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STATEMENT IN SUPPORT OF APPLICATION FOR MERGER AUTHORISATION

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED

Applicant

Statement of: **Douglas John Campbell**

Address: 833 Collins Street, Docklands, Victoria

Occupation: General Manager, Home Loans (Australia), Australia Retail Division, Australia and New Zealand Banking Group Limited

Date: 30 November 2022

This document contains confidential information which is indicated as follows:

[Confidential to ANZ] [REDACTED]

Contents

Document number	Details	Paragraph	Page
(a)	Statement of Douglas John Campbell dated 30 November 2022	1 - 102	2 - 24
(b)	Exhibit " DJC-1 ", being a confidential copy of the Home Loans Australia – Business Writing Strategy for FY22.	41	99
(c)	Exhibit " DJC-2 ", being a confidential document with the file name "Fixed Rate Proposal – April 2022."	90(a)	21
(d)	Exhibit " DJC-3 ", being a confidential document with the file name "HL Pricing Fortnightly Meeting 20 July 2022."	90(b)	21

RESTRICTION OF PUBLICATION CLAIMED

A. INTRODUCTION

1. I am the General Manager, Home Loans (Australia) of Australia and New Zealand Banking Group Limited (**ANZ**). My position internally is Tribe Lead, Home Loans – Australia Retail. I am authorised to make this statement on ANZ's behalf.
2. I make this statement in support of ANZ's application to the Australian Competition and Consumer Commission for merger authorisation to acquire 100% of the issued share capital in SBGH Limited from Suncorp Group Limited, either directly or via a related body corporate of ANZ, in accordance with a share sale and purchase agreement between ANZ and Suncorp Bank executed on 18 July 2022 (the **Proposed Acquisition**).
3. I address the matters in this statement based on my knowledge of, and experience in, the Australian banking industry and in various roles at ANZ including my current role as General Manager, Home Loans (Australia) in ANZ's Australian home loans business (**ANZ Home Loans**); and my review of business records which are available to me in my current role.
4. In preparing this statement I also consulted with [Confidential to ANZ] [REDACTED] to obtain or confirm certain information in this statement. Some of the information in this statement was extracted from ANZ's systems by those individuals or their delegates. Where I make statements based on the information provided to me, I believe that information to be true.
5. Exhibited to me at the time of signing this statement are the documents marked DJC-1, DJC-2 and DJC-3.
6. This statement (including its exhibits) contains information that is confidential to ANZ and its related entities. Disclosure of that confidential information would cause prejudice to ANZ and its related entities.

B. ROLE AND EXPERIENCE

My role at ANZ

7. I have held the position of General Manager, Home Loans (Australia) at ANZ since July 2018 and I am currently employed in that position. I report to the Group Executive, Australia Retail. The Group Executive, Australia Retail reports to ANZ's Group CEO.
8. I am responsible for developing and setting the strategy for ANZ Home Loans and have ultimate accountability for the balance sheet and profit and loss performance of ANZ Home Loans.
9. In my role, I lead various cross-functional teams with responsibility for:
 - (a) **setting the strategy and risk appetite settings for ANZ Home Loans**: this includes determining target customer segments to be pursued and identifying opportunities for growth;
 - (b) **developing, managing and delivering ANZ's home loan offering for Australian customers, and associated technology assets**: this involves working with other senior managers across the Australia Retail division on product and service enhancements, campaigns and other marketing activity related to ANZ Home Loans, and approving some pricing changes in ANZ Home Loans;
 - (c) **ANZ Home Loans' financial and operational performance**: this includes setting annual budgets, forecasts and operating plans; and

RESTRICTION OF PUBLICATION CLAIMED

- (d) **assurance and regulatory matters related to ANZ Home Loans:** this includes maintaining a sound understanding of the regulatory environment and the risks ANZ Home Loans faces. It also includes having an understanding of the control environment (that is, the control mechanisms in place to ensure ANZ's policies and processes are followed) and governance activities related to managing ANZ Home Loans, including ensuring any remediations are completed in a timely manner.
10. I work closely with the Retail Distribution (**Distribution**), Customer Service Operations (**Operations**) and Pricing Centre of Excellence (**Pricing**) teams to deliver ANZ's home loan offering (as described further in paragraph 37).

Prior experience and qualifications

11. I commenced employment with ANZ in March 2005. Prior to my current role, I held the following positions at ANZ:
- (a) Executive, Group Strategy and M&A from March 2005 to August 2010;
 - (b) Head of Business Execution, Payments & Cash Management, Institutional Division from September 2010 to November 2011;
 - (c) Head of Banks, Payments & Cash Management, Institutional Division from December 2011 to September 2013;
 - (d) Head of Financial Institutions, Global Transaction Banking, Institutional Division from October 2013 to August 2015;
 - (e) Head of International & Financial Institutions Sales, Transaction Banking, Institutional Division from August 2015 to November 2017; and
 - (f) Head of Transaction Banking, Australia & PNG, Institutional Division from November 2017 to July 2018.
12. Immediately prior to commencing employment at ANZ, I was employed by Capricorn Capital Partners as an Associate (based in South Africa) from July 2002 to February 2005.
13. I hold a Bachelor of Commerce (Honours) in Accounting and Finance from the University of Pretoria and am a qualified Chartered Accountant (CA) and Chartered Financial Analyst (CFA).

C. HOME LOAN – PRODUCTS, PRICE, POLICY AND PROCESS

14. A home loan is an amount of money lent to a customer by a lender to finance the purchase of a residential property or to refinance an existing home loan. A home loan is secured by the residential property.

Factors that influence a customer's decision to choose, and a mortgage broker's decision to recommend, a particular home loan and/or lender

15. Customers may engage directly with a lender to obtain a home loan or use the services of a third party such as a mortgage broker. Mortgage brokers are independent third party businesses which are directly engaged by prospective and existing home loan customers and act as intermediaries between the customer and lenders. Mortgage brokers assist customers to identify suitable home loan products and engage directly with lenders on behalf of the customer to negotiate pricing and help manage the application process. Mortgage brokers are discussed further below.

RESTRICTION OF PUBLICATION CLAIMED

16. In my experience, the following factors influence a customer's decision to choose, and a mortgage broker's decision to recommend, a particular home loan and/or lender:
- (a) **product features:** attributes and functionality associated with a home loan product, such as an interest only period, offset account, redraw facility and option for making additional repayments;
 - (b) **price / incentives:** the competitiveness of the interest rate and the incentives offered by the lender (eg cashback offers);
 - (c) **policy:** whether the lender will lend to the borrower having regard to their risk appetite. The lender's risk appetite will vary depending on factors such as customer segments and the level and type of information they require to assess applications; and
 - (d) **process:** the ease of dealing with the lender (eg levels of automation as part of collecting data for the application, clear credit policy settings, regular communication on progress of the application), the ease of the process by which the lender decides whether to give pre-approval or approval, what is involved in the application and approval process, and the turnaround time for obtaining approval.
17. The weight that customers ultimately place on these factors will depend on the customer's individual circumstances. For instance, a customer that is settling on a property in a short period may preference process (eg fast turnaround time) over other elements whereas a customer that has no timing pressure may preference price or product features over other elements.
18. I have regard to these factors in determining the ANZ Home Loans strategy, whether the ANZ Home Loans product offering is competitive, and where improvements may be required.

Product features

19. Currently, ANZ offers three types of home loan products:
- (a) **Standard variable rate product:** the interest rate applied to the loan is indexed to a "headline rate" set by ANZ for the standard variable rate product, so the interest rate and repayment amount applicable to the loan change as changes are made to the headline rate. By "headline rate", I mean the benchmark interest rate set by ANZ for standard variable home loans that is published on ANZ's website as the "index rate".
 - (b) **Fixed rate product:** the interest rate and repayment amount applied to the loan are fixed for a set period of time, after which the product remains a fixed rate product on ANZ's system but the interest rate changes to the headline rate for the standard variable rate product less any discretionary discount negotiated with ANZ at the date of entering into the home loan.
 - (c) **Simplicity PLUS** (sometimes referred to as the basic variable rate product or S+): the interest rate applied to the loan is indexed to a headline rate set by ANZ for the Simplicity PLUS product, so the interest rate and repayment amount applicable to the loan change as changes are made to the headline rate. The Simplicity PLUS product has fewer features than the standard variable rate product, typically has a lower headline interest rate than ANZ's standard variable home loans, and does not typically have discretionary discounts applied.
20. The above products are not mutually exclusive. For example, a customer may fix the interest rate on part of their loan and have the other part subject to a variable rate.

