

Restriction of Publication Claimed

STATEMENT IN SUPPORT OF APPLICATION FOR MERGER AUTHORISATION

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED

Applicant

Statement of: **Guy Samuel Mendelson**

Address: 833 Collins Street, Docklands, Victoria

Occupation: Managing Director, Business Owners Portfolio, Australia Commercial Division,
Australia and New Zealand Banking Group Limited

Date: 1 December 2022

This document contains confidential information which is indicated as follows:

[Confidential to ANZ]: [REDACTED]

Contents

Document number	Details	Paragraph	Page
1.	Statement of Guy Samuel Mendelson dated 1 December 2022	1 to 73	2 to 15

Restriction of Publication Claimed

A. INTRODUCTION

1. I am the Managing Director, Business Owners Portfolio of Australia and New Zealand Banking Group Limited (**ANZ**). The Business Owners Portfolio is part of the Australia Commercial Division of ANZ (**ANZ Commercial**). My position internally is Portfolio Lead, Business Owners. 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, and on my review of the business records of ANZ which are available to me in my current role.
4. In preparing this statement, I also consulted with the Business Lending Lead ([Confidential to ANZ] ██████████), the Head of Merchant Partnerships and Solutions ([Confidential to ANZ] ██████████), Head of Commercial Cards ([Confidential to ANZ] ██████████), Director, FX Sales ([Confidential to ANZ] ██████████) and Digital & Innovation Tribe Lead ([Confidential to ANZ] ██████████). Some of the information in this statement was extracted from ANZ's business records 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. This statement contains information that is confidential to ANZ and its related entities. Disclosure of that confidential information would cause prejudice to ANZ and its related entities.

B. ROLE AND EXPERIENCE

My role at ANZ

6. ANZ Commercial is made up of the Business Owners Portfolio and the Commercial and Private Banking businesses. I am responsible for managing the Business Owners business Portfolio, while Isaac Rankin is responsible for managing the Commercial and Private Banking business.
7. I have held the position of Portfolio Lead, Business Owners since about May 2019.
8. In my role, my responsibility includes:
 - (a) together with Isaac Rankin, setting the strategy of ANZ Commercial;
 - (b) ensuring that ANZ's commercial product proposition is competitive and meets our customers' needs;
 - (c) ensuring that we manage and utilise data effectively to enhance our service proposition and to manage remediation and compliance;
 - (d) guiding the digital transformation of commercial banking products and systems; and
 - (e) overseeing partnerships and joint ventures involving ANZ Commercial.
9. The Business Owners Portfolio also has a role in relation to technology procurement and management. While delivering and implementing technology is the responsibility of, the Chief Information Officer, the budget for technology spend relevant to ANZ Commercial is managed by the division. As such, the Business Owners Portfolio has a role in ensuring the technology and associated spend is appropriate.

Restriction of Publication Claimed

10. I report to the Group Executive, Commercial. This position is currently vacant, and the role is being performed by the ANZ Group Chief Executive Officer.

Prior experience and qualifications

11. I commenced my employment with ANZ in 1999. Prior to my current role, I held the following positions with ANZ:
- (a) Customer Acquisition Manager, ANZ Internet Banking and ANZ E*Trade from July 1999 to August 2000;
 - (b) Senior Online Marketing Manager, Credit Cards and Personal Loans from September 2000 to September 2002;
 - (c) Head of Marketing, Consumer Credit Cards and Personal Loans from October 2002 to June 2005;
 - (d) Head of Personal Loans from July 2005 to April 2007;
 - (e) Head of Commercial Cards from May 2007 to September 2009;
 - (f) Head of Small Business Bank, Victoria and Tasmania from October 2009 to March 2013;
 - (g) Executive Director, Wholesale Credit from April 2013 to June 2014;
 - (h) District Executive, Inner East, Business Bank from July 2014 to July 2015;
 - (i) Head of Business Bank, Victoria from August 2015 to August 2016;
 - (j) General Manager, Asset Finance, Commercial Broker and Transaction Banking from September 2016 to September 2017; and
 - (k) General Manager, Small Business Bank from October 2017 to about April 2019.
12. I hold a Bachelor of Business from the Victorian University of Technology.

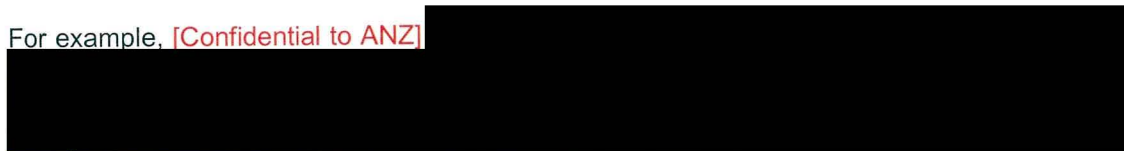
C. STRATEGY OF ANZ COMMERCIAL AND THE ROLE OF THE BUSINESS OWNERS PORTFOLIO

13. The FY23-25 strategy for ANZ Commercial was provided to, and approved by, the ANZ Board in July 2022. This strategy will guide the Business Owners Portfolio, and ANZ Commercial more generally, for the next three years.
14. Under the ANZ Commercial strategy, ANZ's goal is to be the leading bank for small-to-medium Australian businesses looking to start, run or grow. I refer to these businesses as "commercial customers" or "business customers", or (to the extent that such businesses are customers of ANZ Commercial) "ANZ Commercial customers".
15. ANZ Commercial has four customer focused segments, which are each led by a dedicated General Manager (GM): Small Business Banking (**SBB**), Business Banking (**BB**), Specialist Distribution (**SD**) and Private Banking (**PB**). I have read the description of ANZ Commercial, and these segments, in the statement of Isaac Rankin dated 30 November 2022 (**Rankin Statement**) at paragraph 15, and agree with that description.
16. ANZ Commercial seeks to achieve its goal by being the best at anticipating and responding to customer needs. [Confidential to ANZ] [REDACTED]

