NOTICE OF LODGMENT

AUSTRALIAN COMPETITION TRIBUNAL

This document was lodged electronically in the AUSTRALIAN COMPETITION TRIBUNAL and has been accepted for lodgment pursuant to the Practice Direction dated 3 April 2019. Filing details follow and important additional information about these are set out below.

Lodgment and Details

Document Lodged:	Non-Prescribed List
File Number:	ACT 1 of 2023
File Title:	APPLICATIONS BY AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED AND SUNCORP GROUP LIMITED

REGISTRAR

Dated: 3/11/2023 4:38 PM

Important information

This Notice has been inserted as the first page of the document which has been accepted for electronic filing. It is now taken to be part of that document for the purposes of the proceeding in the Tribunal and contains important information for all parties to that proceeding. It must be included in the document served on each of those parties.

COMMONWEALTH OF AUSTRALIA

***Competition and Consumer Act 2010* (Cth)**

IN THE AUSTRALIAN COMPETITION TRIBUNAL

File No:	ACT 1 of 2023
Re:	Application by Australia and New Zealand Banking Group Limited and Suncorp Group Limited for review of Australian Competition and Consumer Commission Merger Authorisation Determination MA1000023-1
Applicant:	Australia and New Zealand Banking Group Limited and Suncorp Group Limited

JOINT DOCUMENT IDENTIFYING ALL FINDINGS ON FACTUAL MATTERS SET OUT IN THE ACCC'S REASONS FOR DETERMINATION THAT ARE NOT CONTESTED BY THE PARTIES ON THE REVIEW

02 November 2023

(Direction 16 in the Directions made on 29 August 2023)

Confidentiality Key:

ANZ confidential information is highlighted in purple

Suncorp confidential information is highlighted in green

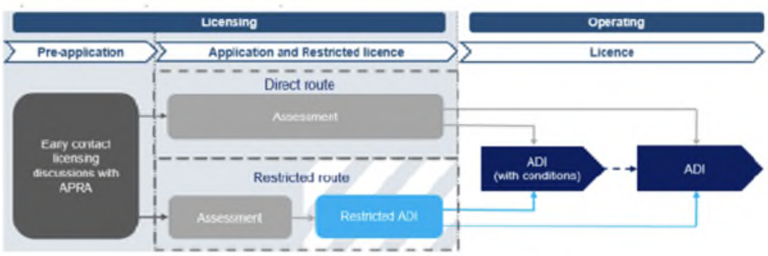
Third party confidential information is highlighted in blue

APRA confidential information is highlighted in orange

Table 1. Findings of factual matters not contested by the parties

<table>
<tr><th>ACCC Reasons</th><th>Findings of factual matters not contested (extract)</th></tr>
<tr><td>4.4</td><td>The four largest providers of banking services in Australia are authorised deposit taking institutions (ADIs) consisting of ANZ, Commonwealth Bank, National Australia Bank (NAB) and Westpac .... The major banks collectively account for 72% of reported banking system assets in Australia.</td></tr>
<tr><td>4.5</td><td>There is a group of ADIs that are smaller than the major banks, but each have a share of banking system assets greater than 1% (referred to as the second-tier banks in this determination). They collectively account for close to 14% of reported banking system assets and have increased their share of assets over the past decade. The second-tier banks include banks at or around the size of Suncorp Bank, Macquarie Bank, ING Bank Australia (ING Bank), BEN, Bank of Queensland and HSBC Bank Australia (HSBC Bank).</td></tr>
<tr><td>4.6</td><td>In addition to the major banks and second-tier banks, there is a large number of other smaller ADIs who individually have a share of banking system assets less than 0.7%. This includes 49 foreign bank branches, who primarily target niche areas, such as specialised corporate lending, and 57 credit unions and building societies who operate under a mutual structure where customers are members and profits are reinvested back into the business.</td></tr>
<tr><td>4.7</td><td>The shares of major banks, second-tier banks and other ADIs are set out in Table 1. Taking shares as a proportion of Australian banking system assets gives an indication of the Australian banking activity owned by each ADI, with the predominant asset class being lending.</td></tr>
<tr><td>Table 1</td><td>Table { SEQ Table * ARABIC }: Share as a proportion of banking system assets as at May 2023
<table>
<tr><th>ADI</th><th>share (%)</th></tr>
<tr><td>Commonwealth Bank of Australia</td><td>21.34</td></tr>
<tr><td>Westpac Banking Corporation</td><td>19.24</td></tr>
<tr><td>National Australia Bank Limited</td><td>17.79</td></tr>
<tr><td>Australia and New Zealand Banking Group Limited</td><td>13.23</td></tr>
<tr><td>Macquarie Bank Limited</td><td>4.85</td></tr>
<tr><td>Bank of Queensland Limited</td><td>2.26</td></tr>
<tr><td>Bendigo and Adelaide Bank Limited</td><td>2.04</td></tr>
<tr><td>ING Bank (Australia) Limited</td><td>1.86</td></tr>
<tr><td>Suncorp-Metway Limited</td><td>1.75</td></tr>
<tr><td>HSBC Bank Australia Limited</td><td>1.13</td></tr>
<tr><td>Other</td><td>14.50</td></tr>
</table>
Source: ACCC calculations based on Australian Prudential Regulation Authority (APRA), Monthly Authorised deposit taking institution statistics, May 2023 issued 30 June 2023. The share of banking system assets is calculated by dividing each entity's 'total resident assets' by the total value of 'total resident assets' reported by all ADIs.</td></tr>
<tr><td>4.9</td><td>In addition to ADIs, non-ADI lenders account for a small share of total financial system assets in Australia. Non-ADI lending is undertaken by registered financial corporations and some types of managed investment funds, which in total account for around 5% of total Australian financial system assets.</td></tr>
<tr><td>4.10</td><td>ADIs can supply deposit products including transactions and savings accounts and term deposit products to retail and business customers. These deposit products provide ADIs with a source of funding for their businesses.</td></tr>
</table>

ACCC Reasons	Findings of factual matters not contested (extract)
4.11	ADIs are also lenders, providing loans to both retail and business customers, which may be unsecured or secured (for example, home loans are secured by residential property, and agribusiness loans can be secured by other assets such as real estate or livestock).
4.12	All major and second-tier banks are active in both retail and business banking and have larger retail loan books than business loan books. However, banks may focus on different customer segments and the relative size of their retail portfolio compared to their business portfolio varies significantly by bank.
4.13	For example, as at May 2023, CBA's lending portfolio is concentrated on retail lending, with 74% of its outstanding retail and business lending comprising retail customers. NAB performs proportionally more business banking than the other major banks, with 42% of its outstanding retail and business lending activities comprising to businesses compared to 34% for ANZ, 28% for Westpac and 26% for CBA.
4.14	In addition to retail and business banking, the major banks also provide banking services to large public and private sector organisations, locally and globally, which makes up a significant proportion of their total assets. This institutional banking comprises a range of services to offer bespoke solutions to customers, including financial markets capabilities, capital raising solutions, corporate finance, transaction banking services, research, and risk management products and services. Because of range, complexity and geographic spread of the services offered in institutional banking, it is typically only provided by larger banks.
4.15	While returns from institutional banking are more subject to financial market volatility, in 2017 they accounted for anywhere from 12-28% of net profits for the major banks. Compared to the major banks, full-service second-tier banks typically conduct a higher proportion of lending to households or individuals (retail lending) relative to their business lending. For BEN, Bank of Queensland, ING Bank, HSBC Bank, Macquarie Bank and Suncorp Bank, retail lending represents 78-89% of retail and business lending. Suncorp Bank's retail lending is 80% of its total retail and business loan book.
4.17	Further, smaller banks may have portfolios focused on particular business customer segments. For example, [redacted], lending to SME business customers accounts for between [redacted] of total business lending.
4.18	The banks with the largest exposure to agribusiness lending as a proportion of their total business lending are [redacted].
4.19	The remaining approximate 14.5% of banking system assets is managed by other small providers with less than approximately 0.7% share individually. They include foreign banks, credit unions, building societies, fintechs and neobanks, and very small ADIs. Credit unions and building societies typically only conduct lending business to their members (retail lending) and source between [redacted] of deposits from retail customers. Very small ADIs in this group typically focus on particular customer segments. For example, Judo Bank and Rabobank currently only lend to business customers. Lending to agribusiness customers

ACCC Reasons	Findings of factual matters not contested (extract)
	accounts for over [redacted] of Rabobank's lending activities. SME lending accounts for over [redacted] of Judo Bank's lending.
4.20	There are also a range of non-ADI lenders who supply products in certain segments such as home loans and SME lending. Non-ADI lenders are much smaller than ADIs and are not authorised to take deposits and rely on other funding sources.
4.21	These other providers include 'fintechs', a loosely defined group of smaller financial technology providers … .
4.25	As the banking sector is an important part of the Australian economy, participants are subject to significant regulatory and prudential oversight. The various regulatory and prudential frameworks can affect banks' costs, through the banks' source of funding and different capital holding requirements.
4.27	Only banks with an ADI licence can offer deposit products to customers. Deposits can be a comparatively cheap source of funding for lending activities compared to other funding sources.
4.28	There are strict regulatory requirements for obtaining and maintaining an ADI licence. APRA provides two routes through which an entity can obtain an ADI licence: the direct route and the restricted route. An overview of the direct and restricted pathways is provided in Figure 2.
Figure 2	**Figure { SEQ Figure * ARABIC }: Licensing process for the direct route vs the restricted route**  Source: APRA, ADI licensing - Restricted ADI Framework – Information Paper, 4 May 2018, p 9.
4.29	An entity that obtains an ADI licence via the direct route can conduct the full range of banking activities (including deposit-taking) from the time it obtains the licence. To obtain a licence via the direct route, the entity must meet certain requirements, including holding a specified amount of capital. APRA's prudential requirements commence from the point of licence. This would typically require the applicant to have substantial capital resources at the point of application or a very clear avenue for access to such resources.
4.30	Alternatively, an entity can apply for a restricted ADI licence via APRA's Restricted ADI Licensing Framework. Under the Restricted ADI Licensing Framework, an entity can obtain a restricted ADI licence before they are ready to be a fully licensed ADI, with phased-in regulatory obligations reflecting the restricted range of permitted activities.

