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STATEMENT IN SUPPORT OF APPLICATION FOR MERGER AUTHORISATION

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED

Applicant

Statement of: **Yiken Yang**

Address: 833 Collins Street, Docklands, Victoria

Occupation: General Manager, Deposits, Australia and New Zealand Banking Group Limited

Date: 30 November 2022

This document contains confidential information which is indicated as follows:

[Confidential to ANZ] [REDACTED]

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A. INTRODUCTION

1. I am the General Manager, Deposits in the deposits business of the Australia Retail division (**ANZ Deposits**) of Australia and New Zealand Banking Group Limited (**ANZ**). My position internally is Product Area Lead, Deposits. I am authorised to make this statement on ANZ's behalf.
2. I make this statement in support of ANZ's application to the Australian Competition and Consumer Commission for merger authorisation to acquire 100% of the issued share capital in SBGH Limited from Suncorp Group Limited, either directly or via a related body corporate of ANZ, in accordance with a share sale and purchase agreement between ANZ and Suncorp Bank executed on 18 July 2022 (the **Proposed Acquisition**).
3. I address the matters in this statement based on my knowledge of ANZ's operations and involvement with ANZ in my current role, my experience in the Australian banking industry and my review of business records of ANZ available to me in my current role.
4. In preparing this statement I also consulted with [Confidential to ANZ] [REDACTED]. Some of the information in this statement was extracted from ANZ's systems by those individuals and their delegates. Where I make statements based on the information provided to me, I believe that information to be true.

B. ROLE AND EXPERIENCE

My role at ANZ

5. I have held the position of General Manager, Deposits with its current responsibilities since April 2022. I am responsible for managing ANZ Deposits. ANZ Deposits team has responsibility for:
 - (a) the development and management of ANZ's deposit product offering for the Australia Retail division (except for offset accounts and ANZ Plus deposit products, which are the responsibility of ANZ's Australian home loans and ANZx teams respectively);
 - (b) management of certain aspects of ANZ's deposit product offering for customers of the Commercial division, including the terms and conditions associated with those products (development of the product proposition and distribution of the products are the responsibility of the Commercial division);
 - (c) in partnership with the Technology Area Lead for Core Systems, two of ANZ's core banking systems: the Customer and Accounting Processing system, which is ANZ's core banking system for retail and commercial customers and accounts in Australia, and the Customer Transaction Management System, which is a system that authorises all retail bank transactions and forwards them to the appropriate internal account systems; and
 - (d) overseeing some regulatory obligations, including Threshold Transaction Reports under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth), as well as the Australian Prudential Regulation Authority's Financial Claims Scheme.
6. I report to the Portfolio Lead Deposits, Migration and Simplification.

Prior experience and qualifications

7. I commenced my employment with ANZ in 2014. The roles I held before my current role were:
 - (a) Senior Manager, Pricing from June 2014 to November 2016;

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- (b) Senior Manager, Insights, Deposits & Payments from November 2016 to January 2018;
 - (c) Head of Product – Everyday Banking (Credit Cards, Personal Loans & Transaction Products), from January 2018 to November 2019; and
 - (d) Head of Product, Deposit, from November 2019 to April 2022.
8. Prior to my employment with ANZ in 2014, I was a Product & Portfolio Strategy Manager at ME Bank from February 2013 to June 2014. Before that, I worked at ANZ from March 2006 to February 2013 across a number of roles within marketing and product.
9. I have a Bachelor of Arts and a Bachelor of Computer Science from Monash University.

C. STRATEGY AND ROLE OF DEPOSITS

10. ANZ's strategy is to be the bank of choice for home owners and business owners. ANZ Deposits' plan to support this strategy is to:
- (a) focus on customer engagement so that they choose ANZ when they take out a deposit product or other banking products or services. When I refer to deposit products, I mean the three types of products described in paragraph 14, targeted at retail customers;
 - (b) deliver on funding targets to support lending (the correlation between funding targets and lending is discussed below at paragraph 13); and
 - (c) deliver competitive product propositions that provide suitable solutions for customers to enable them to save, use and manage their money in a way that aligns with their needs and preferences.
11. To ensure that ANZ's deposit products are meeting changing customer needs and responding to competitor offerings, my team conducts and reviews Australian and international market research to understand deposit products and the related services being offered by other providers. The market research includes:
- (a) external reports on what Australian banks and non-banks are doing in respect of customer payments and deposit products, such as the reports prepared by Retail Financial Intelligence Limited (**RFI**) and other research organisations;
 - (b) reports from ANZ's scheme partners, such as Visa and eftpos, which provide details of best practice and their research on customer needs; and
 - (c) desktop research of competitor pricing, financial performance, and activity.
12. I consider that continued innovation in product features is an important way in which banks compete – for example:
- (a) ANZ invested in adding Apple Pay capability for its transaction products, and currently has a substantial advertising campaign on these capabilities;
 - (b) in 2021, ANZ developed the "Your Money Report" feature, which is an electronic report accessible through internet banking and the ANZ App that provides a personalised snapshot of money going into, and coming out of, a customer's eligible ANZ accounts along with a 12 month summary of spending; and
 - (c) in 2021, ANZ launched the CashrewardsMax partnership. Cashrewards credits members a percentage of what they spend when shopping, which can then be withdrawn as cash direct to their bank account. Under the CashrewardsMax