Restriction of Publication Claimed



17. The Business Owners Portfolio's role in delivering this strategy includes responsibility for:
- (a) designing and developing propositions and campaigns;
 - (b) managing most of the products and services offered to ANZ Commercial customers (some products and services offered to ANZ Commercial customers are drawn from ANZ's Australia Retail and Australia Institutional Divisions);
 - (c) undertaking research and analysis so that ANZ Commercial can better understand and address customers' needs which allows it to:
 - i. refine its existing customer product/service offering or develop a new customer product/service offering; and
 - ii. ensure it is effectively servicing its customers;
 - (d) designing, building and developing digital capabilities, such as digital loan origination; and
 - (e) otherwise investing in improving the customer journey (by which I mean the process that a person must follow to become an ANZ Commercial customer, apply for, obtain and use ANZ's banking products).
18. As part of this work, the Business Owners Portfolio monitors and benchmarks its product and service offering against other players who offer comparable products and services. This includes consideration of the products (including features of those products) offered by domestic providers, as well as trends in international markets to identify products and propositions that could be introduced in Australia in the future.
19. For example, [Confidential to ANZ]



Restriction of Publication Claimed

D. BANKING PRODUCTS SUPPLIED BY ANZ COMMERCIAL

20. At a broad level, most businesses' banking needs are met by one or more of the following products:
- (a) a transaction account that will enable them to manage their day-to-day transactions, and a savings account and/or term deposit to earn interest on any cash on hand that does not need to be immediately used for the business;
 - (b) a business loan that will enable them to manage working capital so that they have cash available for the business, as well as to secure funding for business investments (e.g. to purchase commercial property) and costs;
 - (c) a commercial credit card, which will be used for business expenses and working capital management tool; and
 - (d) a merchant service that will enable them to receive payments from customers at the point of sale.
21. For a smaller group of businesses, their needs may extend beyond the above. For example, some commercial customers may require more sophisticated, banking products due to the complexity of their businesses (e.g. foreign exchange hedging products).
22. The banking products and services offered by ANZ to commercial customers are summarised in this section. These products and services are available to customers across Australia on the same terms and conditions.

Transaction accounts and other deposit products

23. Transaction accounts enable businesses to conveniently withdraw and deposit funds or make purchases on a regular basis. Those accounts earn little or no interest, as they are designed for daily use rather than as an investment account. Savings accounts offer a higher rate of variable interest, but with greater limits on everyday functionality than transaction accounts. Term deposits offer customers a fixed interest rate for a fixed term. Term deposits are price driven and offer interest rates which are typically higher than savings accounts, but funds are not readily available until the end of the fixed term (without the customer incurring a fee and foregoing full or partial interest).
24. As explained at paragraph 20, businesses need a transaction account for everyday banking, and may need a savings account and/or term deposit to earn interest on any cash the business does not immediately need to use. To satisfy these needs, ANZ Commercial currently offers the following transaction, savings and term deposit accounts to business customers:
- (a) **Business Essentials:** a transaction account with no monthly service fee, with a nominal interest rate offered on funds held of \$5,000 or more. The account has a limit on ATM and electronic transactions per month, after which point transaction fees apply.
 - (b) **Business Advantage:** a transaction account that allows unlimited ANZ transactions for a \$10 monthly account service fee, with no interest paid on funds deposited into the account. The Business Advantage account includes an optional linked overdraft with standard pricing.
 - (c) **Business Extra:** a transaction account with similar features to Business Advantage, although the ANZ Business Extra account has a \$22 monthly account service fee and includes an optional linked overdraft with personalised pricing.

Restriction of Publication Claimed

- (d) **Business Online Saver:** a savings account that allows customers to earn interest on business savings of \$5,000 or more, at a higher rate than the Business Essentials transaction account. It allows unlimited transactions, but it must be linked to one of the transaction accounts listed above and is an online-only account.
 - (e) **Business Notice Term Deposit:** a deposit product offering a fixed rate of return over an agreed term, with interest paid annually, at maturity, or as negotiated with a customer for deposits over \$99,999. Funds cannot be accessed prior to the end of the term, unless the customer provides 31 days' notice, pays an early withdrawal fee and incurs an interest reduction in respect of the money withdrawn or transferred early.
25. In addition to the products above at paragraph 23, ANZ Commercial offers a number of specialist products to specific types of clients:
- (a) **Statutory trust accounts:** these are specialist transaction accounts for real estate agents, conveyancers and solicitors to hold funds in trust for their clients. No interest is paid to customers but interest is paid to applicable state-based regulatory bodies in accordance with applicable laws.
 - (b) **Farm management deposit (FMD) accounts:** these are accounts which qualify for certain tax concessions under a government initiative that helps primary producers cope with uneven cash flows. ANZ offers a savings FMD account, where funds are available at-call with a variable interest rate, and a term deposit FMD account, where funds are available at the end of a fixed term with a higher, fixed rate of interest.
 - (c) **Negotiator Investor account:** this is a savings account which is offered to high-net-worth individuals who are business customers, yielding a relatively high rate of interest. Unlike the other products above, this product is not generally advertised by ANZ and is only offered when negotiating directly with the customer.

Lending products

Types of lending products

26. Businesses typically require access to lending products to manage working capital, as well as to make larger purchases. ANZ Commercial offers four types of lending products to commercial customers:
- (a) working capital management;
 - (b) term debt (both index-linked and market-rate linked);
 - (c) asset finance; and
 - (d) indemnity guarantee facilities. Strictly speaking, indemnity guarantee facilities are not lending products, although a debt becomes payable if the guarantee is called upon.
27. In addition to these four types of lending products, commercial customers may also require commercial credit cards. Commercial credit cards are used as a payment method, as a tool for working capital management, and as a source of finance for business purchases. A smaller group of customers with specific requirements may also require specialised products. Commercial credit cards are managed by ANZ's Australia Retail Division, and some specialised products are managed by ANZ's Institutional Division.

