

Community Dig Deeper



We're committed to our communities

We appreciate the special role a bank has in the community and broader economy. That's why we're always looking to develop deeper relationships with our communities – through partnerships and initiatives that focus on supporting education, financial and social inclusion and mental health.

This is our third year producing an integrated Annual Review on our business – combining our previously separate Shareholder Review with our Corporate Responsibility Review.

To inform the content of our report, we undertake an annual Corporate Responsibility (CR) materiality process to assess the most significant issues in each of our CR segments: Customer, People, Community, Environment and Supply Chain. This year we sought feedback from investors, analysts, employees, government, community partners,

consumer advocacy groups, non-government organisations and business leaders on the most material issues to NAB. We then focus on including details on these issues in our Annual Review.

We understand, though, that we have a diverse range of interests in our business. Our *Dig Deeper* papers aim to give extra performance commentary and data around our CR segments – allowing our Annual Review to be a succinct overview of performance against NAB's material issues.

The content of these papers is informed by our materiality process and stakeholder engagement conducted throughout the year. Alongside this we also conduct an annual peer and media review to ensure our reporting is in line with best practice. Additionally, the Global Reporting Initiative Sustainability Guidelines (G3) framework guides the disclosures in our Annual Review and *Dig Deeper* papers.

Further information on how we manage key issues, along with program details, case studies and news stories can be found at www.nabgroup.com/cr.

If you have any feedback or want more information on our approach to CR please let us know by emailing corporate.responsibility@nab.com.au.

Community issues

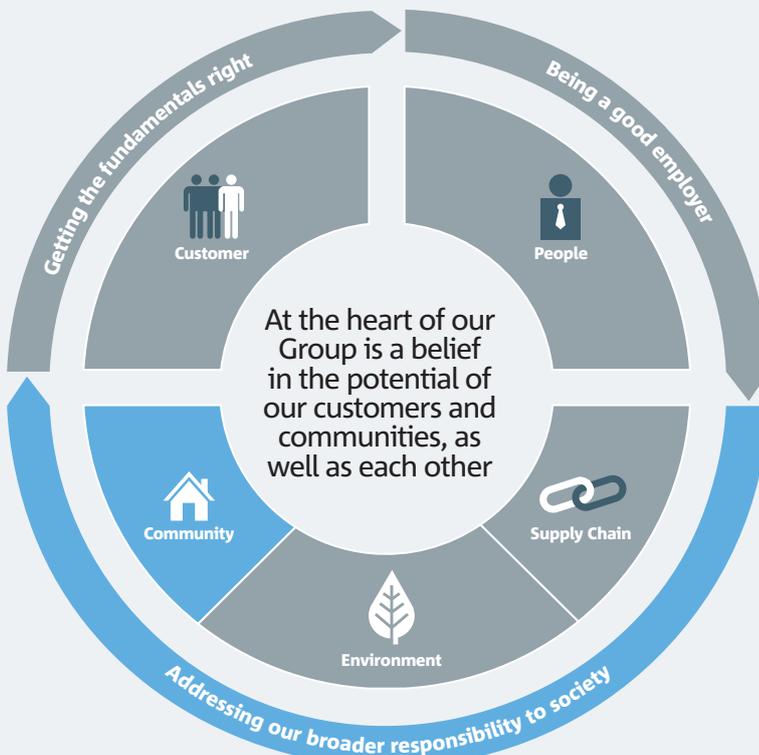
This year, our materiality process identified the following community issues as most relevant to NAB:

[Community investment](#)

[Disaster relief](#)

[Reconciliation action](#)

[Volunteering](#)



References to 'we', 'our', 'us', 'nab', 'NAB', the 'National', 'National Australia Bank' or the 'Company' are to National Australia Bank Limited ABN 12 004 044 937. The 'Group' refers to the National Australia Bank Limited and its controlled entities. All references are as at 30 September 2012, except where otherwise stated. Any references to changes (including an increase or decrease) relate to the previous year, unless otherwise stated. Forward-looking statements, including targets, are not guarantees of future performance.

