

Independent Reasonable Assurance Report in relation to the Green Bond Use of Proceeds Statement to the Directors and Management of National Australia Bank Limited ABN 12 004 044 937 ('NAB')

Assurance conclusion

Based on our reasonable assurance procedures, in our opinion:

- Specific quantitative information in the Use of Proceeds Statement is fairly stated, in all material respects, based on information provided by NAB; and
- NAB's systems and policies managing the Green Bond proceeds and the preparation of the Use of Proceeds Statement, are in all respects, in accordance with NAB's Green Bond Framework.

Scope

We have performed a reasonable assurance engagement for the Management and Directors of NAB in relation to the specific information in the use of proceeds statement contained in NAB's Annual Green Bond Report (the "Use of Proceeds Statement"), systems and policies for managing the proceeds from the issuance of NAB's A\$300 million bond with ISIN AU3C80226090 on 16 December 2014 (the "AUD Bond") and NAB's EUR 500 million bond with ISN XS1575474371 on 7 March 2017 (the "EUR Bond" and together with the AUD Bond, the "Green Bonds") and the preparation of the Use of Proceeds Statement. The specific subject matter and associated criteria of our assurance engagement are detailed in the table below.

Subject matter	Criteria
<ul style="list-style-type: none"> • Green Bond Use of Proceeds Statement quantitative information as reported on pages 5,6 and 7 of NAB's Annual Green Bond Report (outstanding drawn down balance of eligible project assets as at period ended 30 September 2017) 	<ul style="list-style-type: none"> • NAB's documentation associated with Green Bond issuances that sets out eligible projects and bond size
<ul style="list-style-type: none"> • NAB systems and policies for managing Green Bond issuances 	<ul style="list-style-type: none"> • Green Bond Use of Proceeds Statement and NAB's Green Bond Framework that sets out monitoring and reporting processes

Management Responsibility

Management of NAB ('Management') is responsible for the collection, preparation, and presentation of the subject matter in accordance with the criteria and for maintaining adequate records and internal controls that are designed to support the management of Green Bond proceeds and the preparation of the Use of Proceeds Statement.

Assurance Practitioner's Responsibility

Our responsibility is to express a reasonable assurance conclusion as to whether the subject matter is presented in accordance with the criteria, in all material aspects. Our assurance engagement has been planned and performed in accordance with the Australian Standard on Assurance Engagements 3000 (revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* ('ASAE 3000').

Level of Assurance

A reasonable assurance engagement consists of making enquiries and applying analytical, controls testing and other evidence-gathering procedures that are sufficient for us to obtain a meaningful level of assurance as the basis for a positive form of conclusion. The procedures performed depend on the assurance practitioner's judgement including the risk of material misstatement of the specific activity data, whether due to fraud or error. While we considered the effectiveness of Management's internal controls when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Our Approach

A summary of our assurance procedures is shown in the following Table.

	Assurance item	Testing Plan
1	Understood the process and systems	<ul style="list-style-type: none"> Through interviews with NAB personnel responsible for identifying eligible Green Bond assets and managing the Green Bond proceeds, we mapped out the processes and systems used to manage the Green Bond proceeds Documented and assessed controls over each significant process and system
2	Checked quantitative information in the Use of Proceeds Statement	<ul style="list-style-type: none"> Confirmed defined green investment categories and values assigned to each eligible project were correctly transcribed into the Use of Proceeds Statement from NAB's systems Tested existence of the eligible projects by agreeing drawn down loan value to underlying support, including draw down notices, and loan subledgers. Reviewed the funds earmarked against eligible projects to confirm the aggregate value of the eligible projects was correctly transcribed into the Use of Process Statement
3	Reviewed systems and policies for managing Green Bond proceeds and preparation of the Use of Proceeds Statement	<ul style="list-style-type: none"> Assessed NAB's systems and policies against NAB's Green Bond Framework Reviewed internal Green Bond monitoring/reporting processes to evidence internal monitoring and tracking of the Green Bonds, including identifying and testing controls and processes to manage the proceeds in line with use of proceeds criteria
4	Checked total funds raised to be less than eligible lending portfolio	<ul style="list-style-type: none"> Viewed evidence from Green Bond documentation and external systems that total Green Bond raising was less than total pool of eligible lending

Limitations

There are inherent limitations in performing assurance – for example, assurance engagements are based on selective testing of the information being examined – and it is possible that fraud, error, or non-compliance may occur and not be detected. There are additional inherent risks associated with assurance over non-financial information including reporting against standards which require information to be assured against source data compiled using definitions and estimation methods that are developed by the reporting entity. Finally, adherence to ASAE 3000 is subjective and will be interpreted differently by different stakeholder groups.

