

Question and Answer

Unknown Attendee

Chairman, I would like to introduce Mr. [Thetpol Fanning,] Melbourne.

Unknown Shareholder

Thank you Ken, and I thank Andrew for your addresses today. Look, a couple of questions relating to your financial statements. I'm referring to Pages 8 and 9 of the full annual report. It would appear to me that your wealth management and -- division is not performing as well as it could be, and that seems to be in tandem with a lot of the other banks. And I'm wondering how -- well, specifically, Page 7. Consumer banking and wealth management was -- managed to get a 4.3% increase for the full year. And it seems like Corporate and Institutional Banking certainly pulled its weight with a 12% increase in cash earnings -- cash EPS. Now what is -- the pullback figure in consumer banking and wealth, I assume, is more wealth management than pure consumer banking. That's one. There are the 3 questions. One. Two, would either of you like to comment on the out-of-court settlement by the board on the Bank Bill Swap Rate, which we believe was in the order of \$50 million? Because there's still one bank [competing] with the negotiations taking place. Another point is the recent Basel IV guidelines which have been announced or that's for consultation late last week. What is the bank's attitude? How it will affect capital and risk weightings? Number one is TLAC. Where does the bank stand in regard to a possible TLAC overlay being imposed by APRA?

Kenneth Ross Henry

Chairman of the Board

So that's 4 questions in all?

Unknown Shareholder

Four, yes, there are.

Kenneth Ross Henry

Chairman of the Board

No, no, no. That's absolutely fine. Okay. Look, I might -- I think we'll share these around. I might ask our CEO to do the first one, and then I might say something about second one. And then I might ask our Chief Financial Officer to address the third and fourth. Does that sounds fair? Okay, let's do it in that manner.

Andrew Gregory Thorburn

Former Group CEO, MD & Director

Great. Thanks, Mr. Fanning. So just in relation to your first question about the contribution from consumer banking and wealth, I did say in my remarks that we were quite pleased with all -- the performances of all of our businesses, and that includes consumer banking and wealth. They're in different parts of the market where there's different sort of competition. Now the consumer banking and wealth part of our business, most of that is consumer bank contribution. It's not so much the wealth piece. So really, the biggest part of contribution from consumer banking wealth comes from our retail business. Now in relation to this last year, you've seen a lot of changes in the home loan market. APRA have made some changes, the system has slowed, and there's been quite a lot of competition, which has led to margin compression. So really, one of the big impacts in this last year for that part of the business was that aspect. Also, there's been some technology that we have put into the business, which really gets borne by that part of the business more than any part. So that's a sort of higher expense charge. But I want to assure you that this is a very important part of our business. It is a significant deposit rating part of our business. And when you look at rather than just profit increase, return on the capital deployed in those businesses, the consumer bank and wealth part of our business is very positive for us.

Kenneth Ross Henry

Chairman of the Board

Okay. Thank you, Andrew. Now with respect to be BBSW, you are quite right, Mr. Fanning, the amount involved in the settlement was \$50 million, and that was included in the 2017 financials, reflected in the results. That \$50 million is made up really of a \$10 million penalty. \$20 million representing contribution to ASIC's costs. And then a \$20 million that has been, by agreement, paid into a financial consumer protection fund nominated by ASIC. \$50 million is a lot of money, but I have to say to you that the board of National Australia Bank considered that this was a settlement that we should be pleased to reach. It brings to conclusion a complex issue, extensive and protracted litigation. It provides certainty to our shareholders, you people. It provides certainty to our customers and, of course, to our employees. And we accept that we did not meet high standards of professional conduct that ASIC, the community, expect. As part of an enforceable undertaking in the settlement, NAB has agreed to enhance policies, procedures, systems and the framework for monitoring employees in relation to the Bank Bill Swap market. And these will be overseen by independent expert appointed by ASIC. You'll be aware, Mr. Fanning, that the way in which the Bank Bill Swap Rate is calculated has now changed, with the Australian Securities Exchange now being responsible for the administration, and NAB fully supports the reforms that are being introduced to enhance trust and transparency in that market. Now I'll hand to our Chief Financial Officer to address Basel IV and TLAC.

Gary A. Lennon*Chief Financial Officer*

Great, thank you, Ken. In terms of Basel IV -- and yes, you're very well informed. So there was guidance given last Friday. It's been long-awaited guidance. We've been waiting for this for a number of years. A couple of important points. In the end, it is APRA that sets capital for us and for the Australian banks. So that's an important starting point. But the Basel guidelines are important input for APRA. How I'll describe the guidelines that came out last Friday is quite benign. So in terms of the impact on us or really the Australian banking sector, there will be very little impact. And APRA has been very clear, off the back of those announcements, that they have previous announcements on unquestionably strong and some of the strengthening of capital in accordance with unquestionably strong is going to be the key determinant of capital requirement in Australia. So I would say, very little impact from those announcements last week. On the fourth question, Ken, if I can move to that on TLAC, which again, a very well-informed question. So for the broader benefit, that is a potential new category of capital, which is total loss adjusted capital, but it doesn't exist today. It is fair to say that, that has been something that has been muted by many global regulators and discussed with APRA over a number of years. At this point in time, there is nothing on the horizon in our discussions with APRA that they're pushing for some sort of TLAC regime to be brought into Australia. So it's potential down the track, but nothing on the near-term horizon.

Unknown Shareholder

Can I just make 2 supplementary comments?

Kenneth Ross Henry*Chairman of the Board*

Yes. Mr. Fanning. Yes, sure.

Unknown Shareholder

Through the Chair to Gary. I read on a well-researched article recently put out by one of the large research houses here in Sydney, and saying that maybe midyear APRA could be talking to the banks about some sort TLAC overlay or this. It might not be immediately, but could be in the next 6 to 12 months. That's one. And probably back through the Chair, Ken. In regard to the royal commission, NAB will have to vote a considerable amount human resource and financial resource. Is that going to be allowed for in the FY '18 accounts?

Kenneth Ross Henry*Chairman of the Board*

Okay. That's now 5 questions, Mr. Fanning. No, but it's fine. It's fine. No, that's quite a legitimate question that fit. Do you want to...

Gary A. Lennon
Chief Financial Officer

Quickly -- actually, it's 6.

Kenneth Ross Henry
Chairman of the Board

Do you want to have go at...

Gary A. Lennon
Chief Financial Officer

Yes. Quickly on the first one. In terms of -- so there might be an element of speculation around 6 months. Certainly, our discussions with APRA to date is not indicating it on their near-term agenda. So we have to wait and see, but that's not in accordance with our discussions with them.

Kenneth Ross Henry
Chairman of the Board

And as far as the royal commission is concerned, of course, we will incur costs associated with appearances before the royal commission and whatever they might be. And we don't know, at this stage, what might be involved. We may be called to make submissions. We really don't know, but we are setting ourselves up to be in a good place to be able to assist the commission with its inquiries. Any consequences -- financial consequences will, of course, be reflected in our financial results going forward.

Unknown Shareholder

Thank you. That's all my questions for you.

Kenneth Ross Henry
Chairman of the Board

Thank you very much, Mr. Fanning. Okay. Are there further questions? Microphone number 1.

Unknown Attendee

Chairman, I would like to introduce Ms. Carolyn Limmer, (sic) [Carol Limmer] a representative for Australian Shareholders Association.

Kenneth Ross Henry
Chairman of the Board

Yes, Ms. Limmer?

Carol Limmer

Good morning, Mr. Chairman. As I said, my name is Carol Limmer. I represent Australian Shareholders Association and hold about 10 million open votes from proxies. Also, a shareholder myself. Thanks for the presentation, from yourself and the CEO. I'd like to comment on some good aspects. The annual report, which is more user-friendly and simpler and more transparent. And good to see aspects such as the disclosure on risk factors. Also, the video presentation that was shown just prior to the meeting was also good, and the Welcome to Country. The access has been user-friendly to the meeting. And just one aspect that you could consider for the future would be signing for the hearing-impaired people. With the previous questions, thanks for those answers because I had some similar questions along those lines. But a couple of other complimentary comments, I guess. Board renewal. It's good that you have an ongoing process and reasonable diversity amongst your board, including the proportion of females, and also the gender targets that were mentioned in the presentations. And hopefully, all that of course, leads to diversity of thought. You mentioned the 80% payout ratio for the dividends, and just a question on that

is to whether that can be sustained? That's one question. Second question is, I guess to the CEO. Is NAB product focused or customer focused? Because I guess these days, people are looking more towards a true customer focus in terms of service. So product versus service, I guess is the question. And on the transformation and the reduction in employees -- and you did mention that you would be very transparent in relation to that, and in providing assistance. And will efforts be made to identify other roles for people in the organization and to support them and train them in relation to that?

