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AUSTRALIA
www.nab.com.au

Monday, 16 November 2020

ASX ANNOUNCEMENT

NAB Virtual Annual General Meeting Notice of Meeting

National Australia Bank Limited (NAB), in accordance with the ASX Listing Rules, attaches its 2020 Notice of Annual General Meeting (AGM) for release to the market.

All important information and guidance for shareholders joining this year's virtual AGM is available on NAB's website at www.nab.com.au/agm

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The release of this announcement was authorised by Louise Thomson, Group Company Secretary.

2020 NOTICE OF ANNUAL GENERAL MEETING

9.30am (Australian Eastern Daylight Time)
Friday, 18 December 2020

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CHAIRMAN'S MESSAGE

It is my pleasure to invite you to the 2020 Annual General Meeting (AGM) of National Australia Bank Limited. The AGM will be held on Friday, 18 December 2020 at 9.30am (AEDT).

As a result of COVID-19 and the associated government restrictions on travel and public gatherings, this year's AGM will be conducted entirely online.

The Board considers the AGM to be a very important event for engaging with our shareholders. To make the AGM as accessible as possible, there are several ways in which you can participate, which are explained in the Notice of Meeting. I encourage you to vote and raise any questions you may have in advance and information on how to do this is also in the Notice of Meeting. Further information is also provided in our online AGM Guide.

The past year has been uniquely confronting for the customers and communities we serve. In that, we are no different from most businesses around the world that are dealing with disruptions unparalleled in most of our lifetimes.

In Australia, the tragic health and economic impacts of COVID-19 came on top of the severe drought and devastating bushfires over the summer of 2019/2020.

Our bank and our people have been tested. I am proud of how we are responding given the critical role we play in supporting the economy and our communities.

When the economic shutdowns were brought in earlier in the year, we knew that we would have to work with governments and regulators to ensure that our customers would be supported during these critical times.

NAB was not operating in isolation. The financial services industry has shown a strong focus on supporting customers and avoiding unnecessary financial stress on households and businesses.

Our wider economic contribution through employment, supplier and government payments, and community investment, is particularly important during a downturn. This year we paid $3.5 billion in government payments and taxes, $5.1 billion to suppliers, $3.3 billion in dividends, and other payments that flow to employees and into the community via donations and volunteering.

I am equally conscious of the impact of our COVID-19 response on our shareholders, many of whom rely on dividends which have been substantially reduced. The total dividend of 60 cents per share in the 2020 financial year reflects the economic environment, regulatory guidance and consideration of our strong capital position. Every decision the Board makes carefully balances our short and long-term responsibilities to shareholders and our ability to serve customers and communities.

Amid all of this, we are building a bank to be more resilient and to perform better over the long-term. We will not lose sight of the work to be done to reliably achieve responsible growth and healthy returns for our shareholders.

Making the necessary hard choices

Earlier this year we took decisive action to strengthen our capital position, in recognition of the magnitude of the economic crisis. Endorsed by many shareholders, our actions have enabled us to continue to support customers through COVID-19, as well as assist us to manage through the recession in Australia and economic headwinds globally.

In uncertain times, a strong balance sheet is critical. The Board will continue to focus on maintaining our strong balance sheet to target growth opportunities and support our customers' ambitions despite the operating environment.

By serving customers well through this difficult period, we expect to deliver long-term value to you. We do well when our customers do well.

The Board and leadership team have also been clear that we should share the challenges faced by our customers, shareholders and the community. The Executive Leadership Team will not receive an annual variable reward as part of their remuneration for 2020. The Board and Group Chief Executive Officer Ross McEwan also took a 20% reduction in base fees and fixed remuneration respectively from 1 April 2020 to 30 September 2020.

The Executive Leadership Team, led by Ross since last December, has a clear plan to strengthen NAB and is getting on with it. Ross has quickly shown he is the right leader for NAB through this crisis and beyond. Alongside a talented and capable leadership team, he has led the creation of a refreshed Group Strategy, which sets a simple and impactful ambition to 'serve customers well and help our communities prosper'. We have centred ourselves on the core notion of being a good bank.

Driving sustainable change

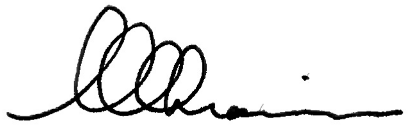
The lessons learnt from the Royal Commission and through our self-assessment into governance, accountability and culture remain front of mind. We are making sustainable progress by addressing the root causes of our failings.

We are holding ourselves accountable by tracking our performance in areas where we need to improve. Realising our desired culture will take time however, the right foundations are in place. Our refreshed strategy and organisational structure take these lessons to the heart of how we work.

Expectations of the bank are changing rapidly. Your Board is paying close attention to the commercial risks and opportunities that climate change poses for our business. We are taking a range of actions to help and support customers and communities through the transition to less emission intensive technologies. We have a clear ambition, and we will not walk away from industries working towards a low carbon economy.

The NAB Board continues to evolve to reflect the skills required for the future. After serving almost seven years on the Board, Geraldine McBride has announced she will not be seeking re-election at the AGM and will retire from the Board in December. I would like to thank Geraldine for her contribution. Simon McKeon, an experienced executive and board member, will stand for election at this year's AGM in December with Peeyush Gupta, David Armstrong and Ann Sherry who all stand for re-election.

In a year characterised by challenges, we remain a strong and safe bank, well placed for the future. Our ambition is clear and easily understood. On behalf of the Board, thank you for your support as shareholders over the past year. Equally, I would like to thank our 34,000 colleagues who have remained focused on the right things for customers and who have understood where they could make the greatest contribution to helping Australia and New Zealand through this confronting period.



Philip Chronican
Chairman

KEY RESULTS AND PERFORMANCE MEASURES[1]

CASH EARNINGS[2]	2020 A$m	2019 A$m
Business and Private Banking	2,489	2,817
Personal Banking	1,380	1,260
Corporate and Institutional Banking	1,469	1,508
New Zealand Banking	977	997
Corporate Functions and Other	(2,605)	(729)
Cash earnings	**3,710**	**5,853**

RECONCILIATION OF CASH EARNINGS TO STATUTORY NET PROFIT[2]	2020 A$m	2019 A$m
Cash earnings	3,710	5,853
Non-cash earnings items (after tax):		
Distributions	39	83
Fair value and hedge ineffectiveness	(34)	(24)
Amortisation and impairment of acquired intangible assets	(217)	(7)
Net profit from continuing operations	**3,498**	**5,905**
Net loss after tax from discontinued operations[3]	(939)	(1,107)
Net profit attributable to owners of NAB (statutory net profit)	**2,559**	**4,798**

1 For more information on how we have performed and created value for our stakeholders this year, refer to How we create value on page 9 and Our performance on pages 33-34 of the 2020 Annual Review.

2 Information is presented on a continuing operations basis, unless otherwise stated. Prior periods have been restated for the presentation of MLC Wealth as a discontinued operation. Cash earnings is not a statutory financial measure, is not presented in accordance with Australian Accounting Standards, and is not audited or reviewed in accordance with Australian Auditing Standards. NAB's audited financial statements, prepared in accordance with the Corporations Act 2001 (Cth) and Australian Accounting Standards, are set out in NAB's 2020 Annual Financial Report. Full detail on how cash earnings is defined, a discussion of non-cash earnings items and a full reconciliation of statutory net profit attributable to owners of NAB is set out in Note 2 of NAB's 2020 Annual Financial Report. A reconciliation of cash earnings to statutory net profit attributable to the owners of NAB is also set out on page 33 of the 2020 Annual Review.

3 Discontinued operations is defined in the Glossary and definitions on page 38 of the 2020 Annual Review and primarily relates to the net results of MLC Wealth and MLC Wealth-related items, combined with a reassessment of customer-related remediation associated with the MLC Life business. On 31 August 2020, the Group entered into an agreement for the sale of 100% of MLC Wealth, including the advice, platforms, superannuation & investments and asset management businesses, to IOOF Holdings Limited for $1,440 million, subject to completion adjustments. MLC Wealth is considered to be held for sale and because the businesses being disposed of represent a separate major line of business for the Group, MLC Wealth meets the definition of a discontinued operation for the year ended 30 September 2020.

4 2020 Employee Engagement Survey conducted by Glint, score based on July 2020 survey. Australia and New Zealand colleagues, population excludes external contractors, consultants and temporary colleagues. 2020 methodology differs from prior years.

5 Net Promoter® and NPS® are registered trademarks and Net Promoter Score and Net Promoter Systems are trademarks of Bain & Company, Satmetrix Systems and Fred Reichheld. Strategic NPS: Sourced from DBM Atlas, measured on a six month rolling average. Definition has been updated to give all customers within the Business and Consumer segments equal voice. The overall Strategic NPS result combines the Consumer and Business segment results using a 50% weighting for each. This has replaced "NPS priority segments" as previously reported by NAB, which was a simple average of four customer segments (Home Owners, Investors, Small Business and Medium Business). Data is presented comparing September 2019 to September 2020 figures.