Restriction of Publication Claimed

Working capital management

28. Working capital lending products are typically overdraft style products. Overdraft products allow a business to access a line of credit up to a specified amount. ANZ Commercial currently offers four working capital products, [Confidential to ANZ] [REDACTED]
29. Overdraft style products are offered in conjunction with a deposit transaction account, and so could be described as a feature of a transaction account. For example, every overdraft is linked to a transaction account, and the overdraft is a feature of the account to allow customers to manage their working capital and short term cashflow needs (which can be positive or negative at any given point). However, working capital products are separate products in the sense that they satisfy a particular customer need which is not met by a standalone transaction account, which is to manage day-to-day cash flow. This need can also be managed through other products such as loans or commercial credit cards.
30. Table 1: Working capital products - key features in the schedule to this statement is a table of key product features for ANZ's working capital products that the Tribe Lead, Business Lending has prepared, and which I have reviewed and believe is correct. In that schedule:
- (a) "regulated lending" means lending that is regulated by the *National Consumer Credit Protection Act 2009* (Cth) including the National Credit Code; and
 - (b) "unregulated lending" means lending that is not regulated by the *National Consumer Credit Protection Act 2009* (Cth) including the National Credit Code.

Term loan products

31. There are two key types of term loan (also known as "term lending" or "term debt") products which differ primarily based on how the underlying interest rate is calculated.
32. An index-linked term lending product is a loan where the interest rate is linked to a proprietary index which is published by ANZ. ANZ Commercial currently offers one index-linked term loan product. This is the ANZ Business Loan, which allows customers to obtain funding for a fixed term. A variation of this product is the ANZ Business Loan for Personal Investment which facilitates the purchase of commercial property or other asset by an individual for a 'personal investment' purpose (i.e. income producing).
33. Historically, ANZ also offered term loan products such as the Agribusiness Loan, Business Mortgage Loan and Business Saver Loan, but these products are no longer available as they were largely performing the same function with the same features as the ANZ Business Loan.
34. Term loan products are typically used by customers to purchase something, rather than for day-to-day operational working capital expenses.
35. There are different options and features for index-linked term loan products, including where:
- (a) customers can opt for either fixed or variable rate products;
 - (b) customers can choose to make repayments in advance or in arrears and may choose different repayment frequencies (for example, monthly, quarterly, semi-annually etc); and
 - (c) term debt products may be structured with seasonal payment structures, for example, to cater for the variability of agribusiness cash flows.

Restriction of Publication Claimed

36. A second type of term lending product is “market-rate” linked term loan products. These products have their interest rates linked to particular market benchmark rates, for example the Bank Bill Swap Bid Rate (**BBSY**). At ANZ, these are generally only offered to larger customers in our BB or SD segments. Some customers prefer a market-rate linked interest rate to an index-linked interest rate as they believe it provides improved price transparency. ANZ’s primary offering is the Tailored Commercial Facility (**TCF**) which allows multiple underlying loans to be drawn under an overall facility limit. Similar features are offered under TCF as for the ANZ Business Loan, for example, payments can be fixed or variable, they can be in arrears or in advance or they may have different repayment frequencies.
37. Other types of market-rate products are commercial bill facilities. Interest rates for these products are also linked to BBSY and the bills “roll over” on certain nominated dates, for example each quarter, at which time the interest rate is reset for the next period based on the current BBSY rate at that time. The primary difference is that under a bill facility, the customer receives the face value of the bill discounted by the interest rate upfront for the period until roll-over of the bill and the customer does not have ongoing interest payment obligations, although the customer needs to repay the face value of the bill on each roll over date. ANZ’s offering currently includes the ANZ Tailored Business Facility (**TBF**) and the ANZ Commercial Bill Facility (**CBF**).
38. Table 2: Term debt products - key features in the schedule to this statement is a table of key product features for ANZ’s term lending products that the Tribe Lead, Business Lending has prepared, and which I have reviewed and believe is correct.

Asset finance products

39. Asset finance products are products that allow the customer to purchase, lease or hire, and are secured against, a specific asset. There are three main types of asset finance products:
- (a) **Chattel mortgage**, which is a secured loan against an asset and involves the customer making regular repayments over a fixed term. Customers obtain ownership of the asset from the date of purchase, and the asset is used as security for the loan. Chattel mortgages account for [Confidential to ANZ] of ANZ Commercial’s front book (or new business writing) volumes for asset finance.
 - (b) **Hire purchase**, which involves the customer hiring the asset from the bank and paying regular instalments. The customer does not own the asset until all repayments have been made. Historically, there were tax advantages to hire purchase arrangements, but these tax benefits are largely no longer available. A chattel mortgage structure generally satisfies most of the same customer needs that a hire purchase does which is why the chattel mortgage is currently the dominant product.
 - (c) **Finance lease**, which involves the bank buying the asset on behalf of the customer, and leasing the asset to the customer. At the conclusion of the agreed lease term, the customer can return the asset which will be sold at auction or make an offer to purchase the asset. If the customer returns the asset to ANZ for disposal in the marketplace and the net sale price is less than the agreed residual value, it is the customer’s responsibility to make up the shortfall. If ANZ accepts the customer’s offer to purchase the asset, ANZ may also consider financing that purchase.
40. Two other common types of asset finance products are operating leases (which are a type of rental agreement) and novated leases (which are tri-partite arrangements between a borrower’s employer, the novated lease financier, and the borrower). These products are not offered by ANZ Commercial, but can be substituted with other asset finance products depending on the customer’s needs and preferences.

Restriction of Publication Claimed

41. Different structures and payment plans are available for each asset finance product. However, most asset finance products are fixed rate lending products with a fixed term and with a defined amortisation (i.e. repayment) schedule agreed with the customer at the outset.
42. Asset finance is available to all customers through ANZ's proprietary channels, to existing customers of ANZ, and customers who have simultaneously applied for other ANZ products through the broker channel.
43. Table 3: Asset finance products - key features in the schedule to this statement is a table of key product features for ANZ's asset finance products that the Tribe Lead, Business Lending has prepared, and which I have reviewed and believe is correct.

