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Start of Transcript

Louise Thomson: Good morning. I'm Louise Thomson, Company Secretary of National Australia Bank. Before commencing this Annual General Meeting, I would like to invite Uncle Allen Madden, Gadigal Elder, to welcome us to country.

Uncle Allen Madden: Thank you. Chairperson, Board, CEO, distinguished guests, ladies and gentlemen. My name is Allen Madden, Gadigal Elder. For my first song - no. See you fellas are not a very happy bunch here. Hey? You've all got that serious look on your face. Two apologies for the terrible weather we're having outside at the moment, sorry and not being able to welcome to you my country in my language, as we were forbidden to talk our language a long time ago.

As we've all [welcomed to country], firstly, I'd like to acknowledge our Aboriginal Elders, all Elders, past and present and pay my respects to all our Aboriginal and Torres Strait Islander brothers and sisters. From whatever Aboriginal or island nation you may have come from, welcome to Gadigal.

To all our non-Indigenous brothers and sisters here today, a very warm and sincere welcome to you to Gadigal. No matter where you've come from, whether it be across the seas, across the state, or across town, once again, a very warm and sincere welcome to you to Gadigal.

As I've mentioned many times before, was, is and always will be Aboriginal land. Only three things surer than that, coming, taxation and going. It's an honourable pleasure to be here today to welcome one and all to Gadigal. Gadigal is one of 29 clans of the Eora Nation. The Eora Nation is bounded by nature's own, the Hawkesbury River to the north, Nepean to the west and Georges River to the South. In between those three mighty rivers is the Eora Nation.

In that Nation there are 29 clans. The clans' land we're on today is Gadigal. On behalf of members of the Metropolitan Local Aboriginal Land Council and of the Gadigal mob, once again, a very warm and sincere welcome to you to Gadigal. There's an old saying out there and I think's very appropriate for you mob here today, you fellas have heard it a thousand times before, they say, where there's a will, there's relatives. So, once again, on behalf of the Land Council and of the Gadigal mob, welcome, welcome, welcome. Thank you.

Louise Thomson: I, too, would like to acknowledge the traditional owners of the land on which we meet, the Gadigal people of the Eora Nation and pay my respects to Elders, past, present and emerging and to all Aboriginal people here today. Thank you, Uncle Allen Madden, for your welcome.

Today we are using an electronic voting system. If you are eligible to vote, when you registered this morning, you will have been given a handset and a white plastic smart card. This smart card has been programmed with the number of votes you have available and, if applicable, any voting restrictions based on your shareholding. If you did not receive a handset to be able to vote, you would have been given a green, or yellow card.

For joint shareholdings, only one shareholder may vote using the handset and second and subsequent joint shareholders received non-voting green cards. Shareholders with a green card may, if they wish, raise questions. Holders of yellow cards are visitors to the meeting and may neither vote, nor ask questions, but are welcome to listen to today's meeting.

If you've not already done so, please insert the smart card into the slot at the top of the handset with the barcode at the bottom and facing towards you. Your name should now be displayed across the top of the screen of the handset. If you are eligible to vote and do not have a handset, or if your name is not displayed at the top of the handset screen, please raise your hand and one of the assistants will help you.

When the chairman declares that a poll is open, your handset will activate and display the voting options. Press one to vote for, press two to vote against and press three if you wish to abstain from voting. Your selection and the word received will be displayed on the handset screen. You can change your vote at any time while the poll is open, by pressing a different voting option. If you wish to cancel your vote and have no vote recorded, press the X button.

These instructions will appear on your handset when the poll is open for each item of business. Any proxy holders should vote in the same manner, by pressing one, two or

three. This will cast any open votes you have available, with directed votes being cast automatically. I would now like to introduce our new Chairman, Mr Philip Chronican.

Philip Chronican: Good morning, ladies and gentlemen. It is just after 9:30 am. This is a properly constituted meeting and the quorum is present. I therefore declare the Annual General Meeting of National Australia Bank Limited open and welcome those here in Sydney today, as well as those watching online.

I would like to introduce you to the people who are on stage with me. Seated on my left, on your right, is our new Group Chief Executive Officer and Managing Director, Ross McEwan. Next to Ross, is our Chief Financial Officer, Gary Lennon. Seated on my right is the Company Secretary, Louise Thomson, who's just spoken to you.

Seated with us on stage are the eight other Non-Executive Directors, whom I will also introduce. Firstly, seated next to Louise is Geraldine McBride. Next to Geraldine, is Anthony Yuen, Kathryn Fagg and Doug McKay. On the other side, next to Gary Lennon, are Anne Loveridge, David Armstrong, Ann Sherry and Peeyush Gupta.

Also present with us are two representatives of our auditor, Ernst & Young, Sarah Lowe, the Lead Engagement Partner and Brett Kallio, a Partner. NAB's Senior Leadership Team is also present in the room and will join us for refreshments after the meeting. It is a pleasure to join you in Sydney this morning. While NAB's head office is in Melbourne, our history in New South Wales dates back to 1834, when one of our founding companies, the Commercial Banking Company of Sydney, first opened.

Before we reflect on 2019 and discuss the future, I want to pause and acknowledge the trauma being faced by many in this state and elsewhere around Australia, with devastating bushfires and some of the worst drought conditions in our modern history. On behalf of everyone at NAB, I want to recognise the bravery and dedication of emergency service workers. We have announced disaster relief packages for customers and stand ready to do what we can to help over the months to come. I also want to offer my deepest sympathies to the families who have suffered tragedy from the volcanic eruption on White Island in New Zealand.

This is my first Annual General Meeting as Chairman of National Australia Bank and Ross McEwan's first meeting as Chief Executive Officer. It is my pleasure to welcome Ross back to Australia and to introduce him to you as your new Chief Executive Officer. Today we appear before you as new leaders of NAB, after a very challenging 12 months. The Royal Commission demonstrated the gap between how we've been operating and how our

customers, shareholders and the community expect us to operate. We will not let time dull the impact of the Royal Commission, nor will we gloss over its findings.

NAB has lost a lot of trust and significant changes need to be made. Ross is a strong and proven leader, who has a reputation for customer fairness and industry reform. I know he will drive the right behaviours and culture at NAB and continue to make the significant changes required. Given Ross is only in his third week with us, I will address Board and Governance items, as well as some operational matters, that would normally be covered by the Chief Executive Officer. I will then pass to Ross to share his early observations and aspirations for our bank.

As a Non-Executive Director for the past three years and having acted as interim Chief Executive Officer for the past nine months, I understand and acknowledge where NAB has fallen short. Now, as your Chairman, I accept accountability for making sure that we change and our customers, our people and our shareholders can all see the benefits of that change.

The Board stands ready to assist Ross in taking this organisation forward. We have taken some important steps this year, but acknowledge that there is much more to be done. We have improved how we incentivise and reward at all levels of the Bank. This includes removing most grandfathered commissions for NAB Financial Planning employed advisors and reducing financial targets for frontline bankers.

We support the Sedgwick recommendations for retail banking remuneration and are ahead of schedule to put them into place. Our Home Loan Introducer Payments program has ended. We want customers to have the confidence to come to NAB because of the products and services we provide, not because a third party received a payment to recommend us.

As part of our commitment to rural and regional Australia, we'll keep branches open in these areas until at least January 2021. We've opened four regional customer connect centres and construction has begun on a new \$2.4 million banking hub for Tamworth in New South Wales. We have reduced, or removed, more than 185 fees this year, to lessen complexity, decrease complaints and lower customers' costs.

We have made a start, but there is much more to do. We are moving to deliver sustained internal reform, changing the way we operate to ensure we meet the highest standards, applied with rigor and discipline.

Together, the Royal Commission's findings and our self-assessment and to governance, accountability and culture, have provided us with a blueprint for change. We are implementing the Royal Commission recommendations where there is sufficient regulatory, industry or legislative guidance to do so. Of the 39 recommendations that relate to NAB, we have completed five and work on the other 34 is underway and in progress.

The self-assessment process, which was led by the Board, identified weaknesses in our frameworks and practices and found that customer's interests weren't always placed at the forefront of our decision making. It found that our approach to managing compliance and conduct risk was not sufficiently robust or effective. It found that leaders weren't always as clear as they should have been on who was accountable for complex issues across the bank.

It shone a light on the role of the Board, that we were not always as enquiring, challenging and demanding of management as we should have been. We recently published a detailed update on our progress against our self-assessment actions after releasing the full report just over 12 months ago.

A new Board Customer Committee established in March has oversight of how we are bringing the voice of the customer more firmly into the bank. It has approved a new customer outcomes framework to assess how NAB's 300 products reflect the needs of customers, identify gaps where they do not and to prioritise improvements.

The Board Customer Committee is also overseeing the re-design of complaint capture processes to identify the root causes of issues, inform better decision making and improve the customer experience. Directors have spent time with our customer advocates, with our teams managing customer remediation and with those assisting customers experiencing financial hardship and vulnerability.

The full Board has also participated in workshops on topics of importance to customers such as financial crime, cyber security and projects underway to improve NAB's lending processes and systems. Improved reporting of non-financial risk has enabled the Board to be more searching and demanding of management. Executive accountability is now clearer.

The status and age of outstanding risk issues is transparent and customer impacts are better understood. On this, the Board is acutely aware of the risk that our banking services could be used by those with criminal intent and takes its obligations under the various anti-money laundering, counter terrorism financing and sanctions laws, very seriously.

We actively support law enforcement agencies in finding and stopping criminals from using the bank to pursue criminal activity. Inevitably, given the millions of customers we have and the millions of transactions we process regularly, there will be times when our processes fall short. Where this happens, we let our regulators know and we move to fix the issues promptly.

We maintain a close and constructive relationship with AUSTRAC but we know that we have not always met 100% of their requirements. Since 2016, we have materially increased both the quality and quantity of the resources we devote to this area of work and to improving our compliance. We will continue to do whatever is required.

More broadly, open material risk issues have reduced significantly in 2019. A monthly culture index is now incorporated in Board reporting to track how well NAB's values are being lived and observed by our people. There is intensive effort underway to tackle complexity in our systems and processes. We are confident that these changes will continue to make NAB better for our customers, for our staff and for the community, than it is today.

We will continue this work with urgency, discipline and accountability. At the same time, we have significantly increased resources to fix issues and pay back customers who are owed compensation as soon as possible. Provisions are in place for customer-related remediation of all known material legacy issues.

While the impact to 2019 cash earnings was significant, fixing mistakes will set us a strong foundation for the future. We have approximately 1000 people dedicated to customer remediation work. Since June 2018, we have returned \$276 million to customers through approximately 503,000 separate payments.

We acknowledge the concerns you have raised as owners of the company. Thank you to those who have shared questions and concerns in advance of this meeting and to those of you who have been in touch with me during the year.

The Board understands that we got executive remuneration wrong last year. We have fundamentally changed the structure and assessment of our executive remuneration. We are determined not to let you down again. We have made material enhancements to the information provided to the Board regarding executive performance assessments to apply greater rigor and oversight. As a first tangible step in this direction, significant amounts of unvested variable rewards from 2016, 2017 and 2018 were forfeited for the majority of the 2018 executive leadership team.

We have also implemented a new remuneration framework which includes an appropriately hurdled, long-term variable reward. For the current year, we determined there would be no short-term variable rewards and no fixed remuneration increases for our current group executives.

We are acutely aware of the continuing changes in the community and regulatory landscapes, including APRA's executive remuneration review. We will continue to ensure that our frameworks are appropriate and comply with all requirements. The Board has acknowledged its own accountability for the issues we face. Directors had a 20% reduction of their base fees applied in 2019.

With respect to the dividend, we understand that many shareholders rely on this income and they are disappointed with the Board's decision to lower the interim dividend - sorry, to lower the interim and full-year dividend. It was not a decision that was taken lightly; however, it was necessary to ensure we had a strong, sustainable business that can manage any headwinds that arise.

I also know that NAB's share price performance over past years has been disappointing. Encouragingly, we have achieved total shareholder return over the 2019 year of 11.8% as at the end of November. Second highest amongst our major bank peers. We are also second on the same measure for the last three years and five years and are now the third largest bank by market capitalisation.

We have a high ambition for NAB and looking ahead, we see opportunity to strengthen and grow the business. Our core businesses remain strong and continue to perform well. Business and private bank, corporate institutional bank and the bank of New Zealand all lifted underlying profit this year.

In business and private bank, we continue to have robust growth in small business lending, the engine room of the Australian economy. Pleasingly, growth has come from two of our core specialisations, agribusiness and health. Bank of New Zealand performed well, with strong revenue growth and good growth in volumes for both housing and business lending.

Softer markets income and lower margins made this a more challenging period for corporate and institutional banking. However, lending volume continued to grow strongly at 7% for the year, aligned with our focus on higher growth and higher return, global infrastructure, renewable energy, funds and insurance.

We have strengthened our financial settings and our capital position now sits above APRA's unquestionably strong capital requirements for January 2020. We are over two years into our previously outlined three year program to make NAB simpler, faster and less complex for our customers and for our people. We have 30% pure products, 30% fewer over-the-counter transactions and have seen a 17% decrease in calls to our call centres.

We have more work to do to complete this phase of our transformation program. We recognise the challenges of low-growth, global conditions and a low-rate local economy and what these present for our own businesses and for our customers.

The RBA cash rate is sitting at historic lows and we know that this creates challenges for our three million savings and investment customers. Low interest rates also impact earnings across the banking industry. Competition in our sector has never been more intense and our net interest margin, being a key indicator of competition declined seven basis points over the year from 1.85% to 1.78%.

It is my view that monetary policy has lost much of its potency and to drive growth in the Australian economy, we need to look at other forms of growth-promoting activity. In particular, the facilitation of increased business investment. We remain ready to support our customers to build a stronger future for Australia. In this spirit, NAB is proud of its role as part of the Australian Business Growth Fund, announced last month, that will help small business get access to equity capital.

NAB will help even more Australians to buy their first property, having recently been selected by the National Housing Finance and Investment Corporation to offer mortgages under the federal government's first home loan deposit scheme.

As part of the 2019 Australian National Outlook Project, we are thinking more about the role we can play in building a stronger future for Australia and for future generations. We have committed \$2 billion in financing to drive innovation in emerging technology sector and a further \$2 billion to support social and affordable housing in Australia.

We acknowledge that climate change is increasingly important to the community and recognise opportunities for NAB and our customers in the transition to a low carbon economy. This global shift is a reality. We need to act responsibly to strategically shape our business around it.

We committed to continuing to be Australia's largest arranger of renewable energy finance and in mid-November, we increased our environmental financing target, cumulative

financing of \$55 billion to \$70 billion by 2025. Since 2015, we have cumulatively provided nearly \$34 billion of this commitment. At the same time, NAB will source 100% of our own energy requirements from renewable sources by 2025.

We have also announced we are capping our exposure to thermal coal mining at current levels and will not take on new-to-bank thermal coal mining customers. Thermal coal mining currently represents around 7% of NAB's total resources portfolio credit exposure. We will halve our financing to thermal coal mining by 2028 and expect to be effectively at zero by 2035, apart from some residual guarantees to rehabilitate existing coal assets.

To close, we are determined to create confidence in our future. We will make the necessary changes at NAB to earn and maintain trust. We will continue to actively pursue Board renewal following the resignation of our former chairman, Ken Henry, which was effective November 2019 and the planned retirements of Anthony Yuen after today's AGM.

I would like to take this opportunity to formally thank Ken and Anthony for their contributions and service since they joined the Board in 2011 and 2010, respectively, and wish them well for their future.

I also thank our former Group Chief Executive Officer, Andrew Thorburn, who led the Organisation for more than four years and his passion for customers is well known. I'd also like to welcome Kathryn Fagg, who is standing for her election to our Board today. Kathryn is a highly respected Director, with extensive leadership experience across several industries, including banking. We will deliver, for you, by achieving better outcomes for our customers and we expect that you will continue to hold us to account. It is truly an honour to serve you now, as your Chairman. Thank you to our nine million customers for banking with us and to our 34,000 people for their continued commitment, passion and customer focus. To our shareholders, again, thank you for your support.

We look forward to demonstrating to you, and to all of our stakeholders, that we are a worthy Company. Together, we will make NAB, once again, Australia's leading bank. I'd now like to welcome our new Chief Executive Officer, Ross McEwan, to speak. Thank you, Ross.

Ross McEwan: Thank you Phil and good morning everyone. I'm honoured to be here with you this morning as CEO of National Australia Bank and to offer some initial observations. It is a privilege to hold this office and I want to thank the Board and you, our shareholders, for having the faith in me to run this Organisation. I am now officially 2.5 weeks into the role. I've spent this time meeting colleagues and talking to customers in branches and call

centres in Melbourne and here in Sydney and I have found an incredibly warm welcome. I've also heard some very plain talking about the issues and challenges that we all face. Everyone I've spoken to shares a common interest in making NAB Australia's leading bank again.

Financial strength and reputation are the hallmarks of any good financial institution. This hasn't changed in hundreds of years. Customers look to banks to be strong and safe, able to see them through the tough times and there for them when they want to buy a house, or start or grow their business. On the barometer of reputation, in recent years, including through the Royal Commission, it is clear that NAB has lost a lot of trust and respect. We haven't always done what we said we would and this is unacceptable. I'm under no illusions about the challenges before us. Where we stand today isn't where we want to be on customer experience, on employee engagement, on relative return on equity and on productivity and efficiency.

My focus rests in five key areas which I've already shared with my 34,000 colleagues, across the bank, so that everyone is clear about what's important. The first is to get the basics right, for every customer, every time, so they can rely on us and know what is expected. Second is to ensure that NAB remains a safe and secure bank, with a strong capital base, liquidity to fund customers' needs and resilient systems and technology that flex, move and meet the demands of our customers. Third will be our colleagues, who working together will do the right thing for our customers and ensure we deliver more consistently. We need to make NAB a good place to work, with a culture that supports our aspirations.

Fourth, to use these foundations to make it easy for customers to do business with us, when and where and how they want to. We all need to remember that we exist because our customers choose to do business with us. Finally, when we put all these four elements together, we will grow. Our focus is to grow safely, in a way that does not compromise long-term sustainability and success, and importantly, trust. When the - we get these things right, we will be a good bank that delivers good, consistent returns to you, our shareholders. It starts and ends by getting the basics right and delivering consistently and reliably.

The Australian banking industry is rightly being assessed on its capacity to run well and in the long-term interests of shareholders, customers and the community it serves. It is non-negotiable to manage financial and non-financial risk, to protect our customers and your

bank. As CEO, I will engage constructively with our regulators. Our interests are aligned. Regulators want safe, sound banks that look after customers. We want the same. I will quickly tell them when we have a problem. I'll make every effort to ensure our relationship with regulators are transparent and constructive. An example of this is the civil legal action, taken this week, by ASIC against NAB in relation to alleged breaches concerning ongoing fee arrangements with clients of NAB Financial Planning.

As we said, we take this action seriously and we'll continue to work cooperatively, with ASIC, to deal with this issue. Also non-negotiable is the resilience of our technology. Customers have the right to feel confident that when they use an ATM, or pay for their groceries, or they're going to - they're not going to run into any issues at all. They should feel confident that funds will come in on mortgage settlement day, or that when their bank has made a mistake, things will be put right swiftly. I've been to a number of branches, business centres, customer contact centres and I have experienced what our customers feel and I've listened to what they have to say. It's clear we need to pivot quickly to what is important to them.

The basic needs of customers are not changing. But how they want us to deliver for them and serve them is changing dramatically. Australians and New Zealanders don't want to be on hold, for ten minutes, on a call queue, or wait weeks to get an approval for a mortgage, or a business loan. This is a real time world and if we are too complicated and too slow, they will not wait for us, they will go and do business somewhere else. We need to continue to develop the best digital and mobile services to be competitive, otherwise we will be left behind by new, technology-driven financial service providers.

At the same time, our Business is built on relationships. Many people want to talk to a Banker and have a look at them, eye-to-eye, when they want advice, or when they need help. We will evolve to the digital and mobile world faster, while not losing the human relationship that this bank was built on. We are planning for the future. The fundamentals for the Australian and New Zealand economies remain sound, particularly in Australia, with 28 years of continuous growth. Conditions are currently challenging, particularly in the private sector, with confidence soft and weak credit demand. Strong infrastructure investment and commodity exports are sustaining growth and while unemployment is higher than any of us want, we still have more people in jobs than ever before.

In the medium-term, our proximity to Asia, growing population, robust education and legal structures, mean there are continued opportunities for business and we're committed to

supporting customers wanting to borrow, invest and to grow. In our own Business, we are facing the challenges of low interest rates, high regulatory compliance and capital requirements. With new competitors entering the market, we're also facing thinner margins and greater cost pressures. This does underline why being a strong bank, with access to capital and funding, is critical. As Phil said earlier, we have met APRA's unquestionably strong requirement for January 2020.

We've got good assets here at NAB. We have a Business Bank that's growing in areas where we specialise, such as agriculture and health, and with plenty of potential for more. We have a strong Corporate and Institutional Bank, particularly in infrastructure and funding renewable energy. Our New Zealand operations are outperforming and we have a Retail Bank that we can develop further, particularly in core areas such as home and unsecured lending. We continue to strengthen our technology environment to deliver better experiences. Another thing is, I've been impressed by the very good people that just want to do good things for customers.

We will hold onto these foundations and grow them into other opportunities. We'll do this safely and not at the expense of long-term success and we will deliver what we've committed under our current transformation plan. Within this, a major priority is transitioning MLC to become a standalone Wealth Business. At the same time, we start looking forward to what this bank might look like in the next five to ten years. We are looking for long-term growth, not only quick wins. It is the underlying growth that's important. Trying to find constant improvement in financial performance, every quarter, is one of the things that I believe has caused so many customer issues, across the financial service industry.

We will be making smart and deliberate decisions on how we invest, and more importantly, where to stop investing. Our vision for the future will be matched with rigorous execution. That requires us to become even simpler. Complexity creates problems for our customers and our colleagues and we still have too much of this complexity, inside the bank. From a cultural perspective, we'll be much more open with each other so we can work together on the challenges that we are facing. Organisations get into trouble when people are concerned about speaking up and stop challenging their leaders. We've got to bring forward the best ideas, leading to the best outcomes for our customers.

It will be our colleagues who drive our improvements for customers and our return for you. I also want to call out that I'm acutely aware that you have invested your money, as

shareholders, in NAB. This is your bank, it's not ours. Every dollar we spend, we have to think, would our shareholders really want us to spend that money? It is this, a discipline, that is not negotiable. I've been very clear with our Senior Leaders about this already. As the owners of the Company, you are a key part of the conversation about NAB's future. I'd like to acknowledge and thank the Board for their backing and in particular, our Chairman, Phil Chronican, who stepped in as interim CEO and provided leadership and stability during this difficult transition for NAB.

I know that Phil, and the Board, will challenge me, and the NAB Executive Leadership team, to put the right plan in place for NAB and to execute it well. The foundations are there for NAB to be a leading bank in Australia and in New Zealand. I see great opportunity in our Business and take confidence from the people who stand behind it. Again, thank you. It's a privilege to be your CEO and I look forward to meeting many of you, over a cup of tea, at the end of the meeting. Thank you.

Philip Chronican: Thank you, Ross. Could I remind those present today that this is a shareholders' meeting. I understand that many of those present today are also our customers. If you have questions relating to your personal banking affairs, please take advantage of our shareholder services and customer services desks in the foyer, where experienced staff will be available to assist you. Voting on all resolutions today will be carried out by way of a poll and Computershare will act as the independent Returning Officer.

Items 2, 4, 5 and 6A are resolutions to be voted on at today's meeting. Items 3, 6B and 7 are conditional items. Item 3 will only be put to the vote at the meeting if there is a second strike received on the Remuneration Report. For a second strike to be received on the Remuneration Report, at least 25% of the votes validly cast on that item would need to be against the adoption of the Remuneration Report. Items 6B and 7 will only be put to the vote at the meeting if Item 6A is passed. For Item 6A to be passed, at least 75% of the votes validly cast on that item would need to be for that item.

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 Items 2, 4 and 5 and against Items 3, 6A, 6B and 7.

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. Several large investors expressed interest in seeing the results of proxy voting on the three conditional items of business. In the spirit of transparency, we will show the results for proxy voting on those items, even if those items are not formally put to a vote at this meeting.

Please ask your questions during the formal part of the meeting at the relevant item of business. I do ask that shareholders hold their questions on energy, fossil fuels and climate matters to Item 6, which directly relates to climate change disclosures. On that topic, I have also invited representatives from Market Forces and ACCR to address shareholders today regarding the resolutions that they have put forward, Items 6A, 6B and 7.

Please hold any general questions until the end of the meeting after the voting items have been dealt with to allow us to be efficient. I would also appreciate it if you are respectful of your fellow shareholders and restrict the number of questions you ask to one or two questions that are relevant to all shareholders to allow time for your fellow shareholders to speak today.

You will see that we have four microphone points. If any shareholder wishes to ask a question, please proceed to the microphone nearest you. Either show your electronic voting handset, which has your name on it, to the attendant. Or if you hold a green card, show your registration card and give your name to the attendant. The attendant 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 are unable to attend the meeting in person to submit questions in advance. We value the feedback we have received from shareholders through this process. I have responded to frequently asked questions in my earlier remarks and I will also address some in more detail at relevant items of business.

I turn to the first item of business, consideration of the financial statements and reports. The *Corporations Act* requires the directors to lay before the Annual General Meeting the Financial Report, the Directors' Report and the Auditor's Report for the last financial year. While there are some references to environmental, social and governance matters, including climate change disclosures in the financial statements, as I said earlier, I would ask that shareholders hold their questions on energy, fossil fuels and climate change matters to Item 6 which directly relates to climate change disclosures.

Some shareholders submitted questions in advance of the meeting that relate to the audit of the Financial Report. I will now outline the question and our responses. (1) Has the Board and auditor ensured that provision for penalties is not required for any breaches of the *Financial Crimes Act* or breaches of AML or systems failures? NAB has applied relevant Accounting Standards when assessing whether or not to raise a provision for potential fines or penalties from regulators due to compliance breaches. Where the criteria that are required in order to raise a provision have not been met as at the reporting date, disclosures about potential fines or penalties from known and potential compliance breaches have been disclosed in the contingent liabilities note in the Financial Report. That's note 29 to the 2019 AFR.

The contingent liability note forms part of the financial statements and related notes covered by Ernst & Young's unqualified audit opinion as at 30 September 2019. Their audit opinion is on page 166 of the 2019 AFR. In EY's opinion, NAB's Financial Report complies with the applicable Australian Accounting Standards and the Corporations Regulations as at the reporting date.

Question number 2. Can you confirm that the auditor is entirely independent? NAB has an External Auditor Independent Policy which EY is subject to. This policy puts limits on services that EY can provide to NAB. EY is permitted to provide audit services, audit related services and taxation related services. EY is not able to provide most project and advisory services which are typically undertaken by other major accounting firms for NAB. Non-audit services are permitted where the service meets auditor independence requirements with the approval by the Chairman of the Board Audit Committee.

EY also provides an independence declaration to the NAB Board. That is set out on page 41 of the 2019 AFR. For the year ended 30 September 2019 EY has complied at all times with the auditor independence requirements of both the *Corporations Act* and NAB's External Auditor Independence Policy.

Thirdly, is the auditor happy with NAB's internal controls? EY's audit responsibilities are described in their Independent Auditor's Report in the 2019 AFR between pages 166 and 173. Their audit opinion relates to whether the Financial Report gives a true and fair view and whether it complies with Australian Accounting Standards and Corporations Regulations. In performing their role as auditor, EY obtain an understanding of NAB's internal controls relevant to the audit of the financial statements. They do not express an opinion on the effectiveness of NAB's internal controls.

Separately, however, in 2018, NAB appointed EY to conduct a review of our risk management framework in accordance with APRA's Prudential Standard CPS 220. EY's conclusion was that NAB needed to improve its risk management framework and its application. The appointment of EY was consistent with NAB's External Auditor Independent Policy as the work was classified as audit related and required by regulation. Our work to strengthen risk management has been informed by EY's report.

Now, are there any questions from shareholders present today for either the Board or the auditors on the first item of business, consideration of the financial statements and reports?

Operator: Chairman, I would like to introduce Mr Philip Sweeney. Thank you.

Philip Sweeney: (Shareholder) Good morning Chairman. Perhaps I might refer to you as Phil since we had the opportunity of meeting you up in Canberra back in March. Hang on, I'll try [inaudible question – microphone inaccessible]. That's better. I met you at the meet and greet before your first appearance at the Parliament House with the Committee looking into the four banks. The next day while we were at the Committee, I handed you a deed supporting the claims of around 150 widows to receive a survivorship pension in their time of need and distress, which has not been paid by NAB's discredited superannuation trustee NULIS.

Now, I would like to acknowledge that I received a letter from the Chairman yesterday where the Chairman committed to the model [legal] principles and I will be picking up this matter with Ross after the meeting where I left it off with Mr Thorburn at the last AGM. So, there's been about a lost year there but I'm sure, I'm very hopeful, that Ross will be able to progress this matter. That's my introductory comments and now onto questions.

