

THE MONDAY INTERVIEW

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## Mike Smith, ANZ: 'I used to be too blunt'

By Jennifer Hughes Author alerts



Mike Smith has bought global banks' cast-offs, but argues that people should also get credit for the deals they do not do

The fact that Mike Smith owns a collection of Aston Martins and Jaguar cars might seem unremarkable. A love of tinkering with engines is a good escape from his day job running Australia's ANZ, which has grown into a banking behemoth.

But the reason for his attachment to Jaguars in particular is because one of them saved his life. It was a Jaguar he was driving when he was shot in Buenos Aires in 1999, where he was running HSBC's Argentine business as part of his 29-year career with that bank.

Ambushed in what appeared to be a kidnap attempt, he rammed his Jaguar past his attackers to escape. The car was sprayed with bullets and Mr Smith took one in the leg. The incident was the result of his efforts to stamp out corruption in a local acquisition – in this case by sacking the marketing department and a local agency.

"It was unbelievable how that car kept going," he says. "So I've owned a Jaguar ever since as a matter of principle."

Mr Smith describes the incident as "one of life's defining moments for me". Although he plays down any personal ruggedness by declaring "I'm a banker, not a marine", he nevertheless continued to run the business there for another four years, including during the country's 2001 economic meltdown.

"It never even occurred to me to leave. To me I was there to do a job," he says. "[The attack] had happened because of my job, and I felt that wasn't going to defeat me. These guys weren't going to get the best of me."

Mr Smith concedes that the stance could sound conceited, but even that is couched in the kind of plain speaking that fits with a banker resolutely focused on commercial banking.

His years running Australia and New Zealand Banking Group – he left HSBC to join the Australian bank as chief executive in 2007 – have seen ANZ shift from being a member of Australia's big four with international aspirations to becoming an Asian player with a \$78bn market capitalisation and one that can compete in the region with the global commercial leaders, namely HSBC, Citigroup and Standard Chartered.

Those three, however, also offer full-service investment banking, a far more glamorous proposition than the bread-and-butter of commercial services, which include payment processing, cash transfers and trade finance. His comment on the difference is blunt: "Why would I want to get into investment banking? For me it would make absolutely no sense."

That directness plus a penchant for a sharp turn of phrase have made him a media favourite in Australia even as his best lines ruffle feathers. Two years ago he said the problem with bank regulators was that they have no natural predators – a line he admits ANZ's overseers keep reminding him of. "But you know what, it's true. You have to think who regulates the regulators, and at times they get away scot-free with stuff."

He also suggested in 2010 that Joe Hockey, Australia's then shadow treasurer, had been "taking economics lessons from Hugo Chávez" after Mr Hockey called for a banking inquiry and rate-rise curbs. Mr Hockey is now in government and the Murray inquiry, the country's biggest banking review in 15 years, will deliver recommendations in November.

"He hasn't forgotten that," Mr Smith says ruefully, but offers an amendment: "He's actually been taking economic lessons from somebody else. So I think he's improved."

There are also his skirmishes with the analysts who opine on ANZ. For instance, Mr Smith called on fellow CEOs to stand up to the short-termism of "some spotty analyst who couldn't run a two-ticket raffle", four years ago.

"Every now and again, they piss me off," he says, describing one who recently presented to ANZ's senior management and who looked at the bank only with a one-year time horizon. "How do you manage a bank on a one-year cycle? It's impossible," says Mr Smith.

Mr Smith was born in Chesterfield, England, in 1956. His expat parents sent him to a UK boarding school, and it was during school holidays in Kenya as a teenager that he decided to enter banking after noticing that the nicest houses he visited with his parents belonged to bankers. "It sounds a bit facetious, but it is a true story," he says.

He duly joined what was then the Hong Kong and Shanghai Bank in 1978 and over a 29-year career moved around the world working in, among others, Argentina, the UK, Hong Kong, Malaysia and Australia. He was running the bank's Asia-Pacific operations in 2007 when ANZ called. Fellow international manager Michael Geoghegan had become CEO of HSBC in 2006. A combination of what Mr Smith calls HSBC's "difficult" internal politics and the opportunity won him over.

"I felt the culture of the organisation was changing – not for the better. And then I was made this offer, out of the blue," he says. "Had I not made the step, then I probably would have been with HSBC for the rest of my career."

Mr Smith thinks he has mellowed in his time at ANZ, which he puts down to Australia's more consensual office culture – a depiction that goes against the widely held stereotype of the straight-talking individual.

Seven years in one country is a record for him and he has applied for Australian citizenship.

"I used to be too blunt, frankly," he says. "Because people speak English, they expect [Australia] to be very Anglo-Saxon in terms of its style, and it's not. It's quite sensitive, and it's a culture that likes to be involved in decisions."

The other factor driving his move south was a belief that global banks bent on providing everything to everyone – the so-called bulge bracket – would have to narrow their focus, producing opportunities for regional banks. In 2007, before the financial crisis struck, that was a minority view.

ANZ duly snapped up a handful of global banks' cast-offs during the retreat that followed the crisis, notably various RBS operations in Taiwan, Singapore, Hong Kong, Indonesia, the Philippines and Vietnam. ANZ has walked away from a number of other deals, however. "You should get as much credit for not doing deals as you should for doing deals . . . but you don't," Mr Smith says.

Growth by acquisition has, however, helped the bank's international operations expand to contribute about a quarter of its revenues compared with less than a 10th when Mr Smith arrived.

His success attracted attention elsewhere and he was approached in 2012 about the top job at Barclays when Bob Diamond stepped down. "You're always going to be offered the odd role," he shrugs. But he is more vocal about the struggling British bank as an example of missing the changes he saw coming.

"If I had been in Barclays five years ago I would have actually sold BarCap [its investment bank] when you could have done because it was quite clear what was going to happen – that's easy to say in hindsight but that was my feeling."

Mr Smith does not rule out further deals for ANZ, but is more circumspect when asked about Standard Chartered. Speculation the two

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might merge is a banker perennial. The attraction lies in marrying the commercial banking might of StanChart with ANZ's massive Australian retail deposits.

"Peter Sands [StanChart CEO] was very, very clear, he said he's not interested and for any deal of that size you've got to both want to dance," says Mr Smith.

Still, would he like to dance? A little verbal sidestep shuffle follows: "I don't even need to get up to ask because I've been told I'm not welcome."

### Second opinion: William Fung

"Mike is the sort of tough, straight-talking, no-nonsense banker you want," says William Fung, a former HSBC board member and executive chairman of

Li & Fung, the Hong Kong-based global sourcing group – a client of the HSBC Asia operations Mr Smith used to run.

It helps that both agree on Asian growth and Australia's potential to benefit from that. "With ANZ he was very sure that Asia will be so important that an Asia bank can be a big bank – and he's right," adds Mr Fung.

### The CV

**Born** Chesterfield, England, 1956

**Education** BSc (Hons) Economic Sciences, City University, London

### Career

1978: Joins HSBC in Hong Kong

1985: Manager, wholesale banking, Australia, HSBC

1995: Deputy CEO, HSBC Malaysia

1997: CEO of HSBC Argentina

2004: President and CEO of Hongkong and Shanghai Banking Corp – that is, CEO of the bank's Asia-Pacific operations

2007: CEO of Australia and New Zealand Banking Group

**Family** Married, three children

**Interests** Classic cars and wine. Owns a vineyard outside Melbourne and a farm near Bordeaux

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