Kenneth Ross Henry
Chairman of the Board

Yes. Okay. Well, thank you very much for -- well, for the questions, but I also want to thank you for your reflections on the transparency of the financial report, the video, the welcome to country, the access to meeting. We will consider your suggestions on signing for hearing-impaired people. And with respect to the questions, firstly, on the dividend payout ratio, yes, this year, it is close -- it's just under 80%. You would be aware, in fact, I know you noticed that the -- oh, sorry, we do have a hearing aid loop installed, I should make that point, there is a hearing aid loop installed. Sorry. As to the sustainability of the dividend, you know that the board's policy is a 70% to 75% range on average. That range is established on the basis or it's heavily informed by both the return on equity that we expect to see and also by the growth rate in risk-weighted assets. Those are the fundamental drivers of the calculation of a sustainable dividend payout ratio. In a world in which -- and we've been in this world for some time now, where risk-weighted asset growth is quite -- has been quite muted, it is a much -- well, a higher dividend payout ratio is sustainable. And so we have been able for a while now to pay above the 70%, 75% range without putting at risk our ability to meet the common equity Tier 1 capital ratio that APRA requires us to meet. And we're very confident that with the dividend payout ratio that we've got now and looking ahead to next year, with the impact of the accelerate One NAB plan strategy, we -- our present view is that we should be able to continue to hold dividends even next year at their current -- the 2017 level, without putting at risk our ability to achieve the common equity Tier 1 ratio of 10.5% by 2020, okay? But it's something that we keep under review as a board. It's our responsibility to do so, and every time I see Andrew in front of you, I'll be making comments about the dividend payout ratio. Now look, the other 2 questions, I'm going to ask Andrew to respond to those. The first of them to do with whether we are a product- or a customer-focused organization, that must be a Dorothy Dixier. It has to be a Dorothy Dixier.

Andrew Gregory Thorburn
Former Group CEO, MD & Director

Right. Thank you, Ms. Limmer. Thank you for both those questions, I'll answer. So on the customer pace, look, in -- I've been only ever worked in a bank, and very proud to work in our bank, and I think we must just always be customer obsessed and focused on what clients need from us. Our product serves a need. It enables our customers to do things that they couldn't do otherwise, and they wanted to be simple, and they want our service to be reliable and dependable. And in many cases, they have a relationship with someone in the bank, a person, whether it's a financial adviser or it's a business banker or an institutional banker. So what our clients want is to get things done. To get through their life to be able to buy things and transact and sell things and start businesses. That's what they want. So what we must do is serve them in doing that. And much of that is about service and people. But products are crucial. The products they have, whether it's a credit card or it's a QuickBiz Loan or it's an overdraft or a housing loan, those enable them to do those things. So products are very, very important, but they serve our clients. So in short, we are, first and foremost, a customer-focused company.

Kenneth Ross Henry
Chairman of the Board

Thank you, Andrew. And could I ask you now to address the question on the implications for our employees of the business transformation and the accelerate One NAB plan.

Andrew Gregory Thorburn
Former Group CEO, MD & Director

Yes. So our goal here is to really create a new NAB for the world that's ahead. And as Ken said, we don't fear that world. I think we come from a really strong position, but we do have to face it with some courage and confidence. And we're investing more money than we've invested ever before to make the bank stronger and better focused on our clients, and I outlined that in my comments. As part of that, the -- our workforce is changing. I started in the bank, I say to people, pre-Internet. And young bankers say, what? Pre-Internet, right? So in those days to now, the bank has totally transformed, and the client experience is tremendously improved, right? And that was changed, and we're going through the same rate of change in the future. It just is happening faster and faster. So we're investing more money. We're focused on clients, but the impact on our people will be significant. We want them to go with us, but it's clear as we simplify the bank, in the end, we won't need as many people. So how we go through that and talk openly with our people about it I think is something that we want to do. Now it is worth noting that we have about 3,000 people leave the bank every year just through voluntary turnover. And I talked about a net 4,000 over 3 years. So we think we've got time to manage this with our people. We also want to offer retraining opportunities for people. But ultimately, if people do leave, we want them to go equipped and confident to face the future for themselves. And one of the things we're setting up is something called The Bridge, which when they leave our company, they go out, and they're confident. They know their strengths. They know what they're suited for, and we really equipped them. And I think it's a step up in our commitment to people as they go through this tremendous change.

Kenneth Ross Henry
Chairman of the Board

Thank you, Andrew. Are there further questions on item one, financial statements and reports?
Microphone number 2.

Unknown Attendee

Chairman, I would like to introduce [Ms. Penny Ryan].

Kenneth Ross Henry
Chairman of the Board

Yes, [Ms. Ryan].

Unknown Shareholder

Thank you for those comments, particularly on looking to the future and what sort of Australia we're going to be living in and what sort of world we're going to be living in. And my -- I've got 2 questions. My first question is particularly directed to Ken, which is that at last year's AGM, you claimed that NAB's loan book would reflect the material decrease in fossil fuel based energy and a corresponding increase in renewables necessary to contain global warming below 2 degrees, and I think that was particularly terrific to see, again, that sort of forward focus. And while our renewable energy exposures are clearly on the increase, as you've outlined today, which was terrific, but so too are our fossil fuel exposures with our oil and gas extraction up \$3 billion on last year. And I want to ask what is the global warming impact of the additional lending that NAB has undertaken in that oil and gas sector. So that's my first question. My second question is in August, NAB participated in a refinancing of Whitehaven Coal, a company that at its own AGM said it wanted to expand its Maules Creek coal mine and is basing future coal demand on the IEA's current policy scenario, which leads up to 6 degrees of warming. And I note that the bank's latest risk appetite statement excludes lending to new thermal coal mining, excellent, and this is to be applauded. But if this is being done in order to manage climate risks, how does NAB justify continuing to support companies attempting to expand the coal, the scale of thermal coal industry, and whose business plans are based on us failing to meet the goals of the Paris agreement?

Kenneth Ross Henry
Chairman of the Board

Okay. Look, I'll deal with both of those questions. Thank you very much. Question -- the second question, we don't talk about the circumstances of particular clients, and I'm not going to breach confidence at this AGM either on that matter. But this week, as you're aware, we made some rather important statements

with respect to the financing of thermal coal. And those statements do imply that our total exposure to thermal coal will continue to decline as it has been declining for some years, and thus put us, and I'm sure you would acknowledge this, thus put us in an industry-leading position with respect to the pace at which our exposure to thermal coal will decline.

Unknown Shareholder

Sure. And I do appreciate you're not going to comment on a specific case, but I guess it raises issues about whether or not in refinancing, you will look at those very issues in judging a risk for a company that intends to expand in that same area.

Kenneth Ross Henry

Chairman of the Board

Well, look, I'll make some general points. So firstly, in the announcement that we made this week, we said that we will continue to look after existing customers. But we've also said, of course, that we look at every loan on a case-by-case basis. And we take into account a whole range of factors, including a lot of risk factors and risk factors particularly important in respect to the sorts of projects that you're talking about. I really can't say any more than that on that particular question. With respect to the oil and gas, your first question, actually this is quite a technical issue, but I can understand why it looks the way it does. Actually our exposure to oil and gas fell considerably over the period. Now let me explain. The \$3 billion increase that you referred to really refers to a very large but rather short-term repurchase agreement that NAB entered into. It does not translate into an increase in lending, it certainly does not translate into an increase in oil and gas exploration. It doesn't. And so there is no climate change impact of it whatsoever. It's simply a repurchase agreement and, as I say, short term and with a global client. If you exclude that from the calculation of our exposure to oil and gas, we actually had a 29% decrease between the first half of 2017 and the second half of 2017. And if you compare the total 2017 with 2016, a 16% decrease year-on-year, okay? All right. Thank you. Right. So microphone number 3.

Unknown Attendee

Chairman, I would like to introduce [Mr. Peter Milsof].

Kenneth Ross Henry

Chairman of the Board

[Mr. Milsof].

Unknown Shareholder

I'd like to say hello to the board. And this actually is a question that -- I've got 2 questions. The first of these actually relates to your reply that you've just given. According to a Thomson Reuters article, NAB is a driver behind the trend to build new gas fired power stations in the United States. This year, we loaned 3 such power plants, including Cricket Valley, CPV Fairview and Hickory Run. This is despite a peer-reviewed academic research from Oxford University published in 2016, which found that no new greenhouse gas emitting power stations can be built after 2017 if global warming is to be constrained to be below 2 degrees Celsius. So why is NAB driving the construction of projects that are blatantly incompatible with a 2 degree economy?

Kenneth Ross Henry

Chairman of the Board

[Mr. Milsof], again, well, actually, I wouldn't be able to comment on the specific details of those arrangements in the United States even if I wanted to, because I'm not across the detail of them, but even if I were across the detail, I wouldn't comment. So let me just make the general points, and I think the general points are worth making, that NAB is a leader in the provision of green financing. As I said in my prepared remarks, we have announced a commitment to provide \$55 billion in green financing by 2025, and that replaces a previous commitment to provide \$18 billion in green financing by 2022. Of that \$55 billion, \$20 billion is for projects and initiatives that explicitly reduce emissions. And \$35 billion is for 6-star residential housing in Australia. And that has to be in respect of new dwellings and significant

renovations. And as I also said, we've taken a decision just a couple of months ago, really, that we would source 50% of our own electricity demand in Australia from renewable energy projects by 2025, and that replaces a previous pledge of 10%. So I think we're doing a lot to ensure that NAB operates in a way that is consistent with the globe meeting the Paris agreement of no more than 2%. But as I said earlier, I cannot go into the specific details of the U.S. arrangements that you referred to.

