Restriction of Publication Claimed

STATEMENT IN SUPPORT OF APPLICATION FOR MERGER AUTHORISATION

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED

Applicant

Statement of:	**Adrian Matthew Went**
Address:	833 Collins Street, Docklands, Victoria
Occupation:	Group Treasurer, Australia and New Zealand Banking Group Limited
Date:	28 November 2022

This document contains confidential information which is indicated as follows:

[Confidential to ANZ] [redacted]

Contents

A. INTRODUCTION

1. I am the Group Treasurer of Australia and New Zealand Banking Group Limited (**ANZ**) and I am authorised to make this statement on ANZ's behalf.

2. I make this statement in support of the application by ANZ for authorisation of its proposed acquisition of 100% of the issued share capital in SBGH Limited from Suncorp Group Limited (the **Proposed Acquisition**).

3. I make this statement based on my experience set out in Section B below, my knowledge of ANZ's operations and my review of certain information provided to me by the ANZ personnel and advisors to whom I refer in this statement. Where information is not within my personal knowledge, it is true to the best of my knowledge and belief, and I identify the source of that information.

4. Exhibited to me at the time of signing this statement are the documents marked AW-1, AW-2 and AW-3.

B. EXPERIENCE

5. I have been employed by ANZ since 1999. I have held my current role as ANZ Group Treasurer since June 2018. In that role, I lead the ANZ Group Treasury function (**ANZ Group Treasury**). ANZ Group Treasury has responsibility for ANZ's liquidity, funding and capital management.

6. ANZ Group Treasury sits within the ANZ Finance function, which is part of the ANZ Corporate Centre Division. The Finance function is led by the Chief Financial Officer of ANZ, Farhan Faruqui, to whom I report.

7. I have previously held the following positions during my employment with ANZ:

   (a) between 1999 and 2005, I held various positions within ANZ Group Treasury, ranging from Analyst to Manager;

   (b) between 2005 and 2006, I was a Manager in Market Risk Australia;

   (c) between 2006 and March 2008, I was the Head of Market Risk for ANZ National New Zealand;

   (d) from March 2008 to January 2014, I was the Head of Balance Sheet Management within ANZ Group Treasury;

   (e) from January to December 2014, I was acting ANZ Group Treasurer;

(f) from December 2014 to May 2015, I performed a special regulatory/advisory role, including in relation to the Financial System Inquiry (also known as 'the Murray Inquiry'); and

(g) from May 2015 to June 2018, I was the Global Head of Research and Analysis (Credit and Capital Management Function) for the Financial Institutions Group of ANZ.

8. I obtained a Bachelor of Business (Economics and Finance) from RMIT University in Melbourne, in 1998.

C. WHOLESALE FUNDING – MANAGEMENT AND SOURCES

9. ANZ is funded from a combination of shareholders' equity, customer liabilities (including deposits) and wholesale funding. ANZ's funding mix as at September 2022 is set out in its 2022 Full Year Results Presentation and Investor Discussion Pack. [1]

10. ANZ generally obtains wholesale funding by issuing debt securities to wholesale investors. ANZ is funded by these securities over short and long time horizons:

(a) short-term funding is generally obtained through securities with a maturity that typically ranges from 1 day to 12 months. These securities predominantly consist of US commercial paper (denominated in USD and issued to participants in US short-term debt capital markets), European commercial paper (denominated in Euros and issued to participants in European short term debt capital markets) and negotiable certificates of deposit (denominated in AUD and issued to participants in Australian short term debt capital markets); and

(b) long-term funding is generally obtained through securities such as bonds and notes with a maturity typically exceeding 12 months. This predominantly consists of securities issued both domestically and into offshore markets, which may be denominated in a range of currencies.

11. Debt securities are, broadly, securities issued by ANZ into domestic and international capital markets under which the subscriber or purchaser (usually a 'wholesale investor') provides funds to ANZ, in exchange for ANZ making pre-agreed interest payments under the terms of the security (if the security is interest bearing) and repaying the principal funds under the terms of the security after a pre-agreed period (usually the "maturity" date

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[1] Page 100, available at: https://www.anz.com/content/dam/anzcom/shareholder/2022-full-year-results-investor-discussion-pack.pdf

of the security). Debt securities may also be issued as discounted securities, meaning the security is priced at a discount to the principal amount due at maturity. Wholesale investors are generally sophisticated investors such as investment managers, public sector entities, large corporate institutions and other banks, as distinct from retail investors.

12. In this statement, I use the term "market" to refer to the market in which a particular type of debt is first issued to wholesale investors. After issuance to wholesale investors, debt securities may in certain circumstances also be bought and sold before they mature. The markets in which that trading occurs are referred to as 'secondary' markets. This statement does not address those secondary markets.

