

**SUPPLEMENTARY STATEMENT IN SUPPORT OF APPLICATION FOR MERGER  
AUTHORISATION**

**AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED**

Applicant

Statement of: **Douglas John Campbell**  
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Occupation: General Manager, Home Loans (Australia), Australia Retail Division, Australia  
and New Zealand Banking Group Limited  
Date: 17 May 2023

This document contains confidential information which is indicated as follows:  
[Confidential to ANZ] [.....]

**Contents**

Document number	Details	Paragraph	Page
(a)	Statement of Douglas John Campbell dated 16 May 2023	1 - 66	



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11. In its target customer segments, Macquarie is often assertive on pricing, supported by its consistently fast home loan assessment response times and streamlined process.
12. While I do not know the specifics of Macquarie's business as this information is not publicly available, I expect that Macquarie can continue to grow its home loan business substantially. By augmenting its home loan application and assessment process with scalable and automated technology solutions, any increase in application volume received should not become a constraining factor (in the way it could if time to respond largely relied upon manual intervention). Accordingly, Macquarie could continue to grow as long as it has the risk appetite, capital, and funding available to manage the additional growth. I expect, as would be the case for most businesses offering home loan products, that so long as Macquarie's home loans business generates a return that meets or exceeds the required internal benchmarks, then it will continue to invest in (including allocating capital) and grow this part of its business.

### *New entrants*

13. New entrants, particularly neo-banks and fintechs, have played a part in changing the home loans market since the Productivity Commission's Report.
14. In my First Statement at paragraph 60(c), I referred to Nano Digital Home Loans (**Nano**) as an example of a neo-bank or fintech offering home loans in an efficient, largely automated, and digitised manner.
15. Since the date of my First Statement, Nano sold its home loan book to AMP.<sup>1</sup> In doing so, Nano ceased its business to consumer distribution model and focussed on a business-to-business model of providing technology to financial service providers, including a digital mortgage origination platform. This origination platform is now being leveraged by AMP to power its digital mortgage offering, aimed at providing eligible customers with unconditional approval for residential home loans within a matter of minutes.
16. While Nano has exited as a standalone competitor seeking to offer its own home loan products, I consider that it (and fintechs like it) continues to drive change in competition and customer expectations in respect of home loans. Based on the reporting provided to me, ANZ has a good understanding of the Nano offering and the customer service proposition and experience they were putting forward. Fintechs, like Nano and Tic:Toc, have made ANZ (and I expect other banks) acutely aware of what technology is available in the market now and how this can be leveraged to streamline application and approval processes to improve customer experience, including delivering faster response times. This capability is not only assisting those competitors with a lower cost to operate model but is also increasing the expectations of customers from all home loan providers, big or small. I consider that ANZ and other banks will need to evolve their home loan propositions to match how the fintechs have responded to this and modified customer expectations in the market.
17. The impacts of fintechs, even those that have exited lending, is also apparent in the improved processes of banks that have leveraged their technologies within their own systems – for example, NAB with 86 400, and Bendigo and Adelaide Bank with Tic:Toc. ANZ has been on a journey to improve and enhance its technology platform and offering for some time. ANZ is seeking to compete with these innovations and deliver further enhancements and improved customer experiences, including with its development of the new ANZ Plus platform which is intended to enable a digital home loan product with short approval timeframes.
18. Fintechs also promote competition that ultimately delivers better outcomes for customers without offering mortgage products or lending themselves. An example is Sherlock, a fintech supplying mortgage aggregators with technology to monitor their clients' interest rates to detect

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<sup>1</sup> See <https://corporate.amp.com.au/newsroom/2023/january/amp-bank-acquires-nano-home-loan-book->



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when the client could be getting a lower rate, so that brokers can proactively seek to engage with and refinance those customers.<sup>2</sup> An offering like this will benefit customers seeking a better rate and will put pressure on the profitability and margins of lenders across the market.