If I may take inspiration from Oscar Wilde, to lose a CEO may be regarded as misfortune. To lose both the CEO and a Chairman looks like carelessness. However, words fail me when this is the second time in 15 years almost to the day that NAB won the quinella of shame when in 2004 Chairman Charles Allen and CEO Frank Cicutto, both lay on their swords in the wake of the foreign exchange scandal which arose due to lax internal controls and a culture of greed.

As Adele Ferguson writes in her book *Banking Bad* on page 372, the most starving part of the Final Report was Hayne's dressing down of NAB executives Ken Hayne (sic) and Andrew Thorburn. As well as singling them out for public shaming Hayne noted with regard to the behaviour of its most senior executives, and I quote from the Royal

Commissioner, NAB stands apart from the other three banks. The Royal Commissioner continues, having heard from the CEO Mr Thorburn and that of the Chair, Dr Henry, I am not as confident as I would wish to be that the lessons of the past have been learnt. Overall, my fear that there may have been a wide gap between the public face NAB seeks to show and what he does in practice remains.

In an opinion piece published on 25 August 2018 titled *Disregard, lack of respect, NAB leads a poorly behaved impact*, Adele Ferguson wrote, it does not get much worse for a bank to be told that it's total disregard for the law and the regulators and my point is proven when one reads the headlines in today's financial review, ASIC drops bombshell on NAB. Now, doesn't that actually mean that NAB in the past, and I acknowledge there's a new management team, but in the past NAB has had a total disregard for the law and regulators. In the past when it comes to dealing with complaints of serious misconduct, NAB has a practice of adopting the three Ds, to delay, deny, deceive.

Would the Chairman agree that NAB shareholders, as well as customers, have a legitimate expectation that the new management team at NAB will not be presenting a face to the public which differs from what NAB actually does in practice? Would the Chairman agree that when the public face is that presented before the Standing Committee of Economics Parliament House, when the Chairman in his role of acting CO made important commitments at the hearings in March and November, this legitimate expectation is even more substantive?

The six principles outlined in the Final Report by Royal Commissioner Hayne are that institutions and individuals in those institutions need to (a) obey the law, (b) not mislead or deceive, (c) act fairly, (d) provide services that are fit for purpose, (e) deliver services with reasonable care and skill, and the last one, which is important when trustees are involved, when acting for another do not do so in the best interest of that other. Now, if I refer back to principle number 2 or (b), not to mislead or deceive, might I ask the Chairman if he has read the Royal Commissioner's Final Report in its entirety?

Philip Chronican: Thank you Mr Sweeney.

Philip Sweeney: (Shareholder) Yes, so I take that as a no. I might ask the other...

Philip Chronican: Sorry, I thought you'd asked me a question.

Philip Sweeney: (Shareholder) Well the question was, have you read the Royal Commissioner's Report in its entirety?

Philip Chronican: I have read the Royal Commissioner's Report - in its entirety would imply the appendix which I have not.

Philip Sweeney: (Shareholder) It's only one.

Philip Chronican: I have read Volume 1 in its entirety twice.

Philip Sweeney: (Shareholder) Might I ask the other directors if they have also read the Royal Commissioner's report Volume 1 in its entirety? Please raise your hands. Thank you. Now there's another interesting document. This is my last question for this section. I'll come back with more later. I've asked the directors have they read a book titled *The Origins of Ethical Failures: Lessons for Leaders*? Now this book was actually written by a former NAB whistle-blower. So have any of the directors read this particular work - which actually won an award, [unclear]?

Philip Chronican: This is Dennis Gentilin's...

Philip Sweeney: (Shareholder) That's correct.

Philip Chronican: Yes I have.

Philip Sweeney: (Shareholder) I thank those directors that have, which I count as one plus the Chairman. I'll be returning with more questions but that's my opening introduction.

Philip Chronican: You made a few comments in there. I'm sorry, I was trying to answer them earlier. The Board took very seriously the findings of the Royal Commission. Obviously many items came out during the evidence at the Royal Commission. They and other conclusions we came to were also part of our self-assessment into culture governance and accountability which we published and were the first bank to publish in November last year.

That's formed a blueprint for many of the reforms that we have underway. So thank you very much Mr Sweeney for your questions and comments and also for your ongoing work. I know that you are working tirelessly on behalf of the stakeholders that you're seeking to represent.

Philip Sweeney: (Shareholder) Thank you. I'm happy to meet with Ross after the meeting. Thank you.

Philip Chronican: The next question I think is coming from microphone 4.

Operator: Chairman I would like to introduce Mr Hugh Vaughan.

Hugh Vaughan: (Shareholder) Thank you Mr Chairman. NAB has massively increased lending to the gas sector recently. Since the Paris agreement our Company has lent to a handful of new gas fired power stations in the US that were to emit another 300 million tonnes of greenhouse gas emissions into the atmosphere. Worse still, we have financed the Corpus Christi and Sabine Pass LNG terminals which will facilitate enough additional gas to increase global greenhouse gas emissions by billions of tonnes.

For example, over its lifetime the Corpus Christi project alone would enable the release of over 800 million tonnes of CO2 equivalent to 1.5x Australia's annual greenhouse gas emissions. Earlier this year ANU's professor Will Steffen said at an Australian Academy of Science meeting that no new fossil fuel developments are permissible if you're serious about the Paris target.

So I therefore challenge the Board to choose. Either you're serious about expanding the scale of the fossil fuel industry, in which case you should remove your support for the Paris agreement from your website and other publicity materials. Or you're serious about the Paris climate goals which should immediately rule out support for any new coal, oil or gas projects. Can you rule out support for any new coal, oil or gas projects?

Philip Chronican: As I said in my introductory remarks I intend to answer questions on issues relating to energy and climate change at agenda item 6. I will do so.

Hugh Vaughan: (Shareholder) I believe this is related to the financial report, sir as a significant proportion of the lending portfolio. Also we've all seen how ethical conduct can impact on financial results over recent times.

Philip Chronican: I will give a brief comment on it but I will encourage other questioners in order for these to be dealt with coherently that we use agenda item 6 for that purpose. I fully intend to give enough time for that. We've published our sustainability report which sets out how we intend to balance the existing energy needs of the Australian community, the needs of our customers and driving our support towards the Paris goals of ensuring that emissions are reduced globally to the level consistent with no more than a two degree increase in temperatures from pre-industrial levels aspiring to 1.5 degrees.

The key anchor for that is an expectation that the world will get to a net zero emissions by 2050. Our work to this is directing us towards that goal. Thank you. Are there any questions on item 2? Thank you.

Hugh Vaughan: [Unclear].

Operator: Chairman I would like to introduce Michael Sanderson.

Michael Sanderson: (Shareholder) Good morning Board. Welcome Ross. This question relates to domestic macro economy and its impact on Bank profit going forward. National private debt currently exceeds 120% of GDP, the second highest in the OECD, meaning the economy has little capacity to take on further credit. The mid-year economic fiscal outlook released two days ago shows no economic positives. The economy is not strong and continuous growth is unsustainable.

The [currency issuing] federal government, both franchises, persist in describing our economy as if they were currency users. We have an economy that is tanking, a housing market that has been inflated to the point of collapse. The federal government - again both franchises - use the misery of unemployment via NAIRU, the non-accelerating inflation rate of unemployment, as an economic buffer-stock.

The federal government could use NAIBUR - non-accelerating inflation buffer - unemployment ratio as a buffer stock. NAIBUR would enable a voluntary, locally administrated job guarantee that pays a living income which would employ approximately 2 million unemployed and underemployed, boosting the private sector, breathing life back into dying communities, addressing poverty, build skills, improve work ethics, recession-proof the Australian economy and so much more.

A job guarantee would also act as a counter-cyclic bottom-up federal fiscal stabiliser. My questions are from the perspective of the Bank - I'll start again - from the perspective of Bank profit if the NAB had to choose between NAIRU and NAIBUR which would it choose and why?

Who from the Board is attending the sustainable prosperity conference in Adelaide from 10 January to 12 January, 2020 to meet and listen to Stephanie Kelton, the financial advisor to the next US president, Bernie Sanders?

Philip Chronican: Thank you. I'm not aware of any directors attending the conference in Adelaide.

Michael Sanderson: (Shareholder) Perhaps that should be a priority.

Philip Chronican: It might be. I will raise that. I hadn't been aware of it. I acknowledge a number of items you've raised. There's no doubt for example that the level of private debt in Australia is high relative to many other OECD countries. I absolutely acknowledge that.

Michael Sanderson: (Shareholder) Everyone except Switzerland, so second highest.

Philip Chronican: So future rates of growth in credit which we saw a lot over the last 30 years, growth in credit, in excess of GDP is not likely to occur. I absolutely understand that. The idea that the economy is tanking is not something that I agree with. I think it's important to look at the Australian economy that while our rate of growth is below the trend of much of the last 20 or 30 years it is still a rate of growth that would be the envy of many more mature low growth economies in the northern hemisphere.

Indeed, in comments I've made elsewhere, I worry that talking about a crisis in the economy itself has a negative effect on what could be a very positive time for Australia. The reality is that inflation is very low and that doesn't necessarily have to be seen as a problem. Economic growth is below trend but it's still only just below 2%. We have unemployment at rates of around 5%.

Now I take your point that 5% is not a particularly helpful number if you are one of the 5%, therefore it has its impacts. But it is certainly significantly lower than that has been associated with weak economies, indeed our own experience in 1991, 1992 and the experience of many of the other western economies during the global financial crisis.

So I am interested in the points you've raised. I'm not familiar with the concept of NAIBUR but I'm, as an old economist, very keen to read about it. Perhaps that can inform my summer reading.

Michael Sanderson: (Shareholder) I'd be happy to talk to you after the meeting.

Philip Chronican: Thank you.

Michael Sanderson: (Shareholder) Thank you.

Philip Chronican: If I can perhaps go to microphone number 1.

Operator: Chairman I would like to introduce Dr Wilson Sy.

Dr Wilson Sy: (Shareholder) Hello, I'm Dr Wilson Sy, the principal of investment analytic research. I thank the Board for giving me an opportunity to ask a question. My interest as an investor is risk management particularly in relation to derivatives which the famous investor, Warren Buffet, called in 2003 financial weapons of mass destruction. Sure enough, derivatives played an essential part in the global financial crisis.

Instead of reducing derivatives since the GFC in 2009 Australian banks led by NAB actually tripled their risk exposure to derivatives to nearly \$40 trillion. For the audience not familiar with derivatives it is the notional value or face value of the derivatives, not its market

value, which determines risk. If you bought a \$1 million house with \$100,000 deposit your exposure to the property market is not \$100,000. It is \$1 million. Now I refer to the financial statement and reports.

In the NAB 2019 annual financial report, note 9 on trading instruments, there it disclosed the mark to market values of derivatives, assets and liabilities. However these numbers do not convey the information on the off-balance sheet risk on the Bank. I have to research back to 2015 annual financial report in note 11 to discover that the notional value of derivatives was then \$2.6 trillion - with a T, not a B.

That is each dollar of assets or liability led to \$50 of exposure to market risk - a 50 to 1 gearing. Now without knowing the notional value of derivatives in 2019 it is impossible to know the current NAB off-balance sheet leverage and therefore the risk exposure to derivatives.

So my question is does the chairman of the audit and risk committee - which I assume is Mr David Armstrong now - know offhand the notional value of NAB derivatives?

Importantly, why is the critical information not provided since 2015?

Philip Chronican: Thank you. I'll give both the chair of the audit committee and our chief financial officer time to think the question through. But I would take issue with one comment you made. The use of derivatives in National Australia Bank is overwhelmingly dominated by interest rate derivatives which are denominated in the same currency. So for the benefit of the audience, that might be a swap between a floating-rate instrument and a fixed-rate instrument, both of which would be denominated in Australian dollars, for example, or indeed both in US dollars. To say that the exposure is the gross amount of US dollars is simply incorrect. The exposure is the difference between the floating rate and the fixed rate.

So I do think that while it might be helpful to see what the notional value is, I think itself could be also quite misleading for interest rate derivatives in the same currency. But perhaps if I can ask...

Unidentified Company Representative: I stand to be corrected, but my recollection was that when international financial reporting standards came in, there was this concept of including the notional value of derivatives. Over time, there was a recognition that that was actually quite a misleading number, to some extent for the reasons you've described. Because it doesn't deal to what was the underlying risk that was being hedged, it doesn't deal to the collateral that may have been obtained against the market risk associated with

the derivatives. At the end of the day, I believe that the accounting standards were changed to eliminate that risk. Now, I stand to be corrected on that.

We think about derivatives in the context of the purpose for which they're being used, the counterparties with whom we are trading those derivatives, and the collateral that is held against those derivatives for the potential market movements, and that's how that risk is managed.

Philip Chronican: Thank you. Perhaps I could take the next question from microphone number 2.

Operator: Chairman, I would like to introduce Mary Curran.

Mary Curran: (Australian Shareholders' Association) Hi, good morning. My name is Mary Curran. I'm a volunteer company monitor for the Australian Shareholders' Association, ASA. This morning I represent 2055 shareholders, 9.5 million shares, making us in the top largest 10 shareholders. You mentioned if a headwind arrives. Well, it looks like a headwind arrived last night, and earlier just described as a bombshell.

So we've got the notice of filing with ASIC. How confident can we be that adequate provisions have been made for this customer remediation and, mostly likely, pecuniary penalties by ASIC? I note that you mentioned earlier that we have information in the financial statements. But given that this has only happened last night, how confident are we feeling, and can you please give us some more information given the ASIC filing?

Philip Chronican: Sure. Thank you for raising that. Obviously, it did come relatively late in the piece. The underlying issues that are the subject of the claim lodged yesterday relate to the issue known as fee-for-no-service. ASIC commenced its investigation into the fee-for-no-service I think in 2015, for a position paper which was updated in 2016. Work has gone on subsequently, and of course in particular relation to NAB those issues were explored in some depth in one of the Royal Commission's case studies.

As shareholders would understand, we've provided a significant amount, over \$1 billion, to remediate customers who would have been disadvantaged through having paid for financial advice that may not have been received or that may have been received with inadequate documentation. The allegation - so my point is that the remediation of customers is something that is already underway. It should never have happened. We accept that and we are remediating it.

The action lodged yesterday by ASIC really cuts more to the penalties that they would be seeking for NAB not having adequately dealt with this issue in previous periods. It's difficult to know where that will land. The document that was published yesterday cites 10,000 potential breaches of various parts of the *Companies Act*.

Just to give you an example, of those 10,000, which relate to around 1300 customer affected, 8706 of the alleged breaches relate to just around 450 customers, and the total fees involved for those 450 customers is around \$1.3 million. So while it's possible to extrapolate and get a very large penalty based on the law, the substance of what's being alleged is materially less. Now, because that penalty action has only just been lodged, we have not made any provision in the financial statements as at 30 September for it, but we have provided for the underlying customer remediation.

Mary Curran: (Australian Shareholders' Association) I suppose what the issue is, it looks like a bit of a Pandora's box. Where does it all end and how do we know how much money to put aside going forward for shareholders and, indeed, for the Bank?

Philip Chronican: Indeed. Obviously, it's very late-breaking news, but we are exploring it in some depth. We have our lawyers poring through the information as at the moment, and we'll be keeping our shareholders fully informed as and when we understand more. This is something that will need to go to a court for adjudication, so it may not be for some time we get finality on it.

Mary Curran: (Australian Shareholders' Association) I think it just makes it very difficult for the Bank then to regain the customer and client and shareholders' respect and trust. It makes the job even harder for you.

Philip Chronican: I accept that.

Mary Curran: (Australian Shareholders' Association) So I don't know how you're going to do that given that this has just happened before your AGM, but I think you've got even a tougher job than you signed up for. So I wish you every luck with it.

Philip Chronican: Thank you for that. That's exactly how it feels. Perhaps if we now move to microphone 1.

Operator: Chairman, I would like to introduce Dr Peter Brandson.

Dr Peter Brandson: (Shareholder) Hi, Phil, and the rest of the Board and everyone else. I'm Dr Peter Brandson. I'm the founder of Bank Reform Now. People can Google us if they want to find out what we do. But, generally, me and my fellow bank warrior colleagues are

trying to bring about reforms which bring about a more honest banking system. I've got three issues I want to talk about. If we get through them smoothly, I promise not to come back for another round. It's a good incentive.

First, a quick question. How many cases, in the last two years, have NAB senior executives reported to the police and ASIC where a staffer has behaved dishonestly and/or broken the law in order to disadvantage a NAB client?

Philip Chronican: I'm not sure. But if you keep asking your questions, I'll see whether I can get an answer for you on that one.

Dr Peter Brandson: (Shareholder) Okay, thanks for that, Phil. Next point. Given your three lines of risk defence - that is, your risk teams embedded across the business, chief risk officers and your own internal audit function, let alone EY CPS 220 risk review or external audit - catastrophically failed in preventing or detecting the massive internal fraud allegedly perpetrated by your former CEO's Chief of Staff, amounting to \$26.7 million according to latest reports, how can NAB's shareholders have confidence that such an event cannot and will not occur again, given the fraud in this instance was only detected after a staff member came forward with concerns?

Philip Chronican: So the fraud and the Office of the Chief Executive Officer was obviously something that was very concerning to the Board, and to the Bank more generally, and that item itself I think is likely to be in the courts again in the near future. Subsequent to that, a thorough review of financial controls was undertaken, with particular emphasis on the Office of the Chief Executive, but not limited to that.

That identified that the controls in the Office of CEO were not adequate and they have been significantly uplifted. I guess, unusually, I'm in the unique position of being able to see firsthand how they actually operate now, having for nine months sat in the Office of the CEO, to ensure that those controls are acting the way I would expect them to as a Board member.

The more general issue about the internal control environment is something that we spoke about in our self-assessment document last year, where we identified that there were still other areas of our internal control environment that needed to be sharpened and improved. Work has been underway to look at controls generally across the Company, to bring them up to standard.

So, obviously, having come into these positions relatively recently, I can't give you 100% assurance that everything has been identified. What I can tell you is that the current leadership team are focused on ensuring that items that have occurred in the past cannot happen again, through a material uplift in our control environment.

Dr Peter Brandson: (Shareholder) Well, that's the issue. I mean we're hoping that the new team, particularly you and Ross, will bring about changes. There are a couple of other elements to that particular story though. The Bank, and specifically Andrew Thorburn, couldn't detect serious criminal misconduct under his own nose, just like they found it difficult to detect misconduct against clients perpetrated from deeper in the business and sometimes many years ago.

What's the story overall? Is it poor systems, is it incompetence, is it negligence, or is it wilful blindness in pursuit of profit? Because sometimes it seems that things get swept under the carpet in order to generate extra profits for the Bank.

Philip Chronican: Yes, again I'll go back to the self-assessment documents, where I would say that there were a number of causal factors that we found for some of the weaknesses in controls. Overt greed is not something that we observed as such, although some may still interpret it as that. What we did see was a rush to do things and finish the work before it was done properly, a lack of thoroughness and a lack of expertise applied in critical areas.

So the focus that we've had, as we've been reforming the organisation, is to bring in a lot more depth of expertise, particularly those with expertise in other markets. Because we felt that the Australian market was perhaps too insular and not getting the benefit of experiences from offshore. So to that end, we've brought in people who have expertise in controls, expertise in financial crime, as a good example, expertise in other areas of the organisation. To ensure that we were lifting our standards to the best global standard, not simply accepting what had been done before.

Dr Peter Brandson: (Shareholder) Okay. Just the final issue. I'd just like to pay a bit of kudos to Phil, because 10 days ago he was good enough to meet with me and the Biritz family. Previous CEOs and boards from all the big banks, in fact, have not done the right thing regarding legacy cases such as theirs.

But the environment has now changed. The old days are over. The standard delay, deny, deceive routine is no longer effective. We have well and truly reached the point where

bankers just look foolish when they deny the bleeding obvious. Evidence, logic and facts trump deceptive bank lawyers with their form letters and flawed arguments.

Phil, you've made many commitments, including to the House Economics Committee, regarding sorting out and remediating aggrieved clients promptly, but NAB, unfortunately, has been the slowest of all the banks. I think shareholders would like legacy cases sorted. Because you're right, the longer they go on, the more it will cost to settle. It's time NAB reduced the risk faced by shareholders. Get back to running an ethical business providing services that customers actually need and value. Please, put me out of your misery. Can you commit to remediating the remaining legacy cases within 90 days?

Philip Chronican: I wish I could answer yes to that question. We have, over the course of the last year - and I'm sorry, I've forgotten the exact numbers - remediated, or made offers for remediation, a significant number of legacy cases. I have to say there are still some legacy cases where we do not agree with what is being argued. Therefore, it's our duty to the shareholders to ensure that we only remediate where the underlying issues are actually satisfied.

Dr Peter Brandson: (Shareholder) Well, that's...

Philip Chronican: So I can't, obviously, get into any details. The one thing I am aware of, because I have taken the time to meet with both customers and those acting on their behalf, is these are incredibly stressful stories and ones that are quite confronting to deal with. That's why we are dealing earnestly with as many as we can.

Dr Peter Brandson: (Shareholder) They're heartbreaking. I appreciate your personal interest and involvement and thank you for this great opportunity.

Philip Chronican: Thank you, Peter. I'm sorry, before we go onto the next question, I just want to answer the first question. Which is, we haven't been in the practice of disclosing referrals to police. Indeed, I don't think the police would want us to do that. But where we do refer dishonesty offences, it is our policy to refer items to the law enforcement authorities.

The one thing we do disclose are breaches of code of conduct where they are identified. What we can say is, in the last year, either from breaches of code of conduct or for other reasons, we had to take action around 1278 people in the organisation. Some of those were relatively minor offences, such as failing to complete their mandatory training, others more serious. That resulted in 292 people leaving the National Australia Bank as a result of

behavioural acts; 124 of those were dismissed, 168 resigned. That's broadly in line with the previous year, slightly up on dismissals, slightly down on resignations.

Dr Peter Brandson: (Shareholder) Any jailings for any misconduct?

Philip Chronican: I'm not aware of anyone being jailed for misconduct.

Dr Peter Brandson: (Shareholder) So the funny thing is that the person who ripped off the bank is looking at jail, and sometimes when clients get ripped off no one gets jailed. That's the dilemma. Thank you.

Philip Chronican: Thank you. All right. Perhaps we can go back to microphone 2.

Operator: Chairman, I would like to introduce Chris Schacht.

Chris Schacht: (Shareholder) Thank you. It's only six days ago many of us were here for the Westpac AGM. It's a form of masochism if you're a shareholder in banks now, unfortunately, but we keep turning up hoping things will get better. My first comment, before I comment about the annual report, I want to pay a tribute to the 30,000-odd-plus ordinary workers in the bank.

I have been, by May of next year, a customer of this bank for 50 years. The only reason I have stayed through all the scandals of the last decade or more is because of the service I get from the local bank teller, the local branch manager, et cetera. I pay a compliment to them, for they are carrying the reputation of the bank, not the Board or the senior executives. That's why some of us have stuck to the bank, and the Board ought to recognise that very much.

Last year at this AGM, I made a number of strong comments about the result of the Royal Commission's recommendations. I have to say the then Chairman and the then CEO stood up and made remarks about things are going to change. Well, within a few weeks they'd both gone. They didn't indicate that to us then.

I have to also say, as a regular attender, Mr Chairman, as a shareholder, since I became a shareholder in 2003, I've been to a majority of these AGMs. I've been through - I can't remember the number of CEOs we've now had or Chairman of the Board. But every time there was a scandal, the same words that you said today and the same words of Mr McEwan, we'll be better, we will get on top of it, but next year another bloody scandal turned up, something else went wrong. It has not changed and that is the worrying thing about the bank.

I will speak later briefly about the Remuneration Report and the election of directors, et cetera, but I've just got to make this comment. Last year I said, the Board, you are failed capitalists. You still are failed capitalists because of the destruction of shareholder value.

Billions of dollars have been wiped off the value of this bank because of the performance of the Board and the senior executives over the last decade or more. Twenty years ago, when Nobby Clark was the Chair - the CEO, we were the biggest bank in Australia. We are now just ahead of ANZ by a couple of billion. So there has been destruction of our value. We are not just shareholders. We are part owners of the Bank. You have destroyed billions of dollars. On that basis alone, you can use the phrase you are failed capitalists.

Secondly, because of the persistent breaches of the law, running into cases, running into thousands, which the Royal Commission exposed, I said it last year and I'll say it again, as a result of today's headline, which none of us knew was coming, you are the unacceptable face of capitalism because you have failed to obey the law. If I broke some law by 20,000 or 30,000 cases, I reckon I'd be away for life in jail. You treat the law to deal with governance as though it's separate from criminal law or any other law. No. If you break the law, wherever the law is, you should pay the penalty. There is no exception.

Then the last stunning thing today in the paper - I just about coughed up my coffee over breakfast when I read in the front page not only is the regulator now looking at further examples running into thousands, they then raised the phrase unconscionable conduct. That is the most serious breach of the *Trade Practices Act*, [Corporation].

I was, many years ago, Small Business Minister. I was proud of the fact that with the support of good old Ronny Boswell from the National Party, we strengthened the unconscionable conduct provisions of the Act to protect small business from the economic power of big business. It's still not strong enough in my view, but it is the most important power.

So what do we find today, Mr Chairman? We look like being taken action against, either individuals or the Bank for breaches of unconscionable conduct. I find that extraordinary, extraordinary. So I want to ask about that, so I'll now, because of the phrase unconscionable conduct, about the arguments about the remuneration and benefits to senior executives, share options, extra payments, et cetera, unfortunately I have to now add to the other two descriptions I used of failed capitalist, unacceptable face of capitalist, now unfortunately the Board, you are an example of unconscionable greed, of allowing this to continue.

I am sick of coming to the meeting and finding different new CEOs, different chairmen saying, we've got it under control, we'll fix it. That is not the case. I also want to and as an example, the previous speaker raised the unfortunate case in some ways of the fraud of the former, now been charged with fraud of the former executive assistant to the CEO, what really stood out to me, it wasn't another [inaudible – technical difficulty] senior member of the Board, or of the senior executive class, that identified this breach, this fraud, it was a whistle-blower way down in the Bank. An ordinary employee, they put the finger on it, they can discover it, but no one at the top level, at the 30th floor in the executive headquarters could find it. So this person got away and has been charged now, runs into millions of dollars.

One of the things that came out is that the fraud that was going on and being charged with, the money, there was no tender process to employ that company that provided services. You would have thought surely someone in the Board or the senior executive would have said, we're paying all of this every year, shouldn't it put to tender, competitive tender? Isn't that good capitalism? And it wasn't. This is what I find astonishing as an example, that there is a bubble at the top. I have to say, I trust, of all the bonuses you may have paid, did that whistle-blower, way down in the bowels of the Bank that put the finger on it, did they get a bonus, a promotion? No, no, they probably got pushed sideways and made in charge of lending of the Innamincka bank if we had one, et cetera.

So I am very strong that I have to say the Board has not performed. You're going to put up later on election of directors. I notice and I'll say this very briefly, I notice that Ms Fagg has just joined the Board, so I don't hold her to account. But every other board member has been there long enough to know, you have to be held accountable. If that is not how this system works, then nothing works. The honourable thing to do is leave the Board when this level of bad governance takes place. I come from another system of career in politics, I've got to tell you, if I had done 1% of what this Board has allowed to happen, I would have been thrown out of Parliament House, drowned in Lake Burley Griffin and everyone would have cheered. But if you're in the Bank, not only this one, I see today ANZ's in the gun too, all of them, no, no, you can just ignore it, we're not really guilty of breaking the law, it's an unfortunate mistake.

So I'm sorry to go on, but I just want to say to you, Mr Chairman, you cannot go on destroying shareholder value. I just give you one last example. I bought my shares in 2003 for \$32 a share, today they're \$25. Now a couple of times in the last 16 years they

got to \$40. When I bought my shares, if I'd bought the same amount in the Commonwealth Bank, despite all their problems, I would have doubled my money. I also had the good luck, at the same time, to buy some shares for \$11 in CSL, right? Today, I haven't seen today, but last night they were \$280 a share. I look at their board and I look at our board. How could that board do all of that for shareholders and our board reduce shareholder value by billions?

Their company now, CSL, this really sticks out, when I bought the shares, they were worth a couple of billion dollars capitalisation, when you were worth tens and tens of billions of dollars. They are now, value as a company, \$56 billion bigger than the NAB and you've been going 200 years. That is an example that you should compare yourself and maybe you might want to invite a couple of their directors to join our Board. One thing I notice and maybe Ms Fagg's a good example, a majority of the CSL board are scientists, nerdy scientists, but what have they done? Ms Fagg has got a science degree, she's on the board of CSIRO, so maybe you can bring some of that science to the Board, rather than just accounting skill.

But that, to me, is an example of why I can say you are failed capitalists. You have destroyed shareholder value to the tune of tens and tens of billions of dollars and Mr McEwan, good luck. I trust when you take over, go back, read what happened to the home side scandal, read about the foreign exchange, this is the last 15 years, read it all and get it fixed in your head that nothing what you say, well other than to do performance about how we're going to change this Bank, so that maybe most of us don't have to come back here in whinge on good reason about how our Bank has had its value destroyed by incompetence by the Board and senior management.

