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TRANSCRIPT OF MEDIA CONFERENCE

E & O E – PROOF ONLY

Phil Chronican: Thanks Mark, and welcome everybody today.

When we set out the criteria for our CEO search earlier in the year, we said we were looking for three things from a candidate. First of all someone, who understood the context that NAB and the industry in Australia was facing and somebody who understood what it was our customers would expect of the bank in today's era.

Secondly, we were looking for somebody with genuine operating experience, who knows what it takes to drive change in a large, complex organisation. And thirdly, we were looking for somebody who can paint a vision of the future for our 34,000 people, and inspire and motivate them to deliver for our customers.

So, we were very fortunate to find someone who filled all three of these criteria and we are delighted today to be announcing that Ross McEwan will be National Australia Bank's next Chief Executive Officer.

Ross is an experienced banker and an experienced CEO and he has done an amazing job at turning around RBS, restoring its profitability and moving to repair its reputation. Ross will continue to observe his obligations to RBS until they appoint their replacement CEO, which is why there is some uncertainty as to when Ross' exact start date will be with us. While that may take up until April next year, we are hopeful Ross will be able to join us prior to then.

Lastly, following this appointment, the board has agreed to Ken Henry to be stepping down as our Chair from mid-November, at which point I will step in to the Chair role and relinquish the interim CEO position. If we need to have any further interim arrangements between that date and Ross' starting, then we will make those announcements at that time. But obviously we are just very pleased that we've been able to attract a banker of Ross's calibre to be our chief executive. So, on that note, I will ask Ross to make a few comments of his own.

Ross McEwan: Thanks very much Phil and thanks for joining us here this morning. It certainly is a privilege and an honour to have been appointed the CEO of NAB. As Phil said, start date yet to be decided, but that time will roll on.

What attracted me to the job? Lots of things that are happening in this marketplace I have had some experience with up in the UK, and there are some trends globally that all banking is having to deal with, particularly around the disruption of technology, low interest rates, and I think this organisation is an organisation that is well positioned to deal with many of those challenges going forward and find some real opportunities.

It has been a little while since I have operated in the Australian marketplace so when I do join I will spend the time with the executive team and make sure that together we collectively have a very strong vision for this bank that will be very centred around our customers, our colleagues, and doing a great job for our customers that at the end of the day will give good returns to our shareholders. But it needs to start with customers and their needs in this marketplace.

So, I'm delighted to be here, thank you very much Phil for the opportunity; thank you and the Board for having the faith in me to run this great organisation and I look forward to joining in due course.

Journalist: Can you give us a sense of what sort of changes will be a priority under your leadership? Is the wealth sale still on the cards? Your relationships with the regulators? What are you looking to knock over quickly?

McEwan: First off there are a number of things the bank has committed to. You talk about the wealth sale, but there is also the transformation program we need to continue on with. Many of the trends that you're seeing in banking in Australia are the same trends we are seeing globally around the disruption coming from technology and the firms that are using technology to disrupt banking.

A low interest rate environment means that there's always going to be pressure on your cost structures. It's no different here than it is in the UK or for that matter any bank anywhere in the world.

But we've got fantastic assets here at NAB – a great business bank with many great positions in things like the agricultural sector. We need to continue to hold onto those and grow those and there are many opportunities in other parts of retail banking that I think we can develop even further. So I think a really good strong position to start with, but it needs to be centred around our customers.

Journalist: (inaudible) The jobs impact that's been articulated by the bank – the six thousand over three years I think – is that fast enough?

McEwan: Well, I'll have a look at that when I get here but certainly we need to continue on with that plan that has been committed to. Money has been set aside to work with that transformation and again, when I get here, we'll have a look with the Executive Team as whether it is fast enough or we need to go further. At this stage, it's just too early for me to know.

Journalist: NAB has got a pasting during the Royal Commission and there's a likelihood the bank will face civil action brought on (inaudible) – are you picking up a poisoned chalice?