Indemnity guarantees

44. Indemnity guarantees, often called "bank guarantees", are a product that allows customers an alternative to providing a deposit or bond directly to a supplier, vendor or landlord. It gives that third party certainty that ANZ will pay them if they present the bank guarantee instrument to ANZ. If the third party makes a demand on the guarantee, ANZ pays the third party and then recovers the payment from the ANZ Commercial customer.
45. ANZ Commercial offers two types of guarantees, offered under a facility structure:
 - (a) **Indemnity guarantee facility:** This is a facility which allows a customer to request ANZ to issue one or more bank guarantee instruments to third parties up to a facility limit. Bank guarantee instruments are a widely accepted formal financial obligation on ANZ to pay the holder of the instrument a defined sum upon receipt of a demand. Once issued by ANZ, the instrument is an agreement between ANZ and the Favouree, not ANZ and its customer (but ANZ continues to have a separate facility with the ANZ Commercial customer that entitles ANZ to recover any payment made to the instrument holder from the ANZ Commercial customer).
 - (b) **Cash cover indemnity guarantee facility:** This product operates in the same manner as an indemnity guarantee facility but it is a specific type of facility that is 100% secured with the customer's cash. The cash security must be held in a specific "Indemnity Guarantee Facility Account". Cash cover indemnity guarantee facilities are only sold in ANZ's SBB segment.
46. Table 4: Indemnity guarantees - key features in the schedule to this statement is a table of key product features for ANZ's indemnity guarantee facilities that the Tribe Lead, Business Lending has prepared, and which I have reviewed and believe is correct.

Commercial credit cards

47. Commercial credit cards are financial products that work as a payment solution (that is, a means for commercial customers to pay suppliers) and a lending solution (that is, a means for commercial customers to obtain finance). They provide working capital solutions to customers, with interest free days and additional benefits, such as rewards (for example, gift cards, cash back, goods from selected merchants or airline points from a variety of airlines).
48. ANZ Commercial currently offers two types of commercial credit cards to business customers: business credit cards and corporate cards.
49. There are four types of business credit cards, which differ based on their pricing, rewards and other benefits. Business credit cards are credit cards issued to businesses, and the card holders linked to the account are typically individuals who work in the business. The current business credit cards offered by ANZ Commercial are:

Restriction of Publication Claimed

- (a) **ANZ Business Black** which offers the greatest range of benefits of any ANZ commercial credit card, with the payment of an annual fee. Its benefits include uncapped rewards points with the highest 'earn rate' (i.e. points earned per \$1 spent on eligible purchases) of any business credit card offered by ANZ to commercial customers, premium travel insurance benefits and up to 55 interest free days on purchases;
 - (b) **ANZ Business Rewards Options** which also offers uncapped rewards points, but with a lower earn rate, 40 day interest free period and an annual card fee lower than ANZ Business Black. It has the same interest rates as ANZ Business Black;
 - (c) **ANZ Business 55 Interest Free Days** which offers up to 55 interest free days on purchases, but does not offer rewards. It has a lower annual card fee and interest rates than ANZ Business Rewards Options; and
 - (d) **ANZ Business Low Rate** which is the simplest card offered by ANZ Commercial, with no rewards or interest free period. It has the lowest annual card fee and interest rates of any of the business credit card offerings.
50. ANZ Commercial also offers a range of corporate cards, which are credit cards that are issued to employees of the commercial customer, but which the commercial customer is responsible for paying for. Corporate cards allow businesses to manage low value purchases and travel expenses. Corporate cards are used by medium to large organisations. The current corporate cards offered by ANZ Commercial are:
- (a) **ANZ Corporate Card**, which provides a convenient way for businesses to manage travel and other expenses by enabling the business to have them issued to employees that need to make those purchases at the business's expense;
 - (b) **ANZ Visa Purchasing Card**, which is designed for businesses that need to have a number of cardholders who make frequent, low value purchases and offers a flexible buying tool that could be used to automate and streamline the procure-to-pay process;
 - (c) **ANZ Virtual Card**, which allows employees to make purchases using the same card number without the need for each employee to have an individual plastic card;
 - (d) **ANZ Travel Account**, which is a centralised billing account, using a virtual card lodged with a travel management company; and
 - (e) **ANZ Single Use Card**, which is 16-digit Visa virtual/digital card number issued on a needs basis for a specific purchase amount and with a limited expiry date.

Other specialised lending/risk management products

51. The vast majority of ANZ Commercial customers seek fixed or floating (i.e. variable) interest rate lending products, or both. ANZ Commercial customers do not typically seek complex risk management products (for example, interest rate swaps), unless their operations are more sophisticated and they understand the risk management implications. The SD segment of the ANZ Commercial business is responsible for most volume in these types of specialist products, although some of ANZ's "market-rate" linked term loan products have embedded risk management features used in the BB segment.
52. ANZ Commercial currently provides the following specialised products on a very limited basis:

Restriction of Publication Claimed

- (a) **debtor / invoice finance**, which allows a customer to lend against its debtors. ANZ does not offer this product directly, and instead refers customers who seek this product to Scottish Pacific under a referral agreement;
- (b) **trade products**, such as trade finance loans and documentary credits. These products are developed and offered by ANZ's Institutional Division, rather than ANZ Commercial; and
- (c) **interest rate hedging and foreign exchange hedging products**, which are also developed and offered by the ANZ's Institutional Division, rather than ANZ Commercial.

Merchant services

- 53. Merchant services (also referred to as merchant acquiring services) are services that enable businesses to process electronic payments from their customers either using a point of sale terminal or a digital gateway to process payments online, in an application or over-the-phone.
- 54. Earlier this year, ANZ completed the sale of its merchant services business (**Merchant Business**) to Worldline Australia Pty Ltd (formerly named Payment Acceptance Australia Pty Ltd) (**Worldline Australia**) as part of the establishment of the ANZ Worldline Payment Solutions joint venture (**Worldline JV**) that is conducted as an incorporated joint venture through Worldline Australia. The Worldline JV is a standalone independent business operated by Worldline Australia. Worldline SA, a global payments acceptance services and products specialist headquartered in France, owns 51% of Worldline Australia and ANZ owns the remaining 49%.

55. [Confidential to ANZ]



- 56. ANZ decided to sell its Merchant Business and establish the Worldline JV joint venture following a strategic review of its merchant services offering. ANZ determined that in order to execute its strategy of being a leading provider of transaction banking services, it needed to ensure that it had a competitive merchant services proposition. It determined that this was best offered by a specialist payment services partner. The transaction objectives for the establishment of the Worldline JV included ensuring ANZ customers have access to market-leading and competitive merchant acquiring services proposition and ensuring the continued operation of, and investment in, the merchant acquiring services business to ensure the products and services remained competitive.

