

NOTICE OF ANNUAL GENERAL MEETING 2018



Peter Costi
Costi Farms

Annual General Meeting
Wednesday 19 December 2018
9.30am (AEDT)

Melbourne Convention & Exhibition Centre
1 Convention Centre Place
South Wharf, Victoria Australia

"NAB understood the importance of scale and the rationale for buying established farms. They supported us growing quickly and also the need for adding processing and packing facilities."

CONTENTS

If you are unable to attend the meeting, you can watch it on the internet. The meeting will be webcast live from 9.30am (AEDT) on Wednesday, 19 December 2018 and archived at **www.nab.com.au/agm** so that you can watch at any time convenient to you.

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

CHAIRMAN MESSAGE

TRUST IS THE FOUNDATION OF OUR BUSINESS

I believe this year will mark a turning point for NAB.

The Royal Commission has shone a light on the Australian financial services industry and, in particular, the treatment of its customers.

We have been presented with evidence of conduct that is simply unacceptable. There have been times when we have fallen well short of providing quality customer service and meeting community expectations.

Understandably, the Commissioner has questioned whether the banks have lost sight of the customer, in pursuit of profit. This is the right question to be asking. When we do the wrong thing by the customer in order to boost short-term profit we lose the trust of our customers. And we also do the wrong thing by our shareholders, because behaviour that doesn't put the customer first cannot provide a sustainable foundation for any business.

The Board, and NAB's people, share an absolute determination to earn the trust of our customers and to rebuild the respect of the communities in which we operate.

OUR FOCUS

One of the more important things we have done in recent years is define the purpose of our business. Obviously, we cannot exist unless we generate attractive returns for our shareholders. Making a profit to enable the payment of a good dividend yield says something about how we exist. But, of course, it says nothing

about why we exist. The Board takes the view that the principal reason for a loss of trust in business is that too little time has been spent on the 'why', and that has led to a very narrow and at times highly distorted focus on the 'how' – a focus that sometimes sees the customer as no more than the means to an end.

The reason we exist is to 'back the bold who move Australia forward'. This speaks to the contribution we seek to make to the lives of our customers, their communities and the nation. Our purpose is complemented by an ambitious vision, to be 'Australia's leading bank, trusted by customers for exceptional service'. Our customers are not merely the means to an end. It is through our customers that we deliver on our purpose. That is why our customers are our focus.

Our purpose, vision and a strong set of corporate values provide the foundation for our culture.

Culture is evidenced by behaviours. And behaviours are influenced by incentive structures. For that reason, we have reformed our remuneration systems. We need remuneration systems that encourage everybody in the bank to live our purpose and help us realise our vision.

Remuneration at every level of the organisation is being redesigned to drive the delivery of exceptional customer service.

Of course, the Executive Leadership Team (ELT) has to accept responsibility for delivering on the financial plan of the business and for the execution of our strategic priorities – our business transformation. But in designing the performance framework for the ELT,



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the Board considers it essential to put a heavy weighting on customer service, risk and conduct metrics. Performance in all of these dimensions should determine the size of an individual's variable reward.

In addition, we think it is very important to provide the variable reward in a form that binds the individual to the shareholder experience. So the NAB CEO and the entire Executive Leadership Team now receive 60% of any variable reward in the form of shares, deferred for four years.

Where leaders exceed the Board's expectations with respect to customers, shareholders or the community, subject to overall Group performance, they may receive more than their 'target' variable reward. But where they fall short of the

Board's expectations, again subject to overall Group performance, they may receive less than their target variable reward, possibly as low as zero. And the new framework provides the Board with the ability to hold leaders accountable across the full four-year deferral period, with deferred shares subject to forfeiture, further deferral or clawback. The Board considers that this is how leaders should be held accountable. It is also fully consistent with both the letter and the spirit of the Banking Executive Accountability Regime.

2018 PERFORMANCE

The financial performance of the business this year was solid, in a challenging environment, but below the targets set by the Board. The bank also failed to achieve its NPS target – which measures levels of customer advocacy – and additional provisions were applied for conduct matters.

Most of the customer issues which have featured in the Royal Commission should have been dealt with better and faster. We take these matters seriously and consider that significantly reduced variable reward outcomes are appropriate this year.

For the CEO and Executive Leadership Team, targeted reductions ranging from 10% to 75% have been applied to individual variable reward outcomes in consideration of individual risk matters. In addition, the Board determined a further significant reduction of group variable reward outcome for the whole Executive Leadership Team to 70%, reflecting their collective accountability for the standards of the organisation. Full details are available within the 2018 Remuneration Report.

CHAIRMAN MESSAGE – CONTINUED

Looking ahead, the Board is confident in the capability of the CEO and Executive Leadership Team. We are confident that this team will reshape the bank so that it is fit for purpose and provides exceptional customer service everywhere and every time. Good progress has already been made towards executing NAB's transformational strategy.

To make NAB simpler, stronger and faster, we are making an additional investment of \$1.5 billion over three years to 30 September 2020. This accelerated investment program is progressing well and the Board will continue to monitor it closely.

In setting ourselves up for the future, we are not looking to the other Australian banks for benchmarks. We are looking to the leading banks and technology companies around the world who are delivering exceptional service for their customers.

A GREATER AUSTRALIA

Strong population growth and an improving unemployment rate continue to support a growing economy, but there are headwinds.

Households are concerned about the cost of living, partly because of stubbornly low wages growth and high levels of household indebtedness. These concerns are reflected in subdued consumer spending in important parts of the economy.

Business conditions are holding at levels above their long-run averages. But business confidence is not as strong. Good business conditions are not yet translating into equally strong business investment and real productivity growth. Without a pick-up in productivity, wages growth and household income growth will remain weak.

Against this backdrop, NAB's purpose has never been more important.

We play a critical role in backing Australians who are starting, running and growing their businesses. By supporting them, we are helping to create jobs and opportunities. We also back our customers to buy homes. And we are a leading arranger of finance for Australia's major infrastructure projects, helping to build roads, schools and hospitals.

We remain the leading arranger of renewable energy project finance in Australia and have committed to provide \$55 billion to environmental financing by 2025. To date, we have provided almost \$23 billion in environmental financing.

Each year at NAB we see people in all areas of the bank committed to making a difference and helping those in need through financial assistance and hardship programs, community grants and sponsorships, and participating in one of Australia's largest volunteering programs. We will continue to look for ways that we can do more.

In all of these ways, we are making a positive contribution to the communities in which we operate, right across Australia and New Zealand.

THE BOARD'S COMMITMENT

Living our purpose and values starts with the Board. Every NAB director is a NAB shareholder. And every NAB director is a NAB customer.

The Board is exposed to unfiltered, direct feedback from customers. We get out of the boardroom; to see, feel and hear what is happening across the bank and to hear directly from our employees and our customers.

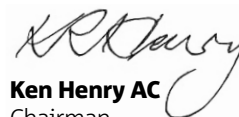
Our November 2018 Board meeting was in my home town of Taree, on the Mid North Coast of NSW. Taree was the last stop in a tour that NAB's senior leaders made of regional and rural Australia this year, listening and identifying ways we can serve our communities better.

This year we have also supported a review of our culture, governance and accountability, which began soon after APRA's Prudential Inquiry Final Report into CBA was released. We want to understand whether there is anything we can learn from the matters raised in relation to CBA and will deliver a final report to APRA by the end of November. This will challenge us to further improve our processes.

The Board is actively involved in guiding the strategic direction of the bank, and in monitoring execution and business performance.

We have ambition for NAB. We will not be complacent with our customers and we will not be complacent with the investments our shareholders have made in our company.