Community dig deeper

Our Corporate Responsibility commitments

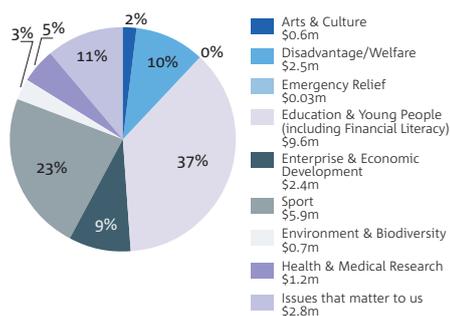
In our 2011 Annual Review we set out a series of commitments for the coming year. The 'Community' CR commitments for 2012 and performance against these commitments are summarised below:

Commitment	Performance
Maintain a solid level of community contributions and continue to develop NAB's flagship programs.	We've achieved this. Our performance is described in detail throughout this Paper.
Shift the focus of employee volunteering programs in Australia and New Zealand to skilled volunteering.	We've achieved this. See our ' <i>Volunteering</i> ' section for detail on the uptake of general volunteering and skilled volunteering.
Continue to increase the uptake of employee matched giving and payroll giving programs.	We've achieved this. See our ' <i>Workplace Giving</i> ' section for details.
Conduct an enterprise-wide review of NAB's involvement with the education sector and update our strategy.	We've achieved this. See our ' <i>Education</i> ' section for detail on our education strategy in Australia.
Continue to increase the number of Indigenous traineeships converted to permanent employees.	We've achieved this. This year 30 Indigenous trainees obtained permanent employee positions, up on 6 in 2011. See our <i>People Dig Deeper</i> paper for further information.

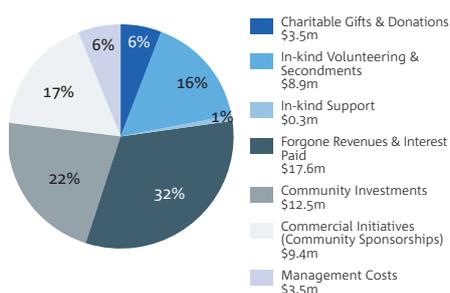
Our investment in the community

	2012	2011	2010	2009	2008
Total community investment (A\$m)	55.7	72.2	61.9	58.0	33.6
Community investment as a % of cash earnings before tax	0.72	0.93	0.95	1.05	0.53

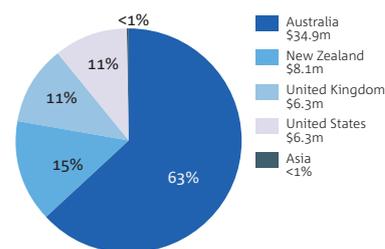
Community investment focus area %¹



Community investment by type



Community investment by region %



Community investment by category (A\$m)

	FY11-12	FY10-11	FY09-10
Charitable gifts and donations	3.6	18.7	8.7
Volunteering and secondments ²	8.9	8.0	6.4
In-kind support	0.3	0.6	0.7
Forgone fees and interest	17.5	17.2	17.9
Community investment	12.5	12.3	12.9
Commercial initiatives (community sponsorships)	9.4	10.1	11.8
Management costs	3.5	5.3	3.5
Total	55.7	72.2	61.9

¹ Excludes contributions of management costs, volunteering and forgone revenues and interest paid.

² Value of volunteering has been calculated by multiplying the relevant average daily salary for each region for employees who have volunteered by the number of days completed.

Community dig deeper

Contributing to communities (also known as Corporate Community Investment, or CCI) encompasses all forms of support provided by NAB, from charitable gifts and donations, to community partnerships, employer-supported volunteering and community sponsorships.

To manage and track our community investment, we use eight categories. Each of these categories are (with the exception of forgone fees and interest) derived from the London Benchmarking Group (LBG), with some small changes adopted by the Australian Benchmarking Group. The categories show the difference between short-term donations and longer-term community capacity-building programs. They also show the difference between contributions delivered in-kind and those that are financial.

