



Thursday, 2 May 2019

NAB 2019 Half Year Results – NAB Group CEO Philip Chronican

What should we take out of the Half Year Result?

PHILIP CHRONICAN: The key messages from the half year result are that the underlying businesses are performing really well and that's a really strong signal. What it says is, that with all of the other issues we're dealing with, our core businesses have stayed focused and are delivering for customers.

Now, along with that, we've had to deal with a whole host of issues coming out of the Royal Commission and I think the leadership changes in the organisation and some of the other measures we've taken on accountability are an important part of that. And thirdly, we've strengthened the capital position, so during the half just gone we've raised \$750 million of new capital through our conversion of the converting preference shares. We are having an underwritten dividend reinvestment plan, which will raise another \$1 billion of capital and we've reduced the dividend to make sure we're in a strong capital generation position.

So, the company will be stronger financially and it's dealing to the issues that have been highlighted out of the Royal Commission, but continuing to perform at the same time.

What is the impact of reducing your dividend?

CHRONICAN: The decision to reduce the dividend was a difficult one because we have to trade off the fact that our shareholders really rely on that dividend for income, but we need to also make sure that we've got a strong bank. And we have reduced the dividend to make sure that we were in a strong position and we can deal with a number of headwinds that might arise.

What is your view on the economy?

CHRONICAN: The economy isn't growing strongly, but it's not a basket case. We've got an economy growing at around 2 per cent a year; we've got low stable inflation, we've got low stable unemployment. So, it may not be stellar growth but actually it's a really solid and stable economy and we're really pleased to be operating in that environment.

How is NAB operating differently since the Royal Commission?

CHRONICAN: We've taken the message from the Royal Commission very much on board. And obviously in addition to the leadership changes we've made in the company, we've made a number of changes that we think are going to be better for our customers. We've stopped closing branches in regional and rural communities, we've stopped our introducer program, we're stopping grandfathered commissions to financial planners, and we're looking at a whole range of other areas that we can make ourselves a better bank for our customers, so that our customers get what they expect from us and make sure things are done right, first time.

How are you tracking on the search for a new CEO?

CHRONICAN: The search for the new CEO is well underway, that's a board sub-committee that's being run by Ann Sherry. All I can say at this stage is it's progressing and we hope in the near future to be getting down to a shortlist that we can make a decision from, but I don't have anything more I can say at this point.

Why have you made changes to Board and executive remuneration?

CHRONICAN: Last year we had a remuneration vote at the AGM and our report was rejected by 88 per cent of our shareholders. We have to take things like that seriously. So, we had another look at the remuneration outcomes for last year and really asked the question, were they the right outcomes for the year we'd had based on what we know now. And we've gone through and made a number of changes and that's meant that a number of our executives will be giving up the some of the incentives that they were paid last year and the Board's going to take a hit as well with a 20 per cent reduction in base fees for this year. So, we think that's appropriate for the sort of accountability culture that we're trying to build.

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