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NAB’s Dynamic Duo do the rounds as bank recovers mojo

National Australia Bank chair Michael Chaney has been chaperoning his successor Ken Henry around Sydney and Melbourne to meet investors ahead of the bank’s annual meeting later this month.

The NAB duo was in Melbourne for a day and Sydney for two days, attending two-on-one sessions as well as lunches with up to a dozen participants.

Henry was making his debut as chairman-elect but it’s not the first time he has accompanied Chaney on a local roadshow.

The incumbent has made a habit of switching dance partners for his pre-AGM briefings, taking Henry with him two years ago, followed by non-executive director Danny Gilbert in 2014.

This time, though, the vibe was different.

In contrast to 2013, when the usual exchange of pleasantries concealed a raw, underlying frustration about NAB’s direction, the bank is seen to have rediscovered its mojo, with chief executive Andrew Thorburn rapidly unwinding a string of costly misadventures.

After last Friday's confirmation from the NAB board that the Clydesdale Bank demerger will proceed, the next stage is the release of the scheme booklet next week.

Clydesdale chief executive David Duffy and chief financial officer Ian Smith will also host investor briefings, with the required shareholder vote to take place in January before a scheduled listing in February.

This follows last October's $2.4 billion divestment of 80 per cent of the life insurance operations to Japan's Nippon Life.

With the Clydesdale exit and a much simpler portfolio of higher-returning businesses to manage, the business and personal banks will get the kind of attention they need, particularly with the 19-basis-point crunch in the business lending margin in the September half-year.

Chaney told Four Pillars that the recent investor meetings went well.

You might expect him to say that, but investors like Paul Xiradis, of Ausbil Dexia, tend to agree.

With the Clydesdale issue mostly settled, apart from shareholder and legal processes, investor attention is chiefly trained on the sustainability of profits and dividends, given the sector's increased capital requirements, the weak economy and a widespread belief that the benign credit cycle can only get worse.

Chaney says he hopes he was able to reassure investors about their concerns, including the all-important dividend question.

For his part, Xiradis heard nothing to dissuade him from his bullish view on the sector.

After the recent pullback in share prices, Ausbil Dexia has been in the market topping up its holdings in the major banks for the last month or so.

Risky challenges

New and traditional threats are creating huge pressures on the risk function in financial services.

The rebalancing of the economy and transition from resources-led growth is but one of an array of challenges, from booming property markets in Sydney and Melbourne to the continuing European debt crisis and implementation of reforms from David Murray's financial system inquiry.

Newer challenges come from unrelenting cyber attacks, the existential threat posed by the fintech sector, and the advent of 24/7 banking.

The message from NAB's chief risk officer David Gall is that risk can't respond by shutting down and becoming the "Department for the prevention of business".

In a private presentation to the nation's peak group for risk professionals, the Risk Management Association, Gall said yesterday that risk had to earn its keep and become an enabler of business.

The onus was on risk to generate value and insight for customers, improve its processes to deliver a better experience for customers, and be an active participant in innovation.

NAB, according to Gall, had differentiated itself by embedding risk professionals in its branches and business banking centres, with members of the workout division joining agribankers on customer visits to better understand the sector's challenges.

In the past 12 months, risk had also changed more than 200 clunky policies and processes to cut turnaround times for key decisions.

One example was lending applications sourced from mortgage brokers.

Previously, 20 per cent of loans were processed in four hours; now it's 65 per cent, with the rest turned around within eight hours.

"The only customers that will tolerate a slow, bureaucratic and cumbersome application process are poor risks," Gall said.

Chain reaction

Elmer Funke Kupper's enthusiasm for blockchain as a potential replacement for the Australian Securities Exchange's clearing and settlement system CHESS is undimmed.

The problem — not just for the ASX but for the technology itself — is scalability.

Happily for Funke Kupper, there's a real determination in the global Bitcoin/blockchain community to develop a solution, with a Hong Kong conference that's entirely devoted to the issue kicking off at the end of this week.

Melbourne-based Alan Tsen, a Bitcoin/blockchain consultant and editor of the online publication *The Week in Bitcoin*, says there's a genuine hope that the conference will achieve a consensus. "Scalability will happen; it's a question of which of the available solutions to adopt," Tsen says.

"But all the solutions are highly technical and complex so you descend straight into nerd-dom."

Blockchain, the underlying technology for Bitcoin, is an electronic general ledger that serves as a record of transactions.

As a "distributed ledger", it runs on the computers of all those who use it, rather than in a central location. A company called Chain is developing a private blockchain solution for the Nasdaq, and the ASX will take a similar approach.

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