13. ANZ Group Treasury is responsible for managing ANZ's wholesale funding sources in a way that:

    (a) effectively manages ANZ's funding and liquidity risk. This means ensuring that ANZ is able to meet its payment obligations when they fall due (such as repaying depositors or wholesale investors) and has the appropriate amount, tenor and composition of funding and liquidity to fund its lending activities. These risks are managed by ANZ Group Treasury in accordance with prudential regulations and internal standards set by ANZ; and

    (b) manages the cost to ANZ of wholesale funding, being the price it pays to debt investors, to the extent possible.

14. Both of these goals are served by ANZ having access to diverse sources of wholesale funding. ANZ's funding and liquidity risk is reduced by ensuring that ANZ has a diversified funding base that avoids undue concentration by investor type, maturity, market source and currency. Further, access to a broader range of investors and market sources enables ANZ to be more selective in where it issues debt, having regard to where it will obtain the optimal terms (including price). I describe the pricing of wholesale funding further below.

D. WHOLESALE FUNDING – PRICING AND COSTS TO ANZ

Pricing of wholesale funding

15. For long-term wholesale funding, generally a debt security when issued (other than discounted securities) carries an interest rate, which is the price paid by the issuer to the investors who hold those securities. The price for these securities is set by the issuer, but is ultimately determined by investor demand in a given market. This is because an issuer determines the price for an issuance by obtaining bids from prospective investors for the

price they are prepared to pay and the volume they are prepared to acquire at that price, in a process known as 'book building'. Those investor bids are not subject to negotiation with an issuer. Based on investor demand (as to both volume and price), the issuer will decide the final price and volume of debt to be issued.

16. For short-term wholesale funding, debt securities are either interest bearing or discounted securities. In offshore markets, the issuer typically indicates, via its program dealer panel, its funding interest (price and tenor) to short term debt investors. In the Australian market, short term debt investors typically approach the issuer with their interest (tenor and volume) and the issuer provides pricing according to its funding needs.

17. For both long-term and short-term funding, the interest rate (or discount for discounted securities) sought by investors ultimately reflects:

    (a) the risk that investors will not be repaid. This risk is based on an assessment by investors of the credit worthiness or credit strength of the issuer. The risk is also influenced by features of the debt security. For example, all else being equal:

        (i) a security with a maturity of 5 years is generally more expensive to an issuer than a security with a 3 year maturity. This is because borrowing for a longer period carries an inherently greater risk that an event may occur which affects the issuer's capacity to repay the debt;

        (ii) a subordinated debt security is generally more expensive to an issuer than a senior debt security. This is because a senior debt security has a higher priority in a winding up of the issuer, and therefore carries lower risk than subordinated debt; and

    (b) the investor's assessment of the price they can obtain from the issuer, having regard to a wide range of factors including demand and supply dynamics in the relevant market. For example, investors may take into account:

        (i) historical pricing obtained by the issuer in the relevant market; and

        (ii) the other markets (i.e. alternative sources of wholesale funding) which are available to the issuer. For example, all else being equal, an issuer who is known to secure funding from a smaller number of markets would expect to pay more for debt in those markets than an issuer who is known to access debt in a wider range of markets.

18. Given the factor explained in paragraph 17(a) above, debt securities issued by banks with higher credit ratings tend to have a lower interest rate than the same securities issued by smaller institutions and/or institutions with a lower credit rating. Both ANZ and Suncorp

Bank publish the credit ratings they receive from the same three credit agencies – Standard & Poors, Fitch and Moody's (the **Major Rating Agencies**). The ratings from each of the Major Rating Agencies for ANZ and Suncorp Bank are also published in ratings reports issued by those agencies. Table 1 below sets out ANZ's and Suncorp Bank's long-term credit ratings from the Major Rating Agencies, current as at the date of this statement. As outlined in **Table 1**, ANZ's long-term credit rating from each of the Major Rating Agencies is one 'notch' higher than the equivalent rating assigned by those agencies to Suncorp Bank. For example, from Fitch, a credit rating of A+ for ANZ is one increment higher on the Fitch ratings scale than a credit rating of A for Suncorp Bank. A "long-term" credit rating relates to long term debt with a maturity of 12 months or more. The term "positive" or "on review for upgrade" is an "outlook" notation which means that the ratings agency may upgrade the credit rating, whereas "stable" indicates that no change is expected.

