporting Materials (27 June 2022)	Whole
<b>Confidential Annexure 8.1.7</b>	ANZ – Board Paper dated 3 May 2022	Whole
<b>Confidential Annexure 8.1.8</b>	ANZ – Board Paper dated 13 May 2022	Whole
<b>Confidential Annexure 8.1.9</b>	ANZ – Extract of Committee of the Board Minutes dated 13 May 2022	Whole
<b>Confidential Annexure 8.1.10</b>	ANZ – Extract of Board Minutes dated 1 April 2022	Whole
<b>Confidential Annexure 8.1.11</b>	ANZ – Extract of Board Minutes dated 3 May 2022	Whole
<b>Confidential Annexure 8.1.12</b>	ANZ – Extract of Board Minutes dated 11 February 2022	Whole
<b>Confidential Annexure 8.1.13</b>	ANZ – Extract of Board Minutes dated 16 June 2022	Whole
<b>Confidential Annexure 8.1.14</b>	ANZ – Extract of Board Minutes dated 24 February 2022	Whole
<b>Confidential Annexure 8.1.15</b>	ANZ – Extract of Board Minutes dated 24 November 2021	Whole
<b>Confidential Annexure 8.1.16</b>	ANZ – Extract of Board Minutes dated 26 May 2022	Whole
<b>Confidential Annexure 8.1.17</b>	ANZ – Executive Committee Update dated May 2022	Whole
<b>Confidential Annexure 8.1.18</b>	ANZ – July 2022 Board Strategy Day Presentation	Whole
<b>Confidential Annexure 8.2.1</b>	ANZ – Group Agribusiness Annual Review presentation dated 23 February 2022	Whole
<b>Confidential Annexure 8.2.2</b>	Agribusiness - DoL V1 Simplified DoL	Whole
<b>Confidential Annexure 8.2.3</b>	ANZ – ANZ National Agri Conference Presentation dated November 2021	Whole

REFERENCE	DESCRIPTION	RESTRICTION OF PUBLICATION CLAIMED
<b>Confidential Annexure 8.2.4</b>	ANZ – Agribusiness Portfolio Update Presentation dated 2 December 2021	Whole
<b>Confidential Annexure 8.2.5</b>	ANZ – Australia Commercial LT Forum Finance Update Presentation dated 25 October 2022	Whole
<b>Confidential Annexure 8.2.6</b>	ANZ – Commercial LT Finance Update May YTD Presentation dated 4 July 2022	Whole
<b>Confidential Annexure 8.2.7</b>	ANZ – Board Paper dated 3 May 2022	Whole
<b>Confidential Annexure 8.2.8</b>	ANZ – Home Loans Business Writing Strategy (October 2021)	Whole
<b>Confidential Annexure 8.2.9</b>	ANZ – Retail LT Forum FY22 Current Status Presentation dated 15 June 2022	Whole
<b>Confidential Annexure 8.2.10</b>	ANZ – Retail Unsecured Lending Business Writing Strategy dated October 2021	Whole
<b>Confidential Annexure 8.3.1</b>	Email to AR&C LT regarding Sep-21 Month End and FY21 Financial Results	Whole
<b>Confidential Annexure 8.3.2</b>	Email to Australia Retail LT regarding Jun-22 Financial Results	Whole
<b>Confidential Annexure 8.3.3</b>	Email to Commercial Leadership containing Commercial Flash Report	Whole
<b>Confidential Annexure 9.1</b>	Suncorp Group Limited - Board Papers (15 May 2022)	Whole
<b>Confidential Annexure 9.2</b>	Suncorp Group Limited - Board Minutes (15 May 2022)	Whole
<b>Confidential Annexure 9.3</b>	Suncorp Group Limited - Board Paper dated 24 May 2022	Whole
<b>Confidential Annexure 9.4</b>	Suncorp Group Limited - Board Paper dated 23 May 2022	Whole
<b>Confidential Annexure 9.5</b>	Suncorp Group Limited -	Whole

REFERENCE	DESCRIPTION	RESTRICTION OF PUBLICATION CLAIMED
	Board Minutes (24 May 2022)	
<b>Confidential Annexure 9.6</b>	Suncorp Group Limited - Board Submission dated 15 July 2022	Whole
<b>Confidential Annexure 9.7</b>	Suncorp Group Limited - Board Submission dated 11 July 2022	Whole
<b>Confidential Annexure 9.10</b>	Suncorp Group Limited - Board Minutes (16 July 2022)	Whole
<b>Annexure 10.1</b>	ANZ list of home loan products (as at 28 Nov 22)	Not claimed
<b>Annexure 10.2</b>	ANZ list of deposit products (as at 28 Nov 22)	Not claimed
<b>Annexure 10.3</b>	ANZ list of credit card and personal loan products (as at 30 Nov 22)	Not claimed
<b>Annexure 11</b>	Suncorp Bank list of products and key features	Not claimed
<b>Confidential Annexure 12</b>	ANZ sales revenue and volume	Whole
<b>Confidential Annexure 13</b>	Suncorp Bank management accounts	Whole
<b>Annexure 14</b>	Roy Morgan, <i>Sources of New MFIs – latest trend update (June '22 quarter)</i>	Whole
<b>Confidential Annexure 15</b>	Suncorp Bank sales revenue and volume	Whole
<b>Confidential Annexure 16.1</b>	ANZ spreadsheet of top 10 customers	Whole
<b>Confidential Annexure 16.2</b>	ANZ spreadsheet of top 10 suppliers	Whole
<b>Confidential Annexure 16.3</b>	ANZ contact details of trade and industry associations	Whole
<b>Confidential Annexure 17.1</b>	Suncorp Bank spreadsheet of top 10 customers exposure / balance	Whole

