

**RESTRICTION OF PUBLICATION CLAIMED**

**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: 17 May 2023

This document contains confidential information which is indicated as follows:

[Confidential to ANZ] [.....]

**Contents**

Document number	Details	Paragraph	Page
1.	Statement of Yiken Yang dated 17 May 2023	1 - 14	2 - 4

## RESTRICTION OF PUBLICATION CLAIMED

### 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. This statement is supplementary to the first statement I made in support of ANZ's application to the Australian Competition and Consumer Commission for merger authorisation to acquire, directly or indirectly, 100% of the issued share capital in SBGH Limited from Suncorp Group Limited (**Proposed Acquisition**) dated 30 November 2022 (the **First Statement**).
3. I address the matters in this statement based on my experience in the Australian banking industry, described in Part B of my First Statement, and on my review of the business records of ANZ which are available to me in my current role.
4. 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.
5. I also use capitalised and other terms which I do not define here in the same way as used in the First Statement.

#### *My role at ANZ*

6. My role and responsibilities remain as described at paragraphs 5 and 6 of my First Statement.

### B. PRICING DEPOSIT PRODUCTS

7. I described ANZ's approach to pricing deposit products at paragraphs 26 to 31 of my First Statement. I provide some further context to this approach below.
8. As explained in my First Statement:
  - (a) The interest rate applicable to ANZ's deposit products varies depending on the type of product and the utility of that product.
  - (b) ANZ takes a holistic approach to setting prices for deposit products, meaning that it considers a range of factors, including those described at paragraph 30 of my First Statement, to set a price for each product that is attractive to customers given its utility and taking account of the utility and price of competitor products, and which is expected to contribute to ANZ achieving its funding and margin targets. There is no fixed weighting given to the factors considered by ANZ in setting prices of deposit products.
  - (c) Brand, trust, and security are factors that are considered by customers in choosing who to deposit funds with. On this, my view is that the Australian Government's Financial Claims Scheme, which provides protection for deposits of up to \$250,000 per account holder per authorised deposit-taking institution (**ADI**), is relevant, as it provides customers with confidence to place funds with ADIs which may be smaller or have a less established presence. The extent to which a bank invests in fraud and security measures is also relevant, and different banks invest to different levels. I consider that ANZ is amongst the market leaders in fraud and security measures.
9. Generally:
  - (a) Transaction accounts with the highest utility are more attractive to customers, and therefore tend to pay no interest or low interest rates. I consider that ANZ transaction accounts have among the highest utility of accounts in the market because:

## RESTRICTION OF PUBLICATION CLAIMED

- (i) ANZ has a broad distribution channel across digital, contact centre, and physical points of presence nationally, which increases accessibility for customers by giving customers more options to choose from when opening accounts and transacting.
  - (ii) ANZ provides access to a wide range of payments services, including Apple Pay and Google Pay, and the Osko service built on the New Payments Platform which enables near real-time payment to a PayID and eligible BSB accounts. ANZ also adopted those payment services relatively early. In addition, ANZ customers can make payments using certain wearables and smartwatches, and can use digital wallet services instead of a physical card to withdraw cash from ANZ ATMs.
  - (iii) ANZ invests in new features and technology, including financial tools, consistent with ANZ's strategy of helping customers improve their financial wellbeing. For example, ANZ customers can access a number of spending insight tools including the "YourMoney" report and ANZ Spendi. The "YourMoney" report is available to customers to track monthly or annual spending activity, and shows a breakdown of spending by various categories and merchants. The report can be generated by customers near-instantly using internet banking or the ANZ mobile application. Similarly, ANZ Spendi is a spending insight tool available on the ANZ mobile application, and allows customers to set a daily budget and track daily spending activity.
- (b) Savings accounts pay higher interest, but utility is still important, particularly to enable customers to access their funds, as well as set savings targets. I consider that ANZ savings accounts have among the highest utility of accounts in the market because it is easy for customers to transfer funds in, and out, of the account and keep track of their savings.
- (c) In general, term deposits pay the highest interest rate, with a fixed return over a defined period. This is particularly the case for term deposit products with a long tenure (being 12 months or longer). Utility is less important but is still relevant. In particular, customers will value the ease with which they are able to open a term deposit and transfer funds into, and out of, it.
10. Prices of deposit products are reviewed and, if considered necessary, adjusted based on ANZ's business performance following the fortnightly and monthly meetings I refer to at paragraphs 13 and 30 of my First Statement.
11. In addition to those fortnightly and monthly meetings, I attend the internal ANZ meetings scheduled each month that are held if it appears likely that the Reserve Bank of Australia (**RBA**) will make a change to the official cash rate (**OCR**). I have read the description of that meeting at paragraph 47 of the statement of John Campbell dated 30 November 2022 and agree with that description.
12. If there is a change in the OCR, then ANZ will consider whether to change the price for ANZ's deposit products. This is because the OCR affects the cost of funds. However, a change to the OCR does not mean ANZ will necessarily change the price of its deposit products as a matter of course. This is for several reasons:
- (a) When considering the price of deposit products (particularly savings accounts and term deposits), it is important to recognise that deposits are a liability, rather than an asset, for a bank. This is because banks pay interest on savings and term deposit products, and they therefore represent a cost. [Confidential to ANZ]



**RESTRICTION OF PUBLICATION CLAIMED**



- (b) In the case of term deposits, the interest rate payable to the customer on the deposit is fixed for the term, and a higher interest rate is typically offered to attract a customer to fix the deposit for the term. As a consequence, the interest rate offered needs to take account of ANZ's forecast of future changes in costs across the tenor of the term deposit, not just the costs now, as ANZ will be committed to pay that rate for the term.
  - (c) The other factors described above at paragraphs 8(b)10 and 10 and at paragraph 30 of my First Statement, including ANZ's business performance (for example, whether it is achieving funding targets and the margin) and competitive landscape, are also relevant to deposit pricing decisions.
13. Deposit products are also subject to fees. The purpose and structure of particular fees varies, for example:
- (a) some fees are associated with specific events (which can be avoided) where there are costs associated with ANZ's—for example, overseas transaction fees; and
  - (b) some fees are structured in a way which influences the way that customers use the product—for example, the \$5 monthly account service fee on the ANZ Access Advantage Account is waived if the customer deposits \$2,000 per month or if the customer meets other eligibility criteria. This structure incentivises customers to use the transaction account in a meaningful way, rather than simply opening it and not engaging with it.
14. As mentioned in paragraph 31 of my First Statement, fees are no longer a significant part of ANZ's income stream for deposit products.

Signed by Yiken Yang

on 17 May 2023



Signature of Yiken Yang