

When Sean Fitzpatrick became chief executive of Anglo Irish Bank Ltd 22 years ago, it had six staff, £1 million lent, deposits of £1m and was losing over £100,000 per year. Anglo Irish Bank plc today has a loan book of around €26 billion, €33 billion in deposits, operations in six countries and over 1,200 staff. This year, it is expected to make profits of over €600m.



## DOWN TO BUSINESS

with ...

**Sean Fitzpatrick**

Chairman, Anglo Irish Bank

# Fitzpatrick banks through the Tiger years

By Pat O'Keeffe

News Editor



**FOR a man who only went into banking because he had been refused a mortgage by a building society, Sean Fitzpatrick has been one of the most successful business figures in modern Ireland.**

Having had the pleasure of a couple of hours with him recently, I believe readers will enjoy his frank opinions on the Irish economy, investment strategy and getting the most from people. His own personal story is also enjoyable reading.

55 year-old Fitzpatrick vacated the chief executive post at the agm in March and is now acclimatising to the less demanding role of chairman. He also acts as a non-executive director on the boards of Greencore and Aer Lingus, but is not interested in any further board positions.

Having spent 22 years as chief executive, he is now "learning how to cope without an infrastructure surrounding him". We met in his chairman's office at Anglo's headquarters on Dublin's St Stephens Green, a facility he utilises about two days a week. His plans include developing a golf course and accompanying property in Hungary with some non-Anglo colleagues, while he also has interests in the Caribbean and a number of

investments "to keep an eye on". However, his main priority is to enjoy himself.

"I'm in the departure lounge of life and I want to prolong that period and enjoy it. My wealth is one thing but my health is far more important."

"I'm going to go to everything. All they have to do is show me a brochure and I'm gone!" he laughs. A trip to New Zealand to coincide with the Lions rugby tour is already booked.

### Roots in farming

Sean Fitzpatrick was reared in Bray but his roots were in farming stock. His mother was from a farm in Tipperary and young Sean recalls happy days spent with Mahers of Gortna-hoe.

Meanwhile his father ran a dairy in Shankill, Co Dublin called Tillystown Dairy. Up to the age of 12, Sean Fitzpatrick used to go there during the summer holidays.

"We had a farm of two and a half acres so I always smile when they talk about small farmers in the west of Ireland — we were much smaller than that! We had another 12 and a half acres on conacre, so about 15 acres in total. We kept 17 or 18 cows."

The two and a half acres was



● **Seán Fitzpatrick was Ireland's highest paid executive in recent years, with salary including bonuses of well over €1m per annum. So how did he maintain his motivation when money was no longer a factor? "Money was never the motivator," he said. "That was just the evidence of success. At the beginning, the motivation was survival and then the motivation was growing the business."**

ultimately sold for development and Fitzpatrick senior purchased two tractors, a combine, a baler and a plough

to establish a contracting business. "It wasn't a very strategic move," smiles the affable Fitzpatrick. The wave of develop-

ment eventually consumed his customers' land too!

Fitzpatrick recalls the 24/7 nature of farming and the "ju-

bilation and sorrow of calving". He quickly adds it wasn't sorrow for the dead calf, but for the financial loss suffered by his father.

He doesn't claim to know a lot about farming but said that he certainly knew more than the majority of his city peers. He studied for a Bachelor of Commerce at UCD and qualified as a chartered accountant in 1972, working with Ernst and Young and PricewaterhouseCoopers.

"And then I fell in love and got engaged. I remember we were saving three or four pounds a week in the building society. We saved for a year and a half with the EBS and we went to borrow money to buy our first house, which was costing £6,800.

I remember the manager laughing at us. He told us we'd have to save a lot harder for another two years, which we couldn't do."

"So I decided that if I can't get a loan, I'll join a bank. I joined the bank in April '74 and I got married in September '74. That was the only reason I joined the bank — to get a loan!"

It's ironic that a bank loan refusal led to one of the greatest banking success stories ever seen.

## Excess regulation can be negative

WHILE not wishing to condone the errors of the past, Fitzpatrick is worried that over-regulation and an over-emphasis on compliance may damage the entrepreneurial culture in Ireland.

"You've got to be a fool sometimes, you've got to be naive, you've got to be innocent to actually take on the mountain, but you can move mountains with peo-

ple. Now wouldn't it be disastrous if we had an environment where people just couldn't try it, where people have done it in the past. Because that's what we as a nation have done. We're a young nation. We were inward looking for 30 years, De Valera, protectionism and all that. We just put up barriers. Now look at where we are. There's a different confidence.

## Tralee beef and lamb

ANGLO Irish Bank was at the receiving end of some criticism after the collapse of Tralee Beef and Lamb in October 2001. The company went into receivership, owing over €3m. The liquidator gathered €1.78m from the disposal of assets and Anglo were paid back their outstanding loan of €776,225

Farmers that were left unpaid for cattle have been critical of the Bank. However, Fitzpatrick defends Anglo Irish Bank's role in the affair.

"We never saw one missed payment and then we got a call asking us to put in the Receiver. We genuinely had no sense that the company was in difficulty."