Table 1: Major Rating Agency long-term credit ratings for ANZ and Suncorp Bank

	ANZ Credit Rating	**Suncorp Bank Credit Rating**
Standard & Poors	AA- (Stable)	A+ (Positive)
Fitch	A+ (Stable)	A (Positive)
Moody's	Aa3 (Stable)	A1 (on review for upgrade)

Indicative pricing for long-term wholesale funding

19. The pricing which is, or is likely to be, obtained by ANZ, Suncorp Bank and other banks for new issuances of long-term debt shifts in accordance with changes in investor sentiment, having regard to the factors I described in paragraph 17 above.

20. For this reason, ANZ Group Treasury continually monitors the likely prices that ANZ would obtain for new issuances in particular markets.

21. As part of this monitoring process, ANZ Group Treasury receives regular reports from ANZ's advisors, such as UBS, on the indicative pricing that the advisors consider ANZ is likely to receive for a new issuance at a point in time.

Pricing differential between ANZ and Suncorp Bank for long-term wholesale debt

22. For the purposes of preparing this statement, I instructed ANZ's Head of Debt Investor Relations (who reports to me) to obtain from the UBS Debt Capital Markets Syndicate team (**UBS**), UBS' indicative pricing for:

(a) new issuances of:

(i) senior debt denominated in AUD, with a maturity of 3 years and, separately, with a maturity of 5 years; and

(ii) senior debt denominated in USD, with a maturity of 3 years and, separately, with a maturity of 5 years;

(b) over the period from January 2016 to October 2022; and

(c) for both ANZ and Suncorp Bank, showing the differential in price between them for the securities and period above.

23. I consider that the senior debt securities referred to in paragraph 22(a) enable a representative comparison of the pricing differential between ANZ and Suncorp Bank for debt securities.

24. Exhibit "AW-1" is a spreadsheet prepared by UBS and provided to me containing the analysis above. In relation to that spreadsheet, I note that:

(a) the spreadsheet contains three worksheets, titled “Historical A$ Pricing (BBSW+)”, “Historical US$ Pricing (UST+)”, and “Historical US$ Pricing (BBSW+)”;

(b) in each worksheet, the indicative pricing is presented in a table on the left hand side of the worksheet, and that data is used to produce four graphs on the right hand side of the worksheet;

(c) in each worksheet, the indicative pricing is expressed as a margin (called a 'spread') above a benchmark rate, rather than being expressed as an absolute interest rate. For the securities denominated in AUD (addressed in the worksheet titled “Historical A$ Pricing (BBSW+)”, the benchmark is the 3-month Australian Bank Bill Swap Rate (**BBSW**). For example, as at 19 August 2022, UBS' indicative pricing for 3-year senior debt denominated in AUD was 79 basis points above the 3-month BBSW for ANZ, and 93 basis points above that benchmark for Suncorp Bank. For the securities denominated in USD, the indicative pricing includes a spread to "UST" (meaning the benchmark price for securities issued by the United Stated Treasury) (addressed in the worksheet titled “Historical US$ Pricing (UST+)”) and to the 3-month BBSW (addressed in the worksheet titled “Historical US$ Pricing (BBSW+)”);

(d) the column titled "Diff." refers to the differential between UBS' indicative prices (that is, the margins described above) for ANZ and Suncorp Bank. As can be seen by this column in the table in each worksheet, ANZ's indicative pricing is consistently lower than the indicative pricing for Suncorp Bank; and

(e) the column titled "actual spread / landing outcome" sets out the actual prices achieved by any major bank ("major primary") and Suncorp Bank ("SUN primary") for new issuances of the debt securities. In this statement, I use the term "major banks" to refer to ANZ, CBA, NAB and Westpac. The analysis includes actual prices for all major banks, and not just ANZ, because debt issued by each of the major banks typically attracts the same pricing from investors. In some cases, there are minor differences between these actual prices and UBS' indicative prices, meaning that UBS' estimate of likely pricing differed slightly from the actual pricing achieved in an issuance.

25. Figures 1 and 2 below are reproduced from Exhibit AW-1, and show the pricing differential between ANZ and Suncorp Bank for the debt securities and period described above. In the first graph, for example, a differential of 20 basis points ("bps") at a point in time means that the UBS indicative price for a new issuance of 3-year senior bond (AUD) by Suncorp Bank was 20 basis points (or 0.20 percentage points) higher than the equivalent price for ANZ.