57. [Confidential to ANZ]



- 58. The Worldline JV is not an ANZ group company. The Worldline JV operates independently of ANZ pursuant to the terms of the Strategic Alliance Agreement and other related agreements.

Restriction of Publication Claimed

The Worldline JV is responsible for making its own decisions about whether or not to accept customers, customer pricing and terms and conditions, and its customers are not required to use an ANZ settlement account. ANZ does not have any direct influence over those matters in its capacity as a shareholder, not an operator, of the Worldline JV.

59. [Confidential to ANZ]

E. OBSERVATIONS ABOUT COMMERCIAL BANKING PRODUCTS AND SERVICES

60. While product features offered to commercial customers may vary between providers, the underlying products offered by ANZ Commercial is similar to those offered by our competitors. This includes deposit products that enable commercial customers to transact and save, merchant services that enable customers to receive payments from customers, and lending products that meet the financing needs of customers (such as term lending and asset finance products).
61. ANZ Commercial's suite of products is designed to meet these underlying needs of business customers, which is broadly the same across different industries. There are some products that are only suitable for particular types of customers based on their needs, as shown in the "Customer type/eligibility" in the tables in the Schedule to this statement. For example, some business loan products offered by ANZ (such as the Commercial Bill Facility described in the Schedule to this statement) are designed for business customers with higher lending limits and are therefore generally only offered to those customers. ANZ must comply with Design and Distribution Obligations (DDO) of the Corporations Act that require issuers and distributors of retail and deposit products to take a customer centric and targeted approach to the design and distribution of financial products. In doing so, the DDO is intended to help customers acquire products that are consistent with their needs, objectives and financial situation.¹ ANZ takes a similar approach to designing other banking products not subject to the DDO, such as its business lending products. The suite of products and services is designed to cater for the needs of business customers operating in any segment, subject to particular customer suitability considerations.
62. The suite of products and services offered by competitors of ANZ Commercial range from those who offer a full range to those who focus on specialist areas. For example, like ANZ Commercial, other banks typically have a full suite of products and services, whereas specialist providers (described further below) may focus on offering one or two product or service offerings.
63. Further, while there may be different products and services available, the underlying proposition offered by banks and other providers to commercial customers has not materially changed for many years. Genuinely new propositions in commercial banking, whether at ANZ or other providers in the industry, are rare. Any changes and improvements made by providers typically relate to the introduction of new ways for customers to access products and services, such as offering products and services through digital channels.
64. In particular, over the last 10 years, I have observed that the way banking products are distributed to customers has changed, firstly by the emergence of brokers, and more recently through the emergence of digital channels and offerings. Both providers and customers are

¹ The Target Market Determinations (made under the DDO) for ANZ's products are available from: <https://www.anz.com.au/support/rates-fees-terms/target-market-determinations/>

Restriction of Publication Claimed

increasingly pivoting towards digital channels, including self-service options such as internet banking and digital origination tools (that is, tools that banking products to be distributed to customers digitally). As discussed further below, a number of new providers are also emerging as a result, providing customers with more choice. Having a digital proposition that is easy to use is an increasingly important factor for customers. Consequently, ANZ Commercial is continuously looking for opportunities to improve its digital offering to customers, including by developing new offerings and partnering with third party software providers and fintechs (that is, software developers and providers focused on financial services) to enable ANZ Commercial to offer a complete range of banking and financial services for its customer base. I discuss an example of a new online lending application platform launched by ANZ in paragraph 66 below.

65. There is also an increasing number of digital and technology offerings from non-bank providers, particularly from business that have, or are building, a trusted relationship with commercial customers (such as accounting software providers), that are directed at offering lending and other products directly to commercial customers instead of through banks. These offerings typically target specific needs of customers, such as lending and merchant services. I discuss some examples at paragraph 71(c) below.

ANZ GoBiz

66. In response to new digital propositions from emerging (Prospa, Moula, etc) and traditional (e.g. NAB QuickBiz) competitors, ANZ launched an online lending application platform in May 2021 (“GoBiz”). GoBiz simplifies the lending application process in a number of ways. Importantly, it reduces the “time to decision” for customers (i.e. how quickly ANZ Commercial can decide whether or not to offer a loan, and the price and terms).
67. Traditionally, customers would need to provide financial information to their banker in order for their banker to understand what lending would be available to the customer. The process was often iterative and therefore would take days if not months.
68. The GoBiz experience was designed with extensive input from end-users, with over 300 small businesses and accountants involved in various design workshops and feedback session. This design approach was fundamental to ensuring that the GoBiz customer experience met customer needs.
69. With GoBiz, information from a customer’s accounting software program (currently, Xero, MYOB and Intuit) are directly linked into ANZ’s platform. The algorithms within the platform allow a customer to know within [Confidential to ANZ] minutes whether they have conditional approval to obtain finance (i.e. “time to yes”) and the amount of that finance. After receiving unconditional approval (typically within [Confidential to ANZ] business days), the funds can be provided to the customer in as fast as [Confidential to ANZ] business days.
70. Subsequent to GoBiz’s launch, NAB relaunched QuickBiz in November 2021, which is a similar offering to ANZ’s GoBiz (in that it also was linked to accounting software provider feeds, but on a more limited basis). CBA also has a product called BizExpress Online – however this is not linked to any information from an accounting software provider. Finally, Westpac, Moula and Prospa all have forms of an online lending platform with varying features.