6 Cash earnings large notable items after tax: customer-related and payroll remediation of $261 million (2019: $192 million), capitalised software policy change of $668 million (2019: $344 million) and impairment of property-related assets of $94 million (2019: $nil).

7 Number of unique primary customers approved with hardship assistance for home loans, credit cards and personal loans. Note this number reflects customers who have been referred to NAB Assist, and is not inclusive of customers with an active deferral as at 30 September 2020.

Dividend per share (for the full year)

$0.60

$1.06 lower than 2019

Cash return on equity[2]

6.5%

490 basis points decrease from 2019

Colleague engagement score[4]

76

5 points above our 2020 target of 71

Strategic net promoter score[5]

-11

5 point increase from 2019, #2 amongst major banks

Statutory net profit

$2.56BN

Cash earnings[2]

$3.71BN

36.6% decrease from 2019

$4.73bn cash earnings ex large notables of $1.02bn[6] 25.9% decrease from 2019

SME Guarantee Scheme

>$600M

Approved in Business Support Loans under Australian Government's Coronavirus SME Guarantee Scheme

Number of customers assisted experiencing financial hardship[7]

26,621

35.3% increase from 2019

Supported communities through crisis and recovery

$5M

Committed to support customers, colleagues and communities impacted by the bushfires

Supporting communities through crisis and recovery

>148,000

Business and home loan customers supported with deferrals

NOTICE OF ANNUAL GENERAL MEETING

NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting (**AGM** or **Meeting**) of National Australia Bank Limited (**NAB** or the **Company**) will be held on Friday, 18 December 2020 at 9.30am (AEDT). This year's AGM will be conducted as a virtual meeting.

The virtual AGM will provide an equal opportunity for all shareholders to participate in the AGM, regardless of their location. Shareholders will be able to participate in the AGM by voting online and asking questions online or by telephone. The online portal for the AGM will open for registration at 8.30am (AEDT). Shareholders can also view a webcast of the AGM. Further information is provided below and in our online AGM Guide.

Items of Business

1. Financial Report, Directors' Report and Auditor's Report

To consider the Company's Financial Report, Directors' Report and Auditor's Report for the financial year ended 30 September 2020.

2. Re-election and Election of Directors

a) To re-elect Mr David Armstrong as a director following his retirement in accordance with the Company's Constitution.

b) To re-elect Mr Peeyush Gupta as a director following his retirement in accordance with the Company's Constitution.

c) To re-elect Ms Ann Sherry as a director following her retirement in accordance with the Company's Constitution.

d) To elect Mr Simon McKeon as a director following his retirement in accordance with the Company's Constitution.

The Board (other than the director who is the subject of the relevant Item) recommends that shareholders vote <u>in favour</u> of Items 2(a), 2(b), 2(c) and 2(d).

3. Remuneration Report

To adopt the Company's Remuneration Report for the financial year ended 30 September 2020.

The Board recommends that shareholders vote <u>in favour</u> of Item 3.

4. Performance Rights – Group Chief Executive Officer

To approve the grant of performance rights to the Group Chief Executive Officer, Mr Ross McEwan, under the Company's long-term variable reward plan, as described in the Explanatory Notes.

The Board (other than Mr McEwan, who has a personal interest in this Item) recommends that shareholders vote <u>in favour</u> of Item 4.

5. Selective buy-back of 20 million Preference Shares associated with the National Income Securities (NIS Buy-back Scheme)

To approve by way of special resolution the terms and conditions of the selective buy-back scheme relating to the 20 million Preference Shares associated with the National Income Securities, as described in the Explanatory Notes.

A special resolution requires approval by at least 75% of eligible votes cast on the resolution.

The Board (other than Mr Chronican, who holds National Income Securities and has a personal interest in this Item) recommends that shareholders vote <u>in favour</u> of Item 5.

6. Requisitioned resolutions promoted by Market Forces

The following resolutions were requisitioned by shareholders and promoted by Market Forces. These resolutions are not supported by the Board.

a) To consider the following resolution as a special resolution:

Amendment to the Constitution

Insert into the Constitution in clause 8 'General meetings' the following new sub-clause 8.3A 'Advisory resolutions': "The Company in general meeting may by ordinary resolution express an opinion or request information about the way in which a power of the Company partially or exclusively vested in the Directors has been or should be exercised. Such a resolution must relate to a material risk identified by the Directors or the Company and cannot advocate action that would violate any law or relate to any personal claim or grievance. Such a resolution is advisory only and does not bind the Directors or the Company."

A special resolution requires approval by at least 75% of eligible votes cast on the resolution.

b) To consider the following resolution as an ordinary resolution:

Transition Planning Disclosure

Shareholders request the Company disclose, in subsequent annual reporting, strategies and targets to reduce exposure to fossil fuel (oil, gas, coal) assets in line with the climate goals of the Paris Agreement, including the elimination of exposure to thermal coal in OECD countries by no later than 2030.

This resolution will only be put to the Meeting if the resolution in Item 6(a) is passed as a special resolution.

The Board recommends that shareholders vote <u>against</u> Items 6(a) and 6(b).

By Order of the Board
Louise Thomson
Group Company Secretary
16 November 2020

INFORMATION FOR YOU

Attending the Meeting

You can attend the Meeting online by visiting our online AGM portal by entering **https://web.lumiagm.com/322453980** in the web browser on your computer or mobile device and following the instructions. Registration will commence from 8.30am (AEDT). If you wish to participate online, we recommend that you register at least 15 minutes before the start of the AGM. Further information is also provided in our online AGM Guide.

You can also:

- view a webcast of the AGM at **www.nab.com.au/agm**, where you will be able to watch and listen to the AGM and see slides and proxy results. This option is for viewing only and there is no ability to ask questions or vote; or
- attend the Meeting by teleconference, where you will be able to listen to the AGM live and ask questions. Participants joining by telephone will need to contact the Company's Share Registry on 1300 367 647 by Wednesday, 16 December 2020.

Voting

You can vote at the Meeting if you are registered as the holder of ordinary shares, or National Income Securities issued by the Company under a prospectus dated 10 May 1999 (NIS), as at 7.00pm (AEDT) on Wednesday 16 December 2020.[1]

Subject to the voting restrictions described below:

- if you hold ordinary shares in the Company, you can vote on all Items of business; and
- if you hold NIS, you can only vote your NIS on Item 5, and you are not permitted to vote your NIS or any ordinary shares you hold in favour of Item 5.

Each resolution considered at the AGM will be conducted by a poll. The Board considers that voting by a poll is in the interests of shareholders as a whole and ensures that the views of as many shareholders as possible are represented at the AGM. Shareholders unable to attend the virtual AGM are encouraged to vote in advance of the Meeting.

There are several ways you can vote. You can:

OPTION	DETAILS	INSTRUCTIONS
Cast your vote before the AGM	You can vote online before the AGM. You must submit your vote by **9.30am (AEDT) Wednesday, 16 December 2020**.	You can cast your vote directly **online** at **www.investorvote.com.au** by entering your: • Securityholder Reference Number (SRN); or • Holder Identification Number (HIN); **and** • **the Control Number 134676**, and following the instructions.
Nominate a proxy before the AGM to vote on your behalf	You can appoint a proxy to attend and vote for you at the Meeting. If you choose to do this, we must receive your proxy form by **9.30am (AEDT) Wednesday, 16 December 2020**. Your proxy may be an individual or a body corporate and does not need to hold securities in the Company.	You can nominate a proxy **online** at **www.investorvote.com.au** by entering your: • Securityholder Reference Number (SRN); or • Holder Identification Number (HIN); **and** • **the Control Number 134676**, and following the instructions.

1 If you hold convertible preference shares issued by the Company in December 2013 (**CPS II**), you will not be entitled to vote your CPS II on any Item of business because all the CPS II are scheduled to be cancelled on 17 December 2020 in accordance with the redemption notice issued by the Company on 5 November 2020.