Figure 1: 3-year pricing differential - AUD

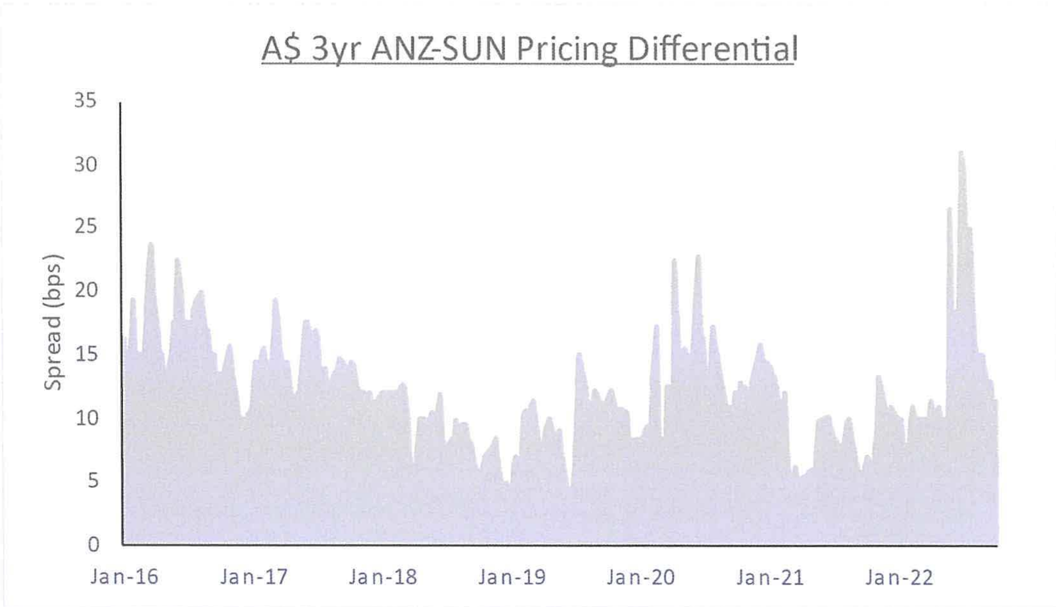


Figure 2: 5-year pricing differential - AUD

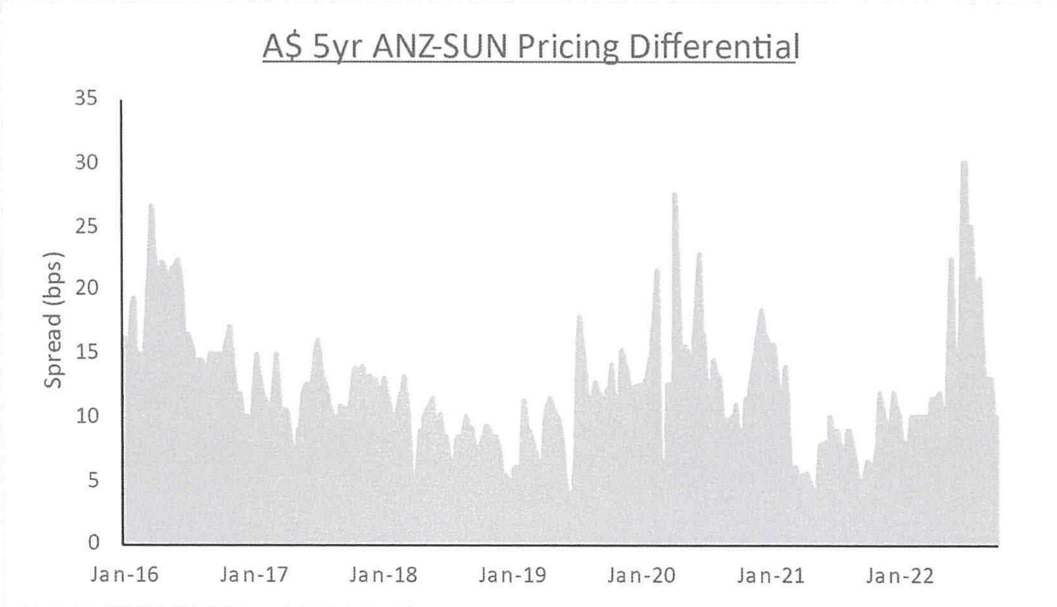


Figure 3: 3-year pricing differential – USD (UST)