### **Major banks**

19. As I observed in my First Statement at paragraph 52, I consider the other major banks to be strong competitors of ANZ in the supply of home loans. In my view, this was the position in 2018 and continues to be the case now. This is based on the level of intense competition – both to acquire new customers and retain existing customers – ANZ faces from these banks on an ongoing basis, which has further intensified because of the overall market becoming more competitive. Further, I consider that the major banks have never competed more strongly, particularly CBA and Westpac.
20. I also treat sub-brands of the major banks, for example St George and Bank of Melbourne (sub-brands of Westpac), BankWest (sub-brand of CBA), and ubank (sub-brand of NAB) as separate competitors given the major banks compete vigorously through their sub-brands' propositions and pricing, which are regularly materially differentiated from their main brands.
21. I make the following additional comments about other major banks:
  - (a) CBA has a very large customer base, and it originates many home loans from its existing customer base. It also has a significant branch distribution network and a high technology spend. CBA started to replace its core platforms earlier than ANZ and is further advanced than ANZ in thinking through what a broader ecosystem for a homeowner would look like.
  - (b) Westpac is particularly effective in using its sub-brands to position itself in different parts of the market. ANZ Home Loans thinks of these sub-brands as separate competitors for this reason. Westpac is also more assertive on pricing than the other major banks, particularly with its introductory rate, which the other major banks (as well as Macquarie) do not offer. However, Westpac tends to have slower response times than the other major banks, so it may use pricing to compensate for that.
  - (c) NAB is a strong competitor with its multi-brand offering through ubank and heavy investments in technology and process improvements in recent times.
22. The major banks also lead innovation in home loans. In removing the Breakfree Package, as described in my First Statement at paragraph 42(a), ANZ has led the market in stepping away from offering home loans bundled with other products.

### **Competition from smaller providers**

23. Generally, I consider smaller providers (i.e., those outside the major banks, their sub-brands and Macquarie), who have clear points of differentiation, to be effective and important competitors in the home loans market.
24. Smaller lenders are typically able to identify meaningful customer segments of the market to target through a blend of policy, product features, price, and process. Depending on their appetite to grow, smaller banks will at times, on average, price more assertively than the major banks across a range of fixed rate and basic product offerings (except for Westpac, which has an introductory rate on their basic variable offering). Examples of smaller providers who have priced assertively in the last 6 months include HSBC, BOQ and AMP.

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<sup>2</sup> See <https://www.sherlok.com.au/>.

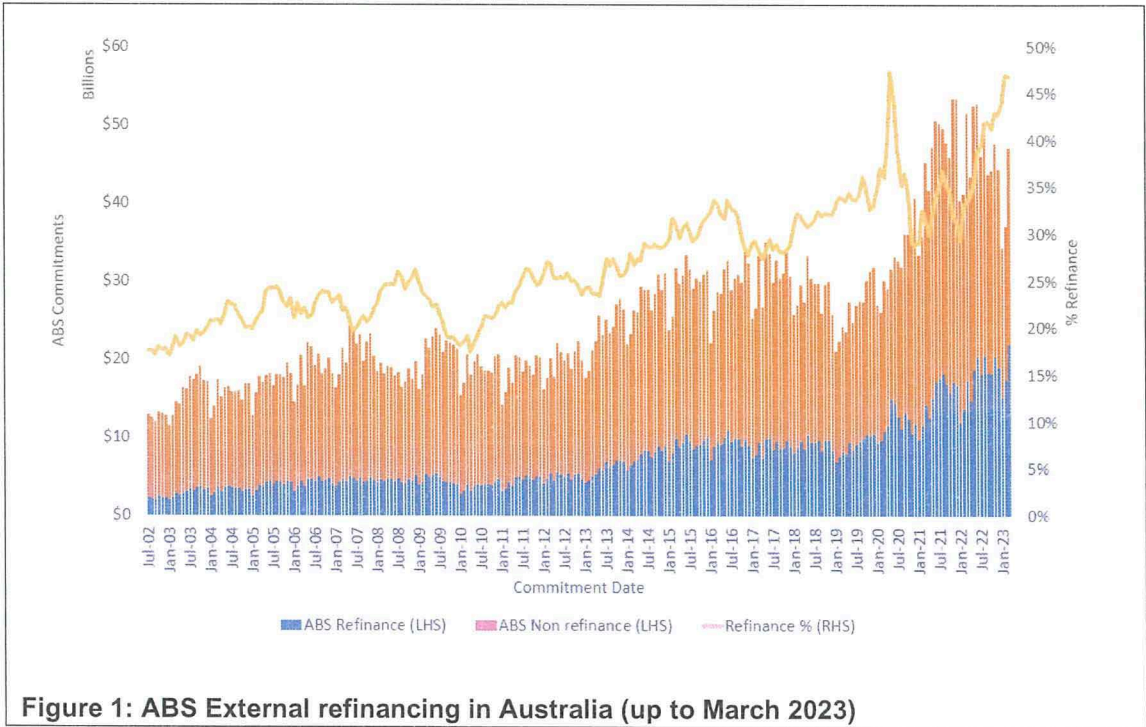
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- 25. Even where a particular smaller lender chooses not to lead on price, they are able to effectively compete on product features, policy, and process. In particular, following the introduction of the best interests duty (as noted in my First Statement at paragraph 70), brokers consider products holistically when determining if recommending a credit product is in the consumer’s best interest.
- 26. New providers starting afresh with their systems can also make technology changes at a cheaper and more rapid rate than longer existing banks who typically have ageing, monolithic technology systems and platforms that service multiple products. ANZ is working rapidly to change its technology and platforms to improve its customer experience, and, by way of illustration, ANZ Plus is one of the largest investments being made by ANZ.