Philip Chronican: Thanks Mr Schacht. I'm just going to respond to a couple of the points you've raised. First of all, you paid tribute to the 34,000 people that work at National Australia Bank and I'd just like to endorse those comments. In the nine months I spent in the acting Chief Executive role, I visited a large number of branches, contact centres, operation centres, business centres and I think our long-suffering staff deserve tremendous support because they have put up with what has been, I think, a relentless parade of extremely stressful events for them.

Chris Schacht: (Shareholder) Which is not their fault.

Philip Chronican: And it's absolutely not their fault and I 100% agree with that. I know that our leadership team, when we made the decision that we were not paying out any

short-term variable reward to the senior executives, to a person said can we at least make sure our frontline staff get some reward and that's the tribute to that.

Chris Schacht: (Shareholder) Are they still eligible at their level for a bonus?

Philip Chronican: There are very small performance rewards available at that level. It is, I think we'll talk about it further in the rem section, but total amount of our remuneration spend across the company, it's roughly an 87% fixed pay and 13% variable. So when we talk about bonuses, I don't want people to get the sense that other than for a few at very senior levels, that these are anything more than relatively small amounts.

Chris Schacht: (Shareholder) Thank you.

Philip Chronican: Can I also, I'm going to pick up on a couple more points, you asked about did the whistle-blower get rewarded or somehow damaged. One of the key elements of whistle-blower legislation in Australia is anonymity, so what I can say is that as far as I'm aware, anyway, the anonymity of the whistle-blower in this case was protected and therefore...

Chris Schacht: (Shareholder) It was protected?

Philip Chronican: It was protected.

Chris Schacht: (Shareholder) Okay, well if he wants to put his hand up, or she put her hand up, then I think you should give that person a promotion.

Philip Chronican: I would personally love to do that myself. I just want to take then the more poignant part of your comments, which is and it's something I've thought deeply about in coming onto the Board and taking on the role I have, which is we all acknowledge that over the last 20 years this organisation has failed its shareholders, on a number of fronts. It's one of the earliest conversations I had with Ross in taking on the role, which is this is not for the faint hearted, because we will not be able to change everything about this company instantaneously by taking on our roles.

We are setting ourselves in here for hard work. But there's only one way that I will measure success for Ross or myself and for the Board in fulfilling our roles and that is that we reverse that 20 years of underperformance. We have made some progress relative to the other banks over the last few years, but nowhere near enough and I understand and accept that. Thank you.

Can I now go to microphone four?

Operator: Chairman, I'd like to introduce Gilbert Solomon.

Gilbert Solomon: (Shareholder) Mr Chairman, I was going to just talk when we get to the general part of the meeting, but I'd like to just comment on some of the comments being made here. Obviously banks have got no friends anywhere and going forward, I just want people to acknowledge here that all the systems in the world won't resolve every issue, there's going to be something coming up next year, this year and whatever and they get resolved in an orderly way.

Now that being said, I think this country, the way it's going, is a regulation madhouse and some of the regulations need to be challenged. The fines and penalties imposed by government are nothing less than a wealth confiscation by government and it's time people realise that the banks are the pillars of our financial institutions. You keep bashing banks day in, day out, day in, day out, I don't know where we'll end up.

Now recently even Peter Costello said, he was the former Treasurer and he said there was a lot of intervention following the banking Royal Commission earlier this year that may have gone a little too far. I think that's the understatement of the year. You people have got to stand up aggressively and not just bow down to every single bank bash comment that's made to you and just accept it. Stand up and fight, get off your knees. You've been too long on your knees and get up, because I want a decent profit because I rely on dividends to pay my rent even. But all I can see is every single thing that happens, you get hammered, hammered and hammered.

Now things are always going to happen, issues are always going to come through, you cannot monitor every, like in the Westpac business, you can't sit around and have a system that monitors 14 million transactions people are making day in, day out and then be imposed by billions of dollars in penalties. I mean some things happen, but you've got to start challenging the regulators who put up these ridiculous penalties for which shareholders are going to suffer because their dividends are going to go down the toilet.

Philip Chronican: Thank you and I certainly fully appreciate the point you're making and it's not something that we take lightly. Obviously we provide a very robust defence where we think it's appropriate to do so, but I certainly share your sense that we're an industry with few friends at the moment. One of the things that we will be intending to do through working to be a better bank for our customers and for the community generally is to tap into what I hope in the future is a more positive support for our industry. Thank you for that.

Can we now go to microphone number three?

Operator: Chairman, I'd like to introduce Rita Mazalevskis.

Rita Mazalevskis: (Shareholder) Good morning. I'm not a NAB customer, I am a shareholder, but I would classify myself also as an accidental victim. I do have a question, but I am here representing my uncle, [Louis Tommasini] and my whole extended family and generations of our family in regards to a farm that has been passed down through our generations that NAB stole. Now I know you say you have cases that you don't agree with, but sometimes there are cases you literally don't agree with and you'll fight to the nth degree, which is in our circumstance, 10 years of legal fight. But we actually have all the evidence, undeniable evidence. So it's just astonishing.

I will ask a question which is more to do with housekeeping and it's directed to the CEO and Chair. When there is a new CEO or Chair, what I'd like to know is what sort of handover is there in regards to company information, issues, complaints, as legacy complaints, to roll over continuity of what has been lodged with to the Bank and are you across these issues? Do you have access to the emails that we would have initially lodged with Mr Thorburn or Ken Henry or the Board at that time, are they passed to you? Or do they go into a deep, dark hole and then we have to start again with the new chair and the new board or any new director?

Philip Chronican: What I can say is that there is a handover process, not necessarily every email, but I've certainly made Ross aware of the work that we've had underway. I think we had something like, mentioned earlier, some 48 longstanding cases that had quite a lot of complexity to them, approximately 20-odd are either resolved or on the path to resolution. While not every email would be reviewed by the incoming CEO, obviously the senior staff who handle these things have all that information, so certainly it would be surprising that people would have to send emails again because that information should not be lost.

Rita Mazalevskis: (Shareholder) Well that actually is the case, because we've had to submit additional information when there's been a new CEO, including yourself, Chair, when you were acting CEO. Who are the senior people and how would they brief the CEO? Do they give them documentation step by step through the process of legacy cases or how are they informed?

Philip Chronican: Well certainly I'll tell you how I was informed and I don't know whether Ross in his three weeks has had this opportunity yet, but I was presented with a large old-

fashioned ring binder folder about this thick, which covered the 48 longstanding case summaries and I spent time back in February and March reading those.

Rita Mazalevskis: (Shareholder) Okay and did you change your view on any of them?

Philip Chronican: Well I didn't have a view to start with.

Rita Mazalevskis: (Shareholder) Or meet with any of the legacy customers?

Philip Chronican: Certainly I did meet, as I think has already been referred to by a couple of speakers, I met with quite a number of legacy customers and asked a number of questions of the people that were handling those cases as to how we had come to the views that we'd come to.

Rita Mazalevskis: (Shareholder) Okay, so the ones that you haven't met with, where you've come to NAB's view and not taken into consideration the actual aggrieved customer who, I'll just repeat, has all the evidence and has been fighting this fight truthfully, truthfully with the Bank and has been denied the truth through a court process, if you haven't met with them, are you prepared to meet with all the outstanding customers that are in this situation?

Philip Chronican: So I'll have to ask my Chief Executive.

Ross McEwan: First off, can I just make a comment? I have been briefed on a large number of cases. I, like Phil, was given the very large red manila folder. I have briefs on a number of these cases. I have seen the process that customers have been through, be it through the courts or through an internal process or an external party. I've also seen where the people have not been prepared to go through some form of resolution either, which I found outstanding and interesting in itself. I think we just need in many of these cases for this resolution to get back together with some form of mediation to go through it.

But at the end of the day, I do need to be very clear that I'm not going to re-litigate everything that's gone on in this Bank. Where you have new evidence that you put to the West Australian Court, was not put to the Court you believe should have, yes, my team are very happy to see it, but I'm not going to re-litigate anything on behalf of all of our shareholders and we all need to be very realistic about what is actually resolved at the end of the day.

Rita Mazalevskis: (Shareholder) I totally agree with you, Ross.

Ross McEwan: Thank you.

Rita Mazalevskis: (Shareholder) But I just want to clarify that what was put to the West Australian Court, I wasn't going to mention it, but since you have, was actually in the affidavit of your lawyers, Allens Linklaters. It wasn't new evidence that we put forward, so it was actually your evidence document. So that's why we are so passionate about our argument.

Ross McEwan: I'm happy for my team to see the detail if you get that to me, I will, but please be aware, I want to see new evidence please.

Rita Mazalevskis: (Shareholder) Okay, thank you.

Philip Chronican: Thank you. Thank you for that. The next question is going to come from microphone number two.

Operator: Chairman, I would like to introduce Don Walker.

Don Walker: (Shareholder) Mr Chairman, my question refers to house loans. How much do you lend out in house loans in year '19 and there's house loans for 30 years, what percentage for 30 years, what percentage for 15 years and what percentage for five years please? How much interest from these loans do you get for the year '19 please?

Philip Chronican: I don't know that I have that information at my fingertips. I'm hoping that somebody is going to give it to me shortly. But I wouldn't have been expecting a question for that. It is a very large part of our business and the interest earnings, I'd be guessing here now, but we would have something like - no, I'm not getting it. How many billion?

Ross McEwan: [Unclear] \$61 billion.

Philip Chronican: So new lending would have been \$61 billion and our total book of home loans will be something of the order of \$300 or \$400 billion - \$340?

Ross McEwan: \$340 billion.

Philip Chronican: Yes, \$340 billion, \$60 billion odd of new lending. I'm sorry I don't have the breakdown by term structure of loans, but the large majority of those loans would have been written for terms of 25 or 30 years.

Don Walker: (Shareholder) Thank you sir. One more question before I go. The dividend was \$0.99 and now it's down to \$0.83. How many more years do you envisage that staying at \$0.83 and when will it go back to \$0.99 please?

Philip Chronican: As a reasonably material shareholder I have a vital interest in that question as well. The only answer I can give you is that we will return it to higher levels when the profitability of the business improves. The reason for the decline in the dividend is that we were increasingly required to hold more and more capital, that is to have more and more shares on issue, and the profitability of the Bank was not increasing.

So we need to get the dynamic change so that the profits are increasing more quickly than the capital requirements. At that point we'll have sufficient surplus to pay higher dividends.

Don Walker: (Shareholder) Thank you sir.

Philip Chronican: Thank you. Perhaps we can go now to microphone number four.

Operator: Chairman, I'd like to introduce Yvonne Chan.

Yvonne Chan: (Shareholder) Thank you. Good morning Chairman and the Board. Thank you. Sorry, for the wait. I take note of what Mr McEwan and yourself said early on about culture and I also take note of what other fellow shareholders mentioned about a lot of the mishaps that I believe also play a large part in the culture of NAB.

Well recently I was in another AGM. The chairman of that company mentioned - he said culture eats strategy for breakfast. I thought that was a very interesting remark. He's the one who managed in a few years turn two companies around. Anyway, I come back to my questions. My question is do you, Mr McEwan and Mr Chronican and the Board, have a timeframe to actually improve the culture of NAB so it can be measured against the improvement of the business and the improvement of, I say morale of the Bank? Could you please answer that.

Philip Chronican: Sure. One of the high priorities as part of our action plan last year after the self-assessment was to report on and work on the culture of the organisation. We've started some preliminary work on that one. We've had workshops on culture at both the leadership team and at the Board, and we've had updated reporting on culture to the Board. We have a monthly update.

We have put 3000 of our leaders through a workshop to provide initial training on our key cultural leaders, and the three areas we focused on this year were the importance of putting the customer genuinely first in our thinking. The second is the issue about being more disciplined in the way we execute activities in the organisation. The third priority

was about simplifying our business; taking out the complexity that's given rise to so many errors.

We saw those as three initial steps we would be able to take to make an impact on the culture. Over the longer run of course we look for the leadership of Ross as our new Chief Executive and our new people officer to drive that further forward, and deliver a more comprehensive culture change program across the Company.

Well we certainly recognise the power that culture has, and we do acknowledge that there are aspects of the culture of National Australia Bank that have acted to inhibit our performance in the past, and it's certainly a cornerstone of what Ross will be working on over the next while.

I don't know whether Ross is going to be prepared to put a timeframe on success in that one, but I imagine he would want to make significant progress in a short period of time, but the true embedding of culture is more on a three to five year timeframe.

Ross McEwan: Thank you Phil and thank you for the question. I agree on the longer term change of culture will take us three to five years. I would like to see some things change a lot earlier than that. The two things I think that are vitally important for us as an organisation - and can I say this on the backend - I've been here two and a half weeks and I've met some wonderful people. Our people that are dealing with customers are trying to do a fantastic job.

We've got to keep that group of our colleagues really engaged. We've got a lot of work to do. There are two things though that I think are really important; one is to be very open and the other one is to be challenging, and make sure that challenge is up to our senior leaders as well - as challenging into the organisation. So it's openness and it's also challenge and we need a lot more of that in this organisation.

Yvonne Chan: (Shareholder) Thank you Mr McEwan, that's very assuring because not long ago your previous Chairman was interviewed on TV and he was asked about the culture issues of NAB. He shook his head and he said oh easily over 10 years or something in that nature and I felt absolutely devastated. Thank you.

Ross McEwan: Thank you.

Philip Chronican: Perhaps if we can go to microphone number one.

Operator: Chairman, I would like to introduce Craig Caulfield.

Craig Caulfield: (Shareholder) Good morning Mr Chronican. Nothing is more important than restoring trust for the shareholders of National Australia Bank and the customers. My name's Craig Caulfield. I'm the founder of Bank Warriors and I'm an advisor to Bank Reform Now.

We've had 51 bank inquiries in the last 10 years; inquiries, hearings, the Royal Commission. Things are just not being repaired. We heard from Mr Schacht saying the same thing before.

In your Chairman's message we can only move forward if we deal with the past. The Royal Commission rightly called out us failing to meet customers' expectations. Along the way we lost trust with customers and the broader community.

We are addressing the issues of the past and we're making things right where we have made mistakes. I wanted to point out two things: I'm here to call out wrongdoing, but I also think it's very important to call out right doing, and there are a couple of things that the Bank and NAB is doing right. I'd like to tell you about those briefly, and please don't stop me at the end of that before I get to wrongdoing.

It says we take full accountability for our failings and have been transparent. I'd like to point out some right doing, and that is the APRA Governance Report. I think there are five financial institutions of the 36 that have now revealed or published their report. Of the four major banks, ANZ excluded.

Commonwealth Bank had to publish theirs compulsorily and Westpac - thank you to them - published theirs nine months after the report was done. I note that National Australia Bank was the only one of the four major banks to publish their report in full, without redactions, very quickly. So thank you for that.

In relation to that report, I do note that it was conducted by EY, and I'm concerned that EY...

[Inaudible question – multiple speakers]

Craig Caulfield: (Shareholder) Am I wrong with that?

Philip Chronican: No. EY was not involved in that report.

Craig Caulfield: (Shareholder) Okay, I stand corrected on that. Let me redact that.

The second bouquet I'd like to dish out is in relation to model litigant. I raised it with Dr Henry last year at the AGM and immediately after the AGM I spoke with your chief counsel,

Sharon Cook. I didn't think a chief legal counsel would be interested in fairness principles. Sharon engaged very openly, immediately, genuinely and we did work together over several months, and NAB's model litigant principles were published.

You, Mr Chronican, announced them at the House Economics Committee. In relation to them, NAB went further than any of the other model litigant principles, and that was to say that we will provide documents within seven days to our customers, or within 21 days if they're longstanding and you've got storage retrieval systems.

So I'd like to thank you on publishing the APRA report and to Sharon Cook with model litigant.

In terms of the wrongdoing, correct me if I'm wrong but I understand there are about 48 legacy cases. That's what I'm particularly interested in. Twenty of those you've resolved, and I would like to say thank you from Selwyn Krepp who is a longstanding case that you've resolved.

I know that you worked with Boyd Fraser and his help with Sir Edward 'Weary' Dunlop's family and you issued a letter, and that did a lot to help bring the momentum of resolving that together, so thank you on those counts.

But what are the Directors doing to resolve the other cases? Now we've just heard you talk about there's - we've got a foot in our camp saying that we think we're right, and you've got a foot in your camp saying you're right. Surely these 28 remaining legacy cases are a [small percentage] of the capitalisation of the Bank.

I think I was a bit concerned respectfully, Mr McEwan, that you spoke of legal proceedings for example and you will not reopen those. Legal proceedings that I've seen - and I'm privy to some of these cases - ran totally counter to some of the model litigant principles.

I would respectfully ask you to engage with each of those 28 or less remaining cases in your role. Now I won't go into the cases individually, but I will mention Bill Mott, Faye Andrews, Louis Tommasini represented by Rita, Lynton Freeman, the Ganesh family and Barry Landa of particular concern to me amongst them.

If I can move on to - in January this year I attended the CYBG annual general meeting. I was pleased to see that a severance amount, an indemnity amount of £1.7 billion was set aside for legacy complaints, including PPI insurance. However, a whistle-blower at NAB reported that CYBG had requested £2.5 billion. So there's a substantial gap that the

remaining victims that feel that they are short-changed that should be addressed. I would like you to address that please.

I was unable to attend a meeting yesterday with my colleague and UK Bank Warrior friends, Ian Lightbody and John Guidi who are here today. I was at the ANZ annual general meeting. They met with Jocelyn Turner and they tell me that it was a very successful meeting and they appreciate that.

Ian would like me to be involved as an Australian representative in a small oversight team; a limited, independent remediation process in the UK. I'd like you to give consideration to that too please.

Moving forward, I've got a range of several items that I'd like you to consider and I would like to thank your Director, Ann Sherry who took the time to meet with me. I did ask to meet with Ann and that's because Ann is the head of your Customer Committee, so I'm very grateful for Ann's time there.

So for Ann I'm repeating some of these, but for the others I'd like to put it on the record - that is to have a complaints metrics that you publish that would include IDR, customer advocate, AFCA and court cases. A BEAR accountability map. We've all got these BEAR maps, nothing is disclosed. We get the soft shoe shuffle from executive to executive. It would be good to have something published that is accountable.

Ban political donations but add that to your constitution. Encourage [BFO] membership. You spoke at the House Economics Committee, Mr Chronican, and now that you have no conflicts et cetera, because you're not a director or a special advisor, if NAB has 30,000 employees, I can't see why 300 or 1% can't be members.

AFCA has a Datacube now that they publish that shows the success or failures or metrics on the cases coming through. I think each bank, including NAB specifically today, should publish that to your website and point out where NAB sits within that so that we can visually measure that. I'd like to thank you for allowing me the time.

Philip Chronican: Thank you. Thank you, very much for that. I won't go into detail. You've raised a lot of issues. Clearly, it's not possible for me to talk about any individual case but I appreciate that you've acted in conjunction with a number of the customers, many of whom I've met with, not all of, but many I have.

I would - I just want to clarify the comments you've made around the provisions that were left behind in the UK to deal with issues. It's - the issues are the issues. So the liability will

fall where it lies. That amount was a contractual amount between CYB and National Australia Bank. That shouldn't itself be an impediment to any issue being resolved but we can take that up.

Craig Caulfield: (Shareholder) That's good to hear.

Philip Chronican: I'm pleased that you - I don't know whether Mr Lightbody was going to raise questions that he's here. I understand he is in the room but obviously we have set aside a couple of executives to meet and I know that happened yesterday.

In terms of your comments about being more open around issues of complaints metrics, BEAR accountabilities, I'm not sure how helpful it would be to get our BEAR accountability statements. They are rather long and complex. Maybe that's a challenge in itself which is to simply them for us but certainly, it would present me no problems to give a summary of who is accountable for what among the senior executive.

Craig Caulfield: (Shareholder) Fabulous.

Philip Chronican: I think that's a useful contribution and one that I'll take back to the Board for conversation. I also am happy, now that I'm no longer in a position of both being a senior executive of the bank and being a director of the BFO, to play a more prominent role in advocating that the banking and finance oath as an anchor for ethical behaviour in the organisation be promoted more strongly so I'll talk with Ross about that. I haven't had a chance to do so yet. But thank you. Thanks for your time.

Craig Caulfield: (Shareholder) Thank you.

Philip Chronican: Can we now go to microphone three?

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

Kaz Kazim: (Shareholder) Good morning, or I don't really feel like using the word good because it's not a good morning with all the bad news we've had and I'm not going to make a speech.

I think Senator Schacht has already done that and he's stolen some of my questions. I've been a shareholder, when Nobby Clark was the CEO. He probably got breadcrumbs compared to what staff had been getting since. Then when Don Argus joined, I still felt confident that I could trust him.

Now, everything you've said today doesn't give me confidence because this is what we've heard year after year and we get the same results. You've told us that you've got to pay

big bikkies to attract the brightest and the best. What have you got? Disaster after disaster after disaster and the money is coming out of our pockets.

You talk about remediation, where is it coming from? We are your employers and what have you done for us? We've given you custodial care so that you can look after our money. Our pensions. Our super. Our income. Five years, we've had the same dividend and now you've cut it and we have no idea how much more remediation will cost. So how can I have any confidence in you?

My question is, the staff that you've employed, as well as Board members, are they working in silos? I mean, looking after their own bonuses and their REM reports or whatever they do? Who is looking after the risk? Who is addressing this? Who is talking to these people and if they had a basic ethic basis, why would they need to be educated? Did they have no background in ethics? Weren't they given instructions when they were growing up?

I keep hearing about ethical issues as a culture organisation. For Christ's sake, if you didn't have those basic values of right and wrong, how can you build it? So are they living in silos?

Philip Chronican: So the answer is no and...

Kaz Kazim: (Shareholder) So why do we get a disaster after disaster, year after year? I've only been attending since the - I'm a very recent. I've been a shareholder since '85 but I've only started attendances when I started reading all this - I thought they all behaved ethically and I had confidence in Nobby Clark and Don Argus and they were getting breadcrumbs compared to what some of you people get.

Philip Chronican: So thank you, I can assure you that we do not allow our staff to work in silos and as you would know from the remuneration report, the staff have certainly not been receiving significant variable remuneration. Certainly not on the last year. The issues, and I will take you back to the self-assessment document that we published...

Kaz Kazim: (Shareholder) It was a disaster.

Philip Chronican: Which was to highlight...

Kaz Kazim: (Shareholder) People didn't know what the strategy was.

Philip Chronican: It was to highlight...

Kaz Kazim: (Shareholder) They had no confidence.

Philip Chronican: Which was to highlight what we will be working on to make this a stronger organisation going forward.

Kaz Kazim: (Shareholder) But everything you say and do is reactive. There's nothing that you've outlined which has had some proactive results. Everything has been a disaster, year after year and I've only been attending for the last three or four years. Until then, I thought you were all ethical, good, fair-minded, honest, staff as well as everybody else and [Tobin] was telling us, oh well I don't think any of our staff have engaged in criminal activity and what's been happening? Right under his nose? Just a disaster after disaster.

I do welcome Mr McEwan's appointment, should I say, and I thank you for saying what you have. I know, having worked - you worked at the Royal Bank of Scotland, brought it back from the brink of disaster, so I hope you'll do the same but do clean out some of the Board while you're at it.

Philip Chronican: Thank you. If we can now go to microphone number two, please?

Operator: Chairman, I would like to introduce Lynton Freeman.

Lynton Freeman: (Shareholder) Mr Chairman, Board. I have studied the National Bank and their processes and management over a long period of time. One of the things I've noticed is, what the Board says and what comes out of the Management Committee, are two different things. So in order to illustrate that, I've put together a small statement today.

The Royal Commission into banking found the NAB CEO and Chairman could not be trusted to make proper restitution to all customers. This could be sheeted back to the NAB refunds between 2004 and 2011 and the appearance in the High Court of a customer being bankrupted on an incorrect NAB six-figure debt where, if NAB had refunded this customer his false - default interest and accepted his [governance] subsidy, he would not have been over on his LTV limit.

So NAB at the time then had no excuse to sell him up and bankrupt him. The total effect was NAB sold his property, falsely charged him with stealing cattle and would not produce to the court the true facts of the case. He was still acquitted. This was verified this year when the Chief Justice of Queensland gave incorrect information to a government inquiry about the customer based on NAB incorrect evidence that may have been used before her.

Will you please appoint from your Board, a committee to examine the case I have spoken of and some others, because your legal team and those reviewing the situation of other similar cannot be reasonable because your bank's stated intention have staff win and carry

proper compensation. It is seen as an admission of weakness that can be sheeted home to those staff members.

It is time that you put a committee together in the Board to follow up on these things. If you don't, it is going to keep going to the staff and the management committee and they are doing what they think is the best for the bank. That is, to hold it up. So many cases have been used with false evidence from your bank, that there is a literal - there is literally articles and articles written about it, both from legal experts and from individuals. Thank you.

Philip Chronican: Thank you. I - we have established a Customer Committee and the Customer Committee does have carriage of customer remediation activities. So I think I will leave it to Ms Sherry to determine but I see no reason why a review of the longstanding cases cannot be undertaken at the Customer Committee and I will talk with Ms Sherry about that.

Lynton Freeman: (Shareholder) Thank you.

Philip Chronican: Thank you. Microphone four.

Operator: Mr Chairman, I would like to introduce Gilbert Solomon.

Gilbert Solomon: (Shareholder) Mr Chairman, I was going to save my comments for the general part but unfortunately, I've got to be somewhere in 40 minutes so I would just like to say a couple of things here as to the reason why I came to this meeting.

Look, as a shareholder who relies on dividends, obviously the banks have got to make profits to ever get the dividend rate up but my concern as [even] you can see here is that the relentless bank bashing in the Australian community. Now I'd like to know, my point is, I'm appalled by the industry's unwillingness to defend itself and I'd just like to give three quick examples.

Going back a bit, when the bank levy was imposed a few years back, the banking industry just took it without a murmur. Never once was it mentioned that the bank's return on equity at the time was about 8% while other companies, by comparison were 25, 30, 40% even at that rate. So why weren't these companies hit with a levy? Because they would defend themselves and would have stated that we all know - what we all know already, that the levy is outrageous and is nothing more than wealth confiscation by government.

Now, to justify their actions against the banks, politicians and your average yobbo keep babbling on about the fact that banks make billions in profits but never once did banks

stand up and have the courage to point out that with - the overall banking industry has a market capitalisation of about \$370 billion so obviously, the profits are going to be in the billions.

This doesn't give the bank the right to do anything untoward to the banking industry but you're not saying that. The average person thinks oh, they've got - I think one politician once said oh, the banks make squillions so they can afford whatever we do but the fact is, your return on equity is below - I won't mention the company's names, anyone can Google it and find out, which is higher than the banks.

Often, I hear the constant complaint by people, the average person, ringing up and saying oh, they've been hit with a penalty on an interest rate for late payment. Well the bank doesn't come up ever and say that the bank has accepted that the transactional risk when that guy put his credit card into a machine and bought something worth \$10,000. So the banks are perfectly entitled to hit people with a penalty. They're lucky I'm not the CEO because I'd charge them 30%, 40% and the second time round, third time round, you'd probably lose your credit card.

The thing is, these are shareholders funds. You've honoured the transaction at the time it was made and start fighting back and saying you're entitled to do all this. Now, when the Reserve Bank issued that idiotic comment, in my opinion, about the bank interest rate's got to drop more and all the [pollies] are saying oh yes. I don't know what it was, it was 0.5% and every economist knows, that that has nothing to do - will not stimulate the economy, won't do a damn thing, but there's no point the Bank saying, the Commonwealth Bank might drop it, NAB might say, no, I don't know who did what, I don't really care who did what. But the point is, it's not a matter of not passing it on, it's standing up and saying that the interest rate drop proposed by the Reserve Bank was ridiculous. It's not going to do a damn thing.

You're not getting into the public. You've got to educate the public out there, because I'm concerned the Bank's profits, the way this is going, you're going to be - God knows if this country gets hit with a global financial crisis again, because the banks were in a great position last time. But I don't know if they're going to be in such a strong position next time.

What I'd like to end with is that the Bank should - now half the audience here are going to disagree with me - but you should stop getting involved in frivolous things that politicians want you to get involved with, like gender equality on the Board. Get the best people on

the Board and in my opinion, you've gone on like Westpac has and you're all talking about climate change.

Well, in my opinion, the science is not proven and it could be the greatest hoax ever perpetrated. Man-made climate change is not a proven fact. Why are you wasting time, shareholders' money, getting involved in committees and doing all this stuff, that's a political issue, keep out of it. Without coal mining right now, all these lights could go off. I live in a tall building and no doubt down the track I'll be stuck in an elevator, because all of a sudden, the wind's not blowing and the sun's not shining.

So, get on with the business of banking and be more rigorous and start fighting. Stand up, get off your knees. You've been too long on your knees, stand up and fight.

Philip Chronican: Thank you. I guess, I just want to assure you that there certainly are some issues that we've taken on board. The issue you raised about the impact of interest rates is certainly one that I've taken on. I know Ross will have the strength of his opinions in certain issues. We'll find those issues that we believe are right to stand on and we will do so. But thank you for your encouragement, Mr Solomon.

The next question is, I think, from microphone 4 again.

Operator: Chairman, I'd like to introduce you to Peter Sainsburry.

Peter Sainsburry: (Shareholder) Well, here's a treat, thank you, Mr Chairman. I'm conscious of your requests that questions related to environmental sustainability be left till the end.

Philip Chronican: Yes.

