

2017

NOTICE OF ANNUAL GENERAL MEETING

**9.30am (Australian Eastern Daylight Time)
Friday, 15 December 2017**

Darling Harbour Theatre
International Convention Centre Sydney
Level 2, 14 Darling Drive
Darling Harbour, Sydney
Australia

GETTING THERE



T Train

The closest train stations are Town Hall and Central stations, both a 10 minute walk from ICC Sydney.

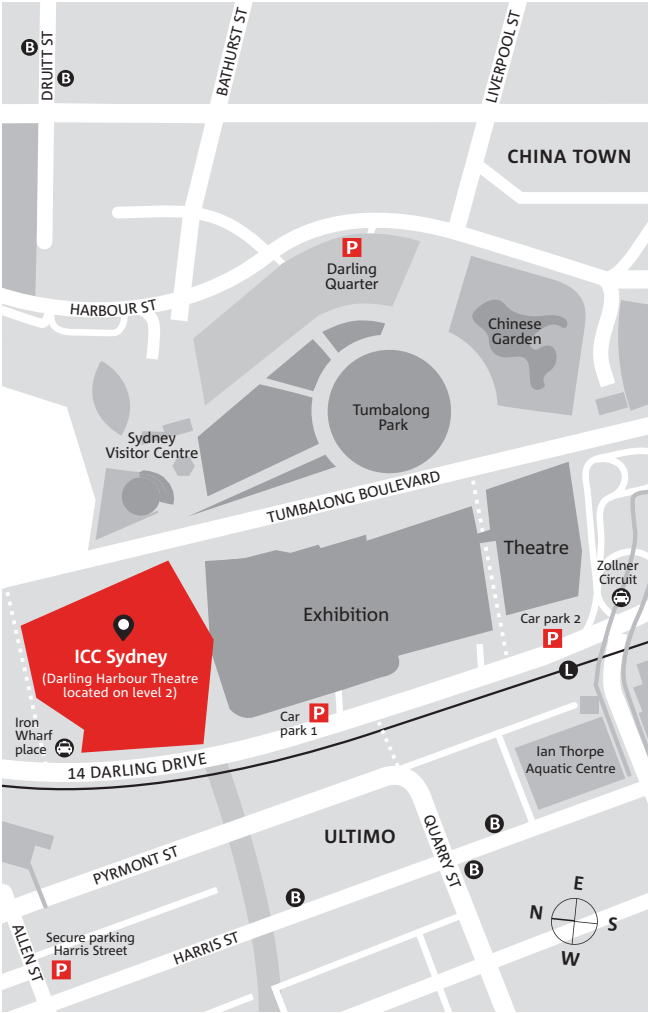
B Bus

Bus stops are located in Harris Street, near Allen Street or Quarry Street.

F Ferry

Direct ferry services operate to Darling Harbour from Circular Quay, King Street Wharf and Pyrmont Bay Wharf.

Darling Harbour Theatre International Convention Centre Sydney (ICC Sydney) Level 2, 14 Darling Drive, Darling Harbour



L Light Rail

Convention Centre and Exhibition Centre.

P Car

Casual rate parking at ICC Sydney Exhibition Centre, Car Park 1.

Taxi

Locations include Iron Wharf Place next to Harbourside Shopping Centre and Zollner Circuit at the southern end of ICC Sydney Theatre.

LETTER FROM THE CHAIRMAN

14 November 2017

Dear Shareholder

It is my pleasure to invite you to the 2017 Annual General Meeting of National Australia Bank Limited (**NAB** or the **Company**).

Meeting Details

Date: Friday, 15 December 2017
Time: 9.30am (Australian Eastern Daylight Time)
Venue: Darling Harbour Theatre
Location: International Convention Centre Sydney
Level 2, 14 Darling Drive, Darling Harbour
Sydney, NSW Australia

Registering your attendance on the day

If you attend the meeting, you will need to register at one of the registration desks on the day. The registration desks will be open from 8.30am (Australian Eastern Daylight Time). You will find it easier to register if you bring your proxy form with you so that we can scan the barcode to record your attendance.

Voting at the meeting or by proxy

You may vote on the items of business to be considered at the meeting either in person at the meeting or by completing and returning the proxy form. You can complete your proxy form online by either using your smartphone or at **www.investorvote.com.au**. Alternatively, you can return your proxy form enclosed with this letter to us via the Company's Share Registry:

- in the enclosed reply paid envelope;
- by facsimile to **1800 783 447** within Australia or **+61 3 9473 2555** outside Australia; or
- by hand to 452 Johnston Street, Abbotsford, Melbourne, Victoria, 3067, Australia.