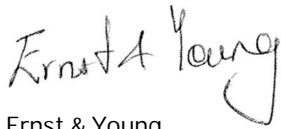
Our assurance was limited to the subject matter above related to NAB's AUD and EUR Green Bond and does not extend to any other information in the NAB's Annual Green Bond Report. Our assurance is limited to policies and procedures in place as of 30 September 2017. We do not provide any assurance on projects'/assets' eligibility.

Use of Report

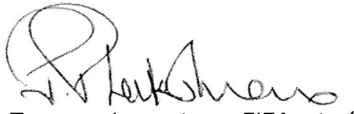
Our responsibility in performing our assurance activities is to the Management and Directors of NAB alone and in accordance with the terms of reference for our engagement as agreed with them. We do not therefore accept or assume any responsibility for any other purpose or to any other person or organisation. Any reliance any such third party may place on the Use of Proceeds Statement is entirely at its own risk. No statement is made as to whether the criteria are appropriate for any third party purpose.

Our Independence and Assurance Team

In accordance with APES 110, the firm and all professional personnel involved in this engagement have met the independence requirements of Australian or International professional ethical requirements. Our team has the required competencies and experience for this assurance engagement.



Ernst & Young



Terence Jeyaretnam FIEAust
Partner
Melbourne, Australia

30 May 2018

Annex A

NAB's list of eligible lending for the AUD Bond:

Project Name	Sector	Country of Residence
Solar Farm 1	Renewable Energy	Australia
Solar Farm 2	Renewable Energy	Australia
Cathedral Rocks windfarm	Renewable Energy	Australia
Clare Solar Farm	Renewable Energy	Australia
Wind Farm 1	Renewable Energy	Australia
Hallett Hill 2 windfarm	Renewable Energy	Australia
Kiata windfarm	Renewable Energy	Australia
Mount Emerald windfarm	Renewable Energy	Australia
Mumbida windfarm	Renewable Energy	Australia
Musselroe windfarm	Renewable Energy	Australia
Wind Farm 2	Renewable Energy	Australia
Gullen Range windfarm and Gullen Range Solar Farm	Renewable Energy	Australia
Oaklands Hill windfarm	Renewable Energy	Australia
Hallett 1 windfarm	Renewable Energy	Australia
Portfolio facility for Nyngan Solar Farm and Broken Hill Solar Farm	Renewable Energy	Australia
Silverton windfarm	Renewable Energy	Australia
Waubra windfarm	Renewable Energy	Australia
Portfolio facility for Blayney windfarm, Crookwell windfarm, Snowtown windfarm (Stages 1 and 2), Mahinerangi windfarm Stage 1, Tararua windfarm (Stages 1, 2 and 3) and Salt Creek Windfarm	Renewable Energy	Australia
Wind Farm 2	Renewable Energy	Australia
Studland Bay Wind Farm & Bluff Point Wind Farm	Renewable Energy	Australia

Total eligible lending of the above counterparties as at 30 September 2017 was \$811,940,594 (AUD).

NAB's list of eligible lending for the EUR Bond:

Project Name	Sector	Country of Residence
Sydney Light Rail PPP	Low Carbon Transport	Australia
North West Rail Link PPP	Low Carbon Transport	Australia
RailCorp Rolling Stock PPP	Low Carbon Transport	Australia
QW Rail Leasing	Low Carbon Transport	United Kingdom
Cubico 4 - Portfolio of onshore wind farms	Renewable Energy	United Kingdom
Cubico 2 - Portfolio of 2 wind farms and 11 ground based solar PV parks	Renewable Energy	United Kingdom
Independent Power Producer with 57 assets (48 operational, 6 in construction, 3 pre-construction)	Renewable Energy	Europe & Latin America
Eco Wind Power portfolio - onshore windfarms	Renewable Energy	Ireland
Race Bank Wind farm - offshore wind farm	Renewable Energy	United Kingdom
Fred Olsen wind portfolio - onshore wind farms	Renewable Energy	United Kingdom
Grange wind farm - onshore wind farm	Renewable Energy	United Kingdom
A'Chruach wind farm - onshore wind farm	Renewable Energy	United Kingdom
Infinis portfolio - onshore wind farms	Renewable Energy	United Kingdom
Moor House, Kype Muir and Middle Muir windfarms	Renewable Energy	United Kingdom
Portfolio of 21 UK based solar PV parks	Renewable Energy	United Kingdom
Portfolio of UK ground based solar PV parks	Renewable Energy	United Kingdom
Wind farms and solar PV assets	Renewable Energy	UK, Ireland & France

Total eligible lending of the above counterparties as at 30 September 2017 was €787,274,790.