



National  
Australia  
Bank

The more we look ...

the more we see what really matters

Annual Review 2014

# Key results

**\$5.3b** net profit  
 attributable to the owners of the Company  
 1.1% decrease from 2013



**\$67.6m** community investment  
 1.7% increase from 2013



**100,000+** microfinance loans  
 to people on low incomes since 2005



**\$5.18b** cash earnings<sup>1</sup>  
 9.8% decrease from 2013



**65%** renewables<sup>3</sup>  
 NAB has provided project finance for around 65% of Australian utility scale renewable energy projects since 2000



**\$1.98** dividend per share  
 4.2% increase from 2013



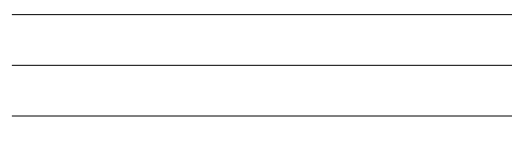
**69%** employee engagement<sup>2</sup>  
 1 percentage point increase from 2013



**11.8%** cash return on equity  
 2.3 percentage point decrease from 2013



## Navigate to more 2014 highlights



### Cash earnings (million)<sup>1</sup>

Australian Banking	\$4,947
NAB Wealth	\$365
NZ Banking	\$738
UK Banking	\$284
NAB UK Commercial Real Estate	\$42
Corporate Functions and Other	(\$1,012)

<sup>1</sup> **Explanation and definition of cash earnings:** Cash earnings is a non-IFRS key financial performance measure used by NAB, the investment community and NAB's Australian peers with similar business portfolios. NAB also uses cash earnings for its internal management reporting as it better reflects what NAB considers to be the underlying performance of the NAB Group. Cash earnings is calculated by excluding some items which are included within the statutory net profit attributable to owners of the Company. Cash earnings does not purport to represent the cashflows, funding or liquidity position of the NAB Group, nor any amount represented on a cashflow statement. It is not a statutory financial measure and is not presented in accordance with Australian Accounting Standards nor audited or reviewed in accordance with Australian Auditing Standards. Cash earnings is defined as net profit attributable to owners of the Company, adjusted for the items NAB considers appropriate to better reflect the underlying performance of the NAB Group. In September 2014, cash earnings has been adjusted for the following: *Distributions, Treasury shares, Fair value and hedge ineffectiveness, Deferred Acquisition Cost (DAC) discount rate variation, Amortisation of acquired intangible assets.* **Reconciliation to Statutory Profit:** Section 5 of the 2014 Full Year Results Announcement includes the NAB Group's Income Statement, including statutory net profit. The NAB Group's audited financial statements, prepared in accordance with the *Corporations Act 2001 (Cth)* and Australian Accounting Standards, will be published in its 2014 Annual Financial Report on 17 November 2014. A reconciliation of cash earnings to statutory net profit attributable to the owners of the Company is set out on page 35 of this 2014 Annual Review, and full reconciliations between statutory net profit and cash earnings are included on pages 5–8 of the 2014 Full Year Results Announcement. Page 4 of the 2014 Full Year Results Announcement contains a description of each non-cash earnings item for September 2014 and for the prior comparative periods. Cash earnings for the year ended 30 September 2013 have been restated to include Payment Protection Insurance (PPI) provision charges to make the 2014 results more comparable.

<sup>2</sup> In 2014 we changed the provider for our engagement survey. To provide the trends analysis, comparable questions were included and are reflected in this score. Under the new Right Management methodology, our employee engagement score was 42%. See page 27 of this 2014 Annual Review for further detail on our employee engagement.

<sup>3</sup> Data has been sourced from ESAA (Energy Supply Association of Australia) *Electricity Gas Australia 2014*, Appendix 1: Power Stations in Australia 2012–13.

# Reporting what matters

NAB has remained focused on what matters most to our customers, our people, our shareholders and our communities. Our *2014 Annual Review* is your chance to see how we've performed in 2014. It aims to show how we're creating value across our business through our strategy, operating environment, governance and financial and non-financial activities.

## The launch of The Village

In February this year, we launched The Village at our new 700 Bourke St building – a dynamic place for businesses and community groups to network and share ideas. It has delivered more than \$8m in new business leads, with more than 22% of new members starting a banking relationship with NAB. We have 1000 members, with 25% from interstate and regional Victoria.<sup>1</sup>

**Pictured:** Caron Margarete, Village Ambassador and Village Member for her business, Your Third Hand Services.

<sup>1</sup> The Village September 2014 Performance Report (NAB internal).

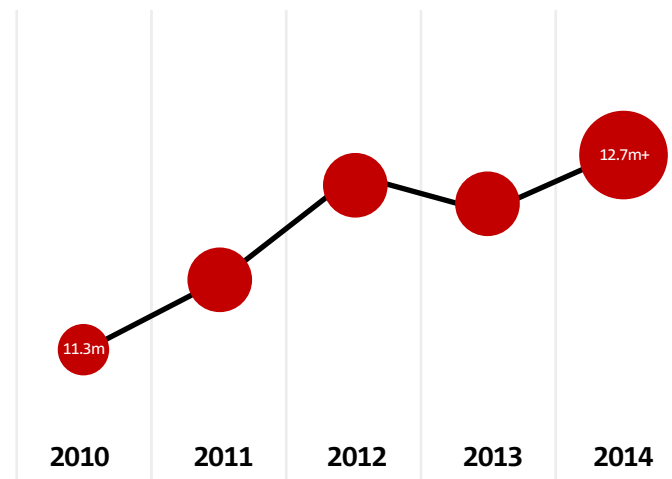
## Five years of putting customers front and centre

Five years ago NAB set out to make banking fairer in Australia. It was a commitment to keep fees and charges fair and help customers achieve their financial goals. By differentiating from the other major banks in this way, we've positioned ourselves as a bank that does the right thing by helping our customers and communities realise their potential.

### Fairer banking

In the past five years we've helped customers save fees, charges and interest, and maintained the lowest standard variable home loan rate of all the major Australian banks.

NAB now has 12.7m+ customers



## Since 2009

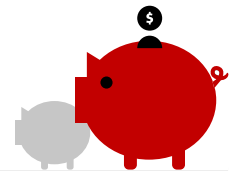
Our share of business lending market is up from

**20.1% to 22.8%**<sup>1</sup>



Transaction accounts have grown from

**2.5m to 3.9m**<sup>2</sup>



Our share of the mortgage market is up from

**12.8% to 15.5%**<sup>3</sup>



NAB Care has helped customers in financial hardship manage 100,000+ accounts.

<sup>1</sup> APRA Banking System, September 2014.

<sup>2</sup> Source: NAB internal.

<sup>3</sup> RBA market share, September 2014.

For more on how we've performed, see 'Our performance' on pages 35–37.

## 2014 at a glance > Business highlights

### Reducing risk in our business

Over the past five years we have taken action to reduce risk in our business.

We have done this by reducing our exposure to higher risk segments, including NAB UK Commercial Real Estate (NAB UK CRE) as well as improvements in asset quality in Australian Banking and the UK.

While we have seen some impacts in terms of reduced business volumes and revenue as a result of reducing our risk exposure, the benefits can be clearly seen by a 54.7% reduction in our bad and doubtful debt charges for 2014.

We are also actively managing our conduct issues in the UK and have made additional provisions for UK conduct charges primarily in relation to Payment Protection Insurance (PPI) and interest rate hedging products.

Reduction in bad and doubtful debt charges for 2014

# 54.7%

Increase in risk-weighted assets for 2014

# 1.6%

For more on how we're managing our portfolio, see 'Our strategy' on [page 21](#).

### Customer focused products and services

Our aim is to provide a range of products that meet and exceed our customers' evolving banking needs. This year we continued to develop our products and services to attract new customers to the bank and retain existing ones. Here are some examples:

#### Stronger deposit product

More incentives for regular savers made our NAB Rewards Saver one of our strongest growing deposit products.

#### Corporate bond milestone

Launching NAB's first unlisted senior unsecured bond represented a milestone in the Australian corporate bond market.

#### Simpler product offer

We simplified our offer by rationalising 21 products and taking 25 credit cards off sale.

#### More Super products

We met demand from self-managed super fund customers with the launch of SMSF@NAB and SMSF Cash Maximiser.

#### Better customer accounts

Improvements to more than 1.3m accounts over four years has resulted in many customers being upgraded to products with greater features at a better price.

### Mobile banking mortgage sales

We introduced more mobile bankers in the past year, and saw an increase in mortgage sales through mobile banking.

#### Traveller Card

Simplifying NAB's Traveller Card in June 2014 has helped deliver a 30% increase in the amount of funds customers load when travelling.

# ▲ 30%



## Michael Chaney

“  
Our operations in Australia and New Zealand performed well in what was at times a challenging environment. We reported additional provisions for conduct-related charges and impairments which reduced our full year earnings.  
”



The 2014 year was one of mixed fortunes for your Company. On the one hand our operations in Australia and New Zealand performed well in what was at times a challenging environment.

On the other hand we were required to report additional provisions for conduct-related charges and impairments in the United Kingdom which, combined with the write down of some capitalised computer software and taxation benefits, reduced our full year earnings.

Cash earnings were \$5.18b, compared with \$5.75b last year and statutory net profit attributable to the owners of the Company was \$5.3b.

The Board declared a final dividend of 99 cents per share, fully franked, which represented a 2.1% increase on the 2013 final dividend.

The increase in the UK conduct provisions followed a number of new developments in relation to payment protection insurance and interest rate hedging products. These include the run rate of new complaints, the implementation (in consultation with the UK regulator) of a new complaints handling process and the need to re-examine records dating back to pre-2000 periods, which are likely to result in increased payments for both new and closed complaints. While this is an issue facing all UK banks, it is a disappointing outcome.

On the positive side, in Australia, our Personal Bank has continued to perform strongly and we remain the leading Business Bank by business lending market share.

The NAB Wealth business produced increased profits in 2014 following a difficult year in 2013. Returns in this business are still below acceptable levels and we continue to investigate ways of improving them.

Our New Zealand subsidiary, BNZ, again produced increased profits, consistent with its solid, reliable performance over many years.

The UK operations also produced an increase in underlying earnings in an improved economy. We achieved a significant reduction in the UK Commercial Real Estate portfolio during the year through repayments and the sale of a lower quality portion of the book.

Portfolio management remains a strong area of focus. We continue to look for opportunities to dispose of our UK bank and the improved market conditions in the UK may make this more feasible. In late October we proceeded with the public listing of our US bank. The initial public offer involved the disposal of 31.8% of Great Western Bank and we anticipate selling the remainder as market conditions permit.

### Dividend per share (cents)

2011	84
	88
2012	90
	90
2013	93
	97
2014	99
	99

● March ● September

Source: NAB internal.

“

NAB takes its position within the economy and broader society very seriously. We will continue to play an important role in lending and investing in the small and large businesses, industries, infrastructure projects and not-for-profit organisations that help our communities to prosper.

”

NAB's Executive Leadership Team has undergone significant change this year. Craig Drummond replaced Mark Joiner as Chief Financial Officer. We thank Mark for his solid contribution to the Group, in particular his efforts to ensure that NAB maintained its financial strength. In August we farewelled Cameron Clyne and welcomed Andrew Thorburn as Group Chief Executive Officer, and Andrew has assembled a new Executive Leadership Team.

On behalf of the Board, I thank Cameron for his leadership as CEO over the last five and a half years. He took on the role during the global financial crisis and steered the bank successfully through that challenging time. Cameron's focus on the fundamentals – revitalising the Personal Bank through its 'Break-up' campaign, rebuilding our core IT systems and dealing with various legacy issues – position us well for the future.

The close of the year also saw the departure of three senior executives: Joseph Healy, Lisa Gray and Bruce Munro. We thank each of them for the significant contribution they made to NAB.

Andrew Thorburn demonstrated outstanding performance as CEO of BNZ. He is a seasoned banker and the Board is confident that he has the experience, energy and vision to lead NAB to an era of strong performance.

The performance of the global economy over the last year has been disappointing, with 2015 likely to be another year of below-trend growth and large variations between economies and regions.

Growth is likely to be reasonable in the US and UK, but the outlook in Europe is more concerning. Australia continues to be heavily reliant on the growth in China's economy, which is slowing but still above 7%. While Australian exports will contribute to reasonable growth in GDP (around 3%), a still hesitant consumer and wary business sector seems likely to underpin a relatively weak domestic demand and credit outlook.

In this environment, NAB has had a strong focus on strengthening its capital, funding and liquidity positions. The Group's Common Equity Tier 1 ratio was 8.63% at year end, an increase of 20 basis points

over the year. Our balance sheet strength leaves us well placed to meet regulatory changes and respond to future challenges. The Financial System Inquiry final report is due before the end of the calendar year and NAB will monitor its recommendations, including any impact on further capital requirements.

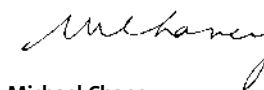
NAB takes its position within the economy and broader society very seriously. We will continue to play an important role in lending and investing in the small and large businesses, industries, infrastructure projects and not-for-profit organisations that help our communities to prosper.

Through our community investment program, we will continue to address social issues such as financial exclusion.

In December 2014 John Thorn and Geoff Tomlinson will retire from the Board after serving 11 and 14 years respectively. Both directors have made a major contribution to NAB, John as Chairman of the Audit Committee and Geoff as Chairman of the key wealth

companies. We wish them both well. During the 2014 calendar year we welcomed David Armstrong, Peeyush Gupta and Geraldine McBride to the Board. Together, they bring a wealth of experience and diversity of skills.

Our 42,000+ employees are key to our success and we seek to ensure they are engaged and productive. On behalf of the Board, I thank them for their hard work and diligence in upholding our standards of responsibility and ethical conduct and maintaining their focus on customers.



**Michael Chaney**  
Chairman

## Andrew Thorburn

“

We have a committed, passionate and skilled workforce and an excellent customer base but we know that we need to remove customer pain points, make it easier for people to do business with us and apply more of a performance edge to our culture.

”

### Our focus for 2015

#### Maintain a strong Australian and NZ franchise by:

- Improving customer experience
- Focusing on our most attractive customer segments
- Building a culture of accountability, performance and delivery

#### Balance sheet strength, risk and technology

#### Run off low returning assets

I am proud to have the opportunity to lead a respected and competitive company like NAB, with a sound core franchise in Australia and New Zealand.

I have spent the first few months of my appointment as CEO speaking to our customers, employees and shareholders to understand their needs and concerns. And their reaction has been similar. Our Australian and New Zealand business is in good shape but there is much more we can do to lift our performance and bring a sharper focus to delivering for our customers and our shareholders.

While our headline result for 2014 was disappointing, we're seeing improved performance in a number of areas

and we have outlined a plan to focus our efforts and investments to deliver stronger and more sustainable returns for shareholders.

Throughout my banking career I have seen that employees are key to delivering results. We are focused on building a culture that encourages people to be accountable and to deliver – and where leadership is demonstrated at every level of the organisation. We have a committed, passionate and skilled workforce and an excellent customer base, but we know that we need to remove customer pain points, make it easier for people to do business with us and apply more of a performance edge to our culture.

In Australia, our operating model is allowing us to focus more on our customers and developing the right products and services to help them achieve their financial goals. We have greater accountability and collaboration across our organisation which is driving simpler, more effective processes and outcomes.

In driving greater accountability it was important to get the right team in place. In August 2014, I announced changes to our Executive Leadership Team, each member having strong banking experience, collaboration and a track record for getting things done. I would like to welcome Angela Mentis, Antony Cahill, David Gall, Renée Roberts and Anthony Healy and I have every confidence in their ability to deliver and execute for NAB.



On 9 October 2014 we announced impairments and write downs in relation to UK conduct, capitalised software, deferred tax assets and R&D tax policy changes, totalling \$1.5b after tax for the 2014 year. As a result, our full year result showed that cash earnings were down almost 10%, which is not an acceptable result.

Within the Australian Banking business I am pleased with the ongoing momentum in Personal Banking and the more stable performance from Business Banking in the second half of the year.