RESTRICTION OF PUBLICATION CLAIMED

21. Table 1 below lists some of the key features of each of the three products set out in paragraph 19 above, summarised from the ANZ website.

Table 1: Home loan products - key features as at 12 September 2022

Features	Standard variable	Fixed	Simplicity Plus
Loan term	Maximum 30 years	1 - 5, 7 and 10 year fixed rate terms available. Maximum overall term is 30 years	Maximum 30 years
Minimum new loan amount	\$20,000	\$20,000	\$50,000
Loan approval fee	\$0	\$0	\$0
Loan administration charge	\$0	\$0	\$0
Redraw facility	Yes	Not available during fixed rate period	Yes
Redraw fee	N/A	N/A	N/A
Repayment frequency	Weekly, fortnightly or monthly	Weekly, fortnightly or monthly	Weekly, fortnightly or monthly
Ability to make additional repayments	Yes	Yes but may incur an early repayment cost	Yes
100% offset account	Yes A fee of \$10 per month applies	Available on the 1-year fixed rate home loan. A fee of \$10 per month applies	Not available
Interest only repayments	Yes - Up to 5 years (Land Loan up to 3 years)	Yes - Up to 5 years (Land Loan up to 3 years)	N/A Repayments are principal and interest
Ability to repay loan early	Yes	Yes – may incur an early repayment cost	Yes

RESTRICTION OF PUBLICATION CLAIMED

Pricing

22. There are two key elements to home loan pricing: the interest rate and fees.

Interest rates

23. The interest rates that ANZ offers to apply to individual customers (that is, their "effective rate" – see paragraph 25 below) vary based on the following factors, reflecting the risk profile of a particular loan:

- (a) whether the purpose of the loan is to purchase an owner-occupier or an investment property;
- (b) whether the repayment type is principal and interest or interest only;
- (c) the loan-to-value ratio (**LVR**), which is calculated by expressing the loan value as a percentage of the value of the property used as security for the loan (as valued by ANZ);
- (d) for fixed rate products, the term of the loan; and
- (a) the size of lending, also referred to as total mortgage lending.

24. There are three components to the interest rate for home loans:

- (a) **headline or index rate**: the headline rate for a particular product which is published on ANZ's website, which customer rates are "indexed" to;
- (b) **advertised discount**: an advertised discount off the headline rate for a particular product which is published on ANZ's website; and
- (c) **discretionary discount**: a further discount negotiated between the customer and ANZ, either directly or with the assistance of a mortgage broker or mobile lender.

25. For customers with standard variable rate loans, all three components typically apply whereas for customers with fixed rate loans and Simplicity PLUS loans, discretionary discounts are not typically applied.

26. Decisions on whether a discretionary discount is offered to the customer are made in accordance with ANZ's discretionary discount matrix, which is delivered through ANZ's Home Loan Pricing Tool (**Pricing Tool**). The Pricing Tool is managed by the Pricing team's pricing desk and is available for staff and lenders in ANZ branches, contact centres and mobile lenders (which are described at paragraphs 37 and 38).

27. The interest rate that applies to the customer is known as the "effective rate" and is the difference between the headline rate and any discounts applied.

Bank and other fees

28. The second element to home loan pricing is fees, which include:

- (a) bank fees; and
- (b) government and other third party charges, which are passed on to the customer.

29. ANZ simplified its fee structure in March 2022 when it ceased offering its Breakfree Package (which is described at paragraph 42(a)). The simplification involved removing a number of bank fees, including a loan administration charge and loan approval fee. There are some bank fees

RESTRICTION OF PUBLICATION CLAIMED

linked to optional product features, such as a fee of \$10 per month which is charged for the offset account of a standard variable loan and the one-year fixed rate home loan.

Policy

30. "Policy" refers to a lender's position on whether or not it will lend to a borrower; that is, its risk appetite. ANZ's risk appetite varies depending on factors such as customer segments and the level and type of information required to assess applications.
31. At a high level, ANZ has ten credit principles that apply to all lending activity including home loans:
 - (a) only lend what the customer has the capacity and ability to service and repay;
 - (b) assess the customer's character for integrity and willingness to repay;
 - (c) plan for the possibility of default;
 - (d) only extend credit if we can sufficiently understand and manage the risk;
 - (e) ensure independent participation in the credit process;
 - (f) behave ethically in all activities;
 - (g) be proactive in identifying, managing and communicating credit risk;
 - (h) be diligent in ensuring that credit exposures and activities comply with ANZ's requirements;
 - (i) optimise risk and reward; and
 - (j) build and maintain a diversified credit risk portfolio.
32. Under the policies and procedures that sit underneath the credit principles, there is more detailed guidance around the requirements for originating a home loan, and the credit requirements and procedures that must be followed. For instance, there is different information needed for a "pay as you go" (**PAYG**) employee compared to that of a self-employed person. There are also different processes for particular customers – for example, ANZ applies a waiver to lender's mortgage insurance for certain professionals that satisfy certain requirements (such as medical professionals, accountants and legal professionals).

Process

33. For a home loan, there are two key process stages:
 - (a) **pre-approval**: at this stage, a lender will provide an estimate to the customer of how much they can borrow based on the information provided on income and expenses; and
 - (b) **approval**: at this stage, the lender will review the loan application and make a decision on whether it will provide the loan to the customer for the particular residential property.
34. How quick and how onerous the process is (eg how many documents are requested and the level of information required to be provided) is a critical consideration for many customers.
35. ANZ's average credit decision turnaround times ("time to first decision", which could be a decision to decline, pre-approve or approve a loan) have varied considerably over the past few

RESTRICTION OF PUBLICATION CLAIMED

years. In mid-2020, the average turnaround times peaked at 29.2 and 33.9 days for simple and complex home loan applications through the mortgage broker and mobile lending channels respectively. However, after significant investments in ANZ's processing capability, by August 2022, ANZ's average turnaround times for these types of loans through these channels had dropped to 3.0 and 5.2 days respectively. By "simple loan application", I mean an uncomplicated home loan application, for example an application made by a person who is an employee and subject to PAYG tax withholding on their salary or wages. By "complex loan application", I mean all other types of home loan applications, including those where the borrower is self-employed or where the borrower uses a company or trust structure to take out the home loan.

D. OVERVIEW OF ANZ HOME LOANS

Organisational structure

36. ANZ Home Loans sits within ANZ's Australia Retail division, which services ANZ's retail customers across Australia. As at 30 September 2022, ANZ had approximately 968,000 home loan accounts in Australia.
37. ANZ's home loan offering is generally delivered by the following teams within the Australia Retail division:
 - (a) **ANZ Home Loans** (also referred to as the "Home Loans team"), which I lead, is the team that develops and sets the strategy for ANZ's home loan offering, including any promotional offers, marketing campaigns, pricing and which segments to target. In developing the pricing strategy, my team works closely with the Pricing team. The strategy set by my team is then implemented and delivered by the Distribution and Operations teams. Decisions about the delivery and implementation of the strategy from a distribution and operational perspective, including decisions about resourcing, are made by the Managing Director – Retail and Portfolio Lead, Customer Service Operations, in consultation with me. ANZ Home Loans is predominantly based in Melbourne.
 - (b) **The Distribution team**, led by the Managing Director – Retail, is responsible for managing the distribution of home loans (among other retail banking products and services) to customers throughout Australia through ANZ's network business (including branches and customer contact centres), mobile lenders and mortgage brokers (described further in paragraph 38). Home loans are originated from these channels via accredited lenders, and then assessed with reference to ANZ's credit policies within ANZ systems and/or by the Operations team. The Distribution team is also responsible for retaining home loan customers, and includes specialists who speak directly with customers in the process of closing accounts.
 - (c) The **Operations team**, led by the Portfolio Lead, Customer Service Operations, is responsible for servicing all products provided to Australian-based retail, commercial, private and wealth customers. The Operations team manage the home loan customer cycle from onboarding, assessment, fulfillment, settlement, and servicing through to collections, hardship and deceased estates. The Operations team is based in Melbourne, Philippines and India.
 - (d) The **Pricing team**, led by the Centre of Excellence Pricing Lead, works with my team and Finance and Treasury to develop pricing strategies for home loans (among other banking products and services). This includes an assessment of market data and internal data. The team also develops, maintains, and enhances pricing tools, policies and procedures in relation to the pricing of home loans. The Pricing team also includes

RESTRICTION OF PUBLICATION CLAIMED

the Pricing Desk, which negotiates rates at an individual customer level with bankers, mortgage brokers and mobile lenders directly. The Pricing team is based in Melbourne.