ACCC Reasons	Findings of factual matters not contested (extract)
4.31	From 2004 to 2022, the number of entities with an ADI licence dropped from 242 to 142 — a reduction of around 40% (see Figure 3). This trend reflects consolidation, particularly in credit unions and building societies ….
4.32	Once fully licensed, an ADI must comply with all applicable prudential standards. These include requirements for financial resilience (such as minimum bank capital and liquidity requirements), governance, risk management, recovery and resolution, and reporting. The prudential standards establish minimum expectations for regulated entities as part of APRA's purpose of ensuring Australians' financial interests are protected and the financial system is stable, competitive and efficient.
4.33	Bank capital requirements are particularly important in ensuring ADIs have a financial buffer to absorb unexpected losses, such as borrowers defaulting on their loans. By requiring ADIs to hold a prudent minimum level of capital relative to a risk-adjusted measure of their assets, APRA ensures banks are more likely to remain solvent during periods of financial adversity. …
4.34	There are two approaches permitted by APRA for determining banks' credit risk capital requirements, the internal ratings-based (IRB) approach and the standardised approach.
4.35	While requirements can vary across banks, banks that have applied for and been approved for APRA's IRB approach can determine their capital requirements for credit risk using internal models that have been approved by APRA. To use the IRB approach, banks must have very good historical data, a sophisticated risk measurement framework, develop advanced internal modelling capabilities, and undergo a rigorous accreditation process. Further, IRB banks are subject to more stringent regulatory requirements and more intensive ongoing supervision than standardised banks.
4.36	In contrast, banks using the standardised approach apply APRA-prescribed risk weights for different types of lending. Standardised risk weights are intentionally simple and conservative, meaning banks using this approach may need to hold more capital against a similar exposure compared to banks on the IRB approach. While there are many differences between the two approaches, on average the capital framework is calibrated such that IRB capital requirements tend to be lower than standardised capital requirements. ...
4.37	This differential [between the cost of product offerings from IRB accredited ADIs and ADIs on the standardised approach] has narrowed since the Financial System Inquiry Final Report recommended action in 2014, beginning with APRA announcing higher minimum capital requirements for IRB banks in 2017 (150 basis point increase, compared to a 50 basis point increase for standardised banks) and being finalised with the new capital framework implemented on 1 January 2023. …
4.38	Currently, each of the major banks, Macquarie Bank … use the IRB approach. All other banks, including Suncorp Bank, use the standardised approach. …

ACCC Reasons	Findings of factual matters not contested (extract)
4.40	The major banks are identified by APRA as domestic systemically important banks (**D-SIBs**), where due to their size, interconnectedness, substitutability and complexity, their distress or failure would cause significant dislocation in the domestic financial system and economy. Banks identified as D-SIBs must meet higher loss absorbency (HLA) requirements through holding more Common Equity Tier 1 capital (**CET1**). This increases the ADI's ability to absorb losses and reduces the probability of failure. CET1 capital is the highest quality and more expensive than other sources of funding, which has a direct (negative) effect on banks' return on equity (**ROE**) ….
4.41	Credit ratings are issued by credit rating agencies and are an important driver of a bank's cost of and access to wholesale funding. …
4.44	APRA has also recently introduced the concept of significant financial institutions (**SFIs**), which includes ADIs with assets above $20 billion and those determined by APRA due to factors such as complexity of operations and group membership. This definition allows APRA to consistently differentiate prudential requirements between larger and smaller entities as part of proportionality within the prudential framework. Over time, APRA is seeking to minimise the complexity of prudential requirements for smaller ADIs, relative to what is needed to ensure their financial safety, to reduce potential adverse impacts for costs and competition.
4.45	In 2017, the Major Bank Levy of 0.015%, paid each quarter on the balance of the bank's liabilities (funding sources), was introduced for banks with over $100 billion in total liabilities (currently the major banks and Macquarie Bank). The levy recognises that large leveraged banks are a source of systemic risk in the financial system and the wider economy. It is also intended to contribute to a more level playing field for smaller ADIs and non-ADI competitors, relative to the major banks, 'whose size and market dominance affords them significant funding cost advantages and pricing power at the expense of their customers'.
4.46	ADIs have obligations to meet other regulatory requirements including anti-money laundering and counter-terrorism financing, and conduct regulations. The responsible government agencies for setting and enforcing these regulations include: • Australian Transaction Reports and Analysis Centre (AUSTRAC) – AUSTRAC is responsible for preventing, detecting and responding to criminal abuse of the financial system to protect the community from serious and organised crime. ADIs must meet obligations under the Anti-Money Laundering and Counter-Terrorism Financing (**AML/CTF**) Act, including having risk-based processes and procedures to identify, mitigate and manage money laundering and terrorism financing risks. • Australian Securities and Investments Commission (**ASIC**) – ADIs and financial service providers are subject to conduct regulations governed by ASIC, which sets and enforces banking standards and investigates and acts against misconduct in the banking sector. Financial service providers, including ADIs, must have an Australian financial services (**AFS**) licence from ASIC and meet their licence conditions to conduct a financial services business.

ACCC Reasons	Findings of factual matters not contested (extract)
4.47	These obligations may impact each ADI’s regulatory compliance costs differently. In particular, larger banks may be more able to absorb fixed compliance costs, with a disproportionate impact being borne by smaller players.
4.48	Non-bank lenders are required (in most cases) to hold an Australian Credit Licence (or operate as an authorised representative of an Australian Credit Licensee) and are regulated by ASIC. Non-bank lenders are also regulated by the AUSTRAC in relation to AML/CTF requirements. Non-bank lenders that are registered financial corporations are also required to report periodic data to APRA.
4.57	A bank’s profitability is influenced by a variety of factors including the domestic interest rate environment, broader macroeconomic conditions, structural factors and the level of competition in each jurisdiction. Particular bank-specific factors such as size, operating efficiency and lending profitability affect significantly on banks’ return on equity (**ROE**).
4.58	There are several main indicators relevant to bank profitability. Bank profitability is commonly measured by ROE which shows how efficiently the bank is using its equity capital to generate income.
4.59	... Typically, banks make profits (the net interest income) from their lending activities by lending at interest rates that are higher than the interest rates of their funding. ...
4.60	To improve return on equity, industry participants have an incentive to lower their cost-to-income (**CI**) ratio .... CI ratio is the ratio of total operating costs (excluding bad and doubtful debt charges) to total income (the sum of net interest and non-interest income) and is a proxy for operational efficiency in banking.
4.67	The capital reform agenda in Australia since the 2014 Financial System Inquiry has resulted in a substantial increase in the banks’ capital ratios. The quality of banks’ capital has also improved, with Common Equity Tier 1 (**CET1**) capital – the highest quality form of capital – accounting for most of the rise in total capital since it was introduced as a minimum requirement in 2013. …
4.74	Banks can compete on price and non-price dimensions. The extent to which they compete on both dimensions depends on the market they compete in, and the strategies they employ.
4.75	Price competition can occur across a range of pricing mechanisms and levers, depending on the specific product, the type of customer and what they value. Examples of this include: • for loan products, which include home loans and business loans, pricing competition can take place across a range of pricing levers including headline interest rates, fees and charges, sign-on and cash-back bonuses, and advertised and discretionary discounts. • for savings accounts, a variable base rate may be supplemented by a variable bonus rate, which is offered if the consumer meets certain conditions associated

ACCC Reasons	Findings of factual matters not contested (extract)
	with the product. Customers can also negotiate the rates for term deposit products.
4.76	Non-price competition occurs when businesses seek to gain an advantage over competitors by differentiating the goods, services, and terms they offer to make them more attractive to buyers.
4.78	There are also certain non-price dimensions that are particularly important to specific products and services, including speed of approval in home loans, customers' access to, and developing a close relationship with, specialist bankers with industry knowledge for agribusiness and to a lesser extent SME banking, and willingness to lend, particularly for bespoke SME business customer segments.
4.80	Scale is important in banking because the provision of banking services involves significant fixed costs. These fixed costs include operating a branch network and maintaining head office functions, meeting regulatory compliance requirements, and investing in technology to process transactions and otherwise serve customers.
4.84	Due to their larger scale, on average, [redacted]. Data analysis by the ACCC shows some scale benefits in the Australian banking industry. [redacted] …
4.88	ADIs fund their businesses through a range of sources, including deposits, equity, wholesale debt issuance (including short-term and long-term unsecured debt and securitisation). ADIs of different sizes and portfolio mixes have different access to these sources of funding.
4.89	Deposits from households and businesses are the largest source of ADI funding and account for approximately two-thirds of major banks' non-equity funding. Most ADIs' deposit funding is 'at-call', meaning the depositor may withdraw funds in the short term and a substantial portion is available to be withdrawn at any time. A rising interest rate environment is generally associated with increased deposit funding costs for ADIs.
4.90	ADIs also raise funds through issuing debt and securitisation in the wholesale debt market. Banks can issue short-term and long-term debt in the form of bonds and hybrid securities into the wholesale market.
4.91	Smaller industry participants such as non-ADI lenders and smaller ADIs, typically use the securitisation warehouses from larger banks. As non-ADI lenders cannot raise funding from deposits, they are typically more reliant on securitisation to raise funds. ADIs with a lower credit rating may have more limited access to unsecured wholesale funding markets compared to major banks, and similarly may rely more on securitisation alongside their deposit funding.

