

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

**AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED**

Applicant

Statement of: **Mark Stephen Bennett**

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Date: 17 May 2023

This document contains confidential information which is indicated as follows:

[Confidential to ANZ]: [REDACTED]

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## A. INTRODUCTION

1. I am the Head of Agribusiness within ANZ Commercial of ANZ. My internal title is Head of Specialised Agribusiness and Commercial. I am authorised to make this statement on ANZ's behalf.
2. I make this statement in support of the application by ANZ for authorisation of its proposed acquisition of 100% of the issued share capital in SBGH Limited from Suncorp Group Limited, either directly or via a related body corporate of ANZ, in accordance with a share sale and purchase agreement between ANZ and Suncorp Bank executed on 18 July 2022 (the **Proposed Acquisition**).
3. This statement supplements the first statement I made in support of the Proposed Acquisition dated 1 December 2022 (my **First Statement**).
4. I address the matters in this statement based on my experience in agribusiness banking, described in part C of the First Statement, and on my review of the business records of ANZ which are available to me in my current role.
5. In preparing this statement, I also consulted with [Confidential to ANZ] [REDACTED]. [REDACTED] Some of the information in this statement was extracted from ANZ's business records by those individuals or their delegates. Where I make statements based on the information provided to me, I believe that information to be true.
6. This statement contains information that is confidential to ANZ and its related entities. Disclosure of that confidential information would cause prejudice to ANZ and its related entities.
7. In this statement, I use the term "agribusiness" in the same way that I used it in my First Statement. I also use capitalised and other terms which I do not define here in the same way as used in my First Statement. In this statement, I also use the word "bank" to describe both bank and non-bank lenders (such as Elders).

### *My role at ANZ*

8. My role, and my responsibilities in my role, remain as described in paragraphs 22 to 29 of my First Statement.

## B. PRICING FOR AGRIBUSINESS CUSTOMERS

9. In this section, I provide further explanations about the pricing of lending and deposit products that are offered to agribusiness customers. I have read paragraphs 88 to 90 of Isaac Rankin's statement dated 30 November 2022 and I agree that a number of different factors are relevant to a customer's decision to choose a particular provider, and price is not always determinative. As described in my First Statement and in section D below, banker relationships and the stability of the bank are key considerations for a customer when choosing who to bank with.

### ***Pricing relating to lending products***

10. As Isaac Rankin described in his statement dated 30 November 2022 at paragraph 68, prices for individual lending decisions to ANZ Commercial customers, including agribusiness customers, are determined by bankers taking into account a range of factors. This means that the prices offered to agribusiness customers for lending products are specific to the particular customer, having regard to their particular circumstances.
11. As explained in my First Statement at paragraph 71, the Agribusiness DOLs provide guidance to frontline bankers to assist them in considering the matters that are relevant to lending to agribusiness customers. This includes guidance to assist bankers assess risk associated with

lending to agribusiness customers, which is a relevant factor in determining whether ANZ would lend to the customer and the price at which it would lend.