The categories are:

Charitable gifts and donations – Intermittent or one-off support for a broad range of causes in response to the needs

and appeals of charitable and community organisations.

In-kind support – Includes in-kind gifts, property space and equipment.

Volunteer time – The value of volunteer time undertaken by staff in support of community causes.

Community investment – Long-term strategic involvement in community partnerships to address a specific range of social issues.

Commercial initiatives – Includes community activities by business units that support the success of the business in partnership with charities and community based organisations.

Management costs – Costs incurred in developing and sustaining CCI initiatives, both wage and non-wage.

3rd party facilitated donations – Any additional funds that are raised by 3rd parties as a direct result of NAB's involvement.

Although we track 3rd-party facilitated donations, this amount is not included in the community investment total of \$55.7 million.

Forgone fees and interest – Where we reduce or waive fees, charges and/or interest margins on products or services for community benefit. Although this category does not sit within the London Benchmarking Group's Guidelines, we will continue to report on this item as a contribution, as this category has significant benefits for local communities, delivered as a part of the NAB Group's core business. For example, we contribute through the removal of ATM fees for disaster affected areas and the removal of fees for non-profit organisations and microfinance customers.

Sponsorships that are used to raise awareness about the Company or to promote the Company or the Company's brand do not fall under the 'community investment' heading. These sponsorships are typically accompanied by advertising and are generally not directly associated with specific community group(s).

OUR FOCUS AREAS

Education

We know just how big a role education plays in preparing young people for the unique challenges that face their generation. NAB has developed a strategic approach to its community investment in education, with our core education program, NAB Schools First, at its heart.

Our focus on young people and education aligns directly with our belief in potential – and is a long-term driver of prosperous and vibrant communities and supports our future strategy.

NAB Schools First

This is our flagship education program – rewarding and recognising outstanding partnerships between schools and their communities to improve student outcomes.

After the first three years of the program, the numbers were already impressive. NAB has awarded \$15 million to 310 outstanding school-community partnerships, and seen more than 2,500 NAB employees volunteering their time as part of the program.

In late August 2012 we announced our fourth round of winners – and that took our total commitment to \$18m in award funding to 440 schools across Australia. And as a testament to the success of the program,

29% of Australian schools have submitted applications for a NAB Schools First award.

The Big Idea

In 2012, NAB supported the pilot year of The Big Issue's latest competition - The Big Idea. Leveraging 15 years of experience running successful and sustainable social enterprises, The Big Issue introduced this national competition between the universities, inviting students to develop a concept and business plan for a social enterprise.

The competition supports NAB's Education Strategy by developing socially active young people and engages with a sector (Universities) that is of value to NAB.

Alannah and Madeline Foundation

NAB supports the Better Buddies Framework – an initiative of The Alannah and Madeline Foundation – aimed at creating caring and friendly primary school communities and minimising bullying. To date, 1,000 schools and over 300,000 children have been enrolled in the Better Buddies program.

Indigenous School Traineeships

See our 'Indigenous Program' section for further information.

Principal for a Day

Principal for a Day, a program delivered by the Australian Council for Educational

Recognising NAB Schools First

This year NAB received an award for NAB Schools First by the International Education Business Partnership Network, by way of an Honourable Mention (Award) for Theme 1: "Partnerships that demonstrate capacity building, leadership and innovation in the Australia/Pacific region". The International Education Business Partnership Network is a Global Network of education, business and community partnerships which offers a series of services to members and associates which enables partnership development, provides opportunities for collaborative learning and facilitates global networking.

We also won the corporate award from Life Education, as part of their Gold Harold Awards, which are designed to honour achievements made by leading Australian individuals and organisations that have contributed to the health and wellbeing of Australia's children and young people.

Community dig deeper

Research, aims to increase understanding and awareness between schools, businesses and the wider community; provide business/community leaders with first hand and current experiences of schools; enable school principals to develop on-going relationships with a successful leader in business or the broader community; and

increase opportunities for schools and the private sector to work together in mutually beneficial ways.

In 2012, over 60 NAB employees participated in this program.

