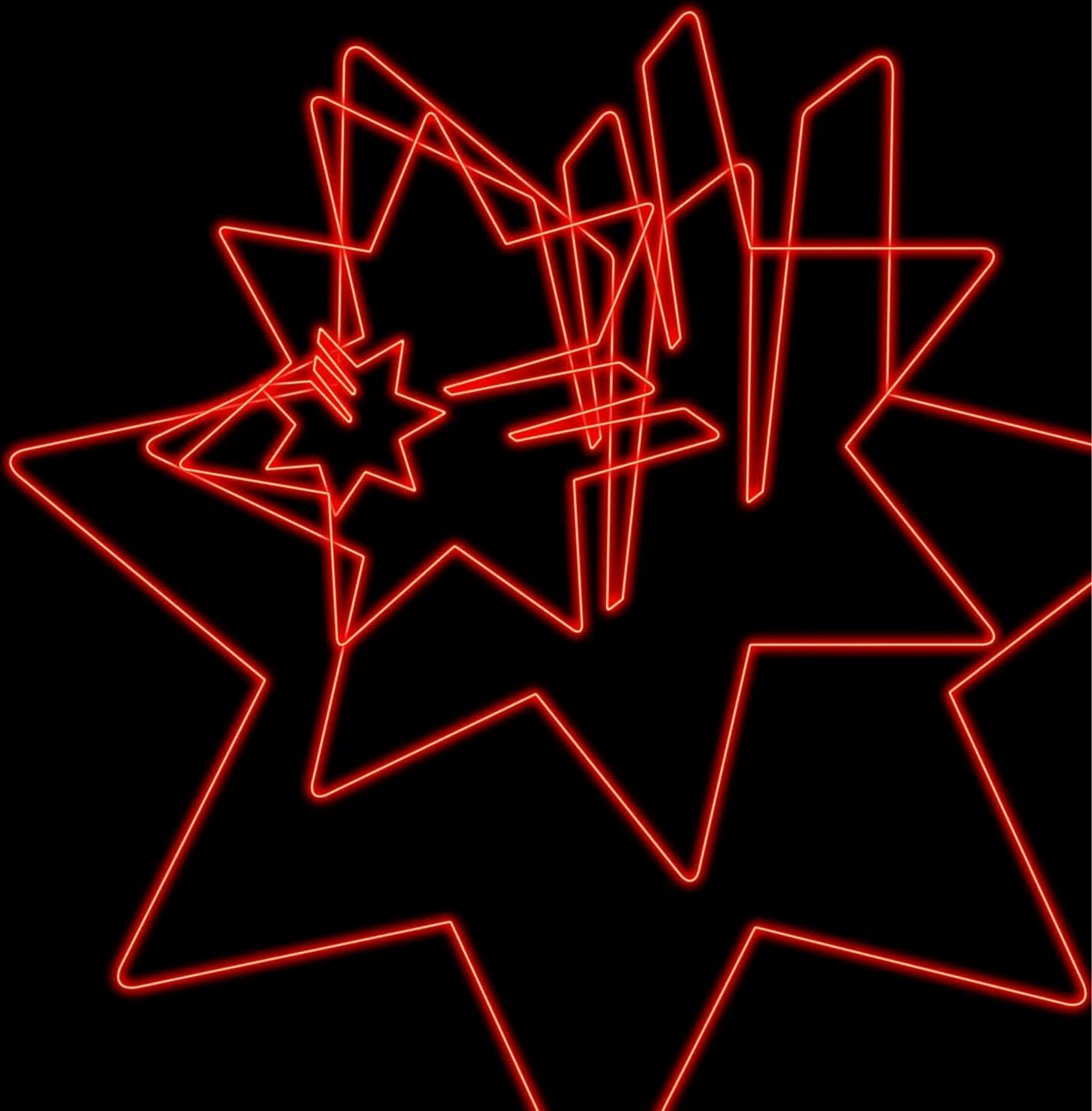
nab europe

national australia bank

Pillar 3 Report

As at 31 December 2024



Contents

1. Introduction

This document describes the approach NAB Europe S.A. takes to manage risk, and provides detailed information about risk exposures, capital adequacy and liquidity. Amounts are presented in Euros unless otherwise stated. It has been prepared in accordance with Article 435 Capital Requirements Regulation (CRR) from the European Banking Authority (EBA).

NAB Europe S.A. (NAB Europe) is a fully owned subsidiary of National Australia Bank Limited ("NAB" or "NAB Group"), authorised in France by the ACPR since February 2022 to operate as a credit institution providing investment services. The license delivered by the ACPR was provided after authorisation of the European Central Bank (ECB) and by the French Market Authority (AMF) for what concerns investment services. NAB Europe is incorporated under French law as a Société Anonyme (S.A.) or public limited company.

NAB Europe operates corporate and institutional banking (C&IB) activity across Continental Europe via freedom of provision of services and European passporting rights in targeted jurisdictions. As a licensed credit institution established in France, NAB Europe has applied for and obtained passports in 25 European countries enabling the entity to operate in the Economic European Area (EEA) (except Bulgaria, Cyprus, Liechtenstein and Malta) based on the freedom of establishment rules within the European Union (EU).

NAB Europe strategy focusses on client-led growth in Europe and is core to the NAB Group C&IB for Infrastructure "Bank for Investor" strategies and contributes to C&IB's aspiration to grow cash earnings. NAB Europe's focus is on European and Australian Corporate and institutional prospects and strategic current customers having interests in financial services and products in Australia, France or and EEA.

These activities comprise of:

- **Lending business:**
- Specialised Finance (SF): Focus products include financing for infrastructure and renewables to corporates and projects sponsored by investment banks, funds, asset managers and private equity firms;
- Financial Institutions: NAB Europe Financial Institution Group (FG) primarily focus on banks and customers in the insurance and asset management industries (including funds) in select EU countries. Focus products include term loans, RCFs and letters of credit;
- Institutional Banking (IB) business lending: IB will primarily target corporates and funds including those focused on infrastructure investing in select EU countries. Focus products include Revolving Credit Facilities (RCFs), guarantees and funds finance.

Provision of investment services and market products:

- Markets – divided into:
    - Repo trading, Fixed Income (FI), Foreign Exchange (FX) and commodity sales which distribute flow products to institutional investors in the UK and the EEA, and
    - a solution sales team which provides derivatives solutions to corporate and institutional customers (including borrowers and issuers) distributing derivative-based solutions to such customers;
- Debt Capital Markets activities: bond issuances.

2. Risk Governance and Management

NAB Europe has designed a risk strategy aligned to NAB Group Risk Management Strategy (RMS) that describes the material risks and approach to managing risks and articulates the adopted Risk Management Framework (RMF). The RMS (articulating the RMF) supports the Group and its entities in:

- Delivering the strategic ambition
- Protecting customers and delivering fair outcomes
- Driving sustainable business performance in a safe and responsible manner; and
- Complying with regulatory obligations.

NAB Europe's approach to Internal Control and Risk Management are consistent with the NAB Group approach to internal control which is based on a 'three lines of accountability' model and is underpinned by the NAB Group RMS document which describes the key elements of the NAB Group RMF.

The NAB Group RMF consists of the systems, structures, policies, processes and people within the Group including risk management practices, that identify, measure, evaluate, mitigate, monitor and report on all internal and external sources of material risk. Material risks are those that could have a material impact, both financial and non-financial, on an institution or on the interests of customers.

The RMF comprises of the following key elements as described in the below chart:

Risk Governance: Risk governance refers to the formal structure used to support risk-based decision-making and oversight across all our operations. This consists of Board committees and management committees, delegations of authority for decision-making, management structures and related reporting;

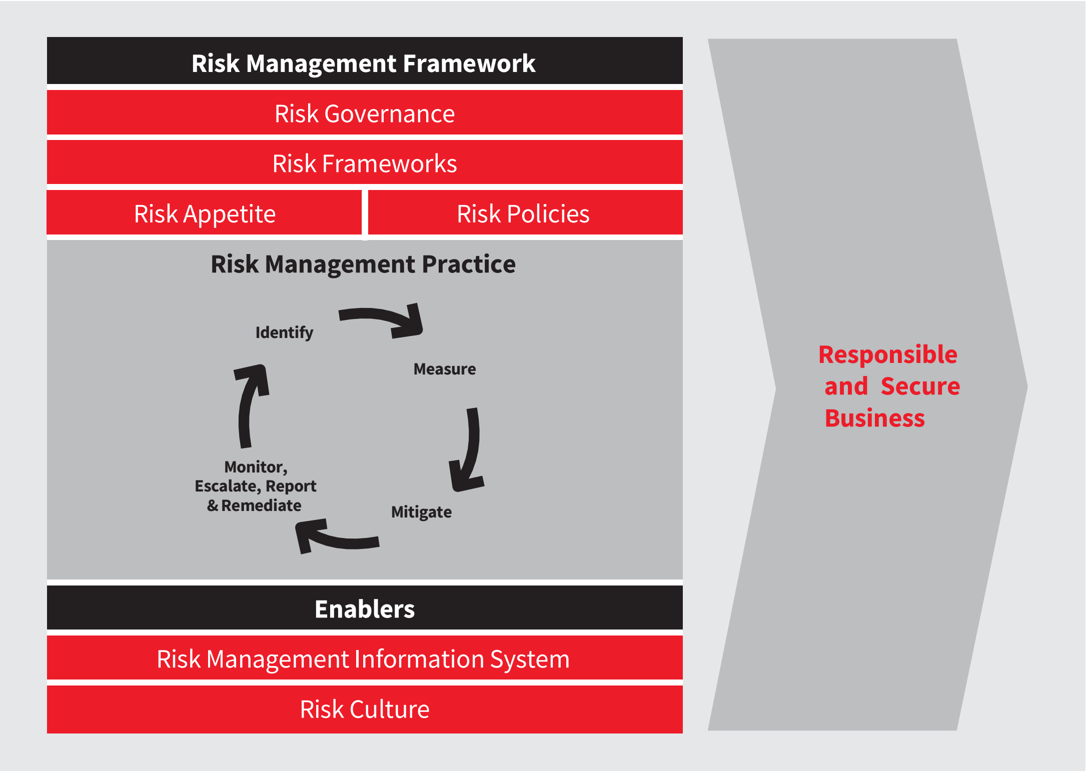
Risk Frameworks: NAB RMF is operationalised via several secondary risk frameworks that have been developed for the following purposes:

(i) to define in greater detail specific components of the RMF or aspects of risk management (e.g. Risk Appetite Framework),

(ii) to provide details on how the RMF is implemented within a specific material risk category (e.g. Conduct Risk Framework);

Risk appetite and Policies: Risk appetite, settings and policies all articulate boundaries that are binding on the Group and ensure that we operate within acceptable levels of risk;

Risk Management practices: Risk management practice focuses on the systematic process of identifying, measuring, mitigating, evaluating, monitoring, escalating, reporting and remediating all material risks to which the Bank is exposed in the execution of its Business Plan.



The RMF also includes two fundamental enablers as follows:

Risk Management Information System: Effective risk management relies on regular, accurate and timely information concerning all material risks in our Group risk profile. NAB RMF is supported by an infrastructure of information systems that enable the prompt and accurate capture, measurement, assessment and reporting of our material risks and risk events;

Risk Culture: NAB culture aims at supporting all staff members to identify and escalate risks effectively, protect customers and sustain performance. A sound risk culture exists when the mind-set, behaviour and decisions of our people are aligned to the Group's values and create fair, sustainable outcomes for our customers, shareholders and communities.

NAB Europe operates a Three Lines of Risk Accountability model aligned with both the NAB Group and the local regulatory framework:

- 1st Line represented by the Business Units;
- 2nd Line comprising functionally segregated and independent Risk functions;
- 3rd Line –as an independent Internal Audit function.

There is a Governance that refers to the formal structure used, such as Board committees and risk committees, and powers and authority of relevant stakeholders.

Many elements supporting the Risk Frameworks are used to operationalise components of the RMF such as the Risk Appetite, the Internal Control Charter and a set of policies and procedures setting the scene to support the activity.

NAB Europe has adopted a Risk Appetite Statement (RAS) that is a component of the broader NAB Group Risk Appetite Framework. It articulates risk appetite and operationalises it, so it can be used in day-to-day decision making and management of risk. Risk Tolerances are defined quantitatively or qualitatively, where quantitative measurement is not possible, to declare a willingness or unwillingness to pursue specific activities or where risk exposures can be identified, influenced and monitored but not easily quantified.

NAB Europe RAS is reviewed regularly and updated at least annually, with oversight of performance against risk appetite and breach management, including appropriate action planning and reported to the respective NAB Europe governance bodies. Regular monitoring against the risk limits, settings and tolerance is undertaken by way of the bi-monthly Risk Settings Dashboard. This monitoring is undertaken by the 1st line business areas with 2nd line oversight and challenge by the Chief Risk Officer, NAB Europe and NAB Europe Head of Compliance & Permanent Control. The Risk Settings Dashboard is submitted and discussed at the NAB Europe Executive Risk Committee held bi-monthly.

Changes to Risk Appetite and associated tolerances articulated within the RAS will be made following express approval by the NAB Europe Board of Directors (Board).