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partnership, eligible ANZ customers receive higher cashback offers when shopping at participating retailers, are paid their cash back sooner, and can access exclusive retail experiences.

13. Funds from deposit products are also a source of funding for ANZ and other authorised deposit-taking institutions (**ADIs**). As such, ANZ sets a portfolio-wide funding target for deposits, which is correlated to forecast lending across lending products, including home loans, credit cards and commercial loans. ANZ's performance against this funding target is reported to me and discussed at fortnightly and monthly meetings. The information is used to inform decisions about pricing, strategy and distribution.

D. PRODUCTS, DISTRIBUTION AND PRICING

Products and product features

14. Deposit products are financial products that enable customers to deposit funds with a bank. Only ADIs are permitted to receive deposits from consumers in Australia. There are three main types of deposit products:
 - (a) **transaction accounts**, which provide consumers with the ability to deposit and receive funds and make payments using their own funds. Consumers can transact through a number of different in-person and digital channels such as in-store, ATMs, online, 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, with the balance in the offset account offsetting the outstanding balance of the home loan. Transaction accounts tend to pay no interest or low interest rates when compared to savings accounts and term deposits;
 - (b) **savings accounts**, which provide consumers with the ability to earn interest on their deposited funds, and are generally not used on a day-to-day basis to transact; and
 - (c) **term deposits**, which provide consumers with the ability to deposit their money for a fixed period, at a guaranteed rate of return. The money deposited into a term deposit cannot be accessed before the end of the fixed period without the customer incurring a fee and foregoing full or partial interest for early access.
15. The primary distinction that can be drawn between transaction accounts on the one hand, and savings accounts and term deposits on the other hand, is that the main purpose of a transaction account is to have the ability to carry out transactions using money deposited, while the main purpose of savings accounts and term deposits is to save and earn interest on money deposited in those accounts.
16. Given the differences in functionality for consumers, ADIs will typically offer a suite of deposit products, which includes transaction accounts, savings accounts and/or term deposits to ensure that they have an attractive offering that enables customers to move their funds between deposit products as and when it suits them. For example, ANZ's product suite includes (among other accounts) the ANZ Access Advantage account (a transaction account), ANZ Online Saver account and ANZ Progress Saver (two types of savings accounts), and a number of term deposits with different interest rates depending on the duration of the term.
17. Further, as each deposit product is designed to meet a different customer need, customers can, and often do, acquire and hold multiple products at the same time or switch between deposit products at different times when their needs change. It is not difficult for a customer to switch between ANZ deposit products, or between the deposit products offered by ANZ and other ADIs.

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18. It is common for consumers to have more than one deposit product and to have deposit products from more than one ADI. Many ADIs offer deposit products with no account keeping fees or products where account keeping fees are waived if certain conditions are met, such as the account holder making a minimum deposit each month. This means that consumers are typically able to hold these accounts without incurring any fees. For example, a consumer might have a transaction account and a savings account with ANZ, but also hold savings accounts with ING and NAB, and a term deposit with Macquarie. The consumer might decide to move funds between these accounts based on which institution and product is best suited to their particular needs. In making these decisions, the customer may take into account the utility of the product, the need to access funds and/or the interest rate. The customer may also find it valuable to split their savings between different ADIs' deposit products.
19. It is easy for consumers to move their funds between ADIs. Consumers can use mobile apps or online banking to quickly and easily send funds between their accounts. Increasingly, funds transfers between ADIs happen in real time because many ADIs provide OSKO and PayID, which permit real-time funds transfers between ADIs.