New Education Programs

As part of our recently developed Education Strategy, we are now in the process of establishing new education partnerships to help develop financially-capable, socially-minded, work-ready young people. We will be reporting on our new partnerships in 2013.

Inclusion

We have an important role to play in fostering a more inclusive society, and taking a leading position promoting and supporting financial and social inclusion (including employment).

Responding to financial exclusion

Our approach centres around three key pillars:

1. Offering world-leading microfinance programs for low income earners – a partnership with Good Shepherd Microfinance, governments and more than 200 community agencies around Australia that draws on a capital commitment from NAB of \$130m.
2. Indigenous programs that focus on providing better access to banking services to some of the most financially disadvantaged communities in Australia.
3. Making banking more accessible, by providing basic good quality products and services; ensuring fair fees and charges; helping, guiding and advising customers; and showing compassion and support.

You'll find more information on the work we're undertaking to improve financial inclusion in Australia in our *Customer Dig Deeper* paper, including our investment in microfinance.

Our Indigenous program

This is all about improving the long-term social and economic welfare of Indigenous Australians by creating jobs, building business partnerships and creating access to safe and affordable microfinance. Our fourth Reconciliation Action Plan focuses on three areas: financial inclusion, building access to real jobs and cultural awareness. This document is available in full on our website: www.nab.com.au/indigenous.

Right now, 89 School Based Trainees (SBTs) are working at NAB while completing Year 11 and 12, a Business Administration Certificate II and a minimum of 800 hours paid work experience. Our 2012 retention rate for SBTs during the term of their traineeship was 81%.

15 Full-Time Trainees (FTT) also started work with NAB this year. These trainees are generally older (average age 25), completing a Business Administration Certificate III, and will complete minimum of 1,700 hours, or

12 months paid work. Our 2012 retention rate for FTTs during the term of their traineeship was 68%. We offer traineeships in our Business Bank (8) and Personal Bank (4) and have recently expanded into MLC (3) and are looking to place more in Mortgage Services and Collections.

We want to see the Indigenous trainees transitioning successfully to real jobs with us – and we're starting to get somewhere. 14 SBTs and 5 FTTs have accepted permanent positions with NAB. This was from a possible pool of 27 SBTs where 3 SBT graduates went onto tertiary education, 9 SBTs accepted employment outside of NAB and 1 SBT is a stay at home mother. We consider all of these outcomes to be positive.

The African Australian Inclusion Program (AAIP)

Lack of work experience in the Australian business sector is the single largest barrier for skilled African-Australians to gain employment, despite excellent qualifications and skills. And that's where the AAIP is so helpful. This work-placement program with a developmental focus, offers qualified African-Australians the corporate experience they need to enter into the Australian professional workforce.

The AAIP was first piloted in Melbourne in 2009, with five participants. The program now operates in three states (Victoria, New South Wales and Tasmania), and this year we celebrated our 78th participant entering the program.¹ Individuals from 14 African countries have completed the program.

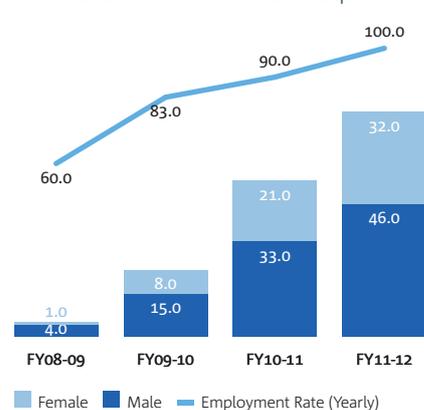
It's been a really successful program, with a 93% employment rate of participants when they finish their 6 month work placement. In total, 40 participants have remained at NAB, with 28 in permanent roles and 12 in extended contract roles. 10 past participants have found employment outside NAB with companies such as KPMG, IBM and Deloitte and 4 are still actively seeking employment.

