

Disclaimer: *This transcript has been prepared by a third party on behalf of National Australia Bank Limited (NAB). NAB cannot guarantee that it is accurate or complete, nor that any errors it may contain have been corrected. Accordingly, you should not rely on any of the information in this transcript. Anyone seeking to clarify content discussed in this transcript or the event to which it pertains should contact NAB's Investor Relations team at investorrelations@nab.com.au*

Start of Transcript

Penny MacRae: Good morning. My name is Penny MacRae and I am the Company Secretary of National Australia Bank. Before commencing this Annual General Meeting I would like to invite Uncle Colin Hunter, Wurundjeri elder, to welcome us to country.

Colin Hunter: Yes, thank you. Look, I want to start off by acknowledging that this morning we are meeting on the land of my ancestors, the Wurundjeri people and I want to take this opportunity to pay my respects to my elders both past, present and emerging, elders from all nations, but I particularly want to pay my respects to everyone gathered here this morning. But I just want to acknowledge the work that the National Australia Bank does in the space around Aboriginal employment and Aboriginal procurement and the list goes on, so I want to acknowledge that.

[Spoken in Aboriginal language] welcome. Wurundjeri [spoken in Aboriginal language]. The Wurundjeri people welcome everyone to land today. Wurundjeri [spoken in Aboriginal language]. The Wurundjeri people want to look after and protect the land as they did long before. Wurundjeri country extends from the inner city of Melbourne, it goes across the mountains of the Great Dividing Range, west to the Werribee River, south to the Mordialloc Creek and east to Mount Baw Baw. The Wurundjeri people are part of the Kulin nation and of the Woiwurrung language group.

Hello, my name is Colin Hunter Junior, or Wollert, meaning possum, a name given to me by my grandmother as a young boy. I am a proud and passionate seventh generation Wurundjeri man and a direct descendent of Bebejern who was Ngurungaeta or head of the tribe at the time at first settlement. It's through my grandmother [unclear] and Nanna she was known to us mob, that I've got Aboriginal culture and heritage in my life today so for that I say thanks Nan. My grandmother was one of the last of the Aboriginal people born in the early 1920s up at Coranderrk Mission near Healesville before she got pushed up to [unclear] on the river in New South Wales.

In Aboriginal culture a great deal of respect is given to the land, the plants and animals alike and they've got my beautiful gum leaves there. I don't know if there's enough to go around so don't start a riot, but I will leave them there and if people get a chance to take one before they go home, take one in your pocket for the day please. The significance of it will keep you safe while on country and give you the access to resources while you're on country. While you're on Wurundjeri country you are welcome to the traditional lands and the waterways of the Wurundjeri people. [Unclear] and enjoy the meeting. Thank you.

Penny MacRae: Thank you Uncle Colin for your welcome on behalf of the Wurundjeri people. I would also like to acknowledge and thank the people of the Kulin nation. Before we commence today's meeting I would like to point out that when you arrived you received a coloured card. The coloured cards indicate which items of business you can vote on or you can ask questions on. It depends on whether you are a shareholder or a securityholder, the type of shares you hold or whether you are a visitor today. These cards will be used later in the meeting when the Chairman asks shareholders to vote on the items of business.

If you hold a white card you may vote and ask questions. If you hold a grey, a red, a brown or a blue card, you may vote on the items of business as set out on those cards and you may ask questions. If you hold a green card you can ask questions but not vote and if you hold a yellow card you are a visitor. You are more than welcome but you cannot vote or ask questions.

I would now like to introduce our Chairman, Dr Ken Henry.

Ken Henry: Thank you Penny. Good morning ladies and gentlemen. It's just after 9:30am. This is a properly constituted meeting and a quorum is present. I therefore declare the Annual General Meeting of National Australia Bank Limited open. I would now like to introduce to you the people who are with me on the stage. Seated on my left, that is on your right, is our Group Chief Executive Officer and Managing Director, Andrew Thorburn. Next to Andrew is our Chief Financial Officer, Gary Lennon. Seated on my right is the Company Secretary, Penny MacRae, whom you've just met.

Seated with us on stage are the other eight non-executive directors whom I will also now introduce. Firstly, seated next to Penny, is Phil Chronican. Next to Phil is Anne Loveridge and Peeyush Gupta and Doug McKay at the end. Next to Gary Lennon, on my left, we have David Armstrong, then Ann Sherry, Anthony Yuen and Geraldine McBride.

Also present with us this morning are two representatives of our auditor, Ernst & Young,

seated down the front, Sarah Lowe, the lead engagement partner and Brett Kelly, partner of Ernst & Young. The executive leadership team at the Bank is also present in the room seated down the front here and they will join us for refreshments at the conclusion of the meeting.

It's a pleasure to be here in Melbourne today and I welcome all of those who are here, as well as those who are watching the meeting online. The City of Melbourne was the birth place of our Bank 160 years ago. Today more than 1.5 million NAB customers, 130,000 shareholders and more than 16,000 of our people, our employees, including our Chief Executive Officer Andrew Thorburn, call this place, Melbourne, home. It's an honour to serve as the Chairman of NAB. This is an organisation with a long and proud history of backing Australians.

My fellow directors here on stage share this sentiment. This has been a challenging year for all of the Bank's 33,000 hardworking employees across Australia and New Zealand and of course for you, our owners. Issues have been raised of our Bank and in the industry that are simply unacceptable. There have been too many instances where we have not met the standards that our customers are entitled to expect of us. Right from the outset it was clear that the Royal Commission would provide a demonstration of the need for change. At NAB we have been determined to face into these challenges. We have not bunkered down waiting for the issues to blow over getting on with business as usual. There can be no business as usual. We must build a better NAB. A bank that delivers the right outcomes for customers everywhere and every time and that's what we're about.

Twelve months ago we laid out a clear plan to once again make NAB a high performing bank capable of delivering strong returns from a sustainable basis. This will take time but we are confident in our approach and in a moment Andrew will take you through some of the significant actions that we have been taking in the Bank over the past year.

As a Board we have also been making changes and in particular to how we remunerate our senior executives. Now of course we could have waited until after the Royal Commission which has brought a sharp focus to incentives in the banking industry, but the Board came to the view long before the Commission started that our executive remuneration scheme was not right. It didn't put enough focus on the management of financial risks and conduct matters and there was a risk that our so-called long-term incentive scheme might even be encouraging short term thinking and value destroying behaviours.

We weren't alone in considering this challenge. The consequences of traditional LTI

schemes have been exercising the minds of remuneration specialists around the world for some years now. [The thing should be clear alone that on the goal] to better measure and reflect customer outcomes alongside long term financial performance and bring greater transparency to the way that reward is determined for individual executives. Having pressed ahead with our reforms to executive remuneration this year with this intention, the Board is hearing loud and clear that our new scheme is not right. We tried but we got it wrong. We are listening to you. We will try again.

No matter what happens here today more than 80% of the votes cast on our remuneration report will be against. Based on our conversations with major investors in the lead up to today we estimate that of the more than 80% of votes cast against the remuneration report more than one third are simply due to the fact that we changed the design of our scheme. But the remainder, the against votes, relate to factors including the quantum of remuneration, scheme design, which I've already mentioned and how the Board has applied the scheme for the first time in respect of the 2018 financial year. No doubt there are also many other reasons for shareholders registering a no vote on the remuneration report this year.

The Board accepts all of this feedback. We remain determined to have a framework that meets the expectations of all our stakeholders. We will learn from your feedback, we will consult with our major shareholders and we will consider of course the finer report of the Royal Commission and also of APRA's review of remuneration practices at large financial institutions due in March of next year. We will get our executive remuneration settings right to the satisfaction of our shareholders. I encourage you, all of you, to continue to give us feedback as we work towards this goal.

In response to the Notice of Meeting and in the lead up to today a number of shareholders have submitted questions. The Board values the insights you provide and I would like to address some of the prevalent themes in my remarks this morning. On the most commonly expressed theme the Board acknowledges that the current share price is not where any of us want it to be. While the market has declined for Australian banks and indeed for financial institutions around the world we are focused on the things that we can control, making sure we have the right plan for the future, investing in the right areas and providing support and challenge for the executive leadership team. We do not take your investment in our business for granted. You provide the capital to us on the basis of receiving a good return over time.

Despite a challenging year, the NAB delivered a solid financial performance. We were pleased to be able to maintain the 2018 dividend at \$1.98 per share fully franked. Returning \$5.3 billion in dividends to more than 584,000 shareholders.

If we look through the significant largely one-off items, our payout ratio this year was 82.6% which we consider to be appropriate at this time given low growth in risk weighted assets and solid return on equity. We have a clear plan for NAB, we remain confident in our future under the leadership of our CEO, Andrew, and an executive team of truly global quality.

Andrew has announced this week that he plans to take annual leave from this Friday. He will return to lead NAB's response to the Royal Commission's final report due on 1 February. He will then take a month, four weeks, of his long service leave entitlement.

This is a decision that Andrew and I had discussed earlier in the year and which the Board fully supports. We're now 12 months into a three-year strategy to transform the bank and we look forward to Andrew returning from leave rested and fully recharged to see through the transformation and indeed, beyond the transformation.

In setting NAB up for the future, we recognise the need for the bank to be much simpler and faster. Customer expectations are changing rapidly. New competitors are emerging and our systems and processes need to be more robust, they need to be more reliable.

So we're making an additional investment of \$1.5 billion over three years to 2020. This is an ambitious plan. We're not looking to other Australian banks for benchmarks, but instead, to the best in the world.

We have a significant focus on innovation and banker capability in NAB's business bank where we already have a market leading position but where we see opportunity for further growth.

Despite some economic head winds, business conditions are holding at levels above long-term average. Our role, working with our customers, is to translate those business conditions into stronger business confidence and stronger business investment.

In this spirit, NAB will chair an industry group that's working to establish the Australian Business Growth Fund to support small business access to equity capital. This fund has the support of the federal government.

Underpinning our strategy is recognition that the best way to act in shareholders' long-term interest is through a relentless focus on our customers. I've said before, and we

believe this at NAB, that there is absolute alignment in the long-term interest of shareholders and customers.

Losing sight of the customer in pursuit of short-term profits or expediency is not in anyone's favour. Over the past decade, I've reflected often on the lessons of the global financial crisis. Senior banking executives in the United Kingdom and the United States in particular were lauded for outstanding long-term total shareholder return and return on equity performance over many, many years.

Until the cost of their credential failings and their poor treatment of customers were realised. Shareholders then paid a hefty price. This year, we too have learned some important lessons.

The Royal Commission has shone a light on the treatment of customers across the financial services industry, and of course, including here at NAB. The commission has been a forum principally to examine how customers are being treated. But also a forum for banks to listen and to learn. It's posed questions of both policy and practice.

Finding the right answers to these questions will be critical to making our sector stronger and more sustainable. I've welcomed the Royal Commission's examination. I've welcomed its challenge to us. We've considered where and why NAB has let its customers down, and how we could have responded differently.

Frankly, I've been appalled by some of the instances of poor regulatory compliance and poor outcomes for our customers. It's simply not good enough. I understand that many of you are upset by what you've seen and heard, and I understand why you're upset.

I want you to know that the Board accepts accountability for these things. We are sorry. So what do we do now? Most importantly, we have to learn from our mistakes. We have to take action. We know that we can't talk our way out of this. We have to work our way out of it.

The onus is on us, all of us, to be better, to be faster, to address the root causes of issues so that these things never happen again. I can assure you this will be the focus of the Board next year. We will work with government, we will work with our regulators on any of the policy issues arising from the Royal Commission's final report due at the start of February.

However, as I noted earlier, when it comes to being better for our customers, we're not waiting until then. We've already overhauled NAB's introducer program. We've

commenced a customer remediation program. We've completed refunds of planned service fees. We've closed that issue for just over 304,000 affected members.

We've also agreed on a remediation methodology with ASIC that will see NAB financial planning refund advisor service fees to those customers who did not get the services they paid for. This remediation is starting this week and it will be completed in 2019.

The Board this year, led a self-assessment on NAB's governance, accountability, and culture following release of APRA's credential review into the CBA. We've been open about the underlying reasons for the issues we're facing and what we're doing about them. We've been similarly open in recognising that there's a lot of work to do if we are to be the bank that we want to be. We're the only bank to have voluntarily published our self-assessment. We've done that for our people and for the public. We made this decision because we viewed it important to be transparent and recognising our accountability to our customers and to you our shareholders, as well of course to APRA, our accountability about what needed to change and why it needs to change.

Through our regular financial reporting mechanisms we will provide progress on the actions that we are taking to strengthen the bank's approach to non-financial risk management. Some actions are already underway through our transformation. The self-assessment process provoked considerable introspection as you would imagine. We did not shy away from NAB's shortcomings. It revealed that we do a good job of many things most of the time, but we do not get it right for all of our customers every single time.

We faced into the uncomfortable truth that we have a long way to go to achieve our vision to be Australia's leading bank, trusted by customers for exceptional service. That's our vision. Too often the voice of the customer has been missing from our decision making. We're working to better understand customer complaints and to deal with persistent issues. We are working to fix problems better and faster and we're instituting a Board customer outcomes committee, something that by the way several of our shareholders had suggested to us.

This committee will enhance the Board's ability to hear directly from customers and to respond accordingly. In the past we've been reluctant to set exacting standards. We have not moved quickly enough to address weaknesses when they were recognised. On this too we are now taking action. We're implementing better systems, better processes. We've invested significantly more in compliance and risk. In 2018 financial year alone we're spending \$450 million in this area. We've recruited additional specialist and senior risk

management expertise.

Simplifying our business and the products and services we offer is another way that we can improve the speed at which we can get the right outcomes for our customers every time. The self-assessment also found that we've been prepared to accept good intentions rather than always holding ourselves to account for operating with the required degree of urgency, the required consistency and the required discipline. On this we're creating clearer lines of accountability and we are lifting our expectations of leaders. We're ensuring that our remuneration frameworks incentivise the right behaviours at all levels to support and build the culture that we want.

Across the organisation variable rewards including customer goals, actions and behaviours. Variable rewards are now fully compliant with the retail banking remuneration related recommendations made by the independent expert Stephen Sedgwick ahead of the 2020 deadline. My fellow directors and I have a great privilege and responsibility. We know that we are accountable for the sound corporate governance of your company, a major bank that impacts the lives of every Australian, every Australian in one way or another. Living NAB's purpose and values starts with the Board and I want you to know that every NAB director is of course a NAB shareholder and every NAB director is a NAB customer.

The Board will continue to guide, to challenge and to support the executive leadership team to build a simpler, faster and better bank. We will not be complacent with our customers and we will not be complacent with the investment that you our shareholders have made. We have great ambition for NAB and we're confident that the bank has the right plan and the right leadership to achieve that ambition. In closing I want to thank our nine million customers for banking with NAB and our 33,000 people for their dedication to our customers and for all of their hard work in a very difficult year.

I'd also like to thank you our shareholders for your support which enables us to deliver for our customers. We will listen, we'll respond to your views and we will make changes to ensure that we meet your expectations as the owners of our company. I'll hand over now to your Group CEO Andrew Thorburn. Thank you, Andrew.

Andrew Thorburn: Thank you Ken and welcome to our shareholders both here in person in Melbourne and those joining us through the webcast. Today is an important opportunity to reflect on our strategy and our performance during 2018 and on the actions we are taking to become a stronger bank where profitability and sustainable returns are built on a foundation of exceptional customer service. Additionally in my remarks today I would like

to cover a number of other points including the Royal Commission and how we're listening and acting differently. I'll also talk about how we're investing in changing to become better and more focused on the long term and what makes our business bank a key point of difference.

Lastly I'll share my thoughts on our people and the culture of the bank and how we make a difference to Australians. Of course we look forward to taking any questions you have for us today. The AGM is an important opportunity for you to have your say and for us to respond to your feedback. It's important to the Board and our executive leadership team who are all here today that our shareholders share our confidence in NAB's future. This year the Royal Commission has challenged the entire financial services sector.

We have heard examples of where we have let our customers down, where we have lost their trust, where we haven't acted or fixed things quickly enough and where we haven't got it right for all our customers all the time. For these things we are sorry and we're already starting to change and prove we are learning from our mistakes. I've reflected on what's gone wrong and spoken about the four reasons I believe banks have drifted. Firstly, the primary focus shifted away from customers. This has left our industry open to the challenge of putting profits before people. Ultimately the interests of our shareholders are aligned with the interests of our customers. This is how a sustainable business is built.

Secondly, the move from a long-term view to a short-term one; given the risks and nature of our business we should be planning over a five to 10-year horizon, not just one to two years. Thirdly, the move from base pay to greater incentive compensation hasn't been managed carefully enough and has at times rewarded the wrong behaviours and focussed on product sales and short-term growth. We have taken actions in this area and will continue to make changes. Fourthly, banks have become bound by internal rules and policies and regulation and legacy systems and this has led to inertia and as a result we've lost the vital local connections we previously had. Whilst the Royal Commission has revealed terrible examples of misconduct and mistakes, it is also true that it is not representative of the bank or its people and the vast majority of time we get it right.

We are determined to get back to where we need to be and to achieve our vision of being Australia's leading bank, trusted by customers for exceptional service. As Ken mentioned, we have reflected deeply inside the company about what needs to change and have been very open and transparent, both publicly and with our people, about the roadmap forward. Trust is the foundation for a sustainable business and we will be assessed on the changes

we make and the actions we take to put our customers first. While wholesale funding costs have risen we have kept our standard variable home loan rate on hold for the time being, to recognise our customer's loyalty. Every month we are able to hold saves our customers money. In July we made an important commitment to be the bank for rural and regional Australia and over the past few months myself and the bank's senior leaders have visited 13 communities right across the country to hear firsthand from customers.

Following this, we are thinking differently about the service and support we can provide. We made the decision to remove default interest rates for customers affected by drought and allow our farming customers to offset their farm management deposits against their lending. We are working to establish regional connect centres in Toowoomba, Tamworth, Bunbury and Bendigo. Ahead of today's meeting we received a number of questions about our branch network and how we are supporting communities. We understand the important role the bank plays in communities around the country. We reversed our decision to close the Narooma and Dungog branches in New South Wales and we will not be closing any branch in drought-declared regional areas. In places where customers are using branches less to the point they're becoming unsustainable, we will work more closely with communities to understand and explore the options.

This important work will be led by a new rural and regional council, because we know these decisions need local insight. These actions are real and they are real for our customers and we have committed to further actions in 2019, including even greater support for those in the regions. In terms of our financial performance, 2018 has seen a tough operating environment, but we've remained focussed and delivered a credible financial result. As Ken said, we were pleased to maintain our dividend for shareholders of \$1.98 for the full year. While the Australian economy remains strong there are some risks emerging in the local housing market, global trade uncertainty and there is persistent low wages growth.

We are alert to these challenges and need to ensure that as a nation we're focussed on the long-term and have a clear plan for opportunities in education, skills, infrastructure to improve productivity, capitalising on new technology and the potential in regional and rural Australia, particularly in agriculture. We are confident we have the right plan to prepare the bank for the future and are on the right track to deliver, achieving what we said we would in the first year of the transformation we announced 12 months ago. Through our transformation we are investing \$4.5 billion over three years to make NAB simpler and faster, less bureaucratic, with more efficient and reliable systems so we are able to deliver

a better experience for our customers. To reduce compliance, complexity and cost we have reduced the number of products we offer.

We are migrating to new technologies including Cloud to deliver greater speed and resilience at a lower cost. In total we are on track to achieve \$1 billion in cost-savings by 2020. We aim by the end of calendar year 2019 to separate MLC Wealth, to enable us to focus on a simpler wealth offering through NAB Trade and JBWere. This has been assisted greatly with the appointment of Geoff Lloyd as CEO of MLC in September. Our business bank continues to be a key differentiator for us with a strong market position, good returns and growth opportunities. Last year we grew business lending by more than five per cent. We are growing our industry specialisation for agriculture, health, government and education clients and have now added specialist professional service bankers as well.

Small business is another big opportunity for us and this year we opened a new customer hub, a centralised team of small business bankers operating seven days a week with extended hours. We are also rolling out more smart ATMs for 24/7 convenient cash management. Bank of New Zealand also continues to be a strong contributor delivering consistent returns in a very competitive market. We're in the business of taking appropriate risk and lending to customers. This is an important point to make at a time when there is some concern about the availability of credit. To our customers and more broadly I say we are very much open for business.

In 2018, our people have proven incredibly resilient in a challenging environment and I am proud of the work they do to serve our customers every day. We have made progress in transforming our workforce to ensure we have the right skills for the future which includes reducing layers of management to streamline decision making. Leadership is critical for achieving the culture we want and developing the capability of our leaders to be able to lead in an ever-changing environment is an important focus for us and for the people they lead. We have a strong and capable executive team who together with me will provide the leadership needed to steer the bank through a challenging period ahead.

This year, I was delighted to elevate Rachel Slade and Shaun Dooley to our executive leadership team. Both strong leaders with a customer mindset. Anthony Cahill and Andrew Hagger left the bank in the second half of the year and I thank them both for their valuable service over many years. This year, as part of transforming our workforce, almost 2000 left the bank and more than 700 new people joined bringing new skills particularly in digital technology and security. A further 4000 people will leave over the

next two years and we will provide the utmost care for them. We continue to enhance our world-class career transition program The Bridge to set people leaving NAB up for future success.

As we build a better bank, we are grounded in our purpose to back the bold who move Australia forward. We are proud to support our customers and through them help the community and the economy to strengthen and grow for all Australians. People like 83-year-old Norm Rix who has banked with NAB all his life. From humble beginnings he worked hard to build a commercial property business recently developing a new shopping centre in Pimpama on the Gold Coast. When I opened our new NAB branch there in September with Norm, he told me how proud he was to have his bank in his shopping centre. A proud moment for me too and a reminder we must continue to listen, learn and take action to support communities, to invest and change for the long term and to back people who are ambitious for Australia.

I know you have been disappointed and upset by issues of the past year. We have been too and we are determined to be better. We are already making good and necessary changes. I believe in our people who throughout a difficult year have continued to serve our customers and support one another. I believe in our plan to become a stronger bank where profitability and sustainable returns are built on a foundation of exceptional customer service. I'm excited about our future and what we are creating for our customers and together with everyone at NAB I am committed to delivering this.

I want to finish by thanking our Chairman, Ken Henry and the whole board for their challenge and support as we progress in building a better and stronger bank. Thank you to our customers for banking with us and to our shareholders for backing us. We now look forward to your questions.