The NAB Europe RAS, effective April 2024 has been:

- reviewed and noted by NAB Europe's Executive Risk Committee;
- approved by NAB Europe Board;
- reviewed and noted by C&IB Risk Management Committee and Executive Risk Committee (ERC); and
- noted by the NAB Group board.

The NAB Europe Governance Structure

The governance structure is defined in NAB Europe's Articles of Association as approved by the NAB Europe General Assembly of shareholders on 22 February 2022.

The Governance is organised around

(i) The NAB Europe Board of Directors, playing the role of a supervisory body. The Board of Directors currently comprises of four members as of 31st of December 2024:

- Ms Krista Baetens, (Chair) Executive NAB, Executive Markets, appointed by NAB Europe Board on 2nd of December 2024
- Mr John McClusky, Executive NAB Europe & Asia,
- Mr Matt Tuck, independent Board member
- Ms Nicola Jolley, NAB Europe SA CEO Directeur General.

(ii) An executive level, comprising a CEO, Deputy-CEO and CRO, and two different executive committees (an "executive committee" and an "risk executive committee") working in close collaboration with all the executive committee members comprising the Key function Holders and the Head of the respective business lines and functions:

- Head of Finance and Treasury,
- Head of Compliance and Permanent Control,
- Director Institutional Sale, Rates & Commodities Paris Markets
- Executive Director Paris Specialised Asset Finance (SAF),
- Internal Audit Manager.

The NAB Europe Board

The NAB Europe Board of Directors is the supervisory body of NAB Europe within the meaning of the Order of Nov. 3, 2014. It exercises permanent supervision over the management of NAB Europe. The Board of Directors operate in accordance with a schedule of items organising the presentation of key items on an annual cycle.

The control and oversight exercised by the Board of Directors extends to all activities of the Bank and all areas of risks, and notably credit risk, concentration risk, market risk, settlement risk, liquidity risk, excessive leverage, model risk, conduct risk and operational risk.

For that purpose, the Board has adopted the criteria and thresholds of significance referred to in article 98 of the Order to identify incidents that must be brought to its attention. The Board escalation thresholds are reviewed regularly and updated at least annually, in conjunction with the Risk Appetite Statement and Permanent Control Plan.

The Executive Committee

The Executive Committee of NAB Europe (the “ExCo”) derives its authorities from the Board of Directors and is the principal forum for conducting the business of NAB Europe with day-to- day responsibility for the efficient running of the business. In addition, the ExCo is responsible for the implementation of Board of Directors approved strategies and plans and for ensuring the performance of the business in accordance with the Board of Directors approved budget.

Role of the Risk Executive Committee

The Executive Risk Committee (“ExRiskCo”) advises the ExCo and in turn the Board of Directors in respect of the overall strategy and appetite regarding current and future risks for NAB Europe. It supervises the implementation of the strategy as set out by the Board of Directors, the Executive Managers and the Chief Risk Officer.

The ExRiskCo’s main objectives are to ensure risks are identified and assessed, that there is appropriate risk mitigation in place and that NAB Europe’s control environment is commensurate to its needs, based on the strategy set by the NAB Group and adopted by the Board of Directors.

The ExRiskCo operates under the authority of the ExCo.
In particular, it:

1. is responsible for NAB Europe’s risk culture, risk appetite and risk monitoring and oversight consistent with the NAB Group risk management framework;
2. oversees all the risks faced by NAB Europe and advises the ExCo on all risk management matters;
3. reviews NAB Europe’s risk exposures (including credit risk, market risk, capital and liquidity risks, operational risk, and regulatory compliance) in relation to the Board of Directors’ risk appetite and NAB Europe’s financial resources.

3. Capital

Capital Adequacy

Capital Management Strategy

NAB Europe's strategy for capital management is focused on adequacy, efficiency, and flexibility. The amount of capital that is held is informed by the Internal Capital Adequacy Assessment Process (ICAAP) to assess required levels of capital, including regulatory requirements. This approach is consistent across the NAB Group subsidiaries.

The strategy covers the capital outlook, potential risks, and initiatives. The strategy also considers stressed scenarios and sensitivities to ensure NAB Europe maintains appropriate capital and can respond appropriately in adverse situations.

The NAB Europe Board has set capital operating targets above regulatory minimums and capital buffers, taking into account market, regulatory and rating agency expectations. The operating targets are regularly reviewed in the context of the external economic and regulatory outlook with the objective of maintaining balance sheet strength.

Risk Identification and Assessment

The process of assessing capital adequacy begins with NAB Europe measuring all material risks and where appropriate, generating a capital adequacy requirement. In managing the business, NAB Europe considers regulatory capital requirements, as summarised in the following table.

	Regulatory capital
Nature	Regulatory view of the capital required to be held to protect against risks associated with business activities.
Calculation	Calculated under regulatory requirements and expressed as a percentage of RWA
Risk Types	Credit risk, market risk, operational risk and interest rate risk in the banking book (IRRBB)

The ICAAP describes capital adequacy for NAB Europe. The process is designed to assess the ability to withstand unexpected losses and continue to support customers and protect depositors through a range of adverse scenarios. Key features include:

- identification of risks arising from the activities for which capital is a mitigant;
- calibration of capital limits commensurate with the risk profile and appetite and appropriate triggers to mitigate potential limit breaches;
- assessment of capital adequacy on a current and forward-looking basis, including scenario planning and stress testing;
- detail on capital management actions available to provide additional capital as required;
- processes for reporting on the ICAAP and its outcomes to the NAB Europe Board and senior management and ensuring that the ICAAP is taken into account in making business decisions.

Governance, Reporting and Oversight

The ICAAP and RAS together detail the governance, management, and reporting of the NAB Europe's capital adequacy. These documents are reviewed and endorsed by the NAB Europe Executive Committee and approved by the NAB Europe Board. The ICAAP is supported by the NAB Group Capital Risk Policy, which defines the framework for the management, monitoring and governance of the capital position.

NAB Europe Treasury is responsible for managing capital risk. NAB Europe Treasury monitors and manages the capital position by reference to the operating targets incorporated in the ICAAP and RAS.

NAB Europe Treasury, along with the Chief Risk Officer, monitor NAB Europe's capital position bi-monthly and report the capital position to the Executive Risk Committee and the NAB Europe Board.

Embedding Capital Requirements in Business Decisions

Capital requirements are taken into consideration in:

- product and facility pricing decisions;
- business development, including acquisitions and divestments;
- strategic planning;
- setting of risk appetite and risk limits, including single large exposure limits, industry limits and country limits.

Template EU OV1 – Overview of total risk exposure amounts

		Total risk exposure amounts (TREA)		Total own funds requirements
		a	b	c
		T	T-1	T
1	Credit risk (excluding CCR)	327,356,574		37,646,006
2	Of which the standardised approach	327,356,574		37,646,006
3	Of which the Foundation IRB (F-IRB) approach			
4	Of which slotting approach			
EU 4a	Of which equities under the simple risk weighted approach			
5	Of which the Advanced IRB (A-IRB) approach			
6	Counterparty credit risk - CCR			
7	Of which the standardised approach			
8	Of which internal model method (IMM)			
EU 8a	Of which exposures to a CCP			
9	Of which other CCR			
10	Credit valuation adjustments risk - CVA risk	27,159		3,123
EU 10a	Of which the standardised approach (SA)	27,159		3,123
EU 10b	Of which the basic approach (F-BA and R-BA)			
EU 10c	Of which the simplified approach			
11	Not applicable			
12	Not applicable			
13	Not applicable			
14	Not applicable			
15	Settlement risk			
16	Securitisation exposures in the non-trading book (after the cap)			
17	Of which SEC-IRBA approach			
18	Of which SEC-ERBA (including IAA)			
19	Of which SEC-SA approach			
EU 19a	Of which 1250% / deduction			
20	Position, foreign exchange and commodities risks (Market risk)	28,129,260		3,234,865
21	Of which the Alternative standardised approach (A-SA)			
EU 21a	Of which the Simplified standardised approach (S-SA)			
22	Of which Alternative Internal Model Approach (A-IMA)			
EU 22a	Large exposures			
23	Reclassifications between the trading and non-trading books			
24	Operational risk	16,792,677		1,931,158
EU 24a	Exposures to crypto-assets			
25	Amounts below the thresholds for deduction (subject to 250% risk weight)			
26	Output floor applied (%)			
27	Floor adjustment (before application of transitional cap)			
28	Floor adjustment (after application of transitional cap)			
29	**Total**	**372,305,670**		**42,815,152**

Template EU KM1 – Key metrics template

		a	b	c	d	e
		T	T-1	T-2	T-3	T-4
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	170,812,597	170,860,798	170,627,704	170,130,964	120,422,236
2	Tier 1 capital	170,812,597	170,860,798	170,627,704	170,130,964	120,422,236
3	Total capital	170,812,597	170,860,798	170,627,704	170,130,964	120,422,236
	Risk-weighted exposure amounts					
4	Total risk exposure amount	372,305,670	393,254,351	264,204,933	267,833,954	204,075,626
4a	Total risk exposure pre-floor	372,305,670	393,254,351	264,204,933	267,833,954	204,075,626
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	45.88%	43.45%	64.58%	63.52%	59.01%
5a	Not applicable					
5b	Common Equity Tier 1 ratio considering unfloored TREA (%)	45.88%	43.45%	64.58%	63.52%	59.01%
6	Tier 1 ratio (%)	45.88%	43.45%	64.58%	63.52%	59.01%
6a	Not applicable					
6b	Tier 1 ratio considering unfloored TREA (%)	45.88%	43.45%	64.58%	63.52%	59.01%
7	Total capital ratio (%)	45.88%	43.45%	64.58%	63.52%	59.01%
7a	Not applicable					
7b	Total capital ratio considering unfloored TREA (%)	45.88%	43.45%	64.58%	63.52%	59.01%
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
EU 7d	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 7e	of which: to be made up of CET1 capital (percentage points)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 7f	of which: to be made up of Tier 1 capital (percentage points)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 7g	Total SREP own funds requirements (%)	8.00%	8.00%	8.00%	8.00%	8.00%
	Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2.50%	2.50%	2.50%	2.50%	2.50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	1.00%	1.00%	1.00%	1.00%	0.50%
9	Institution specific countercyclical capital buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 9a	Systemic risk buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
10	Global Systemically Important Institution buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 10a	Other Systemically Important Institution buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
11	Combined buffer requirement (%)	3.50%	3.50%	3.50%	3.50%	3.00%
EU 11a	Overall capital requirements (%)	11.50%	11.50%	11.50%	11.50%	11.00%
12	CET1 available after meeting the total SREP own funds requirements (%)	141,028,271	139,400,409	149,491,377	148,704,358	103,928,166
	Leverage ratio					
13	Total exposure measure	3,776,854,919	3,188,473,470	2,527,301,852	3,040,003,272	2,750,519,909
14	Leverage ratio (%)	4.52%	5.36%	6.75%	5.60%	4.38%
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 14b	of which: to be made up of CET1 capital (percentage points)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 14c	Total SREP leverage ratio requirements (%)	3.00%	3.00%	3.00%	3.00%	3.00%
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
EU 14d	Leverage ratio buffer requirement (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 14e	Overall leverage ratio requirement (%)	3.00%	3.00%	3.00%	3.00%	3.00%

	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	211,714,504	202,976,433	157,207,793	147,806,847	198,796,630
EU 16a	Cash outflows - Total weighted value	77,065,510	72,223,756	29,375,490	37,554,785	47,307,917
EU 16b	Cash inflows - Total weighted value	30,499,009	28,000,626	70,246,350	114,660,100	35,480,938
16	Total net cash outflows (adjusted value)	46,566,502	44,223,130	7,343,872	9,388,696	11,826,979
17	Liquidity coverage ratio (%)	454.65%	458.98%	2140.67%	1574.31%	1680.87%
	Net Stable Funding Ratio					
18	Total available stable funding	293,390,572	293,976,224	183,060,709	182,958,123	124,801,329
19	Total required stable funding	208,244,017	218,146,965	144,888,621	129,888,008	92,118,371
20	NSFR ratio (%)	140.89%	134.76%	126.35%	140.86%	135.48%

Template EU CC1 – Composition of regulatory own funds[1]

		(a)	(b)
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	185,000,000	
	of which: Instrument type 1	185,000,000	
	of which: Instrument type 2		
	of which: Instrument type 3		
2	Retained earnings	- 10,934,181.00	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**174,065,819**	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	- 3,253,222	
27a	Other regulatory adjustments		
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	- 3,253,222	
29	**Common Equity Tier 1 (CET1) capital**	**170,812,597**	
44	**Additional Tier 1 (AT1) capital**	**-**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**170,812,597**	
Tier 2 (T2) capital: instruments			
58	**Tier 2 (T2) capital**	**-**	
59	**Total capital (TC = T1 + T2)**	**170,812,597**	
60	**Total Risk exposure amount**	**372,305,670**	
Capital ratios and requirements including buffers			
61	Common Equity Tier 1 capital	45.88%	
62	Tier 1 capital	45.88%	
63	Total capital	45.88%	
64	Institution CET1 overall capital requirements	29,784,453.60	
65	of which: capital conservation buffer requirement	9,307,641.75	
66	of which: countercyclical capital buffer requirement	3,723,056.70	
68	**Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements**	37.88%	

[1] Items 11 to 27a, 30 to 44, 46 to 58 and 69 to 85 are not shown because of nil returns.