Marketing and distribution channels

38. ANZ's Home Loan products are distributed through the following channels:

- (a) **ANZ's Network business:** this includes ANZ's branches and customer contact centres. There are approximately [Confidential to ANZ] [REDACTED] accredited lenders employed within ANZ's Network business.
- (b) **Mobile lending:** ANZ's mobile lending channel is a franchise offering under which franchisees operate a business focused on the origination of ANZ home loans. ANZ currently has franchise agreements with 156 mobile lender franchisees, and there are currently approximately 280 full time employees employed within those businesses. Each franchisee operates out of a "home" branch and receives leads from that branch. ANZ develops and supplies all marketing and promotional material for franchisees to use.
- (c) **Retail mortgage brokers:** Mortgage brokers are an important distribution channel for ANZ's home loans. ANZ has relationships with the vast majority of the approximately 18,000 mortgage brokers operating in Australia, and has accredited and on-boarded those brokers in accordance with ANZ's procedures. ANZ also has relationships with 11 aggregator groups.

Most mortgage brokers are affiliated with an aggregator. Commission payments are made by ANZ to mortgage aggregators, which then distribute commissions among their affiliated mortgage brokers.

- (d) **Commercial:** The ANZ Commercial Distribution team distributes home loans to customers of ANZ's Commercial division (that is, customers of ANZ's Private Bank and Small Business Banking, Business Banking and Specialist Distribution businesses). Bankers from the Commercial Distribution team assist customers to apply for the home loan, by submitting the application directly into ANZ's systems (for Private Bank customers) or referring the application to the Network business.

39. ANZ adopts a policy of neutrality across all distribution channels. This means that ANZ does not generally differentiate the price or incentives offered to customers originated through each of these channels, and does not generally treat customers differently based on which channel they use to obtain a home loan. However, there are some differences in the systems used and processes applied when submitting and assessing a home loan application depending on the channel (ie branch, contact centre, mobile lending or mortgage broker).

FY22 Strategy

40. ANZ effectively has a mass market strategy for home loans. That is, it strives to provide a home loan proposition to all Australians that want to buy or own a home. This includes both owner occupiers and investors.

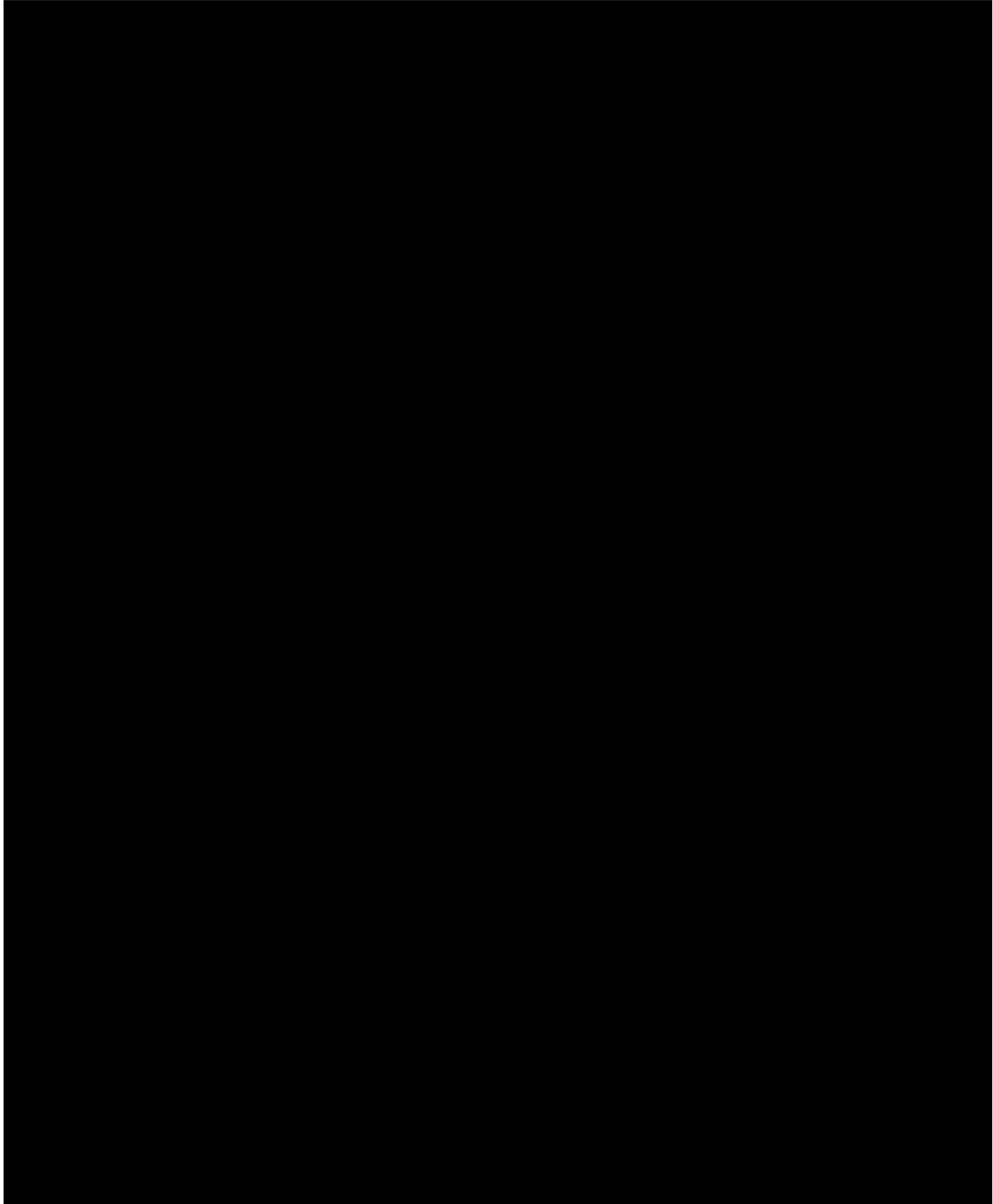
41. I am responsible for developing the strategy for the ANZ Home Loans business, and typically consult with the General Manager – Retail Credit Risk, General Manager – Distribution and Portfolio Lead – Operations as part of developing the strategy. The ANZ home loans strategy, related actions and risk appetite are reviewed and updated annually and are recorded in the Home Loans Australia – Business Writing Strategy which I am ultimately responsible for approving. Exhibit DJC-1 is a confidential copy of ANZ's Home Loans Australia – Business

RESTRICTION OF PUBLICATION CLAIMED

Writing Strategy for the 2022 financial year (**FY22 Strategy**). I am in the process of developing a Business Writing Strategy for FY23, which I expect will be signed off later this calendar year.

42. The FY22 Strategy was endorsed by me and formally tabled and approved by the Australian Retail Product Committee in October 2021. The FY22 Strategy sets out a number of focus areas for ANZ Home Loans, including:

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Performance monitoring

43. ANZ Home Loans tracks its performance against a number of different metrics. A range of reporting is generated on a daily, weekly and monthly basis to track actual performance against projected performance.