Ken Henry: Thank you Andrew. I remind those present today that this is a shareholders' meeting and I also understand that many of those present are of course also our customers. If you have any questions relating to your personal affairs, please take advantage of our shareholder services and customer services desks in the foyer outside of this room where experienced staff are available to assist you. Voting on all resolutions today will be carried out by way of a poll. I now declare all such polls to be open for voting. They will remain open until I indicate at the end of the meeting that they are closed. Computershare will act as the independent returning officer.

During the meeting we will display the proxy votes received in advance of the meeting

where I as Chairman of the meeting have been nominated as a shareholder's proxy, I intend to vote all undirected and available proxies in favour of each resolution. There are also voting restrictions for some resolutions as outlined in the Notice of Meeting which apply to those who have an interest in the resolutions and certain of their related parties or associates.

While the votes are being counted, the meeting will be opened up for general discussion on any matters of interest. I encourage you to hold any general questions until that point and restrict questions in the formal part of the meeting to the agenda items that are being considered. You will see that we have four microphone points in the room. If any shareholder wishes to ask a question, please proceed to the microphone closest to you, show your registration card - it will either be white or a green card if you're a shareholder - give your name to the attendant who will introduce you to the meeting when I indicate.

I will now proceed with the formal business of the meeting. The Notice of Meeting has been sent to shareholders and I propose that it be taken as read. This year, we once again invited shareholders who were unable to attend the meeting in person to submit questions in advance. We value the feedback we've received from shareholders through this process. Both Andrew and I have responded to frequently asked questions in our earlier comments and I'll also address some in more detail at relevant items of business.

So I'll now turn to the first item of business which is the consideration of the financial statements and reports. The *Corporations Act* requires the directors to lay before the Annual General Meeting the, the Director's Report and the Auditor's Report for the last financial year. Are there now any questions from shareholders present today for either the board or the auditors in respect of this item? I'll just wait for people to get to the microphones. Okay, microphone number one.

Operator: Chairman, I'd like to introduce Mr Julien Vincent.

Ken Henry: Mr Vincent, please.

Julien Vincent: (Shareholder) Thank you, good morning. I've got a couple of questions if that's okay...

Ken Henry: Sure.

Julien Vincent: (Shareholder) ...slightly unrelated so I'll keep them separate. I want to ask about your existing policies that you announced last year on not supporting new thermal coal mines and extensions. This year NAB co-financed a \$720 million underwriting debt

facility for Coronado Coal to support their IPO on the stock exchange here in Australia. Now among their portfolio is the Curragh Coal Mine which supplies the Stanwell Power Station and this arrangement was recently extended from 2027 to 2038. According to Coronado it's expected to materially extend the mine life until around 2038. So I'm kind of wondering how when this policy is in place a transaction as significant as that falls through the cracks - what went wrong there?

Ken Henry: Should I answer that question first Mr Vincent or would you like to ask your...

Julien Vincent: (Shareholder) Yes, there's another element to this which I also note that NAB's coal mining exposure is actually up 11.4% on last year. So it seems like there's a contradiction emerging between policies and rhetoric around climate and energy and what we're actually seeing in terms of the lending activity. So what's going on?

Ken Henry: Yes, sure. Okay, Mr Vincent, thank you for your questions. I'll answer both questions. In respect of our exposure to new thermal coal mines, we did make that commitment that you referred to. We made it last year and we stand by that commitment. I don't see a conflict between our lending practices this year and that commitment. We will continue to monitor it as I know you will and we appreciate that scrutiny but we've not breached our commitment in any way.

With respect to the second part of your question, the reason for the total exposure to coal having increased is because we've had a material increase in exposure to metallurgical coal, not to thermal coal. Our exposure to thermal coal reduced significantly over the course of the year.

Julien Vincent: (Shareholder) It may be worth desegregating those figures in future years.

Ken Henry: Yes, okay, sure Mr Vincent.

Julien Vincent: (Shareholder) The other question I had was just about the physical risk side of climate risk which is that NAB's corporate and institutional banking division states that physical climate risk poses a systemic risk to the financial system. So financial institutions have to understand the effect of climate change and what they and their customers need to do about it which is perfectly reasonable.

Now in 2015, NAB loaned US\$114 million for the development of the Coastal Freeport LNG Project in Texas, one which the oil and gas industry is now actually asking the Texan Government to build a sea wall to protect its facilities including Freeport from more powerful storms et cetera. I hope you appreciate the irony here. What is NAB currently

doing to embed physical climate risk assessments into transactions especially on coastal infrastructure that faces significant climate risk?

Ken Henry: Yes, sure. That's a good question...

Julien Vincent: (Shareholder) Thanks.

Ken Henry: ...and - it's a good question. I was not aware of that particular example that you've brought to my attention and I can see the...

Julien Vincent: (Shareholder) It's more about the process.

Ken Henry: No, I can see the irony in it. No, it is more about the process. Let me say that climate change is entering into our credit risk assessments. I can assure you of that - the physical implications of climate change entering into our credit risk assessments. Perhaps as importantly for this audience and I know you're aware of this Mr Vincent but NAB is very proud of the fact that it is the leading arranger of renewable energy finance in Australia by some considerable margin. NAB is very active globally in renewable energy projects.

NAB is committed to the Paris commitment of doing what it can to help secure an orderly transition to a world of lower carbon intensity consistent with less than two-degree sea warming. We're committed to that and we're doing what we can to assist an orderly transition. Assisting an orderly transition means that from time to time we will of course support and continue to support fossil fuel projects. Our commitment is to get to a lower carbon future and we see ourselves, certainly in Australia, taking a leading position in that transition.

Julien Vincent: (Shareholder) Thank you...

Ken Henry: Thank you, Mr Vincent.

Julien Vincent: (Shareholder) ...and it's probably rhetoric that could be better communicated to your bankers though.

Ken Henry: Thank you Mr Vincent, I'll take that on board. Microphone number three.

Operator: Chairman, I'd like to introduce Mr Chris Schacht.

Ken Henry: Mr Schacht, welcome.

Chris Schacht: (Shareholder) Yes, thank you. Mr Chairman I have been a customer of the NAB for 48 years and a shareholder since 2003. I've been a regular attender at most of the AGMs of NAB since I became a shareholder, not all but most of them. I have to say at

the meeting last year two days after the announcement of the of the Royal Commission, I suggested that it would be very good if you as Chair would give evidence in that Royal Commission and you did probably in circumstances a bit different than I expected.

Ken Henry: Me too, Mr Schacht, me too.

Chris Schacht: (Shareholder) I also, you got bagged by some conservative financial writers because you had the temerity to discuss philosophically the capitalist system and the financial system. I want to say I congratulate you for having the courage to do so to explain to people about that.

The irony is I now want to raise a couple of system question here. When I bought my shares, they were \$32.00 a share in 2003. They're now, I think, at \$23.00, 15 years on. You have paid a dividend. That is very true. But under any definition, this Board and senior management back over the last decade or more has overseen the massive destruction of shareholder value, which cannot be avoided.

To put it bluntly, in the capitalist system, the board and senior management are failed capitalists. You have destroyed billions and billions of dollars of value and that can't continue. If I had been - though not a customer of the Commonwealth Bank - if I'd at that time bought shares in the Commonwealth Bank, I would have doubled the value of my shares, despite the problems they've had at the Royal Commission as well.

We've gone the other way. The HomeSide scandal in America, \$3 billion wiped out. The years of losing billions in the banks we had in United Kingdom. The foreign exchange stuff we lost. It just goes on and on. Before the Royal Commission turned up, which actually showed that underneath there was something quite amiss, is the softest word I could use, about the running of the bank. So first of all, we have every right as shareholders and co-owners of the Bank, to say you have failed. You have destroyed our value.

Secondly, because of what the Royal Commission has exposed beyond belief, beyond belief of any of us, who has had some - seen some publicity from some individuals complaining about how they've been mistreated. It now means that not only are, in my view, failed capitalists, you are the unacceptable face of capitalism with what just happened in the - amongst the Bank.

Now when I say that, I exclude the average bank teller, the ordinary staff member of the Bank, who I've dealt with for 48 years at my local bank and that's one reason I've stuck with the Bank as a customer, because they give an outstanding service. They haven't

destroyed the value of my shares. They have tried - what they've done has meant I've stuck.

So and any criticism I make of the senior level of the Bank, I exclude all of those people and I hope when we start laying them off we actually say sorry. It's not their fault the Bank is in the mess that it is. I have - I will come back to I will speak on the resolution, the remuneration report and also on the election of the director. But there are two issues I want you to respond to as a result of the Royal Commission.

You said today in the press while it's reported that the Bank will do everything possible to make sure that no senior member of the Bank is charged with a criminal offence. That's in the press. Now I don't know what in the end the Royal Commission will recommend or the Director of Public Prosecution. But whether it's a civil case of breach against an individual and our Bank at the senior level, or a criminal breach, I want an undertaking that we the shareholders will not have our money used to pay the legal expenses of any member of the Bank charged with breaking the law.

That would be unacceptable. If you've broken the law - if you've broken the law like a normal bank robber, the Bank doesn't go and pay his defence costs. No. If we have broken the law in running the - breaking the commercial law, the civil law, we should not, as shareholders, pay that cost. I want an undertaking that that will not happen. I also have to raise something that's been published but not commented about. Is this - it's been in the press. The use of this group called the Human Group to provide services in - for putting forums together for senior executives, etc, etc.

There is now a police investigation going on. No charges have been laid, but again, could you explain to us how this could have occurred in the report in one of the press that said that over \$100 million was spent by our Bank over a number of years on travel and accommodation. I don't know whether that's correct or not. But it's something that should be stated by the Bank.

That if it's not correct, what is the true figure and if it is that amount of money, did those people get that job without a public tender for other groups to bid to do that business? Those are the governance issues that I would expect a board to be on top of with the senior management. Those are two specific questions. Overall, I made my comment and I have to say Mr Chairman, you - I finish with you said in the Royal Commission or afterwards it may take 10 years to change the culture of this Bank.

It should not take 10 months. If we can't change it in the next 12 months, something is

wrong with the Board and the senior management, so - and you did say in the Royal Commission - you did say in the Royal Commission that - sarcastically I think to the senior counsel, do you want me to sack everybody? No, I don't want you sack everybody. I want you to keep the bank tellers and the people who provide a decent service at a human level to us all. But if it takes 10 years, something again is wrong in the way the Bank is being managed at the top level and its senior management. Thank you.

Ken Henry: Thank you Mr Schacht for your challenge and for your specific questions. Let me deal with the culture comment first. I think I did say in the Royal Commission that it can take 10 years to fundamentally change the culture of an organisation and I stand by that and I believe it to be true. I know it to be true.

I was not speaking specifically about NAB. I do not believe it will take 10 years for NAB to secure the right culture, the culture which is absolutely focussed on customer outcomes. I do believe that that is truly within our reach. It is going to take a lot of effort over a number of years and it would be silly to pretend otherwise. We have to remain dedicated to this task for a number of years and we will. But I do not believe it will take 10 years in NAB.

My comment was a general comment about changing organisational culture and indeed, I must say Mr Schacht I've had a lot of people reach out to me in the time I've made that comment and say you are absolutely right, speaking from their own personal experience, as chief executives of major companies around the world. With respect to charges being laid against people in the Bank for issues that have appeared in the Royal Commission, we simply do not know.

I don't know where that comment that you referred to came from Mr Schacht. I don't recall saying anything on these matters to any journalist ever. We will see. We will await, as we should, the outcome of the Royal Commission. We will show the Royal Commission that consideration. We will see what recommendations are made by the Royal Commission. I must say I hold the Royal Commission in great esteem. I think Commissioner Hayne is an outstanding individual.

I think his interim report, and as you know Mr Schacht, I've read quite a few interim reports over the years, quite a few Royal Commission reports over the years. I have to say to you I think his interim report is one of the best such documents I have read. It's very lucid. It was persuasive. It was considered. It challenged all of us. I expect the final report of the Royal Commission to be of at least that standard.

I think the Royal Commission, the Commissioner particularly, but also senior counsel and counsel assisting are people of outstanding quality, doing an unbelievably difficult job in very, very difficult circumstances of heightened emotion and so on, which is very understandable. I look forward to reading the final report of the Royal Commission and I can assure you and everybody in this room, we will treat its recommendations with the seriousness that they deserve and I don't propose saying any more at this point about how we would respond to particular recommendations including recommendations that go to breaches of the law.

Thirdly, in respect of the contract with Human Group, this has really challenged us. We as a board became aware of allegations, allegations of fraud against the Bank 12 months ago. When we became aware of those allegations of fraud against the Bank, Andrew the CEO and I as Chair of the Board, immediately alerted the police or had our crimes people inside the Bank immediately alert the police. The police have been conducting an investigation into these matters for the whole of that 12-month period. As you said Mr Schacht, the allegations remain allegations. No charges have been laid.

But we of course inside the Bank have been assisting the police in their enquiries. Andrew himself is a witness for the police in these enquiries. There is nobody inside the Bank and certainly not Andrew who is under investigation for anything connected with this alleged fraud against the Bank. We've asked ourselves the question how could a fraud be perpetrated against the Bank. We've had a very extensive internal investigation and as a consequence of that very extensive internal investigation, we've changed a lot of controls inside the Bank.

It's a difficult conclusion to that the principal reason we think for the fraud being able to be perpetrated is that placed too much trust in somebody. But that's what it looks like. We have to guard against that. It's a terrible conclusion to have to come to, that we place too much trust in somebody. Andrew would like to add some comments.

Andrew Thorburn: Mr Schacht, I could just add to what Ken has said on the first two points. On the returns as a shareholder, those points are right because if you go back over a long period of time, the facts speak for themselves. I think we're all unfortunate and sorry about that. But I think if you look in the last few years where we have brought our business back to the markets we know, Australia and New Zealand, where we have excellent clients and excellent staff, where we understand the market, we understand the risks, look at our returns over those three years.

We are number two of the four banks in terms of shareholder return over the last three years. We've got the right plan for us to go forward with Mr Schacht. I can't speak about that long past, but I feel confident that we've got the right focus on the markets that count and that we understand. That's point one and point two. Just on your reference to the criminal cases. In the press there has been reference to ASIC taking action against the Bank in plan service fees. So that maybe what you're referring to.

But I also would just reiterate what Ken has said. That if there is ever any fraud, criminal activity inside the Bank, we have a record of dealing with that promptly and quickly and in the case here and in other cases like our introducer fraud, handing files straight to the police. So we have zero tolerance for that sort of behaviour. I assure you.

Chris Schacht: (Shareholder) Mr Chairman.

Ken Henry: Yes, Mr Schacht?

Chris Schacht: (Shareholder) Thank you for that. I appreciate the capitalisation, your comments made. But remember, the NAB 20 years ago was the biggest bank in Australia by capitalisation.

Ken Henry: Yes.

Chris Schacht: (Shareholder) It's now the fourth biggest bank of the top four. That is unavoidable. We've declined and that cannot be avoided as just a fact. I asked the question about the - in the press the speculation - I emphasise speculation - that there was a - there were contracts or a contract of over \$100 million spent on travel et cetera over a number of years. All I wondered was if that figure is correct will the bank correct it in the media? Or if it is not correct - if it is correct, what are you doing to stop someone, if it's only one company - which is unimaginable - getting \$100 million over a number of years to provide a service? Did it go to tender? Was there a proper judgment about how that was done and so it won't happen again? If we rely on a judgment we thought everybody's straight, honest, et cetera, that was let down by everybody we understand that et cetera.

But the protocol you've now put in place will it mean that no group whether it's the Human Group or anybody else in the future can get such a large business of tens of millions of dollars without going to tender and a competitive arrangement?

Ken Henry: Yeah Mr Schacht, sorry I didn't answer all of your question. Absolutely, absolutely, absolutely Mr Schacht. But I am somewhat limited in what I can say about the

particular case and as you would appreciate these issues remain under a police investigation. The New South Wales Police have asked us not to comment further publicly on these matters. To answer your question fully would in my view require me to do that and I won't do it. But with respect to the future...

Chris Schacht: (Shareholder) But you will do so once the police finish their investigation?

Ken Henry: We will be very transparent once the police investigation is completed.

Chris Schacht: (Shareholder) Whatever they come to?

Ken Henry: Yeah absolutely, absolutely. I can give you an absolute assurance that with respect to the future we're very confident this could not happen again. Very confident. We have changed the arrangements, the tender arrangements the whole thing yep.

Chris Schacht: (Shareholder) Well that's pleasing to hear.

Andrew Thorburn: Mr Schacht, we have addressed that point. There was a break-down in controls there but we have addressed it as Ken said and now all such contracts go through our procurement team and there is contestability and competitiveness and review of all those. So we've done that.

Chris Schacht: (Shareholder) Well better late than never I suppose. But thank you.

Ken Henry: Sure, microphone number three.

Operator: Chairman I'd like to introduce Mr Leon Ashby.

Leon Ashby: (Participant) Thank you Mr...

Ken Henry: Mr Ashby.

Leon Ashby: (Participant) Mr Chairman I'm an advisor and an assistant to Senator Fraser Anning. I've met with some 200 bank victims and assisted 80 of these in various ways including chairing some 30 meetings between victims and their banks and including a couple with Mr Andrew Thorburn. The NAB victims I personally know have grievances totalling hundreds of millions of dollars and my question relates to securitisation. Does NAB have any of its customer funds securitised and if so to what value and what percentage of its total funds? I've got a few short ones like that. Would you like to answer them just as we go along?

Ken Henry: We'll take the lot Mr Ashby yep.

Leon Ashby: (Participant) Okay. Does NAB securitise customer loans without telling them

about it? When a loan is securitised who is the owner and controller of the mortgage on the loan? Is it NAB or the purchaser of the loan that has paid NAB the money to gain the rights to get interest on the loan? The reason for that is I know two NAB customers who've been questioning the legality of this point for years now, the reason being that NAB's moved on their properties. They've asked for legal verification and numbers given and there's no resolution in sight. So therefore in the light of your comments to the Royal Commission Mr Henry regarding that the bank could fund customers' cases so there could be clarity in the law.

Since there are potentially millions of dollars at stake for NAB shareholders and customers, would this be a case that the bank should fund and get some clarity on. Thank you.

Ken Henry: I'll deal with the last question Mr Ashby and I'll ask Andrew and/or Gary our Chief Financial Officer to deal with the other questions. Firstly in respect to the last question, probably not. The issue that I was discussing in the Royal Commission and in retrospect I came to the conclusion that it was rather difficult to discuss an issue like that under cross-examination in a Royal Commission. I wish I'd come to that conclusion earlier frankly. But the issue I was raising was it concerned some matters that we as NAB have been negotiating with ASIC for three and a half years now and it just seems to me that that's intolerable.

It's intolerable. How could it be that we could - and these are issues affecting hundreds of thousands of our customers? How could it be that we and ASIC could think it's sensible to tie ourselves up in negotiations for three and a half years. We need a circuit breaker. What are the circuit breakers that are available? I await the Royal Commission's considered view on this question. I just threw an idea out there that I know has worked in other areas of the law. We'll see. But with respect to the other three particular questions Mr Thorburn.

Andrew Thorburn: Yeah thanks Mr Ashby. I do recall meeting with you and the clients that you were advocating for in Canberra six weeks or so ago. As you know as we've been communicating with those clients we're doing a review of those cases. They're not yet complete but my commitment was that we would have an independent review done. I do recall in one of those cases there was a reference to a securitisation vehicle. I can't recall the details of that but that case is not yet complete. But Gary Lennon can give a picture of the total securitisation piece. I do think in memory of that we didn't quite see it the way you saw it on that securitisation piece.

I don't want to open that up now because that's obviously a client matter. I want to assure you that we will conclude our review of that file over the next few weeks and I'd be happy to talk to you later about that. But on the broader question Gary?

Gary Lennon: Yeah a couple of points on the broader question. So obviously securitisation is a normal part of our business and how we cost effectively fund the bank. In terms of the exact what we have at the moment, it's \$3.6 billion of our assets are securitised. Now relative to our total assets that is less than 1%. So it's 0.6 of 1%. So that's sort of an important point. The next point in terms of the impact on customers, there is no impact on customers. So the relationship between a customer and a bank is not impacted by securitisation. The securitisation is an arrangement between the bank and a trust downstream.

So customers should not be concerned whether their loan is securitised or not because their rights are essentially the same.

Leon Ashby: (Participant) So you don't tell people about it before they are securitised?

Gary Lennon: Because essentially there's no impact on the customer themselves. So there's no adverse impact at all.

Leon Ashby: (Participant) At some stage, if there was an impact down the track, a legal matter, do you just say hey, there's going to be some problems with securitisation? I'd assume that the bank would change its policies and then inform people that that would be the case. Is that fair enough?

Gary Lennon: If there were impacts down the track, I think that would be something we would definitely think about, yeah.

Leon Ashby: (Participant) Okay, thank you.

Ken Henry: Thank you, Mr Ashby. If there are no further questions - are there? Sorry, further questions? Where are we? I'm sorry. Microphone number two.

Operator: Chairman, I'd like to introduce Mr Lachlan Watts.

Ken Henry: I'm sorry, could you repeat the name?

Lachlan Watts: (Shareholder) Lachlan Watts.

Ken Henry: Watts, Mr Watts. Yes.

Lachlan Watts: (Shareholder) Just further to the questions that were asked by Mr Schott. One of the issues that was of concern to me when I listen to your reports, read the

reports, was the failure to actually address the issue of the Human Group. Given the potential seriousness of the issues involved, I would have expected that we would not have to have waited Mr Schacht's question for at least a partial explanation as to what has gone on.

I do understand and appreciate that you cannot speak as to any specific matter that might impact on what the New South Wales Police Force is investigating. However, of more concern to shareholders is the government's issue that is raised by this.

There are allegations in the press of kickbacks to bank officers. Presumably there are codes of conduct. Presumably there are policies about this being included in employment contracts. We haven't heard as to whether or not there has been sufficient guidelines or procedures put in place to ensure that kickbacks will not occur. If they have occurred, then what procedures will be put in place to ensure that they never occur in the future?

Finally, just to reiterate one of the points that Mr Schacht made, regularly in the financial press we hear these days, or on the news, something to the effect of well of the four major banks, the NAB has had the worst share trade for the day. So regularly we hear the NAB as being the worst performer in terms of the share market.

Certainly over the years, we've gone from the number one bank to the number four bank. My concern is that the gap between number one, two, and three, and number four is going to grow. And given the failure over the years of the Board, and we're talking historically like [coincide], to accept as a Board, the failures, the Board to deal with its decision-making capacity.