Unknown Shareholder

Yes, but they would appear to be increasing the use of gas emitting, yes, of climate change problem. Can I ask the second question?

Kenneth Ross Henry
Chairman of the Board

Yes, of course.

Unknown Shareholder

Which is looking at our annual report, it appears the climate risk is clearly classified as a material business risk. Can I confirm this with the auditors that this is the case?

Kenneth Ross Henry
Chairman of the Board

Yes. That's a legitimate question [Mr. Milsof]. Ernst & Young, Andrew, would you like to take this question?

Andrew Gregory Thorburn
Former Group CEO, MD & Director

Great, thank you, [Mr. Milsof], for your questions. So and as the audit partner, we obviously, have anticipated that, in fact, this particular topic may come up. So in explaining to shareholders how we go about doing our audit of the financial statements and what the significant issues are, we have, as we did last year, prepared a long form audit report. And in that audit report, we go through the various items that we looked at, and that's on page 144 of the full annual report. And if you look at that long form audit report, it does talk about the fact that in looking at the credit assessment work that we do in the loan loss provisioning of the bank's financial statements, that one of the factors that we do look at is the process that the organization has in place, that the Chairman's just referred to, to take into account all of the risk factors including the risk of climate change in looking at the loan loss provisioning. So yes, it is included, and we have included that explicitly in our report in the long form audit report.

Unknown Shareholder

Good. Thank you. And that is very commendable. So I understand that NAB has debt exposure to Beach Energy, Boral Limited and Downer EDI, companies that are clearly exposed to climate risk that none of which consider it a material business risk. Can our own acknowledgment of climate risk -- what's -- given our own acknowledgment of climate risk, will we continue to lend to borrowers who ignore material business risks? And how do we deal with it? And if so, why basically?

Kenneth Ross Henry
Chairman of the Board

Yes, [Mr. Milsof]. Again, I won't comment on specific businesses, but I will make the point that we will in particular areas and particularly those as I said in climate change, we will make our own assessments. As lender of the risks that are involved. I mean we don't, you know this, we don't. When we're thinking about lending money to somebody, we don't say, well, how risky do you think this loan is and we'll just take your word for it, right? We have our own risk assessments. We have some model-driven risk assessments, and we have some -- where we have quite expert people who help us in making the credit risk assessment. So that's all I can really say about it, but I think that should provide some comfort.

Unknown Shareholder

Does that mean that, in fact, you are making choices to reduce climate risk as much as possible in all of those cases?

Kenneth Ross Henry
Chairman of the Board

Well, I can't really add to the comment that I made earlier that overall, we are looking to significantly reduce the exposure of our loan book to climate risk, overall. But I don't want to comment on specific cases.

Unknown Shareholder

Thank you.

Kenneth Ross Henry
Chairman of the Board

Thank you. All right further questions. Microphone number 1.

Operator

Chairman, I would like to introduce Mr. Chris Schacht.

Kenneth Ross Henry
Chairman of the Board

Mr. Schacht.

Chris Schacht

Thank you, Mr. Chairman. Mr. Chairman, I want to make a couple of comments or questions or comments, which I think you'll draw a response. One has to do with the impact of the Royal Commission, and what -- how bank responds to it. My other question is this issue of the \$50 million fine, however you want to call it for the swap rate problem that occurred and the impact of that on the standing of the bank? And I also want to raise questions as a result of previous news articles of the exposure we still have to the Clydesdale Bank issues in Great Britain. And finally, the recent announcement on the 17th of November, a story that NAB has sacked or got rid of or parted company with 20 bankers, et cetera, and about the background of that. First of all, Royal Commission. I think that whatever the Bankers Association and the 4 banks campaigned for 3 years are necessary in the end, the public opinion outweighed. It got, what's interesting, politicians from the far right to the far left all agreeing there had to be a Royal Commission into banking. In my 50 years in politics, I have never seen that happen before on any issue. That means the bank can't have a tin ear about how you perform and present to the Royal Commission. I also want to say about the bank itself. There's only one person I would think has any standing in a Royal Commission on behalf of our bank, Mr. Henry, and that is you. You are, without doubt, and I'm not doing this to kiss your feet or please you, in the last 30 years, you have been without doubt the probably more outstanding public servant in the Commonwealth government that both Labor and Liberal parties recognized. When you joined the bank board, here some several years ago after you retired and then became chair, I was delighted that someone with your standing and background had become the chair. But one of this -- clap if you like, it will only encourage him, but that's good. If it's said to me when it's implied that we'll have legal counsel, et cetera, preparing our case and presenting it in public at the Royal Commission, that would be near disaster. The person who should present on behalf of us, because we own the company, is you Mr. Chairman. You lead the presentation, and the rest are there to help you with information when you need it. You understand because you've been through Senate estimates, many number of committee of inquiries, and you have a better ear than anybody else I can think of in the bank to handle that. Now you might say, good because I'm only a nonexecutive, I don't want to spend all that time being questioned. But I ask you, that you're going to have to do it because you are the best representative that this bank has at the moment when it starts coming. And you can imagine, people, the submissions, the letters that are going to be received by the Royal Commission, they won't run in the hundreds, they will be tens of thousands. Many of them will be ratbags, many of them will be just people that had a disagreement with the bank over a loan. But they are going to be there, and every politician is going to be trying to take one

of them up. So I ask you to consider very strongly that you are our representative at every hearing of the Royal Commission. Thank you. The next thing on the Royal Commission. Will the bank finally take a position, which I've asked previously here, what our position is on the Four Pillars policy? Do we publicly either agree or disagree with labor and liberal party policy that the four banks can't take each other over or merge or we don't let any foreign banks come in and try and take one of the 4 banks over. That -- if you're talking about competition policy, that is a fundamental issue that should be resolved. And I've never heard with the previous Chairman, you've always ducked the question. There is no policy. How can we not have a policy as one of the 4 banks about our future? And this Royal Commission, you'll get the question. And it should be ready, and the board, I would hope, will have a D-style discussion about what our policy should be on that. I'd also have to say that Mr. Thorburn, you were an outgoing Chairman of the Bankers Association, and I presume you or your successor will probably separately appear before the Royal Commission on behalf of the Bankers Association, and maybe the Bankers Association could have a view about the Four Pillars on ancillary policy. So they are my questions on the Royal Commission. I now come to what can only be consoling one of the most embarrassing, if not the most embarrassing, episode that this bank has publicly faced. And this is about the swap rate scandal. That's what [it only will be called] is that on the -- about the 9th, or whatever it was, November, the court -- we pleaded, this bank pleaded guilty in the court to get a settlement. Guilty of breaking the law. I'm a shareholder and an institution that broke the law then you had to settle for \$50 million. Now you paid the asset cost of \$20 million. I suppose on top of the \$50 million, what were our legal cost, it would be substantial I should imagine, another \$10 million or \$15 million. And I want to read, because on Page 25 of this annual report, there's one paragraph, and it's almost, I would say, a side issue. There was a settlement. We have reached happy chappies. We had a settlement. But this is what the judge, who by no means is a revolutionary anticapitalist, this is what she said about our bank. Justice Jayne Jagot launched into both banks for undermining public confidence in Australia's financial system. She said that the conduct of the traders were a gross departure from basic standards of commercial decency, honesty and fairness and that the Australian public had a right to be shocked, dismayed and disgusted at what took place at the banks. Each has admitted to unethical and dishonest conduct. It is difficult to convey the seriousness of what these attempts involve, she said. Employees of the ANZ and NAB deliberately sought to manipulate that benchmark to advantage their employer and their own performance over counter parties. Now I have never heard anything before said about this bank in a court by an independent judge after all the evidence, and you pleaded guilty to save a bigger fine. Westpac is still fighting it. I suspect if they lose, they'll get a bigger fine than we had to fund up with, and if they get off for some technical reason, and they may, we'll probably feel a bit agree that we settled out of court. I understand why the board decided to cut its losses and do it. But you cannot escape the fact we broke the law. And I think when you go before the Royal Commission, Mr. Chairman, you have to fess up. We broke the law, and the judge nailed us, even after you pleaded guilty and settled out of court. So I just said a very strong comment. Finally, I want to turn to a report that was in the Fin Review back in July, which said about the Clydesdale Bank out, that we are still exposed to, one, if it happens, a class action against -- taken by customers of the Clydesdale Bank over what happened for 10 years. I don't know whether they've actually -- it's actually occurred. But even without that, we still are exposed in a fund to people making claims on how they were badly treated, almost like the other scandals that the Commonwealth Bank was involved in. That's our subsidiary, it went on for a decade. So we have a systemic problem. We got rid of the bank. What is the final position? Is -- one, is there yet a class action against us? How much money do we still have in the pot to try and pay for compensation? And the last one, the question that occurred on earlier just about the -- what are the 20 people or thereabouts who are asked to part with the bank, where they actually sacked? Did they get all the benefits? Did they break the law in doing what they did? I'm sick of hearing that people at the top end of the banks can get away with diddling people, giving wrong information on the basis of it'll probably improve their bonus. That can't go on. Now if they can -- if there is no law that covers that, before the Royal Commission, I'd ask you to ask the government one of the recommendations, amend the law so people like those 20 bankers, who put the reputation of this bank at stake apart from robbing every -- misleading people, that the law be changed so that they can be charged criminally. I've always thought, if -- we'll have less white collar crime in Australia if there's not only a fine being paid, if people end up in Long Bay jail for a while, that will absolutely stop some of the white-collar crime that are going on around the place. So they are -- I'm sorry, I've taken time. But over the last 3 or

4 months, I just get sick of reading these stories in the bloody press. And finally I would say I've got more to say when we get to the remuneration report and to the election of directors.

