

**BELIEF IN
POTENTIAL**

**ANNUAL
CORPORATE
RESPONSIBILITY
REVIEW
2009**

“ At the heart of the NAB Group is a belief in potential. This belief motivates us to make a positive and sustainable impact in the lives of our customers and communities and underpins a strong and sustainable business for our shareholders. ”

Cameron Clyne
NATIONAL AUSTRALIA BANK GROUP CEO

BELIEF IN POTENTIAL

Sustainable, secure and supportive. As National Australia Bank navigated through the most challenging global financial environment since the Great Depression, we knew these qualities were important to our customers, our communities and our people.

In fact, it's these qualities, built upon a simple but steadfast belief in potential, that have enabled NAB to endure and prosper for over 150 years. Belief in potential motivates us to do the right thing. It underpins our approach to customers, informs our philosophy around employee development, and it sets the bar in terms of the way we connect with the communities in which we live and work.

This Corporate Responsibility Review looks back over the past 12 months but it does so with an eye to the future – because corporate responsibility only becomes truly meaningful when it is partnered with a long term view.

This year we led the industry on the issue of fees, abolishing overdrawn fees in Australia and New Zealand. We continued to actively foster inclusion through our microfinance programs and our first Reconciliation Action Plan; and we are helping young people realise their potential through programs such as Schools First, Better Buddies and Auskick.

We launched a ground-breaking Academy to support the personal and career development of our people. We stood by our communities in times of trouble such as the Victorian bushfires and Queensland floods.

These are some of our highlights, but this report also recognises the simple, unheralded everyday activities, like the 12,487 employee volunteer days that have helped support local communities.

To our customers, our nearly 39,000 employees, our shareholders and the thousands of communities in which we live and work, thank you for your continued support.

2009 OUR IMPACT

Getting the fundamentals right

CUSTOMER



- Continued to support our customers, with average loan volumes up by 6.7%.
- Led the industry on the issue of fees, abolishing overdrawn fees in Australia and New Zealand.
- MLC continued to lead the industry towards a transparent fee-for-advice model.
- Improved free access to ATMs for around seven million Australians, thanks to a new alliance with rediATM.
- Allocated a further \$100 million in capital to expand our microfinance programs in Australia.

Being a good employer

PEOPLE



- Over 6,000 employees attended a course at The Academy, our new internal business school.
- An Enterprise Agreement was endorsed by a majority of Australian employees.

Addressing our broader responsibility to society

COMMUNITY



- Almost one in six Australian schools applied for Schools First funding in its first year.
- Implemented our first Reconciliation Action Plan.
- The Group invested 1.05% of cash earnings before tax into our communities.
- Contributed \$1 million to the Victorian bushfire relief fund.

ENVIRONMENT



- Reduced carbon emissions by approximately 14,380 tCO₂-e* across the Group (excluding Great Western Bank).
- Expanded our portfolio of renewable energy projects (measured by an 88% increase in design rated megawatt generation capacity).

SUPPLY CHAIN



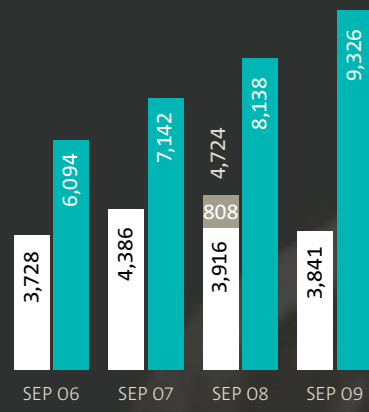
- Established a Supplier Sustainability Program in Australia.
- Switched to Fairtrade coffee and tea in workplace kitchens across Australia.

*For 12 months to July 2009

2009 OUR RESULTS

OUR PERFORMANCE

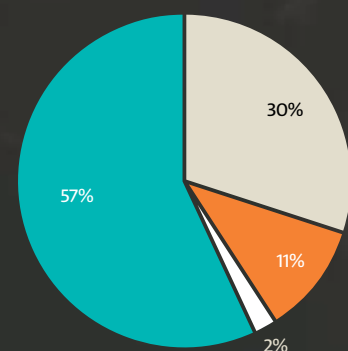
\$ millions



■ Cash earnings
■ Conduit impact
■ Underlying profit

Source: NAB 2009 Full-Year Results Announcement
Presented on an ongoing operations basis

OUR CUSTOMERS



Region

- Australia
- UK
- New Zealand
- US

Source: NAB internal



Catherine Clarke & Sally Ulamari from the Traditional Credit Union

In April 2008, NAB partnered with the Traditional Credit Union (TCU) to help improve access to financial services for Indigenous people. NAB provides the TCU with interest free loans so that they can open more branches in remote locations in the Northern Territory. More recently, the NAB/TCU partnership has grown to include our employees working more closely together. A NAB employee now sits on the TCU Board and opportunities are available for NAB employees to work at the TCU on secondment.

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NAB GROUP AT A GLANCE

WHO WE ARE

National Australia Bank Group is an integrated financial services organisation providing financial products, advice and services through its major Australian franchise and its businesses in the United Kingdom, New Zealand, Asia and the United States.

THE DETAILS

Each of our businesses provide a range of financial services including retail banking, business banking, corporate banking, transactional and custody services and wealth management.

During the year a more streamlined organisational structure was introduced to support a stronger focus on our main franchise in Australia. As part of this, the corporate lending function of nabCapital was merged into the business bank in each region, and activities inconsistent with our future priorities placed in Specialised Group Assets. The remaining markets, treasury and specialised finance operations are now managed in a separate unit known as Wholesale Banking.

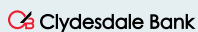
WHERE WE ARE

The Global Headquarters for NAB Group is in Melbourne, Australia.

AUSTRALIA



UNITED KINGDOM



NEW ZEALAND



UNITED STATES OF AMERICA



OUR SCALE

\$654,120 MILLION

Total assets

38,953

FTEs

10.93 MILLION

Customers

1,808

Branches and service centres

4,654

ATMs

Note: This year we have included Great Western Bank in these numbers for the first time.

HOW TO READ THIS REPORT

This report outlines our Corporate Responsibility (CR) performance in the four key geographies in which the majority of our operations are located—Australia, New Zealand (NZ), the United Kingdom (UK) and the United States (US). This is the first year we have reported on our US operations, and while we have included them wherever possible this report does not comprehensively address our CR performance in the US. The Group has operations in Asia associated with our wholesale business, previously known as nabCapital, however they are not included in this report given their limited scope. References to 'NAB' are to National Australia Bank Limited ABN 12 004 044 937. The 'Group' refers to NAB and its controlled entities across the above regions.

The body of this report is split into five sections in line with our CR Framework, and is available online at www.nabgroup.com, where additional detailed information and a Global Reporting Initiative (GRI) index can be found. It forms part of our broader annual reporting along with our Shareholder Review and Annual Financial Review.

'2009' refers to the period from 1 October 2008 to 30 September 2009. The report is based on this period with the exception of the Environment section which is for the year ended 30 June 2009. In past years community data was reported to the year ended 30 June, but this has now been brought into line with our Group financial reporting period. For this year alone UK volunteering data is for the year ending 30 June 2009.

All currency amounts are expressed in Australian dollars unless otherwise stated.

Comparisons are versus 2008 data unless otherwise stated.

Acquisitions made by the Group in late 2009, including Aviva Australia Holdings Ltd, Challenger Mortgage Management Holdings Pty Ltd and the Goldman Sachs JBWere strategic alliance are not covered in the scope of this report.

Forward looking statements like those in the 'What's Next' columns are targets or goals which are subject to external influences and may not be met.



WEB CONTENT

Indicates extra information available for download at:

www.nabgroup.com

CEO MESSAGE

“The last 12 months have been remarkable for many reasons. But I think most would agree that the global financial crisis has been the dominating issue for businesses and individuals alike.”

As a new CEO I have had the opportunity to spend considerable time listening to the communities that make up NAB – customers, employees, investors, the market, community groups, government, regulators, and the media.

This input has helped inform the strategic direction we set out at the beginning of the year, around four priorities: maintaining balance sheet strength; accelerating our efficiency, quality and service agenda; investing in our people, culture and reputation; and improving the position of the Australian business, while maintaining franchise values internationally.

Overwhelmingly, people acknowledge the security and support we've provided to customers and depositors, particularly when much of the rest of the world has experienced financial chaos and collapse.

It is also clear that the public perception of banks, including NAB, is not good enough. To build long-term sustainable businesses into the future I believe our industry, and NAB, must act to improve its reputation.

In support of this priority, earlier in the year, I highlighted three initial challenges to focus on:

1. Improving our communication, particularly around interest rate decisions.
2. Improving access to financial services for all sections of the community, but particularly for those who are disadvantaged.
3. Addressing customer concerns on fees – choice, fairness and transparency.

This Corporate Responsibility Review not only covers these initiatives but outlines in more detail our strategic approach and the leadership and behaviour which inform it. It highlights a number of major new initiatives, notably our first **Reconciliation Action Plan** and **Schools First** education program.

Importantly, this Review also reports against the commitments made in our last Review, and sets out some new objectives for 2010 and beyond.

Of course, changing the perception of banks will not happen overnight. But it is important that we are judged on the decisions we make and the behaviours we demonstrate. The publication of this Review is an important part in this process.

Cameron Clyne
GROUP CEO



OUR APPROACH TO CORPORATE RESPONSIBILITY



1

Because we understand and acknowledge the **special role of a bank** in the community and as part of the economy.

2

Because we believe in **doing the right thing**, helping our customers, communities and our people realise their potential.

3

Because we take a **long-term** approach to delivering superior shareholder returns.



At the heart of our Group is a belief in the potential of our customers and communities, as well as each other.



COMMUNITY

Supporting communities, with a particular focus on inclusion and investing in our youth.



SUPPLY CHAIN

Working to have a positive impact through our purchasing decisions.



ENVIRONMENT

Working to manage the direct impact of our operations and the indirect impacts we have through our customers.

Addressing our broader responsibility to society

MAKING IT HAPPEN

Objectives and Targets

We turn strategy into action by setting clear objectives, initiating programs, and measuring progress. This ensures CR is embedded across our business.

Stakeholder Engagement

Helps inform us of current and emerging material issues across our CR Framework, and challenges us to develop mutually beneficial solutions.

Governance

Corporate responsibility is owned and understood by our leaders and embedded in our business, ensuring informed and balanced decisions.

STAKEHOLDER ENGAGEMENT

“In this uncertain climate, good business leadership needs to make more of an effort to understand what’s happening in the marketplace”

CAMERON CLYNE, GROUP CEO

Connecting with our many and varied stakeholders is a vital aspect of our operations. As a responsible business we understand that our actions affect others, and that their actions in turn affect us.

Maintaining an open and constructive dialogue with our stakeholders helps us to better understand current and emerging issues, and helps us to work towards more mutually beneficial outcomes.

We engage with our stakeholders in many ways, and over the past year this engagement has informed the activities outlined in this report. For example we undertook significant consultation with non-governmental organisations, local and state governments, analysts and other businesses to clarify our carbon inventory guidelines.

Monitoring the quality of our stakeholder relationships is also important, and for the fifth year running we conducted research in the UK using the Edelman Relationship Index methodology. The findings showed that our relationships remain strong.