In respect to those decisions that Mr Schacht referred to, my concern is how do we know that the Board today is actually going to seriously address things in a manner that is far better than the previous Boards of this institution?

Ken Henry: Yeah. Thank you, Mr Watts. The second question in particular I think is a very good question. With respect to the Human Group matters, look, really, you ask a question about kickbacks. I tell you, I cannot address that question without prejudicing the matters that are before the New South Wales Police. So I will not do it.

Secondly though, in respect of the share price performance, as you would imagine, I monitor NAB share price performance very closely. I read a report of it every day. Every day that there is share trading.

It's not been my experience that every day NAB performs worse than the other banks. In

fact, it's often the case that NAB performs better than all of the other banks. However, it is the case that over a long period of time, and you've gone back many years, it is the case that NAB has, in terms of its share price and market capitalisation in particular, fallen from number one to number four.

I do want you to know that it is the ambition of this Board and it is the ambition of this senior leadership team to get it back. Can we get it back to market capitalisation of number one given the market capitalisation of the CBA? I don't know. But I tell you what, it is our ambition to improve our performance relative to the other banks.

Now, what are we doing about it and how can you hold the Board accountable? We have a multiyear business transformation program. We call it the Accelerate One NAB Plan. It was developed by the executive leadership team with the heavy engagement of the Board more than 12 months ago. It does commit the bank to spending an additional \$1.5 billion over three years, transforming the bank.

To make it simpler, to make it faster, to enhance the resilience, to improve the controls, to improve the reliability of the processes and the systems, to improve the leadership quality of the people in the bank at all levels of leadership in the bank.

We, as a Board, are tracking performance against that business transformation very, very closely. Every board meeting, we hear something about it. Every quarter, we do a deep dive into it and we look at the performance of the bank in meeting the various milestones in that business transformation.

We've done one year, we've met all milestones. We've got two years to go. We're absolutely committed to achieving the milestones in those two years. Seriously, what can we do to build value for shareholders other than be focused on the maintenance of dividends, which we have been able to achieve, and to invest more in the bank to build a better bank for the future?

We can't do any more than that. It's all - really, that is what should be expected of us and that's what we're committed to. Did you want to add to that, Andrew? Are there other questions? Microphone number one.

Operator: Chairman, I'd like to introduce Mr John Scott.

Ken Henry: Mr Scott.

John Scott: (Shareholder) You can call me John. I am a simple taxi driver so Mr is not needed.

Ken Henry: You are a Scot, Mr Scott, right?

John Scott: (Shareholder) I would like to make a comment about the bonus that the CEO of the banks are getting at the present time. Now a bonus to me is nothing but a tip, right. Now the man earns \$2.4 million a year, which works out at about \$1000 an hour. Now I don't think that a man that earns a \$1000 an hour needs a bonus. Honest to God I don't.

I would like to say one thing, he also gets shares issued, whether they are vested or not vested it doesn't matter, I don't particularly like that because that dilutes my holding. Pay the man the money. Nothing else. No bonus. Nothing else because personally I do not think they deserve the tips at the present time because I will say also, a lot of people look at the price of the share, of the NAB share, I don't, I look at the dividend. The dividend hasn't raised under the chairmanship of Andrew Thorburn for four years. It has stayed at \$0.99. \$0.99. His salary has gone up quite considerable and I don't agree with it. I personally don't look at the share price. There's a lot of uncertainty in the world that has the price of the shares down. Globally, not only here, globally it's not important. The importance is the dividend. When are you going to raise it?

Ken Henry: So, Mr Scott, a good question. Questions actually and some of those questions I'm sure there are many other people in the room, probably several other people in the room, who would want to ask questions of a similar vein when we come to the remuneration report which is motion number two for this meeting. Also the proposed allocation of deferred shares to the Chief Executive which is item number 3 on the agenda for this morning. So I'll only deal with them in general terms at this point, so if you feel that you don't have a complete answer to your question I am pretty confident we will get to those issues later in the agenda.

With respect to the dividends. The answer to your question is as soon as we think it's sensible to do so, raise the dividends. We would want to. Obviously we want to see stronger dividends in this Bank. At the moment it is not prudent to raise the dividends given our need to build capital, as we are required to do by APRA, to build common equity tier 1 to 10.5%. We are on that path. We are very confident we are well on that path and will achieve it.

Secondly, the observation that dividends have not increased over the past several years, that's true. The second part of your proposition that meanwhile the Chief Executive has had substantial increases in remuneration, not true, not true, not true. In fact his

substantiation has been reduced quite considerably over that period of time and then this year his total remuneration is well below remuneration in previous years. So I understand that as shareholders you would like to see stronger dividends. I get that. I feel it myself. We all do. We're all significant shareholders of NAB.

By the way, I disagree with you on the allocation of shares to the Chief Executive. I think it's very important that the Chief Executive's personal financial experience be aligned with the financial experience of shareholders. I think that's very important. I think that if you, as shareholders, suffer because of a share price fall he should suffer. I think that's important. I think it's important that we, as directors of the Company, that we too should suffer. I think that's important. So I disagree with you on that point.

But when it comes to the design of remuneration schemes I think that's probably best done when we get to items two and three on the agenda if you are happy with that.

John Scott: (Shareholder) If I may say something. Yes, Mr Chair.

Ken Henry: Yes, sure.

John Scott: (Shareholder) I was brought up by a bank manager in Holland and one day it came up that they were going to talk about his salary. He came into the house that was adjacent to the bank and he said that's why you're here, there's a meeting. He said they're going to talk about money, how much I'm going to earn. I said to him, Dad, then I might get some pocket money. He said no, he said the money is not important, he said I'm the manager. He was respected. I respect very few bankers in Australia. Sorry, thank you.

Ken Henry: No, no, I understand Mr Scott. I do understand. Microphone number 3.

Operator: Chairman, I would like to introduce Mr [Bernard Lyons].

Ken Henry: Mr Lyons.

Bernard Lyons: (Shareholder) Good morning Chairman. My name is Bernard Lyons. I am 86 years of age, 87 next week.

Ken Henry: Congratulations Mr Lyons.

Bernard Lyons: (Shareholder) A very disillusioned shareholder. I am what's termed a self-funded retiree. I retired in 1989 so I didn't have the benefit of those wonderful superannuation arrangements that everybody loves at the moment. I got a payout which was intended to enable me to live for the rest of my life, which is just on 30 years ago. So

I am a qualified accountant, I've been a qualified accountant for nearly 60 years. Because of that one would think that I would be smart enough to take note of what all good people investing should do and that is to diversify their investment. I, in my innocence, decided that I would put most of my investments over 80% in the four major banks in Australia. My logic, if you could call it that for that, was that our banks were considered among the best in the world and therefore I thought I will never pick up the morning paper and read that any of them have gone belly up.

Sadly, what happened was maybe worse than that. All four of the major banks - as a result of the Royal Commission - have turned out to had situations where - which were untenable and which were shocking both for shareholders and for the customers of the bank. I just - why am I - what are my questions? I've listened to what has been said. It's all wonderful, but I just concern myself - my confidence that the boards running the banks - and we're talking about the National here today - the boards running the banks were very competent people who would make sure that shareholders and customers were looked after, and that has not turned out to be the case.

Whilst I'm sure all the actions that are being taken now to correct that situation, hopefully, will improve, the fact that the share price is so terrible at the moment - the dividend at least - I mean as I depend on dividends I'm at least consoled in part by the fact that at least the dividend at this stage has not been reduced and, hopefully, in the way ahead, it will either, at worst, stay the same or, hopefully, increase. As far as the share price is concerned I shudder just about every time I pick up the paper or look at my phone to see what the latest price is. That's not only the NAB. The rest of the banks are the same.

I just hope that as a result of this Royal Commission, which everyone thought - well, a lot of people thought - shouldn't happen, I'm so glad that it did happen and I try to console myself with the thought that the outcome will be people like me, like self-funded retirees who get no Government assistance whatsoever depend on mainly share income, as the time goes on we will not finish up any more disadvantaged than we have up to now. Hopefully, things will improve for us. I wish you all well. I haven't got a question other than to say please - you do your actions and I'll do my praying that the way ahead will be better for all of us. Thank you.

Ken Henry: Mr Lyons, no, you did not ask a question, but you raise some very important issues. Mm, the Royal Commission. One issue. I've already made some remarks about this. I'll say something else, and I'll agree with you. It is true that for some time many of

us considered that a Royal Commission was not an appropriate forum for the consideration of the issues, the customer impacts, the very poor treatment of customers and so on.

Myself, I considered that it would have been better to have a different sort of forum. We don't need to go into that. Who knows what will happen in the future? I did not, a couple of years ago, think a Royal Commission was the appropriate forum, but during the course of 2017 Andrew and I came to the view that a Royal Commission was appropriate, and there's been some speculation in the press about who convinced whom to have a Royal Commission.

It's been suggested that Andrew and I convinced the other three big banks that we did indeed have to have a Royal Commission. I don't normally comment on press speculation, but I'll tell you here today we did. I'm very, very pleased that we did. It's been tough for us. It's been tough for the whole industry, but how could you reasonably argue that it is not the right thing to have a public forum in which customers' grievances can be aired, can receive due consideration, in which people who have done bad things for customers are embarrassed, shamed and commit themselves to ensuring that things like that never happen again?

You can't reasonably argue against such a thing. We came to the view during the course of last year that the industry needed to put itself through this, and that's what happened, so I agree with you on that 100%.

As to your judgement, or logic - logic, I think, is the word to use, if that's what could be called in putting your money - 80% of your retirement nest egg in the four Australian major banks. I know it's no consolation to you, but you would have done so much worse had you put them in the four major banks of almost every other country in the world. The exception is Canada.

During the global financial crisis I was playing a very different role. I was, if you like, on the other side of the table. Australia should - we should be proud of the way that - as a country, proud of the way that our banks came through the global financial crisis. Nobody knows better than I how important the role played by the Australian Government was at the time. It was very, very important - and the regulators, very, very important, including the Reserve Bank.

But also it was very, very important that we have high quality boards and high quality executives in our four major banks through that period. It was. Your fear that you might find that one of the big four banks would go belly up - that is something that everybody

was committed to ensuring would not happen and, obviously, everybody on Boards of our four major banks and the senior executives of our four major banks are absolutely committed to ensuring will never happen.

Nevertheless, it's small consolation to you because it is the truth that the banks' share prices have not performed in the way that all of us would like. In respect of what we can do about that I can only go back to the earlier remarks I made: focussing on building a stronger Bank capable of delivering higher returns for shareholders on a sustainable basis over time. We remain committed to that, but thank you for your rather provocative but important contribution.

Bernard Lyons: (Shareholder) Thank you. I will say that prior to 2018 I was very happy with my investments. It's only in the last year I suddenly realised maybe my thinking was not as good as it should have been.

Ken Henry: Yes, okay.

Bernard Lyons: (Shareholder) The way ahead, hopefully, I'll change back. Thank you.

Ken Henry: Thank you Mr Lyons. Microphone number four.

Operator: Chairman, I would like to introduce Mr Robert Caterson.

Ken Henry: Mr Caterson.

Robert Caterson: (Shareholder) Thank you, Chairman, and thank you, Andrew. I've been coming to these annual general meetings for quite a number of years. Three or four years ago these forums were celebrations of success, increasing dividends, good outcomes for customers. I don't know what's gone wrong. I'm a little bit confused that I've been a share - I've been to a meeting recently with another company that had a bit of turmoil, turn it around. When I bought my shares in NAB, in 1994 - so that's how long I've had them - and the same company that I went for this annual general meeting, I bought them at the same time. One was \$3 and I bought the NAB shares for \$12.

This company that I went to, they had their turmoil [buying a] hardware model from an overseas country, and their shares are \$28. Now, if I look at my shares of \$12, I'm a little bit confused. How come they've gone up nine times and we've gone backwards and forwards, backwards and forwards, and I've only doubled my money in this Bank? I'm very confused.

Now, that is a customer service organisation, a retailer. You're in the same business of

retailing a product, a banking product which is essential for the success of this economy. When you look at the economy at the present time, and if you measure the economy, everyone is telling me that it's a very strong economy, our employment is down, interest rates are down, wages growth pretty low. But when you look at this share market at the present time it hasn't moved in - since the end of the global financial crisis. Now, I respect you, Ken, as being, say, from the Government, the Secretary of the Treasury, and I'd like you, in the first sense, to explain that.

And the second part of my question is we've been through the Royal Commission and we know there's going to be some severe outcomes on the whole banking industry and we're under a lot of cloud at the present time - not just this Bank, but all the other - the three other major banks and some of the insurance industry.

The thing that I'm concerned about, and a lot of self-funded retirees should be concerned about, is the clouds forming after May of next year, when we may have a new Federal Government that's going to be so harsh on things like negative gearing and dividend imputation. Negative gearing will have a severe impact on our bottom line because people won't want to invest in property after the next Government comes in and makes it virtually illegal to own an investment property because they're going to make it so hard to do things.

Now, has the Bank got a plan in place to counter that like, say, the mining industry had a plan to counter the mining tax, because they were very effective in changing the Government's mind. I'd like to know what the banking industry is going to have in mind to counter some of the negative effects of the next Government in this country please.

Ken Henry: Thank you, Mr Caterson. There are two questions. I'll take the second one first, which has to do with the Bank, whether the Bank will seek to involve itself in, essentially, a political discussion or political debate prior to the election. It's not our intention to do so. It's not.

We think it better for us to represent the interests of our shareholders and our customers to politicians in different ways. So no, it's not our intention to contribute to a public advocacy campaign on any particular issue of Government policy. That doesn't mean that we won't be talking to people and, of course, we will, but not in the way that the mining industry did in the period that you referred to.

To your first question, some really interesting and provocative questions. Of course, I don't know the other business you're talking about. Actually, I don't want to know. I just make

the general point that it is true that the reward for shareholders from investing in companies can come in usually one of two forms, either a strong dividend - most of the return comes in the form of dividends. Maybe even more than 100% of the return comes in the form of dividends because the other possible mechanism for improvement to shareholder value is what happens to the share price.

So you could have stocks where there's a strong dividend, but the share price either doesn't move or even falls. Or of course you could be investing in a company which is quite the opposite, where there's a very low dividend yield, for example, almost any of the tech stocks globally, but the share price performance is very strong and that's the form in which you get your yield. That, I would suggest to you, would be the principal reason for differences.

The banks in Australia and including National Australia Bank, offer a very strong dividend yield and that's, I'm sure and I'm not giving financial advice here, but I'm sure that's why so many self-funded retirees hold our shares, I understand it. It's a very high yielding stock, but its yield is in the form of dividends and it has not, unfortunately, been in the form of share price appreciation. Now we would like to see both, that's the ideal. If you can get high, sustainable dividends and share price appreciation, that's the best and that's our ambition of course, for this company.

What can we do about it? I go back to my earlier remarks. What we can do about it is invest in the things that really matter for the future of this bank so that we can deliver higher returns on a sustainable basis over time. That's all I can really say in response to your questions.

Robert Caterson: (Shareholder) Thank you.

Ken Henry: Andrew.

Andrew Thorburn: Just to add what the Chairman said there, so I just wanted to say, I can understand this last year, with the coverage of all sorts of matters that have really weighed on the market, on the stock market and hence share prices. You've had the economy, whilst it's growing, real wages aren't growing. We've had the housing market, housing credit slow. I mean it had been growing for a long period of time, it started to turn particularly in Sydney and Melbourne. You've had political uncertainty, policy changes coming up, potentially with an election next year. You've had the banks had to spend a lot more on compliance and regulation and of course then we've had the Royal Commission.

The Royal Commission has been a very sobering, challenging event for us all, although it is into misconduct, so you're only going to hear the things that we've done wrong and it's clear we have. Although, as I said in my address, that's not representative of the Bank. Our people, serving our clients, consistently get it right, they just don't get it right all the time and we've been exposed of that. But it is a minority, it's not consistent. So when you have all those things weighing on the market, you've got a series of uncertainties or negative questions which are weighing on the market.

So I can understand this last year, but I believe, as Ken does, that the long-term prosperity in Australia and New Zealand is still strong. We've got some very good fundamentals. Our Bank is getting positioned for it, the core of the Bank is quite strong, we're investing to get better and stronger for what's ahead and we think there are opportunities ahead. Yes there'll be some headwinds and if they come, we'll be ready for those as well. So I can see why you're concerned about the last year, but I think we will get through it. The Bank will get through it, we'll be stronger, we'll learn from it.

I think in all walks of life, when mistakes get made, the question is, do you face into them and learn and change, which I think is what we're doing, or deny them. I think we're doing the right things to learn from what's happened to get better so we're a stronger bank for you in the future.

Unidentified Participant: (Shareholder) A supplementary please.

Ken Henry: Yes, of course.

Unidentified Participant: (Shareholder) Talking about the upcoming federal election and the policies of one of the major parties that will concern any property owner, what does the Bank feel about those sort of headwinds to the Bank's bottom line?

Ken Henry: Well Andrew may want to add to this, or even Gary may want to add to this.

Unidentified Participant: (Shareholder) I'm concerned because it's going to confuse our customers, it's going to confuse the property market and also that's going to have a detrimental effect on the Bank's performance and also our share price.

Ken Henry: Yeah, look okay, so there are several issues in that. Andrew's already address some of them, maybe I'll express it slightly differently. But firstly, we obviously pay attention to these macro conditions when we consider the various risks confronting the Bank in its lending book and of course we adjust risk settings dynamically over time and it has an impact on our tolerance for lending and different types and so on. So the issues

that you're referring to are certainly issues that are front of mind for the Bank.

As to the impact on the Bank's balance sheet, as Andrew said, the past few years have been a period in which most of the - well, the strongest segment for credit growth in the Australian economy has been housing credit growth, no doubt about it. Business credit growth has been relatively muted. We, because we are the main business bank in Australia, we've done reasonably well in terms of business credit growth, but business credit growth has been muted. This has been an unusual cycle, a very unusual cycle.

As we look to the future, it does seem to us that the composition of credit growth is changing. It's already changed through the course of this year, you know housing credit growth has not been as strong, that's true. Business credit growth, it's picked up a bit and I remain optimistic about it going forward. What happens to our balance sheet overall depends upon what happens to every segment of credit growth, housing credit growth, business credit growth and everything else. Of course we, in our balance sheet, have a relatively large exposure to business credit growth, so we're focused on that as well.

Moderator: Chairman, I would like to introduce Mr Russell Retallick.

Ken Henry: Mr Retallick.

Russel Retallick: (Shareholder) Thank you, Mr Chairman. Yesterday I happened to be speaking to a neighbour of mine who lives a few doors away from me in my street. He runs a small business from his home, a one-man-band. He's a mortgage broker. I happened to ask him yesterday how his business is going and he said it's exploding. I'm not sure that's the word he used, but indicated he's so busy now, which is an interesting comment in view of the credit, with respect to the housing market, as you've alluded to a moment ago.

His business is so good that next year he is employing one person. His business becomes instead of a one-man-band, becomes a two-man band, which again is an interesting factor. Now he also commented that dealing with the big banks is becoming more and more difficult. He didn't go into specifics, but he clearly found dealing with the big banks is an increasingly problematic matter for him.

Now I just find it curious that if mortgage business or mortgage credit is an increasing matter within our community at the moment and you've indicated that there are signs that it is increasing, why is this Bank amongst the four or the bigger banks, to him is becoming increasingly difficult? Clearly there must be a competitive element out there in the real

world, which is providing credit through him for the industry. What's your response to that? How does our Bank reflect on that changing pattern and the imminent change that is indicated?

Ken Henry: Yes, a very good question. I have a response but I think it's better that Andrew handle this question.

Andrew Thorburn: Thanks Mr Retallick. I think you raise a very important question because the housing market and housing credit is going through a lot of changes at the moment. We have seen applications drop around 7% over the last six months, so what means is there's less demand, so actually we're getting - there are less clients wanting to borrow. Now I think that's a common sort of trend across the market, people are a little concerned about some of these other events that are happening and rates may go up and whether they'd get a loan and house prices falling. So I think there's just an uncertainty, so that's why there's less demand.

On the supply side, look we are very much open for business and I said that in my address, I said it to many of our bankers, we want to lend and actually in the housing market, we're holding and growing our share compared to the other majors. We do expect housing credit growth to be 3% or 4% this year. Now that's considerably less than what it was a couple of years ago, but it's probably not unexpected and maybe actually good for a slowdown in the economy and just for some stability for a period.

But one of the other things that's happening is that banks are really being asked to be able to demonstrate that when they look at a client, that their affordability can be proven. Now this is something that banks should always do, but more and more is being expected by regulators and others, the Company, the Board, for us to be able to document that. I think in particular, if you think of affordability is a key for a client, we need to make sure we get that right. So income, make sure that their income is sustainable, that if there's overtime or additional pay, that we sort of not just verify that, but perhaps we shade that.

But on the expenditure side, we have gone to a lot more detail now to make sure that we're picking up all the detailed categories. There are about 10 that we look at. Also now what we have to do is look at other debts that the client has, make sure that we understand those, we understand the interest they're paying and so my point here is that there are a lot more, appropriately, a lot more amongst all the major banks, which are 85% of the mortgage market, a lot more scrutiny, a lot more discipline and I think it's just slowed down the process a bit for us to be able to do that.

Now I don't think it'll stay like that, but I think that's what's happened over the course of 2019 and the Royal Commission and other questions we've been asked I think have caused us to really be even more prudent than what we normally are. So I think that's what's happening as well. Now you could argue that's a good thing, because what we're doing is making sure more than ever that our clients can absorb the debt they're taking on and if rates go up or the economy turns down, that we're not putting them at risk, nor the Bank.

So I still feel that the housing credit is going to grow. We want to contribute to that as a bank, as NAB, but I do think there are some particular things happening at the moment which are explaining, perhaps, what your neighbour a few doors down is experiencing.

Ken Henry: Thank you, Andrew.

Russel Retallick: (Shareholder) Could I just raise a matter there?

Ken Henry: Yes, of course.

Russel Retallick: (Shareholder) It's probably a little outside your province, but clearly out there in the business world there are suppliers or credit outside the banking, mainframe banking spectrum, who are satisfying this particular mortgage broker's needs, is increasing his business. Credit is coming in from somewhere, I don't know where, but what measures is the Bank taking to keep an eye on this other realm, this other area of credit which is being supplied to the market? Can you comment on the nature of this credit which is being supplied to the market, because it clearly, to me, doesn't seem to be coming through the major banks.