RESTRICTION OF PUBLICATION CLAIMED

44. Each week, I attend a meeting to discuss the performance of ANZ Home Loans which includes considering metrics such as application volumes (number and value (the latter is referred to internally as **FUM**, or funds under management)) and turnaround times. This informs our understanding of whether segment or growth outcomes are in line with expectations. The metrics tracked are reported to me and discussed by the Distribution, Home Loans, Operations, Pricing, and Credit Risk teams.
45. In some cases, the Home Loans team has a more detailed review and consideration of its performance. This is the case if the information we track suggests that further action is required. Depending on the nature of the matter requiring further consideration, the relevant team leaders will meet to discuss whether there is a need for any adjustments to the policy, price or process for home loans and make adjustments if required.
46. Each fortnight, there is a home loan pricing meeting attended by me and representatives from the Pricing, Product, Distribution and Finance teams. At this meeting, the key metrics considered are:
- (a) **portfolio metrics**: including system growth, ANZ growth, the number of enquiries and applications, and sales and attrition numbers;
 - (b) **pricing metrics**: including the net interest margins, the cost of funds and the levels of repricing activity; and
 - (c) **competitive metrics**: such as the levels of refinancing in and out of ANZ and the pricing, discounting, incentives and product features of ANZ's competitors (typically [Confidential to ANZ] [REDACTED] are monitored, along with others from time to time).
47. There is also a separate meeting scheduled each month, which only proceeds if it appears likely that the Reserve Bank of Australia will make a change to the official cash rate. Attendees at these meetings typically include the Group Executive, Australia Retail; Centre of Excellence Pricing Lead; Portfolio Lead – Deposits, Migration & Simplification; Product Area Lead, Deposits; Australia Division CFO; and me, and may also include representatives from ANZ's Treasury, Finance, Government Relations and Media Relations teams. From time to time the CEO and CFO of ANZ Group also attend. The key metrics considered in anticipation of a change in the official cash rate are [Confidential to ANZ] [REDACTED].
48. ANZ generally tracks and considers the activities of competing lenders nationally because, like ANZ, competing lenders generally supply their home loan products throughout Australia. Likewise, customers do not limit their purchasing decisions to lenders that are located nearby to them – many acquire home lending products from lenders that do not have physical branches in their local area or state. Many lenders do not have a branch network at all – ME Bank, ubank, Athena, Rabobank and ING, for example, do not have branches and operate under an online and call centre-based business model. Banks with historical links with particular regions such as Suncorp Bank, Bank of Queensland, Bendigo and Adelaide Bank and BankWest all supply home lending products across Australia. Home loan prices and terms and conditions are generally the same across the country and do not vary by State or Territory.
49. Other items that are tracked by my team and other teams about home loans from time to time include:
- (a) mortgage broker or customer feedback from the distribution channels listed at paragraph 38 above – this can be pricing feedback or feedback about ANZ's policy,

RESTRICTION OF PUBLICATION CLAIMED

product features or processes. The Distribution team also conducts an annual mortgage broker survey; and

- (b) cashback and promotional offers available – including the terms of those offers and the timing of the offer.

E. RECENT OBSERVATIONS

50. Since I commenced in the role of General Manager, Home Loans (Australia) in 2018, I have observed the following:

- (a) the number of lenders has increased. Home loans lenders have diverse business models and are offering customers a vast amount of choice;
- (b) customers are increasingly using mortgage brokers and aggregators. While the role of these players has always been important, the mortgage broker channel is now the dominant channel for originating home loans and customers are increasingly relying on mortgage broker recommendations in selecting a home loan lender;
- (c) customers are generally better informed about their ability to negotiate the rate for their home loan and the options available to them for home loan products;
- (d) there have been increased levels of refinancing and repricing; and
- (e) cashback and other promotional offers have increased in prevalence.

Growing number of lenders with home loan product offerings

51. In the time that I have been in my role, I have observed a growing number of home loan lenders in Australia.

52. Currently, ANZ faces significant competition in the supply of home loans from the lenders and lender types listed below. When I refer to ANZ facing significant competition, I am referring to the fact that borrowers looking to obtain or refinance a home loan can choose from these lenders instead of ANZ and so ANZ must ensure that its home loan offering is competitive (in terms of price, product features, policy and process) or it risks losing business to these lenders. To put it differently, these lenders constrain the prices set by ANZ for its home loans and place pressure on ANZ to improve its product features, policies and processes.

- (a) **CBA** is a strong competitor, with a large branch network, a strong pipeline of deposit customers and a substantial home loan customer base. CBA also has an excellent technology platform.
- (b) **Westpac** is a strong player and presents a multi-brand offering. Westpac has tended to leverage price to drive acquisition and the Westpac brand is strong among the investor segment. Its sub brands, including RAMS, are strong among the self-employed segment. Two of Westpac's sub brands (St George and Bank of Melbourne) also win a large share of refinancing flows.
- (c) **NAB** is a strong competitor that also presents a multi-brand offering, which includes 86 400 (now part of ubank). NAB has invested heavily in technology and process improvements in recent times.
- (d) **Macquarie** has emerged as a strong competitor in home loans and has been rapidly expanding its market share. Macquarie is known for being able to deliver fast decisions on home loan applications and has strong relationships and engagement with mortgage brokers. According to the Australian Prudential Regulation Authority's Authorised

RESTRICTION OF PUBLICATION CLAIMED

Deposit-taking Institution (**ADI**) statistics as at September 2022, Macquarie's year-on-year growth is 5.01x system and its month-on-month growth is 3.14x system. By way of contrast, year-on-year growth for the four largest banks (ANZ, CBA, Westpac and NAB) is 0.78x system and month-on-month growth is 0.94x system. When I refer to growth relative to "system", I am referring to growth of a particular bank relative to the aggregate growth rate of all ADIs' home loans portfolios as tracked by the Australian Prudential Regulation Authority. So, for example, Macquarie's year-on-year growth referred to above was 5.01 times the aggregate growth rate of all ADIs in that period. The rapid expansion of Macquarie's home loan business over the last 3 to 4 years has been one of the key features of competition in relation to home loans over that period.

- (e) **"Regional" banks**, including Bank of Queensland, Bendigo & Adelaide Bank and Suncorp Bank, are typically strong in their respective home regions but also compete across the country. Regional banks tend to leverage price, policy niches and their brand as a non-major bank to win customers.
 - (f) **Foreign owned banks**, including ING and HSBC, typically leverage pricing and incentives to attract customers.
 - (g) **Other banks**, including AMP Bank, IMB Bank and Beyond Bank.
 - (h) **Credit unions and building societies**, such as Community First Credit Union, People's Choice Credit Union, Credit Union SA and Southern Cross Credit Union.
 - (i) **Other emerging specialist lenders**, including AFG Home Loans, Pepper Money Ltd, Liberty Financial Group, Resimac and Firstmac. Specialist lenders often have different (that is, higher) risk appetites and risk settings compared to ANZ, and ANZ takes these lenders into account when considering its own policy settings.
 - (j) **Neo-banks / fintechs**, including Athena Home Loans, Tic:Toc and Nano Digital Home Loans. Neo-banks, sometimes referred to as fintechs to capture lenders that are not ADIs, are lenders that provide their services predominantly online, do not have branches and have developed technology to deliver home loans and other banking services in an efficient, largely automated and digitised manner. Many have entered the market in the last few years, have market-leading technology platforms and are also price competitive.
53. To be clear, the specific lenders I refer to above are a small sample of home loan providers in Australia.
54. ANZ Home Loans systematically monitors, and benchmarks against, the home loan products and customer experience offered by the lenders described in paragraph 52(a) to 52(f) above.
55. ANZ Home Loans also monitors the activities of, and benchmarks against, the lenders listed in paragraphs 52(g) to 52(j), lenders not specifically listed in those paragraphs but falling within the categories listed, and mortgage aggregators such as Connective, AFG, Aussie and Lendi (some of which independently offer home loan products), but does so in a more ad-hoc manner.
56. I expect that real estate platforms, such as Realestate.com and Domain, will play a growing role in the supply of home loans. These platforms currently provide a range of services for consumers seeking to purchase or sell a property and promote some home loan products on their websites. Such platforms might also look to complement their offering by providing consumers with access to mortgage brokers or aggregators in the future. These platforms may even seek to enter the market by offering a white labelled product.