This year also saw us begin a project (in collaboration with Net Balance and our community partner Jesuit Social Services) to measure the impacts of the AAIP, using the Social Return on Investment (SROI) methodology. The analysis will involve

detailed interviews with past and current participants, family members, unsuccessful participants, NAB employees working with participants, our community partner, Jesuit Social Services and the broader African Community. The results of the SROI will be available in December 2012 and we will disclose the results in our reporting for 2013.

Year	Number of participants
2009	5
2010	18
2011	31
2012	24

African Australian Inclusion Program Graduates cumulative since inception



The bar chart highlights the number of Females and Males who participated in the program. The employment rate highlights the number of AAIP participants who have obtained employment after the program. This figure includes employment within and outside of NAB.

Making an impact

NAB has also commenced work to develop a framework for Impact Investment (investments intended to create a positive impact beyond a financial return). We believe that it is important to meet the changing needs of the community. In particular, we need to support innovative models for the not for profit sector to access capital in areas of market failure. Our work in developing an Impact Investment framework is ongoing and we will communicate progress throughout 2013.

¹ Refers to the current round of participants, not captured in the reported figures which describe the status of participants as at 30 September 2012.

Community dig deeper

Our community engagement and giving

We know that getting involved in the community is a huge source of pride and engagement for our people. Our employees have told us that their involvement in community and volunteer programs really influences how they feel about working at NAB and how connected they feel to the enterprise, our strategy and culture. It also helps them feel more motivated to go above and beyond in their role – which directly translates into greater financial gains, improved customer satisfaction and stronger employee performance.

Through our Community Engagement and Giving program we actively encourage our employees to engage in social issues they feel passionately about – through the giving of time (volunteering), financial support (workplace giving and employee community grants), skills (skilled volunteering with not-for-profits and secondments through our partners Earthwatch and Jawun) and access to resources/infrastructure (e.g. leveraging our facilities and supply chain).

We also partner with a select group of community organisations to drive long-term, strategic capacity building to these organisations, while giving our people direct opportunities to raise awareness of key social issues.

Workplace giving

Launched in February 2007, NAB's Workplace Giving program encourages employees to make regular donations directly from their salaries to any Australian registered charity – with NAB matching donations, to the value of \$1,200 per employee annually.

Total value of
Workplace Giving
\$1.7m

This figure includes the total amount given by our employees within Australia (including JBWere and MLC) and matched by NAB.

Volunteering

Across Australia, New Zealand and the United Kingdom, we encourage our employees to take a minimum of two days' to make a difference in the community through volunteering. And in 2012 we've seen a 2.4% increase in the number of volunteer days contributed by NAB employees across the Group.

There are a number of reasons for the increase, including the way we've closely linked our volunteering program to our major community investments, how we've offered a greater number of longer-term secondments, the increased number of skilled volunteering opportunities and placements we've created, as well as initiatives such as BNZ's Closed for Good.

Take a look below for a brief summary of these activities by region.

Australia

NAB has one of the largest employee volunteering programs in Australia – based on length of program, take-up rates and the minimum hours made available to employees to volunteer (16 hours). And since we began our volunteer program, we've been able to develop relationships with over 450 community organisations across the country.

Throughout 2011–2012, we contributed over 17,060 volunteer days to community groups within Australia, the equivalent of just over 46 years of consecutive community service. We supported 34 employee secondments with partners such as Earthwatch and Jawun, and we offered over 21,100 opportunities to NAB employees via our Volunteer Planner.

In 2011–2012, NAB's Australian employees contributed 1,490 days of skilled volunteering, a 13.5% increase on the previous year.

Volunteering data

	FY11-12	FY10-11	FY09-10
Number of days (Group)	26,254	25,633	20,718
Change in days volunteered from previous year (%)	+2.4	+23.7	+66.0
Value of contribution (A\$m)	8.9	8.0	6.4
Australian employees who took volunteer leave (%)	44.5	41.3	31.0
Number of skilled volunteering days (Aus & UK) ¹	3,390	1,335	1,001

¹ Skilled volunteering days for FY10-11 and FY09-10 are for Australia only. Skilled volunteering refers to volunteering that allows employees to share and develop their existing skills (such as strategic planning or financial analysis).