Andrew Thorburn: Yes, Mr Retallick, so it's true that if you look at housing credit, the major banks, whilst we're 85% of the stock, the rate of growth in the books of the major banks has slowed and it's been taken up by some regional banks, smaller institutions and some non-bank financial institutions. So I think that is an area where clearly they're regulated as well and the regulator is looking at that perimeter to make sure that, I hope, for the sake of the system, that there are responsible lending standards that are as disciplined as we're taking. I think where we do have credit extension to some of those players, we understand that credit, we understand the risk and we're managing it well.

Ken Henry: Okay, thank you Andrew. I see we still have quite a few questions so I'm going to take two, then four, then three - alright? Microphone number two.

Operator: Chairman, I'd like to introduce Mr Craig Caulfield.

Ken Henry: Mr Caulfield.

Craig Caulfield: (Shareholder) Good Morning Dr Henry and all of the Directors. Craig Caulfield is my name. I'm representing a shareholder but I also represent many bank victims and we call ourselves bank warriors...

Ken Henry: Yes.

Craig Caulfield: (Shareholder) ...such is the fight that we have. I would like to reflect on the gentleman's comments before about the looming clouds, post-royal commission. I've got a potential solution that could be a great looming cloud buster and that is, I think that each and every member of the Board, the Chair, the CEO, the Executive, I'm sure you all mean very well and you're very - your heart is there, wanting to get through the royal commission, through the things that have gone wrong. I see a disconnect and I'm at a different level to where you are. I'm at a level of being a maligned customer and I see this disconnection from the coalface up to the Board.

I know that the Board and the Directors need to be separated from the - from their management - from the Executive, but it would be a good idea if each of the Board members were to meet an aggrieved customer, perhaps once a month. Someone like Elon Musk in America. He's built a substantial business with Tesla. He said his greatest way of moving forward is talking to his angriest customers.

Ken Henry: Yeah.

Craig Caulfield: (Shareholder) For example, he has a filter in his cars and the term for it, if I can find it, is the bio weapons defence mode. Now, everyone has a car filter. His car filter is about 10 times the size. He developed this after talking to a customer that wasn't happy with the filter and now it's a unique and a key selling point for their cars. I think if you're able to engage directly at the coalface, with aggrieved customers - I'm not saying connect with customers - I'm really past hearing about satisfaction ratings where you might poll people that are walking outside of a bank, you know, and what experience did you get.

The gentleman before, Mr Schacht was saying the staff, they are wonderful. The tellers, the staff and the management at that level. People have a great experience, walk out, get polled and your satisfaction ratings are so high and you can all take comfort in that. But if you ask those people five years later or two years later or 10 years later, how's your experience with the home loan, or the court proceedings that we've sent to you, or how we

dealt with financial hardship, or a request when you reached out to us. You would get a different picture. If you could reach out to us and if you could connect to us - if you could have something to say, look, on a regular basis we will be meeting with these aggrieved customers, I'm happy to join the Board. That's the first of three points.

I can leave that one...

Ken Henry: Cool, can I deal with that one first?

Craig Caulfield: (Shareholder) Certainly.

Ken Henry: Sir, can I deal with that one? There's a lot in it. There's a lot in it and actually I found myself - even if I wasn't - even if you couldn't see it - I found myself nodding. I felt myself nodding. Look, okay. So, firstly the Board does meet with customers and we meet with customers a lot. We started this some time ago, I think you would all - maybe you're not aware. But, a couple of years ago the Board, for the first time in its 160-year history, had a Board meeting outside of a capital city in Australia. We met in Toowoomba and in meeting in Toowoomba - having a Board meeting in Toowoomba, all of our committee meetings in Toowoomba, each of the Board members went out and met with customers.

Now, of course, most of those were not aggrieved customers of the sort that you're talking about, but we did in client events, meet some aggrieved customers. So, the Board actually - each of the Directors had that experience. Subsequently, we've met in Moree. We had - as a Board - Board meeting - we've had Board meeting in Parramatta. That's not exactly rural and regional Australia, but it's not the CBD of Sydney either. Very recently, we had a meeting in my home town of Taree on the mid-north coast of New South Wales. The whole Board met there, we had all our committee meetings there, we met with customers there. Both happy customers - most of them were, but not all - and aggrieved customers, okay. That's the first point.

The second point is that you are absolutely right. You can really get the wrong message from looking at customer satisfaction indices. Net promoter score, which we track, like all the banks track - you can really get the wrong message from net promoter score. When I read the APRA commissioned review into the CBA a light bulb went off in my head, right, or above my head - that's how it - above the head. The light bulb was this. It's actually not where the average is - you know, the average experience of customers that matters. That - well, there is some information in that, but most of the information is actually down in the what statisticians call the tail of the distribution, but what we're talking about is, the

people who are unhappy.

It's very important that the Board understand - Boards understand - why people are unhappy. So, we commissioned something in the Board. We get a customer experience report now, from management every month - every month - which sets out the verbatims. People telling us why they're unhappy with the bank. We read this every month. In Board meeting that we had yesterday we went through that and we asked ourselves the question, is this good enough? Or should we be hearing more about the customer experience?

As I said in my prepared remarks earlier, we have decided because of proposals that have come from shareholders - not customers, ironically, but from shareholders - we've decided to have a customer outcome sub-committee of the Board so that we can drill into some of these issues in deeper fashion because of the negative feedback that has been received, not just by the Board, but also by senior management, we have transformed the way - inside the bank - that we think about the development of services for customers. End-to-end processes where it starts with the customer. What is the problem? Why is it that the experience is so bad? How do we fix all of our systems - the processes, the policies, the training of the staff, the risk assessments, the financials, the technology, everything - in order to get a better customer outcome? So, we are doing these things.

With respect to your particular proposal, which I find very interesting, should we go even further and each of the Directors meet, let's say once a month, with one or two aggrieved customers and get to understand. We're going to look at that. I give you this assurance. At our very first Board meeting next year, we'll have that on the agenda.

Craig Caulfield: (Shareholder) Thank you. I look forward to meeting you there.

Ken Henry: Okay, thank you.

Craig Caulfield: (Shareholder) I have two very brief...

Ken Henry: Yep, no you've got more questions. Sorry, microphone two, could you make sure it's still on please?

Craig Caulfield: (Shareholder) Is this still on?

Ken Henry: Yeah.

Craig Caulfield: (Shareholder) That's fine, sorry. These are brief. One is about the BEAR legislation. That's clearly helped you and I think that's a good thing. Is that BEAR map -

NAB's BEAR map of accountability - is that transparent? Is that available to the public to see so that someone that has a case, for example, an aggrieved customer Selwyn Krepp he can see who the accountable person is?

Ken Henry: Don't know. I - that's a good question. I don't know the answer to it. I don't know that it is?

Andrew Thorburn: No, I don't think it is. [Unclear]. It's been - obviously sent to APRA but I think - coming to your point around, you're trying to find out where accountability is?

Craig Caulfield: (Shareholder) Yes.

Andrew Thorburn: Yeah, you're looking at them so I would receive any - you don't have to worry where the accountability lies, I'll make sure we find the right spot for you. So, if there's any client concerns, you just need to contact myself and I'll make sure it gets to the right person.

Craig Caulfield: (Shareholder) Oh, thank you Mr Thorburn. More generally though, I think if there was a map there that was available to the public, it's very transparent. Part of this new open, transparent - just consider it.

Ken Henry: We will consider it.

Craig Caulfield: (Shareholder) Thank you. The third - the final point was, where you do engage with customers in litigation and court proceedings, would you - at the Board, would you commit to saying that you will undertake all of those proceedings as a model litigant?

Ken Henry: Oh, hmm. I understand your question because where I was before coming into banking, I understood what model litigant meant because the Australian Government is committed to it. Alright, that's another thing for us to think about at our first Board meeting in February when it might be a matter of - well, I hope it's not a matter of great interest to us in our February Board meeting frankly, but - for reasons that you'll understand - but I think it's a very good question.

Craig Caulfield: (Shareholder) Okay, I have been...

Ken Henry: There's a lot behind your question which I understand and you obviously understand, so we need to reflect on that.

Craig Caulfield: (Shareholder) Okay, thank you very much.

Ken Henry: Thank you. Number four.

Operator: Chairman, I would like to introduce Mr Daniel Gocher.

Ken Henry: Mr Gocher.

Daniel Gocher: (Australasian Centre for Corporate Responsibility) (Australasian Centre for Corporate Responsibility) Good morning Mr Chairman. It's nice to see you again.

Ken Henry: Thank you.

Daniel Gocher: (Australasian Centre for Corporate Responsibility) My name's Dan Gocher, I'm here on behalf of the Australasian Centre for Corporate Responsibility.

Ken Henry: Yes.

Daniel Gocher: (Australasian Centre for Corporate Responsibility) On a - in a media release on 18 October, NAB stated that it was committed to assuring that it's industry associations advocate for policy, aligned with the Paris Agreement. I'm sure you're familiar with that media release. NAB is a member of the Business Council of Australia. The BCA has claimed that the Labour party's emissions reduction target of 45% by 2030 would be economy wrecking and lead to de-industrialisation. Does the Board agree with this view and if not, has it sought to change it?

Ken Henry: Okay. So, we are a member of the Business Council of Australia and we seek to influence the views of the Business Council of Australia through discussions within the Business Council, rather than public forums like this, but I will say this. I personally do not agree with that statement.

Daniel Gocher: (Australasian Centre for Corporate Responsibility) Does the Board agree with the statement? Or does the Bank agree with the statement, given the Bank [inaudible]?

Ken Henry: Well, I've - as I've said earlier, the policy of the Bank is to be fully supportive of the Paris Agreement and the commitment to securing global warming of less than two degrees Celsius. I think that's - it's an appropriate question to ask of a company. Do you align with that high-level goal? That's an appropriate question to ask, but I don't actually think it's a sensible question to - well, sensible is the wrong word - it's not a productive question to ask of Boards whether they agree with every statement made by an industry representative of an association that the business belongs to. Now, I've given you my view...

Daniel Gocher: (Australasian Centre for Corporate Responsibility) Okay.

Ken Henry: ...but I can't give you the view of the Board.

Daniel Gocher: (Australasian Centre for Corporate Responsibility) I have a follow-up if that's okay?

Ken Henry: Yes.

Daniel Gocher: (Australasian Centre for Corporate Responsibility) On another matter, on page 7 of the 2018 Sustainability Report, it states that NAB has reviewed - or did review - in 2018, its lending to the oil and gas sector. It concluded that it will no longer finance tar sands extraction projects and oil and gas projects within, or impacting the Arctic National Wildlife Refuge Area and any similar Antarctic refuge. Why has NAB not applied a similar restriction on lending to oil and gas projects within the Great Australian Bight, given that it is also Australia's - or one of Australia's few unspoiled wildlife refuges?

Ken Henry: Yeah, sure. No, I understand the question. There are no proposals before the Bank that I'm aware of - I'm sure this is true - there are no proposals before the Bank that would have the Bank even consider extending finance to projects of the sort that you're referring to. So, we've made the commitments. You're right with respect to Arctic and the Antarctic. With respect to the south of Australia, there are no propositions in front of us that I'm aware of that would require us to form a judgment on that issue.

Daniel Gocher: (Australasian Centre for Corporate Responsibility) I can't imagine there are propositions regarding lending in the Antarctic either.

Ken Henry: Ha. Good point. Good point. Okay, I'll take it on notice. Alright Mr Gocher?

Daniel Gocher: (Australasian Centre for Corporate Responsibility) Thanks Dr Henry.

Ken Henry: Thank you. Okay, number three.

Operator: Chairman, I'd like to introduce Ms Karen Large.

Ken Henry: Ms Large.

Karen Large: (Shareholder) Hello and thank you for taking my question.

Ken Henry: Hello.

Karen Large: (Shareholder) I have a similar question to the previous one, which is based on NAB's position on oil and gas projects and while the previous question asked about the Great Australian Bight, we can also look at other areas like the massive proposals to frack for gas in the Northern Territory. So I guess it's a more general question about why is the Bank not extending the Bank not extending the ESG risk management statement to these sensitive Australian environments?

Ken Henry: Right, okay, so I'll deal with that question quickly. So sensitive proposals do run the scrutiny of our ESG criteria and our ESG assessments and any such project would have to satisfy various criteria that we have in our assessment program. We have made specific statements with respect to very particular forms of lending in very limited cases and as a general proposition, we would prefer not to make such statements. But there are particular cases where we have thought it important to make statements.

So with respect to new thermal coal projects, that's one statement. But generally, we want to avoid making such statements. We want you to know that all sensitive sector projects are subject to intensive ESG scrutiny and the projects of the sort that you've raised would be and are.

Karen Large: (Shareholder) And the follow up question I have. I think you've touched on this earlier, but I would like you to be a bit more explicit. Given the burning of oil and gas releases greenhouse gases that contribute to global warming and that global warming has myriad and obvious negative impacts on the Arctic and Antarctic, can NAB confirm it plans to immediately withdraw all credit exposure to its oil and gas clients and refuse to finance any oil and gas infrastructure globally moving forward and if not, why not?

Ken Henry: No I can't and the reason - look, I obviously understand the importance of the question. But the reason goes to the comments that I made earlier which is to the effect that NAB is fully supportive of the high level goal of achieving global warming of less than two degrees Celsius. We're also fully committed to being at the forefront of financing of renewable energy technologies.

But we do think it important that we be able to help in the orderly transition to that future and that is inevitably going to mean for some period of time some [unclear] exposure to fossil fuels. It is. It's just - I know we're going to end up in a different place ultimately. The world will at some point. I think it's a little way off, obviously. But I think we have a responsibility not only for the - to help with the achievement of the high level goal, the ultimate goal, but also to play our part in achieving an orderly transition. So I can't give you the commitment that you are seeking I'm sorry.

Karen Large: (Shareholder) I guess though if we're taking you back to the ESG risk management statement, that you will not finance oil and gas projects within or impacting the Arctic national wildlife refuge area and any similar Antarctic refuge.

Ken Henry: Yes.

Karen Large: (Shareholder) We know that burning oil and gas releases greenhouse gases. We know that greenhouse gases cause climate change. Climate change impacts on the oil, so it's in direct contradiction to your ESG statement. So can anyone at NAB explain how the burning of oil and gas would not impact on the Arctic or perhaps why the Bank refuses to diligently apply its new policy?

Ken Henry: Well look, I do understand the question. I'm sympathetic with the question. But I can't really add anything to what I've already said. But thank you.

Karen Large: (Shareholder) Thank you.

Ken Henry: Where are we now? We'll go back to number two.

Operator: Chairman, I'd like to introduce Mr Milton Wilde.

Ken Henry: Mr Wilde.

Milton Wilde: (Shareholder) Good morning ladies and gentlemen of the Board. My name is Milton Wilde. I'm a senate candidate for the upcoming election and I carry proxy for Nikita Fisher. I have two very simple questions on behalf of Nikki. The first, if I might direct it to Mr Thorburn. In your message in the reports you stated that the Royal Commission had presented a confronting case for change. We've heard too many examples of letting both our customers and the broader community down and in turn our shareholders.

Most of these issues were not caused by ill intent. I acknowledge we have not always treated our customers with care and respect we should have. I am sorry for this and determine to set things right. My question is unfortunately many of NAB's longstanding aggrieved customers' cases were caused by NAB's ill intent. NAB is dragging out remediating it to aggrieved customers. This is not, as you put it, determined to set things right. Can you Mr Thorburn please tell us how much longer NAB's victims must wait for the NAB to compensate them?

Andrew Thorburn: Mr Wilde, I stand by all the statements that you read. I have met with 20 aggrieved clients when I was in Canberra. I have personally asked for an independent review of those. I met with the independent reviewer last Friday and went through an update on each of those cases. Those cases are complex. They are long standing. They are not cut and dried. But I would like to say - sorry, not like to say.

I wish to say that as I met with those people I could see how emotionally draining and impacting it has been on their lives. There is no question about that. That was - I said to our Board yesterday, as I gave them an update on this process, that it was probably the

worst day of the year for me and there has been a few, to meeting with those people and hearing those stories. So we have not yet completed that and I want to make sure it is fair and balanced and accurate, that's why I've asked for it to be done independently. So I will just commit to that.

My separate point is, I mean it is right, we need to get everything right for our customers every single time, that's our goal. We don't at the moment, but when we do have complaints come through, these are not ones at this end of the scale that you refer to, but early complaints - 87% of our complaints get resolved within the Bank within five days. I think we're doing a lot to fix issues and listen and address things and there are some which are much more difficult and to your point, have gone on way too long, where we do need to sort of complete a review of those.

Also, what I'm thinking about is what caused these, because I think there are things that we can learn from them, these really difficult ones that we didn't help the case, there's no question about that and I want to put in place more formal processes to ensure that any serious ones that come up get handled as part of a process, not just part of an ad hoc review. That's what I'd say, Mr Wilde.

Milton Wilde: (Shareholder) Mr Thorburn, but these issues have been around for, in some cases, up to 20 years, in other cases 20 plus years and Dr Henry identified earlier this morning that the Bank had become aware of fraud in the last 12 months. Well no, it's been systemic within the Bank.

Andrew Thorburn: Well I don't - on complaints you're talking about? I don't quite agree with your point there. I want to acknowledge the impact that these longstanding complaints have had on people's lives, right, but as I've gone through them and heard them and listened to the independent review at this point, many have gone through various processes, legal, court, ombudsman reviews, I'm not saying it's right or wrong, but I'm saying that I don't think it's quite fair to say that we haven't cared or there hasn't been a process. We have to learn from it because I think we can do better and I do think these cases, very unfortunate, are isolated because there are - our people are getting most things right and when we have complaints come up through the company, 87% are getting resolved within five days.

So we are getting some things right, these ones we haven't, we need to address them. But I can't say to you today where those are going to land because the process is not complete and it should be fair and balanced and it is coming to a close.

Milton Wilde: (Shareholder) I guess my final point to you is that by way of observation, AFCA is rebadged FOS, which means they're totally useless. But I'll now address a question, the last question, to Dr Henry. Dr Henry, you said the Board is exposed to unfiltered direct feedback from customers. We get out of the boardroom to see, feel and hear what is happening across the Bank and to hear directly from our employees and our customers. My question is, this statement doesn't seem to apply to NAB's longstanding aggrieved customers. Many of NAB's bank victims have been put through years of heart-wrenching, severe financial hardship through no fault of their own.

NAB's victims and it's not just NAB, but in this case we're talking about NAB, some of whom are here today, are part of the bank warriors fighting for all bank victims across Australia and we would like to invite the full NAB Board, this follows on from what Mr Caulfield was addressing with you earlier, to meet with a handful of us to hear firsthand what your Bank, the NAB has done and continues to do, to innocent hard working Australians. So, Dr Henry, I would like you to acknowledge today that a core group of us, with the assistance of Mr Leon Ashby from Senator Fraser Anning's office, can meet with the NAB Board in the very near future to help the Board to understand their many outstanding, longstanding, aggrieved customers' cases.

Ken Henry: Okay, so Mr Wilde, firstly yes, I did address much of this in the question Mr Caulfield raised. I think in addition to what I've already said, I'd say two further things. Firstly, the CEO will report to the Board on the outcome of the independent review that he has underway. That's the first thing that will happen and they do concern the cases that you're talking about. Secondly, in considering that report, we as a Board will consider the proposition that you have now made. Given the report that the CEO presents to the Board, do we think it would be useful for the full Board to sit down with you, some other members of your group and discuss these issues. So we will give that consideration. Who knows, it may be that the independent review obviates the need for such a discussion, but I've certainly got an open mind to it.

Milton Wilde: (Shareholder) Okay, we look forward to meeting with you, thank you.

Ken Henry: Okay, thank you, Mr Wilde. We are dealing with the financial reports here. At some stage we're going to have to finish dealing with the financial reports and get on to other items. I know these are very important issues, but we do have to actually - not many of the questions have really addressed the financial report specifics.

Operator: Chairman, I would like to introduce Mr Michael Staindl.

Michael Staindl: (Shareholder) Thank you, Mr Chairman and Board. My question does concern the financial reports in the sense of the imminent financial risk of the stranded asset risk and of the social licence risk to our Bank of their fossil fuel investments. I know this has been raised by a couple of questions and your answer seems to have been that you are utterly committed to the Paris Commitment, the two-degree commitment target, but that that involves what I think you termed sensible transition arrangements.

That is based on the assumption that there is a carbon budget left. There is no carbon budget left. Even something like the International Energy Association who have been consistently the most bullish on fossil fuel investments, recently their executive director, Fatih Birol, has recently said we have no room to build anything that emits CO₂ emissions in order to meet the goals of the Paris Agreement and that's consistent with lots of other research that peer reviewed research from Oxford University published this year, which finds that even if the world's entire pipeline of fossil fuel power plants was cancelled, 20% of the remaining capacity must be left stranded to meet the climate goals of the Paris Agreement.

Despite this, our Bank has funded the development of at least five new gas-fired power plants since supporting the Paris Agreement in 2015, having this year, for example, funded a 1.18 gigawatt South Field Energy plant in Ohio, USA. I'm also aware that in May, NAB provided a loan for the development and construction of the Corpus Christi plant in the US LNG facility in Ohio that would enable the release of CO₂ emissions equivalent to 1.5 times Australia's entire CO₂ 2017 output.

So coming back to your opening comments that the Board accepts accountability for its failings and seeming that the Bank is intent to lend in a manner that contradicts the Paris Agreement, can the Board at least and with respect, end the presence and acknowledge that we no longer support the Agreement's goals?

Ken Henry: Well no. We do support the Agreement's goals and I understand the importance of your question and why it means so much to you, I do get it. But I've explained the attitude that the Bank has to addressing global warming and I really can't add anything to what I've said.

Michael Staindl: (Shareholder) It's based on the concept of a carbon budget that doesn't exist.

Ken Henry: I get the point, but I can't add anything to what I've said, I'm sorry.

Operator: Chairman, I'd like to introduce Mr Nathan Rees.

Ken Henry: Mr Rees.

Nathan Rees: (Shareholder) Good morning Dr Henry...

Ken Henry: Good morning Mr Rees.

Nathan Rees: (Shareholder) ...and executives, Merry Christmas everyone. I'll be brief, but a couple of important points before I ask my specific question. Firstly, can I commend you on your testimony to the Royal Commission, it was something of a tour de force that was underappreciated by some of the wizards in our media. Secondly, I note the significance of your remarks this morning around your and Mr Thorburn's powers of persuasion with your peers leading up to the Royal Commission. For accuracy of the record, I suspect in Andrew's inbox or correspondence file there's probably a letter or at least a media release from the Finance Sector Union in advance of you having that success with your peers.