STAKEHOLDER GROUP EXAMPLES OF OUR ENGAGEMENT ACTIVITIES IN 2009

Customers	<ul style="list-style-type: none"> Regular qualitative and quantitative research. Established our Customer Council chaired by our Group CEO. 	<ul style="list-style-type: none"> Our Group CEO and other senior executives met with consumer advocates in Australia to hear their views on consumer issues. 	<ul style="list-style-type: none"> Continued to encourage customer feedback across the Group, and expanded the channels available for this.
Employees	<ul style="list-style-type: none"> Regular surveys across the Group enabled employees to have their say on their workplace (NAB will conduct a full Employee Opinion Survey in March 2010). Senior leaders participated in road shows and 'straight talking' sessions across the Group. In the UK, CEO Lynne Peacock began hosting a quarterly teleconference with all employees. 	<ul style="list-style-type: none"> Reached a successful result on an Enterprise Agreement in Australia. Conducted research in Australia and the UK to gauge employee sentiment around internal communications clarity and authenticity of information. Conducted an Employee Environment Survey and held Environmental Expos in Sydney, Melbourne, Brisbane and Perth. 	<ul style="list-style-type: none"> UK Executive Committee continued its Back to the Floor program with members shadowing junior employees one day a quarter. BNZ held a Culture Jam which engaged employees in a 72 hour on-line conversation on organisational culture.
Shareholders Retail & Institutional	<ul style="list-style-type: none"> Conducted focus groups across the Group to gain feedback and help improve the quality and clarity of our communications. 	<ul style="list-style-type: none"> Maintained regular dialogue with our institutional investors, including two formal investor road shows (half-year and full-year results) and conference 	<ul style="list-style-type: none"> calls for the market to discuss our quarterly results.
Community	<ul style="list-style-type: none"> Our Community Advisory Council meets quarterly to review NAB's activities in Australia and advise on actions that may have a community impact. It is chaired by Rev Tim Costello and has a mix of external representatives and NAB senior executives, including the Group CEO. 	<ul style="list-style-type: none"> Our Indigenous Advisory Council meets twice a year to review and guide NAB's engagement with Indigenous Australia. It is co-chaired by Danny Gilbert (NAB non-executive Director) and Dr Chris Sarra (Executive Director, Indigenous Education Leadership Institute). 	<ul style="list-style-type: none"> In the UK community partners were invited to participate in the 2009 Edelmans Relationship Index survey. Two workshops were hosted after the survey to gain feedback on our performance and the Group's 2008 CR Review.
Government & Regulators	<ul style="list-style-type: none"> Maintained open and constructive dialogue across the regions in which we operate. We have a relationship with over 40 regulators worldwide, and a further 25+ industry associations and related organisations. Made submissions to the Australian and New Zealand Government on emissions trading and carbon related regulatory change. 	<ul style="list-style-type: none"> Supported national policy debate through National Press Club sponsorship. Consulted with Australian and New Zealand governments on the impacts of the global financial crisis. Participated in the Finance Summit on lending practices and engaged in development of new consumer protection legislation in New Zealand. 	<ul style="list-style-type: none"> In the UK we gave evidence to the Business & Enterprise Select Committee on small and medium enterprise lending, the Treasury Select Committee on women in the financial services and the Scottish Affairs Select Committee on Banking in Scotland. We also responded to the Treasury's consultation on 'Reforming Financial Markets' and to the Equality and Human Rights Commission on equal pay in the financial services sector.
Suppliers	<ul style="list-style-type: none"> Surveyed key suppliers across the Group to review adherence to our supplier sustainability guidelines. 	<ul style="list-style-type: none"> Held supplier expos with our staff across Australia. 	<ul style="list-style-type: none"> Participated in the United Nations Environment Program Finance Initiative Supply Chain Sustainability Project.
Unions	<ul style="list-style-type: none"> Engaged with the FSU to negotiate and reach agreement on a variation of our Enterprise Agreement in Australia. 	<ul style="list-style-type: none"> Regularly consulted with Unite in the UK around issues such as organisational change, health and safety and diversity issues. 	

GOVERNANCE

Effective corporate governance is a fundamental part of the culture and the business practices of NAB Group.

The key aspects of our Group corporate governance approach are outlined in the Corporate Governance Statement in our 2009 Annual Financial Report.

RESPONSIBLE LEADERSHIP AND POLICY

Governance and responsible leadership starts with our Corporate Principles and Compliance Standards. It is underpinned by our extensive system of management frameworks, policies and processes, training and communications. Effective governance ensures that we identify the risks and opportunities material to our business, and assists us to operate focused and effective CR programs.

The Board has retained authority for the highest level of oversight of CR governance across the Group. The Board monitors strategy, policy and performance on a regular basis, including key elements of our non-financial performance such as occupational health and safety, community investment, and progress on our climate change strategy.

Management accountability for CR rests with our Group CEO and senior executives across the Group. Each business is responsible for meeting the Group's environmental and social requirements and for achieving its own, and any agreed Group, targets in CR related areas.

Senior management is accountable for delivery of our CR strategy, including the periodic review of our CR framework and policies. Regional executive committees or designated senior executive subcommittees are responsible for monitoring implementation of CR strategy and initiatives.

Key components of CR performance are monitored by our Group Risk Management Committee. On matters related to climate change and environment, we also have a specific Group Climate Change and Environment Committee.

In Australia, we have an independent Community Advisory Committee, to ensure stakeholders can challenge, scrutinise and provide advice on our community initiatives and programs.

Our CR Policy is reviewed annually and applies to all entities within the Group.

RISK MANAGEMENT

Effective risk management is a key capability of a successful financial services provider. The Group's approach is based on three lines of defence, and the principle that, to be effective, risk management must be embedded in front line teams and supported by objective and independent oversight and assurance. Corporate responsibility risks are covered in two key areas—operational risk and credit risk (for example the risk associated with investing in customers with the potential to be affected by the impacts of climate change).

The Board and Group Executive (through the Group Risk Management Committee) are responsible for ensuring that risks facing the Group are identified and that systems are in place to monitor and manage those risks.

EXTERNAL BENCHMARKING

As part of our approach to CR governance we continually assess our performance against external benchmarks. During 2009, we again participated in a number of external benchmarking programs including the London Benchmarking Group, the Dow Jones Sustainability Index, the Carbon Disclosure Project, the FTSE4Good Index and the UK Business in the Community Corporate Responsibility Index.

Further details about our corporate responsibility governance are available on our Group website at www.nabgroup.com

CUSTOMER

Delivering clear value and quality advice



Purple Goanna was the first indigenous business NAB approved for a Microenterprise Loan. With the support of Indigenous Business Australia, indigenous entrepreneurs like Suzanne Grech are provided with business credit and mentoring to ensure they get the best possible chance to succeed.



1

Addressing fairness concerns

- The first major bank in Australia and New Zealand to abolish overdrawn fees on personal transaction accounts.
- Achieved 16, and substantively achieved another three of the 24 aspects of our NAB customer promise.
- In the UK we introduced 11 employee 'treating customers fairly' champions across the business. An e-training module on this subject is mandatory for all staff across the UK.
- Established a Customer Council chaired by our Group CEO to ensure customer issues are acknowledged, and given top priority.
- Restructured the Customer Relations area in the UK to provide better customer complaint service and support.

- **NAB will continue to review fees and charges to ensure clear value.**
- **NAB will review its customer promises and establish strong governance procedures to ensure improved performance.**
- **MLC will continue the transfer of its financial advice businesses to a fee-based model.**
- **Develop a new 'customer panel' in the UK to ensure customer feedback is heard and quickly acted upon.**

2

Transparency & communication

- In Australia we introduced better communications on interest rate changes, outlining our costs of funding.
- In Australia we established the **Lets Get Talking** program to further assist customer facing staff resolve customer issues.
- Launched a free eMagazine for our Australian customers, providing advice and case studies on financial matters.
- Produced the **Managing Your Money Made Easy** toolkits in New Zealand to help customers (and non customers) improve their understanding of financial matters.

- **NAB will continue to proactively inform and educate customers and the broader community on the real factors affecting interest rates.**
- **Deliver SME quarterly survey results (exploring economic expectations and business confidence) directly to our subscribed Australian SME customers via free email service.**

3

Access to financial services & dealing with hardship

- Following the Victorian bushfire tragedy NAB established a range of relief packages for affected customers.
- Expanded our leading microfinance program in Australia, allocating an additional \$100 million in capital.
- **StepUp Loans** won best low income customer product for the third year running in the annual Money Magazine 'Best of Best' Awards 2009. **Microenterprise Loans** won best product in the low income enterprise category for the second year running.
- Great Western Bank continued to offer a totally free checking and savings product requiring no minimum balance.
- Continued rolling out audio enabled ATMs to assist our visually impaired customers, and in Australia we added multilingual options.
- Improved ATM security in Australia by adopting speech recognition technology, and installing market leading anti-skimming technology on all ATMs. Also, BNZ successfully implemented world first technology that protects customers by updating unique security codes through ATMs.
- Financial Solutions Unit (FSU) was established in the UK to help customers experiencing financial difficulty, offering assistance, advice and a dedicated contact point.
- NAB established a dedicated hardship team contactable via a toll free number, to help customers experiencing financial difficulty.
- Appointed a dedicated Financial Counsellor Liaison Officer in Australia as a point of contact for financial counsellors representing customers.
- In the UK we launched a new Term Deposit product specifically for charities and enhanced the 'in-kind' support package available to them.
- In Australia we increased our strategic business services division, the area that supports business customers experiencing difficulties, from 120 to 140 specialists.
- Developed specific product support for residential property developer customers in the UK to help support this sector.

- **Continue to expand our Australian microfinance programs, by doubling the number of NAB supported NILS® Loans, increasing StepUp Loans to 2,500 and expanding ADDsUp locations from 2 to 20.**
- **Our UK business will introduce further support for customers in the economic downturn. This will include expanding website advice and guidance for our retail customers, and an education program for our business customers, focused on surviving the downturn and preparing for recovery.**
- **BNZ will ensure all new ATMs adopt 'Text-to-Speak' capability.**
- **Our UK business will conduct a feasibility study to assess launching a Savings Gateway product, to help customers on lower incomes commence saving.**

4

Improving customer service

- NAB established an alliance with rediATM to double the ATM network in Australia.
- BNZ developed www.bnz.co.nz/smallbusiness with relevant content to equip SMEs with tools and information to help them ride through the recession.
- BNZ developed a set of 'how to' guides to help customers handle everything from student life to buying a first home.
- Introduced new technologies to allow UBank customers to sign up for an online account in about five minutes.
- BNZ upgraded its internet banking platform to increase online usability and security.
- Reduced turnaround time for credit card approvals to two days, in the UK.

- **BNZ commits to best practice web accessibility standards through the World Wide Web Consortium.**

FIND OUT MORE

www.nabgroup.com/annualreports/cr/customer





SUMMARY OF THE YEAR

In a year of global financial turmoil, our first responsibility has been to provide our customers with safe and secure banking they can rely on. We've supported small business, kept lines of credit open to home buyers, and ensured our customers have continued access to our broad range of financial products and services.