McEwan: Look I have been following some of the Royal Commission work that's been going on and the workings of that. I think this is a bank that has incredible strength. It has some real opportunities going forward. There are some things that need repairing and one of the reasons I'm here is I find strength in those sorts of challenges for a bank and I think we can repair the things that went wrong with this bank over the next few years.

There's two things that any great financial institution has and this hasn't changed in I think hundreds of years of financial institutions. One is your financial strength itself – your customers look to you to be strong, that you can see them through tough times.

And the second one is your reputation and through the Royal Commission many financial institutions, including NAB, had some damage done to their reputation and we need to repair that.

We need customers trusting us to look after their interests, and that's what myself, the Executive Team and the Board will be very interested in doing. But it's not a poisoned chalice at all.

Journalist: The other thing was, the bank had a very high-profile internal candidate and there's been some changes in the ELT in the last year or so. Will you be keeping the ELT in place or will there be more changes in the Executive Leadership Team, whether that's voluntarily or by their own volition leaving the bank or changes that you want to make yourself?

McEwan: Well, first off, I wasn't involved in internal/external. I'm the candidate that I was looking at to get the job. Look, people make their own decisions about whether they want to be with an organisation. I will work with the Executive Team to make sure we've got the strongest team on board to guide this bank going forward. It's just far too early for me to make any comment on that, I haven't even started yet.

Journalist: Congratulations sir.

McEwan: Thank you.

Journalist: NAB is the smallest of the big four, do you want to climb the ladder?

McEwan: Look, I think it all comes back to doing great things with customers and the customers actually then want to stay with you as a bank or join you as a bank, which makes you a better bank and a bigger bank. To me it's not the matter of am I the biggest bank or the smallest bank, it's what we're doing for customers will define this organisation over a long period of time.

One of the things I think has probably pushed financial institutions – not just banks, but financial institutions – along is just being constant quarter after quarter return increases, and I think we need to sort of pause from that and think what are the things we need to do for customers that create value for them and for the bank longer term. That's something I'll work with the Board on when I start and over the first few years.

Journalist: In that vein sir, you had a cameo in the Royal Commission, emails pushing Matt Comyn to stop selling consumer credit insurance called PBI in the UK. What does it say about Australian banking that two of the big four still sell those products?

McEwan: Look, I haven't examined that. I think what we should be doing is making sure the products are good for customers and meet their needs. And that's certainly the determination I'll have as I come into NAB to make sure that all of the products have a true need for customers and are to their benefit.

Journalist: Your time at RBS you oversaw a massive turnaround but the issues were mainly prudential, whereas at NAB it's more reputational. Are there crossovers with the challenge in that regard?

McEwan: Well James they were both. At the Royal Bank we started with issues of nearly going broke and needing massive government support, but that led into reputational issues because we ended up with something like 20 major conduct and litigation issues that impacted on the reputation of the organisation. And we've worked very hard over my time and, prior to that, Steven Hester's time on the financials and my time on those conduct litigation and reputational issues, to get the bank back into great form.

You know, it's with pride that I say it's probably one of the strongest banks from a capital and liquidity position in the UK. It's got a long way to go still to get the customers' appreciation and service delivery where it needs to be, but the trust in the bank has actually started to climb as well. So, they are both very linked.

And yes, the financial position of this bank is very strong. It has continued to make good profit levels and give good returns to its shareholders, the areas we need to look at are focusing on our customers and making sure that we are delivering for them.

Journalist: Can I just very quickly, your time at Comm Bank, you were there when some of the financial advice scandals happened, does that taint you at all?

McEwan: Well I think, I take those as incredibly good learning experiences, because I was there when we did have some difficulties around some of the financial investment advice that was given, mainly around the lending to people. And from that, we did a lot of work to actually put customers right and it wasn't a good time from a banking perspective, but I learned a huge amount from that. And it goes back to making sure that you've got products and services that meet the needs of the customers, not just the needs of the bank. I think that's something I've learned over that period of time.

Journalist: Where do you want NAB to be in five years' time?