We thank you for joining us in building a stronger and better bank for our customers and for helping us to back the bold who move Australia forward.



Ken Henry AC
Chairman

CEO MESSAGE

2018 has been a tough year – a very challenging operating environment and a period of significant change and investment.

While the overall Australian economy remains sound, risks are emerging – in house prices, low real wage growth and potential disruptions to global trade.

We must stay alert to these challenges and at the same time, face the future with confidence. Twelve months ago, we outlined why we needed to accelerate our strategy, to make NAB stronger for the future.

We have done what we said we would do in this first year, with momentum for years two and three of the transformation. We have also stayed focussed and delivered a credible 2018 result and maintained our dividend for shareholders of \$1.98 for the full year.

Of course, we are facing significant questions as a sector around reputation and trust. The Royal Commission has presented a confronting case for change. We have heard too many examples of letting both our customers and the broader community down and, in turn, our shareholders.

Most of these issues were not caused by ill-intent. The overwhelming majority of our people want to do the right thing. But the cases we've heard have been upsetting and are unacceptable.

I acknowledge we have not always treated our customers with the care and respect we should have. I am sorry for this and determined to set things right.

The hearings have led me to reflect deeply on my more than 30 years in banking. It is clear the industry has drifted over the past two decades. We lost sight of customer interests through a narrow focus on short-term returns. Incentives were not managed carefully enough and internal systems, policies and processes became too complex.

It should not have taken a Royal Commission to bring these issues to light. But now we have a burning platform – for us to address these issues, get back to basics and be better for our customers.

We are listening – and we are responding. We are embarking on an ambitious transformation, to become simpler and faster. We are building a stronger bank, where profitability and sustainable returns are built on a foundation of customer trust and loyalty.

TAKING ACTION FOR CUSTOMERS

In recent months NAB has made a number of decisions as a result of both what we have heard in the Royal Commission and from our customers.

In September, we kept our Standard Variable Rate for existing home loan customers on hold when many competitors increased their rates. While funding costs have been elevated, we have managed our business well and were in a position to hold the rate for longer, to recognise the loyalty of our customers. This is shown through stable margins for the year.

During 2018 we have changed how we reward our frontline employees, reducing the focus on short-term financial targets to provide greater emphasis on the experience of our customers.



We are investing a total of \$4.5 billion to make NAB simpler and faster – less bureaucratic, with more efficient and reliable systems and a better experience for customers.

We continue to examine this area to ensure we are getting it right.

We committed to accelerate the phasing out of grandfathered commissions in our wealth business, and worked to simplify and speed up the remediation process in the case of significant issues.

We have also enabled farming customers to offset Farm Management Deposits against their lending and, for those affected by drought, we have eliminated default interest and launched assistance packages. When people fall into hardship, our first instinct must be to help.

Senior NAB executives have taken part in a listening tour of rural and regional Australia, visiting 13 communities across every state to hear first-hand what these communities want from the bank, what we have been doing well and where we need to do better. As a result of this feedback, we are thinking differently about our branch footprint and announced a moratorium on branch closures in drought-affected areas ahead of finalising our rural and regional strategy.

We will continue to look for ways to do more and recognise that rebuilding trust will take time.

TRANSFORMING OUR BANK

We have a long-term strategy to build a better bank for our customers. Core to this is our purpose to 'back the bold who move Australia forward'.

We are now one year into our three-year transformation, which will help us achieve our vision to be 'Australia's leading bank, trusted by customers for exceptional service' – the bank we want to be.

We are investing a total of \$4.5 billion to make NAB simpler and faster – less bureaucratic, with more efficient and reliable systems and a better experience for customers. We are confident it is the right plan to prepare the bank for the future and we are on track with what we said we would do.

CEO MESSAGE – CONTINUED

Our business bank is a key differentiator with a strong market position and good returns. We are determined to be the best business bank for our clients and have identified four key areas to focus on that will help us get there – empowered relationship bankers, industry specialisation, market-leading digital and decisioning capabilities, and Small Business. We have made good progress in these areas, and continue to focus on these as drivers to achieving our best business bank ambition.

We have made further progress on digital banking with the rollout of more Smart ATMs and have reduced the number of products we offer – from approximately 600 products to 500 and are on our way to our goal of 300 – to reduce compliance, complexity and cost. We have also invested in migrating to technologies, including Cloud, that offer greater speed and resilience at a lower cost. We have also seen progress on simplifying and automating processes and reducing third party costs, which will provide cumulative cost savings targeted at greater than \$1 billion by 2020.

We are investing in new and emerging growth opportunities – in the growth corridors of Greater Western Sydney and Greater Melbourne, in global infrastructure financing, extending the reach of private banking, accelerating UBank as a standalone digital bank – and creating new partnerships through NAB Ventures and NAB Labs.

OUR PEOPLE

In 2018, our people have proven incredibly resilient in a challenging environment and we are proud of the work they do to serve our customers every day.

Engagement of our people is a big focus. Having people who feel part of what we are doing and who really want to give their best is vital.

Whilst our engagement score for 2018 fell, it remains above expectations for organisations undergoing significant transformation. Pleasingly 79% of our people already say they are encouraged to look at things from our customers' perspectives – but we're eager to lift this further.

We have made progress in transforming our workforce to ensure we have the right skills for the future, which includes reducing layers of management to streamline decision-making.

In 2018, around 1,900 people left the bank. Through this process a further 4,000 people will leave over the next two years and it is our priority to provide the utmost care for those impacted. We continue to enhance our world-class assistance program, The Bridge, to help employees leaving NAB find their next opportunity – whether that be a role outside the bank, learning a new skill, starting new businesses or transitioning to retirement.

We made changes to our Executive Leadership Team (ELT) and I was delighted to elevate Rachel Slade and Shaun Dooley to the ELT, both strong leaders and representative of the talent inside the organisation.

We also welcomed Geoff Lloyd as CEO of MLC Wealth – and he will play an important leadership role as we progress towards its targeted separation by the end of calendar year 2019.

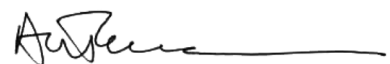
Antony Cahill and Andrew Hagger left the business in the second half and I thank them both for their valuable service over many years.

LOOKING AHEAD

This year has been one of the most challenging in the bank's history. I am determined to respond by taking the necessary steps to make NAB better and stronger.

I am accountable for achieving our vision, to truly deliver exceptional service and in doing so, rebuild trust. We have started this journey but there is much more work to do to become the bank we want to be for our customers.

Thank you to all of our customers, people and shareholders for their continued support.



Andrew Thorburn
Group Chief Executive Officer

KEY RESULTS⁵

2018 CASH EARNINGS ¹	ASM
Business & Private Banking	2,911
Consumer Banking & Wealth	1,539
Corporate & Institutional Banking	1,541
New Zealand Banking	922
Corporate Functions & Other	(1,211)

RECONCILIATION OF CASH EARNINGS TO STATUTORY NET PROFIT ^{1, 2}	2018 ASM	2017 ASM
Cash earnings ('Cash Basis')	5,702	6,642
Non-cash earnings items (after tax):		
Distributions	100	98
Fair value and hedge ineffectiveness	182	(500)
Amortisation of acquired intangible assets	(30)	(62)
MLC Wealth divestment transaction costs	(12)	-
Net profit from continuing operations	5,942	6,178
Net loss after tax from discontinued operations	(388)	(893)
Net profit attributable to owners of NAB ('Statutory Basis')	5,554	5,285

1 For an explanation of cash earnings, refer to footnote 2 on page 38 of this 2018 Notice of Annual General Meeting.

2 Information is presented on a continuing operations basis.

11.7%

cash return on equity^{1, 2}

230 basis points decrease from 2017

10.20%

common equity tier 1

54%

employee engagement result³

compared to top quartile global benchmark of 68%

-16

priority segments net promoter score⁴

4 point decrease from 2017, ranked #2 amongst major banks

\$5.55BN

statutory net profit

\$5.70BN

cash earnings^{1, 2}

14.2% decrease from 2017

\$6.49BN cash earnings ex restructuring-related costs of \$755M and customer-related remediation of \$360M

2.2% decrease from 2017

586,162

low-income Australians and New Zealanders

assisted with microfinance products and services since 2005⁶

\$1.98

dividend per share (for the full year)

consistent with 2017

18,315

number of customers assisted experiencing financial hardship

7% decrease from 2017

Please see page 38 for footnotes.