The proxy form should be returned to us **by no later than 9.30am (Australian Eastern Daylight Time) on Wednesday, 13 December 2017**.

Questions from shareholders

Shareholders unable to attend the meeting are invited to submit questions on any shareholder matters that may be relevant to the meeting by completing the form enclosed with this letter and returning it to us **by no later than Friday, 8 December 2017**. While time may not permit me to address all the questions submitted, I will try to address the more frequently raised shareholder matters during the course of the meeting.

Viewing the meeting on the internet

The meeting will be webcast from 9.30am (Australian Eastern Daylight Time) on Friday, 15 December 2017 and archived at **www.nabgroup.com/agm** so that shareholders unable to attend can watch on the day or at any time convenient to them.

Refreshments

After the meeting, you are welcome to stay and enjoy some refreshments. The directors and management of NAB look forward to seeing you on the day.

Yours sincerely



Dr Ken Henry AC
Chairman

NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting of National Australia Bank Limited will be held in the Darling Harbour Theatre at the International Convention Centre Sydney, Level 2, 14 Darling Drive, Darling Harbour, Sydney, Australia on Friday, 15 December 2017 at 9.30am (Australian Eastern Daylight Time).

1. Financial Statements and Reports

To consider the Company's financial report, directors' report and auditor's report for the year ended 30 September 2017.

2. Re-election and Election of Directors

In accordance with Article 10.3 of the Company's Constitution:

- (a) Dr Kenneth Henry retires and offers himself for re-election;
- (b) Mr David Armstrong retires and offers himself for re-election;
- (c) Mr Peeyush Gupta retires and offers himself for re-election;
- (d) Ms Geraldine McBride retires and offers herself for re-election; and
- (e) Ms Ann Sherry, who was appointed as a director since the last Annual General Meeting, retires and offers herself for election.

3. Remuneration Report

To consider and, if thought fit, to pass the following as an advisory ordinary resolution:

"That the Remuneration Report for the year ended 30 September 2017 be adopted."

4. Performance Rights – Group Chief Executive Officer

To consider and, if thought fit, to pass the following as an ordinary resolution:

"That the grant of performance rights to the Group Chief Executive Officer, Mr Andrew Thorburn, under the Company's short term incentive and long term incentive plans as described in the Explanatory Notes be approved."

By Order of the Board

Louise Thomson

Company Secretary

14 November 2017

INFORMATION FOR SHAREHOLDERS

Entitlement to attend and vote at the meeting

All shareholders may attend the meeting. The Board has determined that for the purposes of voting at the meeting, shareholders will be taken to be those persons recorded on the Company's register of members as at 7.00pm (Australian Eastern Daylight Time) on Wednesday, 13 December 2017.

In the case of joint shareholders, all holders may attend the meeting but only one holder may vote at the meeting in respect of the relevant shares (including by proxy). If more than one joint holder is present, and more than one of the joint holders vote in respect of the relevant shares, only the vote of the joint holder whose name stands first in the register in respect of the relevant shares is counted. A corporate shareholder may appoint one or more persons to act as its representative(s), but only one representative may exercise the corporate shareholder's powers at any one time. The Company requires appropriate evidence of the appointment.

Asking questions at the meeting

The meeting is intended to give shareholders the opportunity to hear both the Chairman and the Group Chief Executive Officer talk about the year that has just passed and also give some insight into the Company's prospects for the year ahead.

We welcome shareholders' questions at the meeting. In the interests of all present, we ask that you confine your questions to matters before the meeting that are relevant to shareholders as a whole. Our staff at the Customer Service Desk or the Shareholder Services Desk in the foyer on the day of the meeting will be happy to deal with any questions that relate to the private affairs of any individual shareholders or customers.

INFORMATION FOR SHAREHOLDERS

Proxy votes

You can appoint a proxy to attend and vote for you at the meeting in accordance with the directions on the proxy form. If no directions as to voting are given to the proxy on the form, the proxy may vote as he or she thinks fit, to the extent permitted by law.

If you are entitled to cast two or more votes, you may appoint no more than two proxies to attend and vote for you at the meeting and specify the proportion or number of votes each proxy may exercise.

If you appoint a body corporate as a proxy, that body corporate will need to ensure that it appoints an individual as its corporate representative to exercise its powers at the meeting and provide satisfactory evidence of that appointment prior to the commencement of the Annual General Meeting.