My question goes to culture and like others, I was concerned at the 10-year reference in the Royal Commission testimony. I am encouraged to hear your remarks this morning about bringing that forward. We would submit that responsibility for shifting culture in the organisation needs to be elevated beyond the executive. In that context, are there specific proposals under consideration by the Board aimed at improving organisational culture?

Ken Henry: Yes, there are. Good question Mr Rees. So the Board has been itself on something of a journey here. A couple of years ago we entered into a conversation with the senior executive team. It was led by Andrew, he brought it to the Board, he said we have to have a very serious conversation about the purpose of the Bank. Now you know, he was asked about this himself in the Royal Commission. My own view of it, watching it, was that it wasn't given the seriousness that it deserved, the question, didn't give it the seriousness that it deserved. I think that's a pity because I actually think that the purpose of an organisation is fundamental and the alignment of people within the organisation, the purpose of the organisation, is fundamental to building the right culture, absolutely fundamental. Secondly - and as you've heard, our purpose is to back the bold who move Australia forward. We are ambitious for the nation's future.

Secondly, associated with purpose, we've had a more recent discussion about an appropriate vision for the Bank and the vision that we share for this Bank is that it be Australia's leading bank, trusted by customers for exceptional service. I've got to say to you, the Royal Commission proceedings helped us in coming to that view. It's been helpful

to us in crystallising the appropriate vision for this Bank. Having the 33,000 people in NAB in Australia and New Zealand fully committed to that vision is also important to building the right culture of the organisation.

Below vision are values and there are five values that we talk to people in the organisation about all the time. Below those five values, there are behaviours that we expect our people to be committed to and which we talk to people in the organisation about. When I say we, I'm talking about the senior executives talking to all levels of management in the organisation, but I'm also talking about Board members talking to people at all levels in the organisation about purpose, about vision, about values and about behaviours.

Importantly, when something goes wrong, sitting down with people in the Bank and asking them why they think something went wrong, what's their analysis of it, was it consistent, were the behaviours consistent with the behaviours that we articulate for the employees of the Bank? Were the behaviours consistent with the values that people inside the Bank should aspire to and really, really importantly, do they see those behaviours as being consistent with our vision, to be trusted by customers for exceptional service?

The Bank has played a strong role, I think an appropriate role, not a heavy-handed role, but nevertheless a strong role in the development of all levels. More recently we've had a project considered by the Board, developed within our human resources part of the Bank, that has focused on the formulation of an appropriate culture, the identification of it and then how to embed that appropriate culture throughout the organisation. We've ticked off on a number of steps for the embedding of that culture throughout the organisation and we'll be monitoring progress against those steps, as a Board, very closely as we go through 2019 and beyond.

Yes, why don't you add?

Andrew Thorburn: Nathan, can I just add a couple of things to what Ken said? I think the first thing is the Board's done a lot of work to look at measures and rewards, one of the key systems of changing determining culture inside the company, obviously trying to get incentive schemes that are more long-term focused on customers, looking at risk and looking when people don't get that right, what the consequences are. They have a heavy degree of oversight, probing and challenging all those sort of areas and any bonuses that are paid to people, why and if there are consequences, what the impacts of those are on people's bonuses. I think the Board have played a much - a very strong role in the last couple of years. They have ensured that we now have 100% of our people on a balance

scorecard and 97% of staff on the company are on a standard variable rewards scheme. They've really pushed in to make sure we've got that much, much better. Work to be done, but much better.

Second, employee engagement, we do surveys regularly, those go to the Board, they see the good bits, they see the bad bits and they want to know what we're doing to get it better. So again, they hold us accountable and they get close to detail that I think is appropriate. Thirdly, the whistle-blower scheme, I think ultimately we want to hear from everybody when people are aggrieved or upset, they need to speak. It goes straight to whistle-blower committee, members of our Board are on that, so it's unfiltered in that respect.

But finally, I just want to say, the final thing I think is that leaders are so crucial to culture. We've got 4000 people leaders and the Board is overseeing and in fact yesterday at the Board meeting had a briefing on what we're doing to identify and develop leaders who have got the right sort of character and capability we need to be a better bank in the future. So I just want to add those to what Ken said.

Ken Henry: Thank you, Andrew.

Operator: Chairman, I'd like to introduce Mr Howard Pascoe.

Ken Henry: Mr Pascoe.

Howard Pascoe: (Shareholder) Mr Chairman, my family on my mother's side have been involved with the Bank for generations, so we love the National Bank, providing bank managers and very important staff. I would like to ask how have we improved communications. The first thing is, I would like to ask Mr Chairman and the CEO, have you been trained in handling the paparazzi? Now this paparazzi can be very dangerous because Princess Diana died from the paparazzi and I noticed that the ABC programme, *Media Watch*, was super critical at some of you when you left the Royal Commission hearings and the CEO for the Westpac Bank was given nothing but praise in the way he handled the media. So I suggest you all be trained about handling the paparazzi.

Secondly, when you close bank branches, now I come from, would you believe, Stephen Mayne country, which is the City of Manningham and your Bank has closed two branches, that is Tunstall Square and Bulleen branch and we've been asked to go to Westfield in Doncaster or The Pines. Well the problem is that the council wasn't informed that you were going to close two branches and you'll be pleased to know that Stephen's wife, Paula, is

now our new Mayor of the City of Manningham. But the problem is that you complain by the little form you fill out in the branch and you don't get a response, no response whatsoever about your comments, customers comments, about the branch being closed and the council's not informed.

So I think suggest to the Bank that when you close branches, please inform the municipality, don't do it in silence. If you've got reasons why you close branches, please explain, communicate with your customers why you're doing it. You say, people aren't using the branches anymore, but the fact of the matter is, you go to The Pines, there are only two computers and what ends up happening when one computer breaks down, the customers wait for half an hour to 45 minutes being serviced by the other teller. Or you get one customer who I can't understand, gets - clogs up the tellers for half an hour, 45 minutes, I don't know why, but it could take up to half an hour for the transaction to be completed or whatever. So the other customers all were in the queue and it's frustrating.

So if you close branches, like in the City of Manningham, you need more computers in existing branches and you need more staff to meet the demand if you have customers in a queue waiting up to half an hour, 40 minutes to be serviced by those wonderful staff. That's my comments, my suggestions and congratulations to the Bank because you're still there. For those that may not be aware, you don't realise how important is it to have a bank still standing. In the Philippines, my experience with the Philippines for example, banks come and go like milk bars and you're all spoiled rotten. The Manila Bank we had dealings with as a charity, closed the doors overnight. I don't know how many banks there are in some of our Asian neighbour countries, but it could be quite a - it could be 100, I don't know what there are, but they come and go like milk bars. So we are so fortunate to have our banking system that we've got, that's there, year in and year out. You don't realise how lucky we all are.

Ken Henry: Thank you Mr Pascoe. I will respond to that question. I'm going to have to draw a discussion on this item to a close. I will take one more question, number three, then I'm going to have to draw the discussion on this item to a close. There will be other opportunities later in the meeting for you to ask questions. Just specifically in respect of branch closures, we have not always done this well and you've hit the nail on the head. We have not, at times, discussed with local community leaders, even local councils, the reasons for the - we - the reasons why we've proposed closure of branches.

We are changing our ways. During the course of this year, having taken - announced a

decision to close a branch in Narooma on the south coast of New South Wales, the community said what are you doing? We sat down with them and, in the process of discussion with the community, came to the view that we should work together, the Bank and the local community, to ensure that the branch remained viable in that local community. Since Narooma we've done the same thing in Dungog. This is how we should be behaving, okay, so I think that's a really good point. Microphone number three.

Operator: Chairman, I'd like to introduce Kay Wennegal.

Ken Henry: Good morning.

Kay Wennegal: (Shareholder) Good morning. Thanks, Mr Chairman. This is just a clarification of NAB funding. The coal mining company New Hope Group recently secured \$900 million of debt, part of which will fund expansion of the company's new Acland thermal coal mine. Given NAB's policy to not support any new coal mine development, can we be assured that NAB does not participate in funding this debt?

Ken Henry: Ah, well, just very quickly, I can't comment, and won't comment, on particular cases. It's not appropriate. As I said earlier - and you've repeated it - we do have a commitment not to finance any new thermal coal projects. We've made that statement and we stand by that statement, but I can't add anything further to these issues than what I've already said during the course of the morning. I think we've had quite a good discussion about these issues, but I thank you for the question. I can't add any more.

Kay Wennegal: (Shareholder) Okay. I just had a supplementary one, and you may not be able to answer that either. Last week it was reported that the Japanese owners of the Western Australian power station Bluewaters, were seeking to refinance their debt. NAB is an existing lender to this 400-megawatt coal fired power station. I'd like to know whether a project of this nature - a 400-megawatt coal fired power station - would remain within the scope of NAB's power sector appetite.

Ken Henry: Well, again, I - yes, you're right. I can't answer that specific question, but thank you for the question.

Kay Wennegal: (Shareholder) Thank you.

Ken Henry: Okay, we are going to have to move on. We've had quite a good discussion about a range of issues. There being no further questions at this time I declare that the financial statements and reports have been received, they've been considered at the meeting. The next item of business is item number two. This is the remuneration report.

The remuneration report is contained in the annual financial report. It includes a number of things. Firstly, an explanation of the Company's policy for determining the remuneration of executives and Directors. Secondly, a discussion of the relationship between that policy and the Company's performance and, third, it has details of the performance conditions associated with the remuneration of the executives and, of course, Directors.

I want to spend just a little time discussing NAB's 2018 remuneration report and our thinking behind it, given the concerns that have been put to the Board and which I outlined earlier. Well, as discussed earlier, in 2018 we went ahead with the introduction of a new executive remuneration framework designed to encourage long term decision making, to drive a focus on exceptional customer service and to achieve our strategy and deliver sustainable long term performance in the interests of all NAB stakeholders, including shareholders.

The framework we announced in September was a result of more than 12 months of deliberations and consultation by the Board remuneration committee, including with the regulator APRA, and with more than 30 large investors and shareholders. We also intended to more closely align executive reward with shareholder experience, and I've said something about that already this morning, with 60% of any variable reward paid in dividend eligible shares and deferred for a minimum of four years. The framework is fully consistent with both the letter and the spirit of banking executive accountability regime, otherwise known as BEAR.

We understand that shareholders want any reward to be firmly aligned to performance and for the Bank's most senior executives to be accountable. We share this view. This year significant individual and collective consequences were applied to remuneration outcomes in relation to customer matters, risk matters and reputation matters. Many of these have featured in the Royal Commission, and we've already discussed those this morning.

Despite a solid financial result and making good progress on NAB's three year business transformation, our CEO, Andrew Thorburn, received \$3 million less than his target total remuneration for 2018. Individual outcomes for the executive leadership team have ranged from 17.5% of target reward to 105% of target reward. This is of the variable component of reward.

Most of the executive leadership team were awarded less overall remuneration this year, and Andrew certainly was. The Board also exercised its discretion this year to forfeit the third variable reward for a number of former executives, given information that came to

light during the course of this year. That's a reminder that the third reward remains at risk and the sustainable decisions and effective risk management need to stand the test of time.

We understand that both the structure of the remuneration framework and the outcomes must satisfy our shareholders and, clearly, we haven't. As I said earlier, we will learn from your feedback. We'll continue to work with our stakeholders, including shareholders obviously, to get executive remuneration right.

Having heard those introductory remarks are there any questions or comments on resolution two from shareholders present here today? Microphone number two.

Operator: Chairman, I'd like to introduce Mr Dennis Shore.

Ken Henry: Mr Shore.

Dennis Shore: (Australian Shareholders' Association) Good afternoon, Chairman.

Ken Henry: Yes, I'd taken notice as well, Mr Shore.

Dennis Shore: (Australian Shareholders' Association) I'm representing the Australian Shareholders' Association, and I thank you for the opportunity. Now, you and I have had quite a number of discussions about all of this. I'm not just representing the Association as such. I've been entrusted with the proxies of 2600 unhappy shareholders.

Now, to put this in some context, for years we worked constructively with the Bank to ensure that the Bank's remuneration policy has been aligned with the ASA guidelines and our expectations. Despite many disappointing financial results we've usually accepted that this has been the case. Sadly, that is no longer the case.

Now, the Board accepts - and you've stated today that it accepts accountability and responsibility for the actions and activities revealed by the Royal Commission. Now, these outcomes have unfortunately seen shareholder value trashed. You mentioned that there's a more than 80% vote against the remuneration report. This comes on top of at least two decades of inept investments and other scandals from British banks to HomeSide, the forex trader fraud, insurance and wealth management investments.

Now, let me be clear. These are not consequences of decisions of this Board or most of the executives, but I think those things should have sent a strong message about corporate culture, and you've referred to that today. The Board really needed to be focussed on those sort of aspects. In our view the Board failed in its task there to both its customers

and its shareholders. I think you've acknowledged that.

Now, we're not suggesting for a minute that this was deliberate, but if you get a speeding ticket, for example, you have to pay the fine even if you were not knowingly or deliberately speeding. Amongst the many reasons for finding this remuneration report unacceptable we would assert that the Board does not want to walk the talk.

Now, CBA and ANZ recognised that it is appropriate for the Board to share their shareholders' financial pain and accepted a 20% cut in their annual fees for one year. In other words, clear shareholder alignment. We'd ask the question why not NAB?

Secondly, we can accept that the CEO is entitled to vesting of his LTIs from his time as CEO of The Bank of New Zealand, but we think it's not only inappropriate, but really, in many ways, insulting to shareholders that he should receive the STI components valued at \$1.67 million relating to 2015 and 2016. We think zero was the appropriate reward. See, for executives it's more than just shareholder alignment. The buck has to stop there.

And, finally, we were not initially opposed to the new variable reward framework in principle, but there is something fundamentally flawed when the CEO and other key management people can be rewarded handsomely when there is a negative TSR. Now, the Bank has responded to us that chronically poor TSR would lead to revised metrics to reduce rewards. Now, if there was ever a need for the Board to make such a decision, this was it. And they can do that, as you say, in their absolute discretion.

By indicating our support earlier for the hybrid structure we trusted the Board to enforce the intent and our view. It has not. It has just not translated somehow, so you've said you're going to re-look at it. In theory it's probably fine, but it needs some work.

Now, there's a lot more we could say, but the bottom line is the Board has to do more than say they're sorry. We must demonstrate - you must demonstrate that you're sorry. In case you're worried, this will cover our comments on resolution three as well but, in closing, thank you for the very sincere comments that I've heard here today. We hope that they point a good pathway to the future. Thank you.

Ken Henry: Thank you, Mr Shore. Look, can I also take the opportunity to thank you in particular and your association for the very constructive way in which you have engaged with us for quite a long period of time now as we've been trying to design an executive remuneration scheme that would meet the requirements of shareholders. I understand that you are very unhappy with the way this has ended up, and I accept that. The Board

accepts it. We're sorry we didn't get to the landing that would have satisfied you and your members.

We have no option but to work with you - and others, obviously, but including you and your association - through the course of next year to make sure that we can come up with a scheme that satisfies all relevant stakeholders but, particularly, of course, our shareholders, particularly our shareholders, whom you represent, so many of them.

With respect, you did ask a question about non-executive Director remuneration, and I feel I should say something about that because - and I know that was an important - well, I - actually I didn't realise until after our last meeting that there was an important issue, or such an important issue, for you. Maybe I should have. But let me - I know that two of the major banks - the boards have decided that that's an appropriate thing to do to reduce non-executive Director remuneration. Look, views on these matters differ. I don't agree. I don't think it's appropriate.

The reason I don't - there's several. The first reason is I don't think it's good governance practice. Boards have a very, very important governance role, above everything else, to play in the economy and other people who have very important governance roles in the economy, like us, they have fixed remuneration and it's for a very good reason. They do not have remuneration that's at risk and for a very good reason and without going into those reasons, and I shouldn't need to, I think.

I think it's very important that people who are appointed to very senior governance positions of businesses or entities that affect the lives of every Australian and New Zealander, for that matter. That they receive fixed remuneration and not variable remuneration or remuneration that is at risk because of something. That's first point. The second point is that all NAB directors are, as I said earlier, substantial shareholders of NAB. You said it's important that the NAB directors share the shareholders' pain.

Well I agree with you. Actually the ASA has been saying this for a long time. We agree with you. I agree. It's very important and we have and we will continue to share the shareholder experience, for better or for worse. We get that and that's a requirement of being a director of the National Australia Bank and the third point is this. As I said earlier, the directors of this Bank have not bunkered down during the course of this year waiting for all of this to blow over, going on with business as usual.

We have not. We've got out into the communities, talking to customers in community about the things that matter to them and the way in which the Bank needs to change its

behaviours. We've lifted the workload of the directors very considerably. If you do the dollar per hour calculation Mr Shaw, I think you would see that it has fallen dramatically through the course of this year. That's fine.

That's exactly as it should be and I don't expect any lesser workload of directors through the course of 2019. I can assure you of that, in part because of those who will be meeting with you like myself. I think that's the appropriate response. But I don't think it's good governance to have variable remuneration for non-executive directors. Number three.

Operator: Chairman, I'd like to introduce Mr Chris Schacht.

Ken Henry: Mr Schacht.

Chris Schacht: (Shareholder) Thank you Mr Chairman. First of all, I agree with some of the comments of others that you've been very open today in your comments and quite philosophical about the Bank and what has to happen. Nevertheless on the remuneration report, it will be one of the very few times that a public listed company I have shares in that I'll be voting against a remuneration report.

Not because 85% have already voted against it. I think that it is impossible to vote for the remuneration report in view of the circumstances the Bank finds itself in over the last 12 months and its performance, as shown in the Royal Commission. A couple of things. The endless arguments about short term, long term investment. These in annual reports now of major companies, it is the biggest section often in the annual report going in page after page to explain the remuneration report for 20 people in the Bank.

It's bigger than the business plan, etc in some ways and I just think it's got out of hand. I - previous speakers, I agree with. A bit old fashioned, saying you get an honest day's pay for an honest day's work and etc and I hear any more of this stuff saying if we don't offer all these bonuses, we won't be able to attract the best talent to run our banks or our other major companies.

Well, we've had all of that and what have we got? A scandal ridden financial system in Australia that the Royal Commission has exposed, despite giving all of these bonuses. So, when you come back with a new report next year, some goes on for pages that probably Einstein couldn't understand the mathematics of it, to justify whatever, etc. I'll look at that with some interest.

But it cannot get away from the fact that the bonus - the structure for these bonuses leads down further into the next level of the banks and the financial system. That this is the

way you make an - you get an extra really good outcome, no matter how good you are at your job, in a sense. It's created a culture of greed across the financial system, unconscionable greed.

Because people think whatever I've got to do to get that extra bonus, whether it's at the senior management level, the next level down and then we've got all of those stories of advisors working out ways to rig applications, lie and cheat. That is all of this culture that comes out of a system of bonuses, of adding on how you get extra money, no matter what the ethics of it are and that's what we are now faced with and what the Royal Commission has exposed.

I just point out in an article yesterday - not particularly directed at you Mr Thorburn. But it did point out that your salary, without the bonuses, is equivalent of 61 salaries for our - for a teller in our Bank. Now, I've got to tell you, I said before. I think the tellers are the face of our Bank that give us a chance. Sixty-one of them get the same money as one of our CEO.

I agree there has got to be a differential about that between - etc. But again, it indicates if you're the teller, you're down at the bottom earning this sort - that money and at the top they're seeing millions of dollars paid to the top end of tree, despite the fact of now what the Royal Commission has found. So I just think we have to say one, it's not just this Bank. The financial services system has created a culture in Australia, what I call unconscionable greed and it's got to end and until it ends, all of the financial system - the banks the other super companies, superannuation and insurance - will always be not trusted to the level they should be. I want to conclude on the strike. This is the first strike - 85%. Next year we come back, if it's more than 25% against the remuneration report you then, under the law, are support to call a meeting and have - the Board is spilt and a new election takes place. So, you've got a real issue for the Board to consider in the next 12 months, that you don't get a 25% only - not 85, 25 - the Board could be spilt.

This leads me to my final comment, Mr Chairman, which may be unfair to individual members of the Board. In view of the scandals that the Royal Commission has exposed, not only in our Bank, in other - in the processes, I think you as Chair are going to have to consider that in the next 12 months there has to be changes to the Board. I think we cannot sit still and say, everything's hunky dory. The Board has to take responsibility and I'm reminded of Cathy Walter, a former Board member of this Bank, who took responsibility for the HomeSide scandal. She was Chair of the Risk Committee, Audit

Committee, et cetera. Of course, a number of old blokes on the Board at the time tried to blame her for the lot.

She stood up and said I'll go, but you've got to go too. Then the following 18 months, most of the Board left, as they should have. We are faced now with a similar scandal. We don't know whether individual members of our Bank are going to be recommended by the Royal Commissioner to suffer - to have charges laid against them or the Bank itself. We do not know, so we wait, but whatever that outcome - if it is that way and even if it isn't Mr Chair, I say to you, with your long experience, you're going to have to discuss with your Board there's going to have to be changes. Otherwise, I think you do run the risk of the total Board being tossed over by a 25% vote in 12 months' time.

I conclude, as someone said to me and I say this - not with just tongue in cheek - someone said, well Schachtty, if you're going to ask some Board members to go, who would you put up in place of? Good question, good question. Then I say, with tongue in cheek in one way but in another way, I think, could we do any worse - there were a couple of people at the Royal Commission who showed they know in detail now how our Bank and other banks have operated in absolute detail with forensic questioning. One of them is called Rowena Orr and the other is called Michael Hodge. I would invite both of them to join the Board to ensure we get the culture change, because they know how this Bank is being run because you listened to the questions they put over 12 months.

So, there are people out there that would provide new blood but I just say, you cannot stand still, Mr Chair, and just wait in 12 months and hope it's all going to happen. There has to be changes to the Board.

Ken Henry: Okay, Mr Schacht, thank you for your - actually, I don't think there were any questions in that but, nevertheless, provocative comments. I will address some of them. I'm sure I can't do justice to all of them. Firstly, in respect of the complexity of the remuneration report. It's not going to make you feel any better, but when you said there's all for - most of that complexity is all for 20 people, actually, the number is 11. Yeah, I know. So, believe me, I feel like you do on that. Why is it that we have to spend so much effort and create so much complexity for the remuneration of 11 people? Everybody on this table has exactly the same view. Why is it?