ACCC Reasons	Findings of factual matters not contested (extract)
4.92	Costs to raise funds from wholesale debt markets have historically been lower for major banks compared to smaller ADIs. …
4.95	However, since 2017, the cost of funding and capital advantage of the major banks has reduced as prudential regulation became increasingly focused on requiring the holding of additional capital to mitigate the systemic risks major banks present.
4.103	In home loans, switching lenders occurs when a borrower repays their home loan with one lender (the previous lender) using the proceeds of a new home loan obtained from a different lender (the new lender), known as external refinancing.
4.104	In retail deposits, consumers can often have multiple transaction or savings accounts across different banks. This is referred to as multi-banking. A customer's main financial institution is often considered by banks to be the institution where the consumer holds their main transaction account and transacts with most frequently.
4.105	Consumers can vary in their tendency to switch to the best deal for their needs. Similarly, consumers can vary in their price sensitivity, that is, how responsive consumers are to changes in price. The more price sensitive consumers are, the more likely they are to look for better deals and be motivated to switch for a better deal.
4.106	Banks may target consumer segments with higher propensity to switch or high price sensitivity by offering incentives such as attractive introductory interest rates, or discounts that only new customers are eligible for. ...
4.115	Evidence from the merger parties and interested parties indicates that brand and trust are factors considered by customers when choosing who to deposit funds with.
4.116	[redacted] Main financial institution customers are considered valuable because they are likely to acquire more products.
4.117	Major banks appear to benefit from brand recognition. …
4.118	The quality and reputation of relationship managers in agribusiness can have a material impact on their banks' competitiveness in the market, as can the banks' reputation and commitment to the local community ....
4.120	The nature of distribution channels dictates how customers engage with banks, and how competition takes place across the banking industry in practice.
4.121	Banks provide products and services through a range of channels including: • physical networks (such as branches, ATMs, and Bank@Post) • digital channels (such as through websites and mobile apps), and

ACCC Reasons	Findings of factual matters not contested (extract)
	• intermediaries (such as brokers and relationship managers).
4.122	Access to branches, and therefore the extent of branch networks, have historically been an important facilitator of competition for the banking sector. However, with the advent of online banking in the last two decades, and the increased penetration of brokers in some segments, the relative importance of access to branches has been in decline. … However, branch access is still required for certain banking transactions and activities, and face to face engagement is still highly valued by certain customer segments, for example, some individuals who may not be technologically literate, or unable to use technology due to personal circumstances.
4.123	Due to the longer-term trend towards online banking, financial institutions have adjusted the way they reach customers face-to-face, including reducing the number of bank branches and delivering banking services in alternative ways across several different points of presence.
4.125	Greater access and reliance on technology has resulted in the increased prominence of digital channels as a distribution channel. Services traditionally offered by physical branches, such as opening or closing a bank account, submitting a home loan application, or customer service assistance are now increasingly offered by banks online through either web-based banking services, or through apps. A strong digital proposition is also considered increasingly important to business and SME customers.
4.126	… The use of digital payment methods is also increasing; the RBA’s 2022 Consumer Payments Survey found mobile payments were used by nearly two-thirds of Australians aged between 18 and 29, an increase from less than 20% in 2019.
4.127	The increased importance of online banking as a distribution channel brings benefits to consumers including: • faster loan application processing time • reduced need to physically attend a branch for customer service assistance • reduction in search costs • improved ability to compare products, facilitating switching
4.128	... Suncorp Bank decided to reduce its physical branches in response to consumer behaviour, with customers increasingly applying for products through digital channels or through brokers and aggregators. This reflects a broader industry trend – according to APRA data, the number of bank branches in Australia has fallen from 5,694 to 4,014 in the five years to June 2022.
4.129	Banks also benefit from the shift to digital modes of distribution. For example, the cost of providing in-branch and call centre services can be multiples higher than for digital self-service for some customers’ banking needs.

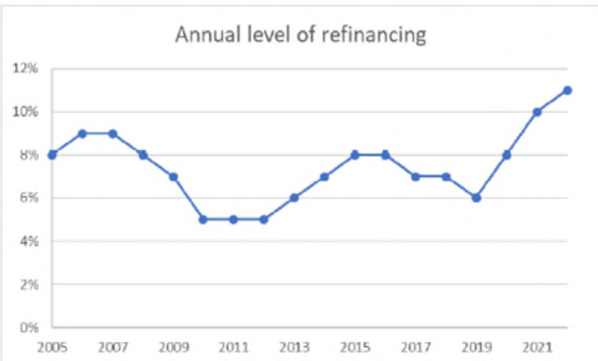
ACCC Reasons	Findings of factual matters not contested (extract)
4.130	Moving to a more digitally focussed bank can be complex, particularly for banks with multiple legacy systems, because undertaking a digital transformation involves considerable financial investment and time. For example, ANZ has been undertaking a digital transformation program to improve its retail banking product offering, and the underlying technology systems supporting these products. As part of this program, ANZ launched its 'ANZ Plus' product in March 2022, which currently includes a transaction account product and a savings account product on a mobile banking app. …
4.132	Brokers act as an intermediary by matching borrowers to lenders (and their loan products), assisting and advising borrowers on the loan application process and negotiating interest rates on loans. …
4.135	Aggregators act as intermediaries between brokers and loan providers and provide the 'panel' of lenders (and their associated products) that affiliated brokers choose from. Aggregators determine which banks feature on their lending panels and may provide a range of services to brokers including licensing, white-labelling services for loans, training and administrative support. Some brokers operate under an aggregator's licence as representatives, others can only write loans from the panel lenders of the aggregator they are associated with.
4.136	Digital-only and recent entrant lenders without physical points of presence rely heavily on broker distribution networks and aggregator panels to gain new customers and increase scale. Broker distribution networks provide lenders with access to a wider range of consumers than the direct lender channel; further, smaller lenders can utilise brokers to distribute their products outside their local area without incurring the cost of establishing physical branches. Major banks are also typically strongly represented on mortgage aggregator panels.
5.3	… The sale to ANZ was announced in July 2022 …
5.33	The factual is one in which the Proposed Acquisition occurs, meaning that ANZ acquires the Suncorp banking business …
5.75	[redacted]
5.85	The ACCC notes that submissions and evidence from ANZ and Suncorp Group show that there are strong benefits to Suncorp Group separating out its banking and insurance businesses.
5.89	BEN has expressed interest in merging with Suncorp Bank …
5.99	In June 2022, BEN sent a letter to Suncorp Group indicating their interest in engaging in discussions with Suncorp Bank around a potential merger. … BEN sent a further letter to Suncorp Bank on 9 August 2022, after the Proposed Acquisition was announced.

ACCC Reasons	Findings of factual matters not contested (extract)
5.111	Suncorp Bank currently receives the following long term credit ratings from the three main credit rating agencies: • S&P Global: A+ = strong chance that a borrower will meet their financial obligation, (positive outlook). • Moody's: A1 = low level of credit risk (positive outlook). • Fitch: A = low risk of default, but slightly vulnerable to economic conditions (on review for upgrade).
5.112	These ratings are [redacted]
6.38	… [T]he relevant product dimension of the market is home loans. Other lending products are generally not suitable for customers looking to purchase or refinance a property due to higher interest rates, fees and smaller credit limits and providers of other forms of credit may not have the capability or expertise to produce and distribute home loans, meaning other products are generally not substitutable for home loans.
6.39	Suppliers of home loans offer a suite of home loan products to accommodate the preferences and needs of different customer types. Despite this variation, home loan products from different lenders appear readily substitutable.
6.40	… there are relevant links between the home loans and deposits markets in that the latter is a source of funding for activity in the former. ...
6.41	… ANZ and Suncorp Bank both have a national presence and set their pricing, advertising, marketing and benchmarking nationally. Similarly, other major competitors in the home loans market treat the market nationally.
6.44	ANZ provided market share estimates indicating Suncorp Bank holds a 2.4% market share for home loan products, being the ninth largest nationally.
6.45	Table 2 shows the market shares derived using financial data in the home loan market, on both a national and Queensland level.