A corporate shareholder must sign the proxy form in accordance with its constitution or otherwise in accordance with the *Corporations Act 2001* (Cth) (**Corporations Act**). Where the proxy form is signed by a duly authorised person or persons of a corporate shareholder, such authorisation must have been sighted at the Company's Share Registry.

The Company's Constitution and the Corporations Act require that, to be effective, a proxy form together with any power of attorney under which it is executed or a certified copy of the relevant authority must be received by the Company no later than 9.30am (Australian Eastern Daylight Time) on Wednesday, 13 December 2017, which is 48 hours before the commencement of the meeting.

A proxy does not need to be a shareholder of the Company and may be an individual or a body corporate.

A proxy who is not the Chairman of the meeting need not vote in that capacity on a poll on any resolution. If the proxy's appointment specifies the way to vote on a resolution and the proxy decides to vote in that capacity on that resolution, the proxy must vote the way specified (subject to the other provisions of this Notice, including the voting restrictions).

If the proxy's appointment specifies the way to vote on a resolution, and the proxy does not attend the meeting or does not vote on the resolution, then such directed proxies will default to the Chairman of the meeting who must vote the proxies as directed. If the Chairman of the meeting is appointed, or taken to be appointed, as a proxy, but the appointment does not specify the way to vote on a resolution, then the Chairman intends to exercise the relevant shareholder's votes in favour of the relevant resolution.

Online Proxy

You may submit your proxy online by using your smartphone or by visiting **www.investorvote.com.au**

To use this option, you will need your Securityholder Reference Number (**SRN**) or Holder Identification Number (**HIN**) and your allocated Control Number as shown on your proxy form. You will be taken to have signed the proxy form if you lodge it in accordance with the instructions on the website. To use your smartphone, scan the QR code at the top of your proxy form and follow the instructions provided. To scan the code you need to have already downloaded a free QR code reader app to your smartphone. When scanned, the QR code will take you directly to the mobile voting site. A proxy cannot be appointed electronically if they are appointed under a Power of Attorney or similar authority. The online proxy facility may not be suitable for shareholders who wish to appoint two proxies with different voting directions. Please read the instructions for online proxy submissions carefully before you lodge your proxy.

Custodians and other intermediaries may submit their proxy online by visiting **www.intermediaryonline.com** (subscribers only).

INFORMATION FOR SHAREHOLDERS

Proxy by post or facsimile

A proxy form and a reply paid envelope are enclosed. Additional information on proxies is included on the form, including how to appoint proxies, specifying the proportion of votes per proxy where two proxies are appointed, and instructions on voting by proxies.

A completed proxy form must be received by the Company via the Company's Share Registry no later than 9.30am (Australian Eastern Daylight Time) on Wednesday, 13 December 2017 either by fax on **1800 783 447** (within Australia) or **+61 3 9473 2555** (outside Australia), electronically through the site noted above or at the following addresses:

By mail

Share Registry
National Australia Bank Limited
Reply Paid 2333
Melbourne Victoria 3001
AUSTRALIA

In person

Share Registry
Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
Abbotsford Victoria 3067
AUSTRALIA

Voting restrictions

Item 3 (Remuneration Report)

Except to the extent otherwise permitted by law, any member of the key management personnel of the Company's consolidated group (**Group**) whose remuneration details are included in the Remuneration Report (or a closely related party of any such member), may not vote, and the Company will disregard the votes cast by or on behalf of such persons on item 3, unless the vote is cast:

- as proxy for a person entitled to vote in accordance with a direction on the proxy form; or
- by the Chairman of the meeting as proxy for a person entitled to vote and the Chairman has received express authority to vote undirected proxies as the Chairman sees fit.

Item 4 (Performance Rights – Group Chief Executive Officer)

Item 4 is a resolution connected directly or indirectly with the remuneration of key management personnel.

The following persons may not vote, and the Company will disregard any vote cast by the following persons, on item 4:

- any director of the Company who is eligible to participate in any employee incentive scheme and any of their associates. The Company does not need to disregard votes by such a person as proxy for another person who is entitled to vote if the vote is cast:
 - in accordance with the directions on the proxy form; or
 - by the Chairman of the meeting as a proxy, in accordance with the direction on the proxy form to vote as the proxy decides; and
- any member of the Group's key management personnel (or a closely related party of any such member) that is appointed as proxy where the proxy appointment does not specify the way the proxy is to vote on item 4, unless:
 - the proxy is the Chairman of the meeting at which item 4 is voted on; and
 - the proxy appointment expressly authorises the Chairman to exercise the proxy even though item 4 is connected directly or indirectly with the remuneration of a member of the Group's key management personnel.