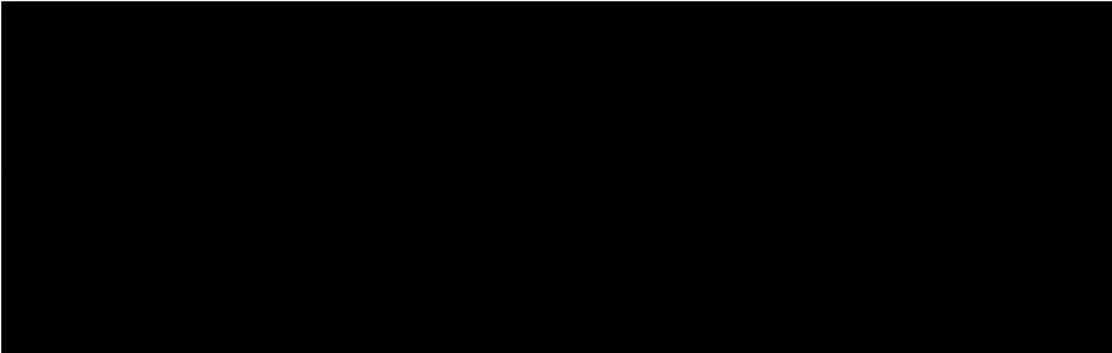
12. This means that ANZ's approach to pricing is not known to its competitors, and its pricing for individual customers is not visible to its competitors. The only exception would be when ANZ and other banks are making offers to a customer at the same time, and the customer (or the customer's broker) shares details of the offer with another bank to persuade the bank to beat or match ANZ's price or other terms.
13. In my experience, competing banks generally do not publish the prices offered to individual customers for lending products and I expect that they also price for each individual customer using a similar framework. Further, each bank is different, including in their risk appetite and how they source capital to fund lending, which affects their cost of lending. This means that the price offered by a competitor of ANZ to a particular agribusiness customer may be materially different to the price offered by ANZ to the same customer. There are also likely to be differences based on the customer's needs and preferences—price is only one factor relevant to a customer's decision about which bank it wants to deal with, and price may not always be the most important factor.
14. ANZ does not, and would not be able to, systematically collect the prices offered by its competitors to agribusiness customers. From time to time, ANZ's customers, prospective customers, or service providers (such as brokers or financial advisers) may disclose a price offered by a competing bank as part of a negotiation to provide a loan to a customer, or as part of a repricing discussion between a customer and a banker. However, this does not happen as a matter of course and any competitor pricing information provided is not collected systematically, nor does ANZ routinely ask the customer or broker to provide proof that another bank has in fact offered a particular price.
15. In some circumstances, ANZ's bankers may identify a pricing trend by a particular competitor through trends evident from observations made through competitive processes, through general advertising, or from feedback from potential customers or service providers to the effect that customers have chosen to borrow from another bank. However, I do not, and ANZ's bankers do not, have visibility over the specific pricing offered by competitors.

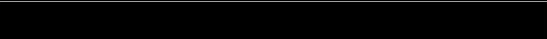
#### ***Pricing relating to deposit products***

16. I observed in my First Statement at paragraph 39 that there are a number of deposit products available to agribusiness customers, including deposit products generally available to ANZ Commercial customers and FMD accounts.
17. In respect of products generally available to ANZ Commercial customers, these are priced in the same way for agribusiness customers as for other ANZ Commercial customers. This is described in Isaac Rankin's statement dated 30 November 2022 at paragraph 67.
18. In respect of FMDs, ANZ and its competitors generally publish their index or headline rates for FMDs. Agribusiness customers have the ability to negotiate higher deposit rates. ANZ Commercial provides its relationship managers and the State Directors and Agribusiness Managers some discretion to agree to higher prices with individual agribusiness customers.
19. ANZ monitors the interest rates offered by its competitors throughout the year and makes changes to its own FMD interest rate from time to time. My experience is that other banks also review and make changes from time to time. This activity usually becomes heightened during

the month of June as this timing coincides with the time farmers review their tax arrangements for the end of the financial year.

20. The factors taken into account by ANZ when considering the index rates for FMDs includes: **[Confidential to ANZ]**:



21. **[Confidential to ANZ]** 

**C. CUSTOMER SWITCHING**

22. I observed in my first statement at paragraph 103 that agribusiness customers can and do switch banks.

*Switching in relation to deposits*


23. While it can make sense for agribusiness customers to have their deposit products with the same bank where they have their core debt, this is not a necessity for customers in my experience. Smaller farmers in particular, can tend to have net cash positions in comparison to larger customers (who are more likely to use an offset facility or undrawn facility on a loan to meet their cash needs) and can be very sensitive to interest rates on their deposits. This means that they can be willing to move deposits to another bank offering a better rate, or even deploy their funds in another way, such as investing it in the business.

*Switching in relation to lending*

24. At my request for the purpose of preparing this statement, I have been provided the following Table 1 from the ANZ IRIS system, which contains details of term lending to agribusiness customers, measured by lending FUM, across financial years FY19 to YTD23.

**[Confidential to ANZ] Table 1: Agribusiness portfolio<sup>1</sup>**

LENDING FUM (\$M)	FY19	FY20	FY21	FY22	YTD23
<b>Total Acquisition % (of opening FUM)</b>					
<b>Total Attrition % (of opening FUM)</b>					

25. In a typical year, the ANZ agribusiness portfolio has around **[Confidential to ANZ]**  of its total lending FUM attrite due to paydowns, natural amortisation or customers refinancing. There can be volatility in new FUM and FUM increase from financial year to financial year – in my experience, drought conditions tend to reduce agribusiness lending volumes, whereas real

<sup>1</sup> ANZ data from IRIS Momentum.



estate markets being generally buoyant tends to drive property purchase activity and at higher prices this leads to increasing lending volumes.