At the same time, we've taken the opportunity to address some of our customers' concerns, particularly in relation to fees, access, hardship and transparency.

This year we were the first major bank in Australia and New Zealand to abolish overdrawn account fees on personal accounts. Our customers complained about these fees more than any other issue, and getting rid of them was the right decision for us because it was the right decision for them.

We also doubled our network of automatic teller machines (ATMs) for our Australian customers through a new alliance with rediATM. With over 3,100 ATMs now in our Australian network, our customers should save more than \$10 million from foreign ATM fees.

In view of the economic uncertainty associated with the global financial crisis we established the Financial Solutions Unit in the UK, and significantly increased the hardship

team in Australia. We also invited 50,000 business customers in Australia to attend seminars and workshops so we could connect them with the latest advice and information, in order to help them make informed decisions about the future.

This year we were the first major bank in Australia and New Zealand to abolish overdrawn account fees.

We have improved the transparency of our communications with customers about the factors affecting interest rate movements. And at MLC, we've continued to lead the wealth management industry through our transparent fee for service pricing model.

Our customer promise

In April 2008 we launched NAB's 'Customer Promise'. It set out what our retail customers can expect of us, and gave our employees a greater appreciation of the service standards we need to provide.

Of the 24 commitments we made, 16 were met, another three were substantively met and on five we have fallen short. These five are:

- Give you a decision on your personal loan or overdraft application within one business day;
- Give you a decision on conditional approval for your home within two business days;
- Ensure that when you call 13 22 65, you don't wait more than 60 seconds in our call centre queue, 90% of the time;
- Answer your email enquiries within one business day; and
- Resolve most complaints when you first make them, and resolve more than 90% within five business days.

We aim to improve our performance in these areas, and have launched a number of major initiatives in pursuit of this goal. For a full report on the Customer Promise visit www.nabgroup.com/annualreports/cr/customer-further-information

CLEAR VALUE AND TRANSPARENCY

In July NAB and BNZ announced the abolition of overdrawn account fees on personal transaction and savings accounts. The fees affected over 700,000 customers each year and generated more complaints to NAB than any other issue.

leadership on fees, that \$700 million will go back into the hands of customers every year, industry-wide.

The decision was received positively by customers, media and consumer advocacy groups. Personal Banking continues to

We estimate, as a consequence of NAB's leadership on fees, that \$700 million will go back into the hands of Australian customers every year, industry-wide.

The change came into effect on 1 September 2009. We believe that abolishing these fees will help us build better relationships with our customers, and also with our people, for whom the fees were a source of significant frustration. The decision made NAB more competitive within the industry, and prompted the other major banks to make their own announcements on fees. We estimate, as a consequence of NAB's

evaluate opportunities to make fees fairer and more transparent. We are also focused on providing help, guidance and advice to our customers; offering quality products and services; and acting with compassion and support.

Over the next 12 to 24 months we expect to undertake further initiatives in these areas.

A hand up, not a hand out

NAB supports a range of innovative programs that help improve access to fair and affordable financial services for Australians living on low incomes. NAB supports four not-for-profit microfinance programs in partnership with community and government sectors, and has committed \$130 million in capital to these initiatives since 2003:

Micro-enterprise Loans –

Launched in 2007, NAB provides not-for-profit business credit to people with few or no avenues to access affordable credit. During 2009 115 micro-enterprises received unsecured business loans of between \$500 and \$20,000, totalling \$1.6 million.

No Interest Loan Scheme (NILS®) –

In 2009 NAB increased its NILS® funding from \$10 million to \$15 million. NILS® provides small loans at no interest for the purchase of essential household goods and services (between \$800 and \$1,200). During 2009 NILS® provided over 2,600 loans totalling \$2.1 million.

StepUp Loans –

Launched in 2004, StepUp Loans are a bridge between NILS® and mainstream credit, and provide small loans up to \$3,000 at an interest rate of 3.99%. During 2009, 775 loans were written to a value of \$2.1 million.

AddsUp Savings Plan –

NAB launched AddsUp in 2009 to give people an incentive to save. The program is currently offered in Queensland and Victoria through NAB's NILS® and StepUp Loans community

partners. The program matches savings account balances once a year to a total annual value of \$500.

NILS®, StepUp Loans and AddsUp programs are delivered in collaboration with Good Shepherd Youth & Family Service. The NILS® trademark is registered to Good Shepherd Youth & Family Service (No 766836).

The programs are unique in developed economies in terms of the scale of involvement by a bank. NAB has been recognised by five Money Magazine Best of Best Awards for socially responsible products. For more information visit www.nab.com.au/microfinance.

MLC – continuing to lead

MLC has continued to lead the industry on greater trust and transparency, announcing in September 2009 that Apogee Financial Planning and Garvan/MLC Financial Planning (MLCFP) would move to a fee for advice model for all new investments and superannuation clients from 1 July 2010.

This move means all of MLC's existing advice businesses will now use a fee based model. Godfrey Pembroke and NAB Financial Planning made the change in October 2006 and July 2008 respectively, and more than 70% of MLC's new investments and superannuation business is already written on a fee for service basis.

MLC believes the financial planning industry needs to look for other reforms beyond fees and commissions to improve clients' trust in the industry.

Steve Tucker, MLC CEO stated "Our industry is facing structural reform. We need to face the issues that are damaging the reputation of our industry and make meaningful changes that will start to build trust, improve transparency and truly put the customer at the centre of everything we do."

"We've been encouraging the industry to make this transition for some time, as we believe a fee based model is the most appropriate remuneration structure"

GREG MILLER

General Manager of MLC Advice Solutions

MORE ATMs – LESS FEES

A significant highlight for our retail business in 2009 was the creation of one of the largest ATM networks in Australia.

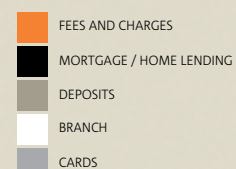
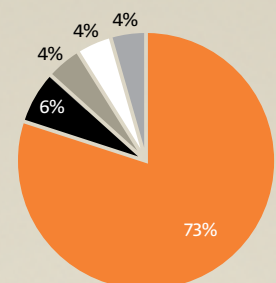
NAB joined forces with Cuscal, a wholesale banking and transactional banking services specialist, to establish a combined network of more than 3,100 ATMs across rural, regional and metro Australia. This provides our customers with better access to convenient banking.

This partnership is now helping more than seven million people to avoid direct charge fees – which are incurred when a customer uses an ATM that is not linked to their own financial institution.

NAB and rediATM customers conduct more than five million ATM transactions per year on each other's ATMs. This new alliance will save our combined customers more than \$10 million in direct charge fees every year.


THE ISSUES IMPORTANT TO OUR CUSTOMERS

(Key complaint areas, Australia, 2009)



PEOPLE

Investing in the skills and capabilities of our employees



Yorkshire Bank marked its 150th anniversary by launching a new Greener School Gardens campaign at Nostell Priory near Wakefield, with the help of National Trust England. As sponsors of National Trust England's Outdoor Program, Yorkshire Bank volunteers planted 150 heritage apple trees – including old Yorkshire varieties – recreating the Priory's historic orchard. In addition, school children across Yorkshire will be able to apply for an apple tree and education pack to help make their school garden greener.



1

Progressing our culture through leadership and enterprise behaviours

- Conducted extensive research with leadership and employee groups to define the core beliefs and societal responsibilities that motivate our employees in Australia.
- BNZ conducted a company wide **Culture Jam** session. All employees were encouraged to participate in facilitated online discussions to identify the behaviours required for future success.
- The UK conducted a company wide discussion with employees on organisational 'purpose'.
- Continue to develop leadership capability by exposing future leaders to challenging societal and community issues e.g. Indigenous disadvantage.

- **Integrate enterprise behaviours into our performance management framework and core people processes across the Group.**
- **Launch a new employee engagement and culture survey across the Group, aligned to our aspirational culture and underpinned by our enterprise behaviours.**
- **Embed the BNZWay behaviour set.**

2

Building our organisational capability

- Negotiated an Enterprise Agreement which gives our Australian employees certainty and flexibility on pay and conditions.
- Launched **The Academy** in Australia, to help our people develop their capability and careers.
- Delivered 1,341 face-to-face courses, to over 6,000 employees across Australia through **The Academy**, equating to 25,720 training days.
- The UK's **Leading for Growth** program is giving 88 middle managers a simulation on running a business—incorporating sales, human resources, marketing and pitching for capital.
- Over 800 BNZ employees were involved with the **Personal Leadership Program**—three months after the program, 93% of participants claim they 'consciously express their values in the way they lead their life' versus 66% beforehand.
- A Group wide mentoring program was launched with 51 senior leaders mentoring talented employees. Our UK business also continued to grow its mentoring program which to date has benefited hundreds of employees.

- **Incorporate new adjusted risk management measures into the performance and reward framework, including deferring more short-term incentives.**
- **Enhance The Academy online offering, exploring opportunities for convergence in learning and development across the Group and continue expansion of The Academy physical sites.**
- **Offer learning opportunities through The Academy to our customers and communities.**
- **Launch a senior talent development program in the UK that aims to equip participants with the ability to deal with adaptive organisational problems.**
- **Develop and implement strategy to ensure the right people are in the right roles at the right time.**

3

Focusing on inclusion and diversity

- Won an Equal Opportunity Workplace Agency citation: Employer of Choice for Women in Australia.
- 30 Diversity Agents deployed across the Australian business.
- NAB introduced new non-traditional recruitment strategies, with the aim of strengthening the business through an increased diversity of thought.
- BNZ conducted a Gender Pay Equity Audit.
- Diversity awareness sessions were included in existing leadership programs in the UK.
- Launched Project Vintage in the UK (see page 14).
- BNZ introduced a new mentoring framework working with OMEGA, a not-for-profit organisation which matches skilled migrants with employers.
- Introduced educational and employment opportunities for Indigenous Australians including school based traineeships, full-time traineeships, apprenticeships, and an MBA scholarship program.

- **Continue to support women to progress their careers across the Group.**
- **Embed our aspirations for diversity through our Enterprise Behaviour Framework.**
- **Enhance diversity dashboards to provide more meaningful metrics to each business unit across the Group.**
- **Across the Group, increase awareness and uptake of flexible working initiatives such as telecommuting, flexible hours, compressed working weeks and working from home.**
- **Undertake a second pay equity audit in Australia.**

4

Supporting our business and people in challenging times

- NAB, in partnership with Beyondblue and Lifeline, provided information sessions and material to increase employee awareness of mental health issues.
- BNZ launched **MyWellbeing** wellness website in March 2009, with an online portal covering health and wellness tips and offers.
- BNZ received a tertiary accreditation (the highest measure) in an external audit of its health and safety management systems.
- BNZ **Habit at Work** online learning tool launched in 2008 continues to show extraordinary results, with 85% less investment now required on assessments to adjust workstations.
- Commenced a review of health and safety systems in the UK.
- NAB introduced a new 'transition coach' role to maximise the opportunity for redeployment for people affected by change.
- Received the 'Best Workplace Health and Safety Management' system award by the Australian Government's Safety Rehabilitation and Compensation Commission.
- NAB was approved to move to tier three status as a self-insurer for prevention, rehabilitation and compensation. This is the highest level that can be achieved by a self-insurer who provides objective evidence of continuous improvement in their management systems.