**Market changes have led to increased switching**

27. As discussed in my First Statement at paragraphs 76 to 78, I have observed increased refinancing activity over the past few years. My views on reasons for this increase is set out in paragraph 79 of my First Statement and discussed further below.

28. Figure 1: ABS External refinancing in Australia below shows external refinancing (seasonally adjusted) values, based on committed loans, in Australia between July 2002 and March 2023 according to data from the Australian Bureau of Statistics (ABS). My First Statement at paragraph 78 included a previous version of the graph at Figure 3. The diagrams shows the value of refinancing activity (shaded in blue) and non-refinancing activity (shaded in orange, being the total value of new loan commitments, excluding refinancing) in billions of dollars. The chart also shows refinancing activity as a percentage of the total sum of refinancing and non-refinancing activity (depicted by the yellow line, with the right hand axis showing percentage units). It illustrates a significant increase in refinancing up to March 2023, from approximately 18% in July 2002, to just under 30% in 2016, to nearly 50% as of March 2023.<sup>3</sup>



**Figure 1: ABS External refinancing in Australia (up to March 2023)**

29. I provide further context on the dynamics relevant to switching home loans below.

<sup>3</sup> Available from <https://www.abs.gov.au/statistics/economy/finance/lending-indicators/latest-release#housing-finance-detailed->



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- (a) **An increase in multi-banking has coincided with, and reflects the same customer behaviour driving, an increase in home loan refinancing activity:** I understand, based on information made available to me in the course of my role, that the willingness of customers to multi-bank, that is simultaneously acquiring banking products and services from more than one financial services provider, has increased and continues to increase. Both multi-banking and refinancing reflect customers becoming more comfortable having financial service products at multiple providers. ANZ Home Loans' experience is that customers that have an existing connection with a bank are more willing to re-finance to that bank so I also expect the increase in multi-banking is, in itself, also contributing to the increase in home loan refinancing activity. I have no reason to think this refinancing activity will reduce from this point forward.
- (b) **Brokers have become more popular:** As I observed in my First Statement at paragraphs 61 to 73, the prevalence of customers choosing a broker to assist with home loan origination has increased materially. I consider that the advice and assistance, convenience and independence provided by brokers makes this an attractive choice for customers who require assistance with the home loan application process or want to test the market to see if their loan (including product features and price) is competitive.
- (c) **Switching costs have reduced materially:** There have also been reduced costs of switching, both time and effort costs and dollar costs.

In respect of time and effort costs, there is much greater availability of information to customers, due to aggregators and comparison websites like Canstar (as I detailed in my First Statement at paragraph 75). Brokers also take on the costs and efforts of switching for customers, with brokerage fees paid by mortgage providers. As I observed in my First Statement at paragraphs 50(c) and 74 to 75, customers are now better informed about the possibility of negotiating a rate and switching if needed.