Distribution

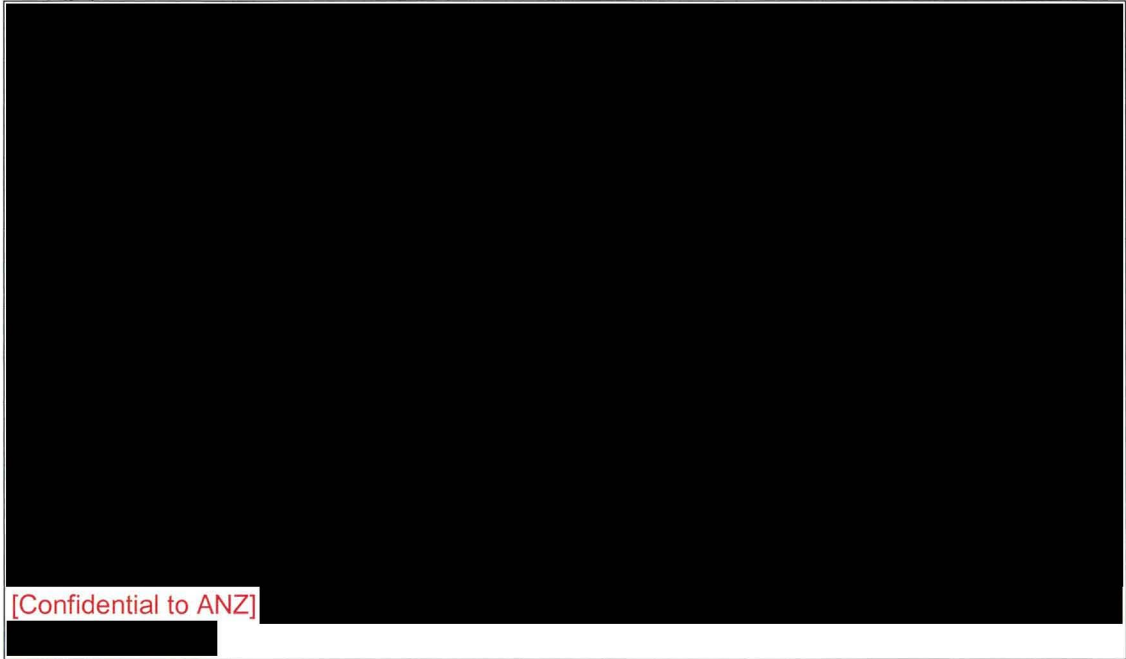
20. All deposit products offered by ANZ are available to customers nationally. The terms and conditions¹ that apply to each of the deposit products offered by ANZ are the same across the portfolio, nationally, and the products are released nationally at the same time.²
21. ANZ's deposit product offering is primarily distributed through ANZ's network business, which comprises ANZ's branch network, customer contact centres, online, and phone applications (ANZ App and ANZ Plus). There are some deposit products that are not available through all channels. For example, ANZ Plus is only available to customers who apply using the ANZ Plus application, and ANZ Online Saver cannot be accessed in-branch.
22. In addition, there are customers who will use an intermediary and will open a transaction, savings or term deposit account on the recommendation of that intermediary. Accounts originated through intermediaries make up approximately [Confidential to ANZ] of ANZ deposit product accounts.
23. There are two categories of intermediaries:
 - (a) on platform (eg businesses like AMP): these intermediaries will open an account in their own name and hold their customer's deposit with ANZ on trust on behalf of the customer. The intermediary, rather than ANZ, holds the relationship with their customer; and
 - (b) off platform (eg a stockbroker): 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.
24. At my request, for the purposes of preparing this statement, the Commercial Leader, Change & Commercial Management extracted data on ANZ's deposit product origination channels over time from ANZ's IRIS system³ and used the data to create the graph at [Confidential to ANZ]. The graph shows the breakdown of deposit account originations through ANZ's direct channels from May 2018 to July 2022. [Confidential to ANZ]

¹ Occasionally ANZ will release Betas or trial products on a limited basis to a contained group of participants (generally ANZ staff) to test products. The test group participants are not determined by location.

² <https://www.anz.com.au/content/dam/anzcomau/documents/pdf/saving-transaction-products-tcs.pdf>

³ ANZ's IRIS system is a financial management reporting system used by ANZ.

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25. The data is also in a simplified basis in [Confidential to ANZ] [REDACTED], which combines Digital (in-App), Digital (Non-App) and ANZ Plus together as "Digital" and Branch and Contact Centre as "Traditional".