Kenneth Ross Henry
Chairman of the Board

I look forward to it. Okay, Mr. Schacht, look, yes it did take a while, but those are all legitimate issues to raise. In respect of the Royal Commission, of course, I'm flattered by your comments. Whether I'm sufficiently flattered that I will take your advice on appearances before the Royal Commission, I don't know. But I'd tell you this. I will think very seriously about your suggestion, and I understand why you make it, and I know it's well intended.

With respect to Four Pillars, look, I don't think the bank has a policy, because what's the point really? As you said, both sides of politics are signed up to that policy. And by the way, my understanding of that policy, and I had a bit to do with it once, my understanding of policy is that it doesn't -- that policy itself doesn't protect an Australian Bank from being taken over by a foreign bank. There are other things that might, but not the Four Pillars' policy as such, yes. But I can't -- standing here today, I can't seriously imagine any of the 4 major banks in Australia considering a merger. I can't -- there was a time when, of course, that was happening every week. But I doubt that there's been any serious contemplation of anything like that by any of the banks for a very long period of time. And certainly, I'm not aware of this bank having thought about it in any of the time that I've been on the board. So well, we will -- okay, so look, we'll give that some consideration. I'll undertake that at our next board meeting, we'll have a discussion about that and see whether we think we should have a publicly expressed policy on that.

With respect to the BBSW model, look, some of the -- some of your interpretation of the BBSW settlement is incorrect. It was not a settlement out of court. It was in fact a court approved settlement, and that's -- it's from that court-approved settlement that you drew the comments from the Justice. As to the matter of whether we pleaded guilty, the terms of the court-approved settlement make it quite clear that what we pleaded was that in several instances, people in the bank had attempted unconscionable conduct. Not attempted rate rigging, not attempted manipulation, they had attempted unconscionable conduct. We have not said publicly that they managed to be unconscionable in their conduct. And there is, for us, a rather important distinction between those things, okay? We were, and you acknowledged this, we were pleased, and we thought, and we still think that there are very good pragmatic reasons for the board wanting to put this matter behind us. Yes, it's cost a lot. Yes, it has cost a lot. But I'll tell you what, litigation also costs a lot. And we were spending a lot or expecting to spend a lot on litigation, and we think that the settlement that we came to is a settlement that is in the interest of the company, all things considered. That doesn't mean we're proud of all of the conduct. Certainly doesn't mean that, and I accept much of the thrust of your remarks, if not the specific detail of all of your remarks on the BBSW matter. Actually, I would've expressed it in different language, but it's up to her to have chosen what language she wanted to express. I would have chosen different words myself.

Now with respect to the exposure to Clydesdale, the ongoing exposure to Clydesdale. I wonder if our CFO feels that he'd like to take that question. Are you happy to have a go at that?

Gary A. Lennon
Chief Financial Officer

Yes, let me take that. So there a couple of points raised there. So one, there has been media speculation about a potential class action against Clydesdale, but it is that. It's media speculation. As far as I'm aware, there's been nothing lodged with Clydesdale or there's been no action taken. So at this point in time, it's still speculation. And the second point, in terms of our exposure, when we demerged the Clydesdale business we did set in place an indemnity arrangement, which where there are issues associated with conduct relating to Clydesdale, NAB picks up 90% of that. And that indemnity has been a capital deduction since the demerger. So there's currently GBP 168 million is the residual amount of that indemnity left, and then it's capped. And then that's the finish of it. So that's the current situation.

Chris Schacht

[indiscernible]

Kenneth Ross Henry
Chairman of the Board

Yes. Well, the -- no, you can continue. You heard the question?

Gary A. Lennon
Chief Financial Officer

Yes.

Kenneth Ross Henry
Chairman of the Board

So the question was there's 160 thereabouts still sitting there. How much has already been paid?

Gary A. Lennon
Chief Financial Officer

Yes. Now it's a significant figure. So the original indemnity was GBP 1.15 billion, and there's been provisions taken to date over a number of years since the demerger, and there is GBP 168 million left.

Kenneth Ross Henry
Chairman of the Board

Okay. Yes. All right. Now the fourth question, which has to do with the 20 bankers, I'm going to ask the CEO to address that issue.

Andrew Gregory Thorburn
Former Group CEO, MD & Director

So Mr. Schacht, you raised a very important point, and that is, I think, that banking with our client is based on integrity and trust. And that is what we must rest on. And we've had some issues and some are being referred to today. We are putting them in the past. We really want to get it right. Because this is -- you're absolutely naming an important issue. We have 33,000 people in our bank, and I'm exceptionally proud of those people because really, they do meet that standard. They are honest, hard-working, values-driven people. However, when you have money and when you have 33,000 people, there will be people who do the wrong thing. Our job is to detect it, deal with it fast, firmly and appropriately. And we are doing that. So in this case here, we had a number of bankers who submitted inaccurate customer information as part of a loan process. There are 2,300 home loan customers who have been impacted like this. We are writing to them all. We need to talk with each one of them. We will do that. And if we're required to remediate or compensate, we will absolutely do that. The 20 bankers have left our company, have been -- either they assigned as part of that process, we can't stop people resigning during a process, or were terminated. And if they are terminated, they lose everything. So my commitment here is to have a high standard to make sure that we've got the right training and systems and the right incentive schemes, which encourage us to focus on customers and do the right thing. And when we find issues, we will deal with them firmly and appropriately. I would like to assure you of that.

Kenneth Ross Henry
Chairman of the Board

Thank you, Andrew. Do we have further questions on the financial statements and reports? Microphone number 2.

Unknown Attendee

Chairman, I would like to introduce [Mr. Nathan Reese].

Kenneth Ross Henry
Chairman of the Board

[Mr. Reese].

Unknown Shareholder

Thank you. Good morning, Dr. Henry, board members, Mr. Thorburn and your executive team. And can I echo the remarks of Chris Schacht about your extraordinary contribution to Australian public life over the last 2 or 3 decades.

Kenneth Ross Henry
Chairman of the Board

Thank you, [Mr. Reese].

Unknown Shareholder

My question is to Mr. Thorburn. You're in the public record warning that profound technological change is coming to the nation's workplaces in the next decade and that people will be left behind unless they're active participants and update their skills. Last month, you announced that you'll be cutting 6,000 jobs, affecting communities across Australia. You promote our bank within our community as more than money, and you say your culture is shaped by your values. And when you say that, I believe you. But as a company that benefits immensely from the Australian community, what do you see as your obligations to your staff and their families and communities through this period of provide change? And do you see meeting those obligations as critical to restoring community confidence and trust?

Kenneth Ross Henry
Chairman of the Board

Thank you, [Mr. Reese]. And that is a very legitimate question. And I'd be happy to take it myself, but I know the CEO feels very strongly about these matters and with some passion, and I'd like him to have the opportunity.

Andrew Gregory Thorburn
Former Group CEO, MD & Director

Yes. Thanks, [Mr. Reese], for your question. So my commitment as the CEO of this company is there are a lot of conflicting trade-offs and challenges you need to make to grow a successful bank into the future. The first thing is, I mean, the profit of the company, we shouldn't step back from that. I think without a profit, we don't have a company. We wouldn't be employing 33,000 people. But profit comes at the end of a process of us looking after our customers and giving them fair products and services that they are very happy to pay for. And without a profit, of course, we would not have paid to our shareholders, some of whom are in this room, this week \$2.7 billion, straight back from our profits into the Australian economy. So I just want to say, really, this -- we need to make a profit, we should make a profit, but that comes as a result of competition and looking after our customers. The second thing I want to say is that I do want us to have a reputation as an employer who has a plan to confidently face the future, where our executives are able to clearly explain what we're doing, why we're doing it and how we're going to become simpler and stronger and better for our customers. And that's what we're doing. I think our industry is facing tremendous change. Now there are some threats in that, that if we don't respond well enough, we really will be struggling in the next 5 to 10 years. We must face this by investing. We're investing, [Mr. Reese], more money than we have for a long, long time in our company. And that's a real vote of confidence the board and the management have, \$4.5 billion, better products, better training, better technology, better services for our customers. Now the result of this is not to have 4,000 less people. That is not the goal. The goal here is to make the bank competitive, resilient, strong, better for customers in the world that's coming our way. Because if we don't face that from our own position of strength and with a plan, it's going to be done to us. So what we've done is outline the plan, a 3 to 5-year plan, we've talked to our shareholders, and we're talking very openly with our people. I know, sir, that a number of our people will be concerned about this, and that does grieve me to a certain extent. I absolutely can feel that. But we want to take people through the journey of why we're doing it, train them, retrain them, talk to them about the future we have. Because even if we have 4,000 less people, there are still going to be 29,000 people in the bank. So that's a significant workforce. So we will do this well. It is not the goal

to have 4,000 less people. It will be the outcome of our investment in getting leaner and simpler and a stronger bank. And when we do go through this change, we're going to help our people. That is absolutely my commitment to not just things like The Bridge, but training, capability, coaching, mentoring, and when they go through difficult change, we want to be with them as leaders to coach them through it and give them outside support if needed. So I'm sorry, that's a sort of long answer to your probing question, but I think this is a balance, and we're getting the people right. And our people are a very important part of whom we serve.