One of the things we set about doing with our new variable rewards scheme - which collapses the long-term and the short-term into one - was getting rid of all of that complexity. In this year's remuneration report, the complexity persists because it's a

transition. We had to explain the old and the new and how we were attempting to make the system simpler. As a consequence of that, the remuneration report is even longer this year than last year, even though we're simplifying the scheme. Were we to persist with the scheme next year it would be much shorter. It would be. However, problem. The design of the scheme does not satisfy a large proportion of our shareholders. We will get - you'll see the numbers in a moment, but I can tell you they're - well north of 80% of the votes already cast are against the remuneration report.

We've spoken to people. We've asked them why they're voting against the remuneration report. Not because we can't understand it, but because there are several different reasons that could explain a vote against. Of the votes cast against, more than a third of the votes cast against, have been cast against the remuneration report because of the design of the new scheme, because people voting do not want to see a single-variable reward. They don't, and I don't know if you know this, but amongst the big global investors, who together hold about 15% - just three of them together hold about 15% of our share register - there's intense debate about whether it is desirable to have a single-variable reward.

Our single biggest shareholder says, yes. The next two say, no. By the way, Mr Schacht, that means changing the composition of the Board. It's not necessarily going to get us to the place we need to get to. These are not matters that are being discussed only in Australia, as I said in my prepared remarks. These matters have exercised the minds of remuneration specialists around the world for many years now and they are not agreed. So, that's the first point.

Second point. You don't want me to say this, but I'm going to say it anyway. We are actually operating in a global talent market. It is the truth. It is the truth. I accept your point that just because you employ Senior Executives from that global talent market - just because you do that, does not mean you're going to get everything right. Of course, that's true. Agree with you 100% and for that, as I said in my prepared remarks, we are sorry that we haven't got everything right. But I tell you what, if you're not employing senior leaders from that global talent market, you're probably going to get a lot of other things wrong as well including putting the Bank at substantial financial and non-financial risk.

This is a big business. We've got more than \$800 billion in assets sitting on our balance sheet. That means there's more than \$800 billion sitting there in liabilities and shareholders' capital. People like you, people all over the world, trusting the senior leaders

of this bank to look after their money. If we don't have people running this Bank who are of truly global quality, world-class senior executives, do you think I'm seriously going to be able to go out there into global markets and raise tens of millions of dollars a year in wholesale funding? No. Do you think we're seriously going to be able to stand up to the depositors who have more than \$400 billion in their savings accounts with NAB and say, it's fine, your money is being looked after, trust us? No.

So, I agree with you. Securing people from the global talent market doesn't guarantee that everything will go right, but if you don't do it, you're running too high a risk that a lot of things will go wrong. That's the second point. The third point is that I do not feel that we at NAB are in anything like the place that we were in in 2004. We're in a bad place. I've said that. We're sorry that we're in a bad place. We have to find our way out of this bad place. We're going to work as hard as we possibly can, through the course of next year, to get ourselves out of this bad place. But Mr Schacht, you cannot seriously, surely, argue that it's as bad as 2004. It is not. It is not.

The fourth thing I want to say is, if we're going to get out of this bad place, the best thing we can do is to keep this Board. Not get rid of them, keep them. They're absolutely committed. The second-best thing we can do is to keep this Senior Executive Team of truly world-class Senior Executive team. A team of global talent. Those are the best things that we can do and that's what we're going to do.

Chris Schacht: (Shareholder) Well, I - thank you for your comment - your direct comments back. I just have to say, you got 85% voting against a remuneration report.

Ken Henry: Yes.

Chris Schacht: (Shareholder) Some of those people, a lot are voting as a protest against the Bank - the management of the Bank - not just the remuneration report itself.

Ken Henry: Yes.

Chris Schacht: (Shareholder) I agree with you. I hope nothing is as bad as it was with HomeSide over a decade ago, which was an unbelievable scandal in the way - what happened - but I have to say, one Director - Cathy Walter - had the guts and the courage to stand up and accept responsibility and force the other Board and over a period of time there were changes. Of course, since then there have been other problems - the investment in England, in UK et cetera - but the question I'm raising is I think the remuneration report is coming out to be an example of where people want change. I

accept you don't have to - I'm not asking you to toss the whole Board out, but if you get a bad result - 25% next year, there's going to be another - be another ballot for the whole lot.

I'm not asking for the whole lot, I just think it has to be shown that there is change, there is new blood on the board that can deal with and add to the culture change in the Bank that all - for in the end will help all of us shareholders make - get a better value in the capitalisation of the Bank.

Ken Henry: Thank you, Mr Schacht. I don't know whether - we'll go to microphone number one and then I'll come to two.

Operator: Chairman, I would like to introduce Mr John Scott.

Ken Henry: Yes, Mr Scott.

John Scott: (Shareholder) Yeah, I spoke to you before. I would like to say, actually, one thing. I don't particularly like that there is a spill next year with the 25 that you call - or more than 25%. However, if you keep the bonus system for the top echelon of the bankers, you're going to get 25% or more and I must say, I do not particularly like that Andrew Thorburn goes because before him we had the rugby player, before him we had a man that delivers the mail, before that we had a Scotsman, before that we had an utter disaster from Queensland who lost \$4 billion and then he went onto a mining company where he lost \$40 billion and before that we had a good manager that was Nobby Clark. He was a very good member - manager and now I was hoping that we have a banker as a manager again, that it would come alright. I'll give you one hint, if you don't drop the bonus system, you're going to get 25% or more. Thank you.

Ken Henry: Yes, thank you Mr Scott and believe me, I understand it. I do understand it.

John Scott: (Shareholder) That's all I want to say. I give you a little hint as a taxi driver, okay? Don't forget.

Ken Henry: Thank you, Mr Scott. Number two.

Operator: Chairman, I'd like to introduce Mr Michael Sanderson.

Ken Henry: Mr Sanderson

Michael Sanderson: (Shareholder) Howdy. My name is Michael Sanderson. I'm a proxy for [Monty Fisher]. I'm a happy NAB customer. I've been a happy NAB customer for a number of decades. In saying that, I am aware of the ongoing devastation that NAB has caused for

some of its customers. I attribute my positive experience to my banker. A chap by the name of [Greg Bellett] based in Hervey Bay, Queensland.

And I say it's not possible to digitise that personal interaction, reflected in a file or do it remotely. I don't know if you're aware of a chap, I call him Uncle Arthur. His name was [Arthur Sanderson]. He died in April this year. Arthur started his career as a junior clerk with this bank in Port Augusta, South Australia. Over the next four decades, he rose to become Manager of NSW and the ACT.

He worked under a chap that was just mentioned before, Nobby Clark. That was when the bank was number one. Sorry.

Chairman: No, no, no. It's alright Mr Sanderson. Take your time. I understand. Take your time.

Michael Sanderson: (Shareholder) Arthur was a [unclear] and honourable man. He was a banker with a capital B. It may be prudent of shareholders to demand that the majority of the NAB Board and Executives are populated by individuals from within NAB, like Arthur Sanderson and Greg Bellett, rather than the overpaid, revolving door, short term mercenaries that get parachuted in [unclear].

Chairman: I understand Mr Sanderson. And can I say this to you. Mr Thorburn is such a banker. He has spent his entire career in banking. He gets what you're talking about. I've seen him emotional talking about exactly the same thing. I get it Mr Sanderson.

Microphone number three.

Operator: Chairman, I'd like to introduce Mr Kazim.

Chairman: Mr Kazim. I get emails from you don't I, Mr Kazim?

Mr Kazim: (Shareholder) Yes you have.

Chairman: Yes.

Mr Kazim: (Shareholder) Can I just say, I wasn't particularly, I won't cover the ground that's already been covered. I would like to say that I wasn't particularly impressed at with Mr Thorburn's appearance before the Royal Commission.

Chairman: Oh.

Mr Kazim: (Shareholder) Particularly disturbing to me was his lack of clarity of what was and what wasn't ethical. One would have assumed having been in the banking industry for 30 years, that would have been fairly clear. I thought the fact that he couldn't decide it

was technical, it was this, it was that and what he thought was ethical, wasn't unethical et cetera, et cetera, was deeply disturbing.

Now if he's uncertain, as the lead banker on our behalf, and I've been a shareholder for over 30 years. This is puzzling and worrying, because if he's unclear, how can he help transform the culture of the bank?

Chairman: Yeah. Yep.

Mr Kazim: (Shareholder) It was deeply disturbing.

Chairman: Yeah, sure Mr Kazim. Can I say to you, he is deeply, deeply ethical person himself, but he should speak for himself. So I'm going to let him explain to you, what he would have preferred to have said in the Royal Commission.

Mr Kazim: (Shareholder) Okay.

Andrew Thorburn: Mr Kazim. I do believe I'm an ethical person. I believe that I've got a record in my working and personal life of being ethical. I'd love to have a sandwich with you and talk a little bit, if we could, about what it means and how define that. I want to come back to the Royal Commission, because I wouldn't answer the question any different. Because the context of the question was, I was being asked by Mr Hodge, a very specific question, and the question was about something called Fees for No Service.

Where we had incorrectly charged customers fees for service that we weren't sure or hadn't delivered. That was the context. What I was saying is we did not intend to do that. That was not the intention at all, ever of the bank. It was a genuine mistake that we have to be accountable for and caused all sorts of issues. But I think things like honesty and ethics go to intention. And it was never our intention to do that for customers.

So my question was, I didn't think, he was trying to put an ethical judgement on something where it was a genuine mistake. Now, if we had have intended to mischarge customers. If we have had of ignored it. If we had have not cared about it, that to me is unethical, sir. But I don't think it was unethical in the sense that when we found it, we raised it. It took us too long to fix it, but it wasn't because we were being unethical.

It was because it took us too long, and it was too complex, and we didn't put enough resources and focus on it. But it wasn't about ethics, sir. So that would be my answer and if you are unsatisfied sir, I would like to talk some more. Because I want to assure you, through our conversation, that you can trust me.

Mr Kazim: (Shareholder) Look, I'm not in any way reflecting or suggesting that you were being unethical, but the evidence, the transcript wasn't, didn't give a particularly good picture.

Andrew Thorburn: Well, that's what I said, and that's what I meant.

Chairman: So, Mr Kazim, can I tell you from my own personal experience. Some of these topics are really, really difficult to address in the appropriate way under cross examination in a Royal Commission. Which is like a, it's almost like a court. In fact it is a court. It's not legally a court, I mean it's not part of the judicial system. It's part of the executive, but it is a court room and you're under cross examination. It's really difficult to address some of these questions.

You know, my own performance for example. I was described as being pompous. Ha. I said to my wife, you saw it all. Do you think I was being pompous? She said, well no. But you certainly can be. It's difficult.

Mr Kazim: (Shareholder) No, no, that's fine. I thought if there were any shades of grey, I think perhaps Mr Thorburn might want to reflect, or maybe he's had time to reflect. Or he may want to reflect in his long service leave? I don't know. I'll leave it at that.

Chairman: Oh, yeah, that's disappointing. I think it would be a good idea if you and Mr Thorburn were to have a chat after this meeting, if you're up for that.

Mr Kazim: (Shareholder) Okay. Thank you.

Chairman: Thank you very much. Okay. Is there another at microphone number three? Yeah, okay.

Operator: Chairman, I'd like to introduce Mr Wendell Hearl.

Chairman: Mr Hearl.

Wendell Hearl: (Shareholder) Yes, hello. I've got a question to the Board.

Chairman: Yes.

Wendell Hearl: (Shareholder) But it's probably been answered many times. That is, you only, you get the remuneration report and the numbers and as you just said, there's something like 80% against the report. Then this is up to the Board then to decide, it's not a mandatory thing. Does the Board agree with the 80%, or do they tell the 80% to go and get nicked and you do your own thing?

Chairman: Oh, no, no, no. We are not telling the 80% to get nicked. No, no, no. Do not,

quite the converse. Quite the converse. We got it wrong. We know we got it wrong. We have to fix it. And we're going to spend next year fixing it, okay? We're not telling people to get nicked. We want to talk to them and find out how we can get it right next year. Be under no illusions though, this is going to be hard. It's going to be really hard for us.

It's going to be hard for our shareholders. Because actually as I said, out there in the world, which actually owns a fair chunk of our shares, there's violent disagreement about the design of these schemes. Violent disagreement. There's a group that's been meeting quarterly for the past 18 months, to try to agree on a set of principles to provide guidance to businesses like ours. It's fallen apart in acrimony. They cannot agree.

This is going to be difficult. But anyway, that's our task. We're up for it. So, no, we're not telling anybody to get nicked.

Wendell Hearl: (Shareholder) Just one more, I just want to agree with one of the previous speakers. I think Rowena Orr would make a wonderful Director.

Chairman: You know, I, look, I think she's going to have much more lucrative opportunities. I too, think she's pretty good, I have to say. Microphone number three.

Operator: Chairman, I'd like to introduce Mr [Michael Stracosh].

Michael Stracosh: (Shareholder) Mr Chairman, last year you didn't say, when I asked, that you had instigated the Royal Commission.

Chairman: I didn't instigate it. Please, don't...

Michael Stracosh: (Shareholder) Well you requested it. But you were very, that's beside the point. On the remuneration report, I'm unhappy to see that we've set a record on the negative vote. It's one of those things that I'd rather not have this company set records in.

Chairman: Yeah.

Michael Stracosh: (Shareholder) Profitability perhaps. Negative votes on the rem report, nee, not really. But in terms of remuneration, one of my friends is a barrister, and he said at one of the cases he was working on, a banker was fired, and he was taking the employer to court over unfair dismissal. And the bank's justification was he should have known he was on, how does one say? Shaky ground. They only gave him \$150,000 bonus.

Now when the banks start to think like that, it makes normal people question the Board's, common sense is probably the term. And in terms of international talent pools, the banking industry, international, hasn't filled itself, or covered itself with glory considering

the GFC. Now they're talking about counter party risk in America and the UK, and the EU on derivatives.

Which is the strict banking thing, so in terms of international talent pool, (a) it's shallow and (b) non-existent. Not only that, they seem to, incompetence seems to surface. As long as you can spread good '[expletive]' you get promoted. Irrespective of your actual talent, which any person who gets \$6 million odd a year, which last year you were trying to get someone to talk about, that \$6 million was over the top, and no one did.

But this year, everyone seems to be against it because of the Royal Commission showing that the bank hasn't been, ah, kosher is probably the nice way of saying it, with its dealings with, maybe not most of their clientele, but certainly the horizontal ones. And the aggrieved customers and the, now to come back and say, we're doing more on the credit quality or the ability of the borrowers to repay, seems to defeat the purpose of what used to be the banking managers position when you went to get a loan.

He knew you, and if he didn't know you, he certainly made sure that the investigations of your financial ability to repay, was there. As opposed to what happened in the recent past. Which is directly related to the banking quality of the executives. As for the rem report, the half inch, or whatever it is, it puts you to sleep. You can't read it and be [unclear] and understand what it is at the end. I just turn that bit over and I read annual reports regularly as sort of a hobby.

Ken Henry: Yeah okay, alright. There's a lot and all I can do is take it on board. That's all I can do. We have taken it all on board and particularly the feedback in respect of the Remuneration Report. There's a lot of things that we have to get right and that's what we're going to try to do. It is what we're trying to do. Microphone number three.

Operator: Chairman, I'd like to introduce Mr Tom Fox.

Ken Henry: Mr Fox.

Tom Fox: (Shareholder) Mr Chairman, this is not to do with the Remuneration Report. I just noted today that people were hopping in here, there and everywhere and I didn't want to miss out...

[Over speaking]

Ken Henry: Oh, I don't want to encourage that behaviour. If you prefer to wait until later in the general questions...

Tom Fox: (Shareholder) Yeah, I'll do that but I've travelled interstate from Western Australia to get to this AGM and I'm a victim of the NAB.

Ken Henry: A victim...

Tom Fox: I'm a victim of the NAB and I want to give a full report and I want your shareholders to listen to these catastrophic happenings that have happened within the National Australia Bank. I also want to ask the Directors a specific question on a subject of the product that I was exporting to see if they have the expertise as you guarantee us and I bet my bottom dollar they don't.

Ken Henry: Okay. Alright Mr Fox, we look forward to that. Are there further questions on this? Yeah, microphone number three.

Operator: Chairman I'd like to introduce Mr Ivor Pereira.

Ken Henry: Mr Pereira.

Ivor Pereira: (Shareholder) Good morning Mr Chairman. I'd like to ask a question around reputational damage for the bank in the light of the Royal Commission and the previous speakers. The concern I have is you talked a lot about the word trust right, you said something like \$800,000 million of assets - we need to be trusted to manage that amount of money. The concern I have is considerable reputational damage 2004, the foreign exchange scandal, the HomeSide debacle.

The Royal Commission has painted a fairly grim picture of our checks and balances that's happening at the NAB besides other banks. I'm keen for you to help me understand why I should hold NAB shares? To me the reputational damage is absolutely catastrophic. You talked about the hard measures of strong balance sheet, managing \$800 million but [where in the world of a] balance scorecard approach you? What about the checks and balances that the Board provides in the executives? What about the amount of capital loss?

The other concern I have is I've noticed recently NAB's offloaded the Life arm to Nippon Life. We're talking about doing the same with [unclear] Management. We offloaded Clydesdale but yet these reputational damage issues continue so is it a case of offload a troubled asset but don't change the underlying issues within the Bank?

As I say could you please help me understand why shouldn't we have Board renewal? Why shouldn't we have executive management renewal at the Bank? I've been a lifelong holder of NAB shares and I'm deeply troubled by what I hear and I don't see anything changing

any time soon so if you could answer that question I'd be very keen...

Ken Henry: Yeah sure. Well I do see something changing and I do see it changing in the near future but it is going to take a lot of work. As far as reputation is concerned, there is no higher level accountability of a Board. That's the thing we take most seriously, is the reputation of the Bank and we are actually charged with that obligation under the *Corporations Act* anyway, but we do take that very, very seriously.

Our reputation has suffered considerable damage this year. I don't agree that the damage that we've suffered is as serious as 2004, 2007 although in certain ways it is because what we've been challenged with during the course of this year - is whether we are capable of treating our customers in a way that our customers should expect us to treat them, whether we are capable of delivering exceptional service for our customers every time and everywhere and we have to be capable of that so that really is a big challenge for us. We do understand it. We will not rebuild our reputation until we can convince all of our stakeholders that we are capable of doing that, so that's our mission, that's our task.

Interestingly in the design of our new remuneration scheme, the issues that you've raised which go to the way that the Board holds executives accountability for performance against issues beyond financial metrics, that was one of the key motivators behind us changing the scheme. Although I know we're going to have to change the scheme again, I feel I should explain to the shareholders what I mean, what motivated us and it's this.

Under traditional LTI schemes, long term incentive schemes, the fair value of the long term incentive is just provided to the executive at the end of the year, and for the most part there are exceptions to this in corporate history but not many. For the most part the long term incentive just remains on foot for whatever the period of time is - it's usually four years and then at the end of four years there's a testing of whether a particular hurdle has been met or not. Usually the hurdle is in total shareholder return or relative total shareholder return or measured in some internal financial metric like relative ROE performance or relative earnings per share performance or something like that, but it's a distant hurdle and provided that hurdle is cleared, the executive walks away with the millions or the tens millions of dollars and nobody takes much interest in it. It's certainly in those schemes there is no requirement nor even expectation on the part of non-executive directors that they pay much attention to it either, except in really extreme cases.

We wanted to design a scheme that went beyond a reward scheme, that actually became a

performance management scheme where the Board would be obliged to assess the performance of each of the senior executives - all 11 of them - in the current year against five metrics - one of which is financial, another is risk, another is people, another is customer outcomes and the fifth is contributing to the transformation of the business in the way that I outlined earlier - to build a stronger bank for the future, to make that assessment against those five and then provide a large proportion of the variable reward - 60% - in the form of shares in the Bank but have those shares deferred for a period of four years. Over that entire four period the Board continually in discussion with the executives - and at least once a year - saying well, how has your performance gone? We gave you those shares last year, what do we now think?

Two years down the track, we gave you those shares two years ago - what do we now think against those five metrics and so on and so on and so on. That was the strong motivator behind the design of this new variable reward scheme so the Board could not distance itself from taking responsibility for the management, performance management, of the senior executives in the Company.

It sounds like you and I agree on the objective. The trouble is there is insufficient support amongst shareholders for the particular model that we came up with. So now the question is is there is a model that achieves that outcome, which I think is very important - is there a model that achieves that outcome but which is acceptable to our shareholders including the big global institutional funds who have a problem with a single reward scheme - that's the challenge.

Ivor Pereira: (Shareholder) Yeah I think what you're saying makes a lot of sense, heading into the right direction. I'd certainly - to the trust pillar - I'd like to see more recognition of the voice of their customer and building up trust in the future. It's all very well to talk about 2004 and I'm not sure how that's relevant to be honest...

Ken Henry: No.

Ivor Pereira: (Shareholder) My concern is why we're having reputational damage in 2018.

Ken Henry: Yeah, well it's because of the treatment of customers - poor treatment of customers. Agreed.

Ivor Pereira: (Shareholder) So I'd like to see more incentivisation for things like Net Promoter Scores, voice of their customer, customer surveys -that type of thing.

Ken Henry: Yeah.

Ivor Pereira: (Shareholder) So really that would materially display that the NAB is actually listening to customers and customer scores actually increasing which is equivalent to trust in the customer right.

Ken Henry: Yeah. So Mr Pereira, as I said earlier, we do measure Net Promoter Score but you've got to do more than that. You've got to look for the disaffected customers and the reasons they're disaffected but by the way when you talk about...

[Over speaking]

Ken Henry: ...decentralised Net Promoter Score...

Ivor Pereira: (Shareholder) Yeah...

Ken Henry: ...I'll tell you something. We measure Net Promoter Score not just for the Bank overall, we measure the Net Promoter Score for all of the 700 plus branches in Australia. They each have their own Net Promoter Score. More than that we measure the Net Promoter Score for every banker in every branch in Australia. We do have a very sophisticated and highly disaggregated Net Promoter Score system but it's not enough.

Ivor Pereira: (Shareholder) No, well clearly. The other point - a final point - I'd just like to raise is you mentioned about the global talent pool and I for one don't have a problem with that. I'm sure there's a lot of smart people in the room [unclear] the Board, Remuneration Committees that could remunerate directors and management appropriately. The concern I have is pay them whatever is fair and equitable but how do we stop this constant reputational damage and problems occurring in the future are where's the checks and balances?

What is the NAB going to do about it and how are they going to materially articulate that in the Annual Report to say we've done these tangible things and this is what's going to change. It's not enough I think to say we have done something wrong, we are sorry, we'll take that on board.