REMUNERATION FRAMEWORK

WE'VE LISTENED

DRIVING SUSTAINABLE PERFORMANCE

The Board is determined to drive a focus on exceptional customer service at every level of the bank to achieve our strategy and deliver sustainable, long-term performance.

Traditional incentive schemes have contributed to a focus on short-term, financial outcomes in the financial services sector. This does not best serve the interests of customers, shareholders or the bank itself.

In 2018, NAB made significant changes to remuneration – to encourage performance that represents the interests of all NAB stakeholders.

We closed a number of legacy sales based incentive plans. Across the business, 100% of our people now have a balanced scorecard, with compulsory customer and risk measures. Our standard group variable reward plan now covers 97% of our people. NAB is fully compliant with the retail banking remuneration related recommendations of the Sedgwick Report, in advance of the 2020 deadline.

We introduced a new executive remuneration framework for the CEO and Executive Leadership Team.

A SIMPLER EXECUTIVE REMUNERATION FRAMEWORK

The Board and Remuneration Committee spent significant time over 2017 and 2018 reviewing executive remuneration arrangements.

The new framework removes complexity and encourages performance that represents the interests of all NAB stakeholders. Its development involved engagement with investors, proxy advisors, regulators and executives. It is designed to ensure that NAB delivers exceptional customer service. We will monitor its effectiveness over time.

The new framework is compliant with the *Banking Executive Accountability Regime*.

It applies with effect from 1 October 2017. The Board used the new framework to assess the 2018 performance outcomes for the CEO and Executive Leadership Team. Those outcomes are set out in **NAB's 2018 Remuneration Report**. A summary is provided below.

WHY CHANGE?

If we are to win the trust of our customers and deliver sustainable performance for shareholders, evidence of customer focus needs to be considered alongside financial metrics when assessing executive performance.

Behaviour that does not put the customer first cannot provide a sustainable foundation for any business, and therefore is not aligned with our shareholders. The 4 year deferral of a significant proportion of an executive's variable reward (paid in shares) emphasises

the alignment with shareholders. This alignment is important, and for senior executives other than the CEO exceeds the level of deferral required by the *Banking Executive Accountability Regime*.

The new framework makes more transparent the means by which the Board holds leaders accountable when NAB falls short of customer, shareholder and stakeholder expectations.

HOW IT WORKS

Remuneration is now received in only two components. The first component is **fixed remuneration**, including superannuation (effectively a base salary). The second component is a **single variable reward** (determined by the Board on the basis of performance in the year).

FIXED REMUNERATION	VARIABLE REWARD
• Salary (and superannuation)	• 40% paid in cash • 60% deferred for 4 years (in dividend paying shares) allocated at face value (rather than fair value). This is simpler, and provides transparency • Deferred shares cannot be traded during deferral period • All variable reward is subject to clawback, further extension of deferral periods and/or forfeiture at the Board's discretion, for any reason, including regulatory compliance, customer service outcomes and matters that impact on the bank's reputation.

We have removed other types of complex and confusing remuneration.

The key elements of the new variable reward are as follows:

- A single variable reward, based on both individual and bank performance, replaces 'short-term' and 'long-term' incentives.
- Executive outcomes are aligned to shareholders, through deferral in shares upon which dividends are paid.
- The variable reward can be further deferred, clawed back or forfeited, including upon resignation, dismissal for cause or failure to meet threshold conduct requirements.
- The Board will monitor the vesting of deferred shares (in light of individual and bank performance) throughout the 4 year deferral period.

REMUNERATION FRAMEWORK

How variable reward is calculated

Executive's individual score (individual performance)	x	One NAB Score (bank performance)	x	The Executive's target VR opportunity (\$)
Range from 0% to 150%, with a target of 100%. Assessment against a mix of customer, financial, people, strategy and risk metrics. Board then modifies at its discretion, including for matters relating to conduct and reputation.		Range from 0% to 130%, with a target of 100%. Assessment against targets for cash earnings, return on equity, return on total allocated equity and transformation measures. Board then modifies at its discretion, including for matters relating to conduct and reputation.		A multiple of fixed remuneration, depending upon role.

2018: OUTCOMES UNDER NEW EXECUTIVE REMUNERATION FRAMEWORK

Reduction in total reward target levels

- The CEO's total reward at target level was reduced by approximately 11% compared to 2017 and 18% compared to 2016 (this includes allowance for the value of dividends).
- The Executive Leadership Team's aggregate 2018 total reward at target levels (including CEO) was reduced by approximately 15% compared to the prior year, including allowance for the value of dividends.

2018 Bank Performance Outcome

In 2018, the bank's performance was solid but below target. Good progress has been made executing NAB's transformational strategy. However the bank failed to achieve the Board's target increase in customer outcomes (as measured by NPS) and additional conduct provisions were applied.

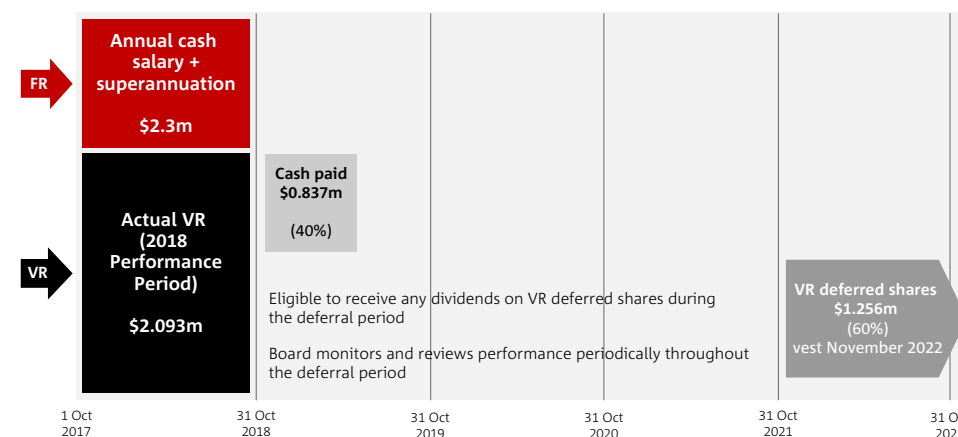
The Board determined a 'One NAB Score' for the Executive Leadership Team of 70%. This is a significant reduction against target.

The Board took this action because it considers that the Executive Leadership Team needs to do more, individually and collectively, to ensure that the bank always 'does the right

thing' by its customers. This is a core NAB value. In respect of the 2018 financial year, the Board considers that customer conduct issues, many of which have featured in the Royal Commission, should have been dealt with better and faster. The Board expects the Executive Leadership Team to lead the bank in the pursuit of our vision to be Australia's leading bank, trusted by customers for exceptional service.