In terms of the dollar costs of switching, I consider that these are much lower now compared to when I started in my current role in 2018. In the case of ANZ, there are now:

- i. no ANZ fees for establishing a home loan (for example, no loan approval fees, valuation administration fees or guarantee administration fees); and
- ii. limited fees for exiting a home loan. These are a \$160 lodgement fee for registering the loan discharge document, a \$160 production fee for producing the certificate of title, and \$160 settlement fee.

30. In addition, the availability of cashback and introductory rates incentivises switching, including because those benefits typically exceed the monetary costs of switching.
31. It is also now easier for customers to switch their direct debits/payments with New Payments Platform functions, such as PayTo in particular – this reduces another cost of switching.
32. With apps such as WeMoney, Frollo and Canstar,<sup>4</sup> it is possible for customers to aggregate their financial information from more than one bank into one place, even if they are multi-banking — for example, it allows them to see financial information about their transaction accounts, savings, and home loan in one place. This makes keeping track of financial information when multi-banking easier.

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<sup>4</sup> See <https://www.wemoney.com.au/>; <https://frollo.com.au/app/>; and <https://www.canstar.com.au/app/>.

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33. With open banking and the Consumer Data Right, the information that customers must provide to a new bank before switching is shared in a way that is simple to use and more convenient to the customer. This makes the process of switching easier.
34. In addition, since 2022, ANZ has had a process called "Simpler Switch" to streamline the process for eligible customers refinancing from another lender to a similar term loan or a lower cost ANZ product.<sup>5</sup> This uses Comprehensive Credit Reporting to verify a customer's payment history and applies the assumption that, if a customer is currently able to service a loan with another institution, then they would similarly be able to do so when they move to an ANZ product with the same or lower repayments. Since its introduction in 2022, ANZ has seen a steady increase in the volumes of Simpler Switch applications on a month-by-month basis, as Figure 2 below shows.



35. Other banks also offer similar streamlined processes under different names. These processes were enabled by ASIC's updated Regulatory Guide RG 209 Credit Licensing: Responsible Lending Conduct in December 2019.<sup>6</sup>

### ***Refinancing and repricing***

36. As observed in my First Statement at paragraphs 76 to 83 and at paragraph 28 of this Statement, there have been increased levels of refinancing and repricing in home loans over the past few years. This behaviour from consumers, to improve their home loan interest rates, is evidence of, and has been enabled by, increased competition since the Productivity Commission's Report.
37. Based on data provided to me, in the period between 31 December 2019 and 31 December 2022, the number of home loans refinanced to ANZ increased by approximately [Confidential to ANZ] [REDACTED] and the number of home loans refinanced away from ANZ increased by approximately [Confidential to ANZ] [REDACTED].

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<sup>5</sup> See <http://communication.ecomm.anz.com/ANZBrokev2/2019480/article1/>

<sup>6</sup> <https://asic.gov.au/regulatory-resources/find-a-document/regulatory-guides/rg-209-credit-licensing-responsible-lending-conduct/> paragraph 209.109.

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38. [Confidential to ANZ] [REDACTED]  
[REDACTED] This shows repricing has increased significantly.

[REDACTED]

[Confidential to ANZ] [REDACTED]

39. I expect that the level of refinancing and repricing activity will continue to increase over time because I consider there is a now well entrenched public narrative that home loan customers should proactively contact their home loan provider (whether directly or through a broker) to ensure they are on the best possible rates or seek an alternative borrower.

***Current competitive environment***

40. Due to these changes, I consider that competition in home loans is now significantly more intense than when I started in my current role in 2018.

41. [Confidential to ANZ] [REDACTED]

42. [Confidential to ANZ] [REDACTED]

Discounts and cashbacks

43. [Confidential to ANZ] [REDACTED]  
[REDACTED] The value and size of discounts on home loan products (advertised and discretionary) have also continued to increase over time.  
[Confidential to ANZ] [REDACTED]



[Confidential to ANZ]

[Redacted]

[Redacted]

44. [Confidential to ANZ] [REDACTED]

45. [Confidential to ANZ] [REDACTED]

**C. PRICING**

46. I explained in my First Statement at paragraph 24 that there are three components to the interest rate for home loans: the headline or index rate (referred to herein as the headline rate), the advertised discount, and the discretionary discount. I discuss these further below.