New Zealand

This year, our employees contributed 4,952 volunteering days to the community. The vast majority of these (2,808 days) were completed through our flagship volunteer program 'Closed for Good' which gives all our employees – from our leadership team to frontline staff – the chance to spend the day working on one of 488 nationwide community projects.

Since we began our volunteering program in 2009, NZ employees have given more than 19,000 days of their time – equivalent to 52 years of consecutive community service. Our participation rates are outstanding across the business, with 88% of our people getting involved – far higher than the New Zealand LBG members average of 22.9%, and the financial services average of 30.9%.

United Kingdom

All our employees are encouraged to take two days' paid leave to work in the local community and in the last financial year, our employees contributed 4,203 volunteering days. This number includes days contributed by employees within Clydesdale and Yorkshire Banks (CYB) and also NAB Wholesale employees based in the UK.

Activities are split into non skills-based, such as gardening, painting, fundraising and administration tasks; and 'Skills Xchange', such as mentoring pupils, making presentations to schools, or taking up a role as a Charity non-executive Board member or School Governor. Over the last financial year, 47% of CYB employee volunteering has been focused on Skills Xchange and 53% on non-skills based.

Our focus across the enterprise for 2013 remains on increasing the uptake of skilled volunteering. We'll continue to shift the focus of programs to enable skilled volunteering opportunities and capacity building across the business.

You can read more at nab.com.au/volunteering

Community dig deeper

Emergency relief

2010-11 was a terrible year for natural disasters. We saw flooding in Queensland, Cyclone Yasi, the Christchurch Earthquakes and the tsunami in Japan. Needless to say a huge number of NAB customers, communities and employees were affected by these in some way. That's why, as a direct response, the Group contributed over A\$12 million to relief efforts through various organisations such as the Red Cross, Queensland Premier's Relief Appeal and partners, Save the Children. Thankfully this financial year, we've not seen anything like what happened last year. But our experience in 2010-11 showed us the need for a clearer response process – and that's led to us developing our Natural Disaster Relief Framework. This framework outlines how we assess disasters, provide relief for our customers and employees, and use our resources to contribute to aid efforts as quickly as possible.

MLC Foundation

The MLC Community Foundation is a charitable trust established in September 2008, with a mission to improve mental health outcomes for all Australians.

It's an area of serious concern. In fact, the 2007 National Survey of Mental Health and Wellbeing (conducted by the Australian Bureau of Statistics) found that 45% of Australians aged 16-85 (or 7.3 million people) had at least once in their lifetime experienced at least one mental disorder.

We've chosen to focus on mental health because of the significant impact that mental health issues have on our customers, people and business. It's a focus that over the last 5 years has seen us invest \$4.5 million in grants.

Our most significant partner is Lifeline Australia, to whom we've already donated more than \$1.8 million. Right now, that money is being used to provide Lifeline's Online Crisis Support Chat service, which connects people with trained workers via text-based, one-on-one online chat. It's a vital service, especially when you consider that only 6 per cent of Lifeline's callers on the phone were assessed as 'high risk' of suicide, whereas 57 per cent of users of the online service were considered high risk. (And that more than a third of users of the online service said they wouldn't use a telephone crisis service.)

In addition to financial support, the MLC Community Foundation has supported Lifeline from within, with involvement including business mentoring, creation of marketing and communication plans, and help with strategy direction. Furthermore both organisations have created shared value through Lifeline providing training to NAB Care's employees in mental health identification and referral processes. For further information on our NAB Care team, refer to our *Customer Dig Deeper* paper.

Our contributions don't stop there though. Through our annual grants program we provide philanthropic grants and also

capacity-building opportunities. For example, this year we provided a grant to assist CanTeen in developing resources for siblings of cancer patients and our Online team used their expertise in transferring hard copies into e-books and online materials. We also assisted the Garvan Medical Research Foundation in developing the core infrastructure of their flow cytometry facility and our Marketing and IT team worked on the Foundation's website to improve its Google ranking.