Peter Sainsburry: (Shareholder) But my questions both relate - I've two questions - to the financial performance and, indeed, I note that three pages of the Annual Financial Report are given over to issues related to climate and the environment, so it's clearly relevant. Neither of my questions really relate to the two later motions. I'm taking my lead from the previous speaker, it seems to me legitimate that I should be allowed to ask my questions now, if that's okay with you, Mr Chairman?

Philip Chronican: You can ask them, we'll see how we go.

Peter Sainsburry: (Shareholder) Thank you. I should say that my wife and I are shareholders in NAB.

Unidentified Participant: [Inaudible – microphone inaccessible].

Peter Sainsbury: (Shareholder) Perhaps if I could just carry on.

Philip Chronican: Yes.

Peter Sainsbury: (Shareholder) Two years ago, at the NAB Annual General Meeting, our previous Chairman, Ken Henry said, quote, this week we also said that NAB would no longer finance new thermal coal mining projects, close quote. Last year, NAB co-financed a \$720 million underwriting debt facility for Coronado Global Resources. The Curragh Coal Mine, owned by Coronado, supplies the Stanwell Coal Power Station.

This arrangement was last year extended from 2027 to 2038. This is inconsistent with calls from 515 investors worth US\$35 trillion, via the Global Investor Statement on Climate Change, via the Global Investor Statement on Climate Change, demanding an [exit] from thermal coal in OECD countries by 2030, in line with the climate goals of the Paris Agreement.

In September, NAB recommended \$198 million to Coronado, including the provision of US\$24 million of additional funds for expanding the Curragh Mine to 15 million tonnes per annum coal production by 2023. So, can the Board explain why NAB breached its policy to no longer provide finance to new thermal coal mining projects? That's my first question.

Philip Chronican: Can I get your questions and then I'll [unclear after].

Peter Sainsbury: (Shareholder) Yeah, second one, sure, certainly Mr Chairman. This relates to the health implications of climate change and arising from the funding the Bank provides to fossil fuels. So, according to medical research in the Lancet in 2019, there have been 2.5 million extra deaths a year from outdoor air pollution globally and \$2.6 billion spent in Australia each year on health costs, due to air pollution.

Heat and air pollution increase disease and deaths because they exacerbate existing heart, lung and other conditions. This isn't distant, either in time, or place, it's happening all over the world and in Australia and is happening now, injuries, illnesses, premature deaths. According to the New South Wales Department of Health, the air pollution we're experiencing here now, in Sydney, has increased hospital admissions for respiratory diseases by 22.5%.

Our already stretched health system is right now being further pushed by these unprecedented bushfires that are fuelled by fossil fuel industries that we, NAB, continues to fund. Can the Board explain why NAB continues to provide finance to companies such as APA Group and Beach Energy, who are expanding the fossil fuel industry, expanding the

fossil fuel industry and helping to fuel global warming, resulting in the toxic smoke that's outside this building that we are breathing when we go outside? Thank you, Mr Chairman.

Philip Chronican: Thank you. As I indicated earlier, I'd prefer that shareholders refrain questions on this until later, so that we can get on with the business of the meeting in the sequence that is set out on the order paper. But I would just like to make a couple of points, which is that when we published our Sustainability Report, it was with a view to getting our credit exposures to be consistent with the medium-term outlook. As an indicator, or an anchor for that medium-term outlook was that the expectation that the world would be at zero net emissions by 2050.

That presents financial risk to us, I think you've raised other risks, including health risks. We are serious about our transitioning of our credit exposures to reflect the change in the carbon intensity of world economic activity. That's why we have set out the path that we have. I would, for the benefit of all shareholders, point out that our financing of thermal coal is a total credit exposure of something of the order of \$760 million dollars. That's a total credit exposure. So, to put that into the context of the overall bank's credit exposures, which are around \$807 billion, we are talking about credit exposures of less than 0.1 or 1% of the Bank's total credit exposures. So, thank you.

Peter Sainsbury: (Shareholder) So, am I to conclude that direct answers to my questions will come later?

Philip Chronican: Well, I won't be able to comment on any of the questions you've asked about specific customers, because as a rule we do not talk about any of our customers by name in this meeting.

Peter Sainsbury: (Shareholder) Thank you, Mr Chairman.

Philip Chronican: Thank you. Can I please go to microphone 3?

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

Mr Garg: (Shareholder) Good morning. I was just wondering, in terms of the online banking operation that you have, what are the problems in its growth? What is its share compared to the main banking operations in terms of dollars and transactions? When do you expect that to reach, say, 25% of the NAB operations? Thank you.

Philip Chronican: So, we are now at a situation where depending on how you measure the use of mobile and internet banking, certainly for personal transactions, we're now in a situation where, I believe, well over 90% of all personal transactions are conducted

through mobile or online channels. We expect, while that will continue to grow for day-to-day transactions, the new growth areas are in terms of origination of new products, such as credit cards, deposits and so on.

I believe, for a number of products, we're already at a point where between 40% and 50% of new origination are through our online and mobile channels. So, it is absolutely right at the point where they have well overtaken traditional channels for personal banking requirements and increasingly overtaking traditional channels for small business requirements, as well.

Mr Garg: (Shareholder) I was wondering about UBank, which is your [wholly owned] thing, why is it not taking over the main bank?

Philip Chronican: Well, there's a scale problem here that UBank is a very small organisation and the main business is extraordinarily large. So, UBank doesn't have the capacity to do many of the more complicated transactions that the main bank has. Part of the attraction of UBank is its simplicity, but of course, part of the constraint of that is that it can't do everything.

Mr Garg: (Shareholder) Would it forever be not as big, or would it grow at all?

Philip Chronican: UBank is growing. One of the things we're very proud of is that UBank has acquired, I think, something like 100,000 customers over the last year. Its growth in home loans has been many times the rate of growth in the market overall. So, even though it is small, it is extraordinarily rapidly growing. But, thank you.

Mr Gajh: (Shareholder) Thank you.

Philip Chronican: Can we move now to microphone 2, please?

Operator: Chairman, I would like to introduce Aaron Gold.

Aaron Gold: (Shareholder) Thank you, Chairman. You'll be pleased to hear that I'm not going to make a speech and just got two simple questions to ask you. First of all, I noticed that the current auditors, who I've got nothing against, let me say from the outset, but they've been occupied in their role for some 15 years, I think, or 14, or 15 years, which I think is probably slightly excessive. Just from the point of view of good governance, I wonder whether or not the Board would consider perhaps moving to a different firm of auditors?

Second question. It would be helpful in the Annual Report, I think, so that we know the performance of the Board, if you could provide a graph that would show the total shareholder return, compared to your peers [unclear] at the other banking industry. That's all.

Philip Chronican: Great, thank you. One of the things that I am very pleased and I made mention of earlier, is that even though it hasn't been a great time for the banking industry as a whole, NAB is now the second highest performing of the four major listed banks, over all of one, three and five years. However, I accept the fact that that's been at a time when stock prices generally have not grown.

In terms of auditors, we are acutely conscious of auditor independence. You'd be aware, I presume, that every five years the lead partner has to rotate on the audit. I certainly take on board your comments about rotating audit firms. I would just observe, for the benefit of those in the meeting that with only three or four firms having the scale and capability to do a major bank audit invariably the process of running a tender to bring on a new auditor is fairly restricted in its choices. Is quite a traumatic exercise to go through because it's quite a costly thing to do.

So we are mindful of the fact that these things do need to be changed from time to time. We manage the auditor independence tightly and of course the audit firm is required to change its lead partner every five years. But thank you for your comment.

If we could now go perhaps to microphone four.

Female: Chairman, I'd like to introduce Karen Nicholson.

Karen Nicholson: (Shareholder) Hello Chairman and Board, thank you for today. Given that you have been playing catch-up and are still playing catch-up for the future, what is your vision for the growth of NAB? Where do you see NAB in five years' time?

Philip Chronican: So I wish I could answer your question better. It's a question I would love to be able to answer. We have, Ross and I as part of Ross' process of taking on the role, have talked about our vision for restoring NAB to a position of leadership. In doing that working on issues around community trust, building on our tremendous strength in our business and commercial banking capabilities. Working to make our retail bank a much more significant part of our business.

But I want to - Ross has been on board for only three weeks. One of the things that he and I have agreed is that we will take a few months to more fully flesh out what that vision

is. So that by the time we take it into more public airing it's more fully thought through and better articulated. So I would ask your indulgence, other than directionally what I have set out. We would hope by the course of some time around the middle of calendar next year to be able to give you a much clearer articulation of our vision for the business once Ross has had an opportunity to bring that together.

Karen Nicholson: (Shareholder) Thank you.

Philip Chronican: Thank you. All right, the next question is at microphone number one.

Operator: Chairman, I would like to introduce Craig Caulfield.

Philip Chronican: Thank you.

Craig Caulfield: (Shareholder) Thank you again Chairman. This is in four parts, and I note when someone else has had other parts you'd rather me put it all to you first.

Philip Chronican: It helps because it just means I can understand the scale of what I'm dealing with.

Craig Caulfield: (Shareholder) Make some notes and do the background, sure. Firstly, how can NAB shareholders be assured the CPS 220 review performed by EY is a true, fair and accurate assessment of the adequacy of NAB's risk management framework and effectiveness of internal controls after EY was exposed in the media for several things. Adopting an approach involving extensive stakeholder consultation, feedback and revision which couldn't possibly pass any pub test for independence. Watering down the report, contrary to EY's own findings, issues and observations which were documented during its fieldwork and subsequently leaked.

NAB's lead auditor, Sarah Lowe from EY, was involved with the fieldwork of the CPS 220 risk review by attending interviews with senior executives, including but not limited to Ken Henry former NAB Chairman, and denying that the leaked meeting minutes, record of interview and documented findings, issues and observations lack any probative value in order to justify the currency of the report. First question.

Second, has NAB expressed concerns to EY about the currency of its CPS 220 report after learning of the discrepancies highlighted? Given that EY's failure to report what it really thinks lies in the face of concerns about conflicts of interest and independence. If not, why not?

Three, given the concerns about the dual roles of auditors and consultants, and we've heard that further today, is NAB reviewing the practice of using auditors for this type of work? In hindsight would you have preferred a different approach? If not, why not?

Finally, has NAB lost trust in EY's ability to independently perform CPS 220 reviews or other non-audit work? Isn't it time for NAB to consider a fresh approach and put the role of external auditor out to tender? Thank you.

Philip Chronican: Thank you. I think I've addressed the issue of putting it out to tender. So if you're happy I'll just leave the answer I gave earlier. But I do want to take on the comments you've made. I think there's a misunderstanding of the nature of the work that EY has done in this regard.

The CPS 220, so this is a Prudential Standard at APRA, requires what's called a risk management declaration. That risk management declaration is made by the Board. It's not an EY piece of work. The Board is required to attest to APRA on the adequacy of its risk management framework and its risk management practices.

The role, and what APRA asks banks to do, is that every two years they have somebody independently come and assess whether or not the processes that underpin that were adequate. That was the work that EY did. Now I mentioned earlier about the range of work that an auditor is allowed normally to do. The work that was required here is in the nature of assurance. That is, it was a review of the underlying controls and processes. That is identical to what an audit involves.

So rather than it being a conflict for EY to do this work, actually it made perfect sense for them to do it and did not present a conflict. I would have said, and I answered the question at the House of Representatives in November, it would have been a much more significant conflict if a firm that we were doing significant discretionary work with had been asked to do that review. Because then we could have no confidence in their independence on that.

So the issue I have, Mr Caulfield is, I don't actually accept the basis of your questions.

Craig Caulfield: (Shareholder) Okay, well, I'd like the Directors to at least consider those issues further...

Philip Chronican: Thank you.

Craig Caulfield: (Shareholder) ...and we've got a point of difference there. But thank you for addressing that.

Philip Chronican: Thank you. Can we go to microphone three please?

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

Philip Sweeney: (Shareholder) Thank you, yeah, back again Chairman or Phil. This getting back to the financial statements is there's one line item that one never sees on the financial statements and that's a line item for junketeering. Now I get back to questions by Peter Brandson and Chris Schacht about the fraud in the CEO's office. Now even if there had been no fraud in the CEO's office what has become very clear is that the previous management were off having a jolly good time at shareholders expense to all sorts of locations.

Just to give an example, and I'm sure shareholders will be shocked to see how their money was spent under the previous management team. In 2014 and 2015 thereabouts a select group of approximately 20 female NAB officers were sent to a junket in the Whitsunday Islands. To hear from a range of female speakers on the topics of empowering women, opportunity is now at the hand of the women to dominate, and start winning over male counterparts.

So the question I have coming from this is, notwithstanding the fact that the subject matter of the junket could not possibly align with NABs policy of inclusiveness and NAB has obviously - obviously can't get its priorities right if it's spending money on this sort of stuff. So how does NAB justify such an outrageous use of shareholders' funds at a time when NAB was culling its risk staff?

Two, why were attendees forced to sign a non-disclosure agreement under pain of personal financial destruction if they shared the contents about the events with others? Apparently the only reason this came out was that some of the attendees were so disgusted about it that they blew the whistle on it basically.

Three, what guarantee do shareholders have that there will be no more junketeering of this nature under the new management team?

Philip Chronican: Thank you. So I'm not going to defend anything because I, like you, do not feel that many of the issues that came out from the investigation into the fraud in the Chief Executive Office were defensible. Ross, I think you made a comment in your opening address. Maybe you want to reiterate it at this point?

Ross McEwan: I've made it very clear to my senior team that this is your money, it's not ours. We should be regarding at every - I keep thinking pounds, but every dollar that we

spend should be justifiable for our shareholders. So you have my assurance that that's the lens I've taken. It's been interesting being part of a business that 80% owned by the government, which therefore is taxpayers' money. You think about things very clearly and who is the real owner.

So that's the conversation we have already had in my first two-and-a-half weeks. I would hate to think that you thought we were spending it on junketeering going forward, whatever that terminology means.

Philip Sweeney: (Shareholder) Thank you. I think that might be a question on notice for future AGMs about how shareholders money has been spent, and I hope other cases like the Whitsundays doesn't appear here again.

Philip Chronican: Good.

Philip Sweeney: (Shareholder) Just following on a question from Mr Caulfield about remediation payments. I know NAB has got 950 people working on it, but it still seems to be a fairly slow pace to get the remediation payments out. Perhaps NAB is taking too much of a legalistic approach with this. I note there's an article in the Financial Review recently that says, customers win in AMP's massive refund payout. It goes on to note here that, AMP have put in a policy where they call it, if it's grey we pay.

So clearly that might be a means of speeding up remediation process for NAB customers is perhaps you adopt the AMP policy and not necessarily take an overly legalistic approach in dealing with customer remuneration.

Philip Chronican: Thank you. I think we are trying to get remediation monies into the hands of customers as quickly as possible. I am also mindful, I might be channelling Mr Solomon here, that it's the shareholders money and we need to make sure that we are paying it sensibly where it's due. Not be careless with shareholders money.

Philip Sweeney: (Shareholder) Okay. Now again back to an answer that Ross made about legacy cases where it's a matter of if new evidence comes to hand. I think that's probably a fair comment to say, well, okay, NAB will always be interested in revisiting legacy cases when new evidence does come to hand.

But I'd just like to elaborate a little bit on that point. Especially after a commitment the Chairman made to the Senate Economics Committee up in Canberra recently. When this was the issue of modelling - a commitment to be model litigant. Again I congratulate the Chairman for making such a commitment.

Now a question for the - it came from the Chair Tim Wilson, the Chair of the Standing Committee. It related to one of the Ds in the delay, deny and operating procedures. When we get to the question of delay, one of the issues that a lot of customers have is the delay in getting documents to support their claims that they were unfairly treated by NAB. The Chairman made a commitment to Mr Tim Wilson that the customer should expect to get a document back from NAB, if it's a recent one within a week. If it required to be recovered from archival storage then perhaps two weeks to three weeks. So I put a little exercise in place here to see whether getting back to this picture that NAB seeks to present publicly and how they act privately. So I put in some requests for five documents from NAB's discredited trustee NULIS. These are documents that I'm legally entitled to have.

In fact this goes back to March when the Chairman made this commitment. In April the government increased penalties following recommendation 3.7 of the Royal Commission on trustees and the director of trustees who fail to comply with their statutory disclosure obligations. As well as other statutory obligations, such as acting in the best interests of fund members.

So here we have a case that the directors of NULIS failed to provide five documents to which I'm legally entitled, which would be new evidence which I could present to Ross and say well, here's new evidence [unclear] addressing.

Now, given that there's a now criminal penalty of up to two years for each of these offences, so here we have offences of 10 years cumulative, after only a few weeks or months after the Chairman had given a committee in Canberra a commitment that this would no longer be an issue. The issue here is the trustees of NULIS are appointed by the Board's nomination committee, which is currently chaired by the Chairman, and so are these Directors going to stay in office if they continually act in such a - which is criminal conduct. Your comments, please.

Philip Chronican: Well, it would be helpful if I knew what documents you had requested.

Philip Sweeney: (Shareholder) I sent you a question on notice with the documents listed, so I'm more willing to resend that question on notice to you with the documents listed out.

Philip Chronican: I'm sure my handy lieutenant here will be able to identify that for me. All right. I think we'll be back in direct contact with you.

Philip Sweeney: (Shareholder) Okay. Well, I'd like to follow that one up because it's an important one. Thank you.

Philip Chronican: Thank you very much. All right. Microphone one, please.

Operator: Chairman, I would like to introduce Robert Shackley.

Philip Chronican: Thank you.

Robert Shackley: (Shareholder) Mr Chairman and Board, thank you very much for your time this morning. I am not going to hector anyone here. I find it discourteous when you specifically ask our climate change activist friends to address item 6 we are all subjected to a lecture on the meaning of life. I've got better things to do with my time.

That said, just a couple of things. I could only reiterate the comments of Chris Schacht and Mr Kazim. I am profoundly disappointed in the performance of the Bank and its executive team. For the record, I hold 27,000 shares in NAB. I am fortunate that I don't rely on my NAB dividends as the main part of my income. Nevertheless, I've taken a \$10,000 hit this year. I'm a bit over the sort of reassurances each time. Last year, I actually went and sat at night and went through the webcasts of the Royal Commission and I realise a number of people here, this is - we are after the event, but I've never been so disgusted in the performance of a supposedly competent bank executive. It really was quite shameful, and I think the strategies behind the performance of the team left a lot to be desired.

Just two questions I have, at the moment; I've got some general questions later. We've seen the debacle in recent days or the last couple of weeks in Westpac where AUSTRAC has made a series of allegations about money laundering. I know the Commonwealth Bank situation has been dealt with. I also know that ANZ have come out and claimed they're clean. The question is, where does NAB sit in this? Have we got a clean bill of health or are we likely to face another scandal.

The second question I have, I think Mr McEwan has got a huge job ahead of him. You talked about trust, so I agree, you're going to lose a generation of investors in terms of trust after what has happened. I think you've got a huge job, Ross, in front of you, but I think in establishing that trust you really have to look at your executive team and there needs to be a review of some of those people because I think that's where some of your problem lies, is in the understanding and the culture, and I would strongly ask that.

I have one final question I'm going to jump in, and that relates to Ann Sherry. I know - I've got friends in corporate Australia and you're on the board of a couple of their

companies and they speak very highly of you. They tell me you're a hardworking Director and a highly ethical person. They also tell me you have a low tolerance for BS and can be very forthright. If given the - may I give Ms Sherry the opportunity to speak candidly about the performance of the Bank? I'm not wanting a grovelling apology but I would like your honest and candid opinion. Thank you.

Philip Chronican: Thank you very much. First of all, in terms of the issues that AUSTRAC has had with Westpac, I made comments in my opening address that we know and we have reported to AUSTRAC that we've had some shortcomings. They are not of the scale that have been reported in other organisations. In particular, we do not have a product that goes outside the SWIFT system for international payments, but nonetheless we know that there are some elements of the anti-money-laundering legislation where our processes were weak and we've reported that to AUSTRAC. We have significantly upgraded the capability in this area.

We work closely with AUSTRAC; we have provided them support. Both Ross and I have had close engagement with the senior leadership of AUSTRAC, so I am not aware of any impending action on their part, but AUSTRAC has sent a very clear message that where there are shortfalls in industry practice that they will actively pursue those, and we fully understand that and will continue to invest heavily. We spent about \$150 million last year on increasing our capability and we now have over 1000 people dedicated to managing financial crime risks, so we are taking it very seriously.

The second point, I'll leave to Ross in due course. Ross will be settling his strategy and vision for this organisation and I'm sure he will form his own opinion about the strengths of the executive team that he has. I would make the point that many of the team are relatively new in the organisation - not new in the organisation, some new in the organisation, some new at this level - so you shouldn't think of everyone on the team through the same lens.

In terms of the last comment about Ann Sherry, you make the comment that people you know have said that Ann is a very forthright speaker and has, I think, an ability to detect, I think it might have been BS. I would just say that I have had the honour of having worked with Ann for something over 20 years off and on and I can attest to that.

Ann, I don't know whether you wanted to make any comment about the question that was asked of you about your observations of our performance, but perhaps if you had a brief [unclear].

Ann Sherry: The thing I would say, and I'll take that as a compliment, thank you - the thing I would say is that as a Director I'm very focused in on the things that I think the Directors should be doing and I chaired the selection committee for the new CEO, along with a couple of my colleagues, and I think that's a very important task for us as Directors is to have leadership for where we want to be and where we want to take the organisation. I'm confident Ross has got both a lot of experience as well as the impatience perhaps that you are looking for in a CEO.

The second thing is I chair the customer committee, which is new this year. We put it together after the last AGM and that's allowed me to face into and just dig into some of the issues I think that are giving us cause for the sort of matters that are being raised today. I have had the opportunity to speak to a number of people in the room, and again, to just look for the things that we need to do better faster. That's really what I'm very focused on, and I'm happy to talk to you separately. Thank you.

Robert Shackley: (Shareholder) Thank you.

Philip Chronican: Thanks, Ann. Perhaps we can go now to microphone four.

Operator: Chairman, I'd like to introduce Robert Caterson.

Robert Caterson: (Shareholder) Thank you, Chairman. The first thing I want to mention is we've had big examples of lack of confidence, lack of ethics and lack of common sense in running this Bank over the last number of years, and the way - in its ability to correct mistakes. Now, I was at a meeting on Monday with another retail organisation and this Bank is also a retail organisation as well. It reacted to probably an incorrect acquisition, or something like that, and they corrected that. The CEO - they had a problem with their wages. The CEO put up their hand, took accountability, took a haircut on that situation of \$2.6 million and also the Board took a haircut on their Directors' fees.

I see nothing outside this place that I saw two or three years ago of what the Bank is doing to improve shareholder value, what its products are, how it's selling those products to the marketplace. I see nothing in this meeting from your opening statements and the statements of the CEO of how we are going to improve our market position, our revenues and all the things that are core to this Bank's business. We are consumed with all the mistakes this Bank has made in what it's going to do and it's going to take a long time. But this other organisation that I went to on Monday corrected its mistakes pretty - correcting their mistakes faster than this organisation. This organisation has to correct those

mistakes pretty quickly and then move on to the core business of what this Bank is all about.

Also, the questions that I have, how fast and what are you going to do in previous meetings to highlight the new business opportunities this Bank is going to take to improve our market position, our shareholder value, because this other organisation was down on its knees at \$20 and it's now \$37. This Bank's position last year was \$22 and it's now \$25, and I outlined that as part of my question last time.

We also have to look at a question of public ethics and responsibility at this time because I believe our sponsorship in sport could be tarnishing our image because sport now has been infiltrated by alcohol and gambling and that situation also leads rise to big increases in domestic violence, inability of our customers to pay back their obligations to the Bank, and also the chance of fraud within that to create gambling opportunities for these people. I think the Bank - I need a statement from the Bank in terms of how it will deal with its future sponsorship of sport, especially the AFL, if this Bank feels comfortable in sitting alongside gambling organisations and alcohol.

Philip Chronican: Thank you. Let me go back over some of the points you have raised. I would hope that we can have the focus of our meetings directed on what we're doing with our customers, what we're doing to grow our business. As you will appreciate, we've been somewhat dominated by other issues for the last year or two, but it would be very much my aspiration that once Ross has had the opportunity to articulate the strategy during the course of next year that we'll have a much more positive tone to what we're doing.

In terms of the ability to correct quickly, we are remediating as quickly as is possible. Unfortunately, the nature of the mediation work we're doing in many cases means having to track down customers who have moved without leaving forwarding addresses or having to go back over files from many years ago, so it is not quite as - the nature of the underlying issue is not as simple as it might be in some other places.

In terms of sport, we are acutely conscious of the damage that alcohol and gambling do. I would emphasise that under the banner of our AFL sponsorship, the two where we are most prominent are the women's AFL and Auskick for children both of which - we think - project positive images in the community around the role that sport can play for the community. Embracing women's sport and embracing children's activities.

Robert Caterson: I think that commendable but when it comes to the actual association with gambling and alcohol, our influence should be in terms of positive social responsibility.

Philip Chronican: Thank you. I appreciate that. All right. We're still going. I've got one at microphone one first, and then we'll come to microphone two.

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

Philip Chronican: Thank you.

John Rose: (Shareholder) Hi, my name is John Rose. I'm a shareholder of the National Australia Bank, and I'm also a victim of crimes that were funded by the NAB and which involved the ongoing participation of a NAB senior account manager who has recently left the bank, as I understand it. The crimes against me cost me my life savings and in excess of ten years of my life, which encompassed two Supreme Court trials with the NAB, of which I won them both.

The result of those trials has now been written into the Australian law books, with respect to the Banking Code of Conduct. It was a very very important trial. My question, Ross, is you're on the record of saying you want the National Australia Bank to be the most trusted bank in Australia. How do you plan to win back the trust of the Australian people when you are still willing to leave people like me for dead?

Philip Chronican: Thank you. Thanks Mr Rose, I am aware of your case although I don't intend to go into the details in front of the meeting...

John Rose: (Shareholder) Fine.

Philip Chronican: ...and I don't know Ross if you want to comment about restoring trust but you've only – you probably don't have quite as much background as I've had the opportunity to have on this case.

Ross McEwan: Well first of I don't want to go into the case publicly and I have had a briefing – but a short briefing – on your case. On the trust issue, I do want this to be a very trusted bank and the most trusted bank again in Australia but also a very good bank for our customers. We have a lot of work to do to restore that trust and as I said in my opening remarks, we've lost a lot of trust over a period of time and the Royal Commission showed that.

We will only build that through a culture that is very open and challenging – that actually is open and challenging internally and also externally, where we challenge ourselves and we listen to some of the things that are coming through the organisation, and listen to our customers as well. But it's going to take some time. You have my commitment to lead that as the CEO of this bank. It will take – you'll have to just judge us on that over the next three to five years.

John Rose: (Shareholder) Thank you for listening.

Philip Chronican: Thank you.

Ross McEwan: Thank you.

Philip Chronican: Microphone two.

Operator: Chairman, I would like to introduce Bill Mott.

Bill Mott: (Shareholder) Good afternoon Mr Chairman and the board. I've only got one question. Phil please, at the AGM last year the National Bank chairman was asked whether National Bank victims of the BBSW manipulation and the enforceable undertaking NAB negotiated with ASIC for \$50 million would be compensated. Now neither Ken Henry nor Andrew Thorburn chose to answer the question. They gave it to you – I believe – to answer. You would remember it.

Philip Chronican: I do remember it.

Bill Mott: (Shareholder) Yes. Your statement was there was no evidence – even though the \$50 million was paid, it was obviously attempted – but there was no evidence that the manipulation affected the course of the BBSW. Now in Canberra HEC hearings the same questions were asked and you gave the same answers, so I take it we're clear on that.

Now following on from last year's questions, National Bank is being sued in the USA for manipulating the BBSW which, in Australia, is reflected in all commercial interest rates and dealings through derivatives. It appears that NAB increased the BBSW to create that effect and then decreased it by manipulation at an appropriate date when they needed to pay BBSW plus to their bond holders, identified in securitisation dealings. Would this be correct, sir?

Philip Chronican: The allegation on the BBSW case were against a range of banks for attempting to manipulate it and one of those cases actually went to court. The issue is that there was no demonstrated pattern presented by ASIC that any organisation had been

able to consistently either increase it or decrease it on particular occasions. Therefore, it's almost impossible to establish who would have benefitted from any of the inappropriate conduct.

Obviously, borrowers would have benefitted from it, if it was artificially forced down. Investors would have been damaged by that and the reverse would be true if the rate went up. From the evidence that was presented in the various allegations made by ASIC, it would appear that banks were fighting in different directions on the same day, which is why it's been very difficult to establish whether there was ever any impact from it whatsoever.

Bill Mott: (Shareholder) Yes, well, I don't agree. We've obtained evidence from America to the contrary and, obviously, that's why there's litigation in America. So I think it will be coming to Australia and it's going to be big if it does, or when it does. As you know, I'm a bank victim and we turned over in excess of \$163 million worth of bank bills. If there was any sort of variance caused by the bank, then surely to god I've copped it, haven't I?

Philip Chronican: Well, that would depend whether it was up or down.

Bill Mott: (Shareholder) Yes.

Philip Chronican: Thank you.

Bill Mott: (Shareholder) Thank you.

Philip Chronican: Thanks. Thanks, Mr Mott. Microphone three.