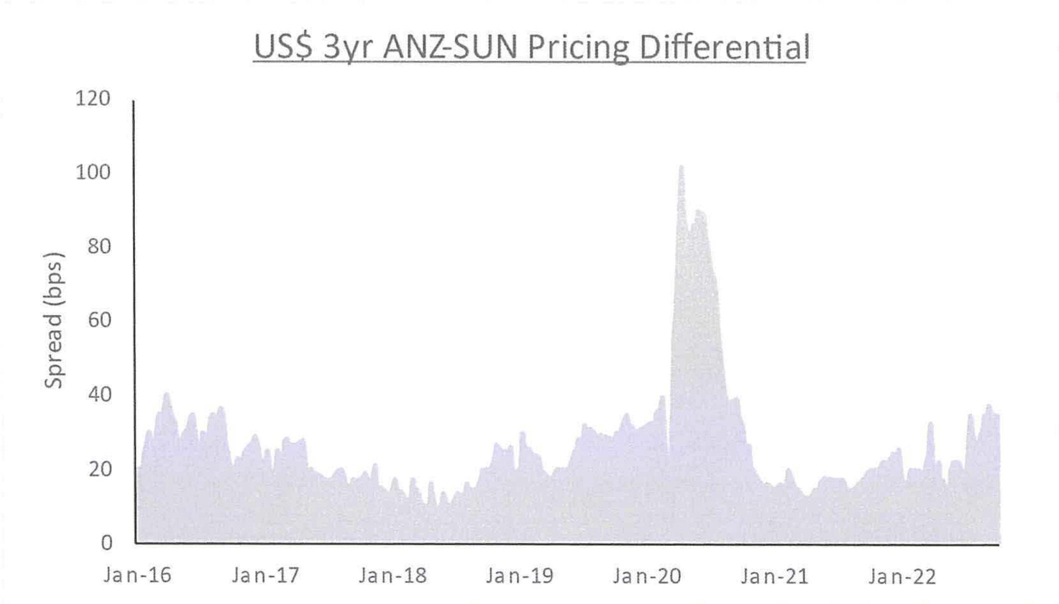
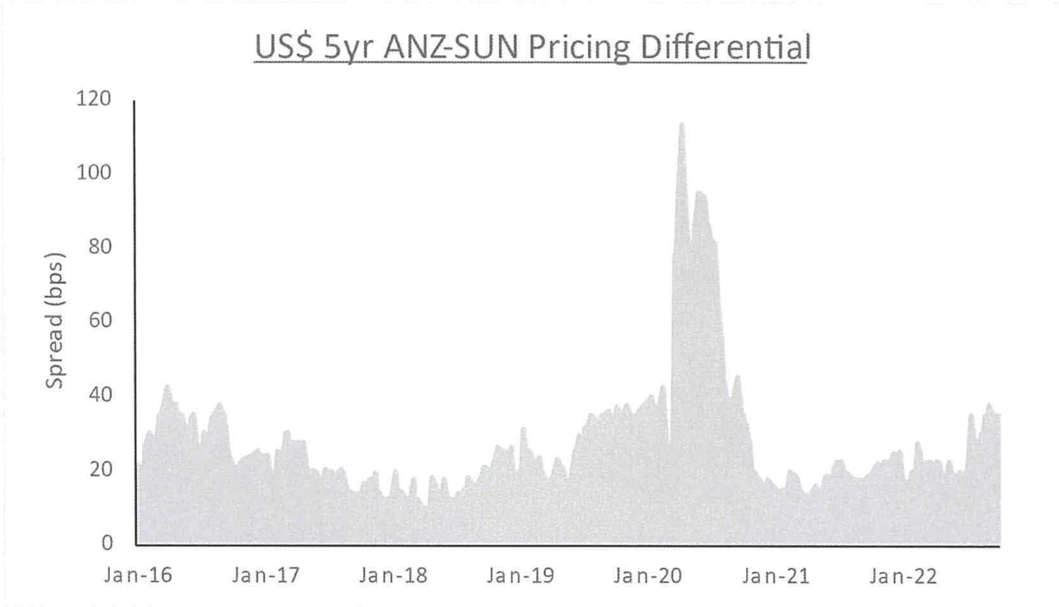


Figure 4: 5-year pricing differential – USD (UST)



26. I note that the indicative and actual pricing for Suncorp Bank after 18 July 2022 is likely to have been influenced by the announcement by ANZ and Suncorp Bank of the Proposed Acquisition on that date. Following that announcement, each of the Major Ratings Agencies announced that they were placing Suncorp Bank's credit rating on a "positive" outlook, which they each expressly attributed to the possible completion of the Proposed Acquisition. Exhibit "AW-2" is a bundle of copies of these announcements.

27. This improved rating profile for Suncorp Bank is likely to have influenced the pricing of Suncorp Bank long-term debt securities, as is particularly evident in the data for Figures 1 and 2 above (AUD issuances), given the Proposed Acquisition may complete before maturity of those securities

Suncorp Bank pricing if Proposed Acquisition completes

28. If the Proposed Acquisition proceeds, I understand that Suncorp Bank would initially continue to obtain wholesale funding as a distinct issuer, via the Suncorp Bank Treasury function (**Separation Period**).