OPTION	DETAILS	INSTRUCTIONS
Nominate a proxy before the AGM to vote on your behalf (continued)	You cannot appoint more than two proxies to attend the Meeting or vote for you. If you do appoint two proxies to attend and vote for you, you must specify the proportion (or number) of votes that each of your two proxies can exercise. If your proxy is a body corporate, the body corporate must then appoint an individual as its 'corporate representative' to attend and vote at the Meeting. If you are a corporate representative, you will need to provide evidence of your appointment as a corporate representative to the Company's Share Registry. If you do not give any directions to your proxy, they may vote as they think fit (subject to the voting restrictions set out in this Notice and any legal requirements). If you have specified how your proxy is to vote on an item of business, the proxy must vote the way you have specified. Your proxy can only vote on the items of business that you are entitled to vote on. If you have specified how your proxy is to vote on an item of business but the proxy does not attend the Meeting – or does not vote on that item – then the Chairman will vote as you have directed (subject to the voting restrictions). If you appoint the Chairman as your proxy, or the Chairman is taken to be appointed as your proxy, and you have not specified the way to vote on an item of business – the Chairman will exercise your votes in accordance with the Chairman's voting intentions set out below (subject to the voting restrictions).	You can request a **paper** proxy form from Computershare by email at **nabservices@computershare.com.au** or by telephone 1300 367 647 (within Australia) or +61 3 9415 4299 (outside Australia). Completed paper proxy forms must be received by Computershare no later than 9.30am (AEDT) on Wednesday, 16 December 2020 by: • **Post** in the Reply Paid envelope provided. • **Facsimile to:** 1800 783 447 (within Australia) +61 3 9473 2555 (outside Australia) A proxy cannot be appointed electronically if they are appointed under a **power of attorney** or similar authority and, in that situation, you will need to request a paper proxy form from Computershare by email at **nabservices@computershare.com.au** or by telephone 1300 367 647 (within Australia) or +61 3 9415 4299 (outside Australia). When submitting the paper proxy form, you will need to include evidence of any power of attorney under which the proxy form was executed or a certified copy of the relevant authority. A form of notice of appointment can be obtained from Computershare or downloaded from **www.investorcentre.com/au** Custodians and other intermediaries may submit their proxy online at **www.intermediaryonline.com** (subscribers only).
Cast your vote online during the AGM	If you attend the AGM virtually you will be able to vote directly during the AGM. If you have lodged a direct vote before the AGM and then vote online during the AGM, your direct vote lodged before the AGM will be revoked. Similarly, if you have appointed a proxy before the AGM and then vote online during the AGM, your proxy appointment will be revoked.	You can vote at the AGM by attending online through the AGM portal, and following the instructions and on-screen prompts. All polls will open when advised by the Chairman. Shareholders and proxyholders will be able to vote on all resolutions until the Chairman closes the polls, which will be around the time the Meeting closes. If you are a proxyholder and wish to vote at the Meeting, you will need a Username and Password, which can be obtained by calling Computershare on +61 3 9415 4024 during the online registration period, which will open one hour before the start of the AGM.

INFORMATION FOR YOU

What if my securities are held jointly?

If you hold your securities jointly, you and the other holders may attend the Meeting. However, only one holder can vote. The holder that can vote is the holder named first on the register.

A corporate holder may appoint one or more persons to act as its representative. However, only one representative can vote at any one time. If you are a representative of a corporate holder, you will need to have provided the Company's Share Registry with evidence of your appointment before the Meeting. Refer to the relevant instructions on the previous page.

Asking questions

The Meeting is intended to give you the opportunity to hear the Chairman and the Group Chief Executive Officer (Group CEO) talk about the year and provide insights into the Company's prospects for the year ahead. It is also an opportunity for shareholders to ask questions. In the interests of all people attending the Meeting, we ask that you confine your questions to the Items of business and to matters relevant to shareholders as a whole. You may also submit written questions to the auditor if the questions are relevant to the content of the Auditor's report or the conduct of the audit of the financial statements to be considered at the Meeting.

There are several ways in which you can ask questions:

OPTION	DETAILS	INSTRUCTIONS
Submitting questions before the AGM	If you are unable to attend the Meeting, or you prefer to register questions in advance, you are invited to submit questions **by Thursday, 10 December 2020**. During the Meeting, the Chairman will address key themes from shareholders' questions received in advance.	Questions can be submitted either: • at **www.investorvote.com.au** if you are casting your votes online before the Meeting; or • by emailing your questions to **nab2020agm@computershare.com.au** If you email questions, please specify the Items of business that your questions relate to.
Asking questions at the AGM	If you attend the Meeting online, you will be invited to submit questions when the Chairman invites them.	Questions can be submitted either: • **via the online AGM portal** Tap on the Questions icon and type your question in the chat box at the bottom of the screen and then select the send icon. Confirmation that your question has been received will appear. • **via teleconference** Shareholders and proxyholders, who are unable or do not wish to attend the AGM online, can listen to the Meeting live via teleconference and ask questions (but not vote) on the telephone. Shareholders and proxyholders will need to contact Computershare on 1300 367 647 (within Australia) or +61 3 9415 4299 (outside Australia) to pre-register and receive details for the teleconference line by 9.30am (AEDT) on **Wednesday, 16 December 2020**. Shareholder questions received via the online AGM portal or by teleconference will be read out by a NAB person.

Questions received before the AGM that relate to shareholders' individual circumstances will be responded to as soon as possible. Due to system limitations, we will be unable to respond to questions related to shareholders' individual circumstances where they are submitted using the online platform during the Meeting. If you have questions that relate to your individual circumstances as a shareholder or customer, please contact NAB Customer Services on 13 22 65 or the Company's Share Registry on 1300 367 647.

Voting restrictions

Item 3 (Remuneration Report)

The Company will disregard any votes cast on Item 3:

- by or on behalf of any member of the Company's Key Management Personnel (**KMP**) whose remuneration details are included in the Remuneration Report (or their closely related parties) in any capacity; and
- any member of the Company's KMP as at the date of the Meeting (and their closely related parties) as proxy for another shareholder.

However, a vote will not be disregarded if it is cast as a proxy for a person entitled to vote on Item 3:

- in accordance with the directions provided by that person; or
- by the Chairman, as the Chairman has received express authority from that person to exercise undirected proxies on Item 3 even though Item 3 is connected with the remuneration of the Company's KMP.

Item 4 (Performance Rights – Group CEO)

The Company will disregard any vote cast:

- in favour of Item 4 by or on behalf of the Group CEO and any of his associates in any capacity; and
- on Item 4 as a proxy by a member of the Company's KMP as at the date of the Meeting or their closely related parties.

However, a vote will not be disregarded if it is cast:

- as proxy for another person who is entitled to vote on Item 4 in accordance with a direction as to how to vote provided by that person;
- as proxy for another person who is entitled to vote on Item 4 by the Chairman, as the Chairman has received express authority from that person to exercise undirected proxies on Item 4 even though Item 4 is connected with the remuneration of the Company's KMP; or
- in favour of Item 4 by the Group CEO or any of his associates as a nominee, trustee or custodian (or other fiduciary) for a person entitled to vote on Item 4, in accordance with a direction as to how to vote provided by that person, provided that person gives written confirmation to the Group CEO or his relevant associate (as applicable) that they are not excluded from voting on Item 4.

Item 5 (NIS Buy-back Scheme)

If you hold NIS, but do not hold ordinary shares, you can only vote on Item 5.

In accordance with the Corporations Act 2001 (Cth) (**Corporations Act**), unless the exception outlined below applies, if you are a NIS holder or an associate of a NIS holder, you:

- cannot vote your NIS or any ordinary shares you hold in favour of Item 5; and
- can only abstain from voting on Item 5 or vote against it.

Exception for nominees and custodians

An exemption has been obtained from the Australian Securities and Investments Commission (**ASIC**) in relation to voting on Item 5, which is relevant for nominees and custodians who hold NIS (**Nominee**) and who also hold ordinary shares as trustee for the benefit of a third party (**Underlying Holder**) who, in turn, is not a NIS holder or an associate of a NIS holder (**Other Holding**). The exemption allows a Nominee to vote ordinary shares in favour of Item 5 where the Nominee provides written confirmation to the Company that:

- the Underlying Holder has provided written confirmation to the Nominee before the date of the AGM that the Underlying Holder is not a NIS holder or an associate of such a person; and
- they have been directed to vote in favour of the Item by the Underlying Holder, and are not exercising any discretion in casting the vote on behalf of the Underlying Holder.

Nominees who lodge a proxy for an Other Holding, with a direction for the proxy to vote in favour of Item 5, will be taken to have provided the written confirmations described above, unless otherwise determined.

INFORMATION FOR YOU

Express authority of the Chairman

If a shareholder appoints the Chairman as their proxy (or the Chairman is appointed as the shareholder's proxy by default) and the shareholder does not direct the Chairman how to vote on Items 3 or 4, the shareholder expressly authorises the Chairman to exercise the proxy in respect of the relevant Item (even though those Items are connected with the remuneration of one or more of the Company's KMP).

Chairman's voting intentions

The Chairman intends to vote all available proxies:

- in favour of Items 2, 3, 4 and 5; and
- against Items 6(a) and 6(b).

Technical difficulties

The Chairman has discretion as to whether and how the Meeting should proceed if a technical difficulty arises. In exercising this discretion, the Chairman will have regard to the nature of the technical difficulty, the number of shareholders impacted and the extent to which participation in the business of the Meeting is affected. As the Chairman could (in certain circumstances) elect to continue with the Meeting even if a technical difficulty arises, shareholders are encouraged to vote or appoint a proxy ahead of the Meeting even if they plan to attend the Meeting.

EXPLANATORY NOTES

Item 1: Financial Report, Directors' Report and Auditor's Report

The Financial Report, Directors' Report and Auditor's Report of the Company for the financial year ended 30 September 2020 will be put before the Meeting. Each of these reports is contained in the Company's Annual Financial Report for the financial year ended 30 September 2020 (**2020 Annual Financial Report**).