REFERENCE	DESCRIPTION	RESTRICTION OF PUBLICATION CLAIMED
<b>Confidential Annexure 17.2</b>	Suncorp Bank top 10 customer and supplier contact details	Whole
<b>Annexure 18</b>	Parliamentary Joint Committee on Corporations and Financial Services, <i>Mobile Payment and Digital Wallet Financial Services</i> , Chapter 3 (October 2021)	Not claimed
<b>Annexure 19</b>	RBA, Panic, Pandemic and Payment Preferences (3 June 2020)	Not claimed
<b>Annexure 20</b>	RBA, <i>Consumer Payment Behaviour in Australia: Evidence from the 2019 Consumer Payments Survey</i> (June 2020)	Not claimed
<b>Annexure 21</b>	The Treasury, Regional Banking Taskforce: Final Report (September 2022)	Not claimed
<b>Annexure 22</b>	Lowies B., Helliar C., Lushington K., and Whait R.B. (2019). <i>The Financial Capability of Older People</i> , Final Report, University of South Australia Business School	Not claimed
<b>Annexure 23</b>	Competition in the Australian Financial System: Productivity Commission Inquiry Report (No. 89, 29 June 2018)	Not claimed
<b>Annexure 24</b>	MFAA, Industry Intelligence Service: Commercial Finance Snapshot for the period 1 April 2021 – 30 September 2021	Not claimed
<b>Annexure 25</b>	Judo Bank FY22 Results (August 2022)	Not claimed
<b>Annexure 26</b>	East & Partners, Australian Asset & Equipment Finance Markets: Market Analysis Report (Round 15 – 2021).	Whole
<b>Annexure 27</b>	ASIC Annual Report 2020-21	Not claimed
<b>Annexure 28</b>	Table setting out distance to nearest ANZ branch from each Suncorp Bank branch	Not claimed

REFERENCE	DESCRIPTION	RESTRICTION OF PUBLICATION CLAIMED
<b>Annexure 29</b>	Mortgage aggregators operating in Australia	Not claimed
<b>Annexure 30.1</b>	APRA market share data	Not claimed
<b>Annexure 30.2</b>	DBM market share data	Whole
<b>Annexure 31</b>	RFi, Australian Savings & Deposits Council (February 2022)	Whole
<b>Confidential Annexure 32</b>	20 Year Trended Results - MFI Share & MFI NPS (29 Sep 2022)	Whole
<b>Annexure 33</b>	RFi Global, Australian Mortgage Council (September 2021)	Whole
<b>Annexure 34</b>	RFi, Australian Mortgage Council (September 2021) - Additional analysis channel of origination	Whole
<b>Annexure 35</b>	RFi Global, Australian Mortgage Council (March 2022)	Whole
<b>Confidential Annexure 36</b>	Suncorp Bank's SME Narrative FY21/F22 (June 2022)	Whole
<b>Annexure 37</b>	Jarden Mortgage Tracker (20 July 2022)	Whole
<b>Annexure 38</b>	ANZ Annual Report (2022)	Not claimed
<b>Annexure 39</b>	MFAA, Industry Intelligence Service 13th edition covering 1 April 2021 - 30 September 2021	Not claimed
<b>Annexure 40</b>	ACCC, Draft Determination, Application for Authorisation lodged by the Mortgage Industry Association of Australia in respect of MIAA Disciplinary Rules (23 November 2003)	Not claimed
<b>Annexure 41</b>	AFG Index, Media Release (April 2022)	Not claimed
<b>Annexure 42</b>	MFAA, Industry Intelligence Service 14th Edition covering 1 October 2021 - 31 March 2022	Not claimed

REFERENCE	DESCRIPTION	RESTRICTION OF PUBLICATION CLAIMED
<b>Annexure 43</b>	Prescience Research, ANZ Plus Home Loan Pricing Report (April 2022)	Whole
<b>Annexure 44</b>	ASIC, Looking for a mortgage: Consumer experiences and expectations in getting a home loan (August 2019)	Not claimed
<b>Annexure 45</b>	Roy Morgan, Report - MFI Share of Products (Pt 2 - Mortgages OT)	Whole
<b>Annexure 46</b>	ANZ, ANZ Saving & Transaction Products Terms and Conditions (30 November 2022)	Not claimed
<b>Annexure 47</b>	ICA Insurance Catastrophe Resilience Report 2021-22	Not claimed
<b>Annexure 48</b>	Sale of Suncorp Bank Presentation (18 July 2022)	Not claimed
<b>Annexure 49</b>	RFi - Australian Mortgage Council Mar-21 - Presentation for ANZ	Whole
<b>Annexure 50</b>	RBA Payments Sector Board Annual Report (2021)	Not claimed
<b>Annexure 51</b>	APRA ADI licensing - Restricted ADI Framework Information Paper (4 May 2018)	Not claimed
<b>Annexure 52</b>	Suncorp ASX announcement (18 July 2022)	Not claimed
<b>Annexure 53</b>	Fast facts about Suncorp Group	Not claimed
<b>Annexure 54</b>	Suncorp Investor Pack for financial results ending 31 December 2021 (8 February 2022)	Not claimed
<b>Annexure 55</b>	Judo Bank Annual Review 2021	Not claimed
<b>Annexure 56</b>	Deloitte - The Value of Mortgage Broking (July 2018)	Not claimed
<b>Annexure 57</b>	ACCC Westpac and St George PCA (13 August 2008)	Not claimed