2018 CEO and Senior Executive Outcomes

In 2018 the Board exercised its discretion to provide a variable reward outcome of 45.5% of target (30% of maximum) for the CEO. This means that the CEO will receive \$3.03 million less than his target total remuneration (and \$5.85 million less than his maximum opportunity) for the 2018 financial year.



In 2018 the Board exercised its discretion to provide variable reward outcomes for members of the Executive Leadership Team of between 17.5% and 105% of target.

The wide range of scores across the Executive Leadership Team reflects differential performance against the various components of their individual performance plans.

This year, differences in performance with respect to the risk component have been the most important factor, the Board reducing variable reward outcomes for individual executives by 10% – 75% for risk matters.

The Board is determined that executive accountability – individual and collective – be reflected in remuneration outcomes.

In designing the new executive remuneration scheme, the Board expected that variable reward outcomes would vary significantly among executives. In respect of 2018 they have.

For further detail on 2018 executive remuneration outcomes, we invite you to read our Remuneration Report, included in **NAB's 2018 Annual Financial Report**.

NOTICE OF ANNUAL GENERAL MEETING

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The Annual General Meeting of National Australia Bank Limited will be held in Melbourne Room 2 at the Melbourne Convention & Exhibition Centre, 1 Convention Centre Place, South Wharf, Victoria 3006 Australia on Wednesday, 19 December 2018 at 9.30am (Australian Eastern Daylight Time (AEDT)).

ITEMS OF BUSINESS

1. FINANCIAL REPORT, DIRECTORS' REPORT AND AUDITOR'S REPORTS

To consider the Company's Financial Report, Directors' Report and Auditor's Report for the financial year ended 30 September 2018.

2. REMUNERATION REPORT

To adopt the Company's Remuneration Report for the financial year ended 30 September 2018.

3. VARIABLE REWARD DEFERRED SHARES – GROUP CHIEF EXECUTIVE OFFICER

To approve the grant of Variable Reward deferred shares to the Group CEO, Andrew Thorburn, on the terms described in the Explanatory Notes.

4. RE-ELECTION OF DIRECTOR

To re-elect Anne Loveridge as a Director following her retirement in accordance with the Company's Constitution.

5. SELECTIVE CAPITAL REDUCTION OF CONVERTIBLE PREFERENCE SHARES ISSUED BY THE COMPANY IN MARCH 2013 (CPS)

To consider the following two resolutions as special resolutions¹:

- (a) To approve the terms and conditions of a selective capital reduction in respect of the CPS (in accordance with the terms of the CPS and in an amount of up to \$100 per CPS, as described in the Explanatory Notes).
- (b) To approve the terms and conditions of one or more selective capital reductions in respect of the CPS (outside the terms of the CPS but otherwise in accordance with the *Corporations Act 2001* (Cth) (**Corporations Act**) in an amount of up to \$100 per CPS, as described in the Explanatory Notes).

By Order of the Board

Penny MacRae

Group Company Secretary
16 November 2018

INFORMATION FOR YOU

ATTENDING THE MEETING

You may attend the meeting if you hold:

- Ordinary shares
- Convertible preference shares issued by the Company in March 2013 (CPS)
- Convertible preference shares issued by the Company in December 2013 (CPS II)
- National Income Securities issued by the Company under a prospectus dated 10 May 1999 (NIS).

If you are attending 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 (AEDT).

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

You can vote at the meeting if you are registered as the holder of ordinary shares, CPS, CPS II or NIS as at 7.00pm (AEDT) on Monday, 17 December 2018.

You can vote either by attending the meeting in person or by completing and returning the proxy form (as set out below).

JOINT HOLDERS

If you hold your securities jointly, you and the other holders may attend the meeting. However, only one holder can vote. The holder that can vote is the holder named first on the register.

A corporate holder may appoint one or more persons to act as its representative. However, only one representative can vote at any one time. If you are a representative of a corporate holder, you will need to bring evidence of your appointment or have previously provided the Company's Share Registry with evidence of your appointment.

ASKING QUESTIONS AT THE MEETING

We welcome questions at the meeting.

The meeting is intended to give you the opportunity to hear both the Chairman and the Group CEO talk about the year and their views and insights into the Company's prospects for the year ahead.

In the interests of all people present, we do ask that you confine your questions to the items of business. Our employees 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 your individual circumstances.

If you are unable to attend the meeting, you are invited to submit questions on matters relevant to the meeting by completing the form enclosed and returning it to us by Wednesday, 5 December 2018. Time will not allow for each question submitted to be answered. However, the Chairman will address key themes during the course of the meeting.

1 A 'special resolution' is a resolution that needs to be passed by at least 75% of eligible votes cast on the resolution.

INFORMATION FOR YOU

PROXY VOTES

You can appoint a proxy to attend and vote for you at the meeting. You do this by following the directions on the proxy form. If you do not give any directions to your proxy, they may vote as they think fit (subject to the voting restrictions set out in this Notice and any legal requirements).

Your proxy may be an individual or a body corporate and does not need to hold securities in the Company.

You cannot appoint more than two proxies to attend the meeting or vote for you at the meeting. If you do appoint two proxies to attend and vote for you, you must specify the proportion (or number) of votes that each of your two proxies can exercise.

If your proxy is a body corporate, the body corporate must then appoint an individual as its 'corporate representative' to attend and vote at the meeting. If you are a corporate representative, you will need to bring evidence of your appointment as a corporate representative or have previously provided the Company's Share Registry with evidence of your appointment.

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

If you have specified how your proxy is to vote on an item of business, the proxy must vote the way you have specified. Your proxy can only vote on the items of business that you are entitled to vote on.

If you have specified how your proxy is to vote on an item of business, but the proxy does not attend the meeting – or does not vote on that item – then the Chairman will vote as you have directed (subject to the voting restrictions).

If you appoint the Chairman as your proxy, or the Chairman is taken to be appointed as your proxy, and you have not specified the way to vote on an item of business – the Chairman will exercise your votes in favour of the relevant resolution (subject to the voting restrictions).

SENDING US YOUR PROXY FORM

You can send us your proxy form online, by mail, fax or deliver it in person.

Proxy forms must be received by the Company by 9.30am (AEDT) on Monday, 17 December 2018. You must include with the proxy form any power of attorney under which the proxy form was executed (or a certified copy of the relevant authority).

ONLINE

You can submit your proxy form 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 form may not be suitable for securityholders who wish to appoint two proxies with different voting directions. Please read the instructions for online proxy form submissions carefully before you lodge your proxy form.

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

WRITTEN PROXY FORMS

A proxy form and a reply paid envelope are enclosed. Once completed, you can return it to us by mail, fax or deliver it in person (as set out below).

BY MAIL

Share Registry

National Australia Bank Limited
Reply Paid 2333
Melbourne Victoria 3001
AUSTRALIA

BY FAX

On **1800 783 447** (within Australia) or
+61 3 9473 2555 (outside Australia).

IN PERSON

Share Registry

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

INFORMATION FOR YOU

VOTING AND VOTING RESTRICTIONS

The table below sets out the items of business you may vote on, depending on the type of securities you hold. These voting restrictions reflect the requirements of the Corporations Act, and the terms of the CPS, CPS II and NIS.