ANNUAL FINANCIAL REPORT INFORMATION

The 2017 Annual Financial Report is being sent separately to shareholders who have elected to receive an Annual Financial Report.

You can view our Annual Financial Report, Annual Review, Summary Review and Corporate Governance Statement online at www.nabgroup.com/annualreports or request a printed copy from the Share Registry either by email at nabservices@computershare.com.au or by telephone on **1300 367 647** (within Australia) or **+61 3 9415 4299** (outside Australia).

EXPLANATORY NOTES

Item 1: Financial Statements and Reports

While shareholders are not required to vote on the financial report, directors' report and auditor's report, shareholders will be given a reasonable opportunity at the meeting to comment and raise questions on the financial report, directors' report and auditor's report. They will also be able to ask the Company's auditor questions.

Item 2: Re-election and Election of Directors

Each re-election and election will be conducted as a separate resolution.

The Board, with the assistance of the Nomination & Governance Committee, has reviewed and taken into consideration the performance, skills, experience and existing workload of the directors standing for re-election and election, and has endorsed each candidate's nomination for re-election and election (as applicable).

The following directors retire by rotation in accordance with Article 10.3 of the Company's Constitution and, being eligible, present themselves for re-election.

EXPLANATORY NOTES



Dr Kenneth R Henry AC

**BCom (Hons), PhD, DB h.c.,
FASSA, FAIIA**

Appointed as a non-executive director in November 2011 and as Chairman in December 2015.

Chairman of the Board and the Nomination & Governance Committee.

Dr Henry has over 30 years of experience in economics, policy and regulation, governance and leadership. Dr Henry served as the Secretary of the Department of the Treasury from 2001 to 2011. From June 2011 until November 2012, he was special advisor to the Prime Minister with responsibility for leading the development of the White Paper on Australia in the Asian Century. He is a former member of the Board of the Reserve Bank of Australia, the Board of Taxation, the Council of Financial Regulators, the Council of Infrastructure Australia and was Chair of both the Howard Government's Taxation Taskforce ('A New Tax System', 1997-1998) and the Review into Australia's Future Tax System (the 'Henry Tax Review') commissioned by the Rudd Government (2008-09). Dr Henry was made a Companion of the Order of Australia in 2007 and received the Centenary Medal in 2001. He is Co-Chair of NAB's Indigenous Advisory Group.

Directorships of listed entities:

ASX Limited (since February 2013)

Dr Henry's other directorships and interests include Sir Roland Wilson Foundation (Chairman), Cape York Partnership, Committee of Economic Development of Australia (Governor), John Grill Centre for Project Leadership's Advisory Board and Australia-China Senior Business Leaders Forum.

The Board has concluded that Dr Henry is independent and has sufficient capacity to undertake the duties expected of the Chairman of this Company.

Recommendation

The Board (other than Dr Henry who is the subject of this resolution) recommends that shareholders vote in favour of Dr Henry's re-election.

EXPLANATORY NOTES



Mr David H Armstrong

BBus, FCA, MAICD

Appointed as a non-executive director in August 2014.

Chairman of the Audit Committee and a member of the Risk Committee.

Mr Armstrong has more than 30 years of experience in professional services, including as a partner at PricewaterhouseCoopers (PwC). Mr Armstrong has significant knowledge and understanding of banking and capital markets, real estate and infrastructure and is well versed in the reporting, regulatory and risk challenges faced by the industry.

Mr Armstrong's other directorships and interests include The George Institute for Global Health, Opera Australia Capital Fund Limited, Australian Museum and Lizard Island Reef Research Foundation.

The Board has concluded that Mr Armstrong is independent and has sufficient capacity to undertake the duties expected of a director of this Company.

Recommendation

The Board (other than Mr Armstrong who is the subject of this resolution) recommends that shareholders vote in favour of Mr Armstrong's re-election.



Mr Peeyush K Gupta

BA, MBA, AMP (Harvard), FAICD

Appointed as a non-executive director in November 2014.

Member of the Risk, Remuneration and Nomination & Governance Committees. Director of certain NAB wealth and BNZ subsidiaries.

Mr Gupta has over 30 years of experience in wealth management. Mr Gupta was a co-founder and the inaugural CEO of IPAC Securities, a pre-eminent wealth management firm spanning financial advice and institutional portfolio management, which was acquired by AXA. Mr Gupta also has extensive corporate governance experience, having served as a director on many corporate, not-for-profit, trustee and responsible entity boards since the 1990s.