RESTRICTION OF PUBLICATION CLAIMED

57. While regulatory requirements for lenders, such as licensing requirements, responsible lending obligations, credit reporting obligations and an obligation to hold adequate financial resources, have increased over time, this has not deterred or prevented entry. I have observed a proliferation of new entrants in the time that I have been in my current role, principally from neobanks / fintechs, and other emerging lending specialists.
58. I expect that new entry and expansion by lenders providing home loans will continue into the future, and will be driven by new entrants and existing players finding solutions to address inefficiencies in the home loans market. For example, lenders have traditionally required prospective borrowers to provide significant documentation to support a home loan application. However, there have been and are opportunities for new entrants and existing players to deploy technology to obtain relevant data, driving greater efficiency in their assessment of home loan applications and decreasing decision times. Further, there have been and are opportunities for new entrants and existing players to harness data analytics and sophisticated algorithms to identify and seek to win the business of borrowers of other banks that are most likely to be open to refinancing. I expect that there will also be further new entry and expansion in related activities, such as the provision of mortgage broking and other services to assist borrowers to find and negotiate lower interest rates or better products. Examples of new entry in related activities include:
- (a) *Finspo*, an online mortgage broker established by a former ANZ employee that seeks to differentiate itself by making the experience of obtaining a home loan easier and providing ongoing monitoring services, an app which is linked to the customer's banking services and personalised insights to help the customer save time and money.¹
 - (b) *Doorsteps*, a mortgage broker and advisory firm that seeks to "reimagine the entire real estate journey", providing a suite of products and services to give its customers the tools, resources and knowledge to "bring back the joy in buying and selling real estate".²
59. I expect that entry and expansion in these activities will in turn drive increased competition in the supply of home loans.
60. With reference to the four elements of competition set out in paragraph 15 above, I have observed the following over the past few years:
- (a) **Product Features:** neo-banks / fintechs have commenced offering innovative home loan products. For instance, Athena Home Loans' AcceleRATES product, which is a rate reducing home loan, was introduced in 2020. Other lenders have sought to match this by offering similar products, for example CBA introduced its Unloan product earlier this year which also has a reducing interest rate over the life of the loan. These innovations are further described at paragraph 99 below.
 - (b) **Pricing:** the positioning of different lenders' headline interest rate tends to move around from week to week or month to month. That said, over the last 12 months, of the larger competitors, I have observed that Macquarie and Westpac have had particularly low headline interest rates.
 - (c) **Policy and Process:** the neo-banks / fintechs, such as Athena, Tic:Toc and Nano Digital Home Loans, typically have fully or near-fully automated application and assessment processes. These providers utilise technology and data (as opposed to documents) to achieve almost instant decision timeframes. In terms of decision

¹ <https://www.finspo.com.au/>

² <https://www.doorsteps.com.au/>

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timeframes, Macquarie has developed a reputation for making intra-day decisions for simple loans.

Customers are increasingly using mortgage brokers and aggregators

61. Over the past few years, I have observed ongoing growth in the number of mortgage brokers as well as the number of applications and FUM coming through the mortgage broker channel.
62. According to data published by the Mortgage & Finance Association of Australia (MFAA),³ as at 30 September 2021, there were over 18,000 active mortgage brokers. This compares with approximately 15,400 mortgage brokers in September 2016 and an estimated 10,000 mortgage brokers in 2001/2002.⁴
63. The number of new ANZ home loans originated via the mortgage broker channel has also grown from [Confidential to ANZ] █████ in June 2013 to [Confidential to ANZ] █████ in September 2022. Table 2 shows the percentage of ANZ's home loan applications (based on FUM) drawn down in FY22 by channel. The figure for Network business includes applications from customers of ANZ's Commercial division (excluding Private Bank customers), as those applications are typically referred to the Network business.

Table 2: Home loan origination by channel (% FUM) – FY22

Channel	Total Sum Drawn FUM (\$ billion)	%
Network business	████	████
Mobile lending	████	████
Brokers	████	████
Private bank	████	████

[Confidential to ANZ] █████

64. As shown above, over half of ANZ's new home loans (by value) are generated via the mortgage broker channel. I understand that some other lending institutions, such as Macquarie, are even more heavily reliant on mortgage brokers and aggregators. The Australian Financial Review has reported that between 90% and 95% of Macquarie's home loans are originated by mortgage brokers.⁵
65. According to data published by the MFAA,⁶ mortgage brokers were responsible for 66.9% of new residential home loan settlements in the period 1 July 2021 to 30 September 2021, and 68% in the June 2022 quarter.

³ <https://www.mfaa.com.au/professional-development/research/industry-intelligence-service-report>

⁴ ACCC, Draft Determination, Application for Authorisation lodged by the Mortgage Industry Association of Australia in respect of MIAA Disciplinary Rules, available at <https://www.accc.gov.au/system/files/public-registers/documents/D03%2B46027.pdf>; Consumer Credit Legal Centre NSW Inc, A report to ASC on the finance and mortgage broker industry, March 2003, available at https://download.asic.gov.au/media/1337558/Finance_mortgagebrokers_report.pdf

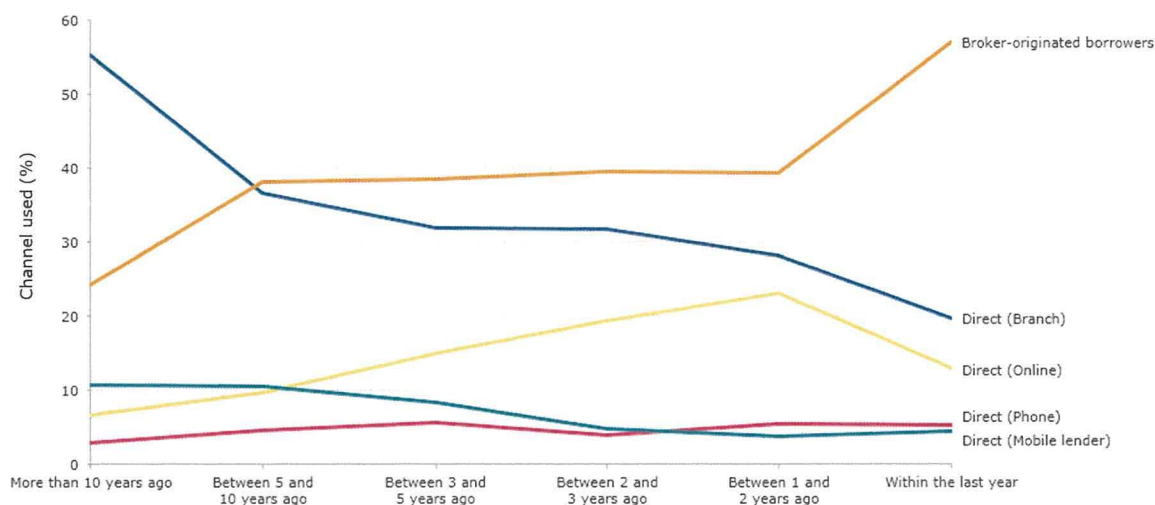
⁵ <https://www.afr.com/chanticleer/how-macquarie-blitzed-the-mortgage-market-20210601-p57wyq> (June 2021).

⁶ <https://www.mfaa.com.au/professional-development/research/industry-intelligence-service-report> and <https://www.mfaa.com.au/news/mortgage-brokers-achieve-strongest-june-quarter-on-record>

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66. Results from a survey undertaken by the RFi⁷ depicted in Figure 1 below show that mortgage brokers are becoming an increasingly important sales channel for home loans, and the percentage of sales made through lenders' proprietary channels (according to borrower recollection) is falling with sales through branches suffering the greatest decline.

Figure 1: Channel used to apply for home loan (%)



67. Mortgage brokers have a strong awareness of lenders' product features, prices, policies, and processes and so are able to provide customers with advice on what the best option is for their particular set of circumstances. For example, mortgage brokers may not progress an application with a lending institution with lengthy approval timeframes should a quick response time be an important consideration for the customer. This in turn drives lenders to improve their offering. When ANZ's turnaround times increased in recent times (as I explain further in paragraphs 91 to 97 below), ANZ saw a significant reduction in application volume received via the mortgage broker channel which further accelerated ANZ's efforts to improve and restore its service offering.
68. Survey results published by RFi⁸ in March 2022 found that:
- mortgage broker recommendation ranked as the highest influence for customers who took out their home loan within the last six months (nominated by 42% of respondents), up from 20% more than five years ago; and
 - the proportion of people using a mortgage broker as a source of information increased materially between September 2020 and September 2021, increasing from 27% to 37%.⁹
69. In addition to assisting customers with new lending, mortgage brokers will regularly look into their back books (that is, the customers for whom they have already arranged a home loan) and where appropriate instigate repricing activities on behalf of their customers. If they cannot secure a better interest rate with the existing lender, the mortgage broker will often seek a better rate for the customer at another lender.