- **NAB will roll out new online health and safety training programs for all employees.**
- **NAB will launch a new education program, Mynd.health@nab, to build awareness and confidence in our people and people leaders around mental health issues, stress and resilience in the workplace and at home.**
- **Complete an update of the health and safety system and launch a new manual in the UK.**
- **Develop and implement strategy to recognise and reward differentiated performance.**

FIND OUT MORE

www.nabgroup.com/annualreports/cr/people





SUMMARY OF THE YEAR

2009 has been a year of change for our people. Against the backdrop of the global financial crisis and its challenges to stability and security, NAB has welcomed a new CEO, established a new Group Executive leadership team, and outlined a new business strategy.

Throughout the past 12 months we've focused on supporting our people through this period of change. We know that engaged, diverse and capable employees are the key to our success.

To help our people reach their potential we launched our new business school, **The Academy**, and we've continued to invest in leadership programs such as the UK's **Leading for Growth Program**, BNZ's **Personal Leadership Program**, and a range of leadership and development opportunities in Australia.

We negotiated an Enterprise Agreement in Australia to provide both certainty and flexibility for our people. To date, NAB is the only major Australian bank to undertake such negotiations.

We improved our performance and rewards framework by strengthening our scorecard development and cascade process, ensuring

accountability is appropriately aligned to deliver the business strategy. We also incorporated risk management principles and measures to assure performance over the longer-term.

We increased our focus on engagement, working with our employees to articulate the shared beliefs that inspire, motivate and guide us.

This work is part of our goal to build a unique and differentiated culture that acknowledges and encourages the way we work as well as the results we produce. To measure progress we will conduct an Employee Opinion Survey in early 2010.

Championing this shared belief through 2010 and beyond will continue the transformation of our culture, sharpen our competitive advantage and enable us to reach our full potential.

Diversity in the UK

Following the success of the Lesbian, Gay, Bisexual and Transsexual (LGBT) network launched last year, two new network groups have been set up by our Yorkshire and Clydesdale Bank operations to focus on Disability and Mature Age workers.

The Disability Network aims to reach out to the estimated 20% of the UK working population that experiences some form of disability. Our UK Diversity Lead Julie Wade says: "People with disabilities have unique perspectives and insights that can add real value for employees and customers alike. We hope this network will be as much of a success as the LGBT network in supporting employees, while also helping to overcome any misconceptions about disability."

Project Vintage has been set up to work on attracting, retaining and developing employees who are aged 50+, recognising that these mature age workers have a wealth of high-quality skills, talents and experience to offer.

The project has established a new network and will create a career extension program to help promote flexible leave arrangements, implement innovative working solutions and offer financial planning advice for mature age workers. Participants also have the opportunity to pass on some of their skills and experience by mentoring younger or less experienced employees.

A New Frontier in Learning and Development

"The Academy links the needs of our people with the demands of our business and the direction of our enterprise-wide strategy. It enables us to deliver targeted learning and development opportunities that benefit not just our employees at an individual level, but ultimately the overall strength and capability of our entire organisation."

MICHAEL ULLMER
Group Deputy CEO and Vice Chancellor of The Academy

The Academy is NAB's newest innovation in learning and development for employees. A visible and powerful symbol of change, it's designed to help drive innovation and adaptability; and foster an inspiring culture of collaboration and achievement across the organisation.

The Academy is an onsite and online business school, offering a range of programs, courses and tools to develop NAB employees. Combining leading edge technology with state-of-the-art facilities, The Academy sets a new standard for the way learning and development is managed at NAB.

Beginning in November 2008, The Academy was progressively launched across Australia, starting with the visual identity, the online component, and a number of physical sites in Sydney, Melbourne and Perth. The Academy Brisbane will be launched later this year.

Employees across Australia can access The Academy online, and virtual learning tools such as webcams and OCS technologies help employees in long-distance locations connect more meaningfully.

Over 2009, 1,341 courses were delivered face-to-face to over 6,000 employees across Australia, via enrolments through the Academy's Catalogue (to September 2009). This equates to 25,720 training days, and represents 55% of all learning programs.

The remaining 45% of all learning programs (27,304 training days), were completed through online role based and compliance learning programs.

Providing flexibility and choice for our people

Ensuring our people have flexibility, choice and support is a cornerstone of life at NAB, and these principles formed the basis of the Australian Enterprise Agreement (EA) we negotiated with the Finance Sector Union (FSU).

We agreed to a 15 month EA that provides guaranteed pay increases for pre-management, clerical and front line employees (known as Groups 1 & 2) in 2009 and 2010.

We've also ensured provisions have been built into the EA to support the deployment process for employees who are affected

by change, in order to ensure they are well supported to secure a new opportunity.

In addition, the EA will help promote a productive culture and support our reputation as an employer of choice by making sure employees are able to manage the things that are important to them.

For example, we know that having a proper break and taking time to relax and refresh is a vital part of maintaining health and wellbeing. To support this, the EA includes a new provision in leave management that means employees will now be required to take their four weeks of annual leave each year, including at least one 10 day block of leave.

Further, the new addition of Lifestyle Leave now gives people the opportunity to 'purchase' extra leave for things outside work such as travelling, becoming a grandparent or pursuing a hobby. Other employees with long-service leave entitlements may now take their leave more flexibly, or choose to cash some of it out.

The new agreement, considered to be responsible and appropriate for the times, was endorsed by employees via a confidential ballot in September 2009. Certified by Fair Work Australia, the new Agreement is in place until the end of December 2010.

CULTURE JAM

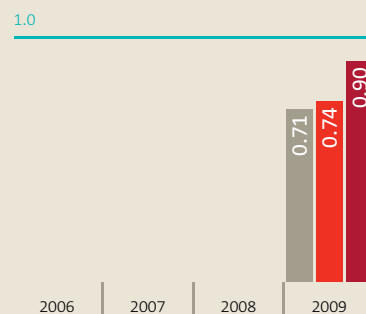
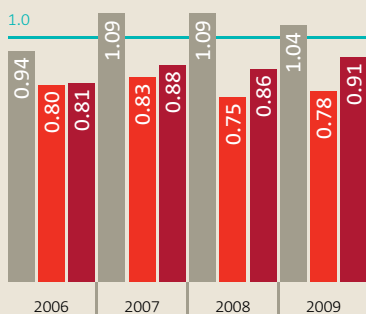
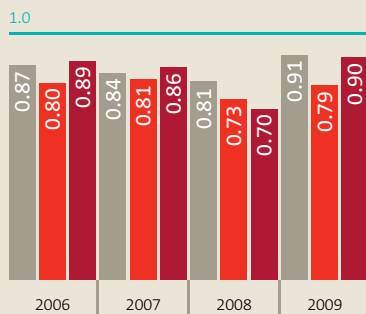
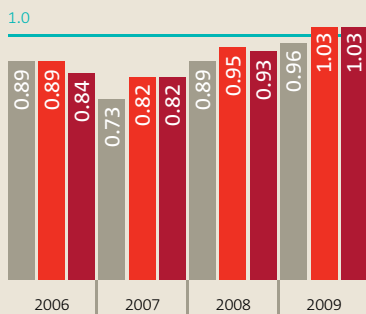
In July 2009, over 5,000 BNZ people were invited to take part in the biggest online conversation the organisation has ever held.

The purpose was simple – to agree on the behaviours that will drive our success now and in the future.

Business units spent 72 hours thinking, sharing and discussing BNZ culture. Many more hours behind the scenes were then spent digesting the feedback and defining the behaviours.

Staff then voted on the top eight outcomes in order to identify the behaviours that matter most to BNZ's success. The three top behaviours describe a distinct way of acting, thinking and behaving – they are: Listen, engage and deliver; Own it, do it; and Make it easier. The behaviours have been launched across the organisation and work is underway to embed them into core people programs as part of BNZWay.

FEMALE REMUNERATION AS A RATIO OF MALE REMUNERATION

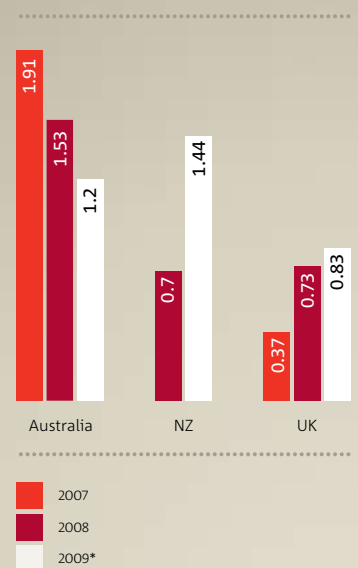


- SENIOR MANAGEMENT
- MANAGEMENT
- PRE-MANAGEMENT

The horizontal lines represent the average male salary (a base of 1.0) and the bars compare female salaries. i.e. in the UK in 2009 females in senior management positions earned higher than their male counterparts, however at management and pre-management levels the opposite was true.

LOST-TIME INJURY FREQUENCY RATE

Number of work related lost-time injuries per million hours worked.



*All regions: This figure may increase marginally due to late reporting of incidents

COMMUNITY

Supporting communities,
with a particular focus on
inclusion and investing in
our youth



This year over 160,000 boys and girls across the country took part in the NAB AFL Auskick program. Throughout the season over 20,000 volunteers brought the program to life in 2,800 different places around Australia.



1

Youth and education

- Launched **Schools First**, the largest corporate backed education initiative in Australia. We received 1,552 applications, equating to roughly 15% of schools nationally.
- Continued development and expansion of the UK award-winning financial literacy program, **Count Me In**, with an investment of over £400,000 since 2004.
- Continued support of Australia's largest junior participant program, **NAB AFL Auskick**, with over 160,000 registered participants in 2,800 centres around Australia. **Auskick** is driven by a network of 20,000 volunteers who support it on a weekly basis.
- Brought the elite level of The Australian Ballet to young dance students around Australia through **Dance the Dream**, with 750 dance schools around the country applying for one of ten workshops in their hometown.
- Continued to roll out the Alannah & Madeline Foundation's **Better Buddies** Framework in Australia to help keep children safe from bullying in schools, and increased the number of participating schools from 150 to 370 in 2009.
- Continued support of youth talent identification initiatives such as Lions Youth of the Year and the British Council's 'Realise Your Dream'. For Lions Youth of the Year, 1,757 contestants from 526 clubs were nominated, whilst almost 500 applicants across a variety of creative fields applied for 'Realise Your Dream', where five winners win the chance to work in London with their chosen mentor.

- **Increase Schools First applications by 25% to 2000 schools nationally.**
- **The UK will expand its award winning Count Me In program.**
- **Increase participation in NAB AFL Auskick of the Year program from 5,500 to 10,000.**
- **Increase the number of schools participating in the Better Buddies program to 600 in 2010.**

2

Social and financial inclusion

- NAB continued to improve access to fair and affordable banking services through our leading Microfinance programs. Our overall Microfinance commitment is now \$130 million.
- Prime Minister Kevin Rudd launched our first **Reconciliation Action Plan**, created to address the ongoing disadvantage and challenges facing indigenous Australians.
- BNZ continued to tackle the issue of financial abuse of the elderly through its partnership with the New Zealand Retirement Commission and Age Concern.
- Our Wholesale Banking division partnered with the Australian Research Alliance for Children and Youth to examine the impact of poverty on children's ability to learn, with a \$250,000 commitment.
- Expanded our community partnership with Ardoch Youth Foundation in Australia, enabling employees to connect with kids in disadvantaged primary schools and participate in activities such as literacy buddies and educational excursions.