Template EU CC2 – reconciliation of regulatory own funds to balance sheet in the audited financial statements

		a	b	c
		Balance sheet as in published financial	Under regulatory scope of consolidation	Reference
		As at period end	As at period end	
Assets - *Breakdown by asset clases according to the balance sheet in the published financial statements*				
1	Assets with credit institutions	2,002,134,304	2,002,134,304	
2	Derivatives - Held for trading purposes	7,402,983	7,402,983	
3	Transactions with customers	1,660,143,237	1,660,143,237	
4	Bonds and other fixed income securities	119,363,963	119,363,963	
5	Tangible assets	2,589,161	2,589,161	
6	Other assets	16,575,776	16,575,776	
7	Assets related to clearing operations	158,629	158,629	
	Total assets	3,808,368,053	3,808,368,053	
Liabilities - *Breakdown by liability clases according to the balance sheet in the published financial statements*				
1	Debts with credit institutions	3,316,466,481	3,316,466,481	
2	Derivatives - Held for trading purposes	7,096,598	7,096,598	
3	Transactions with customers	-	-	
4	Other liabilities	309,443,019	309,443,019	
5	Liabilities related to clearing operations	152	152	
	Total liabilities	3,633,006,250	3,633,006,250	
Sharehol				
1	Capital	185,000,000	185,000,000	
2	Retained earnings	- 10,934,181	- 10,934,181	
3	PROFIT / (Loss) for the financial period	1,295,984	1,295,984	
	Total shareholders' equity	175,361,803	175,361,803	

4. Credit Risk

The Credit Risk Framework for NAB Europe is approved by the NAB Europe Board and references NAB Group policies and NAB Europe Risk Appetite Statements.

As at the end of December 2024, the NAB Europe portfolio comprises loans made to 14 clients, interest rate hedging entered into for three clients, a short-dated FX exposure for one client, and repo exposure to two client groups.

The credit quality of the NAB Europe lending and counterparty portfolio is sound with over 90% of all exposures being to Investment Grade-equivalent counterparties. All exposures are within risk appetite and there are no arrears, impaired facilities, write offs or specific provisions.

NAB Europe Uses the Standardised Approach for calculation of risk weighted assets for all credit exposures.

Exposures are managed in line with NAB Group standards and in compliance with international standards including the Australian Prudential Risk standards and the applicable European and French regulations.

In line with its operating model, NAB Europe transfers certain exposures to NAB Ltd via risk participation.

General Disclosures

Credit risk is the potential that a customer will fail to meet its obligations to NAB Europe in accordance with agreed terms. It is a financial risk that NAB Europe consciously elects to take through both its lending activities and markets activities.

NAB Europe's management of credit risk is aligned to that of the wider NAB Group and the following five principles:

1. Do the right thing by providing financial services to customers in a responsible manner.
2. Only take credit risks that are transparent.
3. Plan and manage for the possibility of default.
4. Be proactive in managing exposures to customers and their credit risk.
5. Manage the portfolio of credit exposures responsibly and in the interest of capital providers and other relevant stakeholders.

These principles guide credit origination, credit assessment and approval activities, credit risk objectives and appetite.

Governance

The NAB Europe Board delegates credit decision-making authority to the Effective Managers who, together with senior Risk executives within the NAB Group, set the NAB Europe Delegated Commitment Authority (DCA) framework and sub-delegate the decision-making authority to individuals within NAB Europe.

The Board or its delegates are able to set limits on the amount of risk accepted at single counterparty, counterparty group, geographic or industry levels. These limits are required to be consistent with NAB Europe's risk appetite. Such risks are monitored on a regular basis and are subject to annual or more frequent reviews.

The NAB Group Executive Risk & Compliance Committee and its sub-committees, in particular the Group Credit & Market Risk Committee, oversee the NAB Group's credit risk appetite, principles, policies, models and systems for the management of credit risk. Internal risk forums and councils oversee implementation of these disciplines at a more granular level.

Management

The Business Unit Heads have primary responsibility for ensuring their respective areas follow NAB Europe's credit policies, processes and standards.

The Risk function is charged with implementing a sound risk framework to maintain appropriate asset quality across NAB Europe in line with credit risk appetite, credit risk underwriting standards and policy.

Risk plays a key role in managing risk appetite, credit risk oversight, portfolio measurement, assisting businesses with portfolio management, and measuring compliance with strategic targets and limits.

The Credit Officer in NAB Europe leads the credit risk function and supports the Bank's strategy. The Credit Officer has a DCA level set within the NAB Group framework appropriate to the volume and type of transactions within the Bank. The NAB Europe Credit Officer can exercise a veto at any stage of the approval process.

Key responsibilities of the Credit Officer are:

- to provide credit assessment and decisioning and the control of risk in relation to credit requests and proposals from the NAB Europe business units;
- to exercise a veto authority on behalf of NAB Europe;
- to contribute to the analytics and reporting for the bi-monthly Executive Risk Committee meetings;
- to oversight the Credit and counterparty risk portfolios in conjunction with the relevant business units and the Chief Risk Officer.

NAB Group Credit Risk Management Strategy

As part of the NAB Group, NAB Europe is aligned to the NAB Group Credit Risk Management Strategy. The Credit Risk Management Strategy outlines the NAB Group's approach to managing credit risk and articulates the Credit Risk Management Framework that seeks to ensure that credit risks are identified, measured, evaluated, monitored, reported and controlled or mitigated.

The Credit Risk Management Strategy is adaptable in managing shifts through economic and credit cycles through key credit risk management drivers which include:

- Credit risk appetite - the level of risk the Group is willing to assume to ensure that it operates within acceptable levels of credit risk and in compliance with obligations and commitments.
- Credit authorities - the mechanism used to support risk-based credit limit decisions across the Group.
- Credit risk policy - sets the mandatory requirements for the Group's credit risk activities, including credit origination, assessment and approval activities, and supports adherence to regulatory and legislative obligations.

The Credit Risk Management Framework and the use of key credit risk management drivers support the Group, including NAB Europe, to:

- deliver the Group's strategic ambition.
- protect customers and deliver fair outcomes.
- drive sustainable business performance in a safe and responsible manner.
- comply with the Group's obligations.

The NAB Group Credit Assurance function performs a key assurance activity. Through a sampling process, this function reviews approvals undertaken across all business units including NAB Europe. The function operates independently of the credit approval process and reports its findings to both the relevant business units, and to Line 1 and Line 2 risk committees, both at Group and at NAB Europe level.

Monitoring and Reporting

NAB Europe has a comprehensive process for monitoring and reporting credit and asset quality. The Executive Risk Committee receives regular reports covering credit risk, credit quality, asset concentrations, asset quality and assurance outcomes. Key reports are also provided to senior stakeholders with the NAB Group. At the NAB Group level, Credit risk is oversighted by the Board Risk & Compliance Committee and the Board.

Internal ratings

Whilst **NAB Europe uses the Standardised Approach for all credit exposures**, it uses the NAB Group's internal ratings system for the management of its credit risk, including decision making. This measures credit risk using PD, EaD and LGD. Distinct PD, EaD and LGD models exist for different asset classes and customer segments.

NAB Europe's counterparties are assessed individually using a combination of expert judgement and statistical risk rating tools, in line with NAB Group criteria. Rating approaches for each asset class are summarised in the table below.

Exposure type	Description of APRA prudential requirements	Rating approach
Non-retail exposures subject to the advanced IRB approach		
Corporate (including SME)	Corporations, partnerships, proprietorships, public sector entities and any other credit exposure not elsewhere classified.	Statistical risk model, external credit rating and expert judgement
Non-retail exposures subject to the foundation IRB approach		
Corporate	Corporations, partnerships, proprietorships and public sector entities with consolidated annual revenue greater than $750 million.	Statistical risk model, external credit rating and expert judgement
Sovereign	- Australian and overseas central and subnational governments. A subnational government is a government of a geographically defined part of a state which has powers to raise revenue and borrow money. - The Reserve Bank of Australia (RBA) and overseas central banks. - Multilateral development banks or institutions eligible for a zero risk-weight.	Statistical risk model, external credit rating and expert judgement
Financial institution	Legal entities whose main business includes the management of financial assets, lending, factoring, leasing, provision of credit enhancements, securitisation (excluding securitisation exposures subject to the requirements of APS 120), investments, financial custody, central counterparty services (excluding qualifying central counterparty exposures) and proprietary trading.	Statistical risk model, external credit rating and expert judgement

Internal Risk Rating and External Ratings

The structure of the internal risk rating system and its relationship with external ratings is outlined below.

Internal risk rating and external ratings

Description	Internal rating	Probability of default (%)	S&P rating	Moody's rating
Super senior investment grade	1, 2	0<0.03	AAA, AA+, AA, AA-	Aaa, Aa1, Aa2, Aa3
Senior investment grade	3, 4, 5	0.03<0.11	A+, A, A-	A1, A2, A3
Investment grade	6, 7, 8, 9, 10, 11	0.11<0.55	BBB+, BBB, BBB-	Baa1, Baa2, Baa3
Acceptable	12, 13, 14, 15, 16, 17, 18, 19	0.55<5.01	BB+, BB, BB-, B+	Ba1, Ba2, Ba3, B1
Weak/doubtful	20, 21, 22, 23	5.01<99.99	B, B-, CCC+, CCC, CCC-	B2, B3, Caa,Ca
Default	98, 99	100	D	C

Probability of Default

Probability of Default ("PD") measures the likelihood that a customer will default within a 12-month period.

NAB Europe, as part of the NAB Group, has a number of PD models that differ by industry, segment and counterparty size, and incorporate regional variances.

The rating model used is dependent on:

- industry classification.
- available financial information.
- qualitative information.
- exposure and product.

The quantitative factors consist of financial ratios and indicators, such as profitability, leverage and debt service coverage. The qualitative factors are based on qualitative data using the expert judgement of the lender and credit officer, such as management ability and industry outlook.

While factors predictive of default have broad similarities across segments (for example, debt service capability and management quality) and are inherently correlated, the modelling process establishes those factors that are most robustly predictive for each segment, along with their relative weightings. External benchmarking is used for certain segments that have insufficient internal data, a small population and/or low defaults. This is the case for externally rated banks and sovereigns, where external rating agency data is used. The resultant rating is updated at least annually.

Loss given default ("LGD")

LGD measures the portion of the exposure owed to NAB Europe that would be lost in the event of the customer defaulting. LGD is calculated by using a set of estimated parameters including loss given realisation, post default path rates and bank value of collateral.

The NAB Group applies stresses to the model factors to obtain downturn LGD estimates using internal data, external reference data and benchmarks, and by applying expert judgement or utilising regulatory imposed floors.

Exposure at default ("EaD")

EaD is calculated according to the facility type. NAB Europe uses the NAB Group's EaD models which predict the amount that is outstanding if the customer defaults. This amount includes principal, fees and interest owed at the time of default.

Credit rating system control

In addition to monthly performance reporting, credit models are reviewed at least annually by the NAB Group in accordance with the Group Model Risk Policy. Regular independent reviews are also conducted. The outcomes of the model validation process, including proposed actions, are presented to the authorised risk committees for review and endorsement of any actions for implementation

Credit risk mitigation

NAB Europe, in line with the NAB Group, employs a range of techniques to reduce risk in its credit portfolio. Credit risk mitigation commences with an objective credit evaluation of the counterparty. This includes an assessment of the counterparty's character, industry, business model and capacity to meet its commitments without distress. Other methods to mitigate credit risk include a prudent approach to facility structure, collateral, lending covenants and terms and conditions.

Collateral

Collateral provides a secondary source of repayment for funds being advanced in the event that a counterparty cannot meet its contractual repayment obligations.

Common types of collateral include:

- fixed and floating charges over business assets.
- cash deposits.
- fixed income products.
- listed shares, bonds or securities.
- guarantees, letters of credit and pledges.

To ensure that collateral held is sufficiently liquid, enforceable and regularly valued, credit risk policy provides a framework to:

- establish the amount and quality of collateral required to support an exposure.
- determine acceptable valuation type and revaluation requirements for each collateral class.
- record market value and bank value, being a conservative assessment of value in the event the collateral is realised.

Guarantors

Guarantees from financially sound parties are sometimes required to support funds advanced to a counterparty. This can reduce the consequences of a default on their obligations. Where allowed in credit risk policy, guarantors that are risk rated may enhance the counterparty customer rating.

Portfolio management

The Risk function manages the overall risk of the portfolio. Internal reporting systems are utilised to record all:

- approved credit, derivative, and repo facility limits.
- credit exposure arising from lending, derivative, repo and foreign exchange transactions.
- country risk exposures for country limit purposes.

A specialist administration unit operating independently of relationship managers, dealers and credit approvers record and maintain the limits.

Risk Participation with NAB Ltd

NAB Europe and NAB Ltd are signatories to a master participation agreement which governs NAB Europe's risk transfer arrangements with respect to its lending business. This is used proactively as a risk management tool to ensure exposures remain within NAB Europe's Single Large Exposure (SLE) limits.