Yorkshire and Clydesdale Bank Foundation

In the current economic climate, the UK Government's support for the not-for-profit sector has come under pressure – and that's seen the UK Government step up its engagement with the business community to make it easier and more compelling for people to give time and money to charitable organisations.

We've revised our community strategy this year to deepen our level of involvement in supporting local communities – particularly in the areas of Education, Employability and Environment. We've focused our efforts on volunteering, workplace giving and fundraising – such as for Help the Hospices. Our continued support for Help for Hospices has been highly regarded by our stakeholders, with a number of awards received in the past year. Since our partnership started in 2008, we have given over £2.4m to Help the Hospices.

And of course, our economic contribution

Our contribution to the economy goes beyond our community investment. We are a global organisation with over 43,000¹ employees; we pay salaries and invest in the development of our people. We are the leading provider of project finance to renewable energy projects in Australia - a position we've held for seven years. We have a focus on supporting sustainable business through our supply chain and work to ensure our customers have access to fair and affordable banking. In addition to the above, we make significant tax contributions in the areas in which we operate.

See our other *Dig Deeper* papers for more information on these areas.

Economic value generated*

	FY11-12	FY10-11
Revenues ²	\$39,015 (m)	\$38,079 (m)

Economic value distributed*

	FY11-12	FY10-11
Operating costs ³	\$4,296 (m)	\$3,802 (m)
Payments to employees ⁴	\$4,526 (m)	\$4,563 (m)
Payments to providers of capital ⁵	\$25,627 (m)	\$25,258 (m)
Payments to Government ⁶	\$3,245 (m)	\$2,788 (m)
Community investment total	\$55.7 (m)	\$72.2 (m)
Total volunteer days (Group)	26,254	25,633

*Further detail on components of financial figures in this table available in the Consolidated income statement, page 80 of NAB's 2012 Full Year Results.

1 Full-time equivalent employees as at 30 September 2012.

2 Revenues is the total of Interest income, Net life insurance income and Total other income.

3 Operating costs equals Total operating expenses excluding personnel expenses.

4 Payments to employees equals Personnel expenses.

5 Payments to providers of capital is the total of Interest expense, Dividends on ordinary shares (paid or payable), Dividends on preference shares and Distributions on other equity instruments.

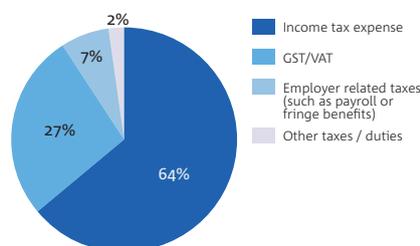
6 Payments to Government refers to Taxes borne by the NAB Group and includes income tax, GST/VAT and employment taxes.

Community dig deeper

Our tax contribution detailed¹

In FY2012, the NAB Group contributed A\$2.309 billion in income and employer related taxes to the economies it operates in globally. The NAB Group also generated other tax contributions totalling more than A\$0.936 billion in FY2012. In addition, the NAB Group, indirectly contributed A\$1.935 billion in GST/ VAT and withholding taxes, collected on behalf of and paid to revenue authorities.

Total taxes borne by NAB Group
% breakdown of taxes



¹ Taxes paid outside Australia have been converted to AUD based on the average monthly exchange rate for the period 1 October 2011 - 30 September 2012.

In FY2011, the NAB Group updated its Tax Risk Governance Policy. This policy was approved by the Principal Board in October 2011 with ultimate responsibility and accountability for Tax Risk Governance resting with the Principal Board.

The Tax Risk Governance Policy was updated to:

- reflect current international Tax Risk Governance best practice, and;
- be consistent with NAB's conservative risk posture in relation to regulatory and compliance risk.

During FY2012, NAB socialised its Tax Risk Governance Policy across its regions and core businesses to:

- seek to ensure full and proper compliances with tax obligations in each of the jurisdictions in which NAB operates
- exercise strong governance over its tax affairs Group-wide
- only engage in acceptable tax planning, and;
- seek an enhanced relationship with revenue authorities.