***Decisions to change the headline rate***

47. When deciding whether to make a change to the headline rate, ANZ considers a range of factors. One of these factors is ANZ's cost of funding, which is in part impacted by the Reserve Bank of Australia's (RBA) Overnight Cash Rate (OCR).

48. As explained in my First Statement at paragraph 47, ANZ has a meeting scheduled each month which proceeds if it appears likely that the RBA will make a change to the OCR. If there is a change to the OCR, then ANZ considers whether to make a change to the headline rate for home loans, as well as other pricing changes.

49. When deciding whether to change the headline rate ANZ considers the following factors [Confidential to ANZ] [REDACTED]

[REDACTED]

50. [Confidential to ANZ] [REDACTED]

***Role of the headline rate***

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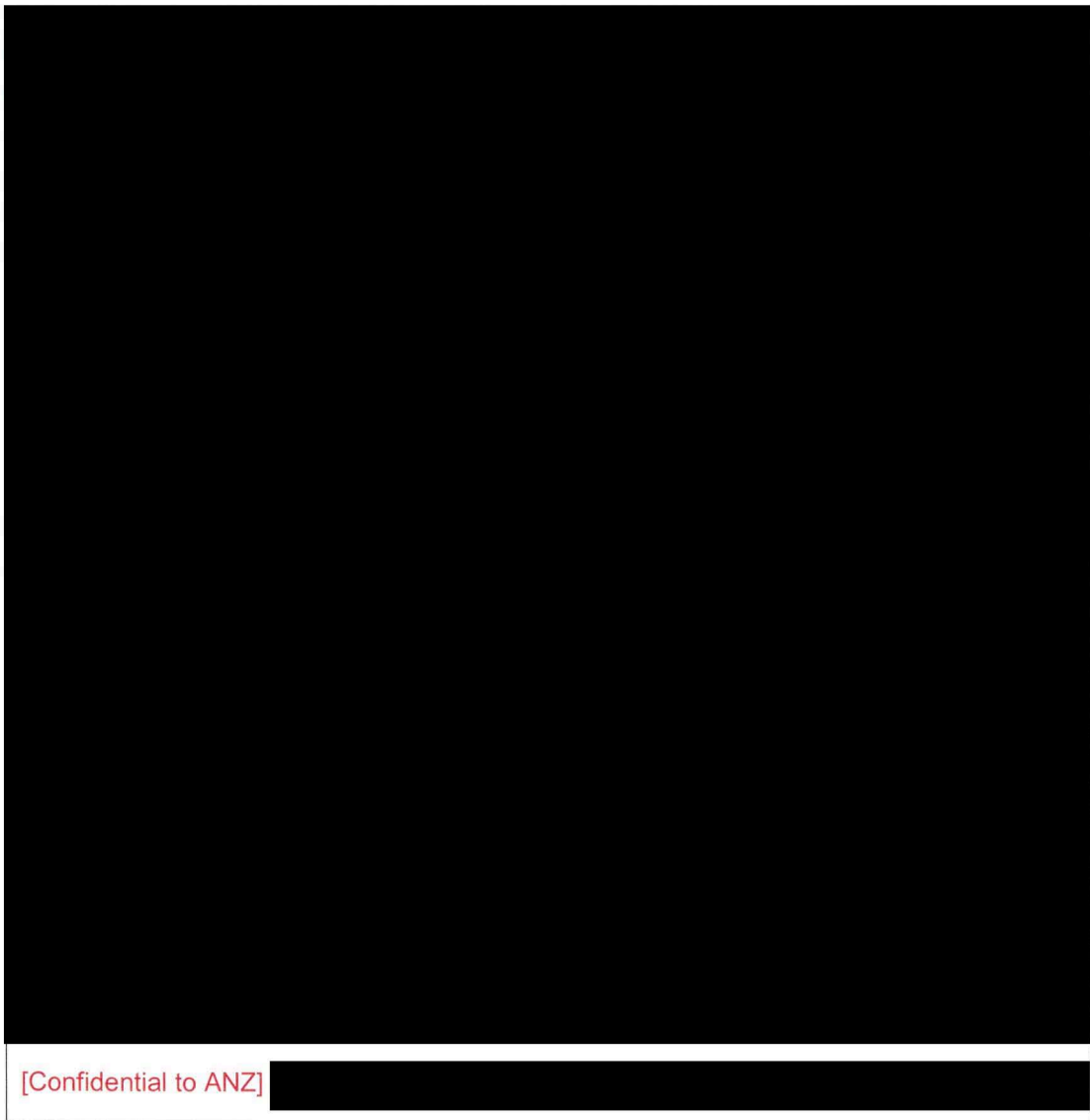
51. While the headline rate is generally what public attention is directed to, it is important to recognise that the headline rate is not representative of the effective interest rate offered or paid by most customers, the competitive position of the lender or how attractive a lender's home loan offering is. As explained in my First Statement at paragraph 24, the effective rate relevant to a customer comprises three components: a headline rate, an advertised discount, and a discretionary discount. Advertised discounts and the level of discretionary discounting available to customers can be, and are, reviewed fortnightly, independent of the process described above for making changes to the headline rate.
52. The level of advertised and discretionary discounts better reflects the intensely competitive environment of home loans than movements in the headline rate. In particular, for front book customers (i.e., potential new customers to ANZ Home Loans or existing customers taking on new lending), the headline rate is not the focal point for their decision: it is the effective rate that they will pay that matters, and that depends on the advertised and (where applicable) negotiated discounts to the headline rate.
53. As I described in my First Statement at paragraph 84, cashbacks and promotional offers have become a standard offering among lenders. In my view, cashbacks are an effective way to incentivise customers to consider a lender [Confidential to ANZ] [REDACTED]. Consistent with this view, ANZ Home Loans currently offers a maximum cashback of \$4,000 for eligible customers. The cashback offer has been set to respond to competition in the market, including intense competition to retain back book customers. As I observed at paragraph 45 above, the amount of cashback offered by ANZ Home Loans is currently the largest cashback offered amongst the main brands of the major banks.