You can get a copy of the 2020 Annual Financial Report either:

- electronically from our website **www.nab.com.au/annualreports**; or
- from the Share Registry, which you can request by emailing **nabservices@computershare.com.au**; or by telephone on **1300 367 647** (within Australia) or **+61 3 9415 4299** (outside Australia).

While this Item does not require a formal resolution to be put to the Meeting, shareholders will be given a reasonable opportunity to comment and raise questions on the matters contained within the 2020 Annual Financial Report. Shareholders will also be able to ask questions of the Company's auditor who will be attending the Meeting.

Item 2: Re-election and Election of Directors

Each re-election and election will be conducted as a separate resolution.

The Board, with the assistance of the Nomination & Governance Committee:

- has applied director appointment criteria, which includes consideration of the Company's Board skills matrix, to ensure the Board has the necessary skills and experience to discharge its accountabilities and responsibilities;
- assesses the skills, experience and existing workload of any prospective non-executive director against the appointment criteria as part of the ongoing Board renewal process and the performance of any director offering themselves for re-election; and
- prior to appointment, undertakes comprehensive background checks into a candidate's background and experience.

The Board also undertakes an annual review of its performance and practices, including an assessment of each director's individual performance. The Board considers the results of this annual review in determining whether to endorse a director standing for re-election or election at the AGM.

The Board, with the assistance of the Nomination & Governance Committee, also considers whether each director standing for re-election or election is independent and has sufficient capacity to undertake the duties expected of a director of the Company.

In accordance with Article 10.3 of the Company's Constitution, Mr David Armstrong, Mr Peeyush Gupta and Ms Ann Sherry will retire at the AGM and will offer themselves for re-election. The Board has concluded that each of these directors is independent and has sufficient capacity to undertake the duties expected of a director of the Company.

EXPLANATORY NOTES

Mr David Armstrong
BBus, FCA, MAICD

Appointed as a non-executive director in August 2014.

Mr Armstrong is Chairman of the Board's Audit Committee and a member of the Board's Risk & Compliance Committee.

Mr Armstrong has more than 30 years of experience in professional services, including as a partner at PricewaterhouseCoopers (PwC). Mr Armstrong has significant knowledge and understanding of banking and capital markets, real estate and infrastructure and is well-versed in the reporting, regulatory and risk challenges faced by the industry.

Mr Armstrong's other directorships and interests include The George Institute for Global Health (Chairman), Opera Australia Capital Fund Limited, Australian Museum (President) and Lizard Island Reef Research Foundation.

The Board considers that Mr Armstrong's extensive financial reporting, auditing and commercial experience are valuable contributions to the Board's existing skills and expertise.

RECOMMENDATION

The Board (other than Mr Armstrong who is the subject of this resolution) recommends that shareholders vote in favour of Mr Armstrong's re-election.

Mr Peeyush Gupta AM
BA, MBA, AMP (Harvard), FAICD

Appointed as a non-executive director in November 2014.

Mr Gupta is a member of the Board's Risk & Compliance and People & Remuneration Committees. He is also a director of certain MLC Wealth and Bank of New Zealand subsidiaries (subsidiaries of NAB).

Mr Gupta has more than 30 years of experience in wealth management. Mr Gupta was a co-founder and the inaugural CEO of IPAC Securities, a pre-eminent wealth management firm spanning financial advice and institutional portfolio management, which was acquired by AXA. Mr Gupta has extensive corporate governance experience, having served as a director on many corporate, government, not-for-profit, trustee and responsible entity boards since the 1990s, including experience on audit, risk and remuneration committees.

Directorships of other listed entities:

Link Administration Holdings Limited (Link Group) (since November 2016)

Charter Hall WALE Limited (since May 2016)

Mr Gupta's other directorships include Charter Hall Direct Property Management Limited (Chairman), Insurance & Care NSW (iCare) and Special Broadcasting Service Corporation.

The Board considers that Mr Gupta's extensive wealth management, governance and strategic experience are valuable contributions to the Board's existing skills and expertise.

RECOMMENDATION

The Board (other than Mr Gupta who is the subject of this resolution) recommends that shareholders vote in favour of Mr Gupta's re-election.

Ms Ann Sherry AO
BA, Grad Dip IR, FAICD, FIPAA

Appointed as a non-executive director in November 2017.

Ms Sherry is Chairman of the Board's Customer Committee and a member of the Board's People & Remuneration Committee. Ms Sherry is also Co-Chair of NAB's Indigenous Advisory Group.

Ms Sherry has more than 20 years of experience in executive roles within the banking, tourism and transport industries in Australia and New Zealand, together with significant experience in government and public service. She was Chairman of Carnival Australia, having previously served as CEO and as Executive Chairman. Prior to joining Carnival Australia, Ms Sherry had 12 years' experience with Westpac Banking Corporation (Westpac) where she held executive roles including CEO, Westpac New Zealand, CEO, Bank of Melbourne and Group Executive, People & Performance.

Directorships of other listed entities:

Sydney Airport (since May 2014)

Enero Group Limited (Chairman since January 2020)

Ms Sherry's other directorships and interests include UNICEF Australia (Chairman), Cape York Partnership, Museum of Contemporary Art, Infrastructure Victoria, and Australia NZ Leadership Forum (Co-Chairman).

The Board considers that Ms Sherry's extensive commercial and leadership experience across a range of industries, including banking and financial services, are valuable contributions to the Board's existing skills and expertise.

RECOMMENDATION

The Board (other than Ms Sherry who is the subject of this resolution) recommends that shareholders vote in favour of Ms Sherry's re-election.

Mr Simon McKeon, who was appointed a director since the last AGM, will retire at the AGM in accordance with Article 10.3 of the Company's Constitution and, being eligible, presents himself for election. The Board has concluded that Mr McKeon is independent and has sufficient capacity to undertake the duties expected of a director of the Company.

Mr Simon McKeon AO
BCom, LLB, FAICD

Appointed as a non-executive director in February 2020.

Mr McKeon is the Chairman of the Board's Risk & Compliance Committee and a member of the Board's Nomination & Governance Committee.

Mr McKeon has more than 40 years of experience in financial services, law, government and the not-for-profit sector. He held a range of senior executive roles with Macquarie Group, including as Executive Chairman of its business in the State of Victoria. He previously served as Chairman of AMP, MYOB and CSIRO and was Founding President of the Federal Government's Australian Takeovers Panel. Mr McKeon also served as Founding Chairman of MS Research Australia and as Chairman of the Federal Government's Panel that completed a strategic review of health and medical research in 2013. Mr McKeon was Australian of the Year in 2011.

Directorships of other listed entities:

Rio Tinto Group (since January 2019)

Mr McKeon's other directorships and interests include Monash University (Chancellor). Mr McKeon is an active philanthropist and has been a significant contributor over many years to charitable, educational, public health and other community-based organisations and causes. He is presently Chairman of South East Melbourne and Summer Housing and serves on the Advisory Boards of The Big Issue and GFG Alliance.

EXPLANATORY NOTES

The Board considers that Mr McKeon's extensive commercial and leadership experience across a range of industries, including banking and financial services, are valuable contributions to the Board's existing skills and expertise.

RECOMMENDATION

The Board (other than Mr McKeon who is the subject of this resolution) recommends that shareholders vote in favour of Mr McKeon's election.

On 6 October 2020, it was announced that Geraldine McBride will not be standing for re-election at the AGM. Geraldine has been a non-executive director since March 2014.

Item 3: Remuneration Report

Shareholders will be given the opportunity at the Meeting to comment on and ask questions about the Company's Remuneration Report for the financial year ended 30 September 2020 (**2020 Remuneration Report**).

The 2020 Remuneration Report is contained in the 2020 Annual Financial Report and sets out the performance and remuneration of the Company's key management personnel (being the Board, the Group CEO and members of the Executive Leadership Team) during the financial year ended 30 September 2020.

You can get a copy of the 2020 Remuneration Report using one of the methods described in the Explanatory Notes to Item 1.

No changes to the executive remuneration framework were made for 2020.

Section 250R of the Corporations Act requires a listed company to put a resolution to shareholders to adopt its Remuneration Report for the relevant financial year.

The vote on Item 3 is advisory only and does not bind the directors or the Company.

RECOMMENDATION

The Board recommends that shareholders vote in favour of Item 3.

Item 4: Performance Rights – Group CEO

Item 4 seeks approval for a grant of performance rights to the Group CEO, Mr McEwan, under the Company's Long-Term Variable Reward (**LTVR**) plan as part of his remuneration package for 2020.

(a) Mr McEwan's remuneration package

Mr McEwan's remuneration package is based on the Company's performance and remuneration frameworks. These frameworks seek to provide appropriate rewards (balancing fixed and 'at risk' remuneration) to attract and retain talent.