Kenneth Ross Henry
Chairman of the Board

Yes, [Mr. Reese]?

Unknown Shareholder

Sure. I accept that, but no one is questioning the profit matter with the bank. That's a given. We all want a healthy, prosperous bank. My question specifically is around do you believe that supporting staff through a fair transition into the future is fundamental to restoring trust and confidence of your bank and the sector across the broader community?

Kenneth Ross Henry
Chairman of the Board

It absolutely does. It absolutely does.

Andrew Gregory Thorburn
Former Group CEO, MD & Director

It's fundamental to doing the right thing to people, and it's fundamental to helping us restore trust, yes.

Kenneth Ross Henry
Chairman of the Board

Yes. And that is what we'll be doing. And in fact, it will be starting as early as next month when we will be rolling out quite a sophisticated, certainly industry-leading system for dealing with the circumstances of people who will be leaving the bank. I'll just say one other thing on it, [Mr. Reese], and I know you'd be aware of these facts, but when Anne Loveridge, who's the Chair of the Remuneration Committee, and I went out and spoke to investor groups, as we always do before an Annual General Meeting, some of them asked the question, why did you even -- why did the CEO even make a point of saying that the bank is going to lose 4,000 staff over a 3-year period? Why even draw people's attention to it? After all, your natural attrition, that is the number of people who would normally leave the bank, is about 3,000 people a year. If you wanted to lose 4,000 people over a 3-year period, well, natural attrition gives you 9,000. So why did you even make an issue of it? To which the answer is because this bloke said, I'm not going to go through this process in this way. This bank has to take full responsibility for what it's doing, has to stand up and explain inside the bank and outside the bank what we are doing to people's lives. Are there further questions? #4.

Unknown Attendee

Chairman, I'd like to introduce [Nicole Wedgwood].

Kenneth Ross Henry
Chairman of the Board

Ms. [Wedgwood]?

Unknown Shareholder

Thank you, Ken. Good morning to the board, and I'd like to say thank you for your announcement. Congratulations, on your announcement not to fund anymore new coal. I've got 2 questions, and the first is, earlier this year, the CEO of ANZ, Shayne Elliott, confirmed to a parliamentary inquiry that his bank

was reviewing its property lending portfolio to determine the impacts of sea level rise. Is NAB conducting similar analysis?

Kenneth Ross Henry

Chairman of the Board

Yes, okay. Thank you, Ms. [Wedgwood]. Well, we are conducting analysis of the implications of all of the -- sorry, of all of the implications for climate change for the risks that the bank confronts. And we -- in 2016, we created a working group within the bank to assess and review the risks and opportunities that confront the bank and our customers that arise from the global agreement to limit global warming to less than 2 degrees. But we are part of a UN environment program finance initiative pilot, it's a bit of a mouthful, to implement the recommendations made by a financial stability board task force on climate-related disclosures, recommendations, and we are in that group with 15 other banks. Now that's background to saying that the pilot will include testing recommendations made by the task force, and that includes undertaking scenario work and stress testing parts of NAB's lending portfolio to better understand the risk that climate change poses to NAB and its customers. It's quite an extensive piece of work.

Unknown Shareholder

And if you do make findings, will that research be made available to affected homeowners and shareholders?

Kenneth Ross Henry

Chairman of the Board

We'll have to consider how we publicly report that. So I don't want to make any commitment here now, but I understand the point of the question, okay? So I'll look at it with a favorable view, but I don't want to make any commitment here. But we will consider that.

Unknown Shareholder

And my second question is a little bit longer and wordier, and it relates to the level of disclosure provided by MLC's superfunds to its members. At this point in time, the only mention of climate change or climate risk is in an obscure environment, social and governance policy buried on a website. How are members supposed to adjudge their appetite for investment if MLC isn't telling them about where their money is invested or how climate risk is being managed?

Kenneth Ross Henry

Chairman of the Board

Okay. I'll take that question back to the relevant people in that part of the business, and I can assure you, we will have a look at climate risk disclosures from that part of the business, okay? Thank you. Are there further questions on the financial statements and reports? Microphone #2.

Unknown Attendee

Chairman, I would like to introduce Mr. [Guy Yeomans].

Kenneth Ross Henry

Chairman of the Board

Mr. [Yeomans]?

Unknown Shareholder

Thank you, Chairman. I first of all would like to commend the CEO on what we've just heard of the very practical steps being taken to assist those who are being retrenched. I think that's most commendable, and hopefully, it will be a lead not only to other banks but other industries. In that vein, I'm just asking the question about ageism. We're now in a society where people are expected to work to close to 70. Anecdotally, I have to say I'm, first of all, retired, but many of my younger friends in their 50s are being retrenched from companies like the [NBN], people with senior professional backwards, they seem to be

thrown on the scrap heap and then unable to get back into employment in their profession. These people who have often shown great loyalty, dedicated, very competent and still up to date. So I guess the flip side of the issue that you raised in your report, Andrew, about gender balance in employment, applies to gender balance also in retrenchments and also ageism, what is -- I don't imagine these statistics are available to you off-hand, but perhaps you could get back on these. What's the average age of the people being retrenched and their gender? And also, what's the average age and gender of the people being employed in new positions and, obviously, the emphasis there being on people in their 50s. But I have to say, I've not been prompted on this question by anyone being retrenched from NAB. It's people in other big businesses like the [NBN].

Kenneth Ross Henry
Chairman of the Board

Thank you, Mr. [Yeomans]. Andrew?

Andrew Gregory Thorburn
Former Group CEO, MD & Director

Yes, Mr. [Yeomans], thank you for your question. So a number of those statistics, I don't have on hand, but I will take that back and review it. But I want to assure you, one of our goals here is to give opportunity to people regardless of age or gender or many other aspects. And I think we do that, and we will continue to do that. But what I do regularly each week, I'm bringing a number of our employees who are older. This week, I rang someone who has been in the bank 45 years this week. There's a number of people I'm very proud of them because they have served our company for 3 or 4 or some cases 5 decades. And a number of these people are very keen to keep working and that's absolutely fine. I think what we want is contribution, energy, skills, capability, mentoring from them, that they can bring some of their younger bankers. So we really want to do that. And also, in some cases, they're moving from 5 to 4 to 3 days a week, so they're sort of themselves transitioning over, say, a 5-year period. We encourage that. We will probably, as part of our work going forward, offer some voluntary redundancies, too. So if you have some staff, maybe older staff, who do want to leave, then we can ask them to step forward. So we're really trying to do this in a thoughtful way, but what we need is a diverse and experienced and highly capable workforce. And a number of our older employees really contribute a lot and we're very proud of them.

Kenneth Ross Henry
Chairman of the Board

Thank you. Do we have any further questions on the financial statements and reports? Microphone #2.

Unknown Attendee

Chairman, I would like to introduce Mr. [Kerry Caldebank].

Kenneth Ross Henry
Chairman of the Board

Mr. [Caldebank]?

Unknown Shareholder

Just 3 quick questions. It'll just -- yes or no will do. Is the board being pressured by external forces to demonize coal? Number two, has any board member read the Institute of Public Affairs book, Climate Report 2017 (sic) [Climate Change: The Facts 2017] and if not, why not? Three, at this stage, we all know renewables are probably the future, but at this stage, they're very expensive and unreliable. If this causes big business to close, people lose jobs, how will this affect future profit?

Kenneth Ross Henry
Chairman of the Board

Yes. Okay. All right. Well, with respect to the first question, I am certainly not aware of anybody on the board having been pressured to demonize coal, and I reckon I would be aware of it, if it were happening, so I think I can say no. With respect to the IPA report, I know which report you're talking about, I have not personally read it. I don't know whether any of the directors have read it. You can shake your head or nod your head, that's fine. They haven't, but they've heard you and it's up to them whether they read it or not. Yes, okay, all right. No, I hear what you're saying. With respect to the third, well, you know, we -- as I said earlier, we -- in all of our lending decisions, we consider a very comprehensive range of risks and the sort of macro risk that you're talking about of insufficiently reliable power supply and so on, that is a macro risk that we take into account as is -- as would be sea level rising and so on. These macro risks are risks that we factor into our risk management. Okay. Further questions? Microphone #1.