- **Continue to expand our Australian microfinance programs, by doubling the number of NAB supported NILS® loans, increasing StepUp loans to 2,500 and expanding ADDsUp locations from 2 to 20.**
- **Update our Reconciliation Action Plan, incorporating engagement strategies for the Pilbara and Kimberley, increasing the number of Indigenous employees and doubling the number of school based trainees.**

3

Issues that matter to us

- Across the Group, employee volunteering grew to 12,487 days, up 42% on 2008, with both the BNZ and our UK businesses achieving their targets of exceeding 2,000 volunteer days.
- Mobilised our branch and broader network in response to the Victorian bushfire tragedy, and established a \$1 million relief fund. 812 volunteer days valued at \$237,000 were taken to help with the relief effort.
- Great Western Bank's '**Greater Than CD**' (certificate of deposit) promotion donated US\$300,000 to local communities and organisations in need.
- In the UK we expanded our support for the national hospice charity **Help the Hospices**, raising over £700,000 since Feb 2008.
- NAB supported the Ovarian Cancer Research Foundation for a 10th consecutive year, contributing over \$700,000.
- Expanded our partnership with CERES environmental education park in Australia.
- The Yorkshire and Clydesdale Bank Foundation distributed over £720,000 since its launch in July 2008.
- BNZ continued its support of the **BNZ Save The Kiwi Trust** by covering all administration costs in order to ensure 100% of donations go directly to saving the kiwi.
- MLC expanded its partnership with Lifeline, investing in a 24 hour telephone counselling service and supporting its largest fundraising initiative **Stress Down Day**.
- In 2008 BNZ committed to launching a staff matching donations program. Due to a significant bank restructure this has been deferred 12 months.

- **15% increase in volunteering days across the Group.**
- **Achieve 20% payroll giving by staff in the UK.**
- **BNZ's Closed for Good initiative on November 4th will allow up to 5,000 bank staff to volunteer to work on projects suggested by the community for the day.**
- **Yorkshire Bank will donate £150,000 to mark its 150th anniversary.**
- **In 2010 we aim to raise \$1 million to fund vital research into finding an early detection test for ovarian cancer.**
- **Review our existing environmental partnerships and extend our community based activities in this area.**
- **Our UK business will distribute over £200,000 raised from the auction of bank notes to over 100 charities.**
- **BNZ to launch staff matched donations program.**

FIND OUT MORE

www.nabgroup.com/annualreports/cr/community





SUMMARY OF THE YEAR

Strong, sustainable and inclusive communities are of utmost importance to us as a bank. We take a long-term view, knowing our success and that of the communities in which we operate is inextricably linked.

Our primary areas of community focus are youth and education as well as social and financial inclusion. Our external NAB Community Advisory Council helps us understand the best role we can play across these areas, ensuring our resources have the greatest impact possible.

We've made good progress. Despite the challenging economic environment, we have exceeded our goal of investing 1% of cash earnings before tax in our communities. **This year we invested¹ \$58.0 million, a 73% increase over 2008, equating to 1.05% of cash earnings before tax.**

2009 has been a year of substantial expansion across our community programs. In Australia we established the Schools First program, launched our Reconciliation Action Plan, further expanded our microfinance programs, and strengthened our involvement in our local communities through programs such as NAB AFL Auskick, Dance the Dream, Better Buddies and 112 other

local sponsorships. Our employees also participated in 6379 volunteering days.

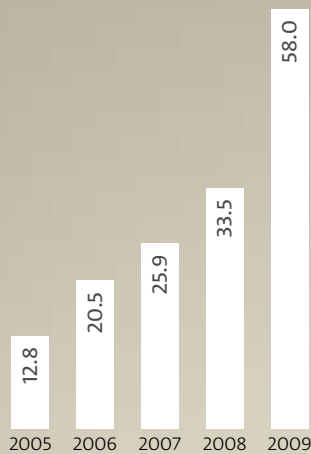
In the UK, employee participation in payroll giving reached 17.5%, while support for **Help the Hospices** was expanded and the Yorkshire and Clydesdale Bank Foundation gave more than £720,000 to worthy causes. In New Zealand, **Save The Kiwi Trust** continued to receive our support and Great Western Bank donated more than US\$300,000 to community groups with its Greater Than Certificate of Deposit promotion.

Of course the year was not all highlights. The devastating Victorian bushfires took a profound toll on our customers, our employees and the communities we serve. Our response was extensive and dynamic, reinforcing the importance of supporting local communities (see below).

¹ 'Invested' includes both incurred and committed funds.

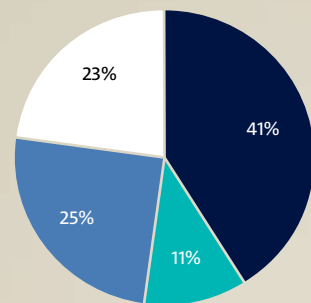
GROUP COMMUNITY INVESTMENT

\$ millions



GROUP COMMUNITY INVESTMENT BY FOCUS AREA

%



- SOCIAL AND FINANCIAL INCLUSION
- YOUTH AND EDUCATION
- EMERGENCY RELIEF
- ISSUES THAT MATTER TO US**

^{*} Does not include in-kind support or management costs
^{**} For more detail see page 17

When disaster strikes

The day was ominous, the fire warnings were there. But the horror that unravelled on Black Saturday was of a magnitude Australia had neither expected nor experienced before, and the aftermath continues to this day.

The Victorian bushfires deeply affected our people, customers and communities. In disaster situations we all feel the instinct to help, and for NAB that meant being as responsive and flexible as possible.

Our response was swift and decisive. Because of our branch presence in the affected communities, we were able to mobilise rapidly. Branches opened on the days following, acting as de facto community hubs, providing access to everything from toiletries and telephones to emergency financial support.

Above all, our instinct was to help people and do the right thing by them. A range of measures were quickly put in place to provide emergency assistance, including a \$10,000 cash grant for customers who lost their homes and a \$5,000 cash grant for those who suffered partial damage to their homes or businesses. A range of fees and other charges were also waived.

We established a \$1 million relief fund for people and communities affected by the fires, but with the support of our customers and the broader public we ultimately collected a staggering \$21.9 million in donations for the Victorian Bushfire Appeal.

NAB's people came out in their hundreds to help in any way they could. 812 volunteering days were used in numerous ways, from rattling tins and packing boxes to providing counselling support.

While the scale of practical support provided to the victims of the Victorian bushfires was unprecedented, we were also able to respond to other natural disasters such as the Queensland floods, which ironically drowned the northern part of the country while Victoria scorched.

In July NAB hosted a community day in the Yarra Valley for communities affected by the Victorian bushfires. NAB's community partners, such as the AFL, FFA, Alannah & Madeline Foundation and the Melbourne Symphony Orchestra, came together with NAB volunteers and our Group CEO Cameron Clyne to help out on the day, making it a family event for the 1,000 plus people that attended.

A range of measures was quickly put in place to provide emergency assistance, including a \$10,000 cash grant for customers who lost their homes

Putting schools first

There's an old saying: 'it takes a village to raise a child'. That's the inspiration behind Schools First, NAB's new education initiative, and our response to the increasing recognition that bringing out the best in young people is a responsibility that rests on the shoulders of the entire community.

As part of our broad commitment to young people and education, **Schools First** has been created so that communities become more involved in their local school, and an extended range of people then contribute to student learning.

It's designed to encourage and reward remarkable partnerships between schools and communities. Research shows that students do better when they are connected to and involved with their community, and that outcomes include greater student engagement, improved attendance and retention, and better academic performance.

Schools First is the most significant corporate undertaking in education in Australia. With up to \$5 million in award funding every year for three years, **Schools First** provides

financial recognition for existing partnerships as well as incentives to build new and stronger school-community partnerships.

The program has been a tremendous success. In its inaugural year, **Schools First** has trumped targets set for year three. We received 1,552 applications for award funding, a remarkable effort equating to around 15% of schools nationally.

Applications were open from 1 July to 14 August 2009, with **Schools First** partners Foundation for Young Australians (FYA) and Australian Centre for Education Research (ACER) noting the impressive quality of the applications. The Awards will be announced at events around the country in November 2009.

Helping the indigenous people of Australia

The apology to indigenous Australians was an historic and poignant moment for Australia. It also signalled the need for us all to help 'close the gap' and address the long standing issues associated with indigenous disadvantage.

In December we launched our **Reconciliation Action Plan (RAP)** for indigenous Australia. Announced by Prime Minister Kevin Rudd in Canberra, the **Reconciliation Action Plan** outlines NAB's response to the challenge of indigenous disadvantage, and represents the culmination of nearly two years of listening and engaging with Indigenous people and organisations.

NAB's commitment is being delivered in three key areas:

- Access to valuable, long lasting and meaningful employment opportunities;
- Improved access to financial products and services to promote financial inclusion; and
- Building a greater organisational understanding of and respect for indigenous Australians, their culture and aspirations.

To date we have delivered on 17 of the 22 individual commitments we outlined in our **Reconciliation Action Plan**.

We believe that the ongoing hardship facing indigenous Australians is unacceptable and that we must all play a part in making a difference to their wellbeing and future prosperity.

“We can't fix all the problems that affect Indigenous Australians. But what we can do is commit to leveraging our strengths as a bank and a financial services organisation – by ourselves and in partnership with others – to make a difference”

CAMERON CLYNE
Group CEO
at our RAP launch

OUR FOUNDATIONS IN THE UK AND AUSTRALIA

Established in July 2008, the **Yorkshire and Clydesdale Bank Foundation** has donated more than £720,000 to over 570 worthy causes.

The Foundation financially supports charities, non-profit organisations, community groups and other voluntary bodies.

Lynne Peacock, our UK CEO and Foundation Trustee, says: “Groups apply for funding, setting out what they want and what it's for. It's then the role of the Foundation Trustees to assess each

application and decide how we can make best use of the money available.”

Anne Day from Leeds City Council received support to run the award-winning **Count Me In** program and says, “**The support from Yorkshire Bank has been absolutely crucial. Without that funding the project just would not have happened.**”

The Foundation also offers an Employee Volunteer Program, where employees who work with a charity or community group in their own time can apply for the

group to receive a grant of up to £500.

In Australia, the MLC Community Foundation was founded in September 2008, supporting charities which promote mental health and wellbeing. This year significant investments were made into two programs operated by Lifeline Australia.

Lifeline Australia benefited from MLC's investment into their 24 hour Telephone Counselling services, including a training curriculum for all counsellors, an online training portal for

counsellors, development of guidelines for assessment of suicide risk, and the enhancement of the Lifeline national website to include interactive technologies to help those in need.

Lifeline's largest fundraising initiative **Stress Down Day** was also supported by NAB and MLC employees, with NAB the largest corporate fundraiser and donor of the day.

