

NATIONAL AUSTRALIA BANK GMTN CLIMATE BOND

DNV GL PRE ISSUANCE VERIFICATION STATEMENT

14 February 2017

Scope and objectives

National Australia Bank Limited (ABN 12 004 044 937 ("NAB" or "Issuer") is considering the issuance of a bond in GBP or EUR (henceforth referred to as "BOND") and has submitted the proposed bond for verification and certification against the Climate Bonds Standard ("CBS").

NAB intends to use the proceeds of the BOND to finance nominated projects and assets falling under the following categories:

- Renewable Energy – Solar & Wind
- Low Carbon Transport – Electrified Rail Infrastructure

DNV GL Business Assurance Australia Pty Ltd (henceforth referred to as "DNV GL") has been commissioned by NAB to provide the Pre Issuance verification of the BOND as an independent and approved verifier under the Climate Bonds Standard. Our criteria and information covered to achieve this is described under 'Work Undertaken' below.

No assurance is provided regarding the financial performance of the BOND, the value of any investments in the BONDS, or the long term environmental benefits of the transaction. Our objective has been to provide an assessment that the BOND has met the criteria of the Climate Bonds Standard Version 2.1 and the associated Technical Criteria on the basis set out below.

The scope of this DNV GL opinion is limited to the Climate Bonds Standard Version 2.1 and the following associated Sector Technical Criteria:

- Solar
- Wind
- Low Carbon Transport

Responsibilities of the Management of NAB and DNV GL

The management of NAB has provided the information and data used by DNV GL during the delivery of this review. Our statement represents an independent opinion and is intended to inform NAB management and other interested stakeholders in the BOND as to whether the established criteria have been met, based on the information provided to us. In our work we have relied on the information and the facts presented to us by NAB. DNV GL is not responsible for any aspect of the nominated assets referred to in this opinion and cannot be held liable if estimates, findings, opinions, or conclusions are incorrect. Thus, DNV GL shall not be held liable if any of the information or data provided by NAB's management and used as a basis for this assessment were not correct or complete.

Basis of DNV GL's opinion

DNV GL has conducted the verification against the CBS v2.1 and associated Sector Technical Criteria through the creation and execution of a verification protocol addressing each requirements of the CBS v2.1 and the associated Sector Technical Criteria. The detail of areas covered in the DNV GL verification

is summarised in Schedule 2 below.

Work undertaken

Our work constituted a high level review of the available information, based on the understanding that this information was provided to us by NAB in good faith. We have not performed an audit or other tests to check the veracity of the information provided to us. The work undertaken to form our opinion included:

Initial Verification

- Creation and execution of a Climate Bond Standard Protocol, adapted to include the relevant Sector Technical Criteria for the BOND nominated projects and assets, as described above and in Schedule 2 to this Assessment;
 - Assessment of documentary evidence provided by NAB on the BOND and supplemented by a high-level desktop research, onsite visit for documentation review and interviews with key personnel from the issuer NAB. These checks refer to current assessment best practices and standards methodology;
 - Discussions with NAB management, and review of relevant documentation;
 - Documentation of findings against each element of the criteria. Our opinion as detailed below is a summary of these findings.
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Findings and DNV GL's opinion

DNV GL has performed the Pre issuance Verification of the BOND. It is DNV GL's responsibility to provide an independent verification statement on the compliance of the BOND with the Climate Bonds Standard.

DNV GL conducted the verification in accordance with the Climate Bonds Standard Version 2.1 and with International Standard on Assurance Engagements *3000 Assurance Engagements other than Audits or Reviews of Historical Information*. The verification included i) checking whether the provisions of the Climate Bonds Standard were consistently and appropriately applied and ii) the collection of evidence supporting the verification.

DNV GL's verification approach draws on an understanding of the risks associated with conforming to the Climate Bond Standard and the controls in place to mitigate these. DNV GL planned and performed the verification by obtaining evidence and other information and explanations that DNV GL considers necessary to give limited assurance that the BOND continues to meet the requirements of the Climate Bond Standard.

Based on the limited assurance procedures conducted, nothing has come to our attention that causes us to believe that the BOND is not, in all material respects, in accordance with the requirements of the Climate Bond Standard Version 2.1 and associated Solar, Wind and Low Carbon Transport Technical Criteria.

for DNV GL Business Assurance Australia Pty Ltd

Sydney, 14 February 2017



Mark Robinson

Manager, Sustainability Services
DNV GL – Business Assurance

About DNV GL

Driven by our purpose of safeguarding life, property and the environment, DNV GL enables organisations to advance the safety and sustainability of their business. Combining leading technical and operational expertise, risk methodology and in-depth industry knowledge, we empower our customers' decisions and actions with trust and confidence. We continuously invest in research and collaborative innovation to provide customers and society with operational and technological foresight. With our origins stretching back to 1864, our reach today is global. Operating in more than 100 countries, our 16,000 professionals are dedicated to helping customers make the world safer, smarter and greener.