29. All else being equal, I expect that the price Suncorp Bank could obtain for long-term wholesale debt during the Separation Period would be lower than if Suncorp Bank remained owned by Suncorp Group. This is because:

    (a) I expect that the pricing of that debt by investors would reflect an assumption that ANZ, as owner of Suncorp Bank, would support Suncorp Bank in the event that it faced financial difficulties; and

(b) as explained above, ANZ has, and I expect that it would continue to have, stronger credit ratings than Suncorp Bank from each of the Major Rating Agencies.

30. It is not possible for me to reliably predict the precise extent to which Suncorp Bank's wholesale funding costs will reduce during the Separation Period, as this will depend on investor demand at the time, having regard to the dynamics I described at paragraph 17 above.

31. [Confidential to ANZ] [redacted]

32. I do not anticipate that the acquisition of Suncorp Bank would impact ANZ's credit rating or cost of funds.

Access to funding during periods of financial stress

33. In periods of financial stress, such as during the Global Financial Crisis (**GFC**), there is a risk that wholesale investors will withdraw or reduce the funding they provide to financial institutions. In my view, the likelihood of this occurring is greater for non-major banks such as Suncorp Bank, than it is for major banks such as ANZ.

34. I consider the GFC is a relevant example of how a period of financial stress can affect funding markets. The GFC had a significant impact on banks' access to funding, which resulted in the introduction of a government guarantee scheme in Australia (as well as in other jurisdictions).

35. In November 2008, the Australian Government introduced a temporary scheme under which eligible authorised deposit-taking institutions (**ADIs**) could apply to have certain senior debt securities (among other liabilities) guaranteed by the Australian Government (the **Funding Guarantee Scheme**). The Funding Guarantee Scheme closed to new liabilities, including new issuances of senior debt, in March 2010.

36. The Funding Guarantee Scheme was voluntary. It was a matter for each eligible ADI to decide whether to issue senior debt securities that were guaranteed under the Funding Guarantee Scheme, in accordance with the rules published on the Australian Government website for the scheme at https://www.guaranteescheme.gov.au/rules/.

37. Under those rules, ADIs which decided to issue securities subject to the Funding Guarantee Scheme were required to pay a monthly fee. The fee for an ADI was calculated based on the ADI's long-term credit rating and the quantum of the ADI's

outstanding liabilities that were guaranteed under the scheme. The fee was lower for ADIs with a long-term credit rating that was equal to or better than a prescribed rating, while higher fees applied to ADIs that had lower quality ratings.

38. This fee structure meant that, in deciding whether to issue senior debt securities covered by the Funding Guarantee Scheme, an ADI ought to have compared the following:

    (a) the price that any wholesale investors would be willing to pay, if any, for debt securities that were not subject to the scheme (i.e. securities that were not government-guaranteed and therefore carried higher risk); and

    (b) the price that wholesale investors would be willing to pay for debt securities that were subject to the scheme (i.e. that were government-guaranteed), plus the cost of the monthly fee that would apply under the scheme.

39. For the purposes of preparing this statement, I instructed ANZ's Head of Debt Investor Relations to obtain an analysis from UBS showing the extent to which major banks and certain other banks relied on the Funding Guarantee Scheme. Exhibit "AW-3" is a spreadsheet prepared by UBS, based on Bloomberg data available to UBS. In relation to that spreadsheet, I note that:

    (a) the spreadsheet contains three worksheets, titled "Chart Output", "Raw Data" and "Lookup";

    (b) the worksheet titled "Raw Data":

        (i) lists all new issuances of senior debt securities:

            A. with a maturity equal to or exceeding 1.5 years, issued from 2008 to 2010 (inclusive);

            B. issued by the major banks (with issuer tickers CBAAU, ANZ, NAB, WTSP in the column titled "TICKER") and a selection of other banks, labelled "Regional" banks (in the column titled "Type"), for ease of reference. The banks included in the "Regional" bank analysis are Suncorp Bank, AMP, Bank of Queensland, Bendigo and Adelaide Bank and Macquarie (with issuer tickers SUNAU, AMPAU, BQDAU, BENAU and MQGAU in the "TICKER" column). The Macquarie data excludes issuances by Macquarie Group and Macquarie Structured Europe (being Macquarie entities based outside of Australia);

        (ii) for each such issuance, identifies – among other information – the name of the issuer ("Issuer" column), whether the issuer is a "major" or "Regional" bank