ENVIRONMENT

Working to manage the direct impact of our operations and the indirect impacts we have through our customers

The atrium at BNZ Harbour Quays in Wellington. Harbour Quays is one of eight sustainably designed buildings across the Group. It uses sustainable materials and has been awarded the New Zealand Green Building Council's 5 Star certification.



1
Getting our house in order

- Achieved a reduction of around 14,380 tCO₂-e in greenhouse emissions from our buildings, air travel and vehicle fleets, towards our Group-wide reduction target of 33,000 tCO₂-e (which excludes Great Western Bank) by end June 2010.
- Completed over 200 energy efficiency projects across our property portfolio in Australia, representing an estimated annual emissions reduction of around 23,500 tCO₂-e since 2006.
- Finalised Group-wide carbon inventory guidelines.
- Occupied Ecologically Sustainably Designed (ESD) buildings in Auckland, Wellington, North Sydney and Melbourne.
- Offset business travel emissions in UK and Australia.
- First UK high street bank to be awarded the Carbon Trust Standard.
- Power savings of 800,000 kWh in the UK, by enabling the switching off of desktop PCs at night.
- Established baseline energy and emissions reporting on buildings, air travel and vehicle fleet for Great Western Bank in the US.

- **Achieve carbon neutrality across the Group by end of September 2010.**
- **Achieve ISO 14001 EMS accreditation in the UK.**
- **Tri-generation plant to come online in Australia, with projected savings of over 20,000 tCO₂-e per year.**
- **Occupy more sustainable buildings in Perth, Adelaide, Sydney and Auckland.**
- **Develop post 2010 emissions reduction targets.**
- **Commence 'Paper Cuts' initiative in Australia to reduce our paper, print and postage.**
- **Review and update our environment strategies across each region.**

2
Engaging our people

- Held Group-wide climate change conference in August 2009.
- Conducted second employee environmental survey in Australia, which showed 80% of employees are aware of NAB's environmental initiatives. Also conducted first survey in New Zealand.
- Participated in Earth Hour and World Environment Day across the Group, supported Ride to Work day in Australia and Bike Week in New Zealand.
- Expanded employee engagement through voluntary employee green teams in Australia and communication channels such as NABTV / BNZTV.
- Published our second Carbon Neutral Update report in Australia.

- **Continue to support Earth Hour, World Environment Day and other global initiatives.**
- **Continue to grow voluntary employee environmental activities globally.**
- **Organise environmental expos across Australian head offices.**
- **Develop a pilot environmental training course for employees.**
- **Extend availability of Earthwatch fellowships.**

3
Understanding risks and opportunities

- Undertook high level analysis of impacts of emissions trading on industry sectors in Australia.
- Commenced climate change engagement program with top 100 institutional banking customers.

- **Undertake economic modelling of the impacts of emissions trading in Australia.**

4
Helping our customers

- Expanded our portfolio of renewable energy projects (measured by an 88% increase in design rated megawatt generation capacity).
- Established the BNZ Kauri Forest in conjunction with the Kauri 2,000 Trust – 1,100 Kauri seedlings planted for 11 issues of Kauri bonds.
- Launched e-statements in Australia, New Zealand and the US.
- Expanded our environmental markets coverage to provide support for customers likely to be regulated by the proposed Australian Carbon Pollution Reduction Scheme and the New Zealand Emission Trading Scheme.

- **Continue to expand our support of renewable and alternative energy projects.**
- **Target 15% increase in the uptake of online statement registrations in Australia.**

5
Consultation and partnerships

- Signed Poznan and Copenhagen communiqués.
- Supported **World Wide Views** on Global Warming and **Youth Decide** to give everyday Australians a voice on climate change.
- Participated in pilot for National Greenhouse and Energy Reporting online reporting system in Australia.
- Participated in the UK Government taskforce on implementation of the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme.
- Sponsored the 2009 Australian and New Zealand Climate Change & Business Conference, as well as the Green Capital business events program.
- Continued sponsorship support of a range of environmental not-for-profit organisations including: **Earthwatch**, **CERES** in Australia, **National Trust England** in the UK and **Save the Kiwi Trust** in New Zealand.

- **Undertake stakeholder engagement as part of a review and update of our environment strategies across each region.**
- **Review and further develop environmental partnerships with community organisations and not-for-profit groups.**

FIND OUT MORE

www.nabgroup.com/annualreports/cr/environment





SUMMARY OF THE YEAR

A healthy environment is crucial to the prosperity of our employees, customers and communities. With this in mind we have continued to focus on environmental concerns throughout a challenging year, and are pleased with our progress on a number of significant initiatives.

The initial focus of our environment strategy has been to reduce our carbon footprint. We set a Group (excluding our US operations) emissions reduction target of 33,000 tCO₂-e by 2010 for our building portfolios, vehicle fleets and air travel; and this year reduced emissions by around 14,380 tCO₂-e. As they come online in 2010, our pipeline of energy efficiency projects is expected to deliver the rest of our targeted reduction. In addition, we have prepared to purchase offsets for the greenhouse emissions we can't avoid so we can become carbon neutral by the end of September 2010.

In September 2008, we were listed as leaders in the Global 500 in the CDP 'Climate Disclosure Leadership Index (CDLI), achieving the highest ranking (with a score of 98% alongside Barclays, Merrill Lynch & Co. and Munich Re) of the non-carbon intensive companies surveyed.

One of our priorities has been to engage with relevant national governments on the emerging regulatory response to climate change. We understand that transparently reporting greenhouse information is critical both to managing risk and making good

investment decisions. We now report under the Australian Government's National Greenhouse and Energy Reporting Act and will report under the UK Government's CRC Energy Efficiency Scheme from April 2010.

We are also committed to sharing our experience with customers. Our Environmental Finance Solutions Group has expanded its engagement with customers, and has been working with stakeholders on product developments we hope to see come to fruition over the next year.

We believe it is important for everyone to have the opportunity to put forward their views on global climate change policy. For this reason we signed both the **Poznan** and **Copenhagen Communiqués**, and helped to give young people and everyday citizens a voice through campaigns such as **Youth Decide** in Australia and **World Wide Views** on Global Warming.

Lastly, **our people play a critical role in everything we do**. We engage them in our initiatives, and they continue to involve themselves in voluntary programs across the Group.

Getting our house in order

REDUCING OUR EMISSIONS BY IMPROVING OUR EFFICIENCY

Improving the design and operation of our building portfolio is a key part of our strategy to reduce our energy use and greenhouse emissions. This year our total Group building related energy use was 912,690 gigajoules (GJ), excluding our US operations. This represents a 4.5% decrease in our building related energy use compared to last year, and around a 15% reduction since we began in 2006.¹

Initiatives such as performance contracts with our facilities managers in the UK, smart meters (which enable us to monitor and improve our electricity usage), and efficiency audits have all played a part in this achievement.

We moved into two new sustainable office buildings in Auckland and Wellington and refurbished two buildings, one in North Sydney and our offices at 500 Bourke Street Melbourne, which is currently one of the largest joint tenant/landlord sustainable refurbishments in Australia. Our head office in Leeds is a certified carbon neutral building, and next year we will move into three more sustainable buildings in Australia and one in New Zealand.

We've added 51 hybrids to our Australian vehicle fleet and replaced many of our six cylinder cars with four cylinder models.

SWITCHING OUR ENERGY SOURCES

Data centres are our most energy intensive buildings – our two Australian data centres alone account for around 30% of our Australian building emissions. We are investing \$6.9 million in an onsite 'tri-generation plant' (a gas-fired generator

with higher efficiency) that will supply one of our centres with nearly 80% of its total energy requirements. This will reduce site emissions by more than 20,000 tCO₂-e each year – about the same amount as the emissions generated by 1,400 households – and we expect it will cut our energy and carbon offset bill by around \$2 million per annum.

In July 2008, we purchased 5% accredited green electricity in Australia, and we increased this to 10% in July 2009. We purchased 100% green tariff electricity in the UK during 2009, but due to changes in the UK Government reporting requirements we can no longer use green electricity to offset our greenhouse emissions. We will now re-evaluate the cost-benefit of purchasing green electricity as part of our emissions reduction strategy in the UK.

PREPARING TO OFFSET UNAVOIDABLE EMISSIONS, DEFINING BOUNDARIES AND VERIFYING ACHIEVEMENTS

During 2009 we established a panel of preferred offset suppliers for purchasing the carbon offsets that will help us achieve our goal of becoming carbon neutral by

'We moved into two new sustainable office buildings in Auckland and Wellington and refurbished two buildings in North Sydney and Melbourne'

September 2010. We also finalised our Carbon Inventory Guidelines to provide a clear understanding of the emissions that will be neutralised as part of this commitment. We will be reporting details of our expanded carbon inventory in a separate report which will be available on www.nabgroup.com, along with our Carbon Inventory Guidelines.

In January 2009 our UK business became the first high street bank to gain Carbon Trust Standard Certification. This certification recognises our early adopter status for the implementation of the UK's CRC Energy Efficiency Scheme.

¹ The calculated reduction in energy excludes our US operations. 2009 is the first year we have measured and reported on greenhouse data from Great Western Bank.

Financing alternative water sources for Victoria

Victoria is facing long term drought. In response, the Victorian Government is building a desalination plant on its south coast which is anticipated to be the largest reverse osmosis desalination plant in Australia. The plant is expected to begin supplying approximately 150 gigalitres of water a year (enough to fill the Melbourne Cricket Ground about 88 times) by the end of 2011.

NAB is a mandated lead arranger with Westpac, and 10 other banks², for financing the AquaSure consortium's successful bid to build and manage the desalination plant. NAB and Westpac also led the syndication of part of the loan to other banks across the globe.

As with all projects we finance, complying with our own internal environmental policies as well as the Equator Principles, was a key part of our due diligence review. We recognise that there are community advantages and disadvantages of building such a plant, and we have been involved in community consultation coordinated by AquaSure. We have sought to provide reassurance that the project has been reviewed against the Equator Principles and ongoing monitoring has been put in place to ensure it continues to comply with these commitments.

² The financing group of 12 banks includes 10 Equator Principles signatory banks.

The indirect impact of our investments

We understand that where we choose to invest our money is of real interest to our stakeholders.

We signed the Equator Principles in October 2007, and last year expanded our project finance disclosures to include classification of our deals by Equator Principles categories. A breakdown of our 2009 project finance portfolio by project sector is shown right, and a breakdown of our project finance projects by Equator Principles category is available on our Group website.

In 2009, NAB Group's global project finance portfolio, which helps large customers to invest in infrastructure projects, represented 1.6% of the Group's total loans and advances at fair value. Less than 0.3% of our portfolio is in low-income non-OECD countries.

This year, the design rated megawatt generation capacity of the portfolio of renewable energy projects we invested in, grew from 880 megawatts (MW) to 1652 MW. Some examples of projects

ENVIRONMENTAL FINANCE SOLUTIONS TEAM

Working with our customers to help them manage their environmental risks and opportunities has never been more important, and our Environmental Finance Solutions (EFS) team represents a key part of our strategy in this area.

