

**HD Big Deal Eludes ANZ's Chief**

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**HONG KONG** -- When Mike Smith took over as chief executive officer of Australia & New Zealand Banking Group Ltd. in 2007, he mapped out bold ambitions to expand the bank across Asia, including 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 expand its regional operation.

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"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 chief 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 said to be interested in buying **Hong Kong's** Wing Hang Bank Ltd. but ultimately didn't make an offer. Also last year, it withdrew a US\$900 **million** bid for the main Australian business of U.K. lender Lloyds Banking Group PLC.

"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 role, Mr. Smith, who was once shot in the leg in Argentina while working for HSBC, has pushed for ANZ to hit a target of making between 25% and 30% of its earnings from the Asian-Pacific region outside its home markets, plus Europe and the Americas, 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 expand Asian **operations** such as transactional banking and trade finance, the type of lending and credit guarantees that grease the wheels of the region's economy.

Mr. Smith cited growing competition in this sector and pointed to an increased presence of Japanese banks, which are buoyed by the extra liquidity pumped into the system by the Bank of Japan's ultraloose 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 liquidity in the market from Japan is helping to offset the gradual winding down of the U.S. Federal Reserve's bond-buying program. The U.S. program has pumped cash into Asia as investors sought higher yields, sparking fears the tapering of the bond buying 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."

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

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

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<b>CO</b>	aanzb : Australia and New Zealand Banking Group Limited   rbsct : Royal Bank of Scotland Group PLC   wingb : Wing Hang Bank Ltd
<b>IN</b>	i814 : Banking   i81402 : Commercial Banking   ibnk : Banking/Credit   ifinal : Financial Services
<b>NS</b>	c18 : Ownership Changes   c181 : Acquisitions/Mergers/Takeovers   c41 : Management Issues   cacqu : Acquisitions   ccat : Corporate/Industrial News   neqac : Equities Asset Class News   cactio : Corporate Actions   ncat : Content Types   nfact : Factiva Filters   nfcpin : FC&E Industry News Filter
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