Counterparty credit risk

This section describes NAB Europe's and the wider NAB Group's approach to managing credit risk relating to derivatives. Counterparty credit risk is the risk that a counterparty to a derivative transaction may default before final settlement of the transaction's cash flows. An economic loss could occur if a transaction with a defaulting counterparty has a positive economic value to NAB Europe.

Credit limits

Credit limits for derivatives are approved and assigned by an appropriately authorised Delegated Commitment Authority (DCA) based on the same principles (i.e. amount, tenor, Probability of Default (PD), Loss Given Default (LGD) and product type) and internal credit policies as those used for approving loans.

Credit exposures for each transaction are measured as the current mark-to-market value and the potential future credit exposure which is an estimate of the future replacement cost. Limit excesses, whether they are active or passive, are subject to formal approval by a DCA.

Collateral

Counterparty credit exposures may be collateralised by an approved list of eligible collateral via market standard master agreements (ISDA master agreements and credit support annexes) or local equivalents. Eligible collateral may be subject to haircuts depending on asset type. Counterparties may also be subject to posting collateral before a transaction is executed.

Wrong way risk

Wrong way risk occurs when exposure to a counterparty is adversely correlated with the credit quality of that counterparty. Credit exposures and potential losses may increase under these circumstances as a result of market conditions. NAB Europe as part of the NAB Group manages these risks through the implementation of risk policies.

Market Risk

Introduction

NAB Europe makes a distinction between traded and non-traded market risks for the purpose of managing market risk. This section relates to traded market risk. Non-traded market risk is discussed in Section 7 Balance Sheet and Liquidity Risk.

NAB Europe undertakes trading activities to support its customers and to profit in the short-term from differences in markets, such as repos, interest rates, credit spreads, foreign exchange rates. Traded market risk is the risk of losses or gains from NAB Europe's trading activities resulting from market price movements.

NAB Europe's exposure to market risk arises out of its trading activities which are carried out by its Markets business. This exposure is quantified for regulatory capital purposes using the standardised method.

Management and Governance

The NAB Europe risk appetite for market risk is determined by the NAB Europe Board and is expressed in its Risk Appetite Statement (RAS) and governed by the NAB Group Traded Market Risk Policy.

The market risk settings outlined in the Risk Setting Statement and the comprehensive market risk setting framework complement the RAS by providing further depth on the allocation of market risk appetite to different asset classes, regions and trading desks as well as detailing permitted products, maturities and markets.

The overall framework of NAB Group Traded Market Risk Policy and the RAS provide direction for the monitoring, oversight, escalation and governance of traded market risk including delegated authorities, risk measurement, and reporting and control standards. These policies are consistent with the prudential regulatory requirements.

The market risk profile of NAB Europe is overseen by the NAB Europe Executive Risk Committee:

- Designing and implementing policies and procedures to ensure market risk is managed within the appetite set by the Board
- Reviewing market risks for consistency with approved market risk settings and risk appetite
- Overseeing the effectiveness and appropriateness of the Risk Management Framework
- Escalating market risk issues to the more senior committees as necessary.

Market Risk is independent of and separate from the areas that carry out trading activities and has responsibility for the daily measurement and monitoring of market risk exposures. The following key controls are in place for effective internal management, as well as compliance with prudential requirements:

- Trading authorities and responsibilities are defined and monitored at all levels
- A comprehensive and controlled framework of risk reporting and limit breach management
- New product approval process and usage authority permitting desks to transact a particular product
- Daily end-of-day and intraday risk oversight as well as periodic desk review
- Back-testing of VaR results under internal models for capital adequacy
- Segregation of duties in the origination, processing, and valuation of transactions operated under clear and independent reporting lines
- Regular and effective reporting of market risk to executive management and the Board
- Periodic review and update of compliance with internal and regulatory policies independent and periodic review of compliance with policies, procedures, process, and limits by Internal Audit.

Key methodologies for compliance with prudential requirements for positions held in the trading book are:

- models that are used to determine risk and financial profit and loss are independently validated with the review outcome documented and reported to the relevant committees on a regular basis
- all trades are measured at fair value daily using independently sourced and validated rates in accordance with Finance Rates and Revaluation Policy use of Model Reserve Framework and fair value adjustments to support compliance with prudential validations.

Measurement

VaR estimates the likelihood that a given portfolio's losses will exceed a certain amount. The NAB Europe uses VaR estimates for both regulatory capital calculations in accordance with regulatory requirements and for internal risk control purposes.

VaR limits are assigned to individual trading desks and regions or product lines in accordance with the RAS.

Market Risk monitors positions daily against the relevant limits and escalates any breaches in accordance with market risk standards and procedures. Additionally, Market Risk performs back-testing analysis to assess the validity of the VaR numbers when compared to the actual and hypothetical trading outcomes and to escalate any anomalies that may arise. Results of the back-testing are overseen by NAB Europe Executive Risk Committee.

Stressed VaR is calculated using the same methodology as VaR but with an observation period based on a one-year period of significant market volatility.

Stress testing is carried out daily to test the profit and loss implications of extreme but plausible scenarios, and to reveal sensitivities in the portfolio that may only become apparent when modelling extreme market moves.

Stop loss limits represent trigger points at which an overnight or accumulated loss incurred by a trading desk would lead to escalation in accordance with agreed procedures.

Sensitivity and other market risk limits are set by Market Risk to manage market risk at a more granular level, for example, to manage concentration risk. These limits are monitored by the C&IB Markets division and independently by Market Risk.

NAB Europe Corporate & Institutional Banking Markets are responsible for managing risk and delivering profits, while ensuring compliance with all limits and policies.

Capital Methodology

NAB Europe utilises standardised risk weighted assets calculation based on Capital Requirements Regulations (CRR) regulations.

NAB Europe is currently preparing a transition towards Fundamental Review of the Trading Book (FRTB) Standard Approach reporting.

Back-testing results

Value at Risk (VaR) estimates are back-tested regularly for reasonableness. Back-testing is a process that compares the NAB Europe's daily VaR estimates against both actual and hypothetical daily profit and loss (P&L) to ensure that model integrity is maintained.

The results of back-testing are reported to NAB Europe Chief Risk Officer and presented locally to the Executive Risk Committee.

Back-testing is conducted by comparing the NABE daily VaR estimate against actual P&L. Four exceptions were identified for the period up to 31st December 2024. These exceptions occurred in June, September, October, and December due to significant rate movements in front end of the curve following the implementation of ECB rate cuts.

5. Operational Risk

Introduction

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or external events. This includes legal risk but excludes strategic and reputational risk. National Australia Bank Europe S.A. (NAB Europe) aims to ensure that operational risk is identified, assessed, and managed to acceptable levels while allowing for the achievement of business and strategic objectives and compliance with our obligations.

NAB Europe is aligned with the NAB Group's approach in managing operational risk. NAB Europe seeks to maximise its operational resilience in preventing, responding to, and recovering from, adverse events adequately, thereby fulfilling its role in the financial system reliably and sustainably. To manage Operational Risk, NAB Europe utilises established risk measure and risk management systems, control frameworks, and issue identification and resolution processes.

Structure and Organisation

NAB Europe is aligned with the NAB Group's approach in managing operational risk. NAB Europe seeks to maximise its operational resilience in preventing, responding to, and recovering from, adverse events adequately, thereby fulfilling its role in the financial system reliably and sustainably. To manage Operational Risk, NAB Europe utilises established risk measure and risk management systems, control frameworks, and issue identification and resolution processes.

The NAB Europe Board on the recommendation of the Executive Risk Committee, is responsible for approving and/or endorsing the Risk Appetite Statement. This is primarily achieved through NAB Europe Risk function which provides the NAB Europe Board, Executive Risk Committee, and the NAB Europe Effective Managers with the information required to manage these responsibilities. This information ultimately allows the NAB Europe Board to discharge its responsibilities for managing operational risk exposures.

Management

Operational Risk provides the framework, policies, standards, processes, and tools (Risk Management Practice Framework) for the business to use in the identification, assessment, management, monitoring, measurement and reporting of operational risks.

Practice Framework leads to:

- all colleagues taking responsibility for managing the operational risk inherent in their day-to-day activities
- promoting and embedding a risk conscious culture and behaviour throughout NAB Europe
- consistency in the identification, assessment, management, monitoring, measurement, and reporting of operational risk
- proactive identification and management of operational risks and events
- risk decisions being made on an informed basis, considering risk appetite, thereby enhancing awareness and/or acceptance of operational risks.

NAB Europe creates a risk conscious environment through promoting a risk culture:

- of effective integration of operational risk management into day-to-day business decisions
- where risk-awareness and questioning are supported (including the exercise of appropriate judgement in the identification and management of risk)
- of compliance, not only within the strict parameters of the law, delegated authorities and other compliance requirements, but also extending to doing what is right.

The Risk Management Practice Framework applies to NAB Europe and all entities within the NAB Group, including any outsourced services undertaken on behalf of NAB Europe.

Measurement

The capital attributed to operational risk is calculated under the Capital Regulatory Requirements (CRR) standardised model approach based on the NAB Europe business indicators, which is a financial statement- based proxy of operational risk exposure.

Operational Risk is a component of the Risk Management Framework.

The following policies have been adopted by NAB Europe:

- Business Continuity Management Policy
- Group Information Risk Policy
- Group Information Risk Policy Standards
- Group Procurement Policy
- Model Risk Policy

Monitoring and Reporting

Operational Risk is subject to the following reporting:

- reporting on significant loss events, emerging issues, oversight, monitoring, and review activity. This information is available to the NAB Europe Board & Executive Risk Committee as part of the Risk (Line 2) reporting material.
- regular material risk update papers to the NAB Europe Board via the Executive Risk Committee.

6. Balance Sheet and Liquidity Risk

Strategies and Process in the management of liquidity risk

The Strategy is characterised by the following:

- Capital to support balance sheet growth, including €50m added in March 2024.
- Expand term funding facilities to provide a stable funding source
- Expand money market facilities as a source of short term liquidity
- Repurchase agreements (repo) used to support liquidity metrics, in particular, the acquisition of high quality liquid assets.
- Develop further sources of funding, including corporate deposits, to support growth and liquidity requirements.
- Facilitate and grow business with existing customer relationships held by the NAB Group and market the NAB Europe name to establish a diverse customer base.
- Steady and controlled growth to ensure a strong balance sheet is maintained at all times.
- Seek deposits from Central Banks to support the balance sheet in the event of a stress.
- Build liquidity foundations to ensure compliance with regulatory metrics and risk appetite settings.

NAB Europe's liquid asset strategy aims to support compliance with regulatory metrics as guided by its internal risk appetite settings and internal stress scenario targets as detailed in the ILAAP.

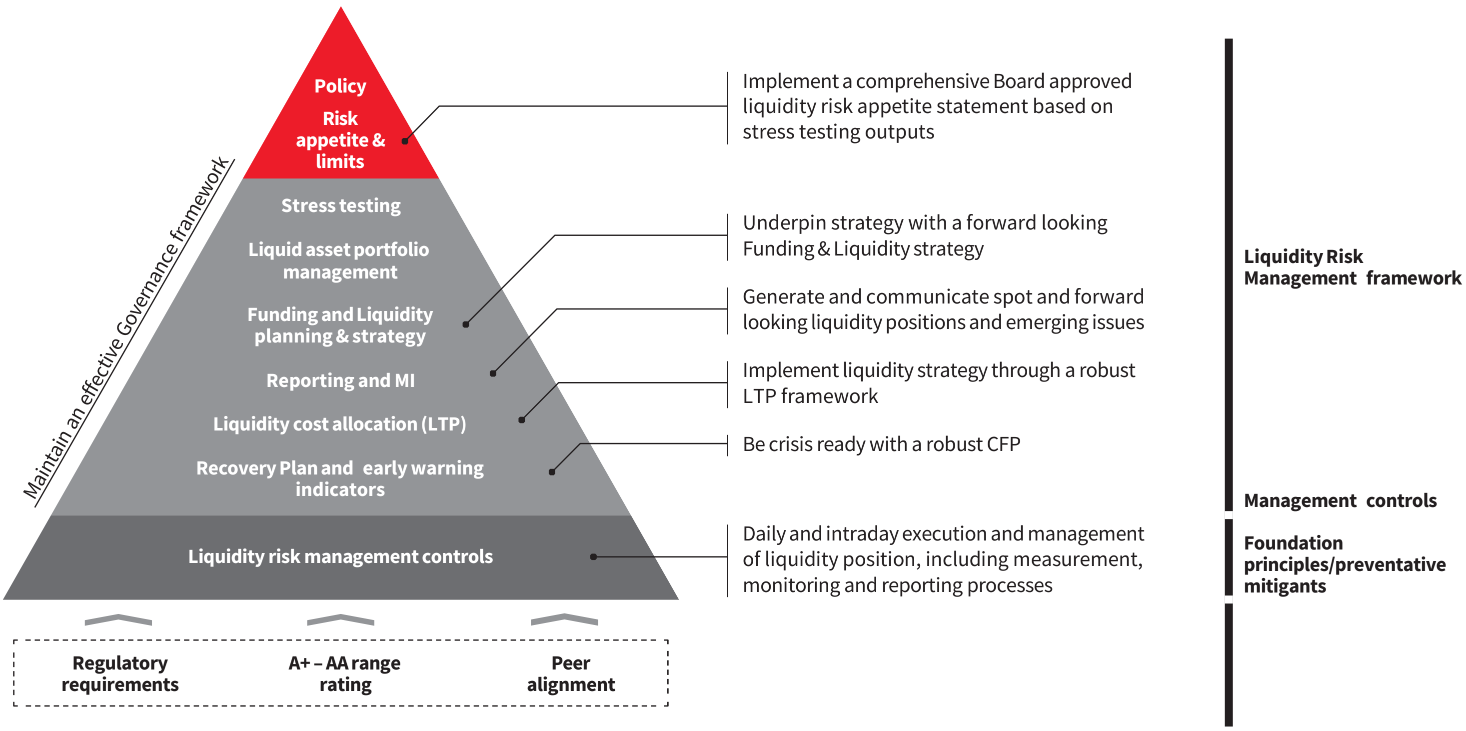
- NAB Europe High Quality Liquid Assets (HQLA) levels are currently ~€200m funded via securities borrowing, repo and wholesale funding.
- Key drivers are borrowing to fund non-EUR assets and available stable funding to manage liquidity ratios.