("Type" column), and whether the issuance was subject to the Funding Guarantee Scheme ("Collateral" column). In the column titled "Collateral", the label "GGB" (meaning government-guaranteed bond) indicates that an issuance was subject to the scheme, while "non-GGB" indicates that an issuance that was not subject to the scheme;

(c) based on the data in the "Raw Data" worksheet", the worksheet titled "Chart Output" presents:

(i) under the heading "Major Banks", tables containing the GGB, non-GGB and total issuances, respectively, by major banks. There are four tables, separately presenting the data by annual issuance volume ("A$m" by "Year"), annual issuance proportion ("%" by "Year"), quarterly issuance volume ("A$m" by "Qtr"), and quarterly issuance proportion ("%" by "Qtr"). The two tables containing the quarterly data are then used to produce two corresponding graphs on the right hand side of the worksheet;

(ii) under the heading "Regional Banks", equivalent tables and charts for the banks categorised as "Regional";

(iii) under the heading "ANZ vs SUN", four tables containing the GGB, non-GGB and total issuances, respectively, for each of ANZ and Suncorp Bank. The tables present the same categories of data as for major banks and "Regional" banks outlined above, except that they compare ANZ and Suncorp Bank issuances in particular. The tables are then used to produce four charts at the end of the worksheet, depicting ANZ and Suncorp Bank issuances by annual and quarterly volume ("ANZ vs SUN Funding A$m") and by proportion ("ANZ Funding (% Total)" and "SUN Funding (% Total)").

40. Figures 5 and 6 below reproduce two of the charts from the "Chart Output" worksheet of Exhibit AW-3, which summarise the proportion of issuances that were subject to the Funding Guarantee Scheme, for the major banks and the "Regional" banks.

Figure 5: proportion of major bank issuances subject to Funding Guarantee Scheme

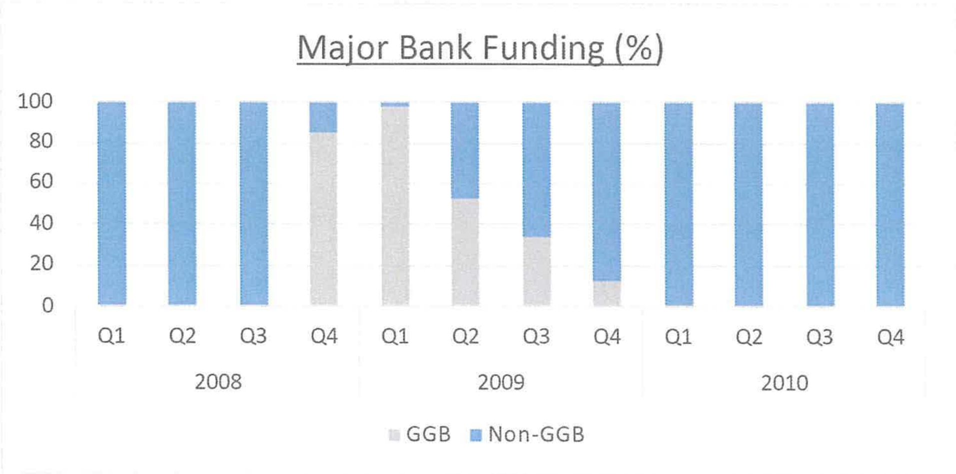
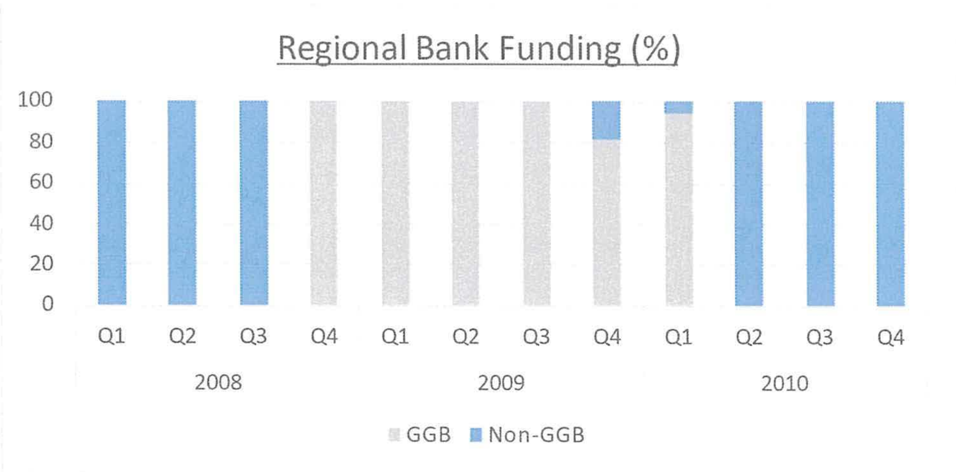