In Business Banking we will invest more in segments where we have competitive advantage, capability and the returns are attractive. NAB Wealth earnings increased 13.4% on the September 2013 full year off the back of strong growth in investment earnings and an increase in insurance earnings.

At the same time, we will accelerate the run off of our low returning assets and will examine a broader range of options, including those provided by public markets, to accelerate our exit from UK Banking.

Consistent with this strategy, we have sold 31.8% of US-based subsidiary Great Western Bank and have plans to sell 100% over time, subject to market conditions. As a result of our continued focus on the run off of our UK Commercial Real Estate portfolio, NAB also agreed to sell a £625m parcel of largely non-performing loans in July 2014.

At NAB we believe we have a responsibility to the wider community. As well as our support for business, we also reached other milestones in 2014. In our microfinance program, we wrote our 100,000th loan for customers on low incomes – an important step in helping many people get access to finance for the first time. We were pleased to launch a similar program in New Zealand through BNZ.

We also opened The Village in Melbourne, a place for our small business and community customers to connect and generate ideas. Our employees thrive on actively helping our customers and communities, and this year NAB committed to deliver one million hours through our employee volunteering program by 2018, equating to \$50m in value.

Thank you for investing in our Company. I acknowledge that our financial performance this year has not been good enough and the need for us to deliver better returns for our shareholders. We will continue to prioritise meeting our customers' needs, refocusing our investments and executing better.

Andrew Thorburn  
NAB Group CEO



# National Australia Bank

We are a financial services organisation focused on customers and communities, realising potential, and doing the right thing.

Navigate to another section

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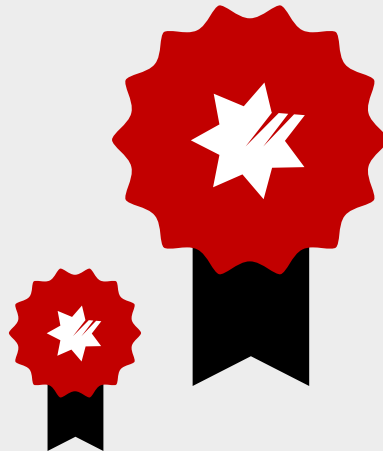
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## 2014 Bank of the Year

NAB won Bank of the Year at the 2014 *Financial Review* Smart Investor Blue Ribbon awards, for the second year running.



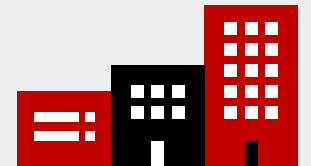
## Australia's leading business bank

Our share of the business lending market is 22.8% and we've continued to hold our position as Australia's leading business bank.

# 22.8%

<sup>1</sup>

1 APRA Banking System, September 2014.



## 1 million volunteer hours

This year NAB committed to giving one million volunteering hours by 2018 – with a contribution valued at \$50m.



## National Australia Bank

We aim to deliver sustainable, satisfactory returns to shareholders, and value to our customers, our people and the community. By being focused on what matters most, we've now grown to support more than 12.7m customers, 1700 stores and business banking centres<sup>1</sup> and 520,000 shareholders.

### Our portfolio

The majority of our financial service businesses operate in Australia and New Zealand, with other businesses located in Asia, the UK and the US. Our brands share a commitment to provide customers with quality products and services with fair fees and charges. Our relationships are based on the principles of help, guidance and advice to achieve better financial outcomes for our customers. Our portfolio includes:

#### Australian Banking

Australian Banking, including Personal Banking and Business Banking, offers a range of banking products and services to retail and business customers, ranging from small and medium enterprises through to Australia's largest institutions.

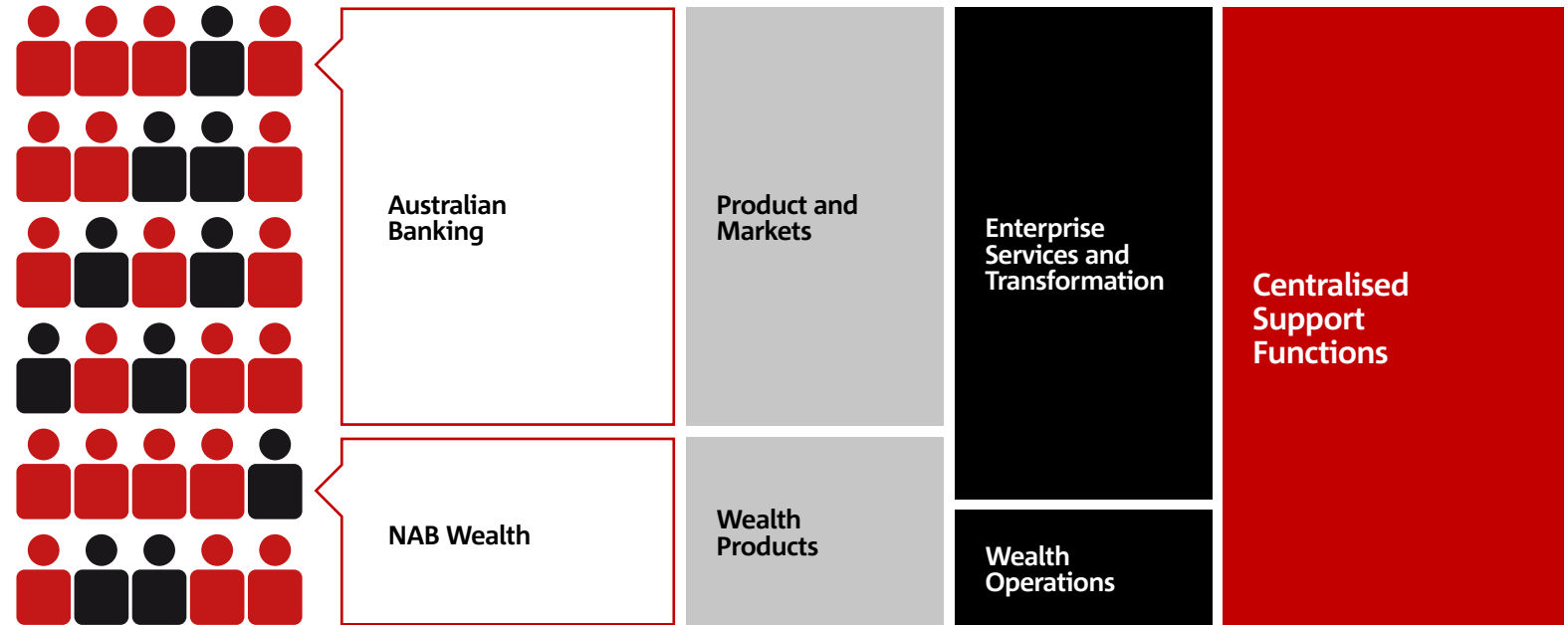
Our personal banking products can be accessed through various channels including NAB, NAB Broker, nabtrade and UBank.

Our business banking products cater to customers' needs with specialist expertise in agribusiness, property, health, government, education and community. Australian Banking also comprises Fixed Income, Currencies and Commodities (FICC), Specialised Finance, Debt Markets, Asset Servicing and Treasury.

#### NAB Wealth

NAB Wealth provides superannuation, investment and insurance solutions to retail, corporate and institutional

### Our Australian operating model



clients. It operates one of the largest networks of financial advisers in Australia under brands which include MLC, JBWere, JANA and Plum.

#### NZ Banking

NZ Banking comprises the Retail, Business, Corporate and Insurance franchises in New Zealand, operating under the Bank of New Zealand (BNZ) brand. It excludes BNZ's market operations, which form part of Australian Banking.

#### UK Banking

UK Banking operates under the Clydesdale and Yorkshire Bank brands offering a range of banking services for both personal and business customers. These services are delivered through a network of retail branches, business and private banking centres, direct banking and broker-based channels.

### More focus on customers

In Australia, NAB has now fully implemented a more integrated and simplified operating model that aligns the bank to the external environment and evolving customer needs. The model features:

**More streamlined customer management divisions** focused on managing and growing customer relationships.

**A single product house** to effectively coordinate and manage all product offerings and drive innovation.

**A centralised operations, shared services and transformation division** to drive greater scale and efficiency and delivery of enterprise-wide transformation.

**Centralised support divisions**, bringing together Risk, Finance and Strategy, People, Communications and Governance, to remove duplication and promote greater consistency.

<sup>1</sup> Includes retail agencies, retail kiosks, agribusiness stores and private banking suites.

## Our business > About us

### Our economic contribution

We contribute to the economy through dividends to shareholders, direct community investment, purchasing products and services and payment of salaries and taxes. NAB Group invested \$67.6m into the community in the past year, and provided the equivalent of \$10.3m through volunteering days.

In NAB's financial year, we also paid \$2.69b in income and employer related taxes globally. On a global basis, NAB also generated other tax contributions totalling more than \$0.74b. In addition, NAB indirectly contributed \$2.11b in GST/VAT and withholding taxes, collected on behalf of and paid to revenue authorities.

**Economic value generated<sup>1</sup> 2014**

**Revenues<sup>2</sup> (\$m) 36,287**

**Economic value distributed<sup>1</sup>**

**Operating costs<sup>3</sup> (\$m) 5,906**

**Payments to employees<sup>4</sup> (\$m) 4,532**

**Payments to providers of funding & capital<sup>5</sup> (\$m) 21,689**

**Payments to government<sup>6</sup> (\$m) 3,440**

**Community investment (Group) (\$m) 67.6**

**Total volunteer days (Group) 27,750**

### Economic conditions<sup>8</sup>

The performance of the global economy has been disappointing, with the remainder of this calendar year likely to have output expansion that is below trend and large variations between economies and regions. Global growth looks likely to remain around 3% this calendar year, before rising to a near trend 3.5% in the following two years.

The below-trend growth experienced between 2012 and 2014 has had important consequences for key elements of the business environment in NAB Group markets. In Australia, although economic growth is running at around trend, there are disparate conditions between regions and industries. The commodity boom that underpinned a large share of output expansion in recent years is moving from its labour intensive investment phase to a period where export volumes come on stream from this increased mineral and energy producing capacity.

As a result, increased volumes of resource exports account for a large proportion of the 3% to 3.25% growth in GDP expected between 2014 and 2016. One consequence of the growth concentration on mining is that the rest of the economy is growing well below its long-term rate. Consequently large parts of the Australian economy will continue to face a low growth environment.

Economic growth in New Zealand is expected to reach a solid 3.8% this calendar year, well above estimates of its long-run potential. Although a combination of sharply falling export prices in the key dairy industry and the impact of policy tightening on the housing market is now clearly slowing the pace of expansion, recent business and consumer surveys readings are still consistent with an above average trend pace of expansion and growth which should still reach 3.4% next calendar year.

In the first half of 2013, the UK economy commenced a sustained and long awaited recovery from the severe 2008/2009 recession and this upturn has gathered momentum through the subsequent period of almost two years, with the annualised pace of growth reaching 3.2% in the first three-quarters of 2014. The UK economic upturn looks set to continue, with growth of around 3% in calendar year 2014 and 2.5% in 2015.

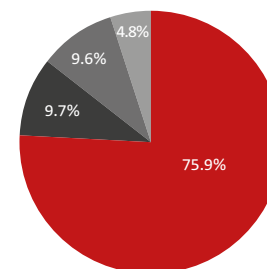
### Understanding the broader issues

We reach out to our stakeholders to understand the broader issues affecting our business now and into the future and to inform our reporting. This year the key environmental, social and governance issues identified through our 2014 Annual Materiality Review were:

- Ethics and business conduct
- Transparency and disclosure
- Customer service and satisfaction
- Performance and reward management
- Staff turnover
- Customer financial hardship
- Values-aligned culture

You can read more about how we identify these issues on page 40 (refer to 'Making sure we listen' section).

### Net operating income split by region



- Australian businesses
- NZ Banking
- UK businesses
- Corporate Functions, Other & Eliminations

Customers

**12.7m<sup>+</sup>**

Shareholders

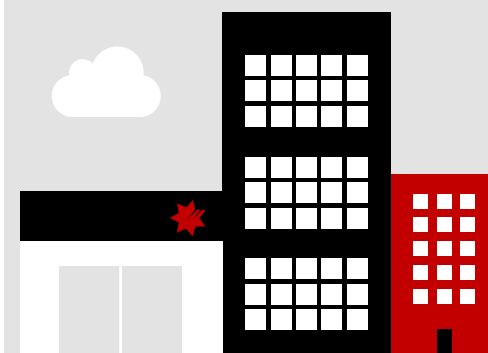
**520,000<sup>+</sup>**

Employees

**42,000<sup>+</sup>**

Stores and business banking centres

**1700<sup>+</sup>**



## Making the most of our challenges and opportunities

Facing our challenges and asking what opportunities they present, helps us focus our strategy and make decisions to respond in the short, medium and long term.

The financial services industry is operating in an increasingly competitive environment, while facing regulatory change, as well as adapting to an evolving digital landscape. We remain focused on our Australian and New Zealand franchises, while actively managing the performance of our non-core businesses.

### Our challenges and opportunities

### How we're making the most of our challenges and opportunities

<b>Managing the performance of non-core businesses</b>	Dealing with conduct matters affecting the UK banking sector and making additional provisions for UK conduct charges in relation to Payment Protection Insurance (PPI) and interest rate hedging products.	Sold 31.8% of our interest in US based subsidiary Great Western Bank with plans to sell 100% over time, subject to market conditions.	Accelerating run off of our UK Commercial Real Estate portfolio, including the sale of a £625m portfolio of mainly impaired loans.
<b>Regulatory change</b>	Maintaining a strong capital, liquidity and funding position. Stable funding index of 90.4%, up from 72% in 2008.	Continue to monitor and manage regulatory changes including the Dodd-Frank Wall Street <i>Reformed Consumer Protection Act 2010</i> in the US, Stronger Super in Australia and Basel III in Australia and the UK.	Actively participating in regulatory review processes, including the Financial System Inquiry.
<b>Increased competition for business banking customers</b>	Renewed focus on improving customer experience.	Hiring more front line business bankers to better serve our customers and win new business.	Improve banker effectiveness through better sales disciplines and centralising activity into fulfilment centres.
<b>Technology transformation</b>	Technology transformation capabilities deployed between 2010 and 2012 have matured.	Continued innovation in customer payments and investment in underlying technology.	Progress on core transformation program will allow us to move to smaller and more frequent capability improvements aligned to our strategy.
<b>NAB Wealth</b>	Cash earnings improved 13% in 2014. We are evaluating a number of options to improve overall returns for this business.	Strengthening systems and processes and responding to regulatory change.	Building stronger alignment with our retail bank, through increasing the number of wealth advisors in stores. Continuing our trust and transparency agenda in providing sound financial advice to our customers.

Read more about our strategy on **pages 14–21**, or read more about our Risk Disclosures on **pages 13–19** of our **2014 Annual Financial Report**.

# Growing our business

Our strategy needs to focus on customers – as we set out to reach more and service them better. It also highlights how, by improving the customer experience, we can improve our opportunities for growth.

Navigate to another section

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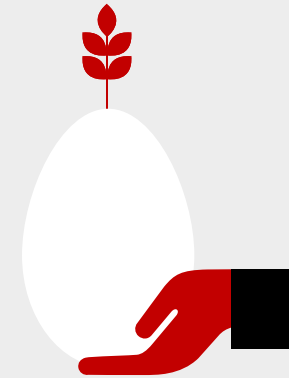
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# 25.4%

**NAB Corporate Super** extended its number one position to 25.4% of market share.<sup>1</sup>



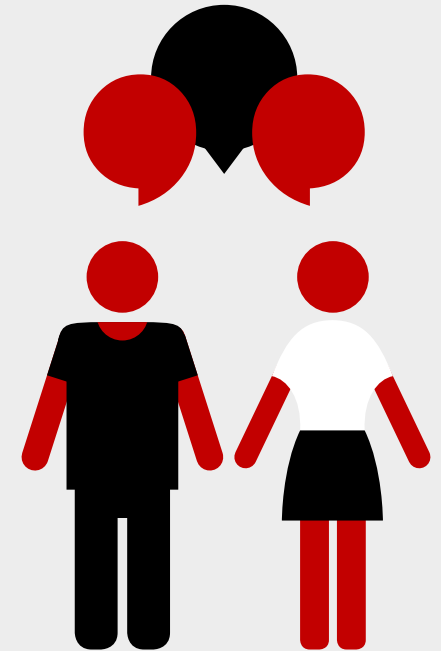
1 Plan for Life, Australian Retail & Wholesale Investments Market Share and Dynamics Report, June 2014.