Ken Henry: Yeah.

Ivor Pereira: (Shareholder) We want now to see materially what are the actions that are going to take place going forward.

Ken Henry: I get it. I get it. I understand the job, thank you.

Ivor Pereira: (Shareholder) Thank you.

Ken Henry: Okay, are we right? Right. So here's the moment I put the motion, that the

Remuneration Report for the year end 30 September 2018 be adopted. I would now like you to record your vote alongside item two on your voting card.

Now, these are the numbers I've been talking about, a summary of the voting instructions received in advance of the meeting [in relation to beside them] appear on the screen. You can see it.

The next item of business is item three. This concerns the variable reward deferred shares for the Group Chief Executive Officer, Mr Thorburn. Details of these plans including the performance criteria and lapse conditions are set out on pages 27 to 30 inclusive on the Notice of Meeting and they're explained in the Remuneration Report. Are there any questions or comments on resolution 3? I've noted that the Australian Shareholders Association earlier question covers both resolutions, thank you.

Microphone number three.

Operator: Chairman, I'd like to introduce Mr Philip Sweeney.

Ken Henry: Mr Sweeney.

Philip Sweeney: (Shareholder) Thank you Chairman. This is a timely opportunity to I guess put the Chief Executive Officer to the test to see whether he's actually worthy of the variable reward deferred share option or whatever it is. Firstly, I'd like to mention that I contacted Shayne Elliott of ANZ Bank, and the same day I got a response, over an issue about superannuation related issues. I've contacted Mr Thorburn on a number of occasions and yet to receive a response, so I thought that was a little bit ordinary when I get an immediate response from Shayne Elliott. I'm still awaiting a reply from Andrew Thorburn.

Anyway, without further ado I'll use this opportunity to talk a bit more about my question. The question has two components. One is from a shareholder perspective and the other is from a customer's perspective. The shareholder involved here is [Josh Tobia], who - I'm acting as a proxy, carrying his proxy, and I'm representing some widows who are my former workmates, so I'm looking at it from a customer's experience perspective and dealing with Mr Thorburn when I've been trying to communicate with him on some of these issues.

The question from a shareholder, which would be representative of other people here, is what exposure to remediation will shareholders have to burden with the future share growth and dividend returns from NAB following the Hayne Royal Commission and the follow-up Royal Commission which has been proposed by the Opposition. That's from the

shareholder's perspective.

Now, from my personal experience as a customer, which I'm hopeful Mr Thorburn will be able to justify his remuneration in response to this question. There's also a component about what the Chairman said at the Royal Commission. If you just bear with me. This is an example that at the Royal Commission there were many disturbing revelations of misconduct. One of the most troubling was how a NAB superannuation trustee, NULIS, had taken \$3 million out of accounts of 4000 dead people and provided nothing in return. But probably what was worse is that they sought to delay and void refunding this money.

Now, Mr Thorburn says oh, this is all just a mistake. Now, the original problem might have been a mistake, but when you seek to avoid refunding the money or delay refunding the money, that is not a mistake. I think we need to be clear when we talk about ethics. In large organisations, sure, mistakes happen. There are a lot of people that - and they make mistakes innocently enough. But it's the response of the senior executive and the Board to how those mistakes are identified and resolved and any people who have suffered from those mistakes are remediated.

So when we come to talk about ethics, let us be clear. Yes, there are mistakes, and mistakes do happen, but it's how you respond to those mistakes is where the questions of ethics come into play. You can be very clear on that. Thank you.

Now, what makes this particular case worse is - I have here a copy of the deed - which I can leave with the Company Secretary if you like - which confirms that 150 widows - my former workmates - are entitled to death benefits in the form of a survivorship pension. Now, this deed has a long history of being concealed, not only by NAB employees, but even people that came before. In fact, I warned the previous Chairman, Michael Chaney, before NAB became responsible for this fund, that there'd been problems - long term problems with the administration of the fund.

Here I was blowing the whistle to a former Chairman of NAB, and I got fobbed off. This is...

[Interruption - phone ringing]

Philip Sweeney: (Shareholder) Sorry about that. Can't turn it off.

Ken Henry: It happens.

Philip Sweeney: (Shareholder) It might have been a prompt. Anyway, the question is we now have this deed. What should we do about it? This brings us back to the question, or

the issue that the Chairman raised at the Royal Commission, and I...

[Interruption – phone ringing]

Philip Sweeney: (Shareholder)...commend the Chairman for his - the questions that he raised. One of the proposals the Chairman put was that there are certain forms of misconduct where it would be appropriate for the NAB to fund the victims to take action against the Bank. Now, of course, some financial commentators [poo-hooed] this and thought it was a bit crazy. In fact, this recommendation is, in fact, an extension of a recommendation made by the Royal Commissioner Hayne when he sat on the High Court in one the court cases, reminded trustees of their duty to seek judicial advice when necessary - and this is part of the trustees' duty to act in the best interest of the fund members.

In this case, if this was to be adopted, it's not the shareholders that pay for seeking judicial advice. It's the - money is taken out of the fund. This is a very sensible arrangement when it comes to the administration of superannuation funds or superannuation trusts.

Now, the NAB appoints all the directors of NULIS. Now, the issue that I'm going to ask Mr Thorburn - which would certainly justify his deferred shares - is will Mr Thorburn now confirm that he will ensure that NULIS follows the recommendation of the Chairman, Dr Henry, as well as the Royal Commissioner, and seek judicial advice on this deed that I am holding so this will then clarify do the widows actually have an entitlement to a death [benefit] or do they not. This is the only way you can actually properly resolve this question. It's not a matter of giving them - going a run-around through all these complaint handling committees. The only way of resolving it is getting judicial advice, and that's what I'm proposing.

Now, the beauty of this recommendation - [unclear] Mr Thorburn agrees to this proposal, then the remediation cost will not be a burden to NAB shareholders because, in fact, the ultimate funding of this fund comes from the sponsoring employer, which in this case happens to be a multinational company three times the size of NAB. If Mr Thorburn commits to putting in place the right process it will resolve the matter for the widows and it will not cost shareholders of NAB any money because the ultimate remediation cost will come from the sponsoring employer.

This is the whole point. You can have good management and governance in the organisation. The right solutions can be found which don't necessarily involve cost to the

shareholders. This should be a win-win situation. The widows will get their pensions and the shareholders will not have to cough up a lot of money to fund that remediation cost. So that's the question...

Ken Henry: Okay.

Philip Sweeney: (Shareholder) I'd like to put to Mr Thorburn.

Ken Henry: Thank you, Mr Sweeney.

Philip Sweeney: (Shareholder) Thank you.

Ken Henry: I think the question is quite clear. You okay to take...

Andrew Thorburn: Yes. All right. Mr Sweeney, I've got three points. I'm not sure I'm going to satisfy you, but I'm going to tell you what I think. The first thing, I want to apologise if you've contacted me. It is my normal practice to get back immediately to customers, within the day or within 24 hours. I know that's what normally happens, and if I failed you I apologise. That's point one.

Point two. On the deceased estates question - and coming to the point of ethics - this was a genuine mistake by the Bank. It was not good enough, but I can assure you it was not intentional. The Bank implemented a system. It went back, actually, a long period of time, where we didn't have proper checks and balances in the system and we didn't have proper controls. As a result there was some customers who, when they passed away, their estates were still charged some ongoing fees.

Now, what we have determined is there was 4690 customers and there's an amount of \$3.9 million, and we are under way in making those payments. They'll be completed by March 2019. I think when we found out about it - and we actually proactively went to look at it in May this year, when we found another bank had the same problem - we should have known about it before. It wasn't intentional, but when we found it I think we've moved quite quickly to raise it and address it and to compensate...

Phillip Sweeney: (Shareholder) No, no. I'm sorry. This is a different question, or a different issue.

Andrew Thorburn: Well, [unclear] my third point, if I could just finish, is - look, I think what you've raised here is a very - is a technical matter. I can't, and shouldn't, give immediate answer to this. You've got deeds and quite a bit of detail. I don't think it would be proper for me to immediately reply. I'll be very happy to meet with you outside and to

listen to you and make sure, after proper consideration, I do give you a direct and clear answer. If you'd be happy with that, I'd be very happy to do that.

Ken Henry: Well, the question is the process. It's not a question of whether the widows [are entitled to] a pension or not.

Andrew Thorburn: But I would be happy to meet with you immediately after the meeting.

Ken Henry: It's a question.

Philip Sweeney: (Shareholder) Yes, okay. I'll be happy to follow that up.

Ken Henry: I think that's the best way to handle that, Mr Sweeney.

Philip Sweeney: (Shareholder) Okay.

Ken Henry: Thank you.

Philip Sweeney: (Shareholder) And I have a follow-up question for the Chairman, if I might.

Ken Henry: Yes, yes.

Philip Sweeney: (Shareholder) This goes back to a media topic, or report, in the *Australian Financial Review* about 12 months ago. It's called - it was titled Ken Henry on trust between the Chairman and CEO. I'll just read it out. It was from James Thomas from the *Australian Financial Review*. He says if you want a broad insight into the sort of relationship that exists between the Chief Executive and the Chairman of the blue-chip company you just have to ask National Australia Bank's Chairman, Ken Henry.

And it goes on. This is where I quote. He knows - talking about Andrew - he knows while I've never said to him this before that there will come a time when I hope to throw him under the bus - Henry said - this is at the Trans-Tasman Business Circle lunch. He says he has to trust me, that when I'm saying this, I'm actually doing it in the interests of the company even if it might be regarded as being unfair to himself personally. The question I'm asking is has that time arrived? Or is it likely to arrive in the next few months? Thank you.

Ken Henry: Clearly not, clearly not, but thank you for the question. Where are we?

Microphone number three still. No. Then we're done. Okay, thank you. Thank you for your questions. I now formally put the motion for resolution number three, that the grant of variable reward deferred shares to the Group Chief Executive Officer, Mr Andrew Thorburn, on the terms described in the explanatory notes be approved. I'd ask you now to record

your vote alongside item three on your voting card.

A summary of the voting instructions received in advance of the meeting in relation to this item appear now on the screen. Sorry.

Chris Schacht: (Shareholder) Mr Chairman.

Ken Henry: Just a minute, Mr Schacht, while I take some [unclear].

Chris Schacht: (Shareholder) What number of [unclear] percentage of the total votes of all shareholders actually voted in the...

Ken Henry: Yes, yes. No, that's a good question. I'll tell you, Mr Schacht. The answer is a very low percentage. I don't know if it's the lowest ever, but it's low. A lot of people abstained - lower. On my understanding, less than 39% of the register available to vote through proxies actually voted. That's a good question and probably does help how one processes the numbers that are on the screen. Yes...

Operator: We're running late.

Ken Henry: Yes, sure. It's been put to me that we are running very late, and I know, in general questions, we do have one question, which I've said I'll take in general questions. I hope there are not others so that we can conclude the - you do - I do - oh no, okay.

Unidentified Participant: [Inaudible].

Ken Henry: Yes, okay. We'll get to it in a moment, all right. I just hope we can get through it as quickly as possible so that people can - I can call the meeting to a close at an orderly - an appropriate time and we can all get to refreshments and so on.

The next item of business is item number four, re-election of a Director. This year we have one Director, Anne Loveridge, who retires at this meeting in accordance with the Company's constitution, and being eligible, offers herself for re-election. Now, the Board has undertaken an evaluation of Anne's performance and, based on the results of this evaluation, the Board fully supports her re-election. Details of Anne's qualifications, career experience - sorry, career, her experience and other interests are set out in the notice of meeting and in the annual report. Anne will speak to you now to tell you more about what she brings to the collective capability of the Board. Anne, would you like to - I'm sorry. Would you like to address the meeting?

Anne Loveridge: Good afternoon, ladies and gentlemen, and thank you for the opportunity to present my credentials as a Board member for your consideration. I've been a member

of the Board for three years, since December 2015. As Ken mentioned, the notice of meeting contains details of my skills and professional background, a 30-year career in financial services as a senior partner and as deputy chairman of PWC. This provides me with extensive knowledge and understanding of putting customers first, developing leaders, managing and advising on financial and regulatory and risk management. Importantly, skills and experience to listen, contribute, and challenge. Given the required focus of the banking industry on all these matters, my skills and experience across these areas allows me to contribute broadly across and widely to the Board activity. To question, challenge, and provoke discussion. As well as to add my own insights across a range of matters.

I'm now professional non-executive director serving on the board of NAB, and two other listed ASX companies, Platinum Asset Management and NIB Health. These provide me with further perspectives on governance matters. Experience at other companies in other industries, thinking about challenges in different contexts, provides helpful perspectives on the issues we're facing in banking.

I'm familiar with the workload of the board and the fact that a member needs capacity to be able to spend more time at certain periods when, as has been the case this year, we have been - additional activities are being undertaken by the board or on the committees on which we serve. I've been the chairman of the remuneration committee over the last two years.

As has already been discussed, I, and my fellow RemCo members, have spent significant time thinking about how to respond to the concerns around the complexities of remuneration. I commit to continue to challenge myself and my fellow board members to achieve the appropriate remuneration outcomes. I look forward to the opportunity to build trust in the board that we can do this, and I would be honoured to receive your support to continue to serve. Thank you.

Ken Henry: Thank you Anne. Are there any questions on this item? Microphone number two.

Operator: Chairman, I'd like to introduce Mr Milton Wilde.

Ken Henry: Mr Wilde.

Milton Wilde: (Shareholder) Chairman, sorry, I was actually going to address a more general point. So I'm happy to sit and...

Ken Henry: Yeah, we'll do it later.

Milton Wilde: (Shareholder) Is that okay?

Ken Henry: Yes, sure. I will come to you. Microphone number three.

Operator: Chairman, I'd like to introduce Mr Ivor Pereira.

Ken Henry: Mr Pereira.

Ivor Pereira: (Shareholder) Thank you. Just got a question for Mrs Anne Loveridge, and indirectly Mr Andrew Thorburn. So a small anecdote; I was a project manager at NAB. I've had a long career at NAB and was a project manager for the front-end replacement program. Which, indeed, Mr Andrew Thorburn was a sponsor. So I've been following his career for many years and I think he's an outstanding leader, one of the best, and probably well placed to lead the NAB at the moment.

The concern I have for Mrs Anne Loveridge and fellow directors is a point I raised with Mr Ken Henry previously. I see a bit of a leadership vacuum below Mr Thorburn to be honest, and I'll tell you why. The data points would suggest that contrary to what Mrs Anne Loveridge has said about - I notice you talked about being a PwC partner, you've got governance skills to bring to the table.

Why is it then that the checks and balances have gone so awry. What is it that we're doing to support Mr Thorburn and have the checks and balances around executive team and the operational risks underpinning the NAB that we're facing currently. So can you help me understand what is it that you're going to bring to the table in the year ahead to materially change the game? Very keen to understand that.

Ken Henry: Sure. Mr Pereira, these questions actually go beyond the matters that are relevant to this motion. I'm quite happy for Anne to add to any comments that I'm about to make. But what I'm going to say to you is - as I said earlier, beneath Mr Thorburn we have a world-class executive leadership team. I honestly believe that. Most of the people are quite new to their roles.

Andrew has engaged in substantial change of the executive leadership team over the past couple of years, and now has outstanding people in positions of responsibility. I do believe, and the whole board believes, that he has people who are capable of building the processes and the systems and the technologies and the leaders capable of delivering on the commitment that you've set out.

Ivor Pereira: (Shareholder) The data points - just to reply to what you've said. With all due respect, Mr Henry, I did ask a question directly of Mrs Anne Loveridge.

Ken Henry: I'm quite happy for her to...

Ivor Pereira: (Shareholder) The question is directly to a point that she raised about governance skills that she brings to the table, about checks and balances. I'm keen to understand what is it exactly that she's referring to, and - because I really think Mr Andrew Thorburn needs help. I guess that's what I'm saying. There's a number of operational risk issues prevalent within the bank. So keen to hear the answer directly.

Ken Henry: Are you happy to talk to this?

Anne Loveridge: Oh my mic is on. Yeah, sorry. I'm happy to respond to that. Maybe the best way of responding to it is to reflect. We did the self-review that Ken referred to earlier as part of a similar exercise that had been done for AHPRA for CBA, and a reflection on what more could we do. There's a whole section in there on governance.

In particular, I think it goes to the focus on process and systems and discipline. We have been getting lots of reports on activity, but we need to be clearer on what are the outcomes that are being achieved as we go through that progress and continuing to challenge yourselves on that. But there's a lot of self-reflection that we did in relation to that in that AHPRA report, it's probably the best place to point you to.

Ken Henry: Thank you Mr Pereira. We have one more.

Operator: Chairman, I'd like to introduce Mr Chris Schacht.

Ken Henry: Mr Schacht.

Chris Schacht: (Shareholder) I'm wearing out my welcome, I know that, before I go have a cup of tea. Mr Chairman, my question is specifically about the re-election of Mrs Loveridge. I notice in the - a little biographical detail in the document. It says she has expertise in the banking, property, and wealth management sectors. She has extensive knowledge and understanding of people, leadership, development, financial, regulatory reporting, and risk management. She joined the board three years ago.

I want to ask; in view of the fact that she has these skills, when did she become aware - was it before the royal commission hearings - that we had a real problem with a regulator giving us red flags about we were breaking a whole range of the regulatory rules, et cetera. This comes to the issue really of the board's ability to delve down into the

management organisation and find out what the hell is going on, et cetera. So I have no doubt Mrs Loveridge has got wonderful skills, et cetera. But I really want to find out; did she and the board know - you said before, three years it went on. What was her role in bringing this to a head before the royal commission took it up, and did we only take it up after the royal commission got all the - asking questions to all our witnesses. I'd like an answer on that.

Ken Henry: I think I should answer that really, and I'll explain why. I know Mrs Loveridge is more than capable of answering the question. But really, the issues that you've raised go to a shared responsibility of the board. It's not for one individual director, this responsibility. Actually, I was asked about this very issue over I think a three-hour period in the royal commission. That was the issue. The issue was for how long was the board aware that we had a red flag on compliance, and for many periods of the time, a red flag on regulatory compliance.

They're slightly different things, or at least they have been in the past couple of years. The answer that I gave, and it's true, was that we've been aware of a red flag on compliance issues for all of that time. I think all but one month, maybe two months. Then the issue is what does the board do about it. It's one thing to express disappointment, frustration, to speak sternly; all these things we did. The executive went away and did their best. I think really did their best with the systems that were available to them at the time - processes, the systems that were available to them at the time.

I've come to the view that - and I know the board shares this view - come to the view that the systems and processes and technologies available to the bank at the time were not good enough. So that's what we're re-building. We - at our board meeting just this week here in Melbourne, we ticked off on a work program to bring these systems and processes and technologies up to a level where they could deal with the compliance issues that we have been confronting.

Now when I say compliance issues, you need to - well, it's probably helpful to understand we're not just talking about regulatory compliance, although we are talking about that. But we're also talking about compliance with internal policies. In the bank and a bank of this size and this complexity, we have more than 14,000 individual compliance obligations. It's pretty likely that at any particular point in time one of those is going to be in breach. It's not good, but you'd be a nut to think that it wasn't going to happen.

That gives you a red flag on compliance. We need to be capable at assessing compliance at

a much lower level than that. Much richer granularity than has there been one compliance breach this month. That's what we're about.

Chris Schacht: (Shareholder) Thank you Mr Chairman. In conclusion, you've been very patient with my questions and I appreciate your direct answers. I mentioned before about the board structure and new blood. I want to make another suggestion, without - this is not asking some existing board member to leave.

I would think under your constitution you can add some people to the board. I don't think at the moment you are limited. Therefore, I want to make a more positive suggestion that you actually invite a couple of new people onto the board even though they're going to cost our shareholders \$300,000 or \$400,000 all up. I think that would be cheap - a cheap cost to get some new blood there, et cetera. I still don't [unclear], though you're dead right I suspect, to the people I nominated, Mr Hodge and Ms Orr probably going on to bigger and greater things than being on the board of the NAB.

Ken Henry: No, no, no, don't get me wrong. I said more lucrative, I didn't say bigger and greater things.

Chris Schacht: (Shareholder) Well I take the point lucrative, being QCs and what they're charging now makes Mr Thorburn's hourly rate look a bit low I would think in the future as a QC. But, I just want to suggest more importantly; there's a way to do this, if it's to keep the stability in the board you want that without [unclear] is look at putting a couple of extra people on. I think that would assuage a lot of people coming up to this vote in 12 months' time on the remuneration report, which is the second strike. Thank you.

Ken Henry: Okay, Mr Schacht. Look, I will take that on board and I certainly appreciate the spirit in which you've offered it, in a very positive spirit. Thank you. Okay, let's now - I'll formally put the motion that Mrs Anne Loveridge be re-elected as a director of the company. Please now record your vote alongside Anne's name on item four on your voting card. A summary of the voting instructions received in advanced of the meeting in relation to the re-election of Anne appears on the screen now. The next item of...

Unidentified Participant: [Unclear]

Ken Henry: Of the total share register, actually I don't know. I'll find that answer out and I'll send it to you.

Unidentified Participant: [Unclear] ASX. Are you talking total number of shares that are available [unclear].

Ken Henry: Okay, it's a good suggestion. It's a very good suggestion. The next items of business are items 5(a) and 5(b), selective capital reductions of convertible preference shares issued by the Company in March 2013. Otherwise known as the CPS. The purpose of these items is to provide the Company with maximum flexibility in how it manages its capital and in particular in how to repay the CPS if we decide to do so.

While no decision has been made by the Board to undertake a selective capital reduction of the CPS, or when any such capital reduction might occur, approval is now being sought or rather is being sought now as any selective capital reduction requires security holder approval under the Corporations Act.

The Board will only decide to undertake a selective capital reduction of the CPS if it considers that firstly, it's in the best interests of the Company to do so. Secondly, if it's fair and reasonable to the Company shareholders taken as a whole and third that it does not materially prejudice the Company's ability to pay its creditors. Further details on these items are set out on page 31-34 of the notice of meeting.

There are certain restrictions on who is entitled to vote on these items, which reflect the requirements of the Corporations Act, the terms of the CPS and the terms of NAB's other capital instruments. Those restrictions are set out on pages 24-25 of the notice of meeting.

Are there any questions or comments on resolutions 5(a) and 5(b)? Microphone three.

Operator: Chairman, I'd like to introduce Mr Tom Fox again.

Ken Henry: Mr Fox?

Tom Fox: (Shareholder) Yes, Mr Chairman, look I believe I've got an appointment lined up with one of the chief executives of the bank and my personal matters I will take up with him.