Directorships of listed entities:

- Link Administration Holdings Limited (Link Group) (since November 2016)
- Charter Hall WALE Limited (since May 2016)

Mr Gupta's other directorships and interests include Insurance & Care NSW (iCare), Special Broadcasting Service Corporation and Charter Hall Direct Property Management Limited (Chairman).

The Board has concluded that Mr Gupta is independent and has sufficient capacity to undertake the duties expected of a director of this Company.

Recommendation

The Board (other than Mr Gupta who is the subject of this resolution) recommends that shareholders vote in favour of Mr Gupta's re-election.

EXPLANATORY NOTES



Ms Geraldine C McBride BSc

Appointed as a non-executive director in March 2014.

Member of the Audit Committee.

Ms McBride has over 27 years of experience in the technology industry and international

business. Ms McBride is a former President of global software company SAP for North America and also held executive positions with SAP in Asia Pacific and Japan, as well as senior roles with Dell and IBM. Ms McBride is the founder and chief executive officer of MyWave. MyWave is an artificial intelligence based Enterprise Intelligent Agent technology platform and business transformation company that enables enterprises to move into the Fourth Industrial revolution, rapidly transforming existing customer journeys.

Directorships of listed entities:

- Sky Television Limited (since August 2013)
- Fisher and Paykel Healthcare Corporation Limited (since July 2013)

The Board has concluded that Ms McBride is independent and has sufficient capacity to undertake the duties expected of a director of this Company.

Recommendation

The Board (other than Ms McBride who is the subject of this resolution) recommends that shareholders vote in favour of Ms McBride's re-election.

Ms Ann Sherry, who was appointed a director since the last Annual General Meeting, retires in accordance with Article 10.3 of the Company's Constitution and, being eligible, presents herself for election.



Ms Ann C Sherry AO BA, Grad Dip IR, FAICD, FIPAA

Appointed as a non-executive director in November 2017.

Member of the Remuneration Committee.

Ms Sherry has over 20 years of experience in roles within the

banking, tourism and transport industries in Australia and New Zealand, together with significant experience in government and public service. Ms Sherry is currently Executive Chairman of Carnival Australia, the largest cruise ship operator in Australasia, which she joined in 2007. Prior to joining Carnival Australia, she had 12 years' experience with Westpac where she held executive roles including CEO, Westpac New Zealand, CEO, Bank of Melbourne and Group Executive, People & Performance. Until recently, she was on the supervisory board of ING Group (Amsterdam) and was a director on the board of ING Direct (Australia). Ms Sherry was made an Officer of the Order of Australia in 2004.

Directorships of listed entities:

Sydney Airport (since May 2014)

Ms Sherry's other directorships and interests include Palladium Group, Cape York Partnership, Museum of Contemporary Art, Infrastructure Victoria, Australian Rugby Union, Trans-Tasman Business Council's ANZ Leadership Forum (Australian Chairman) and Tourism & Transport Forum.

The Board has concluded that Ms Sherry is independent and has sufficient capacity to undertake the duties expected of a director of this Company.

Recommendation

The Board (other than Ms Sherry who is the subject of this resolution) recommends that shareholders vote in favour of Ms Sherry's election.

EXPLANATORY NOTES

Item 3: Remuneration Report

Shareholders will be given a reasonable opportunity at the meeting to comment on and ask questions about the Company's Remuneration Report.

The Remuneration Report is contained in the Annual Financial Report. Copies of the Annual Financial Report are available on the Company's website at

www.nabgroup.com/annualreports or can be obtained from the Share Registry either by email at **nabservices@computershare.com.au** or by telephone on **1300 367 647** (within Australia) or **+61 3 9415 4299** (outside Australia).

The Remuneration Report includes:

- an explanation of key changes to the remuneration of the Group Chief Executive Officer;
- an explanation of the Company's policy for determining the remuneration of key management personnel;
- a discussion of the relationship between that policy and the Group's performance; and
- details of the performance conditions associated with the remuneration of key management personnel.

The vote on the proposed resolution in item 3 is advisory and will not bind the directors or the Company. However, the Board will take the outcome of the vote into consideration when reviewing remuneration practices and policies.

Recommendation

The Board recommends that shareholders vote in favour of the proposed resolution.