He argues that banks have a duty to their deposit account holders and their shareholders to obtain security for money out on loan. If the bank were to give money to farmers left out of pocket by the Tralee Beef and Lamb collapse, it would set a precedent for other loans, he added.

## Should farmers use land assets to diversify into property?

SEAN Fitzpatrick: "There's no point in borrowing unless you've got a sustainable income to make the repayments.

"By sustainable income I mean a profit and not just a big wad of cashflow.

"Because if it doesn't work, you're dead. You've got a whole pile of borrowings against an asset that you can't make the repayments on and the banks may move on you.

"You've got to be very

careful that you have the ability to service all borrowings during the bad days as well as the good.

"Should a farmer borrow against his land asset to do some development — it depends if they've got the talent to do that.

I can't be a casual farmer, I don't have the competency and skills and the same applies to property — you've got to have those competencies. I'd be careful."

# Need for debate on ownership of Irish banks

AGAINST a background whereby Ireland in the Single Currency has little or no control over interest rates, Sean Fitzpatrick strongly believes that we need to ensure that control of Irish banks remains in this country.

"It's such a crucial part of the Irish economy that the Government, the banking sector and the rest of the community should debate the issue and decide what we want."

Fitzpatrick believes that it is "so important for his grandchildren" to prevent management control being taken from Cork, Dublin or Waterford and moved to London or Paris or New York.

"The banks are so important

for the Irish government to have influence over. And they can only have influence over if you have local management in real control.

He accepts that there will be an argument that says, the more we open it up, the more competition we have - "that'll keep the banks honest".

"In relation to recent years, it's hard to argue against that. However, we may end up without any impact on our banks in our economy going forward."

He said that Irish banks were "critical" to the enhancement of the Celtic Tiger.

He cites the Foot and Mouth period in 2001 when banks took the view that agri-

culture was important to the Irish economy and needed to be treated carefully because of the difficult situation. "They did that after an appeal by the Taoiseach and the Minister for Agriculture. Would that appeal have fallen on deaf ears if Irish banks were in foreign control? I believe it would."

Irish banks are not Irish owned - institutional shareholders from around the world own them. If a bid came in for one of the banks this week, it would be up to the shareholders to decide whether or not to accept.

"That's important to have freedom of movement, but there's going to be a huge price to pay eventually."

He accepts that such a move could potentially "talk down" the value of Irish banks, because it could be seen as negative if you don't have free movement.

"I think the banks by their own fault have lost the respect of the community in general over the last number of years. That's a great pity for the country.

"We need a vibrant banking sector in which the country trusts, so I think it's incumbent on Irish banks to win that trust back. Not cheaply, but by showing integrity, decent service and actually dealing with the customer in a way that they haven't dealt with them in the past."

## Anglo's value grew from €8m to over €5 billion under Sean Fitzpatrick's reign

ANGLO Irish Bank under Sean Fitzpatrick's leadership has grown into a public company with a market value of over €6.5 billion. As well as its Irish operations, it now has subsidiaries in the UK, America, Switzerland, Austria and the Isle of Man. "One of my proudest moments is being picked up at airports in Geneva, Vienna, London and New York and being brought to our bank," said Fitzpatrick. "It's not a narrow nationalism thing. You get a team of people together and based on belief, commitment and pride make something happen."

The typical Anglo customer is a 30 - 50 year old male who owns his own business. He wants service — a quick answer. The company does not offer retail over the counter products, which allows it operate at a lower cost than all of the other Irish banks. It does not offer home loans, as Fitzpatrick sees them as "commodity products."

His best definition of the culture at Anglo Irish bank is "bottom line focused, committed, customer-orientated, hungry and participative."

Perhaps more than any other, Anglo is perceived as having ridden the wave of the Celtic Tiger economy. However, Fitzpatrick makes the point that 40% of profits now come from outside Ireland. "Forty-three per cent of the loan book is now in the UK and we believe that America will emulate that. We believe that the biggest proportion of our loan book will be outside of Ireland in the next five years. We've only got 1% of the UK market so there's huge growth for us over there."

For those worried that Anglo might falter in his absence, the following should offer reassurance.

"My measurement of my success in Anglo is not the statistics for this year, it's what happens in seven years time. The one thing any management team can leave is succession. That's the real measure of how great your management tenure has been.

"We believe that we've got a really

strong management team. David Drumm, (his successor) and the guys are well able to run this Bank. Time will tell, but I'd be very positive about the prospects going forward. And I'm going to enjoy watching that from a privileged seat, rather than being in the firing line."

Was being the chief executive stressful?

"I believe that you can't be a good chief executive unless you are on duty 24/7. It's not something you can turn on and off, particularly in our industry, a service industry. Our products were similar to other banks so we had to sell. I was selling every time I went out for dinner, every time I had a drink, every time I was at a



football match, or playing golf.

"So in that sense it was very stressful and very personal, because you wanted to ensure that the bank grew. We were coming from trying to survive and then trying to grow. We knew both sides, so we were lucky."

### Anglo staff culture and selection

If Sean Fitzpatrick were interviewing potential employees today, what would he look for?