Mr McEwan's 2020 annual fixed remuneration was $2,500,000, with a maximum Annual Variable Reward (**VR**) opportunity of $3,750,000 and maximum LTVR opportunity of $3,250,000. Mr McEwan's fixed remuneration was reduced by 20% for the period 1 April 2020 to 30 September 2020 and he was not awarded any Annual VR for 2020 in acknowledgment of the challenges faced by customers, shareholders and the community over the past year. Mr McEwan's fixed remuneration for 2020 was also pro-rated to reflect the start of his employment with the Company on 2 December 2019. Mr McEwan's remuneration package is unchanged for 2021. Further detail on Mr McEwan's remuneration is in the 2020 Remuneration Report.

(b) LTVR arrangements for Mr McEwan

The directors have reviewed the performance of Mr McEwan during 2020 under the Company's performance and remuneration frameworks (described in the 2020 Remuneration Report) and have determined to grant Mr McEwan an award under the Company's LTVR plan in the form of performance rights, subject to shareholder approval.

The Board has determined to grant the LTVR reward in performance rights as the terms of the performance rights encourage long-term decision making critical to the creation of long-term value for shareholders and align Mr McEwan's remuneration outcomes to shareholder experience. Vesting of the LTVR performance rights will be subject to the achievement of a performance hurdle. Each LTVR performance right that vests will be automatically exercised and will entitle Mr McEwan to receive one share in the Company.

The LTVR performance rights cannot be transferred and are also subject to lapse conditions until 22 December 2024 (**Restriction End Date**) and clawback.

Details of the performance hurdle, lapse conditions, clawback and other key terms of the LTVR performance rights are set out in sections 4(d) to 4(g). The LTVR performance rights form part of Mr McEwan's 'at risk' remuneration.

The non-executive directors consider that Mr McEwan's remuneration package (including his proposed grant of LTVR performance rights) is reasonable and appropriate having regard to the circumstances of the Company and Mr McEwan's duties and responsibilities.

(c) How many LTVR performance rights are proposed to be granted to Mr McEwan and at what price?

It is proposed that Mr McEwan be granted 180,655 LTVR performance rights.

That number of LTVR performance rights was determined by dividing Mr McEwan's maximum LTVR opportunity of $3,250,000 (being the value currently attributed to the LTVR performance rights by the Company) by the weighted average price at which the Company's ordinary shares were traded on the Australian Securities Exchange (**ASX**) in the five trading days from 24 September 2020 to 30 September 2020 inclusive, which was $17.99.

No price is payable by Mr McEwan for the grant or exercise of the LTVR performance rights. No value will be received by McEwan if the performance hurdle is not met or the LTVR performance rights otherwise lapse.

(d) Performance hurdle and vesting

COMPONENT	HOW IT WORKS
Performance hurdle	The number of LTVR performance rights that vest will depend on the Company's Total Shareholder Return (**TSR**) performance over the performance period relative to a peer group comprising a selection of top financial services companies in the S&P/ASX 200 approved by the Board (**Peer Group**).
Performance Period	From 15 November 2020 to 15 November 2024.
Vesting schedule	The number of LTVR performance rights that vest will be determined on a straight-line scale from 50% of the LTVR performance rights vesting where the Company's TSR performance ranks at the 50th percentile, up to 100% of the LTVR performance rights vesting where the Company's TSR ranks at the 75th percentile. All LTVR performance rights will lapse where the Company's TSR performance ranks below the 50th percentile. The Board will retain discretion in relation to the final outcome of the performance hurdle and vesting generally, including absolute discretion to adjust the number of LTVR performance rights that vest down, or to zero, where appropriate. Any LTVR performance rights that vest will be automatically exercised.

(e) Dividends and voting

The LTVR performance rights do not carry any voting or dividend rights. Any shares allocated to Mr McEwan in respect of vested LTVR performance rights, will provide the same rights (including with respect to voting and dividends) as other ordinary shares in the Company.

(f) Lapse conditions for LTVR performance rights

Until the Restriction End Date, the LTVR performance rights will lapse if:

(i) Mr McEwan does not meet threshold measures of conduct as set by the Company;

(ii) Mr McEwan resigns from the Company;

(iii) Mr McEwan ceases employment with the Company for any other reason, in which case a pro-rated number of LTVR performance rights may lapse based on the time elapsed within the Performance Period when the cessation occurs (unless the Board determines otherwise);

(iv) the Board determines that some or all of the LTVR performance rights were granted in error;

(v) the Board otherwise determines in its absolute discretion that some or all of the LTVR performance rights will lapse, including as a result of:

- the Board's ongoing monitoring and review of Mr McEwan's performance and the performance of the Group up to the Restriction End Date, taking into account various factors such as Mr McEwan's or the Group's under-performance or failings in matters relating to risk, conduct, values or sustainability measures; or
- the Board determining that a 'Malus Event' (including where Mr McEwan has failed to comply with his accountability obligations under the *Banking Act 1959* (Cth) (**Banking Act**)) has occurred; or
- any other circumstances contemplated by the NAB Group Remuneration Policy.

Any LTVR performance rights that do not lapse following any of those events will continue to be held by Mr McEwan on the same terms (unless the Board determines otherwise).

The Board also has absolute discretion to defer the Restriction End Date at any time.

This includes if the Board has reason to believe that Mr McEwan is likely to fail to meet threshold measures of conduct or comply with his accountability obligations under the Banking Act.

(g) Clawback

The Board has absolute discretion to claw back shares allocated to Mr McEwan after exercise of the LTVR performance rights, including if Mr McEwan has not complied with his accountability requirements under the Banking Act. If that occurs, Mr McEwan will be required to repay to the Company an amount determined by the Board and/or Mr McEwan will be required to transfer some or all of those shares allocated to him back to the Company.

(h) When will the LTVR performance rights be granted?

Subject to shareholder approval, the LTVR performance rights will be granted following the AGM and, in any event, within 12 months of the AGM.

Details of the LTVR performance rights granted to Mr McEwan will be published in the Company's 2021 Annual Financial Report, along with a statement that shareholder approval for that grant was obtained.

No future grant of LTVR performance rights requiring shareholder approval will be made until that approval is obtained.

(i) Other information

Mr McEwan is the only director who is eligible to participate in the Annual VR and LTVR plans. The Company's non-executive directors do not receive performance-based remuneration and have never received any securities under the Annual VR and LTVR plans.

No securities have previously been granted to Mr McEwan under the Annual VR and LTVR plans.

No loan has been (or will be) provided to Mr McEwan by the Company in respect of the LTVR performance rights.

(j) Why are we seeking approval?

Under the ASX Listing Rules, the Company must seek shareholder approval to issue equity securities in the Company to Company directors. Accordingly, we are seeking approval to enable the Company to grant LTVR performance rights to Mr McEwan (a director of the Company) as described above. If shareholders do not approve the grant of the LTVR performance rights at the Meeting, it is intended that all of the LTVR award will be provided in cash, subject to the performance, service and other conditions outlined above.

RECOMMENDATION

The Board (other than Mr McEwan who has a personal interest in the subject of this resolution) recommends that shareholders vote in favour of Item 4.

Item 5: NIS Buy-back Scheme

The purpose of Item 5 (**NIS Buy-back Scheme**) is to allow the Company to repay the NIS for $100 per NIS (plus any accrued interest) on at least 30 days' notice if and when the Company elects to do so during the 2021 calendar year without the need to convene an extraordinary general meeting.

Details of the NIS Buy-back Scheme are described below. The purpose of these Explanatory Notes is to set out all the information known to the Company that is material to the decision as to whether shareholders should vote in favour of the resolution to approve the NIS Buy-back Scheme.

(a) Background

On 29 June 1999, the Company issued 20 million NIS pursuant to a prospectus dated 10 May 1999 and lodged with ASIC on 11 May 1999 (**Prospectus**). The NIS were primarily offered to retail and institutional investors in Australia and are listed on the ASX (ASX: NABHA).

The issue of NIS raised $2 billion of Tier 1 regulatory capital for the Company, which has been used for the Company's general corporate purposes.

EXPLANATORY NOTES

Each NIS comprises:

- a note (**Note**) with a face value of $100 issued by the Company, through its New York branch. Interest on the Notes is payable quarterly in arrears at the 90-day Bank Bill Swap rate (BBSW) plus a margin of 125bps. Interest payments will be unfranked for so long as the Notes qualify as Tier 1 capital for the Company; and
- an unpaid preference share issued by the Company (**Preference Share**). Holders of the Preference Shares are not entitled to dividends until the Preference Shares have become fully paid. Currently, none of the Preference Shares are fully paid.

The Note and Preference Share are stapled together and cannot be transferred separately.

(b) NIS Terms

Under the terms of the NIS, the Company has had a right to repay the NIS on at least 30 days' notice at any time since 29 June 2004, subject to obtaining the prior approval of the Australian Prudential Regulation Authority (**APRA**).

To repay the NIS, the Company may, among other methods:

- **Redeem the Notes:** for $100 per Note (plus any accrued interest), giving NIS holders at least 30 days' notice; and, at the same time,
- **Buy-back the Preference Shares:** for nil consideration. Under the terms of the NIS, each holder has agreed to accept the buy-back offer for their Preference Shares if the Notes are redeemed.