Item 4: Performance Rights – Group Chief Executive Officer (Group CEO)

The remuneration package for the Group CEO, Mr Thorburn, is based on the Company's performance and remuneration frameworks. These frameworks seek to provide appropriate rewards to employees (balancing fixed and 'at risk' remuneration) to attract and retain our people. The provision of securities under the Company's short term incentive (**STI**) and long term incentive (**LTI**) plans is part of Mr Thorburn's 'at risk' remuneration.

The non-executive directors reviewed Mr Thorburn's remuneration arrangements during 2017. As a result, Mr Thorburn's LTI award will be allocated using a face value rather than fair value allocation methodology. The total face value of the LTI award for 2017 will be 130% of Mr Thorburn's fixed remuneration (that is, \$2.99m) and an additional dividend equivalent payment (as described in further detail in section 4(a) below). This significantly reduces Mr Thorburn's overall LTI maximum potential earnings from prior years where a fair value allocation methodology was used. To illustrate this, the face value of Mr Thorburn's LTI award for 2016 was \$4.98m. Further detail on Mr Thorburn's LTI award is provided in the Remuneration Report. Mr Thorburn's STI award will continue to be allocated using a fair value allocation methodology, which is considered to be the appropriate valuation methodology for that award as it is only discounted for the expected dividends foregone over the deferral periods.

The non-executive directors have concluded that Mr Thorburn's remuneration package (including the proposed grants of securities under the STI and LTI plans) is reasonable and appropriate having regard to the circumstances of the Company and Mr Thorburn's duties and responsibilities.

EXPLANATORY NOTES

(a) STI and LTI arrangements for Mr Thorburn

The performance of Mr Thorburn has been reviewed under the Company's performance and remuneration frameworks (as described in the Remuneration Report). That review process has led to a recommendation to seek approval from shareholders to grant securities under the Company's STI and LTI plans as outlined below.

Half of the STI awarded to Mr Thorburn for the 2017 performance year will be provided in performance rights, subject to shareholder approval. The STI performance rights will be granted in two tranches (each tranche comprising approximately 25% of Mr Thorburn's STI award) and will be subject to lapse conditions until the relevant 'STI Restriction End Date', being 15 November 2018 for the performance rights in tranche one, and 15 November 2019 for the performance rights in tranche two. The lapse conditions for the STI performance rights are set out in section 4(c). Mr Thorburn will not be able to deal with or exercise his STI performance rights until they have vested (see section 4(c)). The other half of the STI awarded to Mr Thorburn for the 2017 performance year will be provided in cash.

Mr Thorburn will also be provided with an award under the Company's current LTI plan, in the form of performance rights, subject to shareholder approval. The LTI performance rights will be subject to the achievement of applicable performance hurdles and lapse conditions until the 'LTI Restriction End Date' being 20 December 2021. Mr Thorburn will not be able to deal with or exercise his LTI performance rights unless and until they have vested. Details of the performance hurdles and lapse conditions are set out in section 4(c). Mr Thorburn will also receive a cash amount (**Dividend Equivalent Payment**) after the LTI Restriction End Date, equivalent to the gross value of any dividends (including payment for the value of the imputation credits which applied to the dividends) which would have been paid to Mr Thorburn if he had held a number of shares equivalent to any LTI performance rights that may vest, during the period from 1 October 2017 to the LTI Restriction End Date. The Dividend Equivalent Payment may be adjusted for any bonus and rights issues, aggregations and reconstructions in relation to NAB shares during the period from 1 October 2017 to the LTI Restriction End Date.

(b) What is the number and value of securities that can be granted to Mr Thorburn and at what price?

Plan	Number and value of securities and price
STI plan (performance rights granted under the National Australia Bank Performance Rights Plan)	Total of 34,807 STI performance rights to the value of \$977,469 comprised of: • Tranche 1: 16,812 STI performance rights based on a fair value of \$29.07 • Tranche 2: 17,995 STI performance rights based on a fair value of \$27.16 The above value for Mr Thorburn represents 50% of his STI award for the 2017 performance year. The number of STI performance rights granted in each tranche has been determined by the relevant value of each tranche (50% of the value set out above) divided by the relevant fair value of each performance right as determined by an independent external consultant. The fair value is calculated using a discounted cash flow methodology, which is based on the weighted average price at which Company shares were traded on the ASX in the five trading days from 25 September 2017 to 29 September 2017 inclusive (which is \$31.39) less the present value of the dividends expected to be paid on the share but not received by the holder during the relevant restriction period. The equivalent total face value of the STI performance rights award is \$1,092,592. No price is payable by Mr Thorburn for the grant or exercise of the STI performance rights. No value will be received by Mr Thorburn if the STI performance rights lapse prior to the relevant Restriction End Date.