**NAB Smart Stores were new** to market with intelligent, self-service technology and a mix of digital and face-to-face service.



# 82.1%

**Personal Banking customer satisfaction** 0.4 percentage point increase since 2013.



2 Roy Morgan Research, September 2014, Australian Main Financial Institution personal customers, population aged 14+, six-month moving average. Customer satisfaction is based on customers who answered very/fairly satisfied. Increase in customer satisfaction is from September 2013 to September 2014.

## Strategy overview

We are making our operations simpler and more efficient, and shaping our products and services to better meet our customers' needs.

We are taking steps to improve our digital banking offering. We are also focused on reducing risk in our UK business. Adjusting our international portfolio enables us to further focus on strengthening our Australian and New Zealand franchises.

## Simplify and digitise

Our strategy seeks to enhance the customer experience and increase efficiency, to position us to meet the demands of a rapidly digitising world. In 2014, we streamlined a number of operational areas, while bringing to market a number of innovative offers.

### More mobile, digital and self-service options

We've shaped our offer to meet current and future needs of customers. In 2014 we saw continued, rapid uptake of our mobile, digital and contactless products:

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**58.5%** of all the internet banking logins are via mobile devices (August 2014)

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**5.3m** funds transfer transactions are now made on mobile devices each month

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**96%** increase in the number of customers using contactless 'tap' technology

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**130%** increase in the number of transactions via contactless 'tap' transactions

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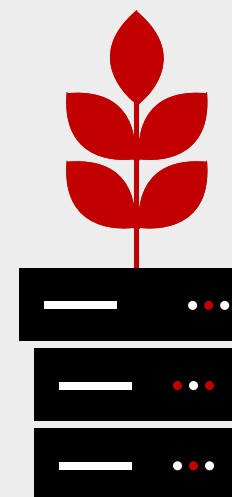
NAB Smart Stores were first launched in September 2013, and were rolled out throughout 2014 to provide interactive, self-service technology that enables customers a mix of service options. NAB Smart Stores aim to digitise simple banking transactions and focus banking relationships around providing customers with help, guidance and advice.

NAB Smart Stores also deliver efficiencies with reductions in building cost compared to a traditional full service stores. NAB's network now includes an increasing number of stores with smart ATMs, which offer more self-service options.

## More efficient data centres

NAB has the first Australian data centre to achieve US Green Building Council LEED Platinum certification.<sup>1</sup>

NAB's new air-cooled facility also uses much less energy and 98% less water than the average water consumption at NAB's existing data centres. It is now among the most modern, secure and energy-efficient infrastructure hubs in the southern hemisphere. Our Hong Kong Hysan Place building also obtained LEED Platinum certification this year.



<sup>1</sup> NAB uses the US Green Building Council's certification as Australia currently has no rating system for data centres.

## Our strategy > Simplify and digitise

In 2014 our Business Banking platform, NAB Connect, underwent a significant upgrade, which in many cases reduced the number of screen interactions by more than 50%.

For example, the process of authorising 10 different types of international payments has been reduced from 40 steps to three. By April 2014 all NAB Connect customers had been migrated across to the new platform. The upgrade has resulted in a record for transactions processed on a single day – \$8.2b compared to \$6.5b previously. Ongoing development aims to further improve the overall customer experience.

# \$8.2b

record transactions posted on NAB Connect on a single day.

Simplifying our NAB Traveller Card in June 2014, adding new functionality, has helped deliver a 30% increase in the amount of funds customers load onto their card when travelling.

In 2014 NAB's online trading platform nabtrade acquired over 28,000 new accounts and more than 66,000 in total since its launch in October 2012. Customer assets have grown more than 40% since launch.

With more than 1500 ASX research recommendations, nabtrade is now rated #1 by *Investment Trends 2014 Australian Broking Report* for company research, trading ideas and strategies among the major Australian banks.

Customer satisfaction for nabtrade was up 9% to 79% (12 months to August 2014). The growth of nabtrade was supported by ongoing customer feedback – with 65 enhancements made to nabtrade during the year.



## The more we look ... we see building matters

'We moved to NAB when we opened our Pakenham factory in 1992, and from there we've built a really strong relationship with the local branch. Over the years my husband Erick has gone in with ideas and business plans – and they have backed us all the way. This has been crucial to our success. The small business banker Scott even comes out to visit. And that sort of thing makes you feel like more than just a number.'

**Cheryl**  
E&C Joinery, Melbourne

## Simplifying our business

Successful upgrades to our data centres, networks and operating systems have delivered major improvements to the way we're doing business. Our NABit Product Solutions has now been rolled out to NAB Business and nabtrade, due to its earlier success in Personal Banking in 2013. NABit provided a search engine for common customer questions on core banking products, which consolidated several databases into one. It reduced the time for a new employee joining our call centre to meet customer service standards and call quality competency. In five months, NABit reduced the number of calls from our branch staff to a banking support area from over 15,000 each month to less than a few hundred calls each month.

Our core banking upgrade is also enabling simplification in response to the demand for an integrated customer experience. Our core banking platform, NextGen, has delivered securitisation, a new general ledger, a new credit risk engine, funds transfer pricing and our core banking foundation. This year we began rolling out NAB View to 4500 business bankers. Part of the NextGen program, NAB View is an innovative platform that allows bankers to better understand customers by aggregating all product relationships in one place. The underlying customer hub holds more than 12m customer records, and has integrated banker tools. We are progressing towards utilising the platform to originate personal use products.

## Innovating with UBank

As NAB's 100% online bank, UBank delivers simple lending, transactional and deposit products in a low-cost and fully automated model. UBank provides NAB with an enviable foothold in the rapidly digitising banking sector. During 2014 UBank gained 80,000 new customers – with 85% of all UBank home loan customers new to NAB.

While NAB announced a \$106m write down (in October 2014) relating to certain assets within the NextGen program, the cost to acquire each UBank home loan dropped by 20% from last year. UBank's deposit book has remained strong, opening 70,000 new transaction accounts. A 30% holding of NAB's self-managed super fund relationships and a 20% minimum deposit requirement for all home loan applicants, has underpinned UBank's strong balance sheet.

## Our UBank awards

UBank won the *Financial Review's* Smart Investor Blue Ribbon Award for Best Direct Institution of 2014 for the third consecutive year, and was named as the Banking Website and Online Banking Offering of the year at the 2014 Australian Banking and Finance awards. UBank's Roy Morgan customer satisfaction score of 83.0% ranked UBank ahead of all four major Australian banks and was higher than the average of all banks in Australia.<sup>1</sup>

### UBank customer satisfaction

**83.0%**<sup>1</sup>

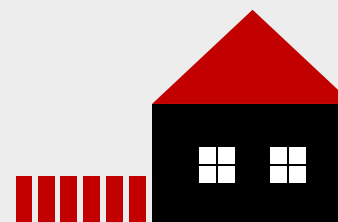
<sup>1</sup> Roy Morgan Research, Australian population 14+, 6 months to September 2014. Customer satisfaction is based on customers who answered very/fairly satisfied.

<sup>2</sup> Source: NAB internal.

<sup>3</sup> Roy Morgan Research, September 2013–September 2014, Australian Main Financial Institution personal customers, population aged 14+, six-month moving average. Customer satisfaction is based on customers who answered very/fairly satisfied.

<sup>4</sup> DBM Business Financial Services Monitor, September 2014, six-month rolling average. Overall satisfaction with main financial institution based on scale of 0–10 (extremely dissatisfied to extremely satisfied). Segments based on annual turnover (Micro \$0–<\$1m; Small \$1–<\$5m; Medium \$5m–<\$50m; Large \$50m+).

**85%**  
of all new UBank home loan customers were new to NAB in 2014<sup>2</sup>



## Protecting our customers

Whilst fraud continues to be a significant threat facing individuals and businesses today, our best defence is personal vigilance in partnership with NAB's security systems. NAB provides security and protection via technology, 24/7 monitoring and customer service. Education is crucial in assisting customers to limit the success of fraud attempts.

We continued to raise security and fraud awareness throughout 2014 by once again partnering with the federal government on a number of initiatives, such as the Stay Smart Online website. These events helped raise awareness amongst the Australian public on steps that they can take to protect their personal and financial information online.

## Building world class relationships

Creating strong relationships is at the heart of everything we do – and we continue to look for ways to deliver an even better customer experience.

### Customer satisfaction

In 2014 we maintained our strong customer satisfaction rating of above 80% for customers considering us their Main Financial Institution (MFI) in the benchmark Roy Morgan Research survey. We improved our score over the year, up 0.4 percentage points to 82.1% and were only 1.7% behind the leader of the major four Australian banks based on the Roy Morgan Research survey. The difference in customer satisfaction scores observed in the last three months among the major four Australian banks is the narrowest recorded since 2000. We continue to deliver value for our customers, including through fee free classic banking. NAB has had the lowest standard variable rate of the major Australian banks over the last five years. NAB winning the *Financial Review's* 2014 Smart Investor 'Bank of the Year 2014' award recognises our focus on delivering the best products, services and customer experience.

### Personal Banking customer satisfaction

**82.1%**<sup>3</sup>

### Customer satisfaction Australia<sup>4</sup>

Microbusiness customer	7.0
Small business customer	7.1
Medium business	7.2
Large business	7.3



### Our customer service initiatives

We aim to resolve issues at the first point of contact whenever possible or through our specialist complaint management functions, NAB Resolve and MLC Resolve. We also look at the root causes of complaints and use customer insights to bring about improvements.

This year saw Australian region complaint volumes rise by 25% when compared to 2013, largely due to better data capture methods. The richer data is now used to target improvement initiatives, such as empowering front line contact centre staff to refund minor fees and charges – and improving voice recognition and routing systems to reduce the frequency of customers being transferred to other departments. Call transfers dropped from 18.5% to 17.1% in 2014 and are expected to drop further in the coming year. Adding a customer relationship team to the mortgage applications process saw our application to draw down conversion rate increase to 54% (with fewer errors and faster processing) for customers supported by the customer relationship team – compared to 44% amongst customers who were not supported by the customer relationship team.

### Personal banking customer satisfaction<sup>1</sup>

Very or fairly satisfied (%)

Year	NAB (%)	Weighted average of the other three major Australian banks (%)
2010	74.6	77.2
2011	78.4	78.2
2012	82.6	79.0
2013	81.7	82.1
2014	82.1	82.8

- NAB
- Weighted average of the other three major Australian banks



### The more we look ... we see the heart of what matters

'I wanted to build a granny flat for my parents so applied for a home loan with Annie at NAB in Toowoomba. The builder required his deposit straight away or he'd put off building for months, and my parents needed a place to stay urgently. Annie approved things fast so the builder could start straight away, and my parents could move in quicker, so I was very happy.'

**Suzette**  
Home loan customer, Townsville

<sup>1</sup> Roy Morgan Research, September 2010–September 2014, Australian Main Financial Institution personal customers, population aged 14+, six-month moving average. Customer satisfaction is based on customers who answered very/fairly satisfied. NAB compared with three major Australian banks (ANZ, CBA, WBC).

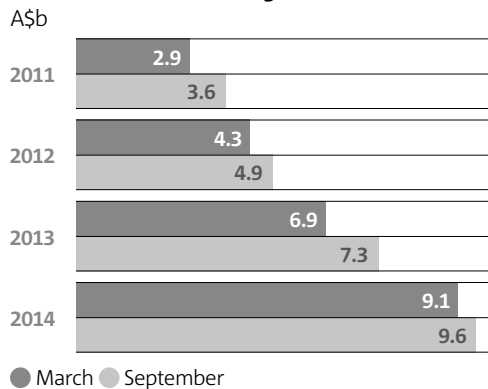
## Broadening services for Asia active customers

Our strategy to broaden services for Asia active customers is based on strengthening the core domestic franchise and building connectivity between Australia/New Zealand and Asia. Our focus has been to support customer relationships and their increased trade in the region.

This year we continued to develop a range of products and services across Asia including trade products denominated in Chinese renminbi. We also introduced electronic trade channels for a global resources company to help them achieve more trade finance and improve cash flow.

In the Institutional Banking business, NAB welcomed a number of new clients during the year. We have supported our clients in Asia with their trading and investment needs, and facilitated introductions to NAB's Australian and Bank of New Zealand clients.

### Loan balances for Asia region customers



Source: NAB internal.



## The more we look ... we see relationships change everything

'In 2010 China's largest winemaker Great Wall was looking to partner with an Australian winemaker, and asked NAB's Asia desk which were the best wineries. Thankfully they included Seppeltsfield. Anyway, a minibus arrived one afternoon and there were 15 Great Wall delegates. From the first order of 96,000 litres, things just took off in a big way. Last year we signed a strategic agreement that has pushed things to a whole other level.'

**Warren**  
Seppeltsfield Winery, Barossa Valley

## The more we look ... we see an even better future

'A serious melanoma on my head got me thinking that life's too short not to be fishing. I went to NAB for a loan to buy a retirement place and my banker Andrea asked if I had any trauma cover. Apparently, I have had a policy since my twenties. So I've bought that property, and plan to spend retirement chasing barra. My wife can sit in a boat flicking lures for hours so we're all good.'

### Trevor

Wealth advice customer, Mt Isa



## Ageing and superannuation

We have been focused on the superannuation and ageing market in Australia by providing this fast-growing segment with industry-leading products and services.

## Leading in corporate superannuation

In the 12 months to June 2014, NAB Corporate Super extended its number one position to 25.4%<sup>1</sup> of market share, as measured by funds under management. Growth was largely due to changes making it easier for employers to add corporate super and banking solutions to employee agreements.

Our share of the small to medium enterprise superannuation market is still underweight but it presents growth opportunities. Our Wealth Investments business continues to thrive, with \$158b in funds under management, advice and administration.

## Launching new products

We strengthened our proposition for self-managed superannuation funds with the launch of SMSF@NAB, and a new at-call savings product, SMSF Cash Maximiser.

Both SMSF@NAB and SMSF Cash Maximiser have supported the growth of our SMSF revenues this year. Further growth is expected, with SMSF currently holding the largest segment in superannuation at \$560b in assets.

<sup>1</sup> Plan for Life, Australian Retail and Wholesale Investments Market Share and Dynamics Report, June 2014.



### Educating Australians

'Let's Save Retirement' supported the repositioning of MLC as a contemporary wealth management brand that empowers its customers with financial intelligence. It clearly signalled to the market that MLC was a NAB business through co-branding – with awareness of its relationship with NAB more than doubling as a result. It also delivered a 23% increase in MLC's Net Promoter Score for customers who viewed the campaign and more than 100,000 hits to the campaign website, along with more than 5000 client conversations via the call centre.

The launch of NAB Super Pay – a superannuation clearing house – makes us one of just two major banks in Australia delivering a product of this kind. It gives business customers a simpler way of submitting superannuation contributions for employees – one file, one payment – and it assists with looming regulatory changes.

NAB Super Pay can be labelled under a Super Fund – it is currently used by Plum for Corporate Super customers, and further work is underway to support small businesses. We also launched NAB Essential Life insurance via [nab.com.au](http://nab.com.au) in August 2014, which delivers a significant step toward simpler wealth solutions.

The launch of NAB Essential Life on [nab.com.au](http://nab.com.au) made simple life insurance accessible to our customers, with eligible customers covered by answering just six questions.

### More help, guidance and advice

We've now placed 98 wealth advisors into our busiest NAB retail stores – to provide affordable advice in areas such as insurance and superannuation. We also reached out to the market with our 'Let's Save Retirement' campaign – a national advertising campaign that commenced in March urging Australians to seek financial advice for retirement.

## A strong New Zealand brand

BNZ's 'Be Good with Money' campaign supported delivery of innovative products and a differentiated customer experience, enabling a year of successful financial performance.