⁷ RFi, Australian Mortgage Council (September 2021).

⁸ RFi, Australian Mortgage Council (March 2022).

⁹ RFi, Australian Mortgage Council (September 2021).

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70. Almost all mortgage brokers are affiliated with a mortgage aggregator. Mortgage aggregators are also playing an increasingly important role in the home loans market. As regulatory requirements have increased (including with the introduction of best interest duties in January 2021), mortgage aggregators provide, amongst other things, mortgage brokers with access to pre-built compliance systems, which mortgage brokers can use to ensure they are meeting their regulatory obligations. This eliminates the need for mortgage brokers to develop their own compliance framework, and allows mortgage brokers to focus on servicing consumers.
71. Mortgage aggregators also provide technology that gives mortgage brokers an easy way to access home loan products offered by a number of lenders (typically between 50-70 lenders). Many aggregators supply their own home loan products, which are typically white-labelled (by which I mean the loan products are acquired in an unbranded form from other lenders and then branded with the aggregator's branding and supplied to borrowers). These aggregators are becoming an increasingly material home loan distribution channel, and their products compete with ANZ's products as well as other lenders' products.
72. This is illustrated by data from AFG, a mortgage aggregator, which shows that of the home loans generated using its platform in the third quarter of 2022, 10.19% were for its own white-labelled product. In contrast, only 8.72% were for ANZ's home loan products.¹⁰
73. According to data published by MFAA,¹¹ in the period between January 2022 and March 2022, 6.8% of mortgage broker-originated home loans were settled with aggregators who provided white-labelled loans and the value of mortgage broker-originated loans referred to aggregators exceeded \$5.4 billion.

Customers are generally better informed

74. According to research from Prescience Research (2022), 8 in 10 people are aware that they are able to negotiate the rate for their home loan. The same research found that refinancers are most likely to consider negotiations key to obtaining the best home loan rate, with 82% of recent refinancers agreeing with the statement "I believe that everything is up for negotiation – or should be. Negotiating my home loan is in my best interests, and it ensures I get the lowest possible rate." (compared to 63% of recent first home buyers, 69% of recent non-first home buyers, and 63% of recent investors).
75. The prevalence of mortgage brokers and aggregators, new entrants and comparison websites has resulted in intense price competition and increased awareness and visibility of options available to consumers.

Increased levels of refinancing and repricing

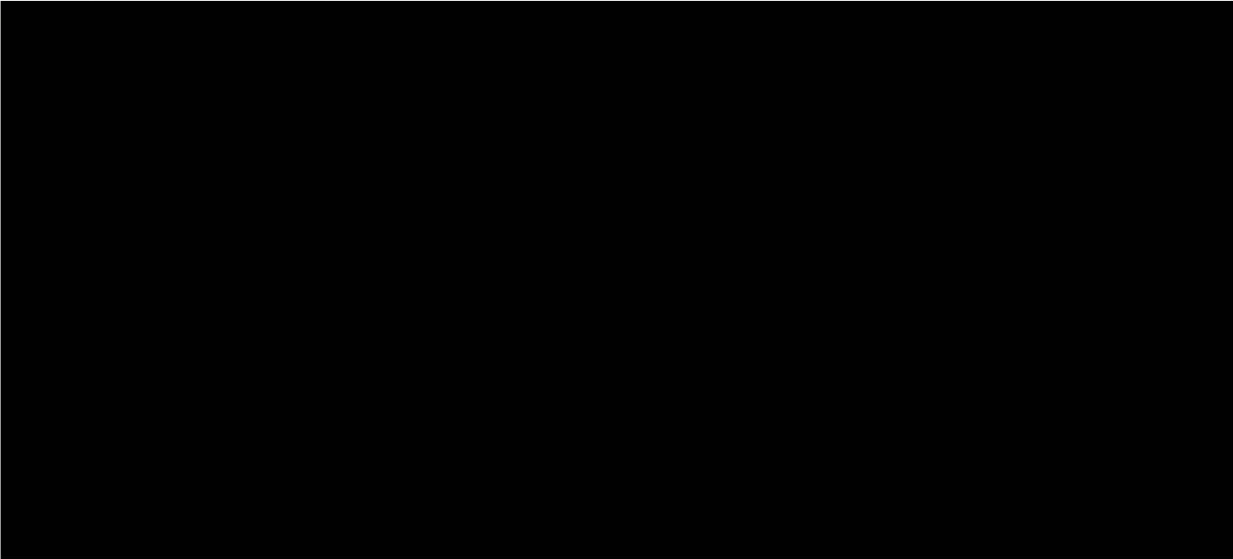
76. I have observed an increase in refinancing activity over the past few years. Refinancing is when a customer switches from their existing lender to another lender. Sometimes a distinction is drawn between internal refinancing (changing product and/or price with one's existing lender) and external refinancing (switching lenders). For the avoidance of doubt, I use the term refinancing in this statement to refer to the latter. [Confidential to ANZ] [REDACTED] below is a diagram which plots refinancing activity from ANZ to another lender (referred to as "Refi-out"), for the period between July 2019 and July 2022. [Confidential to ANZ] [REDACTED] shows an upwards trend in year-on-year refinancing activity from ANZ.

¹⁰ AFG Index Report (April 2022) <https://www.afgonline.com.au/wp-content/uploads/2022/04/AFG-Index-April-2022.pdf>

¹¹ <https://www.mfaa.com.au/professional-development/research/industry-intelligence-service-report>

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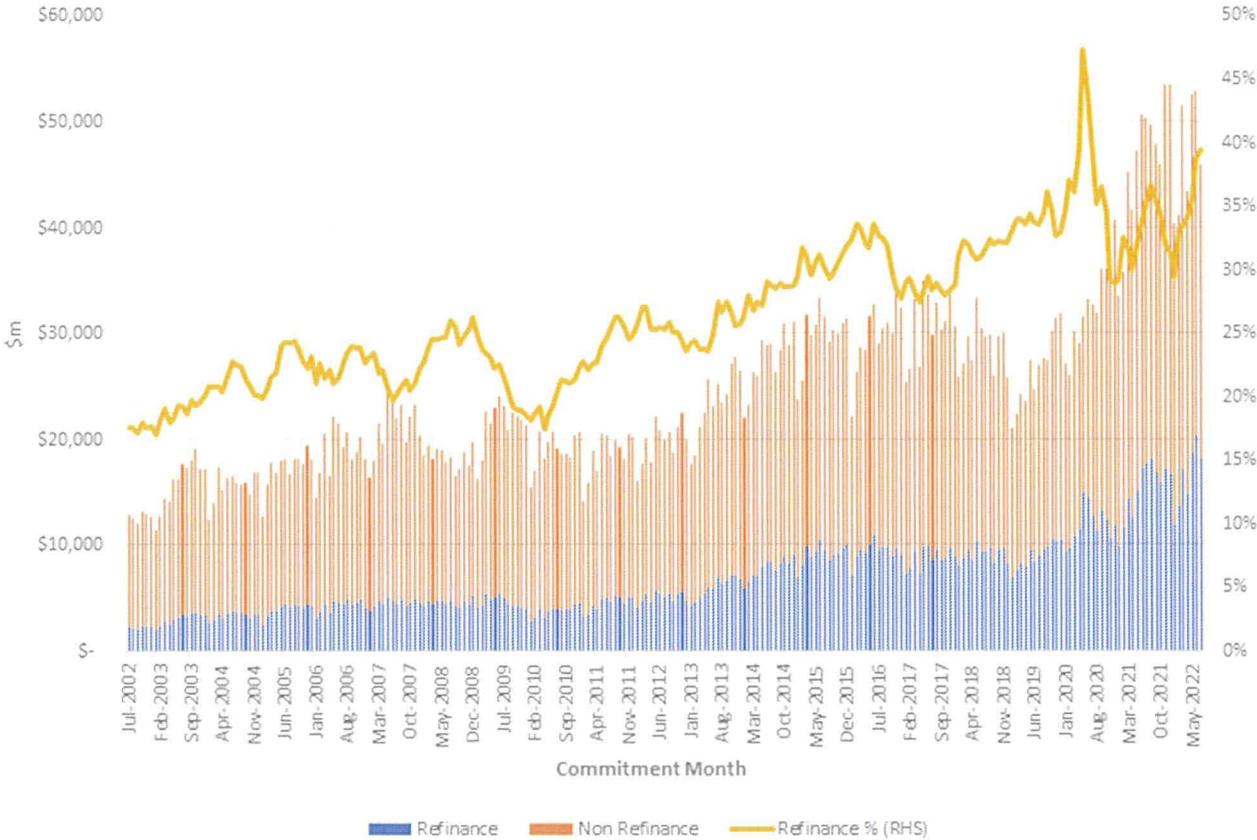