EXPLANATORY NOTES

(b) What is the number and value of securities that can be granted to Mr Thorburn and at what price?

Plan	Number and value of securities and price
LTI plan (performance rights granted under the National Australia Bank Performance Rights Plan)	Total of 95,252 LTI performance rights to the value of \$2,989,960 comprised of: • Tranche 1: 47,626 LTI performance rights • Tranche 2: 47,626 LTI performance rights LTI Performance rights are granted in two equal tranches, each having a performance hurdle (see section 4(c)). The number of LTI performance rights granted in each tranche has been determined by the relevant face value of each tranche (50% of the value set out above) divided by the weighted average price at which Company shares were traded on the ASX in the five trading days from 25 September 2017 to 29 September 2017 inclusive which is \$31.39. No price is payable by Mr Thorburn for the grant or exercise of the LTI performance rights. Again, no value will be received by Mr Thorburn if the performance hurdles are not met or the LTI performance rights otherwise lapse. To the extent that the LTI performance rights vest, Mr Thorburn will also receive the Dividend Equivalent Payment (as set out in section 4(a)).

(c) Hurdles and conditions

Performance hurdles for LTI performance rights

Details of the performance hurdles for the LTI tranches are:

Component	Tranche 1										
Performance measure	An internal measure, the Group's cash Return on Equity (ROE) growth measured against a peer group comprised of Australia and New Zealand Banking Group, Commonwealth Bank of Australia and Westpac Banking Corporation (ROE Peer Group).										
Performance period	The 2018 to 2021 financial reporting years for the Company and each of the ROE Peer Group (ROE Measurement Period).										
Vesting schedule	The peer with the most favourable movement in cash ROE will be ranked 1st, with the rest ranked in descending order. Ranking will be based on the movement in cash ROE for each member of the ROE Peer Group over the ROE Measurement Period. The percentage of LTI Performance rights that vest will be determined as follows: <table><tr><td>Group cash ROE growth ranking:</td><td>Vesting outcome:</td></tr><tr><td>4th of the ROE Peer Group</td><td>0% vesting</td></tr><tr><td>3rd of the ROE Peer Group</td><td>25% vesting</td></tr><tr><td>2nd of the ROE Peer Group</td><td>50% vesting</td></tr><tr><td>1st of the ROE Peer Group</td><td>100% vesting</td></tr></table>	Group cash ROE growth ranking:	Vesting outcome:	4th of the ROE Peer Group	0% vesting	3rd of the ROE Peer Group	25% vesting	2nd of the ROE Peer Group	50% vesting	1st of the ROE Peer Group	100% vesting
Group cash ROE growth ranking:	Vesting outcome:										
4th of the ROE Peer Group	0% vesting										
3rd of the ROE Peer Group	25% vesting										
2nd of the ROE Peer Group	50% vesting										
1st of the ROE Peer Group	100% vesting										

EXPLANATORY NOTES

Component	Tranche 2
Performance measure	An external measure based on the Company's Total Shareholder Return (TSR) performance relative to a peer group comprising a selection of top financial services companies in the S&P/ASX 200 (TSR Peer Group), approved by the Board.
Performance period	From 14 November 2017 to 14 November 2021 (TSR Performance Period).
Vesting schedule	Each company's TSR will be calculated using the value of the relevant company's share price on the start and the end dates of the TSR Performance Period, based on the volume weighted average price of those shares over the 30 trading days up to and including each of those dates. Vesting will be determined on a straight line scale from 50% of the LTI performance rights vesting at median (i.e. 50th percentile) TSR performance, up to 100% of the LTI performance rights vesting at the 75th percentile TSR performance.

(c) Hurdles and conditions

The performance hurdles are tested once at the end of the relevant performance period and the Board will notify Mr Thorburn of any LTI performance rights that have vested following that test. The Board will retain discretion in relation to the final outcomes of the performance hurdles and vesting generally, including absolute discretion, subject to compliance with law, to adjust variable remuneration down, or to zero, where appropriate.

Lapse conditions for STI performance rights

Until the relevant Restriction End Date for each tranche of STI performance rights (as set out in section 4(a)), any STI performance rights will lapse if (i) Mr Thorburn does not meet threshold measures of conduct as set out by the Company, (ii) he resigns from the Company, or (iii) his employment with the Company ceases for any reason other than resignation and the Board exercises its discretion that the STI performance rights lapse. If Mr Thorburn's employment ceases other than by way of resignation prior to the relevant STI Restriction End Date, unless the Board exercises its discretion to lapse the STI performance rights, Mr Thorburn will continue to hold the STI performance rights subject to the other lapse conditions (that is, vesting of the STI performance rights will not be accelerated). The Board will retain discretion in relation to the final vesting outcome including absolute discretion, subject to compliance with law, to adjust variable remuneration down, or to zero, where appropriate.