In 2014 customer satisfaction in Retail was equal second and BNZ Partners was second in the market,<sup>1</sup> and employee engagement remains above the Financial Services performing average.<sup>2</sup> BNZ's performance in four key strategic segments has been strong:

- Retail Wealth Funds Under Management (FUM) have doubled since 2013.
- On-target Youth customer growth has been supported by customer-led enhancements to the innovative YouMoney proposition and targeted campaigns.
- The small-medium enterprise segment achieved equal first place in market customer satisfaction and was recognised externally for its innovative solutions and value to customers.<sup>3</sup>
- Agribusiness has maintained market share since November 2013, despite the highly competitive environment and increased regulatory provisions.

### BNZ small business customer satisfaction<sup>4</sup>

Turnover less than NZ\$1m



● BNZ ● Market average

# NZ\$1.45m

The equivalent of our in-kind contribution from 5068 days volunteered in the community in 2014.

BNZ's major customer-led transformation program has delivered initiatives that further improve customer experiences and lift business sustainability. This has included the deployment of an enterprise customer relationship management (CRM) system across the Retail and Partners businesses, and ongoing digital enhancements to both mobile and internet platforms.

BNZ continued to support New Zealand communities through initiatives such as 'Closed for Good', and other volunteering efforts. The community finance initiative was also launched in partnership with the New Zealand government, The Salvation Army and Good Shepherd Australia New Zealand to deliver 'Step Up loans' and NILS (No Interest Loans Scheme) to low-income earners, committing NZD10m in capital over five years. We also launched the BNZ Future Hub to respond to financial hardship resulting from natural disasters.

## Portfolio management

While we remain focused on our Australian and New Zealand franchises, we have made good progress on our other assets and are accelerating our exit from non-core businesses.

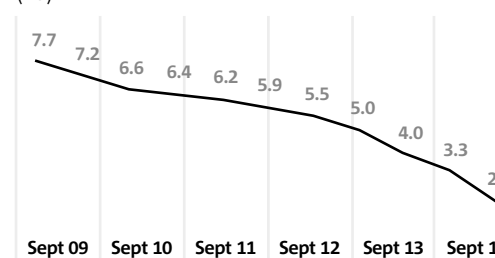
In July we announced the partial sale (£625m) of the NAB UK Commercial Real Estate (CRE) portfolio and in October began the sale process of Great Western Bank (GWB) with the initial public offering of a 31.8% stake. We plan to sell 100% ownership of GWB over time, subject to market conditions.

We have been progressively reducing our exposure to UK CRE loans since 2012 and this year's partial sale of loans to an affiliate of Cerberus Global Investors represents a substantial reduction in risk of the non-performing portion of the NAB UK CRE portfolio. The UK CRE portfolio reported local currency cash earnings of £23m in 2014, compared with a £239m cash deficit in 2013.

The UK economy is showing signs of steady improvement, having experienced seven consecutive quarters of output growth. Local currency cash earnings of our UK Banking business, which operates under the Clydesdale and Yorkshire Bank brands, rose strongly over the year to £158m. This reflects a materially lower charge for bad and doubtful debts, which decreased year on year by £78m or 49.4%, and reduced expenses.

Dealing with conduct matters continues to be a significant and ongoing issue for the UK banking sector and there remains a range of factors relevant to determining the total costs associated with conduct related matters, including any possible fines. In October 2014 further provisions were announced by the NAB Group in relation to Payment Protection Insurance (PPI) and UK conduct issues. These charges were taken within the Corporate Functions and Other division of the NAB Group.

### NAB UK CRE run off<sup>5,6,7</sup>



5 On 5 October 2012, NAB UK CRE was separated from UK Banking.  
 6 Represents CRE portfolio within UK Banking to September 2012 and the NAB UK CRE run off portfolio post-September 2012.  
 7 Reflects the sale of £0.6b loans on 28 July 2014.

# The foundations of success

We're invested deeply in what matters now, and into the future. We're building strong fundamentals that support everything we aim to do and deliver.

Navigate to another section

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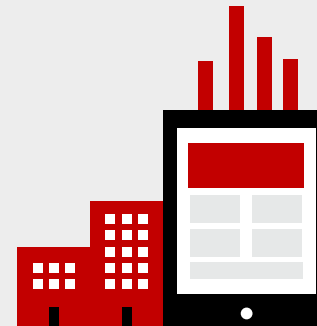
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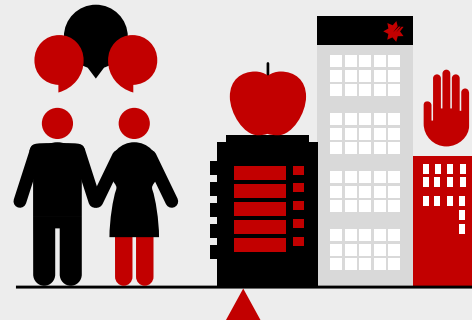
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# 8.63%

Basel III Common Equity Tier 1 ratio.

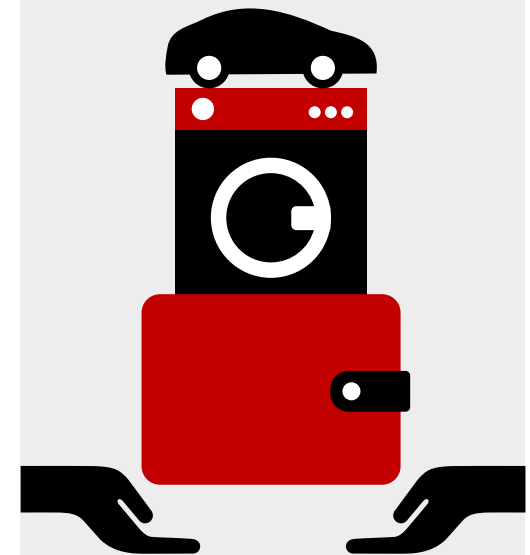


**NAB is the first of the major Australian banks to provide long service benefits for employees who have taken time off work as a primary carer.**



To date we've helped **335,000+**

people with microfinance products, and have set a goal to reach one million people by 2018.<sup>1</sup>



<sup>1</sup> In partnership with Good Shepherd Microfinance.

## Managing our risk

We aim to continually improve our risk management performance in order to protect the customer experience, and support sustainable, satisfactory returns for our shareholders.

Our annual planning process establishes NAB's strategic objectives and risk appetite, which are approved by the Board. These are translated into specific performance targets, such as cash earnings and cash return on equity.

Annual planning helps identify and provide a framework for:

- Our budget
- Our challenges
- Key risks and opportunities
- The actions, investments or divestments NAB undertakes.

### Improving risk performance

In 2014 we continued our Risk@nab program, which aims to embed risk awareness, accountability, management and compliance into all of our daily business activities. A range of initiatives are currently underway through Risk@nab to further transform the way risk is managed at NAB.

At NAB, we have a Risk Management Accountability Model based on 'the three lines of defence', in which all employees are responsible for managing risk every day.

Our focus has been to build greater clarity into roles and responsibilities across NAB. We have further clarified roles and responsibilities in our Risk Management Accountability Model, which articulates operational accountability for risk management activities across our 'three lines of defence'.

We continued to work on a new Risk IT system, risksmart, which will replace our existing operational risk portal and other legacy systems with a single integrated system. The new system aims to make it easier for our people to effectively manage operational risk and compliance across NAB's operations. We've also applied business excellence principles to our operational risk and compliance processes in a bid to make it easier for employees to manage such risks.

A new mandatory risk training program, Risk Ready, was launched for all new employees to complete. The new streamlined program has reduced training time, making learning easier and more effective.

## Balance sheet strength

In 2014, we continued to maintain strong capital, funding and liquidity positions in line with our ongoing commitment to balance sheet strength.

This provides us with confidence to respond to the changing market and regulatory conditions facing the finance sector in Australia and overseas.

This year we continued to access a diverse range of wholesale funding across senior and secured debt markets. The NAB Group raised \$28.2b of term wholesale funding, fulfilling its 2014 funding requirements.

We continued to grow deposits over the year and improved our Customer Funding Index, which represents the proportion of NAB Group's core assets that are funded by customer deposits, from 69.4% in 2013 to 70.4% in 2014.

Our capital management strategy is focused on adequacy, efficiency and flexibility. We focus on holding capital in excess of our internal risk-based assessment of required capital, while meeting regulatory requirements, being consistent with our balance sheet risk appetite and ensuring investors' expectations are met.

As at 30 September 2014, NAB's Common Equity Tier 1 ratio (CET1) was 8.63% and NAB remains well capitalised.

## Risk accountability across our three lines of defence

### 1 Line management

**Responsible for managing the risks originating within the business.**

Identify, assess, control and monitor risks.

Manage risks within risk appetite.

Establish and maintain a robust risk and control environment.

### 2 Risk

**Responsible for ensuring that the risk and control environment is actively and appropriately managed through the provision of risk insight, risk appetite and oversight.**

Establish NAB Group-wide and specific risk appetite.

Develop and maintain policies, tools and processes for risk management.

Oversee, monitor and challenge the business on risk-related activities.

Define minimum standards and oversee related consequence management.

Provide insight.

### 3 Internal audit

**Provides independent assurance over the risk and control framework.**

Independently review, monitor and test 1st and 2nd line risk activities.

Independent assurance on compliance requirements by regulators.

Assess the overall effectiveness of the business' risk and control environment and ability to self assess.

## Measuring our risk culture

We continue to analyse and refine our measures to quantify our risk culture. This includes the development of a risk culture dashboard and support for a risk key performance indicator to measure the maturity of risk management practices across the NAB Group.

Read more about our Risk Disclosures on pages 13–19 of our 2014 Annual Financial Report.

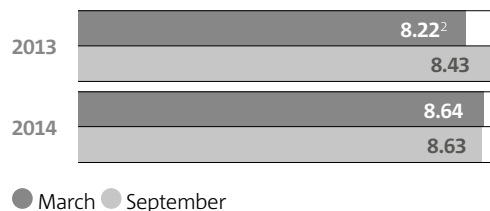
As announced in our 2014 half year results, NAB's CET1 target has been revised to operate between 8.75% and 9.25% from 1 January 2016, based on current regulatory requirements, to reflect the new Domestic Systemically Important Banks (D-SIB) requirement of 1% announced by APRA in December 2013. NAB will continue to regularly review our operating target levels and aims to retain flexibility in executing capital initiatives, so that we are able to support balance sheet strength.

Our balance sheet strength leaves us well placed to meet regulatory changes and respond to future challenges. The Financial System Inquiry final report is due before the end of the calendar year and NAB will monitor its recommendations, including any impact on further capital requirements.

NAB Group asset quality trends continued to improve over 2014. The charge for bad and doubtful debts in 2014 was \$877m, down 54.7% when compared to 2013.

Excluding the impact of the \$50m release from the NAB Group economic cycle adjustment and the \$99m (£55m) release from the NAB UK CRE overlay during the year, the B&DD charge declined 47.0% driven by improvements across all major operating regions.

**Basel III Common Equity Tier 1 ratio<sup>1</sup>**  
%



<sup>1</sup> Source: 2014 Full Year Results Announcement.  
<sup>2</sup> Core Tier 1 capital ratio (Basel II), 2014 Half Year Results Announcement.

**Creating a wealth of opportunity**

At NAB, our approach centres on creating shareholder and social value. We want to create opportunities to build more prosperous communities, help people have a healthy relationship with money and contribute to a future focused society.

**Healthy relationship with money**

After 11 years of providing low-income Australians with no-interest and low-interest loans, we've supported thousands of people and now we've set an ambitious goal to reach one million people by 2018.

In partnership with Good Shepherd Microfinance, NAB continues to provide microfinance loans to people who would otherwise be vulnerable to fringe or payday lenders, through innovative models such as Good Money stores in Victoria and South Australia.

Now in its fifth year, NAB Care has been working to improve the way we deal with customers in financial hardship. In 2014 we assisted more than 15,000 customers, which has helped reduce the number of loan defaults. Many of these cases were resolved within one day.

This year we have worked with Kildonan Uniting Care to improve the way we communicate with vulnerable customers who may be experiencing difficulties in meeting their financial obligations.

**\$1.8m<sup>2</sup>**

The amount NAB's Indigenous Money Mentor program is expected to create in value each year.

<sup>2</sup> Net Balance, Social Return on Investment forecast of the Indigenous Money Mentor Program, October 2013.

**Guiding our thinking about a healthy relationship with money:**

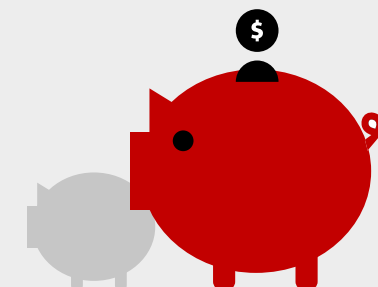
Providing quality products and services and building financial capability and confidence.

Improving access to fair and affordable banking.

Supporting those facing financial hardship.

Helping prepare customers and employees for retirement.

Ensuring environmental, social and governance considerations inform our spending and lending.



For the full details of our performance against our Corporate Responsibility strategy 'Wealth of Opportunity' refer to our **2014 Dig Deeper** paper at [nabgroup.com/annualreports](http://nabgroup.com/annualreports).



## NAB essentials > Corporate responsibility

We've continued to work to improve financial inclusion across communities. Part of our sixth Reconciliation Action Plan (RAP) included strategies on ways to create opportunities for Indigenous Australians through financial inclusion. Our RAP was recognised with Reconciliation Australia's elite 'Elevate' status.

Through our Indigenous Money Mentors (IMM) program, we assisted 1007 Indigenous clients in 2014 and our research shows that the program continues to have a lasting impact. A Social Return on Investment study by Net Balance in 2013 showed the IMM program created \$4.20 in social value for every dollar invested. With the current level of investment in the program, the total value created is expected to be almost \$1.9m each year. The research also shows that the IMM program is delivering significant social value and flow-on benefits, such as improved standards of living and improved family relationships.

### Responsible lending

Our Environmental, Social and Governance (ESG) Risk Principles provide an overarching framework for integrating ESG risk considerations into our day-to-day decision making. This year we engaged with a range of non-government organisations that have expressed concerns around Australian banks' investment in fossil fuels and other environmental issues.

In 2014 we developed a public statement to help our stakeholders understand how we manage ESG risk – in particular, how we manage the issue of improper land acquisition. The policy statement is available on NAB's website.

**We've already given more than 922,000 hours of volunteering towards our goal of one million volunteering hours by 2018.**



### The more we look ... we see it's the little things

'I was caring for a sick relative when my washing machine died, and my fifth child had just arrived. I'd heard about NAB's No Interest Loan Scheme. The day that new machine arrived was like Christmas. Then I paid off a StepUP loan for furniture while studying. A NAB microenterprise loan set me up as an Indigenous Business consultant. These loans totally transformed my life.'

#### Flora

Microfinance customer, Mabuia Island

## Prosperous communities

Investing and lending to the businesses and organisations at the heart of our communities helps them to thrive and prosper. In addition to lending to business, NAB has invested in programs to support future growth in our communities.

This year our business lending market share was 22.8%<sup>1</sup> and we maintained our position as the leading business bank in Australia by lending market share.

We continued to advance lending and debt services to the higher education sector and worked with The University of Melbourne to complete its first bond issue. In partnership with six local councils and 10 business customers or prospects, our Work Inspiration program gave young Australians the chance to experience the world of work and life beyond school.

In 2014 we ran a pilot of the \$20 Boss program, in partnership with the Foundation for Young Australians and the Victorian government. Students were provided with \$20 each to start their own small business, with two months to develop ideas, generate revenue and donate some of the proceeds to a local community organisation.

We announced a \$1m Impact Investment Grants Program to support organisations in delivering finance solutions for social issues. We also distributed \$1m in grant funding to 19 not-for-profit customers to address key social issues through the inaugural NAB Community Grants program.

To share our knowledge and experience in social media engagement, we hosted more than 530 customer tours at NAB's state-of-the-art Social Media Command Centre.

<sup>1</sup> APRA Banking System, September 2014.

## Guiding our thinking about creating more prosperous communities

Supporting and investing in the organisations and infrastructure that tie communities together.