In order to repay the NIS in this way, the terms of the NIS Buy-back Scheme must be approved in accordance with the Corporations Act. This includes obtaining shareholder approval. As such, the Company seeks the approval of shareholders for the buy-back of the 20 million Preference Shares forming part of the NIS.

Further details concerning the terms of issue of the Notes, the Preference Shares and the NIS are contained in the Prospectus. You can obtain a copy of the Prospectus by visiting the National Income Securities section of the Company's website at **www.nab.com.au/nis-prospectus**

(c) When will the NIS be repaid?

No decision has been made as to whether to repay the NIS, or when repayment might occur. Repayment could occur on 30 days' notice at any time after shareholder and APRA approval have been obtained. Subject to prevailing market conditions and the Company's capital position and outlook, the Board may seek to repay the NIS and replace them with a more cost-effective source of funds. The Company will not repay the NIS if it would have a material adverse impact on the Company's financial position or would materially prejudice the Company's ability to pay its creditors.

(d) Why are we seeking shareholder approval?

Under the Corporations Act, any selective buy-back of capital, including the NIS Buy-back Scheme, requires the approval of shareholders.

Approval of the NIS Buy-back Scheme is being sought now to give the Company the flexibility to repay the NIS during the 2021 calendar year at a time that the Board considers is most appropriate and after receipt of APRA approval, without incurring the costs to convene an extraordinary general meeting at that time.

If shareholders approve the NIS Buy-back Scheme but the NIS are not repaid during calendar year 2021, the Company will be required to seek fresh approval from shareholders before the NIS could be repaid.

(e) Reasons for the NIS Buy-back Scheme

The NIS Buy-Back Scheme would provide the Company with the flexibility to replace the NIS, which may provide a cost benefit. Under current Australian prudential standards applicable to the Company, the NIS will cease to be eligible to be treated as Tier 1 regulatory capital from 1 January 2022. The quarterly distributions on the NIS are currently not able to be franked due to a provision in the tax law, which applies specifically to instruments that qualify as Tier 1 capital for prudential purposes. When the NIS no longer qualify as Tier 1 capital from 1 January 2022, it is expected that any subsequent distributions will be franked to the same extent that dividends on the Company's ordinary shares are franked. Franking would be applied in addition to the cash coupon payable on the Notes.

(f) The financial impact of, and source of funds for, the NIS Buy-back Scheme

The cost of repayment of the NIS would be $2 billion, plus the cost of any accrued interest to the date of redemption.

The redemption of each Note requires a cash payment by the Company of $100 (plus any accrued interest) to the holder of that Note. This price is prescribed in the terms of issue of the NIS.

As described in section 5(b), the buy-back of the Preference Shares must happen at the same time as the redemption of the Notes. Currently, as all of the Preference Shares remain unpaid, the offer to buy-back the Preference Shares pursuant to the NIS Buy-back Scheme will be made for no consideration and does not require the payment of any additional funds.

The Company has significant cash reserves and other funding alternatives that could be used to pay for the cost of the repayment of the NIS. If a decision is made to repay the NIS, the directors would, at the relevant time, consider the best alternative or combination of alternatives for funding the repayment.

The Company expects that the overall financial effect on the Company of the repayment of the NIS will be at least neutral if not more favourable to the Company.

(g) Advantages of the NIS Buy-back Scheme

Approval of the NIS Buy-back Scheme will give the Company the flexibility to repay the NIS at the most appropriate future time and after receiving APRA approval, without incurring the significant costs associated with convening an extraordinary general meeting solely to consider the NIS Buy-back Scheme. Under the terms of the NIS, if the Notes are redeemed, each NIS holder has agreed to accept the buy-back offer for their Preference Shares.

(h) Disadvantages of the NIS Buy-back Scheme

Repayment of the NIS will reduce the Company's long-term funding position by $2 billion if not replaced with alternative long-term funding. The Company will not repay the NIS if it would have a material adverse impact on the Company's financial position or would materially prejudice the Company's ability to pay its creditors.

(i) The number of shares affected

There are currently 20 million unpaid Preference Shares on issue. Following the NIS Buy-back Scheme, all these Preference Shares would be cancelled. Ordinary shares in the Company will not be affected.

(j) Interests of directors

The Chairman, Mr Chronican, holds 982 NIS (and the associated Preference Shares). No other director has an interest in any NIS (or associated Preference Shares).

(k) Effect of NIS Buy-back Scheme on the control of the Company

Each Preference Share entitles the holder to very limited voting rights. As a result, holders of the NIS are entitled to vote, together with holders of the Company's Ordinary Shares, on the basis of one vote per Preference Share (which equates to one vote per NIS) on a limited number of matters, including any proposal to wind-up the Company or any proposal to affect the rights attaching to the Preference Shares. In these limited circumstances, the total number of votes capable of being exercised by the holders of the NIS would be 20 million or approximately 0.6% of the Company's total issued share capital as at 5 November 2020.

(l) The current share market price

The current market price of the NIS at the close of trading on 5 November 2020 was $97.15 per NIS.

Although the NIS are listed on the ASX, the Preference Shares cannot be traded separately at this time and have no independent economic value. The Preference Shares are not convertible into ordinary shares of the Company. Once the Notes are repaid, the Preference Shares will be bought back for no consideration and cancelled.

(m) Identity of the NIS holders

As at 5 November 2020, there were approximately 24,000 registered holders of NIS. NIS are quoted on ASX and held by retail and institutional investors predominantly based in Australia.

EXPLANATORY NOTES

RECOMMENDATION

There is no other information known to the Board that may be material to the decision on how to vote in relation to the NIS Buy-back Scheme Resolution that the Company has not previously disclosed to its shareholders. The Board (other than Mr Chronican who holds NIS) recommends that shareholders vote <u>in favour</u> of Item 5.

Item 6: Requisitioned resolutions promoted by Market Forces

A group of shareholders arranged by Market Forces have:

- proposed the resolutions for Items 6(a) and 6(b) pursuant to section 249N of the Corporations Act; and
- requested that the supporting statements set out in Appendix 1 and Appendix 2 be provided to shareholders pursuant to section 249P of the Corporations Act.

The resolutions for Items 6(a) and 6(b) are not supported by the Board. The Board considers that the resolutions for Items 6(a) and 6(b) are not in the best interests of the Company and shareholders as a whole and recommends that shareholders vote against Items 6(a) and 6(b).

(a) Amendment to the Constitution – the Board's Response

The proposed resolution in Item 6(a) seeks to amend the Company's Constitution to include a new provision that would enable shareholders, by ordinary resolution, to express an opinion or request information about the way in which a power of the Company vested in the Board has been or should be exercised. The proposed amendment expressly provides that any shareholder resolution made pursuant to the proposed constitutional amendment would be advisory only and would not bind the directors or the Company.

The Board respects the rights of shareholders to requisition a resolution to amend the Company's Constitution. However, the Board believes that the proposed resolution is not in the best interests of the Company and shareholders as a whole, and recommends that shareholders vote against it for the reasons that follow.

Under the Company's Constitution, the power to manage the business of the Company is vested in the directors who are required to make decisions and manage risks in the best interests of the Company and shareholders as a whole. In order to discharge that duty, the Board must consider a range of issues, having regard to the nature and complexity of NAB's business and its operations in a global environment.

The proposed amendment would provide a platform for groups of shareholders to promote any number of matters that may not be in the best interests of the Company and shareholders as a whole. The Board considers that it would be inappropriate for any one issue promoted by shareholders to be given increased prominence over another.

The Company encourages transparency and appropriate shareholder discussion and provides shareholders with a number of avenues to raise issues or concerns. The Company has a comprehensive investor relations engagement program, which aims to facilitate regular and extensive engagement between the Board and senior management and investors. Environmental, social and governance considerations (including climate risk) regularly form a significant part of this engagement and the Company's progress on such matters is reported through its annual reporting suite of documents including the 2020 Annual Financial Report, which contains disclosures aligned to the recommendations of the Taskforce on Climate-related Disclosures (**TCFD**) as well as its annual results Investor Presentation, Sustainability Report and Sustainability Data Pack. In addition, at each AGM, the Chairman encourages shareholders to ask questions and make comments about the Company. Shareholders are also invited to submit questions before the AGM, which help the Company to understand shareholder issues and concerns, and address key areas of shareholder feedback at the Meeting.

RECOMMENDATION

Having regard to these reasons, the Board considers that the proposed amendment to the Company's Constitution is not in the best interests of the Company and shareholders as a whole and recommends shareholders vote <u>against</u> the proposed resolution.

(b) Transition Planning Disclosure – the Board's Response

Item 6(b) is an advisory resolution and may be properly considered at the Meeting only if Item 6(a) is passed by special resolution. If Item 6(a) is not passed, then this Item will not be put to the Meeting. However, the Company intends to allow reasonable opportunity at the AGM for shareholders to ask questions on the subject matter of this Item.