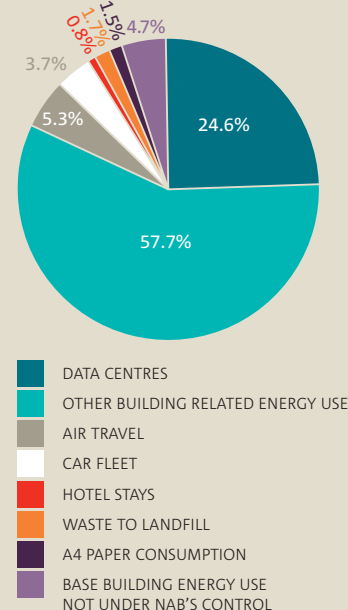
During 2009 the Australian, UK, US and New Zealand governments have all progressed legislation aimed at reducing carbon emissions. In response, the EFS team has been working to scale up NAB's product and service offerings while continuing to help customers participate in the European Union's Emissions Trading Scheme. Approval was received to trade in Certified Emissions Reductions (CERs), and provisional approval gained for trading Australian Emissions Units (AEUs).

The team consolidated its position in Australian carbon developments when it hosted a NAB Climate Change Forum with Penny Wong (Minister for Climate Change and Water), attended CarbonExpo 08, CleanTech 09, and the London Carbon Finance Forum.

The team is now helping customers navigate the legislative uncertainty over emerging emission trading schemes, and building a better understanding of the climate change opportunities and risks that we face.

OUR GROUP GREENHOUSE EMISSIONS BY GENERATING ACTIVITY

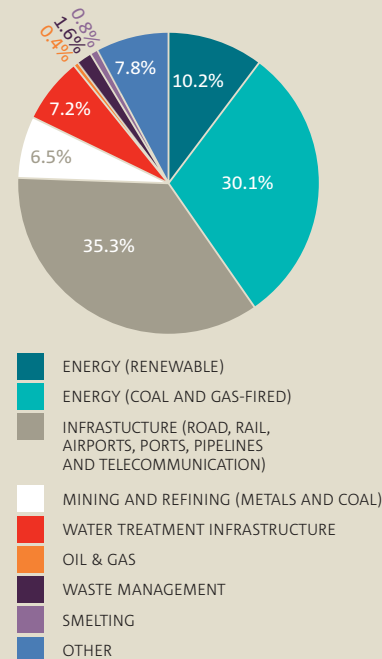
(for the year ending 30 June 2009)



For consistency aircraft uplift emissions are not included across the Group

PROJECT FINANCE BY SECTOR AS A % OF TOTAL PORTFOLIO VALUE

(as at 30 September 2009)



OUR GROUP GREENHOUSE EMISSIONS (tCO₂-e)

	2006	2007	2008	2009
Australia	229,623	223,765	218,832	205,330
NZ	10,890	10,835	10,129	10,190
UK	38,128	31,612	31,828	30,892
US				8,884
Group	278,640	266,212	260,789	255,296

Note: These figures relate to buildings, work use vehicles and air travel



SUPPLY CHAIN

Working to have a positive impact through our purchasing decisions

We drink more than 4.5 million cups of tea and coffee each year at NAB in Australia. Choosing Fairtrade products provides stability and security of income for thousands of Colombian coffee farmers and Sri Lankan tea workers.



1

Building our supplier sustainability practices

- Established Supplier Sustainability Program in Australia to educate, influence and support our supply chain to improve their sustainability.
- NAB reviewed 21 high impact suppliers to determine their adherence to Supplier Sustainability Principles, and identify sustainability opportunities for the coming 12 months.
- Conducted staff expos in Melbourne, Sydney, Brisbane and Perth enabling suppliers to promote their sustainable products and help employees become better informed about responsible purchasing.
- BNZ surveyed business critical suppliers to ensure they were meeting CR assessment criteria.
- Our UK business undertook an end to end review of its procurement practices – updating policies, approach to supplier risk, supplier documentation and creating a ‘supplier council’ to manage and govern approach to relationship management.
- In the UK we surveyed our top 60 suppliers in relation to their carbon management through the 2009 Carbon Disclosure Project Supply Chain Program.

- **Supplier Sustainability Principles to be implemented into new contracts with key suppliers from 1 October 2009 in Australia.**
- **BNZ to review CR questionnaire and scoring matrix.**
- **Initiate supplier awards program for Australian suppliers who have demonstrated excellence in sustainability.**
- **NAB will audit a further 20 suppliers for adherence to Supplier Sustainability Principles.**

2

Reducing our environmental impact

- Conducted a carbon offset procurement project involving tenders from 36 companies in seven countries, to establish an international offset panel.
- Worked with our business travel and car fleet management companies in Australia to develop carbon offset recharge systems.
- Purchased 5% renewable energy in Australia.
- Introduced additional hybrid Toyota Prius cars into the Australian company fleet, bringing the total number to 51.
- Introduced a new vehicle policy in New Zealand that focuses on limiting vehicle choice to more environmentally friendly options.

- **Purchase 10% renewable energy, sourced from Victorian wind farms and accredited by the Australian federal government’s renewable electricity accreditation program.**
- **Purchase carbon offsets as a final step to achieve our carbon neutral commitment by September 2010.**
- **Commence work with key Australian suppliers on paper reduction strategies.**
- **Introduce a further 89 hybrid cars to the Australian vehicle fleet.**

3

Contributing to the community

- NAB became a founding member of the Australian Indigenous Supplier Development Council which promotes the use of businesses run by Indigenous Australians.
- Purchased Fairtrade tea and coffee in our Australian offices making NAB the largest organisation in Australia with a Fairtrade accredited workplace.
- Continued the NAB – Telstra Helping Hand Initiative to find innovative ways to dispose of IT equipment in an environmentally sustainable way, which also assists communities in need.

- **Expand the NAB – Telstra Helping Hand Initiative.**
- **BNZ will source Fairtrade Tea and Coffee for their offices**

FIND OUT MORE

www.nabgroup.com/annualreports/cr/supplychain





SUMMARY OF THE YEAR

We understand that with size and purchasing power comes responsibility. With over 51,000 suppliers, the procurement decisions we make have a real impact not only on our business, but the environment and communities we work in.

We take this responsibility seriously, and are working to embed CR criteria within our procurement processes across our Group. Excluding our US operations, 50% of new significant supplier contracts we entered into this year involved a CR screening assessment which included human rights criteria. In Australia this year we established our Supplier Sustainability Program to monitor and manage sustainability risks within our supply chain. Supplier Sustainability Principles will be introduced into new contracts with key suppliers from October 2009, specifying minimum CR requirements across corporate governance, environmental management, health and safety, human rights, risk management, supply chain management and community involvement.

Much of our work has been in support of our Group carbon neutral commitment. This included a significant project to identify a panel of international carbon offset providers. We have also refined our

reporting processes this year, addressing those areas identified for improvement following our last review.

Engaging our people is a key part of our CR framework. This year we conducted expos in our Australian offices to give our people the chance to learn about what we're doing, and to give our suppliers the opportunity to promote their sustainable products.

Our decision in Australia to purchase Fairtrade tea and coffee reinforces our commitment to sustainable procurement every time someone makes themselves a hot drink. When this announcement went up on our Australia intranet over 50 separate comments were lodged, making it one of the articles with the highest response during the year.

In recognition of our progress, NAB was nominated as a finalist in the ECO-Buy 2009 Excellence in Green Purchasing Awards in Australia.

Fairtrade

In September NAB Australia made a nationwide switch to Fairtrade coffee and tea across kitchens in its Australian workplaces.

Fairtrade creates sustainable market opportunities for producers in developing countries who have been economically disadvantaged or marginalised by the conventional trading system.

With 4.5 million cups of tea and coffee consumed by NAB employees every year, the investment will provide improved working conditions, stability and trading potential to disadvantaged communities in Colombia and Sri Lanka. Communities use the funds to invest in their local businesses, hospitals, schools, skills training and infrastructure.

The Jasper Fairtrade Coffee and Scarborough Fairtrade tea is available in all of NAB's commercial building sites, and employees in branches and business banking centres can order supplies through Corporate Express.

In support of NAB's workplace switch, our catering partners Epicure also offer Fairtrade tea and coffee through their catering services and cafes in Australia.

Working with suppliers to help reduce our footprint

Electronic waste now makes up five percent of all municipal solid waste worldwide. That's nearly the same amount as plastic packaging—and it's a lot more hazardous. In Australia there are an estimated 9.2 million computers in use, of which roughly 3 million will reach the end of their life within a year.

NAB and Telstra, one of our supply chain partners, began looking for new, responsible and cost effective ways to reuse decommissioned hardware, and in 2006 the **Helping Hand Program** was established.

The **Helping Hand Program** extends the lifecycle of reusable hardware assets by donating them to charitable organisations and re-integrating them into communities in need.

In 2008 the program partnered with Infoxchange Australia, a leading not-for-profit provider of technology solutions to the health, welfare and community services sector.

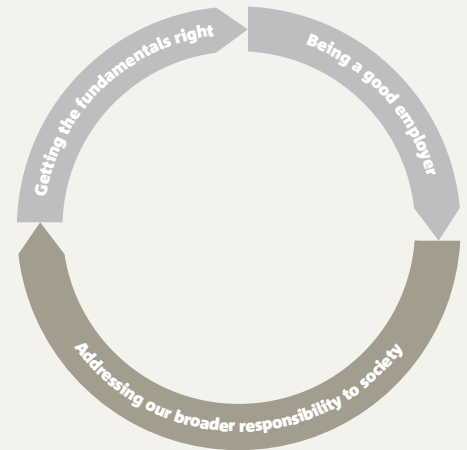
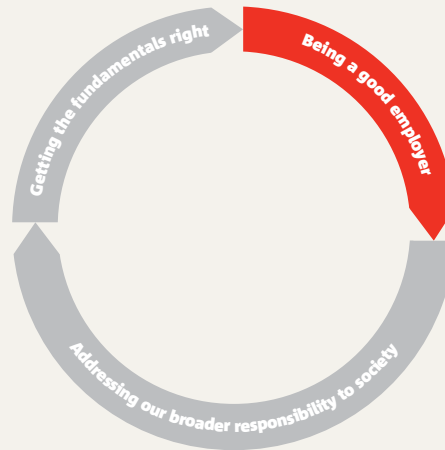
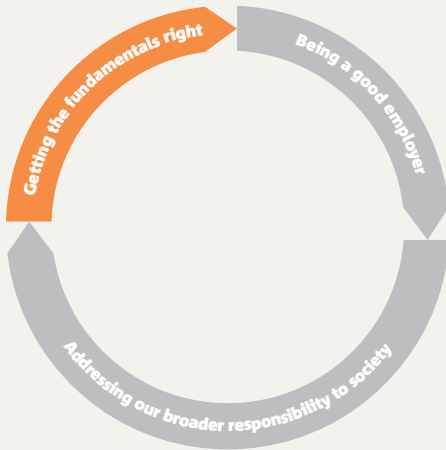
The partnership is structured around Infoxchange's Green PC initiative and supplies refurbished hardware across Australia and overseas.

Since partnering with Infoxchange Australia in 2008, NAB has donated over 3,000 desktop computers and 400 laptops to disadvantaged communities in Australia; and facilitated international donations to orphanages and schools in East Timor, Mali, Vietnam, Cambodia, Fiji, Papua New Guinea and India.