REFERENCE	DESCRIPTION	RESTRICTION OF PUBLICATION CLAIMED
<b>Annexure 58</b>	ACCC CBA, BankWest and St Andrew's PCA (10 December 2008)	Not claimed
<b>Annexure 59</b>	The Treasury Financial System Inquiry Final Report (November 2014)	Not claimed
<b>Annexure 60</b>	The Treasury Review into Open Banking (December 2017)	Not claimed
<b>Annexure 61</b>	Consumer Data Right Bill 2019 Explanatory Memorandum	Not claimed
<b>Annexure 62</b>	ACCC Home Loan Price Inquiry (November 2020)	Not claimed
<b>Annexure 63</b>	ACCC Foreign Currency Conversion Services Inquiry Report (July 2019)	Not claimed
<b>Annexure 64</b>	ACCC Inquiry into Australia as a Technology and Financial Centre letter (29 June 2021)	Not claimed
<b>Annexure 65</b>	The APRA and ASIC relationship	Not claimed
<b>Annexure 66</b>	Comparison of key features of the ASIC Sandbox and the Australian Government's Enhanced Regulatory Sandbox (August 2020)	Not claimed
<b>Annexure 67</b>	Major Bank Levy Bill Explanatory Memorandum (30 May 2017)	Not claimed
<b>Annexure 68</b>	APRA ADI Licensing Information Paper (4 May 2018)	Not claimed
<b>Annexure 69</b>	APRA New entrants discussion paper (March 2021)	Not claimed
<b>Annexure 70</b>	APRA Information Paper - An Unquestionably Strong Framework for Bank Capital (November 2021)	Not claimed
<b>Annexure 71</b>	Budget Speech by Scott Morrison (9 May 2017)	Not claimed
<b>Annexure 72</b>	Prospa Group Limited Half Year Report (15 February 2021)	Not claimed

REFERENCE	DESCRIPTION	RESTRICTION OF PUBLICATION CLAIMED
<b>Annexure 73</b>	Prospa Investor Day Presentation (21 October 2021)	Not claimed
<b>Annexure 74</b>	Liberty Financial Annual Report (2021)	Not claimed
<b>Annexure 75</b>	Tyro Payments Limited Annual Report (2021)	Not claimed
<b>Annexure 76</b>	Novatti Annual Report (2021)	Not claimed
<b>Annexure 77</b>	Novatti Half Yearly Report and Accounts (28 February 2022)	Not claimed
<b>Annexure 78</b>	NAB Investor Presentation Full Year Results 2022 (9 November 2022)	Not claimed
<b>Annexure 79</b>	RBA 'Bank Fees in Australia' -16 June 2022	Not claimed
<b>Annexure 80</b>	Australian Government Productivity Commission - Small business access to finance Research Paper (September 2021)	Not claimed
<b>Annexure 81</b>	RBA, The cost of card payments for merchants (19 March 2020)	Not claimed
<b>Annexure 82</b>	APRA - Finalising loss-absorbing capacity requirements for domestic systematically important bank letter (2 December 2021)	Not claimed
<b>Annexure 83</b>	APRA Information Paper on domestic systematically important banks in Australia (December 2013)	Not claimed
<b>Annexure 84</b>	Capegemini, Challenges & opportunities for merchant acquirers (July 2017)	Not claimed
<b>Annexure 85</b>	A Frankel, Towards A Competitive Card Payments Marketplace	Not claimed
<b>Annexure 86</b>	RFi, Australian Mortgage Council (September 2020)	Whole
<b>Annexure 87</b>	PEXA Mortgage Insights Report FY22 (July 2022)	Not claimed
<b>Annexure 88</b>	Suncorp ASX Announcement - Suncorp delivers 39.5%	Not claimed



REFERENCE	DESCRIPTION	RESTRICTION OF PUBLICATION CLAIMED
	uplift in 1H21 cash profit (9 February 2021)	
<b>Annexure 89</b>	ASIC Report 672 - Buy now pay later: an industry update (November 2020)	Not claimed
<b>Annexure 90</b>	Afterpay F21 Annual Report	Not claimed
<b>Annexure 91</b>	APRA, Authority to carry on banking business for a limited time 2022 – IBA Group Ptd Ltd (5 July 2022)	Not claimed
<b>Annexure 92</b>	APRA, Letter from Revolut Payments Australia Pty Ltd to APRA (23 April 2021)	Not claimed
<b>Annexure 93</b>	RFi, Australian SME Banking Council (Presentation to ANZ) (March 2022)	Whole
<b>Annexure 94</b>	RFi, Australian SME Banking Council (Presentation to ANZ) (June 2021)	Whole
<b>Annexure 95</b>	RFi, Australian Savings and Deposits Council (Transactions) (March 2022)	Whole
<b>Annexure 96</b>	ASIC, A report to ASIC on the finance and mortgage broker industry (Report 19, March 2003)	Not claimed
<b>Annexure 97</b>	Cameron Research, the Australian Small Business Markets for Financial Services: 2022, Banks and the Small Business Market (Volume 1)	Whole
<b>Annexure 98</b>	ANZ Full Year 2022 Consolidated Financial Report, Dividend Announcement and Appendix 4E	Not claimed
<b>Annexure 99</b>	ANZ 2022 ESG Supplement	Not claimed
<b>Annexure 100</b>	ANZ Full year 2017 Consolidated Financial Report, Dividend Announcement and Appendix 4E	Not claimed

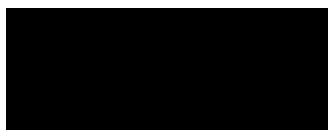
REFERENCE	DESCRIPTION	RESTRICTION OF PUBLICATION CLAIMED
<b>Annexure 101</b>	ANZ Half Year 2018 Consolidated Financial Report, Dividend Announcement and Appendix 4D	Not claimed
<b>Annexure 102</b>	ANZ media release 'ANZ 2007 Profit \$4,180 million' - 25 October 2007	Not claimed
<b>Annexure 103</b>	KPMG - Australian Fintech Survey Report - June 2022	Not claimed

**Declaration by Australia and New Zealand Banking Group Limited**

The undersigned declare that, to the best of their knowledge and belief, the information given in response to questions in this form is true, correct and complete, that complete copies of documents required by this form have been supplied, that all estimates are identified as such and are their best estimates of the underlying facts, and that all the opinions expressed are sincere.