IF YOU HOLD...	YOU CAN VOTE ON THE FOLLOWING ITEMS OF BUSINESS...	YOU CAN VOTE IN THE FOLLOWING WAYS...
Ordinary shares only	All items	For, against or abstain
Ordinary shares and CPS	Ordinary shares: All items	Items 2 – 4: For, against or abstain Items 5(a) and 5(b): Against or abstain
	CPS: Item 5(b)	Against or abstain
Ordinary shares and CPS II and/or NIS	Ordinary shares: All items	For, against or abstain
	CPS II and/or NIS: Items 5(a) and 5(b)	For, against or abstain
Ordinary shares, CPS and CPS II and/or NIS	Ordinary shares: All items	Items 2 – 4: For, against or abstain Items 5(a) and 5(b): Against or abstain
	CPS: Item 5(b)	Against or abstain
	CPS II and/or NIS: Items 5(a) and 5(b)	Against or abstain
CPS only	Item 5(b)	Against or abstain
CPS and CPS II and/or NIS	CPS: Item 5(b)	Against or abstain
	CPS II and/or NIS: Items 5(a) and 5(b)	Against or abstain
CPS II and/or NIS	Items 5(a) and 5(b)	For, against or abstain

The Corporations Act prohibits CPS holders from voting any of their securities in favour of Items 5(a) and 5(b) because they may benefit from any selective capital reduction undertaken in respect of the CPS.

Item 2 (Remuneration Report)

The Company will disregard any votes cast on Item 2 by:

- any member of the Company's Key Management Personnel (KMP) whose remuneration details are included in the Remuneration Report (or their closely related parties) in any capacity; and
- any member of the Company's KMP as at the date of the meeting (and their closely related parties) as proxy for another shareholder.

However, the votes will not be disregarded if they are cast as a proxy for a person entitled to vote on Item 2:

- in accordance with the directions on the proxy form; or
- by the Chairman of the meeting as the proxy form expressly authorises the Chairman to exercise proxies on Item 2 despite the fact Item 2 is connected with the remuneration of the Company's KMP.

Item 3 (Variable Reward deferred shares – Group CEO)

The Company will disregard any vote cast:

- in favour of Item 3 by the Group CEO and any of his associates in any capacity; and
- by any member of the Company's KMP as at the date of the meeting (and their closely related parties) as proxy for another shareholder.

However, the votes will not be disregarded if they are cast as proxy for a person entitled to vote on Item 3:

- in accordance with the directions on the proxy form; or
- by the Chairman of the meeting as the proxy form expressly authorises the

Chairman to exercise proxies on Item 3 despite the fact Item 3 is connected with the remuneration of the Group CEO who is a member of the Company's KMP.

Express Authority of the Chairman

If a shareholder appoints the Chairman as their proxy (or the Chairman is appointed as the shareholder's proxy by default) and the shareholder does not mark a voting box for Items 2 or 3, then by signing and returning the proxy form, the shareholder expressly authorises the Chairman to exercise the proxy in respect of the relevant Item (even though those Items are connected with the remuneration of one or more of the Company's KMP).

Chairman's voting intentions

The Chairman of the meeting intends to vote all available proxies in favour of Items 2, 3, 4 and 5.

Item 5 (Selective capital reductions of CPS)

The table under the heading 'Voting and Voting Restrictions' sets out how you can vote on each Item. These voting restrictions reflect the requirements of the Corporations Act, and the terms of the CPS, CPS II and NIS.

ANNUAL FINANCIAL REPORT INFORMATION

The 2018 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, Corporate Governance Statement and Sustainability Report online at www.nab.com.au/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 REPORT, DIRECTORS' REPORT AND AUDITOR'S REPORT

The Financial Report, Directors' Report and Auditor's Report of the Company for the financial year ended 30 September 2018 will be put before the meeting. Each of these reports is contained in the Company's Annual Financial Report for the financial year ended 30 September 2018 (**2018 Annual Financial Report**).

You can get a copy of the 2018 Annual Financial Report either:

- electronically from our website **www.nab.com.au/annualreports**
- in hardcopy from the Share Registry. You can request a copy by email at **nabservices@computershare.com.au** or by telephone on **1300 367 647** (within Australia) or **+61 3 9415 4299** (outside Australia).

While this Item does not require a formal resolution to be put to the meeting, shareholders will be given a reasonable opportunity to comment and raise questions on the matters contained within the 2018 Annual Financial Report. Shareholders will also be able to ask questions of the Company's auditor who will be attending the meeting.

ITEM 2: REMUNERATION REPORT

Shareholders will be given the opportunity at the meeting to comment on and ask questions about the Company's Remuneration Report for the financial year ended 30 September 2018.

The Remuneration Report is contained in the 2018 Annual Financial Report. The Remuneration Report sets out the performance and remuneration of the Company's KMP (being the Non-Executive Directors, the Group CEO and members

of the Executive Leadership Team during the financial year ended 30 September 2018). You can get a copy of the Remuneration Report using one of the methods described in the Explanatory Notes to Item 1 above.

In 2018 NAB introduced a much simpler executive remuneration framework for the Group CEO and Executive Leadership Team.

The new framework removes complexity and encourages performance that represents the interests of all NAB stakeholders. Importantly, it responds to customer, shareholder and broader stakeholder feedback and is designed to ensure that NAB delivers exceptional customer service.

The new framework is compliant with the *Banking Executive Accountability Regime*.

It applies with effect from 1 October 2017. The Board used the new framework to assess the 2018 performance outcomes for the Group CEO and Executive Leadership Team. Those outcomes are set out in the Remuneration Report. A summary of the new remuneration framework is provided below.

- Our senior executives now receive remuneration in only two components. The first component is **fixed remuneration** (effectively a base salary). The second component is a **variable reward** (determined by the Board on the basis of performance in the year).
- We have **removed** all other types of complex and confusing remuneration for our senior executives. Going forward, there is **one single** variable reward (**VR**). This variable reward is 'at risk' (ie not guaranteed) and is at the Board's discretion based on the performance of the individual and the performance of the Company.

- An executive's VR is paid 40% in cash, and 60% in shares that will be deferred for at least four years (**VR deferred shares**). For executives other than the Group CEO, this exceeds the level of deferral required by the *Banking Executive Accountability Regime*.
- Receiving 60% VR in deferred shares aligns with the shareholder experience. This alignment is important. Dividends will be paid on the deferred shares during the four year deferral period (but executives will not be able to sell the deferred shares).
- VR can be further deferred, clawed back (both cash and vested deferred shares) or forfeited.
- Upon resignation, dismissal for cause, failure to meet threshold conduct requirements, or if the Board otherwise determines, an executive will forfeit any entitlement to VR.

Section 250R of the Corporations Act requires a listed company to put a resolution to shareholders to adopt its Remuneration Report for the relevant financial year.

The vote on this Item 2 is advisory only and does not bind the directors or the Company.

RECOMMENDATION

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

ITEM 3: VARIABLE REWARD DEFERRED SHARES – GROUP CEO

The remuneration package for the Group CEO, Mr Thorburn, is based on the Company's performance and remuneration frameworks (as described above and in the Remuneration Report).

These frameworks seek to provide appropriate rewards to employees (balancing fixed and variable ('at risk') reward).

The provision of VR deferred shares under the Company's new remuneration framework is the 'at risk' component of variable reward. Providing the 'at risk' component in VR deferred shares is to align a substantial part of Mr Thorburn's remuneration to the shareholder experience.

(a) Variable Reward arrangements for Mr Thorburn

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

The Board has determined for the 2018 performance year a VR award for Mr Thorburn of \$2,093,000.

60% of the VR awarded to Mr Thorburn for the 2018 performance year will be provided in VR deferred shares, subject to shareholder approval. The VR deferred shares will be granted in one tranche and will be subject to forfeiture conditions until the 'Deferral End Date'. The Deferral End Date is 15 November 2022, although the Board has absolute discretion to extend the Deferral End Date at any time.