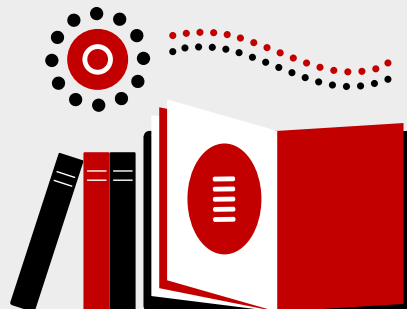
Supporting the small businesses at the heart of communities.

Supporting a thriving not-for-profit sector through banking and in-kind value.

Encouraging a culture of giving and volunteering.

Supporting a more diverse and inclusive society and workforce.

Providing support to communities impacted by natural disasters.



## Future focus

We think it's important to understand the emerging challenges and opportunities in our society, economy and environment – and we're making our operations and supply chain more efficient and resilient.

Focusing on the future and increasing the environmental efficiency and resilience of our business continues to be important in each of the countries in which we operate. Since 2006, we've invested more than \$22m in energy efficiency initiatives in Australia alone.

In 2014 our investment in energy efficiency initiatives resulted in approximately \$15m of avoided energy costs and a reduction in greenhouse gas emissions of over 81,000 tonnes in Australia, with further savings across our global operations.

With data centres accounting for around 37% of our global building-related greenhouse gas emissions, our state-of-the-art data centres are significantly improving our operational efficiency (see page 14). Solar reflective roof paint has been used at retail stores in Australia to reduce heat gain, and we're piloting solar panels. We're continuing to use 100% certified renewable energy for our electricity source in the UK, as another way of supporting clean technology.

## Supply chain efficiency

Our NAB Group Supplier Sustainability Principles set out minimum requirements for suppliers to meet in order to conduct business with us. This year, we achieved 32% of material supplier signatories.

We have set challenging energy efficiency and paper waste objectives. For example, in Australia and New Zealand, we rationalised courier runs, which led to saving 10,000 km and 3000 tonnes of carbon emissions each year.

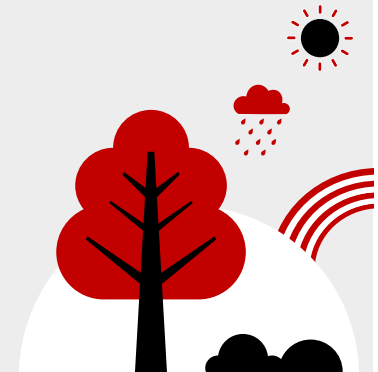
## Guiding our thinking on the future

Future proofing our business and leading by example to improve the efficiency and resilience of our operations and supply chain.

Leading the conversations about operating in a resource-constrained world and working with customers, industry and stakeholders to build resilient and profitable businesses.

Addressing issues that matter to communities.

Embracing the changing digital and technological landscape and providing more innovative integrated experiences for our customers and our employees.



## We set a goal for 90% of material suppliers to be signatories to our NAB Group Sustainability Principles by 2016.

### Delivering sustainable products and services

We've continued to bring our customers new environmental products and services. We funded two Environmental Upgrade Agreements (EUAs) in 2014. NAB has now funded six of the seven EUAs privately funded to date, with a total investment of \$12.5m.

We advanced our natural value strategy by gaining customer insights and building resources for our agribusiness bankers – building on our commitment to the Natural Capital Declaration, of which we were the first Australian bank signatory.

We provided project finance to low-carbon infrastructure, including Indonesia's Sarulla Geothermal plant, which will be the country's largest single-contract geothermal power project.<sup>1</sup> We also structured and led project financing of 16 wind farms for Project Cumulus by Infinis Wind in the UK. In 2014 we financed an additional net 167 Megawatts (MW) of renewable energy generation projects to our project finance portfolio, taking the total financed from 2914 MW in 2013 to 3081 MW in 2014. We maintain our position as Australia's leading lender to the renewable energy sector, by market share.<sup>2</sup>

1 As reported by the Asian Development Bank 29 September 2014.  
2 Project Finance International 2006–2014 APAC Mandated Lead Arranger League Tables US\$ Project Allocation, NAB analysis ranking against four major domestic banks – cumulative volume as at 30 June 2014.  
3 Net Balance, *Social Return on Investment forecast of the Lifeline Online Crisis Support Chat Service*, December 2013.

### Part of the conversation

This year we were part of the dialogue on the following issues that matter in our industry and communities:

- NAB sponsored the global report by consultancy FSG 'Banking on Shared Value' which featured NAB Care and our Fair Value agenda.
- NAB and the Centre for Social Impact published the 'Measuring Financial Exclusion in Australia' report.
- We supported the 'Blueprint for an Ageing Australia' paper by Per Capita Australia.
- We contributed to the development of the report by Impact Investing Australia 'Delivering on Impact: The Australian Advisory Board Breakthrough Strategy to Catalyse Impact Investment'.

For every \$1 invested into Lifeline's Online Crisis Support Chat Service by the MLC Community Foundation, there is a social return value of \$8.40.<sup>3</sup>

4 'Speak Up, Step Up' survey conducted by Right Management, April 2014. The Right Model (E8) measures employees' commitment, advocacy, satisfaction and pride in both their job (four questions) and in the organisation (four questions). Employees need to answer favourably to all eight items to be considered engaged. Information on historical data can be found in our 2014 *Dig Deeper* paper, available at [nabgroup.com/annualreports](http://nabgroup.com/annualreports).

### Improving our culture

In the past five years, we've made targeted investments into our people, culture and reputation. We aim to keep our people positively engaged to deliver value to NAB's customers, shareholders, people and the community.

### Developing a more engaged workforce

This year's employee engagement survey was conducted using a new methodology provided by independent consultants Right Management – to deliver more dynamic and intuitive reporting, demographic insights and access to global benchmarks.

Based on our previous model, engagement figures showed continuous gradual improvements to 69%.

The new model measures engagement via how engaged employees are with their job or role as well as how engaged they are with the organisation. Employees need to answer favourably to all eight items to be considered engaged. In previous years, the engagement score was calculated by averaging across four to five engagement questions. To provide the trends, we included comparable questions under the new 2014 model. Under the 2014 Right Management model, we have new base metrics, which are not directly comparable to previous measures. The results showed overall engagement result at 42%, job engagement at 55% and organisational engagement at 52%.<sup>4</sup>

Our strengths included the quality of our people leaders, career and personal growth, and alignment of roles to NAB's strategy. Areas for improvement included fostering performance, enhancing leadership and agility, and organisation advocacy, which we'll continue to address.

### Enhancing leadership

Strong leadership within our organisation is critical in order for us to execute our strategy. We strive to improve the effectiveness of our leaders and how we recruit and manage talent. Our expectation is that employees at all levels should demonstrate leadership at NAB.

Each year we identify high-potential leaders for the NAB Group Talent Pool. As at the beginning of 2014, despite a year of significant change, 92% of those participating in the Group Talent Pool were still with NAB. This year we provided our 3800 People Leaders with access to leadership development. We also seek diversity within our pipeline of talent and in 2014, 50.6% of our Group Talent Pool was made up of females.

### The value of diversity and inclusion

In August 2014, the Board approved a refreshed diversity and inclusion strategy for 2015 to 2017 and an updated Group Diversity and Inclusion Policy. The three priorities of our diversity strategy are life stage, gender equity and inclusion, such as Indigenous and Lesbian Gay Bisexual Transgender and Intersex communities. Underpinned by two key enablers – leadership and flexibility – our refreshed diversity and inclusion strategy forms part of our ongoing commitment that enables employees to reach their full potential at the various life and career stages – and a workplace that reflects the diversity of our customers and communities.

In 2014 we saw the proportion of women on NAB Group subsidiary boards increase to 32%. NAB Board Ready, our program to develop aspiring directors, was recognised as a global innovative



## NAB essentials > People, culture and reputation

practice with a Practice Recognition Award from Catalyst, a global organisation dedicated to the advancement of women. We intend to make even greater improvements to the number of women in executive roles.

# 30%

of NAB's Executive Management roles are held by women.

Our return-to-work rate (87%) of employees on primary carer's leave in Australia increased by seven percentage points over last year's rate – supported this year by the launch of programs for employees on parental leave to enable them to maintain stronger connections with the organisation.

The Australian Network on Disability reviewed the actions within NAB's *Accessibility Action Plan 2012–2014*, and acknowledged we had made significant progress since the plan was launched in December 2012. We know there is more we can continue to improve.

In 2014 BNZ piloted the award-winning MyFuture program which has been running in Australia since 2011. The program provides mature-age employees with the chance to explore their future and the

transition to retirement. MyFuture encourages our employees to remain in the workforce longer, so we retain business knowledge and maintain strong customer relationships. Since 2012, the average retirement age within NAB has increased by 15 months to 59 years and eight months.

This year we recruited more than 79 Indigenous trainees, which totals 385 since the program was launched in 2009 – and we employed 30 graduating trainees. We also partnered with AFL Sportsready to deliver the first Emerging Leaders program to 12 Indigenous employees across the business.

### Our employee initiatives

In 2014, we completed negotiations for a new enterprise agreement to cover all NAB employees. Employees endorsed the new agreement, which provided greater certainty in relation to wages and terms and conditions. The changes are expected to deliver greater efficiency through flexible part-time employment, management of rostered days off, and revising how we classify jobs.

Initiatives like our Domestic Violence Support policy and our commitment to gender pay equity aim to improve retention rates and our reputation as an employer. Our new remuneration initiatives for financial planners have attracted positive feedback due to the transparency of the advice structure, and the move to assessing performance based on a balanced scorecard.

### Delivering on our reputation

We hold ourselves to high standards of business conduct and believe reputation is built upon trust and respect. In 2013 we refreshed our Code of Conduct to give even more certainty to our customers, people and the community. Outlining the professional and ethical standards we expect from our people and anyone working on our behalf, our updated Code of Conduct was launched in October 2013. During February and March 2014, all of NAB's Australian employees were required to complete an online course, which bound them to the terms of the refreshed Code of Conduct.

We continue to monitor and report on the number of alleged breaches against our Code of Conduct. A breakdown of breaches and the action we have taken can be found on the Corporate Governance section of [nab.com.au](http://nab.com.au).

This year most of the breaches investigated by Workplace Relations related to workplace behaviour issues. In one example a NAB employee was found to have engaged in insider trading, unrelated to his work at NAB. NAB's CEO strongly condemned the activity, which was in breach of our Code of Conduct, and the employee's employment was terminated.

To support best practice, we offer our people a number of avenues to raise concerns, including our Confidential Whistleblower Alert line, the People Advisory Centre and our fraud investigation units. In December 2013, NAB was subject to an enforceable undertaking from the Australian Securities and Investment Commission relating to potential market misconduct. We agreed to adopt specific monitoring and control systems and made a voluntary contribution of \$2m to fund independent financial literacy projects.

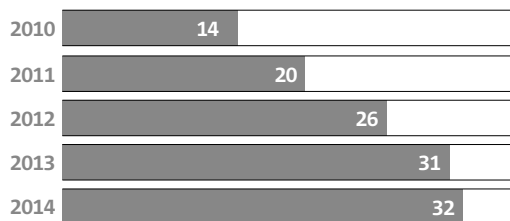
### Indigenous school-based traineeship program

**\$1** ▶ **\$2.71**<sup>1</sup>

### Indigenous full-time traineeship program

**\$1** ▶ **\$3.14**<sup>1</sup>

### Percentage of women on NAB Group Subsidiary Boards



Source: NAB internal.



<sup>1</sup> Ernst and Young, *Social Return on Investment Assessment School-based and Full-time Indigenous Trainee Programs*, June 2014.

## Clear and effective governance

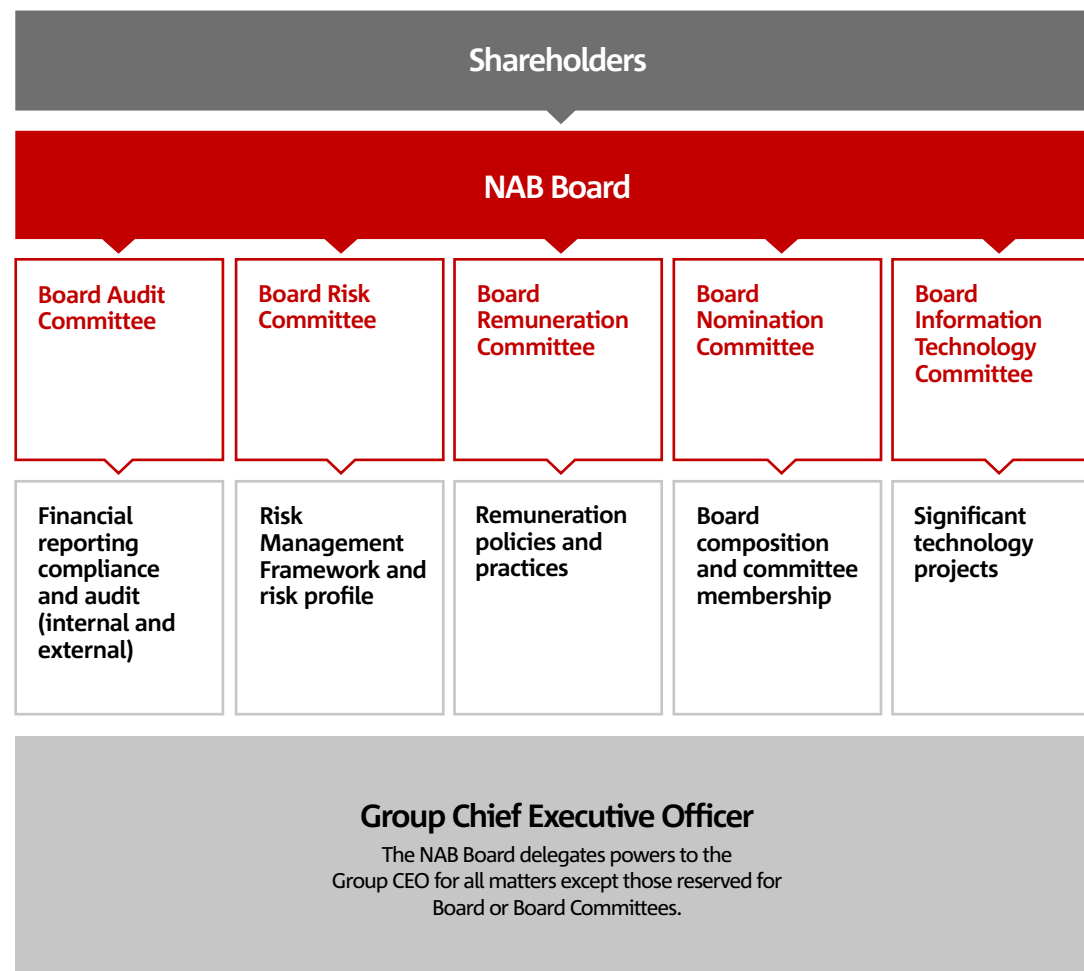
NAB's governance framework underpins effective decision making and accountability across the business. It is the basis of our ability to direct our operations, business practices and culture. It is fundamental to how we deliver value to our customers, businesses and shareholders.

## A structured approach

NAB's Board is responsible for the governance of the NAB Group, as the representative of NAB's shareholders. NAB's Board is assisted in carrying out its responsibilities by its committees which include Audit, Risk, Remuneration, Nomination, and Information Technology committees. Supported by our governance framework, the Board oversees:

- Strategic and operational planning
- Risk management and compliance
- Financial management and external reporting
- Succession planning and culture

## Our Corporate Governance framework



### Assurance

Robust and functionally independent audit (internal and external) functions.

A well documented and executed delegation of authority framework.

Clear accountability, reporting and escalation guidelines.

### Framework

Clear and transparent communications with stakeholders.

A skilled, independent and highly experienced Board.

Strong and diverse management capability.

External codes and regulations.

A long-term, genuine commitment to sustainability.

Policies and procedures.<sup>1</sup>

<sup>1</sup> Covering areas such as conflicts of interest, remuneration, continuous disclosure, ethics and behaviours, Code of Conduct, whistle-blower program and securities dealing.