McEwan: Look I'd like NAB to be back up as the most trusted bank in the Australian marketplace, customer service delivery very, very strong and is a differentiator for the bank, and employee engagement back to very high global levels. Because without our colleagues in the bank, we won't be able to deliver the service levels for our customers. The colleague and customer piece goes very strongly together, so I think this bank will be defined by how it deals with and works with its customers, but also with its colleagues as well.

Journalist: Just on a similar vein to the last point, with RBS you came into that and it was a broken bank at the time, so what would you say about NAB at the moment on the scale of being a broken bank?

McEwan: No, I don't think it's a broken bank, I think it's a bank that has gone through the Royal Commission and there have been a lot of questions asked of it, as there have been so many other financial institutions in Australia. But one of the things that did attract me to NAB was, probably similar to the reason I went to RBS, there are many challenges here that I believe can be very helpful to get this bank to get itself through. That we really need to reset towards the customer and make that the biggest priority we have. And some of those things won't always be very pleasing for customers as

well, but we have to make the determination to be focused on serving our customers' needs incredibly well, so that will be the defining point for me I think over the next three to five years.

Journalist: G'day Ross, just wanted to ask you, your predecessor was criticised for being I suppose a bit out of touch with the level of misconduct in the bank, how are you going to make sure that you are in touch with the bank?

McEwan: I think even over the last six months, from what I am picking the bank has put in place a lot better learnings, ways of detecting what's really going on with customers. This bank needs to be a very good listening bank to its customers, monitoring things like the complaint levels, doing research with customers deep down into the customer groups to see what the customers are really thinking about. So, I think there are a lot of learnings already done so far but more to do, and I think we need to, as I have said many times and I will keep saying it, this needs to be a bank for customers and delivering to their needs.

Journalist: Can I ask you on a personal level, how are you feeling about taking on this role and was it an easy decision to make to come back to Australia?

McEwan: Look Australia is a great country, my father was Australian and he was in the Australian air force fighting up in Borneo, so this was sort of half home I would describe it. It won't mean I'll support the Australian rugby team, I'll always support the All Blacks, but I am very excited about coming back here. I think there's a real opportunity here for NAB to become a really trusted, great customer delivery bank. So it's an exciting prospect for me.

Journalist: Just on reputation, how does one improve the reputation of a bank, is it simply introducing new products? How do you do it?

McEwan: In a way it's not one thing, there's no silver bullet in repairing the reputation of a bank or improving customer service. It's basically every interaction with every person, every day has to be a great interaction with the customer, with the customer at the centre of that. And it does take a long time to repair reputations of an institution such as this, or any other financial institution. And we need to have every colleague in the bank thinking about the customer and working to their benefit. It can take some time, but it's day by day, interaction by interaction and making sure we've got the right products in the marketplace to serve our customers and look after their needs.

Journalist: Hi Ross, when you stepped down from RBS in, I think was April this year, what was on your mind, did you have this job lined up or? Could you take us through that thinking please?

McEwan: Yes well, first off, I didn't have this job lined up. I had said to the Chairman of RBS at the beginning of this year that I thought this year may well be my final year with RBS and we discussed that. And I thought the most appropriate time was to hand in my notice was at the time of the AGM.

This opportunity came up after that, and I did have to think hard about whether I wanted to do another CEO job or wanted to do other things. I did see this as a great opportunity though, it's got a fantastic reputation as a bank, it's one of Australia's longest-serving banks and of course there are some challenges which make it exciting for a CEO to be involved in. So, no, at the time, this wasn't something that I was leaving one bank to join another.

Journalist: Okay, when were you first approached?

McEwan: Probably a couple of weeks after the resignation, when I put it into RBS, the headhunters made an approach and sought to see whether I was interested. It took some time for me to think about that with my wife and my family and what we wanted to do.

Journalist: Thank you.

Journalist: Hi Ross, congratulations on the role. Look, I'm just going back to your time at the CBA and you would have probably heard from the Royal Commission, Ian Narev's response to Matt Comyn about junk insurance, 'temper your sense of justice' – what was your reaction to that comment from Ian Narev and when you were at the CBA, how hard did you push back on the selling of that type of insurance?