F. COMPETITIVE LANDSCAPE

71. In my view, ANZ Commercial competes with a wide range of providers. I expect the pressure on ANZ Commercial to continue to compete vigorously to retain customers and to attract new customers will only increase in the face of increasing digitalisation and the emergence of new providers in the market. In particular:

Restriction of Publication Claimed

- (a) CBA, NAB and Westpac's commercial product and service offering is most comparable to ANZ Commercial. This is because they generally offer the same suite of services across the same customer segments and geographies as ANZ. Their competitive activity is reported to me on a regular basis. Based on those reports and my experience, I consider that:
- i. **CBA** is a large competitor which has recently increased its attention on commercial customers. CBA has invested significantly in its technology infrastructure and digital offering, which means that it is well positioned to attract customers, who are increasingly pivoting towards digital channels.
 - ii. **NAB** has always had a large presence and attractive offering for commercial customers and continues to invest in its offering to maintain its market leading presence in terms of market share.
 - iii. **Westpac** has been a strong competitor to ANZ Commercial and I consider its existing product offering to be compelling for commercial customers.
- (b) I have observed strong competition coming from a number of new providers, including specialist providers, such as:
- i. **Judo Bank** is a growing competitor in business lending. Judo Bank markets itself as providing greater access to bankers for smaller customers than other banks as a differentiator;
 - ii. newer and/or other banks, such as **Macquarie Bank**, who may focus that target specific customer segments. They may offer a similar, but simplified (in the sense the products are easy to understand and have less complex features), range of core business lending, transaction and deposit products, but typically have a different proposition to products offered by other banks, meaning that they may have a different risk appetite, offer newer technology solutions for dealing with the bank, or quicker approval timeframes;
 - iii. newer fintech lenders, such as **Moula, Prospa** and **Revolut**, which are focused on making lending decisions very quickly.
- (c) I have also observed a range of non-bank providers who are offering services that continue to disrupt the distribution and origination of banking services. These include:
- i. accounting software providers, such as **Xero** and **MYOB**, who are pursuing a strategy of enabling customers to access products directly through their software platform, including by distributing white label or other products through the platform to customers;
 - ii. payment and merchant service businesses, such as **Tyro, Zeller** and **Square**, who are providing new and easy to access payment technologies for customers who would traditionally use bank provided merchant facilities. Overseas, Square's parent, Block, has started lending to merchant customers and relies on a seamless customer experience that makes it easy for its customers to access funds – that is, by simply clicking a button through an application and/or terminal to complete a simplified digital application process and receive funds very quickly. I expect that Block, and others, would look to expand to provide lending and other services in Australia in the same way; and
 - iii. **non-bank lenders** that offer very specific products and focus on them, such as asset finance (for example, Latitude, Element / Custom Fleet, and Capital

Restriction of Publication Claimed

Finance) and finance for commercial property (for example, MaxCap, Wingate), who are able to offer specific products without the costs associated with the regulatory requirements that banks must meet.

- (d) "Regional banks", such as **Bendigo and Adelaide Bank, Suncorp** and **Bank of Queensland** also offer a comparable range of commercial products and services as ANZ Commercial. These are routinely included in reports provided to me that benchmark ANZ against competitors, and tend to offer similar services to commercial customers to those offered by ANZ. Regional banks will typically have a larger brand presence, in terms of marketing and advertising, and often physical presence, in the State or region they were first established in.

72. Competition in the market is dynamic as new providers enter and existing providers invest in new technology, offer new product features or ways of serving customers, and invest in finding new and innovative ways to attract, serve and retain customers. While certain banks and providers may focus on a particular business customer segment (such as Rabobank's focus on agribusiness customers), these strategies can change quickly as there are low barriers to a bank or other provider deciding to offer their banking products to different or broader customer segments.

G. THE PROPOSED ACQUISITION

73. I do not expect that the Proposed Acquisition would have any material impact on the competitive landscape. In my view, ANZ faces, and will continue to face, strong competition from its competitors, who are continually seeking to innovate and improve upon their product and service offering. Regardless of whether the acquisition proceeds, my team will have the incentive to continue innovate and improve the products and services offered to customers of ANZ Commercial in order to ensure that ANZ Commercial's proposition is compelling to customers.

Signed by Guy Samuel Mendelson

on 1 December 2022



Signature of Guy Samuel Mendelson

Restriction of Publication Claimed

SCHEDULE OF PRODUCT FEATURES

Table 1: Working capital products - key features

Product	Purpose and nature	Customer type/eligibility	Security
Business Overdraft	<p>Line of credit to cover working capital business expenses, typically sought by customers with variable funding requirements over a monthly, seasonal or yearly business cycle.</p> <p>Facility limits are typically provided with no fixed end date and may be utilised on a come-and-go basis where the drawn balance fluctuates as business cash flows dictate.</p>	<p>Overdraft must be used for business purposes.</p> <p>Customers must be business entities, including sole traders.</p> <p>The directors, partners or sole traders must be 18 years of age or older.</p> <p>The product cannot be used for lending regulated by the National Credit Code.</p>	<p>Can be unsecured or secured.</p> <p>If secured, security can be residential, standard commercial or rural property, business assets or a combination of these.</p>
Business Advantage Overdraft	Same for business overdraft.	Same for business overdraft.	Same for business overdraft, except that it can also be secured by a charge over a direct term deposit.
Revolving Agri Line	<p>Line of credit for relatively large customers running a farming or other primary industry business, who have infrequent cash flows due to the seasonal nature of their business.</p> <p>Limits are typically renewable annually, and a minimum limit of \$250,000 applies.</p> <p>Customers are offered a range of payment frequency options: monthly, quarterly, half-yearly or yearly in arrears.</p> <p>The line of credit is linked to a transaction account.</p>	<p>Must be used for business purposes.</p> <p>Customers must be business entities, including sole traders.</p> <p>The directors, partners or sole traders must be 18 years of age or older.</p> <p>The customer must run a relatively large agribusiness, which typically means it has annual turnover of at least \$300,000.</p> <p>The customer's business must fall within particular Australia and New Zealand Standard Industrial Classification (ANZSIC) codes as being agricultural in nature.</p>	<p>Must be secured.</p> <p>Security can be residential, standard commercial or rural property, business assets or a combination of these.</p>

