

HD *ANZ CEO Smith Sees Little Opportunity For Major **Acquisition** in Asia

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12 Jan 2014 23:19 EDT *ANZ CEO Smith Says Continues to Look for Assets But 'Stars Need To Align'

12 Jan 2014 23:20 EDT *ANZ CEO Smith Says Growing Trade Finance Competition From Japanese Banks

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13 Jan 2014 00:39 EDT ANZ CEO Says Bumper Asia **Acquisition** Looks Unlikely

By Enda Curran

HONG KONG--When Mike Smith took over as chief executive of Australia & New Zealand Banking Group Ltd. in 2007, he mapped out bold ambitions to grow the bank across Asia including through what he hoped would be a "transformational **acquisition**."

Now, approaching seven years at the helm of the country's biggest lender, Mr. Smith says the opportunity for a large buy has likely passed, leaving ANZ to focus on the nuts and bolts of banking such as trade finance to grow its regional operation.

"We passed that point," Mr. Smith said in an interview. "It would be nice to have what I have always called a transformational **acquisition** but I have always said the stars have to align."

The ANZ CEO has been frustrated in his ambitions to capture a large target. The bank's last major **acquisition** was in 2009 when it paid US\$550 **million** for some of Royal Bank of Scotland Group PLC's Asian banking **operations**.

In September, it was tipped to be interested in buying **Hong Kong**'s Wing Hang Bank Ltd. but ultimately didn't make an offer. Last year it also withdrew a US\$900 **million** bid for the main Australian business of U.K. lender Lloyds Banking Group.

"We continue to look but there isn't a lot out there," Mr. Smith said. "I have always been patient. Something will happen at some stage. I still believe that some of the European bank assets will have to be sold off," Mr. Smith said.

Some analysts expect that a fresh round of stress tests by the European Central Bank will force some of Europe's lenders to raise new capital and sell assets in places like Asia, potentially throwing up opportunities for ANZ.

Since assuming the CEO's role, Mr. Smith, who was once shot in the leg in Argentina while working for HSBC, has pushed for the bank to hit a target of between 25% and 30% of its earnings from Asia-Pacific, Europe and the America by 2017. Currently around 20% of the bank's revenue comes from outside its home markets.

Like Australia's other large lenders, ANZ emerged from the global financial crisis and economic slowdown relatively unscathed. That strength has allowed the bank to grow its Asian **operations** such as transactional banking and trade finance, the type of lending and credit guarantees that greases the wheels of the region's economy.

But Mr. Smith flagged growing competition in this sector and pointed to an increased presence of Japanese banks, buoyed by the extra liquidity pumped into the system by the Bank of Japan's ultra-loose monetary policy.

"They have been very competitive in terms of pricing," Mr. Smith said.

"You are having to run to stay in one place because in trade finance everybody is playing the game. But it is still good business even if it is a lower return."

The presence of hefty liquidity in the market from Japan is helping to offset the gradual **wind** down of the U.S. Federal Reserve's own bond-buying program, which has pumped liquidity into Asia as investors sought higher yields, sparking fears the move could trigger a sharp slowdown in emerging Asia.

Transactional banking in Asia remains a key focus too, Mr. Smith said: "That is a strategic no brainer."

On Australia, where ANZ's profits have been helped by lower bad debts and a round of cost cutting, Mr. Smith said business confidence is showing signs of stability. He talked down fears of a hard landing for the nation's economy, pointing to what he said are still historically high prices for key commodities exports such as **iron ore**.

"For a country like Australia that is still pretty good news," Mr. Smith said.

Write to Enda Curran at enda.curran@wsj.com

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