<table>
<tr><th>ACCC Reasons</th><th>Findings of factual matters not contested (extract)</th></tr>
<tr><td>Table 2</td><td>
Table { SEQ Table * ARABIC }: Home loan market shares, average monthly data from November 2021 to October 2022
<table>
<tr><th>ADI</th><th>National</th><th>National Ranking</th><th>QLD</th><th>QLD Ranking</th></tr>
<tr><td>CBA</td><td>25.6%</td><td>1</td><td rowspan="12">[redacted]</td><td rowspan="11">[redacted]</td></tr>
<tr><td>WBC</td><td>21.4%</td><td>2</td></tr>
<tr><td>(ANZ + Suncorp)</td><td>15.3%</td><td>3</td></tr>
<tr><td>NAB</td><td>14.5%</td><td>3</td></tr>
<tr><td>ANZ</td><td>13.0%</td><td>4</td></tr>
<tr><td>Macquarie</td><td>4.4%</td><td>5</td></tr>
<tr><td>Bendigo-Adelaide</td><td>2.8%</td><td>6</td></tr>
<tr><td>ING</td><td>2.7%</td><td>7</td></tr>
<tr><td>BOQ</td><td>2.6%</td><td>8</td></tr>
<tr><td>Suncorp</td><td>2.3%</td><td>9</td></tr>
<tr><td>HSBC</td><td>1.3%</td><td>10</td></tr>
<tr><td>Other</td><td>9.2%</td><td></td><td></td></tr>
</table>
Source: APRA Monthly Authorised Deposit-taking Institution Statistics, Monthly authorised deposit-taking institution statistics and Monthly banking statistics, extracted on 25 May 2023; [redacted]
</td></tr>
<tr><td>6.46</td><td>At a national level, major banks make up the vast majority of market share of home loans (according to APRA statistics, the major banks make up approximately 75% of home loans nationally and only 12 ADIs have more than a 1% share).</td></tr>
<tr><td>6.48</td><td>Suncorp Bank has the 9th largest share nationally, with a combined ANZ-Suncorp Bank an estimated 3rd, behind Commonwealth Bank and Westpac. [redacted]</td></tr>
<tr><td>6.49</td><td>[redacted].</td></tr>
<tr><td>6.52</td><td>Home loan pricing consists of two primary components: interest rates and fees.</td></tr>
<tr><td>6.53</td><td>The interest rate for home loans are composed of the headline or index rate (published interest rate, to which customer rates are ‘indexed’), any advertised discount, and any discretionary discount (negotiated between the customer and the lender or with the assistance of an intermediary (e.g. broker)).</td></tr>
<tr><td>6.54</td><td>When making pricing decisions in respect of home loans, banks take into account a range of factors.</td></tr>
<tr><td>6.55</td><td>The ultimate interest rates offered to home loan customers varies, including for the following reasons:

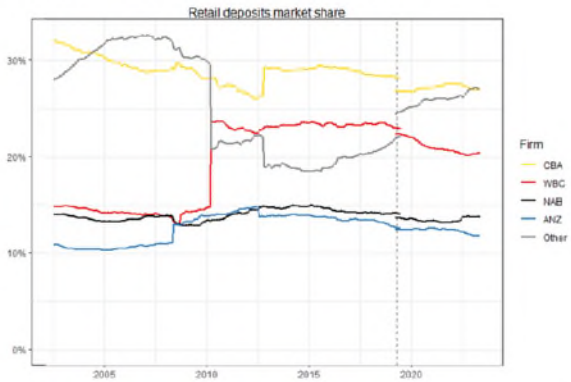
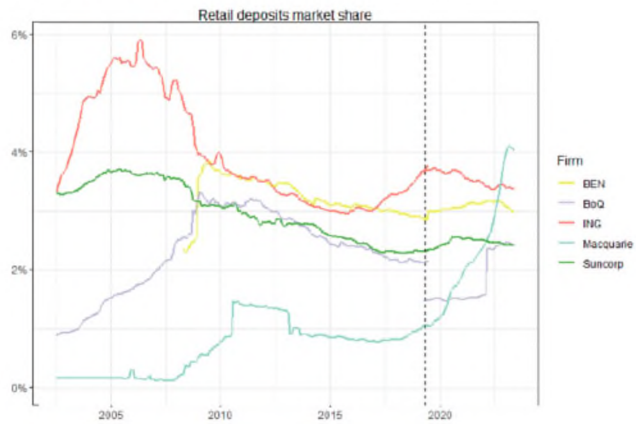
whether the loan is to purchase an owner-occupier or an investment property
whether repayments are principal and interest, or interest-only
the loan-to-value ratio (LVR), calculated by expressing the loan value as a percentage of the value of the property (as valued by the lender) used as security for the loan
the term of the loan (for fixed rate products), and
</td></tr>
</table>

ACCC Reasons	Findings of factual matters not contested (extract)
	• the size of the loan.
6.58	The degree of competition is critical in determining the interest rates and other prices banks can set, and therefore, the profits banks can earn. This is because, when competition is strong in a market, increasing interest rates risks the loss of customers to other banks. Therefore, in setting interest rates on lending products, banks need to balance the profit margin they seek to make on a loan against the negative impact of lost volume (i.e. market share) from higher prices.
6.59	Banks also take into account how pricing to new customers affects the profitability of existing home loans (that is, the extent to which existing customers negotiate for a comparable price), lending targets, and the potential impact on regulatory requirements.
6.61	Banks also compete across a range of non-price factors. The significance of these factors will vary depending on individual customers' preferences and circumstances. Relevant non-price factors in home loans include: • Product: product features, such as the availability of an offset account, redraw facility and option to make additional payments. • Process: time to approval or pre-approval (i.e. application 'turn-around times') and the ease of providing required documents. • Policy: a bank's credit policy, such as its approach to assessing borrower serviceability and willingness to lend, is also relevant to its ability to compete for customers. • Branches: while access to in-person banking continues to be valued to some degree by home loan customers in regional areas, pre-existing banking relationships have become less important over time given the increased use of brokers. Recent consumer survey evidence suggests [redacted] • Technology: Investing in technology can also drive home loan growth, and is a relevant aspect of competition, including because technology can drive initiatives that improve the user experience, approval speed and impact how the bank prices its products. Banks compete across a range of non-price factors.
6.64	... all major and most second-tier banks are active in both retail and business banking and have larger retail loan books than business loan books. However, costs to raise funds from wholesale debt markets have historically been lower for major banks compared to smaller ADIs. ...
6.66	Home loans are supplied by a range of bank and non-bank lenders including: major banks, regional banks (including Bank of Queensland, BEN and Suncorp Bank), online banks

ACCC Reasons	Findings of factual matters not contested (extract)
	(Judo Bank, Macquarie Bank) and non-bank lenders (such as Athena Home Loans, Firstmac Limited, and Liberty Financial).
6.71	ACCC analysis suggests [redacted]
6.72	The analysis shows that both [redacted]
6.75	[B]rokers are accounting for an increasing share of customer acquisition in the home loans market. ...
6.100	Consumers who wish to obtain a better deal for their existing home loans can either seek a change by switching to another home loan provider (external refinancing) or negotiating with their current provider to move to a product with better rate or to receive a reduction on their current rate (internal refinancing or repricing).
6.103	The ACCC's analysis of refinancing and repricing rates considers the current level and trends in switching in the home loans market. The ACCC's analysis suggests that the annual level of refinancing, as a proportion of total value of credit outstanding, has increased since 2020. [redacted] The trend has been observed to continue into early 2023 based on monthly data – see Figure 11 below.
Figure 11	**Figure { SEQ Figure * ARABIC }: Annual level of home loan external refinancing as a proportion of total value of credit outstanding**  Source: Australian Bureau of Statistics (ABS), Lending indicators, released 3 July 2023, extracted on 25 July 2023, and APRA Monthly Authorised Deposit-taking Institution Statistics, Monthly authorised deposit-taking institution statistics and Monthly banking statistics. *Note: The annual level of external refinancing is calculated as total (seasonally adjusted by ABS) external refinancing in a year divided by average value of credit outstanding in home loans in that year.*
6.118	[redacted].