McEwan: I won't be drawn into comments about the comments Ian made or Matt Comyn made, it's sort of not for me. What I had said to a number of banks that have come up to see us in the UK, was to be very careful with the types of products you're selling, particularly insurance products, and you should really have a good look at whether they're serving customers' needs.

This came from the experience I was having to deal with, millions of customers around PPI, and the mis-selling problems that we'd had over many, many years up in the UK. I just said to them, have a look at the experience here because I think it's very appropriate for you to look at from the Australian perspective. So that's where those comments came from and I did say that I think you seriously need to look at are they meeting the needs of customers and if not, you should stop selling them and hurry up and do so. So that's where my comments came out of that.

Journalist: Thank you Ross, I was just wondering about your remuneration at NAB, it seems you could earn potentially \$9.5 million. This is obviously about 40% – 50% more than what you were earning at RBS. I just wondered first of all are you surprised you were able to get this much out of a bank so much smaller than RBS and just how you went through that negotiation?

McEwan: First off, the balance sheet of NAB is about the same size of the balance sheet of RBS today having shrunk it back to being a very focused regional bank. To me, it was the package that was put to me by the board – I didn't negotiate it. I understand in Australia, just as in the UK, remuneration is a very pointed issue and it's a large sum to be offering to somebody, but the remuneration is what was offered and I'll do my best to do a great job for this bank.

Journalist: Hi Ross, just on the twin challenges you're going to have, on one hand with restoring the reputation and on the other hand is transformation and a sort of cost-cutting challenge. Do you expect, based on what you saw at RBS, that those two are going to be difficult to manage together? I'm thinking that you closed a lot of branches in the last couple of years with RBS and that would be an easy way to get costs out of NAB too, but obviously might be difficult with the community – is it going to be a challenge to manage that balance?

McEwan: There are some major challenges in banking and the transformation of banks today; because of the low interest rate environment it's quite difficult to grow your income, at the same time you've got new firms coming into the marketplace – financial technology type firms – and they will continue to come in with a lower cost base than a traditional bank starts with, but I think the thing that can work together is customer service and looking at end-to-end processes to make it really easy for customers to do business with you and I think that's the real opportunity in banking today. It's just to make everything a lot simpler for customers so a lot of it they can do for themselves.

A large proportion of customers are now using the mobile phone as the way they operate with their bank; it's no different here in Australia than it is in the UK or globally now, and I think that transformation will continue on. So you need to be serving your customers the way they want to be served; the majority of them now through some form of digital device. At the same time you've got many customers who still want to go into a branch and they will be a big part of I suspect NAB's go forward strategy, but that changes over time as well and we'll have to adapt to how customers are doing business.

Journalist: Hi there Ross and congratulations on the role. I just wondered, Phil obviously said earlier that there is a chance that you could start in the role earlier than April next year. If there is a successor in place at RBS in the next few months, is it possible that you might be here before the end of the calendar year? And I've got a second question as well, but I'll let you answer that one first.

McEwan: First off, I do have obligations to RBS, I want to make sure that the handover process to the new CEO is done well. I've invested seven years of my life helping the team turn that bank around and I don't want to see it falter in the last few months. But it really is around RBS being in a position to put a new CEO in place, me doing a good handover and then being freed up to come across here to NAB in Australia. So timing is not clear at all until a new CEO is appointed and the process is ongoing in the UK.

Journalist: OK thanks. And when Ralph Norris started at CBA he talked about raising the customer service standing of CBA to number one from a very low standing amongst its big four bank peers. I just wonder, you've said a lot today about customers and customer service and improving there – where would you want NAB to be in several years' time on that measure?

McEwan: Look, I spent a number of years working for Ralph, and Ralph and I have a very similar view around customers and colleagues. You have to have your colleagues engaged in your business to deliver great service to your customers; that's something I hold very dearly to. But you do need to have great customer service delivery in the business so that customers will advocate for you.

We've got a long way to go here at NAB to get to that position, but it's one we will work very hard on over the next three to five years to get into that position. And I think you have to set goals for an organisation and some of those can be quite large goals, which your colleagues in the business will respond to over time. But there's no point in setting a target that's to be number four out of five banks, you want to be at the top of the pile for the right things – and that's what we will target.