Restriction of Publication Claimed

Product	Purpose and nature	Customer type/eligibility	Security
		<p>The product cannot be used for lending regulated by the National Credit Code.</p>	
<p>Business Credit Facility</p>	<p>Designed for customers who are running a business (whether or not for profit) and require a line of credit linked to a transaction account and want the ability to make and receive payments through one or more of the payment methods offered by ANZ.</p> <p>The facility is suitable for customers who require funds for short to medium term investments purposes and other business opportunities that may arise e.g. shares, property and equipment. It is suitable for customer looking to separate working capital from investment capital.</p>	<p>Must be used for business purposes. Customers must be business entities, including sole traders. The Directors, partners or sole traders must be 18 years of age or older</p> <p>Cannot be used for lending regulated by the National Credit Code.</p>	<p>Fully secured by residential, standard commercial or rural property, and a charge over a direct term deposit.</p>

Restriction of Publication Claimed

Table 2: Term debt products - key features

Product	Purpose and nature	Customer type/eligibility	Security
ANZ Business Loan	<p>Provides funding for business or investment purposes with flexible loan tenors that can be tailored to specific funding needs. Customers have the flexibility to choose between variable and fixed interest rates.</p> <p>Variable rates are based on a base rate set and published by ANZ with a margin added or subtracted depending on the individual risk of the client and security offered.</p> <p>Customers on a variable rate loan have the option to make additional repayments, at any time, without financial penalty.</p>	<p>Must be used for business purposes.</p> <p>Customers must be business entities, including sole traders.</p> <p>The directors, partners or sole traders must be 18 years of age or older.</p> <p>The product cannot be used for lending regulated by the National Credit Code.</p>	<p>Can be unsecured or secured.</p> <p>If secured, security can be residential, commercial or rural property, business assets or a combination of these.</p>
ANZ Business Loan for Personal Investment	<p>Provides funding for individuals to purchase commercial property or another income producing asset.</p> <p>The funding can also be used to purchase a minor equity holding in a private business.</p>	<p>Restricted to individual or personal consumers, who must be 18 years of age or older.</p> <p>The loan must be for unregulated lending for personal investment purposes, and must be classified as an unregulated loan.</p>	<p>Must be secured.</p> <p>Typically it must be secured by commercial property only, or commercial property in combination with residential property or rural property or cash. Residential property can only be used as the sole security when the loan to value ratio (LVR) exceeds 95% and does not meet existing internal ANZ Business Rules for Mortgages & Personal Loan products.</p>
Commercial Bill Facility (CBF)	<p>Provides capital funding for business or investment purposes.</p> <p>Key benefits include:</p>	<p>The product must be used for business purposes. The directors, partners or sole traders must be 18 years of age or older.</p> <p>Customer eligibility is restricted to wholesale credit customers (i.e. BB,</p>	<p>Can be unsecured or secured.</p> <p>If secured, security can be residential, commercial or rural property, business assets or a combination of these.</p>

Restriction of Publication Claimed

Product	Purpose and nature	Customer type/eligibility	Security
	<ul style="list-style-type: none"> • rates are linked to a market interest rate benchmark (BBSY); • flexibility to structure multiple bills under a single facility limit; but must be of same bill type (e.g. all variable or all fixed bills within same facility); • advanced interest rate protection options (e.g. fixed rate bill). Limits may be interest only or amortising over the term; • access to markets specialists to tailor interest rate management solutions to individual customer requirements; and • loan documentation – no letter of offer changes required for each draw down under the facility. 	<p>SD and PB where applicable) with business lending limits of \$1m or more.</p> <p>Given greater complexity of product, all eligible customers are required to undertake a Client Sophistication Classification (CSC) and Product Suitability Assessment (PSA) by a markets specialist prior to letter of offer issuance.</p>	
Tailored Business Facility (TBF)	<p>Provides capital funding for business or investment purposes. Interest rates linked to BBSY. A broader range of interest rate protection is available.</p> <p>Limits may be interest only or amortising over the term.</p> <p>Provides capital funding for business or investment purposes.</p> <p>Key benefits include:</p> <ul style="list-style-type: none"> • rates are linked to a market interest rate benchmark (BBSY); 	<p>The product must be used for business purposes. The directors, partners or sole traders must be 18 years of age or older.</p> <p>Customer eligibility is restricted to wholesale credit customers (i.e. BB, SD and PB where applicable) with business lending limits of \$1m or more.</p> <p>Given greater complexity of product, all eligible customers are required to undertake a Client Sophistication Classification (CSC) and Product Suitability</p>	<p>Can be unsecured or secured.</p> <p>If secured, security can be residential, commercial or rural property, business assets or a combination of these.</p>

Restriction of Publication Claimed

Product	Purpose and nature	Customer type/eligibility	Security
	<ul style="list-style-type: none"> • flexibility to structure multiple bills under a single facility limit; • advanced interest rate protection options (e.g. capped rate bill, range rate bill, optional fixed rate bill arrangement). Limits may be interest only or amortising over the term; • access to markets specialists to tailor interest rate management solutions to individual customer requirements; and • loan documentation – no letter of offer changes required for each draw down under the facility. 	<p>Assessment (PSA) by a markets specialist prior to letter of offer issuance.</p> <p>A customer can choose from one or more of the bill types to achieve the right mix of funding flexibility and interest rate protection (e.g. fixed and variable). If there are multiple bills under the same facility, all rollover frequencies must be the same.</p>	
Tailored Commercial Facility (TCF)	<p>Provides capital funding for business or investment purposes. Interest rates linked to BBSY. A broader range of interest rate protection is available.</p> <p>Provides capital funding for business or investment purposes. Key benefits include:</p> <ul style="list-style-type: none"> • flexibility to structure or restructure loans to meet business cash flow requirements under a single overarching limit; • extended risk management options comparatively to CBF and TBF, including: <ul style="list-style-type: none"> ○ Six Interest Rate Risk 	<p>Same as for CBF and TBF, except that the customer must also have an ANZ Business Extra transaction account.</p> <p>Customer eligibility is restricted to wholesale credit customers (i.e. BB, SD and PB where applicable) with business lending limits of \$1m or more.</p> <p>Given greater complexity of product, all eligible customers are required to undertake a Client Sophistication Classification (CSC) and Product Suitability Assessment (PSA) by a markets specialist prior to letter of offer issuance.</p>	<p>Can be unsecured or secured.</p> <p>If secured, security can be residential, commercial or rural property, business assets or a combination of these.</p>