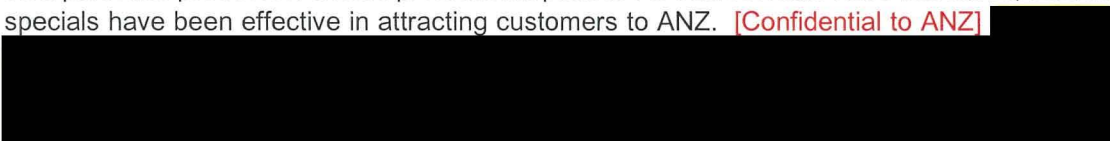


Pricing

26. The pricing of a deposit product comprises the interest rate that an ADI will pay to the customer on the deposited funds, and the fees that the ADI will charge the customer.

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Interest rates

27. The interest rates applicable to ANZ's deposit products vary depending on the type of product and utility of that product:
- (a) Higher utility (transaction account) products are ordinarily more costly to supply compared to other deposit products because they involve high volumes of transactions, high ATM and branch usage, and/or high payment usage, meaning there are more operational overheads and costs to run the products. These products will generally offer lower interest rates on funds deposited than other products. This is both to reflect the greater cost to supply these products and because competition in relation to these products is not focused on interest rates.
 - (b) Lower utility products such as term deposits have minimal transactional or operational overheads as they are designed to limit a customer's access to deposited funds for a fixed term (unless the customer is willing to pay a fee and forego full or partial interest for early access). Customers choose these products to earn interest on money they do not need to use during the agreed term. On these products, ANZ will offer typically higher interest rates.
28. ANZ advertises headline interest rates (which ANZ calls "carded rates") for all of its deposit products except for term deposits for \$100,000 or more. Customers seeking to put more than \$100,000 in a term deposit are invited to negotiate the rate with ANZ (for example, this is advertised on ANZ's website⁴). The rate is negotiated between the customer and the banker and determined by the banker applying a centralised pricing policy, which allows the banker to exercise some judgement on the rate that is offered to the customer. Generally, ANZ is prepared to offer higher negotiated rates for these customers than the carded rates. I am responsible for setting the centralised discretionary framework for negotiated prices, but the individual prices offered to a customer are determined by the banker and ANZ's Pricing Team.
29. ANZ will also offer "carded specials" from time to time. These are higher interest rates offered on a particular product for a fixed promotional period. As interest rates have increased, carded specials have been effective in attracting customers to ANZ. [Confidential to ANZ] 
30. Prices are discussed by ANZ at fortnightly and monthly meetings, and I am responsible for setting the price for interest rates for deposit products (excluding ANZ Plus, which I am not responsible for). When discussing and setting the interest rate for each product, I will consider a range of factors including:
- (a) ANZ's funding target and its performance against that target;
 - (b) the margin achieved by ANZ in relation to the products;
 - (c) the utility of the product (discussed further at paragraph 32); and
 - (d) the competitive landscape, that is, the prices offered by competitors to the extent that those prices are advertised.

⁴ <https://www.anz.com.au/personal/bank-accounts/term-deposits/>

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Fees

31. There are a number of fees applicable to ANZ's deposit products, including, account servicing fees, dishonour fees and international ATM & transaction fees.⁵ Based on information provided to me by the Commercial Leader, Change & Commercial Management extracted from ANZ's business records, fees are no longer a significant part of ANZ's income stream derived from deposits, representing approximately [Confidential to ANZ] █████ of ANZ's total income from deposits.⁶

E. CONSUMER PREFERENCES

32. In my experience, the factors that are important to customers when choosing a deposit product include:
- (a) the **utility of the product** including both product specific features and the associated services offered by the bank. This includes:
 - (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, other payments capabilities (eg OSKO and PayID, which allow real-time payments and money transfers);
 - (ii) digital access to offerings through mobile application, internet banking, use of mobile payment platforms (including Apple Pay 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 to access additional cashback offers and other benefits 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
 - (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.
33. The weight that customers place on each of these factors will vary from customer to customer. For example, customers with more funds to deposit will typically be attracted to savings accounts and term deposits, and be more interest rate sensitive.
34. While there are differences in the utility and interest rates on the above three types of deposit products, there are little to no impediments to customers moving their funds between these products except for term deposits, where the customer needs to wait to the end of the term to avoid incurring a fee and foregoing full or partial interest for early access.

⁵ <https://www.anz.com.au/plus/terms-conditions/product-terms-conditions/>

⁶ Based on data from October 2021 to May 2022 including account service fees, dishonour fees, overseas transaction fees, international ATM fees and additional transaction fee and excluding anything interchanged related, normal ATM fees and e-Trade commissions.