Operator: Chairman, I'd like to introduce Mrs Underwood.

Mrs Underwood: (Shareholder) Good afternoon, Chair and Board.

Philip Chronican: Thank you.

Mrs Underwood: (Shareholder) I notice the Board, sitting up there at the top table, has mostly people with qualifications and experience in business or banking. Only two of you, that I can see, both women - Ms McBride and Ms Fagg - appear to have scientific qualifications or experience. I'm concerned about that, because you have informed us that banking is going the way of electronic transactions.

I'd like to know, for my question, how does the Board and the executive team ensure that the bank's IT systems are protected from cybersecurity? We don't want to lose any more money than we appear to have already lost. Thank you.

Philip Chronican: Thank you. So I have to say, the responsibility for cybersecurity rests primarily with management. That is why we hire people with deep expertise in technology to work within the management. We then have a Board oversight of that activity, where we need to test whether or not the plans and the progress presented by management are adequate. We look at that from both a lens of the risk management perspective and the technology perspective, and we bring those to bear. But primarily, of course, the responsibility for ensuring that our technology assets are protected rests with our technology and operations teams.

Mrs Underwood: (Shareholder) Thank you.

Philip Chronican: Thank you. All right, so the next question to microphone number one, please.

Operator: Chairman, I'd like to introduce Ian Lightbody.

Ian Lightbody: (Shareholder) Good afternoon, Mr Chairman, or is it now good evening?

Philip Chronican: Yes. The beauty of having no windows is we'll never know.

Ian Lightbody: (Shareholder) NAB Board members and fellow attendees, as my Australian bank warrior colleague, Craig, confirmed, I've seen fit to travel here 10,500 miles from Scotland, regrettably on my mother's 89th birthday. Therefore, thank you for affording me the opportunity to speak this morning, or afternoon or evening. I do get some comfort being so far from home, that you've got a McKay, a McBride and a McEwan on your top table, providing me with a Scottish flavour or connection.

Before I present my specific question, may I endorse your earlier and most appropriate comments for those affected by the recent events here and, indeed, in New Zealand. I'm sure I bring the sincerest thoughts and sympathies to those affected from your friends and your allies in the UK.

In late January this year, I, along with Australian bank warrior colleagues, attended the CYBG remediation - or the CYBG AGM in Melbourne, another wonderful city, this being shortly before the final Royal Commission on Banking was published here in Australia. I am Chairman of the CYBG remediation support group in the UK. The founding principle of our group actually was based on Katherine Griffiths', the Banking Editor of *The Times*, article which was published earlier that week, on 23 January.

She states, Australia needs stability in its banking sector; so does Britain. To bring it about, banks everywhere [seem] to do far more to truly act in the customer's interest, as

opposed to being as aggressive as possible over issues such as remediation for past wrongs. Will it happen, she asks. Sadly, I doubt it.

Our experience since of your former subsidiary, CYBG, and its self-opinioned top team so far vindicates Katherine's well-founded scepticism. My specific question to you today, Mr Chairman, is that on a number of occasions since meeting him, Mr Duffy, and his so-called top team here in Australia, Mr Duffy, your appointee, consistently has referred us back here to NAB, particularly those of our members who are victims where NAB has sold the loans to the American vulture fund, Cerberus, in 2015.

When we met yesterday with your executive management team members, Jocelyn and Nathan, they categorically stated that Mr Duffy had recently denied making these numerous recommendations to refocus remediation intentions here to NAB, as opposed to working with his demerged bank in the UK. My simple question here for you today, Mr Chairman, is do you endorse your colleagues' statements regarding Mr Duffy's misleading assertions?

Philip Chronican: So I'm not aware of Mr Duffy's comments. Indeed, I don't think I've ever met Mr Duffy. The separation of CYBG predated my joining the NAB Board. But if Ms Jocelyn Turner and Mr Nathan Goonan said it, I would back them.

Ian Lightbody: (Shareholder) Thank you for that. In conclusion, I thank you for accommodating me and my colleague, fellow UK bank warrior, John Guidi, who will speak shortly. We now look forward to a fair and meaningful remediation solution with your assistance. I hope that you've been briefed that we had initially a very constructive meeting yesterday. Yes, thank you, Ross. [Great].

Your resultant obligations may result in a fairly sizeable but manageable legacy outlay, similar to your earlier verbal commitment. In this case, for our group, as it stands, we have suggested somewhere between 50 and 70 million [sterling]. But as you alluded in your opening remarks, we will be judged collectively by actions and not by words. Many thanks.

Philip Chronican: Thank you. Thank you for your email updates prior to it. I apologise that we were in Board meetings for the last two days, so I wasn't able to meet with you personally. Perhaps we could move on now to microphone four.

Operator: Chairman, I would like to introduce Peter Melser.

Peter Melser: (Shareholder) Thank you, Mr Chairman. Our new climate policy, which is also a lending policy, includes a commitment not to lend to new-to-bank thermal coal mining customers. Can the Board name any, or is the Board aware of any, that would fall under this category?

Philip Chronican: I do not intend to answer that question. (a) I wouldn't be answering the names of any customers, and (b) I have asked that questions relating to this be left for the later item.

Peter Melser: (Shareholder) Right. Could I also ask, does NAB's thermal coal policy mean that we will be phasing out our exposure to companies such as Whitehaven Coal and New Hope Coal whose very future depends on the expansion of the thermal coal sector?

Philip Chronican: So, again, I won't be talking about the names of any individual customers, thank you. Could we go to microphone two, please?

Operator: Chairman, I would like to introduce Peter Starr.

Peter Starr: (Shareholder) Good morning, Phil.

Philip Chronican: Good afternoon.

Peter Starr: (Shareholder) Good afternoon now. I got here at 7:30 this morning. For those who don't know me, I've attended, over probably 15 years, a lot of AGMs and I look after a number of private wealth clients, and there are a lot of mum-and-dad shareholders in this audience. I also should state that I'm going to make some comments about Ross McEwan and they'll be on a personal level. I've known Ross from when he was at CBA.

Also, I want to echo the comments that were made towards Ann Sherry. We're fully supportive of you. To quote one of the other shareholders, you've got a reputation for cutting through the BS. I can only echo the words of the late Kerry Packer. If he happened to be in the room, he wouldn't say Phil, he'd say, son, somebody - I can't use that word, but he'd say, they've stuffed up, so you'd better get me the big bat because I'll have to go in swinging. Boards have got to be accountable, ladies and gentlemen, and I think there has to be renewal on this Board. That's one of the points.

It was also talked about, by some of the other shareholders, about people within NAB that are facing charges, or have faced charges, no one's been to jail. Well, I'll just refresh your memory, son. The advisory body, PPB, back in 2017, one of the people that advised certain clients within NAB and had done work and reported to NAB, that person's now doing an eight-year jail sentence for taking \$800,000. Another point is that the litigation in

relation to NAB people at senior levels who have done the wrong thing, are shareholders in any way footing the bill for those actions?

Another point, shareholders have lost considerable value. We heard from the gentleman over there, he has 27,000 shares. Some of the shareholders that I'm associated with have lost thousands upon thousands. It's not a good look, son. If you'd allow me, I'd like to speak - and for the other mums-and-dad shareholders here in the room, and for those people - about Ross McEwan. If you would just indulge me here. Morning, Ross, how are you?

Ross McEwan: Peter.

Peter Starr: (Shareholder) I hope you've got the pen and paper there. I see you have. I should let you know that I did receive a text from [one David unclear], he wanted to know if I was all right and you were all right, so I did reply.

Ross McEwan: [Inaudible – microphone inaccessible].

Peter Starr: (Shareholder) Ladies and gentlemen, this is what I know about Ross McEwan. What I know about Ross is that at the Storm Financial debacle, when Ross McEwan was at CBA and people there were put into things that they should never have been put in, as Ross is well aware, he was absolutely livid. I can testify to that. Remediation, though it took time, was made. I also can tell you, in this room that the board got it wrong. He was that close to getting the job, he should have got the job, and we wouldn't have got the debacles that Mr Narev gave us.

Ross, as you know, I happened to ring Ross McEwan when he was in. I was also at the meeting, and I said I don't think you're going to be around long. I happened to ring him. Ross knows that I still have the same number, I've had it for 20 years. I happened to ring him when he was in, the office of Mr Narev, and he said these words to me and he'll remember them. He said I'm just with the boss now, I'm organising when I'm going. I spoke to him briefly afterwards and I said they gave the job to the wrong man. That was not only my view, that was the major view of a lot of mum and dad and some institutional shareholders as well, Ross.

If you just further indulge me in this, you left, I know you took your children. My children are of the same age and to fix up the Bank of Scotland, I commend you Ann Sherry bringing Ross McEwan. Ross went out of his way when he knew I was here – come out to speak to me this morning, I raised direct issues. People that have been [aggrieved], and

hurt by NAB, and we are going to try and find resolutions. I've committed to Ross to help and assist at no cost ladies and gentlemen, because I care about shareholder value, believe me I do.

Ross, it's a big job, I only want to echo those words. Cut through the BS, you know you were absolutely livid – the damage those people did to the Commonwealth Bank. It's in no difference to what's gone on at Westpac. We're lucky ladies and gentlemen, the few transactions involving that, the NAB, don't compare to 23 million. Out of that 23 million that Westpac had, 15% of those – last night there was announced a taskforce of ASIC and federal police. This government wants people charged over that, I can assure you. What I don't want to see is we have to have another Banking Royal Commission to get to more problems.

Ross, let me implore you from the bottom of my heart and the time I've known you. You're a decent human being, cut through the red tape, fix the problems, get the NAB share price going where it should be. If people do wrong in the bank that work for the bank, tell us. Tell the shareholders and make them accountable. Thank you.

Philip Chronican: Thanks, thanks very much Mr Starr for your comments. You referred to the big man Kerry Packer, I think I'm one of the few people here with the privilege if I can call it that of actually working when he was briefly the director of a bank in 1992.

Peter Starr: (Shareholder) I had the privilege of actually meeting Mr [Kerry Packer] and I also have met [James] on a number of occasions.

Philip Chronican: I do take your point around shareholders footing the bill for the executives. In the interest of making sure we are transparent here, senior executives who work for the bank are protected from legal action, i.e. the costs of their legal actions from the actions that they undertake in good faith as executives. So there will be times where we are supporting executives and former executives with legal expenses. Clearly that would not extend to situations where – like the issues in the fraud office where the executives involved were themselves part of the fraud but I do need to be open with you that where people are subject to legal activity as a result of having fulfilled their role in the bank, it is expected that we support them.

I'm sure both Ross and I in our executive capacity have had to rely on that support when issues have arisen – they've never amounted to anything but we've been protected.

Peter Starr: (Shareholder) Just one further thing please Phil. I wonder Ross if you would be good enough just to tell everyone here – I know you repeated it but for those who don't know you I think you certainly bring determination to want to fix problems and resolve problems and I'm backing you to the hilt.

Ross McEwan: Thanks Peter maybe it's worth a comment and thank you very much for the commendation. You should have been on the recruitment panel mate, might have made it easier. First off I'd say it's going to be 34,000 people that will fix this bank, it's not going to be one person it's 34,000 people that we will engage with. I think some comments were made earlier that they have been stalwart in holding this bank up and we need to make sure that I talk about our colleagues, it's going to be 34,000.

We have to get things right again, and the things you're starting to see coming through are just things we didn't get right, the basics. That's why I said the first flaw was basics. We do need - if we've done wrong – to fix them but I also have to be clear that where there is no wrong done I can't fix that and I won't fix that on behalf of all the other shareholders.

So we'll do the right thing, where we've done wrong we'll put it right and where we haven't we'll have to face some [of that] as well. Peter thank you.

Philip Chronican: Microphone one please.

Operator: Chairman I would like to introduce Mr Colin Odewahn.

Colin Odewahn: (Shareholder) Thank you Mr Chairman and members of the board. So recently retired farmer but from [Colcanyon] southern NSW. I found it rather hypocritical when at the start of this meeting, you were showing all your support for agriculture. Now, in the last 18 months, the amount of banks that have been shut in the Riverina, Northern Victoria, is absolutely disgraceful. The Colcanyon bank was shut in 2018 - June 2018. You had women in - elderly women, come into that bank, crying their eyes out because I don't think you people would understand how it rips the heart out of a rural community when you close these little banks. That's their only financial institution you've got - they've got. Now, it really, really hurts them.

You - and this massive drought and you've just - someone mentioned here before - they're going to stay off the execution, for a few of these banks, until 2021. Can you imagine? Can you imagine the staff morale, when this - that they know the axe is hanging over their head? I walked into the bank at Holbrook which is apparently on the - a month or so ago

and they know there, it's only a matter of time, they're gone. The - it's just - rips the heart out of the community. You've said you haven't cut recently. Well, the bank - at my - Agribusiness Manager at the - she got the sack, or virtually got pushed out the door, in August this year. You - the only place you could speak to the - an Agribusiness Manager is in Tamworth. Well, Albury is a hell of a long way from Tamworth.

You - with people feeding the - do you think they can just drop tools and run to Tamworth to speak with people? That's just not possible. If this bank is truly fair dinkum, it's got to maintain all the banks in - present banks. The other thing is - and I blame this one particular person for it - when you appointed the ex-Premier of Sydney here, because he treated rural Australia - rural New South Wales terribly and his grubby finger prints are closing all these banks - they'll be written all over it.

Philip Chronican: Thank you. I just - just for the benefit of other shareholders, we suspended all rural and regional branch closures back in March of this year - March 2019. I just want to make it very clear that we have certainly not closed - I think, other than one that was already in process, not one branch has been closed, from regional and rural Australia, during that time. The intent of foreshadowing that we will keep that moratorium in place until January 2021, is to make sure that we can deal with any issues of what banking services are left behind, in those centres, where closures become inevitable. But I certainly appreciate the point you've made. I've been to many of the regional towns that you talk of, visiting branches through that region and I do understand the importance that the bank plays in that. So, thank you.

Colin Odewahn: (Shareholder) Well, it's my opinion big business and governments, in Australia, have got to work out, do they still want rural industry in the future, or not? Because it - to - well, my way of thinking, it's very doubtful at the moment. The way the big supermarkets treat the rural industry and the - you're the last bank that stayed with us and you're deserting us like a rat. It's just got to stop or you'll have no one left in rural Australia and no - and you'll be eating imported food and god knows what.

Philip Chronican: Thank you. I just reiterate, we're a - I think, as you would well know, we are the largest banker to agribusiness in Australia. So, it is an important issue for us. Next question from microphone three, please.

Operator: Chairman, I would like to introduce Rita Mazalevskis.

Rita Mazalevskis: (Shareholder) Hi. I just want to make an apology first, before I ask my question. When I first introduced myself, I forgot to acknowledge that I'm part of the

Bank Warrior group. I'm one of the founding members and we help bank victims across Australia. I'd just like to acknowledge everyone, in this room, that's part of our team and everybody that's listening or watching. I'd also - just in respect to the Independent Customer Committee for Legacy Cases, I'd like to give you a proposal and would like to nominate myself to sit on that team, as an independent view on working with the legacy cases, because I'm not a customer. I'd like you to think about that.

In the Financial Report, under Strategic Highlights, there's an area about implementation of APRA's self-assessment actions and Royal Commission recommendations. It says, that at the request of APRA, the Group undertook a self-assessment into governance, accountability and culture in June 2018. The self-assessment identified short-comings in aspect of the Group's approach to non-financial risk management, with particular focus on operational compliance and conduct risk. It also says that on 30 November 2018, the Group voluntarily published a Self-Assessment Report, which identified 26 actions to deliver a structural, procedural and cultural change. This work is organised around five overarching goals, arising out of the self-assessment and it's alongside NAB's Royal Commission response.

Before I just do the second part of this, I would just like to ask, in regards to the shortcomings quoted in that section, were any of these reported to APRA under BEAR?

Philip Chronican: The documents that we prepared - identified the shortcomings, was published in November 2019. The BEAR legislation became - oh, sorry, 2018. The BEAR legislation became effective, for NAB, at I think 1 July 2018. The issue is that all of those shortcomings pre-dated the BEAR legislation becoming effective. Were those to have persisted and were those to have led to issues arising, they certainly are the sort of things that would have been reported under the BEAR legislation. But the sequence of events is such that the BEAR legislation didn't come into effect until shortly before that report was documented.

Rita Mazalevskis: (Shareholder) Sorry, I might have misinterpreted your dates, but I thought you said that BEAR started in July 2018? And the report was November 2018?

Philip Chronican: Eighteen and we - the initial - '18. So, there's only a - whatever - four months.

Rita Mazalevskis: (Shareholder) So, were - there's no shortcomings in that period?

Philip Chronican: Well, the shortcomings were persisting. There were no issues that arose, from those shortcomings, that required to be reported.

Rita Mazalevskis: (Shareholder) Okay. Just a second part. The financial services Royal Commission first round public hearings, you had a question in regards to consumer lending, by the Commission. The question was, do credit licensees whose representative engage in mortgage broking activities, have adequate systems and processes to prevent fraud, to detect fraud, to respond to fraud and to identify and address any detriment to current and former customers, occasioned by the fraudulent conduct of its representatives?

Now, NAB responded and said that NAB's position in this is that extensive and involving processes to deal with instances of suspected fraud, in the broker system, including through the NAB own aggregation Business of PLAN Australia, Choice Aggregation Services and FAST, because a credit application is assessed by the lender, it is the lender's systems which are mostly - not definitely, most likely - to detect fraud. However, aggregators, brokers and other credit licensees also have systems and processes to detect fraud. NAB submits that even with its extensive processes, fraud can be difficult to detect, especially in cases where information is falsified in a manner intended to circumvent those processes.

It also says that beyond that, NAB submits that there is insufficient evidence, presently before the Commission, to enable a meaningful answer to be given to the question posted. Before the question could be answered meaningfully, matters included the following would need to be considered. It did state three components. The first one is an analysis of the control environments of all credit licensees, whose representatives engage in mortgage broking activities; (b) an in-depth analysis of factors that may have led to broker fraud in the industry; and (c) any remediation activity undertaken throughout the industry and its effectiveness.

Now, I just want to expand this to go past the brokers, because we do have some victims in our victim community, throughout Australia, where this has happened directly with NAB, in preparing the loan and in their documentation. Where NAB has said there's insufficient evidence, this is where the Royal Commission failed every bank victim in Australia. There were 13,000 plus submissions. All the evidence and the fraud was sitting within those submissions and they were ignored by the Commission and the Commissioner. If you were able to read all the ones, which I think you do get to read, don't you? That were submitted in regards to NAB?

Ross McEwan: I did not read every document.

Rita Mazalevskis: (Shareholder) Would your predecessor have done it?

Ross McEwan: I can't comment.

Rita Mazalevskis: (Shareholder) Would be able to find that - put that on notice?

Ross McEwan: I think there was a team set up to support the Royal Commission, which had a Senior Executive in charge of it, who I'm sure reviewed the documents that went in. But I would stress that the quantity of documents, requested by the Royal Commission, was enormous and would be beyond the capability of any one person to read.

Rita Mazalevskis: (Shareholder) That person, or that team, would they have been internal to NAB? Or were they external?

Ross McEwan: My understanding, and I'm going to look for some support here, that it was a team of both NAB people and supported by external lawyers.

Rita Mazalevskis: (Shareholder) Okay, so given that there's 13,000 plus submissions, I don't know what portion - let's just say a quarter were NAB - let's just - for argument's sake. If there's only one person, or a small team, how can you say that you wouldn't - how could someone look at all that? Why wasn't there more resources put together to be able to review these? Because also, in (c) - this is alarming, because it says, and also any remediation activity undertaken throughout the industry and its effectiveness. How can remediation be effective? How do you judge effectiveness of remediation? What impact would that have on your decision to report?

Ross McEwan: I think I may have missed the point of the question now.

Rita Mazalevskis: (Shareholder) Well, the question says that beyond that, NAB submits that there is insufficient evidence, presently before the Commission, to enable a meaningful answer to be given to the questions posed and before it can, that matters included the following would need to be considered.

Ross McEwan: Yes.

Rita Mazalevskis: (Shareholder) And (c) says, any remediation activity...

Ross McEwan: Correct.

Rita Mazalevskis: (Shareholder) ...undertaken throughout the industry and its effectiveness.

Ross McEwan: Yes.

Rita Mazalevskis: (Shareholder) I don't understand that. Remediation is remediation due and owed.

Ross McEwan: Yes.

Rita Mazalevskis: (Shareholder) How does that get assessed as to whether you do? Or don't? Or what its effectiveness is?

Ross McEwan: Well, the effectiveness is whether or not...

Rita Mazalevskis: (Shareholder) I realise it's not you and it was your predecessor, sorry.

Ross McEwan: No, I understand that.

Rita Mazalevskis: (Shareholder) Yes.

Ross McEwan: But remediation - first you have to assess what the loss involved is and then make sure that the remediation equals that. That's how you assess effectiveness.

Rita Mazalevskis: (Shareholder) Okay. I guess that's okay, I think. Don't know, because everyone's systems are so diverse, we've lost track of them. And I just wanted to touch on just my first question and where Ross commented about new evidence, and then my colleague Phil Sweeney touched on it. Because of what we do with the wider community and helping them with bank issues, the problem we have is hard working Australians don't know what they don't know. This included us at one point.

We all have full faith and trust in the bank, we would never in a million years dream that they would do something against us. It's only through our own unfortunate circumstances we've all eventually learned what's happened, but if someone was to start legal action and they weren't fully aware because they trust the bank, but the bank abuses the innocence of their customer, takes them to court knowing they don't know what they're fighting about, they subsequently find out what the real issue is. How can you argue that they can't have new evidence or can't have a case. That's just unbelievable.

We're not financial experts, if you don't tell us what you've done to us of course we're not going to know. We have to find out 10, 20, 30 years later which is the case with some of our bank victims. We have one that's 28 years, I'm 11 years, most of us are through the GFC. There's like a whole generation of people that have been wiped out, being the baby boomers. With nothing to pass down. It's horrendous.

So in regards to new evidence, I'd like to think that you and the other top four and all the smaller banks, not just you, but when people become aware because we are not financial experts, that you play fair in the arena and evidence is evidence, old new or otherwise. Because it's that evidence that destroys us and ruins our lives. Thank you.

Philip Chronican: I think Ross has already made the commitment that where there is new evidence we will have a fresh look. So I hope that we will be able to meet your expectations in that regard.

Can I now go to microphone one please.

Operator: Chairman I'd like to introduce John Guidi.

John Guidi: (Shareholder) Good afternoon Chairman, Board of Directors. John Guidi is my name and I'm from Glasgow in Scotland. I'll make this as brief as I can. For 12 odd years I was a customer of National Australia Bank through the Clydesdale bank in Scotland. Unfortunately the National Australia Bank decided in 2012 to withdraw and implemented a policy, a strategy to divest itself of its British operation. I understood that, what I didn't understand at the time that it would make me completely bankrupt. It would mean the complete loss of all the wealth that I'd build up over my years, and leave me in the state that I find myself at the moment.

For the past 12 months I've been conducting a protest in Glasgow which I went on hunger strike for 15 days, lived in a tent for 51 days. I tell you all this because I think it's very important that people hear today and this Board of Directors truly understand, which I'm sure they do, the real impact that the work of banks and their Board of Directors and their Senior Management have on the very lives of people.

My only comment when I get to a second to the question that I'm going to ask the Board is that as you try to solve the problem which is NAB, Mr McEwan I would suggest that you would look very, very closely and I'm sure you will because you are a very experienced and knowledgeable man, that you look at the past. And I mean the past, the mistakes, how can you rectify that going forward both in a legacy point of view, but from a business point of view.

You're absolutely right. Your business is only as good as your employees and it's only as good as the customers that you have and that you create. The two of them are inseparable and the two of them will make money for each other and this company going forward.

My one question is that in my fight over in Glasgow with this demerged company and indeed David Duffy and the Board of Directors. Now it's been a little bit of a ping-pong and I've been told to come and speak to NAB. And one thing that happened in Glasgow that caused me a great deal of consternation was the comment though certainly a second source not directly from David Duffy, but a second source, a whistle-blower that he said to his staff in Glasgow, we cannot settle with Mr Guidi because the National Australia Bank will sue us.

I would ask you today just to confirm to me personally after obviously seeking Senior Management, and Senior Management did allude to this yesterday, that that is not indeed the case. If there is a possibility of settling my case that there isn't that impediment which would be, dare I say it, a National Australia Bank taking some action against Clydesdale Bank.

I would like to finish off after you've answered that question Mr Chairman to thank both the Australian people and National Australia Bank for the courtesy that they've offered me and my colleague today, and from that point of view I would wish you the very best in the future. It's good business makes good business that's what I would say to you. Thank you.

Philip Chronican: Thank you, I might as much for the benefit of other shareholders today explain why there is so much complexity in trying to resolve this issue.

When National Australia Bank separated from the Clydesdale and Yorkshire Banks in the UK – and I'll be careful here because this was before I joined the National Australia Bank Board. My understanding is that the separation was such that Clydesdale and Yorkshire would manage all the ongoing issues that they had and that NAB provided a amount an indemnity amount of I think it was £1.7 billion something of that order of magnitude to support that.

Ross McEwan: I believe that the particular issue's that you represent are a complication and that and that it was a collection of assets that wasn't part of the [CYB] sale but in fact were on sold to another party, and that is if anyone is interested is why there is some problem in coming to terms with whose issues these are to be dealt with and I know that two of our colleague's met with you and Mr Lightbody yesterday to try and see whether there is anything we can do to help us along to a resolution.

So I don't – because it's not something I'm close to and not something I was involved in because I wasn't here at the time of the sale but I do understand that there is an honest

attempt to try and broker something to find a home for this issue. So thank you for your contribution.

John Guidi: (Shareholder) Thank you.

Philip Chronican: Alright if we can keep moving we might get out of here to get a sandwich at some point. Microphone three please.

Operator: Chairman I would like to introduce Mr Garg.

Mr Garg: (Shareholder) Good afternoon once again. I asked a question about UBank, and what I understood was that they are doing simple banking whereas NAB does complex banking. I didn't understand it, I thought banking was making deposits, making home loans and things like that. And maybe if the UBank was a separate entity that could grow much faster rather than being bogged down with issues that NAB is facing.

Philip Chronican: Thank you, you wouldn't be the only person to have that view. I'll just give an example though, UBank does make mortgage loans but doesn't do complex loans so, now many of the borrowers in the room might want to borrow in the name of family trust it might be a co-mingle business and personal loan, it might have a high loan to value ratio. Ubank simplifies its business by just doing simple loans. Similarly, many customers need to make international payments, sometimes of some complexity. They might have business requirements as well. So, UBank is a simple business and its attraction is that. But thank you for your support. We are very proud of UBank and we are very proud of the growth that we're getting out of it. Think we might move to microphone one please.

Operator: Chairman I would like to introduce Dr Peter Brandson.

Dr Peter Brandson: (Shareholder) Thanks again for the opportunity. Phil and Ross, you have done a great job running the meeting up to now. I might be sticking my neck out a little bit but I have a hunch that Ross probably won't find this job as hard as he did his last job with RBS. I'll assume Ross has seen the film Spank the Banker. Yep? No?

Ross McEwan: No.

Dr Peter Brandson: (Shareholder) Well worth watching. I think one thing that might be worth hearing about with RBS there was the global restructuring group scandal, I'm not going to go into details about it and Ross has done a good job on all counts as far as helping bringing RBS back from the brink. But do you feel that the GRG people have been properly remediated and fairly dealt with up to now up till you leaving the bank.

Ross McEwan: Just so everybody knows, GRG is global restructuring group which was the resolution team for the Royal Bank of Scotland. It had something like 6000 customers go through this [unclear] up to very very large organisations globally. There was some age difficulties with the way – and this is what RBS did admit to that the way we dealt with customers. And it needed remediation so we asked any of the customers who wished to go through a remediation process to actually put in their case, and we had over 2700 of those 6000 customers who requested their case to be reviewed.

The primary problem with the cases was around fees, complex fees, most of them – large number of related to that – but there were some very very complex cases that went through the an appeals process. Sorry a remediation process and an appeals process. And when I left there was still a number that had to go through it because of the complex thing. What we did was we put together a program that gave everybody a fair chance of putting their case forward. And then have had an appeal to a ex high court judge. So that high court judge sat totally independently and made the decisions. And the organisation honoured that decision, if that changed that decision, we had made we honoured that decision.

Now I must say I think it was the right thing to do. The question were people happy with what came out of that? There were a lot of people that were and there were a lot of that weren't. And I think that's what I'm seeing here. We have got to be very careful we build expectations from people that will still be very unhappy even if they go through a remediation process. And already this organisation has had a number of those processes and there are people still unhappy.

Unfortunately, these are very very sad cases of where people have lost livelihoods, they've lost businesses, they've lost family, relationships and all sorts and I do understand that. But I think we have got to be very careful we don't build an expectation here that the organisation will pay for things that didn't do – they weren't accountable for so...

Dr Peter Brandson: (Shareholder) I don't think any person who is in this situation expects you to pay out a cent if it's not valid payment.

Ross McEwan: Good.