This advisory resolution proposes that in subsequent annual reporting, the Company disclose targets for future levels of exposure to carbon-related assets, including the elimination of exposure to thermal coal in OECD countries by no later than 2030, together with strategies to meet the targets set.

Guided by the United Nations Environment Programme Finance Initiative's (**UNEP FI**) Collective Commitment to Climate Action (**CCCA**), which the Company signed in 2019, the Company has made significant progress on its climate change strategy during 2020. The Company provides detailed reporting with respect to that progress in its annual financial reporting suite of documents including the 2020 Sustainability Report and 2020 Annual Financial Report and, as set out in further detail on the following pages.

In 2020, this included the following:

- A 12.31% reduction in the Company's total resources exposure at default, including an 11.42% reduction in the Company's exposure at default to thermal coal mining in the 12 months to 30 September 2020. The Company now expects its exposure to thermal coal mining to reduce 50% by 2026 (from 2019 financial year-end (FY2019) levels) and to be effectively zero by 2030.
- Work to calculate and understand Scope 3 financed emissions associated with key segments of the Company's Australian lending portfolio, which provides a baseline for supporting customers' decarbonisation and will help track decarbonisation of the Company's lending portfolio to net zero by 2050.
- Further work to support customers with the highest greenhouse gas emissions with their plans to transition and decarbonise.

Accordingly, the Board supports the continuation of the Company's current orderly and considered approach with respect to climate change action and recommends that shareholders vote <u>against</u> the proposed resolution.

Climate Change Strategy

In 2020, the Company refreshed its strategic ambition. A key pillar of this ambition is a long-term sustainable approach consisting of:

- Commercial responses to society's biggest challenges.
- Resilient and sustainable business practices.
- Innovating for the future.

The Company's commitment to address climate change sits within this context. With respect to climate action, the Company is focused on supporting the low- carbon transition and working with communities to ensure they are more resilient to climate change. Key priorities include clean energy and environmental finance to assist the low-carbon transition, a just transition and climate adaptation to help customers build resilience to climate change. The Company is developing key metrics to track its performance against each priority area and to measure how it is contributing to addressing the overall societal challenge.

Changes to NAB's Lending Practices

The Company recognises that climate change is one of the most significant challenges impacting the prosperity of our society and economy and it is a source of significant risk and opportunity for the bank. Accordingly, the Company is aligning its business with the Paris Agreement: to keep global warming to less than 2°C, striving for no more than 1.5°C above pre-industrial levels and supporting a just transition to a net zero emissions economy by 2050. The Company is actively working to decarbonise its operations, to support its customers with their transition plans and, in doing so, to decarbonise its lending portfolio in line with Paris Agreement temperature goals. The Company considers an orderly approach to the low-carbon transition is critical to ensure communities have access to secure, reliable and affordable energy and to ensure this transition is just.

1 Rankings based on IJGlobal League Table, MLA, Renewables, Last 12 months ending 30 September 2020, Value of Deals (as at 16 October 2020).

EXPLANATORY NOTES

Since 2017, as part of the Company's climate change strategy, the Company has been undertaking a phased review of credit risk policy settings for carbon intensive, climate sensitive and low carbon sectors which is ongoing. These reviews consider a range of factors including: (i) various climate change scenarios for both transition and physical risk; (ii) customer strategies and plans and their alignment to the Paris Agreement 2°C climate goal; (iii) industry trends; and (iv) trends in the Company's exposures to these sectors. These sectors include resources (e.g. coal mining, oil and gas), agriculture, utilities (e.g. water and power generation), transport, energy intensive manufacturing, and property.

To date, this review process has led to implementation of credit risk policy settings that mean the Company will not finance:

- New thermal coal mining projects or new-to bank thermal coal mining customers.
- Oil/tar sands extraction projects.
- Oil and gas projects within or impacting the Arctic National Wildlife Refuge area and any similar Antarctic Refuge.
- New, or material expansions of, coal-fired power generation facilities unless there is technology in place to materially reduce emissions.

As part of the 2019 annual review of progress against its climate change strategy, the Company announced it was capping thermal coal mining exposures at FY2019 levels and reducing thermal coal mining financing by 50% by 2028 and intended to be effectively zero by 2035, apart from residual performance guarantees to rehabilitate existing coal assets. In 2020, the Company's exposure at default to thermal coal mining reduced 11.42% from $762 million at 30 September 2019 to $675 million at 30 September 2020, and its exposure to coal-fired power generation facilities reduced 31.4% from $121 million at 30 September 2019 to $83 million at 30 September 2020. As a result, the Company now expects a 50% reduction in its thermal coal mining exposure by 2026 (from FY2019 levels) and to be effectively zero by 2030.

The Company intended to complete a review of the oil and gas sector in 2020. This work was delayed due to COVID-19 and is now scheduled to be completed in 2021.

Collective Commitment to Climate Action (CCCA)

Since November 2019, the Company is the only Australian bank to have signed up to the CCCA which requires the Company, within three years of signing up, to set and publish sector-specific, scenario-based targets for portfolio alignment. In 2020, the Company submitted its first annual return to UNEP FI, reporting on progress in meeting its CCCA commitments. Further detail is available in the Company's 2020 Sustainability Report.

Helping Customers Decarbonise

The Company understands that it is connected to all parts of the economy through its lending and other banking activities. This means the Company has an important role to play in financing the low-carbon transition. In 2020, the Company sought to calculate the Scope 3 financed emissions associated with key segments of its Australian lending portfolio – mortgages, commercial real estate (office and retail), agriculture, power generation and resources (including coal, oil and gas). The objective of this work was to better understand what might be required to align the Company's lending portfolio to the temperature goals of the Paris Agreement and a net zero emissions economy by 2050.

Further to this work, in 2020 the Company commissioned ClimateWorks Australia to apply a 2°C scenario and a 1.5°C scenario to the five identified segments of the Company's Australian lending portfolio. They provide two decarbonisation pathways to achieve a net zero lending portfolio by 2050, in alignment with the Paris Agreement. The next step is to understand the suite of actions underlying these scenarios that the Company's customers may undertake to make the low-carbon transition. Additionally, as an outcome of this work, the Company will work closely with 100 of its largest greenhouse gas emitting customers to support them in developing or improving their low-carbon transition plans by 2023. Further detail about this work can be found in the 2020 Sustainability Report.

Emissions Reduction Target

The Company has implemented a greenhouse emissions reduction target for its own operations, which is aligned with what the latest climate science maintains is needed to meet the objectives of the Paris Agreement. The Company has committed to reduce operational greenhouse emissions by 51% by 30 June 2025 (against a 2015 baseline). In environmental reporting year 2020 (1 July 2019 to 30 June 2020), the Company achieved a 41% reduction against the 2015 baseline. In addition, the Company's operations have been carbon neutral since 2010.

Renewable Energy and Environmental Financing

The Company seeks to play a key role in financing the low-carbon transition and green growth and, in doing so, make a contribution to the environmental sustainability of the communities in which it operates. In 2017, the Company committed to provide $55 billion in environmental finance by 2025 to assist the low-carbon transition. This included $20 billion to support green infrastructure, capital markets and asset finance and $35 billion in new mortgage lending flow for 6-Star residential housing in Australia (new dwellings and significant renovations). In 2019, the Company increased this commitment to $70 billion by 2025. As at 30 September 2020, the Company had achieved $42.5 billion of the $70 billion commitment, which includes $23.1 billion to support green infrastructure, capital markets and asset finance and $19.4 billion in new mortgage lending for 6-Star residential housing. Additionally, the Company is the number one Australian bank for global renewables transactions and the 20th largest lender to renewable energy industry in the world in 2020.[1] In 2020, the Company provided a further $800 million in financing for renewable energy projects, taking the cumulative value since 2003 to $10.2 billion. The Company's global project finance for renewable energy projects represents a total generation capacity of 13,684MW, and 72% of the Company's power generation portfolio was allocated to financing of renewable energy (hydro, solar, wind). In addition, in 2020 the Company participated in 12 public green, social and sustainability bond deals, one sustainability-linked US Private Placement, two Climate Bond Certified green loans, and two sustainability-linked loans, including a range of Australian and global firsts. Further detail is included in the Company's 2020 Sustainability Report.

Collaborative Approach

In addition to existing industry initiatives in which the Company is involved, in 2020 the Company joined the Australian Industry Energy Transitions Initiative (AIETI), a collaborative industry initiative supported by ClimateWorks Australia and Climate-KIC. The AIETI aims to accelerate informed action by Australian industry towards the achievement of net zero emissions in hard-to-abate sectors by 2050 while managing the transition to thrive in a decarbonised global economy. The AIETI will focus on five supply chains critical to achieving the Paris Agreement temperature goals given their significance to global emissions and their relatively higher abatement costs. These are: iron and steel; aluminium; liquified natural gas; other metals; and chemicals, in particular plastics, fertilisers and explosives.