- 77. Research by Prescience Research found that lower interest rates was by far the most cited reason by customers to refinance their home loan (nominated in 53.9% of cases), significantly above other factors such as increase in borrowings to renovate (13.1%) and better value/more relevant package (13.0%).¹²

- 78. Figure 3 below is a diagram which shows external refinancing activity (based on committed loans) in Australia between July 2002 and May 2022 according to data from the Australian Bureau of Statistics (**ABS**). The diagram shows the value of refinancing activity (shaded in blue) and non-refinancing activity (shaded in orange, being the total value of new loan commitments, excluding refinancing) in millions of dollars. The chart also shows refinancing activity as a percentage of the total sum of refinancing and non-refinancing activity (depicted by the yellow line, with the right hand axis showing percentage units). The data shows that external refinancing activity has been trending upwards over time, from approximately 18% in July 2002 to nearly 40% in May 2022.

¹² ANZ Plus Home Loan Pricing Report, April 2022 (Prescience Research).

Figure 3: ABS External refinancing in Australia



79. I have also observed a significant increase in existing ANZ customers making inquiries about repricing their home loan. In my view, the improved availability, and customers’ improved awareness, of tools and resources that allow them to compare home loan offerings (such as comparison websites), and the use of social media for targeted marketing campaigns, have contributed to this increase and allowed smaller lenders with smaller profiles and marketing budgets to gain visibility with customers. Specifically:
- (a) Consumers are able to readily compare home loan products and pricing using comparison websites such as Canstar, Ratecity or Finder.com, or by accessing a mortgage broker. Consumers can also use the Australian Securities and Investments Commission’s (ASIC’s) Moneysmart mortgage calculator to understand how their interest rate sits relative to the average interest rate for new home loans. A survey commissioned by ASIC found that 90% of home loan customer respondents said they completed at least some research before engaging with a mortgage broker or lender, with bank websites, comparison websites and real estate websites among the most common online resources used for research.¹³
 - (b) Consumers are regularly encouraged to seek out the most competitive home loan interest rate by government bodies, the media, consumer groups and regulators. Lenders are also increasingly making information available on their websites to inform customers to review their home loan needs. For example, ANZ offers its customers a free home loan check-in.¹⁴

¹³ ASIC, Looking for a mortgage: Consumer experiences and expectations in getting a home loan (August 2019).

¹⁴ <https://www.anz.com.au/personal/home-loans/calculators-tools/home-loan-check-in/>

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80. [Confidential to ANZ] [REDACTED] below is a graph that shows the total FUM attributed to home loans that were repriced by ANZ between August 2021 and August 2022. Generally speaking, the increase represents the increasing number of customers that are asking for additional discounts on existing home lending and ANZ's response to increase discounts for existing customers in order to retain customers' business. [Confidential to ANZ] [REDACTED] shows an upwards trend over the year.

[Confidential to ANZ] [REDACTED]



81. Likewise, borrowers are increasingly willing to take out home loans with lenders other than their main financial institution (MFI). Research by Roy Morgan found that the percentage of customers having their home loan with a lender other than the lender they considered to be their MFI increased from 27% in 2017 to 34% in 2021. This increased willingness and propensity for customers to shop around and switch has placed greater pressure on ANZ to offer sharper prices and improve other elements of its home loan offering.

82. I expect that this refinancing and repricing activity will continue to increase over time, particularly as a lot of customers roll off their 2 and 4 year fixed rates that they secured during the COVID-19 lockdown periods in 2020.

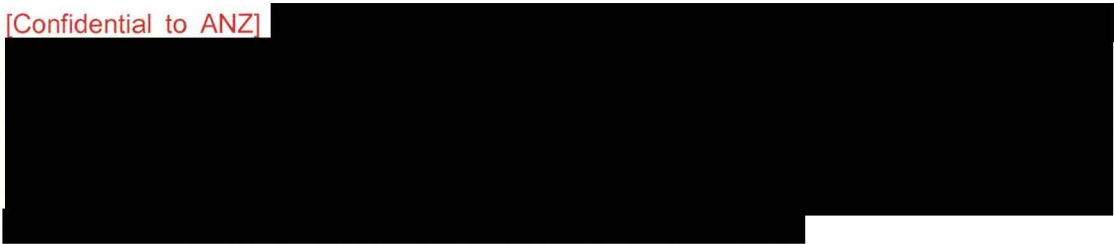
83. In anticipation of a potential increase in refinancing and repricing activity in the short to medium term, ANZ Home Loans has renewed its focus on its engagement strategy for customers. One such element of this strategy is to [Confidential to ANZ] [REDACTED]

[REDACTED]

Cashback and other promotional offers have increased in prevalence

84. I have observed cashback and promotional offers become a standard offering among lenders. I have also observed an increase in the value of cashbacks offered by lenders generally to customers. For example, in July 2017, ANZ had a cashback offer of \$1,200 for eligible customers refinancing to ANZ. ANZ currently offers eligible customers a cashback of up to \$4,000. The increased use of, and the increase in the value of, promotional offers have coincided with the increase in refinancing activity in home loans.

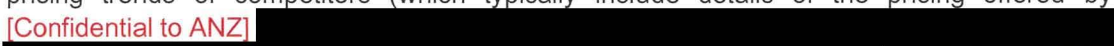
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85. Since July 2017, ANZ has had a number of promotional and cashback offers to attract and retain home loan customers, including customers who are purchasing a property and those who are refinancing. These included cashback offers of up to \$4,000 for customers switching to ANZ from another lender, a rebate scheme to reimburse first home buyers for conveyancing costs of up to \$1,000, a promotional offer for new and existing customers to receive up to 300,000 Qantas points, and cashback offers to customers who are in the process of refinancing their home loan to another lender. These were standalone offers, and not offered together or available cumulatively. Many other competitors are also offering cashback offers to entice customers to switch. For example, in November 2022 ubank launched a cashback offer of \$6,000 for borrowers taking out a new home loan or refinancing their existing home loan to ubank (for lending in excess of \$1 million). Other recent cashback offers include HSBC offering up to \$3,288 cashback; Suncorp Bank and ING up to \$3,000; Bank of Queensland up to \$2,500 and Bankwest and Newcastle Permanent up to \$2,000.¹⁵
86. Cashback and promotional offers are frequently advertised "above the line" using media channels such as TV, digital and social media, and on lender websites, and can be leveraged by the lender's proprietary channels and mortgage brokers to acquire new home loan customers. ANZ makes advertised cashback and promotional offers available to all customers who satisfy the eligibility criteria, regardless of whether or not the customer requests the offer or is aware of the offer.
87. [Confidential to ANZ] 

Overall observations about the home loans market

88. Based on the matters I described in paragraphs 50 to 87, I consider that the level of competition for home loans is intense, and that intensity has grown over time.
89. In this section I give some recent examples of the competitive constraint ANZ has experienced in relation to the price, policy, process and product aspects of its home loan offering.