The HQLA portfolio primarily comprises of European Government bonds acquired through securities borrowing and reverse repo.

Structure and Organisation of the Liquidity Risk Management Function

NAB Europe's funding and liquidity risk management approach can be broken into key objectives, within three broad categories. The successful achievement of these objectives informs the adequacy assessment of the liquidity risk management framework.

NAB funding and liquidity risk management framework



Along with these, a culture of continuous improvement is applied to the funding and liquidity risk management framework. Key components underpinning the liquidity risk management framework for NAB Europe are:

- Implement a comprehensive Board-approved liquidity risk appetite statement
- Underpin strategy with a forward-looking funding and liquidity strategy
- Continuous focus on stress testing and early warning indicators (EWIs)
- Ensure crisis preparedness through a robust Recovery Plan
- Maintain an efficient and effective governance framework
- Ensure management controls meet all policy and regulatory requirements
- Employ a highly experienced team with clear roles and responsibilities.

Scope and nature of liquidity risk reporting and measurement systems

Liquidity adequacy is reinforced by the continual assessment of the risk profile against market conditions and outlook. The liquidity position will continue to be dynamically managed based on market conditions, balance sheet growth outlook and relative cost assessment.

Funding and Liquidity Sources

NAB Europe has 185M€ from the NAB Group, including a capital injection of 50M€ in March 2024, which forms the primary funding source of HQLA. As business builds, NAB Europe will ensure its capital and liquidity requirements both continue to be met. Wholesale deposits and wholesale funding across a range of tenors will also be used to fund the liquids portfolio and maintain an adequate level of stable funding.

Outlook and Drivers

The core liquidity ratios (LCR and NSFR) are expected to remain above operating targets over the next 3 years driven by high levels of capital as a proportion of total balance sheet size. Forecasting will be a critical management tool as the balance sheet grows resulting in liquidity ratios normalising closer towards operating targets.

Key assumptions and drivers to the forecast:

- As the balance sheet builds, a mix of wholesale funding and capital will be utilised to cover short-dated obligations and longer dated assets, including ~3-year term funding, to satisfy stable funding requirements.
- Funding maturity profiles will be managed to reduce the volatility risk in the balance sheet.
- Asset growth will be steady and controlled to ensure the balance sheet strengthens in parallel.
- Repo are required to be self-funded and maintain an LCR and NSFR of >100%

Policies for hedging and mitigating the liquidity risk and strategies and processes for monitoring the continuing effectiveness of hedges and mitigants

NAB Europe follows the NAB Group's policies for mitigating liquidity risk, specifically the Liquidity Risk Policy and the procedures for monitoring the effectiveness of hedges and mitigants, including the Recovery Plan Operating Procedures, the Funding Operating Procedures, the Liquid Asset Portfolio Operating Procedures, the Liquidity Stress Testing and Scenario Analysis Operating Produces and the Liquidity Metrics Operating Procedures. The policies and procedures are operated in accordance with NAB Europe's ILAAP, Funding Strategy, Recovery Plan.

Outline of the bank's recovery plan: The Recovery Plan is designed to:

- Operate if NAB Europe is experiencing an idiosyncratic or systemic crisis in the form of wholesale market related liquidity event
- Identify stressed wholesale market conditions and other early warning signs which are likely to result in a deterioration of the liquidity and funding of NAB Europe;
- Establish processes for monitoring, identifying, escalating and responding to funding pressures that impact NAB Europe's capacity to maintain its prudential liquidity ratios or prudential liquidity portfolios;
- List options available to enable a liquidity crisis recovery within a reasonable timeframe;
- Alert key stakeholders when certain conditions or defined thresholds are being approached or breached; and,
- Coordinate an immediate response and communication strategy to manage customer and market expectations in the form of disclosure and updated

Stress Testing

Liquidity adequacy is defined as having sufficient liquid assets, including a buffer to withstand unexpected material impacts, to meet operational and unexpected cash outflows, supported by a robust liquidity risk management framework.

NAB Europe determines liquidity adequacy by assessing its risk profile and regulatory requirements against various levels of stress. The outcomes of this process are used to propose limits and determine operating targets against which NAB Europe can assess liquidity projections. A number of systemic and idiosyncratic scenarios are run, ranging in severity and duration with the following objectives:

BAU Stress	Ability to withstand unexpected but BAU event faced by banks over time (e.g. Geopolitical events triggering wholesale funding market volatility) with: (i) Minimal liquidation of assets – i.e. no forced selling; (ii) No Impact to customers; and (iii) Regulatory liquidity metrics above minimum
Severe Stress	Ability to continue operations in the face of severe but plausible circumstances (e.g. a significant economic stress, wholesale funding markets closed) with: (i) Asset liquidation; (ii) Continued extension of credit to customers; and (iii) Moderate assistance from Group and central bank required
Extreme Stress	Ability to protect depositors in the event of very remote but possible circumstances which may cause the organisation to fail with: (i) Liquidation of all/majority assets and access to central bank facilities required; (ii) Provision of credit to customers curtailed; and (iii) Regulatory liquidity metrics below regulatory minimums

Adequacy of liquidity risk management arrangements

The primary liquidity risk exposures for NAB Europe will vary in severity from a Group wide 'name' crisis stress with idiosyncratic and systemic characteristics, as an extreme case, to a French or European systemic BAU stress. The key difference between the two is the ability for NAB Europe to source funding, primarily via intragroup, from the parent, NAB Ltd. NAB Europe's key risk drivers will be determined by that of the NAB Group, largely driven by the NAB name, given its lack of history. This highlights the importance of creating multiple sources of funding such as European money market funding whilst ensuring to maintain adequate surplus liquidity to survive an interruption to a liquidity source. Other options will be considered in the longer term where appropriate, such as wholesale funding issuance and corporate deposit raising strategies.

Specific key risks, that could arise from several stress scenarios, include a run-on off-balance sheet commitments coupled with material front-book loan growth, ratings downgrades, and various operational risks. Cross border funding and corresponding FX risk will be a key consideration should multiple currencies be utilised. Disruptions to the repo market are considered low risk to NAB Europe given the business is required to be self-funded with an NSFR equal to 100% and assets that are categorised as HQLA1. Furthermore, NAB Europe will not be reliant on its repo business to support its HQLA portfolio.

Initial and medium to longer term challenges faced by NAB Europe include:

- **Attracting stable funding sources to support lending and liquidity requirements.** In order to build strong liquidity foundations, NAB Europe must access multiple funding sources, whether that is externally from the market (customer deposits / wholesale funding) or intragroup funding from the Parent at arm's length;
- **Maintaining a diverse funding mix** at a range of tenors across multiple products to strengthen the balance sheet;
- **Access to central bank facilities** for efficient management of High Quality Liquid Assets (HQLA) and multi ccy credit lines/facilities for stress events;
- **Steady and controlled growth** to help build a balance sheet with strong resilience to stress events.

Liquidity Risk Statement

The Liquidity Risk Management Framework is approved by the Board on an annual basis. The framework comprises the RAS, NAB Group Liquidity Risk Policy, Funding Strategy, Recovery Plan and ILAAP.

The RAS includes specific metrics relating to liquidity and funding risk. These metrics are determined with reference to outcomes of liquidity stress testing, management experience, rating agency expectations and peer alignment. Liquidity stress testing includes systemic and idiosyncratic scenarios run over a mix of short and longer timeframes.

The Group Liquidity Risk Policy requires that the Group, including NAB Europe, maintains a liquid asset portfolio, comprising HQLA that can be readily converted to cash and used to support intraday payments. NAB Europe's liquid asset portfolio comprises Eurozone and other HQLA 1 qualifying securities and reflects the composition of NAB Europe's balance sheet and projected cashflows.

NAB Europe’s Funding Strategy projects the size, diversity and tenor of the funding mix. The strategy is updated annually to reflect current market conditions and outlook. Presently, NAB Europe’s funding is provided by its share capital. Short and medium funding lines have been put into place and a capability to take customer deposits is under development.

The Recovery Funding Plan provides guidance on how NAB Europe will respond in the event of a liquidity crisis including clear instructions on accountabilities, communication, escalation process, asset liquidation options and operational requirements. The Recovery Plan is tested and updated annually. Early warning indicators provide insight into emerging periods of funding or liquidity stress and when to trigger the Recovery Plan.

7. Remuneration

Introduction

This document has been prepared in accordance with the requirements of Article 450 of the Capital Requirements Regulation (CRR) being Regulation (EU) No. 575/2013 of the European Parliament and amending Regulation (EU) No. 637/2021. Article 450 of the CRR requires disclosure of information to the market relating to the remuneration policy and practices of the NAB Group (Group) and NAB Europe S.A. (NAB Europe)

These disclosures outline qualitative information on the remuneration framework and policies of the Group and NAB Europe including how risk management is incorporated. This information is relevant for all NAB Europe colleagues, including:

- colleagues whose professional activities have a material impact on the risk profile of the Group and NAB Europe.
- colleagues who are in a management function at NAB Europe.

Remuneration governance

The NAB Group Board People & Remuneration Committee (Committee) has been established by the Group Board to undertake activities that support the execution of the Group's strategy, including the Colleague Strategy, and in support of the Group's purpose, values and risk appetite. The Committee's responsibilities, set out in its Charter, emphasise the Committee's focus on long-term sustainable policy settings that foster desired culture while reinforcing compliance with NAB's Code of Conduct (Code), available on nab.com.au and fulfilling regulatory requirements across jurisdictions in which the Group operates.

NAB Europe Board has adopted the policies and principles established by the NAB Group Board People & Remuneration Committee.

The NAB Europe Board reviews the remuneration policy and its implementation within NAB Europe as per Article L511-72 of the French Monetary and Financial Code as well as provides input into remuneration related recommendations as required. The NAB Europe Board oversees NAB's European operations and undertakes activities in Europe in support of the execution of the Group's strategy and the Group's purpose, values and risk appetite.

Summary of the Committee's structure and responsibilities

Strategy execution and group performance

Monitors the impact from, and embeds key elements of the Colleague Strategy, including leadership, talent development, succession and engagement. Impact on Group performance for 2024 is considered (with the assistance of other Board committees) and consequently, a Group Performance Indicator (GPI) recommendation is made to the Board for the Group Variable Reward Plan.

Executive performance

Evaluates individual executive performance in the context of Group performance, and recommends to the Board the fixed remuneration and variable reward outcomes for the Group CEO, Group Executives and colleagues in Specified Roles, and differentiates reward outcomes to reflect the contributions of each executive.

Committee structure

3 independent non-executive directors (including the Chair)
9 meetings in financial year 2024 (8 meetings in financial year 2023)

Committee purpose

Supports the Board in discharging its responsibilities relating to people and remuneration strategies, policies and practices of the Group. The Committee undertakes these activities with the objective that they align with and enable the overall Group Strategy and support the Group's purpose, values, strategic objectives and risk appetite (while not rewarding conduct or behaviours that are contrary to these aims).

Risk and conduct

Considers the findings of risk and conduct assessments for the Group CEO, Group Executives and colleagues in Specified Roles and determination of consequences.

Regulatory and compliance

Oversight of the Group's people and remuneration strategies, frameworks, policies and practices to ensure compliance with legal and regulatory requirements, market practice and trends, and the expectations of customers and shareholders.

Annual Committee membership fee

	2024	2023
Committee Chair	$65,000	$55,000
Committee members	$32,500	$27,500

The Committee may engage external remuneration consultants to independently review the Group's remuneration framework, policy and practices and provide relevant insights to inform Board and Committee decision making. The Committee did not engage external remuneration consultants in 2024. The Committee's Charter sets out its scope, authority, duties and responsibilities. The full Charter is available online at nab.com.au.