### **Effective rate**

54. It is important to recognise that the headline rate is not typically representative of the price paid by ANZ Home Loan customers. The same rate applies for those customers irrespective of where the customer is geographically located.
55. For the standard variable home loan product, there is a discretionary discount that is negotiated on a customer-by-customer basis. [Confidential to ANZ] [REDACTED]

[Confidential to ANZ]





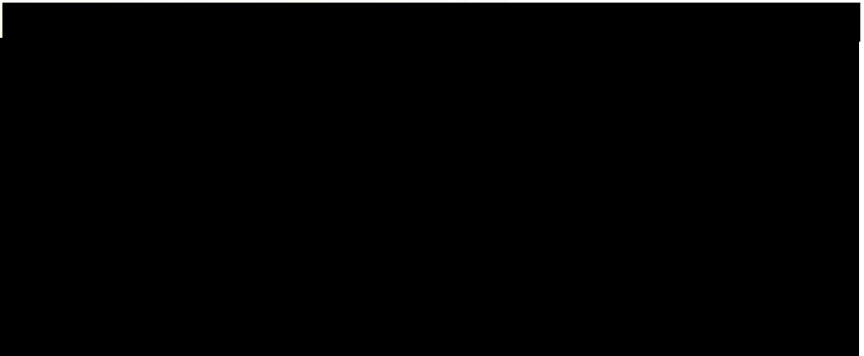
**D. ANZ HOME LOANS STRATEGY**

***ANZ's strategic plan***

- 56. I stated in my First Statement at paragraph 42(b) that ANZ has a business strategy to be the best bank for customers who want to save for, buy and own a home. This remains a strategy of ANZ Home Loans.
- 57. To deliver on this strategy, ANZ Home Loans in conjunction with other teams, such as ANZ's Finance and Credit Risk teams:
  - (a) develop an annual financial plan for ANZ Home Loans. This plan includes a range of metrics and growth targets for those metrics, including revenue, cost, profitability, NIM and ROE; and
  - (b) develop the annual Business Writing Strategy which outlines, amongst other things, the risk appetite, areas of focus and risk metrics ANZ Home Loans will target for the year.
- 58. [Confidential to ANZ]




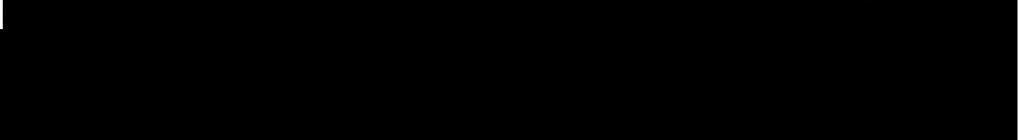
59. [Confidential to ANZ] 