The undersigned undertake(s) to advise the ACCC immediately of any material change in circumstances relating to the application.

The undersigned are aware of the provisions of section 92 of the *Competition and Consumer Act 2010* (Cth) and sections 137.1 and 149.1 of the *Criminal Code* (Cth).



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Signature of authorised person

Solicitor on behalf of the Applicant (Australia and New Zealand Banking Group Limited)

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Office held

Justin Duncan Jones

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Name of authorised person

This 2nd day of December 2022

## 10. GLOSSARY

TERM	MEANING
ABA	Australian Banking Association. The ABA is an association of 20 member banks in Australia.  See: <a href="https://www.ausbanking.org.au/">https://www.ausbanking.org.au/</a>
ACCC	Australian Competition and Consumer Commission.
ADI	Authorised Deposit-taking Institution. These institutions are registered and supervised by APRA under the Banking Act.
AFSL	Australian financial services licence issued by ASIC under the Corporations Act.
Agreed Commitments	The agreed set of commitments offered by ANZ and Suncorp to the Queensland Government as set out in clause 2.6 and Schedule 17 of the SSPA.
ANZSIC	Australian and New Zealand Standard Industrial Classification.
APN	Australian Payments Network. APN is the self-regulatory body for the payments industry.
APRA	Australian Prudential Regulation Authority.
ANZ	Australia and New Zealand Banking Group Limited.
ANZ Plus	The ANZ proposition described in paragraph 3.21.
ANZx	ANZ's Australia Retail and Australia Commercial digital transformation program described in paragraph 3.20.
AP+	Australian Payments Plus Ltd. AP+ is the holding company of BPAY Group Holding Pty Ltd, eftpos Payments Australia Limited and NPP Australia Limited.  The ACCC authorised the amalgamation of these businesses on 21 September 2021.
APN	Australian Payments Network. For more information see: <a href="https://www.auspaynet.com.au/">https://www.auspaynet.com.au/</a>
ASIC	Australian Securities and Investments Commission.
ASX	Australian Stock Exchange.
ATM	Automatic teller machine.
backbook	This expression refers to a bank's existing loans or deposits, excluding the frontbook.
Banking Act	<i>Banking Act 1959</i> (Cth).
BB	Business Banking. This is an expression used by ANZ to define a certain category of customers, as explained in the statement of Isaac Rankin.
BCU	Bananacoast Community Credit Union.

TERM	MEANING
BNPL	Buy Now Pay Later. This refers to a range of products that allow customers to buy products in instalments in exchange for a fee.
BOQ	Bank of Queensland.
CBA	Commonwealth Bank of Australia.
CCA	<i>Competition and Consumer Act 2010 (Cth).</i>
CCR	Comprehensive credit reporting.
CDR	Consumer data right.
CNP	Card Not Present. This relevant to merchant acquiring services and refers to a customer making an electronic payment using a digital payment gateway.
CRM	Client relationship management.
Corporations Act	<i>Corporations Act 2001 (Cth).</i>
CP	Card Present. This is relevant to merchant acquiring services and refers to a customer making an electronic payment at the POS using a POS terminal.
CUA	Credit Union Australia.
DBM	DBM Business Atlas. DBM is a market research company. More information: <a href="https://www.dbmconsultants.com.au/about/">https://www.dbmconsultants.com.au/about/</a>
EPS	Earnings per share.
FCA UK	Financial Conduct Authority of the United Kingdom.
FMD	Farm-management deposits. This refers to a type of deposit account available to primary producers to assist with managing uneven cash flow. The Department of Agriculture, Fisheries and Forestry (Commonwealth) manages the FMD account policy, and the Australian Taxation Office manages tax administration.  More information: <a href="https://www.ato.gov.au/Business/Primary-producers/In-detail/Farm-management-deposits-scheme/">https://www.ato.gov.au/Business/Primary-producers/In-detail/Farm-management-deposits-scheme/</a>
frontbook	This expression refers to the portfolio of new loans or deposits (as applicable) that have been recently administered.
FSI	The <i>Financial System Inquiry</i> , which reported in 2014. See: The <i>Treasury Financial System Inquiry Final Report</i> (November 2014) at <a href="https://treasury.gov.au/sites/default/files/2019-03/p2014-FSI-01Final-Report.pdf">https://treasury.gov.au/sites/default/files/2019-03/p2014-FSI-01Final-Report.pdf</a>
FUM	Funds Under Management. This refers to the total value of accounts managed by an institution.
GFC	Global financial crisis.