Performance, risk, conduct and remuneration assessment

The Committee oversees Group performance, risk, conduct and remuneration outcomes by establishing robust performance measures and targets that support delivery of the Group's strategy and Colleague Strategy. The Committee also makes recommendations to the NAB Board in relation to the assessment of performance, risk, conduct and remuneration outcomes for the Group CEO, Group Executives and other persons as determined by the NAB Board. In assessing performance, risk, conduct and determining remuneration outcomes for recommendation to the NAB Board, the Committee is supported by all other NAB Board committees that provide expert, independent reports, advice and information as required. The NAB Board receives the recommendations, challenges, and applies appropriate judgement in determining appropriate remuneration outcomes.

See the *Risk measures and aligning risk and reward* section on page 30 for more details.

Identified staff

Colleagues in management and Material Risk Taker roles in NAB Europe for the year ended 31 December 2024 (hereafter 2024) have been identified as required by Article 450 of the CRR. The table below illustrates the characteristics of these colleagues.

Material Risk Takers

NAB Europe

Definition

Colleagues whose professional activities may have a material impact on the institutions' risk profile.

2024	2023
7 Material Risk Takers	9 Material Risk Takers

Permanent Insiders

NAB Europe

Definition

Colleagues who possess information that is precise, non-public, and likely to have a significant effect on the price of financial instruments.

2024	2023
5 Permanent Insiders	7 Permanent Insiders

Colleagues in management and material risk taker roles in NAB Europe are collectively referred to as Identified Staff throughout the remainder of this document.

Remuneration process

Our remuneration framework and policy

Group Remuneration Framework

The executive remuneration framework and colleague remuneration framework outline how remuneration is managed for all colleagues of the Group including Board oversight, the remuneration structure, performance and conduct management, reporting and disclosure. The purpose of the frameworks are to:

- support the Group's purpose to serve our customers well and help our communities prosper by encouraging behaviours and performance consistent with the Group's values, business plan and strategic objectives, while preventing adverse risk outcomes through the making of prudent remuneration decisions.
- ensure variable reward (VR) components of remuneration are designed to encourage behaviour that supports:
  - the effective management of both financial and non-financial risks.
  - the Group's long-term financial soundness.
  - the delivery of long-term sustainable performance and returns.
  - the Group's risk management framework, which aids the prevention and mitigation of conduct risk.
  - comply with jurisdictional remuneration regulations applicable to the Group and the Group's diversity, inclusion and pay equity (including gender pay equity) commitments.

The frameworks cover the systems, structures, policies, processes and people within the Group that identify, measure, evaluate, monitor, report and control or mitigate all internal and external sources of risks relating to remuneration. The following are eight key components of each framework:

1. Board oversight
2. policy and design
3. performance management
4. consequence management
5. reporting
6. disclosure
7. roles and responsibilities
8. systems and processes.

Group Remuneration Policy

The Group Remuneration Policy applies to all colleagues of the Group, including Material Risk Takers, except BNZ colleagues. BNZ has its own remuneration policy which complies with New Zealand and Australian regulatory requirements. The BNZ Remuneration Policy is approved by the NAB and BNZ boards. In 2024, the Group Remuneration Policy was updated to reflect the deferral and vesting requirements for Accountable Person under Financial Accountability Regime Act 2023 (Cth), and Material Risk-Taker and Risk and Financial Control Personnel under Prudential Standard CPS 511.

The Group's remuneration arrangements:

- aim to attract and retain high quality colleagues who can deliver on the Group's strategy.
- are designed to ensure remuneration creates meaning and connection for the Group's business strategy ambition of being a bank known for being safe, easy, relationship-led and long-term focused.
- include fixed and variable elements, in addition to one-off and termination payments in limited circumstances.
- support the Group's risk management framework and culture, by encouraging appropriate risk behaviours and the prevention and mitigation of conduct risk.

In line with the Group remuneration framework, remuneration continues to be provided in two components:

- fixed remuneration (FR) provided as cash and benefits (including employer superannuation).

- variable reward provided in accordance with the following VR arrangements:
  - performance-based annual VR earned for delivery of annual goals that drive the Group's strategy under the Group Variable Reward Plan or Specialist Incentive Plans.
  - performance-based long-term VR to align the remuneration provided to the Executive Leadership Team (ELT) with long-term shareholder outcomes under the Executive Long-Term Incentive Reward (LTI) Plan.
  - an Annual Equity Award (AEA) granted to certain Group 5 and 6 colleagues to create shareholder alignment, drive continued sustainable performance and emphasise focus on risk management, good conduct and behaviour outcomes under the Annual Equity Award Plan.
  - any commencement or retention award offer.

Group remuneration principles

Through six underpinning principles, the Group seeks to demonstrate how it approaches remuneration to all stakeholders, including our customers, regulators, communities and colleagues. Remuneration is intended to be fair, appropriate, simple and transparent. The Group's remuneration framework is governed by the Group Strategy and Group remuneration principles. These principles inform the remuneration framework, remuneration policy and remuneration structures.

NAB Group remuneration principles

Customers	Colleagues	Shareholders	Transparent	Safe	Long-term
Reinforce our commitment to customers	Fair and appropriate reward to attract and retain the best people	Align reward with sustainable shareholder value	Simple and easy to understand	Reflect risk, reputation, conduct and values outcomes	Drive delivery of long-term performance

The remuneration mix is balanced to ensure that the fixed component provides sufficient remuneration to take into account the possibility of paying no VR. VR is set to be sufficiently meaningful to drive individual performance without encouraging inappropriate risk-taking or conduct. The remuneration mix is based on market information and practices. In any year, actual remuneration will vary, given the overlay of business performance and individual performance on VR outcomes.

The NAB Board approves individual remuneration arrangements for the ELT and any other senior executives of the Group as determined by the NAB Board. Individual remuneration for other Identified Staff is approved by the appropriate manager in accordance with the Policy. The NAB Board oversees the remuneration framework and overall outcomes for Identified Staff. The NAB Europe Board is consulted and provides input into the remuneration arrangements prior to NAB Board notification and oversight.

Risk measures and aligning risk and reward

Conduct, Risk and Consequence management

The Committee regularly reviews the Group and individual outcomes for risk, reputation, conduct and performance considerations. This includes oversight of the Group's Colleague Conduct Framework (Conduct Framework) which supports an appropriate risk culture across the Group. The NAB Board, Group CEO and Group Executives influence culture by focusing on leadership behaviour, systems and colleagues, reinforced through performance and remuneration outcomes. The NAB Europe Board undertakes this accountability in respect of colleagues in NAB Europe.

How conduct and risk are integrated in our remuneration framework

<table>
<tr><th></th><th>Conduct management</th><th>Risk assessment</th></tr>
<tr><td>Scope</td><td>• Applies to all colleagues including the Group CEO and Group Executives
• Colleagues are required to comply with the Code and the Group's Employee Conduct Management Framework</td><td>• Applies to all colleagues including the Group CEO and Group Executives
• All colleagues (excluding the Group CEO) have a mandatory risk goal in their annual performance scorecard. The Group CEO has a risk modifier applied to his annual VR outcome</td></tr>
<tr><td>Individual assessment</td><td colspan="2">• Throughout the year: Leaders assess the severity of any employee conduct and risk matters and determine the appropriate consequence depending on the severity of the matter Consequences may include any combination of coaching, counselling, formal warnings, termination of employment, impacts to in-year performance assessment, reduction to VR outcomes and the application of malus or clawback
• Quarterly: Risk goals are discussed during quarterly performance check-ins. Conduct matters and risk issues are discussed as appropriate
• At year end: Leaders undertake a holistic conduct history review and evaluate achievement of the risk goal. These are translated into the colleague’s performance rating. Remuneration decisions are informed by the performance rating</td></tr>
<tr><td>Executive and Board oversight</td><td>• In assessing conduct and consequence, each business and enabling unit maintains a Professional Standards Forum which makes recommendations to the Executive Remuneration Committee
• The Executive Remuneration Committee oversees the effectiveness of the Framework, reviews material events, accountability and the application of suitable consequences
• The People & Remuneration Committee and the Board oversee VR adjustments for the Group CEO and Group Executives, as well as certain colleagues in designated roles as required by CPS 511</td><td>• Divisional Chief Risk Officers provide oversight, challenge and independent input into the performance review process
• The Group Chief Risk Officer prepares a detailed assessment of the risk outcomes for the Group CEO and each of the Group Executives
• The Risk & Compliance Committee reviews and challenges the Group Chief Risk Officer’s risk management performance assessments. These assessments and the Risk & Compliance Committee’s views are considered by the Board in determining individual VR outcomes for the Group CEO and Group Executives
• The VR for the Group CEO, Group Executives and employees will be reduced and other consequences may be applied if risk is not appropriately managed</td></tr>
</table>

Potential impacts on remuneration

Risk adjustment: On recommendation from the People & Remuneration Committee, the Board may adjust the in-year funding level of VR outcomes. The Board may also reduce VR for individuals to align with employee conduct or risk outcomes

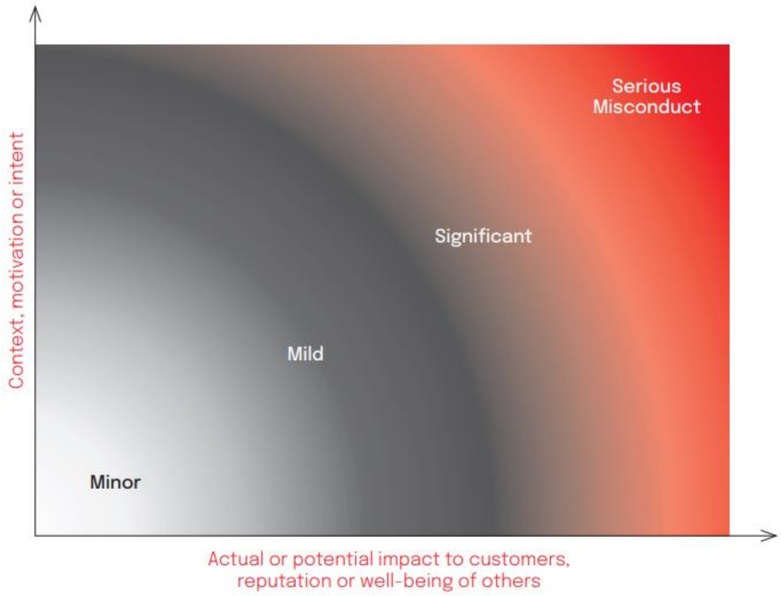
Malus: Grant and vesting of all VR is subject to the employee meeting the conduct standards outlined in the Code and risk expectations. The Board may determine that unvested awards should be adjusted or forfeited (including to zero) in circumstances where these conduct standards or risk expectations are not met

Clawback: Clawback may be applied to paid and vested VR provided to any colleague including the Group CEO and Group Executives.

The Consequence Severity Matrix provides guidance to determine the severity of risk and conduct events. Based on the severity of the risk or conduct event, a fair and proportionate consequence outcome will be applied. Determination of the appropriate consequence is guided by an assessment of the quantitative and qualitative impacts of the event including financial impacts, physical, informational or reputational damage to the organisation and harm to colleagues or customers.

Consequence Severity Matrix

Intent	Behaviour
Intentional Wilful, deliberate, deceitful, fraudulent	**Dishonest** Covers up, blames others, does not take accountability
Error in judgement Negligent	**Repeated behaviour** Doesn't learn from mistakes or persists with misconduct despite warnings
Unintentional Mistake, factors out of their control, took reasonable preventative steps	**Growth mindset** Speaks up, shares learning, seeks to fix to prevent self or others making the same error



Nature	Non-adherence to standard practices	Breach of policy, procedures, guidelines or employment contract	Regulatory breach or breaking the law
Impact	No/Low impact	Moderate impact	Significant and material impact
Gain	Personal loss	No personal gain	Self-serving profited

The Group CEO and Group Executives actively demonstrate strong risk management to set the "tone from the top" about expectations and behaviours. Risk issues that are identified are prioritised, clear accountability is defined, and an action plan is created to resolve the issue. This has resulted in an improvement in conduct risk, driven by the increased use of analytical monitoring tools and implementation of assurance capabilities. Enhancements in the use of risk monitoring tools and clear guidance about the identification and assessment of risk events have resulted in improved identification of risk events and an increase in the number of risk cases investigated relative to 2023.

Variable Reward (VR)

Identified Staff may participate in the Group Variable Reward Plan and Year End Share Offer.

Group Variable Reward Plan (GVRP)
The purpose of the GVRP is to reward participants for the delivery of annual goals which drive long-term sustainable performance. The GVRP applies to the majority of colleagues in the Group. It provides an appropriate level of remuneration that varies based on Group performance (as determined by the Board) and the participant's performance for the financial year. The plan is not wholly formulaic. Judgement is applied through qualitative assessment (as determined by the Board). The table on the following page outlines the key features of the 2024 GVRP. Further detail on the application of the GVRP for the Group CEO and Group Executives is provided in the Remuneration Report as contained in the NAB Group Annual Report.