Unknown Attendee

Chairman, I'd like to introduce Mr. [Brian O'Kane].

Kenneth Ross Henry

Chairman of the Board

Mr. [O'Kane].

Unknown Shareholder

Thank you. I don't come from the Manning Valley, I come from Hong Kong. But I'm waiting to see which of the 2 companies, the NAB or Whitehaven Coal, will call their annual meeting in the beautiful Manning Valley.

Kenneth Ross Henry

Chairman of the Board

I'm listening very closely to what you're saying, Mr. [O'Kane].

Unknown Shareholder

Firstly, I don't want to embarrass you, Mr. Chairman, but I want to congratulate you on your comments about when the government, which I call account tax, introduced a levy on the banks. You had a full article in the Australian newspaper on this article, and you did shareholders a lot of proud. The other one, Mr. Chairman, is I would like you, as Chairman of this company, to send an email to all our employees congratulating them on the great year that we have had. No company is better than the human resources, and we have had a fantastic year. And as a shareholder, I want you to congratulate -- well, I can't do it, but you can do it on our behalf.

Kenneth Ross Henry

Chairman of the Board

Thank you, [Mr. O'Kane].

Unknown Shareholder

To our CEO, Andrew, Andrew, you certainly know you should be Chairman of a football club. You certainly know how to pick people. Number one, when you -- it's been reported that you appointed Anna Bligh into the role she went -- into on the Bankers' Association (sic) [Australian Bankers' Association]. You couldn't have gotten a better person. Three of the strongest women in this country, in my opinion, is Anna Bligh, Ann Sherry and Gina Rinehart. They are strong people, and we got 2 of them. The other one is you couldn't have picked a better person when you picked Ann Sherry. I don't want to embarrass her, but she is a true lady, but a highly strong, brilliant woman. To give an example, she was the lady that got cruise ships to come to this country that working class people like myself can go out on cruises. We never experienced that in Australia. The only 2 people that used to get out on cruise ships were the extremely wealthy people and the people -- public service working in Canberra, especially in the Treasury Department.

Kenneth Ross Henry

Copyright © 2019 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

spglobal.com/marketintelligence

Chairman of the Board

That was backhanded.

Unknown Shareholder

The third one is when you picked Mike Baird. Mike Baird is a very brilliant operator, and for us company to go forward, that's the way we want people like him and the other 2 executives you put on with him. My next point I want to make is the future. The future is going to be difficult, and it's going to be hard. Mr. Chairman, I want you to fully support the Business Council of Australia. I feel passionate about this. We have to drop this company tax back. America, we -- I always knew Donald Trump would get this through. I've got a lot of respect for him. He's got a 20%, and the rest of the nations all over the world are doing it. To the example, the new president of Hungary went to 9 -- went to 8%. He only settled for 8%. A fortnight ago, a very small Australian company packed up, and he's gone to Hungary. And we you don't get this business tax down to 20% before 2025, a lot of industries will go. And it's no good running away from it, so let's support this bank, support the Business Council of Australia. We've got to do it quick.

Kenneth Ross Henry
Chairman of the Board

Okay, thank you Mr. [O'Kane].

Unknown Shareholder

And just, well -- I want to finish the other one about the coal mining industry. This pulling the coal mining industry to pieces, Mr. Chairman, we are not the only country in the world that's got minerals. And there is a country -- 3 Australian companies who got leases there now, another major company has been looking at it for 30 years. There's a country that's going to come online when the ice melts. It is full of minerals. That country is called Greenland and you saw what happened when an Australian company is mining coal at the moment in far eastern Russia, and they are exporting that down to Asia at the moment. And what is China doing? At the moment, they are upgrading all their coal mines. So don't let us get into fantasy land. And I would like to just finish, Mr. Chairman, by saying something, if you don't mind, to my fellow shareholders. Is that okay? To my fellow shareholders, if we want good people to be on the board, if we want good company executives who make us a real good dividend, and we get a good dividend, we have to pay for it. Every year, it comes up about the wages of people on the board, it comes up about executive pays. We have to pay for it. So unless we get away from this argument about their salaries, and we want good dividends, we've got to pay for it. Thank you, Mr. Chairman. I appreciate it and, I thank my fellow shareholders.

Kenneth Ross Henry
Chairman of the Board

Thank you, Mr. [O'Kane]. And can I say, you obviously have strong views, but you clearly don't have a partisan bone in your body. And that's quite refreshing. I have to say that's quite refreshing. Look, on the bank tax, I'm an optimist on some things. Who knows? Maybe the Royal Commission will recommend the abolition of the bank tax. Who knows? In respect of your suggestion that we email -- oh, well, that I email all employees to congratulate them on such a wonderful year, that's a fantastic idea. Is it feasible?

Andrew Gregory Thorburn
Former Group CEO, MD & Director

Yes.

Kenneth Ross Henry
Chairman of the Board

That's feasible. Great idea. Thank you. And in respect of your other comments about the CEO and various appointments, thank you for those comments. With respect to the BCA and company tax, actually, I've got a lot of ideas on tax, about 1,000 pages of them, and -- which was published, as you know, 8 years ago. And I reviewed it recently. I just took it down from the bookshelf, dusted off the report and quickly

came to the view that I wouldn't change a word of it. So it's still there to be implemented, 1,000 pages of it. And yes, cutting the company tax rate from 30% to 25% is one of those recommendations, but only 1 in 1,000 pages. And there's a lot of other stuff there that could do to be implemented. I hear what you say on minerals and the global pattern of minerals and minerals exploration. And I was very pleased to hear what you had to say to your fellow shareholders in respect of the importance of securing good people on the board and in the bank, in executive positions and indeed in all positions throughout the bank. So thank you. I think that's a rather important comment. Thank you, Mr. [O'Kane]. Are there other questions or comment on the financial statements and reports? Microphone #2.

Unknown Attendee

Chairman, I would like to introduce Mr. [Jonathan Shore].

Kenneth Ross Henry

Chairman of the Board

Mr. [Shore].

Unknown Shareholder

Thank you. I'm one of the people who would quite like coal to be demonized. I have 2 questions. One is noting you mentioned earlier the increased target for lending to renewable energy. And this has increased to \$20 billion -- \$20 billion from 2015 to 2025. Given that \$5 billion of this has already been lent in the first 2 years, the annual average target will drop from \$2.5 billion per year to \$1.9 billion per year for the remainder of the commitment period. Does this mean that NAB does not believe that renewable energy is a growth industry, especially on a global scale, which this commitment applies to?

Kenneth Ross Henry

Chairman of the Board

Yes, okay, Mr. [Shore], look, I'll have another look at the numbers, but I think it's undeniable that renewable energy is a growth industry and it's certainly been our experience in National Australia Bank over several years now and that would certainly be my expectation going forward. I think it's undeniable.

Unknown Shareholder

And my second question, this is another one that's about a particular customer, but I think there's a principle involved that you might -- I'd like to hear your comment on. In June this year, NAB participated in a new credit facility for Oil Search, and then in November, I think it was, Oil Search acquired the undeveloped Nanushuk oilfield in Alaska. So was NAB aware at the time of the intention to acquire that? The principle is, you participate in the credit facility, and then later, they do something that seems to run counter to NAB's commitment to support limiting goal -- limiting global warming below 2 degrees centigrade?

Kenneth Ross Henry

Chairman of the Board

Okay, I don't think I can address that question without going -- without revealing the circumstances of our commercial relationship with a particular client, unfortunately. But in any event, I don't have the answer to that question with me. But I really don't think it would be appropriate for me to do so. But thank you for the question.

Do we have further questions on the financial statements and reports? Microphone #4.

Unknown Executive

Chairman, I'd like to introduce Michael [Strikosh].

Kenneth Ross Henry

Chairman of the Board

Mr. [Strikosh]?

Unknown Shareholder

Three questions. The first one, did the Prime Minister or the Secretary ring you to request a Royal Commission into banks, considering the abrupt turnaround that did happen, someone had to ring someone. Secondly, what's the company's approach to disintermediation? And thirdly, is the manager of the group that [indiscernible] still with the company?

Kenneth Ross Henry

Chairman of the Board

Can I get some -- well, I'll answer the first question. I really need some clarification on the second question. With respect to the first question, the answer is no. A phone call went the other direction, although it wasn't toward the Prime Minister or the Secretary of the Department either. But no, the Prime Minister did not call me, nor did the Secretary of the Prime Minister's Department, whom I obviously know very well, neither did he call me in respect of a Royal Commission. As a matter of fact, I've not discussed a Royal Commission with either of those 2 people.

Unknown Shareholder

How about the Treasurer?

Kenneth Ross Henry

Chairman of the Board

Well, yes, I have had conversations with the Treasurer, many conversations -- oh well, several conversations with the Treasurer about a Royal Commission. Yes, I have and over quite an extensive period of time. Now in respect of disintermediation, could you -- you don't need clarification?