**Impact of brokers in agribusiness banking**

26. As I noted in my First Statement at paragraphs 147 to 155, brokers are playing an increasingly important role in agribusiness lending and, by virtue of this, competition. This is reflected in [Confidential to ANZ] Table 2 below, which was prepared for the purpose of this statement, and [Confidential to ANZ]



[Confidential to ANZ] Table 2: ANZ's agribusiness sales originated by brokers<sup>2</sup>

LENDING FUM (\$M)	SBB	BB	SD	ANZ COMMERCIAL
FY21	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
FY22	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
1H23	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

27. Broking is becoming a better organised, better invested proposition than it has ever been in agribusiness. Currently, this effect is particularly pronounced in certain areas such as southern NSW to southern Queensland. However, in my view, it is possible that the strength of broking may become more generalised.

28. In respect of that possibility, there is history of a small number of bankers becoming brokers, and particularly more recently as brokers invest more significantly, bankers have been a source of their recruitment. I am aware of at least ten agribusiness bankers from the industry that have become brokers during the past 12 months.

**D. RELATIONSHIPS, SCALE AND DIVERSITY**

29. I have the following comments on some key non-pricing competitive dynamics in agribusiness banking in Australia, which are additional to, and should be read with, my First Statement.

**The importance of agribusiness bankers**

30. As explained in my First Statement:

- (a) at paragraphs 91 to 94, one of the most important things that agribusiness customers value is a banker, supported by an organisation, that is committed to agribusiness and is willing and able to support the customer's business;
- (b) at paragraph 129 to 133, attracting and retaining good agribusiness bankers is a key focus for, and source of competition between, banks. Illustrating the importance of strong bankers to an agribusiness bank's proposition, Roy Morgan's November 2022 survey on customer's trust in agribusiness banks (**Roy Morgan Survey**)<sup>3</sup> emphasised

<sup>2</sup> [Confidential to ANZ]

<sup>3</sup> See <https://www.roymorgan.com/findings/9106-agribusiness-net-trust-and-distrust-banks-november-2022>.

"customer relationships" with "good staff who are friendly, helpful and knowledgeable" as key to customers' trust in agribusiness banks.

31. With this in mind, a key part of ANZ's competitive proposition for agribusiness banking is ANZ's commitment to, and understanding of, the agribusiness sector, which is demonstrated through having bankers with agribusiness experience and expertise. This includes having a specialised Agribusiness team at ANZ's National Business Centre in Melbourne for smaller SBB customers, as well as having agribusiness relationship managers available "on the ground" for larger SBB as well as BB and SD customers.
32. In my experience, bankers are competitive in the sense that they strive to be well known for delivering great outcomes for customers and operate a successful and profitable portfolio of customers. Bankers will leverage their market acumen and network to grow their customer set, making them an integral asset to growing an agribusiness portfolio. Their customer set can be grown even if the bank they work for do not have a physical presence in the relevant local area, provided the banker has the requisite experience, expertise, and relationships. For example, Rabobank's success started by Rabobank recruiting agribusiness bankers, who were based in the capital cities, and who were able to build a portfolio of clients quickly across Australia by being mobile and developing relationships with agribusiness customers. Rabobank's success is reflected in their high trust scores among farmers, reflected in the Roy Morgan Survey.
33. I consider there to be strong competition for winning and retaining agribusiness bankers. As agribusiness bankers continue to build market acumen, and grow their network, they will have options available to them, such as joining competing banks, becoming a broker, or taking other opportunities within the financial services sector.

#### ***Importance of scale and diversity in agribusiness banking***

34. In addition to having access to good agribusiness bankers, agribusiness customers want the confidence that the bank they choose will support their business when it matters. For example, when something goes wrong, such as when a drought or other event puts pressure on customers, customers want reassurance that their bank will understand their position and as a priority seek to see them through that event.
35. As such, to provide agribusiness customers with an attractive offering, an agribusiness bank needs to demonstrate commitment to, and investment in, agribusiness banking by having bankers with the requisite experience and expertise, and the financial wherewithal to support the customer over the long term.
36. That financial wherewithal comes from having a diverse customer base across different geographic regions and agribusiness sub-sectors within agribusiness, and then more broadly as a full-service bank. If a bank is too exposed to a particular region or sub-sector, then if that region or sub-sector experiences headwinds, such as a regional issue like a drought or a sectoral issue like a ban on exports, then the bank will have less capacity to support customers in the way they would expect and appreciate. It is easier for a diversified bank to take a long-term view and to better support customers for circumstances that are beyond their control and expectation.
37. One way to achieve this diversity is by being geographically diverse. A good illustration of that is Queensland, which is dominated by cattle-based agribusiness (as I discussed in my First Statement at paragraph 197). If a bank does not have sufficient scale and diversity, and its balance sheet hinges on a particular sub-sector such as beef cattle in Queensland, a detrimental event in that sub-sector may mean the bank is forced to make decisions that are

