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WITH **MARK COLVIN** »

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## Change of the guard at CommBank

David Taylor reported this story on [Friday, July 22, 2011](#) 18:18:00

**MARK COLVIN:** The head of the Commonwealth Bank, Ralph Norris, announced his retirement today. His successor is Ian Narev, a former New Zealand child TV star, who now runs business banking at the Commonwealth.

The move is consistent with the bank's new push to increase its share of the business banking market. But as David Taylor reports, it's the bank's approach to interest rate policy that may provide the greatest test for the new boss.

**DAVID TAYLOR:** At the bank's press conference in Sydney this morning, Ralph Norris seemed quite pleased to hand over the reins to Ian Narev. His tenure as the chief executive of the Commonwealth Bank doesn't officially begin until December, but the bank's pushing for a silky-smooth transition.

**IAN NAREV:** I feel very humbled and grateful to David and the Commonwealth Bank board for giving me this opportunity to head Australia's leading bank.

**DAVID TAYLOR:** He's all too aware of the bank's financial strength, which has left Ralph Norris with the biggest pay packet in the banking sector.

**IAN NAREV:** Through the financial crisis I have seen that our history, our brand, our customer base, and our financial strength are unique among our competitors.

**DAVID TAYLOR:** That uniqueness extended to the Commonwealth Bank's interest rate policy. Under Ralph Norris the bank chose to increase interest rates on its standard variable loans independently of moves by the Reserve Bank. It made for a sometimes frosty relationship with the Federal Treasurer, Wayne Swan.

**WAYNE SWAN:** Oh look we had a few issues from time to time, but Mr Norris has been a professional executive, he's worked hard for the bank. The bank's taken a decision about that, I'm not privy to the reasons as to why they may have done that, but I wish him all the best for the future.

JOURNALIST: Are you glad to see him go?

WAYNE SWAN: I don't like the premise of the question.

DAVID TAYLOR: Mr Norris attempted to justify the bank's position to the ABC's Peter Ryan in 2008.

RALPH NORRIS: Well I don't think that we live in a communist country. We will do what is commercially, appropriately, what is prudent. Therefore I don't know of any legislation that says that the Reserve Bank actually sets interest rates for commercial operations in this country.

DAVID TAYLOR: It's a position he stands by today.

RALPH NORRIS: The chief executive's role is not to be popular, it's to be respected and it's to do the right things for the business. And certainly I have no regrets, Peter, for any of the decisions that I made in regard to what I was doing to make sure that the business was put into a strong position.

DAVID TAYLOR: Ralph Norris argues that it's in the nation's interests for the Commonwealth Bank to produce big profits, even if that means making unpopular decisions on interest rates.

RALPH NORRIS: And there's only one thing worse than a profitable bank, that's an unprofitable one. And when you see the damage that unprofitable banks have done to economies in the UK, Ireland, Spain, the US, then I think making the right decisions around appropriate pricing is something that every chief executive should be focused on.

DAVID TAYLOR: Fund manager, Roger Montgomery, isn't sold on the idea.

ROGER MONTGOMERY: Look I think that's a neat spin on the fact that his job is to make profits for the company. That's his responsibility, that's what he's being incentivised to do.

DAVID TAYLOR: It's a public relations line that Ian Narev will have to become very familiar with. But analysts believe he's up to the job.

CLSA banking analyst, Brian Johnson.

BRIAN JOHNSON: The more I think about it the more logical it actually becomes. He's the right age, the right experience, has run the right business.

DAVID TAYLOR: In fact Ian Narev's experience as the head of business banking is just what the group needs as it now looks to take on the business banking market.

IAN NAREV: What I can say is that as is natural with any change of leadership there will be some differences in style and focus.

DAVID TAYLOR: It's an area in which the bank has traditionally lagged behind its peers.

BRIAN JOHNSON: Well when you have a look at Commonwealth Bank; Commonwealth Bank dominate the market share in all the retail banking side. In the business banking, they're weak, or weaker, and that is where the opportunity is. The opportunists use their technology to build market share in business banking.

DAVID TAYLOR: Roger Montgomery says it's the final leg of a successful long-held business model.

ROGER MONTGOMERY: If you like, they're following the, by doing this they're following a similar approach to the approach that Apple has done. Go into the home first and take over the hearts and minds of people at home, and then eventually they'll integrate that into their business life and that may be the case here.

DAVID TAYLOR: There is, however, a long list of challenges facing the new CEO.

ROGER MONTGOMERY: If the economy locally does turn down, if China slows down or if house prices drop, then the impact on banks will be exponential.

DAVID TAYLOR: So you think Mr Narev's got his work cut out for him?

ROGER MONTGOMERY: I think he'll have to work as hard as any other leader of a major bank in Australia in order to maintain market share and continue to grow the business. It's going to be a tough gig.

DAVID TAYLOR: The market sent shares in the Commonwealth Bank 1.5 per cent higher today to close at \$50.52.

MARK COLVIN: David Taylor.



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