EXPLANATORY NOTES

The forfeiture conditions for the VR deferred shares are set out in section 3(c). Mr Thorburn will not be able to deal with his VR deferred shares until they have vested (see section 3(c)). The remaining 40% of the VR awarded to Mr Thorburn for the 2018 performance year will be provided in cash.

(b) How many VR deferred shares are proposed to be granted to Mr Thorburn?

A total of 45,450 VR deferred shares are proposed to be granted to Mr Thorburn.

That number of VR deferred shares was determined by dividing \$1,255,800 (being 60% of Mr Thorburn's total actual VR for the 2018 performance year) by the weighted average price at which Company shares were traded on the ASX in the five trading days from 24 September 2018 to 28 September 2018 inclusive (which was \$27.63)

No price is payable by Mr Thorburn for the grant or vesting of the VR deferred shares.

No value will be received by Mr Thorburn if the VR deferred shares are forfeited prior to the Deferral End Date (except for any dividends paid on the VR deferred shares before they are forfeited if those dividends are not clawed back).

(c) Forfeiture conditions for VR deferred shares

Until the Deferral End Date for the VR deferred shares (as set out in section 3(a)), any VR deferred shares will be forfeited if:

- (i) Mr Thorburn does not meet threshold measures of conduct as set by the Company;
- (ii) Mr Thorburn resigns from the Company;

- (iii) Mr Thorburn ceases employment with the Company for any other reason and the Board determines that the VR deferred shares should be forfeited. If the Board determines not to forfeit Mr Thorburn's VR deferred shares in those circumstances, Mr Thorburn will continue to hold them subject to the other forfeiture conditions (and vesting of the VR deferred shares is not accelerated);

- (iv) the Board determines that the VR deferred shares will be forfeited following the occurrence of a 'Malus Event' (such as where Mr Thorburn has failed to comply with his accountability obligations under the *Banking Act 1959* (Cth) (**Banking Act**));

- (v) the Board determines that the VR deferred shares were granted in error; or

- (vi) the Board otherwise determines in its absolute discretion that some or all of the VR deferred shares will be forfeited, including as a result of the Board's ongoing monitoring and review of Mr Thorburn's performance and the performance of the Group over the period until the Deferral End Date, taking into account various factors such as the quality of the Group's earnings, shareholder experience and other sustainability metrics relevant at the time.

The Board will retain discretion in relation to the final vesting outcome including absolute discretion to adjust variable remuneration down, or to zero, where appropriate.

Any of the VR deferred shares which have not been forfeited will vest on the Deferral End Date.

(d) Clawback

The Board has absolute discretion to claw back VR (both cash and vested deferred shares) if Mr Thorburn has not complied with his accountability requirements under the Banking Act.

If that occurs, Mr Thorburn will be required to repay an amount determined by the Board (in its absolute discretion).

(e) When will the VR deferred shares be granted?

Subject to shareholder approval, the VR deferred shares will be granted within 12 months of the date of the Annual General Meeting.

(f) 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 34,807 STI performance rights and 95,252 LTI performance rights, in respect of the 2017 performance year under the Company's previous incentive plans.

Under the 2017 STI plan, the number of STI performance rights was based on a fair value of \$29.07 for half of the STI performance rights and \$27.16 for the remaining half of the STI performance rights. At the date the number of STI performance rights was determined, the total fair value of the STI performance rights was \$977,469 with an equivalent total face value of shares in the Company of \$1,092,592. The face value of each STI performance right was \$31.39 based on the weighted average price at which Company shares were traded on the ASX over the period from 25 September 2017 to 29 September 2017 inclusive.

Under the 2017 LTI plan, the number of LTI performance rights was based on the award face value of \$2,989,960 divided by the weighted average price at which the Company's shares were traded on the ASX in the five trading days from 25 September 2017 to 29 September 2017 inclusive.

Details of securities held by directors during the 2018 financial year are set out in the Company's Remuneration Report.

(g) Which directors are entitled to participate?

Mr Thorburn is the only director who is eligible to participate in the VR plan.

The Company's non-executive directors do not receive performance-based remuneration.

(h) Why are we seeking approval?

Under the ASX Listing Rules, the Company must seek shareholder approval to issue equity securities in the Company to Company directors. Accordingly, shareholder approval is sought to grant VR deferred shares to Mr Thorburn as described above.

If shareholders do not approve the grant of the VR deferred shares at the meeting, it is intended that (subject to the performance, service and other conditions outlined above):

- (i) Mr Thorburn instead receive all of the deferred VR in cash on the Deferral End Date (such amount to be determined having regard to the Company's share price at that time and the number of VR deferred shares that would have vested had they been granted to Mr Thorburn); and

EXPLANATORY NOTES

- (ii) Mr Thorburn receive a cash payment each time a dividend is paid by the Company during the period from the date the VR deferred shares would have been granted to the Deferral End Date. The value of each cash payment to reflect the value of the dividend (including the value of the imputation credits which applied to the dividend) that Mr Thorburn would have received if he was granted VR deferred shares.

RECOMMENDATION

The Board (with the exception of Mr Thorburn who abstains) recommends that shareholders vote in favour of the proposed resolution.

ITEM 4: RE-ELECTION OF DIRECTOR

Anne Loveridge retires by rotation in accordance with Article 10.3 of the Company's Constitution and, being eligible, offers herself for re-election as a Director. Anne was first elected as a Director in 2015.

The Board, with the assistance of the Nomination & Governance Committee:

- has director appointment criteria, which includes the Company's Board Skills Matrix, to ensure the Board has the necessary skills and experience to discharge its accountabilities and responsibilities;
- assesses the skills, experience and existing workload of any prospective non-executive director against the appointment criteria as part of the ongoing Board renewal process (and the performance of any director offering themselves for re-election); and

- prior to appointment, undertakes comprehensive background checks into a candidate's background and experience.

The Board also undertakes an annual review of its performance and practices. This review includes an assessment of each director's individual performance. The Board considers the results of this annual review in determining whether to endorse a director standing for election or re-election at the AGM. The Board considers that Anne's financial, regulatory reporting, risk management, remuneration and people leadership skills are valuable contributions to the Board's existing skills and expertise.

The Board, with the assistance of the Nomination & Governance Committee, has concluded that Anne is independent and has sufficient capacity to undertake the duties expected of a director of the Company.



Ms Anne Loveridge
BA (Hons), FCA, GAICD

Anne was appointed as a non-executive director in December 2015.

Anne is Chairman of the Board Remuneration Committee and a Member of the Board Nomination & Governance Committee.

Anne has over 30 years of experience in professional services including as a senior partner in the Financial Services practice at PwC, with expertise in the banking, property and wealth management sectors. She has extensive knowledge and understanding of people leadership and development, financial and regulatory reporting, and risk management.

While at PwC Anne held senior leadership positions in the firm, including Deputy Chairman of PwC Australia, managing financial results, risk & quality matters, people & partner development, remuneration and diversity initiatives. She has significant corporate governance experience serving as a director and Chairman on both corporate and not for profit entity boards and committees.

Other Directorships of listed entities

nib Holdings Limited (since February 2017)

Platinum Asset Management Limited (since September 2016)

Other interests

Ms Loveridge is the Chairman of The Bell Shakespeare Company Limited and a member of Chief Executive Women (CEW) and International Women's Forum (Australia).

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

RECOMMENDATION

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

ITEM 5: SELECTIVE CAPITAL REDUCTIONS OF CPS

The purpose of items 5(a) and 5(b) (**CPS Capital Reduction Resolutions**) is to provide the Company with maximum flexibility in how it manages its capital. In particular, it gives the Company flexibility as to how to repay the Issue Price (defined below) of the CPS if it decides to do so.