TERM	MEANING
HHI	Herfindahl-Hirschman Index. This is the sum of the squares of each competitor's (or, in some cases, categories of competitors) market share.
House Economics Committee	House of Representatives Standing Committee on Economics.
IO	Interest only. This is used in the context of home loans, and refers to home loan products where only the interest is repaid.
LMI	Lenders Mortgage Insurance.
LVR	Loan to value ratio. This is the ratio of the amount of a loan to the total value of the secured assets.
MFAA	Mortgage & Finance Association of Australia.
MFI	Main financial institution. This refers to the primary institution that a customer uses for banking services.
NCCP Act	<i>National Consumer Credit Protection Act 2009 (Cth).</i>
NIM	Net interest margin. Net interest margin is net interest income as a percentage of average interest earning assets.  For lending, NIM is the customer rate minus the bank's cost of funds. For deposits, it is the bank's cost of funds minus the customer rate.
Non-ADI	Entities that engage in the provision of finance that are not Authorised Deposit taking Institutions. A financial institution that does not have a full banking license or is not supervised by a national or international banking regulatory agency.
NPS	Net Promoter Score. NPS is a widely used measure in the banking industry of a customer's or a broker's willingness to recommend a particular bank to others. Respondents who give a rating of 0-6 are classified as "detractors", those who give a rating of 7-8 are described as "passives", while a 9-10 rating classifies the respondent as a "promoter". The overall NPS is then calculated as the percentage of detractors subtracted from the percentage of promoters. This means a positive NPS indicates that a brand has more promoters than detractors, while a negative NPS means a brand has more detractors than promoters.
P&I	Principal and Interest. This is used in the context of home loans, and refers to home loan products where both the principal and interest is repaid.
P&L	Profit and loss.
PEXA	Property Exchange Australia.
POS	Point of sale.
QRIDA	Queensland Rural and Industry Development Authority.
RAMS	Registered Australian Mortgage Securities.

TERM	MEANING
RBA	Reserve Bank of Australia.
Restricted ADI	APRA's restricted ADI framework. For more information: APRA, <i>ADI Licensing: Restricted ADI Framework</i> (Information Paper, 4 May 2018) 23-29 ( <b>Annexure 51</b> ).
Restructure Agreement	A Restructure Agreement in a form similar to Schedule 18 to the SSPA.
RFi	Retail Financial Intelligence Limited. RFi is a market research business.
ROE	Return on equity. The ROE is a measure of the profitability of a business in relation to its equity. ROE is equal to a fiscal year net profit after tax, divided by total equity, expressed as a percentage.
SBB	Small Business Banking. This is an expression used by ANZ to define a certain category of customers, as explained in the statement of Isaac Rankin.
SBGH	SBGH Limited.
SCS	Suncorp Corporate Services Pty Ltd (ACN 074 966 466).
SD	Specialist Distribution. This is an expression used by ANZ to define a certain category of customers, as explained in the statement of Isaac Rankin.
Separation Period	The period referred to in paragraph 3.9.
SME	Small-to-medium sized enterprise. This expression is used to refer to businesses. ANZ uses the expressions SB, BB and SD.
SSPA	The share sale and purchase agreement between ANZ and Suncorp Group executed on 18 July 2022.
Suncorp	Suncorp Group Limited.
Suncorp Bank	Suncorp-Metway Limited.
SVR	Standard variable rate. This refers to the interest rate on lending products.
TSA	A Transitional Services Agreement in a form substantially similar to Schedule 16 of the SSPA.
Westpac	Westpac Banking Corporation.





**schedule 1****Key Regulatory Reviews**

1. The *Financial System Inquiry (FSI)*, which reported in 2014;<sup>670</sup>
2. The House Economics Committee's reviews of the major banks in the 45<sup>th</sup> and 46<sup>th</sup> Parliaments, with the first report of the review of the 45<sup>th</sup> Parliament in 2016 particularly focused on competition;<sup>671</sup>
3. The reviews concerning consumer data access including the Productivity Commission's inquiry into *Data Availability and Use*<sup>672</sup> (itself a response to a recommendation of the FSI) and the *Review into Open Banking*, which each reported in 2017;<sup>673</sup>
4. The Productivity Commission's inquiry into *Competition in the Australian Financial System*, which reported in 2018;<sup>674</sup> and
5. The ACCC's inquiries into residential mortgage products prices,<sup>675</sup> foreign currency conversion services<sup>676</sup> and home loan prices,<sup>677</sup> which reported in 2018, 2019 and 2020 respectively.

<sup>670</sup> The Treasury, *Financial System Inquiry Final Report* (November 2014) <https://treasury.gov.au/sites/default/files/2019-03/p2014-FSI-01Final-Report.pdf> (Annexure 59).

<sup>671</sup> The terms of reference for the reviews under both the 45<sup>th</sup> and 46<sup>th</sup> Parliaments can be found at [https://www.aph.gov.au/Parliamentary\\_Business/Committees/House/Economics/FourMajorBanksFinancialInstitutions/Terms\\_of\\_Reference](https://www.aph.gov.au/Parliamentary_Business/Committees/House/Economics/FourMajorBanksFinancialInstitutions/Terms_of_Reference) (last accessed 14 August 2022). See, in particular, House of Representatives Standing Committee on Economics, *Review of the Four Major Banks: First Report* (November 2016) [https://www.aph.gov.au/Parliamentary\\_Business/Committees/House/Economics/Four\\_Major\\_Banks\\_Review/Report](https://www.aph.gov.au/Parliamentary_Business/Committees/House/Economics/Four_Major_Banks_Review/Report)

<sup>672</sup> Productivity Commission, *Data Availability and Use Inquiry Report* (31 March 2017) <https://www.pc.gov.au/inquiries/completed/data-access/report/data-access.pdf>.