Dr Peter Brandson: (Shareholder) And I agree with you on that point. One more issue ill just quickly mention as you probably know there is global movements and our government also is very keen to reduce the use of cash. And we call it the cash ban bill which is currently being looked at and investigated. It will be quite good for the banks generally for

business if there was no cash, you can imagine the ramifications. I don't think I'll list them off, if people want to see the ramifications, they can go to my website bankreformnow.com.au but this is an issue that a lot of people have lost trust in banks, so it would be hard for us to stomach that we've got no alternative but to deal with banks. It just doesn't make sense and there's so many risks involved, but I won't go into details on that. I might talk to some of you afterwards. Thank you.

Philip Chronican: Thanks very much, Mr Brandson. We are now going to move to microphone two and I would ask in the interests of trying to move the meeting along if people have already asked questions that they let us get to the end, because we may have difficulty getting all of our resolutions through and I don't want those shareholders who are timebound not to have an opportunity to vote, but I will go as long as we need to go. So, microphone two.

Operator: Chairman, I would like to introduce Michael Sanderson.

Michael Sanderson: (Shareholder) I do apologise. I'm mindful that time is creeping on but like many people in the room, I've come a long way. Just a couple of comments. The pillar of our economy are producers of real things, not banks. Banks are mere facilitators through the prudent lending.

The issue of redress, Rita made a comment. Most of the issues with banks, in my opinion, and I think it's borne out by other sources, is at the point of something happening, whether it be right or wrong, the weaker individual, which is generally the customer, does not have access to the same facilities as the stronger party. There is no equality of arms and as Rita quite rightly points out, they don't know the real issues of their case and therefore cannot defend them at the time.

The gentleman over there talking about branches closing in the bush. As an ex-cocky that was done over by a bank - not your bank - one that's loved. It's perceived by the general public that the curse of the bush are fire, flood and drought, which is probably quite timely. I can tell you there's three other things that are worse than fire, flood and drought, and that is bankers, lawyers and politicians.

Regarding future Board members, I would suggest you consider some heterodox economists and if you want some advice on who to appoint, I can refer you to a Warren Mosler - he builds motor cars. He's got a huge intellect. He's only got one fault; he's an ex-banker.

To my point, anyway. This is the bit I want to read. Despite over 50 inquiries in the last decade, including a Royal Commission, the incidents of bank naughtiness keep emerging. Only yesterday, more naughtiness by the Bank or by NAB was reported. Over the passage of time, the Hayne Royal Commission is being seen, as predicted by victims, by the victim community, as a Clayton's version and not fit for purpose.

To illustrate my point, I can say categorically that not one dead person made a submission yet they had significant exposure. In contrast, over 10,000 submissions were made by live persons, yet there were only 27 case studies. It was publicly stated that Hayne would be given more time and latitude; all he had to do was ask. Hayne for some reason never asked and an opportunity was lost.

The public and the economy since the final report have been exposed to many issues contained in those hidden submissions. Because of Haynes's failure, the financial sector and its henchmen are being exposed to a death by a thousand cuts. What is criminal is that individuals, SMEs and farmers, done over by bankers and their henchmen, there is still no meaningful timely redress mechanism. Hayne has let them down big time.

My question is, in hindsight does the NAB, in conjunction with the other big four, regret instructing the Turnbull-Morrison Government to run a Clayton's Royal Commission rather than the proposed parliamentary inquiry, which would be more wide-ranging. I refer to Ken Henry's comments [at the last AGM].

Philip Chronican: Yes. No, I take your point. I think that the - if there were any hindsight applied here, it would be that when calling for the Royal Commission, and I know the motivation that the banks had in seeking this. The sense was the public clamour for a Royal Commission was so strong that had it not been addressed it would have carried on for a long time. I don't think that in hindsight any of us feel that would have been any different, so as confronting as the Royal Commission was and as damaging as it has been, including to this organisation, I think Australian society is still better off for having been held.

Michael Sanderson: (Shareholder) I am not saying that what Hayne found was wrong. I am commenting on the fact that it wasn't long enough.

Philip Chronican: Yes, I understand.

Michael Sanderson: (Shareholder) There were not enough resources and there were a lot of submissions that made relevant points that should have been addressed. I'll leave it at that.

Philip Chronican: Leave it at that - because I think you were about to say that a parliamentary commission might have been better, but actually I think a parliamentary committee would have struggled to have had the edge that the Hayne Royal Commission had.

If we can move on to microphone four, please.

Operator: Chairman, I would like to introduce Ian Millington.

Ian Millington: (Shareholder) Mr Chairman and Board, a lot of things which I was going to put in this I will still repeat because some of the things have been brought up from out of your [unclear].

I'll read out what I actually had said and then I might come back to you on a few points. As a former customer of the NAB bank, I would like to draw your attention to just three of the six findings in the recent Hayne Royal Commission, which had a serious impact on 22 rural fertiliser distributors, which I'm one of, in South Australia, Victoria and New South Wales, by the largest agribusiness bank, Australia Bank, which is the NAB bank. The first - the NAB law - this is a law which came up under Commissioner Haynes.

Firstly, the NAB must obey the law. They must also not mislead or deceive. More importantly, they must be fair. I am a co-litigant with [Steve Cameron], who was on last year's AGM cover. As you might have - some of you - I've handed this out to one or two of you - and is the owner of North West Ag Services. The court case went to mediation as recently as June this year where we were bullied by the NAB bank into accepting an unjust settlement. The case was also - and misleading conduct, which resulted in NAB bank writing off \$99 million.

The NAB bank have made some mistakes here. When will Ross McEwan, the new appointed CEO of the NAB bank, who has a reputation of so-called fairness, rectify these problems and past mistakes for those 22 fertiliser distributors? We lost our prepaid fertiliser deposits in 2010 and we do not believe compensation had been adequate or indeed fair. That is basically an outline of what happened 10 years ago.

My grandfather was a NAB customer in England and my father and mother were NAB customers. I was a NAB customer. I have since ceased to be with you as a result of what

happened. I lost \$500,000 and the gentleman on your front page, you wouldn't want to tell the people here what he lost. That was last year's NAB report. How on earth you managed to put that there after you'd robbed him is beyond me. I'll leave it at that. Thank you.

Philip Chronican: Thank you. I'm sorry, I'm completely out of my depth on that case, so I'll have to take it on notice and maybe Ross and I could follow it through.

[Inaudible question – multiple speakers]

Philip Chronican: Thank you for that. There are no more questions and there being no further questions, I declare that the financial statements and reports have been received and considered at the meeting.

The next item of business is item 2, the Remuneration Report. The Remuneration Report is contained in the Annual Financial Report and it includes an explanation of the Company's policy for determining the remuneration of executives and Directors. There's a discussion of the relationship between that policy and the company's performance. Thirdly, details of the performance conditions associated with the remuneration of the executives and Directors.

This year's Remuneration Report also responds to where we fell short of your expectations in 2018 and outlines the fundamental changes we have made to reflect your feedback, which I commented on earlier.

To recap, we have delivered a new remuneration framework for our executives designed to better meet shareholder expectations for long-term performance outcomes and more closely aligned the interests of executives to shareholders. We have made material enhancements to the information provided to the Board to provide rigour in the assessment of outcomes. We have determined for our executives that there will be no short-term variable rewards for financial year '19 [performance bonuses]. I would like to address some of those questions now.

On quantum, I acknowledge that the amounts paid to our senior executives are large, much larger than the average earnings of most people. The finance industry is global and highly competitive and we are operating in times of significant change, market disruption and transformation.

In this context, executive leadership is critical, requiring us to attract and retain and motivate first-class executives. Offering competitive remuneration is one element of this

and our remuneration policy is designed to strike the right balance between attracting the right global talent, protecting shareholders' interests and not overpaying executives. The Board's remuneration committee looks at external market information and receives information from an external consultant when considering what to pay executives and how to structure their remuneration, including a mix of fixed pay and variable pay, with the majority of rewards based on performance.

On bonuses, we structure our executive remuneration packages to include short-term and long-term rewards. These are not guaranteed components of remuneration. The Board has increased the rigour we apply in assessing performance with a clear focus to reward long-term, sustainable customer and shareholder outcomes. Short and long-term rewards are structured to reward our people only if they meet challenging performance hurdles that your Board and its remuneration committee believe are aligned to what is in the best interests of shareholders.

Short-term rewards are variable and long-term rewards are highly uncertain. Both types of rewards are based on objective, measurable, hard targets. When we reviewed performance this year against the target set for short-term rewards, as I said earlier, the remuneration committee and the Board determined that there would be no short-term variable awards paid to the top executives of the Company. Having heard my introductory remarks, are there any questions from shareholders present, say, on the second item of business, the consideration of the Remuneration Report? Microphone two.

Operator: Chairman, I would like to introduce Mary Curran.

Mary Curran: (Australian Shareholders' Association) Thank you. Just to let you know, last year the ASA was part of the 88% vote against the Remuneration Report. This was not necessarily in response to the different reward structure. It was because executives were still in receipt of incentive payments when clearly none were deserved, and the Board could not see why it should suffer some financial impact. This year, we endorse the Board taking a 20% pay cut and executive pay has been more or less addressed, although many of our members will suggest it has not gone far enough. Nevertheless, we are supporting the Remuneration Report this year. We look forward to engaging with the Board to further finetune the parameters. We support the return of total shareholder return, TSR measure, but prefer a second measure of return on equity, ROE, as well even if some may hold a view that this is the catalyst for unethical behaviour. Thank you.

Philip Chronican: Thank you very much, and thank you to the Australian Shareholders' Association who were kind enough to meet with the Chair of our Remuneration Committee and myself in Melbourne recently. So thank you for that.

Mary Curran: (Australian Shareholders' Association) Thank you.

Philip Chronican: Can we go to microphone three, please?

Operator: Chairman, I would like to introduce Graeme Thomson.

Graeme Thomson: (Shareholder) Thank you, Chair. I've got two questions in this area. The first one consists of, or goes to the issue of accountability of the Board in relation to the setting of remuneration in the bank. You said – and I was very, very pleased to hear this – that the remuneration was got wrong last year. I would say that is exactly a correct statement and I've heard no bank chairman actually say that about remuneration in the banks. But you didn't go far enough, Chairman. It's not just last year. It's about over a decade, and I know you aren't responsible, but some of you are responsible.

I refer particularly to the Chair of the Remuneration Committee of this bank, who – I don't know whether you've been the Chair for five years, but you've been on the Board for five years and so you are accountable. But you haven't done anything much until this last year, this current year. And finally you've turned around the quantum and some of the elements of the Remuneration Report, but you haven't gone far enough yet. And why haven't you gone far enough yet? I would say the outlook for the bank's profits are not all that positive. It's going to be harder to make profits in the immediate term, given the state of the economy and the competitiveness of the market and so on.

So – and the issues of remediation and all those other issues. So, the outlook I would think is for further reductions in remuneration and if the executives don't like it, go. Go. See if you can get something better. So, why do I think you should be more accountable on paying more reasonable remuneration levels? The first issue is the levels of remuneration that have been paid in the financial sector have been extremely divisive of society. We saw a situation in the Parliament only recently where some further action on a recalcitrant union was deferred because a senator felt that there wasn't a proper balance in the society. So it's divisive of society, it bids up the cost of certain assets – mostly real estate – and that's not a good thing.

But I think perhaps even more importantly perhaps, it impairs and has been impairing the process of needed economic reform in this country. Why? Because business has no

credibility. You have no credibility in the wider community, and one of the reasons is that you live in a bubble and you've imposed these massive salaries and then, as I understand it, the background of your Chair of Remuneration Committee is in the background of accountancy. Well, accountants are enormously well-paid people, but they're really only rent-seekers as we've found out as to what they actually contribute to the governance situation.

So I would like to see – I know you've talked about Board renewal, but I would like to see a new Chair and I would like to see a Chair that moves down a particular direction and that's downward, in respect of remuneration of bank executives. The record over the last decade, in terms of what they've actually produced for all these vast incomes they've been paid, has been appalling. So that's my first question, Chair, what is the Board going to do about this area in the future?

Philip Chronican: Well, I think I've set out what we're doing. We will be diligent in ensuring that, where people are paid rewards, it is only based on performance. So thank you.

Graeme Thomson: (Shareholder) Secondly, I mean I did listen to your brief presentation now, and it's so, so familiar to what has been said whenever anyone has questioned the issue of bank remuneration over the last number of years that I've been attending annual general meetings. It's the same old story; the industry is global, we have to compete, dah, dah, dah.

Why couldn't the Board exercise some real, real leadership and do something different? Why do bank executives, or indeed any executive, need things like long-term incentives and short-term incentives? Why can't you just pay a standard salary? Why?

Philip Chronican: So I appreciate that question. I would highlight that many shareholders ask the question the other way around - which is, why can't more of executives' remuneration be put at risk and measured on performance - and indeed have opposed having more fixed as part of that. So I appreciate the point, but actually we get questioned the other way from many shareholders as well.

Graeme Thomson: (Shareholder) Okay. Well, I think you're probably going to continue down the same old path. I regret that. I mean you could be in a position of leadership and be in the vanguard. If you wanted to increase the trust in the NAB Bank, one thing you could surely do that would succeed would be to lead the industry in a new direction. Thank you, Chair.

Philip Chronican: Thank you. I should highlight at this point that, of course, the Board of Directors receive fixed pay only and there are no incentives paid for the directors, other than the CEO of course. Could we go to microphone two, please?

Operator: Mr Chairman, I would like to introduce to you Chris Schacht.

Chris Schacht: (Shareholder) Thank you, Mr Chairman, again. On the Remuneration Report, I think the previous speaker had a number of points that are salient to at least be debated. In view of my remarks earlier, about the failure of the Board, senior management and destruction of shareholder value, it leads me to only one conclusion you could see, is that I believe the Board - the Remuneration Report should be rejected and I'll be voting accordingly for it. Whether it gets to 25%. If it did get 25%, you'll have a spill motion later on and contingent resolution which needs 51% for it. I have - and you haven't put the figures up yet.

Last week at the Westpac Bank - and an example we got to this discussion - it turned out that though the retail shareholders overwhelmingly represented in the room wanted to vote it to - I think it got 38% - second strike, we went then to the spill resolution, of which I think it got defeated by some considerable margin.

What happened was the day before and the night before the meeting of the AGM, the Chairman and the CEO - and I don't blame them - went and had discussions with the major super and investment funds in Australia. They decided, other than one major one, they wouldn't support the spill - sorry, rejecting the remuneration, but above all they would all vote to not have the spill. Now, I didn't know what - did the Chairman make any further promises to these major super funds?

This is an issue I'm going to raise elsewhere. With the super funds, they can't meet in private, in a private discussion, and reach an agreement without publicly saying why they're voting either for or against the major resolutions. This is another governance issue broader than just this individual bank.

The super funds represent tens of millions of Australians. Therefore, tens of millions of Australians are shareholders through this investment in the major companies of Australia. I don't think that they can, any more, sit quietly and then have a phone call chat and decide on lobbying or this, they're going to vote one way or the other, without explaining the reason for it.

So my first question to you, Mr Chairman, have you had, in the last few days or last few weeks, any discussions with the major super funds, which are the biggest block voting, to reach an agreement that they either vote, in your position, a vote against the - a vote for the Remuneration Report and, if that was to get 25% plus they would vote not to spill the Board? That, I think, is useful information that we should know right now, and if there was agreement on that. So I just ask that question.

Philip Chronican: What I can tell is that after we released the notice of meeting, which includes the annual financial review and the report, Anne Loveridge and I met with a large number of proxy advice firms. Which included I think I've already referenced the Australian Shareholders' Association, and a number - I couldn't put my finger on it - but maybe somewhere between eight and 10 large investors, maybe more, just to provide any additional colour to that. Since those meetings, which all occurred from memory in late November, we have not had any further contact at a Board level with them.

Chris Schacht: (Shareholder) Did they indicate - for those that - they lodge their - they vote by proxy...

Philip Chronican: Correct.

Chris Schacht: (Shareholder) ...et cetera. That comes to the next point. Irrespective of what we do here, their vote will determine this matter. Did you - and you get access too when they lodge them, if they declare which way they're voting, so you already know before this meeting takes place what the outcome is.

Philip Chronican: Yes.

Chris Schacht: (Shareholder) What is the outcome of - I think it should be put up now.

Philip Chronican: Okay. I mean I was intending to put it up at the time we called for the vote to be put forward.

Chris Schacht: (Shareholder) But I think it would be useful...

[Inaudible question – multiple speakers]

Philip Chronican: But what I - well, let me just give you - let me just tell you the outcome. Which is, I think in the case of all of the resolutions that will get put, the overwhelming majority of proxies are in favour of the Board's recommendations.

Chris Schacht: (Shareholder) Recommendations. Okay, thank you very much for that. I expected that, in view of the lack of publicity in one sense.

Philip Chronican: Correct.

Chris Schacht: (Shareholder) I appreciate it's your job to go and talk to all those major investors. I also think as they come and talk to you, and you talk to them because they're major investors, I think in the future, not just for the Shareholders' Association, which I am a member of, I think there should be a process, through the internet if nothing else, where you speak to retail shareholders.

Philip Chronican: Yes.

Chris Schacht: (Shareholder) They could put the questions and discussion, and you can explain accordingly, rather than we have 10 minutes here. This is for all major listed companies. I think this is a governance approach that has to occur if we're going to restore trust in the system for it.

One other point I would make, is it's been said, and you said it and others have said it at these major companies over recent years, if we do not offer big bonuses, big share options to the senior executives, we will not attract the best people to come and work for us, it's an international competitive. Well, we've had all of these bonuses. We've had all of it and we've got the best in the world, apparently, to come and work for us and we still destroyed \$10 billion-plus of shareholders' value.

So it seems to me that's making no difference at all to the performance of the Company, to the advantage of shareholders, of having the potential for these options, et cetera. I know I'm a bit old-fashioned because of my age. I don't mind you paying the Chief Executive a couple of million bucks; it's always out of my league. But then to top it up, to say, well, over the future long-term, short-term incentives. I point out to colleagues here, in this annual report, the biggest individual section that goes for 40 pages is the Remuneration Report, right?

Who is in the remuneration the advantage? It's about 10 people, out of the 30,000 that are employed, get 39 pages explaining why they should get it. It's bigger than any other part of the report. It's bigger than anything in the report of what we're doing to remediate all the difficulties and repay people, clients who were robbed, et cetera.

This is where it's out of kilter. Absolutely. If you want a final comment on this, I said earlier we're now being investigated for breach, unconscionable conduct, which is a real shocker to me. But one of the reasons that people might be into doing things, is to improve the performance of the bank in terms of short-term gain so their bonus goes up.

It's an encouragement not to actually act honestly. It's to shift the points around so that you can claim a bigger bonus, a bigger share option. That is actually corrupting. It's ethically corrupting, particularly a bank, et cetera, [for it].

So, unfortunately, Mr Chairman, I will vote for the remuneration. I understand it will be defeated because of what you've just said. Therefore, no need for the spill motion. But for the foreseeable future in any bank, I will always vote, at the moment, against the Remuneration Report until all these other matters are cleared up.

When we get to the election of directors, I'll make a couple of other brief comments about why I think there should be, by the time of the next annual general meeting, a renewal of the Board. At least, when we turn up, a majority of the Board this time next year are new people on the Board, with a wider diversity of background than we've presently got. That is not a criticism of anyone individually. All of you are excellent people. All have got a fantastic CV in your careers. But the problem is, collectively, it's too narrow.

Philip Chronican: Thank you. Can we go to microphone number one, please?

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

Craig Caulfield: (Shareholder) Thank you, Mr Chronican. Briefly, I'm interested in seeing non-financial metrics become a greater proportion of how you assess the REM. In that respect, I'm just looking for your imprimatur or your endorsement that I can continue discussions with Ann Sherry. It was very productive, what we'd had before. I've got a range of about 20 non-financial metrics that I think should be considered and debated in looking through that. The second area is if I can continue my discussions with Sharon Cook. This morning Sharon has said, yes, she's happy to do that. So I'd like you to - does that sound good to you?

Philip Chronican: That sounds fine by me. I just want to touch on non-financial metrics, because we did try this year to include more non-financial metrics. It's not easy to find a metric or measure that is reliable and that is robust enough that we would be prepared to pay people on the basis of. But under the APRA guidelines on remuneration, there is a - we've only seen the draft and we don't know what the final will look like, but it is expected that there will be more emphasis on non-financial measures.

So I think you are correct that that's an emerging trend and that over-emphasis on financial measures has not been ideal. Obviously, there are some shareholders who do not

feel that way, so we have to balance the needs of shareholders, but certainly this Board would like to see more non-financial measures included. So thank you.

Craig Caulfield: (Shareholder) Yes, I'd like to see it get to be a better balance between...

Philip Chronican: Yes.

Craig Caulfield: (Shareholder) ...the two. Thanks very much.

Philip Chronican: Thank you, Mr Caulfield. Microphone three.

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

Kaz Kazim: (Shareholder) Good afternoon. First of all, can I suggest the lunch be suspended so by the time you're finished there's something left for us?

Philip Chronican: I'm sure it is.

Kaz Kazim: (Shareholder) Waited for six hours at the Westpac meeting, by the time you finished, there was nothing left, just some cold sandwiches I think.

[Multiple speakers]

Kaz Kazim: (Shareholder) They either be served here, or the lunch suspended, for those who've sat in.

Philip Chronican: Or we can get it refreshed at the time of the meeting, but I'll address that issue for you, thank you.

Kaz Kazim: (Shareholder) I'd also like to say that I will be voting against the rem report because it concentrates on the top end of town and I don't think it's a particularly good look. Particularly for those who are at the coal face. They've put in the hard yakka, they do the hard yards, they produced the results and the top end of town gets the big bonuses. It's just not fair. So what I need to know is what do you do to encourage, recognise, motivate and reward those who do the hard yakka at the coal face.

Philip Chronican: Thank you. We have a number of recognition programs during the course of the year for staff at all levels of the organisation. That results in a small group, somewhere around less than 1% of people, but drawn from the more junior ranks of the organisation, to take part in a special event each year. We provide that. That's in addition to the pay increases that people get in the course of events, along with the ability to be promoted.

Recognised, I think there are spot recognition awards that we give for people and of course there is variable remuneration. Although it's not large, there is variable remuneration for people at various levels of management through the organisation.

We recognise people both for the performance in the role, but also for loyalty and one of the traditions that I was very impressed of in my time I spent as the interim CEO, was the focus given to long serving employees when they reach benchmarks such as 15, 20, 25, 30, 40 years' service. Indeed, I think I once spoke to somebody who had 45 years' service in the organisation and Ross I know you've picked that up as well.

So we do care a lot about the 34,000 people that make this organisation tick every day. While we might write 40 pages of remuneration report about the senior executives, actually we spend a lot of time thinking about how we communicate with, motivate and reward the 34,000.

Kaz Kazim: (Shareholder) What I think we need to do is to gut the whole thing and start again. What I'm thinking of is we need to monitor or have psychometric tests, perhaps also an ethical test. I mean there's a lot of things that have shown up that a lot of things are wrong with the bank. Can I also suggest, and will you please consider, a clawback provision?

It's happened – this cut off 20% is just not enough. You say okay you've cut the bonus by 20%, what about a clawback provision? If it's been happening for 10 years, they've laughed all the way to the bank and we're left holding the money and paying for the remediation. So what about a clawback from all of those who benefitted on the sunny days of the ten years. Will you consider that?

Philip Chronican: Thank you. We will consider what's able to be done legally.

Kaz Kazim: (Shareholder) Well suggest to the government. Say well okay, bring in legislation.

Philip Chronican: What I was going to say was I think the new APRA guidelines are suggesting the possibility of clawback and if that's there then obviously we will not only implement it, but use it.

Kaz Kazim: (Shareholder) Take the initiative and suggest it. Let's go ahead, let's find a new paradigm and paradigm shift for example. We need something new. These old methods and practices are not working, it's obvious. As I've said, I've been a shareholder

for the last 35 years. It's only the last 2 or 3 years when all the rot started coming out, have I been attending these AGMs.

We get told the same thing over and over again. We've got to get these big bonuses to get the brightest and the best and we have disaster after disaster. What assurance do we have, but due respect to Mr McEwan, thank you for coming and I hope you'll clean the mess up.

Philip Chronican: Thank you. We have high expectations of Mr McEwan as well. Microphone number two please.

Operator: Chairman, I would like to introduce David Jackson.

David Jackson: (Shareholder) Thank you Mr Chairman. I've been a member of the Shareholders' Association for over 20 years and I've attended quite a few AGMs during that time and had meetings with directors about remuneration in particular. It's very disappointing that all the banks, up until quite recently, have had very poor remuneration policies. Quite often they've been gaming the system in various aspects.

Fortunately, that has changed recently. But if NAB think that their current offering is state of the art, I'm going to tell them that it's not. It's very poor performance, it's better than it was, but it needs to improve significantly. The other issue I would say is that, the gentleman mentioned about non-financials and you mentioned about non-financials and it's been widely exposed in APRA that APRA is keen to include more non-financials. I think that would be a complete disaster.

The reason is that it can't be measured properly and it would lead to Board discretion being used, which is has at the moment, been used, in favour of the executives quite often. That's the experience we've had in the past, particularly with the banks. I can remember a particular occasion where the CBA bank decided that because their customer service wasn't quite up to standard and the executives done a good job, they should ignore the rules and pay them the bonus anyway, which they did. That was about 4 or 5 years ago I think.

There are other issues as well. The structure currently, the CEO I think the fixed remuneration is 2.5 million, that means that the target that he could achieve is 330% of that which brings it to – I think – \$8.25 million if my maths is correct, and there's a maximum opportunity of \$9.5 million. That's a high figure, I accept that. There also seems

to be a huge gap between that figure and the figure of some of these executives and I wonder why. That's one observation.

The other issue is we talk about simplifying and it's been mentioned here today. But we're always bringing out different phrases. For example, everybody knows about short-term incentive, STI. But the NAB's decided they're going to give it a different name, annual variable reward I think it is. Instead of long-term incentive which everybody understands, I think it's called long-term variable reward. Why would you do that? Anyway, it's a mystery to me.

On the long-term – I'm not going to focus too much on the short-term because it doesn't seem to be too bad – on the long-term incentives there's only one hurdle, which has been mentioned by the ASA already. Why? Why can't you settle on a second hurdle? There should be two. Most companies that have a long-term incentive – which is the majority of companies in the top 200 – have two hurdles to achieve.

The other thing is that the TSR which you're proposing is relative TSR. Which means that actually you could do relatively worse in the current year and still get the same full bonus. Why should that be? Shouldn't it be actual? Shouldn't it be an actual increase improvement to achieve the TSR, total shareholder return? I think it should. Discard relative TSR and go for actual. Many companies have done that as well.

The other is that the vesting schedule for the TSR refers to the average of a group of companies which – I haven't bothered to look at that group of companies but I assume that's a representative group. The point there is that 50% of the grant – the award of shares would be achieved if it's at the fiftieth quartile. Why should it be as high as 50% at the fiftieth quartile? In other words, you're rewarding average performance when in fact I think it should be – you should at least wait until you get something like 30% of your reward at 50%, and then it should ratchet up from there.

It gets worse though, because you receive the lot, 100% – or the CEO this is – receives 100% if it's at the seventy-fifth quartile. Why 100% at the seventy-fifth quartile? What's the magic of that? Why shouldn't it be 80 or 90%? There's a lot more work to be done and I hope that you will review your remuneration report with some vigour and bring it more into line with what the expectations are of the shareholders. Thank you.

Philip Chronican: Thank you. I won't go into the details of each of the points you've raised other than to say over the next two years we fully expect – in line with APRA's

recommendations – to have some further changes made. I understand there might be just one more question left at microphone number two, thank you.

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

Michael Sanderson: (Shareholder) Hello again. I think the major issue with the board is you sit in judgement of people that are not subject to the same [constraints as you]. I'd like to tell you a little story about the ultimate qualification for a job. I don't know if you're aware of a movie called *The Secret of Santa Vittoria* that starred Anthony Quinn who was the town drunk. The Germans during the second world war getting close. The mayor bugged off – a bit scared. Nobody was prepared to stand for the position and Bombolini got elected unopposed.

He was asked by one of the councilors, Bombolini what qualification have you got for the job? He thought for a while, he said, I smell of the people and the people smell of me.

Ultimate qualification. Here's the serious bit. Ken Henry stated last year at the NAB AGM that boards have a limited pool from which they draw their members. There is one [pool that many boards] are reluctant to draw their members from and that's their own banks.

The only reason Catherine Livingstone of CBA could give was, it is a philosophical approach. If whistle-blowers Jeff Morris and [Doctor Co] were appointed to the CBA board, the board's understanding of their bank would have been increased exponentially. The same could be said of Amanda Wood and Westpac. Despite not being fit for purpose, for years bank boards still use Ken Henry's incestuous pool and parachute in over-paid, revolving door, short-term mercenaries. Sorry.

My question is – I ask this board the same question I asked Ken Henry last year. Why is there so much resistance from the bank's populating a significant number of their board members from within their own banks or even customer [representatives].

Philip Chronican: Thank you. I'm going to give a very short answer, which is that of course you cannot populate a board from internals. They fail to meet the definition of independent director.

Michael Sanderson: (Shareholder) There is...

Philip Chronican: Thank you Mr Sanderson (sic). I'm going to now ask that people respect the fact that we are running considerably beyond the schedule. Particularly for those of you who have already spoken once, twice or three times. I think we need to be able to

move on so that other shareholders can get some say. Do we have somebody [unclear] question. Microphone one?