unfavourable to customers, such as calling on securities where the customer cannot meet payments.

38. ANZ has a very strong track record of supporting agribusiness customers through natural disasters and other events. It is able to do this because of the scale and diversity of its agribusiness portfolio in addition to its sense of purpose. For example:

- (a) ANZ has provided relief packages for customers affected by natural disasters, including:
  - (i) in response to Cyclone Olwyn in 2015;
  - (ii) for dairy farmers affected by milk price reductions in May 2016;
  - (iii) in response to flooding of the Lachlan River in central-western NSW in 2016;
  - (iv) in response to bushfires in NSW in 2017;
  - (v) for fruit growers affected by fruit contamination in 2018;
  - (vi) for North Queensland farmers affected by floods in early 2019;
  - (vii) in response to bushfires across Australia in late 2019;
  - (viii) in response to Cyclone Niran in Queensland in March 2021; and
  - (ix) for customers affected by the mouse plague in NSW and southern Queensland in May 2021.

The packages in response to these disasters typically included ANZ's standard relief measures such as the ability to suspend repayments on loans, including credit cards, for up to three months, the ability to temporarily adjust lending limits to deal with unexpected costs, and the waiver of fees associated with restructuring loans. Additionally, in 2018, ANZ made a \$1 million donation to help farmers struggling with drought conditions. ANZ also has a commitment not to increase interest rate margins on distressed customers.

- (b) During the long series of droughts in NSW and Queensland between April 2013 to April 2020, ANZ made the decision to forgo a significant portion of its revenue to support drought impacted farmers by introducing a 1.00% reduction on eligible variable business farming loans in drought declared areas for 12 months from 1 September 2018. This was a decision that consultation with executive management noting agribusiness is represented in each segment of ANZ Commercial (SBB, BB and SD, as explained in my First Statement at paragraph 21). This decision impacted each segment's Profit and Loss figures for financial years. My recollection is that the decision had an impact of approximately [Confidential to ANZ] of foregone revenue over that 12-month period. At that time, agribusiness represented approximately [Confidential to ANZ]. This is a significant reinvestment in our customers, and I suspect this would be difficult for a smaller bank, and especially a State-based agribusiness bank, to achieve – indeed I am not aware of any of our competitors assisting customers to this extent. Providing the same assistance could represent a significant liquidity risk for a smaller bank. It would also be difficult for a relatively new agribusiness bank, with limited sub-sector diversity in its agribusiness portfolio, to encounter a significantly disruptive event affecting the sub-sectors they bank – customers of that bank may miss an opportunity to benefit from financial contributions that a larger bank could provide.



39. In my experience, ANZ Commercial does not seek to tactically change the distribution of its portfolio by diverting bankers from one region to another. If ANZ Commercial identifies that it could or should have more exposure in a particular region, my experience is that it aims to develop that exposure over time through investment in that region and bankers for that region. It also does not have preferential terms for one region versus another merely to drive competitiveness in the first region, though it may be prepared to more consistently elevate requests for approval of lower lending prices in an area where the bank wants to strategically grow.
40. In my view, ANZ's agribusiness bankers' nature is to compete strongly in every region they operate in, even where ANZ is already strong in agribusiness. In respect of such areas or regions where ANZ is already strong in agribusiness, ANZ Commercial and its bankers want to continue to show commitment in that region and grow with existing and new customers. We also generally aspire to be a bank synonymous with the best businesses in the industry. Failing to maintain that commitment in a region could indicate to customers in that region that ANZ may come and go as its motivations change and may not be there when they need the assistance of their banker. As I observed in my First Statement at paragraphs 113 and 134, this kind of perception would likely be detrimental to ANZ's competitive proposition for a sustained period.

Signed by Mark Stephen Bennett

on 17 May 2023

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Signature of Mark Stephen Bennett