<sup>673</sup> The Treasury, *Review into Open Banking* (December 2017) <https://treasury.gov.au/sites/default/files/2019-03/Review-into-Open-Banking-For-web-1.pdf> (Annexure 60).

<sup>674</sup> Productivity Commission, *Competition in the Australian Financial System Inquiry Report* (29 June 2018) <https://www.pc.gov.au/inquiries/completed/financial-system/report/financial-system.pdf> (Annexure 23).

<sup>675</sup> Australian Competition and Consumer Commission, *Residential Mortgage Price Inquiry Final Report* <https://www.accc.gov.au/publications/residential-mortgage-price-inquiry-final-report>

<sup>676</sup> Australian Competition and Consumer Commission, *Foreign Currency Conversion Services Inquiry Final Report* <https://www.accc.gov.au/publications/foreign-currency-conversion-services-inquiry-final-report> (Annexure 63).

<sup>677</sup> Australian Competition and Consumer Commission, *Home Loan Price Inquiry Final Report* (November 2020) <https://www.accc.gov.au/focus-areas/inquiries-finalised/home-loan-price-inquiry/final-report> (Annexure 62).

**schedule 2**

**Comparison of Home Loan Product Features**

Table 37: Home loan product feature comparison (standard variable loan)

	ANZ	ANZ	CBA	Westpac	NAB	ING	Macquarie	Suncorp	BOQ	Athena	Ubank
	Variable Rate (Current - "No Fees" or package)	Variable Rate ("Fees waived under G'father BF)	Standard Variable	Rocket Repay Home Loan	Variable Rate Home Loan	Orange Advantage	Offset Home Loan	Variable Rate Home Loan	Clear Path Variable Home Loan	Home Loan	UHomeLoan
<b>Eligible for Package</b>	✗	✓	✓	✓	✓	✗	✓ - must have package	✗	✗ (Package not offered)	✗ (Package not offered)	✗ (Package not offered)
<b>Package Fee (p.a.)</b>	N/A	N/A	\$395	\$395	\$395	N/A	\$248	\$375	N/A	N/A	N/A
<b>Account Fee (Ongoing fee)</b>	\$10 p/m	\$10 p/m (waiver under package)	\$8 p/m (waived under package)	\$8 p/m (waived under package)	\$8 p/m (waived under package)	\$299 p/year (covers up to 2 loans)	✗ - must have package	\$10 p/m (waived under package)	\$10 p/m	✗	✗
<b>Application Fees</b>	✗	✓ (waived under package)	✓ (waived under package)	✓ (waived under package)	✓ (waived under package)	✓	✗	✓ (waived under package)	✗	✗	✗
<b>Event Based Fees (Late Payment, Overdrawn Fee)</b>	✓	✓	✓	✓	✗	✓	✓	✓	✓	✗	✗
<b>Settlement/Security/Discharge Fees</b>	✓	✓	✓	✓	✓	✓	✓	✓	✓	✗	✗
<b>Government Fees and Charges</b>	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
<b>Headline Interest Rate</b>	5.64%	5.64%	5.80%	5.83%	5.77%	3.34%	3.19%	3.39%	3.94%	3.29%	3.39%
<b>Advertised discount (P&amp;I, OO, &lt;80% LVR, with Package)</b>	1.40%	1.40%	0.70%	1.29%	0.85%	-	-	-	-	-	-
<b>Effective Rate</b>	4.24%	4.24%	5.10% (5.50% comparison)	4.54% (4.92% comparison)	4.92% (5.31% comparison)	3.34% (3.67% comparison)	3.19% (3.45% comparison)	3.39% (3.79% comparison)	3.94% (4.08% comparison)	3.29% (3.29% comparison)	3.39% (3.66% comparison)
<b>Minimum Loan Amount</b>	\$20,000	\$20,000	\$10,000	\$10,000	\$150,000	\$150,000	\$150,000	No information found	\$150,000	\$100,000	\$100,000
<b>Redraw</b>	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓ - can access using BSB/acc#	✓
<b>Offset Eligible</b>	✓ Optional	✓ Optional	✓ Optional	✓ Optional	✓ Optional	✓ Optional	✓ Optional	✓ Optional	✓ Optional	✓ Optional	✗
<b>Multiple Offset</b>	✗	✗	✓	✗	✗	✗	✓	✗	✗	✗	✗
<b>LVR</b>	Up to 95% (90% for new customers)	Up to 95% (90% for new customers)	Up to 95%	Up to 95%	Up to 95%	Up to 95%	Up to 95%	Up to 90%	Up to 95%	Up to 80%	Up to 80%

Note: Interest rates and discounts correct as of 22<sup>nd</sup> July 2022  
 NAB package discount for loan size between \$250k - \$749k

Market leading    
 Market lagging

Table 38: Home loan product feature comparison (basic home loan)