Operator: Chairman, I'd like to introduce Dr Wilson Sy.

Dr Wilson Sy: (Shareholder) Thank you. I asked one question earlier but I should have continued the question because I wasn't really satisfied with the answer. Now, about risk. How many directors here knew what happened – for example at the Global Financial Crisis, because I know that most of this country, including the regulator, I was working there, have no idea what happened.

Philip Chronican: Well, I think you'll find...

Dr Wilson Sy: (Shareholder): The [unclear] Director, which Director...

Philip Chronican: I think you'll find there are a number of Directors here who had deep experience of that. Certainly, there are at least two of us who were working in institutional banks at the same time, Mr Yuen and myself. Other Directors were working in other industries. Ms Sherry was working at one of the banks and Mr Armstrong was working as an auditor of one of the major banks exposed. So, I think you'll find there is deep knowledge of what happened at the global financial crisis.

Dr Wilson Sy: (Shareholder): So, why is it that nobody in this country knows about the emergency funding that was required to potentially bail out...

Philip Chronican: I think the emergency funding regimes that were provided by both the Federal Reserve and the Reserve Bank of Australia are well understood.

Dr Wilson Sy: (Shareholder): Right, but most of the people, most of the news media has not - everyone's saying that Australia sailed through the global financial crisis and very few people actually know about that aspect. But anyway, okay, I assumed that...

[Over speaking]

Dr Wilson Sy: (Shareholder): ...some people...

Philip Chronican: I do need you to ask a question on the Remuneration Report, so that we can [unclear].

Dr Wilson Sy: (Shareholder): Yeah, well, the reason why I say that is I've also worked as a proprietary trader in an investment bank, right. I know the type of remuneration incentives, because there were people that collect several million dollars from trading successfully, right. So, that's why I think the risk is very important, because the type of

short-term remuneration incentivised people to take risks and also take risks that bypasses the Risk Committee. I mean, how many details do you get from the Executives about the risks that you're taking?

My view is that you could not have, because there were lots of rules and regulations that were not really rules and regulations, such as Chinese [unclear] and all that sort of stuff. Now, my view, personally - you may be able to answer this - is that the conglomerate structure of the banks, are too complex for the management and for the Board to oversight, so my question is, would it make life easier if the banks were broken up in some way?

Philip Chronican: The answer to your question is no and it would weaken the ability of the banks to offer the range of services they do to personal, business and the larger corporate institutional customers. Thank you. Can we go now to microphone 2?

Dr Wilson Sy: (Shareholder): But the reason why...

Operator: Chairman, I'd like to introduce Peter Starr.

Peter Starr: (Shareholder) I'll be quick, ladies and gentlemen. In relation to what we pay people, it's always a very hard decision. As I've said, I've been over to these meetings for the last 15 years. The two things I find, the share price is going the right way, if the Board is doing the right thing and the Executives are doing the right thing within an organisation, or the Company, there's generally very little discussion. But where there are problems and issues, we get to this.

I want to tell and say this to you. Ross, you talked about incentivise the lower people down. There are very good staff within the NAB Bank. They don't hardly ever get anything. I think it's a good way for the Board to think about, is to look at those staff and maybe in some way offer either some shares, or something like that, for those people. Because I tell you, it's the frontline staff that wear your stuff-ups in most cases.

I know, particularly with the Westpac staff, over that debacle, where the Board all had their head in the sand and couldn't explain why 23 million payments went where they shouldn't have gone, it was the frontline staff. It's the same here, Ross, and you would know from the CBA experience, frontline staff. Thank you.

Philip Chronican: Thank you. I assure you, we do value our frontline staff. We have one more question from microphone 3, after which I am going to move on. So, the last question is from microphone 3, thank you.

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

Kaz Kazim: (Shareholder) It's just a follow-up question for staff at the bottom. What I wanted to know, do you support staff that want to go for further education? Would you help pay their fees, to encourage them to grow, so that the organisation can grow and so it can become a learning organisation, a learning society and be able to contribute a bit more, rather than just continue to remain in the silos and [unclear]?

Philip Chronican: Okay. My understanding is we do provide that support, both through internal training programs, but also external programs to build new skills. I know there's been a significant effort put in recently to providing access to skills and digital technologies and cloud computing. But also, in a whole range of other areas. So, I think you'll find that we do actually invest quite a lot in our people. So, thank you.

Kaz Kazim: (Shareholder) What about courses in philosophy and ethics for example? I mean, surely that would help.

Philip Chronican: Yes. That would - although might be better directed at senior Executives in this case.

Kaz Kazim: (Shareholder) Well, I think that it should go right through from top to bottom.

Philip Chronican: Yes, thank you.

Kaz Kazim: (Shareholder) I think it's - one other question, have any of you read a paper by Professor Chris Argyris? This was a paper written in *Harvard Business Review*, published in *Harvard Business Review*, 1990, 1991, I think it was. I can send you the details. It was titled *Teaching Smart People to Learn*. This paper was written after he'd interviewed the most successful CEOs in the United States, to identify what made them so successful.

He found that at a certain point the people took the view that if it ain't broke, don't fix it. That, he said, was the main barrier. When [David thought] he was running the organisation, I sent him a copy of the paper, he'd read it, within an hour he replied. He said, thank you, I'll circulate it to all my staff. He said, yes, I engage in defensive reasoning, which is one of the principal issues that Professor Chris Argyris talked about.

Philip Chronican: Thank you. That sounds interesting and I look forward to you forwarding a copy.

Kaz Kazim: (Shareholder) Well, please give me your business card and I'll send it.

Philip Chronican: I'm sure the email address will be - it's pretty easy to guess, because I know lots of people have already guessed it, but I'm sure Louise can provide you that. Thank you.

Kaz Kazim: (Shareholder) Okay. Thank you.

Philip Chronican: All right. There being no more questions, I now formally put the motion that the Remuneration Report for the year ended 30 September 2019 be adopted. Proxy votes received in advance of the meeting for this item are now being displayed on the screen. I declare a poll open for you to vote on this item of business. Please press one to vote for, two to vote against and three if you wish to abstain from voting.

All right. You should see received if you've had your vote in. I think the rate of new votes coming in has now slowed. Indeed, it looks like most of you have now voted. So, I think we can now declare the poll closed.

So, the result of the poll is now displayed on the screen and it shows a combination of the proxy votes cast and the votes cast by those here today. On this basis the resolution has passed. As a result, NAB has not received a second strike, as we have materially more than 75% of the votes cast on the resolution in favour of the Remuneration Report.

The next item of business is Item 3, the Spill Resolution. This was a conditional item of business that was to be put the meeting, if a second strike was received on the Remuneration Report. As that did not occur, the Spill Resolution will not be put to shareholders. But as I said earlier, in the spirit of transparency, we wanted to show you the proxy votes received in advance of the meeting, in relation to this conditional item.

The next item of business is Item 4, which is the re-election and election of Directors. As I'm standing for election myself, I would now like to invite David Armstrong to chair this part of the meeting.

David Armstrong: Thanks, Phil. This year we have two Directors, Philip Chronican and Douglas McKay who retire at this meeting in accordance with the Company's Constitution. Being eligible for re-election, they offer themselves up for re-election. The Board has undertaken an evaluation of the performance of each of the Directors. Based on the results of this evaluation, the Board fully supports each Director's re-election. Details of qualifications, career, experience and other interests of each Director standing for re-election is set out in the Notice of Meeting and in the Annual Report.

Philip and Doug will speak to you to tell you more about what they bring to the collective capability of the Board. We also have one Director standing for election, having been appointed since the last Annual General Meeting. The Board announced the appointment of Kathryn Fagg in October 2019. Kathryn will also speak to you about her background and experience and what she brings to the Board.

We will now move to the formal re-election and election process. The Board has concluded that Phil Chronican is independent and that his independence was not compromised during the period he served as Interim Group CEO. The Board has also concluded that Philip has sufficient capacity to undertake the duties expected of a Director and Chairman of NAB. Further the Board considers that Philip's extensive banking experience and leadership experience are valuable contributions to the Board's existing skills and expertise. Phil, would you please address the meeting on the matter of your re-election? Thank you.

Philip Chronican: I join the NAB Board in 2016, so have now served just over three years. These obviously have been very challenging times, both for National Australia Bank and for the industry as a whole, as we've had to face into the issues raised by our customers, regulators and those issues exposed publicly through the Royal Commission. I took on the responsibility of being the Interim Chief Executive Officer in March and subsequently Chairman of National Australia Bank Board in November.

Now, with Ross McEwan on board, we are ready for the next phase of our Organisation's development. I'm committed to doing my part to restoring the trust and reputation for NAB and for our industry. It's an industry that I've worked in for over 37 years and one which has made an immense contribution to the economies of Australia and New Zealand, financing millions of households into their homes and hundreds of thousands of businesses to grow and expand.

But it's also an industry that had lost its way in some critical areas and needed to be refocussed on what it needs to do to meet the legitimate needs of its customers. In recognition of this, I joined the Board of the Banking and Finance Oath, shortly after its establishment and served on that Board for five years. I was concerned that the industry needed to return to its traditional, ethical foundations.

I bring experience in all elements of the finance industry, executive level leadership, retail and commercial banking, corporate and institution banking, treasury, capital markets, as well as finance and risk. In terms of availability to fulfil the duties of NAB Chairman, I

currently have only one other major commitment outside of NAB, which is the Westmead Institute for Medical Research.

Finally, I wanted to thank you all for the support that you've shown me this year. It's only added to my resolve to work on your behalf. Thank you.

David Armstrong: Are there any questions or comments shareholders wish to raise in relation to the re-election of Philip Chronican?

Operator: Chairman I'd like to introduce Chris Shacht.

David Armstrong: Mr Shacht.

Chris Schacht: (Shareholder) Mr Chairman my remarks will be for all Directors so I don't speak three times. We're all getting hungry apparently. Look as far as the election of the Board, I made it clear I think there should be a new Board. At the very least I say to you Phil and I presume you've got the proxy vote. You'll be re-elected, they've indicated that, fine. But if we come back in a years' time and there's not significant further change to the Board I think a lot of us will be disappointed.

You cannot escape responsibility for what – the Board cannot escape responsibility for what's happened. So I would indicate I'll vote for Kathryn Fagg because I don't think she can be blamed as only joining the Board in the last week. On your case and the others on the basis that you've nodded your head about further discussion, I will abstain on your position and goodness me, Mr McKay. I do know that someone said the Scots are doing very well on this Board. I presume you are all Scottish nationalists against Boris and the gang over there. Anyway, that's aside. So I'll just say that.

I also want to take this to save time. On the next two resolutions that people have put up, I will vote for them because they are advisory only. And I don't think there is any harm that once a year for an extra hour retail shareholders can come and sit here for part of the day to debate that. It's advisory only. And the comment to those who what to – and I did this last week. I don't agree that the bank should be individually held accountable for carrying out climate change policy. I don't think that's fair on particular banks as you say. If you don't knock off that company or this, you're not doing your job et cetera on climate change.

What we should – and I ask the bank to look at this – the real policy change is to have [unclear] climate change issues and I overwhelmingly am, have a carbon tax and an emission trading scheme. If that operated in Australia you would not have any need for

the bank to consider knocking off an application for a loan because that regime would mean those who want to burn more thermal coal would not even apply because the emissions trading scheme would make it uneconomic. That's the way it should operate not calling on an individual bank or institution to carry out the climate change policy that should be a national policy and I hope one day Mr Chairman in the next 12 months you might actually say you favour, even though it's controversial to some people and certainly an emissions trading scheme with a carbon tax. With that I'll shut up.

David Armstrong: Thank you for your comments Mr Shacht. The next question will come from microphone 3.

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

Philip Sweeney: (Shareholder) Yes thank you Chairman. Now the subject of whistle-blowers has been quite topical. I was at the Westpac AGM last week and of course the treatment of Amanda Wood got a lot of discussion. And in fact there is a current parliamentary inquiry into regulation of auditing in Australia that arose from an NAB whistle-blower getting in contact with Adele Ferguson.

So to Mr Chronican or Philip. The Chairman informed the standing committee on economics last month of an NAB survey that showed little change from a year ago when 26% of NAB staff said that they could not rule out the prospect of retribution if they reported unethical conduct.

The Deputy Chair of the committee, Dr Andrew Leigh MP, said that I was shocked to learn that staff attitude to NAB have not improved from mid-2018 to 2019. I've asked Mr Phil Chronican for details of NAB's 2019 staff survey and look forward to seeing the results, Dr Leigh said. No one should be excused from the rules regardless of their impact on the bottom line.

So the question to Mr Chronican is, can the Chairman please advise shareholders of what plans does he have, if any to improve the results of the next survey which will be awaited with interest by Dr Leigh.

David Armstrong: I'll ask Mr Chronican to answer it, but could I ask you in future to respect the fact that at the end of the meeting there will be a more general business discussion and it's not necessarily in relation to Mr Chronican's re-appointment.

Philip Sweeney: Well I thought Phil's view on this would be significant to his re-appointment.

David Armstrong: Well that's why I'm asking him to answer the question.

Philip Chronican: I clearly have a view on it and one of the elements of the selection of the new Chief Executive and some of the other Senior Executives is that I want to have a material change in the culture of the organisation to be a more open and transparent one. It will be for Ross and his leadership team to execute that, but certainly we will be keeping a close watch on the survey results as being indicative of that. Thank you.

David Armstrong: I understand there's another question from microphone 3, is that correct? No all done. Any further questions.

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

Kaz Kazim: (Shareholder) Look it's not addressed to Mr Chronican just for his own sake. What I'd like to see is the issue of commitment of clawing back provision be included as an additional concern for future REM reports and commitment by the Directors. I think it's very important that we have some claw back provisions and also a commitment to reward those people working at the front.

So I don't want to repeat this and I'm hoping the other two who have scientific qualifications as part, they will apply the scientific method which will be a bit more rigorous rather than the slippery slide that we have been led into by the bank over the years.

David Armstrong: Thank you Mr Kazim, we will note your comment.

We have no further questions. We can move on then. I will formally put the motion that Philip Chronican be re-elected as a Director of the Company. Proxy votes received in advance of the meeting for this item are now displayed on the screen. I now declare a poll open for you to vote on this item of business. Please press one to vote for, two to vote against, or three to abstain. Please record your vote now. I can see from the monitor in front of me that around about half have voted. I'll leave it a few more seconds for you to cast your votes please. Okay, thank you for that. I now declare the poll closed. The result is now displayed on the screen, showing a combination of proxy votes and votes cast by those here today. On that basis, the resolution has passed. Thank you, Philip.

Now, turn to the re-election of Doug McKay as a Director of NAB. The Board has concluded that Doug is independent and has sufficient capacity to undertake the duties expected of a Director of the Company. Further, the Board considers that Doug's extensive commercial and operational management expertise are valuable contributions to the Board's existing skills and experience. Doug, would you like to address the meeting, please?

Doug McKay: Thank you, David. Good afternoon ladies and gentlemen and fellow shareholders. I offer myself today, to serve on your Board, as a Director who can help deliver on your expectations for our Company. I have served on the Board since 2016. It has not been an easy time, but I can stand here today and say categorically that I have helped face into the challenges that have presented themselves and will help deal with them comprehensively, going forward, so that we never find ourselves in this situation again. I also Chair the Bank of New Zealand and have been on that Board since 2013. I am very proud of the results, over this time, at BNZ. BNZ is a very significant contributor to the Group results and is performing well.

On the NAB Board, I contribute where ever my colleagues and I think I can add value. I am on the Audit Committee, the Nominations and Governance Committee and the recently formed, Customer Committee. With Ann Sherry, I helped - I formed - we formed the CEO's Selection Committee this year, whose work, of course, has now finished. When I last spoke to you in 2016, I was in the earlier stages of a full-time governance career. I see myself today as an experienced Director, across a diverse group of blue-chip companies, which are mostly well-performing. I am a full-time Director and have settled into a workload and breadth of responsibilities I have been performing at for five years, at current capacity.

My diversity of industries and boards helps me think beyond just banking and in particular, bring a customer perspective to the table, backed by a strong governance awareness and experience. I live in New Zealand but am a dual Australian New Zealand citizen. I can assure you my current responsibilities are within my available and full-time capacity. I am a Director who challenges constructively and believes the most important question we can ask is, why? My diversity of experience, over a 40-year executive and governance career, means I will never stop at accepting industry convention, wisdom and now more than ever, banking conventional wisdoms need this challenge and enquiry.

I would like to thank the Board for their unanimous support of my reappointment and would welcome the privilege to represent shareholders on the NAB Board. Thank you.

David Armstrong: Thanks, Doug. Are there any questions, or comments, shareholders wish to raise in relation to the re-election of Doug McKay? Microphone 3.

Operator: Chairman, I would like to introduce Philip.

Philip Sweeney: (Shareholder) Yes, Doug. There's two essentials in life and they both start with b. One is beer and the other is banking and you have experience in both. In fact,

after your stint at Independent Liquor, you might even wish to add a third - Bourbon. Now, I spent most of my career in the brewing industry and brewers have long recognised that they have a social licence to operate. One of my last projects, which I'm very proud of, was that I was part of a team that established DrinkWise Australia, which is a cross-industry funded organisation to promote responsible drinking and to warn about hazards of excessive drinking, for example, pregnant women shouldn't drink.

It struck me that if the banking industry - and this is not just restricted to National Australia Bank - wants to restore trust with the community, then why don't they set up something which I've called, BorrowWise Australia, which would be something similar to DrinkWise, but it would be there to promote financial literacy education, on a voluntary basis, to those seeking to borrow substantial funds of money for home purchases, SME borrowing or investment loans. I'm sure, at the moment, many financial service providers will claim that many borrowers get themselves into trouble, especially those with low levels of financial literacy and especially people with poor English skills.

The banking industry, especially after the post-Royal Commission, especially after all these scandals we keep hearing almost every week in the papers, I believe it needs to consider seriously about establishing something like BorrowWise Australia, which would be funded by all the banks. I'm asking you, perhaps, if you could put your hand up to perhaps coordinate a cross-industry team to explore that opportunity? At the moment, the banks are putting full page ads in the newspapers. Well, surely, they've got to do more than that and they've got a lot more money that they could chip in to do something and show that they're constructive about improving the outcomes for borrowers.

At the moment, many end up financially destroyed and if - I'm sure that they could do with - a lot of people could do with improved financial literacy, which could be a program run by the industry. That's something I'm putting on the table for you, Doug, and you might like to comment on it.

Doug McKay: Thank you, Mr Sweeney and I can only agree with the need of better financial literacy in our communities. It's interesting to observe the difference. Here in Australia, the industry has been necessarily pre-occupied with the outcomes of the Royal Commission and the wrongs that have been done to customers by the banks and getting them fixed. In New Zealand, we have been working on financial literacy, for the last two years, in conjunction with the government. So, I do have some experience in exactly what you are saying. We are aware of that, here at NAB, and now, there - I can see a time

coming where that will make a lot of sense, coming out of the dramas that we've been dealing with the last year and a half.

Philip Sweeney: (Shareholder) Okay, well I'd appreciate it if you could pursue that matter. Thank you.

Doug McKay: Thank you.

David Armstrong: Thank you, Mr Sweeney. There are no more questions, so I'll formally put the motion that Mr Douglas McKay be re-elected as a Director of the Company. Proxy votes received in advance of the meeting, for this item, are now displayed on the screen. I now declare the poll open for you to vote on this item of business. Please press one to vote for, two to vote against and three to abstain. Please record your vote now. Okay, thank you. I can see from the monitor in front of me that you have all voted. I now declare the poll closed. The result is now displayed on the screen, showing a combination of proxy votes and votes cast by those here today. On that basis, the resolution is passed. Thank you, Doug.

As I said earlier, in October, the Board appointed a new Director, Kathryn Fagg AO. In accordance with the requirements of NAB's constitution, Kathryn retires and offers herself for re-election. The Board fully supports her election. The Board has concluded that Kathryn is independent and has sufficient capacity to undertake the duties expected of a Director of NAB. Kathryn's extensive experience, across a range of industries, including banking, are valuable contributions to the Board's existing skills and experience. Kathryn will now stand for election. Kathryn, would you like to address the meeting, please?

Kathryn Fagg AO: Thank you, David. Ladies and gentlemen, I offer myself today to serve on the Board as a Director. I believe a strong banking system is essential for our nation's wellbeing. I believe that knowledge, skills and experience I have, from working in banking and other sectors in Australia, New Zealand and Asia, will be valuable to NAB in earning the trust and respect of shareholders, customers, employees and the broader community. Let me briefly expand on my qualifications and starting with my banking experience. I was privileged to serve on the Board of the Reserve Bank of Australia from 2013 to 2018. Earlier in my career, I worked at the ANZ Bank, with a couple of key roles being General Manager [inaudible – microphone inaccessible].

I joined the ANZ Bank from the management consultants, McKinsey and Company, where I really honed my strategy skills. Strategy development and implementation has been a feature of my career ever since. Developing strategy really builds on my great interests in

problem-solving and my analytics skills. They - I have to say, they were very firmly developed by originally studying engineering and working as an engineer. It was mentioned earlier, by a number of people, that I do have a science background. Not surprisingly, technology and innovation have been part of my career journey. As well as banking, I have worked in a number of other sectors, particularly in the industrial arena, where risk management is a critical element of operations.

I bring that diverse experience to bear, especially how to bring about fundamental change, in organisations, both in terms of performance and outcomes. I do believe that the industrial sector, with their relentless focus on safety over the last couple of decades, really provide useful experience in how to bring about that change. I am actively involved in civil society, particularly in Melbourne which is where I live. I've recently retired as Chair of Melbourne Recital Centre and have previously been Chair of Parks Victoria. In terms of what I'm now involved in, I Chair Breast Cancer Network Australia and I'm on the boards of both the Grattan Institute and The Myer Foundation.

I am confident that I have the time to devote to the requirements of being a Board Director of NAB. Later this week, I will be retiring from the Board of Incitec Pivot, which will leave me with a number of other roles professionally, Chairing Boral and being on the boards of the CSIRO and Djerriwarrh Investments. I am confident of my capacity to serve NAB and believe the breadth of my experience elsewhere will enrich the contribution I can make. I would like to thank the Chairman and the Board for their support of my appointment. I would certainly welcome the privilege to represent shareholders on the Board of NAB. Thank you.

David Armstrong: Thank you, Kathryn. Are there any questions or comments shareholders wish to raise in relation to the election of Kathryn Fagg AO? Microphone three.

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

Philip Sweeney: (Shareholder) Yes, hi Kathryn. I notice you started your career as a chemical engineer.

Kathryn Fagg: That's right.

Philip Sweeney: (Shareholder) And worked for BHP's long products division. I started my career as a chemical engineer and worked for BHP's rod and wire division, so on that basis alone, I'd endorse your election for the Board. I think you're an excellent start for Board renewal given your background.

There's one issue that I'd like you to take up and it's on behalf of the hardworking 34,000 NAB employees. It struck me, one of the questions I asked at the Commonwealth Bank AGM, to Catherine Livingstone was about the Commonwealth Bank staff fund which has always been a separate not-for-profit fund and it's one of the best performing funds in Australia, far better than the fund that the Commonwealth Bank has for its retail customers.

National Australia Bank used to have its own not-for-profit fund and it almost matched the Commonwealth Bank in its performance. However, under the previous management regime, they saw their employees as an opportunity to rip off, as well as their customers. So they moved the NAB staff into a for-profit fund. Now in a for-profit fund there is only one place the profit comes from and that is out of the pockets of the members. Now, it's already been flagged that NAB wants to flog off its scandal ridden wealth division, which should probably be better known as a kiss your money goodbye division.

So what I'd ask you, on behalf of the hard working employees of NAB is to look at perhaps re-establishing a not-for-profit employees fund that would match the performance of the Commonwealth staff fund so that employees of the NAB are not disadvantaged in their retirement, comparing an employee in the Commonwealth Bank, who at the moment, would potentially end up with several hundred thousand dollars more money because they are in a well-governed, not-for-profit fund where at the moment, NAB employees, under the last management regime, got shifted out of a very similar fund, into a poor performing, for-profit fund. That's something I'd like you to take on board, you don't have to necessarily comment on it, but I think that would be a good start for Board renewal.

Kathryn Fagg: Thank you Mr Sweeney.

David Armstrong: Microphone 2.

Operator: Chairman, I would like to introduce Peter Starr.

David Armstrong: Mr Starr.

Peter Starr: (Shareholder) Thank you David, and through you David, to Kathryn. I know that the chairman of the CSIRO, Mr, one David Thodey, does have great respect and everything you've done there. I'd just like to say, now that Phil's come back from a short break, the votes that I held, were cast for you Phil and also for you Mr McKay and I'd just like to echo what Chris had to say, we thoroughly will be voting for you. We'd like to see

you take a role in looking at the remediation issue as well. I think you're very well qualified for that, you did a great job at Incitec Pivot too, absolutely.

Kathryn Fagg: Thank you.

David Armstrong: Thank you very much, microphone 3.

Operator: Chairman I would like to introduce Mr Kazim.

David Armstrong: Mr Kazim.

Kaz Kazim: (Shareholder) Thank you. Just a quick word. I think it's terrific for a director to have some science qualifications because I assume she's well-acquainted with Thomas Kuhn's notion of the paradigm shift, so that should be very interesting. But given that you're, the number of directorships you've got, will that pose a problem in seeking to address how much work is required at NAB to get it back to where it should be.

Kathryn Fagg: Yes, so let me address that question. I think I mentioned that I was retiring from the board of Incitec Pivot at the end of this week, in fact on Friday at the AGM, which actually frees up additional time. So certainly I believe I have the capacity, and I can assure you that the Chairman and Board wanted to make sure I had the capacity and I'm completely confident I do.

Kaz Kazim: (Shareholder) But you're chairing another board aren't you?

Kathryn Fagg: I do, I chair Boral.

Kaz Kazim: (Shareholder) Okay, well that requires a lot of work too at the moment. Anyway, nothing personal, I just thought I'd raise that issue because NAB requires a lot of work for a long time and we'd just like to make sure that you have the energies to address and get it back to its former position.

Kathryn Fagg: Thank you, I'm looking forward to it.

David Armstrong: Mr Kazim in the Board's determination to recommend the appointment of Kathryn, one of the huge attractions was the diversity, the experience and the skills that she can bring and that industry experience is valuable to us.

Kaz Kazim: (Shareholder) No, I meant that's fine, thank you.

David Armstrong: There are no more questions, so I will formally put the motion that Kathryn Fagg be elected as a director of the Company. Proxy votes received in advance of the meeting for this item are now displayed on the screen. I now declare a poll open for

you to vote on this item. As before, please press 1 to vote for, 2 to vote against and 3 to abstain from voting. Please record your vote now. [Unclear].

I can see from the monitor that we are nearly there.

I can see that the votes have all been cast so I now declare the poll closed.

The results are now displayed on screen, showing a combination of proxy votes and votes cast by those here today. On that basis, the resolution has passed. Thank you Kathryn.

I'll now hand the meeting back to the Chairman.

Philip Chronican: Thank you very much David for that. The next items of business are items 5a and 5b. They relate to a selective capital reduction of convertible preference shares issued by the Company in December 2013, known as CPS II. These items are special resolutions and they require approval by at least 75% of eligible votes cast on a resolution.

The purpose of these items is to provide the Company with flexibility in how it manages its capital, in particular how to repay the CPS II if it decides to do so. While we've made no final decisions to undertake a selective reduction in capital of the CPS II, or when any such capital reduction might occur, approval is being sought now as any selective capital reduction would require securityholder approval under the *Corporations Act*.

We'll only make that decision to undertake a selective capital reduction if it considers at the time that it's in the best interests of the Company, it's fair and reasonable to the Company's shareholders as a whole, and does not materially prejudice the Company's ability to pay its creditors. Further details on these items are set out on pages 27 to 30 of the notice of meeting.

There are certain restrictions on who's able or entitled to vote on these items, which reflects the requirements of the *Corporations Act*, the terms of the CPS II and the terms of NAB's other capital instruments, and those restrictions are set out on page 19 of the notice of meeting. Are there any questions or comments from shareholders present today on the fifth item of business, consideration of items 5A and 5B, selective capital reductions of CPS II?

This is looking good. All right, I wasn't expecting many, but this looks fine. Look, it doesn't look like we have any questions. I know this is not the most riveting item that shareholders will look at. So if there are no questions, I will move straight to the resolution, that the terms and conditions of a selective capital reduction in respect of the

CPS II, in accordance with the terms of the CPS II and an amount of up to \$100 per CPS II, as described in the explanatory notes, be approved.

Proxy votes received in advance of the meeting for this item are now displayed on the screen. I now declare a poll open for you to vote on this item of business. Please press one to vote for, two to vote against, or three to abstain from voting. Please record your vote now.

All right, I think this is - is this about the level? Yes. I think most people have now voted. So the event is - I think we will now declare the poll closed and the result will now be displayed on the screen, showing a combination of the proxy votes and the votes cast by those here today. On that basis, the resolution has passed.

I now want to formally put the motion for resolution 5B, that the terms and conditions of one or more selective capital reductions in respect of the CPS II, outside of the terms of the CPS II but otherwise in accordance with the *Corporations Act, 2001* and in an amount of up to \$100 per CPS II, as described in the explanatory notes, be approved.

