



# CFO one-on-one



Craig Drummond is the Group Executive, Finance and Strategy at National Australia Bank (NAB), one of Australia's 4 major banks and Australia's largest bank (by assets). NAB also ranks in the top 25 of world banks by market capitalisation. In Australia, NAB has several well respected brands such as MLC, JB Were, NAB Private Wealth and in New Zealand, BNZ.

Prior to joining NAB, Craig spent four years as the Chief Executive and Country Head of Bank of America Merrill Lynch Australia. Craig previously held the role of Chief Executive Officer Goldman Sachs JBWere. I began working with Craig at that time.

**Having just completed your anniversary in the Group CFO role with NAB, has the role panned out to your expectations?**

There have been many challenges, some good and some not so good, but the great majority of my first year has been very positive. Most things were expected but there have been a few surprises, such as the appointment of a new Chief Executive. Also, the regulatory environment is changing rapidly both in Australia and internationally, which brings a new set of issues.

**It seems you inherited a lot of challenges, including the legacy of your international businesses. Has reviewing this strategy been one of your key priorities.**

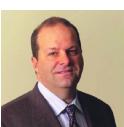
We have announced some key steps for reducing exposure to our international businesses. In the US we have sold down our stake in Great Western Bank and in the UK our exit strategy is clear for Yorkshire and Clydesdale Banks and we have engaged a couple of global investment banks to assist with this strategy. We also recently announced the exit of £1.2 billion of higher risk loans from the UK Commercial Real Estate portfolio, delivering on the strategy we outlined in October. Our strategy is to sharpen our focus on our core businesses in Australia and New Zealand

**Having led the merger between JB Were and Goldman Sachs Australia, your potential role in leading a change of culture at NAB was signalled when you first commenced. Is this eventuating?**

Absolutely, cultural change has been a key priority for me and for the CEO Andrew Thorburn. Our strategy is to make every bank employee, from the top down, more accountable. Secondly, we are reinforcing the bank's performance based culture. This doesn't happen overnight and cultural change is an evolution. A good example of this change is demonstrated with our most recent round of performance payments.



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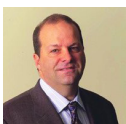
We recently announced 60% on-target bonus payments to the entire NAB population. The leadership team, however, only received 40% on-target bonus and the CEO received 20%.

## What would you regard as your career highlight?

Becoming Group CFO of NAB would definitely be the stand out. It is a job I have wanted for some time with a bank I have always had the greatest respect for. Besides this, the instrumental role I played in the merger between JB Were and Goldman Sachs is a key highlight. It is somewhat ironic that the JB Were business is now a key part of NAB.

## What sets you apart from other CFO's

Whilst I could talk about the strategic and cultural aspects I bring to the role of CFO, for me the most important attribute is my attention to detail. I had a very strong grounding in forensic analysis gained from my early training with KPMG. This was honed with my exposure to business analysis at both Goldman Sachs and Bank of America Merrill Lynch. If a CFO has a thorough attention to detail a lot of the fundamentals are taken care of, allowing more informed focus on strategy.



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## What do you believe are the 3 top skills a CFO should possess?

Above all else and along the lines of my previous answer, a CFO must be numerate. They need to understand the '101 of Financial Management' ie. capital, liquidity and balance sheet analysis.

Secondly, strategic capability is very important. The CFO role is far more strategic today.

Finally, a very underrated but essential attribute is the ability to communicate with people at all levels. My role entails working with people across the entire business and so you need to develop those relationships and convince all of the stakeholders to commit to and share in the objectives, whether they represent either a cultural or operational change.

## Were your skills easily transferrable from investment banking?

I believe I brought a fresh perspective coming into NAB from an investment banking background. I have a very strong commercial focus and many years' experience identifying attractive businesses, based on sound fundamentals. Sure, I had things to learn about retail banking but everyone has things to learn. It is very rare to have somebody who ticks every box and is a perfect match for a role.

## What things keep you awake at night?

I try not to worry too much and I am pretty good at leaving my work behind when I leave the office each day. However, a bank CFO is always thinking about issues concerning the bank's credit and market risk, as well as liquidity.

## The Australian economy was recently reported as slowing faster than expected.

## What is your outlook and how exposed are the major banks this time around?

The Australian economy is in relatively good shape and, barring any major shocks, my outlook for the country for next 20 years is generally very positive.

If you consider our AAA rating, a great quality of life, as well as a strong outlook for population growth in Australia and combine these factors with consistent growth in Asia, Australia is still the envy of many around the world. There is so much opportunity here.

As well as this, a falling currency will help to "paper up any structural weaknesses" in the medium term. If there were to be any shocks or downside risks, the global economy is much better placed than during the GFC, given the greater liquidity.