Each tranche of STI performance rights which have not lapsed will vest on the relevant Restriction End Date.

Lapse conditions for LTI performance rights

The performance hurdles for the LTI performance rights will be measured on or before the LTI Restriction End Date (as set out in section 4(a)). If the performance hurdles are not met in part or in full when tested after the end of the relevant performance period, some or all of the LTI performance rights will lapse (as applicable). In addition, any LTI performance rights will lapse if (i) Mr Thorburn does not meet threshold measures of conduct as set out by the Company, (ii) he resigns from the Company, or (iii) his employment with the Company ceases for any reason other than resignation and the Board exercises its discretion that the LTI performance rights lapse.

EXPLANATORY NOTES

If Mr Thorburn's employment ceases other than by way of resignation and the Board does not exercise its discretion to lapse LTI performance rights, then Mr Thorburn will continue to hold a pro-rated number of LTI performance rights based on time elapsed within the TSR Performance Period (see above), subject to the performance hurdles and other lapse conditions (that is, vesting of the LTI performance rights will not be accelerated).

Further detail regarding the Group's cash ROE is set out in the Annual Financial Report and further detail regarding the LTI, including the TSR Peer Group, is set out in the Remuneration Report.

(d) When will the performance rights be issued?

Subject to shareholder approval, the securities (that is, the STI and LTI performance rights) will be issued within 12 months of the date of the Annual General Meeting.

(e) Which directors have received securities since the last Annual General Meeting?

Mr Thorburn is the only director who has received securities since the last Annual General Meeting, having been issued 58,865 STI performance rights and 170,794 LTI performance rights.

Under the STI plan, the number of STI performance rights was based on a fair value of \$24.34 for half of the STI performance rights and \$22.61 for the remaining half of the STI performance rights. At the date the STI performance rights were granted, the total fair value of the STI performance rights was \$1,379,980 with an equivalent total face value of shares in the Company of \$1,544,618. The face value of each STI performance right was \$26.24 based on the weighted average price at which Company shares were traded on the ASX over the period from 4 November 2016 to 10 November 2016 inclusive.

Under the LTI plan, the fair value was \$21.65 for half of the LTI performance rights and \$10.67 for the remaining half of the LTI performance rights. The Board limited the maximum discount applied to the weighted average price to determine the number of LTI performance rights to be awarded to no more than 25% for tranche 1 (i.e. \$21.88) and 50% for tranche 2 (i.e. \$14.59).

At the date the LTI performance rights were granted, the total fair value of the LTI performance rights was \$2,572,602 with an equivalent total face value of \$4,982,061. The face value of each tranche was \$29.17 based on the weighted average price at which the Company's shares were traded on the ASX in the five trading days from 5 December 2016 to 9 December 2016 inclusive. Further detail on Mr Thorburn's LTI award is set out in the Remuneration Report.

Details of securities held by directors during the 2017 financial year are set out in the Company's Remuneration Report.

(f) Which directors are entitled to participate?

Mr Thorburn is the only director who is eligible to participate in the STI and LTI plans. The Company's non-executive directors do not receive performance-based remuneration.

(g) Why are we seeking approval?

Under the ASX Listing Rules, the Company must seek shareholder approval to grant equity securities in the Company to Company directors. Accordingly, we are seeking approval to enable the Company to grant STI and LTI performance rights to Mr Thorburn as described above. If shareholders do not approve the grant of these performance rights at the meeting, it is intended that all of the STI award and LTI award will be provided in cash, subject to the performance, service and other conditions outlined above.

A performance right is a right to receive one ordinary share in the Company at a point in the future, subject to meeting certain performance, time and/or employment conditions (as outlined in section 4(c)). If the applicable conditions are met, the performance rights will vest and each performance right will be exercised for the issue of an ordinary share in the Company.

Recommendation

Mr Thorburn, who has a personal interest in the subject of this resolution, has abstained from making a recommendation. The other directors recommend that shareholders vote in favour of the proposed resolution.

www.nabgroup.com/shareholder

©2017 National Australia Bank Limited ABN 12 004 044 937
AFSL and Australian Credit Licence 230686 A139359