	ANZ	CBA	Westpac	NAB	ING	Macquarie	Suncorp	BOQ	Athena	Ubank
	Simplicity Plus (Current - "No Fees")	Extra Home Loan	Flexi First Home Loan	Base Variable Rate	Mortgage Simplifier	Basic Home Loan	Back to Basics	Economy Variable	Home Loan	UHomeLoan
Eligible for Package	*	*	*	*	*	*	*	*(Package not offered)	*(Package not offered)	*(Package not offered)
Account Fee(Ongoing fee)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$10 p/month	*	*
Application Fees	*	*	✓ (only for interest only repayments)	✓ (waived under special offer)	✓	*	*(if borrowing >\$150k)	✓	*	*
Event Based Fees (Late Payment, Overdrawn Fee)	✓	✓	✓	*	✓	✓	✓	✓	*	*
Settlement/Security/ Discharge Fees	✓	✓	✓	✓	✓	✓	✓	✓	*	*
Government Fees and Charges	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Headline Interest Rate	3.29%	3.29%	3.14%	3.44%	3.19%	3.19%	3.22%	3.33%	3.29%	3.14%
Advertised discount (P&I, OO, <80% LVR)	1.70% 50k new lending)	-	1.94% (2 yr intro)	-	-	-	-	-	-	-
Effective Rate	3.29% (3.29% comparison)	3.29% (3.30% comparison)	3.14% (2 yr intro) (3.48% comparison)	3.44% (3.48% comparison)	3.19% (3.22% comparison)	3.19% (3.45% comparison)	3.22%(3.23% comparison)	3.33%(3.49% comparison)	3.29% (3.29% comparison)	3.14% (3.16% comparison)
Minimum Loan Amount	\$50,000	\$10,000	\$25,000	\$20,000	\$150,000	\$150,000	No information found	\$150,000	\$100,000	\$100,000
Redraw?	✓	✓	✓ (\$25 fee)	✓ (free with >=\$500)	✓	✓	✓	✓	✓ - can access using BSB/acc#	✓
Offset Eligible?	*	*	*	*	*	*	*	*	✓ Optional	*
Interest Only available?	OO - P&I only Inv - P&I, IO	OO - P&I, IO Inv - P&I, IO	OO - P&I, IO Inv - P&I, IO	OO - P&I, IO Inv - P&I, IO	OO - P&I, IO Inv - P&I, IO	OO - P&I, IO Inv - P&I, IO	OO - P&I, IO Inv - P&I, IO	OO - P&I, IO Inv - P&I, IO	OO - P&I, IO Inv - P&I, IO	OO - P&I, IO Inv - P&I, IO
LVR	Up to 95% (90% for new customers)	Up to 95%	Up to 95%	Up to 95%	Up to 95%	Up to 95%	Up to 90%	Up to 80%	Up to 80%	Up to 80%

Note: Interest rates and discounts correct as of 22<sup>nd</sup> July 2022

Market leading   
Market lagging

Table 39: Home loan product feature comparison (fixed home loan)

	ANZ	ANZ	CBA	Westpac	NAB	ING	Macquarie	Suncorp	BOQ	Ubank
	Fixed Rate (Current – "No Fees")	Fixed Rate (Option 2 – "Fees waived under G'ather BF")	Fixed Rate Home Loan	Fixed Rate Home Loan	Fixed Rate Home Loan	Fixed Rate Home Loan	Fixed Home Loan	Fixed Rate	Fixed Rate Home Loan	Fixed Rate
Eligible for Package	*	✓	✓	✓	✓	* (Package not offered)	✓	✓	* (Package not offered)	* (Package not offered)
Package Fee (p.a.)	N/A	N/A	\$395	\$395	\$395	N/A	\$248	\$375	N/A	N/A
Account Fee (Ongoing fee)	*	✓ \$10 p/m (waived under package)	\$8 p/m (waived under package)	\$8 p/m (waived under package)	\$8 p/m (waived under package)	*	\$248 p/year or \$0 depending on the variable base product	\$10 p/m (waived under package)	\$10 p/m	*
Application Fees	*	✓ (waived under package)	✓ (waived under package)	✓ (waived under package)	✓ (waived under special offer)	✓ (waived if split with an Orange Advantage loan)	*	✓ (waived under package)	✓	*
Event Based Fees (Late Payment, Overdrawn Fee)	✓	✓	✓	✓	*	✓	✓	✓	✓	*
Settlement/Security/Discharge Fees	✓	✓	✓	✓	✓	✓	✓	✓	✓	*
Government Fees and Charges	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Headline Interest Rate (2 Year fixed term)	5.69%	5.69%	5.94%	5.69%	5.69%	5.09%	5.85%	5.89%	5.29%	5.34% <sup>1</sup>
Advertised discount (P&L, OO, <80% LVR, under Package)	0.20%	0.20%	0.15%	0.30%	0.10%	-	-	-	-	-
Effective Rate (2 Year fixed term)	5.49% (4.47% comparison)	5.49% (4.47% comparison)	5.79% (5.63% comparison)	5.39% (5.00% comparison)	5.59% (5.63% comparison)	5.09% (3.86% comparison)	5.85% (3.95% comparison)	5.89% (4.31% comparison)	5.29% (4.65% comparison)	5.34% (4.01% comparison)
Minimum Loan Amount	\$20,000	\$20,000	\$10,000	\$25,000	\$20,000	\$150,000	\$150,000	No information found	No minimum	\$100,000
Redraw	*	*	*	✓ (up to \$30k)	*	*	*	*	*	*
Early Repayment Cost	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Lock rate	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Fixed Term	1-10 years	1-10 years	1-5 years	1-5 years	1-5 years	1-5 years	1-5 years	1,2,3 or 5 years	1-5 years	1, 3, 5 years
Offset Eligible	✓ (Optional on 1 year fixed only)	✓ (Optional on 1 year fixed only)	*	*	*	*	*	*	✓ (Optional on 1 year fixed only)	*
LVR	Up to 95% (90% for new customers)	Up to 95% (90% for new customers)	Up to 95%	Up to 95%	Up to 95%	Up to 95%	Up to 95%	Up to 90%	Up to 95%	Up to 80%