(a) Background

On 20 March 2013, the Company issued 15,143,274 CPS with an issue price of \$100 each (**Issue Price**) pursuant to a prospectus dated 21 February 2013 (**Prospectus**) to raise a total of A\$1,514,327,400.

Each CPS is a fully paid mandatorily convertible preference share issued by the Company to raise regulatory capital. The CPS were primarily offered to retail investors in Australia. The amount raised has been used for the Company's general corporate purposes.

The full terms of the CPS are set out in Appendix A of the Prospectus (**CPS Terms**). You can obtain a free copy of the Prospectus by visiting the NAB Convertible Preference Shares section of the Company's website at www.nab.com.au/nab-convertible-preference-shares-prospectus 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

Unless otherwise defined, capitalised terms used in these Explanatory Notes have the same meaning as in the CPS Terms.

(b) CPS Terms

Under the CPS Terms, the Company has discretion, subject to prior written approval from the Australian Prudential Regulation Authority (**APRA**), to Redeem, Resell or Convert all or some of the CPS on **20 March 2019** (Optional Redemption Date).

The CPS Terms define ‘**Redeem**’ to include a repayment of the Issue Price of the CPS by redemption, buy-back, capital reduction or any combination of those activities.

The CPS Terms define ‘**Resale**’ to mean that on the **Optional Redemption Date** all or some of the CPS are transferred for the Issue Price to a purchaser nominated by the Company (the **Nominated Purchaser**). CPS acquired by the Nominated Purchaser would be dealt with by the Company (including by way of a Redemption or Conversion) as agreed with the Nominated Purchaser (with APRA’s prior written approval).

The CPS Terms define ‘**Conversion**’ to mean a conversion into ordinary shares in the Company.

The Company may in certain circumstances amend the CPS Terms, subject to APRA’s approval where the amendment may affect the eligibility of the instrument as regulatory capital.

(c) Effect of Approval

Approval of item 5(a) will allow the Company to elect, subject to APRA’s approval, to Redeem CPS in accordance with the CPS Terms through a capital reduction in respect of the CPS.

Approval of item 5(b) would also allow the Company, subject to APRA’s approval and any other necessary agreements, to effect one or more capital reductions in respect of all or some of the CPS outside the CPS Terms but otherwise in accordance with the Corporations Act.

(d) What will CPS holders receive in connection with any capital reduction?

Capital reduction under the CPS Terms

Under the CPS Terms, CPS may be Redeemed by way of a selective capital reduction under which CPS holders are paid, on the Optional Redemption Date, an amount equal to:

- the Issue Price; plus
- if the directors determine in their absolute discretion, an amount equal to the Dividend calculated for the Dividend Period ending on (but not including) the Optional Redemption Date (**Dividend Amount**),

(together the **Redemption Price**).

Capital reduction outside the CPS Terms

The Company may seek to undertake a capital reduction in relation to all or some of the CPS from time to time, with any required agreement of the relevant CPS holders, under a selective capital reduction conducted outside the CPS Terms in accordance with the Corporations Act.

Any voluntary capital reduction would be at a price no greater than the Redemption Price (but calculated as if the relevant date were a Redemption Date).

A capital reduction may be conducted in multiple tranches, at the times determined by the directors or as agreed with the relevant CPS holders, at the applicable price (as described above) and at the relevant time (which may differ between the different tranches).

(e) Why are we seeking shareholder approval?

The Board considers that the Company should have the flexibility to repay the CPS at a future time. Approval of the CPS Capital Reduction Resolutions will give the Company that flexibility.

Under the Corporations Act, any selective capital reduction requires the approval of the Company’s members. Approval is being sought now so that the Company does not need to convene an extraordinary general meeting if it later decides to repay the CPS.

Each CPS Capital Reduction Resolution operates as an alternative to the Company’s other rights under the CPS Terms.

(f) Will any repayment of the CPS take place?

No decision has been made by the Board whether to repay the CPS (whether by Redemption, Resale or a transaction outside the CPS Terms) and accordingly no decision has been made as to whether to undertake a selective capital reduction, or when any such capital reduction might occur.

The Board will only decide to repay the CPS and, if so, to do that using a method approved at this Meeting, if it considers it:

- is in the best interests of the Company;
- is fair and reasonable to the Company’s shareholders as a whole; and
- does not materially prejudice the Company’s ability to pay its creditors.

As noted above, any decision to repay the CPS needs APRA’s prior written approval.

(g) Interests of Directors

Ann Sherry has an indirect interest in 1,500 CPS. No other director has an interest in any CPS.

(h) The financial effect of a capital reduction on the Company

The maximum cost of a capital reduction in respect of all CPS (assuming the reduction is \$100 per CPS) would be \$1,514,327,400 (representing the aggregate Issue Price of CPS) plus, if the directors determine in their absolute discretion, an amount equal to the Dividend Amount.

Additionally, if the amount of the capital reduction per CPS is less than \$100 per CPS, the difference would be returned to CPS holders by way of redemption of the CPS. That redemption would be funded from profits of the Company or the proceeds of a new issue of shares made for the purposes of that redemption.

The Company will not repay the CPS if it would have a material adverse impact on the Company’s financial or regulatory capital position or would materially prejudice the Company’s ability to pay its creditors.

EXPLANATORY NOTES

The Company's latest audited financial statements (being the audited financial statements for the financial year ended 30 September 2018) are available online at www.nab.com.au/annualreports. A printed copy can also be requested 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).

(i) Source of funds for the capital reduction

The Company has significant cash reserves and other funding alternatives that could be used to pay for the cost of a capital reduction in respect of the CPS. The directors would, at the relevant time, consider the best alternative or combination of alternatives for funding any capital reduction in respect of the CPS.

(j) Effect of the capital reduction on the control of the Company

Each CPS entitles a holder to limited voting rights. Given these limited voting rights and the nature of the CPS, the Board considers that any repayment would have no effect on the control of the Company.

(k) Advantages of the capital reduction

Approval of the CPS Capital Reduction Resolutions will give the Company increased flexibility to manage its capital, including to repay the CPS at a future time, without needing to convene an extraordinary general meeting solely to approve the repayment method.

(l) Disadvantages of the capital reduction

A potential disadvantage of either of the capital reductions is that, on completion, the Company would have a reduced capital base. However, the Company will not repay the CPS if it would have a material adverse impact on the Company's financial or regulatory capital position or would materially prejudice the Company's ability to pay its creditors.

(m) Identity of the affected CPS holders

As at 31 October 2018, there were 20,298 registered holders of CPS. CPS are quoted on ASX and held by a variety of investors predominantly based in Australia.

(n) Recommendation

There is no other information known to the Board which may be material to the decision on how to vote in relation to CPS Capital Reduction Resolutions which the Company has not previously disclosed to its securityholders.

The Board recommends that securityholders vote in favour of the CPS Capital Reduction Resolutions.