Feature	Description
Annual VR opportunity	Annual VR opportunity is expressed as a percentage of FR and is set having regard to a range of factors including the participant's role scope and accountabilities and market competitiveness. An eligible participant’s actual VR outcome can be higher or lower than their target VR opportunity, and will: • not exceed their maximum VR opportunity (133% of target VR opportunity for ELT; 250% of target VR opportunity for other Material Risk Takers) • depend on the participant's individual score and the Group's performance for the financial year.
Group performance	Group performance is assessed on achievement of financial and non-financial measures (referred to as GPI) linked to the Group’s key strategic priorities, overlaid by a qualitative assessment. The qualitative assessment may result in the outcome being adjusted upwards or downwards (including to zero) for risk, quality of performance (including consideration of financial, sustainability and customer outcomes, sustainability matters, and progress made against strategy) and any other matters as determined by the Board. Further details are on the 2024 GPI and outcomes is provided in section 4 of the Remuneration Report.
Individual performance	Individual performance is assessed against a scorecard comprised of key financial and non-financial goals. The measures and weighting of each measure reflect the responsibilities for each individual’s role. The Group CEO's 2024 scorecard is aligned to the GPI. **Individual performance modifiers**: The Board or leadership group (as appropriate) consider three individual performance modifiers which may result in an adjustment to the individual's performance and VR outcomes: • Risk: the individual’s management of risk and compliance • Employee conduct: individual performance and VR outcomes may be reduced where expected standards of conduct are not met • How We Work: the individual’s demonstration of NAB’s values
Annual VR calculation	Individual annual VR awards are calculated as follows: 
GVRP adjustments	VR adjustments may be made for all colleagues during the performance measurement period, the deferral period or after vesting of deferred VR. **In-year adjustments**: An in-year adjustment may be applied to a colleague’s VR during the performance measurement period. In-year adjustments typically occur for performance, misconduct and risk issues. The Board has absolute discretion, subject to compliance with the law, to determine the value of annual VR to be awarded from zero up to the maximum VR opportunity. The 2024 performance measures for the Group CEO and Group Executives and the Group CEO's performance against those measures is provided in section 4.1 of the Remuneration Report. **Malus:** The Board has absolute discretion under the relevant plan rules, subject to compliance with the law, to determine that all or some of the unvested amounts be forfeited prior to the vesting (or milestone) date in circumstances where conduct standards or risk expectations have not been met, including where a Malus Event (refer Malus Event in section 1.8) has occurred, for jurisdictional reasons or in any other circumstances contemplated by the Group Remuneration Policy and Guidelines. **Clawback:** Subject to the terms of a colleague’s employment contract, the Board may clawback any reward provided to the colleague under the GVRP.
Award delivery and deferral	Annual VR may be delivered in cash or a combination of cash and equity (shares or deferred rights) where the annual VR outcome is above a certain threshold. Cash components of annual VR are paid following the performance year to which they relate. Equity components of annual VR vest over a defined vesting period.

Separation	If an employee resigns they will not receive any annual VR for that year and any unvested deferred VR will be forfeited. Unvested awards may be retained on separation in other circumstances prior to the end of the vesting period. The Board retains discretion to determine a different treatment. Vesting of any unvested awards retained will generally not be accelerated and will continue to be held by the individual on the same terms.
Committee oversight	The Committee assists the Board to discharge its responsibilities relating to people and remuneration matters. In relation to remuneration, the Committee is focused on developing effective remuneration structures for colleagues, oversight of remuneration outcomes and performance and conduct management. The Committee receives input from other Board Committees, the Executive Remuneration Committee (ERemCo) and other management committees, senior management and external remuneration advisors as appropriate.
Board oversight and discretion	The Board, supported by the Committee and other Board Committees, maintains overall responsibility for the Group's remuneration framework and their effective implementation. The Board exercises broad discretion in determining GVRP awards.

Year End Share Offer

The Year End Share Offer is an annual award provided to the majority of colleagues. The purpose of the plan is to build alignment with shareholder experience and recognise the role colleagues play in growing the business over the longer term.

Feature	Description
Award value	For 2024, a $1,000 grant of NAB shares will be made to colleagues who: • are a permanent employee of the Group with at least 12 months' continuous service as at 30 September 2024 and reside in Australia (excluding casual, fixed term and temporary employees and employees on career break). • are still a permanent employee of the Group on the allocation date (22 November 2024). • are not an Accountable Person or a senior executive (Group 6 and 7 colleagues). • did not receive a serious or significant conduct issue for the performance year ended 30 September 2024. Eligible colleagues who do not meet the Australian residency requirement, including those who work in NAB international offices, may receive a cash equivalent payment in their local currency instead of the share grant.
Restriction period	The award is restricted for three years. Dividends are payable on the award during the restriction period.
Separation	In circumstances where a participant leaves the Group before the end of the restriction period, the retained shares will be released on cessation of employment.

Deferral arrangements

Long-term performance is reflected in the design of the GVRP. The GVRP contains performance metrics that are set to encourage long-term decision making, critical to creating long-term value for shareholders. Deferral of a portion of the GVRP allows the reward to be adjusted after the initial performance assessment to reflect longer-term performance outcomes.

The quantum and period of deferral is commensurate with the level of risk within a role and the ability to reliably measure business outcomes. This allows time to confirm that the initial individual performance and business performance outcomes are realised and if not, for the deferred VR to be adjusted downwards. A summary of deferral arrangements applicable to the GVRP is provided below.

Colleague category	Deferral arrangement
Material risk takers[1]	
All material risk takers	40% of VR is deferred for 4 years[2]
Non-material risk takers	
All colleagues	None

1. As defined by the French Financial and Monetary Code. Deferral does not apply to Material Risk Takers if de minimis requirements are met: VR is less than or equal to €50,000, and VR is less than or equal to one third of total annual remuneration. If VR exceeds €1 million then 60% of VR must be deferred.
2. Eligible to vest on a pro rata basis at the end of years 1 to 4 (inclusive).

Deferred VR is generally provided in either shares or rights.

The NAB Board has absolute discretion to extend the deferral period for any reason, including if the NAB Board has reason to believe an individual is likely to have failed to meet threshold measures of conduct or comply with their accountability obligations.

Deferred awards are subject to malus and clawback (see Other features of the Group remuneration framework in Section 1.8 for more information).

Unvested awards may be retained on separation in other circumstances, such as retrenchment or retirement. Where unvested awards do not lapse on cessation of employment, they will continue to be held by the individual subject to the terms and conditions of the offer.

Once deferred VR has vested, no further adjustment (including as a result of malus) applies. Clawback may be applied to vested VR.

Forms of variable reward
The Group provides VR to Identified Staff in the following forms:

Form	When used
Cash	• All or a portion of the VR that relates to the current performance year • Where a colleague is entitled to receive deferred VR but has ceased employment with the Group prior to allocation of any shares or rights, or for jurisdictional reasons • Retention and recognition awards • Commencement awards.
Shares/Rights	• Deferred VR • Year End Share Offers • Retention and recognition awards • Commencement awards.

Generally, the Group aims to provide deferred VR as equity to align the interests of colleagues and shareholders. Rights are generally provided where the Group does not consider it appropriate to pay dividends during deferral or restriction periods, or for jurisdictional reasons. The mix of different forms of VR is dependent on the colleague's role as well as external market relativities and practice.

All permanent colleagues (except colleagues in Internal Audit and most Group 1-2 colleagues) are eligible to participate in a VR plan. VR will generally be provided in a combination of cash and equity.

Retention, recognition, and commencement awards are provided to a colleague depending on circumstances. The quantum and form will vary depending on the specific circumstances at the time of the award.

Other features of the Group remuneration framework

Forfeiture (forfeiture or lapsing of unvested VR)
Unvested amounts of VR (including commencement, retention and recognition awards) will generally be forfeited or lapsed prior to the vesting (or milestone) date in accordance with the relevant VR plan rules in the Board's absolute discretion:

- if the employee resigns
- if the Board determines that some or all of the unvested VR should be forfeited or lapsed as a result of:
    - cessation of employment with the Group (other than due to resignation, retirement or retrenchment).
    - failure to meet the relevant milestone conditions (if any).
    - following cessation of employment with the Group where there is a change in the individual's circumstances that means it is no longer appropriate for the individual to retain the deferred VR (for example where the individual purported to retire and subsequently recommenced employment).
    - failure to meet Employee Conduct Standards[2], or where a former colleague engaged in conduct that would have failed to meet the Employee Conduct Standards if they were still employed by the Group.
    - being provided in error or that the circumstances giving rise to the allocation of the deferred VR have changed (for example, the performance outcome has changed) and the colleague has been provided too much VR. – the

[2] The required standards of conduct for colleagues of the Group set by the Board from time to time, including under the Code or any regional equivalent.

occurrence of a Malus Event (see below).

- the Board's ongoing monitoring and review of Performance Assurance Matters over the restriction period, including individual and Group performance taking into account various factors such as, the individual's or Group's under performance or failings in matters relating to risk, conduct, values or sustainability measures; or
- in any other circumstances contemplated by the Group Remuneration Policy or Guidelines.

Malus Event (forfeiture or lapsing of unvested VR)

A Malus Event will occur in respect of an individual if the individual is deregistered by APRA from being or acting as an Accountable Person for the purposes of the Banking Act 1959 (Cth) (Banking Act) or the Board determines that:

- the individual has engaged in fraud, dishonesty, gross misconduct or misconduct that leads to significant adverse outcomes for the Group.
- the individual has engaged in behaviour that may negatively impact the Group's long-term financial soundness, prudential standing or prudential reputation.
- the financial results that led to the deferred VR being awarded are subsequently shown to be materially misstated.
- there was a significant error in the decision that led to the deferred VR being awarded, or there was a significant misstatement of the criteria used in making that decision.
- the individual materially breached a representation, warranty, undertaking or any other obligations to any member of the Group.
- there is a significant and unintended deterioration in the financial performance of the Group or any member of the Group resulting directly or indirectly from an act or omission of the individual.
- the individual has behaved in a manner which brings the Group or any member of the Group into disrepute or which results in significant adverse outcomes for the Group's customers, beneficiaries or counterparties.
- the individual has not complied with his or her accountability, fitness and propriety or compliance obligations, including under the Banking Act or any other analogous or similar legislation or regulation applicable in the participant's jurisdiction; or
- there is a significant failure of financial or non-financial risk management resulting directly or indirectly from an act or omission of the individual.

Clawback (recovery of paid and vested VR)

Paid and vested VR, including retention rewards, is subject to clawback. The NAB Board may apply clawback to Identified Staff and other colleagues in certain circumstances depending on their individual employment arrangements and the terms and conditions of the GVRP.

Minimum shareholding requirements

The Group encourages Identified Staff and other colleagues to hold shares to increase alignment with the interests of shareholders. The Group promotes this by awarding deferred VR as equity. Identified Staff and other colleagues (except the Group CEO and Group Executives) are not subject to a minimum shareholder requirement[3].

Commencement, retention and guaranteed awards

Commencement awards are used to compensate a new colleague's equity or other benefits forgone with a previous employer. The amount and timing of any commencement award is based on evidence provided by the new colleague of the benefit offered by their previous employer. Commencement awards are provided in the form of NAB equity or cash, subject to restrictions and certain forfeiture conditions, including forfeiture on resignation.

The Group provides retention awards for key individuals in roles where retention is critical over a medium-term timeframe (generally two to three years). These may be delivered in the form of NAB equity or cash, and are subject to performance, conduct, forfeiture conditions and clawback as appropriate.

Guaranteed VR awards (not subject to performance conditions) do not support the Group's performance focus and are not consistent with sound risk management. There may be circumstances where, in order to attract and retain key talent, a colleague may be awarded VR or a bonus, without explicit performance conditions, using tenure-based requirements. Awards of this nature are rare and are generally provided only as part of a commencement award.

[3] The Group CEO and Group Executives are required to hold NAB shares to the value of 200% of FR (for the Group CEO) and 100% of FR (for Group Executives)

Remuneration of risk and financial control colleagues

Risk and financial control colleagues are critical to the effective operation of the Group. Independence from the business for these colleagues is assured through the following:

- Setting the remuneration mix so VR is not significant enough to encourage inappropriate behaviours, while remaining competitive with the external market. Risk and financial control colleagues may receive a higher proportion of FR than other colleagues.
- Individual performance measures are based principally on non-financial measures and aligned to Group and individual objectives that are specific to the risk and financial control colleagues, and not linked to the performance of the business the role supports.
- To avoid potential conflicts of interest, VR for risk and financial control colleagues are not determined by managers of the business areas they are responsible for overseeing and challenging (except for the Group CRO).
- Group performance is used to calculate individual VR outcomes as appropriate. The GPI is one of two factors used to determine individual reward outcomes. Risk and financial control colleagues are impacted by the GPI and the Individual Performance Multiple, both of which are used for to calculate an individual's reward outcomes.
- Other than the Year End Share Offer, Group 1 to 5 Internal Audit colleagues do not participate in VR arrangements.

Following Committee review, the NAB Board will approve remuneration structures for these colleagues and oversee the overall remuneration outcomes for colleagues in these roles at least annually.

Linking performance and remuneration

Performance is linked to remuneration through FR and VR.

FR is set with consideration to role complexity and responsibilities, the individual's capabilities, experience and knowledge, individual performance, internal and external market role relativities and pay equity considerations.

VR is determined based on a combination of individual performance and business performance. Performance measures are selected which capture the effects of material risks and minimise actions that promote short-term results at the expense of longer-term business growth and success. Further detail on performance measures and its link to remuneration outcomes is set out in the Variable Reward section.

