

ACCC Authorisation Application

Suncorp Group response to first tranche of interested party submissions

Executive Summary

This submission responds to the interested party submissions¹ published by the Australian Competition and Consumer Commission (**ACCC**) on its public register on 24 January 2023 and 3 February 2023 (**Submissions**).

Consistent with the application for merger authorisation dated 2 December 2022 (**Application**), Suncorp Group submits that the Proposed Acquisition will not give rise to a substantial lessening of competition or impact the level of competition and service or have a detrimental impact on the competitive environment for borrowers. Further, Suncorp Group submits that the Proposed Acquisition will result in the public benefits identified in the Application. Suncorp Group refers to the Application for detail.

The following matters respond to the issues raised in the Submissions:

- Suncorp Bank and ANZ are not one another's closest competitors in the supply of commercial banking products or agribusiness lending products nationally, or in any particular state, including in Queensland;
- Suncorp Bank and ANZ have complementary propositions for supplying commercial banking products to agribusiness customers given the differences in their customer focus;
- there will remain at least 15 active authorised deposit-taking institutions (**ADI**) and a number of active non-ADIs in the supply of commercial lending and banking products and there will remain extensive choice of commercial banking products and services, including products and services for agribusiness customers post-acquisition; and
- Suncorp Bank focuses on providing commercial banking products and services to small to medium-sized businesses in the agribusiness sector. In doing so Suncorp Bank has focussed on a relationship-based business model and has achieved success with that model. Even with this relative success, most of Suncorp Bank's agribusiness customers acquire services from at least one other bank.

In addition, Suncorp Group agrees with the submission from AON. The divestiture of Suncorp Bank will result in public benefits, including the simplification of Suncorp Group as an organisation which will allow for greater focus on Suncorp Group's insurance business, products and services at a time when the value of insurance to customers and the community has never been greater.

Suncorp Group provides further detail on these matters below.

Suncorp Group submits that the supply of commercial banking products to agribusiness customers is part of the market for the supply of commercial banking products and services and need not be assessed separately. However, in the event the ACCC considers it necessary to assess the competitive effects of the Proposed Acquisition in relation to agribusiness banking, Suncorp Bank provides the following information.

Suncorp Bank's agribusiness customers

Suncorp Bank and ANZ have complementary propositions for supplying commercial banking products to agribusiness customers. **[Confidential to Suncorp]** [REDACTED]

¹ Submissions by the Consumers' Federation of Australia; Rabobank Australia Limited; Brennan Mayne Agribusiness; Sinclair Hill; John Curnow; Robert Jacobucci; Nicholas Shea; Christopher Gellie and AON.

7 February 2023

[REDACTED]

² As noted below, ANZ provides lending to larger agribusinesses and agribusinesses with more complex lending needs.

Suncorp competes vigorously with other banks and financial institutions in this segment, being CBA, Westpac, ANZ, NAB, Bank of Queensland (**BOQ**), Bendigo and Adelaide Bank (**BEN**), Rabobank, and non-ADIs, including StockCo and Elders for new agribusiness lending customers nationally, including in Queensland.

Points of difference between Suncorp Bank's and ANZ's offering

While Suncorp Bank is able to support agribusiness customers with a TBRE of **[Confidential to Suncorp]** [REDACTED] it is Suncorp Bank's experience that customers with a TBRE of **[Confidential to Suncorp]** [REDACTED] often require more complex banking services which Suncorp Bank does not, and cannot, offer.³

The majority of Suncorp Bank's agribusiness customers have a relationship with at least one other bank and, with a small number of exceptions, Suncorp Bank tends to provide mainly lending products to its agribusiness customer as its customers' secondary bank.⁴

As described in the Application at paragraphs 7.198 and 7.203a, the major banks, such as ANZ, have greater capability to provide lending to larger agribusinesses and agribusinesses with more complex lending needs.

ANZ offers agribusiness products and services nationally, but has only a small presence in Queensland. Suncorp Bank primarily offers agribusiness products and services in Queensland,⁵ with **[Confidential to Suncorp]** [REDACTED] %⁶ of Suncorp Bank's total agribusiness lending exposure in Queensland.

Any submission that Suncorp and ANZ are each other's closest competitor, particularly for small to medium-sized customers in Queensland, is therefore unsupported. The competitive positions and segments of the market in which they focus are different. As such, there will also be no increased risk of coordinated conduct given these differences in competitive positioning.