ACCC Reasons	Findings of factual matters not contested (extract)
6.119	The strength of recent competition in the home loans market has also been referred to in the internal documents of a wide variety of banks and their public-facing commentary, by the RBA, and by market analysts.
6.123	The ACCC's home loan discount analysis suggests discounts off the headline interest rates for variable rate home loans are prevalent and have increased substantially over time. …
Table 6	**Table { SEQ Table * ARABIC }: Percentage of variable rate home loans with discounts of a given size (by number of home loan facilities in each quarter ending on the specified date)** [redacted] Source: [redacted] 735 *Note:* [redacted]
6.124	The ACCC's analysis also suggests that the majority of banks have offered large discounts to most of their new home loan customers. ... discounts, including both advertised and discretionary discounts, have increased substantially over time and that discounting practices are becoming more standardised across the market.
6.125	While the ACCC's analysis only covers data in the 2019-2022 period, the ACCC has observed widespread discounting in previous ACCC inquiries into this market. Therefore, it seems that to some extent, the trend has continued from before 2019.
6.139	... • The annual growth rate of total credit outstanding in home loans increased from 3% in 2020 to 7% in 2022, • New loan commitments increased by 81% from May 2020 to February 2022. • Refinancing increased from 8% in 2020 to 11% in 2022.
6.227	Further: • [redacted] • [redacted]

<table>
<tr><th>ACCC Reasons</th><th>Findings of factual matters not contested (extract)</th></tr>
<tr><td></td><td>The precise discount that a competing bank might offer to an individual customer seeking a specific loan is less clear and can often only be guessed at if and when the customer goes elsewhere.</td></tr>
<tr><td>6.296</td><td>... the ACCC… assessed the Proposed Acquisition against a single market for ‘retail deposits’ including transaction accounts, savings accounts, and term deposits.</td></tr>
<tr><td>6.298</td><td>... the retail deposits market in Australia is a national market, although it has some regional aspects. Generally, ADIs make deposit product and pricing decisions at a national level, distribute to customers nationally, and monitor their competitors at a national level.</td></tr>
<tr><td>6.299</td><td>Generally, the importance of physical presence to competition in the retail deposits market has been decreasing, at least in part due to increasing digitisation.</td></tr>
<tr><td>6.300</td><td>Consumers increasingly tend to prefer electronic payments and the use of internet and mobile banking to manage their deposit products. Banks offer digital origination for most of their retail deposit products and an increasing number of accounts are originated through digital channels. Several banks with very limited or no physical network provide deposit products, such as ING Bank, Macquarie Bank, Judo Bank and Alex Bank.</td></tr>
<tr><td>6.301</td><td>Branch usage has been declining, and banks have been consolidating physical networks. The subset of customers who continue to choose a bank based on branch access is likely to continue to decline as the reasons for visiting a branch are further replaced by technology.</td></tr>
<tr><td>Table 8</td><td>Table { SEQ Table * ARABIC }: Retail deposits market shares, average monthly data from November 2021 to October 2022
<table>
<tr><th>Firm</th><th>National</th><th>National Ranking</th></tr>
<tr><td>CBA</td><td>27.2%</td><td>1</td></tr>
<tr><td>WBC</td><td>20.2%</td><td>2</td></tr>
<tr><td>(ANZ + Suncorp)</td><td>14.7%</td><td>3</td></tr>
<tr><td>NAB</td><td>13.4%</td><td>3</td></tr>
<tr><td>ANZ</td><td>12.2%</td><td>4</td></tr>
<tr><td>ING</td><td>3.4%</td><td>5</td></tr>
<tr><td>Bendigo-Adelaide</td><td>3.1%</td><td>6</td></tr>
<tr><td>Macquarie</td><td>2.8%</td><td>7</td></tr>
<tr><td>Suncorp</td><td>2.5%</td><td>8</td></tr>
<tr><td>BOQ</td><td>2.2%</td><td>9</td></tr>
<tr><td>HSBC</td><td>1.1%</td><td>10</td></tr>
<tr><td>Other</td><td>11.8%</td><td></td></tr>
</table>
Source: APRA Monthly Authorised Deposit-taking Institution Statistics, Monthly authorised deposit-taking institution statistics and Monthly banking statistics, issued 30 June 2023.</td></tr>
<tr><td>Table 9</td><td>Table { SEQ Table * ARABIC }: HHI in retail deposits
<table>
<tr><th></th><th>Pre-merger HHI</th><th>Post-merger HHI</th><th>Delta</th></tr>
<tr><td>Retail deposits</td><td>1526</td><td>1586</td><td>60</td></tr>
</table>
Source: APRA Monthly Authorised Deposit-taking Institution Statistics, Monthly authorised deposit-taking institution statistics and Monthly banking statistics, issued 30 June 2023.</td></tr>
<tr><td>6.306</td><td>The major banks hold the majority of the market share for retail deposit products (as at October 2022, a combined 73%). As shown in Figure 14, while there have been some changes in the major banks’ market shares in retail deposits, they have been relatively stable since around 2012, with the exception of Westpac losing around 3 – 4% share since mid-2019. ANZ has lost around 0.5% market share since the start of 2022 (all in</td></tr>
</table>

ACCC Reasons	Findings of factual matters not contested (extract)
	percentage points, not percentage change). [redacted]
6.307	Other competitors in the market include regional banks (e.g. BEN, Suncorp Bank and Bank of Queensland), credit unions and building societies, international banks (e.g. ING, HSBC and Bank of China), and to a limited extent, neobanks.
Figure 14	**Figure 14: Retail deposits market share of Major banks**  Source: APRA Monthly Authorised Deposit-taking Institution Statistics, Monthly authorised deposit-taking institution statistics and Monthly banking statistics, issued on 30 June 2023. *Note: Westpac's large jump in share in 2010 is due to it completing the move to a single ADI after its acquisition of St George in 2008, and CBA's jump in 2012 is due to its acquisition of BankWest in 2008. The dashed line represents a series break in mid-2019 as a result of APRA's Economic and Financial Statistics (EFS) collection commencing. The old series (Monthly banking statistics) included banks only, while the new series (Monthly ADI statistics) includes non-bank ADIs. Discontinuities are attributable to (1) the inclusion of non-bank ADIs, and (2) changes in definition to various data items.*
6.308	... Macquarie Bank has recently increased its market share in the retail deposits market, while ING's market share has declined over time (see Figure 15 below).
Figure 15	**Figure 15: Retail deposits market share for second-tier banks**  Source: APRA Monthly Authorised Deposit-taking Institution Statistics, Monthly authorised deposit-taking institution statistics and Monthly banking statistics, issued on 30 June 2023. *Note: BoQ's large jump in share in 2022 is due to it completing the move to a single ADI after its acquisition of ME Bank in 2021. The dashed line represents a series break in mid-2019 as a result of APRA's Economic and Financial Statistics (EFS) collection commencing. The old series (Monthly banking statistics) included banks only, while the new series (Monthly ADI statistics) includes non-bank ADIs. Discontinuities are attributable to (1) the inclusion of non-bank ADIs, and (2) changes in definition to various data items.*
6.309	Competition for retail deposits can vary according to a range of factors including the overall level of savings in the system and individual banks' funding and margin requirements (which vary over time depending on circumstances including lending volume and the price of wholesale funding).
6.310	Price for retail deposit products comprises the interest rate and fees/charges. …

ACCC Reasons	Findings of factual matters not contested (extract)
6.311	Deposits is one of the main sources of funding for Australian banks. The interest rates paid on deposits form part of the cost of funding for banks. ...
6.312	... [B]ank pricing decisions for deposit products are subject to several similar factors to their pricing decision for home loan products, for example, competition in the market and regulatory considerations.
6.314	The value that customers place on non-price factors depends on the type of product (i.e. transaction accounts, savings account or term deposit). Significant non-price factors for customers include: • **Brand, trust, and security:** Brand and trust is an important consideration for customers in choosing which bank to deposit their funds, particularly for savings and term deposits. Fraud and security measures are also considered by customers choosing where to deposit funds. For many customers, a sense of loyalty towards their current provider leads them to keep their primary transaction account with them. A sense of loyalty is a key driver for consumers to keep their primary transaction account for more than 3 years. • **Product specific features:** Product features aimed at functionality including payment capabilities and digital access through apps are important for customers in relation to high-use transaction accounts. Product features are less important for savings accounts (where customers are largely concerned with accessing their funds), and even less so again for term deposits (where customers tend to value the ease of opening accounts and transferring funds). • **Customer Service:** Customer service is one of the main drivers of choice for customers choosing their primary transaction account. Customer service is also highly correlated with overall personal transaction account provider satisfaction.
6.322	... [T]he primary regulatory barrier to entry for the supply of retail deposit products is the requirement to be authorised by APRA as an ADI. ADIs must also meet ongoing prudential requirements in relation to capital, liquidity, governance, operations and reporting. ... [T]his does not appear to be an insurmountable barrier to entry, given a recent example of Alex Bank being granted full ADI license in December 2022.
6.328	Other barriers, for example, the costs of establishing a branch network may have been more prominent in the past but are less so now. Physical presence is decreasingly important to customers as key banking services are available through a range of delivery models, including internet banking, telephone banking and alternative points of presence, such as Bank@Post and ATMs.
6.337	... As many ADIs offer retail deposit products with no or minimal fees, the low cost of maintaining multiple products reduces the need for consumers to fully 'switch' providers as when consumers do intend to move between providers, they do not always close their accounts.