F. COMPETITION IN DEPOSITS

Price competition

35. In my experience, competing ADIs, like ANZ, will have advertised rates and negotiated rates for larger deposits that are set on a national basis. The pricing of other ADIs' deposit products is discussed by ANZ at the fortnightly and monthly meetings mentioned at paragraph 30. It is a key factor I consider when making decisions about interest rates for deposit products that I am responsible for. If the interest rate offered by ANZ is not competitive, then ANZ will lose deposits to competitors with a more attractive rate.
36. ADIs will adjust the interest rate on deposit products to attract funds from customers, or to attract customers to a particular product. In practice, different banks will pursue different segments of the market from time to time based on how successful they are in attracting and retaining customers and achieving their funding targets. This means that different banks may take leading positions in terms of price on deposit products from time to time. If the other banks do not react, then they risk losing customers, and so will adjust pricing to both attract and retain customers. For example, I understand that Macquarie's transaction account currently offers comparatively higher interest rates than other ADIs and Westpac is currently offering a savings account with a variable bonus interest rate that is exclusively available to 18 to 29 year olds who meet certain "spend and save" criteria.⁷
37. While ANZ can and does track the advertised headline interest rates of the competing banks, tracking the negotiated rates of the other banks is more difficult as there are no readily accessible verified sources. Additionally, ANZ does not have details of the pricing models of the other banks which I expect would impact the manner in which a negotiated rate is set. Occasionally ANZ has customers who seek a negotiated rate and ask ANZ to "price match" a competitor. [Confidential to ANZ] [REDACTED]
- [REDACTED] Direct feedback from customers, frontline staff and brokers about deposit product pricing is reported to me at monthly risk forums and fortnightly pricing meetings mentioned at paragraph 30.

Competitive landscape

38. In my view, there is strong competition to win deposit customers and deposits from these customers. ANZ competes with all ADIs in the supply of deposit products. As at October 2022, there were over 80 ADIs in Australia, with a subset of ADIs that focus on deposit products for retail customers. Based on my experience and the reporting provided to me from time to time, I consider:
- (a) **CBA** to be the clear market leader, with a strong brand, presence, and technology and product proposition which is attractive to consumers;
 - (b) **NAB** to be a strong competitor, which has differentiated deposit 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** to be a significant competitor, which competes more aggressively in certain segments to attract deposits, for example, deposit products targeted to 18 to 29 year olds;

⁷ <https://www.westpac.com.au/personal-banking/bank-accounts/savings-accounts/spend-save-ntb/>

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- (d) **Macquarie** is a strong competitor which has achieved significant growth in deposits, significantly greater than other banks, by offering a fast digital account opening experience and competitive interest rates. Macquarie also has a lower cost to serve than ANZ, 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's funding to support the successful expansion of its home loans business;
 - (e) **ING** has been a significant competitor in deposits, with a lower cost to serve compared to ANZ and appeal 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, to be competitive, and have good name recognition in their 'home' states;
 - (g) **credit unions / building societies**, such as Police Credit Union and Bank First (previously Teachers Credit Union) 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, have competitive deposit product offerings; and
 - (i) **neo-banks and fintechs** 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.
39. Further, I expect new entry and expansion by ADIs providing deposit products to continue in the future. Expanding an existing ADI's offering from transacting accounts to include savings accounts and term deposits can be relatively straight forward and in my experience, does not require an ADI to develop new systems. While there is some work involved in creating and building a worthy proposition for new products, I do not believe this is insurmountable, particularly for an ADI who already has a compelling offering in deposit products. For a new entrant to be relevant in relation to deposits it must demonstrate a point of difference to a customer which is enough to make a customer want to use it. As a result of innovation in payments, funds can be moved easily between institutions, there is much greater scope now for new and existing banks to attract deposit customers.
40. Generally, I do not see any reason why competition in relation to deposit products will not continue to grow in the future.

G. THE PROPOSED ACQUISITION

41. I do not expect the Proposed Acquisition to have any material impact on the competitive landscape in the supply of deposit products. Based on the information reported to me from time to time in my role, Suncorp's deposits offering has not been particularly compelling nor influential in ANZ's strategy or decisions relating to deposit products.
42. Following the Proposed Acquisition, ANZ will continue to face strong competition from a range of other providers of deposit products. ANZ will also continue to have the incentive to invest in ensuring its offering is attractive to customers, so that it can effectively compete for funds from depositors.

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Signed by Yiken Yang

on 30 November 2022



Signature of Yiken Yang