SCHEDULE 1: Portfolio of NOMINATED assets

NAB GMTN Climate Bond Eligible Assets (“Nominated Projects”) as funded at 1 February, 2017 (GBP equivalent)³.

Asset Type/s	Asset Location	Primary Borrower Name	Project Name	Current Amount Funded (millions)
Wind / Solar PV	UK	Cubico Holdings UK (2) Ltd	Cubico Portfolio (Onshore wind farms and ground based solar PV)	GBP 61.8
Wind / Solar PV	TBC	Borrower X	Portfolio of onshore wind farms and ground based solar PV	USD 16.4
Wind	UK	Fred Olsen Wind Holdings Ltd	Fred Olsen Wind Portfolio (Onshore wind farms)	GBP 13.1
Wind	UK	Grange Wind Farm Ltd	Grange Wind Farm (Onshore wind farm)	GBP 18.6
Wind	UK	Infinis Argyle Ltd	A'Chruach Wind Farm (Onshore wind farm)	GBP 21.2
Wind	UK	Infinis Wind Holdings Ltd	Infinis Portfolio (Onshore wind farms)	GBP 78.7
Solar PV	UK	sPower Finco	sPower Portfolio (Ground based solar PV)	GBP 30.1
Wind	UK	Eco Wind Power Ltd	Eco Wind Power Portfolio (Onshore wind farms)	EUR 30.1
Wind	UK	Firebolt RB Holdings	Race Bank Wind Farm (Offshore wind farm)	GBP 45.8m
Low Carbon Transport	UK	QW Rail Leasing Ltd	QW Rail Leasing (Electrified rolling stock)	GBP 77.4
Low Carbon Transport	Australia (NSW)	Reliance Rail Finance Pty Ltd	Reliance Rail PPP (Electrified rolling stock)	AUD 83.2
Low Carbon Transport	Australia (NSW)	Astra SLR Finance Pty Ltd	Sydney Light Rail PPP (Electrified urban rail infrastructure)	AUD 107.1
Low Carbon Transport	Australia (NSW)	NRT Finance Pty Ltd	North West Rail PPP (Electrified urban rail infrastructure)	AUD 119.6

¹ Climate Bond Eligible Assets (“Nominated Projects”) are defined within the Climate Bond Standard (v2.1) – Part A: General Requirements (4: Nominated Projects & Assets) and Part B: Eligible Projects & Assets (9: Climate Bonds Taxonomy and 10: Technical Criteria)

² GBP equivalent amounts based on closing exchange rates published by RBA as at 31 January 2017.
<http://www.rba.gov.au/statistics/tables/index.html#exchange-rates>

³ SCHEDULE 1 has been updated for reallocation of 3 AUD low carbon transport assets into the NAB GMTN Climate Bond Portfolio (from the NAB AUD Climate Bond Portfolio)

Subtotal: Wind Farms & Solar PV²: GBP 308.3m

Subtotal: Low Carbon Transport²: GBP 265.1m

TOTAL ELIGIBLE ASSET PORTFOLIO²: GBP 573.4m

(EUR 670.7m equiv.²)

SCHEDULE 2: VERIFICATION CRITERIA

Summary criteria for assertions of compliance with the Climate Bond Standard v2.1

The criteria against which NAB and its nominated projects and assets have been reviewed prior to inclusion in the Bond are grouped under the requirements as detailed within the Climate Bond Standard Version 2.1 including:

Part A: General Requirements

Area	Requirement
Project Nomination	The Climate Bond issued must specify the project collateral or physical assets with which it is associated
Use of Proceeds	Proceeds must be allocated to Nominated Project(s)
Non-Contamination	Issuers are permitted a grace period to allocate or re-allocate funds to Nominated Project(s)
Confidentiality	The information disclosed to the Verifier and the Climate Bond Standards Board may be subject to confidentiality arrangements
Reporting	Reporting on use of proceeds and nominated projects and assets

Part B: Low Carbon Contribution - Eligible projects and physical assets

Nominated projects and assets include financing of or investments in equipment and systems which enable the mitigation of greenhouse gasses, as detailed in Schedule 1.

Area	Requirement
Solar Energy Generation	Solar electricity generation facilities
Wind Energy Generation	Wind power generation facilities

Low Carbon Transport	All infrastructure, infrastructure upgrades, rolling stock and vehicles for electrified public transport pass this criterion, including electrified rail, trams, trolleybuses and cable cars
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Part C: Bond structures

Area	Requirement
Project Holding	The issuer of a Corporate Climate Bond with Nominated Projects linked to a portfolio of assets must continue to hold eligible assets at least equal to the Fair Market Value at the time of issuance of the original principal
Settlement Period	Climate Bond issuing entities must demonstrate that the proceeds of a Climate Bond have been allocated to the Nominated Project(s) within 24 months after the bond is issued
Earmarking	The issuer of a Climate Bond shall maintain the earmarking process to manage and account for the funding To the Nominated Project(s)