ACCC Reasons	Findings of factual matters not contested (extract)
6.338	… In respect of transaction and savings account products, switching can include entirely switching from one product or bank to another, or a partial switch, where a new product or bank is added to a customer's product suite.
6.361	... [T]hough Suncorp Bank provides some competitive constraint, it is no more vigorous or effective a competitor than other competitors in the market for the supply of retail deposit products in Australia, and has not been a key driver of pricing, innovation or product development.
6.363	The ACCC considers that ANZ and Suncorp are not particularly close competitors in retail deposit products.
6.399	ANZ's and Suncorp Bank's activities overlap in the supply of business banking products and services to small to medium enterprise (SME) customers [redacted]
6.414	... the key areas of competitive overlap between Suncorp Bank and ANZ are in relation to agribusiness and SME banking customers in Queensland.
6.415	Suncorp Bank primarily focuses on [redacted] business banking customers. The strongest area of geographic overlap is in Queensland, given Suncorp Bank's position in its home state.
6.428	... there is no 'readily accepted' dividing line between 'medium' and 'large' customers. ... there is also no common, universally accepted dividing line between 'small' and 'medium' customers. ...
6.430	SMEs are the most common type of businesses in every industry in the economy and most are on the small, rather than medium, end of the spectrum of business size. As of June 2022, there were about 2.57 million actively trading businesses in Australia and 92.6% of them had turnover of less than $2 million.
6.433	... SME customers have growing demands for digital capability in transaction banking and cash management, self-service functionality and personalised insights, but may require bankers' guidance and expertise on more complex needs.
6.435	While there is no common definition of 'SME customers' between banks, the Australian Prudential Regulation Authority generally classifies a business as small or medium if it has an annual turnover of less than $50 million. Within this, a business is considered small if it has an exposure to the reporting lending entity of less than $1 million.
6.438	... the competitive constraint faced by the merged entity would be the same regardless of which market definition was adopted. ... there are [no] competitors currently supplying large commercial customers who are not currently supplying SME customers.
6.447	The shift towards electronic payments may have also materially diminished the importance of bank branches in some geographic areas (particularly metropolitan areas where

ACCC Reasons	Findings of factual matters not contested (extract)
	cashless payments are becoming more prevalent). However, many cash-handling businesses still need access to branches in their local areas. …
6.448	The increasing digital adoption in small businesses means that many SME customers can be served effectively remotely through digital channels. ...
6.452	Lenders can leverage broker channels to enter new geographic markets – at least to some extent. With brokers' assistance, business customers may more easily compare, or become aware of, business banking products offered by a lender online or in another state. ... brokers may make it easier for SME customers to access banking products from a bank in another state but notes that this is most relevant to customers that do not need any physical access to bank branches or bankers. For example, a broker is unlikely to recommend a bank from another state if a SME customer requires in-person relationship management services.
6.456	Price is a relevant parameter of competition in SME banking. Banks generally have regard to their competitors' pricing when setting the prices of their deposit products and lending products with carded rates, because the pricing information for these products is quite transparent.
6.457	For lending products priced on a risk adjusted basis, banks generally determine individual pricing based on a range of factors, including the risk assessment of the customer, product features, amount of collateral and cost of funds. Given that prices on lending products are typically individually negotiated and these prices are not published, banks do not benchmark their pricing against competitors as much as they do for business deposit products. Banks tend to compete on price for lending products when presented with competitors' offers during negotiations with customers or brokers.
6.460	Price is not always the determinative factor in customers' banking decisions. Business customers also consider non-price factors including service, credit policy, speed of service, relationship strength and trust, ease of doing business, ongoing servicing platforms (including digital banking), product features and origination options. SME customers have varying needs and they value non-price factors differently depending on their circumstances.
6.463	Customer service encompasses many non-price factors that customers may value, such as speed of service, responsiveness of bankers, industry expertise, and customer care. ... service refers to how customers are serviced in the initial application process and on an ongoing basis, including the speed of loan approvals, ease of application process and the availability and quality of bankers an initial and ongoing basis.
6.464	Business banking net promoter score is an indicator that banks commonly use to gauge the quality of their customer service, which can be influenced by their 'time to decision', conversations with their customers and complaint resolution outcomes.
6.466	... SME customers appear to place some weight on short turnaround time to loan approval or credit assessment by banks.

ACCC Reasons	Findings of factual matters not contested (extract)
6.467	Relationship managers play a key role in providing personalised, face-to-face service to business banking customers, and it is part of the service propositions for business customers that banks generally compete on.
6.470	The importance of relationship management services is more relevant to medium businesses, as opposed to small businesses. … Many banks including major and non-major banks offer relationship management services to at least some portion of their SME customers, typically those with higher value loans or more complex banking needs. …
6.471	Banks typically employ mass managed channels to service small business customers, meaning that most SME customers are served and managed by a group of bankers via phone, digital channels and in some cases, in branches. The bankers that serve small business customers tend to be 'generalists'. By contrast, relationship managers that service medium or large business or agribusiness customers tend to be more specialised or have more local knowledge specific to the industries that their customers operate in.
6.473	Digital propositions are a key non-price competition dimension for SME banking, as SME customers are becoming more digitally oriented and are increasingly demanding data and insights from their banks. The trend towards digital interactions amongst SME customers correlates with the decrease in acceptance of cash by businesses. …
6.474	Banks (and similarly, fintechs) are increasingly offering more sophisticated digital banking solutions and personalised insights to SME customers. Banks are investing in data analytics and digital product offerings, enabling digital self-service and partnering with third party software providers and fintechs to enable SME customers to access a range of services and data insights. There is evidence that banks are mostly prioritising small business customers (that have relatively simple, homogenous banking needs) and higher volume products when developing and executing their technology and digital strategies.
6.475	Banks invest in technology to not only provide new or better digital services to their customers, but also to increase their operational efficiency. Banks invest to automate their manual credit assessment processes and to digitise customer onboarding procedures, thus improving their speed and quality of service, which is important to many SME customers. Technology sophistication improves the overall competitiveness of the bank as it can free up staff's capacity to perform higher-value work, conducive to better customer experiences and cost reduction.
6.477	Uplifting digital capability and automating manual processes such as credit decisioning, origination process and broker engagement require substantial investments. ...
6.480	Many SMEs still rely on branches for cash withdrawal and deposits, even though this reliance may continue to decline over time. The overall increase in banking sector customers applying for products through digital channels or through brokers or aggregators, has contributed to the trend of gradual branch closures by banks. For example, Suncorp Bank has reduced its branches in the last five years to 64, down from 119.

ACCC Reasons	Findings of factual matters not contested (extract)
6.482	The brand or reputation of a banker or a bank can influence a business customer's choice in their lender. Unlike other types of consumer or business goods, banking products and relationships generally involve a high degree of trust. Therefore, the brand and reputation of a bank are important in gaining new customers' businesses and increasing customer loyalty, which can form a competitive advantage for the bank.
6.484	Banks tend to focus on 'customer segments' rather than 'product' segments per se. Business customers with home loan needs, or as ANZ calls it, 'BOHOs', represent a significant proportion of SME customers given many of them are also individual retail banking customers. …
6.488	... competition in the retail and business banking markets are interrelated. Banks compete to broaden their relationships with their customers and gain more share of their customers' wallets. Banks with a large retail customer base have an advantage in winning SME customers because it is easier for them to cross-sell business and retail banking products to their customers.
6.489	The combined total lending for SMEs in April 2022 was about $450 billion (about $138.4 billion for small business lending and $312.6 billion for medium business lending).
6.491	The ACCC has collected lending and deposits data from the top 11 banks in SME banking and used these as the basis for calculating the figures in Table 10. ... the figures in Table 10 provide a useful insight into the relative competitive positions of the top 11 banks and market concentration in SME lending, as they are the closest competitors to the merger parties in terms of the products and services they provide to SME customers and collectively they issue about [redacted] of SME debt in the national market.
6.492	... this method of calculating shares in respect of SME lending would likely overstate the actual market shares of the 11 banks in question, as other small banks or non-bank lenders in the market (such as vehicle finance providers) are not accounted for. ... Table 10 still provides a reasonable indication of the banks' market shares on a national and Queensland basis, noting the data limitation.
6.493	... there are other limitations in the data, due to the difficulties of excluding loans or deposits data related to agribusiness customers from the SME lending and deposit dataset. For example, ... Table 10 includes Rabobank, who focuses primarily on agribusiness banking rather than SME banking in general. SME deposit data is also subject to potential differences between banks' in how they internally classify their customers, as there is no consistent definition of SME for the purpose of collecting deposit data.
6.494	[redacted]
6.499	There are many types of lending products available to SMEs and there is a variety of banks and other lenders competing to supply lending products to SME customers, including:

ACCC Reasons	Findings of factual matters not contested (extract)
	• major and second-tier banks, such as NAB, Westpac, Commonwealth Bank, BEN and Bank of Queensland; • banks with limited or no physical points of presence, including ING, Macquarie Bank, and Judo Bank; and • non-bank lenders and fintechs that focus on particular products or services such as asset finance and commercial property finance.
6.500	On the other hand, SME deposit products can only be provided by ADIs.
6.501	Banks typically offer a broad suite of business and retail products and services that span across lending, deposit, credit, transaction and advisory services. Some SME customers may opt to access finance from banks both for ease of managing their money across their personal and business accounts together, as well as both deposits and loan products. Some SME customers may also use personal lending for business purposes.
6.502	Banks are the main source of finance for SMEs; they issued up to 91% of the total outstanding lending to SMEs as at April 2021. Most SME lending (by value) issued by banks is fully or partially secured. Banks generally serve the less risky end of the SME market and require property as collateral. About half of all outstanding lending to small businesses (by value) is secured by residential property.
6.503	Internal bank documents reviewed by the ACCC suggest that banks perceive competition in SME lending as being quite strong, and there is a view commonly held by market participants that [redacted] compete particularly aggressively in this space. Judo Bank is considered to be a challenger bank in SME banking but remains very small. Macquarie Bank also appears to have performed well in terms of [redacted] Based on its review of internal bank documents, the ACCC considers second-tier banks, while not market leading, compete strongly for SME customers with smaller transaction sizes.
6.506	In 2021, the Productivity Commission finds that a surge of new lenders including nonbank lenders entered into the SME lending market and some lenders can rely on emerging technologies to quickly assess the creditworthiness of SMEs. For example, fintech lenders can quickly approve modest, short-term loans for SMEs.
6.507	Non-bank lenders and fintechs can introduce innovation and compete effectively in niches of the market. The Productivity Commission notes that the 'riskier end of the SME market' is predominantly served by non-bank lenders and that fintech lenders have emerged to service SMEs with relatively small and short-term loans. ...
6.511	Business brokers play an increasing role in driving competition in SME lending market. Brokers facilitate price competition when negotiating with multiple lenders for a deal and increase customers' bargaining power by assisting them to compare business products more easily. Brokers also enable banks to gain some insights into the competitiveness of