Market leading    
Market lagging  

Note: Interest rates and discounts correct as of 22<sup>nd</sup> July 2022



**schedule 3**

RESTRICTION OF PUBLICATION CLAIMED - NOT FOR PUBLICATION

**Transaction & Savings Accounts**

**Transaction accounts – product comparison**

Ref: 1000-122-202

**Table 40: Entry level products**

	<b>ANZ Access Basic</b>	<b>Everyday Essentials Account</b>
<b>Account service fee</b>	\$0	\$0
<b>Interest rates</b>	#N/A	#N/A
<b>Other Features</b>	Visa Debit Card	Visa Debit Card
	ANZ Spendi	
	ANZ Internet Banking guarantee	
	Tap and pay	
	PayID	
	Voice ID	
	Digital wallet	Digital wallet
	Prevents customer from overdrawing their account for most transactions	Prevents customer from overdrawing their account for most transactions
<b>Web Page</b>	<a href="https://www.anz.com.au/personal/bank-accounts/everyday-accounts/access-basic/">https://www.anz.com.au/personal/bank-accounts/everyday-accounts/access-basic/</a>	<a href="https://www.suncorp.com.au/banking/bank-accounts/everyday-accounts/essentials.html">https://www.suncorp.com.au/banking/bank-accounts/everyday-accounts/essentials.html</a>

Table 41: Low interest products

		ANZ Access Advantage	Everyday Options Account
Account service fee		\$5 or \$0 if conditions are met	\$0
Account service fee conditions		deposit at least \$2,000 a month	
Interest rates	\$1 - \$49,999	0.00% p.a.	
	\$50,000 - \$99,999	0.01% p.a.	
	\$100,000 plus	0.02% p.a.	
	Main Account		0.01% p.a.
	Sub-Account		0.05% p.a.
<b>Other Features</b>			
		Visa Debit Card	Visa Debit Card
		ANZ Spend	
		ANZ Internet Banking guarantee	
		Tap and pay	
		Cashrewards Max	
		PayID	
		Voice ID	
		Digital wallet	Digital wallet
			Home loan 'offset'
			Ability to open up to 9 sub accounts under the one account
			Optional flexiRates
Web Page		<a href="https://www.anz.com.au/personal/bank-accounts/everyday-accounts/access-advantage/">https://www.anz.com.au/personal/bank-accounts/everyday-accounts/access-advantage/</a>	<a href="https://www.suncorp.com.au/banking/bank-accounts/everyday-accounts/options.html">https://www.suncorp.com.au/banking/bank-accounts/everyday-accounts/options.html</a>

Table 42: Savings products comparison

		ANZ Progress Saver	Growth Saver
Interest rates	Standard Interest Variable Rate	0.01%	0.05%
	Bonus Interest Variable Rate	1.64%	0.45%
Bonus Interest Criteria		Bonus interest if you deposit at least \$10 in one transaction and don't withdraw or transfer money out (or incur fees and charges)	Earn bonus interest every month you grow your net balance by \$200 or more (excluding interest) and make no more than one withdrawal.
<b>Web Page</b>			
Web Page		<a href="https://www.anz.com.au/personal/bank-accounts/savings-accounts/progress-saver/">https://www.anz.com.au/personal/bank-accounts/savings-accounts/progress-saver/</a>	<a href="https://www.suncorp.com.au/banking/bank-accounts/savings-accounts/growth-saver.html">https://www.suncorp.com.au/banking/bank-accounts/savings-accounts/growth-saver.html</a>

schedule 4

**Commercial Product Offering**

Table 43: Commercial banking services by selected financial institution provides further information in relation to Table 25: Commercial banking products by competitor/competitor groupings. The information is based on internet research.

Table 43: Commercial banking services by selected financial institution

COMPETITOR	TERM DEBT	ASSET FINANCE	MERCHANT SERVICES	CREDIT CARDS
<b>Regional banks</b>				
Bendigo and Adelaide Bank	✓	✓	X	✓
BOQ	✓	✓	X	✓
Regional Australia Bank	✓	✓	✓	✓
Heritage Bank	✓	✓	X	✓
BankWest	✓	✓	✓	✓
<b>Neobanks</b>				
Tyro	✓	✓	✓	X
Dough	X	X	X	X
Up	X	X	X	X
Alex	X	X	X	X
BNK	✓	X	X	X
Prospa	✓	✓	✓	X
Revolut	X	X	✓	✓
Archa	X	X	X	✓
Moula	✓	✓	✓	✓
<b>Specialist lenders</b>				
Wells Fargo	✓	X	✓	✓



COMPETITOR	TERM DEBT	ASSET FINANCE	MERCHANT SERVICES	CREDIT CARDS
Zelle	X	X	✓	X
Square	X	X	✓	X
Liberty Financial Group	✓	X	✓	X
Pepper Money	X	X	✓	X
Resimac	X	X	✓	X
Latitude	X	X	✓	✓
Capital Finance	✓	X	✓	X
MaxCap	✓	X	X	X

ANZ PROPOSED ACQUISITION OF SBGH LIMITED

***Declaration by Target (SBGH Limited) and Vendor (Suncorp Group Limited)***

The undersigned declares that, to the best of their knowledge and belief, the information provided to the Applicant for purposes of preparing this application is true and correct.

The undersigned is aware of the provisions of section 92 of the *Competition and Consumer Act 2010* (Cth) and sections 137.1 and 149.1 of the *Criminal Code* (Cth).

*sign here*



\_\_\_\_\_  
*Signature of authorised person*

**Solicitor on behalf of the Target (SBGH Limited) and  
Vendor (Suncorp Group Limited)**

\_\_\_\_\_  
*Office held*

*print  
name*

**Linda Evans**

\_\_\_\_\_  
*(Print) Name of authorised person*

This 30<sup>th</sup> day of November 2022.