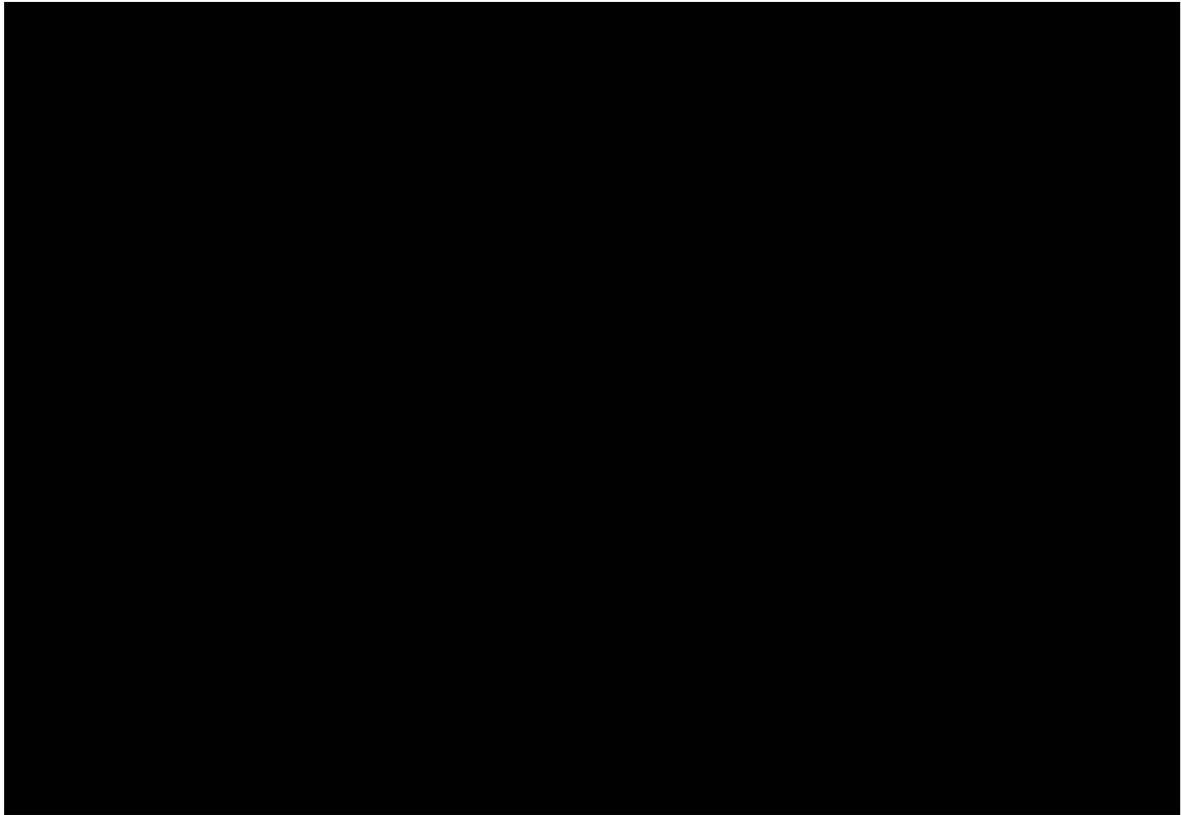
Competition on price

90. Proposals to adjust ANZ's home loan pricing are often prompted or influenced by competitive activity. Such proposals are usually accompanied by an analysis/summary of the pricing and pricing trends of competitors (which typically include details of the pricing offered by [Confidential to ANZ] ). Examples of these are set out below:

[Confidential to ANZ] [


¹⁵ <https://www.brokernews.com.au/news/breaking-news/ubank-launches-6000-cashback-offer-281411.aspx>

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Competition on policy/process

91. The turnaround time from application to decision is a key area of competition between lenders. Faster turnaround times increase the likelihood that a consumer or mortgage broker will choose a lender. A lender's turnaround timeframe is primarily a function of their operational processes, capacity and technology. Generally, the more automated the process, the shorter the assessment timeframe.
92. Many lenders publish their response times and some aggregators (eg Connective) make information available on how long lenders take to review loans based on applications they have submitted. This allows ANZ to benchmark its own performance against that of its competitors.
93. An example of competition on process is the experience of ANZ over the last two years. In or around March 2020, at the start of the COVID-19 pandemic, ANZ had a competitive fixed rate offer in market. ANZ's turnaround times for the mobile lending and mortgage broker channels were also relatively low, with an average turnaround time of 3.4 and 4.4 days for simple and complex loans respectively. This resulted in a significant increase in the flow to ANZ, and growth in ANZ's home loan book in the months that followed.
94. However, this increase in flow, combined with operational capacity constraints and business disruption caused by the pandemic, resulted in ANZ's turnaround time increasing, with average turnaround times for the mobile lending and mortgage broker channels eventually peaking at 29.2 and 33.9 business days respectively in July 2020. A flow on effect of this increase in turnaround times was a significant drop in the applications coming to ANZ through these channels.
95. Data from Connective, the largest mortgage aggregator, compared the timeframes to full approval achieved by home lenders through its platform (full approval being approval to make a home loan, as opposed to an initial decision, such as pre-approval). This data was calculated by reference to calendar days, and showed that by the start of August 2020, ANZ had a median assessment timeframe of 69 days to full approval. In contrast, assessment timeframes to full approval of many of ANZ's competitors at the same time were significantly lower – AMP's was

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11 days, Bank of Melbourne's was 14 days, Bankwest's was 14 days, Citibank's was 10.5 days, CBA's was 20 days, ING's was 8 days, Macquarie's was 7 days, NAB's was 16 days and MyState's was 15 days.

96. [Confidential to ANZ] [REDACTED] below shows ANZ's growth in FUM for home loans (as a percentage of market growth between October 2019 and August 2022)¹⁶ and internal ANZ data on turnaround times (representing the "time to first decision" which, as explained above, could be a decision to decline, pre-approve or approve a loan). In my view, the decline in, and underperformance of, ANZ's home loan growth relative to market growth from September 2020 onwards is substantially a consequence of ANZ's problems with its turnaround times.

[Confidential to ANZ] [REDACTED]

97. In response to the decline in the growth of ANZ's home loan book, [Confidential to ANZ] [REDACTED]

Competition on product features

98. ANZ Home Loans periodically assesses enhancements or improvements to its offering as new opportunities arise in the market. Currently, ANZ Home Loans is focused on [Confidential to ANZ] [REDACTED].
99. There are a number of lenders seeking to offer innovative home loan products by adding new features or providing different customer propositions. For example, as noted above at paragraph 60, Athena Home Loans was first in market in 2020 with a rate reducing home loan, its AcceleRATES product. AcceleRATES are based off three LVR tiers and when customers

¹⁶ The "market growth" figures depicted in Confidential Figure 6 were calculated using APRA's Monthly banking statistics June 2019 back series.

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pay down their loan to reach a lower LVR tier, the rate is reduced automatically. Since that time, other lenders have introduced similar offerings to market.

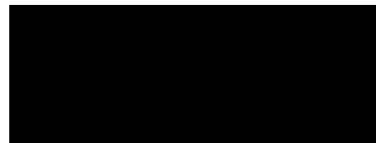
- (a) Last year, One Two launched its rate reducing home loan, which is offered to customers wanting to refinance subject to certain other criteria. One Two is a digital only bank that is owned by Lendi and 1835i (ANZ's investment arm).
- (b) Earlier this year, CBA launched its online only venture – Unloan – which similarly offers a rate reducing home loan.

Comments on the Proposed Acquisition

100. I consider that the Proposed Acquisition will not reduce competition in the home loans market in Australia.
101. In my view, there is a significant amount of competitive pressure in the home loans market and the Proposed Acquisition would not reduce that pressure on ANZ or on other lenders. All competitors will need to continue to vigorously compete to offer products and services on competitive terms and to pursue innovation and improvements in home loan products and services. New entry and expansion by home loan providers, such as I described in paragraph 58, will generate even further competitive pressure. Competition to supply home loans in Australia will remain intense after the Proposed Acquisition.
102. Suncorp Bank is one of many banks that is included in the reporting that I receive, including as part of the comparison group discussed at paragraph 46(c). As such, Suncorp Bank's home loan offering is a relevant data point that ANZ considers, along with data about other banks and lenders, from time to time, when making decisions about ANZ home loans. However, in the time that I have been in my role, I have not seen ANZ Home Loan's strategy or decisions about pricing, policies, processes, or product features being influenced or driven to any significant degree by Suncorp Bank's home loan offering, or otherwise by Suncorp Bank's presence.

Signed by Douglas John Campbell

on 30 November 2022



Signature of Douglas John Campbell