Journalist: The Competition and Markets Authority in the UK in February did a survey of customer satisfaction among the UK banks and RBS came last of 16 banks, so based on that how do we have hope that you are able to do anything at NAB?

McEwan: A really good question John and one to be very sceptical about. You need to understand what has happened to the brand of RBS over the last 10 years. It's been in the newspaper pretty much every day, major conduct litigation issues, it went broke. It didn't start from a particularly good position. But it's interesting though that the service and product delivery is exactly the same as NatWest, which sits in the middle of the pack. So, it is a brand damage issue there, which goes back to my point around holding the two things you need to hold dear to – one is the financial strengths and the other one is your reputation.

RBS, which runs into Royal Bank of Scotland – which is the brand you are talking about, got severely damaged on both and it will be a long haul back to get those brands back up. We monitor them on a monthly basis from a net promoter score and the CMA you are talking about is done on a six-monthly rolling basis. The net promoter scores are quietly coming up in a couple of the areas that are quite crucial, particularly on contact centres and branches, but very early signs of recovery. On NatWest, very much better because it didn't get as much of the damage from Coutts, which is also one of the brands that's number one and the commercial business is number one as well because of different branding through NatWest and relationship-managed.

So, I get the point – that brand has a lot of work to do, but there's a plan in place to actually improve it. But 10 years of damage is pretty hard to get over.

Journalist: Just a really short, simple question – are you going to be permanently based in Melbourne when you take up this job or will you be a FIFO CEO from Sydney?

McEwan: No, no, head office is here so I'll be here. We've lived in Melbourne before, it's a great city – so we'll be in Melbourne.

Journalist: Earlier I think you mentioned an undue emphasis on quarterly returns, if I'm not putting words in your mouth. Not long ago NAB cut its dividend – are you suggesting that shareholders need to rebase their expectations for returns from the bank, at least in the short-term, given the many challenges it has?

McEwan: No, the point I am making is just constant improvement every quarter I think for a bank is nigh on impossible and we will always disappoint. You have to look for the long-term growth of a bank and the underlying growth of a bank to see the real value – because you can extract out excellent quarters for a period. But it's the long-term value I think we should be looking at James and that's my point. Now quarterlies do drive you that way and I've never been a fan of quarterlies, I'd love to get rid of them altogether, and just run on a 6- and 12-month so that you start to get a slightly longer-term view, because that's what you should be thinking about as the real value of a bank.

Journalist: Inaudible..

McEwan: I didn't say that, I just said you need to be very careful you don't damage a bank, and particularly it's relationship with customers because you want to eke out every quarter something better than the quarter before. And I'm suggesting that is one of the attributes of how the industry might have got itself into some of the difficulties it has.

Journalist: Not so much RBS, but what sort of market are you leaving in the England and the UK? You've got the challenges of Brexit and ultra-low interest rates – so can you paint us a picture of where you see that market heading?

McEwan: I think it's probably one of the most competitive marketplaces now in banking and financial services globally with open banking now in place so the top nine banks have to share their data with all of the smaller banks and the fintechs. You've got fintechs being very encouraged by the government itself to come into the marketplace. Very low interest rates, you know the bank rate is at 0.75, you're at one here, so only one notch away. So that is itself has created a very competitive

marketplace, particularly for lending. Margins on home loans are probably some of the lowest in the world. So generally, I think you are seeing a very, very competitive marketplace in the UK.

Brexit has slowed down the very large corporates from some of their investment, it hasn't damaged the personal or the SME customers because most of them are domestic-based, and unemployment is only 3.8 percent, so it's one of the lowest in the world in terms of unemployment levels. So, the economy is still ticking along ok, but Brexit has taken the shine off it.

Host: Great, that's all we have time for today. Thanks very much for your interest to people on the phones and in the room, and I'm sure Ross looks forward to catching up with you more when he starts the job. Thanks very much for your time.

Ross McEwan: Thank you, cheers.