"I'd be looking at their eyes, I wouldn't be looking at their CVs so much. I'd look at their handshake, what type of people are they? I'd be looking to see can they communicate — because you can have all the talent in the world, but if you can't communicate, you're dead.

"You will be looking for passion in their eyes — passion about wanting to succeed, wanting to do a good job. I'll be looking

for someone who won't just stand there, watching one of their colleagues make a mess of things and turn a blind eye. It's walking in and seeing the receptionist smoking a cigarette and having a cup of tea and not answering the phone, not just standing for it, even though it's not your job"

Fitzpatrick said the culture of the Bank was maintained by actions. He always flew economy. "If a person were paying for it himself or herself, they would fly economy, so why fly business class just because the Bank is paying?"

In relation to staff, he said that Anglo is about providing the platform: "if they are able to sing and dance, well then we allow them to perform."

And what if they are not able to perform?

"Well then we take them out and they're not part of the troop. We are the only non-unionised bank in Ireland, which gives a sense of the relationship between management and staff."

"Quite frankly, if people aren't working, we try hard to root those people out, and move them on to different parts

of the Bank. And if they're not working there, we want them out.

"When people don't cut it in the Bank, whose fault is it? Is it theirs or the bank's? I actually feel that we are at fault in the choosing mechanism. It's not good for them and it's not good for the Bank and we try to deal with it. We don't allow frustration to build up."

"What we want is people with common sense — we don't need A1s. People who want to give the customer a really good service, who realise who the customer is.

"We want people with a hunger to succeed. We want people who will say, 'while we're in this job, why don't we make this job the best job, why don't we make this Bank the best bank?' That's the culture going all the way through."

"We measure that, not just by profits, but by service."

## Questions & answers

### If you were 25 years of age and coming out into this economy, what sectors would interest you?

"The whole issue of waste is interesting. Other countries such as France and Germany are way ahead of us. The environment is going to become more important. Alternative sources of energy are also going to be more and more important. If you look at societies more advanced than ourselves and see where are the games happening there. I would very much see Ireland as a service industry provider. That's where Ireland has excelled. There's very little genuine manufacturing in Ireland - we tried it in the forties and fifties and we were disastrous at it.

"We're actually good at management now, reflecting the education and style of Irish people. Irish people would be a little bit rebellious, more enquiring. They don't queue as rigidly as other countries, because we never had to queue - we never had the population. There's much more order in other societies. The lack of order is actually one of the distinguishing factors about Ireland. It gives a kicker to the entrepreneurial drive as well."

### If you were assessing an investment on the stock market, what would you look for?

Before I can finish the question he says "Management. That's what I look at."

"Food companies are interesting, food is always going to be in demand and people are getting more and more concerned about the food they eat, so they are going up the value chain. Commodotised food has been getting a hammering over the years. Everyone - not just the do-gooders - is looking at that.

### Are you confident about the Irish economy?

"I would have thought we're well set. The critical thing is interest rates, not just for banks but for the entire economy. Provided they remain at (low) levels - which I suspect they will - for the next four to five years, that's about as far out as you can go."

### Is a rise in interest rates the greatest threat to the Irish economy?

"It has got to be, but I don't see it, quite frankly, as a realistic threat in the next two to three years. They are low at present to stimulate Germany and France and when they get going, you may have higher interest rates to avoid inflation and that will be negative for us.

"We are never going to be in charge of our own economic policy - interest rate decisions are going to be made in Brussels and not in Dublin. They'll be made to suit the majority. Where it coincides, it's wonderful. If rates go up when we are going through a recession, that's going to make for a difficult time, but that's one of the prices we have to pay and that's one that I'd be a little bit concerned about going into the future.

"It was very hard to make money in the eighties and early nineties compared to the rates we have today. That's why you (currently) have a low rate of non-performing loans, because people can afford to pay the interest; that's why you have more activity, people say 'why should I rent it, why don't I buy it'? And so you have a lot of things going on. And when things go bad, the cost to the Bank is €3,000 per €100,000 of a non-performing loan, compared to €15,000 when rates were high, five times the price. Therefore you don't react as negatively to a non-performing loan.

### A lot of people are worried that our property is exposed and that the market isn't sustainable, building 75,000 houses per year?

"The UK has a residence per 2.4 people, while we have one per 2.7 people, so we are not even at the same density as the UK. Another point is that if you take an average house at €300,000, the value of the housing stock in Ireland would be around €450 billion while total mortgage lending is €71 billion. So this whole view of our being over-borrowed is fallacious — of course it can be in places. Of course you can't go on building 70,000 houses per year — you could have a core of 40,000 to 45,000."

### Is there a danger that Irish people are getting carried away purchasing property overseas?

"Oh yeah, of course there's a danger. But it's a very strong positive thing about the Irish that we actually have the confidence to go out and buy property all over the world. Why isn't any other Nation doing it? It has to be seen as positive, that we're an outward looking nation."

"Will it end in catastrophe? Without question, there'll be casualties and the banks may be part of that as well. Do I think it's going to be wholesale - no, I don't."