Linking individual remuneration to group performance

Individual remuneration is linked to business and individual performance through the Group's VR plans' design elements:

- Business performance is a component of the majority of VR plans, ensuring remuneration outcomes are smaller when business performance is less than target and higher when business performance is above target.
- A colleague's performance plan defines goals comprising performance measures and targets relevant to the colleague's role that support delivery of the Group's long-term sustainable performance.
- Deferral of a portion of VR links remuneration to the future value of NAB shares and allows for adjustments to remuneration outcomes to be made if necessary.

Adjusting for poor performance, conduct and risk outcomes

During a performance period, poor performance, conduct and risk outcomes at a business and individual level will be reflected in the individual's VR outcome for the current year and vesting of other VR awards from prior years. If performance, conduct and/or risk outcomes are poor, this may result in no VR being awarded for the performance year, forfeiture of prior year awards through malus, and/or clawback of previously paid awards. If there is an ongoing investigation into a conduct or risk event that may impact the vesting of Incentives (or any other circumstances the Board decides appropriate from time to time), the participant's incentive will not vest until the investigation is complete.

Exemptions from the Capital Requirements Directive (CRD)

The NAB Group and NAB Europe did not benefit from a derogation outlined in Article 94(3) of the CRD in relation to remuneration awarded in 2024.

Appendix: Remuneration tabs

EU REM1 – Remuneration awarded for the financial year[4]

	(All values in EUR except staff count)	MB Supervisory function	MB Management function	Other senior management	Other identified staff
Fixed remuneration	Number of identified staff	-	5	2	-
	Total fixed remuneration	-	1,948,843	386,514	-
	Of which: cash-based	-	1,948,843	386,514	-
	Of which: shares or equivalent ownership interests	-	-	-	-
	Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
	Of which: other instruments	-	-	-	-
	Of which: other forms	-	-	-	-
Variable remuneration	Number of identified staff	-	5	2	-
	Total variable remuneration	-	357,327	86,856	-
	Of which: cash-based	-	225,316	63,967	-
	Of which: deferred	-	-	-	-
	Of which: shares or equivalent ownership interests	-	-	-	-
	Of which: deferred	-	-	-	-
	Of which: share-linked instruments or equivalent non-cash instruments	-	132,011	22,889	-
	Of which: deferred	-	132,011	22,889	-
	Of which: other instruments	-	-	-	-
	Of which: deferred	-	-	-	-
	Of which: other forms	-	-	-	-
	Of which: deferred	-	-	-	-
Total remuneration		**-**	**2,306,170**	**473,370**	**-**

EU REM2 – Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)

(All values in EUR except staff count)	MB Supervisory function	MB Management function	Other senior management	Other identified staff
Guaranteed variable remuneration awards				
Number of identified staff	-	-	-	-
Total amount	-	-	-	-
Of which: paid during the financial year, that are not taken into account in the bonus cap	-	-	-	-
Severance payments awarded in previous periods, that have been paid out during the financial year				
Number of identified staff	-	-	-	-
Total amount	-	-	-	-
Severance payments awarded during the financial year				
Number of identified staff	-	-	-	-
Total amount	-	-	-	-
Of which: paid during the financial year	-	-	-	-
Of which: deferred	-	-	-	-
Of which: paid during the financial year, that are not taken into account in the bonus cap	-	-	-	-
Of which: highest payment that has been awarded to a single person	-	-	-	-

[4] Remuneration has been pro-rated for the period an individual was in a French regulated role during the calendar year.

EU REM3 – Deferred remuneration

Deferred and retained remuneration (All values in EUR)[1]	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments[2]	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
MB Supervisory function	–	–	–	–	–	–	–	–
Cash-based	–	–	–	–	–	–	–	–
Shares or equivalent ownership interests	–	–	–	–	–	–	–	–
Share-linked instruments or equivalent non-cash instruments	–	–	–	–	–	–	–	–
Other instruments	–	–	–	–	–	–	–	–
Other forms	–	–	–	–	–	–	–	–
MB Management function	52,863	14,849	38,013	–	–	18,311	–	–
Cash-based	–	–	–	–	–	–	–	–
Shares or equivalent ownership interests	–	–	–	–	–	–	–	–
Share-linked instruments or equivalent non-cash instruments	52,863	14,849	38,013	–	–	18,311	–	–
Other instruments	–	–	–	–	–	–	–	–
Other forms	–	–	–	–	–	–	–	–
Other senior management	–	–	–	–	–	4,751	–	–
Cash-based	–	–	–	–	–	–	–	–
Shares or equivalent ownership interests	–	–	–	–	–	–	–	–
Share-linked instruments or equivalent non-cash instruments	–	–	–	–	–	4,751	–	–
Other instruments	–	–	–	–	–	–	–	–
Other forms	–	–	–	–	–	–	–	–
Other identified staff	–	–	–	–	–	–	–	–
Cash-based	–	–	–	–	–	–	–	–
Shares or equivalent ownership interests	–	–	–	–	–	–	–	–
Share-linked instruments or equivalent non-cash instruments	–	–	–	–	–	–	–	–
Other instruments	–	–	–	–	–	–	–	–
Other forms	–	–	–	–	–	–	–	–
Total amount	**52,863**	**14,849**	**38,013**	**–**	**–**	**23,062**	**–**	**–**

(1) Figures have been rounded independently. Totals may therefore differ from the sum of components due to rounding.
(2) This refers to changes of value of deferred remuneration due to the changes of prices of instruments.

EU REM4 – Remuneration of 1 million EUR or more per year

(All values in EUR)	Identified staff that are high earners as set out in Article 450(i) CRR
1 000 000 to below 1 500 000	–
1 500 000 to below 2 000 000	–
2 000 000 to below 2 500 000	–
2 500 000 to below 3 000 000	–
3 000 000 to below 3 500 000	–
3 500 000 to below 4 000 000	–
4 000 000 to below 4 500 000	–
4 500 000 to below 5 000 000	–
5 000 000 to below 6 000 000	–
6 000 000 to below 7 000 000	–
7 000 000 to below 8 000 000	–

EU REM5 – Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)

	Management body remuneration			*Business areas*						
(All values in EUR except staff count)	**MB Supervisory function**	**MB Management function**	**Total MB**	**Investment banking**	**Retail banking**	**Asset management**	**Corporate functions**	**Independent internal control functions**	**All other**	**Total**
Total number of identified staff										7
Of which: members of the MB	–	5	5							
Of which: other senior management				–	–	–	1	1	2	
Of which: other identified staff				–	–	–				
Total remuneration of identified staff	–	2,306,170	2,306,170	–	–	–	221,847	251,523	473,370	
Of which: variable remuneration	–	357,327	357,327	–	–	–	29,633	57,223	86,856	
Of which: fixed remuneration	–	1,948,843	1,948,843	–	–	–	192,214	194,300	386,514	

Appendix: Glossary

Accountable Person
An accountable person for the purposes of the Banking Act 1959 (Cth). Members of the Executive Leadership Team are included in the list of Accountable Persons for NAB.

ADI
Authorised Deposit-taking Institution.

Advanced Internal Ratings-based Approach (IRB)
The process used to estimate credit risk through the use of internally developed models to assess potential credit losses using the outputs from the probability of default, loss given default and exposure at default models.

APRA
Australian Prudential Regulation Authority.

APS
Prudential Standards issued by APRA applicable to ADIs.

Available Stable Funding (ASF)
The portion of an ADI's capital and liabilities expected to be reliably provided over a one-year time horizon.

Banking book
Exposures not contained in the trading book.

BNZ
Bank of New Zealand.

Central counterparty (CCP)
A clearing house which interposes itself, directly or indirectly, between counterparties to contracts traded in one or more financial markets, thereby insuring the future performance of open contracts.

CET1 capital
Common Equity Tier 1 capital.

Committee
The People & Remuneration Committee (PRemCo), a sub-committee of the NAB Board.

CPS
Prudential Standards issued by APRA applicable to regulated entities, including ADIs.

CPS 511
Australian Prudential Regulatory Authority (APRA) Standard on Remuneration applicable to APRA regulated entities.

Credit valuation adjustment (CVA)
A capital charge to reflect potential markto-market losses due to counterparty migration risk for bilateral over-the-counter derivative contracts.

DCA
Delegated Commitment Authority.

Economic capital
Economic capital represents the NAB Group's internal assessment of the amount of capital required to protect against potential unexpected future losses arising from its business activities, in line with its target credit rating.

Eligible financial collateral (EFC)
Under the standardised approach, eligible financial collateral is the amount of cash collateral, netting and eligible bonds and equities. Under the Internal Ratings-based Approach, EFC is limited to the collateral items detailed in APS 112 'Capital Adequacy:

Standardised Approach to Credit Risk'. Recognition of EFC is subject to the minimum conditions detailed in APS 112.

ESG
Environmental, Social or Governance.

Exposure at default (EaD)
An estimate of the credit exposure amount outstanding if a customer defaults. EaD is presented net of eligible financial collateral.

Fixed remuneration (FR)
Base salary and superannuation paid regularly during the year.

Group
NAB and its controlled entities.

Group Performance Indicators (GPI)
A scorecard of financial and non-financial performance measures linked to the Group's key strategic priorities, overlaid by a qualitative assessment. The GPI is used to assess the Group's performance for the purpose of the annual VR plan.

Group Variable Reward Plan (GVRP)
The annual variable reward plan that the majority of colleagues across the Group participate in.

NAB Group
NAB and its controlled entities.

High-quality liquid assets (HQLA)
Consists primarily of cash, deposits with central banks, Australian government and semi-government securities and securities issued by foreign sovereigns as defined in APS 210 'Liquidity'.

How We Work
How We Work identifies the core elements of behaviour expected of colleagues for the Group to deliver its strategy and clearly articulate the Group's target culture. The core elements are: Excellence for customers, Grow together, Be respectful and Own it.

ICAAP
Internal Capital Adequacy Assessment Process.

ILAAP
Internal Liquidity Adequacy Assessment Process.

IRRBB
Interest rate risk in the banking book.

Liquidity Coverage Ratio (LCR)

A metric that measures the adequacy of high-quality liquid assets available to meet net cash outflows over a 30-day period during a severe liquidity stress scenario.

Loss given default (LGD)

An estimate of the expected severity of loss for a credit exposure following a default event. Regulatory LGDs reflect a stressed economic condition at the time of default.

NAB

National Australia Bank Limited ABN 12 004 044 937.

NAB Board

The Board of the Group.

NAB Europe

National Australia Bank Europe S.A., a subsidiary established in Paris in 2022.

NAB Europe Board

The Board of NAB Europe S.A.

Net Stable Funding Ratio (NSFR)

A ratio of the amount of available stable funding to the amount of required stable funding.

Past due facilities ≥ 90 days

Assets that are contractually 90 days or more past due, but not impaired.

Probability of default (PD)

An estimate of the likelihood of a customer defaulting or not repaying their borrowings and other obligations in the next 12 months.

RAS

Risk Appetite Statement.

RBA

Reserve Bank of Australia.

Regulatory expected loss (EL)

A calculation of the estimated loss that may be experienced over the next 12 months. Regulatory expected loss calculations are based on the probability of default, loss given default and exposure at default values of the portfolio at the time of the estimate which includes stressed loss given default for economic conditions. As such, regulatory expected loss is not an estimate of long-run average expected loss.

Required Stable Funding (RSF)

The amount of stable funding an ADI is required to hold measured as a function of the liquidity characteristics and residual maturities of the various assets held by an ADI, including off-balance sheet exposures.

Risk-weighted assets (RWA)

A quantitative measure of risk required by the APRA risk-based capital adequacy framework, covering credit risk for on and off-balance sheet exposures, market risk, operational risk and interest rate risk in the banking book.

Securitisation exposures Securitisation exposures include the following exposure types:

- liquidity facilities: facilities provided to securitisation vehicles for the primary purpose of funding any timing mismatches between receipts of funds on underlying exposures and payments on securities issued by the securitisation vehicle or to cover the inability of the securitisation vehicle to roll-over securities due to market disruption.
- warehouse facilities: lending facilities provided to securitisation vehicles for the financing of exposures in a pool. These may be on a temporary basis pending the issue of securities or on an on-going basis.
- securities: holding of debt securities issued by securitisation vehicles.
- derivatives: derivatives provided to securitisation vehicles, other than for credit risk mitigation purposes.

Standardised approach

An alternative approach to the assessment of credit risk which utilises regulatory prescribed risk-weights based on external ratings and/or the application of specific regulator defined metrics to determine risk-weighted assets.

Standardised Measurement Approach (SMA) An approach used to calculate the capital requirement for operational risk based on a business indicator, a financial statement proxy of operational risk exposure. This approach was applied by the NAB Group from 1 January 2022.

Tier 1 capital ratio

Tier 1 capital divided by risk-weighted assets.

Total capital ratio Total capital divided by risk-weighted assets.

Trading book

Positions in financial instruments, including derivatives and other off-balance sheet instruments, that are held either with a trading intent or to hedge other elements of the trading book.

Value at Risk (VaR)

A mathematical technique that uses statistical analysis of historical data to estimate the likelihood that a given portfolio's losses will exceed a certain amount.

Variable reward (VR)

The variable reward component(s) of a colleague's total reward.

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