CONTACT DETAILS

Principal Share Register

Computershare Investor Services
Pty Limited
Yarra Falls
452 Johnston Street
Abbotsford VIC 3067
Australia

Postal address

GPO Box 2333
Melbourne VIC 3001
Australia
Local call: 1300 367 647
F: +61 3 9473 2500

Outside Australia

T: +61 3 9415 4299
F: +61 3 9473 2500
E: nabservices@computershare.com.au
W: nabgroup.com/shareholder

United Kingdom Share Register

Computershare Investor Services plc
The Pavilions
Bridgwater Road
BRISTOL BS99 6ZZ
United Kingdom
T: +44 370 703 0197
F: +44 370 703 6101
E: nabgroup@computershare.co.uk
W: nabgroup.com/shareholder

United States ADR Depository Transfer Agent and Registrar contact details for NAB ADR holders

Deutsche Bank Shareholder Services
American Stock Transfer & Trust Company
Peck Slip Station
PO Box 2050
New York NY 10272-2050
United States of America
Toll-free: +1 866 706 0509
Direct dial: +1 718 921 8137
E: DB@amstock.com

Contact details for ADR brokers and institutional investors

US T: +1 212 250 9100
UK T: +44 207 547 6500
E: adr@db.com

Registered office

National Australia Bank Limited
Level 1
800 Bourke Street
Docklands VIC 3008
Australia
T: 1300 889 398

Company Secretary

Penny MacRae
National Australia Bank Limited
Level 1
800 Bourke Street
Docklands VIC 3008
Australia
T: +61 3 8872 2461

Corporate Responsibility

Postal address:
Corporate Responsibility
National Australia Bank Limited
700 Bourke Street
Docklands VIC 3008
Australia
E: corporate.responsibility@nab.com.au

Auditor

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000
Australia
T: +61 3 9288 8000

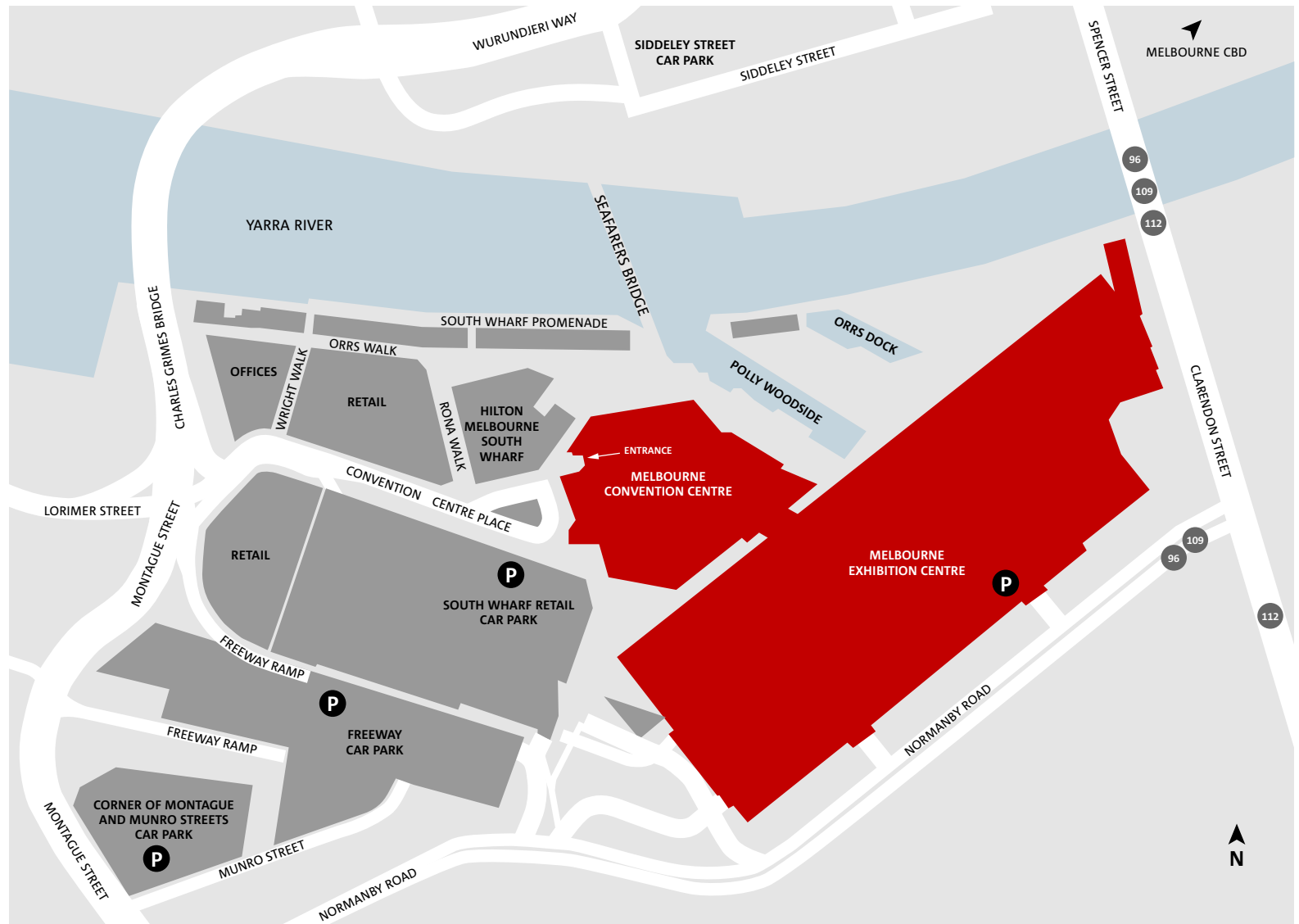
GETTING THERE

The AGM is located at the Melbourne Convention and Exhibition Centre ('MCEC') at 1 Convention Centre Place, South Melbourne, Victoria 3006, Australia and can easily be reached by public transport. A map showing the location of the MCEC is below and more information can also be found online at www.mcec.com.au. There is signage at MCEC which will direct you to Melbourne Room 2.

SECURITY

We thank you in advance for your co-operation with our security staff and the security staff of MCEC. Prior to entry to the Annual General Meeting you will be asked to present any bags you have for a security search.

Larger items such as backpacks, suitcases, parcels and large containers may not be permitted inside the venue for safety and security reasons. You may be asked to cloak these items in the venue's cloak room.



FOOTNOTES FOR KEY RESULTS

- 1 Information is presented on a continuing operations basis.
- 2 Cash earnings is not a statutory financial measure, is not presented in accordance with Australian Accounting Standards, and is not audited or reviewed in accordance with Australian Auditing Standards. NAB's audited financial statements, prepared in accordance with the Corporations Act and Australian Accounting Standards, are set out in NAB's **2018 Annual Financial Report**. Full detail on how cash earnings is defined, a discussion of non-cash earnings items and a full reconciliation of statutory net profit attributable to owners of NAB is set out in Note 2 of NAB's **2018 Annual Financial Report**. A reconciliation of cash earnings to statutory net profit attributable to the owners of NAB is also set out on page 35 of the **2018 Annual Review**.
- 3 Source: Employee Engagement Survey conducted by Aon Hewitt. The engagement result indicates the percentage of employees at NAB that are strong advocates (SAY), demonstrate a commitment to NAB (STAY) and exert discretionary effort (STRIVE).
- 4 Net Promoter® and NPS® are registered trademarks and Net Promoter Score and Net Promoter Systems are trademarks of Bain & Company, Satmetrix Systems and Fred Reichheld. Priority Segments Net Promoter Score (NPS) is a simple average of the NPS scores of four priority segments: NAB defined Home Owners (HL@bank) and Investors, as well as Small Business (turnover \$100k-<\$5m) and Medium Business (turnover \$5m-<\$50m). The Priority Segment NPS data is based on six month moving averages from Roy Morgan Research and DBM BFSM Research as at 30 September 2018. 30 September 2017 NPS performance has been restated to reflect the change in priority segments from Home Owners to Home Owners (HL@bank).
- 5 For more information on how we have performed and created value for our stakeholders this year, refer to How we run our business & deliver for our stakeholders on page 13 and Our performance on pages 35-36 of the **2018 Annual Review**.
- 6 Delivered in partnership with Good Shepherd Microfinance (Australia) and Good Shepherd New Zealand. Cumulative data has been collected since 2005 in Australia and 2014 in New Zealand.