RECOMMENDATION

Given the Company's ongoing commitments and progress delivering against its climate change strategy, the Board supports the continuation of the current orderly and considered approach the Company has adopted with respect to climate change action. Accordingly, the Board considers that Item 6(b) is not in the best interests of the Company and shareholders as a whole and recommends that shareholders vote against the proposed resolution.

APPENDICES

The comments in the Appendices were provided by Market Forces and are not endorsed by the Board. The Board and Company make no representations to the veracity of the comments provided by Market Forces and disclaim any liability for factual inaccuracies contained in those comments.

Appendix 1 – Resolution 6(a) – Amendment to the Constitution

Shareholder resolutions are a healthy part of corporate democracy in many jurisdictions other than Australia. For example, in the UK shareholders can consider resolutions seeking to explicitly direct the conduct of the board. In the US, New Zealand and Canada shareholders can consider resolutions seeking to advise their board as to how it should act. As a matter of practice, typically, unless the board permits it, Australian shareholders cannot follow the example of their UK, US, New Zealand or Canadian cousins in this respect.

A board of Directors is a steward for shareholders and accountability for the discharge of that stewardship is essential to long-term corporate prosperity.

In rare situations the appropriate course of action for shareholders dissatisfied with the conduct of board members is to seek to remove them. But in many situations such a personality-focused approach is unproductive and unwarranted. In those situations a better course of action is to formally and publicly allow shareholders the opportunity at shareholder meetings such as the AGM to alert board members that the shareholders seek more information or favour a particular approach to corporate policy.

The Constitution of NAB is not conducive to the rights of shareholders to place resolutions on the agenda of a shareholder meeting.

In our view, this is contrary to the long-term interests of NAB, the NAB board and all NAB shareholders.

Passage of this resolution – to amend the NAB constitution – will simply put the company in a similar position in regard to shareholder resolutions as any listed company in the UK, US, Canada or New Zealand.

We encourage shareholders to vote in favour of this resolution.

Appendix 2 – Resolution 6(b) – Transition Planning Disclosures

Despite committing to support the climate goals of the Paris Agreement, NAB has failed to align its lending practices or policies with these goals.

NAB must disclose strategies and targets to reduce exposure to fossil fuels in line with the climate goals of the Paris Agreement, or risk exposing itself and shareholders to needless climate-related financial risk.

NAB being left behind

Signed by 197 nations, the Paris Agreement aims to limit "the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C".[1]

Major financial institutions have called for action to reduce emissions in line with the Paris climate goals. Signed by 631 investors representing over US$37 trillion in assets, the Global Investor Statement to Governments on Climate Change requests governments "phase out thermal coal power worldwide by set deadlines".[2] Its accompanying Briefing Paper clarifies these deadlines, including the elimination of coal power in OECD countries by no later than 2030.[3]

1 https://unfccc.int/sites/default/files/english_paris_agreement.pdf, art 2(1)(a)
2 https://theinvestoragenda.org/focus-areas/policy-advocacy/
3 https://theinvestoragenda.org/wp-content/uploads/2019/06/GISGCC-briefing-paper-FINAL.pdf

Commonwealth Bank has committed to "reduce our exposures to thermal coal mining and coal fired power generation, with the view to exiting the sector by 2030".[4] Regarding thermal coal, Westpac has also committed to "reduce [its] exposure to zero by 2030".[5] Similarly, Suncorp and QBE will no longer insure new thermal coal projects, and will phase out all exposure to thermal coal by 2025 and 2030.[6, 7]

A Paris-aligned energy transition also requires significant declines in oil and gas use. The IPCC's Special Report on Global Warming of 1.5°C demonstrates that the role of gas for primary energy must decline globally by 25% by 2030 (from a 2010 baseline), with oil's role in primary energy falling 37% over the same timeframe.[8]

Suncorp became the first insurer to rule out underwriting new oil and gas production assets in August 2020, committing to "not directly invest in, finance or underwrite…new oil and gas exploration or production" and will phase out underwriting for the sector by 2025 and direct investment by 2040.[9]

NAB's fossil fuel exposure

Contrary to the Paris Agreement's goals, NAB intends its thermal coal mining exposures to be "effectively" zero by 2035, five years later than:

a) what is required to be consistent with the Paris Agreement,[10] and

b) two of its major competitors.

NAB's net exposure at default (EAD) to gas-fired power increased 106% from $570 million to $1.17 billion in the year to March 2020, while EAD to oil and gas extraction increased 9.5% from $3.78 billion to $4.14 billion over the same timeframe.[11]

According to 25 leading scientists at Australian universities, the Paris Agreement means "the time has passed for any new fossil fuel infrastructure",[12] yet NAB continues to finance the expansion of the fossil fuel industry. In December 2018, NAB was part of a group that loaned $600 million to New Hope Coal, which stated the debt was "sufficient for the Company to also fund its medium term growth projects including New Acland Stage 3".[13, 14] This contravenes NAB's commitment, announced in December 2017, to "no longer finance new thermal coal mining projects".[15]

In April 2020, NAB loaned C$117.5 million (A$129 million) for development of the 670km Coastal GasLink Pipeline project in British Columbia, Canada.[16] Market Forces estimates that, over its lifetime, the pipeline would transport at least enough gas to emit 610 million tonnes of CO_2 if combusted. That's 114% of Australia's national emissions for the calendar year 2019 (532.5 Mt CO_2-e).[17] Unlike NAB, Commonwealth Bank refrained from participating in the deal, consistent with its commitment to "only [provide] Banking and Financing activity to New oil, gas or metallurgical coal projects… if in line with the goals of the Paris Agreement".[18]

NAB also funds companies whose plans to significantly increase fossil fuel production are entirely inconsistent with the Paris climate goals, such as:

- Beach Energy, which plans to spend AU$4 billion to increase production by around 50% over the next 5 years,[19]
- Oil Search, Origin Energy and BHP, whose capital expenditure plans have been found to be incompatible with a Paris-aligned warming outcome,[20] and
- Whitehaven Coal and New Hope, which justify their expansion plans with energy demand projections consistent with 4°C of warming.[21]

4 https://www.commbank.com.au/content/dam/commbank/about-us/download-printed-forms/environment-and-social-framework.pdf
5 https://www.westpac.com.au/content/dam/public/wbc/documents/pdf/aw/sustainability/WBC-climate-change-position-statement-2023.pdf
6 https://www.suncorpgroup.com.au/corporate-responsibility/sustainable-growth/responsible-banking-insurance-investing
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8 https://www.ipcc.ch/sr15/
9 https://www.suncorpgroup.com.au/corporate-responsibility/sustainable-growth/responsible-banking-insurance-investing
10 https://climateanalytics.org/briefings/coal-phase-out/
11 https://www.nab.com.au/content/dam/nabrwd/documents/reports/corporate/1h20-investor-presentation.pdf (47)
12 https://www.smh.com.au/environment/climate-change/australia-s-chief-scientist-is-wrong-on-gas-say-leading-experts-20200824-p55oty.html
13 '(BFW) New Hope Gets A$600m 5Y Loan for Bengalla From Five Lenders', 15/01/2019, Bloomberg Professional
14 https://www.asx.com.au/asxpdf/20181126/pdf/440mzhd3y4r3hg.pdf
15 https://news.nab.com.au/update-on-financing-of-new-thermal-coal-mining-projects/
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17 https://www.industry.gov.au/sites/default/files/2020-05/nggi-quarterly-update-dec-2019.pdf
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20 https://www.carbontracker.org/wp-content/uploads/2019/09/CTI_Breaking_the_Habit_Report_6.pdf
21 https://whitehavencoal.com.au/wp-content/uploads/2019/09/Whitehaven-Coal-Annual-Financial-Report-2019.pdf

APPENDICES

Financial risks and regulatory scrutiny

The TCFD recommends: "Banks should provide the metrics used to assess the impact of (transition and physical) climate-related risks on their lending and other financial intermediary business activities in the short, medium, and long term."[22]

The TCFD also states: "Organizations should describe their key climate-related targets… in line with anticipated regulatory requirements or market constraints or other goals".[23]

NAB claims to publish climate risk information "in accordance with TCFD recommendations".[24] However, after more than three years, the bank has only disclosed thermal coal exposure reduction targets that are out of line with the Paris climate goals. NAB still has no targets to manage down the climate-related risk exposure presented by its lending to other fossil fuel sectors. NAB is falling behind competitors like Commonwealth Bank and Westpac, which have disclosed Paris-aligned thermal coal exit targets, and measures to restrict oil and gas exposures.

Investor support required

Despite its stated support for the Paris Agreement, NAB remains an active investor in an expanding fossil fuel sector, further exposing shareholders to financial risks associated with the economic transition required to meet the Paris climate goals.

We urge shareholders to vote in favour of this resolution, and expect the many institutional investors already outspoken on this issue to offer their support.

22 Ibid.
23 https://www.tcfdhub.org/metrics-and-targets/
24 https://www.nab.com.au/content/dam/nabrwd/documents/reports/corporate/2019-sustainability-report-pdf.pdf

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