For more information on our Corporate Governance framework and practices, refer to the 'Corporate Governance' section in NAB's **2014 Annual Financial Report**.

## NAB essentials > Governance

NAB's CEO is delegated with the authority and responsibility for the day-to-day management of NAB's operations by the Board. NAB's CEO also delegates to senior executives and management committees in accordance with our delegation of authority governance framework. NAB continues to comply with the ASX Corporate Governance Principles and Recommendations.

### Ensuring effective leadership

Board composition is guided by policy and principles to ensure the Board is comprised of directors with a diverse range of skills, expertise and experience directly relevant to NAB's business. The majority of directors (including the Chairman) are independent non-executive directors. See the Board of Directors section of this *2014 Annual Review* for details on our directors. The Chairman is not a former executive of NAB and the roles of Chairman and CEO are not exercised by the same person. Directors must also have unquestionable integrity and good character.

Our Board Nomination Committee annually reviews the combined capabilities of the Board and the individual merits of each director to ensure that the Board's composition remains appropriate. The Board also conducts an annual assessment of the performance and effectiveness of the Board as a whole and of its committees and individual directors.

### Responsible remuneration

Our remuneration policy is structured to link rewards to shareholder value, promote long-term growth and attract and retain high-performing employees. We create appropriate incentives through variable components of remuneration, based on individual and organisational performance – which also include risk outcomes. We publish what we pay our CEO and our senior executives in NAB's *2014 Annual Financial Report*.

### Transparent shareholder communications

We are committed to maintaining a level of disclosure that provides all shareholders with timely and equal access to information. Information is communicated to shareholders regularly through a range of communication methods, including direct written communication, publication of all relevant NAB Group information on NAB's website and webcasting of significant market briefings and meetings, including the Annual General Meeting.

### Litigation

Entities within the NAB Group are defendants from time to time in legal proceedings. There are contingent liabilities in respect of claims, potential claims and court proceedings, against NAB Group companies. Where appropriate, provisions have been made.

### Risk governance

The NAB Group identifies and manages risk as part of a NAB Group-wide Risk Management Framework. Maintaining our focus on risk and compliance is a non-negotiable that underpins how we run our business. The Board is ultimately responsible for the Risk Management Framework and is assisted in carrying out certain responsibilities by its Risk Committee, which is comprised of non-executive directors. For more on our risk management, see page 23.

### Corporate Responsibility framework

Our Corporate Responsibility (CR) framework seeks to ensure NAB gets the fundamentals right for customers, is a good employer, and addresses our broader responsibility to society. The Board and the Executive Leadership Team review, approve and oversee our CR strategy. Internal forums allow executive leaders, senior management and our people to engage with material CR issues. External dialogue captures strategic input and feedback from the Advisory Council on CR, and our Indigenous Advisory Group, among others. For more information on corporate responsibility see pages 24–27.



For more on the Board of Directors and the Executive Leadership Team, including their experience and remuneration, see the 'Report of Directors' in the *2014 Annual Financial Report* at [nabgroup.com/annualreports](http://nabgroup.com/annualreports).

## Board of Directors



### Michael Chaney AO

**NAB:** Chairman since 2005, Non-Executive Director since December 2004. Chairman of the Nomination Committee.

**Background:** More than 30 years in executive, financial management and governance including 13 years as CEO of Wesfarmers. Previous executive experience includes Australian Industry Development Corporation and petroleum exploration in Australia, Indonesia and US.

**Key appointments:** Chairman: Woodside Petroleum Ltd, Gresham Partners Holdings Ltd and International Education Advisory Council. Director: Centre for Independent Studies. Other: Chancellor of University of Western Australia. Member: The Prime Minister's Business Advisory Council and Commonwealth Science Council.



### Andrew Thorburn

**NAB:** Managing Director and NAB Group CEO since 2014. Member of the Information Technology Committee.

**Background:** More than 28 years' experience in banking and finance.

A career banker, Andrew joined NAB in 2005. From 2008 to 2014 he was Managing Director and CEO of Bank of New Zealand, and was responsible for its strategic positioning and performance. He held senior roles at ASB Bank, Commonwealth Bank of Australia and St George Bank prior to joining NAB.

**Key appointments:** Director: Australian Bankers' Association Inc and The Financial Markets Foundation for Children.



### David Armstrong

**NAB:** Non-Executive Director since August 2014. Member of the Audit, Information Technology and Nomination committees.

**Background:** More than 30 years' experience in professional services. A former partner of PricewaterhouseCoopers, he has significant knowledge and understanding of banking and capital markets, real estate and infrastructure and is well versed in reporting, regulatory and risk challenges faced by the industry.

**Key appointments:** Director: Opera Australia Capital Fund Limited and the George Institute for Global Health. Trustee: Australian Museum, Lizard Island Reef Research Foundation.



### Daniel Gilbert AM

**NAB:** Non-Executive Director since 2004. Chairman of the Remuneration and Information Technology committees. Member of the Nomination Committee.

**Background:** More than 36 years in commercial law. Managing Partner and co-founder of Gilbert + Tobin. Currently Co-Chair of NAB's Indigenous Advisory Group.

**Key appointments:** Chairman: National Museum of Australia and University of Western Sydney Foundation.



### Peeyush Gupta

**NAB:** Non-Executive Director since 2014. Member of the Risk, Remuneration and Nomination committees.

**Background:** More than 30 years' experience in wealth management and corporate governance, having served as a director on many corporate, not-for-profit, trustee and responsible entity boards. Co-founder and inaugural CEO of IPAC Securities, a pre-eminent wealth management firm spanning financial advice and institutional portfolio management, which was acquired by AXA. Currently a Non-Executive Director of certain NAB Wealth subsidiaries.

**Key appointments:** Chairman: State Super Financial Services Australia Limited, Charter Hall Direct Property Management Limited. Director: Safety, Return to Work and Support Board (NSW Workcover and Motor Transport Accidents Authority), Crowe Horwath, Securities Industry Research Centre of Asia-Pacific (SIRCA), QuintessenceLabs Pty Ltd and Special Broadcasting Services Board.



### Kenneth Henry AC

**NAB:** Non-Executive Director since 2011. Member of the Audit and Nomination committees.

**Background:** More than 28 years in senior Australian government economic policy advisory positions. Secretary to the treasury 2001 to 2011. Special Advisor to the Prime Minister 2011 to 2012, with responsibility for leading the development of a White Paper on Australia in the Asian Century. Chaired the Henry Tax Review, 2008 to 2009.

**Key appointments:** Chairman: Advisory Council of the SMART Infrastructure Facility (University of Wollongong) and the Sir Roland Wilson Foundation (ANU). Director: ASX Limited and some of its subsidiaries. Board Member: Reconciliation Australia.

## NAB essentials > Board of Directors



### Geraldine McBride

**NAB:** Non-Executive Director since March 2014. Member of the Information Technology and Nomination committees.

**Background:** More than 26 years in the technology industry and international business. Former President of global software company SAP for North America. Founder and CEO of MyWave, a software and services company developing consumer and enterprise relationship solutions using personal cloud technologies.

**Key appointments:** Director: Sky Network Television Limited, Fisher and Paykel Healthcare.



### Paul Rizzo

**NAB:** Non-Executive Director since 2004. Chairman of the Risk Committee. Member of Audit, Information Technology and Nomination committees.

**Background:** More than 40 years in banking and finance and former Dean and Director of Melbourne Business School. Held senior roles with Telstra, CBA, State Bank of Victoria and ANZ.

**Key appointments:** Chairman: Defence Audit and Risk Committee for the Australian Government Department of Defence, the Foundation for Very Special Kids, and The Rizzo Report Implementation Committee for Defence. Director: Australian Submarine Corporation Pty Ltd.



### Jillian Segal AM

**NAB:** Non-Executive Director since 2004. Member of the Audit, Risk and Nomination committees.

**Background:** More than 20 years' experience in law and regulation. Former ASIC Commissioner and Chair of Banking and Financial Services Ombudsman Board. Environmental and corporate partner and consultant at Allen Allen & Hemsley and worked for Davis Polk & Wardwell in NY. Member of the Company's Corporate Responsibility Advisory Council.

**Key appointments:** Chair: General Sir John Monash Foundation. Director: ASX Limited and Garvan Institute of Medical Research. Deputy Chancellor University of NSW Council. Member: The Australian War Memorial Council and Sydney Opera House Board of Trustees.



### John Thorn

**NAB:** Non-Executive Director since 2003. Chairman of the Audit Committee. Member of the Information Technology and Nomination committees.

**Background:** More than 37 years with PricewaterhouseCoopers, including as the partner responsible for significant international and Australian clients, Member of the Global Audit Management Group and Australian national managing partner.

**Key appointments:** Director: Amcor Limited and Salmat Limited.

Note: Will retire from the NAB Board in December 2014.



### Geoff Tomlinson

**NAB:** Non-Executive Director since 2000. Member of the Remuneration and Nomination committees.

**Background:** More than 29 years with National Mutual Group, including six as Group MD and CEO. Currently Chairman of certain NAB wealth subsidiaries.

**Key appointments:** Director: Calibre Global Pty Limited and Chairman of Growthpoint Properties Australia Ltd.

Note: Will retire from the NAB Board in December 2014.



### John Waller

**NAB:** NAB: Non-Executive Director since 2009. Member of the Audit, Risk and Nomination committees.

**Background:** Over 20 years with PwC New Zealand, including as a Member of the firm's NZ Board and leader of its Advisory division. Currently Chairman of BNZ (a subsidiary of the Company).

**Key appointments:** Director: Fonterra Co-operative Group Limited, Haydn & Rollett Limited, Donaghys Limited, Sky Network Television Limited and Property for Industry Limited.



### Anthony Yuen

**NAB:** Non-Executive Director since 2010. Member of the Remuneration, Risk and Nomination committees.

**Background:** More than 40 years in international banking and finance including senior Asian executive roles with Bank of America, National Westminster Bank and The Royal Bank of Scotland. He is currently a Member of the Company's Australia in Asia Management Council.

**Key appointments:** Member: Supervisory Committee, ABF Hong Kong Bond Index Fund.



## Executive Leadership Team



### Andrew Thorburn

#### Managing Director and NAB Group CEO

Andrew became Managing Director and NAB Group Chief Executive Officer in August 2014. A career banker, Andrew joined NAB in 2005 as Head of Retail Banking. In October 2008, he became Managing Director and CEO of BNZ and was responsible for its strategic repositioning and improved performance. Beginning his career as an economist, Andrew has held senior roles at ASB Bank, Commonwealth Bank of Australia and St George Bank.



### Antony Cahill

#### Group Executive, Product & Markets

Antony has more than 15 years of banking experience across product, retail and business banking, finance and strategy. He was appointed to the role of Group Executive, Product & Markets in August 2014. Prior to this, he held roles of Executive General Manager, Lending & Deposits and Executive General Manager, Digital & Direct Banking. Antony joined NAB in 2010 as Executive General Manager, Growth Partnerships. Before joining NAB, Antony spent 12 years at ANZ in various senior roles.



### Craig Drummond

#### Group Executive, Finance & Strategy

Craig became NAB Group Executive, Finance and Strategy in October 2013 and has extensive experience in capital markets, merger negotiations, detailed post-merger integration and business strategy. Prior to joining NAB he was Chief Executive and Country Head of Bank of America Merrill Lynch Australia and also spent 23 years with Goldman Sachs JBWere where he was CEO and Chief Operating Officer and oversaw the JBWere/Goldman Sachs merger.



### David Gall

#### Group Chief Risk Officer

David has 25 years' experience in corporate and retail banking, working capital services, risk and payments. He was appointed NAB Group Chief Risk Officer in August 2014. Since joining NAB in 2008, David has held a number of senior roles including Executive General Manager roles for Banking and Wealth Solutions, Working Capital Services, Core Banking Transformation NextGen and Corporate Banking and Specialised Businesses. Prior to joining NAB, David held senior positions at St George Bank.



### Andrew Hagger

#### Group Executive, NAB Wealth

Andrew became NAB Group Executive, NAB Wealth in April 2013, responsible for all NAB's wealth businesses including MLC (where he is Chief Executive Officer), Plum, JANA, NAB Asset Management, JBWere and NAB Financial Planning. Since joining NAB in 2008 he has led the Private and Institutional Wealth business, been Executive General Manager of MLC & NAB Wealth's Insurance business, and Group Executive of People, Marketing & Communications. Andrew also spent 21 years at PricewaterhouseCoopers in senior roles including Managing Partner, Melbourne.



### Michaela Healey

#### Group Executive, People Communications & Governance

Michaela joined NAB in 2006 as NAB Group Company Secretary, joining the Executive Leadership Team in 2009. In April 2013, she took on the expanded role of Group Executive People, Communications and Governance, including responsibilities for Legal, Corporate Responsibility, Government Relations and Performance and Reward. Prior to joining NAB, she was Corporate Affairs Manager and Company Secretary at Orica. Michaela spent her early professional years as a corporate lawyer and a Company Secretary.

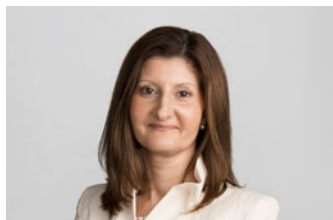
## NAB essentials > Executive Leadership Team



### Anthony Healy

#### Managing Director and Chief Executive Officer, BNZ

Anthony joined BNZ in 2009 and became Managing Director and Chief Executive Officer of BNZ in May 2014. He has held senior executive and director-level roles in an 18-year career in New Zealand, Australia, Asia and the Middle East. Before joining BNZ, he held a number of senior roles at ANZ including CEO of UDC Finance and Deputy Group Managing Director of AmBank Group in Malaysia. He is currently Deputy Chairman of the New Zealand Bankers' Association (NZBA) Council.



### Angela Mentis

#### Group Executive, Business Banking

Angela has more than 27 years' experience in banking and wealth management. Prior to being appointed as NAB Group Executive, Business Banking in August 2014, Angela was Executive General Manager for NAB Business and Executive General Manager for NAB Private Wealth. Before joining NAB she was Head of Premium Wealth Services at BT Financial Group, Global Head of Structured Investments at Westpac, and Vice President Syndications, Agency and Capital Markets, Australia & NZ with Citibank Limited.



### Renée Roberts

#### Group Executive, Enterprise Services and Transformation

In her 25 years at NAB, Renée has worked across most areas of financial services including Operations, Risk, Technology, Corporate, Institutional Banking and Personal Banking. She was appointed NAB Group Executive Enterprise Services and Transformation in August 2014. In 2011, Renée became Chief Risk Officer of BNZ. She has also held overseas roles with NAB including Head of Private Financial Services, Regional Audit Manager, Business and Personal Financial Services, Europe, and Area Manager, Retail Financial Services, Northern Bank, Belfast.



### Gavin Slater

#### Group Executive, Personal Banking

Gavin has 27 years' experience in the financial services industry commencing with the Standard Bank of South Africa. He joined NAB in 1999 from PriceWaterhouseCoopers and in his 15 years at NAB has held a number of senior executive positions including CFO for the Australian banking region, Group General Manager leading the foreign exchange remedial action program, Executive Director UK operations and a Member of the Group Executive leading the operations and technology functions.



For more on the Board of Directors and the Executive Leadership Team, including their experience and remuneration, see the 'Report of Directors' in the **2014 Annual Financial Report** at [nabgroup.com/annualreports](http://nabgroup.com/annualreports).