Andrew Gregory Thorburn

Former Group CEO, MD & Director

No, I think Mr. [Strikosh], I'll have a go. I think this challenge of disintermediation really means that our bank is operating in a particular market doing certain things, and there's new types of competitors -- come in and basically cut bits of that market away from us by taking our clients. That's the way I describe it. It is often enabled by technology, culture that they have, the ability to see opportunities and move faster, and in sometimes by some regulatory benefits that they have. But my point, more broadly, is that in setting out our plan for the future, we think there is potential for disintermediation in our market. But we are not waiting for that to happen. We are putting out a plan, investing money, really focused on some key client segment like business clients, agri, health, education, small business clients, and I talked a wee bit about that. Some of these growth corridors and infrastructure, and we have a digital bank ourselves called UBank, really expanding that. So we don't think, we don't fear disintermediation. We respect new competitors. But what we're doing is getting on with changing and growing our business so that we are very fit and growing competitor in that world.

Kenneth Ross Henry

Chairman of the Board

Mr. [Strikosh], your third question, could you repeat that, please?

Unknown Shareholder

Is the manager of the BBSW still with the company?

Kenneth Ross Henry

Chairman of the Board

Maybe you should address that one, too.

Andrew Gregory Thorburn

Former Group CEO, MD & Director

Copyright © 2019 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

spglobal.com/marketintelligence

So Mr. [Strikosh], this goes back -- I just want to go back half a step. It goes back 6 or 7 years in the company, and in the BBSW settlement, there were 2 particular employees on 12 occasions who did what the Chairman referred to, and there was also some language that was not acceptable to us. So what we've committed to is, well, firstly, the whole market and the way it gets traded today is very, very different. Secondly, we've done a lot of training with all our people. There has been, over the years, some consequences for people. But as we sit here today, those people who are involved in that, we think they've been dealt with fairly and appropriately. Given that, what we've acknowledged is that we didn't have as a company, the systems and processes and policies to properly identify and monitor some of this activity.

Kenneth Ross Henry
Chairman of the Board

So the manager is still with us?

Andrew Gregory Thorburn
Former Group CEO, MD & Director

Oh, well, it wasn't a manager as in -- a senior people in the company.

Kenneth Ross Henry
Chairman of the Board

Okay. Further questions? We will need to move on shortly, so -- and we really should be addressing questions specifically related to the financial statements and reports, although I've been prepared to let us go a little beyond that because, I guess, the questions would otherwise be asked toward the end of the meeting. But microphone #1.

Unknown Attendee

Chairman, I'd like to introduce Ms. [Alena Janacek].

Kenneth Ross Henry
Chairman of the Board

Ms. [Janacek].

Unknown Shareholder

Good morning, everybody. And the 3 quick questions are: NAB, do they purchase any bitcoins or other cryptocurrencies? Number two, what does NAB think about cryptocurrencies considering other financial institutions in the world are somehow getting involved these days? And number three, how are cryptocurrencies likely to affect NAB in the future?

Kenneth Ross Henry
Chairman of the Board

Right, okay, wow. So the answer to the first question is no. The answer to the second, I don't think we have a particular view on cryptocurrencies. The answer to the third question, I would imagine that on the board and within the senior management of the bank, there would be quite different views. Cryptocurrencies are quite new. I have a strong personal view, but I shouldn't float that personal view at this meeting, at a meeting of National Australia Bank. But I don't think I can add to that. So it's a new territory. We don't have a concluded view. It's something that we're monitoring. And that's it, I think. Yes. Okay, but thank you for the question. Microphone #1 again.

Unknown Attendee

Chairman, I'd like to introduce Mr. [Robert Cattison].

Unknown Shareholder

The first question that I want to raise, and it's been raised indirectly, is what effect on the accounts has the banking levy made on the accounts? And I've been to a previous annual general meeting at Westpac

and they've told me that it's the shareholders that are going to take the haircut. Now you didn't mention that in your opening remarks. That's one question that I want you to answer. The second question is, with respect to the reports and the way this bank is quite open and meetings like this are quite open, not only to me as a shareholder but to the public and to the media, there are a lot of financial institutions out there that aren't so open to their membership like superannuation funds and I really hope that the Royal Commission has a lot more openness to that forum as this bank has to me today and to the rest of the community. In terms of the community, I congratulate you on your sporting sponsorships. However, directly, your sporting sponsorship with the AFL, it is also in direct contrast and, I'm sorry to say, that the positive sponsorship that you do give to the AFL through Auskick and all the other promotional aspects the AFL does, but it also sits in direct contrast to a lot of products that are antisocial such as alcohol and gambling. And the effect of alcohol and gambling with domestic violence, antisocial crime and also the effect it has on our customers in terms of making the customers with loan delinquencies and the effects on bad debts to the bank. Can you really address that as -- if you're going to be [raining] sports sponsorships not just to the AFL but to any other sporting body that has links to gambling and also alcohol, please.

Kenneth Ross Henry
Chairman of the Board

Yes, sure. Okay, thank you for the questions. In respect of -- now I stand to be corrected by the CFO, but I think I'm right here. In respect of the accounting for the bank levy, the bank levy, we treat as an increase in the cost of our funds. So we're involved in intermediation, we borrow from people. Some of those are depositors and some of those borrowings are in the form of wholesale borrowings from other institutions, domestic and international. And we had added the bank levy under the costs of the funding of our operations. Other things equal -- I'm an economist so I can get away with saying that. Other things equal, that means that what we call the net interest margin, the NIM, is narrower than it would be without the bank levy in the absence of the bank levy. And that means, again, other things equal, that in the absence of the bank levy, we would have disclosed a higher earnings. And that also means, other things equal, that we would have paid out more in dividends to shareholders, some hundreds of millions of dollars. So this last year -- sorry, certainly in the years going forward, some hundreds of millions of dollars. So that's how it affects the economics of our business. And so it is true that, ultimately, it is the shareholders who bear the levy, provided all those other things would have happened anyway. So provided we would have had the same charging of interest to customers that we would have had in the absence of the bank levy, for example. And that's really the major issue. So that's how we treat it. And the impact can be thought of, obviously, as an impact on shareholders. And I think we've said this at the time that the bank levy came in, it's roughly a 5% hit on net profit. So roughly 5% hit on what shareholders might otherwise have got. With respect to your comments on the openness of public meetings of other financial institutions and that matter being a matter for the consideration of the Royal Commission, I can only hear you on that. So I understand your comment and we'll take that on board, if we're asked for a view on that matter. So I understand your view. In respect of the sponsorships, I think again, I can only hear you on that. I mean, when we think about what activities, what events, and so on that we sponsor, we take a balanced view. We have to be aware of all the positives and also all of the negatives and we have to balance these things out and ask ourselves a question, is it appropriate for us to be associated with something which has a lot of positives and has some negatives and take a balanced view. And your comments are comments that we will all reflect on.

Thank you. Okay. I think we're right to move on, I think. So can I declare that the financial statements and reports have been received and considered at the meeting? Well, I think I will declare that.

Question and Answer

Unknown Executive

Chairman, I'd like to introduce [Mr. Leung].

Kenneth Ross Henry
Chairman of the Board

Mr. [Leung].

Unknown Attendee

Dr. Ken Henry, it seems to me quite a few shareholder concerning about global warming and not happy about NAB to lend money for gas and coal. May I ask those ladies and gentlemen, why dinosaur disappear on this earth? At that time there was very little human activity. Why oil was found under the hot desert sand? I'm waiting for an answer.

Kenneth Ross Henry
Chairman of the Board

Mr. [Leung], this is -- I understand why you're asking a question, but this is not a meeting at which it's appropriate to ask another shareholder a question.

Unknown Attendee

Okay. May I make a comment?

Kenneth Ross Henry
Chairman of the Board

Sure.

Unknown Attendee

Global warming is a natural phenomenon. Coal, oil, wind, sun, water and uranium all contribute to provide energy. Australia, we have a lot of all of this. We have the cheapest electricity to power our manufacturing capacity, to provide employment for everybody. And I'll comment about number of male and female directors. I believe our directors should be elected based on merit.

Kenneth Ross Henry
Chairman of the Board

Well, indeed they are Mr. [Leung]. I can assure you of that.

Unknown Attendee

And not a based on a formula.

Kenneth Ross Henry
Chairman of the Board

Sure, I understand.

Unknown Attendee

And that's what I want to say.

Kenneth Ross Henry
Chairman of the Board

Yes. Thank you Mr. [Leung]. Are there any further questions or comments before I close the meeting?
Microphone #2.

Unknown Executive

Chairman, I would like to introduce Mr. [Henry K].

Kenneth Ross Henry
Chairman of the Board

Mr. [K].

Unknown Attendee

I say to you well done in chairing this meeting today. I'd like to bring to your attention a product which I consider most inappropriate for NAB have. It's the Qantas Frequent Flyer credit card. Now some of you may not be aware, but NAB is linked to [flybys]. I put it to you that it is most inappropriate to have this product, especially when it is linked to Woolworths indirectly. I'd like to put a suggestion to you, and in Victoria, we have a richest community benefit organize -- so like it gives 1% of its shopping back to the community. Why doesn't NAB think about introducing a community benefit credit card and getting rid of the Qantas Frequent Flyer credit card? I'm not going into branding, but I'm saying watch where you put it because it might have been directly linked to the competitor. Also, as an idea for the CEO, as regards those that are leaving the bank, why not get them to come back in on a part-time basis to mentor the new employees that join as graduates, things like that? I think that would be helpful to the bank and any organization. And also, if you can, get involved with people with disabilities. In Australia, 19.6% of the population has a disability. Where I live in Frankston, it's 21.2% of the municipal population. Get involved with that group because they say aging is a disability as well. I thought I might just throw that in.