ACCC Reasons	Findings of factual matters not contested (extract)
	their offerings during negotiations, and can therefore encourage more competition between banks. Brokers have, among other things, contributed to customers being less sticky than they used to be, by helping them switch banks more easily.
6.512	Brokers are also a critical channel for online, new and non-bank lenders to enter and expand in the business lending market with no physical presence. … Brokers can assist SMEs to broaden their awareness of available lending options, as well as build trust by conveying whether lenders are reputable.
6.515	Many banks recognise the importance of engaging with brokers to win or retain customers as part of their business banking strategies. Banks compete against each other to win brokers' businesses, but they also compete against brokers on services to acquire customers directly.
6.517	... Suncorp Bank has small market share nationally but has relatively larger market share in Queensland. ...
6.529	Also, [redacted] This indicates that Suncorp Bank forms part of the pool of competitors in the SME banking market that can exert competitive pressure on price to some extent.
6.555	However, the regulatory barriers to entry for SME lenders are lower if they do not offer SME deposit products (i.e. become an ADI). Non-bank lenders face less regulatory barriers than ADIs as they do not need to comply with prudential regulation. ...
6.557	The significant investment required for technology and digital offerings can also be a barrier to entry and expansion if there is little prospect to recoup investment costs due to lack of scale. [redacted]. However, this barrier can be lower for new entrants that have no legacy technology systems and are able to utilise lower-cost platforms.
6.573	However, if there are likely effective competitive constraints post-merger, the above factors may be less significant. In this regard, ... Suncorp Bank and ANZ do not appear to be each other's closest competitors given the differences in their strategic focus, geographic presence and capabilities to serve medium to large business customers. Moreover, other competitors appear to impose a competitive constraint. Bank of Queensland will impose competitive constraints most like Suncorp Bank, given the similarities in their scale, physical presence and product range.
6.580	ANZ and Suncorp Bank overlap in the supply of business banking products and services to agricultural businesses (agribusiness).
6.603	For deposits products, agribusiness customers can have a Farm Management Deposit account, which allows them to self-manage income requirements across different seasonal conditions. …

ACCC Reasons	Findings of factual matters not contested (extract)
6.604	Farm Management Deposit account is typically the key banking product that is specific to agribusiness customers. However, some banks also offer other agribusiness-specific banking products, for example: • Suncorp Bank offers an At Call Farm Management Deposit Account with an Offset feature (where the deposit account balance can be used to offset eligible loan balance before the interest payable is calculated based) • [redacted] • Commonwealth Bank offers AgriGreen Loan, which is a business loan solely used for financing sustainable agricultural practices • [redacted].
6.628	Agribusiness customers' commodity production, and in turn their profitability and loan serviceability, can be materially affected by their local or regional climate, weather patterns and regulations. ...
6.631	Price is one of the factors that is important to an agribusiness customer's decision as to whom they bank with.
6.632	Consistent with how banks price business lending products generally, agribusiness lending is priced on a risk-adjusted, bespoke basis and is influenced by a range of factors at any given time, including the customer's characteristics and circumstances, the lender's risk appetite and pricing framework, and the competitive environment. …
6.637	... There are several non-price factors that are relevant to competition in agribusiness banking, notably relationship management or customer service. ...
6.638	Agribusiness customers are not homogenous; they have a variety of banking needs and the weight they place on specific non-price factors can differ. Customers are unlikely to base their banking decision on a sole factor. ...
6.639	... [A] customer's relationship with their relationship manager/banker is a particularly important factor for agribusiness customers in choosing a financial institution. Banks compete on their ability to develop and maintain relationships with potential and existing customers.
6.643	A significant role or feature of relationship managers is their ability to meet with customers in person, which agribusiness customers seem to value. ...
6.650	The quality and reputation of relationship managers can have a material impact on their banks' competitiveness in the market. ...
6.654	A demonstrated commitment to the agribusiness sector by the bank is not only important to agribusiness customers but also in attracting and retaining agribusiness bankers. …

ACCC Reasons	Findings of factual matters not contested (extract)
6.655	A bank's brand or reputation and commitment to local communities can be an important non-price factor for agribusiness customers. ...
6.659	Access to branches or business centres of the bank does not appear to be a material non-price consideration for agribusiness customers, particularly because relationship managers generally meet with customers at their premises rather than at branches.
6.661	With the increased uptake of online and digital banking services, the number of bank branches have reduced. This indicates the diminishing importance of branches in banking competition overall (not just specific to agribusiness banking).
Table 11	Table { SEQ Table * ARABIC }: [redacted] [redacted] Source: Based on ACCC analysis [redacted]
6.673	Based on market shares in Queensland, the five biggest agribusiness lenders are [redacted].
6.674	In Queensland, Suncorp Bank and ANZ are the [redacted] and [redacted] largest agribusiness lenders respectively. The Proposed Acquisition will result in ANZ becoming the [redacted] largest agribusiness lender, [redacted]
6.676	… [redacted] are two clear leaders in agribusiness lending.
6.682	Brokers play a role in facilitating competition in business lending. However, brokers appear less influential in agribusiness lending, compared to general business lending.
7.22.	The Proposed Acquisition would result in Suncorp Bank being separately owned and operated from Suncorp Group's insurance business. …
7.23.	... There are currently more than 75 licensed general insurers in Australia. ...
7.24.	Recent reports on the state of the industry… consistently assert that the [insurance] industry is facing costly challenges in relation to natural hazard events, with an expectation that such events will increase in frequency. Such challenges and the associated impact on reinsurance are contributing to increases in the price of [insurance] premiums for consumers. APRA's most recent annual report states that natural hazard events are affecting affordability and accessibility of [insurance] cover for parts of the Australian community. APRA considers there is no easy solution to these issues but highlights the

ACCC Reasons	Findings of factual matters not contested (extract)
	importance of achieving appropriate balance between the financial health of insurers and access to affordable and well-designed insurance for Australians.
7.26.	... [T]he Proposed Acquisition would deliver some public benefit through Suncorp Group becoming a stronger insurer. ...
7.28.	... [D]ivesting [Suncorp Group's] banking business will likely provide the opportunity for Suncorp Group to re-focus its capital investment on the insurance business and access better sources of funding. ...
7.54.	.... [redacted], ...
7.55.	... [T]here are substantial costs associated with implementing the transaction for ANZ in the integration period, totalling ~$680 million over five years (pre-tax). Suncorp Group forecasts separation costs of ~$500 million and 'stranded' costs of approximately $40 million per annum for three years following completion of the Proposed Acquisition ....
7.56.	... [I]n a No-Sale Counterfactual, there would be no synergy, integration, costs or risks. ...
7.64.	... D-SIBs (including ANZ) are subject to greater capital requirements than banks not designated as such. ...
7.66.	.... The Major Bank Levy was introduced in 2017 and applied to ADIs with total liabilities greater than $100 billion. The Major Bank Levy currently applies to ANZ, Commonwealth Bank, Westpac, NAB and Macquarie. The levy is set at 0.015%, paid each quarter on the balance of certain liabilities of the ADI. …
7.79.	Credit ratings are an important driver of a bank's cost of and access to wholesale funding. The major banks and Macquarie Bank have higher credit ratings, and having been assessed as less risky, have access to cheaper wholesale funding compared to the second-tier banks, including Suncorp Bank. ...
7.85.	... [The] greater regulatory requirements on banks designated D-SIBs are intended to hold these banks to a higher standard in recognition that failure of these banks would be more significant compared to non-systemically important institutions. ...
7.91.	... [The Queensland-related commitments] were foreshadowed in the Share Sale and Purchase Agreement, with ANZ subsequently entering into an Implementation Agreement with the State of Queensland (the **ANZ Implementation Agreement**), announced on 16 June 2023.
7.94.	.... Suncorp Group announced [redacted] agreement with the State of Queensland [redacted] on 16 June 2023. ... The commitments [redacted] include: • Suncorp Group to remain headquartered in Brisbane • investment of at least $19 million to develop a Disaster Recovery Centre of Excellence • employment commitments, including increasing the number of Suncorp Group employees in Townsville by 120 (100 FTE) and commitments relating to the aggregate number of people employed by Suncorp Group in Queensland

ACCC Reasons	Findings of factual matters not contested (extract)
	exceeding the aggregate employed in any other state or territory [redacted].
7.99	... [A] condition precedent to the Proposed Acquisition is the amendment of the *State Financial Institutions and Metway Merger Act 1996 (QLD)* ...
7.106.	... [T]he Proposed Acquisition is likely to result in public benefits from cost savings and synergies likely to accrue to ANZ.
7.128.	…[T]here are other second-tier banks of similar scale to Suncorp Bank (for example Bank of Queensland, BEN, ING)…
7.142.	... access to banking services is an important public issue. Notwithstanding that, the ACCC also notes the longstanding trend towards branch closures, as well as the ongoing parliamentary inquiry on this issue.