## 2014 Group financial performance<sup>1</sup>

Results \$m	2014	2013 <sup>2</sup>
Net interest income	13,775	13,407
Other operating income	5,104	5,125
IoRE	34	31
<b>Net operating income</b>	<b>18,913</b>	18,563
Operating expenses	(10,180)	(8,410)
Charge to provide for bad and doubtful debts	(877)	(1,934)
<b>Cash earnings before tax and distributions</b>	<b>7,856</b>	8,219
Income tax expense	(2,492)	(2,284)
<b>Cash earnings before distributions</b>	<b>5,364</b>	5,935
Distributions	(180)	(188)
<b>Cash earnings ('Cash Basis')</b>	<b>5,184</b>	5,747
<b>Reconciliation of Cash Earnings to statutory net profit<sup>3</sup></b>	<b>2014</b>	<b>2013</b>
Non-cash earnings items (after tax):		
Distributions	180	188
Treasury shares	(43)	(413)
Fair value and hedge ineffectiveness	83	(151)
DAC discount rate variation	(20)	22
Litigation expense/recovery	-	39
Amortisation of acquired intangible assets	(89)	(77)
<b>Net profit attributable to owners of the Company ('Statutory Basis')</b>	<b>5,295</b>	5,355
<b>Key indicators</b>		
Statutory earnings per share (cents) – basic	222.1	225.9
Statutory earnings per share (cents) – diluted	218.3	224.0
Cash earnings per share (cents) – basic	219.7	244.9
Cash earnings per share (cents) – diluted	216.0	242.7
Statutory return on equity	12.1%	13.0%
Cash return on equity (RoE)	11.8%	14.1%

Profitability, performance and efficiency measures	2014	2013 <sup>2</sup>
Dividend per share (cents)	198	190
Dividend payout ratio	90.1%	77.6%
Cash earnings on average assets	0.60%	0.72%
Banking cost to income (CTI) ratio	53.0%	43.7%
Net interest margin	1.94%	2.03%
<b>Capital</b>		
Common Equity Tier 1 ratio	8.63%	8.43%
Tier 1 ratio	10.81%	10.35%
Total capital ratio	12.16%	11.80%
<b>Asset quality</b>		
90+ days past due and gross impaired assets to gross loans and acceptances	1.19%	1.69%
Collective provision to credit risk-weighted assets <sup>4</sup>	0.83%	0.94%

<sup>1</sup> Refer to 'Glossary and definitions' on pages 40–41 for definitions of the above financial metrics.

<sup>2</sup> Restated to include Payment Protection Insurance provision charges in operating expenses for cash earnings purposes, and for the impact of adopting new accounting standards as detailed in the *Principal Accounting Policies* on page 76 of the *2014 Full Year Results Announcement*.

<sup>3</sup> Section 5 of the *2014 Full Year Results Announcement* includes the NAB Group's Income Statement, including statutory net profit. The NAB Group's audited financial statements, prepared in accordance with the *Corporations Act 2001 (Cth)* and Australian Accounting Standards, will be published in its *2014 Annual Financial Report* on 17 November 2014. Full reconciliations between statutory net profit and cash earnings are included on pages 5–8 of the *2014 Full Year Results Announcement*. Page 4 of the *2014 Full Year Results Announcement* contains a description of each non-cash earnings item for September 2014 and for the prior comparative periods.

<sup>4</sup> Includes economic cycle adjustment, collective provision against loans of amortised cost and collective provision held on assets at fair value.

## 2014 Group non-financial performance<sup>1</sup>

	2014	2013	2012
Personal banking customer satisfaction (Australia) <sup>2</sup>	<b>82.1%</b>	81.7%	82.6%
Microbusiness customer satisfaction (Australia) <sup>3</sup>	<b>7.0</b>	7.0	7.0
Small business customer satisfaction (Australia) <sup>3</sup>	<b>7.1</b>	7.1	7.2
Medium business customer satisfaction (Australia) <sup>3</sup>	<b>7.2</b>	7.3	7.3
Large business customer satisfaction (Australia) <sup>3</sup>	<b>7.3</b>	7.4	7.4
Institutional (\$500m+) Relationship survey (Australia) <sup>4</sup>	<b>47</b>	47	48
% change in customer complaints (Australia) <sup>5</sup>	<b>+25%</b>	+3%	-25%
Number of microfinance loans written (Australia) <sup>6</sup>	<b>25,612</b>	23,882	23,367
Value of microfinance loans written (\$m) (Australia)	<b>33,917</b>	31,940	28,700
Cumulative number of low income Australians assisted with microfinance products / services (Mission 1 million) (Australia) <sup>7</sup>	<b>335,794</b>	265,172	204,939
Number of customers assisted experiencing financial hardship (Australia)	<b>15,033</b>	13,029	N/A
Number of stores and business banking centres <sup>8</sup>	<b>1,771</b>	1,819	1,880
Number of ATMs	<b>4,578</b>	4,613	4,817
% of customers that are active users of internet banking (Australia) <sup>9</sup>	<b>50%</b>	52%	N/A
Total number of full-time equivalent employees (spot)	<b>42,853</b>	42,164	43,336
NAB Group employee engagement score (Right Management) <sup>10</sup>	<b>42%</b>	N/A	N/A
% of women in total workforce	<b>57%</b>	57%	58%
% of women in executive management <sup>11</sup>	<b>30%</b>	30%	30%
% of women on NAB Group Subsidiary Boards	<b>32%</b>	31%	26%
% of employees 50 years of age or over <sup>12</sup>	<b>19%</b>	18%	17%
Return to work rate for employees following primary carer's leave (Australia) <sup>13</sup>	<b>87%</b>	80%	82%
Total turnover rate <sup>14</sup>	<b>13%</b>	15%	14%
Voluntary turnover rate <sup>15</sup>	<b>10%</b>	11%	10%
Retention of high performing employees (Australia) <sup>16</sup>	<b>95%</b>	95%	N/A
Community investment (\$m)	<b>67.6</b>	66.5	55.7

	2014	2013	2012
Value of NAB's Workplace Giving Program (incl matched component) (Australia) (\$)	<b>2,068,349</b>	1,955,979	1,703,236
Cumulative number of volunteer hours (Mission 1 million) (Australia) <sup>17</sup>	<b>922,001</b>	764,816	622,603
Cumulative value of volunteer hours (Mission 1 million) (\$m) (Australia) <sup>18</sup>	<b>43.5</b>	35.2	27.8
% of material suppliers that are signatories to NAB Group Supplier Sustainability Principles <sup>19</sup>	<b>32%</b>	N/A	N/A

- NAB Group non-financial performance table data is described in detail in our 2014 *Dig Deeper* paper available at [nabgroup.com/annualreports](http://nabgroup.com/annualreports). All figures are for the Group as at 30 September, unless otherwise stated.
- Roy Morgan Research, September 2012–September 2014, Australian Main Financial Institution personal customers, population aged 14+, six-month moving average. Customer satisfaction is based on customers who answered very/fairly satisfied.
- DBM Business Financial Services Monitor, September 2012–September 2014, six-month rolling average. Overall satisfaction with main financial institution based on scale of 0–10 (extremely dissatisfied to extremely satisfied). Segments based on annual turnover (Micro \$0–<\$1m; Small \$1m–<\$5m, Medium \$5m–<\$50m, Large \$50m+).
- Peter Lee Associates 2014 Large Corporate and Institutional Relationship Banking Survey Australia. Based on average point score of overall satisfaction with products and services.
- The increase was in relation to improved reporting on customer complaints. For more information, see page 17.
- Prior period numbers have been restated due to updated reporting methodology.
- In partnership with Good Shepherd Microfinance. Cumulative data has been collected since 2005.
- Total number includes retail agencies, retail kiosks, agribusiness stores and private banking suites.
- Decrease due to the rate of increase of customers being greater than the growth rate of number of active users compared to 2013.
- 'Speak Up, Step Up' survey conducted by Right Management, April 2014. The Right Model (E8) measures employees commitment, advocacy, satisfaction and pride in both their job (four questions) and in the organisation (four questions). Employees need to answer favourably to all eight items to be considered engaged. Information on historical data can be found in our 2014 *Dig Deeper* paper available at [nabgroup.com/annualreports](http://nabgroup.com/annualreports).
- Executive management positions (also known as senior executive positions) are those held by Executive Leadership Team members, Executive Leadership Team members' direct reports, and their direct reports. Note: Support roles reporting in to these roles (for example, Executive Manager and Executive Assistant) are not included in the data.
- Total number of employees aged 50 and over as a percentage of headcount.
- The percentage of employees who return to work following the conclusion of primary carer's leave and any consecutive extended leave (for example, long service leave).
- Number of all employees who exited NAB each year, as a percentage of the average permanent headcount for each respective year.
- Number of all employees who voluntarily exited NAB each year, as a percentage of the average permanent headcount for each respective year.
- The percentage of employees recognised as high performing during their 2013 performance review that remain employed at 30 September 2014.
- Calculated by multiplying 7.75hrs for every volunteering day taken. Cumulative data has been collected since 2002.
- An average salary of each employment group is applied to the number of hours contributed by the respective employment group. Cumulative data has been collected since 2002.
- Supply chain data is as of 31 August 2014. Historical data was measured at an Australia and New Zealand region level, and is not comparable to 2014. For the definitions of material supplier across the NAB Group, please refer to our 2014 *Dig Deeper* paper available at [nabgroup.com/annualreports](http://nabgroup.com/annualreports).

N/A = Not previously reported.

## Financial<sup>1</sup> and non-financial

\$m <sup>2</sup>	Australian Banking		NAB Wealth	
	2014	2013 <sup>3</sup>	2014	2013 <sup>3</sup>
Net interest income	10,277	10,096	-	-
Other operating income	2,640	3,001	1,406	1,339
loRE	-	-	34	31
Net operating income	12,917	13,097	1,440	1,370
Operating expenses	(5,267)	(5,080)	(950)	(949)
Charge to provide for bad and doubtful debts	(741)	(1,114)	-	-
Income tax expense	(1,962)	(1,961)	(125)	(99)
Cash earnings	4,947	4,942	365	322
Net interest margin	1.61%	1.68%	N/A	N/A
Cash earnings on average assets	0.72%	0.77%	N/A	N/A
Cost to income ratio	40.8%	38.8%	66.0%	69.3%
Cash earnings per average FTE (\$'000s)	204	205	75	63
FTEs (spot)	24,391	23,793	4,840	4,960
\$m <sup>2</sup>	NZ Banking		UK Banking	
	2014	2013 <sup>3</sup>	2014	2013 <sup>3</sup>
Net interest income	1,382	1,207	1,367	1,177
Other operating income	449	411	376	368
Net operating income	1,831	1,618	1,743	1,545
Operating expenses	(737)	(651)	(1,233)	(1,130)
Charge to provide for bad and doubtful debts	(80)	(81)	(145)	(247)
Income tax expense	(276)	(237)	(81)	(44)
Cash earnings	738	649	284	124
Net interest margin	2.34%	2.36%	2.22%	2.12%
Cash earnings on average assets	1.24%	1.27%	0.43%	0.21%
Cost to income ratio	40.2%	40.3%	70.8%	73.1%
Cash earnings per average FTE ('000s)	NZD 171	NZD 171	GBP 22	GBP 11
FTEs (spot)	4,718	4,671	7,278	7,013

## Financial<sup>1</sup> and non-financial

\$m <sup>2</sup>	NAB UK CRE		Corporate Functions & Other <sup>4</sup>	
	2014	2013 <sup>3</sup>	2014	2013 <sup>3</sup>
Net interest income	37	61	712	866
Other operating income	31	(17)	261	124
Net operating income	68	44	973	990
Operating expenses	(57)	(56)	(1,995)	(645)
(Charge to provide for) /write-back of bad and doubtful debts	43	(477)	46	(15)
Income tax benefit/(expense)	(12)	114	(36)	(57)
Cash (deficit)/earnings	42	(375)	(1,012)	273
FTEs (spot)	183	220	1,443	1,507

1 Refer to 'Glossary and definitions' on page 40–41 for definitions of the above financial metrics.

2 Figures are in Australian dollars, except otherwise indicated.

3 Restated to include Payment Protection Insurance provision charges in operating expenses for cash earnings purposes and for the impact of adopting new accounting standards as detailed in the Principal Accounting Policies on pages 76 of the 2014 Full Year Results Announcement.

4 Corporate Functions and Other includes the impacts of provisions taken for UK related payment protection insurance and interest rate hedging products.

## Shareholder information

### 2014 Annual Reporting suite

A printed copy of our *2014 Annual Financial Report*, *2014 Annual Review* and *2014 Summary Review* are available to all shareholders upon request.

You can view our report online at [nabgroup.com/annualreports](http://nabgroup.com/annualreports) or request a printed copy from the Share Registry either by email at [nabservices@computershare.com.au](mailto:nabservices@computershare.com.au) or by calling 1300 367 647 (within Australia) or +61 3 9415 4299 (from outside Australia). Current and extensive historical information is posted and maintained on the website at [nabgroup.com](http://nabgroup.com).



Download the **2014 Annual Financial Report** at [nabgroup.com/annualreports](http://nabgroup.com/annualreports)

### Annual General Meeting

**When**  
Thursday, 18 December 2014

**Time**  
9.30am (Australian Eastern Standard Time – Brisbane time)

**Where**  
Plaza Ballroom, Brisbane Convention and Exhibition Centre

**Address**  
Corner Merivale and Glenelg Streets, South Bank, Brisbane, Queensland, Australia

### Dividend package

NAB provides its shareholders with a range of options when it comes to receiving dividends. For more information, please call 1300 367 647 or visit [nabgroup.com/shareholder](http://nabgroup.com/shareholder).

### Join us in cutting paper use

Many shareholders have chosen to receive electronic rather than paper communications through NAB's PaperCuts program. Join them and help us cut paper use by following the prompts at [computershare.com.au/easyupdate/nab](http://computershare.com.au/easyupdate/nab) or by calling 1300 367 647 within Australia. When calling from outside Australia, please call +61 3 9415 4299.

### 2015 Financial Calendar<sup>1</sup>

#### Half Year Results and Interim Dividend Announcement **Thursday, 7 May 2015**

Record Date for Interim Dividend **Friday, 15 May 2015**

Last election date for the Dividend Reinvestment Plan and the Bonus Share Plan (closed to new participants) **Monday, 18 May 2015**

Payment Date for Interim Dividend **Friday, 3 July 2015**

#### Full Year Results and Final Dividend Announcement **Thursday, 29 October 2015**

Record Date for Final Dividend **Monday, 9 November 2015**

Payment Date for Final Dividend **Tuesday, 15 December 2015**

#### Annual General Meeting (Perth) **Thursday, 17 December 2015**

<sup>1</sup> If there are any changes to these dates, the Australian Securities Exchange will be notified accordingly.

### Helping convert your shares to benefit Australian charities

ShareGift Australia is a not-for-profit organisation that provides shareholders with a facility to sell and donate parcels of shares to charity, free of brokerage or other administration charges.

To date, ShareGift Australia has donated more than \$800,000 to over 345 charities, helping to unlock a new stream of funds for the Australian community. ShareGift Australia is proudly supported by National Australia Bank Limited and is endorsed by The ASX Group and the Australian Shareholders' Association.

For further information about ShareGift Australia visit [sharegiftaustralia.org.au](http://sharegiftaustralia.org.au) or call 1300 731 632.

### Contact details

#### Principal Share Register

Computershare Investor Services Pty Ltd  
Yarra Falls  
452 Johnston Street  
Abbotsford VIC 3067  
Australia

#### Postal address

GPO Box 2333  
Melbourne VIC 3000  
Australia  
Local call: 1300 367 647  
F: +61 3 9473 2500

#### Outside Australia

T: +61 3 9415 4299  
F: +61 3 9473 2500  
E: [nabservices@computershare.com.au](mailto:nabservices@computershare.com.au)  
W: [nabgroup.com/shareholder](http://nabgroup.com/shareholder)

#### United Kingdom Share Register

Computershare Investor Services PLC  
The Pavilions  
Bridgwater Road  
BRISTOL BS99 6ZZ  
United Kingdom  
T: +44 870 703 0197  
F: +44 870 703 6101  
E: [nabgroup@computershare.co.uk](mailto:nabgroup@computershare.co.uk)  
W: [nabgroup.com/shareholder](http://nabgroup.com/shareholder)

#### United States ADR Depository / Transfer Agent and Registrar

##### Contact details for NAB ADR holders:

Deutsche Bank  
Shareholder Services  
American Stock Transfer & Trust Company

Peck Slip Station  
PO Box 2050  
New York NY 10272-2050  
United States of America

Toll-free: +1 866 706 0509  
Direct dial: +1 718 921 8137  
E: [DB@amstock.com](mailto:DB@amstock.com)

#### Contact details for ADR brokers and institutional investors:

US T: +1 212 250 9100  
UK T: +44 207 547 6500  
E: [adr@db.com](mailto:adr@db.com)

#### Registered office

National Australia Bank Limited  
Level 1  
800 Bourke Street  
Docklands VIC 3008  
Australia  
T: 1300 889 398

#### Company Secretary

Louise Thomson  
National Australia Bank Limited  
800 Bourke Street  
Docklands VIC 3008  
Australia  
T: +61 3 8872 2461

#### Corporate Responsibility

Postal address:  
Corporate Responsibility  
National Australia Bank Limited  
700 Bourke Street  
Docklands VIC 3008  
Australia  
E: [corporate.responsibility@nab.com.au](mailto:corporate.responsibility@nab.com.au)

#### Auditor

Ernst & Young  
8 Exhibition Street  
Melbourne VIC 3000  
Australia  
T: +61 3 9288 8000  
F: +61 3 8650 7777



## Independent Limited Assurance Report in relation to National Australia Bank Limited's 2014 Annual Review and 2014 Dig Deeper paper.