Nearly 1,000 NAB PCs were donated to the Collingwood Housing Estate in Melbourne for their Wired Community @ Collingwood Project. NAB volunteers helped install the PCs and train those who received one. This project won the 2009 ICT Community iAward.

Since 2008 Helping NAB has donated over 3,000 desktop computers and 400 laptops to disadvantaged communities in Australia; and facilitated international donations to orphanages and schools in East Timor, Mali, Vietnam, Cambodia, Fiji, Papua New Guinea and India.

OUR COMMITMENTS



Getting the fundamentals right

- Improve our overall customer satisfaction.
- Continue the review of NAB's products and services to ensure clear value.
- Continue to proactively inform and educate NAB customers and the community on the real factors effecting interest rates.
- Continue to expand our Australian microfinance programs, by doubling the number of NAB supported NILS[®] loans, increasing StepUp Loans to 2,500 and expanding ADDsUp locations from 2 to 20.

Being a good employer

- Enhance The Academy online, explore opportunities for convergence in learning and development across the Group and expand the number of physical Academy sites.
- Roll out new online health and safety training programs for all Australian employees.
- Undertake a comprehensive employee opinion survey across the Group.
- Integrate enterprise behaviours into core people processes across the Group.

Addressing our broader responsibility to society

- Maintain our community investment goal of investing 1% of cash earnings before tax.
- Continue our focus on youth, education and inclusion:
 - Increase Schools First applications to 2000 across Australia.
 - Update the NAB Reconciliation Action Plan, incorporating engagement strategies for the Pilbara and Kimberley, increasing the number of indigenous employees and doubling the number of school based trainees.
- 15% increase in volunteering days across the Group.
- UK to achieve 20% payroll giving by staff.
- BNZ to launch staff matched donations program.
- BNZ will 'Close for Good' on 4 November allowing up to 5000 bank staff to work on projects suggested by the community for the day.
- Purchase 10% renewable energy from sources accredited by the Australian Federal Government's renewable electricity accreditation program.
- Purchase carbon offsets as the final step to achieve our carbon neutral commitment.
- Develop post 2010 emissions reduction targets.
- Supplier Sustainability Principles to be implemented into new contracts with key suppliers from 1 October 2009 in Australia.
- BNZ will source Fairtrade Tea and Coffee for their offices

ASSURANCE



ERM Independent Assurance Report to National Australia Bank Limited

Environmental Resources Management Australia Pty Limited (ERM) was engaged by National Australia Bank Limited (NAB) to provide independent assurance of its 2009 Corporate Responsibility Review (2009 CR Review), to the scope of work outlined below.

SCOPE OF WORK

This assurance statement is intended for NAB. The 2009 CR Review covers NAB's operations for the 12 months to 30 September 2009, unless stated otherwise in the text. This work was performed using ERM's assurance methodology, which is in accordance with the AA1000 Assurance Standard (2008). The criteria used were the AA1000AS (2008) Principles of Inclusivity, Materiality and Responsiveness, against which ERM reviewed NAB's performance reporting to provide Type 2, moderate assurance. To do this, we interviewed a number of personnel and reviewed relevant documentation at NAB's operations in Australia, New Zealand (NZ) and the United Kingdom (UK).

The subject matter for this assurance process consisted of adherence to the AA1000AS (2008) Principles, adherence to the Global Reporting Initiative (GRI) G3 Application Level A+ requirements and review of the following material data streams: *being good at banking*: a. lending responsibly; b. fairness and transparency in fees and charges, including customer complaints data; *being a good employer*: c. building skills and capability, including The Academy and training data; d. leadership development, including training data; e. people data, including diversity statistics and employee numbers; *broader engagement with society*: f. good education for all children, including Schools First; g. managing impact on the environment and climate change, including energy use and greenhouse gas (GHG) emissions data and the Climate Neutral Strategy; h. Corporate Community Investment (CCI), including the Bushfire Response and progress towards the 1% of cash earnings goal; i. supply chain management. The scope excluded data and statements relating to financial information and previous financial years, as well as energy and GHG emission data for Australia¹.

ERM'S INDEPENDENCE

NAB was responsible for preparing the 2009 CR Review. The ERM team of experienced assurance auditors, led by Jo Cain, Line of Business Leader, Sustainability, Energy & Climate Change, Australia & New Zealand, was responsible for

expressing assurance conclusions in line with the scope of work agreed with NAB. During 2008-09, ERM did not work with NAB on other consulting engagements.

OUR CONCLUSION

On the basis of its scope of work, and in consideration of the limitations of the Type 2 assurance engagement presented above, ERM concludes that, for the specified subject matter, NAB's 2009 CR Review appropriately addresses the AA1000AS (2008) Principles of Inclusivity, Materiality and Responsiveness for the 12 months to 30 September 2009. ERM is of the opinion that the 2009 CR Review has been prepared to Application Level A+, as defined in the GRI G3. In addition, ERM has provided a more detailed Management Report to NAB.

KEY FINDINGS

Based on the scope of work, and without affecting our assurance conclusion, ERM identified the following key findings against the Principles of AA1000AS (2008):

INCLUSIVITY

Stakeholder views are taken into account for balanced business decision-making, through their involvement in open dialogue. For example, in Australia, overdrawn fees on personal transaction accounts were abolished as part of the commitment to treat customers fairly. Stakeholder research was also undertaken, along with the establishment of a Customer Council, facilitation of the Community and Indigenous Advisory Councils and the CEO meeting with consumer advocates. In NZ, Culture Jam and the Leadership Program demonstrate the inclusion of stakeholders. The UK undertook stakeholder feedback sessions on the 2008 CR Review.

MATERIALITY

The 2009 CR Review addresses the material issues of importance to its stakeholders. This year's Executive interview program demonstrated consistency at the strategic level within NAB, with the three key themes of *being good at banking*, *being a good employer* and *broader engagement with society* featuring strongly. The existing process could, however, be better documented.

RESPONSIVENESS

A commitment to providing timely and balanced responses to stakeholder enquiries was demonstrated. For example, challenging targets have been set in Australia for the provision of

feedback to customers, specifically requiring the close-out of customer complaints within 5 business days, ninety per cent of the time. These targets were not always achieved, however NAB continues to work towards them. In NZ, communication with the government on climate change was a good example of responsiveness.

In addition, the following observations were made regarding the reliability of performance information for the material data streams specified in our scope of work:

GOOD PRACTICE

- Definition of key supply chain metrics improved the consistency of supply chain reporting across all regions this year.
- People data for Australia were extracted directly from a database this year, reducing the potential for data manipulation errors.
- The NZ CR Team invested time before the assurance process to help data owners with their preparation and were responsive to additional data and interview needs that arose during our work.
- Internal CR Updates were published regularly in the UK and circulated to Corporate Affairs, CR Champions and the CR Steering Group, demonstrating the inclusion of internal stakeholders.

AREAS FOR IMPROVEMENT

- *Data collation and reporting processes*: from regional systems through to the Group level could be improved. A comprehensive documented procedure and a web-based reporting system or database would assist.
- *Implications of organisational restructure on data*: following the restructure of NAB and NabCapital, responsibility for Wholesale banking data for CCI and people was unclear, for example, UK people data did not include UK wholesale bank employees. This demonstrates the need to consider the implications for CR reporting when such restructures occur.
- *Supply chain database for NZ*: generated via SAP, whilst improved since last year, still demonstrates some inconsistency, highlighting the need for continued improvement for this region.

NAB's continued commitment to CR reporting represents good practice.

Environmental Resources Management Australia Pty Limited (ERM), 9 November 2009, Melbourne, Australia

1. Australian energy and GHG emissions data was excluded from ERM's scope of work, because this Scope 1 and 2 emissions data reported under the National Greenhouse & Energy Reporting Act, has been subject to a reasonable assurance engagement by KPMG. KPMG was also engaged to perform certain procedures over selected Scope 3 emissions data for the Australian operations of the National Australia Bank for the period ended 30 June 2009. The procedures performed were limited to comparing source data to reported amounts and did not include verification back to source documentation.

Environmental Resources Management Australia Pty Limited (ERM) is an independent global provider of environmental, social and corporate responsibility consulting and assurance services. ERM has prepared this statement for the National Australia Bank Limited in accordance with ERM's standard terms and the standard practised by members of the environmental consulting profession performing this type of service at the same time. No other warranty, express or implied, is given by ERM as a result of the provision of this statement. To the extent permitted by law, this statement is provided for informational purposes only, without the right to rely, and ERM will not be liable for any reliance which may be placed on this statement by a third party. This statement may not be used by any third party without ERM's express written permission.

RECOGNITION & BENCHMARKING

National Australia Bank

Ranked world's 11th safest bank (safest in Australia)
– Global Finance Magazine Safest Bank Rating 2009

nab



**Money Magazine
'Best of Best'
Awards 2009**

- Best Socially Responsible Product (Low-income enterprise category) for Microenterprise Loans (second year running)
- Best Socially Responsible Product (Low-income customer focus category) for StepUP Loans (third year running)

Money Magazine 'Bank of the Year' Awards 2009

- Second – Socially Responsible Bank of the Year
- Finalist in the ECO-Buy 2009 Excellence in Green Purchasing Awards

Asia Money Cash Management Poll 2009

- Best Australian Cash Management bank (\$101m – \$500m sales turnover)
- Best local currency cash management services

CFO Magazine Business Bank of the Year 2009

CFO Magazine Project Finance Deal of the Year 2009



- Life Insurance Company of the Year – Australia and New Zealand Insurance Industry Awards
- Garvan Financial Planning – Major Dealer Group of the year – CoreData
- MLC Master Key Custom – Winner Best Platform for Administering Self-Managed Superannuation at Asset Innovation Awards

bnz

Sunday Star Times Cannex Banking Awards 2009

- Best Frequent Flyer Credit Card Rewards Scheme (GlobalPlus)
- Best Electronic Transaction Account (Smart Money)

Canstar Cannex Credit Card star ratings

- Everyday Spender – Five stars (Visa Platinum)
- Habitual Spender – Five stars (Lite Visa card)
- Big Spender – Five stars (Visa Platinum)

Yorkshire Bank Clydesdale Bank

- First high street bank to be awarded the Carbon Trust Standard
- Business in the Community (BiTC) Corporate Reporting Index – silver rating
- HM Government Gold Award 2009 – for over 10% of employees donating through payroll giving
- National Payroll Giving Excellence Awards – Best Employer and Charity Promotion
- Pay Awards 2008 – Highly commended in the Payroll Giving Award category
- Winner 2009 Corenet Sustainability Award
- Financial Sector Technology Awards 2009 – Winner Data Centre Excellence Category
- Business Continuity Awards – Winner Data Centre Strategy
- International Quality & Productivity Centre – Winner Best Improvement Program

Benchmarking



We Support



OECD Guidelines for multinational enterprises



CONTACT US

For further information or to provide feedback on this Review, email: Janette O'Neill, Head of Sustainability corporate.responsibility@nab.com.au

or write to us at
Corporate Responsibility
National Australia Bank
800 Bourke Street
Docklands VIC 3008
Australia

This review is also available at www.nabgroup.com and additional copies can be obtained by telephoning NAB's Share Registry on 1300 367 647 or outside Australia +61 3 9415 4299

www.nabgroup.com

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