Table 2. Findings of factual matters not contested by the Applicants

Note: BABL is not currently in a position to express a view on the correctness of these findings. For ease of reading, where part of the paragraph is included in table one, it is included in the following table.

ACCC Reasons	Findings of factual matters not contested by ANZ or Suncorp but which Bendigo is unable to verify(extract)
4.38	*Currently, each of the major banks, Macquarie Bank … use the IRB approach. All other banks, including Suncorp Bank, use the standardised approach.* If acquired by ANZ, Suncorp Bank's loan book would remain on the standardised approach subject to the combined ANZ/Suncorp Bank entity applying and obtaining APRA approval to apply the IRB approach.
4.40	*The major banks are identified by APRA as domestic systemically important banks (**D-SIBs**), where due to their size, interconnectedness, substitutability and complexity, their distress or failure would cause significant dislocation in the domestic financial system and economy. Banks identified as D-SIBs must meet higher loss absorbency (HLA) requirements through holding more Common Equity Tier 1 capital (**CET1**). This increases the ADI's ability to absorb losses and reduces the probability of failure. CET1 capital is the highest quality and more expensive than other sources of funding, which has a direct (negative) effect on banks' return on equity (**ROE)*** and profitability.
4.43	The government support uplift contributes to the higher ratings assigned to the major banks, which means they have been assessed to be less risky. ...
4.66	... [T]here has been a downward trend in Australian banks' absolute profitability (both ROE and NIM). ...
4.67	*The capital reform agenda in Australia since the 2014 Financial System Inquiry has resulted in a substantial increase in the banks' capital ratios. The quality of banks' capital has also improved, with Common Equity Tier 1 (**CET1**) capital – the highest quality form of capital – accounting for most of the rise in total capital since it was introduced as a minimum requirement in 2013.* These changes have increased ADIs' resilience against adverse shocks and ability to absorb losses.
4.84	*Due to their larger scale, on average,* [redacted]*. Data analysis by the ACCC shows some scale benefits in the Australian banking industry.* [redacted]*.* There are some outliers to this trend, for example, [redacted] which have different business models and cost-to-income structures from the major banks and regional banks.
4.92	*Costs to raise funds from wholesale debt markets have historically been lower for major banks compared to smaller ADIs.* This is, at least partly, due to credit rating agencies taking into account the perception that major banks have lower risk due to portfolio diversification, scale and the perceived high likelihood of government support. This results in higher credit ratings for the major banks and better access to wholesale funding markets, both in terms of volume and lower cost.

ACCC Reasons	Findings of factual matters not contested by ANZ or Suncorp but which Bendigo is unable to verify(extract)
4.122	*Access to branches, and therefore the extent of branch networks, have historically been an important facilitator of competition for the banking sector. However, with the advent of online banking in the last two decades, and the increased penetration of brokers in some segments, the relative importance of access to branches has been in decline.* This has enabled ADIs with limited branch networks to compete more effectively. *However, branch access is still required for certain banking transactions and activities, and face to face engagement is still highly valued by certain customer segments, for example, some individuals who may not be technologically literate, or unable to use technology due to personal circumstances.*
5.3	… Suncorp Group has given consideration and undertaken strategic reviews over the course of several years, including in 2022. [redacted] *… The sale to ANZ was announced in July 2022. …*
5.7	[redacted]
5.8	[redacted]
5.9	In [redacted]

ACCC Reasons	Findings of factual matters not contested by ANZ or Suncorp but which Bendigo is unable to verify(extract)
	[redacted]
5.10	[redacted]
5.12	…[redacted] … [redacted].
5.13	[redacted] • [redacted], • [redacted], • [redacted], • [redacted] • [redacted].
5.14	[redacted]
5.15	[redacted]
5.16	[redacted] • [redacted] • [redacted].
5.18	[redacted].

ACCC Reasons	Findings of factual matters not contested by ANZ or Suncorp but which Bendigo is unable to verify(extract)
5.19	[redacted]
5.20	[redacted]
5.21	[redacted].
5.23	… [redacted]. …
5.27	[redacted]
5.28	[redacted]
5.29	[redacted]

ACCC Reasons	Findings of factual matters not contested by ANZ or Suncorp but which Bendigo is unable to verify(extract)
	[redacted]
5.30	[redacted] • [redacted] • [redacted]
5.44	The ACCC notes Suncorp's internal documents show that [redacted]. However, the ACCC notes that these [redacted] and were not included in the more recent internal Suncorp consideration. In light of Suncorp's submissions and other evidence before the ACCC, the ACCC considers the relative likelihood of these future scenarios occurring absent the Proposed Acquisition, and their impact on the outcome of the assessment, to be so minimal as to be trivial.
5.51	[redacted]. …
5.57	The ACCC considers that there are several possibilities as to how Suncorp Group may operate Suncorp Bank in the No-Sale Counterfactual, including that it Continue to execute [redacted].
5.58	Another possibility is that Suncorp divests some of Suncorp Bank's portfolios.
5.126	[redacted]…
5.154	… The ACCC notes that IRB accreditation is not cost-effective for some smaller banks given their lack of scale and diversification …
6.111	... [T]here is some evidence that barriers to switching have been reducing over time, including since the PC Report. ... For example, customers have increasing visibility over home loans products (including due to the increased use of brokers ...) and banks have been using cashback offers and other incentives to encourage switching for some time ....
6.115	Overall, the ACCC considers there is evidence of relatively strong price competition for new home loans taking place across 2021 and 2022, including widespread use of

ACCC Reasons	Findings of factual matters not contested by ANZ or Suncorp but which Bendigo is unable to verify(extract)
	promotional and cashback offers to attract customers, particularly (although not exclusively) new customers.
6.159	... Suncorp Bank does not account for a disproportionate level of refinancing to or from ANZ and vice versa. In the 12 months up to June 2022, Suncorp Bank represents [redacted] of refinancing from ANZ, and [redacted] of refinancing to ANZ.
6.162	... [redacted]
6.359	... [W]hile [redacted]
6.360	... [O]ther second-tier banks will continue to exert competitive constraint on ANZ in a future with the Proposed Acquisition (and in the No-Sale and Second-Tier Merger counterfactuals). For example: Macquarie has a strong transaction account offering and comparatively higher interest rates. [redacted]. As explained above, [redacted]. [redacted].
6.434	[redacted]
6.447	*The shift towards electronic payments may have also materially diminished the importance of bank branches in some geographic areas (particularly metropolitan areas where cashless payments are becoming more prevalent). However, many cash-handling businesses still need access to branches in their local areas.* [redacted]

ACCC Reasons	Findings of factual matters not contested by ANZ or Suncorp but which Bendigo is unable to verify(extract)
6.470	*The importance of relationship management services is more relevant to medium businesses, as opposed to small businesses. … Many banks including major and non-major banks offer relationship management services to at least some portion of their SME customers, typically those with higher value loans or more complex banking needs.* For example, [redacted]. ANZ's 'business banking' segment, which typically have total business limits of between [redacted], are allocated to a customer lending group and each group is assigned to a relationship manager. Each relationship manager is typically allocated [redacted] customer lending group, and James Lane (ANZ) considers this to be a comparatively 'higher touch' approach.
6.484	*Banks tend to focus on 'customer segments' rather than 'product' segments per se. Business customers with home loan needs, or as ANZ calls it, 'BOHOs', represent a significant proportion of SME customers given many of them are also individual retail banking customers.* [redacted].
6.505	Although their presence in the market is small, there appears to be growing competition from non-bank lenders and fintechs. About a quarter of 727 SMEs surveyed by Scottish Pacific in 2021 planned to use a non-bank lender to fund new business investment. ANZ also refers to RFi's survey of SMEs in June 2021, which similarly show about 25% of survey respondents intend to borrow from alternative lenders or fintechs.
6.540	… [redacted] …
6.647	[There is] a large variation in the data on average number of customers per business banker across banks .... For example, in 2022, [redacted] had the highest average number of Queensland agribusiness customers per business banker [redacted], while others such as [redacted], [redacted], and [redacted] have around [redacted] customers per business banker. [redacted] is on the slightly lower end of the spectrum [redacted] together with [redacted]
7.66.	*.... The Major Bank Levy was introduced in 2017 and applied to ADIs with total liabilities greater than $100 billion. The Major Bank Levy currently applies to ANZ, Commonwealth Bank, Westpac, NAB and Macquarie. The levy is set at 0.015%, paid each quarter on the balance of certain liabilities of the ADI.* ANZ estimates that the Proposed Acquisition will increase its levy payments by approximately $24 million each year.
7.79.	*Credit ratings are an important driver of a bank's cost of and access to wholesale funding. The major banks and Macquarie Bank have higher credit ratings, and having been assessed as less risky, have access to cheaper wholesale funding compared to the second-tier banks, including Suncorp Bank. …* [redacted] .... [redacted]

ACCC Reasons	Findings of factual matters not contested by ANZ or Suncorp but which Bendigo is unable to verify(extract)
	[redacted]. …

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