Ken Henry: Good, thank you.

Tom Fox: (Shareholder) After the AGM. I will go through that process and I'm happy to do so.

Ken Henry: Thank you, I appreciate that.

Tom Fox: (Shareholder) Just one question I have and that's all; can you tell us why the Board is prepared to invest \$1.5 billion in its bank, NAB and don't you think the Board of NAB should be prioritising their aggrieved customers, compensating them and putting an end to the years of extreme hardship it has caused? If not, why?

Ken Henry: Look, your question I will answer it. It's not specifically related to this resolution. The \$1.5 billion dollars of additional expenditure or investment in the bank, that is about ensuring that we're never in this place again. It's not about - well, it's partly about being able to affect better, faster remediation. It is largely about ensuring that we've got a better bank that is never in this place. That's what it's about.

Tom Fox: (Shareholder) Thank you.

Ken Henry: Microphone number 2.

Operator: Chairman, I'd like to introduce Mr [Nigel Brian].

Ken Henry: Mr Brian?

Nigel Brian: (Shareholder) Thank you Mr Chairman, I'll keep this brief. I'm cognisant that some other people have not been brief today. I'm a holder of the National Income Securities and have been since they were launched in 1999, so nearly 20 years holder of those things, as I know my former colleague, Mr Chronican is a holder of those as well.

I have a question and a suggestion. My question is given that those securities are severely impaired in the hands of the holders, i.e. myself because they have no end date, therefore the market discounts them heavily. Is NAB proposing to finally redeem these things or in the alternative reissue them with a fixed end date like the subsequent securities did? Those securities are not impaired because the people in the market know that they have a fixed end date. '

I have, as I said been holding these shares for nearly 20 years and I'm extremely distressed by the fact that I am still a shareholder in National Income Securities because I don't want to realise the large capital loss I would if I went to sell them in the market. I'm hoping that realising that the securities are impaired that NAB will either redeem them and reissue a new security in their place or perhaps call an extraordinary general meeting to change the terms and the conditions of the NISs to align them with the other securities with a fixed end date. Thank you, Mr Chairman.

Ken Henry: Thank you Mr Brian. As you would appreciate I have to be very careful what I say here because these are instruments whose price could move according to anything that I say.

We have no plans to do anything of the sort that you are suggesting. I would make the point, although I know you're aware of this, that were we to do any such thing we would have to take into account the interests of the shareholders taken as a whole. These

securities provide high quality capital for the business, which is very much in the interests of the shareholders as a whole. That's our view at this time.

I can't add anything further to that response for the reason that I mentioned at the outset. Yes, of course?

Nigel Brian: (Shareholder) Could I just respond to say to you Mr Chairman, that although they're very high quality securities for the other shareholders, they're extremely poor quality securities in my hand and I'm suffering financial distress because I can't sell the things other than at a very significant loss. You can fix that. I can't.

Ken Henry: Yes, look I understand the circumstances you're in. I am sorry that you're in those circumstances but it is what it is.

Nigel Brian: (Shareholder) Well, I'll just say one final thing; that's not good enough Mr Chairman.

Ken Henry: Yes okay.

Nigel Brian: (Shareholder) I will be looking to shareholder action on this.

Ken Henry: Yes, okay fine. All right, microphone number 2.

Operator: Chairman, I'd like to introduce Mr Lachlan Watts.

Ken Henry: Mr Watts?

Lachlan Watts: (Shareholder) Dr Henry, I'd just like to congratulate you on your patience and the way in which you've handled yourself at the meeting. It's been a long and difficult meeting.

Ken Henry: Thank you, Mr Watts.

Lachlan Watts: (Shareholder) I do appreciate that. The issue I seek to raise in respect to this item is that this is an item when you look at the explanatory report that is difficult for most people to understand. I note that in the explanatory report when there are references to the Corporations Act, that the report did not go on to identify which sections of the Corporations Act were in place.

I, in turn have looked at the sections of the Corporations Act and my concern is particularly in relation to the selective capital reduction that the resolutions are in effect, invalid because on one view and my opinion it's the correct view you actually need to have a specific proposal. The reason for that is that to be valid the resolution has to be in the interests of shareholders as a whole.

Now, whilst it says that the Board of course will have regard to that, that is a very difficult issue in itself and until such time as there is a specific proposal, then it's impossible for shareholders to vote on a resolution that will in effect consider that. The purpose of the legislation was to enable shareholders before there is a selective capital reduction to consider the specific terms and impact of that on them.

This resolution doesn't do that. In my opinion this resolution is not a resolution that is authorised under the Act.

Ken Henry: I understand the point you're raising. I don't believe it's correct at law, but even if it were correct at law, I don't think there'd be any danger in this resolution in this form being passed at this meeting and wouldn't prejudice anything subsequently on the basis of your argument I think.

Lachlan Watts: (Shareholder) I would actually add that under the legislation if there is an error, the resolution or the capital reduction can still be considered valid, however for the Board members I would draw their attention to their potential personal liability under the legislation in the event that it is invalid.

Ken Henry: Yes, sure no I understand but look, we have looked at this and we are comfortable that the resolution is fine in its present form but thank you. Right, I formally put the motion for special resolution 5(a) that the terms and conditions of a selective capital reduction in respect of the CPS, in accordance with the terms of the CPS and in an amount up to \$100 per CPS as prescribed in the explanatory notes, be approved.

I'd ask that you now record your vote alongside item 5(a) on your voting card. A summary of the voting instructions received in advance of the meeting in relation to this item appears on the screen now.

I formally put the motion for special resolution 5(b) that the terms of the conditions of one or more selective capital reductions in respect of the CPS that is outside the terms of the CPS but otherwise in accordance with the Corporations Act of 2001, a Commonwealth Act, in an amount of up to \$100 per CPS as prescribed in the explanatory notes be approved.

I'd ask that you please now record your vote alongside item 5(b) on your voting card. A summary of the voting instructions received in advance of the meeting in relation to this item appears on the screen now.

Well, now I was about to conclude the meeting but of course I have said that I will take some general questions right now and I know we have a couple. I know we have some at

two, but I'll go to microphone four because the gentleman is already there and then we'll come to microphone two. Okay and I've got three as well; microphone four?

Operator: Chairman, I would like to introduce Mr Howard Thompson.

Ken Henry: Mr Howard Thompson?

Howard Thompson: (Shareholder) Thank you, Dr Henry, congratulations on the way you've run this meeting. Today there were a number of questions on climate pushing the bank not to fund certain projects. Mention was made of CSG and gas fired power stations for example. My concern is this social engineering movement may distract the bank from making sound decisions on essential services in this nation.

Energy is a cornerstone of our economy, but there are many Australians that want to keep the lights on. Many Australians who want to have affordable power and many Australians who want affordable fuel. We all want a clean climate and more work is required and the bank has already acknowledged a strong policy on that.

My message is don't get distracted by political activity when sound judgement is needed at this particular period in time.

Ken Henry: Thank you Mr Thompson. Look, I may have - before I take other questions, I may have got things a little bit out of order. All of the formal business before the Annual General Meeting is now concluded. I would ask you if you have voting cards to conclude voting and place these in the polling boxes as they are being circulated throughout the auditorium by the attendants. I think and I am going to come back to Q&A but I think I should move on and say that I declare each of the polls closed.

Voting results will be released to the Australian Securities Exchange and will be displayed on the Company's website. Voting closed. Please put your cards in the box and then I'll go back now to questions. Microphone number 2?

Operator: Chairman, I'd like to introduce Mr Selwyn Krepp.

Selwyn Krepp: (Shareholder) Good afternoon Mr Henry.

Ken Henry: Good afternoon.

Selwyn Krepp: (Shareholder) I'm a shareholder and also I've been a customer at NAB for a long, long time both overseas - Bank South Pacific and now back in Australia. As a shareholder my concerns go a little bit deeper in as much as I have a feeling that some contingent liabilities that could come back and bite us a little later.

Ken Henry: Mm-hm.

Selwyn Krepp: (Shareholder) The question I ask to you today is on or about 16 November 2017 NAB signed an enforceable undertaking under the Section 9AA of the ASIC. NAB was accused of manipulating bank build trading unlawfully between 8 June 2010 and 24 December 2012. Under the enforceable undertaking at clauses 2.4, 2.5 and 2.6 it states NAB through its short-term interest rate desk sold BBSW reference products including builds acceptable, commercial builds and unlawful interest.

My question to you would be if the affected borrowers and account holders were provided with remuneration and remediation during negotiations - first part - were they? I'll repeat, if the affected borrowers and account holders were provided for remediation during their negotiations?

Ken Henry: We're considering. Just a moment. Phil, would you like to take the microphone? I'll introduce Philip Chronican who is the Chair of our Risk Committee.

Philip Chronican: Hi. During the ASIC investigation, ASIC didn't identify any clear impact on any borrower and therefore there was no borrower or lender because it's a two way market, they are both investors. None of the investigation ever identified an actual impact in the change in the rate. So the enforceable undertaking you may - if you check the wording - it refers to attempts to influence or manipulate the Bank builder rate but there was no identified impact and therefore no basis or way of measuring the impact on any borrower or investor and it is consistent across the investigation of the other banks which settled this charge.

Selwyn Krepp: (Shareholder) Are you happy to put that in writing to me?

Philip Chronican: I'm sorry?

Selwyn Krepp: (Shareholder) Are you happy to put that in writing?

Philip Chronican: I don't have to put it in writing, it's in the enforceable undertaking.

Selwyn Krepp: (Shareholder) Yeah okay.

Ken Henry: Just to clarify the enforceable undertakings - sorry, I recall it was that there was no admission of manipulation made or manipulation at all. There was no such finding. That was never found. It was never admitted. What was admitted was an attempted instance of unconscionable conduct as I recall, but anyway the details are in the enforceable undertakings.

Philip Chronican: Yeah, that's right.

Selwyn Krepp: (Shareholder) Alright, well withhold the other few questions I had which was relevant to that and we'll revisit it. Thank you kindly.

Ken Henry: Okay, thank you very much. Thank you. Microphone number three?

Operator: Chairman, I'd like to introduce Mr Leon Ashby.

Ken Henry: Mr Ashby.

Leon Ashby: (Participant) Thank you Mr Chairman. I've just got three quick questions. I think that Mr Andrew Thorburn could answer. In Canberra Mr Thorburn said the degree of customers will be able to get any bank documents they've requested when they're dealing with the Bank for their aggrieved situation. Is it true that no aggrieved customers have so far been given all their documents because I know that two people have asked for documents but haven't received them yet? Are you able to answer that at all?

Andrew Thorburn: Yeah, I can't give that categoric answer on all these cases because there's over 20 of them.

Leon Ashby: (Participant) Yeah.

Andrew Thorburn: But we have working through and what I did say is where we have documents that we're - are the customers and we're happy to share it, we would share everything. I think that is a general statement of principle. I'm sure it's being followed but I can't answer your question to your cases what's happened and nor more generally but that's the intention.

Leon Ashby: (Participant) Okay. Is it true that the independent arbiter brings no qualifications in mediation or arbitration or problem solving or understanding of complex banking issues to the table to assist listening to the aggrieved customers?

Ken Henry: No that's not correct.

Leon Ashby: (Participant) Okay. What sort of qualifications does he have?

Ken Henry: Oh well he has extensive experience in mediation between a company and a third party. He has done that for quite a number of years and he's very experienced commercially so they're the first two points. On the banking side, we've got a lot of bankers - I don't think we're short of banking knowledge. We have a banker assigned to our independent arbiter so he has access to all the detail he needs in terms of technical documents and technical solutions.

Actually I think one of the benefits is having somebody who's not a banker looking at it a little more objectively and a little more from a sort of human and general customer viewpoint - I think that's helping us - but there's certainly no lack of particular banking expertise or legal banking expertise that's available to him.

Leon Ashby: (Participant) Okay. So far the independent arbiter has refused several aggrieved customers to be able to bring along a support person to their meetings, while at one meeting he's allowed a lawyer to be involved. Therefore would it be fair to say that the independent arbiter doesn't know what he's doing? He's just making up the process as he goes along?

Ken Henry: No I would not agree with that.

Leon Ashby: (Participant) Okay, well we'll look forward to seeing how...

[Over speaking]

Ken Henry: As I said I met with him on Friday afternoon for a couple of hours. I was very encouraged by the progress he's made and he wants to conclude them as quickly as he can. He wants to conclude them as a group so that they can all be concluded together and I think it's a matter of weeks away.

Leon Ashby: (Participant) Okay, yeah well I'm getting slightly different stories from the people who are talking so we'll have a chat later I'm sure.

Ken Henry: Thank you for your question. Microphone number two?

Operator: Chairman I'd like to introduce Mr Michael Sanderson.

Ken Henry: Mr Sanderson.

Michael Sanderson: (Shareholder) Thank you. I'll see if I can hold it together this time. I believe the root of the evils of the Bank go back to redress for the consumer. If a consumer had equity within our core system it would I suppose disperse the impunity that the banks have in relation to - I suppose it's a disproportional balance between the two bodies, whereas, over here you've got a monetarised plaintiff over here, you've got a devastated customer who's lost everything.

The Attorney General, on its website, states that if there is not a quality of arms within the courtroom there cannot be a fair trial of their hearing. I've been peddling around parliament, I spent two weeks in Canberra, talking to members of parliament, senators, independents of all franchises, a concept that the banks pay for the legal costs of anybody

that they take to court.

Now, that might sound a bit ludicrous because I thought Mr Henry - we'd struck gold with your comment at the Royal Commission. I've also spoken to Anna Bligh, I've spoken to the community legal centres that specialise in financial matters, and surprisingly I got a fairly - what do you call it, positive response. Would it be something that the NAB would consider as a I suppose - or put it this way, if all the victims that have come in, that he hear of not just through NAB, but the whole financial service industry had equity in our courts, you wouldn't have the problem you've got today. Those matters would be dealt with very quickly.

Ken Henry: Mr Sanderson, I think the problem is deeper than that really. I think surely, surely we can't have a system where we keep inflicting damage on customers who have no option but to go to court. That's not right. We have to build a bank, that as I said earlier, and Andrew said, gets it right for customers every time. Talking about fixing customers' redress through the judicial system, that should not be our ambition.

Michael Sanderson: (Shareholder) No, I'm not suggesting that for one minute, but the reality is utopia is impossible. The reality is somebody somewhere is going to feel aggrieved, and they may be right, and they may be wrong. People that go to court [unclear].

Ken Henry: Yes, well I really hope that we are capable of fixing these problems in the future, without involving the court system. The reference that I made in the Royal Commission was to a specific category of cases, I wasn't wanting to propose it as a general [audio cuts out 03:10 to 03:19] I [unclear].

Michael Sanderson: (Shareholder) I understand that. You take APRA, for instance, or as we refer to it as [FOS 2.0], the issue that we as customers that have been aggrieved, is APRA is not sufficiently inquisitorial. So it makes the right determination, but that determination isn't made on the real issue, then by default that determination is wrong. So again, we go back to the representation that an individual has in a forum, but there is no equity. At the end of that road is the courts. No avoiding that.

Ken Henry: Okay, well all I can say is I think all of us are going to have to reflect on these matters when we get the final report of the Royal Commissioner, on 1 February, and we'll see what, if anything, he has to say about these issues as well.

Michael Sanderson: (Shareholder) Yes, I might [unclear].

Ken Henry: Then we might have another conversation. Okay?

Michael Sanderson: (Shareholder) Okay, thank you.

Ken Henry: All right, thank you. We have another question? Microphone number two. We're getting close, aren't we?

Operator: We are.

Ken Henry: Good.

Operator: Chairman, I'd like to introduce Mr Derek Balogh.

Ken Henry: Mr Balogh.

Derek Balogh: (Shareholder Representative) Good afternoon, Doctor Henry, Mr Thorburn, Board. First I would like to say that I have a proxy form, so I'm representing one of your shareholders, I do not actually have any shares in National Australia Bank myself, and that gives me an impartiality to hear some of the stories, what has happened. I need to give you a little I bit of a pre-text if you'll allow me a moment, where I'm coming from.

Ken Henry: Sure.

Derek Balogh: (Shareholder Representative) I actually am acting as a representative of the National Federation of Independent Business, the Founder and the current President, John Farrell actually pushed and lobbied for unconscionable conduct into the *Trade Practices Act* in 1995, and this is where the pre-text of our work starts from, in helping small business people to stop banks taking them to court and selling their properties.

I have a question I'd like to put to you, which I have the intention to have a positive spin at the end, if you'll allow me to read it.

Ken Henry: Sure.

Derek Balogh: (Shareholder Representative) I ask this question on behalf of Mr [K Thompson], according to the question of impartiality and how to deal with the problem of remediation, which was discussed in the Royal Commission, but not to any great extent, as far as I'm concerned.

I'd like to make it known to the shareholders that the same major foreign banks, that are the majority owners of the National Australia Bank by shareholdings, that being HSBC, the largest shareholder of the National Australia Bank, from my records, which owns also Challenger Financial Group, which I'll mention in just a moment, and every of the other three big four banks and the smaller regional banks, together with Citigroup, JPMorgan of

the United States, BNP Paribas of France, and National Nominees.

An opaque collective of investor corporations located at your former global head office at 500 Bourke Street in the city. These are the same foreign banks that own and control the County Court of Victoria through an organisation called the Liberty Group, which is wholly owned by Challenger Financial Group.

So my question is to the Board, and Mr Thorburn, my question is that when a National Australia Bank customer is facing legal action of their own, from their own bank, for the repossession of their property, why does not legal counsel for the bank, your barristers, your lawyers, your teams of lawyers, declare that there may be - or disclose that the bank is owned by the same foreign banks that own and control the courts in Victoria.

This would make a serious impact upon the bank, its integrity, and the remediation costs for customers and the shareholders. I say this with positivity that there is a distinct position of the lawyers, that they must protect the reputation of the banks, and I say this collectively, all the banks at all costs. You just mentioned a moment ago, Doctor Henry, that it shouldn't be that the banks have to try and build a reputation by suing their people who can't fight in the courts.

Ken Henry: Yes, sure. Look, can I explain to you the foreign banks that you're referring to, they're not the owners of the shares, they're custodians of the share.

Derek Balogh: (Shareholder Representative) Custodians. Yes.

Ken Henry: They don't own the shares. So I don't see there's a conflict of interest with the sort that you're describing. They're mere custodians.

Derek Balogh: (Shareholder Representative) They're custodians. Yes. I just wanted to make that point that there is a - and I have to use another bank, and I'll use the name, it's Westpac Bank, were actually bragging several weeks ago that they only spent \$281 million this year defending their position to repossess properties. My question to the Board, I'm leaning towards that position of trying to say that the National Australia Bank is saying to the shareholders today that you are trying to be the number one bank for your excellence and for your outward look of the marketplace at the moment.

You have a position, based on what you've been telling everyone today, of being the ethical bank, because I have not heard this from the other banks. They don't want to go down that path, they have not made that point. My point is to ask from the Board - and I've heard people speaking from different directions - do you believe that there is a

position that the bank can take that on board, I am fighting to keep families in their homes, and we are successfully putting them back into their homes after the lawyers prosecute and have them forcibly removed.

Can you say, Dr Henry, that that's the position that you will be looking at in closer view with your Board?

Ken Henry: So I have a problem with the precise facts, as you presented them, but I do understand the import of the question. We have to do everything we can to avoid the outcome that you're talking about. An ethical bank would seek to do everything it can to avoid those outcomes. So I can give you that commitment, we will do everything we can to avoid those outcomes. But I don't know that the particular proposal you're advancing would work. But look, we'll take that on board, take it on notice, we'll give it due consideration.

Derek Balogh: (Shareholder Representative) I only have one supplementary point to make, Doctor Henry. Recently in the middle of October the Parliamentary Committee had Mr James Shipton, the Chair of ASIC asking questions. Mr Shipton's response, only having been appointed since February this year, said that the banks have one weakness, that is they don't know how to comply with section 912a, which is the dispute resolution process, which would save the remediation costs of going through the banks, going through the courts - process, my apologies.

Going through the court system, and the pain, with respect to Mr Lennon's comment that securitisation has no impact, I would like to invite you Mr Lennon, to come with me to the Supreme Court next year and see the impact of what happens when families are dispossessed of their homes, when documents aren't in order.

That's an issue which is personal to me, with a lot of people I'm dealing with. All I'm trying to say is there is a way forward, and it is sitting there, and it's a dispute resolution process, which I'm hearing from Mr Thorburn, that's the direction you'd like to take. I'm putting this to the Board today at this meeting, as a proxy representative, to consider this issue.

Ken Henry: Yes, all right. Thank you very much.

Derek Balogh: (Shareholder Representative) Thank you very much for the opportunity.

Ken Henry: Thank you. Now, do we have another? One more.

Operator: Chairman, I'd like to introduce Mr Milton Wilde.

Ken Henry: Yes, Mr Wilde.

Milton Wilde: (Shareholder) Chairman, thank you. This is probably the appropriate time now. I've been a NAB customer for some 30-plus years now, only in a very limited scale. But NAB [were really] one of the four banks who were hammered in the Royal Commission. CBA, BankWest were the absolute worst by far, and the FSRC didn't even scratch the surface. Whilst the others, like Bendigo Bank, flew under the radar by pretending, and I say pretending to be a community bank.

My challenge to the NAB, ladies and gentlemen, is that you and the Board, in whatever format it continues, take responsibility for your actions, remediate those who have been crushed by the bank, and then lead all the other banks by example, bite the bullet, to put it another way, turn the NAB around and make it the great bank that it should be, and don't follow the other crooks.

Ken Henry: Thank you, Mr Wilde, that's a good challenge to us I think. We do not want to be a follower. Thank you.

Milton Wilde: (Shareholder) Thank you.

Ken Henry: Now, just before I move on, I can report - I see Mr Schacht has left, it seems that we've tested his patience rather more than he tested ours - 45.36%, obviously capital was voted, but that includes on any particular resolution those votes that formally abstained. So in connection with votes on the remuneration report, 6%, six percentage points of the 45.36% abstained, which is what gives you the 39%. But overall, 45.36% of the register was voted on the issues before this meeting today.

Directors will be available for discussion outside as we leave this meeting. On behalf of the Board, the executives and the staff of the company, I thank all of you for your attendance here today. It has been challenging, but appropriately so.

I'd like to thank our customers and shareholders for their continued support of National Australia Bank. I now formally declare this annual general meeting closed, and I invite all of you to enjoy some refreshments with us. Thank you all.

[Music playing]

End of Transcript