Restriction of Publication Claimed

Product	Purpose and nature	Customer type/eligibility	Security
	<p>Management (IRRM) solutions that can be tailored to manage exposure to interest rate movements (e.g. fixed, variable, interest in advance, capped, range rate and optional fixed rate);</p> <ul style="list-style-type: none"> ○ ability to combine different loan types or transfer between various IRRM solutions without the need to seek re-approval of the facility; ○ interest can be paid in arrears in comparison to Commercial Bills/Tailored Business Facility which are paid in advance; and ○ ability to have multiple sub-loans with different repayment frequencies. 	<p>It is mandatory for the customer to have an ANZ business transaction account for all scheduled loan payments and fees.</p>	

Restriction of Publication Claimed

Table 3: Asset finance products - key features

Product	Purpose and nature	Customer type/eligibility	Security
Chattel Mortgage	<p>Provides finance for companies and business professionals who need motor vehicles, trucks, earth moving, agricultural, industrial plant or professional equipment.</p> <p>It is suitable for customers who wish to own the asset from the start of the agreement.</p> <p>ANZ secures the loan by taking a mortgage and registering a security interest over the asset.</p> <p>Key benefits include:</p> <ul style="list-style-type: none"> • preserves working capital in business; • easier cash flow management by tailoring payment terms to income streams; • limited security required (generally just the asset being financed); • customer may be able to claim certain taxation benefits; and • fixed interest rate for the life of the loan. 	<p>Customers must be business entities and the directors, partners or sole traders 18 years of age or older.</p> <p>Only available for assets that will be used for greater than 50% business purposes.</p> <p>If the asset is a motor vehicle, the vehicle must have a maximum age of 12 years at the end of the term. For other assets, an age limit is determined based on the type of asset and the intended use of the asset with consideration to assets useful life.</p> <p>Minimum term 12 months with maximum term of 7 years with minimum funding amount of \$7,500.</p>	Typically, secured by asset.
Hire Purchase	<p>Provides solution for companies and business professionals who need motor vehicles, trucks, earth moving, agricultural, industrial plant or professional equipment.</p> <p>ANZ purchases the asset. Customers hire and use the asset from ANZ until they make their last payment and become the outright owner.</p>	<p>Customers must be business entities and the directors, partners or sole traders 18 years of age or older.</p> <p>Only available for assets that will be used for greater than 50% business purposes.</p> <p>If the asset is a motor vehicle, the vehicle must have a maximum age of 12 years at the end of the term. For other assets, an age limit is determined based on the</p>	Typically, secured by asset.

Restriction of Publication Claimed

Product	Purpose and nature	Customer type/eligibility	Security
	<p>ANZ takes security over the asset by registering a security interest over the asset.</p> <p>Key benefits include:</p> <ul style="list-style-type: none"> • preserves working capital in business; • easier cash flow management by tailoring payment terms to income streams; • limited security required (generally just the asset being financed); • customer may be able to claim certain taxation benefits; and • fixed payments for the duration of the hire arrangement. 	<p>type of asset and the intended use of the asset with consideration to assets useful life.</p> <p>Minimum term 12 months with maximum term of 7 years with minimum funding amount of \$7,500.</p>	
Finance Lease	<p>Suitable for companies and business professionals who need motor vehicles, trucks, earth moving, agricultural, industrial plant or professional equipment who prefer to pay ANZ regular rental payments in order to use the asset rather than owning the asset upfront.</p> <p>ANZ owns the asset. Customers lease the asset from ANZ by paying a monthly rental and then have a range of options when the lease ends.</p> <p>ANZ takes security over the asset by registering a security interest over the asset.</p> <p>Key benefits include:</p> <ul style="list-style-type: none"> • preserves working capital in business; • easier cash flow management by tailoring 	<p>Customers must be business entities and the directors, partners or sole traders 18 years of age or older.</p> <p>Only available for assets that will be used for greater than 50% business purposes.</p> <p>If the asset is a motor vehicle, the vehicle must have a maximum age of 12 years at the end of the term. For other assets, an age limit is determined based on the type of asset and the intended use of the asset with consideration to assets useful life.</p> <p>Minimum term 12 months with maximum term of 7 years with minimum funding amount of \$7,500.</p>	Typically, secured by asset.

Restriction of Publication Claimed

Product	Purpose and nature	Customer type/eligibility	Security
	<p>payment terms to income streams;</p> <ul style="list-style-type: none">• limited security required (generally just the asset being financed);• customer may be able to claim certain taxation benefits; and• fixed rental payments for the duration of the arrangement.		

Restriction of Publication Claimed

Table 4: Indemnity guarantees + key features

Product	Purpose and nature	Customer type/eligibility	Security
Indemnity Guarantee Facility	<p>Business customers who have a requirement to supply a third party with a bank guarantee to meet a liability that may be incurred. Some examples include:</p> <ul style="list-style-type: none"> • rental guarantee; • to Secure payments to creditors; and • guarantee to meet contractual obligations (e.g. construction contract, supply contract). 	<p>The product must be used for business purposes.</p> <p>The directors, partners or sole traders must be 18 years of age or older.</p> <p>No minimum or maximum limits or terms but limited to ANZ's credit assessment criteria.</p>	<p>Can be secured (residential or commercial property) or unsecured as per ANZ credit assessment criteria.</p>
Cash Cover Indemnity Guarantee Facility	<p>Same as the indemnity guarantee facility, except that it is 100% secured by cash in an Indemnity Guarantee Facility Account.</p>	<p>Same as for the Indemnity Guarantee Facility.</p> <p>Facility Amounts:</p> <ul style="list-style-type: none"> • new to bank customers and existing customers with no current lending: Up to \$200,000 • existing customers with existing lending with proposed total borrowing limit (TBL) ≤ \$500,000: Any amount which will not exceed the maximum TBL of \$500,000. • existing customers with proposed TBL \$500,000 - \$1,000,000: Up to \$200,000. 	<p>This facility must be 100% secured by cash in an Indemnity Guarantee Facility Account.</p>