Proxy votes received in advance of the meeting for this item are now displayed on the screen. I now declare a poll open for you to vote on this item of business. Please press one to vote for, two to vote against, or three to abstain from voting. Please record your vote now.

Okay, I can see that most people have voted, so I'll wait another second or two. All right, I think that's it. I now declare the poll closed. The result is now displayed on the screen, showing a combination of proxy votes and votes cast by those here today. On that basis, the resolution has passed.

The next items of business are items 6A and 6B, which are requisitioned resolutions promoted by Market Forces, an amendment to the constitution and transition planning disclosures. 6A is a special resolution. As noted earlier, a special resolution requires approval by at least 75% of eligible votes cast on that resolution.

Resolution 6A is not endorsed by the Board. The Board respects the rights of shareholders to requisition a resolution to amend NAB's constitution. However, the Board believes the proposed resolution is not overall in the best interests of NAB and shareholders, and recommends that shareholders vote against it.

This is because for the Board to discharge its duties, it needs to consider a wide range of issues, having regard to the nature and complexities of NAB's business and its operations

in a global environment. With that in mind, the Board considers it would be inappropriate for any one issue promoted by groups of shareholders to be given prominence over others. NAB encourages transparency and appropriate shareholder discussion, and provides shareholders with many avenues to raise issues or concerns.

Item 6B, which relates to transition planning disclosures, is conditional on this item being supported by shareholders. The Board does not endorse item 6B as we do not consider this resolution to be in the best interests of the Company and shareholders as a whole. In the Board's view, NAB has made significant progress on its energy and emissions strategy and already provides detailed reporting on that progress, which we explained in the notice of meeting and in our 2019 Sustainability Report.

In the questions submitted in advance of the AGM, some shareholders challenged us on whether NAB should be doing even more in relation to energy, fossil fuels and climate change, and almost as many challenged us on doing more to support coal mining in Australia. We're acutely aware of both sides of this debate. This illustrates how important it is for the Board and leadership to determine the best interests of the Company over the long term, while working closely with government, customers and communities in supporting energy security in Australia and New Zealand.

As I said in my earlier remarks, we've made several important commitments that the Board feels strike an appropriate balance. We will continue to review these commitments based on available science and technology. While the Board has taken this position, as a sign of respect, I'd now like to invite a representative from Market Forces, Ms Varsha Yajman, to address shareholders on items 6A and 6B.

Is Varsha able to make her way to a microphone?

Varsha Yajman: (Market Forces, Representative) Thank you.

Philip Chronican: Thank you. Microphone? Who's there? Okay, up at number 3, thank you.

Varsha Yajman: (Market Forces, Representative) Over the past year, NAB has been involved in the refinancing of a number of coal export facilities, including the Dalrymple Bay Coal Terminal expansion, new coal export terminal expansion, Port of Newcastle, Wiggins Island Coal Export Terminal. Given these facilities are critical infrastructure in the export of thermal coal, and our own policy to phase out thermal coal mining exposure by 2035, does the bank have a similar policy to phase out exposure to coal export terminals? If so, by how much and over what time frame?

Philip Chronican: So we have no such policy.

Varsha Yajman: (Market Forces, Representative) Do you intend to attain such a policy? Because, clearly, the impacts of climate change are accelerating and we do need to see businesses and organisations like yours doing a bit more.

Philip Chronican: Thank you for bringing it to attention. Of course, the coal export terminals relate to both thermal and metallurgical coal. Our policy is to withdraw from the financing of thermal coal by 2035. However, one of the broader issues we have is acknowledging the risks in the transition to a low-carbon economy and, of course, there are a range of assets that present risks in that regard.

So certainly, over the medium term, we will be looking at a broad range of infrastructure that supports carbon-based products. Because if, as is expected, we move to net-zero emissions by 2050, there will be changes in the infrastructure requirements. So it's certainly something on our radar. Thank you.

Varsha Yajman: (Market Forces, Representative) So, sorry, do you intend to propose a [unclear] transition plan in the near future? Because it's something that does need to be done quite soon.

Philip Chronican: Our Sustainability Report is about a transition plan. We have moved initially on issues around our own consumption of energy and we've specifically addressed the issue of thermal coal production in Australia. There are other elements to transition planning that we will be addressing in the near term.

National Australia Bank is a signatory to the United Nations Environmental Programs Principles of Responsible Banking, one of the first Australian banks I think to sign up for that. That commits us to having a plan for managing transitions to our low-carbon economy across the full scale of our business.

Varsha Yajman: (Market Forces, Representative) Okay. So, sorry, do you have a timeframe or anything like that? Because this is a crucial issue. So I know a lot of sustainability reports have the buzzwords of creating a safer future in security, but we don't really seem to be having some action on it sometimes.

Philip Chronican: So, we're working with our energy and resources customers to make sure that we help them through their plans to transition. Therefore, the timeframes that we're addressing, in terms of our migration, we are addressing those in conjunction with our customers. The commitment we've made under the Principles of Responsible Banking, I

think, commits us to having a plan for the other fossil fuel sectors, such as oil and gas within the next three years.

Varsha Yajman: (Market Forces, Representative) Okay. Thank you.

Philip Chronican: Thank you. Thank you very much for your contribution. Since Item 7 is also connected to and would only become effective and conditional upon Item 6A being passed, I'd also now like to invite a representative from ACCR, Mr Daniel Gocher, to address shareholders on Item 7, which I think is also at microphone number 3.

Daniel Gocher: (ACCR) Thank you, Mr Chairman. My name is Daniel Gocher, I'm here representing ACCR, otherwise known as the Australasian Centre for Corporate Responsibility. ACCR filed this resolution, because our Bank remains a member of the Business Council of Australia, an organisation that undertakes lobbying, counter to the goals of the Paris Agreement.

We raised this issue for the first time more than two years ago and despite a conversation with your predecessor, Mr Chairman, this issue remains unresolved. I am perfectly aware that our Bank has had other problems to deal with in the last 12 months, but any company of this size should be able to walk and chew gum at the same time. The BCA has a long track record of expressing cosmetic support for the Paris Agreement, while at the same time it aggressively undermines any state, or national policy designed to achieve emissions reduction.

This two-faced advocacy began under the Howard Government, it continued under the Rudd and Gillard Governments and it continues under the Morrison Government, particularly during this year's Federal election campaign. But not content with wrecking Australia's climate policy, the BCA is now out to wreck the Paris Agreement. Just last weekend, with the full support of the BCA, the Australian Government stalled negotiations at COP25 in Madrid, over the use of Kyoto carryover credits, an accounting loophole, designed to cut in half Australia's 2030 emissions target.

One of the chief architects of the Paris Agreement, Professor Laurence Tubiana, has described it as cheating and the way to destroy the whole Paris Agreement. ACCR has spent most of this year trying to pursue companies like yours and their investors that Kyoto carryover credits are not a trivial issue, yet we've been largely ignored. It gives us no pleasure to be proven right. In fact, as this city, my home, is encircled by bushfires that have raged for two months, it brings me incredible sadness.

So, while I personally appreciate your remarks about the bushfires and the drought, Mr Chairman, the fact that our Company funds lobbying to undermine our only global climate agreement is, quite frankly, a disgrace. It is utterly contrary to our Company's commitments, the promises it has made to its shareholders and our long-term interests, particularly me and the previous speaker, given that we're probably the youngest people in this room, her, by a very long way.

Our Company should be the first major bank to exit the Business Council of Australia, that wouldn't be the first major company to do so. Unilever, IAG, Medibank and QBE are just some of the companies that exited BCA, due in part to its climate policy advocacy. Mr Chairman, you may not be aware of this, but over the last several months my organisation has made numerous efforts and offers to avoid or withdraw this resolution. We provided your Executives with a fairly simple list of asks, any of which would have addressed some of our concerns.

1) Commit to conducting a formal review of your industry associations. 2) Seek representation on the Business Council's Energy and Climate Committee, which you still haven't done. 3) Publicly state that our Bank does not support the use of Kyoto carryover credits. Unfortunately, all we've heard in response are empty platitudes. So, for the record, Mr Chairman, my first question to you is this, does our Bank support the use of Kyoto carryover credits?

Philip Chronican: So, we do not have a formal position on that, but I would make a very important point, that the use of Kyoto credits is of no consequence to the target of meeting zero net emissions by 2050, in that they long will have expired long before [we will manage to] get there. So, the trajectory that we need to get on to for 2050 is, I think, a much more important issue than the use of Kyoto credits. I don't have a compelling view, one way or the other, on that. I think the bigger picture issue is getting to a net zero emissions position.

Daniel Gocher: (ACCR) Well, that mightn't be true, the use of Kyoto carryover is essentially delaying global action on climate change at this point in time. I have a follow-up question. If our Bank is committed to remaining a member of the Business Council of Australia, what assurances will you provide to shareholders that the policy wrecking won't continue?

Philip Chronican: Ah...

Daniel Gocher: (ACCR) Hang on.

Philip Chronican: Sorry.

Daniel Gocher: (ACCR) I've waited six hours for this, I'm sure you have too.

Philip Chronican: No, I fully appreciate that, so I want to give you your time.

Daniel Gocher: (ACCR) Will we have to return next year and the year after, like we have at BHP and Origin Energy, to ensure that this issue is resolved? For those shareholders that haven't yet cast your votes today, I strongly urge you to support this resolution and to call for our Company to exit the Business Council of Australia. I'm done now, thank you.

Philip Chronican: Thank you. All right. Well, let me just respond on a couple of points. I have to say, and I think you've already touched on it, that we've had a number of issues at play in this Company over the course of the last year. We have not been active in our membership of the Business Council of Australia very much during the course of this year. I haven't yet settled with Ross how active we'll choose to be, going forward.

There are some things the Business Council of Australia has done that are very valuable. The Raising the Bar initiative, which was about building the capacity of Indigenous business, the Asia Taskforce, about building Australia's engagement with Asia, importantly, for small business, [the] Supplier Payment Code was an initiative of the BCA and involved working with the Council of Small Business Organisations.

So, I appreciate the comments you make that there may have been lobbying, or there has been lobbying by the Business Council on positions which are odds with our position on energy emissions reduction, but there are some things that the Business Council does that we think have been valuable.

We certainly, to the extent that we actively engage in the Business Council, will be promoting our views to the Business Council. I have met with the new President of the Business Council, who I think is bringing some fresh thinking. But obviously, that's up for the Council as a whole to come to a landing on. So, thank you for it, but I don't have a black and white answer to give you today on that one. But Ross, having been here for three weeks, once he's had a chance to think through these issues, may well get to the point where by next year we have something more concrete to show you.

Daniel Gocher: (ACCR) I'll be back next year then.

Philip Chronican: Thank you. Thank you, Daniel. Before we ask shareholders to vote on Item 6A, are there any further questions or comments from shareholders present today on Items 6A, 6B, or indeed, Item 7? Microphone 3 to start with and then we'll come [down].

Operator: Chairman, I would like to introduce Ambrose Hayes.

Philip Chronican: Thank you.

Unidentified Participant: Thank you, Chairman. Over the past week, air quality readings in some parts of Sydney have been more than 10 times worse than hazardous levels. Last week, the New South Wales Department of Education issued instructions to schools to stay indoors during recess and lunch in order to minimise exposure to adverse effects. Last week, the New South Wales Environment Minister, Matt Kean, said that no one can deny that climate change is to blame for the bushfire crisis.

As bushfires burn across New South Wales, does the Board agree? If yes, does the Board accept that financing the expansion of the fossil fuel industry will only contribute to the conditions that are causing such extreme weather and climate conditions to worsen?

Philip Chronican: Sorry, have you finished your questions?

Unidentified Participant: Yes.

Philip Chronican: Yes, good. I think and this is not a formal Board position, but I think that I can say that the position of the Board is we fully understand the science of climate change and we fully understand that that means that we'll be exposed to more extreme weather events, or indeed more extreme events more generally as a result of climate change. Obviously, the combination of drought and heat is a major contributor. So, it's impossible to say that the fires are not in some way, the prevalence of the fires and the frequency of the fires is not in some way related to climate change activity. We have a position on climate change, which is that we should support the long-term Paris goals. So, I think that's as clear as I can be on our position.

Unidentified Participant: I had a quick follow-up question to that. School strikers like myself have spent months challenging the Australian Government - in fact a year as of a few days ago - to get serious about climate change action. But recently I read that the Paris Agreement on Climate Change was first struck, NAB has financed enough fossil fuel projects to cancel out the gains that would have been made, even with Australia's pitiful greenhouse gas reduction target.

Can you explain to me and all the other young people taking action on climate change, why we shouldn't turn our attention to banks like NAB which are undoing any progress made to reduce Australia's emissions by expanding the fossil fuel industry around the world?

Philip Chronican: I think I just need to reiterate something I said earlier, which is (a) that we have capped our thermal coal exposure, but more generally our fossil fuel exposure is only a very small component of our total credit exposures as an organisation. Something like less than 0.01 of 1% of our credit exposures.

So, I think the – and it's an earlier speaker made the comment- we have to have a position around how we will adapt to the transition to a low carbon economy, but the broader issue of how Australia meets its Paris climate commitment is one best left to government policy. There are risks for a bank in how we manage that, so we do need to be mindful of issues like stranded assets, and I think one of the earlier speakers touched on that.

But I think it's wrong to think that a bank with less than 0.01 of 1% of exposure to thermal coal mining and something not much more than 1% for total resources in general, is somehow going to be able to make a material difference in that regard. Our exposure to resources generally is not growing materially, and what is growing materially is our environmental finance, either to environmental property infrastructure such as 6 star residential housing, renewable energy and other environmental support programs.

That massively outweighs any investments we're making in traditional fossil fuels. We targeted some time ago building up a commitment of \$55 billion of environmental finance, we'd already done \$33.6 billion, and as part of our recent sustainability report we've indicated that we'll be raising that target to \$70 billion.

So, what I hope shareholders can see from that is the scale of investment we're making and the transition to a low carbon economy, materially outweighs any of our current exposures to fossil fuels. Do you have another question for microphone 1, thank you.

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

Michael Sanderson: (Shareholder) Howdy again, I've listened to the argument of the people advocating for change and I agree with them wholeheartedly. However, the US did a study or did a roadmap to renewables, a study that was a roadmap to get the renewable energies to replace fossil fuel industry.

That report was rebutted and there is a document called *The Roadmap to Nowhere*, it's about 400 pages long, it's easily available online. I would commend everybody that's interested in climate change have a read of that. That document states that it's impossible to replace fossil fuels with renewable, reasonably, and they advocate for nuclear energy.

I was anti-nuclear to the max, like everybody else I suppose at some point. In my journey, I came across a technology called molten salt reactors. There is a current reactor being developed in the US which is called a molten chloride salt fast reactor. This reactor has a waste life to background rates of 100 years, not 10,000. It is walk away safe; it is [unclear] following.

It will burn the nuclear waste that exists today, it cannot be used for bomb making. Now my question is, if the Australian Government lifted the moratorium on nuclear energy in this country, would the bank consider financing such nuclear technology, which is virtually carbon neutral with the exception of the construction costs?

Philip Chronican: It's impossible for me to answer the question in the frame you've put it. All I can say that one of the important riders that we had in our statement on sustainability is that we would continually review in the wake of new information, both on climate science and on technology, the way in which we would execute our transition plan.

So, what that means is that there's a variety of possible technologies that could become available to address secure energy. I'm not aware of the one that you're speaking of, but I also know of significant advances for example in energy storage, which may allow for the issue of intermittency from traditional renewable sources to be addressed. So, all I can say is that if a new source of energy was identified, we would look at it deeply and assess the risks involved in that.

Michael Sanderson: (Shareholder) On that basis I'd suggest you look at *The Roadmap to Nowhere*, it does address things like storage.

Philip Chronican: Good, thank you.

Michael Sanderson: (Shareholder) Everything, it's a very, very comprehensive scientific no '[expletive]' document, thank you.

Philip Chronican: Thank you. All right, microphone 4, thank you.

Operator: Chairman, I'd like to introduce Darius Peczek.

Darius Peczek: (Shareholder) Good afternoon Chairman and the Board. I would like to put a little bit different perspective to this ongoing discussion which there is lots of confusion about that. If we look at the reality in the world, the reality is that the demand for coal is still on the way up. It's enough just to look at the first page of national newspaper today and read that international energy agency predicts 4.6% rise in coal power generation in countries like India, Indonesia, Vietnam.

So, they are all, all those people there who are not as well off as us, they need to generate cheap electricity, and that's the best way they have at the moment. Unfortunately, there is not, they cannot just generate all the electricity from renewable resources. So, I would ask the other side, maybe instead of having being here at this forum and trying to stop Australia exporting coal, maybe they should go to India, Vietnam and Indonesia and tell them to use less electricity.

Because to stop that confusion, we need to put things in a proper perspective. Thank you.

Philip Chronican: Of course, thank you very much. Microphone 3.

Operator: Chairman, I would like to introduce Philip Sweeney.

Philip Sweeney: (Shareholder) Thank you, Chairman, just picking up on the point of the last gentleman there. It's a truism to say that complex problems rarely have simple solutions. I note here in the appendices, it says here NAB's current activities, despite the rapid declines in fossil fuel use that can be expected under Paris-aligned transition, et cetera.

Now anybody that's interested in this vexed subject, I can recommend the BP report they put out every year on world energy usage. If you download the current one and have a look at energy usage over the last year, both in petroleum, natural gas and coal, you'll find that fossil fuel usage actually accelerated last year when you compare it to the decade-long average.

I think we have to recognise that fundamentally the Paris agreement is a failure. This was recognised by President Donald Trump last month when he formally withdrew the USA from the Paris agreement. I'm saying this in the context that the American economy now under Donald Trump or President Trump, is the best it's been in 50 years.

So, there are consequences in any of these sorts of decisions, and the arguments for and against coal I think have to be looked in the context. The previous gentleman mentioned about India, and I have some statistics here in that every year 1.4 million children in India die before their fifth birthday. Now when people talk about stolen childhoods, here 1.4 million children have lost their childhoods, so that needs to be put in perspective.

I don't think anybody would consider that to be acceptable, and certainly the Indian Government does not. Over the last decade, 271 million people in India have been lifted out of poverty, that's 10 times the Australian population, by the efforts of the Indian Government. So, how did they achieve this remarkable feat?

India has focused on improving access to electricity and extending sanitation coverage, which of course requires electricity for pumping in clean water and pumping out dirty water, et cetera. However, while 271 million people have been lifted out of poverty, there are still some 370 million people that remain in poverty.

Of course, India is also putting in, installing solar power stations and endeavouring to utilise renewable energy wherever possible. But the fact remains that thermal coal provides the lowest cost, most reliable electricity in the world. Until new technology comes along, that will be the case. In then governments like India and other third world countries are faced with lifting their population out of poverty, reducing the death toll of infant mortality, thermal coal is a way they can do it today.

It troubles me very greatly when people are saying that we should stop shipping thermal coal from Australia to lifting the standards of children in the third world, thank you.

Philip Chronican: Thank you, the next question will come from microphone 1.

Operator: Chairman, I'd like to introduce Mrs [Forcheimer].

Mrs Forcheimer: (Shareholder) Mr Chair and shareholders, I'm against these motions and I wish to explain to some of those very young people, that they should perhaps look at Australian history, read the diaries from the First Fleeters. In 1789 we were almost burnt out by bushfires. There were possums falling out of the trees then from a massive heatwave, which just happened now.

Who's saying all this is just happened now? They didn't have such accurate thermometers then in 1789. 1939 from one end of the country to another, the country was full of bushfires just like now, it's not just now. So, you can't blame all these things on so called climate change. We should not give into these silly greenies with this.

Now, Jack Beale, who was a member of the New South Wales Parliament, who is a friend of mine and a great engineer, he told me the most important thing for having power for producing coal, not coal, steel and things like that, heavy industry, is baseload power and that is best obtained at the moment from coalfired power. Although as the other gentleman suggested, nuclear power is an alternative.

Until we have viable alternatives for heavy industry, we need to have power for baseload, sorry, coal for baseload power. Now the best kind of coal to burn of course is the cleanest coal, which is I can't remember the name, but I learnt it in geography. Anyway, there's a

very clean type of coal that's not the ones that are generally used that makes a lot of smoke, I forget what it is, but anyway, oh anthracite.

So, if we concentrated on anthracite, that's much better. Our company should not be going along with all kinds of foleys. What we should be doing is supporting Australian industry in every respect, like the farmers here. We should not be leaving the farms. I was a lawyer in country New South Wales, and I can tell you how important banks are to country New South Wales.

We should be supporting our farmers; we should be supporting all innovative industry rather than going along with a whole lot of greenie motions.

Philip Chronican: Thank you, I'll just reiterate a comment I made earlier, that we are the largest Australian Bank supporting Australian agriculture. Microphone number 3 please.

Operator: Chairman, I'd like to introduce Varsha Yajman.

Philip Chronican: Thank you.

Varsha Yajman: (Market Forces, Representative) Thank you again. I'm speaking to support this resolution although in truth, I would have preferred that it never needed to be lodged in the first place. Sadly, NAB's failure to align its lending practices and policies with the climate goals of the Paris Agreement has made this resolution a necessity and one we all need to support.

For any shareholders in this room who may be unfamiliar with the substance of the resolutions, they request NAB to disclose targets for the reduction of exposure to the fossil fuel sector in line with the goals of the Paris Agreement. Principally, there are two reasons why this resolution should be supported by investors. First, it's a fact that any prudent financial institution should seek to protect itself from the transitional risk climate change poses to its bottom line. In other words, NAB should be avoiding exposure to companies and projects that face stranding and devaluation as a result of action to reduce greenhouse gas emissions.

Quoting the Reserve Bank of Australia, transition risk will be greatest for banks that lend to firms in carbon intensive industries and to individuals or businesses that are reliant on these firms. It seems that NAB's relationship with the RBA on climate change is similar to its position on interest rates, half measures at best.

Since the Paris Agreement was signed in 2015, NAB has lent at least \$6.4 billion to the coal, oil and gas industries. Our exposures to these sectors is sky-high and it seems that

the Bank is, if anything, doubling down on the industries that are facing massive devaluation as a result of action to mitigate climate change, thereby exposing shareholders to that risk.

The other reason this resolution should be supported is that it is simply the right thing to do. Those of us living in Sydney have had a vile taste of climate change lately. Breathing the Blue Mountains World Heritage forest into our lungs is not an experience I recommend. Nor is the devastation caused around Australia from the bushfires that have ravaged thousands of homes and families before summer ever began or the record-breaking heat that is passing across south-eastern Australia as we speak or the rapidly declining Great Barrier Reef. We don't need any more of this yet these impacts are only projected to worsen and we can't even have a conversation about keeping global warming under control while banks like NAB are continuing to finance the industry's expansion.

In the year 2019 and moving into 2020, financing the expansion of the fossil fuel industry is not only financially reckless but morally reprehensible.

As I said at the start, I wish this resolution was not necessary. I wish NAB was in a position where I could stand here and laud our Company's leadership but in recent years, we have seen greenwash and half measures fill the void where leadership should be. Last year, NAB committed to no longer finance arctic oil despite not having been exposed to this sector in the first place. You have said you would not finance new thermal coal projects yet continue to bankroll projects and their owners that are clearly expanding thermal coal production. You announced large numbers like \$70 billion clean finance commitment only for it to turn out that the bulk of this commitment applies to mortgages, only the tiniest fraction of which has anything to do with sustainability.

You want our appreciation for this greenwash. You're lucky to have not been sued for fraud. The only measure by which the Bank has chosen to set a target for reducing its exposure is the thermal coal mining and even this target is wholly insufficient. While climate science calls for the phase out of thermal coal by 2030, a call backed by investors worth over \$35 trillion and while Commonwealth Bank and Australia's biggest three insurers commit to being out of thermal coal by 2030 or sooner, NAB has given itself another five years to get out of thermal coal while doing nothing to reduce its exposure to other fossil fuels.

That is looking the facts of the matter in the face and choosing failure. You will not be forgiven for selling out our future, not by the tens of thousands of young people taking to

the streets and demanding action on climate change, not by your customers who have given the Bank too many chances to act and certainly not by the climate, which indiscriminately responds to the tens of billions of tonnes of greenhouse gases that go into the atmosphere each year with the sorts of extreme weather and climate events we are seeing on a regular basis.

So, I say to the Board and the shareholders in this room, this is a resolution you can support because you want to protect our capital as well as a show in leadership in helping to protect the world we live in. Thank you.

Philip Chronican: Thank you. Thank you, Varsha. I do want to be clear that - I think you made the comment that we'd increased our exposure to fossil fuels by \$6 billion. Our total exposure is only - in fact, it's less than \$10 billion I think to fossil fuels. In fact, our total resources exposure is \$10.6 billion and that includes gold and iron ore. I think we need to look at this in context that there simply isn't the numbers there. Nonetheless, we are reporting on our climate reporting, enhancing that reporting to include oil and gas.

Can I move to microphone number 4 please?

Operator: Chairman, I'd like to re-introduce Hugh Vaughan.

Philip Chronican: Right.

Hugh Vaughan: (Shareholder) Thank you, Mr Chairman, and before I go on, I'd just like to congratulate those young people who have sacrificed so much of their time today to come here and speak truth to adults, many of whom are in denial about the truth that these young people are telling us.

Mr Chairman, I heard your remarks earlier about the - downplaying the amount of fossil fuel exposure that the Bank has. Of course, if the world is to reach net-zero then that means zero everywhere and that means every bank, every financial institution, every organisation, every government. So, a little of something is still something and we need it to be reducing not increasing.

Now it's my understanding that in the past year, NAB's [unclear] exposure to coal, oil and gas has increased dramatically by 30%. The Reserve Bank of Australia has said about climate risk, transition risk will be greatest for banks that lend to firms in carbon intensive industries and to individuals or businesses that are reliant on these firms.

Why has NAB chosen to inflate its exposure to industries at the very time that the Reserve Bank is saying that these industries hold a transitional climate risk?

In addition, could you explain, what is the Board's understanding about shareholders' right to pursue the Bank for damages if we take a financial hit as a result of exposure to companies and projects that suffer foreseeable financial loss as a result of climate change?

Philip Chronican: Is that the questions?

Hugh Vaughan: (Shareholder) Yes, it is.

Philip Chronican: Thank you. So, I just want to take the first question about the increase in exposure to coal just for the benefit of other shareholders. The only reason that our coal exposure went up was there was a change in the methodology of the calculation of exposure. The underlying exposure did not increase. Secondly, I'm not aware of any avenue for shareholders to pursue banks under the circumstances that you have outlined. Can we move to microphone 3 please?

Operator: Chairman, I would like to introduce Geoff Parson.

Geoff Parson: (Shareholder) Thank you, Chairman. I've been to the NAB meeting the last two years and one or two other bank meetings and I see the renewable proponents trying to stop us investing in coal. Now fair enough if we want to reduce our exposure to coal but that won't make any difference to the world's CO2 emissions, particularly with the countries that are expanding their use of it and it was mentioned India before and China and a few other countries are rapidly expanding their use of thermal coal. So, restricting our exports from Australia I don't think will make any difference to the CO2 emissions in the world.

I think that the kneejerk reactions of going to renewables, sure they're an adjunct but they don't replace that baseload power and that's what we need in Australia, particularly the eastern states where it's still reliant on coal. I agree with the technology to try and reduce that but we can't have a kneejerk reaction that limits it artificially. Thank you.

Philip Chronican: Thank you. Thank you for your contribution. If there are no more questions I'll now formally put the motion for Item 6A to insert into the constitution in clause 8 General Meetings, the following new subclause 8.3A Advisory Resolutions.

The Company in general meeting may by ordinary resolution express an opinion or request information about the way in which a power of the Company partially or exclusively vested in the directors has been or should be exercised. Such a resolution must relate to a material risk identified by the directors or the Company and cannot advocate action that

would violate any law or relate to any personal claim or grievance. Such a resolution is advisory only and does not bind the directors or the Company.

Proxy votes received in advance of the meeting for this item are now displayed on the screen.

I now declare a poll open for you to vote on this item of business. Please press one to vote for, two to vote against or three to abstain from voting. Please record your vote now.

Okay, I think we're getting close to the closure. I'll give it a few more seconds.

Okay, I now declare the poll closed. The result is now displayed on the screen showing a combination of proxy votes and votes cast by those here today. On that basis, the resolution has failed.

As Item 6A was not successful, Items 6B and 7 will not be put to the meeting.

As I said earlier in the spirit of transparency, we will now show the proxy votes received in advance of the meeting in relation to those two conditional items. Item 6B shown there and we're moving to Item 7. There it is, Item 7. Thank you.

That now covers all of the business before the annual general meeting. In addition to displaying the voting results on the screen during the meeting, voting results will be released to the Australian Securities Exchange and will also be displayed on the Company's website. The Board, directors and executives will be outside if anyone wishes to ask us any further questions.

No further questions in the room, I will now declare the meeting closed.

At this point, I'd like to, on behalf of the Board, once again thank Anthony Yuen as he retires at the end of this meeting. I would also like to thank our customers and shareholders for their continued support of National Australia Bank.

I now formally declare this AGM closed and invite you to enjoy refreshments with us. Thank you.

End of Transcript