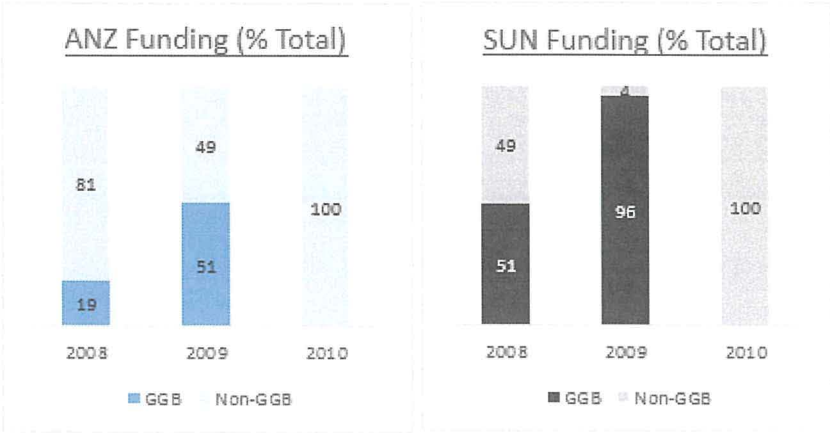
Figure 6: proportion of "Regional" bank issuances subject to Funding Guarantee Scheme



41. The charts above show that the banks categorised as "Regional" banks had a much greater reliance, and more extended reliance, on the Funding Guarantee Scheme as a source of funding, compared to the major banks.

42. As I noted at paragraph 39(c)(iii) above, Exhibit AW-3 also compares the reliance by ANZ and Suncorp Bank, in particular, on the Funding Guarantee Scheme, which is consistent with the broader trend for the major and "Regional" banks. Figure 7 below is reproduced from Exhibit AW-3, which compares the proportion of issuances subject to the Funding Guarantee Scheme for ANZ and Suncorp Bank:

Figure 7: proportion of ANZ and Suncorp Bank issuances subject to Funding Guarantee Scheme



43. In my view, this example illustrates that, during periods of financial stress such as the Global Financial Crisis, non-major banks such as Suncorp Bank (while owned by Suncorp Group) are likely to find it more challenging to secure wholesale funding, and/or face proportionately greater price increases for wholesale funding, compared to major banks.

44. If the Proposed Acquisition proceeds, during the Separation Period, Suncorp Bank is likely to have a greater assurance of continued access to wholesale funding during periods of financial stress, compared to if Suncorp Bank remained owned by Suncorp Group. This is because I expect that debt investors would assume that ANZ, as owner of Suncorp Bank, would support Suncorp Bank in the event that it faced financial difficulties.

45. As I explained above, after the Separation Period, [Confidential to ANZ] [redacted], meaning that the merged entity would have the full benefit of ANZ's funding access as a major bank.

46. I do not anticipate that the acquisition of Suncorp Bank would impact ANZ's access to funds.

Impact of lower funding costs and greater assurance of funding

47. If Suncorp Bank's funding costs reduce in the sense I have described at paragraphs 29 to 31 above, then Suncorp Bank would be a more efficient (lower-cost) supplier of lending products to its customers, compared to if it remained owned by Suncorp Group. This is because:

(a) during the Separation Period, Suncorp Bank would have a lower cost of wholesale funding than if it remained owned by Suncorp Group; and

(b) after the Separation Period, the merged entity would have the full benefit of ANZ's wholesale funding costs as a major bank. ANZ's cost of funding would be lower than Suncorp Bank's cost of funding if it remained owned by Suncorp Group and may also be lower than Suncorp Bank's cost of funding during the Separation Period.

48. I am not able to comment on whether these funding cost savings would be passed onto customers in the form of lower prices, because that would depend on decisions for which I am not responsible.

49. Similarly, if Suncorp Bank had a greater assurance of access to wholesale funding in the sense I described at paragraph 44 above, then Suncorp Bank would be in a better position to maintain lending to customers during periods of financial stress, compared to if it remained owned by Suncorp Group. This is because:

    (a) during the Separation Period, Suncorp Bank would have a greater assurance of access to wholesale funding than if it remained owned by Suncorp Group; and

    (b) after the Separation Period, the merged entity would have the full benefit of ANZ's access to funds as a major bank, which is more assured than Suncorp Bank's access as part of Suncorp Group and may be more assured than Suncorp Bank's access during the Separation Period.

Signed by Adrian Matthew Went

on 28 November 2022

[redacted]

Signature of Adrian Matthew Went