### To the Management and Directors of National Australia Bank Limited ('NAB'),

We have carried out a limited assurance engagement in order to state that nothing has come to our attention that causes us to believe that:

- NAB has not presented its material sustainability issues and that the associated disclosures are not complete in its 2014 Annual Review, and
- The Performance Metrics and Disclosures as detailed below, have not been reported and presented fairly, in all material respects, in accordance with the criteria.

The Performance Metrics and Disclosures for the year ended 30 September 2014 are comprised of:

- 36 key non-financial metrics<sup>1</sup> and the performance disclosures included in the 2014 Annual Review and 2014 Dig Deeper paper (collectively referred to as the 'Report') related to these key metrics, and
- The financial metrics included in the 2014 Annual Review in the NAB Group Financial Performance table on pg 35 of the 2014 Annual Review.

Our assurance did not include:

- Data sets, statements, information, systems or approaches relating to areas other than performance metrics and disclosures selected
- Management's forward looking statements
- Any comparisons made against historical data. For metrics expressed as a cumulative total, our assurance included testing of the 2014 data;<sup>2</sup> and the summation of prior year data only.

1 The selected sustainability disclosures for inclusion in the scope were determined based on the outcomes of NAB's materiality review and are in line with its 15 business wide commitments which is part of its Wealth of Opportunity strategy. A list of the 36 key non-financial metrics can be found on page 69 of the 2014 Dig Deeper paper.

2 For the 'cumulative total of volunteering hours and value' metrics, EY has previously provided limited assurance over the data from 2011 to 2013.

### Criteria

The following criteria have been applied to the Report and Performance Metrics and Disclosures described above:

- Global Reporting Initiative Sustainability Reporting Guidelines' ('GRI G4') principles of materiality and completeness
- NAB's reported criteria for the key non-financial metrics detailed within the Report
- NAB's accounting policies as defined in NAB's 2014 Annual Financial Report and financial reporting policies and principles as defined in NAB's 2014 Full Year Results Announcement as detailed online at [nabgroup.com](http://nabgroup.com) (together 'the Criteria').

### The Responsibility of Management

The management of NAB is responsible for the preparation and presentation of the Performance Metrics and Disclosures in the Report in accordance with the above Criteria, and is also responsible for the selection of methods used in the Criteria. No conclusion is expressed as to whether the selected methods used are appropriate for the purpose described above. Further, NAB's management is responsible for establishing and maintaining internal controls relevant to the preparation and presentation of the performance metrics and disclosures that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate criteria; maintaining adequate records and making estimates that are reasonable in the circumstances.

### Assurance Practitioner's Responsibility

Our responsibility is to express a limited assurance conclusion in accordance with the *International Federation of Accountants' International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* ('ISAE 3000') and in accordance with the terms of reference for this sustainability assurance engagement as agreed with NAB. Our responsibility is also to express a limited assurance conclusion based on our financial metric assurance engagement in

accordance with *Auditing Standard on Review Engagements ASRE 2405 Review of Historical Financial Information Other than a Financial Report*.

Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance. The procedures performed depend on the assurance practitioner's judgement including the risk of material misstatement of Performance Metrics and Disclosures, whether due to fraud or error. While we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our engagement was not designed to provide assurance on internal controls.

Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems, which would have been performed under a reasonable assurance engagement.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

### Work Performed

In order to form our conclusions we undertook the following limited assurance procedures:

- Interviews with NAB executive management and other key personnel relating to NAB's identification and inclusion of material issues in the 2014 Annual Review in line with the materiality and completeness principles
- A media and peer review to check NAB included and reported its material issues in line with the materiality and completeness principles
- For key non-financial metrics provided by third parties, checked the metrics had been correctly transcribed
- For the other non-financial and financial performance metrics, checked for the correct application of criteria and methodologies, undertook analytical reviews, identified and tested assumptions supporting calculations, tested a sample of underlying source information, assessed the reliability of specific non-financial performance information and checked the performance disclosures

- Checked the clerical accuracy of financial metrics and where applicable agreed financial metrics to core financial systems and the 2014 Full Year Results Announcement.

Further details can be found in the full independent assurance report at [nabgroup.com/cr](http://nabgroup.com/cr).

### Use of our Report

We disclaim any assumption of responsibility for any reliance on this assurance statement or on the Performance Metrics and Disclosures to which it relates, to any person other than management and directors of NAB, or for any purpose other than that for which it was prepared.

### Independence, Competence and Experience

In conducting our engagement we have met the independence requirements of the APES 110 *Code of Ethics for Professional Accountants*. We have the required competencies and experience to conduct this assurance engagement.

### Limited Assurance Conclusion

Based on our procedures, nothing has come to our attention that causes us to believe that:

- NAB has not included its material sustainability issues and that the associated disclosures are not complete in its 2014 Annual Review (as defined by the GRI G4 principles of materiality and completeness), and
- The Performance Metrics and Disclosures detailed above, have not been reported and presented fairly, in all material respects, in accordance with the Criteria.

### Electronic Presentation of Information

Our engagement included web-based information that was available via web links as of the date of this statement. We provide no assurance over changes to the content of the Report after the date of this assurance statement.

Ernst & Young  
Melbourne, Australia  
17 November 2014

### About this Annual Review

This *2014 Annual Review* includes financial summaries and information from NAB's *2014 Annual Financial Report* and *2014 Full Year Results Announcement*. This is our fifth year of providing an integrated report on our business. This document is not a concise report prepared under section 314(2) of the *Corporations Act 2001* (Cth). NAB has not prepared a concise report for the 2014 financial year. All figures quoted are in Australian dollars unless otherwise stated. A reference to '\$' is to an amount in Australian dollars and a reference to '£' is to an amount in British pounds sterling. References to 'nab', 'NAB', the 'National', 'National Australia Bank' or the 'Company' are to National Australia Bank Limited ABN 12 004 044 937. The 'Group' or 'NAB Group' refers to the National Australia Bank Limited and its controlled entities. All references are as at 30 September 2014 except where stated otherwise. Any references to changes (including an increase or decrease) relate to the previous year, unless otherwise stated. Unless otherwise stated, information in this document is presented on a cash earnings basis. Cash earnings is a non-IFRS key financial performance measure used by NAB, the investment community and NAB's Australian peers with similar business portfolios. See page 2 of the *2014 Annual Review* for more information on cash earnings and statutory net profit.

**2014 Annual Financial Report** The NAB Group's audited financial statements, prepared in accordance with the *Corporations Act 2001* (Cth) and Australian Accounting Standards, are published in our *2014 Annual Financial Report*, which is available in hard copy on request and can be viewed at [nabgroup.com/annualreports](http://nabgroup.com/annualreports) from 17 November 2014.

**Additional Corporate Responsibility information** is available in our *2014 Dig Deeper* paper available online from 17 November 2014, which provides detailed information for analysts and other stakeholders on our Corporate Responsibility (CR) performance, including historic trends and application of the Global Reporting Initiatives G4 guidelines.

### The value of Integrated Reporting

We're challenging ourselves to look at our business performance as a whole, through a framework set by the International Integrated Reporting Council (IIRC). This *2014 Annual Review* demonstrates how we're creating value for our stakeholders through our business strategy, operating environment, governance and financial and non-financial activities.

It captures the most impactful issues of the year as they relate to our performance. The content included in our *2014 Annual Review* is the result of extensive engagement with customers, shareholders, our people, analysts, consumer advocate groups and community organisations – so it reflects what is most significant to stakeholders.

### Being accountable

NAB's *2014 Annual Review* Steering Committee is responsible for ensuring the integrity of NAB's integrated report (the *2014 Annual Review*). The Steering Committee is comprised of representatives from key business functions including Shareholder and Investor Relations, Strategy, Finance, Governance, Risk, Legal and Corporate Responsibility, who have collectively prepared the *2014 Annual Review*. The Steering Committee concludes that the *2014 Annual Review* has been developed with due consideration of the IIRC Integrated Reporting framework.

### Forward-looking statements

This document contains certain forward-looking statements. The words 'anticipate', 'believe', 'expect', 'project', 'estimate', 'likely', 'intend', 'should', 'could', 'may', 'target', 'plan' and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the NAB Group, which may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements.

Further information on important factors that could cause actual results to differ materially from those projected in such statements is contained on pages 13–19 of our *2014 Annual Financial Report* under 'Disclosure on Risk Factors'.

### Making sure we listen

Understanding what matters to our stakeholders helps us continuously improve our business and processes. It shapes the way we think and behave. We reach out to investors, analysts, employees, consumer advocates, and suppliers each year through a series of formal and informal engagements. Some of our key forums include the Advisory Council on Corporate Responsibility, the CEO Consumer Briefing and our Indigenous Advisory Group, among other internal and external forums.

We also conduct an Annual Materiality Review to identify key governance, environmental and social issues likely to impact the business, which includes workshops, interviews and surveys. In 2014 we gathered more insight by increasing our focus on one to one interviews. See page 11 for details on our material issues.

Direct contact with customers has also been improved by NAB's Social Media Command Centre, which is in its second year of operation. Our stakeholder engagement is chiefly guided by NAB policies and the AA1000 Stakeholder Engagement Standard. In line with the principle of concise reporting as part of the IIRC framework, we further detail our Annual Materiality Review and our performance on those material issues in our *2014 Dig Deeper* paper, available at [nabgroup.com/annualreports](http://nabgroup.com/annualreports).

### Glossary of terms

#### Amortisation of acquired intangible assets

The amortisation of acquired intangibles represents the amortisation of intangible assets arising from the acquisition of controlled entities and associates such as core deposit intangibles, mortgage servicing rights, brand names, value of business and contracts in force.

#### APRA

Australian Prudential Regulation Authority

#### Banking cost to income ratio

Represents banking operating expenses (before inter-segment eliminations) as a percentage of banking operating revenue (before inter-segment eliminations).

#### Basel III

Basel III is a global regulatory framework designed to increase the resilience of banks and banking systems and is effective for Australian Banks from 1 January 2013.

#### Cash earnings

Cash earnings is defined as net profit attributable to owners of the Company, adjusted for the items NAB considers appropriate to better reflect the underlying performance of the Group. In September 2014 cash earnings has been adjusted for the following:

- Distributions
- Treasury shares
- Fair value and hedge ineffectiveness
- Deferred Acquisition Costs (DAC) discount rate variation
- Amortisation of acquired intangible assets

In the 2013 September year, cash earnings was adjusted for litigation expense and recovery. This item did not recur in the September 2014 year. Customer redress for Payment Protection Insurance has been recorded as operating expenses for cash earnings to be consistent with presentation in 2014. For statutory purposes these provisions were recorded as a charge to other operating income in 2013.

#### Cash earnings per share – basic

Calculated as cash earnings adjusted for distributions on other equity instruments, divided by the weighted average number of ordinary shares adjusted to include treasury shares held by the NAB Group's life insurance business.

#### Cash earnings per share – diluted

Calculated as cash earnings adjusted for distributions on other equity instruments and interest expense on dilutive potential ordinary shares. This adjusted cash earnings is divided by the weighted average number of ordinary shares, adjusted to include treasury shares held by the Group's life insurance business and dilutive potential ordinary shares.



## Shareholder information > Glossary and definitions

### Cash return on equity (RoE)

Calculated as cash earnings divided by average shareholders' equity, excluding non-controlling interests and other equity instruments and adjusted for treasury shares.

### Common Equity Tier 1 (CET1) capital

Common Equity Tier 1 (CET1) capital is recognised as the highest quality component of capital. It is subordinated to all other elements of funding, absorbs losses as and when they occur, has full flexibility of dividend payments and has no maturity date. It is predominately comprised of common shares; retained earnings; undistributed current year earnings; as well as other elements as defined under APS111 – Capital Adequacy: Measurement of Capital.

### Common Equity Tier 1 ratio

Common Equity Tier 1 as defined by APRA divided by risk-weighted assets.

### Company

'Company' or 'NAB' means National Australia Bank Limited ABN 12 004 044 937.

### Core Assets

Represents gross loans and advances including acceptances, financial assets at fair value, and investments held to maturity.

### Customer deposits

Interest bearing, non-interest bearing and term deposits (includes retail and corporate deposits).

### Deferred Acquisition Cost (DAC) discount

The profit impact of a change in value of deferred acquisition costs (net of reinsurance) included in insurance policy liabilities resulting from a movement in the inflation adjusted risk-free discount rate.

### Distributions

Payments to holders of other equity instrument issues such as National Income Securities, Trust Preferred Securities, Trust Preferred Securities and National Capital Instruments.

### Dividend payout ratio

Dividends paid on ordinary shares divided by cash earnings per share.

### Earnings per share

Basic and diluted earnings per share calculated in accordance with the requirements of AASB 133 *Earnings per Share*.

### Fair value and hedge ineffectiveness

Represents volatility attributable to the Group's application of the fair value option, ineffectiveness from designated accounting and economic hedge relationships and economic hedges of significant approved funding activities where hedge accounting has not been applied.

### Full-time equivalent employees (FTEs)

Includes all full-time staff, part-time, fixed term and casual staff equivalents, as well as agency temps and external contractors either self-employed or employed by a third party agency. Note: This does not include consultants, IT professional services, outsourced service providers and non-executive directors.

### Impaired assets

Consist of:

- Retail loans (excluding unsecured portfolio managed facilities) which are contractually past due 90 days with security insufficient to cover principal and arrears of interest revenue;
- Non-retail loans which are contractually past due and there is sufficient doubt about the ultimate collectability of principal and interest; and
- Impaired off-balance sheet credit exposures where current circumstances indicate that losses may be incurred.

Unsecured portfolio managed facilities are also classified as impaired assets when they become 180 days past due (if not written off).

### Investment earnings on retained earnings (IoRE)

Investment earnings (gross of tax) on shareholders' retained earnings, comprising investment earnings on surplus assets which are held in the Statutory Funds to meet capital adequacy requirements under the *Life Insurance Act 1995* (Cth).

### NAB

'NAB' or the 'Company' means National Australia Bank Limited ABN 12 004 044 937.

### NAB Group

'NAB Group' or 'Group' means the Company and its controlled entities.

### Net interest margin (NIM)

Cash earnings net interest income as a percentage of average interest earning assets.

### Net profit attributable to non-controlling interest

Reflects the allocation of profit to non-controlling interests in the Group.

### Net profit attributable to owners of the Company

Represents the Group's statutory profit after tax and reflects the amount of net profit that is attributable to owners.

### Tier 1 capital

Tier 1 Capital comprises the highest quality components of capital that fully satisfy all of the characteristics outlined under APRA's prudential framework. It provides a permanent and unrestricted commitment of funds, are freely available to absorb losses, do not impose any unavoidable servicing charge against earnings and rank behind the claims of depositors and other creditors in the event of winding-up.

### Tier 1 capital ratio

Tier 1 Capital as defined by APRA, divided by risk-weighted assets.

### Treasury shares

Shares in the Company held by the Group's life insurance business and in trust by a controlled entity of the Group to meet the requirements of employee incentive schemes. The unrealised mark-to-market movements arising from changes in the share price, dividend income and realised profit and losses arising from the sale of shares held by the Group's life insurance business are eliminated for statutory reporting purposes.