Kenneth Ross Henry
Chairman of the Board

Thank you Mr. [K]. You make some interesting points, and we've certainly been listening to your comments. We'll take those onboard. Thank you. Okay, are there -- oh, yes, microphone #1.

Unknown Executive

Chairman, I'd like to introduce Mr. [Geoff Combine].

Kenneth Ross Henry
Chairman of the Board

Mr. [Combine].

Unknown Attendee

I'd like -- I'd had the pleasure incidentally of speaking to Mike Baird just before the meeting today. And I commented to him about particularly the issues that you raised initially regarding the credibility of the entire banking sector and the health of the Australian economy. And I need to congratulate you for completely blindsiding the particularly opportunistic politicians who were attempting to continue to erode the confidence in the economy via all the commentary regarding Royal Commission. I also note that the same opportunistic politicians are now suggesting that they might broaden the criteria for that Royal Commission, so they're clearly -- they're not really terribly interested in the health of the Australian economy. I want to encourage you as a group of clearly quite capable individuals to consider a strategy to encounter -- or to counter this particular sort of criticism that is made of the banking sector. I return to maybe a comment that was made both by yourself and some of the questioners, that you have a community of 33,000 people. You're involved in the business of money. It strikes me as incredibly naïve for anyone to team that you wouldn't have 20 or 30 people who might do the wrong thing from time to time. It seems to me a complete -- there's a complete lack of perspective. And I look at you as a community that is clearly an incredibly powerful motivator in terms of the Australian economy. So what do I think you're possibly doing wrong? I think you're not defending yourself as well as you might. I've

been really pleased lately to see some advertisements that have tended to try and support you or you have clearly -- through the Bankers Association, I imagine, have gone into a situation where you're trying to present a different picture. I would encourage you to continue with that and maybe to broaden that strategy. I'm always amused, because clearly my comments so far are quite very political in the sense that we all know who has been particularly instrumental in undermining the banking sector. It strikes me as remarkable that, that particular individual relies for their both costs and their political capital, the union movement, who, in their droves, own industry funds or control industry funds that have incredible holdings of our major banks. It strikes me as unusual that you, as a group, have not maybe made the average Australian worker aware that he and she actually owns large numbers of shares in all our major banks via the industry funds. And I think finally just encourage you to broaden that strategy that you're currently using to shed light on the reality of how important the bank sector is and who actually owns it, the fact that you just returned, what, 80% of your capital or your profits in the form of dividends just this week is clearly something that you need to trumpet from on high. And I congratulate you in your change of culture. I have even taught one of your senior executives. I was a high school teacher, and I'm now more a financial literacy educator. But I'm reminded of just how incredibly powerful as a group of people you are, and I am particularly inspired by Andrew Thorburn and you, Dr. Ken Henry, and I believe you probably have the most substantial board of any bank in Australia, and I can see, once again, National Australia Bank becoming the most respected institution, financial institution in our country.

Kenneth Ross Henry*Chairman of the Board*

Thank you, Mr. [Combine]. And I'm very pleased to hear those remarks because that's our ambition. Well, our vision is to be the most respected bank in Australia and New Zealand. And look, the debate on these issues certainly has been rather narrow and not particularly well informed. And it is striking that although we've said on a number of occasions this morning, just made the point that 80% of our profits go out to our shareholders in dividends, a recent survey conducted by the Australian Bankers Association, less than 3% of the Australian population understood that, that was the case, less than 3%. It's extraordinary. Indeed, 41% of the Australian population in that survey thought that less than 10% of our profits go to shareholders in dividends, and another 31% thought that it was between 10% and 25%. So nearly 3/4 of Australians thought that the banks paid out less than 25% of their profits in dividends. That is extraordinary. But what it says is that you're right. We don't do a good enough job of explaining the contribution that we make to the economy and to society, and we do need to do a better job of that. And we will. At least he and I will. Thank you. Yes, microphone #4.

Unknown Executive

Introduce [John Ellis].

Kenneth Ross Henry*Chairman of the Board*

Mr. [Ellis].

Unknown Attendee

Dr. Henry, I was wondering whether or not the NAB has a dedicated ethics committee to review and examine its processes and products before they're introduced. And if not, why not? And if it does, can we have an example of some of their recent work?

Kenneth Ross Henry*Chairman of the Board*

Okay. That's an operational question. Do you want to take that one, Andrew?

Andrew Gregory Thorburn*Former Group CEO, MD & Director*

Yes. So with all our products, we are constantly reviewing them not just for are they working for customers, and we get feedback from customers. Every week, we're hearing feedback and we really act

on that and make our products better. But we do have a product committee inside the company, which is chaired and run by very senior members of our team. And they do look at a wide range of factors in terms of what is appropriate for a product. So we look at really things that are all about how we serve the customer and we minimize complaints and the fees and charges are appropriate and fair. But one of the biggest ways that we get feedback in terms of what's appropriate and not appropriate from customers is by being really relentless about listening to their feedback, and we do that through, as I said, every single week, we're verbatims from customers, which are words in their own words that we get right back that we listen to and we act on. So that's one of the key ways that we make sure that our products are not just competitive but the terms and conditions and the way we explain them and the plain English or use, all those sort of things, we think that's a good start on this journey, but we need to do more and more.

Kenneth Ross Henry

Chairman of the Board

Thank you. Okay. Right. Microphone #1.

Unknown Executive

Chairman, I'd like to introduce Mr. [Edmund Colingrich].

Kenneth Ross Henry

Chairman of the Board

Mr. [Colingrich].

Unknown Attendee

My request is on timing and it's a two-pronged request that the bank has its AGM no later by the 30th of November or after the holiday period in February. And with that, I'd like to the bank also to consider maybe sometimes having its AGM on a weekend day to allow our shareholders who work Monday to Friday also to give them an opportunity to attend the AGM.

Kenneth Ross Henry

Chairman of the Board

Thank you, Mr. [Colingrich]. Another one, microphone #1.

Unknown Executive

Chairman, I'd like to introduce Mr. [Kim Shaw].

Kenneth Ross Henry

Chairman of the Board

Mr. [Shaw].

Unknown Attendee

Dr. Henry and members of the board, my question is, does the bank consider funding [commonization] of research, in that area? Because I read a lot article. They are dying for funds to commercialize this research. And I know it's a very risky business, but the fall off from the research or the invention of whatever is pretty great. And I know it's a big amount, like, for example, the latest one I can give an example is I think they have invented photo carbon material from UNSW, and I'm not sure whether my -- I'm puzzled why the 4 pillars of Australia doesn't contribute to their funding.

Kenneth Ross Henry

Chairman of the Board

Yes. Okay. Look, that is a really interesting issue. And we have some exposure, but our principal function is to provide debt finance. And rarely is debt finance the appropriate financial instrument for -- particularly for startup businesses. Usually, what's needed is equity. Of course, we do, as a group, control some equity, and we would have some exposure to early-stage developments. But it's not something that I think

we've put a lot of money into. I stand to be corrected, but I don't think we have at this stage. But it is a developing part of the market and in other things that I'm involved in. I have -- with a group of people giving that some thought actually from a national perspective. So we'll continue to do that. Thank you. Microphone #1.

Unknown Executive

Mr. Chairman, I would like to introduce Mr. [Peter Phil Mayer].

Kenneth Ross Henry

Chairman of the Board

Mr. [Philip Mayer].

Unknown Attendee

I've been an investor in the national income securities now almost since day 1 and during that time, there's been some quite large changes in the hybrid market. I probably could say maturity, but I think change is a better word. My question is what is the bank's intentions of dealing with the national income securities in future years?

Kenneth Ross Henry

Chairman of the Board

Yes, okay. Thank you. Well, as you understand, Mr. [Philip Mayer], these are marketable securities, and I therefore have to be careful on what I say. We have no intention at this stage to redeem those national income securities. We look at it from time to time, ask ourselves a question. Is it in the interests of the company? That's our obligation as directors. Is it in the interest of the company to have those national income securities redeemed? And it is not our -- and our view as of today is that is not in the interest of the company to do so. And we would only -- obviously, we would only redeem those securities if we were to change our view. So at this stage, that is our view.

Are there further questions? No. Good. I think we're -- no, sorry, I don't mean good that there are no further questions. What I mean is I assume that what that means is you've all had an opportunity to ask your questions.

Okay, on behalf of the board executives and staff of the company, I thank you for your attendance here today. I would like to thank our customers and our shareholders for their continued support of National Australia Bank. I now formally declare this Annual General Meeting closed, and I invite you to enjoy some refreshments with us. Thank you all very much.