Competition in higher TBRE segments

For customers with TBRE of greater than **[Confidential to Suncorp]** [REDACTED], competition in that segment is driven by CBA, Westpac, NAB, Rabobank, BOQ and BEN (outside of Queensland).

Innovative and new agribusiness customers

Suncorp Bank does not have particular focus on providing agribusiness products for innovative small and new agribusinesses because Suncorp Bank's **[Confidential to Suncorp]** [REDACTED]

[REDACTED]

ANZ and Suncorp Bank therefore have complementary propositions for supplying commercial banking products and services to agribusiness customers nationally.

² C van Horen statement, [100]; Application, para 7.199(a).

³ C van Horen statement, [100]; Application, para 7.199(a).

⁴ C van Horen statement, [99].

⁵ Application, para 7.160. Suncorp Bank also offers these products and services in New South Wales, Victoria and South Australia.

⁶ As at 31 December 2022.

7 February 2023

Suncorp Bank is not more competitive than any other supplier of commercial banking products and services

As set out in the Application, Suncorp Bank is not a significant driver of pricing, innovation or product development in the supply of commercial banking products and services, including the supply of products and services to agribusinesses.

Suncorp Bank has a small share in the supply of commercial banking services including agribusiness lending nationally and, as set out above, does not have capacity to effectively compete to supply larger agribusiness customers **[Confidential to Suncorp]** [REDACTED]

[REDACTED].⁷ This restricts the ability for Suncorp Bank to act as a competitive constraint on ANZ.

Suncorp Bank competes to supply products and services to agribusiness customers through its relationship-focused approach, rather than solely through price. As set out in the Application, in addition to price, a customer's relationship with their relationship manager is a particularly important factor for agribusiness customers in choosing a financial institution.⁸

Suncorp Bank's relationship-focused approach is not unique to Suncorp. On a national level and in Queensland, each of CBA, Westpac, ANZ, NAB, BEN and Rabobank compete actively and strongly for agribusiness customers with a relationship-focussed model.⁹

[Confidential to Suncorp] [REDACTED]

10

Alternative providers of commercial banking products and services to agribusinesses

There are a number of suppliers of commercial banking products and services to agribusiness customers and as set out in the Application the supply of these products is not concentrated. Nationally, lending and deposit products are supplied to agribusiness customers by the banks and financial institutions named in the Application at tables 29 and 30.

For customers with TBRE of greater than \$25 million, in Suncorp's experience competition in that segment is driven by NAB, Rabobank, BEN (outside of Qld), CBA, Westpac and ANZ. The supply of products and services to agribusiness customers nationally and in Queensland is strongly competitive and Suncorp has **[Confidential to Suncorp]** [REDACTED].¹¹

As such, even with one less standalone agribusiness competitor nationally and in Queensland, strong competition for the supply of products and services to agribusinesses will continue to limit the ability of suppliers to profitably offer poor pricing or conditions and less financial support to agribusinesses.¹²

Post-acquisition, suppliers will continue to compete on prices offered to agribusinesses, which limits the likelihood of poor prices being offered. In this regard, Suncorp notes as set out in the Application, the pricing of products can vary significantly between providers, and even between customers of the same provider.

Post-acquisition, a range of commercial banking products and services will continue to be available to agribusinesses even with one less standalone agribusiness competitor in the Queensland market.

⁷ C van Horen statement, [100]-[102].

⁸ Application, para 7.184.

⁹ C van Horen statement, [95]; Application, para 7.210.

¹⁰ C van Horen statement, [97].

¹¹ C van Horen statement, para [93].

¹² Application, paras 7.179-7.180.

7 February 2023

Conclusion

In summary, ANZ and Suncorp Bank are not each other's closest competitor and Suncorp Bank does not drive price, innovation or product development. Suncorp Bank is no more vigorous or effective than any other competitor, including in the supply of commercial banking products which are the subject of the Submissions.

There will continue to be a wide variety of banks and other lenders competing to supply commercial banking products and services post-merger and ANZ will continue to be constrained in its pricing, output and related commercial decisions.

Suncorp Group agrees with the submission from AON. The divestiture of Suncorp Bank from Suncorp Group continues Suncorp Group's journey of simplification. This divestiture will allow Suncorp Group to focus on its core insurance customer propositions at a time when the value of insurance to customers and the community has never been greater.