60. [Confidential to ANZ] 

***ANZ Home Loans' strategy and the Proposed Acquisition***

61. ANZ Home Loans' overriding strategy to become the best bank for all customers who want to save for, buy and own a home is an enduring strategy that is not impacted by ANZ proposing to acquire Suncorp Bank. This strategy is not based on ANZ achieving a particular size or other target and regardless of whether the Proposed Acquisition proceeds, ANZ will continue to compete vigorously to become the best bank for these customers.

62. As I stated above at paragraph 60, ANZ Home Loans aims to have a holistic proposition that customers will choose because its overall offering, which comprises price / incentives, product features, policy, and process, is attractive to customers and competitive relative to other offerings in the market. As explained in my First Statement at paragraph 17, the weight customers ultimately place on these factors will depend on their individual circumstances.

63. Having a consistent, attractive overall home loan offering is critical to the viability of a home loans business. Based on data prepared for me by my team, ANZ Home Loans has an average attrition rate in the range of [Confidential to ANZ]  In FY22, [Confidential to ANZ] 

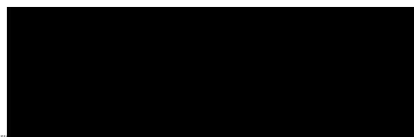
64. If ANZ acquires Suncorp Bank:

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- (a) ANZ Home Loans will need to continue enhancing its overall home loan offering to ensure that it remains an attractive option for new and existing customers. A failure to do so will result in ANZ Home Loans losing customers to competitors, and I expect competitors will use the Proposed Acquisition as an opportunity to try and win customers from the combined ANZ and Suncorp Bank.
- (b) ANZ will seek to leverage the additional customer base of Suncorp Bank to become an even stronger bank. As a business with a mass market offering in a very competitive environment, ANZ Home Loans' costs will be spread across more customers, which should reduce its cost to serve. I expect any cost savings derived as a result can be used to assist ANZ Home Loans with delivering a competitive home loan offering. As described in (a) above, ANZ Home Loans needs to continuously enhance its offering and deliver propositions consistently to compete. This requires investment, including in digital capabilities and digital channels, such as automation and digitisation of internal processes to reduce manual handling and improve customer experience. Among other things, this will speed up processing time and ensure a consistent experience for customers.
65. With a larger home loans book, as would result from the Proposed Acquisition, and given the persistent attrition referred to above, ANZ will need to originate more loans to maintain and grow market share. The fact that ANZ will acquire additional customers as a result of the Proposed Acquisition does not guarantee that ANZ will keep those customers nor guarantee that ANZ will be able to acquire the requisite level of new customers to at least maintain its market position immediately following the Proposed Acquisition. As explained in paragraph 63 above, a material portion of the ANZ Home Loans book is lost to attrition every year, so ANZ Home Loans will need to compete more vigorously to maintain a larger book. A good illustration of this is ANZ Home Loans' experience (detailed in my First Statement at paragraph 96) of losing market share when its turnaround times increased. My view is that a provider's effectiveness as a competitor in home loans is not necessarily about their size: it is about the fulsome proposition they bring to the market. Scale can decrease average costs of servicing home loan customers, but the effectiveness of a provider depends upon how they leverage those lower costs.
66. My view is that ANZ Home Loans will need to work extremely hard to retain the Suncorp Bank customers if the Proposed Acquisition proceeds. I am confident that ANZ Home Loans has a compelling proposition that will be attractive to those customers. The current plan is to, at an appropriate time, migrate Suncorp Bank home loan customers to ANZ Plus. Home lending on ANZ Plus will allow customers to easily apply for and manage their home loan, with approval in minutes and support from an ANZ Plus coach whenever they need it. What this means is that ANZ and Suncorp Bank customers will have access to an enhanced platform built on the best modern technology with significant flexibility and functionality while still having access to human support as and when needed.

Signed by Douglas John Campbell

on 17 May 2023

A large black rectangular redaction box covers the signature area.

Signature of Douglas/John Campbell